

Summary of Financial Results FY2017

May 9, 2018
Mitsubishi Gas Chemical, Inc (TSE 4182)

(Millions of yen, rounded down)

1. Consolidated Financial Results for the Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)

(1) Summary of Income Statement (April 1, 2017- March 31, 2018)

	FY2016	FY2017	Change (%)
Net Sales	556,480	635,909	14.3
Operating income	43,762	62,741	43.4
Ordinary income	62,430	80,711	29.3
Net income attributable to owners of the parent	48,013	60,531	26.1
Comprehensive income	61,319	67,636	10.3
Net income per share (Yen) *	221.83	281.39	

*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.

Note: Equity in earnings of affiliates: FY2016 JPY21,125 million; FY2017 JPY18,277 million

(2) Financial Position

	As of Mar. 31, 2017	As of Mar. 31, 2018
Total assets	738,188	792,489
Net assets	473,370	519,144
Shareholders equity	424,712	467,363
Equity Ratio(%)	57.5	59.0
Bookvalue per share (Yen)	1,967.94	2,187.99

(3) Cash Flows

	FY2016	FY2017
Cash flow from operating activities	82,711	90,720
Cash flow from investing activities	(31,119)	(33,614)
Cash flow from financing activities	(60,217)	(33,038)
Cash and cash equivalents at end of period	67,177	90,304

2. Dividends

	FY2016	FY2017	FY2018 (forecast)
Interim dividend per share (Yen)	8.00	24.00	35.00
Year-end dividend per share (Yen)	22.00	35.00	35.00
Annual Dividend per share (Yen)	-	59.00	70.00
Total dividend payment	8,201	12,655	
Dividend payout ratio (consolidated, %)	17.1	21.0	24.5
Dividend to net assets ratio (consolidated, %)	2.1	2.8	

*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 "-."

3. Consolidated Business Forecasts for FY2018 (April 1, 2018 - March 31, 2019)

	First Half	Full Year	Y/Y Change (%)
Net Sales	320,000	640,000	0.6
Operating income	27,000	53,000	(15.5)
Ordinary income	38,000	75,000	(7.1)
Net income attributable to owners of the parent	30,000	61,000	0.8
Net income per share (Yen)	140.45	285.57	

4. Number of Shares Outstanding (Common Stock)

	FY2016	FY2017
Number of shares outstanding at term end (including treasury stock)	241,739,199	231,739,199
Number of shares of treasury stock at term-end	25,923,628	18,135,027
Average number of shares	216,444,168	215,117,047

*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, 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.

Reference: Outline of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)

(1) Non-consolidated Operating Results

	FY2016	FY2017	Change (%)
Net Sales	299,234	364,433	21.8
Operating income	17,583	31,287	77.9
Ordinary income	31,409	54,149	72.4
Net income	27,996	41,386	47.8
Net income per share (Yen) *	129.35	192.39	

*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) Non-consolidated Financial Position

	As of Mar. 31, 2017	As of Mar. 31, 2018
Total assets	426,324	460,169
Net assets	251,521	275,255
Shareholders equity	251,521	275,255
Equity Ratio(%)	59.0	59.8
Bookvalue per share (Yen) *	1,165.45	1,288.62

*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, bookvalue 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. Non-consolidated Forecasts for the Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)

	First Half	Full Year	Y/Y Change (%)
Net Sales	185,000	370,000	1.5
Operating income	13,000	25,000	(20.1)
Ordinary income	20,000	47,000	(13.2)
Net income attributable to owners of the parent	17,000	44,000	6.3
Net income per share (Yen)	79.59	205.99	

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, 2017	As of Mar. 31, 2018
ASSETS		
Current assets		
Cash and deposits	75,017	101,090
Trade notes and accounts receivable	138,410	165,606
Short-term investments securities	139	121
Merchandise and finished goods	51,671	57,958
Work in progress	10,652	11,044
Raw materials and supplies	32,306	34,750
Deferred tax assets	5,818	6,759
Other	13,725	14,847
Allowance for doubtful accounts	(1,067)	(1,170)
Total current assets	326,674	391,009
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	79,594	80,823
Machinery, equipment and vehicles, net	81,147	81,359
Land	38,114	38,458
Lease assets, net	546	469
Construction in progress	12,233	12,347
Other, net	6,421	7,260
Total property, plant and equipment	218,057	220,717
Intangible assets		
Goodwill	4,258	3,911
Lease assets	22	14
Software	1,722	2,141
Other	2,367	2,343
Total intangible assets	8,370	8,411
Investments and other assets		
Investment securities	175,461	161,391
Long-term loans receivable	2,658	2,632
Deferred tax assets	2,161	2,137
Assets for retirement benefits	12	1,221
Other	5,475	5,522
Allowance for doubtful accounts	(683)	(555)
Total investments and other assets	185,085	172,350
Total noncurrent assets	411,513	401,480
Total assets	738,188	792,489

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2017	As of Mar. 31, 2018
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	68,506	88,720
Short-term loans payable	74,669	71,155
Accrued expenses	15,171	16,591
Lease obligations	100	100
Income taxes payable	3,394	4,133
Deferred tax liabilities	256	242
Provision for bonuses	5,351	5,422
Provision for environmental improvements	1	10
Provision for loss on business withdrawal	-	66
Provision for business structure improvements	132	-
Provision for loss on liquidation of subsidiaries and affiliates	624	144
Asset retirement obligations	98	1,522
Other	20,119	18,968
Total current liabilities	188,426	207,078
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	33,495	25,328
Lease obligations	447	378
Deferred tax liabilities	17,309	16,640
Provision for directors' retirement benefits	387	339
Provision for loss on guarantees	-	1,088
Provision for environmental improvements	271	217
Provision for business structure improvements	1,053	1,048
Provision for loss on business withdrawal	-	58
Provision for loss on liquidation of subsidiaries and affiliates	-	577
Other provision	200	220
Projected benefit obligations	5,936	4,592
Asset retirement obligations	3,832	2,420
Other	3,455	3,355
Total noncurrent liabilities	76,391	66,266
Total liabilities	264,817	273,345
NET ASSETS		
Shareholders' equity		
Capital stock	41,970	41,970
Capital surplus	35,602	34,578
Retained earnings	357,245	399,033
Treasury stock	(21,829)	(19,966)
Total shareholders' equity	412,989	455,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,101	17,261
Deferred gains or losses on hedges	(0)	(0)
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(6,249)	(7,614)
Remeasurements of defined benefit plans	(351)	1,878
Total accumulated other comprehensive	11,722	11,747
Non controlling interest	48,658	51,780
Total net assets	473,370	519,144
Total liabilities and net assets	738,188	792,489

2. Consolidated Statements of Income

(Millions of yen, rounded down)

	FY2016	FY2017
Net sales	556,480	635,909
Cost of sales	425,231	481,326
Gross profit	131,249	154,583
Selling, general and administrative expenses	87,486	91,841
Operating income	43,762	62,741
Non-operating income		
Interest income	423	485
Dividend income	1,789	2,096
Equity in earnings of affiliates	21,125	18,277
Other	2,569	3,546
Total non-operating income	25,908	24,405
Non-operating expenses		
Interest expense	1,346	1,069
Personnel expenses for seconded employees	1,646	1,449
Loss on disposal of noncurrent assets	1,102	1,389
Rent expenses	454	1,264
Foreign exchange losses	1,219	-
Other	1,470	1,261
Total non-operating expenses	7,240	6,435
Ordinary income	62,430	80,711
Extraordinary income		
Gain on sales of investment securities	761	1,926
Gain on sales of noncurrent assets	579	548
Compensation income	201	407
Subsidy income	1,015	-
Total extraordinary income	2,557	2,882
Extraordinary losses		
Loss on valuation of investment securities	-	8,297
Provision for loss on guarantees	-	1,088
Loss on disposal of noncurrent assets	111	274
Loss on business withdrawal	870	236
Loss on liquidation of subsidiaries and affiliates	667	162
Amortization of goodwill	-	102
Impairment losses	1,124	11
Loss on reduction of noncurrent assets	987	-
Loss on sales of investment securities	127	-
Total extraordinary losses	3,888	10,172
Income before income taxes, etc.	61,099	73,421
Income taxes, etc.	7,671	7,487
Net income	53,427	65,933
Net income attributable to non-controlling interests	5,414	5,402
Net income attributable to owners of the parent	48,013	60,531

(Consolidated Statements of Comprehensive Income)

(Millions of yen, rounded down)

	FY2016	FY2017
Net income	53,427	65,933
Other comprehensive Income		
Valuation difference on available-for-sale securities	8,264	(827)
Deferred gains or losses on hedges	3	(0)
Foreign currency statements translation adjustment	(2,192)	2,102
Remeasurements of defined benefit plans	2,113	2,204
Share of other comprehensive income of associates accounted for using equity method	(297)	(1,775)
Total other comprehensive Income	7,891	1,702
Comprehensive income	61,319	67,636
Comprehensive income attributable to owners of the parent	56,908	60,555
Comprehensive income attributable to non-controlling interests	4,410	7,080

3. Consolidated Statement of Cash Flows

(Millions of yen, rounded down)

	FY2016	FY2017
Net cash provided by (used in) operating activities:		
Income before income taxes, etc.	61,099	73,421
Depreciation and amortization	25,631	27,027
Loss on sale/disposal of property, plant and equipment	538	1,094
Amortization of goodwill	275	370
Equity in earnings of affiliates	(21,125)	(18,277)
Impairment loss	1,124	11
Loss on reduction of noncurrent assets	987	-
Loss on liquidation of subsidiaries and affiliates	667	162
Loss on business withdrawal	870	236
Insurance income	(59)	(29)
Subsidy income	(1,015)	-
Decrease (increase) in allowance for doubtful accounts	246	4
Increase in net defined benefit liability	(1,158)	43
Interest and dividend income	(2,213)	(2,581)
Interest expenses	1,346	1,069
Gain on sale of short-term investments and investments in securities	(690)	(2,146)
Gain on valuation of short-term investments and investments in securities	240	8,327
Decrease in trade notes and accounts receivable	(3,930)	(28,607)
Decrease in inventories	3,948	(9,759)
Decrease in trade notes and accounts payable	8,416	21,357
Increase (decrease) in accrued consumption taxes	(863)	1,085
Increase (decrease) in provision for directors' retirement benefits	(141)	33
Increase (decrease) in provision for loss on guarantees	-	1,088
Other, net	(636)	1,016
Sub total	73,555	74,948
Interest and dividend received	2,409	2,545
Dividend received from affiliates accounted for by the equity method	12,288	20,008
Interest paid	(1,391)	(974)
Income taxes paid	(5,226)	(5,838)
Subsidy received	1,015	-
Insurance received	59	29
Net cash provided by (used in) operating activities	82,711	90,720

Consolidated Statement of Cash Flows (continued)

(Millions of yen, rounded down)

	FY2016	FY2017
Net cash provided by (used in) investing activities		
Purchase of noncurrent assets	(32,291)	(36,546)
Proceeds from sales of noncurrent assets	875	2,141
Purchase of investment securities	(2,308)	(1,548)
Proceeds from sales of investment securities	2,482	4,949
Payments of loans receivable	(2,703)	(722)
Collection of loans receivable	2,880	80
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	804
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(313)	-
Other, net	260	(2,773)
Net cash provided by (used in) investing activities	(31,119)	(33,614)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loan payable	(4,063)	(7,300)
Proceeds from long-term loans payable	1,741	10,359
Payment of long-term loans payable	(27,828)	(14,143)
Repayment of corporate bonds	(15,000)	-
Purchase of treasury stock	(6,266)	(7,010)
Cash dividends paid	(6,986)	(9,927)
Cash dividends paid to non-controlling interests	(1,654)	(2,024)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(2,883)
Other, net	(158)	(108)
Net cash provided by (used in) financing activities	(60,217)	(33,038)
Effect of exchange rate change on cash and cash equivalents	(48)	(939)
Net increase (decrease) in cash and cash equivalents	(8,673)	23,127
Cash and cash equivalents at beginning of period	75,828	67,177
Increase (decrease) in cash and cash equivalents resulting from change in scope of	22	-
Cash and cash equivalents at end of period	67,177	90,304

4. Segment Information

(Millions of yen, rounded down)

	FY2016						Consolidated
	Natural Gas Chemicals	Aromatic Chamials	Specialty Chemicals	Information & Advanced	Other	Adjustments	
Sales:							
Sales to third parties	142,901	191,933	170,894	50,197	553	-	556,480
Inter segment sales	10,656	2,546	1,326	2	68	(14,600)	-
	153,557	194,480	172,220	50,200	622	(14,600)	556,480
Ordinary income	14,359	17,533	26,809	6,129	328	(2,730)	62,430
Segment aseets	178,974	192,047	209,897	73,067	38,783	45,417	738,188
Others:							
Depreciation and amortization	5,069	8,506	8,671	3,027	20	335	25,631
Amortization of goodwill	-	241	0	-	33	-	275
Interest income	101	187	118	23	1	(8)	423
Interest expenses	152	799	777	138	13	(535)	1,346
Equity in earnings of affiliates	12,848	7	6,835	1,208	225	-	21,125
Investment in affiliates accounted for by the equity method	61,384	567	21,029	9,798	3,341	877	96,998
Capital expenditures	9,009	10,556	8,172	6,674	7	589	35,010

(Millions of yen, rounded down)

	FY2017						Consolidated
	Natural Gas Chemicals	Aromatic Chamials	Specialty Chemicals	Information & Advanced	Other	Adjustments	
Sales:							
Sales to third parties	167,035	212,050	203,561	52,735	526	-	635,909
Inter segment sales	12,444	3,429	1,553	39	79	(17,546)	-
	179,480	215,479	205,115	52,774	606	(17,546)	635,909
Ordinary income	14,928	25,106	38,633	6,349	261	(4,567)	80,711
Segment aseets	184,299	215,481	233,080	77,071	31,181	51,374	792,489
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

FY2016 Outline of Consolidated Results

(Billions of yen, rounded down)

	FY2016	FY2017	Change	Change (%)	FY 2018 forecast
Net sales	556.4	635.9	79.4	14.3	640.0
Natural Gas Chemicals	153.5	179.4	25.9	16.9	169.2
Aromatic Chemicals	194.4	215.4	20.9	10.8	215.2
Specialty Chemicals	172.2	205.1	32.8	19.1	213.3
Information and Advanced Materials	50.2	52.7	2.5	5.1	51.9
Other and Adjustment	(13.9)	(16.9)	(2.9)	-	(9.7)
Operating income (loss)	43.7	62.7	18.9	43.4	53.0
Natural Gas Chemicals	2.5	6.0	3.5	140.8	3.2
Aromatic Chemicals	18.3	26.2	7.9	43.3	22.2
Specialty Chemicals	21.6	30.2	8.6	39.7	25.0
Information and Advanced Materials	4.8	5.0	0.1	3.6	5.1
Other and Adjustment	(3.6)	(4.9)	(1.3)	-	(2.7)
Non-operating profit	18.6	17.9	(0.6)	(3.7)	22.0
Ordinary income	62.4	80.7	18.2	29.3	75.0
Natural Gas Chemicals	14.3	14.9	0.5	4.0	18.0
Aromatic Chemicals	17.5	25.1	7.5	43.2	21.2
Specialty Chemicals	26.8	38.6	11.8	44.1	30.6
Information and Advanced Materials	6.1	6.3	0.2	3.6	6.3
Other and Adjustment	(2.4)	(4.3)	(1.9)	-	(1.2)
Extraordinary income and loss, net	(1.3)	(7.2)	(5.9)	-	4.0
Income before income taxes, etc.	61.0	73.4	12.3	20.2	79.0
Net income attributable to owners of the parent	48.0	60.5	12.5	26.1	61.0

Accounting Fundamentals

		FY2014	FY2015	FY2016	FY2017	FY2018 forecast
Investments (Billions of yen)	First half	10.3	14.9	13.7	13.9	22.0
	Full year	22.2	30.5	35.0	30.9	45.0
Depreciation & amortization (Billions of yen)	First half	11.5	13.1	12.2	13.1	13.0
	Full year	23.7	26.7	25.6	27.0	27.0
R&D expenditures (Billions of yen)	First half	8.0	9.2	9.2	9.5	11.0
	Full year	16.8	18.9	19.2	18.9	22.0
Number of Staff	Year-end	8,254	8,176	8,034	8,009	8,239
ROA (Ordinary income)		5.8%	5.9%	8.4%	10.5%	9.3%
ROE (Net income)		12.6%	9.0%	12.0%	13.6%	12.5%
Exchange Rate (JPY/USD, Average)	First half	103	122	105	111	110
	Second half	117	118	112	111	110

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	Apr 1-Mar31 2017	Apr 1-Mar31 2018	Change
Net sales	556.4	635.9	79.4
Operating income	43.7	62.7	18.9
Ordinary income	62.4	80.7	18.2
Net income attributable to owners of the parent	48.0	60.5	12.5

In the consolidated fiscal year under review (fiscal 2017), the world economy as a whole continued to expand slowly. Despite concerns over increasing geopolitical risks worldwide, the Western markets benefitted from continued economic recovery, while China maintained stable growth.

The Japanese economy continued to slowly recover due to ongoing improvement in corporate earnings and employment.

The MGC Group also found itself in generally solid business conditions marked by the slight depreciation of the yen from the previous year and growth in product market prices.

Against this backdrop, the MGC Group followed the Group Vision of “Creating values to share with society” in a bid to strengthen its earning power. In the final year of the MGC Advance2017 Medium-term Management Plan, the Group managed its operations in accordance with the plan’s basic policies: “enhancing the profitability of existing businesses, especially core businesses,” “restructuring underperforming businesses,” and “development and creating new businesses.”

The Group substantially increased both its revenue and earnings (operating income) in fiscal 2017. In addition to higher sales volumes for engineering plastics, liquid chemicals for use in semiconductor production, meta-xylene and specialty aromatic chemicals, positive contributions included significant increases in the market prices of methanol, purified isophthalic acid, polycarbonates and methanol derivatives, as well as the weaker yen.

The growth in ordinary income was slightly slower than the increase in operating income. An improvement in exchange effects was more than offset by a drop in equity in earnings of overseas methanol producing companies.

The balance of extraordinary income and loss declined from the previous fiscal year due to the loss on valuation of investment securities in relation to the Canadian shale gas/LNG project.

Results by Business Segment

Natural Gas Chemicals

(Billions of yen)

	Apr 1-Mar31 2017	Apr 1-Mar31 2018	Change
Sales	142.9	167.0	24.1
Operating income	2.5	6.0	3.5
Ordinary income	143.5	14.9	0.5

The methanol business recorded higher revenue due to a rise in market conditions.

For methanol and ammonia-based chemicals, despite a rise in the price of raw materials, improved market conditions for neopentyl glycol and MMA-related products led to higher revenue and earnings.

Crude oil and other energy sources improved slightly due to higher crude oil prices.

Aromatic Chemicals

(Billions of yen)

	Apr 1-Mar31 2017	Apr 1-Mar31 2018	Change
Sales	191.9	212.0	20.1
Operating income	18.3	26.2	7.9
Ordinary income	17.5	25.1	7.5

Specialty aromatic chemical products recorded higher revenue and earnings primarily owing to an increase in the sales volume of m-xylenediamine and aromatic aldehydes and a weaker yen.

Commodity aromatic chemical products posted significantly higher revenue and earnings due to the increase in sales volume associated with the restarting of operations of the one series m-xylene production facility that had been suspended, in addition to the significant improvement in market conditions of purified isophthalic acid, which is in increasing demand for PET bottles, especially in emerging countries.

The foamed plastics business achieved higher sales due to product price revision, accompanied by an increase in sales volume and a rise in the price of raw materials, but profit suffered a slight drop due primarily to the rise in raw fuel prices.

Specialty Chemicals

(Billions of yen)

	Apr 1-Mar31 2017	Apr 1-Mar31 2018	Change
Sales	170.8	203.5	32.6
Operating income	21.6	30.2	8.6
Ordinary income	26.8	38.6	11.8

Inorganic chemicals recorded higher revenue and earnings due to higher sales volume of chemicals for semiconductors in line with a market expansion for semiconductors.

The engineering plastics business posted significantly higher revenue and earnings. Major positive factors include substantially improved performance in the polycarbonate market amid continued strong demand primarily in China, in addition to higher sales volume in special polycarbonates and polycarbonate sheets and films.

Information & Advanced Materials

(Billions of yen)

	Apr 1-Mar31 2017	Apr 1-Mar31 2018	Change
Sales	50.1	52.7	2.5
Operating income	4.8	5.0	0.1
Ordinary income	6.1	6.3	0.2

Electronics materials posted higher revenue and earnings due to reasons including strong sales volume of BT materials for semiconductor packages, primarily for memory applications.

Oxygen absorbers such as Ageless® posted higher sales volume centered on exports, and lower earnings compared with the previous year due to fixed costs rose from production commencement at a new plant.

Consolidated Business Forecasts

(Billions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
FY2017 Results (A)	635.9	62.7	80.7	60.5
FY2018 Forecasts (B)	640.0	53.0	75.0	61.0
Change (B – A)	4.1	(9.7)	(5.7)	0.5

The economy will remain uncertain for the future. While the world as a whole and Japan are both expected to move ahead with sustainable growth, there is concern about trade friction, especially involving the USA, and increasing geopolitical risks.

In fiscal 2018, the Group will likely face declines in operating income.

The spreads for purified isophthalic acid, polycarbonates and methanol derivatives will shrink from the previous year's high levels. The electronics chemicals will likely face greater competition. Fixed costs such as turnaround and R&D expenses are expected to increase.

Ordinary income will suffer a milder decline because overseas methanol producing companies will likely increase earnings, resulting in higher equity in earnings.

These performance forecasts assume exchange rates of ¥110=\$1 and ¥130=€1.

(End)