

Summary of Consolidated Financial Results for Third Quarter of FY2016

Feb. 3, 2017
Mitsubishi Gas Chemical, Inc (TSE 4182)

1. Summary of Income Statement (April 1 - Dec 31, 2016)

Millions of yen, rounded down

	Apr. 1 -Dec. 31, 2015	Apr. 1 -Dec. 31, 2016	Change (%)
Net Sales	450,936	409,608	(9.2)
Operating income	27,164	32,358	19.1
Ordinary income	36,237	45,199	24.7
Net income attributable to owners of the parent	28,423	35,155	23.7
Comprehensive income	18,730	41,422	121.2
Net income per share (Yen)	127.91	162.27	

*The Company conducted a consolidation of shares at a ratio of one share for every two shares effective October 1, 2016. In Accordance with it, Net income per share are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2016	As of Dec. 31, 2016
Total Assets	739,582	736,374
Net Assets	423,135	457,130
Equity Ratio(%)	51.0	56.0

3. Dividends

	FY2015	FY2016
Interim dividend per share (Yen)	8.00	8.00
Year-end dividend per share (Yen)	8.00	20(Forecast)
Annual Dividend per share (Yen)	16.00	-

(Note) Revision of cash dividend forecast during this period: Yes

*As the Company conducted a consolidation of shares at a ratio of one share for every two shares effective October 1, 2016, figures for the dividends per share for FY 2016 (forecast) are amounts that take into account the consolidation of shares, and total annual dividends are shown as "-." Year-end dividends per share for FY 2016 (forecast) without taking into account the consolidation of shares are 10 yen, and annual dividends per share are 18 yen.

4. Consolidated Business Forecasts for FY2016 (April 1, 2016 - March 31, 2017)

Millions of yen, rounded down

	Full Year
Net Sales	540,000
Operating income	39,000
Ordinary income	55,000
Net income attributable to owners of the parent	41,000
Net income per share (Yen)	189.43

(Note) Revision of consolidated business forecasts during this period: Yes

*Concerning net income per share of the Consolidated Business Forecasts (Full year) for FY 2016, the effects of the consolidation of shares are taken into account.

5. Number of Shares Outstanding (Common Stock)

	Mar31,2016	Dec31,2016
Number of shares outstanding at term end (including treasury stock)	241,739,199	241,739,199
Number of shares of treasury stock at term-end	20,917,855	25,921,904

	Apr. 1 -Dec. 31, 2015	Apr. 1 -Dec. 31, 2016
Average shares outstanding during period	222,215,245	216,653,423

*The Company conducted a consolidation of shares at a ratio of one share for every two shares effective October 1, 2016. In Accordance with it, number of shares outstanding at term end, number of shares of treasury stock at the term-end, and average shares outstanding during period are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

1. These quarterly financial results are not subject to quarterly review procedures. At this time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instrument and Exchange Law have not been completed.

2. Forecasts, etc., recorded in this document contain forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen, rounded down)

	As of Mar. 31, 2016	As of Dec. 31, 2016
ASSETS		
Current assets		
Cash and deposits	84,097	69,950
Trade notes and accounts receivable	136,401	148,190
Short-term investments securities	121	128
Merchandise and finished goods	57,980	51,156
Work in progress	10,985	10,800
Raw materials and supplies	31,148	29,783
Other	21,547	18,139
Allowance for doubtful accounts	(1,043)	(1,115)
Total current assets	341,237	327,033
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	73,092	78,251
Machinery, equipment and vehicles, net	81,221	78,120
Other, net	76,211	57,868
Total property, plant and equipment	230,525	214,240
Intangible assets		
Goodwill	4,543	4,320
Other	4,197	4,023
Total intangible assets	8,740	8,343
Investments and other assets		
Investment securities	150,431	177,102
Other	9,088	10,033
Allowance for doubtful accounts	(441)	(378)
Total investments and other assets	159,079	186,756
Total noncurrent assets	398,344	409,340
Total assets	739,582	736,374

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2016	As of Dec. 31, 2016
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	60,819	76,298
Short-term loans payable	93,911	78,519
Current portion of bonds	15,000	-
Income taxes payable	3,365	2,330
Provision	6,015	3,184
Asset retirement obligations	112	133
Other	35,452	38,979
Total current liabilities	214,676	199,444
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	46,947	35,320
Provision	2,586	2,012
Projected benefit obligations	9,078	8,679
Asset retirement obligations	3,800	3,844
Other	29,358	19,942
Total noncurrent liabilities	101,771	79,799
Total liabilities	316,447	279,244
NET ASSETS		
Shareholders' equity		
Capital stock	41,970	41,970
Capital surplus	35,603	35,603
Retained earnings	311,250	347,971
Treasury stock	(15,566)	(21,825)
Total shareholders' equity	373,258	403,719
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,816	16,904
Deferred gains or losses on hedges	(3)	(34)
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(4,613)	(7,285)
Remeasurements of defined benefit plans	(1,736)	(1,492)
Total accumulated other comprehensive	3,686	8,314
Non controlling interest	46,190	45,096
Total net assets	423,135	457,130
Total liabilities and net assets	739,582	736,374

2. Consolidated Statements of Income

(Millions of yen, rounded down)

	Apr. 1 -Dec. 31, 2015	Apr. 1 -Dec. 31, 2016
Net sales	450,936	409,608
Cost of sales	357,134	312,668
Gross profit	93,801	96,939
Selling, general and administrative expenses	66,637	64,581
Operating income	27,164	32,358
Non-operating income		
Interest income	393	302
Dividend income	2,128	1,667
Equity in earnings of affiliates	12,498	14,455
Other	1,778	1,785
Total non-operating income	16,799	18,211
Non-operating expenses		
Interest expense	1,706	1,052
Foreign exchange losses	2,996	1,078
Personnel expenses for seconded employees	996	1,262
Other	2,026	1,977
Total non-operating expenses	7,725	5,370
Ordinary income	36,237	45,199
Extraordinary income		
Gain on sales of investment securities	3,444	761
Compensation received	-	201
Subsidy income	301	135
Gain on sales of noncurrent assets	155	-
Insurance income	136	-
Reversal of provision for business structure improvement	122	-
Total extraordinary income	4,160	1,097
Extraordinary losses		
Loss on liquidation of subsidiaries and affiliates	1,310	141
Loss on sales of investment securities	-	127
Loss on reduction of noncurrent assets	-	107
Impairment loss	-	72
Business structure improvement expenses	411	-
Provision for compensation expenses	270	-
Loss on cancel of lease contracts	147	-
Total extraordinary losses	2,139	448
Income before income taxes, etc.	38,258	45,848
Income taxes, etc.	6,080	6,356
Net income	32,178	39,491
Net income attributable to non-controlling interests	3,754	4,336
Net income attributable to owners of the parent	28,423	35,155

(Consolidated Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Apr. 1 -Dec. 31, 2015	Apr. 1 -Dec. 31, 2016
Net income	32,178	39,491
Other comprehensive Income		
Valuation difference on available-for-sale securities	(5,475)	7,078
Deferred gains or losses on hedges	6	(35)
Foreign currency statements translation adjustment	(5,187)	(6,653)
Remeasurements of defined benefit plans	(406)	183
Share of other comprehensive income of associates accounted for using equity	(2,383)	1,357
Total other comprehensive Income	(13,447)	1,931
Comprehensive income	18,730	41,422
Comprehensive income attributable to owners of the parent	17,093	40,523
Comprehensive income attributable to non-controlling interests	1,637	899

(3)Segment Information

(Billions of yen, rounded down)

	FY 2015 1-3Q	FY 2016 1-3Q	Change	FY2015 Full Year Result	FY 2016 Full Year Forecast
Net sales	450.9	409.6	(41.3)	593.5	540.0
Natural Gas Chemicals	135.8	107.8	(27.9)	175.6	149.4
Aromatic Chemicals	158.6	145.3	(13.2)	205.8	190.2
Specialty Chemicals	125.8	128.4	2.5	170.2	163.8
Information and Advanced Materials	41.0	37.9	(3.1)	55.2	48.2
Other and Adjustment	(10.3)	(10.0)	0.3	(13.5)	(11.7)
Operating income (loss)	27.1	32.3	5.1	34.0	39.0
Natural Gas Chemicals	3.1	0.8	(2.2)	4.1	1.1
Aromatic Chemicals	13.4	14.8	1.3	15.2	17.4
Specialty Chemicals	9.8	15.6	5.7	13.0	19.0
Information and Advanced Materials	2.5	3.4	0.9	4.0	4.9
Other and Adjustment	(1.9)	(2.5)	(0.6)	(2.4)	(3.5)
Non-operating profit	9.0	12.8	3.7	11.4	16.0
Ordinary income	36.2	45.1	8.9	45.4	55.0
Natural Gas Chemicals	11.5	9.1	(2.3)	13.9	12.8
Aromatic Chemicals	12.2	14.1	1.9	13.7	16.3
Specialty Chemicals	10.4	18.3	7.9	15.5	22.7
Information and Advanced Materials	2.4	4.2	1.8	3.8	5.7
Other and Adjustment	(0.3)	(0.7)	(0.4)	(1.6)	(2.5)

(4)Other Information

		FY2012	FY2013	FY2014	FY2015	FY2016 Forecast
Investments (Billions of yen)	1-3Q	24.3	18.9	14.7	22.6	24.1
	Full year	30.9	25.4	22.2	30.5	35.0
Depreciation & amortization (Billions of yen)	1-3Q	16.7	17.5	17.8	19.8	18.8
	Full year	23.0	23.5	23.7	26.7	26.0
R&D expenditures (Billions of yen)	1-3Q	11.5	12.1	12.3	13.7	14.2
	Full year	15.3	16.1	16.8	18.9	20.0
Number of Staff	Year-end	5,323	5,445	8,254	8,176	7,980
ROA (Ordinary income)		4.6%	4.8%	5.8%	5.9%	7.5%
ROE (Net income)		(2.8%)	5.0%	12.6%	9.0%	10.4%
Exchange Rate (JPY/USD, Average)	1-3Q	80	99	107	122	107
	Full year	83	100	110	120	107
Methanol (USD/MT, Asian average spot price)	1-3Q	377	383	410	283	250
	4Q	365	498	349	213	330

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	Apr.1-Dec.31, 2015	Apr.1-Dec.31, 2016	Change
Net sales	450.9	409.6	(41.3)
Operating income	27.1	32.3	5.1
Ordinary income	36.2	45.1	8.9
Net income attributable to owners of the parent	28.4	35.1	6.7

During the nine months of the fiscal year ending March 2017 (April 1-December 31, 2016), the world economy suffered from continued uncertainty about the future. While the U.S. market showed a recovery trend, the slowdown of China and other emerging economies caused concerns. The Japanese economy continued to experience slow upswing owing to an ongoing improvement in employment.

The MGC Group suffered a drop in net sales compared with the corresponding period of the previous fiscal year. Negative contributions included the stronger yen and lower methanol market prices.

Group operating income was higher than the prior-year figure. The negative impact of the stronger yen was more than offset by the improved profitability primarily of engineering plastics, which was due to lower prices of fuels and raw materials among other reasons.

Group ordinary income posted a year-on-year growth. There were positive factors including not only the increase in operating income, but also higher equity in earnings of affiliates recognized by engineering plastics affiliates and improvement of exchange gains and losses.

The Group posted a year-on-year growth in the net income attributable to parent company shareholders. Despite a decline in gain on sales of investment securities, there was a positive impact of the growth in ordinary income.

Results by Business Segment

Natural Gas Chemicals

(Billions of yen)

	Apr.1-Dec.31, 2015	Apr.1-Dec.31, 2016	Change
Sales	135.8	107.8	(27.9)
Operating income	3.1	0.8	(2.2)
Ordinary income	11.5	9.1	(2.3)

The methanol business recorded declines in both revenue and earnings. The business suffered from lower market prices.

Methanol and ammonia-based chemicals suffered declines in revenue and earnings. Despite declines in raw material prices, the figures were negatively affected by lower market prices of these products and the stronger yen.

Crude oil and other energy sources declined in both revenue and earnings due to lower crude oil prices.

Aromatic Chemicals

(Billions of yen)

	Apr.1-Dec.31, 2015	Apr.1-Dec.31, 2016	Change
Sales	158.6	145.3	(13.2)
Operating income	13.4	14.8	1.3
Ordinary income	12.2	14.1	1.9

Specialty aromatic chemicals posted a decline in both revenue and earnings due to the stronger yen.

General-purpose aromatic chemical products suffered a decline in revenue with the discontinued sale of purified terephthalic acid. Further negative factors included lower product market prices and the stronger yen. Earnings from these products grew, however, primarily due to the improvement in profitability of high-purity Isophthalic Acid.

Despite being affected by the stronger yen, foamed plastics achieved an increase in earnings. Positive reasons included lower prices of raw materials and the successful sales of high-value products.

Specialty Chemicals

(Billions of yen)

	Apr.1-Dec.31, 2015	Apr.1-Dec.31, 2016	Change
Sales	125.8	128.4	2.5
Operating income	9.8	15.6	5.7
Ordinary income	10.4	18.3	7.9

Inorganic chemicals suffered reductions in both revenue and earnings. In addition to the stronger yen, a lower sales volume of chemical solutions for semiconductors and LCD applications explains these results. The engineering plastics business posted higher earnings. Major positive factors include higher sales volume and improved profitability resulting from reductions in fuel and raw material prices for polycarbonate, polyacetal and poly carbonate sheets and films.

Information & Advanced Materials

(Billions of yen)

	Apr.1-Dec.31, 2015	Apr.1-Dec.31, 2016	Change
Sales	41.0	37.9	(3.1)
Operating income	2.5	3.4	0.9
Ordinary income	2.4	4.2	1.8

Electronic materials posted a drop in revenue due to reasons including the dissolution of Japan Circuit Industrial Co., the subsidiary producer of printed circuit boards, at the end of September 2016, while achieving higher earnings primarily due to growth in the sales volume of BT materials for semiconductor packaging.

Oxygen absorbers such as AGELESS® posted slightly lower earnings levels compared with the same period of the previous year. The appreciation of the yen more than canceled the positive impact of prior-year level developments in the sale of products for domestic food applications.

Consolidated Business Forecasts

Revision of consolidated business forecasts

Full fiscal year 2016 (April 1, 2016 – March 31, 2017)

(Billions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share (¥)
Previously announced forecasts (A)	510.0	30.0	37.0	26.0	120.12
Revised forecasts (B)	540.0	39.0	55.0	41.0	189.43
Change (B – A)	30.0	9.0	18.0	15.0	-

Forecasts for MGC's full-year non-consolidated performance for the fiscal year ending March 2017 will likely surpass their previous forecasts. In addition to the weaker yen, positive factors included higher sales volumes and improved profitability of specialty and aromatic chemicals.

Among the forecasts of full-year consolidated performance for fiscal 2016, operating income will likely surpass the previous forecast due to reasons similar to those cited for full-year non-consolidated performance projections. Ordinary income and net income attributable to parent company shareholders will be higher than their respective previous forecasts due not only to an expected increase in operating income, but also to higher equity in earnings anticipated owing to increases in methanol market prices.

These performance forecasts assume exchange rates of ¥110=\$1 and ¥120=€1 for the unelapsed period of the fiscal year.

(Revision of Forecast Dividends)

MGC corrects its previous forecast for the dividends to be provided towards the end of the fiscal year under review. This is partly because MGC posted strong figures in the nine months of the fiscal year ending March 2017. A further reason is that full-year results are now expected to surpass the corresponding previous forecasts.

(Yen)

	Cash Dividends per Share		
	2Q	Year End	Annual
Previously announced forecasts		※18.00	※—
Revised forecasts		※20.00	※—
2Q Results	8.00		
Fiscal 2015 Results	8.00	8.00	16.00

※As the Company conducted a consolidation of shares at a ratio of one share for every two shares effective October 1, 2016, figures for the dividends per share for FY 2016 (forecast) are amounts that take into account the consolidation of shares, and total annual dividends are shown as “—.”

(End)