

## Summary of Financial Results FY2016

May 10, 2017  
Mitsubishi Gas Chemical, Inc (TSE 4182)

(Millions of yen, rounded down)

### 1. Consolidated Financial Results for the Fiscal Year 2016 (from April 1, 2016 to March 31, 2017)

#### (1) Summary of Income Statement (April 1, 2016- March 31, 2017)

	FY2015	FY2016	Change (%)
Net Sales	593,502	556,480	(6.2)
Operating income	34,018	43,762	28.6
Ordinary income	45,432	62,378	37.3
Net income attributable to owners of the parent	34,134	47,958	40.5
Comprehensive income	11,217	60,937	443.2
Net income per share (Yen) *	153.85	221.57	

\*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.

Note: Equity in earnings of affiliates: FY2015 JPY16,683 million; FY2016 JPY21,074 million

#### (2) Financial Position

	As of Mar. 31, 2016	As of Mar. 31, 2017
Total assets	739,582	741,639
Net assets	423,135	476,749
Shareholders equity	376,944	428,091
Equity Ratio(%)	51.0	57.7
Bookvalue per share (Yen) *	1707.01	1983.60

\*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, bookvalue per share are calculated based on the assumption that the share consolidation had been carried out at the beginning of the previous fiscal year.

#### (3) Cash Flows

	FY2015	FY2016
Cash flow from operating activities	84,671	82,711
Cash flow from investing activities	(31,922)	(30,342)
Cash flow from financing activities	(47,335)	(60,994)
Cash and cash equivalents at end of period	75,828	67,177

### 2. Dividends

	FY2015	FY2016	FY2017 (forecast)
Interim dividend per share (Yen)	8.00	8.00	22.00
Year-end dividend per share (Yen)	8.00	22.00	22.00
Annual Dividend per share (Yen)	16.00	-	44.00
Total dividend payment	7,066	8,201	
Dividend payout ratio (consolidated, %)	20.7	17.2	22.1
Dividend to net assets ratio (consolidated, %)	1.9	2.1	

\*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 Year-end dividends per share for FY 2016 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 without taking into account the consolidation of shares are 11 yen, and annual dividends per share are 19 yen.

### 3. Consolidated Business Forecasts for FY2017 (April 1, 2017 - March 31, 2018)

	First Half	Full Year	Y/Y Change (%)
Net Sales	280,000	580,000	4.2
Operating income	18,000	37,000	(15.5)
Ordinary income	27,000	55,000	(11.8)
Net income attributable to owners of the parent	21,000	43,000	(10.3)
Net income per share (Yen)	97.31	199.24	

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

	FY2015	FY2016
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	20,917,856	25,923,628
Average number of shares	221,866,819	216,444,168

\*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.

### Reference: Outline of Non-consolidated Financial Results

#### 1. Non-consolidated Financial Results for the Fiscal Year 2016 (from April 1, 2016 to March 31, 2017)

##### (1) Non-consolidated Operating Results

	FY2015	FY2016	Change (%)
Net Sales	311,118	299,234	(3.8)
Operating income	13,861	17,583	26.9
Ordinary income	33,908	31,409	(7.4)
Net income	30,868	27,996	(9.3)
Net income per share (Yen) *	139.13	129.35	

\*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) Non-consolidated Financial Position

	As of Mar. 31, 2016	As of Mar. 31, 2017
Total assets	413,583	426,324
Net assets	229,025	251,521
Shareholders equity	229,025	251,521
Equity Ratio(%)	55.4	59.0
Bookvalue per share (Yen) *	1037.15	1165.45

\*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, bookvalue 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. Non-consolidated Forecasts for the Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)

	First Half	Full Year	Y/Y Change (%)
Net Sales	160,000	330,000	10.3
Operating income	7,000	16,000	(9.0)
Ordinary income	20,000	35,000	11.4
Net income attributable to owners of the parent	19,000	32,000	14.3
Net income per share (Yen)	88.04	148.27	

1. These financial statements are exempt from audit procedure.

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 Mar. 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	84,097	75,017
Trade notes and accounts receivable	136,401	138,410
Short-term investments securities	121	139
Merchandise and finished goods	57,980	51,671
Work in progress	10,985	10,652
Raw materials and supplies	31,148	32,306
Deferred tax assets	4,585	5,818
Other	16,962	13,725
Allowance for doubtful accounts	(1,043)	(1,067)
<b>Total current assets</b>	<b>341,237</b>	<b>326,674</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	73,902	79,594
Machinery, equipment and vehicles, net	81,221	81,147
Land	38,188	38,114
Lease assets, net	15,242	546
Construction in progress	16,672	12,233
Other, net	6,107	6,421
<b>Total property, plant and equipment</b>	<b>230,525</b>	<b>218,057</b>
<b>Intangible assets</b>		
Goodwill	4,543	4,258
Lease assets	5	22
Software	1,651	1,722
Other	2,540	2,367
<b>Total intangible assets</b>	<b>8,740</b>	<b>8,370</b>
<b>Investments and other assets</b>		
Investment securities	150,431	178,913
Long-term loans receivable	1,538	2,658
Deferred tax assets	2,418	2,161
Assets for retirement benefits	-	12
Other	5,131	5,475
Allowance for doubtful accounts	(441)	(683)
<b>Total investments and other assets</b>	<b>159,079</b>	<b>188,537</b>
<b>Total noncurrent assets</b>	<b>398,344</b>	<b>414,965</b>
<b>Total assets</b>	<b>739,582</b>	<b>741,639</b>

**Consolidated Balance Sheets (continued)**

(Millions of yen, rounded down)

	As of Mar. 31, 2016	As of Mar. 31, 2017
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	60,819	68,506
Short-term loans payable	93,911	74,669
Current portion of bonds	15,000	-
Accrued expenses	14,772	15,171
Lease obligations	1,538	100
Income taxes payable	3,365	3,394
Deferred tax liabilities	212	256
Provision for bonuses	5,345	5,351
Provision for environmental improvements	-	1
Provision for business structure improvements	332	132
Provision for loss on liquidation of subsidiaries and affiliates	336	624
Asset retirement obligations	112	98
Other	18,929	20,119
<b>Total current liabilities</b>	<b>214,676</b>	<b>188,426</b>
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	46,947	33,495
Lease obligations	14,029	447
Deferred tax liabilities	12,426	17,382
Provision for directors' retirement benefits	554	387
Provision for environmental improvements	315	271
Provision for business structure improvements	1,241	1,053
Provision for loss on liquidation of subsidiaries and affiliates	181	-
Other provision	293	200
Projected benefit obligations	9,078	5,936
Asset retirement obligations	3,800	3,832
Other	2,902	3,455
<b>Total noncurrent liabilities</b>	<b>101,771</b>	<b>76,464</b>
<b>Total liabilities</b>	<b>316,447</b>	<b>264,890</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	41,970	41,970
Capital surplus	35,603	35,602
Retained earnings	311,250	360,833
Treasury stock	(15,566)	(21,829)
<b>Total shareholders' equity</b>	<b>373,258</b>	<b>416,576</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	9,816	18,101
Deferred gains or losses on hedges	(3)	(0)
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(4,613)	(6,271)
Remeasurements of defined benefit plans	(1,736)	(538)
<b>Total accumulated other comprehensive</b>	<b>3,686</b>	<b>11,514</b>
<b>Non controlling interest</b>	<b>46,190</b>	<b>48,658</b>
<b>Total net assets</b>	<b>423,135</b>	<b>476,749</b>
<b>Total liabilities and net assets</b>	<b>739,582</b>	<b>741,639</b>

## 2. Consolidated Statements of Income

(Millions of yen, rounded down)

	FY2015	FY2016
Net sales	593,502	556,480
Cost of sales	470,455	425,231
Gross profit	123,046	131,249
Selling, general and administrative expenses	89,028	87,486
Operating income	34,018	43,762
<b>Non-operating income</b>		
Interest income	512	423
Dividend income	2,223	1,789
Equity in earnings of affiliates	16,683	21,074
Other	2,479	2,569
Total non-operating income	21,898	25,857
<b>Non-operating expenses</b>		
Interest expense	2,494	1,346
Foreign exchange losses	3,860	1,219
Personnel expenses for seconded employees	1,240	1,646
Loss on disposal of noncurrent assets	904	1,102
Other	1,984	1,925
Total non-operating expenses	10,484	7,240
Ordinary income	45,432	62,378
<b>Extraordinary income</b>		
Subsidy income	301	1,015
Gain on sales of investment securities	3,444	761
Gain on sales of noncurrent assets	155	579
Compensation income	-	201
Insurance income	136	-
Reversal of provision for business structure improvement	122	-
Total extraordinary income	4,160	2,557
<b>Extraordinary losses</b>		
Impairment losses	1,529	1,124
Loss on reduction of noncurrent assets	-	987
Loss on business withdrawal	-	870
Loss on liquidation of subsidiaries and affiliates	1,101	667
Loss on sales of investment securities	-	127
Loss on disposal of noncurrent assets	170	111
Business structure improvement expenses	541	-
Provision for compensation expenses	270	-
Loss on cancel of lease contracts	147	-
Total extraordinary losses	3,759	3,888
Income before income taxes, etc.	45,833	61,048
Income taxes, etc.	7,084	7,675
Net income	38,748	53,372
Net income attributable to non-controlling interests	4,614	5,414
Net income attributable to owners of the parent	34,134	47,958

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen, rounded down)

	FY2015	FY2016
Net income	38,748	53,372
<b>Other comprehensive Income</b>		
Valuation difference on available-for-sale securities	(10,746)	8,264
Deferred gains or losses on hedges	(3)	3
Foreign currency statements translation adjustment	(6,928)	(2,192)
Remeasurements of defined benefit plans	(3,795)	2,113
Share of other comprehensive income of associates accounted for using equity method	(6,057)	(625)
Total other comprehensive Income	(27,530)	7,564
Comprehensive income	11,217	60,937
Comprehensive income attributable to owners of the parent	9,151	56,526
Comprehensive income attributable to non-controlling interests	2,066	4,410

### 3. Consolidated Statement of Cash Flows

(Millions of yen, rounded down)

	FY2015	FY2016
<b>Net cash provided by (used in) operating activities:</b>		
Income before income taxes, etc.	45,833	61,048
Depreciation and amortization	26,705	25,631
Loss on sale/disposal of property, plant and equipment	903	538
Amortization of goodwill	280	275
Equity in earnings of affiliates	(16,683)	(21,074)
Impairment loss	1,529	1,124
Loss on reduction of noncurrent assets	-	987
Loss on business withdrawal	-	870
Loss on liquidation of subsidiaries and affiliates	1,101	667
Loss on cancellation of lease	147	-
Business structure improvement expenses	541	-
Reversal of provision for business structure improvement	(122)	-
Insurance income	(136)	(59)
Subsidy income	(301)	(1,015)
Compensation income	-	(201)
Decrease (increase) in allowance for doubtful accounts	(111)	246
Increase in net defined benefit liability	(33)	(1,158)
Interest and dividend income	(2,735)	(2,213)
Interest expenses	2,494	1,346
Gain on sale of short-term investments and investments in securities	(3,444)	(690)
Gain on valuation of short-term investments and investments in securities	19	240
Decrease in trade notes and accounts receivable	12,900	(3,930)
Decrease in inventories	7,790	3,948
Decrease in trade notes and accounts payable	(15,215)	8,416
Increase (decrease) in accrued consumption taxes	(542)	(863)
Increase (decrease) in provision for directors' retirement benefits	79	(141)
Other, net	3,555	(435)
Sub total	64,557	73,555
Interest and dividend received	2,689	2,409
Dividend received from affiliates accounted for by the equity method	18,692	12,288
Interest paid	(2,506)	(1,391)
Income taxes paid	(874)	(5,226)
Subsidy received	1,909	1,015
Insurance received	203	59
Net cash provided by (used in) operating activities	84,671	82,711

**Consolidated Statement of Cash Flows (continued)**

(Millions of yen, rounded down)

	FY2015	FY2016
<b>Net cash provided by (used in) investing activities</b>		
Purchase of noncurrent assets	(29,072)	(32,291)
Proceeds from sales of noncurrent assets	457	875
Purchase of investment securities	(7,338)	(2,308)
Proceeds from sales of investment securities	4,257	2,482
Payments of loans receivable	(6,668)	(2,703)
Collection of loans receivable	7,085	2,880
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(313)
Other, net	(643)	1,037
Net cash provided by (used in) investing activities	(31,922)	(30,342)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loan payable	(12,639)	(4,840)
Proceeds from long-term loans payable	7,136	1,741
Payment of long-term loans payable	(25,092)	(27,828)
Repayment of corporate bonds	-	(15,000)
Purchase of treasury stock	(7,437)	(6,266)
Cash dividends paid	(6,694)	(6,986)
Cash dividends paid to non-controlling interests	(1,238)	(1,654)
Other, net	(1,368)	(158)
Net cash provided by (used in) financing activities	(47,335)	(60,994)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(2,255)	(48)
<b>Net increase (decrease) in cash and cash equivalents</b>	3,157	(8,673)
<b>Cash and cash equivalents at beginning of period</b>	72,678	75,828
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(7)	22
<b>Cash and cash equivalents at end of period</b>	75,828	67,177

#### 4. Segment Information

(Millions of yen, rounded down)

	FY2015						Consolidated
	Natural Gas Chemicals	Aromatic Chamials	Specialty Chemicals	Information & Advanced	Other	Adjustments	
Sales:							
Sales to third parties	165,497	203,348	168,721	55,251	684	-	593,502
Inter segment sales	10,202	2,546	1,524	1	109	(14,385)	-
	175,699	205,895	170,246	55,252	793	(14,385)	593,502
Ordinary income	13,904	13,710	15,593	3,854	283	(1,914)	45,432
Segment aseets	193,931	195,454	199,925	64,386	45,370	40,513	739,582
Others:							
Depreciation and amortization	6,176	8,298	8,882	3,001	11	336	26,705
Amortization of goodwill	-	242	0	-	37	-	280
Interest income	94	262	114	55	2	(16)	512
Interest expenses	809	1,058	1,126	210	14	(724)	2,494
Equity in earnings of affiliates	11,301	(38)	5,259	-	160	-	16,683
Investment in affiliates accounted for by the equity method	59,430	555	16,678	-	3,135	1,367	81,167
Capital expenditures	5,306	10,630	9,904	3,885	308	477	30,512

(Millions of yen, rounded down)

	FY2016						Consolidated
	Natural Gas Chemicals	Aromatic Chamials	Specialty Chemicals	Information & Advanced	Other	Adjustments	
Sales:							
Sales to third parties	142,901	191,933	170,894	50,197	553	-	556,480
Inter segment sales	10,656	2,546	1,326	2	68	(14,600)	-
	153,557	194,480	172,220	50,200	622	(14,600)	556,480
Ordinary income	14,287	17,533	26,809	6,151	328	(2,730)	62,378
Segment aseets	182,089	192,047	209,897	73,404	38,783	45,417	741,639
Others:							
Depreciation and amortization	5,068	8,506	8,672	3,027	20	335	25,631
Amortization of goodwill	-	241	0	-	33	-	275
Interest income	101	187	118	23	1	(8)	423
Interest expenses	152	799	777	138	13	(535)	1,346
Equity in earnings of affiliates	12,775	7	6,835	1,229	225	-	21,074
Investment in affiliates accounted for by the equity method	64,499	567	21,029	10,139	3,341	873	100,450
Capital expenditures	9,009	10,556	8,172	6,674	7	589	35,010

## FY2016 Outline of Consolidated Results

(Billions of yen, rounded down)

	FY2015	FY2016	Change	Change (%)	FY 2017 forecast
Net sales	593.5	556.4	(37.0)	(6.2)	580.0
Natural Gas Chemicals	175.6	153.5	(22.1)	(12.6)	161.5
Aromatic Chemicals	205.8	194.4	(11.4)	(5.5)	209.8
Specialty Chemicals	170.2	172.2	1.9	1.2	173.9
Information and Advanced Materials	55.2	50.2	(5.0)	(9.1)	49.8
Other and Adjustment	(13.5)	(13.9)	(0.3)	-	(15.1)
Operating income (loss)	34.0	43.7	9.7	28.6	37.0
Natural Gas Chemicals	4.1	2.5	(1.5)	(38.3)	1.6
Aromatic Chemicals	15.2	18.3	3.0	20.2	18.3
Specialty Chemicals	13.0	21.6	8.5	65.6	16.4
Information and Advanced Materials	4.0	4.8	0.7	19.3	4.6
Other and Adjustment	(2.4)	(3.6)	(1.1)	-	(4.1)
Non-operating profit	11.4	18.6	7.2	63.1	18.0
Ordinary income	45.4	62.3	16.9	37.3	55.0
Natural Gas Chemicals	13.9	14.2	0.3	2.8	14.3
Aromatic Chemicals	13.7	17.5	3.8	27.9	17.3
Specialty Chemicals	15.5	26.8	11.2	71.9	20.1
Information and Advanced Materials	3.8	6.1	2.2	59.6	5.9
Other and Adjustment	(1.6)	(2.4)	(0.7)	-	(2.8)
Extraordinary income and loss, net	0.4	(1.3)	(1.7)	-	-
Income before income taxes, etc.	45.8	61.0	15.2	33.2	55.0
Net income attributable to owners of the parent	34.1	47.9	13.8	40.5	43.0

## Accounting Fundamentals

		FY2013	FY2014	FY2015	FY2016	FY2017 forecast
Investments (Billions of yen)	First half	13.8	10.3	14.9	13.7	18.0
	Full year	25.4	22.2	30.5	35.0	42.0
Depreciation & amortization (Billions of yen)	First half	11.4	11.5	13.1	12.2	13.0
	Full year	23.5	23.7	26.7	25.6	27.0
R&D expenditures (Billions of yen)	First half	8.0	8.0	9.2	9.2	10.5
	Full year	16.1	16.8	18.9	19.2	21.0
Number of Staff	Year-end	5,445	8,254	8,176	8,034	8,224
ROA (Ordinary income)		4.8%	5.8%	5.9%	8.4%	7.2%
ROE (Net income)		5.0%	12.6%	9.0%	11.9%	9.7%
Exchange Rate (JPY/USD, Average)	First half	99	103	122	105	110
	Second half	102	117	118	112	110
Methanol (USD/MT, Asian average spot price)	First half	375	432	301	230	325
	Second half	449	358	230	327	305

## Qualitative Information

### Consolidated Business Results

#### Overview of Results

(Billions of yen)

	Apr.1,2015- Mar.31,2016	Apr.1,2016- Mar.31,2017	Change (%)
Net sales	593.5	556.4	(6.2)
Operating income	34.0	43.7	28.6
Ordinary income	45.4	62.3	37.3
Net income attributable to owners of the parent	34.1	47.9	40.5

During the fiscal year 2016 (April 1, 2016-March 31, 2017), 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. 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 previous fiscal year. The gain from higher sales volume for engineering plastics was more than offset by negative contributions such as the stronger yen.

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 a year-on-year growth. There were positive factors including not only the increase in operating income, but also higher equity in earnings of affiliates and improvement of exchange gains and losses.

The Group posted a year-on-year growth in the 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.1,2015- Mar.31,2016	Apr.1,2016- Mar.31,2017	Change (%)
Sales	165.4	142.9	(13.7)
Operating income	4.1	2.5	(38.3)
Ordinary income	13.9	14.2	2.8

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

Methanol and ammonia-based chemicals suffered declines in revenue and earnings, due to 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.1,2015- Mar.31,2016	Apr.1,2016- Mar.31,2017	Change (%)
Sales	203.3	191.9	(5.6)
Operating income	15.2	18.3	20.2
Ordinary income	13.7	17.5	27.9

Specialty aromatic chemical products suffered lower net sales owing to negative factors such as the stronger yen. By contrast, earnings from these products increased year on year due to higher sales volumes and lower prices of fuels and raw materials.

General-purpose aromatic chemical products suffered a decline in revenue with the discontinued sale of purified terephthalic acid and the stronger yen. Earnings from these products grew, however, primarily due to the improvement in profitability of high-purity Isophthalic Acid.

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

## Specialty Chemicals

(Billions of yen)

	Apr.1,2015- Mar.31,2016	Apr.1,2016- Mar.31,2017	Change (%)
Sales	168.7	170.8	1.3
Operating income	13.0	21.6	65.6
Ordinary income	15.5	26.8	71.9

Inorganic chemicals suffered reductions in both revenue and earnings despite lower prices of fuels and raw materials. 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 higher sales volume and improved profitability resulting from reductions in fuel and raw material prices for polycarbonate, polyacetal and polycarbonate sheets and films.

## Information & Advanced Materials

(Billions of yen)

	Apr.1,2015- Mar.31,2016	Apr.1,2016- Mar.31,2017	Change (%)
Sales	55.2	50.1	(9.1)
Operating income	4.0	4.8	19.3
Ordinary income	3.8	6.1	59.6

Electronic materials posted a drop in revenue due to reasons including the dissolution of Japan Circuit Industrial Co., Ltd., the subsidiary producer of printed circuit boards, at the end of September 2016, while achieving higher earnings primarily due to growth in the sales volume of BT materials for semiconductor packaging.

Oxygen absorbers such as AGELESS® posted slightly lower earnings levels compared with 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

(Billions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
FY2016 Results (A)	556.4	43.7	62.3	47.9
FY2017 Forecasts (B)	580.0	37.0	55.0	43.0
Change (B – A)	23.5	(6.7)	(7.3)	(4.9)

Looking ahead, while the U.S. economy is expected to remain on the path to recovery, emerging Asian economies such as China still appear uncertain, warranting no optimism over the business environment of the MGC Group.

In fiscal 2017, the MGC Group anticipates a drop in operating income compared with the fiscal year under review. This is primarily because polyacetal will likely have lower sales volumes, while polycarbonates are expected to suffer a decline in income ratio. Severer competition in the Electronics Chemicals business, mainly in the USA and Taiwan, will be a further drawback. The Group is also expected to post lower equity in earnings of affiliates than for fiscal 2016, since engineering plastics affiliates and other operations will likely suffer lower earnings.

These performance forecasts assume exchange rates of ¥110=\$1 and ¥120=€1.

(End)