

Results Presentation FY2018 H1

(April 1 - September 30, 2018)

Nov 5, 2018

MITSUBISHI GAS CHEMICAL COMPANY, INC.

TSE : 4182

目次

1 | **FY2018 H1 Results**

2 | **FY2018 Forecasts**

3 | **Results and Forecasts by Segment**

1 | **FY2018 H1 Results**

2 | **FY2018 Forecasts**

3 | **Results and Forecasts by Segment**

FY2018 H1 Summary

- ◆ Higher revenue and lower operating income. Ordinary income rose by benefiting from equity in earnings of affiliates
- ◆ Operating Income :
 - (+) ① Higher polycarbonate (PC) market prices
 - ② Increased sales volumes of specialty PCs and BT materials
 - (-) ① An increase in raw material and fuel prices、② lower market prices of purified isophthalic acid
- ◆ Equity in earnings of affiliates rose primarily due to higher methanol market prices
- ◆ Compared with the previous forecast, performance figures grew primarily due to higher equity in earnings of affiliates
- ◆ Dividend: interim 35 yen (+11 yen year-on-year and the same as the previous forecast)

FY2018 H1 Results

- Decreased operating income. Ordinary income increased. [JPY in billions]

	H1 FY2018	H1 FY2017	Changes		H1 FY2018 (Previous Forecast*)
			Amount	%	
Net Sales	328.3	302.9	25.4	8.4%	320.0
Operating income	28.9	30.2	▲1.3	▲4.4%	27.0
(Equity in earnings of affiliates)	(17.2)	(10.4)	(6.7)	-	(11.0)
Ordinary income	46.5	42.0	4.5	10.8%	38.0
Net income before taxes	47.1	42.3	4.7	11.1%	39.0
Net income attributable to owners of the parent	37.9	35.4	2.4	7.0%	30.0
* Announced on May 9,2018					
E P S (J P Y)	177.51	164.28			
F X (J P Y / U S D)	110	111			

Effects of exchange rate : Net Sales ▲0.5, Operating income ▲0.2, Ordinary income ▲0.3

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.

FY2018 H1 Non-Operating & Extraordinary Items

【JPY in billions】

	FY2018 H1	FY2017 H1	Change
Non-Operating items	17.5	11.7	5.8
Equity in earnings of affiliates	17.2	10.4	6.7
Financial income or losses	1.2	1.1	0.1
Foreign exchange gains or losses	▲ 0.0	0.7	▲ 0.7
Others	▲ 0.8	▲ 0.5	▲ 0.2
Extraordinary income	1.5	0.8	0.6
Gains on sales of investment securities	0.8	0.8	▲0.0
Gains on sales of non-current assets	0.7	-	0.7
Others	-	-	-
Extraordinary losses	▲ 1.0	▲0.5	▲0.4
Provision for loss on guarantees	▲ 0.6	-	▲ 0.6
Loss on valuation of investment securities	▲ 0.3	▲ 0.3	▲ 0.0
Others	-	▲ 0.1	0.1

- **Equity in earnings of affiliates**

Natural Gas Chemicas+6.0
Specialty Chemicals+0.8 etc

- **Provision for loss on guarantees**

Losses in relation to the Canadian shale gas/LNG project

FY2018 H1 Balance Sheets

[JPY in billions]

	Sep30, 2018	Mar31, 2018	Change
Current assets	381.4	384.2	▲2.7
Cash and deposits	88.9	101.0	▲12.1
Trade notes and Accounts receivable	166.3	165.6	0.7
Inventories	112.3	103.7	8.6
Others	13.8	13.7	0.0
Non-current assets	420.1	401.4	18.7
Tangible assets	224.2	220.7	3.5
Intangible assets	9.0	8.4	0.6
Investments and other assets	186.8	172.3	14.5
Total assets	801.6	785.6	15.9

	Sep30, 2018	Mar31, 2018	Change
Liabilities	249.6	266.5	▲16.8
Trade note and accounts payable	86.3	88.7	▲2.3
Interest-bearing debt	92.7	106.9	▲14.2
Others	70.5	70.8	▲0.2
Net assets	552.0	519.1	32.8
Shareholders' equity	486.1	455.6	30.5
Accumulated other comprehensive income	14.0	11.7	2.2
Non controlling interest	51.8	51.7	0.0
Total liabilities and net assets	801.6	785.6	15.9
Equity Ratio	62.4%	59.5%	

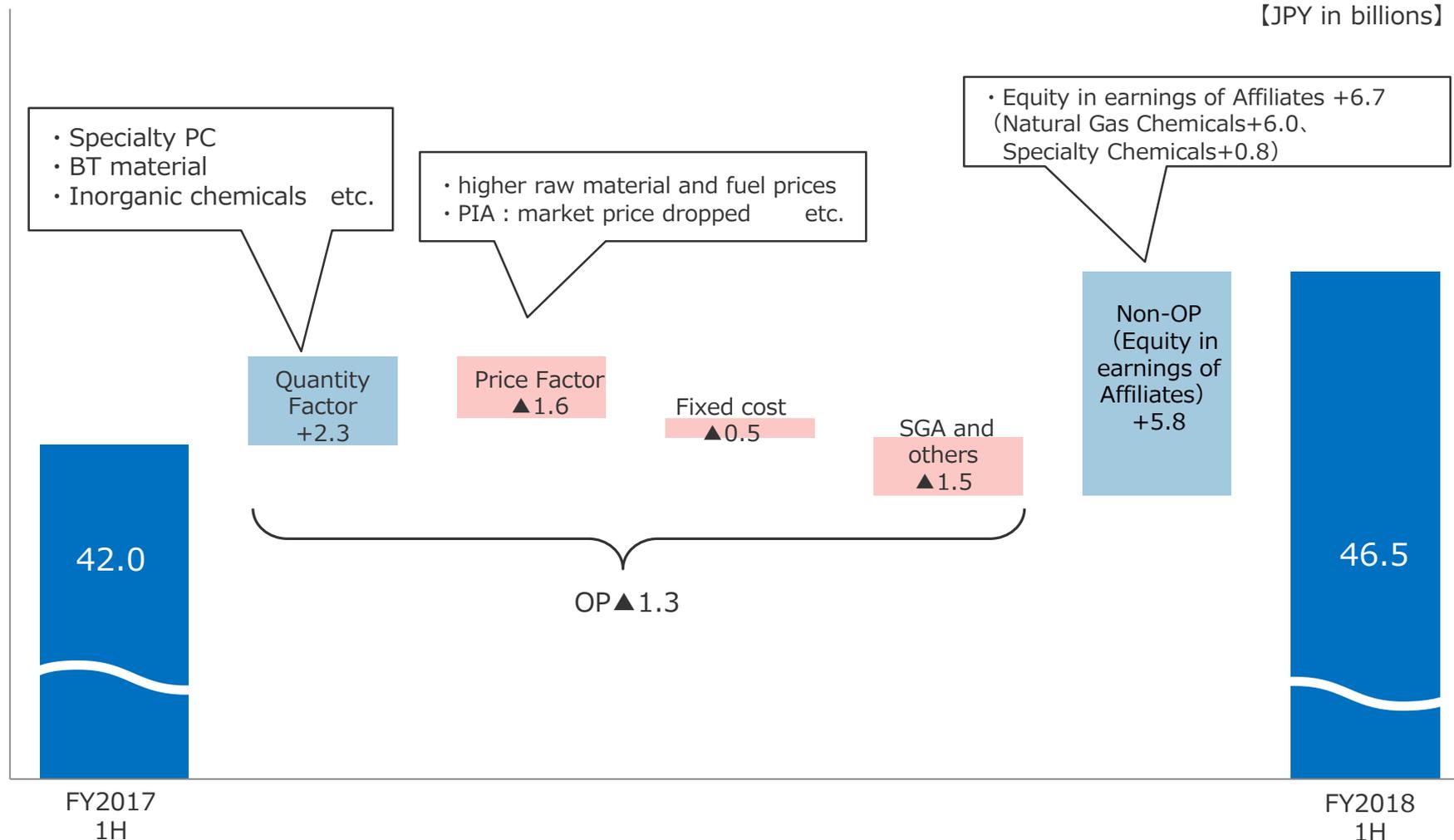
FY2018 H1 Cash Flows

[JPY in billions]

	FY2018 H1	FY2017 H1	Change
Operating activity cash flow	31.0	41.9	▲ 10.9
Income before income taxes, etc.	47.1	42.3	4.7
Depreciation and amortization	13.5	13.1	0.3
Equity in earnings of affiliates	▲ 17.2	▲ 10.4	▲ 6.7
Dividends received from equity method affiliates	7.1	10.9	▲ 3.8
Working capital etc.	▲ 15.9	▲ 10.9	▲ 5.0
Income taxes paid	▲ 3.5	▲ 3.1	▲ 0.4
Investing activity cash flows	▲ 19.2	▲ 16.7	▲ 2.5
Capital expenditure	▲ 18.2	▲ 16.9	▲ 1.2
Investment and financing, etc.	▲ 1.0	0.2	▲ 1.2
Free cash flows	11.7	25.1	▲ 13.4
Financing activity cash flows	▲ 23.5	▲ 21.1	▲ 2.3
Change in borrowings and bonds	▲ 16.0	▲ 16.4	0.3
Purchase of treasury stock	▲ 0.0	▲ 0.0	0.0
Dividends paid	▲ 7.4	▲ 4.7	▲ 2.7
Effect of exchange rate change on cash and cash equivalents	0.7	0.0	0.7
Net increase (decrease) in cash and cash equivalents	▲ 10.9	4.0	▲ 15.0
Cash and cash equivalents at end of period	79.3	71.2	8.0

FY2018 1H Increase and Decrease Factors of Ordinary Income

【JPY in billions】



1 | FY2018 H1 Results

2 | **FY2018 Forecasts**

3 | Results and Forecasts by Segment

Points for FY2018 Forecasts

- ◆ Compared with the previous forecast: operating income will decline, while ordinary income will be higher due to increased equity in earnings of affiliates
- ◆ Operating income: will likely be lower due to lower PC market prices and higher raw material and fuel prices
- ◆ Ordinary income: will likely be higher due to methanol market prices remaining at high levels
- ◆ Compared with the prior-year period: Despite higher revenue, operating income will fall. Higher equity in earnings of affiliates will minimize the expected reduction in ordinary income.
- ◆ Annual dividend: will be 35 yen per share, the same amount as the year-earlier figure and previous forecast

FY2018 Forecast

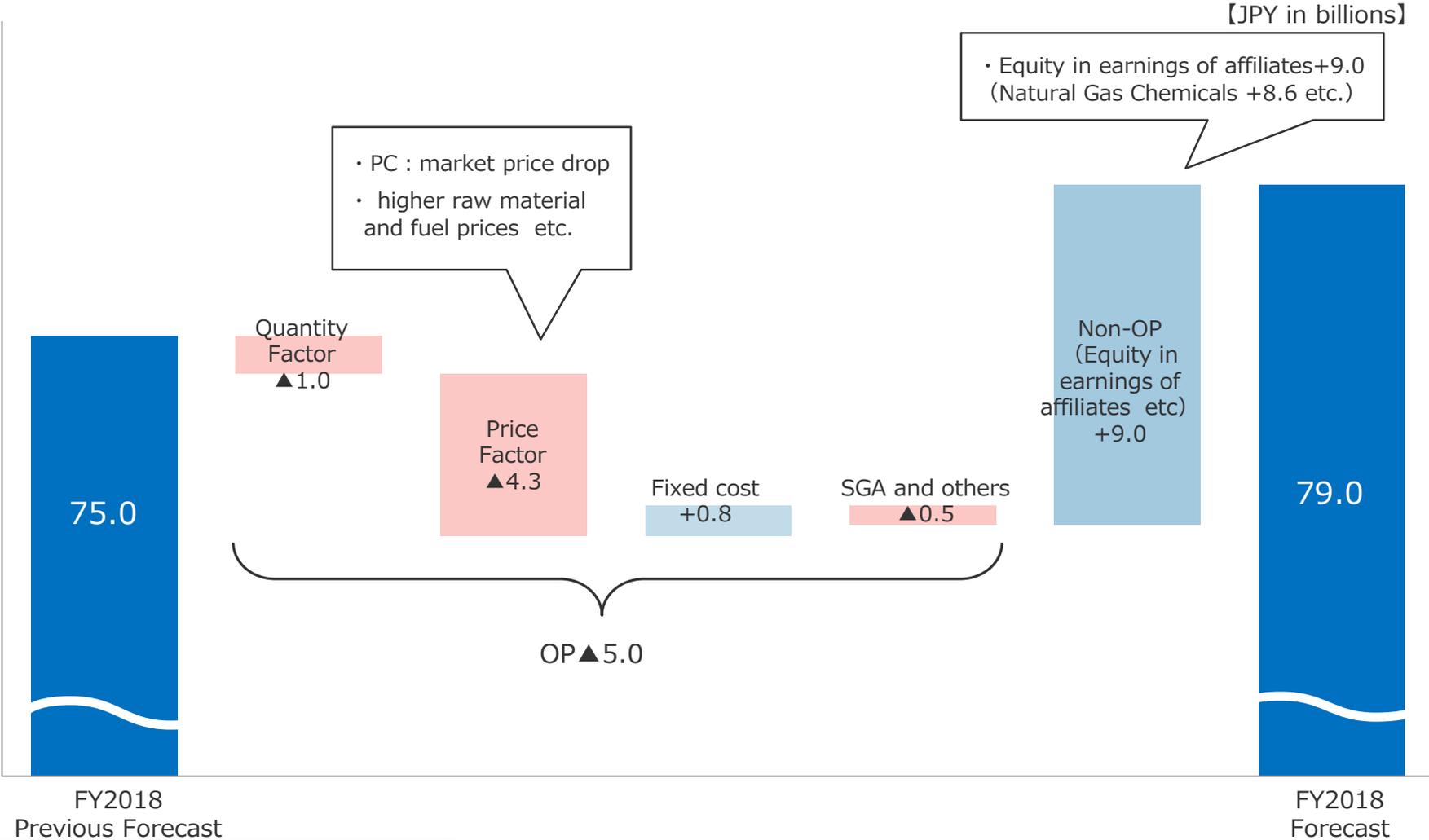
[JPY in billions]

Operating income will decline, while ordinary income will be higher

	FY2018 Forecast	FY2018 Previous forecast*	Change		FY2017 Result
			Amount	%	
Net Sales	660.0	640.0	20.0	3.1%	635.9
Operating income	48.0	53.0	▲5.0	▲9.4%	62.7
(Equity in earnings of affiliates)	(32.0)	(23.0)	(9.0)	-	(18.2)
Ordinary income	79.0	75.0	4.0	5.3%	80.7
Net income before taxes	80.0	79.0	1.0	1.3%	73.4
Net income attributable to owners of the parent	62.0	61.0	1.0	1.6%	60.5
E P S (J P Y)	290.22	285.57			281.39
R O E (%)	12.7	12.5			13.6
F X (J P Y / U S D)	110	110			111

* Announced on May 9, 2018

FY2018(F) Increase and Decrease Factors of Ordinary Income



Shareholder return policy / Shareholder return

Shareholder return policy

- The MGC Group places topmost management priority on enhancing corporate value.
- The Company will continuously provide stable dividends, while taking operating performance and other factors into account when determining the distribution amount.
- The Company's basic policy is to improve capital efficiency and enhance shareholder returns by flexibly purchasing treasury stock while considering the levels of internal reserves and returns to shareholders.

Shareholder return

● FY2017

Interim dividend : 24 JPY/Share

Year-end dividend : 35 JPY/Share

Annual dividend : 59 JPY/Share

Share buybacks (From Nov,2017 to Jan,2018, JPY 7 billion)

Cancellation of own shares (Nov,2017, 10mil shares, representing 4.14% of the total number of issued shares)

● FY2018

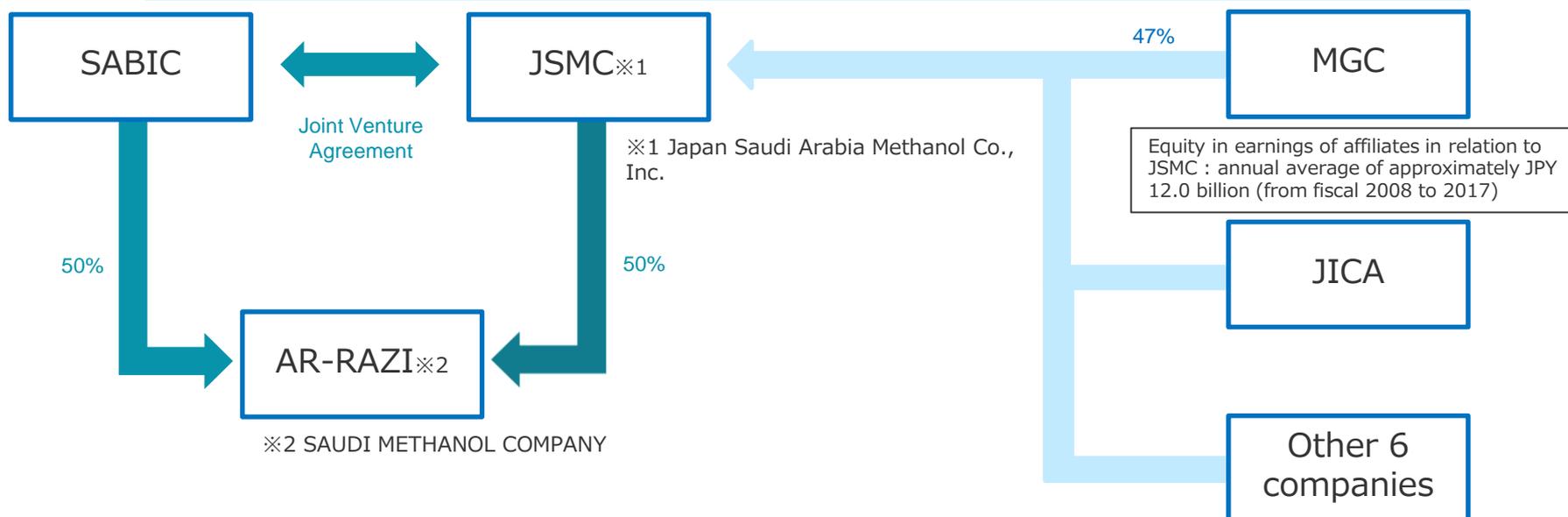
Interim dividend : 35 JPY/Share

Year-end dividend (Forecast) : 35 JPY/Share

Annual dividend (Forecast) : 70 JPY/Share

Methanol JV in Saudi Arabia of JSMC, a MGC's Equity Method Affiliate

JSMC's portion of the investments in securities posted in the Consolidated Balance Sheet: : JPY 41.1 billion
Of which assets arising from the AR-RAZI stocks are approximately JPY 21.8 billion



- Expired date of JV agreement : Nov 29, 2018
- The discussions are still underway, considering all possibilities
- The impact of this matter on MGC's consolidated business performance is not included in the business forecasts announced today, since the possible effects have yet to be determined
- Very limited information can be disclosed since the matter is still being negotiated. We will immediately explain once the circumstances permit.

1 | FY2018 H1 Results

2 | FY2018 Forecasts

3 | Results and Forecasts by Segment

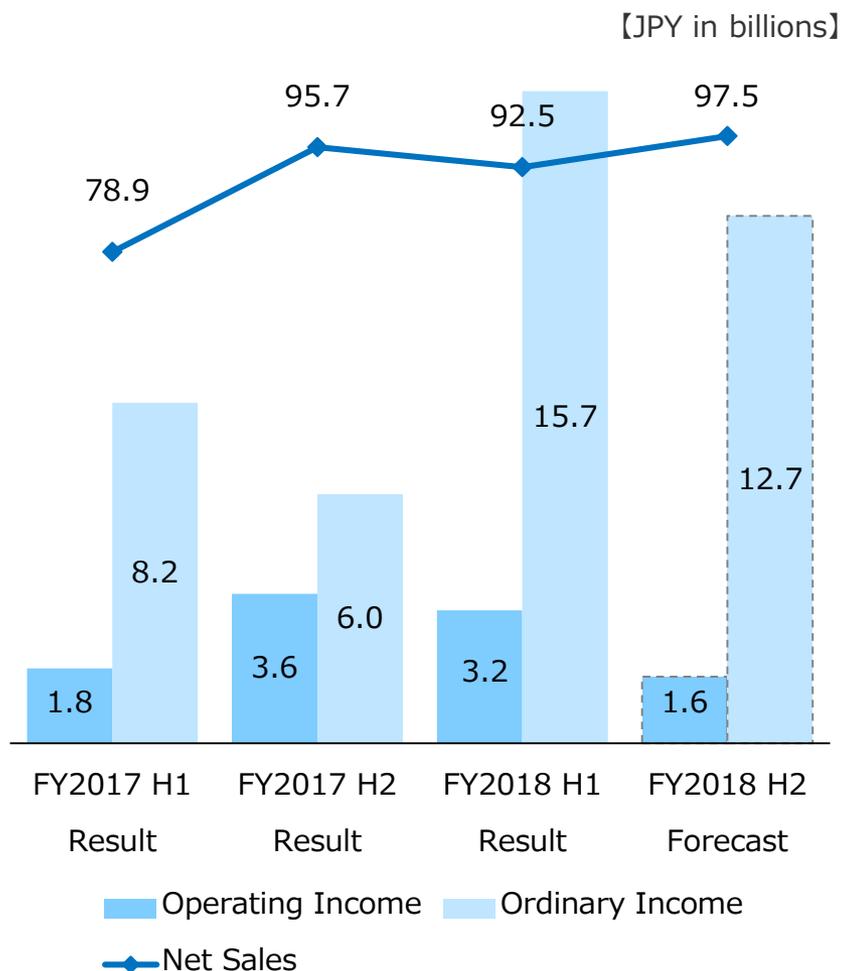
Results and Forecast by Segment

[JPY in billions]

	FY2017 Result*			FY2018 previous forecast			FY2018 forecast		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	302.9	332.9	635.9	320.0	320.0	640.0	328.3	331.6	660.0
Natural Gas	78.9	95.7	174.7	86.5	82.7	169.2	92.5	97.5	190.0
Aromatic	105.0	108.0	213.1	107.5	107.7	215.2	107.3	107.8	215.2
Specialty	97.9	107.1	205.0	105.7	108.0	213.8	106.1	107.2	213.4
Information & Advanced Materials	25.2	27.5	52.7	25.3	26.5	51.9	27.1	25.0	52.2
Corporate/Adjustment	▲ 4.3	▲ 5.5	▲ 9.8	▲ 5.2	▲ 5.0	▲ 10.2	▲ 4.8	▲ 6.1	▲ 10.9
Operating income	30.2	32.4	62.7	27.0	26.0	53.0	28.9	19.0	48.0
Natural Gas	1.8	3.6	5.4	1.3	1.9	3.2	3.2	1.6	4.8
Aromatic	13.9	11.7	25.6	10.3	8.9	19.2	10.1	7.2	17.3
Specialty	13.4	16.2	29.6	13.9	14.6	28.5	14.1	9.8	24.0
Information & Advanced Materials	2.0	2.2	4.2	2.6	1.9	4.6	2.5	1.9	4.5
Corporate/Adjustment	▲ 0.9	▲ 1.2	▲ 2.2	▲ 1.2	▲ 1.4	▲ 2.6	▲ 1.1	▲ 1.5	▲ 2.7
Ordinary income	42.0	38.7	80.7	38.0	37.0	75.0	46.5	32.4	79.0
Natural Gas	8.2	6.0	14.2	8.8	9.2	18.0	15.7	12.7	28.4
Aromatic	13.5	11.0	24.5	9.6	8.6	18.2	9.7	6.6	16.4
Specialty	17.2	20.7	37.9	16.7	17.4	34.2	17.8	11.5	29.4
Information & Advanced Materials	2.9	2.6	5.5	3.1	2.6	5.8	3.0	2.6	5.6
Corporate/Adjustment	0.0	▲ 1.7	▲ 1.6	▲ 0.3	▲ 1.0	▲ 1.3	0.1	▲ 1.1	▲ 0.9

*Beginning in fiscal 2018, changes have been made in the methods for reconciling inter-segmental transactions and allocating the company's common expenses. Segment information for fiscal 2017 shown in this document has also been calculated using the new method as will the information on the following pages.

Natural Gas Chemicals



● FY2018 H1 (results, year-on-year difference)

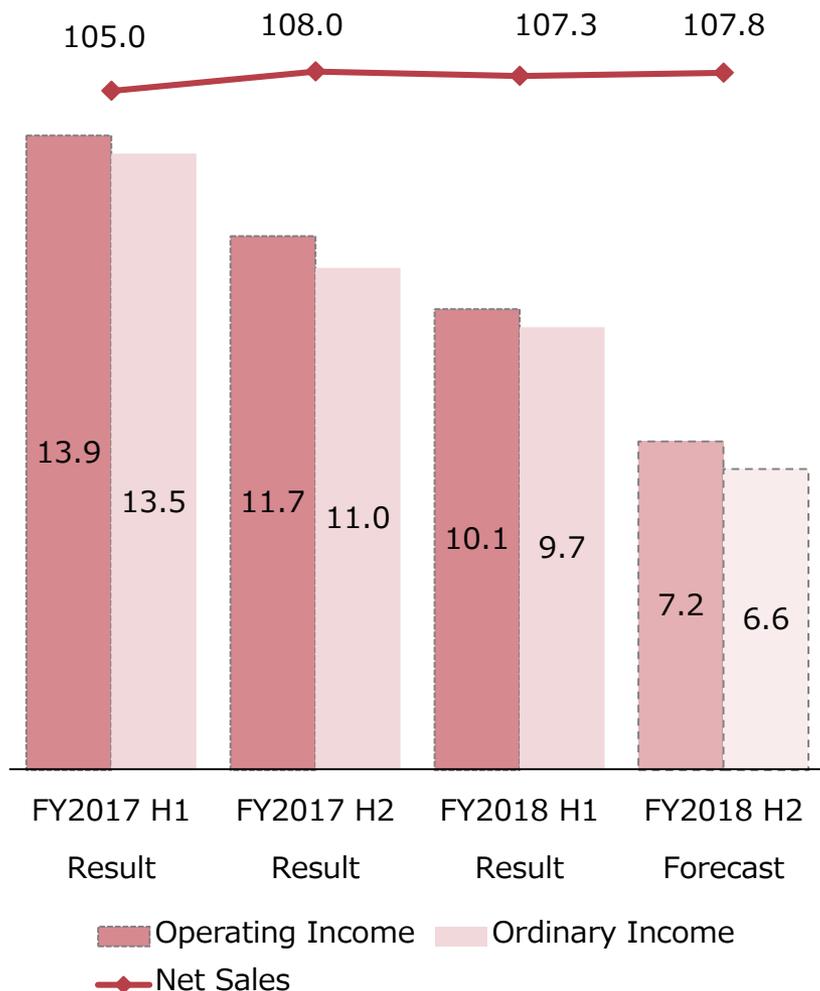
- ◆ Methanol market prices: H1 FY 2017: 296 US\$/MT --> H1 FY 2018: 408 US\$/MT)
- ◆ Operating income: despite higher raw material prices, operating income grew primarily due to increased market prices of MMA-based products
- ◆ Equity in earnings of affiliates: rose primarily due to higher methanol market prices and a difference in volume recorded at Brunei Methanol Company, which underwent a turnaround in fiscal 2017

● FY2018 H2 (forecasts, difference from H1)

- ◆ Methanol: will likely remain at high price levels (H1: 408 US\$/MT--> H2: 390 US\$/MT)
- ◆ Operating income: expected to be lower primarily due to increased turnaround cost at the Niigata Plant and lower market prices of MMA-based products
- ◆ Equity in earnings of affiliates: will likely remain high despite the expected reduction in earnings due to lower methanol market prices

Aromatic Chemicals

[JPY in billions]



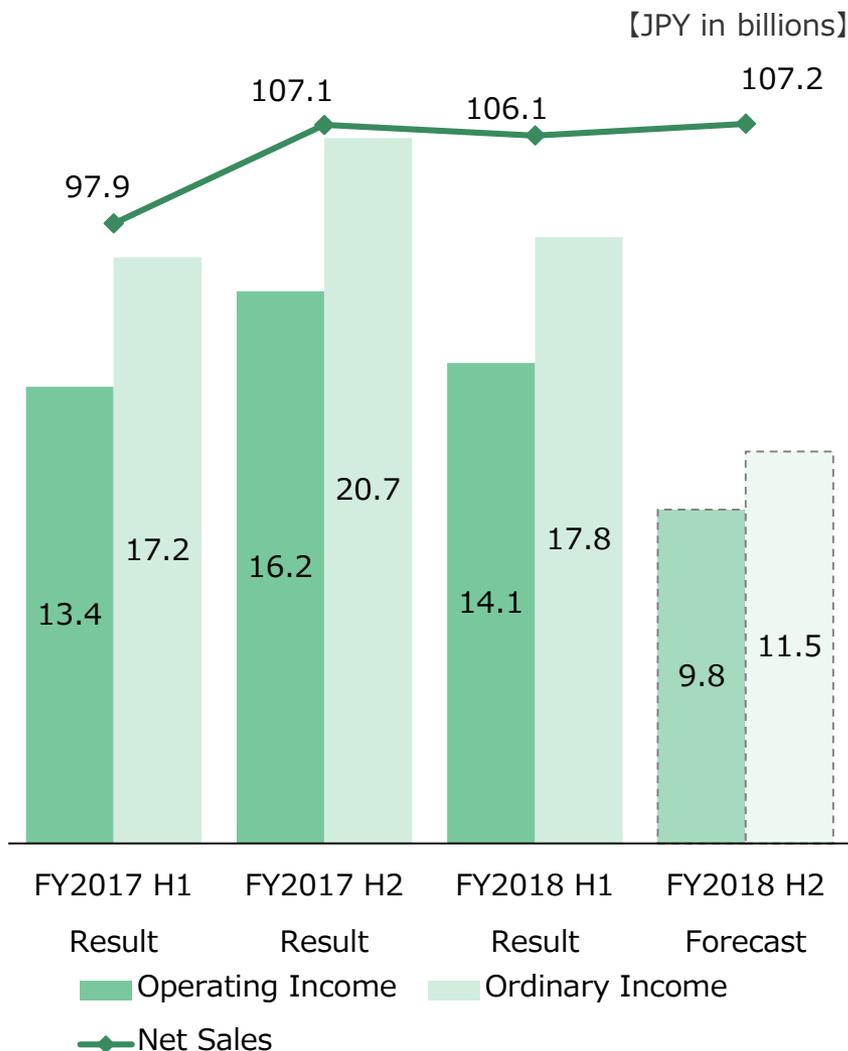
● FY2018 H1 (results, year-on-year difference)

- ◆ Specialty aromatics*: posted growth in both revenue and earnings despite higher raw material and fuel prices
* MXDA, MX nylon and Aromatic aldehydes
- ◆ Purified isophthalic acid (PIA): lower earnings due to a narrower spread
- ◆ Foamed plastics (JSP): lower earnings primarily due to higher raw material and fuel prices

● FY2018 H2 (forecasts, difference from H1)

- ◆ Specialty aromatics: will likely have lower earnings. Despite strong sales, higher raw material and fuel prices will be significant negative factors
- ◆ PIA: the spread is expected to be narrower
- ◆ Non-consolidated earnings will be lower partly due to the turnaround of the Mizushima Plant
- ◆ JSP: expected to improve because material price increases will be reflected in sales prices

Specialty Chemicals



● FY2018 H1 (results, year-on-year difference)

- ◆ Inorganic chemicals: lower earnings because the increased sales volumes were more than canceled by negative factors such as increased competition in the electronics chemicals market
- ◆ Polycarbonates (PCs): market prices dropped sharply in Q2. It was still possible to increase earnings though due to higher H1-average market prices than a year earlier.
- ◆ Specialty PCs: increased sales volumes due primarily to the spread of smartphones featuring dual lenses
- ◆ PC sheets and films: products for vehicles were successful, while those for flat panel displays had lower performance.

● FY2018 H2 (forecasts, difference from H1)

- ◆ Inorganic chemicals: will continue to face severe competition in the electronics chemicals market.
- ◆ PCs: to be seriously affected by the plummeting market prices in Q2. PC-BPA spreads will remain low, causing the business to reduce earnings in China
- ◆ Specialty PCs: will remain successful
- ◆ PC sheets and films: despite weak demand for products used in flat panel displays, those for vehicles will likely grow.

Information & Advanced Materials

【JPY in billions】

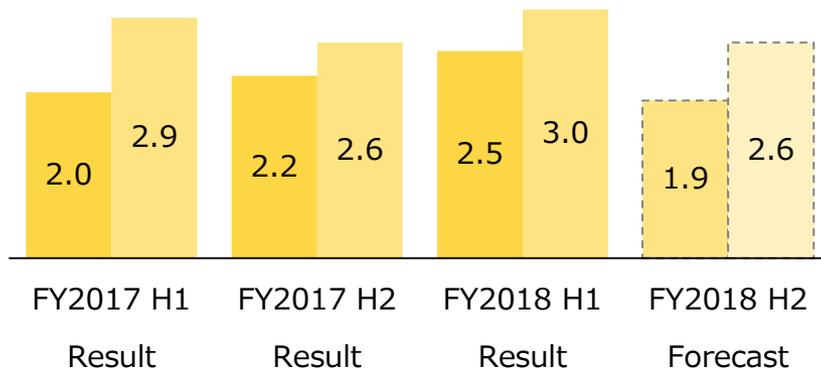


● FY2018 H1 (results, year-on-year difference)

- ◆ Electronic materials: achieved increases in both revenue and earnings, due to the continued success, especially in the memory market, of BT materials for semiconductor packaging, which represent this segment's core product category
- ◆ Oxygen absorbers: lower earnings, primarily due to increasing competition in the domestic food market and inventory adjustments implemented by overseas customers

● FY2018 H2 (forecasts, difference from H1)

- ◆ Electronic materials: will likely have lower earnings. While demand will be mainly stable for memory, inventory adjustments for products for video signal processing chips and slow growth of products for smartphones are expected.
- ◆ Oxygen absorbers: expect to have higher earnings primarily due to a seasonal increase in the sales volumes of products used in domestic food applications



■ Operating Income ■ Ordinary Income
◆ Net Sales

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 (18.6)
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 (13.5)
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 (9.6)	18.9 (9.5)	20.0 (9.1)
Employees(as of Mar 31)	4,920	4,979	5,216	5,323	5,445	8,254	8,176	8,034	8,009	8,172
EPS(Yen)*	26	84	55	▲35	66	192	154	222	281	290
ROA(%)	1.4	6.5	4.5	4.6	4.8	5.8	5.9	8.4	10.6	9.8
ROE (%)	2.2	6.9	4.4	▲2.8	5.0	12.6	9.0	12.0	13.6	12.7
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
Capex	Natural Gas	7.1	14.0	13.9	6.3	4.5	5.7	5.3	9.0	6.0
	Aromatic	7.7	4.5	4.7	5.7	2.3	4.0	10.6	10.5	11.3
	Specialty	8.1	14.8	21.6	15.0	11.2	7.6	9.9	8.1	11.0
	Information & Advanced Materials	4.5	1.8	1.8	3.3	6.6	4.3	3.8	6.6	1.9
	Other	0.1	0.3	0.1	0.3	0.5	0.3	0.7	0.5	0.6
	Total	27.6	35.4	42.4	30.9	25.4	22.2	30.5	35.0	30.9
Depreciation	Natural Gas	7.5	8.6	7.7	6.2	6.3	6.9	6.1	5.0	5.1
	Aromatic	7.9	7.8	7.7	5.8	4.1	3.9	8.2	8.5	8.5
	Specialty	8.6	8.0	8.4	7.7	9.5	9.2	8.8	8.6	9.1
	Information & Advanced Materials	5.1	4.2	3.5	2.7	3.1	3.3	3.0	3.0	3.5
	Other	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.5
	Total	29.5	29.0	27.7	23.0	23.5	23.7	26.7	25.6	27.0

Appendix : Key Indicator (3)

	FY2014		FY2015		FY2016		FY2017		FY2018	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2(F)
FX(JPY/USD)	103	117	122	118	105	112	111	111	110	110
FX(JPY/EUR)	139	139	135	130	118	119	126	133	130	130
Crude Oil(Dubai) (US\$/BBL)	104	63	56	36	43	51	50	62	73	80
Methanol (US\$/MT)	432	358	301	230	230	327	296	381	408	390
Mixed Xylene(US\$/MT)	1,100	730	740	630	660	680	650	725	845	910
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	1,600 ~1,900	1,500 ~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 ~3,800	2,200 ~2,800

*Describe the minimum and maximum values during the period

Sensitivity (Rough estimates)

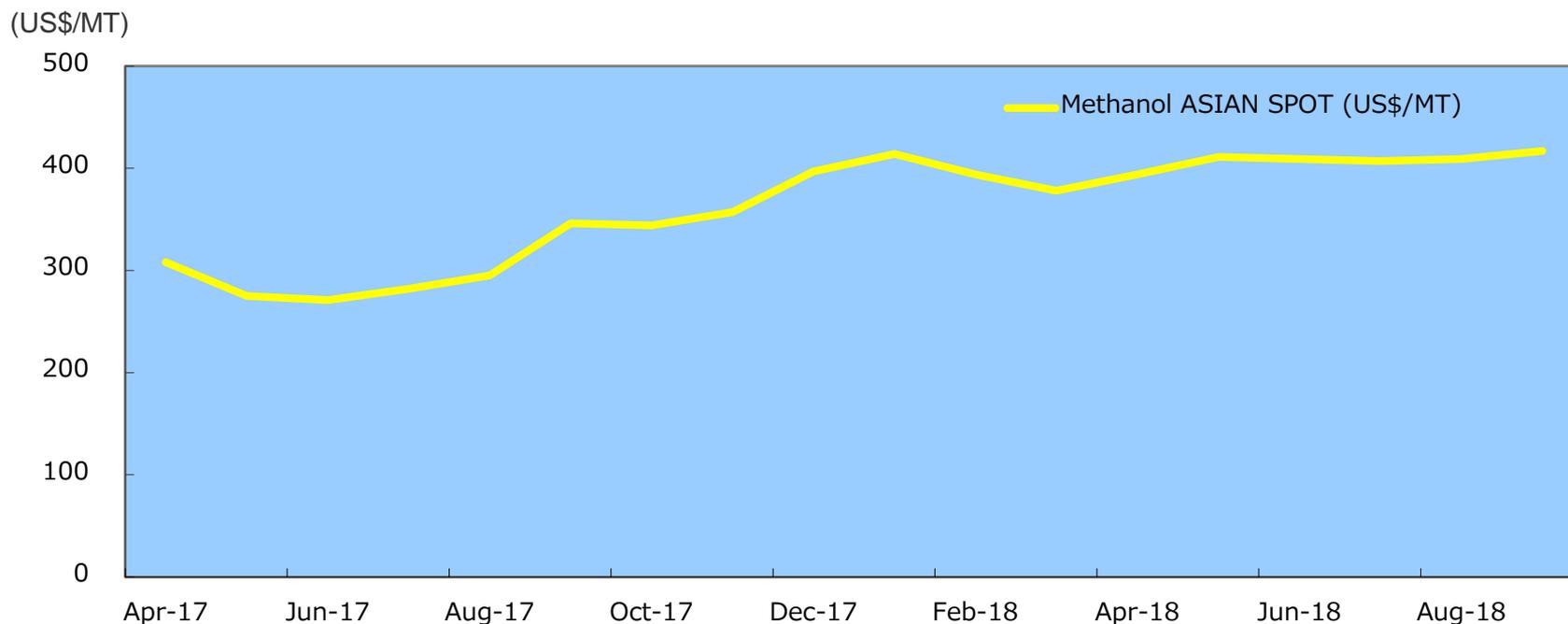
FX (USD) : with an appreciation(depreciation) of 1 yen against the USD, annual operating income falls (increase) by 0.9 billion yen, while annual ordinary income falls(increases) by 1.1 billion yen.

FX (EUR) : with an appreciation(depreciation) of 1 yen against the USD, annual operating income falls (increase) by 0.7 billion yen, while annual ordinary income falls(increases) by 0.7 billion 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



FY2018 H1 result : 408 US\$ /MT

Demand: there was solid demand. Chinese MTO* saw a higher operating ratio in September after a temporary drop due to a turnaround and other reasons

Supply: A new plant (1.70 million MT/y) started operation in the USA in June and started to supply the market in September. *Methanol To Olefin

FY2018 H2 forecast : 390 US\$ /MT

Demand: expected to remain brisk.

Supply: A new plant (1.65 million MT/y) started operation in Iran in late September, increasing supply. In December and after, the plants that produce from natural gas will supply less due to China's natural gas regulations during winter.

Appendix : Topics—1

Establishment of the Mitsubishi Gas Chemical Memorial Foundation

MGC has established a foundation to help solve social problems and shape a sustainable society by providing support for talented people who aspire to conduct chemical and chemical engineering research that benefits society and by offering research grants in those areas. The Mitsubishi Gas Chemical Chemistry Memorial Foundation started operation on October 1, 2018.

As part of the commemoration of MGC's 50th anniversary on October 1, 2021, the new foundation has been set up to celebrate the company's winning the Ichimura Prize in Industry for developing a specialty polycarbonate resin with a high refractive index and low birefringence.

The foundation will initially engage in providing scholarships for international students with a focus on those from ASEAN countries where we have operated for many years. The foundation also plans to become a public interest incorporated foundation as soon as possible to expand its activity to providing research grants.



Leveraging chemical expertise to start “factory vegetable” production

MGC has decided to partner with Farmship, Inc. to found a company named MGC Farmix for producing and distributing factory-grown vegetables. The new joint venture will run Japan's largest plant production factory using 100% artificial light as the lighting source.

Using the environmental control knowhow developed by MGC for chemical manufacturing processes, Farmix will produce vegetables with utmost care for safety and reliability in a planned and efficient fashion to meet market needs.



About factory farming with 100% artificial lighting

Unlike traditional cultivation in the field and greenhouses, the factory can grow plants through artificially controlling the environmental conditions required for plant growth such as light, temperature and humidity, carbon dioxide levels, moisture and nutrients. In addition to saving resources, the factory is capable of producing vegetables in a stable manner without being affected by the weather.

Appendix : Topics—2

European Commission Approves BioPQQ™ as a Novel Food

In August 2018, the EU's European Commission approved the functional food material BioPQQ™ as a novel food ingredient.

The functional food material, which has already been approved as a food ingredient in the USA and Japan, is now permitted to be distributed in Europe. In March 2018, the product also obtained anti-doping certification. We can expect it to find a broader range of applications.



What is BioPQQ™ (pyrroloquinoline quinone disodium salt)?

A type of coenzyme for oxidoreductase, the water soluble quinone compound was discovered in 1979. Scientists have established that its functions of improving brain performance and antioxidation make it effective for maintaining cognitive ability. It is thus primarily promoted as supplements and food ingredients for the aged. In addition, it increases the production and function of mitochondria, the intracellular organelles that generate energy within cells. It is therefore used as an energy supplement as well.

Publication of Corporate Report 2018

To provide even better understanding of MGC, beginning this fiscal year we are publishing Corporate Reports providing financial and non-financial information in a single volume. It contains details of the new Medium-term Management Plan, growth strategies, CSR/ESG, and financial performance.

Corporate Report 2018 is available at the MGC website.

<https://www.mgc.co.jp/eng/csr/report.html>



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**