

## Summary of Consolidated Financial Results for First Quarter of FY2016

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

### 1. Summary of Income Statement (April 1 - June 30, 2016)

Millions of yen, rounded down

	Apr. 1 -June. 30, 2015	Apr. 1 -June. 30, 2016	Change (%)
Net Sales	148,991	134,988	(9.4)
Operating income	7,585	9,937	31.0
Ordinary income	11,461	12,204	6.5
Net income attributable to owners of the parent	11,478	8,440	(26.5)
Comprehensive income	11,916	(2,813)	—
Net income per share (Yen)	25.51	19.33	

### 2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2016	As of June. 30, 2016
Total Assets	739,582	687,942
Net Assets	423,135	417,043
Equity Ratio(%)	51.0	54.2

### 3. Dividends

	FY2015	FY2016(Forecast)
Interim dividend per share (Yen)	8.00	8.00
Year-end dividend per share (Yen)	8.00	16.00
Annual Dividend per share (Yen)	16.00	-

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

\*As the Company is scheduled to conduct a consolidation of shares at a ratio of one share for every two shares effective October 1, 2016, figures for the dividends per share for FY 2016 (forecast) are amounts that take into account the consolidation of shares, and total annual dividends are shown as "-." Year-end dividends per share for FY 2016 (forecast) without taking into account the consolidation of shares are 8 yen, and annual dividends per share are 16 yen.

### 4. Consolidated Business Forecasts for FY2016 (April 1, 2016 - March 31, 2017)

Millions of yen, rounded down

	Six-month period	Full Year
Net Sales	260,000	520,000
Operating income	12,000	25,000
Ordinary income	15,000	32,000
Net income attributable to owners of the parent	9,000	21,000
Net income per share (Yen)	20.73	97.02

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

\*Concerning net income per share of the Consolidated Business Forecasts (Full year) for FY 2016, the effects of the consolidation of shares are taken into account. Net income per share of the Consolidated Business Forecasts (Full year) for FY 2016 without taking into account the consolidation of shares is 48.51 yen.

### 5. Number of Shares Outstanding (Common Stock)

	Mar31,2016	June30,2016
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	41,835,711	51,835,018

	Apr. 1 -June. 30, 2015	Apr. 1 -June. 30, 2016
Average shares outstanding during period	449,990,053	436,642,335

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.

## Consolidated Financial Statements

### 1. Consolidated Balance Sheets

(Millions of yen, rounded down)

	As of Mar. 31, 2016	As of June. 30, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	84,097	69,506
Trade notes and accounts receivable	136,401	129,020
Short-term investments securities	121	150
Merchandise and finished goods	57,980	53,566
Work in progress	10,985	10,581
Raw materials and supplies	31,148	29,783
Other	21,547	19,436
Allowance for doubtful accounts	(1,043)	(990)
<b>Total current assets</b>	<b>341,237</b>	<b>311,055</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	73,092	71,637
Machinery, equipment and vehicles, net	81,221	75,509
Other, net	76,211	60,508
<b>Total property, plant and equipment</b>	<b>230,525</b>	<b>207,655</b>
<b>Intangible assets</b>		
Goodwill	4,543	4,456
Other	4,197	3,870
<b>Total intangible assets</b>	<b>8,740</b>	<b>8,327</b>
<b>Investments and other assets</b>		
Investment securities	150,431	152,834
Other	9,088	8,486
Allowance for doubtful accounts	(441)	(417)
<b>Total investments and other assets</b>	<b>159,079</b>	<b>160,904</b>
<b>Total noncurrent assets</b>	<b>398,344</b>	<b>376,887</b>
<b>Total assets</b>	<b>739,582</b>	<b>687,942</b>

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2016	As of June. 30, 2016
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	60,819	57,752
Short-term loans payable	93,911	80,301
Current portion of bonds	15,000	15,000
Income taxes payable	3,365	1,534
Provision	6,015	3,413
Asset retirement obligations	112	112
Other	35,452	30,110
<b>Total current liabilities</b>	<b>214,676</b>	<b>188,223</b>
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	46,947	40,375
Provision	2,586	2,072
Projected benefit obligations	9,078	9,264
Asset retirement obligations	3,800	3,830
Other	29,358	17,131
<b>Total noncurrent liabilities</b>	<b>101,771</b>	<b>82,675</b>
<b>Total liabilities</b>	<b>316,447</b>	<b>270,898</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	41,970	41,970
Capital surplus	35,603	35,604
Retained earnings	311,250	324,710
Treasury stock	(15,566)	(21,819)
<b>Total shareholders' equity</b>	<b>373,258</b>	<b>380,465</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	9,816	8,553
Deferred gains or losses on hedges	(3)	(0)
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(4,613)	(15,133)
Remeasurements of defined benefit plans	(1,736)	(1,574)
<b>Total accumulated other comprehensive</b>	<b>3,686</b>	<b>(7,932)</b>
<b>Non controlling interest</b>	<b>46,190</b>	<b>44,510</b>
<b>Total net assets</b>	<b>423,135</b>	<b>417,043</b>
<b>Total liabilities and net assets</b>	<b>739,582</b>	<b>687,942</b>

## 2. Consolidated Statements of Income

(Millions of yen, rounded down)

	Apr. 1 -June. 30, 2015	Apr. 1 -June. 30, 2016
Net sales	148,991	134,988
Cost of sales	119,293	103,427
Gross profit	29,698	31,560
Selling, general and administrative expenses	22,112	21,623
Operating income	7,585	9,937
<b>Non-operating income</b>		
Interest income	127	103
Dividend income	1,285	992
Equity in earnings of affiliates	3,132	3,962
Other	911	564
Total non-operating income	5,457	5,622
<b>Non-operating expenses</b>		
Interest expense	651	385
Foreign exchange losses	-	1,733
Personnel expenses for seconded employees	438	486
Other	491	751
Total non-operating expenses	1,580	3,356
Ordinary income	11,461	12,204
<b>Extraordinary income</b>		
Compensation received	-	201
Gain on sales of investment securities	3,444	-
Subsidy income	119	-
Total extraordinary income	3,564	201
<b>Extraordinary losses</b>		
Loss on sales of investment securities	-	127
Loss on liquidation of subsidiaries and affiliates	-	113
Loss on cancel of lease contracts	147	-
Total extraordinary losses	147	241
Income before income taxes, etc.	14,877	12,164
Income taxes, etc.	2,402	2,325
Net income	12,475	9,838
Net income attributable to non-controlling interests	997	1,398
Net income attributable to owners of the parent	11,478	8,440

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	Apr. 1 -June. 30, 2015	Apr. 1 -June. 30, 2016
Net income	12,475	9,838
<b>Other comprehensive Income</b>		
Valuation difference on available-for-sale securities	(552)	(1,275)
Deferred gains or losses on hedges	2	2
Foreign currency statements translation adjustment	(866)	(6,037)
Remeasurements of defined benefit plans	(154)	78
Share of other comprehensive income of associates accounted for using equity	1,012	(5,419)
Total other comprehensive Income	(559)	(12,651)
Comprehensive income	11,916	(2,813)
Comprehensive income attributable to owners of the parent	11,543	(2,332)
Comprehensive income attributable to non-controlling interests	372	(480)

### (3)Segment Information

(Billions of yen, rounded down)

	FY 2015 1Q	FY 2016 1Q	Change	FY2015 Full Year Result	FY 2015 1-2Q Forecast	FY 2016 Full Year Forecast
Net sales	148.9	134.9	(14.0)	593.5	260.0	520.0
Natural Gas Chemicals	44.9	36.2	(8.7)	175.6	68.0	136.9
Aromatic Chemicals	52.8	47.2	(5.5)	205.8	95.1	191.8
Specialty Chemicals	41.2	41.2	0.0	170.2	78.0	153.5
Information and Advanced Materials	13.0	13.2	0.2	55.2	24.5	49.1
Other and Adjustment	(3.1)	(3.0)	0.0	(13.5)	(5.8)	(11.5)
Operating income (loss)	7.5	9.9	2.3	34.0	12.0	25.0
Natural Gas Chemicals	1.6	0.6	(1.0)	4.1	(0.4)	0.8
Aromatic Chemicals	3.5	4.1	0.5	15.2	7.1	14.3
Specialty Chemicals	2.0	4.5	2.5	13.0	5.4	9.5
Information and Advanced Materials	0.8	1.0	0.2	4.0	1.7	3.8
Other and Adjustment	(0.5)	(0.4)	0.0	(2.4)	(1.9)	(3.5)
Non-operating profit	3.8	2.2	(1.6)	11.4	3.0	7.0
Ordinary income	11.4	12.2	0.7	45.4	15.0	32.0
Natural Gas Chemicals	3.9	2.4	(1.5)	13.9	1.6	5.6
Aromatic Chemicals	3.1	3.8	0.6	13.7	6.4	12.9
Specialty Chemicals	2.8	5.3	2.4	15.5	6.5	11.7
Information and Advanced Materials	0.9	1.2	0.3	3.8	2.2	4.5
Other and Adjustment	0.4	(0.7)	(1.1)	(1.6)	(1.8)	(2.8)

### (4)Other Information

		FY2012	FY2013	FY2014	FY2015	FY2016 Forecast
Investments (Billions of yen)	Full year	30.9	25.4	22.2	30.5	35.0
	1Q	3.1	6.2	3.9	5.9	5.6
Depreciation & amortization (Billions of yen)	Full year	23.0	23.5	23.7	26.7	26.0
	1Q	5.1	5.8	5.6	6.5	6.1
R&D expenditures (Billions of yen)	Full year	15.3	16.1	16.8	18.9	21.0
	1Q	3.5	3.9	3.9	4.5	4.8
Number of Staff	Year-end	5,323	5,445	8,254	8,176	7,972
ROA (Ordinary income)		4.6%	4.8%	5.8%	5.9%	4.3%
ROE (Net income)		(2.8%)	5.0%	12.6%	9.0%	5.3%
Exchange Rate (JPY/USD, Average)	1Q	80	99	102	121	108
	Full year	83	100	110	120	106
Methanol (USD/MT, Asian average spot price)	First half	385	375	432	301	233
	Second half	364	449	358	230	250

## Qualitative Information

### Consolidated Business Results for This Period

#### Overview of Results

(Billions of yen)

	FY2015/1Q	FY2016/1Q	Change
Net sales	148.9	134.9	(14.0)
Operating income	7.5	9.9	2.3
Ordinary income	11.4	12.2	0.7
Net income attributable to owners of the parent	11.4	8.4	(3.0)

During the first quarter of the fiscal year ending March 2017 (April 1-June 30, 2016), the world economy suffered from continued uncertainty marked by the impact of Brexit on the European economy and concern over the slowdown of China and other emerging economies. Despite the further appreciation of the yen, the Japanese economy continued to experience slow recovery owing to an ongoing improvement in employment.

The MGC Group suffered a drop in revenue compared with the previous fiscal year. Negative contributions included the stronger yen, lower methanol market prices, as well as a lower sales volume for general-purpose aromatic chemicals.

Group operating income was higher than the prior-year figure. The negative impact of the stronger yen was more than offset by the improved profitability primarily of engineering plastics due to lower prices of fuels and raw materials.

Group ordinary income posted year-on-year growth. Despite exchange losses, there were positive factors including not only the increase in operating income, but also higher equity in earnings of affiliates recognized by engineering plastics affiliates.

The Group posted a decline in net income attributable to parent company shareholders. The increase in ordinary income was more than canceled by negative impacts such as a lower gain on sales of investment securities.

## **Results by Business Segment**

### **Natural Gas Chemicals**

(Billions of yen)

	FY2015/1Q	FY2016/1Q	Change
Sales	44.9	36.2	(8.7)
Operating income	1.6	0.6	(1.0)
Ordinary income	3.9	2.4	(1.5)

The methanol business recorded declines in both revenue and earnings. Despite a higher sales volume, the business suffered from lower market prices.

Methanol and ammonia-based chemicals posted a lower revenue primarily due to declines in product market prices and the strong yen. Earnings were slightly higher than in the prior-year period, primarily due to higher sales volumes for MMA-based products.

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

### **Aromatic Chemicals**

(Billions of yen)

	FY2015/1Q	FY2016/1Q	Change
Sales	52.8	47.2	(5.5)
Operating income	3.5	4.1	0.5
Ordinary income	3.1	3.8	0.6

Specialty aromatic chemicals posted a decline in revenue due to the stronger yen, while reductions in fuel and raw material prices led to prior-year-level earnings.

General-purpose aromatic chemical products suffered a decline in revenue with the discontinued sale of purified terephthalic acid. Further negative factors included lower product market prices and the stronger yen. Earnings from these products grew, however, primarily due to the improvement in profitability made possible by lower prices of fuels and raw materials.

Despite being affected by the stronger yen, foamed plastics achieved an increase in revenue. Positive reasons included lower prices of raw materials and the successful sales of high-value products.



## Specialty Chemicals

(Billions of yen)

	FY2015/1Q	FY2016/1Q	Change
Sales	41.2	41.2	0.0
Operating income	2.0	4.5	2.5
Ordinary income	2.8	5.3	2.4

Inorganic chemicals suffered reductions in both revenue and earnings. In addition to the stronger yen, a lower sales volume of chemical solutions for semiconductors explains these results.

The engineering plastics business posted higher earnings. Major positive factors include improved profitability resulting from reductions in fuel and raw material prices for both polycarbonate and polyacetal production. A further benefit came from sales volumes for polycarbonate sheets and films, which maintained prior-year levels despite facing a challenging business environment.

## Information & Advanced Materials

(Billions of yen)

	FY2015/1Q	FY2016/1Q	Change
Sales	13.0	13.2	0.2
Operating income	0.8	1.0	0.2
Ordinary income	0.9	1.2	0.3

Electronic chemicals achieved increases in both revenue and earnings, due to growth in the sales volume of BT materials for semiconductor packaging, which represent this segment's core product category.

Oxygen absorbers such as AGELESS® posted a slightly lower earnings level compared with the same period of the previous year. The appreciation of the yen more than canceled the positive impact of stable developments in the sale of products for domestic food applications.

## Consolidated Business Forecasts

Revision of consolidated business forecasts

Half year ending September 30, 2016 (April 1, 2016 – September 30, 2016)

(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)	260.0	9.0	14.0	8.0	18.11
Revised forecasts (B)	260.0	12.0	15.0	9.0	20.73
Change (B – A)	-	3.0	1.0	1.0	-

Full fiscal year 2016 (April 1, 2016 – March 31, 2017)

(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)	530.0	23.0	32.0	21.0	95.10
Revised forecasts (B)	520.0	25.0	32.0	21.0	97.02
Change (B – A)	(10.0)	2.0	-	-	-

For the first half of the current fiscal year, the MGC Group forecasts a higher figure for operating income compared with its previous projection. This is because, despite the expected negative impact of the stronger yen, it anticipates improvements in the profitability of specialty chemicals and electronic materials. By contrast, exchange losses due to the strong yen will likely slow down growth in ordinary income and net income attributable to parent company shareholders.

The same reasons will apply to MGC Group forecasts for the full year. The Group now expects a higher operating income than the previous projection, while confirming its previous projections for ordinary income and net income attributable to parent company shareholders.

These performance forecasts assume exchange rates of ¥105=\$1 and ¥115=€1 for the unelapsed period of the fiscal year.

\*Concerning net income per share of the Consolidated Business Forecasts (Full year) for FY 2016, the effects of the consolidation of shares are taken into account. Net income per share of the Consolidated Business Forecasts (Full year) for FY 2016 without taking into account the consolidation of shares is 48.51 yen.

(End)