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MEMBERSHIP

November 2, 2020

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Under Japanese GAAP)

Company name: Mitsubishi Gas Chemical Company, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4182
 URL: <https://www.mgc.co.jp/eng/>
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 Scheduled date to file quarterly securities report: November 9, 2020
 Scheduled date to commence dividend payments: December 4, 2020

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(1) Summary of consolidated income statement (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2020	266,637	(12.1)	14,370	(10.4)	16,541	41.5	14,255	75.0
September 30, 2019	303,369	(7.6)	16,034	(44.6)	11,690	(74.9)	8,147	(78.5)

Note: Comprehensive income Six months ended September 30, 2020 ¥16,454 million [207.5%]
 Six months ended September 30, 2019 ¥5,350 million [(87.0)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	68.54	—
September 30, 2019	38.45	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2020	782,563	556,225	64.1
March 31, 2020	771,733	548,141	63.8

Reference: Equity
 September 30, 2020 ¥501,320 million
 March 31, 2020 ¥492,521 million

2. Dividends

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	–	35.00	–	35.00	70.00
Fiscal year ending March 31, 2021	–	35.00			
Fiscal year ending March 31, 2021 (Forecast)			–	35.00	70.00

(Note) Revisions to the forecast most recently announced: None

3. Consolidated business forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	550,000	(10.3)	29,000	(15.4)	30,000	(3.6)	24,000	13.4	115.39

(Note) Revisions to the forecast most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded: 1 company (Company name: MGC MONTNEY HOLDINGS LTD.)

- (2) Application of special accounting for preparing quarterly consolidated financial statements: None

- (3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

- (4) Number of shares outstanding (common stock)

- (i) Number of shares outstanding at term end (including treasury stock)

As of September 30, 2020	225,739,199
As of March 31, 2020	225,739,199

- (ii) Number of shares of treasury stock at term-end

As of September 30, 2020	17,724,554
As of March 31, 2020	17,758,765

- (iii) Average number of shares (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	207,994,735
Six months ended September 30, 2019	211,908,343

- * Quarterly financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

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, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	78,227	111,471
Notes and accounts receivable - trade	141,279	120,638
Securities	3,514	9
Merchandise and finished goods	62,359	62,076
Work in process	13,154	13,661
Raw materials and supplies	39,282	39,882
Other	21,975	19,250
Allowance for doubtful accounts	△1,124	△690
Total current assets	358,669	366,300
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	84,339	88,793
Machinery, equipment and vehicles, net	81,079	78,962
Other, net	74,419	71,105
Total property, plant and equipment	239,838	238,861
Intangible assets		
Goodwill	5,293	5,104
Other	5,303	5,114
Total intangible assets	10,597	10,219
Investments and other assets		
Investment securities	149,158	152,358
Other	14,111	15,379
Allowance for doubtful accounts	△640	△556
Total investments and other assets	162,628	167,182
Total non-current assets	413,063	416,262
Total assets	771,733	782,563

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	70,776	60,391
Short-term borrowings	33,980	38,678
Current portion of bonds payable	10,000	10,000
Income taxes payable	5,539	3,041
Provisions	6,003	6,240
Other	37,275	30,414
Total current liabilities	163,574	148,766
Non-current liabilities		
Bonds payable	—	20,000
Long-term borrowings	29,043	27,286
Provisions	3,527	1,760
Retirement benefit liability	9,333	9,515
Asset retirement obligations	3,560	3,581
Other	14,552	15,428
Total non-current liabilities	60,016	77,571
Total liabilities	223,591	226,338
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,234	34,336
Retained earnings	439,701	446,678
Treasury shares	△21,600	△21,558
Total shareholders' equity	494,306	501,425
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,789	10,104
Deferred gains or losses on hedges	4	△0
Foreign currency translation adjustment	△6,701	△7,426
Remeasurements of defined benefit plans	△2,877	△2,784
Total accumulated other comprehensive income	△1,785	△105
Non-controlling interests	55,619	54,904
Total net assets	548,141	556,225
Total liabilities and net assets	771,733	782,563

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	303,369	266,637
Cost of sales	239,632	206,378
Gross profit	63,737	60,258
Selling, general and administrative expenses	47,702	45,888
Operating profit	16,034	14,370
Non-operating income		
Interest income	291	177
Dividend income	1,646	1,843
Share of profit of entities accounted for using equity method	—	1,702
Other	2,178	1,554
Total non-operating income	4,116	5,277
Non-operating expenses		
Interest expenses	473	389
Personnel expenses for seconded employees	804	751
Rental expenses	764	666
Share of loss of entities accounted for using equity method	3,865	—
Other	2,553	1,297
Total non-operating expenses	8,460	3,105
Ordinary profit	11,690	16,541
Extraordinary income		
Gain on sales of investment securities	1,501	1,279
Gain on sales of non-current assets	—	257
Gain on step acquisitions	1,016	—
Insurance claim income	564	—
Total extraordinary income	3,082	1,536
Extraordinary losses		
loss compensation	—	308
Accident loss	187	—
Loss on disposal of non-current assets	174	—
Total extraordinary losses	362	308
Profit before income taxes	14,411	17,770
Income taxes	4,508	2,347
Profit	9,902	15,423
Profit attributable to non-controlling interests	1,754	1,167
Profit attributable to owners of parent	8,147	14,255

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	9,902	15,423
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,796	2,407
Deferred gains or losses on hedges	△3	△5
Foreign currency translation adjustment	△3,858	△742
Remeasurements of defined benefit plans, net of tax	△181	150
Share of other comprehensive income of entities accounted for using equity method	1,287	△779
Total other comprehensive income	△4,552	1,030
Comprehensive income	5,350	16,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,743	15,935
Comprehensive income attributable to non-controlling interests	607	518

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	14,411	17,770
Depreciation	14,407	15,164
Loss (gain) on disposal of non-current assets	401	165
Amortization of goodwill	192	186
Share of loss (profit) of entities accounted for using equity method	3,865	△1,702
Loss (gain) on step acquisitions	△1,016	—
Insurance claim income	△564	△9
Increase (decrease) in allowance for doubtful accounts	△32	△505
Increase (decrease) in retirement benefit liability	33	371
Interest and dividend income	△1,937	△2,020
Interest expenses	473	389
Loss (gain) on sales of short-term and long-term investment securities	△1,501	△1,279
Loss (gain) on valuation of short-term and long-term investment securities	24	229
Decrease (increase) in trade receivables	12,044	20,173
Decrease (increase) in inventories	6,397	△1,150
Increase (decrease) in trade payables	△12,465	△9,907
Increase (decrease) in accrued consumption taxes	1,605	△1,187
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△378	△220
Increase (decrease) in provision for loss on guarantees	92	—
Other, net	△5,045	△399
Subtotal	31,007	36,067
Interest and dividends received	1,917	2,003
Dividends received from entities accounted for using equity method	9,886	2,152
Interest paid	△490	△384
Income taxes paid	△4,221	△6,773
Proceeds from insurance income	564	9
Net cash provided by (used in) operating activities	38,663	33,075

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Purchase of non-current assets	△21,677	△15,334
Proceeds from sales of non-current assets	157	766
Purchase of investment securities	△1,083	△2,405
Proceeds from sales of investment securities	2,740	2,171
Loan advances	△208	△2,175
Collection of loans receivable	320	223
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2,408	—
Other, net	△4,568	208
Net cash provided by (used in) investing activities	△21,911	△16,546
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△8,014	556
Proceeds from long-term borrowings	2,347	5,797
Repayments of long-term borrowings	△4,625	△2,869
Proceeds from issuance of bonds	—	20,000
Purchase of treasury shares	△3,732	△1
Proceeds from sales of treasury shares	—	0
Dividends paid	△7,477	△7,279
Dividends paid to non-controlling interests	△1,025	△1,058
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△841	△100
Other, net	△222	△239
Net cash provided by (used in) financing activities	△23,592	14,805
Effect of exchange rate change on cash and cash equivalents	△1,850	△1,280
Net increase (decrease) in cash and cash equivalents	△8,690	30,053
Cash and cash equivalents at beginning of period	80,379	70,043
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	258	—
Cash and cash equivalents at end of period	71,947	100,097

Segment Information

(Billions of yen, rounded down)

	FY2019 1H	FY2020 1H	Change	FY2019 Full Year Result	FY 2020 Full Year Forecast
Net sales	303.3	266.6	(36.7)	613.3	550.0
Basic Chemicals	181.4	141.2	(40.2)	363.8	296.0
Specialty Chemicals	125.0	124.0	(0.9)	255.9	255.2
Other and Adjustment	(3.1)	1.3	4.5	(6.4)	(1.3)
Operating profit	16.0	14.3	(1.6)	34.2	29.0
Basic Chemicals	7.1	0.4	(6.6)	11.2	3.9
Specialty Chemicals	10.0	15.3	5.2	25.5	27.8
Other and Adjustment	(1.2)	(1.4)	(0.2)	(2.5)	(2.7)
Non-operating profit	(4.3)	2.1	6.5	(3.1)	1.0
Ordinary profit	11.6	16.5	4.8	31.1	30.0
Basic Chemicals	0.9	1.5	0.6	4.7	4.3
Specialty Chemicals	11.7	15.9	4.1	28.1	27.6
Other and Adjustment	(1.0)	(0.9)	0.0	(1.8)	(1.9)
Extraordinary income and loss, net	2.7	1.2	(1.4)	3.2	1.0
Income before income taxes, etc.	14.4	17.7	3.3	34.3	31.0
Profit attributable to owners of parent	8.1	14.2	6.1	21.1	24.0

[reference]*

	FY2019 1H	FY2020 1H	Change	FY2019 Full Year Result	FY 2020 Full Year Forecast
Net sales	303.3	266.6	(36.7)	613.3	550.0
Natural Gas Chemicals	79.1	64.5	(14.5)	163.7	134.8
Aromatic Chemicals	103.1	80.2	(22.8)	201.1	161.2
Specialty Chemicals	99.4	96.6	(2.7)	202.0	200.2
Information and Advanced	26.2	29.0	2.8	54.8	54.9
Other and Adjustment	(4.6)	(3.9)	0.6	(8.4)	(1.3)
Operating profit	16.0	14.3	(1.6)	34.2	29.0
Natural Gas Chemicals	(0.5)	(2.6)	(2.0)	0.1	(3.3)
Aromatic Chemicals	7.7	3.1	(4.5)	11.1	7.2
Specialty Chemicals	8.0	10.3	2.3	19.9	19.6
Information and Advanced	2.0	5.0	2.9	5.6	8.2
Other and Adjustment	(1.2)	(1.4)	(0.2)	(2.5)	(2.7)
Non-operating profit	(4.3)	2.1	6.5	(3.1)	1.0
Ordinary profit	11.6	16.5	4.8	31.1	30.0
Natural Gas Chemicals	(6.4)	(1.5)	4.8	(5.7)	(2.1)
Aromatic Chemicals	7.3	3.0	(4.2)	10.4	6.4
Specialty Chemicals	9.4	10.6	1.1	22.3	19.1
Information and Advanced	2.3	5.2	2.9	5.8	8.4
Other and Adjustment	(1.0)	(0.9)	0.0	(1.8)	(1.9)

*The figures for FY2020 are reference figures that have been simply rearranged for comparison with the new segment.

Other Information 1

		FY2016	FY2017	FY2018	FY2019	FY2020 Forecast
Investments (Billions of yen)	Full year	35.0	30.9	39.2	42.3	45.0
	1H	13.7	13.9	18.6	22.4	15.8
Depreciation & amortization (Billions of yen)	Full year	25.6	27.0	27.4	29.5	31.0
	1H	12.2	13.1	13.5	14.4	15.1
R&D expenditures (Billions of yen)	Full year	19.2	18.9	18.6	19.6	20.5
	1H	9.6	9.5	9.1	9.4	9.8
Number of Staff	Year-end	8,034	8,009	8,276	8,954	9,279
ROA (Ordinary income)		8.4%	10.6%	8.7%	3.9%	3.8%
ROE (Net income)		12.0%	13.6%	11.3%	4.3%	4.8%

Other Information 2

	FY2016		FY2017		FY2018		FY2019		FY2020	
	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)	105	112	111	111	110	112	109	109	107	105
Exchange Rate (JPY/EUR, Average)	118	119	126	133	130	127	121	120	121	120
crude oil (Dubai) (USD/BBL)	43	51	50	62	73	65	64	56	37	50
Methanol (USD/MT, Asian average spot price)	230	327	296	381	408	335	277	245	194	240
Mixed Xylene (USD/MT)	660	680	650	725	845	730	705	640	420	490
Bisphenol A (USD/MT)*	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	1,050 ~1,350	900 ~1,450	1,000 ~1,600
Polycarbonate (USD/MT)*	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	1,650 ~2,000	1,500 ~2,150	1,700 ~2,500

*Describe the minimum and maximum values during the period

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2019 / 1H	FY2020 / 1H	Change
Net sales	303.3	266.6	(36.7)
Operating income	16.0	14.3	(1.6)
Ordinary income	11.6	16.5	4.8
Net income attributable to owners of the parent	8.1	14.2	6.1

During the first six months of the fiscal year ending March 2021 (April 1 – September 30, 2020), the world economy remained harsh as economic activities were restricted due to the fallout from the novel coronavirus pandemic. Meanwhile, the Japanese economy advanced as restrictions were gradually lifted, with recent economic indicators showing encouraging signs, but the outlook for the future continues to be unclear.

Against this backdrop, the MGC Group nevertheless saw consistently strong demand for its semiconductor-related products and optical polymers. However, demand for such offerings as automotive-related products fell due to the novel coronavirus pandemic, while market prices remained sluggish for general-purpose products, such as methanol, polycarbonates and purified isophthalic acid.

As a result, the MGC Group's net sales decreased year on year due primarily to a drop in the sales volume of aromatic chemicals, foamed plastics and engineering plastics, in addition to the lower market prices of general-purpose products.

Group operating income also fell year on year, despite growth in the sales volume of optical polymers and semiconductor-related products, lower raw material and fuel prices, a decrease in selling, general and administrative expenses, and other positive factors contributing to profit. This was mainly due to the decline in the sales volume of aromatic chemicals, foamed plastics and engineering plastics as well as the sluggish market prices of general-purpose products.

However, ordinary income increased, despite the decline in operating income, thanks to improvement in equity in earnings of affiliates related to overseas methanol producing companies, reflecting the absence of one-off costs (¥7.8 billion) recorded in the same period of the previous fiscal year in connection with a joint venture in Saudi Arabia.

Net income attributable to owners of the parent grew significantly due mainly to the increase in ordinary income and a decrease in tax-related expenses.

Operating results by segment are as described below.

In addition, the MGC Group revised the definition of its reportable segments in the first quarter of the fiscal year ending March 31, 2021. To provide comparative year-on-year segment results, the Group has restated the operating results of the first quarter of the previous fiscal year to reflect the revised segmentation.

Results by Business Segment

Basic Chemicals

(Billions of yen)

	FY2019 / 1H	FY2020 / 1H	Change
Sales	178.1	137.6	(40.5)
Operating income	7.1	0.4	(6.6)
Ordinary income	0.9	1.5	0.6

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

Methanol and ammonia-based chemicals posted a decrease in earnings compared with the same period of the previous fiscal year, despite lower raw material prices, due mainly to a decline in market prices of MMA-based products and an increase in repair costs.

Specialty aromatic chemical products posted a decrease in earnings due to lower meta-xylenediamine demand for housing-related and other applications, despite solid sales of aromatic aldehydes.

General-purpose aromatic chemical products suffered decreases in net sales and earnings compared with the same period of the previous fiscal year. This was, despite lower raw material and fuel prices, mainly attributable to sluggish sales volumes of purified isophthalic acid and meta-xylene, as well as lower sales prices of these offerings.

Foamed plastics posted decreases in both net sales and earnings compared with the same period of the previous fiscal year, with the positive effects of growing product demand associated with food packaging and civil engineering being offset by lower demand in the automotive industry and sluggish production due to the enforcement of urban lockdowns in some countries.

Specialty Chemicals

(Billions of yen)

	FY2019 / 1H	FY2020 / 1H	Change
Sales	124.8	123.8	(0.9)
Operating income	10.0	15.3	5.2
Ordinary income	11.7	15.9	4.1

Inorganic chemicals posted an increase in earnings compared with the same period of the previous fiscal year thanks primarily to growth in the sales volume of chemicals for use in semiconductor manufacturing.

Net sales and earnings from engineering plastics both declined from the same period of the previous fiscal year. This was mainly attributable to a decrease in demand for such products as those used for automotive applications, in addition to a year-on-year decline in market prices for polycarbonates.

Optical materials posted increases in net sales and earnings due to the growing use of multiple camera lenses in smartphones and growth in optical polymer sales volume thanks to measures executed in October 2019 to enhance production capacity.

Electronic materials saw increases in net sales and earnings. This was mainly attributable to growing demand for products used in data centers and other ICT-related fields as well as the higher sales volume of BT materials for semiconductor packaging, the core product category for electronic materials, reflecting the introduction of a new product for use in antenna-in-package substrates to be installed in 5G-compatible smartphones.

Oxygen absorbers such as AGELESS™ posted earnings on par with the same period of the previous fiscal year, despite a decline in demand for offerings used in souvenirs and other tourism-related products, thanks mainly to a solid volume of exports.

(End)