

Summary of Consolidated Financial Results for Third Quarter of FY2019

Feb. 5, 2020
Mitsubishi Gas Chemical Company, Inc (TSE 4182)

1. Summary of Income Statement (April 1- Dec 31, 2019)

Millions of yen, rounded down

	Apr. 1 -Dec. 31, 2018	Apr. 1 -Dec. 31, 2019	Change (%)
Net Sales	499,625	463,971	(7.1)
Operating income	38,398	26,409	(31.2)
Ordinary income	62,672	22,584	(64.0)
Net income attributable to owners of the parent	50,160	14,778	(70.5)
Comprehensive income	49,271	17,223	(65.0)
Net income per share (Yen)	234.81	69.93	

2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2019	As of Dec. 31, 2019
Total Assets	804,038	797,791
Net Assets	553,282	550,609
Equity Ratio(%)	62.6	62.4

3. Dividends

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

(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)	85.38

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

Please refer to "Revision of Business Performance" for details.

5. Number of Shares Outstanding (Common Stock)

	Mar31,2019	Dec31,2019
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	20,262,608

	Apr. 1 -Dec. 31, 2018	Apr. 1 -Dec. 31, 2019
Average shares outstanding during period	213,626,854	211,335,469

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.

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	91,130	84,835
Notes and accounts receivable - trade	155,507	156,874
Securities	23	110
Merchandise and finished goods	67,681	62,757
Work in process	13,308	13,542
Raw materials and supplies	38,262	38,443
Other	13,965	15,370
Allowance for doubtful accounts	△1,033	△1,057
Total current assets	378,845	370,876
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	81,630	87,150
Machinery, equipment and vehicles, net	78,700	83,218
Other, net	68,161	71,961
Total property, plant and equipment	228,492	242,329
Intangible assets		
Goodwill	3,841	5,416
Other	4,772	5,375
Total intangible assets	8,614	10,792
Investments and other assets		
Investment securities	177,011	161,104
Other	11,617	13,321
Allowance for doubtful accounts	△543	△633
Total investments and other assets	188,086	173,792
Total non-current assets	425,193	426,915
Total assets	804,038	797,791

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	80,089	87,009
Short-term borrowings	58,749	46,507
Income taxes payable	3,439	2,765
Provisions	6,213	3,690
Asset retirement obligations	113	—
Other	39,814	39,652
Total current liabilities	188,420	179,625
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	26,615	27,502
Provisions	4,169	4,676
Retirement benefit liability	5,247	6,026
Asset retirement obligations	2,324	3,519
Other	13,978	15,832
Total non-current liabilities	62,336	67,556
Total liabilities	250,756	247,181
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,298	34,267
Retained earnings	439,080	437,335
Treasury shares	△19,930	△24,292
Total shareholders' equity	495,418	489,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,023	14,055
Deferred gains or losses on hedges	1	△0
Revaluation reserve for land	222	184
Foreign currency translation adjustment	△6,327	△5,923
Remeasurements of defined benefit plans	623	146
Total accumulated other comprehensive income	7,542	8,462
Non-controlling interests	50,321	52,865
Total net assets	553,282	550,609
Total liabilities and net assets	804,038	797,791

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	499,625	463,971
Cost of sales	390,064	365,698
Gross profit	109,560	98,273
Selling, general and administrative expenses	71,161	71,863
Operating profit	38,398	26,409
Non-operating income		
Interest income	435	420
Dividend income	2,089	2,017
Rental income	1,211	1,125
Share of profit of entities accounted for using equity method	24,494	—
Other	1,496	1,068
Total non-operating income	29,726	4,632
Non-operating expenses		
Interest expenses	791	725
Personnel expenses for seconded employees	1,248	1,174
Rental expenses	1,187	1,160
Share of loss of entities accounted for using equity method	—	3,234
Other	2,225	2,162
Total non-operating expenses	5,452	8,457
Ordinary profit	62,672	22,584
Extraordinary income		
Gain on sales of investment securities	989	2,293
Gain on step acquisitions	—	1,016
Insurance claim income	—	564
Gain on sales of non-current assets	714	—
Total extraordinary income	1,704	3,874
Extraordinary losses		
Provision for loss on guarantees	711	439
Loss on disposal of non-current assets	120	357
Provision for loss on compensation	—	220
Accident loss	—	193
Provision for loss on business of subsidiaries and associates	—	143
Loss on valuation of investment securities	669	—
Total extraordinary losses	1,501	1,353
Profit before income taxes	62,875	25,105
Income taxes	9,757	7,525
Profit	53,117	17,580
Profit attributable to non-controlling interests	2,957	2,802
Profit attributable to owners of parent	50,160	14,778

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	53,117	17,580
Other comprehensive income		
Valuation difference on available-for-sale securities	△5,010	1,110
Deferred gains or losses on hedges	△1	△1
Foreign currency translation adjustment	△1,041	△3,302
Remeasurements of defined benefit plans, net of tax	△458	△270
Share of other comprehensive income of entities accounted for using equity method	2,665	2,108
Total other comprehensive income	△3,846	△356
Comprehensive income	49,271	17,223
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	47,048	15,752
Comprehensive income attributable to non-controlling interests	2,222	1,470

3. Segment Information

(Billions of yen, rounded down)

	FY 2018 1-3Q	FY 2019 1-3Q	Change	FY 2018 Full Year Result	FY 2019 Full Year Forecast
Net sales	499.6	463.9	(35.6)	648.9	610.0
Natural Gas Chemicals	144.3	126.7	(17.6)	188.3	170.9
Aromatic Chemicals	162.7	153.9	(8.7)	211.7	198.5
Specialty Chemicals	158.7	152.5	(6.1)	205.7	202.9
Information and Advanced Materials	40.8	40.8	0.0	51.9	53.4
Other and Adjustment	(7.1)	(10.1)	(3.0)	(8.7)	(15.9)
Operating income (loss)	38.3	26.4	(11.9)	41.3	31.0
Natural Gas Chemicals	3.1	(0)	(3.1)	3.3	(0.1)
Aromatic Chemicals	15.5	11.2	(4.3)	14.6	11.0
Specialty Chemicals	17.8	13.1	(4.6)	21.2	18.1
Information and Advanced Materials	3.7	3.9	0.2	3.9	4.7
Other and Adjustment	(1.8)	(1.9)	(0)	(1.8)	(2.7)
Non-operating profit	24.2	(3.8)	(28.0)	27.8	(4.0)
Ordinary income	62.6	22.5	(40.0)	69.1	27.0
Natural Gas Chemicals	20.7	(6.5)	(27.3)	22.6	(6.5)
Aromatic Chemicals	15.0	10.6	(4.3)	13.9	10.1
Specialty Chemicals	23.0	15.0	(7.9)	28.2	20.3
Information and Advanced Materials	4.3	4.2	(0)	4.4	4.9
Other and Adjustment	(0.4)	(0.8)	(0.3)	(0.1)	(1.9)

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
	1-3Q	22.6	24.1	23.2	28.7	32.1
Depreciation & amortization (Billions of yen)	Full year	26.7	25.6	27.0	27.4	29.0
	1-3Q	19.8	18.8	20.0	20.3	21.9
R&D expenditures (Billions of yen)	Full year	18.9	19.2	18.9	18.6	20.0
	1-3Q	13.7	14.2	14.2	13.8	14.0
Number of Staff	Year-end	8,176	8,034	8,009	8,276	9,016
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	1-3Q	4Q	1-3Q	4Q
Exchange Rate (JPY/USD, Average)	122	118	105	112	111	111	111	110	109	105
Exchange Rate (JPY/EUR, Average)	135	130	118	119	126	133	129	125	121	120
crude oil (Dubai) (USD/BBL)	56	36	43	51	50	62	71	64	64	65
Methanol (USD/MT, Asian average spot price)	301	230	230	327	296	381	394	304	265	260
Mixed Xylene (USD/MT)	740	630	660	680	650	725	825	675	700	690
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	1,200 ~1,900	1,250 ~1,500	1,000 ~1,450	1,100 ~1,450
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	2,100 ~3,800	2,100 ~2,300	1,800 ~2,250	1,700 ~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)

	Apr.1-Dec.31, 2018	Apr.1-Dec.31, 2019	Change
Net sales	499.6	463.9	(35.6)
Operating income	38.3	26.4	(11.9)
Ordinary income	62.6	22.5	(40.0)
Net income attributable to owners of the parent	50.1	14.7	(35.3)

During the first nine months of the fiscal year ending March 2020 (April 1 – December 31, 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 and the fallout from issues surrounding Brexit. The Japanese economy saw gradual overall recovery, including continued improvement in employment, despite ongoing stagnation in production and 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 optical polymer for use in such applications as smartphone camera lenses and that of specialty aromatic chemical products, due to drops in market prices for such products as polycarbonates, purified isophthalic acid and methanol.

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. This reflected falling methanol market prices as well as one-off costs recorded at a joint venture, described below, 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)

	Apr.1-Dec.31, 2018	Apr.1-Dec.31, 2019	Change
Sales	138.0	118.4	(19.6)
Operating income	3.1	(0)	(3.1)
Ordinary income	20.7	(6.5)	(27.3)

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 a decrease in earnings compared with the same period of the previous fiscal year due to lower market prices of MMA 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)

	Apr.1-Dec.31, 2018	Apr.1-Dec.31, 2019	Change
Sales	162.3	153.2	(9.0)
Operating income	15.5	11.2	(4.3)
Ordinary income	15.0	10.6	(4.3)

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 lower sales prices of purified isophthalic acid and meta-xylene.

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)

	Apr.1-Dec.31, 2018	Apr.1-Dec.31, 2019	Change
Sales	157.8	150.9	(6.9)
Operating income	17.8	13.1	(4.6)
Ordinary income	23.0	15.0	(7.9)

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 optical polymer sales volumes reflecting the growing use of multiple camera lenses in smartphones and the execution of measures to enhance production capacity.

Information & Advanced Materials

(Billions of yen)

	Apr.1-Dec.31, 2018	Apr.1-Dec.31, 2019	Change
Sales	40.8	40.7	(0)
Operating income	3.7	3.9	0.2
Ordinary income	4.3	4.2	(0)

Electronic materials saw increases in net sales and earnings. This was mainly attributable to overall recovery of demand in contrast with stagnation in the latter half of the previous fiscal year, an increase in third-quarter demand for products used in smartphones and memory devices, and higher sales volumes of BT materials for semiconductor packaging, the core product category for electronic materials.

Oxygen absorbers such as AGELESS® posted a decrease in earnings compared with the same period of the previous year. This was due mainly to a downturn in showings of those sold in Japan for use in confectionary packages in the third quarter, reflecting the impact of natural disasters.

(End)