February 7, 2023

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023 (Under IFRS)

Company name: Mitsubishi Chemical Group Corporation Listing: Tokyo Stock Exchange
Securities code: 4188 URL: https://www.mcgc.com/english/
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Representative Corporate Executive Officer, President&Chief Executive Officer
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Director, Corporate Communications Div.
Scheduled date to file quarterly securities report: February 10, 2023
Scheduled date to commence dividend payments: ―
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for securities analysts and institutional investors)

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

1. Consolidated financial results for the Third Quarter of the Fiscal Year Ending March 31, 2023("FY2022") (from April 1, 2022 to December 31, 2022)

(1) Results of Operations:

(Percentages indicate year-on-year changes.)

	Sales Revenue		Core Operating Income *		Operating income		Net income		Net income attributable to owners of the parent		Comprehensive Income	
Nine months ended		%		%		%		%		%		%
December 31, 2022	3,406,165	17.4	177,881	(18.8)	48,622	(77.7)	44,806	(69.6)	17,039	(86.0)	121,468	(36.5)
December 31, 2021	2,900,294	23.1	218,941	92.7	218,237	―	147,259	―	122,132	―	191,333	561.9

Reference: Income before taxes
Nine months ended December 31, 2022: ¥39,207 million((81.2)%)
Nine months ended December 31, 2021: ¥208,177 million(―)
* Core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors.

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	11.99	11.55
December 31, 2021	85.95	79.06

(2) Financial Position:

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of parent to total assets
As of				%
December 31, 2022	5,864,740	1,900,075	1,495,314	25.5
March 31, 2022	5,573,871	1,844,319	1,458,077	26.2

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2022	―	15.00	―	15.00	30.00
March 31, 2023	―	15.00	―		
March 31, 2023 (Forecast)				15.00	30.00

Note:
Revisions to the forecast of cash dividends most recently announced: None

3. Forecast for the Current Fiscal Year

(Percentages indicate changes in comparison with the previous fiscal year)

	Sales Revenue		Core Operating Income		Operating income		Net income		Net income attributable to owners of the parent		Basic earnings per share
		%		%		%		%		%	Yen
FY2022	4,514,000	13.5	200,000	(26.6)	71,000	(76.6)	65,000	(69.0)	28,000	(84.2)	19.69

Reference: Income before taxes
FY2022: ¥57,000 million((80.4)%)

Note:

The forecast for FY2022 has been revised to the above from those announced on November 8, 2022.

Details are described in "1. Qualitative Information on Financial Results for the Term (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking" on page [5] hereof.

* 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 and changes in accounting estimates

(i) Changes in accounting policies required by IFRS : None

(ii) Changes in accounting policies due to other reasons : None

(iii) Changes in accounting estimates : None

(3) Number of issued shares (ordinary shares)

(i)Total number of issued shares at the end of the period (including treasury shares)

As of December 31,2022	1,506,288,107 Shares	As of March 31,2022	1,506,288,107 Shares

(ii)Number of treasury shares at the end of the period

As of December 31,2022	84,264,780 Shares	As of March 31,2022	85,199,844 Shares

(iii)Average number of shares outstanding during the period

Nine months ended December 31,2022	1,421,686,262 Shares	Nine months ended December 31,2021	1,420,900,471 Shares

*Mitsubishi Chemical Group Corporation adopted a performance-based share compensation plan that uses executive compensation Board Incentive Plan (BIP) trusts. Mitsubishi Chemical Group Corporation stocks held by BIP trust are included in treasury shares.

(Reference)

Number of Company's shares in executive compensation BIP trust:

December 31, 2022	2,413,119 Shares
March 31, 2022	2,833,314 Shares

Disclosure regarding quarterly review procedures

Financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Proper use of earnings forecasts, and other special matters

*The forward-looking statements are based largely on the Company's expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond the Company's control. Actual results could differ materially due to numerous factors.

*Change of Trade Name

Based on the new management policy of "Forging the future" announced in December 2021, we have been promoting the shift to a "One Company, One Team" flat organizational structure since April 1, 2022. To represent our new organizational structure, which will execute in a unified manner across the Group, we have decided to change our trade name from "Mitsubishi Chemical Holdings Corporation" to "Mitsubishi Chemical Group Corporation" on July 1, 2022.

*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.

Contents:

1. Qualitative Information on Financial Results for the Term

(1) Business Performance

Performance Overview

In the business environment in the consolidated first three quarters (April 1, 2022 - December 31, 2022; same hereafter) of the Mitsubishi Chemical Group (MCG), the global economy overall continued to modestly trend upward, as socio-economic activities return to normal. However, the outlook continues to remain murky due to concerns over economic downturn reflecting volatility in the financial and capital markets, in addition to a rise in raw material and fuel prices.

Against this backdrop, sales revenue in the consolidated quarter under review (April 1, 2022 - December 31, 2022; same hereafter) increased ¥505.9 billion, or 17.4%, to ¥3,406.2 billion. In the profit front, core operating income fell ¥41.0 billion, or 18.8%, to ¥177.9 billion. Operating income was down ¥169.6 billion, or 77.7%, to ¥48.6 billion due to the recording of impairment losses related to Chemicals Segment and the Health Care Segment under Special Items. Income before taxes decreased ¥169.0 billion, or 81.2%, to ¥39.2 billion. And net income attributable to owners of the parent dropped ¥105.1 billion, or 86.0% to ¥17.0 billion.

Overview of Business Segments

The overview of financial results by business segment for the first three quarters of fiscal 2022 is shown below. Segment gains or losses are stated as core operating income, which excludes gains or losses from non-recurring factors and including losses from business withdrawals, streamlining, and other factors.

Performance Products Segment, Performance Products Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥95.6 billion, to ¥944.5 billion and core operating income declined ¥3.4 billion, to ¥54.1 billion.

In polymers and compounds, sales revenue climbed. Although sales volumes declined, mainly for products used in automobile applications, MCG made progress in passing on a rise in raw material costs to selling prices, and owing to contribution from forex translation impact.

In films and molding materials, sales revenue increased. Although sales decreased reflecting a rapid retreat in demand for products used in display applications, and due to the transfer of the polycrystalline alumina fiber business in March 2022, there was positive impact mainly from a correction to selling prices accompanying a rise in raw material costs as well as strong trends in demand for molding materials.

In advanced solutions, sales revenue grew underpinned chiefly by a correction to selling prices in tandem with a rise in raw material costs and also owing to strong demand trends in the semiconductor-related business.

Meanwhile, core operating income in this segment declined. Although progress was made in passing on cost to selling prices, amid impact from a rise in raw material costs, core operating income was hindered primarily by a rapid decline in demand for products used in displays and an increase in costs due to inflation.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at MCG.

- In China, MCG decided to boost its production capacity for newly-developed low-swelling natural graphite anode materials from a current 2,000 tons/year to 12,000 tons/year to address brisk demand for anode materials used in lithium-ion batteries. The goal is to launch this new production capacity in the first half of fiscal 2023.
- In the UK, MCG decided in July 2022 to boost its annual production capacity for SoarnoL™ ethylene vinyl alcohol copolymer (EVOH) resin to 39,000 tons, from a present 18,000 tons, to address expanding global demand for food

packaging materials. The production increase is slated to take effect in July 2025.

● As part of its portfolio reform, MCG decided in December 2022 to withdraw from the business of Vonnel™ and Vonnel™ M.V.P, acrylic fibers manufactured at the Hiroshima Plant, by the end of 2023.

Chemicals Segment, Industrial Materials Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥179.6 billion, to ¥1,101.4 billion and core operating income declined ¥64.2 billion, to ¥19.3 billion.

In MMA, sales revenue was down. Although sales revenue was bolstered mainly due to forex impact, sales volumes decreased in line with a slowdown in demand in Europe and Asia.

In petrochemicals, sales revenue was up. Although sales volumes contracted due to an increase in impact from a slowdown in demand and scheduled maintenance and repairs at the ethylene production facility, selling prices rose mainly in tandem with an uptick in raw material and fuels costs and other factors.

In carbon products, sales revenue expanded. Although sales volumes were lower due to a slowdown in demand, there was a climb in selling prices for cokes primarily in line with a rise in raw material and fuel costs.

Core operating income in this segment declined. In addition to a drop in sales volumes reflecting slowing demand, there was a contraction in the price gap between raw materials and products.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at MCG.

● While MCG has been working on the establishment of its new Methyl Methacrylate (MMA) plant using Alpha technology (expected production capacity of 350,000 tons/year) in the United States, it has decided to defer the timing of the final investment decision (FID) for the project from mid-2022 to fiscal year 2023 due to current market volatilities among other factors.

● With the aim of increasing the competitiveness of its MMA operations and optimizing the supply system, MCG decided in December 2022 to cease the production of methacrylates at its Cassel Site (production capacity of about 200,000 tons/year) in the United Kingdom upon the completion of consultation with its employees.

Industrial Gases Segment, Industrial Materials Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥179.8 billion, to ¥866.4 billion and core operating income rose ¥10.4 billion, to ¥84.3 billion.

In industrial gases, sales revenue and core operating income both rose. This mainly reflects a rise in selling prices in tandem with a climb in fuel costs and forex impact, as well as strong demand for in Japan and overseas.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at MCG.

● An agreement was signed with Petroleos del Peru (PetroPeru), the Peruvian National Oil Company (Head Office: Lima, Peru), related to the operations, maintenance and supply of hydrogen and nitrogen plants at the Talara refinery. This agreement was signed owing to the evaluation of performance at the HyCO business thus far and the proposals to PetroPeru. The goal is to supply hydrogen and nitrogen from the second half of fiscal 2022 onward.

● In addition to supplying hydrogen from an existing facility, a long-term supply agreement was entered into with Vertex Energy, Inc. ("Vertex"; Head office: Texas, US) for hydrogen to be used as a new raw material for renewable energy production at a 75,000 barrel per day refinery in Mobile, Alabama owned by Vertex. This is the first time a HyCO plant, which uses renewable hydrocarbon fuel as a raw material, will be established.

- An award for the supply of hydrogen and co-product steam for a period of 20 years has been received from Numaligarh Refinery Limited (Head office: Assam, India), a Public Sector affiliate of the Government of India. A plant will be newly constructed adjacent to the refinery to supply hydrogen and co-product steam. The new plant is scheduled to be completed and commence operations in 2025.

Health Care Segment, Health Care Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥19.5 billion, to ¥331.6 billion and core operating income rose ¥13.9 billion, to ¥18.5 billion.

In pharmaceuticals, sales revenue and core operating income rose. Although there was negative impact mainly from National Health Insurance drug price revisions in the domestic ethical pharmaceuticals business, this was primarily offset by a growth in sales volumes for priority products and steady sales of RADICAVA ORS® for the treatment of patients with amyotrophic lateral sclerosis (ALS) which had been released in the United Sates. Note that some royalty revenue from Novartis Pharma AG for *Gilenya*, a treatment agent for multiple sclerosis, has not been recognized as sales revenue in accordance with IFRS 15 (Revenue from Contracts with Customers) due to the start of arbitration proceedings since February 2019. In the consolidated first three quarters under review, some royalty revenue was not recognized as sales revenue due to ongoing arbitration proceedings.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at MCG.

- In May 2022, oral suspension formulation of edaravone (Development code: MT-1186) was approved in the United States (Product name: RADICAVA ORS®) for the treatment of patients with amyotrophic lateral sclerosis (ALS). It was also approved in Canada (Product name: RADICAVA® Oral Suspension) in November 2022 and in Japan (Product name: RADICUT® Oral Suspension 2.1%) in December 2022. However, the approval of RADICAVA ORS® is expected to alleviate the burden to ALS patients as it can be administered orally which will eliminate the pain of intravenous infusion and the need for outpatient visits.
- In June 2022, an additional indication for CANAGLU® 100mg tablets (Development code: TA-7284; Generic name: canagliflozin) was approved in Japan to treat chronic kidney disease due to complications from Type 2 diabetes mellitus (however, this excludes patients with end-stage renal disease or who are undergoing dialysis). This additional indication will contribute to an improvement in the quality of life (QOL) of patients suffering from renal disease.
- In July 2022, an agreement for sales in Japan was signed with Eli Lilly Japan K.K. (Head office: Kobe, Japan) regarding Mounjaro, the world’s first sustained release GIP/GLP-1 receptor agonist. Eli Lilly Japan secured manufacturing and sales approval in Japan for Mounjaro in September 2022 owing to its indication as a treatment for Type 2 diabetes.
- As part of MCG’s portfolio reform, all shares held in API Corporation were transferred to UBE Corporation (Head office: Ube, Yamaguchi) in December 2022.

Others

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥31.4 billion, to ¥162.3 billion and core operating income rose ¥1.1 billion, to ¥11.4 billion.

Group Performance Overview

The MCG Group, in accordance with its new management policy of “Forging the future,” which was announced in December 2021, is promoting a shift since April 1, 2022 to a “One Company, One Team” flat organizational structure. In tandem with this, in October 2022, MCG, Mitsubishi Chemical Corporation, and regional headquarters (RHQ) in North America and Europe decided on plans to improve management efficiency and to accelerate decision-making through organizational restructuring within the group, of which these companies are the concerned parties, and by restructuring and integrating management functions in the two aforementioned regions.

(2) Financial Position

Total assets at the end of the third quarter for the consolidated fiscal year under review totaled ¥5,864.7 billion, an increase of ¥290.8 billion compared with the end of the previous consolidated fiscal year. Although there was a decrease in non-current assets due to the impairment losses of Medicago (Canada) and the Mitsubishi Chemical UK Cassel Site, the increase was primarily attributable to a rise in the value of assets translated into yen at overseas consolidated subsidiaries owing to depreciation in the value of the yen, and an increase in inventories mainly due to a rise in raw material costs.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

In light of recent performance trends, the Company has revised the consolidated financial results forecast that it announced on November 8, 2022 for the fiscal 2022, as follows. Also, please refer to the Notice of Earnings Impact due to Cessation of MMA-related Product Production at Mitsubishi Chemical UK Limited and Revision to Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023, announced today (February 7, 2023)

(ⅰ) Revision to consolidated financial results forecast for fiscal 2022 (April 1, 2022 - March 31, 2023)

(Billions of yen; unless otherwise noted)

	Sales revenue	Core operating income	Operating income	Net income	Net income attributable to owners of the parent	Basic earnings per share (yen)
Previous forecast (A) (announced on November 8, 2022)	4,725.0	240.0	242.0	170.0	132.0	92.84
Revised forecast (B)	4,514.0	200.0	71.0	65.0	28.0	19.69
Difference (B－A)	(211.0)	(40.0)	(171.0)	(105.0)	(104.0)	
Difference (%)	(4.5)	(16.7)	(70.7)	(61.8)	(78.8)	
Reference: Results for fiscal 2021	3,976.9	272.3	303.2	209.4	177.2	124.68

Notes:

*The forecast for net income before taxes has been changed from ¥234.0 billion to ¥57.0 billion.

*Core operating income is operating income (loss) after excluding certain gains and expenses attributable to non-recurring factors.

(ⅱ) Reason for revision

Core operating income is expected to underperform the previously announced forecast. This primarily reflects impact from a slowdown in display-related demand in the Performance Products Segment and impact from a weakening in market trends and demand, mainly for MMA and petrochemicals in the Chemicals Segment, both of which are expected to be larger than during the previously released forecast (November 8, 2022).

Income/loss at each level in and after operating income/loss is likely to fall below the prior forecast. In addition to factors triggering a decline in core operating income, the Mitsubishi Chemical Group recorded losses in tandem with its decision to end the production of MMA-related products at the Cassel site at Mitsubishi Chemical UK Limited subject to completion of the labor-management consultations and losses accompanying the liquidation of Medicago Inc. in the Health Care Segment.

Forward-Looking Statements

The forward-looking statements are based largely on the Company's expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond the Company's control. Actual results could differ materially due to numerous factors, including, without limitation, market conditions, and the effect of industry competition.

2. Condensed Consolidated Financial Statements and Notes Concerning Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Profit or Loss

Nine months ended December 31, 2021 and 2022

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Sales revenue	2,900,294	3,406,165
Cost of sales	(2,060,438)	(2,550,311)
Gross profit	839,856	855,854
Selling, general and administrative expenses	(627,274)	(690,485)
Other operating income	17,317	20,231
Other operating expenses	(25,319)	(146,710)
Share of profit of associates and joint ventures	13,657	9,732
Operating income	218,237	48,622
Financial income	6,797	12,033
Financial expenses	(16,857)	(21,448)
Income before taxes	208,177	39,207
Income taxes	(60,918)	5,599
Net income	147,259	44,806
Net income attributable to		
Owners of the parent	122,132	17,039
Non-controlling interests	25,127	27,767
Earnings per share(Yen)		
Basic earnings per share attributable to owners of the parent	85.95	11.99
Diluted earnings per share attributable to owners of the parent	79.06	11.55

(2) Condensed Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2021 and 2022

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net income	147,259	44,806
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	7,449	7,169
Remeasurements of defined benefit plans	7,528	(4,039)
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	(84)	445
Total items that will not be reclassified to profit or loss	14,893	3,575
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	27,847	60,217
Net gain (loss) on derivatives designated as cash flow hedges	(355)	2,594
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	1,689	10,276
Total items that may be subsequently reclassified to profit or loss	29,181	73,087
Total other comprehensive income (net of tax)	44,074	76,662
Total comprehensive income	191,333	121,468
Total comprehensive income attributable to		
Owners of the parent	156,259	81,936
Non-controlling interests	35,074	39,532

(3) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2022	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	245,789	257,047
Trade receivables	825,996	876,815
Inventories	745,248	858,915
Other financial assets	51,085	72,492
Other current assets	106,556	138,998
Subtotal	1,974,674	2,204,267
Assets held for sale	11,442	13,313
Total current assets	1,986,116	2,217,580
Non-current assets		
Property, plant and equipment	1,899,695	1,892,205
Goodwill	705,412	717,140
Intangible assets	448,805	459,082
Investments accounted for using the equity method	174,791	176,059
Other financial assets	233,533	238,789
Other non-current assets	60,923	53,779
Deferred tax assets	64,596	110,106
Total non-current assets	3,587,755	3,647,160
Total assets	5,573,871	5,864,740

(Millions of yen)

	March 31, 2022	December 31, 2022
Liabilities		
Current liabilities		
Trade payables	486,874	529,518
Bonds and borrowings	411,213	616,576
Income tax payable	34,875	16,914
Other financial liabilities	291,237	291,638
Provisions	15,601	52,529
Other current liabilities	178,613	187,020
Subtotal	1,418,413	1,694,195
Liabilities directly associated with assets held for sale	880	—
Total current liabilities	1,419,293	1,694,195
Non-current liabilities		
Bonds and borrowings	1,748,756	1,681,609
Other financial liabilities	112,554	116,004
Retirement benefit liabilities	103,941	103,352
Provisions	22,673	32,328
Other non-current liabilities	147,212	159,073
Deferred tax liabilities	175,123	178,104
Total non-current liabilities	2,310,259	2,270,470
Total liabilities	3,729,552	3,964,665
Equity		
Common stock	50,000	50,000
Additional paid-in capital	170,600	167,948
Treasury stock	(62,870)	(62,266)
Retained earnings	1,213,677	1,189,779
Other components of equity	86,670	149,853
Equity attributable to owners of the parent	1,458,077	1,495,314
Non-controlling interests	386,242	404,761
Total equity	1,844,319	1,900,075
Total liabilities and equity	5,573,871	5,864,740

(4) Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2021

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2021	50,000	179,716	(63,244)	1,060,069
Net income	—	—	—	122,132
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	122,132
Purchase of treasury stock	—	—	(24)	—
Disposal of treasury stock	—	(385)	385	—
Cash dividends	—	—	—	(38,367)
Share-based payment transactions	—	384	—	—
Changes in interests in subsidiaries	—	(6,717)	—	—
Changes in scope of consolidation	—	—	—	23
Transfer from other components of equity to retained earnings	—	—	—	13,853
Total transactions with owners	—	(6,718)	361	(24,491)
Balance at December 31, 2021	50,000	172,998	(62,883)	1,157,710

	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at April 1, 2021	56,707	—	(47,077)	168	9,798	1,236,339	334,809	1,571,148
Net income	—	—	—	—	—	122,132	25,127	147,259
Other comprehensive income	3,327	7,616	23,516	(332)	34,127	34,127	9,947	44,074
Total comprehensive income	3,327	7,616	23,516	(332)	34,127	156,259	35,074	191,333
Purchase of treasury stock	—	—	—	—	—	(24)	—	(24)
Disposal of treasury stock	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	(38,367)	(14,328)	(52,695)
Share-based payment transactions	—	—	—	—	—	384	—	384
Changes in interests in subsidiaries	—	—	—	—	—	(6,717)	1,618	(5,099)
Changes in scope of consolidation	—	—	—	—	—	23	22	45
Transfer from other components of equity to retained earnings	(6,237)	(7,616)	—	—	(13,853)	—	—	—
Total transactions with owners	(6,237)	(7,616)	—	—	(13,853)	(44,701)	(12,688)	(57,389)
Balance at December 31, 2021	53,797	—	(23,561)	(164)	30,072	1,347,897	357,195	1,705,092

Nine months ended December 31, 2022

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2022	50,000	170,600	(62,870)	1,213,677
Net income	─	─	─	17,039
Other comprehensive income	─	─	─	─
Total comprehensive income	─	─	─	17,039
Purchase of treasury stock	─	─	(15)	─
Disposal of treasury stock	─	(611)	619	─
Cash dividends	─	─	─	(42,651)
Share-based payment transactions	─	371	─	─
Changes in interests in subsidiaries	─	(2,412)	─	─
Business combinations or business divestitures	─	─	─	─
Transfer from other components of equity to retained earnings	─	─	─	1,714
Total transactions with owners	─	(2,652)	604	(40,937)
Balance at December 31, 2022	50,000	167,948	(62,266)	1,189,779

	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at April 1, 2022	50,956	─	33,318	2,396	86,670	1,458,077	386,242	1,844,319
Net income	─	─	─	─	─	17,039	27,767	44,806
Other comprehensive income	8,825	(3,603)	56,633	3,042	64,897	64,897	11,765	76,662
Total comprehensive income	8,825	(3,603)	56,633	3,042	64,897	81,936	39,532	121,468
Purchase of treasury stock	─	─	─	─	─	(15)	─	(15)
Disposal of treasury stock	─	─	─	─	─	8	─	8
Cash dividends	─	─	─	─	─	(42,651)	(18,231)	(60,882)
Share-based payment transactions	─	─	─	─	─	371	─	371
Changes in interests in subsidiaries	─	─	─	─	─	(2,412)	(3,171)	(5,583)
Business combinations or business divestitures	─	─	─	─	─	─	389	389
Transfer from other components of equity to retained earnings	(5,317)	3,603	─	─	(1,714)	─	─	─
Total transactions with owners	(5,317)	3,603	─	─	(1,714)	(44,699)	(21,013)	(65,712)
Balance at December 31, 2022	54,464	─	89,951	5,438	149,853	1,495,314	404,761	1,900,075

(5) Condensed Consolidated Statement of Cash Flow

Nine months ended December 31, 2021 and 2022

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Income before taxes	208,177	39,207
Depreciation and amortization	186,623	202,652
Share of profit of associates and joint ventures	(13,657)	(9,732)
Interest and dividend income	(5,631)	(10,631)
Interest expense	15,712	20,632
(Increase) decrease in trade receivables	(80,397)	(38,949)
(Increase) decrease in inventories	(105,917)	(106,305)
Increase (decrease) in trade payables	80,321	35,865
Increase (decrease) in retirement benefit assets and liabilities, net	4,022	2,633
Others	6,254	141,350
Subtotal	295,507	276,722
Interest received	851	1,236
Dividends received	11,506	25,211
Interest paid	(15,222)	(18,494)
Income tax (paid) received, net	(44,624)	(110,696)
Net cash provided by (used in) operating activities	248,018	173,979
Cash flows from investing activities		
Purchase of property, plant and equipment	(175,679)	(182,689)
Proceeds from sales of property, plant and equipment	23,359	3,447
Purchase of intangible assets	(7,051)	(19,996)
Purchase of other financial assets	(2,544)	(4,276)
Proceeds from sales/redemption of other financial assets	30,388	18,857
Net cash outflow on acquisition of subsidiaries	(6,501)	(108)
Proceeds from sales of investments in subsidiaries	0	5,232
Payments for transfer of business	(700)	—
Proceeds from transfer of business	1,372	1,934
Net (Increase) decrease of time deposits	275	(836)
Others	(3,496)	4,003
Net cash provided by (used in) investing activities	(140,577)	(174,432)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(44,089)	55,031
Net increase (decrease) in commercial papers	(57,000)	104,000
Proceeds from long-term borrowings	54,690	40,277
Repayment of long-term borrowings	(116,251)	(99,541)
Proceeds from issuance of bonds	94,636	16,913
Redemption of bonds	(50,000)	(20,000)
Repayment of lease liabilities	(23,643)	(25,174)
Net (increase) decrease in treasury stock	(24)	(15)
Dividends paid to owners of the parent	(38,367)	(42,651)
Dividends paid to non-controlling interests	(14,428)	(18,099)
Repayments to non-controlling interests	(5,600)	—
Others	(477)	(1,938)
Net cash provided by (used in) financing activities	(200,553)	8,803
Effect of exchange rate changes on cash and cash equivalents	2,582	2,667
Net increase (decrease) in cash and cash equivalents	(90,530)	11,017
Cash and cash equivalents at the beginning of the period	349,577	245,789
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	—	137
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	253	—
Net increase in cash and cash equivalents resulting from merger and acquisition	—	104
Cash and cash equivalents at the end of the period	259,300	257,047

(6) Notes to Condensed Consolidated Financial Statements
(Segment Information)

Nine months ended December 31, 2021

(Millions of yen)

	REPORTING SEGMENT					Others (Note 1)	Subtotal	Adjustment (Note 2)	Consolidated
	Performance Products	Chemicals	Industrial Gases	Health Care	Total				
Revenue									
External revenue	848,862	921,840	686,555	312,146	2,769,403	130,891	2,900,294	—	2,900,294
Inter-segment revenue	38,488	31,852	4,980	247	75,567	148,212	223,779	(223,779)	—
Total	887,350	953,692	691,535	312,393	2,844,970	279,103	3,124,073	(223,779)	2,900,294
Segment profit Core operating income (Note 3)	57,457	83,519	73,899	4,586	219,461	10,254	229,715	(10,774)	218,941

Notes:

1. The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.
2. The segment profit (loss) adjustment includes corporate costs of ¥ (10,059) million not allocated to reporting segments and inter-segment eliminations of ¥(715) million. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
3. Segment profit (loss) is Operating profit after excluding earnings from non-recurring factors, such as losses from business withdrawals and downsizings, representing core operating income.

Nine months ended December 31, 2022

(Millions of yen)

	REPORTING SEGMENT					Others (Note 1)	Subtotal	Adjustment (Note 2)	Consolidated
	Performance Products	Chemicals	Industrial Gases	Health Care	Total				
Revenue									
External revenue	944,543	1,101,386	866,371	331,594	3,243,894	162,271	3,406,165	—	3,406,165
Inter-segment revenue	38,942	37,217	6,672	416	83,247	147,494	230,741	(230,741)	—
Total	983,485	1,138,603	873,043	332,010	3,327,141	309,765	3,636,906	(230,741)	3,406,165
Segment profit Core operating income (Note 3)	54,100	19,267	84,285	18,536	176,188	11,410	187,598	(9,717)	177,881

Notes:

1. The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.
2. The segment profit (loss) adjustment includes corporate costs of ¥ (9,871) million not allocated to reporting segments and inter-segment eliminations of ¥ 154 million. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
3. Segment profit (loss) is Operating profit after excluding earnings from non-recurring factors, such as losses from business withdrawals and downsizings, representing core operating income.

Adjustments to income before tax from segment operating results are as follows:

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Segment profit	218,941	177,881
Gain on reversal of environmental expenses	—	2,389
Gain on sales of shares of subsidiaries and associates	1,886	2,233
Gain on sales of property, plant and equipment	8,420	712
Impairment loss (Note)	(2,797)	(87,746)
Provision for loss on plant closure (Note)	—	(31,214)
Special retirement expenses	(1,871)	(4,292)
Provision for loss on litigation	—	(3,550)
Loss on arbitration award	—	(3,542)
Loss on sales and disposal of fixed assets	(3,579)	(2,448)
Others	(2,763)	(1,801)
Operating income	218,237	48,622
Financial income	6,797	12,033
Financial expenses	(16,857)	(21,448)
Income before taxes	208,177	39,207

Notes:

An impairment loss and a provision for loss on plant closure recognized for the third quarter ended December 31, 2022 mainly consist of the following:

1. Methyl Methacrylate (MMA) manufacturing equipment at Mitsubishi Chemical UK's Cassel Site

A comprehensive business review was undertaken which concluded that MCG does not believe that the manufacturing operation of methacrylates at Mitsubishi Chemical UK's Cassel Site can be economically sustainable for the foreseeable future. MCG therefore decided to cease the production of methacrylates at the site subject to the completion of the labor-management consultation. Consequently, since the investment has become unrecoverable, the carrying amount of the manufacturing equipment at the site was reduced to the recoverable amount, and an impairment loss of ¥37,512 million was recorded. Also, a provision for loss on plant closure of ¥31,214 million and special retirement expenses of ¥1,999 million were recorded.

2. Medicago's vaccine manufacturing equipment and goodwill related to its business and operations

Medicago Inc. is a Canadian biopharmaceutical company specializing in the research and development of new vaccines using plant-based virus-like particles (hereinafter, "VLP") technology. Medicago's VLP vaccine for the prevention of COVID-19 was approved in Canada in February 2022 and the company has since been preparing for the transition to commercial-scale production.

However, in light of significant changes to the COVID-19 vaccine landscape since the approval of the VLP vaccine, and after a comprehensive review of the current global demand and market environment for COVID-19 vaccines and Medicago's challenges in transitioning to commercial-scale production, MCG has determined that it will not pursue the commercialization of the VLP vaccine. In addition, MCG judged that it was not viable to continue to make further investment in the commercialization of Medicago's development products, and decided to cease all of its operations at Medicago and proceed with an orderly wind up of its business and operations. Consequently, since the investment has become unrecoverable, the carrying amount of Medicago's vaccine manufacturing equipment and goodwill related to its business and operations was reduced to the recoverable amount, and an impairment loss of ¥48,029 million was recorded.