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August 7, 2024

Summary of Consolidated Financial Results for the Three Months Ended June 30, 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
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TEL: +81-3-3283-5041
Scheduled date to commence dividend payments: –
Presentation of supplementary material on financial results: Yes

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(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	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	188,115	0.6	15,729	153.3	17,954	155.6	11,733	(40.9)
June 30, 2023	187,008	(3.6)	6,211	(67.0)	7,025	(71.8)	19,844	23.2

Note: Comprehensive income Three months ended June 30, 2024 ¥27,319 million [(14.2)%]
Three months ended June 30, 2023 ¥31,831 million [4.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	58.60	–
June 30, 2023	97.00	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	1,093,322	703,346	61.6
March 31, 2024	1,068,010	684,832	61.6

Reference: Equity
As of June 30, 2024 ¥673,843 million
As of March 31, 2024 ¥657,745 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, 2024	–	40.00	–	40.00	80.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		45.00	–	45.00	90.00

Note: Revisions to the forecast most recently announced: No

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)	390,000	(2.4)	28,000	26.7	33,000	32.3	23,000	(26.4)	114.86
Fiscal year ending March 31, 2025	790,000	(2.9)	54,000	14.1	62,000	34.7	48,000	23.7	239.69

Note: Revisions to the forecast most recently announced: Yes

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 company (Company name: Cultivecs Inc.)

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement
(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
(ii) Changes in accounting policies due to other reasons: None
(iii) Changes in accounting estimates: None
(iv) Restatement: None

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

As of June 30, 2024	217,239,199
As of March 31, 2024	217,239,199

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

As of June 30, 2024	17,010,214
As of March 31, 2024	17,009,734

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

Three months ended June 30, 2024	200,229,259
Three months ended June 30, 2023	204,578,056

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)

* 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 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, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	71,447	65,978
Notes and accounts receivable - trade, and contract assets	165,648	169,352
Merchandise and finished goods	111,668	118,827
Work in process	19,769	17,434
Raw materials and supplies	69,092	69,610
Other	26,175	24,558
Allowance for doubtful accounts	△651	△725
Total current assets	463,148	465,037
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	87,647	89,952
Machinery, equipment and vehicles, net	86,350	91,682
Other, net	140,626	148,981
Total property, plant and equipment	314,624	330,616
Intangible assets		
Goodwill	16,868	16,479
Other	8,002	8,784
Total intangible assets	24,871	25,263
Investments and other assets		
Investment securities	236,354	243,108
Other	30,529	30,860
Allowance for doubtful accounts	△1,518	△1,563
Total investments and other assets	265,365	272,405
Total non-current assets	604,861	628,285
Total assets	1,068,010	1,093,322

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	109,013	110,442
Short-term borrowings	51,818	56,235
Income taxes payable	6,134	5,469
Provisions	5,922	4,522
Other	68,592	61,329
Total current liabilities	241,480	238,000
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	69,671	78,451
Provisions	2,620	1,980
Retirement benefit liability	4,257	4,392
Asset retirement obligations	5,707	5,790
Other	29,439	31,359
Total non-current liabilities	141,696	151,975
Total liabilities	383,177	389,975
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	35,551	35,553
Retained earnings	536,232	539,496
Treasury shares	△26,127	△26,128
Total shareholders' equity	587,627	590,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,573	18,192
Deferred gains or losses on hedges	171	83
Foreign currency translation adjustment	40,143	53,283
Remeasurements of defined benefit plans	12,229	11,392
Total accumulated other comprehensive income	70,117	82,951
Non-controlling interests	27,087	29,503
Total net assets	684,832	703,346
Total liabilities and net assets	1,068,010	1,093,322

2. Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	187,008	188,115
Cost of sales	149,446	144,866
Gross profit	37,561	43,249
Selling, general and administrative expenses	31,350	27,520
Operating profit	6,211	15,729
Non-operating income		
Interest income	288	296
Dividend income	1,037	969
Foreign exchange gains	1,248	1,284
Share of profit of entities accounted for using equity method	—	1,212
Other	609	561
Total non-operating income	3,184	4,323
Non-operating expenses		
Interest expenses	589	886
Personnel expenses for seconded employees	429	398
Share of loss of entities accounted for using equity method	667	—
Other	682	812
Total non-operating expenses	2,369	2,098
Ordinary profit	7,025	17,954
Extraordinary income		
Gain on step acquisitions	15,085	—
Gain on sale of investment securities	2,189	—
Reversal of provision for business restructuring	148	—
Total extraordinary income	17,422	—
Profit before income taxes	24,448	17,954
Income taxes	3,227	4,427
Profit	21,220	13,526
Profit attributable to non-controlling interests	1,375	1,793
Profit attributable to owners of parent	19,844	11,733

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	21,220	13,526
Other comprehensive income		
Valuation difference on available-for-sale securities	1,453	626
Deferred gains or losses on hedges	△170	△199
Foreign currency translation adjustment	6,577	8,112
Remeasurements of defined benefit plans, net of tax	△108	△698
Share of other comprehensive income of entities accounted for using equity method	2,861	5,951
Total other comprehensive income	10,611	13,792
Comprehensive income	31,831	27,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	29,105	24,567
Comprehensive income attributable to non-controlling interests	2,726	2,752

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2023/1Q	FY2024/1Q	Change
Net sales	187.0	188.1	1.1
Operating profit	6.2	15.7	9.5
Equity in earnings of affiliates	(0.6)	1.2	1.8
Ordinary profit	7.0	17.9	10.9
Profit attributable to owners of parent	19.8	11.7	(8.1)

During the first three months of the fiscal year ending March 31, 2025 (April 1, 2024 – June 30, 2024), inflation continued in Europe, the United States and elsewhere, while interest rates remained high. With regard to the future outlook, financial and capital market conditions are expected to grow volatile due to foreign exchange fluctuations and other factors, while anxieties remain over the outlook for the stagnant Chinese economy as well as looming geopolitical risks. These and other projections, in turn, contribute to significant future uncertainties, making it challenging to formulate the global economic outlook.

Against this backdrop, the Mitsubishi Gas Chemical (MGC) Group has identified a new target of "Strengthening the resiliency of our business portfolio" under a medium-term management plan which was launched in the fiscal year ending March 31, 2025. To this end, the Group has been pushing ahead with various measures, such as "Focusing on Uniqueness & Presence," "Building new value through innovation" and "Restructuring businesses requiring intensive management." Thus, the Group has been thoroughly implementing business portfolio reforms that are directly aimed at improving capital efficiency.

As a result, the Group's net sales increased, despite the December 2023 transition of JSP Corporation from consolidated subsidiary to equity-method affiliate and other negative factors, due mainly to the depreciation of the yen and higher sales volumes of optical polymers for smartphone use, electronic materials and other offerings.

Operating profit similarly increased, reflecting such factors as the impact of yen depreciation, in addition to higher sales volumes of semiconductor-related products, including electronic materials and inorganic chemicals, as well as optical polymers for smartphone use.

Furthermore, ordinary profit rose due to the increase in operating profit as well as higher methanol market prices and other positive factors leading to improvement in equity in earnings of affiliates.

However, profit attributable to owners of parent decreased due primarily to the absence of gain on step acquisitions recorded in the same period of the previous fiscal year 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

Green Energy & Chemicals

(Billions of yen)

	FY2023/1Q	FY2024/1Q	Change
Net sales	101.9	78.3	(23.5)
Operating profit	3.2	4.1	+0.8
Ordinary profit	2.0	4.5	+2.4

The methanol business saw increases in both net sales and earnings due primarily to the depreciation of the yen and higher market prices compared with the same period of the previous fiscal year.

Methanol and ammonia-based chemicals posted increases in both net sales and earnings due mainly to recovery in the sales volume of MMA products and higher market prices, in addition to the depreciation of the yen.

The energy resources and environmental business saw an increase in net sales due to the higher sales volume of LNG for power generation use and other factors.

Meta-xylenediamine and aromatic aldehydes posted increases in both net sales and earnings due primarily to the depreciation of the yen and recovery in demand for products targeting European and U.S. customers.
Xylene separators and derivatives saw increases in both net sales and earnings, despite stagnant market prices for purified isophthalic acid (PIA), thanks to the depreciation of the yen and other positive factors.

Specialty Chemicals

(Billions of yen)

	FY2023/1Q	FY2024/1Q	Change
Net sales	87.2	109.2	22.0
Operating profit	3.5	12.6	9.0
Ordinary profit	4.7	13.9	9.2

Inorganic chemicals posted increases in both net sales and earnings, reflecting such factors as robust showings of chemicals for use in semiconductor manufacturing, as semiconductor demand returned to a recovery track from previous stagnation.

Engineering plastics saw increases in both net sales and earnings due mainly to higher sales volumes and improvement in manufacturing costs.

Optical materials posted increases in both net sales and earnings on the back of the higher sales volume of optical polymers that reflected a trend toward increasing the sophistication of smartphone camera functions, growing demand for products targeting emerging nations, and other factors.

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

Oxygen absorbers such as AGELESS™ posted increases in net sales and earnings due to improvement in export prices on the back of the depreciation of the yen, along with higher sales of products for overseas customers.

(End)