

## Summary of Consolidated Financial Results for First Half of FY2017

Nov. 1, 2017  
Mitsubishi Gas Chemical, Inc (TSE 4182)

### 1. Summary of Income Statement (April 1 - Sep 30, 2017)

Millions of yen, rounded down

	Apr. 1 -Sep. 30, 2016	Apr. 1 -Sep. 30, 2017	Change (%)
Net Sales	267,935	302,943	13.1
Operating income	19,269	30,267	57.1
Ordinary income	24,668	42,008	70.3
Net income attributable to owners of the parent	18,571	35,453	90.9
Comprehensive income	4,718	40,680	762.1
Net income per share (Yen)	85.55	164.28	

\*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, 2017	As of Sep. 30, 2017
Total Assets	738,188	770,104
Net Assets	473,370	506,865
Equity Ratio(%)	57.5	59.3

### 3. Dividends

	FY2016	FY2017
Interim dividend per share (Yen)	8.00	24.00
Year-end dividend per share (Yen)	22.00	24(Forecast)
Annual Dividend per share (Yen)	-	48(Forecast)

(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 Year-end dividends per share for FY 2016 are amounts that take into account the consolidation of shares, and total annual dividends are shown as "-."

### 4. Consolidated Business Forecasts for FY2017 (April 1, 2017 - March 31, 2018)

Millions of yen, rounded down

	Full Year
Net Sales	610,000
Operating income	52,000
Ordinary income	72,000
Net income attributable to owners of the parent	56,000
Net income per share (Yen)	260.61

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

### 5. Number of Shares Outstanding (Common Stock)

	Mar31,2017	Sep30,2017
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	25,923,628	25,925,545

	Apr. 1 -Sep. 30, 2016	Apr. 1 -Sep. 30, 2017
Average shares outstanding during period	217,070,925	215,814,659

\*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, 2017	As of Sep. 30, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	75,017	80,017
Trade notes and accounts receivable	138,410	158,888
Short-term investments securities	139	183
Merchandise and finished goods	51,671	57,637
Work in progress	10,652	11,029
Raw materials and supplies	32,306	31,725
Other	19,544	18,221
Allowance for doubtful accounts	(1,067)	(1,242)
<b>Total current assets</b>	<b>326,674</b>	<b>356,460</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	79,594	80,746
Machinery, equipment and vehicles, net	81,147	79,919
Other, net	57,315	58,412
<b>Total property, plant and equipment</b>	<b>218,057</b>	<b>219,079</b>
<b>Intangible assets</b>		
Goodwill	4,258	4,124
Other	4,111	4,377
<b>Total intangible assets</b>	<b>8,370</b>	<b>8,501</b>
<b>Investments and other assets</b>		
Investment securities	175,461	176,293
Other	10,307	10,382
Allowance for doubtful accounts	(683)	(613)
<b>Total investments and other assets</b>	<b>185,085</b>	<b>186,062</b>
<b>Total noncurrent assets</b>	<b>411,513</b>	<b>413,643</b>
<b>Total assets</b>	<b>738,188</b>	<b>770,104</b>

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2017	As of Sep. 30, 2017
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	68,506	83,567
Short-term loans payable	74,669	70,034
Income taxes payable	3,394	3,342
Provision	6,108	5,872
Asset retirement obligations	98	47
Other	35,649	33,287
<b>Total current liabilities</b>	<b>188,426</b>	<b>196,153</b>
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	33,495	24,419
Provision	1,913	1,723
Projected benefit obligations	5,936	6,497
Asset retirement obligations	3,832	3,875
Other	21,212	20,569
<b>Total noncurrent liabilities</b>	<b>76,391</b>	<b>67,085</b>
<b>Total liabilities</b>	<b>264,817</b>	<b>263,238</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	41,970	41,970
Capital surplus	35,602	34,946
Retained earnings	357,245	387,951
Treasury stock	(21,829)	(21,834)
<b>Total shareholders' equity</b>	<b>412,989</b>	<b>443,033</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	18,101	18,619
Deferred gains or losses on hedges	(0)	(3)
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(6,249)	(4,514)
Remeasurements of defined benefit plans	(351)	(385)
<b>Total accumulated other comprehensive</b>	<b>11,722</b>	<b>13,938</b>
<b>Non controlling interest</b>	<b>48,658</b>	<b>49,892</b>
<b>Total net assets</b>	<b>473,370</b>	<b>506,865</b>
<b>Total liabilities and net assets</b>	<b>738,188</b>	<b>770,104</b>

## 2. Consolidated Statements of Income

(Millions of yen, rounded down)

	Apr. 1 -Sep. 30, 2016	Apr. 1 -Sep. 30, 2017
Net sales	267,935	302,943
Cost of sales	205,896	227,300
Gross profit	62,039	75,643
Selling, general and administrative expenses	42,769	45,375
Operating income	19,269	30,267
<b>Non-operating income</b>		
Interest income	201	201
Foreign exchange income	-	735
Dividend income	1,228	1,425
Equity in earnings of affiliates	7,569	10,499
Other	1,211	1,613
Total non-operating income	10,211	14,475
<b>Non-operating expenses</b>		
Interest expense	734	527
Foreign exchange losses	1,801	-
Personnel expenses for seconded employees	826	751
Rent expenses	240	551
Other	1,210	903
Total non-operating expenses	4,813	2,734
Ordinary income	24,668	42,008
<b>Extraordinary income</b>		
Gain on sales of investment securities	-	893
Compensation received	201	-
Total extraordinary income	201	893
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	-	356
Loss on disposal of non-current assets	-	154
Loss on liquidation of subsidiaries and affiliates	135	-
Loss on sales of investment securities	127	-
Total extraordinary losses	263	511
Income before income taxes, etc.	24,605	42,391
Income taxes, etc.	3,189	4,154
Net income	21,416	38,237
Net income attributable to non-controlling interests	2,844	2,783
Net income attributable to owners of the parent	18,571	35,453

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	Apr. 1 -Sep. 30, 2016	Apr. 1 -Sep. 30, 2017
Net income	21,416	38,237
<b>Other comprehensive Income</b>		
Valuation difference on available-for-sale securities	931	552
Deferred gains or losses on hedges	7	(3)
Foreign currency statements translation adjustment	(10,983)	1,388
Remeasurements of defined benefit plans	148	(72)
Share of other comprehensive income of associates accounted for using equity	(6,802)	577
Total other comprehensive Income	(16,697)	2,443
Comprehensive income	4,718	40,680
Comprehensive income attributable to owners of the parent	5,956	37,669
Comprehensive income attributable to non-controlling interests	(1,238)	3,011

### (3)Segment Information

(Billions of yen, rounded down)

	FY 2016 1H	FY 2017 1H	Change	FY2016 Full Year Result	FY 2017 Full Year Forecast
Net sales	267.9	302.9	35.0	556.4	610.0
Natural Gas Chemicals	70.1	81.4	11.2	153.5	166.8
Aromatic Chemicals	95.5	106.2	10.6	194.4	216.7
Specialty Chemicals	83.5	97.9	14.4	172.2	192.5
Information and Advanced Materials	24.8	25.2	0.3	50.2	49.7
Other and Adjustment	(6.1)	(7.9)	(1.7)	(13.9)	(15.8)
Operating income (loss)	19.2	30.2	10.9	43.7	52.0
Natural Gas Chemicals	0.3	2.2	1.8	2.5	4.6
Aromatic Chemicals	9.0	14.2	5.1	18.3	23.6
Specialty Chemicals	9.6	13.8	4.1	21.6	24.7
Information and Advanced Materials	2.0	2.4	0.3	4.8	3.6
Other and Adjustment	(1.9)	(2.4)	(0.5)	(3.6)	(4.7)
Non-operating profit	5.3	11.7	6.3	18.6	20.0
Ordinary income	24.6	42.0	17.3	62.4	72.0
Natural Gas Chemicals	3.9	8.6	4.6	14.3	15.9
Aromatic Chemicals	8.5	13.8	5.3	17.5	22.6
Specialty Chemicals	11.4	17.6	6.1	26.8	31.2
Information and Advanced Materials	2.7	3.3	0.6	6.1	5.1
Other and Adjustment	(1.9)	(1.5)	0.4	(2.4)	(2.9)

### (4)Other Information

		FY2013	FY2014	FY2015	FY2016	FY2017 Forecast
Investments (Billions of yen)	Full year	25.4	22.2	30.5	35.0	42.0
	1H	13.8	10.3	14.9	13.7	13.9
Depreciation & amortization (Billions of yen)	Full year	23.5	23.7	26.7	25.6	27.0
	1H	11.4	11.5	13.1	12.2	13.1
R&D expenditures (Billions of yen)	Full year	16.1	16.8	18.9	19.2	20.0
	1H	8.0	8.0	9.2	9.6	9.5
Number of Staff	Year-end	5,445	8,254	8,176	8,034	8,150
ROA (Ordinary income)		4.8%	5.8%	5.9%	8.4%	9.5%
ROE (Net income)		5.0%	12.6%	9.0%	11.9%	12.6%
Exchange Rate (JPY/USD, Average)	1H	99	103	122	105	111
	Full year	100	110	120	108	111
Methanol (USD/MT, Asian average spot price)	First half	375	432	301	230	296
	Second half	449	358	230	327	305

## Qualitative Information

### Consolidated Business Results for This Period

#### Overview of Results

(Billions of yen)

	Apr 1-Sep30 2016	Apr 1-Sep30 2017	Change
Net sales	267.9	302.9	35.0
Operating income	19.2	30.2	10.9
Ordinary income	24.6	42.0	17.3
Net income attributable to owners of the parent	18.5	35.4	16.8

During the first six months of the fiscal year ending March 2018 (April 1 – September 30, 2017), the future world economy remained uncertain. Despite the slow recovery, concerns existed about the future direction of U.S. policy and increasing geopolitical risks around the globe. The Japanese economy continued to slowly recover due to ongoing improvement in corporate earnings and employment.

The MGC Group revenue increased compared with the previous fiscal year. Specialty and aromatic chemicals achieved higher sales volumes. Further positive impacts include increased market prices of methanol and the weaker yen.

Operating income rose owing to higher sales volumes for specialty and aromatic chemicals, increases in the market prices of purified isophthalic acid and methanol derivatives, and the weaker yen.

The Group posted a year-on-year increase in ordinary income. In addition to the higher operating income, favorable impacts included improved exchange effects and increased equity in earnings of overseas methanol producing companies.

The growth in operating income and other positive reasons also enabled the Group to post an increase in net income attributable to parent company shareholders.

In the six-month period under review, the MGC Group recorded the highest figures ever of net sales and all earnings parameters for April to September.

## **Results by Business Segment**

### **Natural Gas Chemicals**

(Billions of yen)

	Apr 1-Sep30 2016	Apr 1-Sep30 2017	Change
Sales	70.1	81.4	11.2
Operating income	0.3	2.2	1.8
Ordinary income	3.9	8.6	4.6

The methanol business recovered and revenue increased compared with the same period of the previous year when it faced low market prices.

Methanol and ammonia-based chemicals marked higher earnings because the negative impact of higher material prices was more than canceled by increased market prices of neopentylglycol and MMA-based products.

Crude oil and other energy sources posted a slightly higher earnings than in the prior-year period, primarily due to the increased sales price of crude oil.

### **Aromatic Chemicals**

(Billions of yen)

	Apr 1-Sep30 2016	Apr 1-Sep30 2017	Change
Sales	95.5	106.2	10.6
Operating income	9.0	14.2	5.1
Ordinary income	8.5	13.8	5.3

Specialty aromatic chemical products posted growth in both revenue and earnings compared with the previous year, primarily due to higher sales volumes of meta-xylenediamine and aromatic aldehydes.

General-purpose aromatic chemicals achieved increases in both revenue and earnings. Positive factors included higher market prices of purified isophthalic acid, which generated increasing demand from PET bottle producers mainly in emerging economies, as well as an increase in sales volume resulting from recommissioning a line of meta-xylene (MX) production equipment.

Foamed plastics posted growth in revenue due to higher sales volumes and revised product prices to reflect increased raw material prices. However, increases in fuel and raw material prices led to prior-year-level earnings.

## Specialty Chemicals

(Billions of yen)

	Apr 1-Sep30 2016	Apr 1-Sep30 2017	Change
Sales	83.5	97.9	14.4
Operating income	9.6	13.8	4.1
Ordinary income	11.4	17.6	6.1

With the expansion of the semiconductor market, inorganic chemicals achieved higher revenue and earnings compared with the previous year, primarily due to growth in the sales volume of liquid chemicals for use in semiconductor production.

The engineering plastics business increased both revenue and earnings. Major positive factors included growth in sales volumes for polycarbonates, polyacetals, and polycarbonate sheets and films. An additional positive factor was an increase in the market prices of polycarbonates, which enjoyed brisk demand mainly in China.

## Information & Advanced Materials

(Billions of yen)

	Apr 1-Sep30 2016	Apr 1-Sep30 2017	Change
Sales	24.8	25.2	0.3
Operating income	2.0	2.4	0.3
Ordinary income	2.7	3.3	0.6

Electronic materials posted prior-year-level net sales due to the dissolution of Japan Circuit Industrial Co., Ltd. in September 2016 while achieving higher earnings. This was primarily due to the steady sales volume of BT materials for semiconductor packaging, and for memory in particular.

Oxygen absorbers such as AGELESS® posted slight year-on-year drops in earnings, despite increased sales volume, which was the most apparent in exports.

## Consolidated Business Forecasts

Revision of consolidated business forecasts

Half year ending September 30, 2017 (April 1, 2017 – September 30, 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)	290.0	24.0	33.0	26.0	120.47
Result (B)	302.9	30.2	42.0	35.4	164.28
Change (B – A)	12.9	6.2	9.0	9.4	-

The final consolidated financial results for the first six months of the fiscal year ending March 2018 have generated differences from the forecasts announced on August 2, 2017. This is because of the strong development of sales volumes and sales prices, mainly for specialty and aromatic chemicals.

Full fiscal year 2017 (April 1, 2017 – March 31, 2018)

(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)	580.0	44.0	59.0	46.0	213.15
Revised forecasts (B)	610.0	52.0	72.0	56.0	260.61
Change (B – A)	30.0	8.0	13.0	10.0	-

Full-year results for the fiscal year ending March 2018 are expected to surpass the previous forecasts. This is partly because the Group performed better than the initial projections during the first six months, and partly because the Group, and the engineering plastics business in particular, will likely post better results for the remaining six months.

For the unelapsed period of the fiscal year, these performance forecasts assume exchange rates of ¥110=\$1 (same as in the previous forecast) and ¥130=€1 (¥5 lower).

(End)