

Summary of Consolidated Financial Results for First Quarter of FY2018

Aug. 3, 2018
Mitsubishi Gas Chemical, Inc (TSE 4182)

1. Summary of Income Statement (April 1 - June 30, 2018)

Millions of yen, rounded down

	Apr. 1 -June. 30, 2017	Apr. 1 -June. 30, 2018	Change (%)
Net Sales	144,463	162,580	12.5
Operating income	14,144	15,602	10.3
Ordinary income	20,752	23,056	11.1
Net income attributable to owners of the parent	18,131	18,562	2.4
Comprehensive income	19,276	17,900	(7.1)
Net income per share (Yen)	84.02	86.90	

2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2018	As of June. 30, 2018
Total Assets	785,687	785,657
Net Assets	519,144	528,674
Equity Ratio(%)	59.5	60.8

3. Dividends

	FY2017	FY2018(Forecast)
Interim dividend per share (Yen)	24.00	35.00
Year-end dividend per share (Yen)	35.00	35.00
Annual Dividend per share (Yen)	59.00	70.00

(Note) Revision of cash dividend forecast during this period: None

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

Millions of yen, rounded down

	Six-month period	Full Year
Net Sales	320,000	640,000
Operating income	27,000	53,000
Ordinary income	38,000	75,000
Net income attributable to owners of the parent	30,000	61,000
Net income per share (Yen)	140.45	285.57

(Note) Revision of consolidated business forecasts during this period: None

5. Number of Shares Outstanding (Common Stock)

	Mar31,2018	June30,2018
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	18,135,437

	Apr. 1 -June. 30, 2017	Apr. 1 -June. 30, 2018
Average shares outstanding during period	215,815,204	213,604,016

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, 2018	As of June. 30, 2018
ASSETS		
Current assets		
Cash and deposits	101,090	93,347
Trade notes and accounts receivable	165,606	164,976
Short-term investments securities	121	123
Merchandise and finished goods	57,958	61,709
Work in progress	11,044	10,066
Raw materials and supplies	34,750	34,084
Other	14,847	16,770
Allowance for doubtful accounts	(1,170)	(1,099)
Total current assets	384,249	379,979
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	80,823	79,447
Machinery, equipment and vehicles, net	81,359	78,422
Other, net	58,535	63,086
Total property, plant and equipment	220,717	220,957
Intangible assets		
Goodwill	3,911	4,049
Other	4,499	5,284
Total intangible assets	8,411	9,333
Investments and other assets		
Investment securities	161,391	164,663
Other	11,471	11,258
Allowance for doubtful accounts	(555)	(534)
Total investments and other assets	172,308	175,387
Total noncurrent assets	401,437	405,678
Total assets	785,687	785,657

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2018	As of June. 30, 2018
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	88,720	82,057
Short-term loans payable	71,155	71,082
Income taxes payable	4,133	2,237
Provision	5,643	3,212
Asset retirement obligations	1,522	1,542
Other	35,660	37,317
Total current liabilities	206,835	197,449
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	25,328	23,212
Provision	3,549	3,699
Projected benefit obligations	4,592	4,968
Asset retirement obligations	2,420	2,419
Other	13,815	15,234
Total noncurrent liabilities	59,707	59,533
Total liabilities	266,543	256,983
NET ASSETS		
Shareholders' equity		
Capital stock	41,970	41,970
Capital surplus	34,578	34,580
Retained earnings	399,033	410,120
Treasury stock	(19,966)	(19,967)
Total shareholders' equity	455,616	466,703
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,261	16,970
Deferred gains or losses on hedges	(0)	(4)
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(7,614)	(7,757)
Remeasurements of defined benefit plans	1,878	1,730
Total accumulated other comprehensive	11,747	11,161
Non controlling interest	51,780	50,808
Total net assets	519,144	528,674
Total liabilities and net assets	785,687	785,657

2. Consolidated Statements of Income

(Millions of yen, rounded down)

	Apr. 1 -June. 30, 2017	Apr. 1 -June. 30, 2018
Net sales	144,463	162,580
Cost of sales	108,112	123,839
Gross profit	36,351	38,741
Selling, general and administrative expenses	22,206	23,139
Operating income	14,144	15,602
Non-operating income		
Interest income	93	133
Dividend income	1,046	1,195
Equity in earnings of affiliates	5,774	7,087
Other	1,087	993
Total non-operating income	8,002	9,409
Non-operating expenses		
Interest expense	262	281
Personnel expenses for seconded employees	509	524
Rent expenses	275	408
Foreign exchange losses	-	404
Other	346	336
Total non-operating expenses	1,394	1,955
Ordinary income	20,752	23,056
Extraordinary income		
Gain on sales of non-current assets	-	714
Gain on sales of investment securities	787	100
Total extraordinary income	787	814
Extraordinary losses		
Loss on valuation of investment securities	-	361
Provision for loss on guarantees	-	288
Total extraordinary losses	-	650
Income before income taxes, etc.	21,540	23,220
Income taxes, etc.	1,964	3,566
Net income	19,575	19,654
Net income attributable to non-controlling interests	1,443	1,091
Net income attributable to owners of the parent	18,131	18,562

(Consolidated Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Apr. 1 -June. 30, 2017	Apr. 1 -June. 30, 2018
Net income	19,575	19,654
Other comprehensive Income		
Valuation difference on available-for-sale securities	(345)	(310)
Deferred gains or losses on hedges	(3)	(4)
Foreign currency statements translation adjustment	(186)	(2,376)
Remeasurements of defined benefit plans	(38)	(169)
Share of other comprehensive income of associates accounted for using equity method	275	1,107
Total other comprehensive Income	(298)	(1,754)
Comprehensive income	19,276	17,900
Comprehensive income attributable to owners of the parent	17,827	17,977
Comprehensive income attributable to non-controlling interests	1,449	(77)

3. Segment Information

					(Billions of yen, rounded down)		
		FY 2017 1Q	FY 2018 1Q	Change	FY2017 Full Year Result	FY 2018 1-2Q Forecast	FY 2018 Full Year Forecast
Net sales		144.4	162.5	18.1	635.9	320.0	640.0
	Natural Gas Chemicals	36.4	43.8	7.3	174.7	86.5	169.2
	Aromatic Chemicals	50.7	53.8	3.1	213.1	107.5	215.2
	Specialty Chemicals	47.2	53.7	6.5	205.0	105.7	213.8
	Information and Advanced Materials	12.5	13.5	0.9	52.7	25.3	51.9
	Other and Adjustment	(2.5)	(2.4)	0.1	(9.8)	(5.2)	(10.2)
Operating income (loss)		14.1	15.6	1.4	62.7	27.0	53.0
	Natural Gas Chemicals	1.0	0.9	(0.0)	5.4	1.3	3.2
	Aromatic Chemicals	6.3	5.5	(0.7)	25.6	10.3	19.2
	Specialty Chemicals	6.2	8.3	2.0	29.6	13.9	28.5
	Information and Advanced Materials	1.0	1.4	0.3	4.2	2.6	4.6
	Other and Adjustment	(0.5)	(0.6)	(0.1)	(2.2)	(1.2)	(2.6)
Non-operating profit		6.6	7.4	0.8	17.9	11.0	22.0
Ordinary income		20.7	23.0	2.3	80.7	38.0	75.0
	Natural Gas Chemicals	4.9	5.5	0.6	14.2	8.8	18.0
	Aromatic Chemicals	6.2	5.4	(0.8)	24.5	9.6	18.2
	Specialty Chemicals	8.0	10.4	2.4	37.9	16.7	34.2
	Information and Advanced Materials	1.4	1.6	0.1	5.5	3.1	5.8
	Other and Adjustment	0.0	0.0	(0.0)	(1.6)	(0.3)	(1.3)

4. Other Information 1

		FY2014	FY2015	FY2016	FY2017	FY2018 Forecast
Investments (Billions of yen)	Full year	22.2	30.5	35.0	30.9	45.0
	1Q	3.9	5.9	5.6	6.1	9.1
Depreciation & amortization (Billions of yen)	Full year	23.7	26.7	25.6	27.0	27.0
	1Q	5.6	6.5	6.1	6.4	6.7
R&D expenditures (Billions of yen)	Full year	16.8	18.9	19.2	18.9	22.0
	1Q	3.9	4.5	4.8	4.5	4.5
Number of Staff	Year-end	8,254	8,176	8,034	8,009	8,251
ROA (Ordinary income)		5.8%	5.9%	8.4%	10.6%	9.3%
ROE (Net income)		12.6%	9.0%	12.0%	13.6%	12.5%

5. Other Information 2

	FY2014		FY2015		FY2016		FY2017		FY2018 Forecast	
	First half	Second half	First half	Second half	First half	Second half	First half	Second half	First half	Second half
Exchange Rate (JPY/USD, Average)	103	117	122	118	105	112	111	111	110	110
Exchange Rate (JPY/EUR, Average)	139	139	135	130	118	119	126	133	130	130
crude oil (Dubai) (USD/BBL)	104	63	56	36	43	51	50	62	72	70
Methanol (USD/MT, Asian average spot price)	432	358	301	230	230	327	296	381	380	335
Mixed Xylene (USD/MT)	1,100	730	740	630	660	680	650	725	810	780
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	1,635 ~1,900	1,600 ~2,000
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	3,350 ~3,750	3,000 ~3,600

*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:

1H: April-September

2H: October-March

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2017 / 1Q	FY2018 / 1Q	Change
Net sales	144.4	162.5	18.1
Operating income	14.1	15.6	1.4
Ordinary income	20.7	23.0	2.3
Net income attributable to owners of the parent	18.1	18.5	0.4

During the first quarter of the fiscal year ending March 2019 (April 1 - June 30, 2018), the world economy slowly recovered overall, despite an increased sense of uncertainty due to higher crude oil prices and concern over more serious trade friction in the future. The Japanese economy also slowly recovered. Despite increased production and logistic costs due to higher crude oil prices and a labor shortage, corporate earnings and employment continued to improve.

The MGC Group achieved increased revenue compared with the corresponding period of the previous fiscal year, primarily because the market prices of methanol and polycarbonates remained at high levels.

Group operating income was also higher than a year earlier. Despite increased raw material and fuel prices, the high market prices of polycarbonates and growth in sales volumes for specialty aromatic chemicals and specialty polycarbonates provided positive impact.

Overseas methanol producing companies and engineering plastics affiliates contributed to increasing equity in earnings of affiliates, resulting in an even greater increase in ordinary income compared with the operating income.

Results by Business Segment

Natural Gas Chemicals

(Billions of yen)

	FY2017 / 1Q	FY2018 / 1Q	Change
Sales	34.2	41.6	7.3
Operating income	1.0	0.9	(0.0)
Ordinary income	4.9	5.5	0.6

The methanol business achieved higher revenue due to a substantial increase in methanol market prices compared with the same period of the previous year.

Methanol and ammonia-based chemicals posted increased net sales thanks to an overall increase in sales volumes and increases in the market prices of MMA-based products. Earnings from these chemicals, however, remained at the prior-year level, due to higher material prices.

Crude oil and other energy sources suffered a year-on-year loss, primarily due to lower crude oil sales volume.

Aromatic Chemicals

(Billions of yen)

	FY2017 / 1Q	FY2018 / 1Q	Change
Sales	50.5	53.7	3.2
Operating income	6.3	5.5	(0.7)
Ordinary income	6.2	5.4	(0.8)

Specialty aromatic chemical products posted growth in both revenue and earnings compared with the previous year. The negative impact of higher raw material and fuel prices was more than offset by increased sales volumes for meta-xylenediamine and aromatic aldehydes.

General-purpose aromatic chemical products suffered lower earnings. Negative factors included reduced profitability due to an increase in raw material and fuel prices as well as lower market prices of purified isophthalic acid compared with the same period of the previous year.

Foamed plastics suffered a decline in earnings, primarily due to higher raw material and fuel prices.

Specialty Chemicals

(Billions of yen)

	FY2017 / 1Q	FY2018 / 1Q	Change
Sales	47.0	53.4	6.4
Operating income	6.2	8.3	2.0
Ordinary income	8.0	10.4	2.4

Inorganic chemicals posted lower earnings compared with the previous year, primarily due to increasing competition in liquid chemicals used for semiconductors and LCD.

The engineering plastics business increased both revenue and earnings. Despite higher prices of raw materials and fuel prices, major positive factors included high market prices of polycarbonates that remained due to brisk demand, mainly in China, as well as growth in sales volumes for specialty polycarbonates used in smartphone camera lenses.

Information & Advanced Materials

(Billions of yen)

	FY2017 / 1Q	FY2018 / 1Q	Change
Sales	12.5	13.5	0.9
Operating income	1.0	1.4	0.3
Ordinary income	1.4	1.6	0.1

Electronic materials achieved growth in both revenue and earnings, primarily due to steady sales volume for BT materials for semiconductor packaging, which are the core product category for the sub-segment.

Oxygen absorbers such as AGELESS® posted lower earnings, primarily due to reduced sales volume.

(End)