

Summary of Consolidated Financial Results for First Half Quarter of FY2018

Nov. 1, 2018
Mitsubishi Gas Chemical Company, Inc (TSE 4182)

1. Summary of Income Statement (April 1- Sep 30, 2018)

Millions of yen, rounded down

	Apr. 1 -Sep. 30, 2017	Apr. 1 -Sep. 30, 2018	Change (%)
Net Sales	302,943	328,376	8.4
Operating income	30,267	28,950	(4.4)
Ordinary income	42,008	46,532	10.8
Net income attributable to owners of the parent	35,453	37,919	7.0
Comprehensive income	40,680	41,195	1.3
Net income per share (Yen)	164.28	177.51	

2. Financial Position

Millions of yen, rounded down

	As of Mar. 31, 2018	As of Sep. 30, 2018
Total Assets	785,687	801,677
Net Assets	519,144	552,025
Equity Ratio(%)	59.5	62.4

3. Dividends

	FY2017	FY2018(Forecast)
Interim dividend per share (Yen)	24.00	35.00
Year-end dividend per share (Yen)	35.00	35.00
Annual Dividend per share (Yen)	59.00	70.00

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

4. Consolidated Business Forecasts for FY2018 (April 1, 2018 - March 31, 2019)

Millions of yen, rounded down

	Full Year
Net Sales	660,000
Operating income	48,000
Ordinary income	79,000
Net income attributable to owners of the parent	62,000
Net income per share (Yen)	290.22

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

The press release titled "Notice of the Period of the Methanol Joint Venture Agreement in Saudi Arabia of JSMC, a MGC's Equity Method Affiliate" is published at the same time with the financial results released today. The impact of the information on MGC's consolidated business performance forecast is not considered since its possible effects have yet to be determined. MGC will immediately disclose any corrections in the business forecasts that may be necessary in the future.

5. Number of Shares Outstanding (Common Stock)

	Mar31,2018	Sep30,2018
Number of shares outstanding at term end (including treasury stock)	231,739,199	231,739,199
Number of shares of treasury stock at term-end	18,135,027	18,097,622

	Apr. 1 -Sep. 30, 2017	Apr. 1 -Sep. 30, 2018
Average shares outstanding during period	215,814,659	213,619,751

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, 2018	As of Sep. 30, 2018
ASSETS		
Current assets		
Cash and deposits	101,090	88,905
Trade notes and accounts receivable	165,606	166,367
Short-term investments securities	121	135
Merchandise and finished goods	57,958	64,223
Work in progress	11,044	12,642
Raw materials and supplies	34,750	35,496
Other	14,847	14,866
Allowance for doubtful accounts	(1,170)	(1,145)
Total current assets	384,249	381,490
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	80,823	80,240
Machinery, equipment and vehicles, net	81,359	78,477
Other, net	58,535	65,517
Total property, plant and equipment	220,717	224,235
Intangible assets		
Goodwill	3,911	3,993
Other	4,499	5,097
Total intangible assets	8,411	9,091
Investments and other assets		
Investment securities	161,391	176,103
Other	11,471	11,301
Allowance for doubtful accounts	(555)	(545)
Total investments and other assets	172,308	186,859
Total noncurrent assets	401,437	420,187
Total assets	785,687	801,677

Consolidated Balance Sheets (continued)

(Millions of yen, rounded down)

	As of Mar. 31, 2018	As of Sep. 30, 2018
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	88,720	86,351
Short-term loans payable	71,155	57,352
Income taxes payable	4,133	3,576
Provision	5,643	5,533
Asset retirement obligations	1,522	1,550
Other	35,660	33,974
Total current liabilities	206,835	188,340
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	25,328	24,942
Provision	3,549	4,075
Projected benefit obligations	4,592	4,272
Asset retirement obligations	2,420	2,431
Other	13,815	15,589
Total noncurrent liabilities	59,707	61,311
Total liabilities	266,543	249,651
NET ASSETS		
Shareholders' equity		
Capital stock	41,970	41,970
Capital surplus	34,578	34,649
Retained earnings	399,033	429,476
Treasury stock	(19,966)	(19,927)
Total shareholders' equity	455,616	486,169
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,261	16,918
Deferred gains or losses on hedges	(0)	(11)
Revaluation reserve for land	222	222
Foreign currency translation adjustment	(7,614)	(4,696)
Remeasurements of defined benefit plans	1,878	1,577
Total accumulated other comprehensive	11,747	14,010
Non controlling interest	51,780	51,845
Total net assets	519,144	552,025
Total liabilities and net assets	785,687	801,677

2. Consolidated Statements of Income

(Millions of yen, rounded down)

	Apr. 1 -Sep. 30, 2017	Apr. 1 -Sep. 30, 2018
Net sales	302,943	328,376
Cost of sales	227,300	252,451
Gross profit	75,643	75,925
Selling, general and administrative expenses	45,375	46,974
Operating income	30,267	28,950
Non-operating income		
Interest income	201	286
Dividend income	1,425	1,509
Equity in earnings of affiliates	10,499	17,270
Other	2,348	1,711
Total non-operating income	14,475	20,777
Non-operating expenses		
Interest expense	527	545
Personnel expenses for seconded employees	751	897
Rent expenses	551	791
Other	903	961
Total non-operating expenses	2,734	3,195
Ordinary income	42,008	46,532
Extraordinary income		
Gain on sales of investment securities	893	859
Gain on sales of non-current assets	-	714
Total extraordinary income	893	1,573
Extraordinary losses		
Provision for loss on guarantees	-	631
Loss on valuation of investment securities	356	374
Loss on disposal of non-current assets	154	-
Total extraordinary losses	511	1,005
Income before income taxes, etc.	42,391	47,101
Income taxes, etc.	4,154	7,129
Net income	38,237	39,971
Net income attributable to non-controlling interests	2,783	2,052
Net income attributable to owners of the parent	35,453	37,919

(Consolidated Statements of Comprehensive Income)

(Millions of yen, rounded down)

	Apr. 1 -Sep. 30, 2017	Apr. 1 -Sep. 30, 2018
Net income	38,237	39,971
Other comprehensive Income		
Valuation difference on available-for-sale securities	552	(322)
Deferred gains or losses on hedges	(3)	(12)
Foreign currency statements translation adjustment	1,388	(1,324)
Remeasurements of defined benefit plans	(72)	(284)
Share of other comprehensive income of associates accounted for using equity method	577	3,168
Total other comprehensive Income	2,443	1,224
Comprehensive income	40,680	41,195
Comprehensive income attributable to owners of the parent	37,669	40,182
Comprehensive income attributable to non-controlling interests	3,011	1,012

3. Segment Information

(Billions of yen, rounded down)

	FY 2017 1H	FY 2018 1H	Change	FY2017 Full Year Result	FY 2018 Full Year Forecast
Net sales	302.9	328.3	25.4	635.9	660.0
Natural Gas Chemicals	78.9	92.5	13.6	174.7	190.0
Aromatic Chemicals	105.0	107.3	2.2	213.1	215.2
Specialty Chemicals	97.9	106.1	8.1	205.0	213.4
Information and Advanced Materials	25.2	27.1	1.9	52.7	52.2
Other and Adjustment	(4.3)	(4.8)	(0.5)	(9.8)	(10.9)
Operating income (loss)	30.2	28.9	(1.3)	62.7	48.0
Natural Gas Chemicals	1.8	3.2	1.4	5.4	4.8
Aromatic Chemicals	13.9	10.1	(3.7)	25.6	17.3
Specialty Chemicals	13.4	14.1	0.7	29.6	24.0
Information and Advanced Materials	2.0	2.5	0.4	4.2	4.5
Other and Adjustment	(0.9)	(1.1)	(0.2)	(2.2)	(2.7)
Non-operating profit	11.7	17.5	5.8	17.9	31.0
Ordinary income	42.0	46.5	4.5	80.7	79.0
Natural Gas Chemicals	8.2	15.7	7.4	14.2	28.4
Aromatic Chemicals	13.5	9.7	(3.7)	24.5	16.4
Specialty Chemicals	17.2	17.8	0.6	37.9	29.4
Information and Advanced Materials	2.9	3.0	0.0	5.5	5.6
Other and Adjustment	0.0	0.1	0.0	(1.6)	(0.9)

4. Other Information 1

		FY2014	FY2015	FY2016	FY2017	FY2018 Forecast
Investments (Billions of yen)	Full year	22.2	30.5	35.0	30.9	45.0
	1H	10.3	14.9	13.7	13.9	18.6
Depreciation & amortization (Billions of yen)	Full year	23.7	26.7	25.6	27.0	27.0
	1H	11.5	13.1	12.2	13.1	13.5
R&D expenditures (Billions of yen)	Full year	16.8	18.9	19.2	18.9	20.0
	1H	8.0	9.2	9.6	9.5	9.1
Number of Staff	Year-end	8,254	8,176	8,034	8,009	8,172
ROA (Ordinary income)		5.8%	5.9%	8.4%	10.6%	9.8%
ROE (Net income)		12.6%	9.0%	12.0%	13.6%	12.7%

5. Other Information 2

	FY2014		FY2015		FY2016		FY2017		FY2018	
	Result		Result		Result		Result		Result	Forecast
	First half	Second half								
Exchange Rate (JPY/USD, Average)	103	117	122	118	105	112	111	111	110	110
Exchange Rate (JPY/EUR, Average)	139	139	135	130	118	119	126	133	130	130
crude oil (Dubai) (USD/BBL)	104	63	56	36	43	51	50	62	73	80
Methanol (USD/MT, Asian average spot price)	432	358	301	230	230	327	296	381	408	390
Mixed Xylene (USD/MT)	1,100	730	740	630	660	680	650	725	845	910
Bisphenol A (USD/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 (USD/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

Note: Methanol price forecasts are expressed for the following periods.

FY2014:

1H: January-June

2H: July-December

FY2015:

1H: April-September

2H: October-March

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2017 / 1H	FY2018 / 1H	Change
Net sales	302.9	328.3	25.4
Operating income	30.2	28.9	(1.3)
Ordinary income	42.0	46.5	4.5
Net income attributable to owners of the parent	35.4	37.9	2.4

During the first six months of the fiscal year ending March 2019 (April 1 - September 30, 2018), the world economy has continued to show signs of a slow recovery. However, concerns over trade friction, rising crude oil prices and the financial and capital markets added to economic uncertainty. The Japanese economy also manifested signs of a slow recovery. Despite increased costs for production and logistics due to higher crude oil prices and a labor shortage, employment and private income continued to improve.

The MGC Group benefited from generally brisk demand and continued high levels of methanol market prices. At the same time, however, the Group saw changes in the environment. While raw material and fuel prices increased, market prices of polycarbonates and purified isophthalic acid began to decline after remaining at high levels.

Against this backdrop, the MGC Group followed the Group Vision of "Creating values to share with society" in a bid to improve its corporate value. In the first fiscal year of the MGC Advance 2020 Medium-term Management Plan, the Group moved ahead with the plan's basic policies: "strengthening the earning power of existing businesses with a focus on the core businesses," "creating and developing new businesses" and "implementing investment strategies to form an optimal business portfolio."

The MGC Group increased net sales compared with the corresponding period of the previous year, primarily because the market prices of methanol maintained high levels and sales volumes remained solid as a whole.

Operating income fell from the same six-month period last year. While polycarbonate market prices were higher and sales volumes for specialty polycarbonates and BT materials increased, foamed plastics suffered from higher fuel and raw material prices and the market prices of purified isophthalic acid declined.

Overseas methanol producing companies and engineering plastics affiliates contributed to increasing equity in earnings of affiliates, resulting in a gain in ordinary income.

Results by Business Segment

Natural Gas Chemicals

(Billions of yen)

	FY2017 / 1H	FY2018 / 1H	Change
Sales	75.2	88.1	12.8
Operating income	1.8	3.2	1.4
Ordinary income	8.2	15.7	7.4

The methanol business grew in both revenue and earnings due to a substantial increase in methanol market prices compared with the same period of the previous year.

Methanol and ammonia-based chemicals had higher revenue due to an overall increase in sales volumes and an increase in the market prices of MMA-based products. Earnings from these chemicals, however, remained at the prior-year level, due to higher raw material prices.

Crude oil and other energy sources achieved prior-year-level earnings. Despite a crude oil price increase, crude oil sales volume dropped.

Aromatic Chemicals

(Billions of yen)

	FY2017 / 1H	FY2018 / 1H	Change
Sales	104.6	107.1	2.4
Operating income	13.9	10.1	(3.7)
Ordinary income	13.5	9.7	(3.7)

Specialty aromatic chemical products posted growth in both revenue and earnings compared with the previous year. The negative impact of higher raw material and fuel prices was more than offset by solid sales for meta-xylenediamine and aromatic aldehydes.

General-purpose aromatic chemical products suffered lower earnings. Negative influences included reduced profitability due to an increase in raw material and fuel prices and lower market prices of purified isophthalic acid.

Foamed plastics declined in earnings primarily due to higher raw material and fuel prices.

Specialty Chemicals

(Billions of yen)

	FY2017 / 1H	FY2018 / 1H	Change
Sales	97.5	105.5	8.0
Operating income	13.4	14.1	0.7
Ordinary income	17.2	17.8	0.6

Higher sales volumes increased net sales of inorganic chemicals, which unfortunately posted lower earnings due to increasing competition in liquid chemicals used for semiconductors and LCD displays.

The engineering plastics business increased both revenue and earnings. Despite a lower sales volume for films used in flat panel displays and higher prices of raw materials for polyacetal, these plastics benefited from growth in sales volumes for specialty polycarbonates used in smartphone camera lenses and a year-on-year increase in polycarbonate market prices.

Information & Advanced Materials

(Billions of yen)

	FY2017 / 1H	FY2018 / 1H	Change
Sales	25.2	27.1	1.9
Operating income	2.0	2.5	0.4
Ordinary income	2.9	3.0	0.0

Electronic materials achieved growth in both revenue and earnings, primarily due to steady sales volume for BT materials for semiconductor packaging, which are the core product category for the sub-segment.

Oxygen absorbers such as AGELESS® dropped in earnings, primarily due to increasing competition in the domestic food market and inventory adjustments implemented by overseas customers.

Consolidated Business Forecasts

Revision of non-consolidated business forecasts

Half year ending September 30, 2018 (April 1, 2018 – September 30, 2018)

(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)	185.0	13.0	20.0	17.0	79.59
Result (B)	193.1	16.7	27.2	22.7	106.67
Change (B – A)	8.1	3.7	7.2	5.7	-

The final non-consolidated financial results for the first six months of the fiscal year ending March 2019 (fiscal 2018) have generated differences from the forecasts announced on May 9, 2018. Some repair costs will be carried over to the second half of the fiscal year, and the research and development cost has been found to be lower than initially estimated. Another reason is that the posting of part of the dividends received from equity method companies was moved up to the first half of the fiscal year.

Revision of consolidated business forecasts

Full fiscal year 2018 (April 1, 2018 – March 31, 2019)

(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)	640.0	53.0	75.0	61.0	285.57
Revised forecasts (B)	660.0	48.0	79.0	62.0	290.22
Change (B – A)	20.0	(5.0)	4.0	1.0	-

Consolidated operating income for fiscal 2018 will be less than the corresponding previous forecast due to higher fuel and raw material prices and declining polycarbonate market prices. By contrast, a review of equity in earnings of affiliates now enables us to expect higher ordinary income compared with the previous forecast, which is primarily due to methanol market prices remaining at high levels. The above performance forecasts assume exchange rates of ¥110=\$1 and ¥130=€1, both unchanged from the previous forecasts, for the unelapsed months of the fiscal year.

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(End)