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November 8, 2024

Summary of Consolidated Financial Results for the Six Months Ended September 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
Inquiries: Satoshi Takizawa, General Manager, CSR & IR Division
TEL: +81-3-3283-5041
Scheduled date to file semi-annual securities report: November 13, 2024
Scheduled date to commence dividend payments: December 5, 2024
Presentation of supplementary material on financial results: Yes

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

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	388,130	(2.9)	33,752	52.7	37,444	50.1	24,724	(20.8)
September 30, 2023	399,652	1.2	22,103	(34.1)	24,947	(50.0)	31,235	(8.9)

Note: Comprehensive income Six months ended September 30, 2024 ¥29,994 million [(48.5)%]
Six months ended September 30, 2023 ¥58,240 million [(3.6)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	123.47	–
September 30, 2023	152.67	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	1,087,549	706,109	62.1
March 31, 2024	1,068,010	684,832	61.6

Reference: Equity
As of September 30, 2024 ¥675,125 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	–	45.00			
Fiscal year ending March 31, 2025 (Forecast)			–	50.00	95.00

Note: Revisions to the forecast most recently announced: Yes

Regarding the revisions to the dividend forecasts, please refer to the "Revisions of Business Performance Forecasts and Dividend Forecasts" released today (November 8, 2024).

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
Fiscal year ending March 31, 2025	770,000	(5.3)	56,000	18.3	63,000	36.8	48,000	23.7	243.10

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 semi-annual 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 September 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 September 30, 2024	16,976,213
As of March 31, 2024	17,009,734

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

Six months ended September 30, 2024	200,243,400
Six months ended September 30, 2023	204,591,758

* Semi-annual financial results reports are exempt from review 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 financial results)

The supplementary material on financial results is disclosed on the same day as this semi-annual 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 September 30, 2024
Assets		
Current assets		
Cash and deposits	71,447	71,794
Notes and accounts receivable - trade, and contract assets	165,648	151,330
Merchandise and finished goods	111,668	117,443
Work in process	19,769	19,769
Raw materials and supplies	69,092	70,030
Other	26,175	24,948
Allowance for doubtful accounts	△651	△743
Total current assets	463,148	454,573
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	87,647	87,138
Machinery, equipment and vehicles, net	86,350	88,338
Construction in progress	94,631	115,084
Other, net	45,994	46,129
Total property, plant and equipment	314,624	336,691
Intangible assets		
Goodwill	16,868	16,089
Other	8,002	8,382
Total intangible assets	24,871	24,472
Investments and other assets		
Investment securities	236,354	242,993
Other	30,529	30,435
Allowance for doubtful accounts	△1,518	△1,617
Total investments and other assets	265,365	271,812
Total non-current assets	604,861	632,975
Total assets	1,068,010	1,087,549

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	109,013	94,781
Short-term borrowings	51,818	61,843
Current portion of bonds payable	—	10,000
Income taxes payable	6,134	8,554
Provisions	5,922	7,018
Other	68,592	59,742
Total current liabilities	241,480	241,940
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term borrowings	69,671	76,989
Provisions	2,620	2,541
Retirement benefit liability	4,257	4,509
Asset retirement obligations	5,707	6,213
Other	29,439	29,243
Total non-current liabilities	141,696	139,498
Total liabilities	383,177	381,439
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	35,551	35,607
Retained earnings	536,232	552,488
Treasury shares	△26,127	△26,077
Total shareholders' equity	587,627	603,988
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,573	15,767
Deferred gains or losses on hedges	171	191
Foreign currency translation adjustment	40,143	44,687
Remeasurements of defined benefit plans	12,229	10,489
Total accumulated other comprehensive income	70,117	71,136
Non-controlling interests	27,087	30,984
Total net assets	684,832	706,109
Total liabilities and net assets	1,068,010	1,087,549

2. Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	399,652	388,130
Cost of sales	313,231	298,729
Gross profit	86,421	89,400
Selling, general and administrative expenses	64,317	55,648
Operating profit	22,103	33,752
Non-operating income		
Interest income	1,192	749
Dividend income	2,466	1,738
Foreign exchange gains	2,520	—
Share of profit of entities accounted for using equity method	—	5,943
Other	1,263	971
Total non-operating income	7,443	9,403
Non-operating expenses		
Interest expenses	1,519	1,427
Personnel expenses for seconded employees	702	622
Foreign exchange losses	—	1,992
Share of loss of entities accounted for using equity method	1,016	—
Other	1,360	1,668
Total non-operating expenses	4,598	5,711
Ordinary profit	24,947	37,444
Extraordinary income		
Subsidy income	377	983
Gain on sale of investment securities	2,830	118
Gain on step acquisitions	15,085	—
Reversal of provision for business restructuring	105	—
Total extraordinary income	18,399	1,101
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	244	669
Provision for business restructuring	—	589
Impairment losses	—	187
Office relocation expenses	—	115
Provision of allowance for doubtful accounts	100	100
Loss on disposal of non-current assets	307	—
Total extraordinary losses	651	1,662
Profit before income taxes	42,694	36,884
Income taxes	7,328	8,564
Profit	35,366	28,320
Profit attributable to non-controlling interests	4,131	3,595
Profit attributable to owners of parent	31,235	24,724

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	35,366	28,320
Other comprehensive income		
Valuation difference on available-for-sale securities	3,089	△1,907
Deferred gains or losses on hedges	△360	134
Foreign currency translation adjustment	13,660	1,069
Remeasurements of defined benefit plans, net of tax	△280	△1,397
Share of other comprehensive income of entities accounted for using equity method	6,765	3,775
Total other comprehensive income	22,873	1,674
Comprehensive income	58,240	29,994
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	50,518	25,743
Comprehensive income attributable to non-controlling interests	7,722	4,250

3. Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	42,694	36,884
Depreciation	18,373	16,851
Loss (gain) on disposal of non-current assets	830	438
Amortization of goodwill	969	900
Share of loss (profit) of entities accounted for using equity method	1,016	△5,943
Impairment losses	—	187
Increase (decrease) in allowance for doubtful accounts	△30	200
Increase (decrease) in retirement benefit liability	76	△1,239
Interest and dividend income	△3,659	△2,488
Interest expenses	1,519	1,427
Loss (gain) on sale of short-term and long-term investment securities	△2,830	△172
Loss (gain) on valuation of short-term and long-term investment securities	43	36
Loss (gain) on step acquisitions	△15,085	—
Decrease (increase) in trade receivables	25,392	15,711
Decrease (increase) in inventories	△4,823	△5,129
Increase (decrease) in trade payables	△19,691	△15,996
Increase (decrease) in accrued consumption taxes	1,330	1,051
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△106	△80
Other, net	△8,135	△5,885
Subtotal	37,884	36,753
Interest and dividends received	3,641	2,464
Dividends received from entities accounted for using equity method	3,219	3,131
Interest paid	△1,505	△1,463
Income taxes paid	△6,323	△5,626
Subsidies received	—	239
Proceeds from insurance income	14	90
Net cash provided by (used in) operating activities	36,929	35,589

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from investing activities		
Purchase of non-current assets	△37,614	△41,453
Proceeds from sale of non-current assets	126	232
Purchase of investment securities	△128	△2,802
Proceeds from sale of investment securities	4,486	318
Loan advances	△1,675	△203
Proceeds from collection of loans receivable	29	116
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	11,894	—
Other, net	3,569	△5,866
Net cash provided by (used in) investing activities	△19,312	△49,658
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△15,180	10,602
Proceeds from long-term borrowings	6,390	9,710
Repayments of long-term borrowings	△6,027	△3,133
Purchase of treasury shares	△2	△3
Dividends paid	△8,183	△8,009
Dividends paid to non-controlling interests	△3,464	△23
Other, net	9,702	△450
Net cash provided by (used in) financing activities	△16,765	8,691
Effect of exchange rate change on cash and cash equivalents	6,326	1,238
Net increase (decrease) in cash and cash equivalents	7,178	△4,138
Cash and cash equivalents at beginning of period	101,185	65,397
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	615
Cash and cash equivalents at end of period	108,363	61,874

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2023/1H	FY2024/1H	Change
Net sales	399.6	388.1	(11.5)
Operating profit	22.1	33.7	11.6
Equity in earnings of affiliates	(1.0)	5.9	6.9
Ordinary profit	24.9	37.4	12.4
Profit attributable to owners of parent	31.2	24.7	(6.5)

During the first half (April 1, 2024 – September 30, 2024) of the fiscal year ending March 31, 2025, inflationary pressure began to moderate, but radical fluctuations continued in financial and capital market conditions, such as foreign exchange rates, due to shifts in monetary policies undertaken in major countries, including downward policy rate revisions in Europe and the United States. Moreover, the Chinese economy remained mired in stagnation. In addition, the Ukraine situation continued, while regional conflicts escalated in the Middle East, leading to growing concern of widening economic division fueled by geopolitical risk. These and other uncertainties, in turn, made it challenging to formulate the immediate outlook for the global economy.

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.

The Group’s net sales decreased due mainly to the December 2023 transition of JSP Corporation from consolidated subsidiary to equity-method affiliate, despite higher methanol market prices, growth in sales volumes of such products as optical polymers for smartphone use and electronics materials, the depreciation of the yen, and other positive factors.

On the other hand, operating profit increased, despite such negative factors as the aforementioned transition of JSP Corporation to equity-method affiliate. This increase was mainly attributable to overall growth in earnings from the Specialty Chemicals business segment compared with the same period of the previous fiscal year.

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, interim 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.

Taking the above factors into account, the MGC Group’s consolidated operating results were as presented above.

Results by Business Segment

Operating results by segment are as described below.

Please note that reportable segment operations previously classified as “Basic Chemicals” were renamed “Green Energy & Chemicals” in the first half of the fiscal year ending March 31, 2025.

In addition, net sales presented for each reportable segment in the subsequent section, “Results by Business Segment,” previously comprised only revenues from external customers. However, from the beginning of the fiscal year ending March 31, 2025, the Company revised the method of presentation in this section to include both revenues from external customers and transactions with other segments in net sales for each such segment. Moreover, segment net sales for the first half of the previous fiscal year have been presented by retrospectively applying the above change.

Net sales Unit: Billions of yen

	FY2023/1H	FY2024/1H	Change	Change (%)
Green Energy & Chemicals	209.4	163.9	(45.4)	(21.7)
Specialty Chemicals	194.1	222.9	28.7	14.8
Other	0.0	8.1	8.0	–
Adjustments	(4.0)	(6.8)	(2.8)	–
Total	399.6	388.1	(11.5)	(2.9)

Operating profit Unit: Billions of yen

	FY2023/1H	FY2024/1H	Change	Change (%)
Green Energy & Chemicals	9.4	10.1	0.6	6.8
Specialty Chemicals	14.2	25.2	10.9	77.2
Other	(0.0)	0.6	0.6	–
Adjustments	(1.5)	(2.2)	(0.6)	–
Total	22.1	33.7	11.6	52.7

Ordinary profit Unit: Billions of yen

	FY2023/1H	FY2024/1H	Change	Change (%)
Green Energy & Chemicals	7.4	14.2	6.8	91.4
Specialty Chemicals	17.8	25.8	7.9	44.7
Other	0.0	0.5	0.5	769.5
Adjustments	(0.4)	(3.3)	(2.8)	—
Total	24.9	37.4	12.4	50.1

Green Energy & Chemicals

The methanol business saw increases in both net sales and earnings due primarily to 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 increases in net sales and earnings due primarily to the higher sales volume of LNG for power generation use, along with growth in the sales volume of iodine and rising market prices for this offering.

Meta-xylenediamine and aromatic aldehydes posted an increase in net sales, but recorded a decrease in earnings, reflecting such factors as the lower sales volume of derivatives for China-bound exports and higher fixed costs, despite a recovery trend in demand for products targeting European and U.S. customers.

Xylene separators and derivatives posted earnings on par with the same period of the previous fiscal year, despite stagnant market prices for purified isophthalic acid (PIA), thanks to the depreciation of the yen and other positive factors.

Specialty Chemicals

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 to higher sales volumes of such offerings as products related to office automation equipment, in addition to 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.

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

Oxygen absorbers such as AGELESS™ posted increases in net sales and earnings due to improvement in export prices and the higher sales volume of products for overseas customers.

(End)