

Results Presentation FY2017

May 11, 2018

MITSUBISHI GAS CHEMICAL COMPANY, INC.

TSE : 4182

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<FY2017 Results (Summary)>

- ◆ Recorded the highest figures ever of net sales and all earnings parameters, reached the income target of Medium-Term Management plan.
- ◆ Operating income : In addition to higher sales volumes, positive contributions included significant increases in the market prices of purified isophthalic acid, polycarbonates and methanol derivatives.
- ◆ Equity in earnings of affiliates : dropped in equity in earnings of overseas methanol producing companies.
- ◆ Dividend per share : ¥59 (Interim ¥24、 Year-end ¥35)
Compared with the prior-year period + ¥21

FY2017 Results(Summary)

- Increased in income and profits. Recorded highest figures.

[JPY in billions]

	FY2016	FY2017	Change		FY2017 forecast*
			amount	%	
Net Sales	556.4	635.9	79.4	14.3%	630.0
Operating income	43.7	62.7	18.9	43.4%	59.0
(Equity in earnings of affiliates)	(21.1)	(18.2)	(▲ 2.8)	-	(21.0)
Ordinary income	62.4	80.7	18.2	29.3%	80.0
Net income before taxes	61.0	73.4	12.3	20.2%	70.0
Net income attributable to owners of the parent	48.0	60.5	12.5	26.1%	56.0

* Announced on Feb 6,2018

EPS (JPY)※	221.83	281.39
ROE (%)	12.0	13.6
FX (JPY/USD)	108	111

Effects of exchange rate : Net Sales +10.0, Operating income +2.5, Ordinary income +3.5

※1 The Company conducted a consolidation of shares at a ratio of one share for every two shares effective October 1, 2016. In accordance with it, Net income per share are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

Figures shown on this and the following pages are rounded down to the closest 0.1 billion. Percentages are rounded off to the closest whole number.

FY2017 Non-Operating & Extraordinary Items

[JPY in billions]

	FY2016	FY2017	Change
Non-Operating items	18.6	17.9	▲ 0.6
Equity in earnings of affiliates	21.1	18.2	▲ 2.8
Financial income or losses	0.8	1.5	0.6
Foreign exchange gains or losses	▲ 1.2	0.1	1.4
Others	▲ 2.1	▲ 2.0	0
Extraordinary income	2.5	2.8	0.3
Gains on sales of investment securities	0.7	1.9	1.1
Others	1.7	0.9	▲ 0.8
Extraordinary losses	▲ 3.8	▲ 10.1	▲ 6.2
Loss on valuation of investment securities	-	▲ 8.2	▲ 8.2
Provision for loss on guarantees	-	▲ 1.0	▲ 1.0
Loss on disposal of noncurrent assets	▲ 0.1	▲ 0.2	▲ 0.1
Loss on business withdrawal	▲ 0.8	▲ 0.2	0.6
Loss on liquidation of subsidiaries and affiliates	▲ 0.6	▲ 0.1	0.5
Others	▲ 2.2	▲ 0.1	2.1

● Equity in earnings of affiliates

Natural Gas Chemicals ▲ 3.4

(Drop due to higher tax expenses*2 of METOR*1, problems with the AR-RAZI*3 plant, turnaround at methanol producer in Brunei, and so on.)

1. Venezuelan equity method company
2. Tax expenses increased due to changes in the Venezuelan exchange system
3. Saudi Arabian equity method company

Specialty Chemicals +1.0 etc

● Loss on valuation of investment securities, Provision for loss on guarantees

Losses in relation to the Canadian shale gas/LNG project

FY2017 Balance Sheets

- Improved earning power strengthens the financial foundation

【JPY in billions】

	Mar 31, 2017	Mar 31, 2018	Change
Current assets	326.6	391.0	64.3
Cash and deposits	75.0	101.0	26.0
Trade notes and Accounts receivable	138.4	165.6	27.1
Inventories	94.6	103.7	9.1
Others	18.6	20.5	1.9
Non-current assets	411.5	401.4	▲ 10.0
Tangible assets	218.0	220.7	2.6
Intangible assets	8.3	8.4	0
Investments and other assets	185.0	172.3	▲ 12.7
Total assets	738.1	792.4	54.3

	Mar 31, 2017	Mar 31, 2018	Change
Liabilities	264.8	273.3	8.5
Trade note and accounts payable	68.5	88.7	20.2
Interest-bearing debt	118.7	106.9	▲ 11.7
Others	77.5	77.6	0
Net assets	473.3	519.1	45.7
Shareholders' equity	412.9	455.6	42.6
Accumulated other comprehensive income	11.7	11.7	0
Non controlling interest	48.6	51.7	3.1
Total liabilities and net assets	738.1	792.4	54.3
Equity Ratio	57.5%	59.0%	
BPS(JPY)	1,968	2,188	

FY2017 Cash Flows

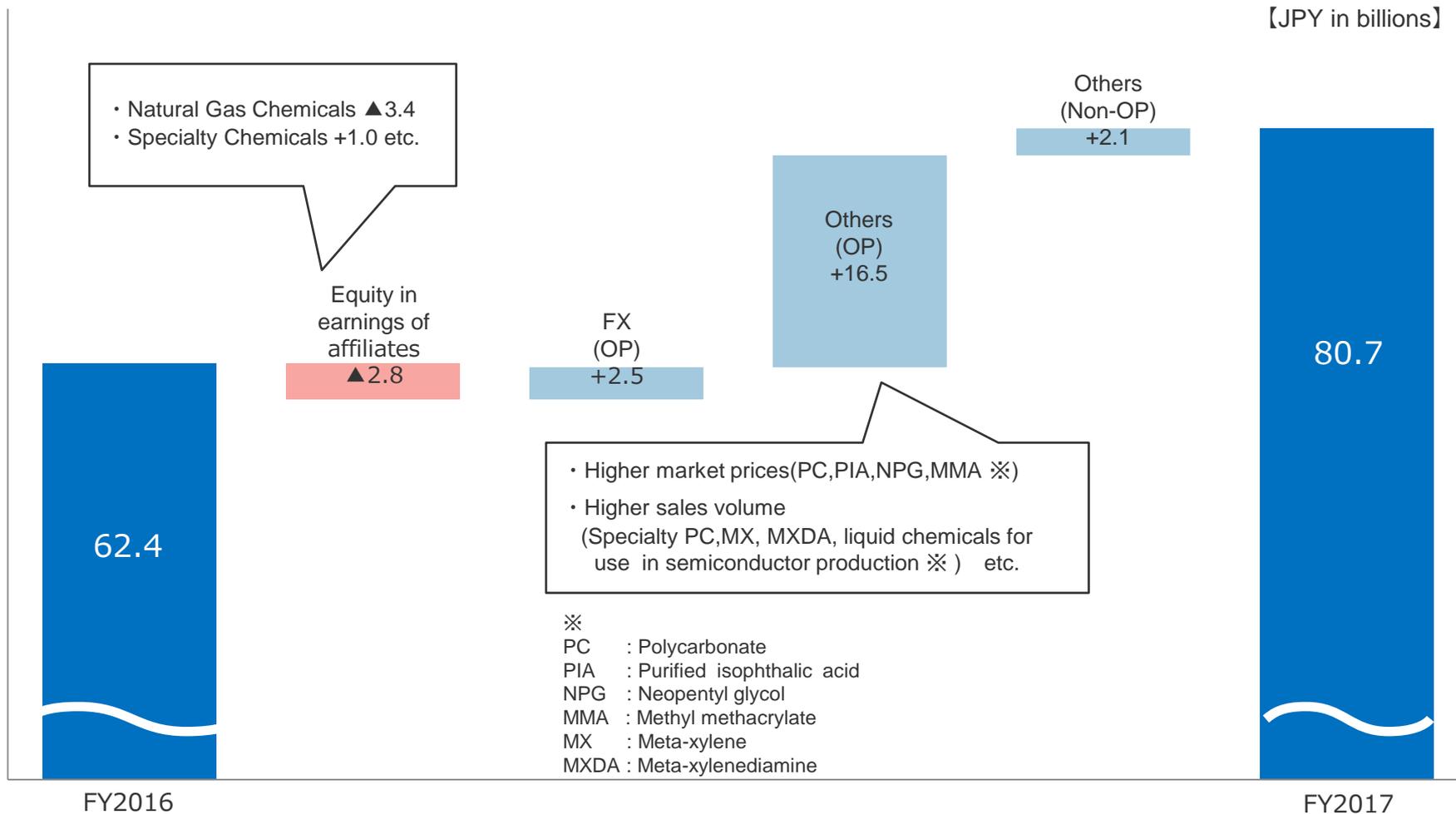
- Improved earning power translates into high free cash flows

[JPY in billions]

	FY2016	FY2017	Change
Operating activity cash flow	82.7	90.7	8.0
Income before income taxes, etc.	61.0	73.4	12.3
Depreciation and amortization	25.6	27.0	1.3
Equity in earnings of affiliates	▲ 21.1	▲ 18.2	2.8
Dividends received from equity method affiliates	12.2	20.0	7.7
Working capital etc.	10.0	▲ 5.6	▲ 15.6
Income taxes paid	▲ 5.2	▲ 5.8	▲ 0.6
Investing activity cash flows	▲ 31.1	▲ 33.6	▲ 2.4
Capital expenditure	▲ 31.4	▲ 34.4	▲ 2.9
Investment and financing, etc.	0.2	0.7	0.4
Free cash flows	51.5	57.1	5.5
Financing activity cash flows	▲ 60.2	▲ 33.0	27.1
Change in borrowings and bonds	▲ 46.9	▲ 16.1	30.8
Purchase of treasury stock	▲ 6.2	▲ 7.0	▲ 0.7
Dividends paid	▲ 6.9	▲ 9.9	▲ 2.9
Effect of exchange rate change on cash and cash equivalents	▲ 0	▲ 0.9	▲ 0.8
Net increase (decrease) in cash and cash equivalents	▲ 8.6	23.1	31.7
Cash and cash equivalents at end of period	67.1	90.3	23.1

Increase and Decrease Factors of Ordinary Income

【JPY in billions】



1 | FY2017 Results

2 | **FY2018 Forecasts**

3 | Results and Forecasts by Segment

<FY2018 Forecasts(Summary)>

- ◆ Lower operating and ordinary incomes are expected despite higher revenue.
- ◆ Operating income will be reduced due to lower market prices, greater competition facing electronics chemicals and higher fixed costs such as repairs and R&D expenses.
- ◆ Equity in earnings of overseas methanol producing affiliates will grow.
- ◆ Net income will be at the FY 2017 level due to an improved balance of extraordinary items.
- ◆ The annual dividend will increase to 70 yen per share, up 11 yen.

FY2018 Forecast Summary

- Lower operating and ordinary incomes are expected despite higher revenue

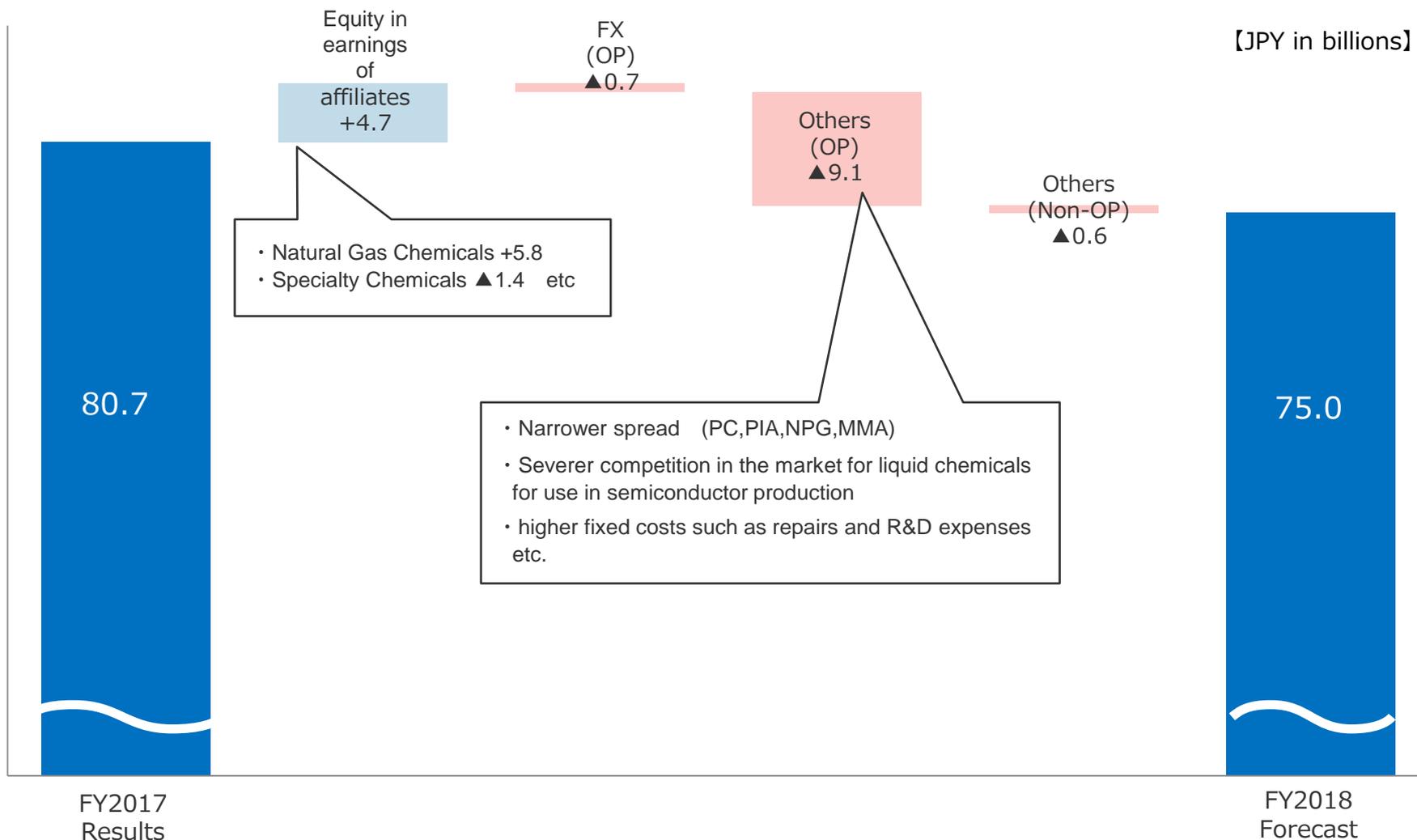
【JPY in billions】

	FY2017 Results	FY2018 Forecast	Change	
			amount	%
Net Sales	635.9	640.0	4.0	0.6%
Operating income	62.7	53.0	▲ 9.7	▲ 15.5%
(Equity in earnings of affiliates)	(18.2)	(23.0)	(4.7)	-
Ordinary income	80.7	75.0	▲ 5.7	▲ 7.1%
Net income before taxes	73.4	79.0	5.5	7.6%
Net income attributable to owners of the parent	60.5	61.0	0.4	0.8%

EPS (JPY)※	281.39	285.57
ROE (%)	13.6	12.5
FX (JPY/USD)	111	110

Increase and Decrease Factors of Ordinary Income

[JPY in billions]



FY2017 Results

FY2018 Forecast

Capital investment · Shareholder return

Capital investment

[JPY in billions]

	FY2016 Result	FY2017 Result	FY2018 Forecast
Natural Gas Chemicals	9.0	6.0	6.5
Aromatic Chemicals	10.5	11.3	16.5
Specialty Chemicals	8.1	11.0	14.5
Information & Advanced Materials	6.6	1.9	4.0
Others	0.5	0.6	3.5
Total	35.0	30.9	45.0

Shareholder return

- **FY2017**

Interim dividend per share (Result) : ¥24 per share
 Year-end dividend per share (Forecast) : ¥ 35 per share
 Annual dividend per share (Forecast) : ¥ 59 per share
 Repurchase of own shares (Nov 2017- Jan 2018、 ¥ 7.0 billion)
 Cancellation of own shares (Nov 2017、 10million stocks)
 Total return ratio : 32.5%

- **FY2018 (Forecast)**

Interim dividend per share : ¥ 35 per share
 Year-end dividend per share : ¥ 35 per share
 Annual dividend per share : ¥ 70 per share

1 | FY2017 Results

2 | FY2018 Forecasts

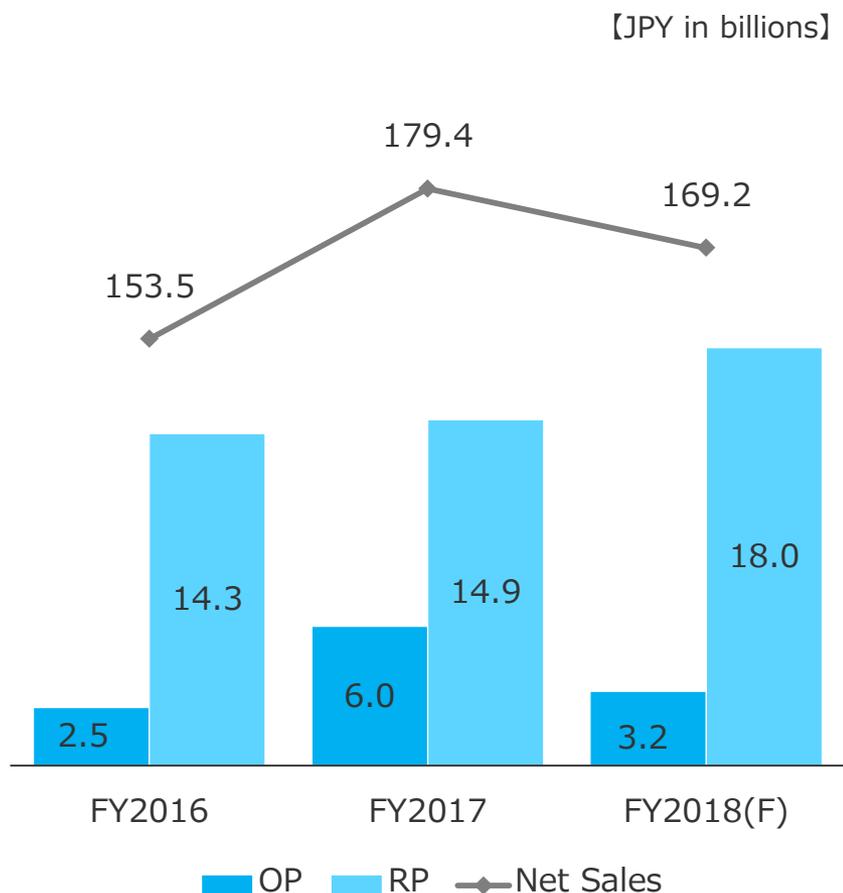
3 | Results and Forecasts by Segment

Consolidated Results & Forecasts by Segment

[JPY in billions]

	FY2016 Result			FY2017 Result			FY2018 Forecast		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	267.9	288.5	556.4	302.9	332.9	635.9	320.0	320.0	640.0
Natural Gas	70.1	83.4	153.5	81.4	98.0	179.4	86.5	82.7	169.2
Aromatic	95.5	98.9	194.4	106.2	109.2	215.4	107.5	107.7	215.2
Specialty	83.5	88.6	172.2	97.9	107.1	205.1	105.5	107.8	213.3
Information & Advanced Materials	24.8	25.3	50.2	25.2	27.5	52.7	25.3	26.5	51.9
Corporate/Adjustment	▲ 6.1	▲ 7.8	▲ 13.9	▲ 7.9	▲ 9.0	▲ 16.9	▲ 5.0	▲ 4.7	▲ 9.7
Operating income	19.2	24.4	43.7	30.2	32.4	62.7	27.0	26.0	53.0
Natural Gas	0.3	2.1	2.5	2.2	3.8	6.0	1.3	1.9	3.2
Aromatic	9.0	9.2	18.3	14.2	11.9	26.2	12.4	9.8	22.2
Specialty	9.6	12.0	21.6	13.8	16.4	30.2	11.8	13.2	25.0
Information & Advanced Materials	2.0	2.7	4.8	2.4	2.5	5.0	2.6	2.4	5.1
Corporate/Adjustment	▲ 1.9	▲ 1.6	▲ 3.6	▲ 2.4	▲ 2.4	▲ 4.9	▲ 1.2	▲ 1.4	▲ 2.7
Ordinary income	24.6	37.7	62.4	42.0	38.7	80.7	38.0	37.0	75.0
Natural Gas	3.9	10.3	14.3	8.6	6.2	14.9	8.8	9.2	18.0
Aromatic	8.5	8.9	17.5	13.8	11.2	25.1	11.8	9.4	21.2
Specialty	11.4	15.3	26.8	17.6	21.0	38.6	14.4	16.1	30.6
Information & Advanced Materials	2.7	3.4	6.1	3.3	2.9	6.3	3.1	3.1	6.3
Corporate/Adjustment	▲ 1.9	▲ 0.4	▲ 2.4	▲ 1.5	▲ 2.8	▲ 4.3	▲ 0.2	▲ 0.9	▲ 1.2

Natural Gas Chemicals



● FY2017 Result

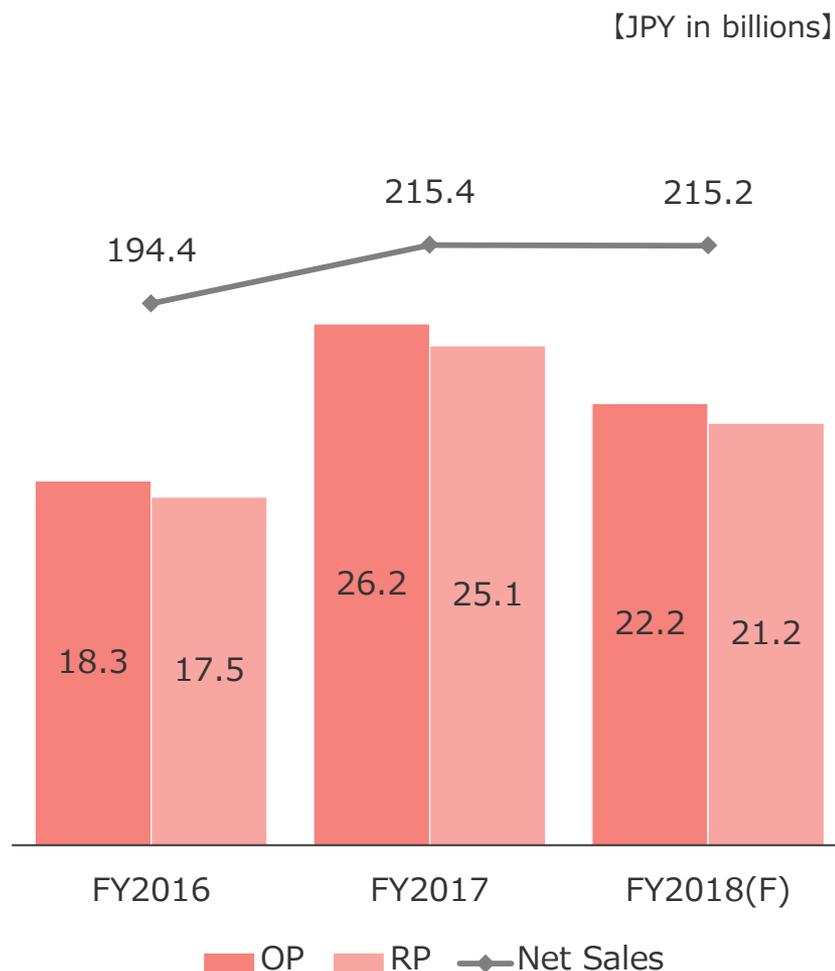
- ◆ Methanol : market price increased (FY2016 : 278 \$/MT → FY2017 : 340 \$/MT)
- ◆ NPG、MMA-based products : market price increased
- ◆ Equity in earnings dropped due to higher tax expenses*2 of METOR*1, problems with the AR-RAZI*3 plant, turnaround at methanol producer in Brunei, and so on.

1. Venezuelan equity method company
2. Tax expenses increased due to changes in the Venezuelan exchange system
3. Saudi Arabian equity method company

● FY2018 Forecast

- ◆ Methanol : market price will be at the FY2017 level (FY2017 : 340 \$/MT → FY2018(F) : 335 \$/MT)
- ◆ NPG、MMA-based products : market price decrease
- ◆ Operating income will be reduced due to higher fixed costs such as repairs, and so on.
- ◆ Equity in earnings will grow primarily due to eliminating the negative effects above on FY 2017 results.

Aromatic Chemicals



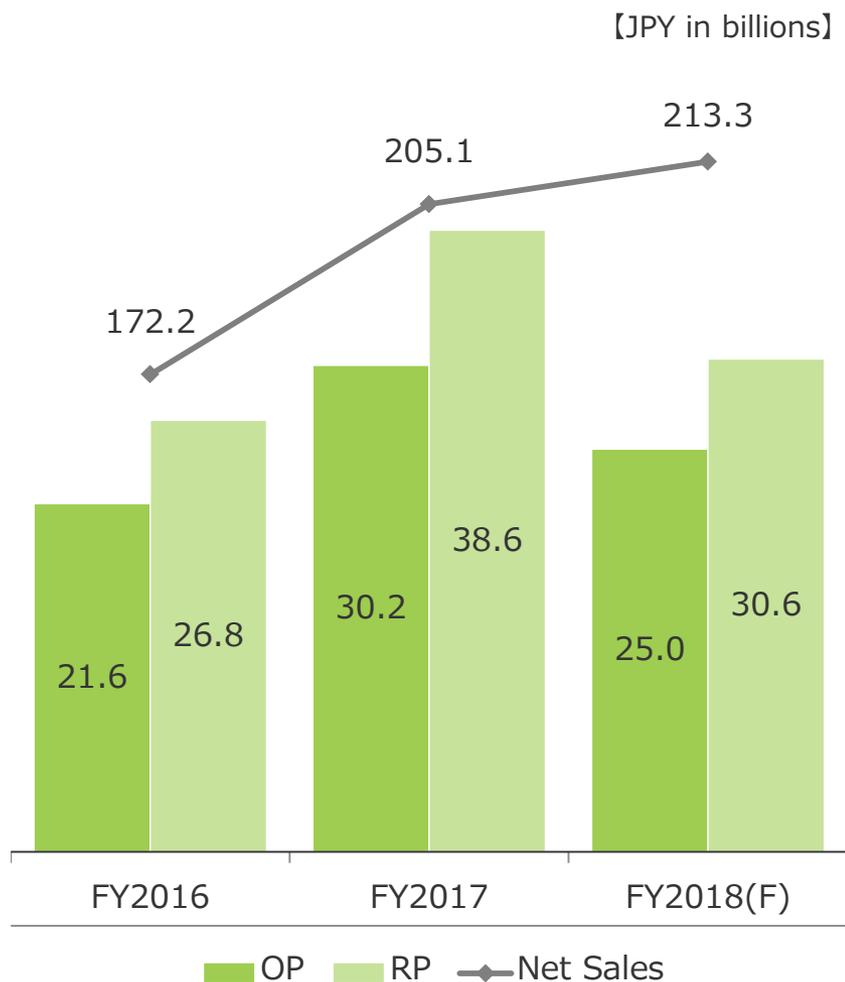
● FY2017 Result

- ◆ Purified isophthalic acid(PIA) : Higher market price
- ◆ Meta-xylene : A line of the production equipment was recommissioned at the end of Mar,2017, the sales volume was increased.
- ◆ MXDA : Higher sales volume, sales price
- ◆ Foamed plastics(JSP) : achieved higher sales volume of expanded polypropylene(EPP) for auto parts, but profit suffered a slight drop due primarily to the rise in raw fuel prices.

● FY2018 Forecast

- ◆ Specialty aromatic chemicals such as MXDA will continue to achieve steady sales.
- ◆ Spreads for PIA are expected to be narrower than in FY 2017. Lower earnings are expected primarily due to the increase in fixed costs to be caused by the major turnaround for the Mizushima Plant.
- ◆ JSP continues to expect higher sales volume for EPP.

Specialty Chemicals



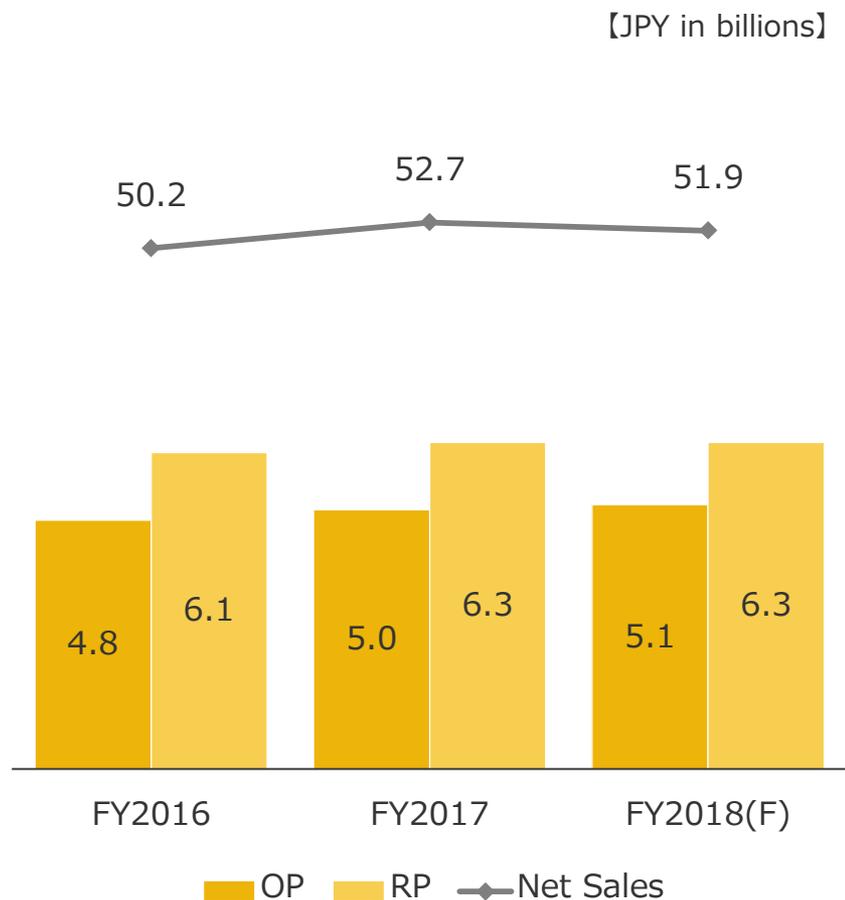
● FY2017 Result

- ◆ Inorganic chemicals : The Semiconductor market expansion translated into higher sales volume of liquid chemicals for use in semiconductor production.
- ◆ Polycarbonate(PC) : Strong demand in China and other market. PC-bisphenol A(BPA) spread remained at high levels.
- ◆ Specialty PCs for smartphone lenses grew.
- ◆ PC/sheet film : Products for game consoles and automobiles had strong sales

● FY2018 Forecast

- ◆ Inorganic chemicals will suffer lower earnings due to severer competition in the electronics chemicals business and an increase in fixed costs to be caused by the launch of a new U.S. plant.
- ◆ PC-BPA spread : Expected to be narrower than FY2017
- ◆ Specialty PCs will continue to increase sales volumes due to the spread of smartphones featuring dual lenses.

Information and Advanced Materials



● FY2017 Result

- ◆ Electronics materials posted higher revenue and earnings due to reasons including strong sales volume of BT materials for semiconductor packages, primarily for memory applications.
- ◆ Oxygen absorbers such as Ageless® posted higher sales volume centered on exports, and lower earnings compared with the previous year due to fixed costs rose from production commencement at a new plant.

● FY2018 Forecast

- ◆ Electronic materials: Sales volumes for BT materials are expected to achieve prior-year levels. Continue development to accommodate the increasing sophistication and diversity of materials in relation to introducing large capacity communication protocols such as 5G and the need for fast data processing.
- ◆ Oxygen absorbers will enhance the overseas development of operations including those for medical uses and improve the operating ratio of the new plant.

Appendix

Appendix : Key Indicators (1)

【JPY in billions】

FY	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018(F)
Capital expenditure (H1)	27.6 (14.1)	35.4 (14.6)	42.4 (22.4)	30.9 (17.7)	25.4 (13.8)	22.2 (10.3)	30.5 (14.9)	35.0 (13.7)	30.9 (13.9)	45.0 (22.0)
Depreciation& Amortization (H1)	29.5 (13.7)	29.0 (13.8)	27.7 (13.4)	23.0 (10.7)	23.5 (11.4)	23.7 (11.5)	26.7 (13.1)	25.6 (12.2)	27.0 (13.1)	27.0 (13.0)
R&D expenditure (H1)	16.2 (7.4)	16.4 (7.4)	17.4 (8.8)	15.1 (7.2)	16.1 (8.0)	16.8 (8.0)	18.9 (9.2)	19.2 (9.2)	18.9 (9.5)	22.0 (11.0)
Employees(as of Mar 31)	4,920	4,979	5,216	5,323	5,445	8,254	8,176	8,034	8,009	8,239
EPS(Yen)*	26	84	55	▲35	66	192	154	222	281	286
ROA(%)	1.4	6.5	4.5	4.6	4.8	5.8	5.9	8.4	10.5	9.3
ROE (%)	2.2	6.9	4.4	▲2.8	5.0	12.6	9.0	12.0	13.6	12.5
Dividend(yen)* (of which, Interim dividend)	16.0 (8.0)	16.0 (8.0)	24.0 (12.0)	24.0 (12.0)	24.0 (12.0)	28.0 (14.0)	32.0 (16.0)	38.0 (16.0)	59.0 (24.0)	70.0 (35.0)

*The Company conducted a consolidation of shares at a ratio of one share for every two shares effective October 1, 2016. EPS and dividends have been calculated by retroactive adjustment applying the above share consolidation to preceding periods as well.

Appendix : Key Indicator (2) Capex, depreciation and amortization by segment

[JPY in billions]

FY		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (F)
Capex(※)	Natural Gas	7.1	14.0	13.9	6.3	4.5	5.7	5.3	9.0	6.0	6.5
	Aromatic	7.7	4.5	4.7	5.7	2.3	4.0	10.6	10.5	11.3	16.5
	Specialty	8.1	14.8	21.6	15.0	11.2	7.6	9.9	8.1	11.0	14.5
	Information & Advanced Materials	4.5	1.8	1.8	3.3	6.6	4.3	3.8	6.6	1.9	4.0
	Other	0.1	0.3	0.1	0.3	0.5	0.3	0.7	0.5	0.6	3.5
	Total	27.6	35.4	42.4	30.9	25.4	22.2	30.5	35.0	30.9	45.0
Depreciation	Natural Gas	7.5	8.6	7.7	6.2	6.3	6.9	6.1	5.0	5.1	5.5
	Aromatic	7.9	7.8	7.7	5.8	4.1	3.9	8.2	8.5	8.5	8.5
	Specialty	8.6	8.0	8.4	7.7	9.5	9.2	8.8	8.6	9.1	9.0
	Information & Advanced Materials	5.1	4.2	3.5	2.7	3.1	3.3	3.0	3.0	3.5	3.5
	Other	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.5
	Total	29.5	29.0	27.7	23.0	23.5	23.7	26.7	25.6	27.0	27.0

Appendix : Key Indicator (3)

	FY2014		FY2015		FY2016		FY2017		FY2018 (F)
	H1	H2	H1	H2	H1	H2	H1	H2	
FX(JPY/USD)	103	117	122	118	105	112	111	111	110
FX(JPY/EUR)	139	139	135	130	118	119	126	133	130
Crude Oil(Dubai) (US\$/BBL)	104	63	56	36	43	51	50	62	60
Methanol (US\$/MT)	432	358	301	230	230	327	296	381	335
Mixed Xylene(US\$/MT)	1,100	730	740	630	660	680	650	725	705
Bisphenol A (US\$/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	1,200 ~1,800
Polycarbonate (US\$/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	2,700 ~3,900

*Describe the minimum and maximum values during the period

Sensitivity (Rough estimates)

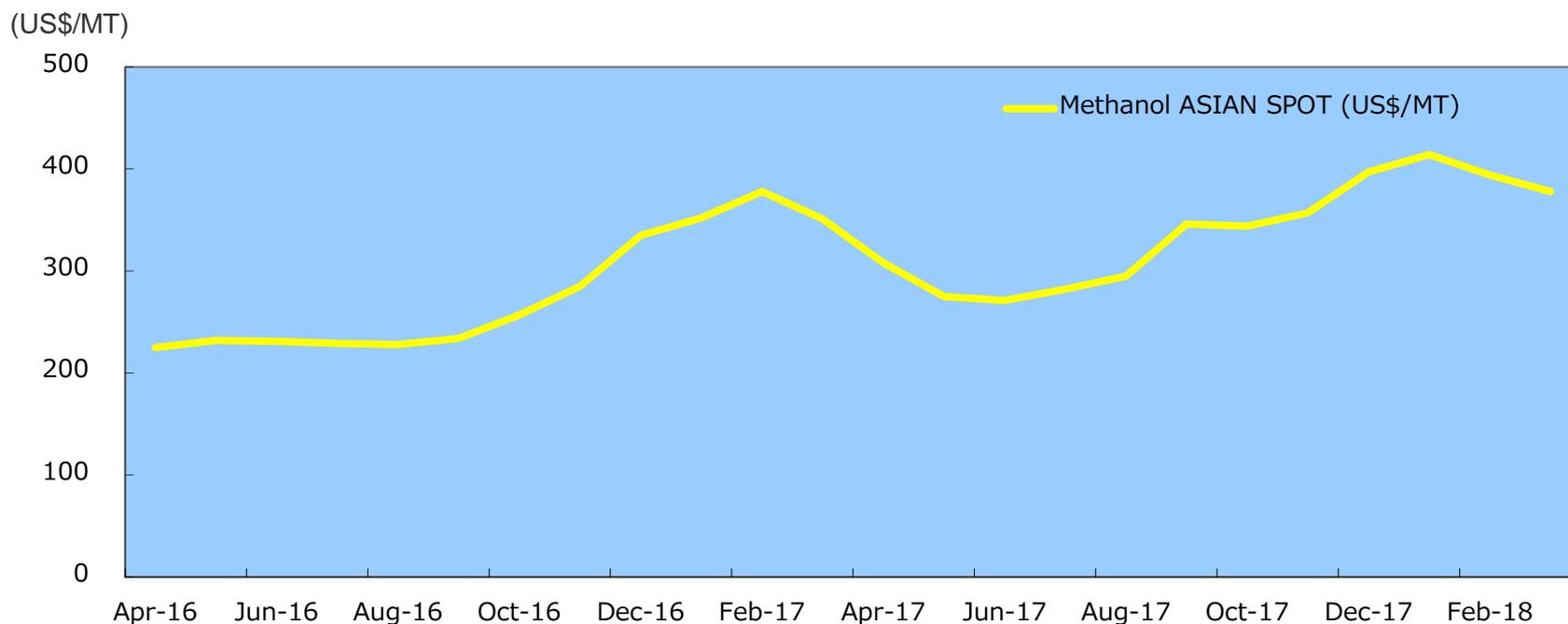
FX (USD) : with an appreciation(depreciation) of 1 yen against the USD, annual operating income falls (increase) by 0.9 billion yen, while annual ordinary income falls(increases) by 1.1 billion yen.

FX (EUR) : with an appreciation(depreciation) of 1 yen against the EUR, annual operating income falls (increase) by 70 million yen, while annual ordinary income falls(increases) by 70 million yen.

Crude oil(Dubai) : A 1 dollar/BBL increase(drop) in crude oil reduces(raises) income by 0.3 billion yen.

Methanol : A 1 dollar/MT increase (drop) in market price raises (reduces) equity in earnings of affiliates by 0.1 billion yen.

Appendix : Trend in Methanol Prices



FY2017 Result : 340 US\$ /MT

Demand : Demand rose as Chinese MTO(Methanol To Olefin) operation grew starting in July.

Supply : No new major plants started operation. Starting late 2017, China's natural gas regulations during winter reduced the supply from plants using natural gas as a raw material.

FY2018 Forecast : 335 US\$ /MT

Demand : Demand will continue to grow, especially from China's MTO applications.

Supply : Supply will increase due to launching the operation of new plants (NA in May and Iran in H2).

Disclaimer

These materials contain performance forecasts and other statements concerning the future.

These forward-looking statements are based on information available at the time.

These materials were prepared and on certain premises judged to be reasonable.

None of these forward-looking statements are intended to be guarantees of future performance.

Various factors may cause actual performance to differ significantly from forecasts.

Creating values to share with society

 **MITSUBISHI GAS CHEMICAL**

