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MEMBERSHIP

August 6, 2020

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (Under Japanese GAAP)

Company name: Mitsubishi Gas Chemical Company, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4182
 URL: <https://www.mgc.co.jp/eng/>
 Representative: Masashi Fujii, Representative Director, President
 Inquiries: Nobuki Nishikawa, General Manager, CSR & IR Division
 TEL: +81-3-3283-5041
 Scheduled date to file quarterly securities report: August 12, 2020
 Scheduled date to commence dividend payments: —

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(1) Summary of consolidated income statement (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2020	133,515	(11.7)	7,948	(9.6)	10,149	97.4	6,831	90.5
June 30, 2019	151,219	(7.0)	8,796	(43.6)	5,142	(77.7)	3,585	(80.7)

Note: Comprehensive income Three months ended June 30, 2020 ¥9,383 million [252.4%]
 Three months ended June 30, 2019 ¥2,662 million [(85.1)%]

	Net income per share	Net income diluted per share
Three months ended	Yen	Yen
June 30, 2020	32.85	—
June 30, 2019	16.85	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2020	757,238	549,264	65.3
March 31, 2020	771,733	548,141	63.8

Reference: Equity
 As of June 30, 2020 ¥494,736 million
 March 31, 2020 ¥492,521 million

2. Dividends

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2020	Yen –	Yen 35.00	Yen –	Yen 35.00	Yen 70.00
Fiscal year ending March 31, 2021	–				
Fiscal year ending March 31, 2021 (Forecast)		35.00	–	35.00	70.00

(Note) Revisions to the forecast most recently announced: None

3. Consolidated business forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020 (cumulative)	270,000	(11.0)	12,000	(25.2)	12,000	2.6	9,000	10.5	43.27
Fiscal year ending March 31, 2021	560,000	(8.7)	29,000	(15.4)	26,000	(16.4)	17,000	(19.7)	81.74

(Note) Revisions to the forecast most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of shares outstanding (common stock)

- (i) Number of shares outstanding at term end (including treasury stock)

As of June 30, 2020	225,739,199
As of March 31, 2020	225,739,199

- (ii) Number of shares of treasury stock at term-end

As of June 30, 2020	17,758,871
As of March 31, 2020	17,758,765

- (iii) Average number of shares

Three months ended June 30, 2020	207,980,412
Three months ended June 30, 2019	212,790,048

* Quarterly financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
(Caution concerning forward-looking statements)

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.

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	78,227	80,188
Notes and accounts receivable - trade	141,279	125,918
Securities	3,514	67
Merchandise and finished goods	62,359	63,866
Work in process	13,154	12,185
Raw materials and supplies	39,282	39,938
Other	21,975	17,666
Allowance for doubtful accounts	△1,124	△748
Total current assets	358,669	339,083
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	84,339	84,362
Machinery, equipment and vehicles, net	81,079	79,847
Other, net	74,419	75,764
Total property, plant and equipment	239,838	239,975
Intangible assets		
Goodwill	5,293	5,205
Other	5,303	5,157
Total intangible assets	10,597	10,363
Investments and other assets		
Investment securities	149,158	154,761
Other	14,111	13,612
Allowance for doubtful accounts	△640	△557
Total investments and other assets	162,628	167,816
Total non-current assets	413,063	418,155
Total assets	771,733	757,238

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	70,776	61,201
Short-term borrowings	33,980	34,361
Current portion of bonds payable	10,000	10,000
Income taxes payable	5,539	2,117
Provisions	6,003	3,240
Other	37,275	34,568
Total current liabilities	163,574	145,490
Non-current liabilities		
Long-term borrowings	29,043	29,548
Provisions	3,527	3,113
Retirement benefit liability	9,333	9,729
Asset retirement obligations	3,560	3,570
Other	14,552	16,520
Total non-current liabilities	60,016	62,483
Total liabilities	223,591	207,974
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,234	34,234
Retained earnings	439,701	439,253
Treasury shares	△21,600	△21,600
Total shareholders' equity	494,306	493,858
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,789	11,317
Deferred gains or losses on hedges	4	1
Foreign currency translation adjustment	△6,701	△7,565
Remeasurements of defined benefit plans	△2,877	△2,875
Total accumulated other comprehensive income	△1,785	877
Non-controlling interests	55,619	54,528
Total net assets	548,141	549,264
Total liabilities and net assets	771,733	757,238

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	151,219	133,515
Cost of sales	118,676	102,798
Gross profit	32,542	30,717
Selling, general and administrative expenses	23,746	22,768
Operating profit	8,796	7,948
Non-operating income		
Interest income	149	101
Dividend income	1,226	1,088
Share of profit of entities accounted for using equity method	—	1,321
Other	757	815
Total non-operating income	2,132	3,327
Non-operating expenses		
Interest expenses	234	195
Personnel expenses for seconded employees	521	348
Rental expenses	384	341
Share of loss of entities accounted for using equity method	3,685	—
Other	958	241
Total non-operating expenses	5,786	1,126
Ordinary profit	5,142	10,149
Extraordinary income		
Gain on sales of non-current assets	—	257
Gain on step acquisitions	1,016	—
Gain on sales of investment securities	967	—
Insurance claim income	564	—
Total extraordinary income	2,548	257
Extraordinary losses		
Loss on sales of investment securities	—	135
Total extraordinary losses	—	135
Profit before income taxes	7,691	10,271
Income taxes	3,263	2,848
Profit	4,428	7,423
Profit attributable to non-controlling interests	842	591
Profit attributable to owners of parent	3,585	6,831

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	4,428	7,423
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,006	3,610
Deferred gains or losses on hedges	△13	△3
Foreign currency translation adjustment	△1,535	△1,493
Remeasurements of defined benefit plans, net of tax	△92	68
Share of other comprehensive income of entities accounted for using equity method	1,882	△220
Total other comprehensive income	△1,765	1,960
Comprehensive income	2,662	9,383
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,086	9,494
Comprehensive income attributable to non-controlling interests	575	△111

Segment Information

	FY2019 1Q	FY2020 1Q	Change
Net sales	151.2	133.5	(17.7)
Basic Chemicals	90.3	71.7	(18.5)
Specialty Chemicals	62.9	61.3	(1.5)
Other and Adjustment	(2.0)	0.4	2.4
Operating income (loss)	8.7	7.9	(0.8)
Basic Chemicals	3.9	0.9	(3.0)
Specialty Chemicals	5.5	7.6	2.1
Other and Adjustment	(0.7)	(0.6)	0.0
Non-operating profit	(3.6)	2.2	5.8
Ordinary income	5.1	10.1	5.0
Basic Chemicals	(0.8)	1.7	2.5
Specialty Chemicals	6.5	8.4	1.9
Other and Adjustment	(0.6)	(0.0)	0.5
Extraordinary income and loss, net	2.5	0.1	(2.4)
Income before income taxes, etc.	7.6	10.2	2.5
Net income attributable to owners of the parent	3.5	6.8	3.2

(Billions of yen, rounded down)

FY2019 Full Year Result	FY 2020 First half Forecast	FY 2020 Full Year Forecast
613.3	270.0	560.0
363.8	146.0	301.8
255.9	126.3	259.2
(6.4)	(2.3)	(1.0)
34.2	12.0	29.0
11.2	0.6	5.5
25.5	13.3	26.5
(2.5)	(2.0)	(3.1)
(3.1)	0.0	(3.0)
31.1	12.0	26.0
4.7	0.5	2.6
28.1	13.1	25.9
(1.8)	(1.7)	(2.6)
3.2	1.0	1.0
34.3	13.0	27.0
21.1	9.0	17.0

[reference]*

	FY2019 1Q	FY2020 1Q	Change
Net sales	151.2	133.5	(17.7)
Natural Gas Chemicals	39.1	33.3	(5.7)
Aromatic Chemicals	51.2	40.8	(10.3)
Specialty Chemicals	49.6	47.2	(2.4)
Information and Advanced	13.3	15.0	1.7
Other and Adjustment	(2.1)	(3.0)	(0.9)
Operating income (loss)	8.7	7.9	(0.8)
Natural Gas Chemicals	0.1	(1.0)	(1.2)
Aromatic Chemicals	3.8	2.0	(1.8)
Specialty Chemicals	4.2	5.1	0.8
Information and Advanced	1.2	2.5	1.2
Other and Adjustment	(0.7)	(0.6)	0.0
Non-operating profit	(3.6)	2.2	5.8
Ordinary income	5.1	10.1	5.0
Natural Gas Chemicals	(4.4)	(0.1)	4.3
Aromatic Chemicals	3.6	1.8	(1.7)
Specialty Chemicals	5.1	5.5	0.3
Information and Advanced	1.3	2.8	1.5
Other and Adjustment	(0.6)	(0.0)	0.5

FY2019 Full Year Result	FY 2020 First half Forecast	FY 2020 Full Year Forecast
613.3	270.0	560.0
163.7	64.6	135.7
201.1	81.3	166.1
202.0	97.6	204.1
54.8	28.6	55.0
(8.4)	(2.3)	(1.0)
34.2	12.0	29.0
0.1	(2.4)	(2.4)
11.1	3.1	8.0
19.9	9.0	19.6
5.6	4.2	6.8
(2.5)	(2.0)	(3.1)
(3.1)	0.0	(3.0)
31.1	12.0	26.0
(5.7)	(2.1)	(4.2)
10.4	2.6	6.8
22.3	8.6	18.6
5.8	4.4	7.3
(1.8)	(1.7)	(2.6)

*The figures for FY2020 are reference figures that have been simply rearranged for comparison with the new segment.

Other Information 1

		FY2016	FY2017	FY2018	FY2019	FY2020 Forecast
Investments (Billions of yen)	Full year	35.0	30.9	39.2	42.3	50.0
	1Q	5.6	6.1	9.1	11.5	8.7
Depreciation & amortization (Billions of yen)	Full year	25.6	27.0	27.4	29.5	31.0
	1Q	6.1	6.4	6.7	7.1	7.5
R&D expenditures (Billions of yen)	Full year	19.2	18.9	18.6	19.6	21.5
	1Q	4.8	4.5	4.5	4.5	4.7
Number of Staff	Year-end	8,034	8,009	8,276	8,954	9,267
ROA (Ordinary income)		8.4%	10.6%	8.7%	3.9%	3.3%
ROE (Net income)		12.0%	13.6%	11.3%	4.3%	3.5%

Other Information 2

	FY2016		FY2017		FY2018		FY2019		FY2020	
	Result		Result		Result		Result		Forecast	
	First half	Second half								
Exchange Rate (JPY/USD, Average)	105	112	111	111	110	112	109	109	106	105
Exchange Rate (JPY/EUR, Average)	118	119	126	133	130	127	121	120	119	120
crude oil (Dubai) (USD/BBL)	43	51	50	62	73	65	64	56	38	50
Methanol (USD/MT, Asian average spot price)	230	327	296	381	408	335	277	245	180	220
Mixed Xylene (USD/MT)	660	680	650	725	845	730	705	640	440	570
Bisphenol A (USD/MT)*	1,000 ~1,200	1,000 ~1,400	1,100 ~1,300	1,200 ~1,700	1,600 ~1,900	1,200 ~1,800	1,000 ~1,450	1,050 ~1,350	900 ~1,450	900 ~1,500
Polycarbonate (USD/MT)*	2,200 ~2,500	2,400 ~2,800	2,500 ~2,900	2,900 ~3,900	2,700 ~3,800	2,100 ~2,800	1,900 ~2,250	1,650 ~2,000	1,540 ~1,900	1,400 ~2,000

*Describe the minimum and maximum values during the period

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2019 / 1Q	FY2020 / 1Q	Change
Net sales	151.2	133.5	(17.7)
Operating income	8.7	7.9	(0.8)
Ordinary income	5.1	10.1	5.0
Net income attributable to owners of the parent	3.5	6.8	3.2

During the first three months of the fiscal year ending March 2021 (April 1 – June 30, 2020), the world economy rapidly fell into stagnation due to the fallout from the novel coronavirus pandemic. The Japanese economy faced a similarly harsh situation due to a slowdown in production activities and other consequences of the global decline in demand.

Against this backdrop, the MGC Group nevertheless saw consistently strong demand for its semiconductor-related products and optical polymers. However, demand for such offerings as automotive-related products fell due to the novel coronavirus pandemic, while market prices remained sluggish for general-purpose products, such as methanol, polycarbonates and purified isophthalic acid.

As a result, the MGC Group's net sales decreased year on year due primarily to a drop in the sales volume of aromatic chemicals and engineering plastics, in addition to the lower market prices of general-purpose products.

Group operating income also fell year on year, despite growth in the sales volume of optical polymers and semiconductor-related products, lower raw material and fuel prices, and other positive factors contributing to profit. This was mainly due to the sluggish market prices of general-purpose products and the decline in the sales volume of aromatic chemicals and engineering plastics.

However, ordinary income increased significantly, despite the decline in operating income, thanks to improvement in equity in earnings of affiliates related to overseas methanol producing companies, reflecting the absence of one-off costs (¥6.1 billion) recorded in the same period of the previous fiscal year in connection with a joint venture in Saudi Arabia.

Operating results by segment are as described below.

In addition, the MGC Group revised the definition of its reportable segments in the first quarter of the fiscal year ending March 31, 2021. To provide comparative year-on-year segment results, the Group has restated the operating results of the first quarter of the previous fiscal year to reflect the revised segmentation.

Results by Business Segment

Basic Chemicals

(Billions of yen)

	FY2019 / 1Q	FY2020 / 1Q	Change
Sales	88.2	69.8	(18.3)
Operating income	3.9	0.9	(3.0)
Ordinary income	(0.8)	1.7	2.5

The methanol business saw decreases in both net sales and earnings due to a decrease in market prices compared with the same period of the previous fiscal year.

Methanol and ammonia-based chemicals posted a decrease in earnings compared with the same period of the previous fiscal year, despite lower raw material prices, due to a decline in market prices of MMA-based products and neopentyl glycol.

Specialty aromatic chemical products posted a decrease in earnings due to lower meta-xylenediamine demand for housing-related and other applications, despite solid sales of aromatic aldehydes.

General-purpose aromatic chemical products suffered decreases in net sales and earnings compared with the same period of the previous fiscal year. This was, despite lower raw material and fuel prices, mainly attributable to sluggish sales volumes of purified isophthalic acid and meta-xylene, as well as lower sales prices of these offerings.

Earnings from foamed plastics remained virtually unchanged from the same period of the previous fiscal year, with the positive effects of growing product demand associated with food packaging and civil engineering being offset by lower demand in the automotive industry and sluggish production due to the enforcement of urban lockdowns in some countries.

Specialty Chemicals

(Billions of yen)

	FY2019 / 1Q	FY2020 / 1Q	Change
Sales	62.7	61.2	(1.4)
Operating income	5.5	7.6	2.1
Ordinary income	6.5	8.4	1.9

Inorganic chemicals posted increases in net sales and earnings compared with the same period of the previous fiscal year thanks primarily to growth in the sales volume of chemicals for use in semiconductor manufacturing.

Net sales and earnings from engineering plastics both declined from the same period of the previous fiscal year. This was mainly attributable to a decrease in demand for such products as those used for automotive applications, in addition to a year-on-year decline in market prices for polycarbonates.

Optical materials posted increases in net sales and earnings due to the growing use of multiple camera lenses in smartphones and growth in optical polymer sales volume thanks to measures executed in October 2019 to enhance production capacity.

Electronic materials saw increases in net sales and earnings. This was mainly attributable to growing demand for products used in data centers and other ICT-related fields as well as the higher sales volume of BT materials for semiconductor packaging, the core product category for electronic materials, reflecting the introduction of a new product for use in antenna-in-package substrates to be installed in 5G-compatible smartphones.

Oxygen absorbers such as AGELESS™ posted earnings on par with the same period of the previous fiscal year, despite a decline in demand for offerings used in souvenirs and other tourism-related products, thanks mainly to a solid volume of exports.

(End)