

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

Nov. 2, 2016  
Mitsubishi Gas Chemical, Inc (TSE 4182)

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

Millions of yen, rounded down

	Apr. 1 -Sep. 30, 2015	Apr. 1 -Sep. 30, 2016	Change (%)
Net Sales	300,294	267,935	(10.8)
Operating income	15,333	19,269	25.7
Ordinary income	21,131	24,612	16.5
Net income attributable to owners of the parent	18,524	18,524	(0.0)
Comprehensive income	10,112	4,362	(56.9)
Net income per share (Yen)	83.10	85.34	

\*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.

### 2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2016	As of Sep. 30, 2016
Total Assets	739,582	681,669
Net Assets	423,135	424,254
Equity Ratio(%)	51.0	55.8

### 3. Dividends

	FY2015	FY2016
Interim dividend per share (Yen)	8.00	8.00
Year-end dividend per share (Yen)	8.00	18(Forecast)
Annual Dividend per share (Yen)	16.00	-

(Note) Revision of cash dividend forecast during this period: Yes

\*As the Company conducted 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 9 yen, and annual dividends per share are 17 yen.

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

Millions of yen, rounded down

	Full Year
Net Sales	510,000
Operating income	30,000
Ordinary income	37,000
Net income attributable to owners of the parent	26,000
Net income per share (Yen)	120.12

(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.

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

	Mar31,2016	Sep30,2016
Number of shares outstanding at term end (including treasury stock)	241,739,199	241,739,199
Number of shares of treasury stock at term-end	20,917,855	25,919,489

	Apr. 1 -Sep. 30, 2015	Apr. 1 -Sep. 30, 2016
Average shares outstanding during period	222,910,716	217,070,925

\*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, number of shares outstanding at term end, number of shares of treasury stock at the term-end, and average shares outstanding during period are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

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 Sep. 30, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	84,097	71,594
Trade notes and accounts receivable	136,401	127,600
Short-term investments securities	121	264
Merchandise and finished goods	57,980	50,581
Work in progress	10,985	10,670
Raw materials and supplies	31,148	28,961
Other	21,547	15,429
Allowance for doubtful accounts	(1,043)	(1,034)
<b>Total current assets</b>	<b>341,237</b>	<b>304,067</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	73,092	70,676
Machinery, equipment and vehicles, net	81,221	72,687
Other, net	76,211	63,951
<b>Total property, plant and equipment</b>	<b>230,525</b>	<b>207,315</b>
<b>Intangible assets</b>		
Goodwill	4,543	4,376
Other	4,197	3,819
<b>Total intangible assets</b>	<b>8,740</b>	<b>8,195</b>
<b>Investments and other assets</b>		
Investment securities	150,431	154,309
Other	9,088	8,168
Allowance for doubtful accounts	(441)	(387)
<b>Total investments and other assets</b>	<b>159,079</b>	<b>162,090</b>
<b>Total noncurrent assets</b>	<b>398,344</b>	<b>377,602</b>
<b>Total assets</b>	<b>739,582</b>	<b>681,669</b>

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2016	As of Sep. 30, 2016
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	60,819	58,350
Short-term loans payable	93,911	70,301
Current portion of bonds	15,000	15,000
Income taxes payable	3,365	2,099
Provision	6,015	5,493
Asset retirement obligations	112	133
Other	35,452	27,291
<b>Total current liabilities</b>	<b>214,676</b>	<b>178,670</b>
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	46,947	37,106
Provision	2,586	1,967
Projected benefit obligations	9,078	8,315
Asset retirement obligations	3,800	3,825
Other	29,358	17,530
<b>Total noncurrent liabilities</b>	<b>101,771</b>	<b>78,745</b>
<b>Total liabilities</b>	<b>316,447</b>	<b>257,415</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	41,970	41,970
Capital surplus	35,603	35,603
Retained earnings	311,250	334,794
Treasury stock	(15,566)	(21,821)
<b>Total shareholders' equity</b>	<b>373,258</b>	<b>390,546</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	9,816	10,765
Deferred gains or losses on hedges	(3)	3
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(4,613)	(19,557)
Remeasurements of defined benefit plans	(1,736)	(1,412)
<b>Total accumulated other comprehensive</b>	<b>3,686</b>	<b>(9,978)</b>
<b>Non controlling interest</b>	<b>46,190</b>	<b>43,686</b>
<b>Total net assets</b>	<b>423,135</b>	<b>424,254</b>
<b>Total liabilities and net assets</b>	<b>739,582</b>	<b>681,669</b>

## 2. Consolidated Statements of Income

(Millions of yen, rounded down)

	Apr. 1 -Sep. 30, 2015	Apr. 1 -Sep. 30, 2016
Net sales	300,294	267,935
Cost of sales	240,451	205,896
Gross profit	59,842	62,039
Selling, general and administrative expenses	44,508	42,769
Operating income	15,333	19,269
<b>Non-operating income</b>		
Interest income	243	201
Dividend income	1,615	1,228
Equity in earnings of affiliates	8,113	7,514
Other	1,267	1,211
Total non-operating income	11,240	10,156
<b>Non-operating expenses</b>		
Interest expense	1,224	734
Foreign exchange losses	2,465	1,801
Personnel expenses for seconded employees	661	826
Other	1,091	1,451
Total non-operating expenses	5,442	4,813
Ordinary income	21,131	24,612
<b>Extraordinary income</b>		
Compensation received	-	201
Gain on sales of investment securities	3,444	-
Subsidy income	301	-
Insurance income	136	-
Total extraordinary income	3,882	201
<b>Extraordinary losses</b>		
Loss on liquidation of subsidiaries and affiliates	1,028	135
Loss on sales of investment securities	-	127
Business structure improvement expenses	388	-
Loss on cancel of lease contracts	147	-
Total extraordinary losses	1,564	263
Income before income taxes, etc.	23,448	24,550
Income taxes, etc.	2,852	3,180
Net income	20,596	21,369
Net income attributable to non-controlling interests	2,072	2,844
Net income attributable to owners of the parent	18,524	18,524

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	Apr. 1 -Sep. 30, 2015	Apr. 1 -Sep. 30, 2016
Net income	20,569	21,369
<b>Other comprehensive Income</b>		
Valuation difference on available-for-sale securities	(6,407)	931
Deferred gains or losses on hedges	29	7
Foreign currency statements translation adjustment	(2,439)	(10,983)
Remeasurements of defined benefit plans	(270)	148
Share of other comprehensive income of associates accounted for using equity	(1,396)	(7,112)
Total other comprehensive Income	(10,484)	(17,007)
Comprehensive income	10,112	4,362
Comprehensive income attributable to owners of the parent	8,786	5,600
Comprehensive income attributable to non-controlling interests	1,326	(1,238)

### (3)Segment Information

(Billions of yen, rounded down)

	FY 2015 1H	FY 2016 1H	Change	FY2015 Full Year Result	FY 2016 Full Year Forecast
Net sales	300.2	267.9	(32.3)	593.5	510.0
Natural Gas Chemicals	92.8	70.1	(22.7)	175.6	132.7
Aromatic Chemicals	105.0	95.5	(9.5)	205.8	185.3
Specialty Chemicals	82.7	83.5	0.8	170.2	155.0
Information and Advanced Materials	26.4	24.8	(1.5)	55.2	48.4
Other and Adjustment	(6.8)	(6.1)	0.6	(13.5)	(11.5)
Operating income (loss)	15.3	19.2	3.9	34.0	30.0
Natural Gas Chemicals	2.1	0.3	(1.7)	4.1	0.6
Aromatic Chemicals	7.7	9.0	1.2	15.2	14.8
Specialty Chemicals	5.6	9.6	3.9	13.0	14.1
Information and Advanced Materials	1.1	2.0	0.9	4.0	3.9
Other and Adjustment	(1.4)	(1.9)	(0.5)	(2.4)	(3.5)
Non-operating profit	5.7	5.3	(0.4)	11.4	7.0
Ordinary income	21.1	24.6	3.4	45.4	37.0
Natural Gas Chemicals	7.7	3.9	(3.8)	13.9	4.1
Aromatic Chemicals	7.1	8.5	1.4	13.7	13.5
Specialty Chemicals	5.8	11.4	5.6	15.5	17.5
Information and Advanced Materials	0.8	2.7	1.8	3.8	4.7
Other and Adjustment	(0.4)	(1.9)	(1.5)	(1.6)	(2.9)

### (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
	1H	17.7	13.8	10.3	14.9	13.7
Depreciation & amortization (Billions of yen)	Full year	23.0	23.5	23.7	26.7	26.0
	1H	10.7	11.4	11.5	13.1	12.2
R&D expenditures (Billions of yen)	Full year	15.3	16.1	16.8	18.9	20.0
	1H	7.2	8.0	8.0	9.2	9.6
Number of Staff	Year-end	5,323	5,445	8,254	8,176	7,985
ROA (Ordinary income)		4.6%	4.8%	5.8%	5.9%	5.2%
ROE (Net income)		(2.8%)	5.0%	12.6%	9.0%	6.8%
Exchange Rate (JPY/USD, Average)	1H	79	99	103	122	105
	Full year	83	100	110	120	103
Methanol (USD/MT, Asian average spot price)	First half	385	375	432	301	230
	Second half	364	449	358	230	240

## Qualitative Information

### Consolidated Business Results for This Period

#### Overview of Results

(Billions of yen)

	Apr.1-Sep.30, 2015	Apr.1-Sep.30, 2016	Change
Net sales	300.2	267.9	(32.3)
Operating income	15.3	19.2	3.9
Ordinary income	21.1	24.6	3.4
Net income attributable to owners of the parent	18.5	18.5	(0.0)

During the first six months of the fiscal year ending March 2017 (April 1-September 30, 2016), the world economy suffered from continued uncertainty about the future. While the U.S. market showed a recovery trend, the slowdown of China and other emerging economies caused concerns. Despite the further appreciation of the yen, the Japanese economy continued to experience slow upswing owing to an ongoing improvement in employment.

The MGC Group suffered a drop in net sales compared with the corresponding period of the previous fiscal year. Negative contributions included the stronger yen and lower methanol market prices.

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, which was due to lower prices of fuels and raw materials among other reasons.

Group ordinary income posted year-on-year growth. Despite lower equity in earnings of overseas methanol producing affiliates, 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 prior-year level of net income attributable to parent company shareholders. Despite a decline in gain on sales of investment securities, there was a positive impact of the growth in ordinary income.

## **Results by Business Segment**

### **Natural Gas Chemicals**

(Billions of yen)

	Apr.1-Sep.30, 2015	Apr.1-Sep.30, 2016	Change
Sales	92.8	70.1	(22.7)
Operating income	2.1	0.3	(1.7)
Ordinary income	7.7	3.9	(3.8)

The methanol business recorded declines in both revenue and earnings. The business suffered from lower market prices.

Methanol and ammonia-based chemicals suffered declines in revenue and earnings. Despite declines in raw material prices, the figures were negatively affected by lower market prices of these products and the stronger yen.

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

### **Aromatic Chemicals**

(Billions of yen)

	Apr.1-Sep.30, 2015	Apr.1-Sep.30, 2016	Change
Sales	105.0	95.5	(9.5)
Operating income	7.7	9.0	1.2
Ordinary income	7.1	8.5	1.4

Specialty aromatic chemicals posted a decline in both revenue and earnings due to the stronger yen.

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)

	Apr.1-Sep.30, 2015	Apr.1-Sep.30, 2016	Change
Sales	82.7	83.5	0.8
Operating income	5.6	9.6	3.9
Ordinary income	5.8	11.4	5.6

Inorganic chemicals suffered reductions in both revenue and earnings. In addition to the stronger yen, a lower sales volume of chemical solutions for semiconductors and LCD applications 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 polycarbonate, polyacetal and poly carbonate sheets and films.

## Information & Advanced Materials

(Billions of yen)

	Apr.1-Sep.30, 2015	Apr.1-Sep.30, 2016	Change
Sales	26.4	24.8	(1.5)
Operating income	1.1	2.0	0.9
Ordinary income	0.8	2.7	1.8

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 slightly lower earnings levels compared with the same period of the previous year. The appreciation of the yen more than canceled the positive impact of prior-year level 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	12.0	15.0	9.0	41.46
Results (B)	267.9	19.2	24.6	18.5	85.34
Change (B – A)	7.9	7.2	9.6	9.5	-

Consolidated results were better than the previous forecasts. Reasons included increases in the operating income of specialty and aromatic chemicals as well as increases in earnings of affiliates reported by affiliates producing methanol and engineering plastics.

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)	520.0	25.0	32.0	21.0	97.02
Revised forecasts (B)	510.0	30.0	37.0	26.0	120.12
Change (B – A)	(10.0)	5.0	5.0	5.0	-

Forecasts of full-year consolidated performance for the fiscal year ending March 2017 will likely surpass the previous forecasts. This is because the better-than-forecast figures posted for the first six months will more than offset the negative impact of results for the second half. The latter figures are expected to fall short of the previous forecasts because of a decline in overall profitability due to the strong yen and other reasons as well as lower equity in earnings of methanol producing affiliates.

These performance forecasts assume exchange rates of ¥100=\$1 and ¥110=€1 for the unelapsed period of the fiscal year.

(Revision of Forecast Dividends)

MGC corrects its previous forecast for the dividends to be provided towards the end of the fiscal year under review. This is partly because MGC posted strong figures for both consolidated and non-consolidated performance in the first six months of the fiscal year ending March 2017. A further reason is that full-year consolidated results are now expected to surpass the corresponding previous forecasts.

(Yen)

	Cash Dividends per Share		
	2Q	Year End	Annual
Previously announced forecasts	8.00	※16.00	※—
Revised forecasts		※18.00	※—
2Q Results	8.00		
Fiscal 2015 Results	8.00	8.00	16.00

※As the Company conducted 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 “—.”

(End)