MITSUBISHI GAS CHEMICAL

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News Release

February 6, 2019

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Revision of Business Performance

In view of its recent performance, Mitsubishi Gas Chemical Company, Inc. (MGC) has revised the business performance published on November 1, 2018.

1. Revision of business performance forecasts

Revision of full-year consolidated performance forecasts for the fiscal year ending March 2019 (April 1, 2018-March 31, 2019)

(In millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share (¥)
Previous forecast (A)	660,000	48,000	79,000	62,000	290.22
Revised forecast (B)	650,000	45,000	76,000	61,000	285.54
Change (B - A)	△10,000	△3,000	△3,000	△1,000	
Change (%)	△1.5	△6.3	△3.8	△1.6	
Results for the previous year (ending March 2018)	635,909	62,741	80,711	60,531	281.39

Revision of full-year non-consolidated performance forecasts for the fiscal year ending March 2019 (April 1, 2018-March 31, 2019)

(In millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (¥)
Previous forecast (A)	390,000	25,000	49,000	44,000	205.96
Revised forecast (B)	380,000	23,000	41,000	35,000	163.83
Change (B-A)	△10,000	△2,000	△8,000	△9,000	
Change (%)	△2.6	△8.0	△16.3	△20.5	
Results for the previous year (ending March 2018)	364,433	31,287	54,149	41,386	192.39

2. Reasons for revision

In the full-year consolidated forecasts for the fiscal year ending March 2019 (FY2018), the MGC Group now expects lower profit than previous projections. This is primarily due to the effect of falling methanol market prices on earnings from sales of purchased methanol (compared with the higher profitability projections of previous forecasts), continuation of low market price levels of polycarbonates, and declining demand for BT materials.

For similar reasons, non-consolidated operating income for fiscal 2018 is expected to be lower than previous forecasts. Non-consolidated full-year ordinary income and net income will also likely be lower than the previously forecast number. This is primarily due to the drop in dividends received from Japan Saudi Arabia Methanol Co., Inc. (JSMC).

The current performance forecasts assume exchange rates of ¥110=$1 (no change from previous forecasts) and ¥125=€1 (¥5 appreciation compared with previous forecasts) for the remaining period of the fiscal year.

MGC issued a news release on December 4, 2018 entitled, “Notice about the Methanol Joint Venture in Saudi Arabia of JSMC, a MGC’s Equity Method Affiliate.” As stated in that release, MGC’s equity method affiliate JSMC and Saudi Basic Industries Corp. (SABIC) agreed to the following two terms regarding the Saudi Methanol Company (AR-RAZI), whose joint venture agreement was set to expire on November 29, 2018. First, JSMC will sell 50% of its shares in AR-RAZI (this represents 25% of all AR-RAZI shares) to SABIC for US$150 million to reduce its shareholding ratio to 25:75. And, second, JSMC will make a final decision by March 31, 2019 on whether to exercise its option to sell its remaining stake, which would end the joint venture status of AR-RAZI.

As for the expected impact on MGC’s consolidated financial performance, MGC recorded the then projected ¥1.7 billion in tax-related expenses as equity in earnings (losses) of affiliated companies in the third quarter of the current fiscal year. Although MGC expects to record approximately ¥3.0 billion in other expenses at the time of the transfer, MGC has not yet determined when its consolidated performance will be impacted because the transfer of shares must first be approved by each country's governmental authorities. MGC has therefore not included said impact in its consolidated performance forecast. The decrease in JSMC’s shareholding for AR-RAZI will also likely affect MGC’s equity in earnings (losses) of affiliated companies. However, the timing of the impact of this decrease on consolidated performance is similarly undetermined at present. When drawing up the consolidated performance forecasts for the period after November 29, 2018, when the joint venture agreement was set to expire, MGC therefore calculated equity in earnings (losses) of affiliated companies related to JSMC at the pre-sale 50:50 shareholding ratio.

Note: The above forecasts have been created using the information available to MGC as of the announcement date. Actual performance figures may be subject to change due to various reasons.

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INQUIRIES

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