

Summary of Financial Results FY2018

May 13, 2019
Mitsubishi Gas Chemical Company, Inc (TSE 4182)

(Millions of yen, rounded down)

1. Consolidated Financial Results for the Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)

(1) Summary of Income Statement (April 1, 2018- March 31, 2019)

	FY2017	FY2018	Change (%)
Net Sales	635,909	648,986	2.1
Operating income	62,741	41,386	(34.0)
Ordinary income	80,711	69,199	(14.3)
Net income attributable to owners of the parent	60,531	55,000	(9.1)
Comprehensive income	67,636	54,318	(19.7)
Net income per share (Yen)	281.39	257.46	

Note: Equity in earnings of affiliates: FY2017 JPY18,277 million; FY2018 JPY28,408 million

(2) Financial Position

	As of Mar. 31, 2018	As of Mar. 31, 2019
Total assets	785,687	804,038
Net assets	519,144	553,282
Shareholders equity	467,363	502,961
Equity Ratio(%)	59.5	62.6
Book value per share (Yen)	2,187.99	2,354.25

(3) Cash Flows

	FY2017	FY2018
Cash flow from operating activities	90,720	64,042
Cash flow from investing activities	(33,614)	(42,761)
Cash flow from financing activities	(33,038)	(31,396)
Cash and cash equivalents at end of period	90,304	80,379

2. Dividends

	FY2017	FY2018	FY2019 (forecast)
Interim dividend per share (Yen)	24.00	35.00	35.00
Year-end dividend per share (Yen)	35.00	35.00	35.00
Annual Dividend per share (Yen)	59.00	70.00	70.00
Total dividend payment	12,655	14,954	
Dividend payout ratio (consolidated, %)	21.0	27.2	43.6
Dividend to net assets ratio (consolidated, %)	2.8	3.1	

3. Consolidated Business Forecasts for FY2019 (April 1, 2019 - March 31, 2020)

	First Half	Full Year	Y/Y Change (%)
Net Sales	320,000	650,000	0.2
Operating income	18,000	40,000	(3.4)
Ordinary income	18,000	45,000	(35.0)
Net income attributable to owners of the parent	14,000	34,000	(38.2)
Net income per share (Yen)	65.95	160.67	

4. Number of Shares Outstanding (Common Stock)

	FY2017	FY2018
Number of shares outstanding at term end (including treasury stock)	231,739,199	231,739,199
Number of shares of treasury stock at term-end	18,135,027	18,099,472
Average number of shares	215,117,047	213,630,153

Reference: Outline of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)

(1) Non-consolidated Operating Results

	FY2017	FY2018	Change (%)
Net Sales	364,433	375,129	2.9
Operating income	31,287	23,122	(26.1)
Ordinary income	54,149	41,329	(23.7)
Net income	41,386	34,690	(16.2)
Net income per share (Yen)	192.39	162.39	

(2) Non-consolidated Financial Position

	As of Mar. 31, 2018	As of Mar. 31, 2019
Total assets	455,869	457,427
Net assets	275,255	291,198
Shareholders equity	275,255	291,198
Equity Ratio(%)	60.4	63.7
Book value per share (Yen)	1,288.62	1,363.04

1. These financial statements are exempt from audit procedure.

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, 2018	As of Mar. 31, 2019
ASSETS		
Current assets		
Cash and deposits	101,090	91,130
Trade notes and accounts receivable	165,606	155,507
Short-term investments securities	121	23
Merchandise and finished goods	57,958	67,681
Work in progress	11,044	13,308
Raw materials and supplies	34,750	38,262
Other	14,847	13,965
Allowance for doubtful accounts	(1,170)	(1,033)
Total current assets	384,249	378,845
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	80,823	81,630
Machinery, equipment and vehicles, net	81,359	78,700
Land	38,458	39,826
Lease assets, net	469	377
Construction in progress	12,347	20,522
Other, net	7,260	7,435
Total property, plant and equipment	220,717	228,492
Intangible assets		
Goodwill	3,911	3,841
Lease assets	14	5
Software	2,141	2,187
Other	2,343	2,579
Total intangible assets	8,411	8,614
Investments and other assets		
Investment securities	161,391	177,011
Long-term loans receivable	2,632	2,831
Deferred tax assets	2,094	2,510
Assets for retirement benefits	1,221	1,174
Other	5,522	5,101
Allowance for doubtful accounts	(555)	(543)
Total investments and other assets	172,308	188,086
Total noncurrent assets	401,437	425,193
Total assets	785,687	804,038

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2018	As of Mar. 31, 2019
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	88,720	80,089
Short-term loans payable	71,155	58,749
Accrued expenses	16,591	20,493
Lease obligations	100	97
Income taxes payable	4,133	3,439
Provision for bonuses	5,422	5,539
Provision for directors' bonuses	-	2
Provision for environmental improvements	10	129
Provision for loss on business withdrawal	66	17
Provision for business structure improvements	-	19
Provision for loss on liquidation of subsidiaries and affiliates	144	505
Asset retirement obligations	1,522	113
Other	18,968	19,223
Total current liabilities	206,835	188,420
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	25,328	26,615
Lease obligations	378	290
Deferred tax liabilities	10,080	9,521
Provision for directors' retirement benefits	339	337
Provision for loss on guarantees	1,088	2,358
Provision for environmental improvements	217	164
Provision for business structure improvements	1,048	1,017
Provision for loss on business withdrawal	58	-
Provision for loss on liquidation of subsidiaries and affiliates	577	72
Other provision	220	218
Projected benefit obligations	4,592	5,247
Asset retirement obligations	2,420	2,324
Other	3,355	4,166
Total noncurrent liabilities	59,707	62,336
Total liabilities	266,543	250,756
NET ASSETS		
Shareholders' equity		
Capital stock	41,970	41,970
Capital surplus	34,578	34,298
Retained earnings	399,033	439,080
Treasury stock	(19,966)	(19,930)
Total shareholders' equity	455,616	495,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,261	13,023
Deferred gains or losses on hedges	(0)	1
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(7,614)	(6,327)
Remeasurements of defined benefit plans	1,878	623
Total accumulated other comprehensive	11,747	7,542
Non controlling interest	51,780	50,321
Total net assets	519,144	553,282
Total liabilities and net assets	785,687	804,038

2. Consolidated Statements of Income

(Millions of yen, rounded down)

	FY2017	FY2018
Net sales	635,909	648,986
Cost of sales	481,326	512,857
Gross profit	154,583	136,129
Selling, general and administrative expenses	91,841	94,742
Operating income	62,741	41,386
Non-operating income		
Interest income	485	642
Dividend income	2,096	2,200
Equity in earnings of affiliates	18,277	28,408
Other	3,546	3,443
Total non-operating income	24,405	34,694
Non-operating expenses		
Interest expense	1,069	1,018
Personnel expenses for seconded employees	1,449	1,430
Loss on disposal of noncurrent assets	1,389	988
Rent expenses	1,264	1,634
Other	1,261	1,810
Total non-operating expenses	6,435	6,882
Ordinary income	80,711	69,199
Extraordinary income		
Gain on sales of investment securities	1,926	989
Gain on sales of noncurrent assets	548	714
Gain on reversal of asset retirement obligations	-	650
Insurance income	-	116
Compensation income	407	-
Total extraordinary income	2,882	2,471
Extraordinary losses		
Provision for loss on guarantees	1,088	1,267
Loss on valuation of investment securities	8,297	690
Loss on disposal of noncurrent assets	274	646
Loss on business withdrawal	236	-
Loss on liquidation of subsidiaries and affiliates	162	-
Amortization of goodwill	102	-
Impairment losses	11	-
Total extraordinary losses	10,172	2,604
Income before income taxes, etc.	73,421	69,066
Income taxes, etc.	7,487	9,087
Net income	65,933	59,979
Net income attributable to non-controlling interests	5,402	4,979
Net income attributable to owners of the parent	60,531	55,000

(Consolidated Statements of Comprehensive Income)

(Millions of yen, rounded down)

	FY2017	FY2018
Net income	65,933	59,979
Other comprehensive Income		
Valuation difference on available-for-sale securities	(827)	(4,212)
Deferred gains or losses on hedges	(0)	1
Foreign currency statements translation adjustment	2,102	(2,232)
Remeasurements of defined benefit plans	2,204	(1,812)
Share of other comprehensive income of associates accounted for using equity method	(1,775)	2,594
Total other comprehensive Income	1,702	(5,661)
Comprehensive income	67,636	54,318
Comprehensive income attributable to owners of the parent	60,555	50,795
Comprehensive income attributable to non-controlling interests	7,080	3,522

3. Consolidated Statement of Cash Flows

(Millions of yen, rounded down)

	FY2017	FY2018
Net cash provided by (used in) operating activities:		
Income before income taxes, etc.	73,421	69,066
Depreciation and amortization	27,027	27,451
Loss on sale/disposal of property, plant and equipment	1,094	870
Amortization of goodwill	370	260
Equity in earnings of affiliates	(18,277)	(28,408)
Impairment loss	11	-
Gain on reversal of asset retirement obligations	-	(650)
Insurance income	(29)	(173)
Decrease (increase) in allowance for doubtful accounts	4	(137)
Increase in net defined benefit liability	43	(682)
Interest and dividend income	(2,581)	(2,842)
Interest expenses	1,069	1,018
Gain on sale of short-term investments and investments in securities	(2,146)	(1,041)
Gain on valuation of short-term investments and investments in securities	8,327	837
Decrease in trade notes and accounts receivable	(28,607)	8,059
Decrease in inventories	(9,759)	(15,750)
Decrease in trade notes and accounts payable	21,357	(7,290)
Increase (decrease) in accrued consumption taxes	1,085	(1,141)
Increase (decrease) in provision for directors' retirement benefits	33	68
Increase (decrease) in provision for loss on withdrawal from business	236	(107)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	162	(144)
Increase (decrease) in provision for loss on guarantees	1,088	1,270
Other, net	1,016	5,779
Sub total	74,948	56,313
Interest and dividend received	2,545	2,804
Dividend received from affiliates accounted for by the equity method	20,008	12,323
Interest paid	(974)	(1,020)
Income taxes paid	(5,838)	(6,552)
Insurance received	29	173
Net cash provided by (used in) operating activities	90,720	64,042

Consolidated Statement of Cash Flows (continued)

(Millions of yen, rounded down)

	FY2017	FY2018
Net cash provided by (used in) investing activities		
Purchase of noncurrent assets	(36,546)	(37,409)
Proceeds from sales of noncurrent assets	2,141	891
Purchase of investment securities	(1,548)	(5,039)
Proceeds from sales of investment securities	4,949	648
Payments of loans receivable	(722)	(493)
Collection of loans receivable	80	445
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	804	939
Other, net	(2,773)	(2,743)
Net cash provided by (used in) investing activities	(33,614)	(42,761)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loan payable	(7,300)	(10,599)
Proceeds from long-term loans payable	10,359	16,773
Payment of long-term loans payable	(14,143)	(17,893)
Purchase of treasury stock	(7,010)	(6)
Cash dividends paid	(9,927)	(14,953)
Cash dividends paid to non-controlling interests	(2,024)	(1,751)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,883)	(2,859)
Other, net	(108)	(105)
Net cash provided by (used in) financing activities	(33,038)	(31,396)
Effect of exchange rate change on cash and cash equivalents	(939)	190
Net increase (decrease) in cash and cash equivalents	23,127	(9,925)
Cash and cash equivalents at beginning of period	67,177	90,304
Cash and cash equivalents at end of period	90,304	80,379

4. Segment Information

(Millions of yen, rounded down)

	FY2017						Consolidated
	Natural Gas Chemicals	Aromatic Chamials	Specialty Chemicals	Information & Advanced Materials	Other	Adjustment s	
Sales:							
Sales to third parties	167,035	212,050	203,561	52,735	526	-	635,909
Inter segment sales	7,697	1,102	1,534	39	79	(10,454)	-
	174,733	213,152	205,096	52,774	606	(10,454)	635,909
Ordinary income	14,277	24,570	37,988	5,566	261	(1,952)	80,711
Segment aseets	182,960	214,587	232,967	76,921	31,174	47,075	785,687
Others:							
Depreciation and amortization	5,145	8,527	9,170	3,595	19	568	27,027
Amortization of goodwill	-	241	0	-	129	-	370
Interest income	70	190	212	27	0	(17)	485
Interest expenses	89	644	650	107	7	(429)	1,069
Equity in earnings of affiliates	9,391	(121)	7,930	899	177	-	18,277
Investment in affiliates accounted for by the equity method	56,916	457	22,344	10,318	3,548	(88)	93,496
Capital expenditures	6,076	11,301	11,004	1,937	0	640	30,959

(Millions of yen, rounded down)

	FY2018						Consolidated
	Natural Gas Chemicals	Aromatic Chamials	Specialty Chemicals	Information & Advanced Materials	Other	Adjustment s	
Sales:							
Sales to third parties	180,554	211,123	204,634	51,986	686	-	648,986
Inter segment sales	7,770	593	1,099	9	127	(9,601)	-
	188,325	211,717	205,734	51,996	814	(9,601)	648,986
Ordinary income	22,665	13,961	28,206	4,480	480	(594)	69,199
Segment aseets	204,278	211,795	238,546	72,484	30,606	46,326	804,038
Others:							
Depreciation and amortization	5,512	8,734	8,710	3,616	19	858	27,451
Amortization of goodwill	-	260	-	-	-	-	260
Interest income	81	218	265	38	0	36	642
Interest expenses	76	772	633	109	7	(582)	1,018
Equity in earnings of affiliates	19,402	7	7,875	783	340	-	28,408
Investment in affiliates accounted for by the equity method	74,222	464	22,230	10,520	4,178	800	112,417
Capital expenditures	5,792	14,630	14,406	2,303	0	2,146	39,279

FY2017 Outline of Consolidated Results

(Billions of yen, rounded down)

	FY2017	FY2018	Change	Change (%)	FY 2019 forecast
Net sales	635.9	648.9	13.0	2.1	650.0
Natural Gas Chemicals	174.7	188.3	13.5	7.8	182.6
Aromatic Chemicals	213.1	211.7	(1.4)	(0.7)	208.6
Specialty Chemicals	205.0	205.7	0.6	0.3	214.9
Information and Advanced Materials	52.7	51.9	(0.7)	(1.5)	52.1
Other and Adjustment	(9.8)	(8.7)	1.0	-	(8.4)
Operating income (loss)	62.7	41.3	(21.3)	(34.0)	40.0
Natural Gas Chemicals	5.4	3.3	(2.0)	(37.9)	4.7
Aromatic Chemicals	25.6	14.6	(10.9)	(42.8)	15.6
Specialty Chemicals	29.6	21.2	(8.3)	(28.2)	19.0
Information and Advanced Materials	4.2	3.9	(0.3)	(7.6)	3.6
Other and Adjustment	(2.2)	(1.8)	0.3	-	(3.0)
Non-operating profit	17.9	27.8	9.8	54.8	5.0
Ordinary income	80.7	69.1	(11.5)	(14.3)	45.0
Natural Gas Chemicals	14.2	22.6	8.3	58.7	4.8
Aromatic Chemicals	24.5	13.9	(10.6)	(43.2)	14.5
Specialty Chemicals	37.9	28.2	(9.7)	(25.7)	23.7
Information and Advanced Materials	5.5	4.4	(1.0)	(19.5)	4.1
Other and Adjustment	(1.6)	(0.1)	1.5	-	(2.2)
Extraordinary income and loss, net	(7.2)	(0.1)	7.1	-	3.0
Income before income taxes, etc.	73.4	69.0	(4.3)	(5.9)	48.0
Net income attributable to owners of the parent	60.5	55.0	(5.5)	(9.1)	34.0

4. Other Information 1

		FY2015	FY2016	FY2017	FY2018	FY2019 Forecast
Investments (Billions of yen)	Full year	30.5	35.0	30.9	39.2	50.0
	1H	14.9	13.7	13.9	18.6	25.0
Depreciation & amortization (Billions of yen)	Full year	26.7	25.6	27.0	27.4	29.0
	1H	13.1	12.2	13.1	13.5	14.0
R&D expenditures (Billions of yen)	Full year	18.9	19.2	18.9	18.6	21.0
	1H	9.2	9.6	9.5	9.1	10.5
Number of Staff	Year-end	8,176	8,034	8,009	8,276	8,508
ROA (Ordinary income)		5.9%	8.4%	10.6%	8.7%	5.5%
ROE (Net income)		9.0%	12.0%	13.6%	11.3%	6.7%

5. Other Information 2

	FY2014		FY2015		FY2016		FY2017		FY2018		FY2019
	Result		Result		Result		Result		Result		Forecast
	First half	Second half	First half	Second half	First half	Second half	First half	Second half	First half	Second half	Full year
Exchange Rate (JPY/USD, Average)	103	117	122	118	105	112	111	111	110	112	110
Exchange Rate (JPY/EUR, Average)	139	139	135	130	118	119	126	133	130	127	125
crude oil (Dubai) (USD/BBL)	104	63	56	36	43	51	50	62	73	65	70
Methanol (USD/MT, Asian average spot price)	432	358	301	230	230	327	296	381	408	335	350
Mixed Xylene (USD/MT)	1,100	730	740	630	660	680	650	725	845	730	800
Bisphenol A (USD/MT)*	1,600 ~2,000	1,200 ~1,900	950 ~1,500	850 ~1,100	1,000 ~1,200	1,000 ~1,400	1,100 ~1,300	1,200 ~1,700	1,600 ~1,900	1,200 ~1,800	1,200 ~1,700
Polycarbonate (USD/MT)*	2,500 ~2,700	2,300 ~2,700	2,100 ~2,650	2,000 ~2,400	2,200 ~2,500	2,400 ~2,800	2,500 ~2,900	2,900 ~3,900	2,700 ~3,800	2,100 ~2,800	2,000 ~2,500

*Describe the minimum and maximum values during the period

Note: Methanol price forecasts are expressed for the following periods.

FY2014:

1H: January-June

2H: July-December

FY2015-FY2019:

1H: April-September

2H: October-March