

Summary of Consolidated Financial Results for Third Quarter of FY2015

Feb. 3, 2016
Mitsubishi Gas Chemical, Inc (TSE 4182)

1. Summary of Income Statement (April 1- December 31, 2015)

Millions of yen, rounded down

	Apr. 1 -Dec. 31, 2014	Apr. 1 -Dec. 31, 2015	Change (%)
Net Sales	401,426	450,936	12.3
Operating income	11,399	27,164	138.3
Ordinary income	33,692	36,237	7.6
Net income attributable to owners of the parent	29,005	28,423	(2.0)
Comprehensive income	43,769	18,730	(57.2)
Net income per share (Yen)	64.22	63.96	

2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2015	As of Dec. 31, 2015
Total Assets	790,784	744,664
Net Assets	422,851	430,654
Equity Ratio(%)	47.8	49.7

3. Dividends

	FY2014	FY2015
Interim dividend per share (Yen)	7.00	8.00
Year-end dividend per share (Yen)	7.00	8.00
Annual Dividend per share (Yen)	14.00	16.00

(Note) Revision of cash dividend forecast during this period: None

4. Consolidated Business Forecasts for FY2015 (April 1, 2015 - March 31, 2016)

Millions of yen, rounded down

	Full Year	Change (%)
Net Sales	600,000	13.3
Operating income	28,500	90.0
Ordinary income	37,000	(11.9)
Net income attributable to owners of the parent	29,000	(33.1)
Net income per share (Yen)	65.25	

(Note) Revision of consolidated business forecasts during this period: Yes

5. Number of Shares Outstanding (Common Stock)

	FY2014	3Q FY2015
Number of shares outstanding at term end (including treasury stock)	483,478,398	483,478,398
Number of shares of treasury stock at term-end	31,819,177	41,835,064
Average number of shares (3Q)	451,672,518	444,430,490

Consolidated Quaterly Financial Statement

(1) Consolidated Balance Sheets

Millions of yen, rounded down

	As of Mar. 31, 2015	As of Dec. 31, 2015		As of Mar. 31, 2015	As of Dec. 31, 2015
ASSETS			LIABILITIES		
Current assets			Current Liabilities		
Cash and deposits	62,327	60,634	Trade notes and accounts payable	79,323	78,934
Trade notes and accounts receivable	152,711	155,895	Short-term loans payable	104,155	93,947
Short-term investments securities	18,137	10,247	Current portion of bonds	-	15,000
Merchandise and finished goods	65,476	63,083	Income taxes payable	2,148	1,785
Work in progress	12,707	12,638	Provision	5,533	4,046
Raw materials and supplies	32,173	29,988	Other	33,907	38,620
Other	32,611	18,996	Total current liabilities	225,068	232,334
Allowance for doubtful accounts	(3,978)	(1,319)	Noncurrent liabilities		
Total current assets	372,166	350,164	Bonds payable	25,000	10,000
Noncurrent assets			Long-term loans payable	69,932	55,979
Property, plant and equipment			Provision	2,779	2,775
Buildings and structures, net	75,836	74,133	Provision for retirement benefits	5,586	6,224
Machinery, equipment and vehicles, net	87,249	84,248	Asset retirement obligations	3,685	3,738
Other, net	72,837	74,596	Other	35,879	32,957
Total property, plant and equipment	235,923	232,978	Total noncurrent liabilities	142,864	111,676
Intangible assets			Total liabilities	367,932	344,010
Goodwill	4,836	4,611	NET ASSETS		
Other	4,377	4,377	Shareholders' equity		
Total intangible assets	9,214	8,989	Capital stock	41,970	41,970
Investments and other assets			Capital surplus	35,595	35,599
Investment securities	164,654	172,259	Retained earnings	279,540	30,545
Other	8,936	10,373	Treasury stock	(8,131)	(15,565)
Allowance for doubtful accounts	(110)	(100)	Total shareholders' equity	348,974	367,549
Total investments and other assets	173,481	182,532	Accumulated other comprehensive income		
Total noncurrent assets	418,618	424,500	Valuation difference on available-for-sale securities	20,612	15,050
Total assets	790,784	774,664	Deferred gains or losses on hedges	-	5
			Revaluation reserve for land	217	217
			Foreign currency translation adjustment	4,950	1,059
			Remeasurements of defined benefit plans	2,888	1,005
			Total accumulated other comprehensive	28,669	17,338
			Noncontrolling interest	45,207	45,766
			Total net assets	422,851	430,654
			Total liabilities and net assets	790,784	774,664

(2) Consolidated Quarterly Statements of Income

	Millions of yen, rounded down	
	April 1 - Dec 31,	April 1 - Dec 31,
Net sales	401,426	450,936
Cost of sales	343,842	357,134
Gross profit	57,584	93,801
Selling, general and administrative expenses	46,184	66,637
Operating income	11,399	27,164
Non-operating income		
Interest income	143	393
Dividend income	1,953	2,128
Equity in earnings of affiliates	22,830	12,498
Other	2,574	1,778
Total non-operating income	27,501	16,799
Non-operating expenses		
Interest expense	1,885	1,706
Foreign exchange losses	-	2,996
Personnel expenses for seconded employees	976	996
Other	1,655	2,026
Total non-operating expenses	4,517	7,725
Ordinary income	34,383	36,237
Extraordinary income		
Gain on sales of investment securities	-	3,444
Subsidy income	-	301
Gain on sales of noncurrent assets	329	155
Insurance income	-	136
Reversal of provision for business structure improvement	-	122
Compensation income	1,055	-
Gain on rights and interests	792	-
Gain on bargain purchase	198	-
Total extraordinary income	2,376	4,160
Extraordinary losses		
Loss on liquidation of subsidiaries and affiliates	-	1,310
Business structure improvement expenses	1,143	411
Provision for compensation expenses	-	270
Loss on cancel of lease contracts	-	147
Impairment loss	797	-
Amortization of goodwill	476	-
Environmental improvement expenses	246	-
Total extraordinary losses	2,664	2,139
Income before income taxes, etc.	33,404	38,258
Income taxes, etc.	3,701	6,080
Net income	29,703	32,178
Net income attributable to non-controlling interests	697	3,754
Net income attributable to owners of the parent	29,005	28,423

(3)Segment Information

(Billions of yen, rounded down)

	FY 2014 1-3Q	FY 2015 1-3Q	Change(%)	FY2014 Full Year Result	FY 2015 Full Year Forecast
Net sales	401.4	450.9	12.3	529.5	600.0
Natural Gas Chemicals	148.1	135.8	(8.3)	197.6	181.3
Aromatic Chemicals	96.9	158.6	63.5	123.3	213.9
Specialty Chemicals	123.5	125.8	1.9	166.0	165.8
Information and Advanced Materials	44.5	41.0	(8.0)	58.2	55.0
Other and Adjustment	(11.8)	(10.3)	-	(15.6)	(16.1)
Operating income (loss)	11.3	27.1	138.3	14.9	28.5
Natural Gas Chemicals	1.6	3.1	93.3	2.7	2.7
Aromatic Chemicals	2.9	13.4	353.6	3.0	14.7
Specialty Chemicals	5.5	9.8	79.3	8.2	11.0
Information and Advanced Materials	3.0	2.5	(15.9)	3.8	2.7
Other and Adjustment	(1.7)	(1.9)	-	(2.8)	(2.8)
Non-operating profit	22.2	9.0	(59.3)	27.0	8.5
Ordinary income	33.6	36.2	7.6	42.0	37.0
Natural Gas Chemicals	21.5	11.5	(46.4)	27.2	11.1
Aromatic Chemicals	1.1	12.2	-	1.0	12.8
Specialty Chemicals	5.6	10.4	84.6	9.1	12.1
Information and Advanced Materials	3.3	2.4	(27.7)	4.0	2.3
Other and Adjustment	2.0	(0.3)	-	0.5	(1.4)

(4)Other Information

		FY2011	FY2012	FY2013	FY2014	FY2015 Forecast
Investments (Billions of yen)	1-3Q	33.9	24.3	18.9	14.7	22.6
	Full year	42.4	30.9	25.4	22.2	35.0
Depreciation & amortization (Billions of yen)	1-3Q	20.5	16.7	17.5	17.8	19.8
	Full year	27.7	23.0	23.5	23.7	27.0
R&D expenditures (Billions of yen)	1-3Q	13.2	11.5	12.1	12.3	13.7
	Full year	17.4	15.3	16.1	16.8	19.0
Number of Staff	Year-end	5,216	5,323	5,445	8,254	8,298
ROA (Ordinary income)		4.5%	4.6%	4.8%	5.8%	4.7%
ROE (Net income)		4.4%	(2.8%)	5.0%	12.5%	7.5%
Exchange Rate (JPY/USD, Average)	1-3Q	79	80	99	107	122
	Full year	79	83	100	110	121
Methanol (USD/MT, Asian average spot price)	1-3Q	360	377	383	410	283
	4Q	388	365	498	349	220

(5) Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2014/3Q	FY2015/3Q	Change	Change (%)
Net sales	401.4	450.9	49.5	12.3%
Operating income	11.3	27.1	15.7	138.3%
Ordinary income	33.6	36.2	2.5	7.6%
Net income attributable to owners of the parent	29.0	28.4	(0.5)	(2.0%)

The MGC Group achieved an increase in revenue compared with the same prior-year period. Negative contributions included lower sales volumes of general-purpose aromatic chemicals (due to the withdrawal from the purified terephthalic acid business) and electronic materials and polycarbonate sheets and films (due to lower demand), as well as declines in the market prices of methanol. These were more than offset by favorable developments marked by the conversion of JSP and other companies into consolidated subsidiaries.

Group operating income achieved a year-on-year increase. Despite the lower sales volumes of electronic materials and polycarbonate sheets and films, there was an improvement in profitability due to the weaker yen and lower prices of raw materials and fuels. A further positive contribution came from the conversion of JSP and other companies into consolidated subsidiaries.

Ordinary income was higher than in the prior-year period, because operating income grew despite a deterioration in non-operating results. The negative contribution can be attributed to worsening exchange effects as well as lower equity in earnings of affiliates due to lower methanol market prices.

The Group posted a year-on-year decline in net income attributable to parent company shareholders. Despite an improvement in extraordinary gains and losses which was primarily due to the recognition of a gain on sales of investment securities, there were negative factors such as an increase in net income attributable to non-controlling interests.

Results by Business Segment

Natural Gas Chemicals

(Billions of yen)

	FY2014/3Q	FY2015/3Q	Change	Change (%)
Net sales	138.5	127.9	(10.5)	(7.6%)
Operating income	1.6	3.1	1.5	93.3%
Ordinary income	21.5	11.5	(9.9)	(46.4%)

The methanol business suffered a decline in revenue due to lower market prices. Its earnings improved from the same period of the previous year, when there were beginning inventories carrying high unit

prices.

Methanol and ammonia-based chemicals were improved in earnings. Reasons include improved profitability primarily of MMA-based products thanks to the weaker yen and lower raw material prices.

Crude oil and other energy sources declined in both revenue and earnings primarily due to lower crude oil prices.

Coming primarily from overseas methanol producing companies, equity in earnings of affiliates declined sharply from the prior-year level due mainly to lower methanol market prices and the turnaround of the Brunei site.

Aromatic Chemicals

(Billions of yen)

	FY2014/3Q	FY2015/3Q	Change	Change (%)
Net sales	95.2	156.6	61.4	64.5%
Operating income	2.9	13.4	10.5	353.6%
Ordinary income	1.1	12.2	11.1	-

Specialty aromatic chemical products posted higher revenue and earnings compared with the prior-year period. Positive contributions came from higher sales volumes for meta-xylenediamine and Nylon-MXD6, as well as the weaker yen and lower prices of raw materials and fuels.

General-purpose aromatic chemical products suffered a year-on-year decline in revenue after quitting purified terephthalic acid operations. However, earnings from this segment grew, primarily due to an improvement in the profitability in exports of meta-xylene and purified isophthalic acid.

Specialty Chemicals

(Billions of yen)

	FY2014/3Q	FY2015/3Q	Change	Change (%)
Net sales	122.5	124.7	2.2	1.9%
Operating income	5.5	9.8	4.3	79.3%
Ordinary income	5.6	10.4	4.7	84.6%

Inorganic chemicals achieved growth in both revenue and earnings. Despite lower sales volumes of hybrid chemicals, there were positive effects such as an increase in the sales volume of super-pure hydrogen peroxide at overseas sites, the weaker yen, and corrected sales prices for hydrogen peroxide. The engineering plastics business saw an improvement in earnings. Major positive factors include an improvement in the profitability of the polycarbonate and polyacetal business due to lower raw material prices as well as an increase in the sales volume of special polycarbonates that are used primarily for camera lenses in mobile devices.

Polycarbonate sheets and films suffered a decline in both revenue and earnings. This was because of a lower sales volume of films for use in flat panel displays.

Information & Advanced Materials

(Billions of yen)

	FY2014/3Q	FY2015/3Q	Change	Change (%)
Net sales	44.5	41.0	(3.5)	(8.0%)
Operating income	3.0	2.5	(0.4)	(15.9%)
Ordinary income	3.3	2.4	(0.9)	(27.7%)

Electronic materials posted a drop in both revenue and earnings since the sales volume of BT materials for semiconductor packaging, which represent this segment's core product category, fell due to inventory adjustments necessitated by slower growth in semiconductor demand.

Oxygen absorbers such as AGELESS[®] achieved an increase in both revenue and earnings. This was due not only to higher sales volumes of products for domestic food applications, but also to higher exports.

Consolidated Financial Position

At the end of the third quarter of fiscal 2015, the MGC Group had ¥774.6 billion in total assets, a drop of ¥16.1 billion from the end of fiscal 2014.

Current assets fell by ¥22.0 billion to ¥350.1 billion, primarily due to a decline in short-term investments securities as well as merchandise and finished goods.

Noncurrent assets increased by ¥5.8 billion to ¥424.5 billion. Property, plant and equipment fell by ¥2.9 billion to ¥232.9 billion primarily due to depreciation and amortization. Investments and other assets were ¥182.5 billion, an increase of ¥9.0 billion, with positive contributions coming from the posting of equity in earnings of affiliates.

Liabilities declined by ¥23.9 billion to ¥344.0 billion from the end of fiscal 2014.

Current liabilities increased by ¥7.2 billion to ¥232.3 billion, primarily due to an increase in current portion of bonds.

Noncurrent liabilities declined by ¥31.1 billion to ¥111.6 billion, primarily due to a reduction achieved by converting bonds payable and long-term loans payable into current liabilities.

Net assets were ¥430.6 billion, an increase of ¥7.8 billion from the end of fiscal 2014, primarily due to an increase in retained earnings resulting from the posting of net income attributable to parent company shareholders. As of December 31, 2015, the shareholders' equity ratio was 49.7%.

Consolidated Business Forecasts

(Billions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share (¥)
Previously announced forecasts (A)	600.0	26.5	36.0	26.0	58.32
Revised forecasts (B)	600.0	28.5	37.0	29.0	65.25
Change (B – A)	-	2.0	1.0	3.0	-
Change (%)	-	7.5	2.8	11.5	-

For the full fiscal year 2015, MGC Group is expected to achieve higher operating and ordinary income than its previous forecasts. While the performance of natural gas-based chemicals is likely to be affected by lower methanol market prices, the Group will benefit from an increase in the sales volumes of electronic chemicals and an improvement in the profitability of engineering plastics. Net income attributable to parent company shareholders will also be higher than the previous forecast due to revised extraordinary incomes and losses.

(End)