

Summary of Consolidated Financial Results for First Quarter of FY2019

Aug. 2, 2019

Mitsubishi Gas Chemical Company, Inc (TSE 4182)

1. Summary of Income Statement (April 1- June 30, 2019)

Millions of yen, rounded down

	Apr. 1 -June. 30, 2018	Apr. 1 -June. 30, 2019	Change (%)
Net Sales	162,580	151,219	(7.0)
Operating income	15,602	8,796	(43.6)
Ordinary income	23,056	5,142	(77.7)
Net income attributable to owners of the parent	18,562	3,585	(80.7)
Comprehensive income	17,900	2,662	(85.1)
Net income per share (Yen)	86.90	16.85	

2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2019	As of June. 30, 2019
Total Assets	804,038	798,727
Net Assets	553,282	549,588
Equity Ratio(%)	62.6	62.1

3. Dividends

	FY2018	FY2019(Forecast)
Interim dividend per share (Yen)	35.00	35.00
Year-end dividend per share (Yen)	35.00	35.00
Annual Dividend per share (Yen)	70.00	70.00

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

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

Millions of yen, rounded down

	Six-month period	Full Year
Net Sales	310,000	630,000
Operating income	14,000	33,000
Ordinary income	12,000	35,000
Net income attributable to owners of the parent	9,000	25,000
Net income per share (Yen)	42.39	117.76

(Note) Revision of consolidated business forecasts during this period: Yes
Please refer to "Revision of Business Performance" for details.

5. Number of Shares Outstanding (Common Stock)

	Mar31,2019	June30,2019
Number of shares outstanding at term end (including treasury stock)	231,739,199	229,039,199
Number of shares of treasury stock at term-end	18,099,472	17,679,668

	Apr. 1 -June. 30, 2018	Apr. 1 -June. 30, 2019
Average shares outstanding during period	213,604,016	212,790,048

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, 2019	As of June. 30, 2019
ASSETS		
Current assets		
Cash and deposits	91,130	96,497
Trade notes and accounts receivable	155,507	153,529
Short-term investments securities	23	131
Merchandise and finished goods	67,681	65,438
Work in progress	13,308	13,370
Raw materials and supplies	38,262	37,461
Other	13,965	15,491
Allowance for doubtful accounts	(1,033)	(1,059)
Total current assets	378,845	380,860
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	81,630	83,074
Machinery, equipment and vehicles, net	78,700	78,973
Other, net	68,161	74,703
Total property, plant and equipment	228,492	236,751
Intangible assets		
Goodwill	3,841	5,594
Other	4,772	5,790
Total intangible assets	8,614	11,385
Investments and other assets		
Investment securities	177,011	157,741
Other	11,617	12,527
Allowance for doubtful accounts	(543)	(538)
Total investments and other assets	188,086	169,730
Total noncurrent assets	425,193	417,867
Total assets	804,038	798,727

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2019	As of June. 30, 2019
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	80,089	78,739
Short-term loans payable	58,749	59,372
Income taxes payable	3,439	1,505
Provision	6,213	3,304
Asset retirement obligations	113	113
Other	39,814	42,483
Total current liabilities	188,420	185,519
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	26,615	25,447
Provision	4,169	4,100
Projected benefit obligations	5,247	5,890
Asset retirement obligations	2,324	3,505
Other	13,978	14,676
Total noncurrent liabilities	62,336	63,620
Total liabilities	250,756	249,139
NET ASSETS		
Shareholders' equity		
Capital stock	41,970	41,970
Capital surplus	34,298	34,245
Retained earnings	439,080	433,516
Treasury stock	(19,930)	(20,054)
Total shareholders' equity	495,418	489,677
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,023	10,984
Deferred gains or losses on hedges	1	(11)
Revaluation reserve for land	222	184
Foreign currency translation adjustment	(6,327)	(5,422)
Remeasurements of defined benefit plans	623	255
Total accumulated other comprehensive	7,542	5,989
Non controlling interest	50,321	53,921
Total net assets	553,282	549,588
Total liabilities and net assets	804,038	798,727

2. Consolidated Statements of Income

(Millions of yen, rounded down)

	Apr. 1 -June. 30, 2018	Apr. 1 -June. 30, 2019
Net sales	162,580	151,219
Cost of sales	123,839	118,676
Gross profit	38,741	32,542
Selling, general and administrative expenses	23,139	23,746
Operating income	15,602	8,796
Non-operating income		
Interest income	133	149
Dividend income	1,195	1,226
Equity in earnings of affiliates	7,087	-
Other	993	757
Total non-operating income	9,409	2,132
Non-operating expenses		
Interest expense	281	234
Personnel expenses for seconded employees	524	521
Rent expenses	408	384
Foreign exchange losses	404	512
Share of loss of entities accounted for using equity method	-	3,685
Other	336	446
Total non-operating expenses	1,955	5,786
Ordinary income	23,056	5,142
Extraordinary income		
Gain on step acquisitions	-	1,016
Gain on sales of investment securities	100	967
Compensation received	-	564
Gain on sales of non-current assets	714	-
Total extraordinary income	814	2,548
Extraordinary losses		
Loss on valuation of investment securities	361	-
Provision for loss on guarantees	288	-
Total extraordinary losses	650	-
Income before income taxes, etc.	23,220	7,691
Income taxes, etc.	3,566	3,263
Net income	19,654	4,428
Net income attributable to non-controlling interests	1,091	842
Net income attributable to owners of the parent	18,562	3,585

(Consolidated Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Apr. 1 -June. 30, 2018	Apr. 1 -June. 30, 2019
Net income	19,654	4,428
Other comprehensive Income		
Valuation difference on available-for-sale securities	(310)	(2,006)
Deferred gains or losses on hedges	(4)	(13)
Foreign currency statements translation adjustment	(2,376)	(1,535)
Remeasurements of defined benefit plans	(169)	(92)
Share of other comprehensive income of associates accounted for using equity method	1,107	1,882
Total other comprehensive Income	(1,754)	(1,765)
Comprehensive income	17,900	2,662
Comprehensive income attributable to owners of the parent	17,977	2,086
Comprehensive income attributable to non-controlling interests	(77)	575

3. Segment Information

(Billions of yen, rounded down)

	FY 2018 1Q	FY 2019 1Q	Change	FY2018 Full Year Result	FY 2019 Full Year Forecast
Net sales	162.5	151.2	(11.3)	648.9	630.0
Natural Gas Chemicals	43.8	39.1	(4.6)	188.3	168.5
Aromatic Chemicals	53.8	51.2	(2.6)	211.7	207.6
Specialty Chemicals	53.7	49.6	(4.0)	205.7	209.5
Information and Advanced Materials	13.5	13.3	(0.2)	51.9	52.0
Other and Adjustment	(2.4)	(2.1)	0.3	(8.7)	(7.7)
Operating income (loss)	15.6	8.7	(6.8)	41.3	33.0
Natural Gas Chemicals	0.9	0.1	(0.8)	3.3	3.1
Aromatic Chemicals	5.5	3.8	(1.7)	14.6	14.2
Specialty Chemicals	8.3	4.2	(4.0)	21.2	15.0
Information and Advanced Materials	1.4	1.2	(0.1)	3.9	3.6
Other and Adjustment	(0.6)	(0.7)	(0)	(1.8)	(3.0)
Non-operating profit	7.4	(3.6)	(11.1)	27.8	2.0
Ordinary income	23.0	5.1	(17.9)	69.1	35.0
Natural Gas Chemicals	5.5	(4.4)	(9.9)	22.6	0.5
Aromatic Chemicals	5.4	3.6	(1.7)	13.9	13.3
Specialty Chemicals	10.4	5.1	(5.2)	28.2	19.2
Information and Advanced Materials	1.6	1.3	(0.2)	4.4	3.7
Other and Adjustment	0.0	(0.6)	(0.6)	(0.1)	(2.0)

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
	1Q	5.9	5.6	6.1	9.1	11.5
Depreciation & amortization (Billions of yen)	Full year	26.7	25.6	27.0	27.4	29.0
	1Q	6.5	6.1	6.4	6.7	7.1
R&D expenditures (Billions of yen)	Full year	18.9	19.2	18.9	18.6	21.0
	1Q	4.5	4.8	4.5	4.5	4.5
Number of Staff	Year-end	8,176	8,034	8,009	8,276	9,026
ROA (Ordinary income)		5.9%	8.4%	10.6%	8.7%	4.3%
ROE (Net income)		9.0%	12.0%	13.6%	11.3%	4.9%

5. Other Information 2

	FY2015		FY2016		FY2017		FY2018		FY2019	
	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
Exchange Rate (JPY/USD, Average)	122	118	105	112	111	111	110	112	110	110
Exchange Rate (JPY/EUR, Average)	135	130	118	119	126	133	130	127	122	120
crude oil (Dubai) (USD/BBL)	56	36	43	51	50	62	73	65	66	65
Methanol (USD/MT, Asian average spot price)	301	230	230	327	296	381	408	335	300	300
Mixed Xylene (USD/MT)	740	630	660	680	650	725	845	730	720	760
Bisphenol A (USD/MT)*	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	1,100 ~ 1,450	1,100 ~ 1,500
Polycarbonate (USD/MT)*	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	1,850 ~ 2,250	1,900 ~ 2,400

*Describe the minimum and maximum values during the period

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2018 / 1Q	FY2019 / 1Q	Change
Net sales	162.5	151.2	(11.3)
Operating income	15.6	8.7	(6.8)
Ordinary income	23.0	5.1	(17.9)
Net income attributable to owners of the parent	18.5	3.5	(14.9)

During the first quarter of the fiscal year ending March 2020 (April 1 - June 30, 2019), the world economy slowly recovered overall, despite a heightened sense of uncertainty due to trade frictions between the United States and China, the deceleration of China's economic growth, and growing concerns about the impact of financial and capital markets. The Japanese economy also saw gradual overall recovery, including continued improvement in employment, despite ongoing stagnation in some areas, particularly exports.

The management environment of the MGC Group remained challenging, as market prices of such key products as polycarbonates and purified isophthalic acid continued to decline.

The MGC Group's net sales decreased year on year, reflecting the decline in market prices for methanol, polycarbonates and other products.

Group operating income also fell year on year, despite an increase in the sales volume of special polycarbonates, due to significant drops in market prices for polycarbonates and purified isophthalic acid, which were high in the same period of the previous fiscal year.

Ordinary income also decreased, due to the fall in operating income as well as a significant deterioration in equity in earnings (losses) of affiliated companies related to overseas methanol producing companies. As described below, this reflected one-off costs recorded at a joint venture in Saudi Arabia.

MGC's equity method affiliate Japan Saudi Arabia Methanol Co., Inc. (JSMC) and Saudi Basic Industries Corp. (SABIC) reached an agreement on June 24, 2019 regarding the Saudi Methanol Company (AR-RAZI), for which their joint venture agreement had expired. Based on this agreement, JSMC sold 50% of its shares in AR-RAZI (representing 25% of all AR-RAZI shares) to SABIC for US\$150 million, reducing its shareholding ratio to 25:75, and the two companies will continue the joint venture business for another 20 years under a new framework that includes the conditions below.

- (1) JSMC will pay SABIC US\$1,350 million as consideration for the continuation of the joint venture.
- (2) MGC and SABIC will discuss undertaking the commercialization of new energy-saving methanol technology as well as utilizing such technology to update the methanol plants of AR-RAZI.

In accordance with the conclusion of this agreement, from the first quarter of the fiscal year ending March 2020, the decrease in JSMC's ownership of AR-RAZI and the amortization of the consideration for the continuation of the joint venture have been reflected in equity in earnings of affiliates in the Consolidated Financial Statements. Furthermore, in the first quarter of the fiscal year ended March 2020, one-off expenses of ¥6.1 billion, including loss related to the sale of shares of AR-RAZI, was recorded under equity in earnings of affiliates.

Results by Business Segment

Natural Gas Chemicals

(Billions of yen)

	FY2018 / 1Q	FY2019 / 1Q	Change
Sales	41.6	37.0	(4.5)
Operating income	0.9	0.1	(0.8)
Ordinary income	5.5	(4.4)	(9.9)

The methanol business saw a decline in net sales due to a decrease in market prices compared with the same period of the previous year.

Methanol and ammonia-based chemicals posted decreased earnings due to lower market prices of MMA-based products and neopentyl glycol.

Crude oil and other energy sources achieved a year-on-year improvement in results, thanks in part to higher crude oil sales volume.

Aromatic Chemicals

(Billions of yen)

	FY2018 / 1Q	FY2019 / 1Q	Change
Sales	53.7	51.1	(2.6)
Operating income	5.5	3.8	(1.7)
Ordinary income	5.4	3.6	(1.7)

Specialty aromatic chemical products posted earnings on par with the previous year, due in part to solid sales of meta-xylenediamine and aromatic aldehydes.

General-purpose aromatic chemical products suffered a year on year decrease in earnings. Negative factors included significantly lower market prices of purified isophthalic acid.

Foamed plastics suffered a year-on-year decline in earnings, primarily due to weak demand and a rise in fixed costs associated with the construction of production systems to meet new demand.

Specialty Chemicals

(Billions of yen)

	FY2018 / 1Q	FY2019 / 1Q	Change
Sales	53.4	49.4	(4.0)
Operating income	8.3	4.2	(4.0)
Ordinary income	10.4	5.1	(5.2)

Inorganic chemicals posted lower earnings compared with the previous year, primarily due to higher fixed costs in connection with the launch of a new production facility in North America and deterioration in the profitability of hydrogen peroxide.

The engineering plastics business recorded decreased earnings year on year. This was due mainly to a significant decrease in market prices for polycarbonates, despite growth in special polycarbonate sales volumes reflecting the growing use of multiple camera lenses in smartphones.

Information & Advanced Materials

(Billions of yen)

	FY2018 / 1Q	FY2019 / 1Q	Change
Sales	13.5	13.3	(0.2)
Operating income	1.4	1.2	(0.1)
Ordinary income	1.6	1.3	(0.2)

Electronic materials saw a slight decline in earnings. Demand, which was weak in the latter half of the previous fiscal year, recovered. Sales volumes of BT materials for semiconductor packaging, the core product category for electronic materials, recovered but did not reach the level of the same period of the previous fiscal year.

Oxygen absorbers such as AGELESS® posted earnings on par with the previous year, reflecting firm performance, especially in exports.

(End)