



New Medium-term Management Plan: MGC Advance2020

 MITSUBISHI GAS CHEMICAL COMPANY, INC.

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MGC has introduced the new Medium-term Management Plan “MGC Advance2020: A Brighter Future from Bigger Dreams!” covering the three years from FY 2018 (ending March 2019) to FY 2020 (ending March 2021).

In accordance with the MGC Group vision “Creating values to share with society,” the new Medium-term Management Plan, MGC Advance 2020, defines five measures to achieve the new basic policy goals: “enhancing the corporate value of the MGC Group” and “deepening the trust of MGC Group stakeholders.” The MGC Group will strive to achieve greater dreams by implementing the five measures and building on the results of the previous Medium-term Management Plan.

1. Review of the Previous Three-year Medium-term Management Plan: MGC Advance2017

The final-year (FY 2017) targets for operating income, ordinary income and ROE, defined in the previous Medium-term Management Plan, MGC Advance 2017, were achieved a year earlier, while net sales failed to reach its final-year target. In FY 2017, the Group achieved even higher earnings, marking an all-time high for the second year in a row.

The major reasons for this all-time high were related to two of the pillars specified in the previous Medium-term Management Plan. “Restructuring underperforming businesses” led to achievements in structural reforms, while favorable conditions in the external economic environment helped to substantially increase “the earning power of existing business with a focus on the core business.”

“Creating and developing new businesses” was another focus. Established in 2015, the Advanced Business Development Division went beyond accelerating the translation of the new research and development project transferred to the division into real business; the division also participated in investment partnerships, collaborated with ventures and conducted joint research with public research institutions.

Consolidated parameter	FY 2015	FY 2016	FY 2017	FY 2017 (planned)
Net sales (billion yen)	593.5	556.4	635.9	700.0
Operating income (billion yen)	34.0	43.7	62.7	40.0
Ordinary income (billion yen)	45.4	62.4	80.7	55.0
ROE (return on equity)	9.0%	12.0%	13.6%	9% or more

2. Overview of the New Medium-term Management Plan: MGC Advance2020

◆ MGC Group vision: “Creating values to share with society”

◆ New Medium-term Management Plan: “MGC Advance2020: A Brighter Future from Bigger Dreams!”

- Basic Strategies

- Enhancing the corporate value of the MGC Group
- Deepening the trust of MGC Group stakeholders

- Measures

- Strengthening the earning power of existing businesses with a focus on core businesses
- Creating and developing new businesses
- Implementing investment strategies to form an optimal business portfolio
- Promoting unified MGC Group management
- Improving total enterprise quality to support sustainable growth

MGC offers value to society by operating a wide range of core businesses including natural resources and energies, chemicals and materials (such as methanol, hydrogen peroxide, polycarbonates and MXDA/Nylon-MXD6) and high-performance products (such as sheets/films, foamed plastics, electronics chemicals, BT materials and the AGELESS oxygen absorber). We will continue to funnel our business resources into these core areas to strengthen our earning power even further.

In addition, we will remain committed towards “creating and developing new businesses.” Medical/food, information/communications and mobility are the three specific areas in which we plan to invest aggressively to keep up with the current megatrends.

Now that we finally see the light at the end of the tunnel of restructuring underperforming businesses, the new Medium-term Management Plan defines a new measure under the title of “implementing investment strategies to form an optimal business portfolio.” To address changes in the external environment, whose elements include the volatile international situation, uncertainties as to energy market prices and unpredictable exchange rates, we will develop and implement aggressive investment strategies including mergers and acquisitions. Our aim is to build an optimal business portfolio which comprises general-purpose products, specialty products and new businesses, all supporting the MGC Group in a balanced manner.

The measure of “promoting unified MGC Group management” will be implemented by moving further ahead with “improving group-wide operational efficiency,” which is a measure defined in the previous Medium-term Management Plan. We will thus continue to work on integrating the three trade houses of the MGC Group as well as sharing and unifying the accounting system within the Group.

Sustainable growth will also remain a key commitment. To this end, we will not only develop the Group-wide safety culture and enhancing internal control and compliance even further, but also improve the quality of the MGC Group’s business resources such as personnel, technology, information, funds, brand strength, and patents.

3. Financial targets (to be achieved in the final fiscal year of MGC Advance2020)

Consolidated parameter	Target (FY 2020)
Net sales (billion yen)	750.0
Operating income (billion yen)	65.0
Ordinary income (billion yen)	90.0
ROE (return on equity)	12% or more

Assumptions

Exchange rate: ¥110/US\$

Crude oil price (Dubai): 60 US\$/bbl for 2018-2020

Note: Forward-looking statements, such as performance forecasts, contained in this document are based on the information currently available to the company and reflect certain assumptions that the company currently considers as being reasonable. Such statements do not represent any guarantees by the company. Actual performance may differ significantly due to various factors.

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