

Summary of Consolidated Financial Results for First Half of FY2019

Nov. 5, 2019

Mitsubishi Gas Chemical Company, Inc (TSE 4182)

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

Millions of yen, rounded down

	Apr. 1 -Sep. 30, 2018	Apr. 1 -Sep. 30, 2019	Change (%)
Net Sales	328,376	303,369	(7.6)
Operating income	28,950	16,034	(44.6)
Ordinary income	46,532	11,690	(74.9)
Net income attributable to owners of the parent	37,919	8,147	(78.5)
Comprehensive income	41,195	5,350	(87.0)
Net income per share (Yen)	177.51	38.45	

2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2019	As of Sep. 30, 2019
Total Assets	804,038	771,361
Net Assets	553,282	550,782
Equity Ratio(%)	62.6	64.5

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

	Full Year
Net Sales	610,000
Operating income	31,000
Ordinary income	27,000
Net income attributable to owners of the parent	18,000
Net income per share (Yen)	85.45

(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	Sep30,2019
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	18,065,233

	Apr. 1 -Sep. 30, 2018	Apr. 1 -Sep. 30, 2019
Average shares outstanding during period	213,619,751	211,908,343

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 Sep. 30, 2019
ASSETS		
Current assets		
Cash and deposits	91,130	82,444
Trade notes and accounts receivable	155,507	144,657
Short-term investments securities	23	89
Merchandise and finished goods	67,681	63,628
Work in progress	13,308	12,789
Raw materials and supplies	38,262	36,651
Other	13,965	12,680
Allowance for doubtful accounts	(1,033)	(1,003)
Total current assets	378,845	351,937
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	81,630	84,307
Machinery, equipment and vehicles, net	78,700	80,664
Other, net	68,161	74,702
Total property, plant and equipment	228,492	239,674
Intangible assets		
Goodwill	3,841	5,493
Other	4,772	5,381
Total intangible assets	8,614	10,875
Investments and other assets		
Investment securities	177,011	156,466
Other	11,617	12,934
Allowance for doubtful accounts	(543)	(527)
Total investments and other assets	188,086	168,874
Total noncurrent assets	425,193	419,423
Total assets	804,038	771,361

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2019	As of Sep. 30, 2019
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	80,089	67,803
Short-term loans payable	58,749	48,448
Income taxes payable	3,439	3,096
Provision	6,213	5,968
Asset retirement obligations	113	54
Other	39,814	31,394
Total current liabilities	188,420	156,766
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	26,615	26,130
Provision	4,169	4,261
Projected benefit obligations	5,247	5,727
Asset retirement obligations	2,324	3,508
Other	13,978	14,183
Total noncurrent liabilities	62,336	63,811
Total liabilities	250,756	220,578
NET ASSETS		
Shareholders' equity		
Capital stock	41,970	41,970
Capital surplus	34,298	34,248
Retained earnings	439,080	438,089
Treasury stock	(19,930)	(20,612)
Total shareholders' equity	495,418	493,695
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,023	11,163
Deferred gains or losses on hedges	1	(1)
Revaluation reserve for land	222	184
Foreign currency translation adjustment	(6,327)	(7,482)
Remeasurements of defined benefit plans	623	219
Total accumulated other comprehensive	7,542	4,083
Non controlling interest	50,321	53,004
Total net assets	553,282	550,782
Total liabilities and net assets	804,038	771,361

2. Consolidated Statements of Income

(Millions of yen, rounded down)

	Apr. 1 -Sep. 30, 2018	Apr. 1 -Sep. 30, 2019
Net sales	328,376	303,369
Cost of sales	252,451	239,632
Gross profit	75,925	63,737
Selling, general and administrative expenses	46,974	47,702
Operating income	28,950	16,034
Non-operating income		
Interest income	286	291
Dividend income	1,509	1,646
Equity in earnings of affiliates	17,270	-
Other	1,711	2,178
Total non-operating income	20,777	4,116
Non-operating expenses		
Interest expense	545	473
Personnel expenses for seconded employees	897	804
Rent expenses	791	764
Share of loss of entities accounted for using equity method	-	3,865
Other	961	2,553
Total non-operating expenses	3,195	8,460
Ordinary income	46,532	11,690
Extraordinary income		
Gain on sales of investment securities	859	1,501
Gain on step acquisitions	-	1,016
Compensation received	-	564
Gain on sales of non-current assets	714	-
Total extraordinary income	1,573	3,082
Extraordinary losses		
Loss on accident	-	187
Loss on disposal of non-current assets	-	174
Provision for loss on guarantees	631	-
Loss on valuation of investment securities	374	-
Total extraordinary losses	1,005	362
Income before income taxes, etc.	47,101	14,411
Income taxes, etc.	7,129	4,508
Net income	39,971	9,902
Net income attributable to non-controlling interests	2,052	1,754
Net income attributable to owners of the parent	37,919	8,147

(Consolidated Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Apr. 1 -Sep. 30, 2018	Apr. 1 -Sep. 30, 2019
Net income	39,971	9,902
Other comprehensive Income		
Valuation difference on available-for-sale securities	(322)	(1,796)
Deferred gains or losses on hedges	(12)	(3)
Foreign currency statements translation adjustment	(1,324)	(3,858)
Remeasurements of defined benefit plans	(284)	(181)
Share of other comprehensive income of associates accounted for using equity method	3,168	1,287
Total other comprehensive Income	1,224	(4,552)
Comprehensive income	41,195	5,350
Comprehensive income attributable to owners of the parent	40,182	4,743
Comprehensive income attributable to non-controlling interests	1,012	607

3. Segment Information

(Billions of yen, rounded down)

	FY 2018 1H	FY 2019 1H	Change	FY2018 Full Year Result	FY 2019 Full Year Forecast
Net sales	328.3	303.3	(25.0)	648.9	610.0
Natural Gas Chemicals	92.5	79.1	(13.4)	188.3	158.4
Aromatic Chemicals	107.3	103.1	(4.1)	211.7	200.3
Specialty Chemicals	106.1	99.4	(6.6)	205.7	206.4
Information and Advanced Materials	27.1	26.2	(0.9)	51.9	52.0
Other and Adjustment	(4.8)	(4.6)	(0.2)	(8.7)	(7.3)
Operating income (loss)	28.9	16.0	(12.9)	41.3	31.0
Natural Gas Chemicals	3.2	(0.5)	(3.8)	3.3	1.7
Aromatic Chemicals	10.1	7.7	(2.3)	14.6	13.3
Specialty Chemicals	14.1	8.0	(6.1)	21.2	14.8
Information and Advanced Materials	2.5	2.0	(0.4)	3.9	3.7
Other and Adjustment	(1.1)	(1.2)	(0)	(1.8)	(2.7)
Non-operating profit	17.5	(4.3)	(21.9)	27.8	(4.0)
Ordinary income	46.5	11.6	(34.8)	69.1	27.0
Natural Gas Chemicals	15.7	(6.4)	(22.1)	22.6	(4.7)
Aromatic Chemicals	9.7	7.3	(2.3)	13.9	12.7
Specialty Chemicals	17.8	9.4	(8.4)	28.2	17.5
Information and Advanced Materials	3.0	2.3	(0.6)	4.4	3.8
Other and Adjustment	0.1	(1.0)	(1.1)	(0.1)	(2.4)

4. Other Information 1

		FY2015	FY2016	FY2017	FY2018	FY2019 Forecast
Investments (Billions of yen)	Full year	30.5	35.0	30.9	39.2	48.0
	1H	14.9	13.7	13.9	18.6	22.4
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	14.4
R&D expenditures (Billions of yen)	Full year	18.9	19.2	18.9	18.6	20.0
	1H	9.2	9.6	9.5	9.1	9.4
Number of Staff	Year-end	8,176	8,034	8,009	8,276	9,000
ROA (Ordinary income)		5.9%	8.4%	10.6%	8.7%	3.4%
ROE (Net income)		9.0%	12.0%	13.6%	11.3%	3.6%

5. Other Information 2

	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
Exchange Rate (JPY/USD, Average)	122	118	105	112	111	111	110	112	109	105
Exchange Rate (JPY/EUR, Average)	135	130	118	119	126	133	130	127	121	120
crude oil (Dubai) (USD/BBL)	56	36	43	51	50	62	73	65	64	60
Methanol (USD/MT, Asian average spot price)	301	230	230	327	296	381	408	335	277	270
Mixed Xylene (USD/MT)	740	630	660	680	650	725	845	730	704	705
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	1,000 ~ 1,450	1,000 ~ 1,300
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	1,900 ~ 2,250	1,850 ~ 2,100

*Describe the minimum and maximum values during the period

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2018 / 1H	FY2019 / 1H	Change
Net sales	328.3	303.3	(25.0)
Operating income	28.9	16.0	(12.9)
Ordinary income	46.5	11.6	(34.8)
Net income attributable to owners of the parent	37.9	8.1	(29.7)

During the first half of the fiscal year ending March 2020 (April 1 - September 30, 2019), the world economy slowly recovered overall. However, there was also a looming sense of uncertainty due to heightening tension between the United States and China over trade issues and growing concerns about the impact of China's decelerating economic growth, the unclear outlook regarding a Brexit deal, and volatility in financial and capital markets. The Japanese economy 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 methanol, polycarbonates, purified isophthalic acid and other general-purpose products remained sluggish.

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 and specialty aromatic chemical products, due to significant drops in market prices for such products as polycarbonates, purified isophthalic acid and methanol, 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.

As previously announced, from the first quarter onward, MGC's Consolidated Financial Statements reflect the impact of the decreased ratio of equity held by Japan Saudi Arabia Methanol Co., Inc. (JSMC), an equity method affiliate, in the Saudi Methanol Company (AR-RAZI) and amortization costs associated with cash to be paid as consideration for the continuation of the joint venture status of AR-RAZI. MGC also recorded one-off costs totaling ¥7.8 billion, including loss related to the sale of shares of AR-RAZI as well as additional tax-related expenses. The aforementioned factors are included in equity in losses of affiliates.

Results by Business Segment

Natural Gas Chemicals

(Billions of yen)

	FY2018 / 1H	FY2019 / 1H	Change
Sales	88.1	75.3	(12.8)
Operating income	3.2	(0.5)	(3.8)
Ordinary income	15.7	(6.4)	(22.1)

The methanol business saw decreases in both net sales and earnings 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 / 1H	FY2019 / 1H	Change
Sales	107.1	102.8	(4.2)
Operating income	10.1	7.7	(2.3)
Ordinary income	9.7	7.3	(2.3)

Specialty aromatic chemical products posted increases in net sales and earnings from the same period of the previous fiscal year, due in part to growing sales volume of meta-xylenediamine and aromatic aldehydes.

General-purpose aromatic chemical products suffered decreases in net sales and earnings compared with the same period of the previous fiscal year. 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 / 1H	FY2019 / 1H	Change
Sales	105.5	98.6	(6.9)
Operating income	14.1	8.0	(6.1)
Ordinary income	17.8	9.4	(8.4)

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 for super-pure hydrogen peroxide 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 / 1H	FY2019 / 1H	Change
Sales	27.1	26.1	(1.0)
Operating income	2.5	2.0	(0.4)
Ordinary income	3.0	2.3	(0.6)

Electronic materials saw a 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, thanks mainly to the robust showings of those sold in Japan for use in confectionary packages.

(End)