



August 2, 2023

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (Under IFRS)

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 Scheduled date to file quarterly securities report: August 9, 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 First Quarter of the Fiscal Year Ending March 31, 2024("FY2023") (from April 1, 2023 to June 30, 2023)

(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	
		%		%		%		%		%		%
Three months ended												
June 30, 2023	1,061,242	(4.1)	50,803	(29.5)	69,744	2.6	55,824	4.7	42,536	(5.2)	179,622	20.3
June 30, 2022	1,106,534	19.2	72,052	(18.7)	68,004	(21.9)	53,324	(9.9)	44,879	(10.1)	149,344	65.0

Reference: Income before taxes

Three months ended June 30, 2023: ¥68,809 million((8.3)%)

Three months ended June 30, 2022: ¥75,055 million((12.0)%)

* 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	
	Yen		Yen	
Three months ended				
June 30, 2023		29.91		28.61
June 30, 2022		31.58		30.22

(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				%
June 30, 2023	5,992,848	2,140,318	1,674,862	27.9
March 31, 2023	5,774,348	1,988,469	1,564,698	27.1

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	Yen				
March 31, 2023	—	15.00	—	15.00	30.00
March 31, 2024	—	—	—	—	—
March 31, 2024 (Forecast)	—	16.00	—	16.00	32.00

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 same period of 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
First Half of FY2023	2,221,000	(2.2)	108,000	(11.9)	110,000	(7.1)	63,000	(31.2)	43,000	(41.8)	30.24
FY2023	4,555,000	(1.7)	250,000	(23.2)	239,000	30.8	143,000	5.5	97,000	0.6	68.21

Reference: Income before taxes

First Half of FY2023: ¥92,000 million((24.6)%), FY2023: ¥201,000 million(19.7%)

Note:

Revisions to the forecast for the current fiscal year most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period : Yes

(changes in specified subsidiaries resulting in the change in scope of consolidation)

Newly included: — Excluded : 1

(Company Name) MTPC Holdings Canada, Inc. (specified subsidiary) and Medicago Inc. (specified subsidiary) merged on April 1, 2023. The company retained the name Medicago Inc. (specified subsidiary) following the merger.

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS : Yes

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

(iii) Changes in accounting estimates : None

Details of changes in accounting policies are described in "2. Condensed Consolidated Financial Statements and Notes Concerning Condensed Consolidated Financial Statements (6) Notes to Condensed Consolidated Financial Statements (Change in Accounting Policy)" on page [13] hereof.

(3) Number of issued shares (ordinary shares)

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

As of June 30, 2023	1,506,288,107 Shares	As of March 31, 2023	1,506,288,107 Shares

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

As of June 30, 2023	83,791,261 Shares	As of March 31, 2023	84,190,278 Shares

(iii) Average number of shares outstanding during the period

Three months ended June 30, 2023	1,422,366,539 Shares	Three months ended June 30, 2022	1,421,314,077 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:

June 30, 2023	2,014,182 Shares
March 31, 2023	2,413,119 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.

*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.

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1. Qualitative Information on Financial Results for the Term

(1) Business Performance

Performance Overview

In the business environment of the consolidated first quarter (April 1, 2023 - June 30, 2023; same hereafter) of the Mitsubishi Chemical Group (the MCG Group), while social activities and the flow of people in Japan increased while living with COVID-19 and the Japanese economy remained on a moderate recovery path, outlook has been uncertain overseas due to downside risks to the economy from monetary tightening, especially in Europe and the United States and concerns over price hikes.

Against this backdrop, sales revenue in the consolidated quarter under review (April 1, 2022 - June 30, 2022; same hereafter) decreased ¥45.3 billion, or 4.1%, to ¥1,061.2 billion. In the profit front, core operating income fell ¥21.3 billion, or 29.5%, to ¥50.8 billion. Operating income was up ¥1.7 billion, or 2.6%, to ¥69.7 billion. Income before taxes decreased ¥6.3 billion, or 8.3%, to ¥68.8 billion. And net income attributable to owners of the parent dropped ¥2.4 billion, or 5.2% to ¥42.5 billion.

Overview of Business Domains

The overview of financial results by business segment for the first quarter of fiscal 2023 is shown below. the MCG Group has reviewed reporting segments from the first quarter of fiscal 2023. For details, please see” 2. (6) Notes to Condensed Consolidated Financial Statements (Segment Information).

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.

Specialty Materials Segment, Performance Products Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue decreased ¥25.8 billion, to ¥290.9 billion and core operating income declined ¥13.1 billion, to ¥9.2 billion.

In polymers and compounds, sales revenue decreased due to a decline in demand for electronics and other applications in addition to the effect of partial transfer of the MCG Group's stakes in Mitsubishi Engineering-Plastics Corporation, despite the efforts to correct selling prices.

In films and molding materials, sales revenue decreased due to a decline in overall sales volume reflecting slowdown in demand for electronics and other applications, despite the efforts to correct selling prices.

In advanced solutions, sales revenue dropped as a result of a decline in sales volume mainly in the semiconductor-related business, despite the efforts to correct selling prices.

Core operating income in this segment decreased significantly year on year due to a decline in overall demand, despite a progress made in passing on raw material cost to selling prices.

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

- In April 2023, the MCG Group signed a contract with Neogen Chemicals Limited (Head office: Maharashtra, India) regarding the provision of production technology license in India for electrolytes used in lithium-ion batteries (LIB) with the aim of expanding the electrolyte business. In April 2023, the MCG Group also signed a memorandum of understanding with Koura (Head office: Massachusetts, USA), a producer of fluoroproducts, regarding the collaboration study for various purposes, such as strengthening the supply chain for formulated electrolytes for lithium-ion batteries (LIBs) in North America.
- The MCG Group concluded a memorandum of understanding with Korean company L&F Co., Ltd. (Head office: Daegu, South Korea), a manufacturer of cathode active materials for LIB, to conduct feasibility studies into strengthening the supply chain for anode materials in countries that have concluded a free trade agreement with the U.S with the aim of expanding anode materials for LIB business.

Industrial Gases Segment, Industrial Materials Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥32.9 billion, to ¥306.8 billion and core operating income rose ¥10.3 billion, to ¥39.8 billion.

Sales revenue and core operating income both rose as a result of price management and forex impact, despite sluggish demand in Japan and overseas.

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

- A joint venture Terranova Hydrogen NV (Head office: Zelzate, Belgium) was established with Terranova nv (Head office: Belgium) and Luminus (Head office: Belgium) to produce green hydrogen and build and operate a green hydrogen production plant. The production of green hydrogen is scheduled to start in early 2025.

Health Care Segment, Health Care Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥3.7 billion, to ¥101.9 billion and core operating income rose ¥6.0 billion, to ¥10.0 billion.

Sales revenue increased. Although there was negative impact mainly from National Health Insurance drug price revisions in the domestic ethical pharmaceuticals business, there was offset by positive impact from steady sales for priority products and RADICAVA ORS®, a treatment agent for patients with amyotrophic lateral sclerosis (ALS) which had been released in the United States. Core operating income rose reflecting a decline in R&D and other costs in tandem with the withdrawal from the Medicago business.

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

- In May 2023, edaravone oral suspension (Development code: MT-1186) was approved in the Switzerland (Product name: RADICAVA® Oral Suspension) for the indication of amyotrophic lateral sclerosis (ALS). Edaravone oral suspension has already been approved in the U.S., Canada and Japan.

MMA Segment, Industrial Materials Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue decreased ¥18.8 billion, to ¥69.0 billion and core operating income declined ¥3.7 billion, to a loss of ¥0.9 billion.

Sales revenue decreased due to a decline in sales volume in line with a slowdown in demand in Europe and the United states in addition to a fall in market prices chiefly for MMA monomer. Operating income decline reflecting a fall in market prices and a slowdown in demand, despite a decrease in expenses associated with the closure of the Cassel site in the United Kingdom.

Basic Materials Segment, Industrial Materials Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue decreased ¥26.4billion, to ¥242.7 billion and core operating income declined ¥23.2 billion, to a loss of ¥8.0 billion.

In petrochemicals, sales revenue decreased as sales volume dropped due mainly to a slowdown in demand and selling prices fell reflecting a decline in raw material costs among other factors, although the impact from scheduled maintenance and repairs at the ethylene production facility diminished.

In carbon products, sales revenue dropped reflecting a decrease in selling prices for cokes in tandem mainly with a fall in raw material costs on top of a decline in sales volume due to a slowdown in demand.

Core operating income in this segment decreased significantly due to a decline in sales volume with a slowdown in demand, in addition to the recording of inventory valuation loss in tandem with a fall in raw material costs, despite an increase in the price gap between raw materials and products, primarily for polyolefin.

Others

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue decreased ¥10.9 billion, to ¥49.9 billion and core operating income rose ¥2.1 billion, to ¥3.6 billion.

Group Performance Overview

In accordance with “Forging the future,” the management policy for the period FY2021–FY2025, the MCG Group has been transitioning to a flat organizational system based on the “One Company, One Team” concept. In conjunction with this transition, it has been decided to embark on intergroup organizational restructuring that will involve respective subsidiaries of MCG and MCC in Singapore with the aim of improving management efficiency by reshuffling, concentrating and optimizing the functions currently divided between the subsidiaries by October 2023.

(2) Financial Position

Total assets at the end of the first quarter of the fiscal year ending March 31, 2024 totaled ¥5,992.8 billion, an increase of ¥218.5 billion compared with the end of the previous fiscal year. Although there was a decline in trade receivables reflecting a drop in sales in tandem with scheduled maintenance and repairs, this increase in total assets was primarily attributable to a rise in the value of assets translated into yen at overseas consolidated subsidiaries owing to progress in the depreciation of the yen.

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

(1) Condensed Consolidated Statement of Profit or Loss

Three months ended June 30, 2022 and 2023

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Sales revenue	1,106,534	1,061,242
Cost of sales	(816,966)	(794,020)
Gross profit	289,568	267,222
Selling, general and administrative expenses	(220,100)	(219,686)
Other operating income	2,536	26,539
Other operating expenses	(7,986)	(7,196)
Share of profit of associates and joint ventures	3,986	2,865
Operating income	68,004	69,744
Financial income	12,918	10,407
Financial expenses	(5,867)	(11,342)
Income before taxes	75,055	68,809
Income taxes	(21,731)	(12,985)
Net income	53,324	55,824
Net income attributable to		
Owners of the parent	44,879	42,536
Non-controlling interests	8,445	13,288
Earnings per share(Yen)		
Basic earnings per share attributable to owners of the parent	31.58	29.91
Diluted earnings per share attributable to owners of the parent	30.22	28.61

(2) Condensed Consolidated Statement of Comprehensive Income

Three months ended June 30, 2022 and 2023

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Net income	53,324	55,824
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	(2,868)	9,035
Remeasurements of defined benefit plans	(3,074)	3,099
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	61	28
Total items that will not be reclassified to profit or loss	(5,881)	12,162
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	95,879	108,020
Net gain (loss) on derivatives designated as cash flow hedges	1,251	1,001
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	4,771	2,615
Total items that may be subsequently reclassified to profit or loss	101,901	111,636
Total other comprehensive income (net of tax)	96,020	123,798
Total comprehensive income	149,344	179,622
Total comprehensive income attributable to		
Owners of the parent	120,150	131,259
Non-controlling interests	29,194	48,363

(3) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2023	June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	297,224	310,792
Trade receivables	808,787	783,403
Inventories	797,877	842,101
Other financial assets	74,469	71,456
Other current assets	141,020	171,585
Subtotal	2,119,377	2,179,337
Assets held for sale	30,241	28,661
Total current assets	2,149,618	2,207,998
Non-current assets		
Property, plant and equipment	1,907,898	1,981,865
Goodwill	727,655	769,271
Intangible assets	459,213	478,622
Investments accounted for using the equity method	170,736	174,111
Other financial assets	203,270	218,721
Other non-current assets	61,425	65,438
Deferred tax assets	94,533	96,822
Total non-current assets	3,624,730	3,784,850
Total assets	5,774,348	5,992,848

(Millions of yen)

	March 31, 2023	June 30, 2023
Liabilities		
Current liabilities		
Trade payables	476,311	470,668
Bonds and borrowings	601,443	712,909
Income tax payable	29,127	27,911
Other financial liabilities	316,379	316,224
Provisions	47,274	46,368
Other current liabilities	184,272	148,086
Subtotal	1,654,806	1,722,166
Liabilities directly associated with assets held for sale	9,024	5,014
Total current liabilities	1,663,830	1,727,180
Non-current liabilities		
Bonds and borrowings	1,642,325	1,622,607
Other financial liabilities	118,527	120,060
Retirement benefit liabilities	102,292	104,393
Provisions	39,476	41,257
Other non-current liabilities	39,936	40,453
Deferred tax liabilities	179,493	196,580
Total non-current liabilities	2,122,049	2,125,350
Total liabilities	3,785,879	3,852,530
Equity		
Common stock	50,000	50,000
Additional paid-in capital	167,917	167,827
Treasury stock	(62,231)	(61,895)
Retained earnings	1,270,577	1,294,856
Other components of equity	138,435	224,074
Equity attributable to owners of the parent	1,564,698	1,674,862
Non-controlling interests	423,771	465,456
Total equity	1,988,469	2,140,318
Total liabilities and equity	5,774,348	5,992,848

(4) Condensed Consolidated Statement of Changes in Equity

Three months ended June 30, 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
Cumulative effects of changes in accounting policies	—	—	—	(63)
Restated balance at April 1, 2022	50,000	170,600	(62,870)	1,213,614
Net income	—	—	—	44,879
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	44,879
Purchase of treasury stock	—	—	(4)	—
Disposal of treasury stock	—	(173)	173	—
Cash dividends	—	—	—	(21,320)
Share-based payment transactions	—	154	—	—
Changes in interests in subsidiaries	—	(296)	—	—
Business combinations or business divestitures	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(2,033)
Total transactions with owners	—	(315)	169	(23,353)
Balance at June 30, 2022	50,000	170,285	(62,701)	1,235,140

Other components of equity

	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements 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
Cumulative effects of changes in accounting policies	—	—	—	—	—	(63)	—	(63)
Restated balance at April 1, 2022	50,956	—	33,318	2,396	86,670	1,458,014	386,242	1,844,256
Net income	—	—	—	—	—	44,879	8,445	53,324
Other comprehensive income	(501)	(2,997)	77,384	1,385	75,271	75,271	20,749	96,020
Total comprehensive income	(501)	(2,997)	77,384	1,385	75,271	120,150	29,194	149,344
Purchase of treasury stock	—	—	—	—	—	(4)	—	(4)
Disposal of treasury stock	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	(21,320)	(10,996)	(32,316)
Share-based payment transactions	—	—	—	—	—	154	—	154
Changes in interests in subsidiaries	—	—	—	—	—	(296)	(654)	(950)
Business combinations or business divestitures	—	—	—	—	—	—	513	513
Transfer from other components of equity to retained earnings	(964)	2,997	—	—	2,033	—	—	—
Total transactions with owners	(964)	2,997	—	—	2,033	(21,466)	(11,137)	(32,603)
Balance at June 30, 2022	49,491	—	110,702	3,781	163,974	1,556,698	404,299	1,960,997

Three months ended June 30, 2023

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2023	50,000	167,917	(62,231)	1,270,577
Net income	—	—	—	42,536
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	42,536
Purchase of treasury stock	—	—	(5)	—
Disposal of treasury stock	—	(16)	341	—
Cash dividends	—	—	—	(21,333)
Share-based payment transactions	—	49	—	—
Changes in interests in subsidiaries	—	(123)	—	—
Changes in scope of consolidation	—	—	—	(8)
Transfer from other components of equity to retained earnings	—	—	—	3,084
Total transactions with owners	—	(90)	336	(18,257)
Balance at June 30, 2023	50,000	167,827	(61,895)	1,294,856

Other components of equity

	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements 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, 2023	34,291	—	99,888	4,256	138,435	1,564,698	423,771	1,988,469
Net income	—	—	—	—	—	42,536	13,288	55,824
Other comprehensive income	6,526	3,073	77,873	1,251	88,723	88,723	35,075	123,798
Total comprehensive income	6,526	3,073	77,873	1,251	88,723	131,259	48,363	179,622
Purchase of treasury stock	—	—	—	—	—	(5)	—	(5)
Disposal of treasury stock	—	—	—	—	—	325	—	325
Cash dividends	—	—	—	—	—	(21,333)	(6,489)	(27,822)
Share-based payment transactions	—	—	—	—	—	49	—	49
Changes in interests in subsidiaries	—	—	—	—	—	(123)	(181)	(304)
Changes in scope of consolidation	—	—	—	—	—	(8)	(8)	(16)
Transfer from other components of equity to retained earnings	(11)	(3,073)	—	—	(3,084)	—	—	—
Total transactions with owners	(11)	(3,073)	—	—	(3,084)	(21,095)	(6,678)	(27,773)
Balance at June 30, 2023	40,806	—	177,761	5,507	224,074	1,674,862	465,456	2,140,318

(5) Condensed Consolidated Statement of Cash Flow

Three months ended June 30, 2022 and 2023

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Income before taxes	75,055	68,809
Depreciation and amortization	66,374	67,947
Share of profit of associates and joint ventures	(3,986)	(2,865)
Interest and dividend income	(8,211)	(5,767)
Interest expense	5,562	10,380
(Increase) decrease in trade receivables	(5,603)	41,919
(Increase) decrease in inventories	(52,876)	(12,881)
Increase (decrease) in trade payables	1,654	(22,955)
Increase (decrease) in retirement benefit assets and liabilities, net	568	613
Others	(13,280)	(64,764)
Subtotal	65,257	80,436
Interest received	170	1,113
Dividends received	16,661	13,652
Interest paid	(6,487)	(11,555)
Income tax (paid) received, net	(52,110)	(28,669)
Net cash provided by (used in) operating activities	23,491	54,977
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,585)	(61,525)
Proceeds from sales of property, plant and equipment	1,137	2,180
Purchase of intangible assets	(4,644)	(1,682)
Purchase of other financial assets	(320)	(153)
Proceeds from sales/redemption of other financial assets	4,286	16,422
Net cash outflow on acquisition of subsidiaries	(108)	(2,196)
Proceeds from sales of investments in subsidiaries	—	155
Payments for transfer of business	—	(7,697)
Proceeds from transfer of business	1,579	—
Net (Increase) decrease of time deposits	(1,055)	(1,329)
Others	1,081	(1,472)
Net cash provided by (used in) investing activities	(62,629)	(57,297)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	30,366	23,065
Net increase (decrease) in commercial papers	63,000	50,000
Proceeds from long-term borrowings	4,375	12,614
Repayment of long-term borrowings	(30,927)	(39,078)
Proceeds from issuance of bonds	16,913	—
Redemption of bonds	(10,000)	(10,000)
Repayment of lease liabilities	(8,948)	(8,354)
Net (increase) decrease in treasury stock	(4)	(5)
Dividends paid to owners of the parent	(21,320)	(21,333)
Dividends paid to non-controlling interests	(11,129)	(6,489)
Others	552	111
Net cash provided by (used in) financing activities	32,878	531
Effect of exchange rate changes on cash and cash equivalents	13,366	14,267
Net increase (decrease) in cash and cash equivalents	7,106	12,478
Cash and cash equivalents at the beginning of the period	245,789	297,224
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	137	1,090
Cash and cash equivalents at the end of the period	253,032	310,792

(6) Notes to Condensed Consolidated Financial Statements

(Change in Accounting Policy)

Main standards and interpretations newly applied by the Mitsubishi Chemical Group (the MCG Group) from the year ended March 31, 2024, are as follows.

Standard and interpretation	Overview of introduction or Revision
IAS12 Income Taxes (amended in May, 2021)	Clarification of accounting treatment for deferred taxes relating to assets and liabilities arising from a single transaction

The application of IAS 12 “Income Taxes” (amended in May 2021) clarifies the accounting treatment upon initial recognition for transactions that result in equal taxable temporary differences and deductible temporary differences at the time of the transaction.

Taxable temporary differences and deductible temporary differences are recognized as deferred tax liabilities and deferred tax assets, respectively, in the condensed consolidated statements of financial position.

With the application of this standard, the consolidated financial statements for the previous fiscal year were revised retrospectively. As a result, in the condensed quarterly consolidated statement of financial position as of March 31, 2023, deferred tax assets increased by ¥445 million, deferred tax liabilities increased by ¥113 million, and retained earnings increased by ¥332 million. There is no material impact on the first three months of the previous fiscal year in the condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income. In addition, the cumulative effect of applying the above-mentioned standard was reflected. As a result, the beginning balance of retained earnings of the previous fiscal year decreased by ¥63 million in the condensed consolidated statement of changes in equity.

(Segment Information)

The MCG Group's reporting segments are the components for which separate financial information is available, and the chief operating decision maker regularly assesses this information in deciding how to allocate resources and evaluate results. No operating segments or components have been aggregated in preparing the reporting segment information.

In accordance with “Forging the future,” a management policy announced in December 2021 and which covers the period from FY 2021 to FY 2025, the MCG Group is undertaking various measures to maximize its corporate value. In February 2023, an action plan for the future was formulated and disclosed based on the aforementioned management policy. Moreover, an organizational structure to be put in place in and after April 2023 was also announced. Taking these factors into account, from the first quarter of the current fiscal year, a review was conducted of its reporting segments. The previous four reporting segments (Performance Products, Chemicals, Industrial Gases, and Health Care) have been reclassified into five reporting segments (Specialty Materials, Industrial Gases, Health Care, MMA and Basic Materials).

The MCG Group used new classifications to present segment information for the three months ended June 30, 2022.

The businesses in each reporting segment are as follows.

Business Segments (Business Domains)	Business Sub-Segments		
		Businesses	
Specialty Materials (Performance Products)	Polymers & Compounds	Polymers	Performance Polymers, Soarnol, Gohsenol Sustainable Polymers, and Engineering Plastic
		Coating & Additives	Coating Material, Additives & Fine
	Films & Molding Materials	Films	Packaging, Industrial & Medical Films, Acetyl Films, and Polyester Films
		Molding Materials	Engineering Shapes & Solutions, Carbon Fiber and Composite Materials, and Fiber
	Advanced Solutions	Life Solutions	Aqua Solution, Life Solution, and Infrastructure Solution
		Information & Electronics	Semiconductor, Electronics, and Battery Materials
Industrial Gases (Industrial Materials)			Industrial Gases
Health Care (Health Care)			Ethical Pharmaceuticals
MMA (Industrial Materials)	MMA	MMA	MMA, PMMA
Basic Materials (Industrial Materials)	Petrochemicals	Petrochemicals	Basic Petrochemicals, Polyolefins, and Basic Chemical Derivatives
	Carbon Products	Carbon Products	Carbon Products

Accounting policies for reportable segments are identical to those Group accounting policies adopted to consolidated financial statements. Inter-segment sales and transfers are based mainly on prevailing market prices.

Three months ended June 30, 2022

(Millions of yen)

	REPORTING SEGMENT					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Specialty Materials	Industrial Gases	Health Care	MMA	Basic Materials			
Revenue								
External revenue	316,662	273,907	98,179	87,785	269,086	60,915	—	1,106,534
Inter-segment revenue	13,892	2,099	—	1,106	11,809	43,956	(72,862)	—
Total	330,554	276,006	98,179	88,891	280,895	104,871	(72,862)	1,106,534
Segment profit (loss)								
Core operating income (Note 3)	22,275	29,495	4,044	2,832	15,161	1,470	(3,225)	72,052

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 ¥ (3,464) million not allocated to reporting segments and inter-segment eliminations of ¥239 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.

Three months ended June 30, 2023

(Millions of yen)

	REPORTING SEGMENT					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Specialty Materials	Industrial Gases	Health Care	MMA	Basic Materials			
Revenue								
External revenue	290,895	306,796	101,887	69,021	242,682	49,961	—	1,061,242
Inter-segment revenue	12,857	2,107	33	3,285	10,344	34,385	(63,011)	—
Total	303,752	308,903	101,920	72,306	253,026	84,346	(63,011)	1,061,242
Segment profit (loss)								
Core operating income (Note 3)	9,249	39,764	10,048	(892)	(8,002)	3,605	(2,969)	50,803

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 ¥ (3,046) million not allocated to reporting segments and inter-segment eliminations of ¥ 77 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)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Segment profit (loss)	72,052	50,803
Gain on sales of shares of subsidiaries and associates	—	5,613
Loss on business liquidation	(53)	(1,988)
Loss on sales and disposal of fixed assets	(208)	(1,104)
Impairment loss	(229)	(27)
Loss on arbitration award	(3,398)	—
Others (Note)	(160)	16,447
Operating income	68,004	69,744
Financial income	12,918	10,407
Financial expenses	(5,867)	(11,342)
Income before taxes	75,055	68,809

(Note) The MCG Group had reclassified some portion of advances already received at the end of the previous fiscal year related to product supplies in the Health Care segment from contract liabilities in other liabilities to other liabilities in the same line item, as requirements for recognition as contract liabilities were no longer met. However, the MCG Group recorded other operating incomes in the first quarter of the fiscal year ended March 31, 2024. That is because there is no more need to refund liabilities under other liabilities in view of an agreement with a counterparty to terminate a contract in the first quarter of the fiscal year ended March 31, 2024. The related amounts are included in others.

(Subsequent Event)

Transfer of Qualicaps Co., Ltd.

The MCG Group concluded a share transfer agreement with Roquette Frères SA on July 28, 2023, for the transfer of all shares of Qualicaps Co., Ltd. held by the MCG Group to the company. The closing of the transfer is expected to occur between October and December 2023.

Based on our management policy of “Forging the future,” the MCG Group is promoting portfolio management with a focus on growth, performance, and sustainability, targeting focus markets aligned to global key trends.

Demand for the hard capsules and pharmaceutical-related equipment that Qualicaps has cultivated is expected to grow to a certain extent in the future. For that reason, we decided to transfer our shares of Qualicaps based on our belief that it is best to continue to develop and grow its business under the leadership of the best owner.