Corporate Report 2019

Financial Section

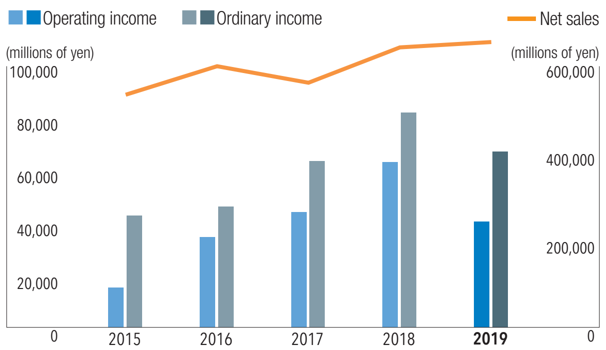
Consolidated Financial Summary

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the years ended March 31

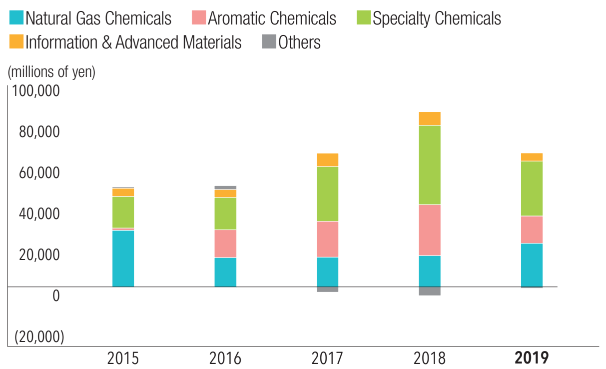
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
Operating results (Millions of yen)												(Thousands of U.S. dollars)*2
Net sales	¥447,647	384,528	451,033	452,217	467,979	534,443	529,570	593,502	556,480	635,909	**648,986**	**$ 5,847,247**
Operating income	(3,103)	4,090	23,363	9,083	11,421	11,488	14,996	34,018	43,762	62,741	**41,386**	**372,880**
Ordinary income	6,975	7,365	36,394	26,116	27,651	30,804	42,000	45,432	62,430	80,711	**69,199**	**623,471**
Net income attributable to owners of the parent	7,014	5,827	18,950	12,327	(7,793)	14,921	43,346	34,134	48,013	60,531	**55,000**	**495,540**
Equity in earnings of affiliates	14,706	8,794	17,873	20,532	19,045	20,466	27,895	16,683	21,125	18,277	**28,408**	**255,951**
Financial position (Millions of yen)												(Thousands of U.S. dollars)*2
Current assets	¥215,298	218,082	244,522	254,037	261,397	287,642	372,166	341,237	326,674	384,249	**378,845**	**$ 3,413,326**
Total assets	530,592	539,431	577,045	595,250	613,908	657,838	790,784	739,582	738,188	785,687	**804,038**	**7,244,238**
Current liabilities	161,088	160,297	182,527	193,464	195,438	178,897	225,068	214,676	188,426	206,835	**188,420**	**1,697,630**
Net assets	272,083	278,094	288,257	292,111	294,895	323,858	422,851	423,135	473,370	519,144	**553,282**	**4,984,972**
Interest-bearing debt	174,934	165,848	182,679	185,185	182,644	204,489	215,614	181,427	118,713	106,964	**95,751**	**862,699**
Cash flows (Millions of yen)												(Thousands of U.S. dollars)*2
Operating activity cash flow	¥ 49,027	31,326	39,773	37,348	31,169	27,182	76,982	84,671	82,711	90,720	**64,042**	**$ 577,007**
Investing activity cash flow	(41,253)	(33,662)	(24,626)	(37,274)	(30,818)	(29,883)	(23,531)	(31,922)	(31,119)	(33,614)	**(42,761)**	**(385,269)**
Financing activity cash flow	11,541	(15,354)	(1,849)	(9,876)	(14,356)	7,124	(25,005)	(47,335)	(60,217)	(33,038)	**(31,396)**	**(282,872)**
Total cash and cash equivalents at end of year	53,065	36,048	46,768	35,701	26,907	37,310	72,678	75,828	67,177	90,304	**80,379**	**724,200**
Per share data (Yen)												(U.S. dollars)*2
Earnings per share (EPS)*1	¥ 30.61	25.78	83.85	54.56	(34.50)	66.07	191.94	153.85	221.83	281.39	**257.46**	**$ 2.32**
Net assets per share *1	1,171.80	1,191.13	1,230.50	1,246.92	1,256.81	1,382.52	1,672.25	1,707.01	1,967.94	2,187.99	**2,354.25**	**$ 21.21**
Rations (%)												
Operating income margin	(0.7)	1.1	5.2	2.0	2.4	2.1	2.8	5.7	7.9	9.9	**6.4**	**6.4**
Return on equity (ROE)	2.5	2.2	6.9	4.4	(2.8)	5.0	12.6	9.0	12.0	13.6	**11.3**	**11.3**
Return on assets (ROA)	1.2	1.4	6.5	4.5	4.6	4.8	5.8	5.9	8.4	10.6	**8.7**	**8.7**
Equity ratio	49.9	49.9	48.2	47.3	46.2	47.5	47.8	51.0	57.5	59.5	**62.6**	**62.6**
Others (Millions of yen)												(Thousands of U.S. dollars)*2
Capital expenditure	¥ 35,119	27,567	35,400	42,423	30,982	25,409	22,226	30,512	35,010	30,959	**39,279**	**$ 353,897**
Depreciation and amortization	28,934	29,535	28,950	27,763	23,096	23,528	23,770	26,705	25,631	27,027	**27,451**	**247,329**
Research and Development cost	14,707	16,198	16,380	17,449	15,332	16,122	16,873	18,936	19,267	18,987	**18,607**	**167,646**
Number of employees	4,902	4,920	4,979	5,216	5,323	5,445	8,254	8,176	8,034	8,009	**8,276**	**8,276**

*1 With and effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis.
As a result, each amounts per share in the above table are calculated assuming that the reverse stock split had been conducted at the beginning of FY2008.
*2 U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥110.99= US$1 prevailing on March 31, 2019.

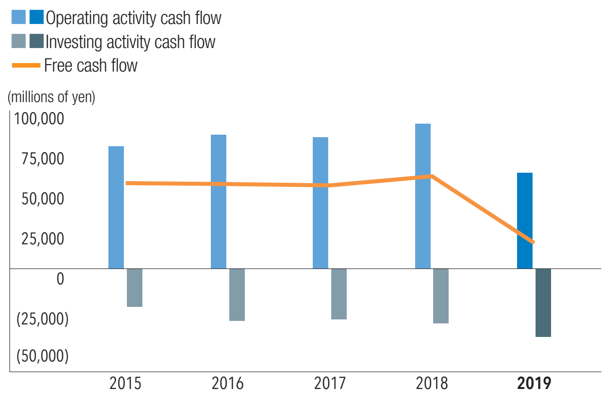
Net sales / Operating income / Ordinary income



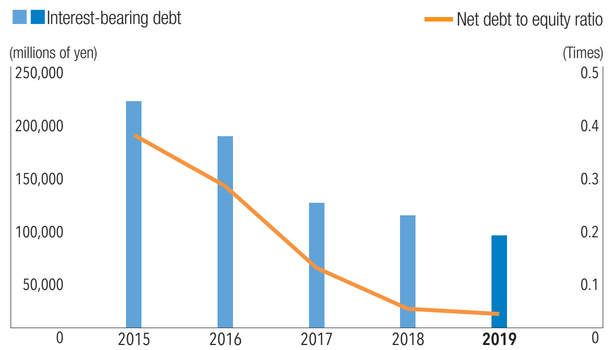
Ordinary income by business segment



Cash flows



Interest-bearing debt / Net debt to equity ratio



Management's Discussion and Analysis

1. Results of Operations

1) Net Sales & Operating Income

(1) In fiscal 2018, MGC Group posted consolidated net sales of ¥648,986 million, a year-on-year increase of 2.1%, and consolidated operating income of ¥41,386 million, a year-on-year decrease of 34.0%.

(2) Operating income fell compared with results for the previous fiscal year.

While sales volumes of special polycarbonates increased, the market prices of purified isophthalic acid and polycarbonates fell significantly. Furthermore, the profitability of foamed plastics has deteriorated due to hikes in raw material and fuel prices.

2) Non-operating Revenue

The Group posted non-operating revenue of ¥37,166 million, a year-on-year increase of 36.2%. This was primarily due to the increase in equity in earnings of affiliates.

Non-operating expenses were ¥9,486 million, a year-on-year decrease of 42.9%. This was primarily due to the decrease in loss on valuation of investment securities.

As a result, net income attributable to owners of the parent was ¥55,000 million, a year-on-year decrease of 9.1%.

3) Dividend

The year-end dividend payout for FY2018 was ¥35 per share. Since the interim dividend payout was ¥35, the annual dividend for FY2018 is ¥70 per share.

2. Segment Information

1) Natural Gas Chemicals

(1) Net sales in the natural gas chemicals segment were ¥180,554 million, a year-on-year increase of 8.1%, and segment income was ¥22,665 million, a year-on-year increase of 58.7%.

(2) The methanol business grew in revenue due to an increase in methanol market prices compared with the previous year. Methanol and ammonia-based chemicals had higher revenue due mainly to an overall increase in sales volumes. Earnings from these chemicals, however, decreased year on year, due to higher raw material prices and a drop in neopentyl glycol market price as well as rises in repair expenses and other fixed costs. Crude oil and other energy sources achieved prior-year-level earnings. Despite a crude oil price increase, crude oil sales volume dropped.

2) Aromatics Chemicals

(1) Net sales in the aromatics chemicals segment were ¥211,123 million, a year-on-year decrease of 0.4%, and segment income was ¥13,961 million, a year-on-year decrease of 43.2%.

(2) Specialty aromatic chemical products posted growth in both revenue and earnings compared with the same period of the previous fiscal year. The negative impact of higher raw material and fuel prices was more than offset by solid sales of meta-xylenediamine and aromatic aldehydes. General-purpose aromatic chemical products suffered significantly lower earnings. Negative influences included lower market prices and higher raw material and fuel prices, which together caused the profitability of purified isophthalic acid to deteriorate.

Foamed plastics saw a decline in earnings primarily due to higher raw material and fuel prices.

3) Specialty Chemicals

(1) Net sales in the specialty chemicals segment were ¥204,634 million, a year-on-year increase of 0.5%, and segment income was ¥28,206 million, a year-on-year decrease of 25.7%.

(2) Although higher sales volumes helped drive up sales of inorganic chemicals, lower earnings were posted due to increasing competition in liquid chemicals used for semiconductor and LCD displays, as well as higher fixed costs in connection with the launch of a new production facility in North America.

The engineering plastics business saw a sales volume increase for special polycarbonates used in smartphone camera lenses. However, earnings decreased due to the deteriorating profitability of polycarbonates as well as a lower sales volume for films used in flat panel displays.

4) Information & Advanced Materials

(1) Net sales in the information & advanced materials segment were ¥51,986 million, a year-on-year decrease of 1.4%, and segment income was ¥4,480 million, a year-on-year decrease of 19.5%.

(2) Electronic materials recorded earnings that are virtually on par with the previous fiscal year. Despite firm sales volume in the first half, this result was mainly attributable to the lower sales volume of mainstay BT materials for semiconductor packaging due to declining demand for materials for smartphones and those used in memory devices in the second half. Oxygen absorbers such as AGELESSTM saw a drop in earnings, primarily due to increasing competition in Japan.

5) Other

Net sales in the other business segment were ¥686 million, a year-on-year increase of 30.4%, and segment income was ¥480 million, a year-on-year increase of 84.0%.

3. Financial Position

(1) As of March 31, 2019, total consolidated assets were ¥804.0 billion, ¥18.3 billion higher than at the end of the previous fiscal year.

(2) Current assets decreased by ¥5.4 billion to ¥378.8 billion. The main causes were decreases in cash and deposits and trade notes and accounts receivable.

(3) Noncurrent assets increased by ¥23.7 billion to ¥425.1 billion primarily due to an increase in investment securities.

(4) Total liabilities decreased by ¥15.7 billion to ¥250.7 billion. Current liabilities decreased by ¥18.4 billion primarily due to decreases in short-term loans payable. Noncurrent liabilities increased by ¥2.6 billion primarily as a result of increases in long-term loans payable.

(5) Net assets increased by ¥34.1 billion to ¥553.2 billion. This was attributable primarily to an increase in retained earnings resulting from the reporting of net income attributable to owners of the parent company.

(6) As a result, as of March 31, 2019, the shareholders' equity ratio was 62.6%, compared to 59.5% on March 31, 2018. Net assets per share at the end of the fiscal year were ¥2,354.25, compared to ¥2,187.99 at the end of the previous fiscal year.

4. Cash Flow

As of March 31, 2019, total cash and cash equivalents were ¥80.3 billion, ¥9.9 billion lower than at the end of the previous fiscal year.

1) Operating Activity Cash Flow

Net cash provided by operating activities decreased by ¥26.6 billion from the previous year to ¥64.0 billion. This was primarily due to decreases in income before income taxes and dividends received from affiliates accounted for by the equity method.

2) Investing Activity Cash Flow

Net cash outflow from investing activities was ¥42.7 billion, an increase of ¥9.1 billion from the previous year. This was primarily due to decreases in proceeds from sale of investments in securities.

3) Financing Activity Cash Flow

Net cash outflow from financing activity was ¥31.3 billion, a decrease of ¥1.6 billion from the previous year. This was primarily due to decreases in purchase of treasury stock.

5. Capital Expenditure

MGC Group (including MGC and consolidated subsidiaries) capital expenditures for the consolidated fiscal year were ¥39,279 million.

By segment, capital expenditure of ¥5,792 million, ¥14,630 million, ¥14,406 million, ¥2,303 million, and ¥2,146 million were made in natural gas chemicals, aromatic chemicals, specialty chemicals, information and advanced materials, and other business segments and company-wide assets, respectively.

6. Research and Development

Fiscal 2018 was the first year of MGC Advance2020, the new medium-term management plan positioned to realize the goals of "Vision 2021." During the past year, pursuing the guidepost of "Creating values to share with society," research and development initiatives were vigorously advanced with the purpose of "Strengthening the earning power of existing businesses with a focus on the core businesses" and "Creating and developing new businesses."

Under a stance geared to manifest maximum synergy between the various Company R&D departments, the Advanced Business Development Division positioned as the Corporate R&D sector and the Research & Development Division comprising the Corporate support sector, steady progress was made in cultivating strengthened earning power for existing business and the forging of new business.

The Advanced Business Development Division moved through participation in investment partnerships, venture business cooperation and investment, joint research with public research institutions and other research and development endeavors channeled through collaboration outside the company to carry on initiatives in new business domains. Energetic steps were also taken to promote commercialization of in-house developed medical packaging materials, complex hydride solid electrolyte and other products, along with redoubled efforts to bring short-distance active optical cable and factory-grown vegetables to market through open innovation.

There are a total of 891 MGC Group research and development personnel, including those in affiliate research and development divisions, making up around 11% of the total workforce. Expenditures on research totaled ¥18,607 million.

Research and development costs by segment were as follows:

Natural Gas Chemicals Company:	¥3,503 million
Aromatic Chemicals Company:	¥5,249 million
Specialty Chemicals Company:	¥5,068 million
Information and Advanced Materials Company:	¥4,786 million

7. Risk Factors

The following are the main foreseeable risks that have the potential to affect MGC Group's operating results, stock price and financial condition. Please note that the following does not represent an exhaustive list of risks. All forward-looking statements in the text are based on the judgment of MGC Group as of the date of submission of financial statements (June 25, 2019).

1) Economic Conditions

The business revenues of MGC Group are affected by economic conditions in the countries and regions where the Group's products are sold. In particular, market-sensitive commodities such as methanol, methanol derivatives, general-purpose aromatic chemicals, and polycarbonate resin are generally prone to declines in sales volume and selling prices during times of economic downturn, which adversely affects MGC Group's operating results and financial condition. In addition, rapid increases in raw material prices could also have an adverse effect on MGC Group's operating results and financial condition.

2) Overseas Business

MGC Group has established subsidiaries and conducts manufacturing and sales in Asia, North America, South America, the Middle East and other regions. MGC Group makes large investments in plant and equipment at overseas subsidiaries. The Group takes various measures to mitigate risks, but the situation in each country, such as political instability including war, terrorist attacks, and riots, or social or economic turmoil, can cause difficulties for local manufacturing activities, remittance of dividends, and recovery of investment.

Other risks that could have an adverse effect on MGC Group's operating results and financial condition include problems due to differences in legal systems, the possibility of restrictions on investments or nationalization or expropriation of assets by foreign governments, and personnel or labor issues.

3) Business Characteristics

MGC Group manufactures and sells a variety of products ranging from chemical and material products to functional products including those in the information communication and medical- and food-related fields, and conducts its business in a competitive environment. Competition is based mainly on the prices of commodity products, and on the basis of categories including price, market trends, quality, function, delivery time and customer service in specialty products and high-value-added products. A rise in the level of competition in these areas could lead to lower selling prices or a decrease in sales volume.

In addition, because of their characteristics, the businesses of MGC Group have risks such as those described below.

For example, MGC Group purchases raw materials including mixed xylene and electric power from outside suppliers. The Group takes measures such as purchasing from various suppliers to reduce the risk that procurement will become impossible. However, the inability to procure necessary raw materials or other items could be detrimental to the Group's production activities.

Many of MGC Group's manufacturing bases have multiple production facilities that share electricity, water supply, steam, and other utilities. Consequently, if a shared utility at any base shuts down due to an accident or other trouble, the production activities of the entire base could be suspended.

The products manufactured and sold by MGC Group include some products that are sold only to specific customers. MGC Group reduces risks with measures such as entering into long-term supply contracts with these customers; however, sales could decline if customers discontinue using these products.

Electronic material products, for which the electronics industry is the primary customer segment, typically have a short product life and are constantly exposed to competition in technological innovation. Therefore, sales could decline if existing products become obsolete or if new product development is delayed.

For products other than commodity and basic chemicals, including engineering plastics and electronic materials, selling prices could drop and sales volume could decline due to the emergence of alternative products offering the same functions.

MGC Group takes all possible measures to mitigate these risks, but they could have an adverse effect on the Group's operating results and financial condition.

4) Product Defects

As stated earlier, MGC Group is engaged in a wide range of businesses and nearly all of its manufacturing bases conduct production activities in accordance with globally recognized quality management standards and ship products that conform to specifications agreed upon with customers. However, the possibility exists that defective products could be manufactured or shipped. In the event that a product with a quality defect is shipped, the need will emerge for MGC Group to compensate customers who used the defective product, users of final products, or others not only for direct damages but also for opportunity loss. In addition, MGC may lose social credibility.

To deal with this type of risk, MGC Group has obtained product liability insurance and other liability insurance.

However, the full amount of the damages for which MGC Group is ultimately liable may not be covered by this insurance, and therefore MGC Group's operating results and financial condition could be adversely affected.

5) Exchange Rate Fluctuations

With MGC Group's business results and its financial situation affected by exchange rate fluctuations, to deal with the impact of such fluctuations on exports, imports and other transactions conducted in foreign currencies, the Group has, to a degree, hedged risk through forward exchange transactions. However, it is impossible to completely hedge the risk of exchange rate changes. Depending on the trend of exchange rates, there is the possibility of a negative impact on the Group's business results and financial situation such as decreased sales or increased losses.

Financial balance data that is valued in local currencies for MGC Group overseas subsidiaries are translated into yen when creating the Group's consolidated balance sheet. Depending on the exchange rate at the time, MGC Group's business results and financial situation could be adversely affected.

6) Interest Rate Fluctuations

When procuring essential funds, MGC Group considers their terms, financial situation, and financial environment, and determines factors such as the amounts to procure and the period and method of procurement. The Group combines fixed and variable interest rates when procuring funds in order to hedge against future interest rate changes. However, if interest rates rise, the amount of interest payments also rises, which may adversely affect MGC Group's operating results and financial condition.

7) Marketable Security Market Price Fluctuations

MGC Group's assets include market priced marketable securities. If the market prices of these marketable securities holdings were to fall sharply, appraisal losses might occur, adversely affecting the Group's operating results and financial condition.

8) Legal Restrictions

MGC Group handles hazardous chemical substances including poisonous and deleterious substances, hazardous materials and high-pressure gas as part of its business, and is subject to various legal restrictions, both in Japan and overseas, at each stage, including manufacturing, storage, distribution and sale. In addition, with rising environmental awareness worldwide, regulations on chemical substances are becoming increasingly stringent.

Accordingly, the Group's operating results and financial condition could be adversely affected by penalties, social sanctions, remediation costs and other consequences of the failure of MGC Group to comply with legal regulations as well as restrictions on business that may result in the event of changes in laws and regulations or their interpretation or operation, or the tightening of regulations, and increase in costs to address these changes.

9) Risks Related to Other Legal Violations

MGC Group has created a compliance system, through which it strives to comply with laws, ordinances and other requirements. Notwithstanding, upon violations of legal restrictions or occurrence of situations generating suspicions of such events, there is the possibility that the Group could incur criminal, civil or administrative liability. Such developments could likewise result in the loss of social credibility, negatively impacting the Group's operating results and financial condition.

10) Accidents and Disasters

MGC Group routinely handles hazardous chemical substances including poisonous and deleterious substances, hazardous materials and high-pressure gas as part of its business.

This stance naturally encompasses efforts to ensure maintenance and stable operation of production facilities, while doing everything possible to construct a security and disaster prevention system, with initiatives also extending to coverage under fire insurance, profit insurance, oil pollution insurance, liability insurance and other safeguards. Notwithstanding, upon occurrence of explosions, fires, toxic gas leaks or other accidents resulting from equipment malfunction or human error, damage to production facilities or harm to employees, damage to areas surrounding production facilities or harm to customers, environmental pollution and other damage, the Group's operating results and financial conditions could be adversely affected if the aforementioned insurance fails to cover the full amount of damages for which the Group is ultimately liable.

11) Natural Disasters

MGC Group has manufacturing bases not only in Japan but also in the rest of Asia, North America, South America, the Middle East and other regions. The facilities at these bases are subject to damage from the impact of earthquakes, windstorms, floods or other natural disasters, war, terrorism, riots, strikes, disabling of communication infrastructure, infectious diseases and other unforeseen circumstances. Trouble may also occur related to Group employees, workplaces, equipment systems and other factors leading to suspension of production activities and other developments. In such cases, judgements that human losses, material losses, opportunity losses or other results of these natural disasters and other occurrences are excluded from coverage under casualty insurance, there could be adverse effects on the Group's operating results and financial condition.

12) Research and Development

MGC Group conducts basic and applied research to develop new products and processes and improve existing products and processes. Research and development is complex and long-term, and results are uncertain. If MGC Group does not continue to develop new products that are accepted in the market, or if the markets for products newly developed by MGC Group do not grow as much as anticipated, the Group's future operating results and financial condition could be adversely affected.

13) Joint Ventures

MGC Group owns a number of production joint ventures not only in Japan but also overseas, including Saudi Arabia, Venezuela, Thailand, China, and South Korea, procuring and selling methanol, engineering plastics and a variety of other products. Although the Group strives to maintain its profit through joint venture agreements and other business-related agreements, there is no guarantee that the joint venture partners will make decisions that are best for MGC Group or the joint ventures as the Group does not control its joint venture partners. In the event that these agreements are not renewed or other circumstances occur, the outcome could have an adverse effect on the Group's operating results and financial condition.

14) Business Investment

MGC Group channels keen efforts into regular investment aimed at creation of new businesses closely aligned with future market needs. Moreover, in the quest to realize business growth, strengthen competitiveness and make other progress, establishment of new companies, purchases of existing companies, equity investment and other business investment is conducted both in Japan and overseas, with these activities to be continued going forward. When these investments fail to yield earnings commensurate with the amounts involved, impairment, losses from securities revaluation or other setbacks occur, there may be adverse effects on the Group's operating results and financial condition.

15) Fixed-Asset Impairment

MGC Group adopts accounting standards pertaining to fixed-asset impairment. With regard to fixed-asset holdings, in the event of decreased profitability, declines in market price or other situations triggered by conspicuous worsening of the business environment, there is the possibility that impairment losses will occur and adversely impact the Group's operating results and financial condition.

16) Intellectual Property

MGC Group files and obtains patents in Japan and overseas to protect the research findings used in its businesses and licenses. The Group also imposes confidentiality obligations on the parties of numerous patent licensing agreements and technology agreements in an effort to protect intellectual property while striving not to infringe on the rights of others. However, if MGC Group fails to protect its own rights or becomes involved in a dispute with a third party, such circumstances could adversely affect the Group's operating results and financial condition.

17) Lawsuits

Upon filing of future lawsuits or other legal proceedings against MGC Group related to its domestic and overseas businesses, and the verdicts of such procedures are unfavorable, the result could be an adverse effect on the Group's operating results and financial condition.

Consolidated Balance Sheet

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2019

Assets

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (note 2) 2019
Current assets:			
Cash (note 3)	¥ 91,130	¥ 101,090	$ 821,065
Trade notes and accounts receivable (note 19)	155,507	165,606	1,401,090
Short-term investments (note 4)	23	121	207
Inventories	119,252	103,753	1,074,439
Other current assets	13,965	14,847	125,822
Less allowance for doubtful receivables	1,033	1,170	9,307
Total current assets	378,845	384,249	3,413,326
Property, plant and equipment (note 6):			
Buildings and structures	207,981	203,544	1,873,872
Machinery, equipment and vehicles	457,159	450,543	4,118,921
Land	39,826	38,458	358,825
Leased assets	750	760	6,757
Construction in progress	20,522	12,347	184,900
Other	48,151	46,923	433,832
	774,392	752,577	6,977,133
Less accumulated depreciation	545,899	531,859	4,918,452
Net property, plant and equipment	228,492	220,717	2,058,672
Intangible assets, net:			
Goodwill	3,841	3,911	34,607
Leased assets	5	14	45
Software	2,187	2,141	19,704
Other	2,579	2,343	23,236
Net intangible assets	8,614	8,411	77,611
Investments and other assets:			
Investments in securities (notes 4, 5 and 6)	177,011	161,391	1,594,837
Long-term loans receivable	2,831	2,632	25,507
Deferred income taxes (note 9)	2,510	2,094	22,615
Net defined benefit asset (note 8)	1,174	1,221	10,578
Other investments and other assets (note 5)	5,101	5,522	45,959
Less allowance for doubtful receivables	543	555	4,892
Total investments and other assets	188,086	172,308	1,694,621
Total assets	¥ 804,038	¥ 785,687	$ 7,244,238

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (note 2) 2019
Current liabilities:			
Trade notes and accounts payable	¥ 80,089	¥ 88,720	$ 721,588
Short-term debt and current installments of long-term debt (note 6)	58,846	71,256	530,192
Accrued expenses	20,493	16,591	184,638
Accrued income taxes (note 9)	3,439	4,133	30,985
Accrued bonuses	5,539	5,422	49,905
Other current liabilities (note 9)	20,011	20,711	180,296
Total current liabilities	188,420	206,835	1,697,630
Non-current liabilities:			
Long-term debt (note 6)	36,905	35,707	332,507
Net defined benefit liability (note 8)	5,247	4,592	47,275
Provision for directors' retirement benefits (note 8)	337	339	3,036
Deferred income taxes (note 9)	9,521	10,080	85,783
Other non-current liabilities (note 7)	10,323	8,986	93,008
Total non-current liabilities	62,336	59,707	561,636
Total liabilities	250,756	266,543	2,259,267
Stockholders' equity:			
Common stock (note 10): Authorized 492,428,000 shares; issued 231,739,199 shares in 2019 and 2018	41,970	41,970	378,142
Additional paid-in capital (note 10)	34,298	34,578	309,019
Retained earnings (note 11)	439,080	399,033	3,956,032
Treasury stock, at cost; 18,099,472, and 18,135,027 shares in 2019 and 2018	(19,930)	(19,966)	(179,566)
Total stockholders' equity	495,418	455,616	4,463,627
Accumulated other comprehensive income:			
Net unrealized gain on other securities (note 4)	13,023	17,261	117,335
Deferred gains (losses) on hedges	1	(0)	9
Surplus on revaluation of land	222	222	2,000
Foreign currency translation adjustments	(6,327)	(7,614)	(57,005)
Remeasurements of defined benefit plans (note 8)	623	1,878	5,613
Total accumulated other comprehensive income	7,542	11,747	67,952
Non-controlling interests	50,321	51,780	453,383
Total net assets	553,282	519,144	4,984,972
Commitments and contingencies (note 20)			
Total liabilities and net assets	¥ 804,038	¥ 785,687	$ 7,244,238

Consolidated Statement of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (note 2)
	2019	2018	2019
Net sales (note 19)	**¥ 648,986**	¥ 635,909	**$ 5,847,247**
Cost of sales (note 13)	**512,857**	481,326	**4,620,750**
Gross profit	**136,129**	154,583	**1,226,498**
Selling, general and administrative expenses (notes 12 and 13)	**94,742**	91,841	**853,608**
Operating income	**41,386**	62,741	**372,880**
Other income (expenses):			
Interest income	**642**	485	**5,784**
Dividend income	**2,200**	2,096	**19,822**
Interest expenses	**(1,018)**	(1,069)	**(9,172)**
Equity in earnings of affiliates	**28,408**	18,277	**255,951**
Gain on sale of investments in securities (note 4)	**989**	1,926	**8,911**
Rent expenses	**(1,634)**	(1,264)	**(14,722)**
Loss on valuation of investments in securities	**(690)**	(8,297)	**(6,217)**
Provision for loss on guarantees	**(1,267)**	(1,088)	**(11,415)**
Loss on liquidation of subsidiaries and affiliates (note 15)	**—**	(162)	**—**
Personnel expenses for seconded employees	**(1,430)**	(1,449)	**(12,884)**
Loss on sale/disposal of property, plant and equipment	**(920)**	(1,115)	**(8,289)**
Impairment loss (note 14)	**—**	(11)	**—**
Other, net	**2,400**	2,352	**21,624**
	27,679	10,680	**249,383**
Profit before income taxes	**69,066**	73,421	**622,272**
Income taxes (note 9)**:**			
Current	**8,333**	9,330	**75,079**
Deferred	**753**	(1,842)	**6,784**
	9,087	7,487	**81,872**
Profit	**¥ 59,979**	¥ 65,933	**$ 540,400**
Profit attributable to non-controlling interests	**4,979**	5,402	**44,860**
Profit attributable to owners of parent	**¥ 55,000**	¥ 60,531	**$ 495,540**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (note 2)
	2019	2018	2019
Profit	**¥ 59,979**	¥ 65,933	**$ 540,400**
Other comprehensive income arising during the year (note 16)**:**			
Net unrealized loss on other securities	**(4,212)**	(827)	**(37,949)**
Deferred gains (losses) on hedges	**1**	(0)	**9**
Foreign currency translation adjustments	**(2,232)**	2,102	**(20,110)**
Remeasurements of defined benefit plans	**(1,812)**	2,204	**(16,326)**
Shares of other comprehensive income of affiliates accounted for by the equity method	**2,594**	(1,775)	**23,371**
Total other comprehensive income arising during the year	**(5,661)**	1,702	**(51,005)**
Comprehensive income	**¥ 54,318**	¥ 67,636	**$ 489,395**
Comprehensive income attributable to:			
Owners of the parent	**¥ 50,795**	¥ 60,555	**$ 457,654**
Non-controlling interests	**3,522**	7,080	**31,733**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen												
	Stockholders' equity					Accumulated other comprehensive income							
	Common stock (note 10)	Additional paid-in capital (note 10)	Retained earnings (note 11)	Treasury stock	Total	Net unrealized gain on other securities (note 4)	Deferred losses on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans (note 8)	Total	Non-controlling interests	Total net assets
Balance as of April 1, 2017	¥ 41,970	¥ 35,602	¥ 357,245	¥ (21,829)	¥ 412,989	¥ 18,101	¥ (0)	¥ 222	¥ (6,249)	¥ (351)	¥ 11,722	¥ 48,658	¥ 473,370
Changes arising during year:													
Cash dividends			(9,927)		(9,927)								(9,927)
Profit attributable to owners of parent			60,531		60,531								60,531
Purchase of treasury stock				(7,010)	(7,010)								(7,010)
Disposition of treasury stock		0		0	0								0
Retirement of treasury stock		(8,873)		8,873	—								—
Transfer to additional paid-in capital from retained earnings		8,816	(8,816)		—								—
Change in treasury stock of parent arising from transactions with non-controlling shareholders		(966)			(966)								(966)
Net changes other than stockholders' equity						(839)	(0)	—	(1,365)	2,229	24	3,122	3,146
Total changes during the year	—	(1,024)	41,787	1,863	42,626	(839)	(0)	—	(1,365)	2,229	24	3,122	45,773
Balance as of March 31, 2018	¥ 41,970	¥ 34,578	¥ 399,033	¥ (19,966)	¥ 455,616	¥ 17,261	¥ (0)	¥222	¥ (7,614)	¥ 1,878	¥ 11,747	¥ 51,780	¥ 519,144
Changes arising during year:													
Cash dividends			**(14,953)**		**(14,953)**								**(14,953)**
Profit attributable to owners of parent			**55,000**		**55,000**								**55,000**
Purchase of treasury stock				**(6)**	**(6)**								**(6)**
Disposition of treasury stock		**53**		**42**	**95**								**95**
Change in treasury stock of parent arising from transactions with non-controlling shareholders		**(333)**			**(333)**								**(333)**
Net changes other than stockholders' equity						**(4,238)**	**1**	**—**	**1,287**	**(1,254)**	**(4,204)**	**(1,459)**	**(5,664)**
Total changes during the year	**—**	**(280)**	**40,046**	**35**	**39,802**	**(4,238)**	**1**	**—**	**1,287**	**(1,254)**	**(4,204)**	**(1,459)**	**34,138**
Balance as of March 31, 2019	**¥ 41,970**	**¥ 34,298**	**¥ 439,080**	**¥ (19,930)**	**¥ 495,418**	**¥ 13,023**	**¥ 1**	**¥222**	**¥ (6,327)**	**¥ 623**	**¥ 7,542**	**¥ 50,321**	**¥ 553,282**

	Thousands of U.S. dollars (note 2)												
	Stockholders' equity					Accumulated other comprehensive income							
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Net unrealized gain on other securities	Deferred losses on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance as of March 31, 2018	$ 378,142	$ 311,542	$ 3,595,216	$ (179,890)	$ 4,105,018	$ 155,519	$ (0)	$ 2,000	$ (68,601)	$ 16,920	$ 105,838	$ 466,529	$ 4,677,394
Changes arising during year:													
Cash dividends			**(134,724)**		**(134,724)**								**(134,724)**
Profit attributable to owners of parent			**495,540**		**495,540**								**495,540**
Purchase of treasury stock				**(54)**	**(54)**								**(54)**
Disposition of treasury stock		**478**		**378**	**856**								**856**
Change in treasury stock of parent arising from transactions with non-controlling shareholders		**(3,000)**			**(3,000)**								**(3,000)**
Net changes other than stockholders' equity						**(38,184)**	**9**	**—**	**11,596**	**(11,298)**	**(37,877)**	**(13,145)**	**(51,032)**
Total changes during the year	**—**	**(2,523)**	**360,807**	**315**	**358,609**	**(38,184)**	**9**	**—**	**11,596**	**(11,298)**	**(37,877)**	**(13,145)**	**307,577**
Balance as of March 31, 2019	**$ 378,142**	**$ 309,019**	**$ 3,956,032**	**$ (179,566)**	**$ 4,463,627**	**$ 117,335**	**$ 9**	**$ 2,000**	**$ (57,005)**	**$ 5,613**	**$ 67,952**	**$ 453,383**	**$ 4,984,972**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (note 2)
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 69,066	¥ 73,421	$ 622,272
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	27,451	27,027	247,329
Loss on sale/disposal of property, plant and equipment	870	1,094	7,839
Equity in earnings of affiliates	(28,408)	(18,277)	(255,951)
(Decrease) increase in allowance for doubtful receivables	(137)	4	(1,234)
(Decrease) increase in net defined benefit liability	(682)	43	(6,145)
Increase in provision for directors' retirement benefits	68	33	613
(Decrease) increase in provision for loss on business withdrawal	(107)	236	(964)
(Decrease) increase in provision for loss on liquidation of subsidiaries and affiliates	(144)	162	(1,297)
Increase in provision for loss on guarantees	1,270	1,088	11,442
Interest and dividend income	(2,842)	(2,581)	(25,606)
Interest expenses	1,018	1,069	9,172
Gain on sale of short-term investments and investments in securities	(1,041)	(2,146)	(9,379)
Loss on devaluation of short-term investments and investments in securities	837	8,327	7,541
Decrease (increase) in trade notes and accounts receivable	8,059	(28,607)	72,610
Increase in inventories	(15,750)	(9,759)	(141,905)
(Decrease) increase in trade notes and accounts payable	(7,290)	21,357	(65,682)
Other, net	4,074	2,455	36,706
Sub total	56,313	74,948	507,370
Interest and dividend received	2,804	2,545	25,264
Dividend received from affiliates accounted for by the equity method	12,323	20,008	111,028
Interest paid	(1,020)	(974)	(9,190)
Income taxes paid	(6,552)	(5,838)	(59,032)
Other, net	173	29	1,559
Net cash provided by operating activities	64,042	90,720	577,007
Cash flows from investing activities:			
Capital expenditures	(37,409)	(36,546)	(337,048)
Proceeds from sale of property, plant and equipment	891	2,141	8,028
Purchase of investments in securities and subsidiaries	(5,039)	(1,548)	(45,400)
(Increase) decrease in long-term loans receivable	(48)	(642)	(432)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	939	804	8,460
Other, net	(2,094)	2,175	(18,867)
Net cash used in investing activities	(42,761)	(33,614)	(385,269)
Cash flows from financing activities:			
Decrease in short-term debt	(10,599)	(7,300)	(95,495)
Proceeds from long-term debt	16,773	10,359	151,122
Payments on long-term debt	(17,893)	(14,143)	(161,213)
Dividends paid to stockholders	(14,953)	(9,927)	(134,724)
Dividends paid to non-controlling stockholders of subsidiaries	(1,751)	(2,024)	(15,776)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,859)	(2,883)	(25,759)
Other, net	(112)	(7,119)	(1,009)
Net cash used in financing activities	(31,396)	(33,038)	(282,872)
Effect of exchange rate changes on cash and cash equivalents	190	(939)	1,712
Increase (decrease) in cash and cash equivalents	(9,925)	23,127	(89,422)
Cash and cash equivalents at beginning of year	90,304	67,177	813,623
Cash and cash equivalents at end of year (note 3)	¥ 80,379	¥ 90,304	$ 724,200

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2019

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. (the Company) and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for by the Equity Method" (ASBJ Practical Issues Task Force (PITF) No. 24, March 10, 2008) require that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that profit (loss) is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and 71 subsidiaries (70 in 2018). The Company and its consolidated subsidiaries are collectively referred to as "MGC."

All significant intercompany accounts and transactions have been eliminated in consolidation.

MGC Trading CO., LTD. and Taixing MGC Suhua Specialty Materials Co., Ltd were included in scope of consolidation due to their establishment during the year ended March 31, 2019.

TAIYO Industry Co., Ltd. was excluded from the scope of consolidation due to the sale of the entirety of shares during the year ended March 31, 2019.

Investments in an unconsolidated subsidiary and 15 affiliates (15 in 2018) are accounted for by the equity method.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments.

The unallocated portion of the difference, which is recognized as goodwill, is being amortized using the straight-line method over an expected benefit period by each investment within 20 years.

The fiscal year-ends of 31 consolidated subsidiaries (31 in 2018) are December 31. For consolidation purposes, the Company uses their financial statements as of December 31 with necessary consolidation adjustments made to reflect any significant transactions which occurred between January 1 and March 31.

(c) Cash and Cash Equivalents

For the purpose of the statement of cash flows, MGC considers all highly liquid investments with insignificant risk of changes in value, which have maturities of generally three months or less when purchased, to be cash equivalents.

(d) Short-term Investments and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories – "trading securities," "held-to-maturity securities," "investments in affiliates" and "other securities." Securities classified as "trading securities" are stated at fair value and unrealized gains or losses are recorded in the consolidated statement of income. Securities classified as "held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with fair value are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and reported as accumulated other comprehensive income in the consolidated balance sheet. Debt classified as "other securities" for which fair value is not available are stated at the amortized cost. Equity securities classified as "other securities" for which fair value is not available are stated at the moving-average cost. Realized gains and losses on the other securities are computed using the moving-average cost. Securities held by the Company are classified as held-to-maturity securities, investments in affiliates and other securities.

(e) Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method.

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. Depreciation of the property, plant and equipment is provided principally by the straight-line method based on the estimated useful lives.

The estimated useful lives are as follows:

Buildings and structures	7-50 years
Machinery, equipment and vehicles	8-15 years

(g) Intangible Assets

Intangible assets are carried at cost less accumulated amortization. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years). Intangible assets other than software are deferred and amortized by the straight-line method at rates based on the estimated useful lives of the respective assets.

(h) Impairment of Long-lived Assets

The standard for the impairment of long-lived assets requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Recognized impairment losses, except for those to be deducted directly from acquisition costs of corresponding fixed assets, are included in accumulated depreciation on the consolidated balance sheet.

(i) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(j) Retirement Benefits

In calculating retirement benefit obligation, the benefit formula basis is used for the method of attributing expected retirement benefits to the periods up to the end of the current fiscal year.

Past service costs are amortized by the straight-line method over a certain period within the average remaining years of service of the eligible employees (10 years) when such past service costs occur.

Actuarial gains and losses are amortized by the declining-balance method over a certain period within the average remaining years of service of the eligible employees (10 years) from the year following the year in which the gains or losses occur.

The Company and certain subsidiaries have unfunded defined benefit pension plans for directors, corporate auditors and executive officers. The provision for the plans has been made in the accompanying consolidated financial statements for the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates (See note 8).

(k) Leases

All finance lease transactions are capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line method, with the lease periods as their useful lives and no residual value.

(l) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction dates, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date, and revenues and expenses of them are translated into yen using the average rate in the year, and a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" and "Non-controlling interests" in a component of net assets.

(m) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Accrual for Environmental Measures

An accrual for environmental measures is provided at an estimated amount of disposal and transport costs of polychlorinated biphenyl waste based on the handling cost publicized by Japan Environmental Storage & Safety Corporation. The Act of Special Measures for Proper Handling of Polychlorinated Biphenyl Waste requires proper handling of polychlorinated biphenyl waste.

(o) Asset Retirement Obligations

The Company recognized an asset retirement obligation which is statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.

(p) Accrued Business Structure Improvement Expenses

The Company provides a reasonably estimated amount of structural reform costs for unprofitable business.

(q) Provision for Loss on Liquidation of Subsidiaries and Affiliates

The Company provides a reasonably estimated amount for loss to be incurred in association with liquidation of subsidiaries and affiliates.

(r) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2019.

(s) Accounting Pronouncements Not Yet Adopted

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

These ASBJ statement and implementation guidance will be applied from the fiscal year beginning on April 1, 2021.

The impact of the application of the Accounting Standard for Revenue Recognition on the consolidated financial statements is currently under evaluation.

(t) Changes due to Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting"(ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the year ended March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

As a result, in the consolidated balance sheet as of March 31, 2018, deferred tax assets in current assets decreased by ¥6,759 million and those in investments and other assets decreased by ¥42 million. Deferred tax liabilities in current liabilities decreased by ¥242 million and those in non-current liabilities decreased by ¥6,559 million.

Deferred tax assets and deferred tax liabilities were offset if they relate to the same taxable entity so that total assets decreased by ¥6,802 million.

In addition, the contents of note 8 (excluding the total amount of valuation allowance) and note 9 of explanatory notes to the "Accounting Standard for Tax Effect Accounting" set forth in Paragraphs 3 through 5 of the "Partial Amendments to Tax Effect Accounting" were added to「9. Income taxes」. The respective contents related to the year ended March 31, 2018, however, were not disclosed in accordance with the transitional treatments prescribed in Paragraph 7 of the "Partial Amendments to Tax Effect Accounting."

2. Financial Statement Translation

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate as of March 31, 2019, which was ¥110.99 to U.S. $1. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Cash and Cash Equivalents

(a) Reconciliation between "Cash" in the consolidated balance sheet and "Cash and cash equivalents" in the consolidated statement of cash flows as of March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Cash	**¥ 91,130**	¥ 101,090	**$ 821,065**
Time deposits with maturities of over three months	**(10,774)**	(10,907)	**(97,072)**
Short-term investments	**23**	121	**207**
Cash and cash equivalents	**¥ 80,379**	¥ 90,304	**$ 724,200**

(b) Details of the assets and liabilities of subsidiaries that have been excluded from the scope of consolidation due to sales of share

As of March 31, 2019

TAIYO Industry Co., Ltd. has been excluded from the scope of consolidation due to the sale of the entirety of shares. The components of assets and liabilities at the time of the sale, the selling price and net proceeds from sales of shares of TAIYO Industry Co., Ltd. are as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	¥ 2,846	$ 25,642
Non-current assets	501	4,514
Current liabilities	(2,101)	(18,930)
Non-current liabilities	(351)	(3,162)
Gain on sales of shares	759	6,838
Selling price of shares	¥ 1,655	$ 14,911
Cash and cash equivalents	(715)	(6,442)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥ 939	$ 8,460

As of March 31, 2018

JAPAN PIONICS CO., LTD. has been excluded from the scope of consolidation due to the sale of the entirety of shares. The components of assets and liabilities at the time of the sale, the selling price and net proceeds from sales of shares of JAPAN PIONICS CO., LTD. are as follows:

	Millions of yen
	2018
Current assets	¥ 2,100
Non-current assets	1,049
Current liabilities	(1,091)
Non-current liabilities	(3)
Loss on sales of shares	(1,245)
Selling price of shares	¥ 808
Cash and cash equivalents	(4)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥ 804

4. Short-term Investments and Investments in Securities

Balance sheet amount, fair value and gross unrealized gain and loss of held-to-maturity securities with fair value as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2019				
Government bond securities	¥ 0	¥ 0	¥ —	¥ 0
	¥ 0	¥ 0	¥ —	¥ 0
March 31, 2018				
Government bond securities	¥ 0	¥ 0	¥ —	¥ 0
	¥ 0	¥ 0	¥ —	¥ 0

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2019				
Government bond securities	$ 0	$ 0	$ —	$ 0
	$ 0	$ 0	$ —	$ 0

Balance sheet amount, acquisition cost, and gross unrealized gain and loss of other securities with fair value as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2019				
Equity securities	¥ 41,668	¥ 19,747	¥ (1,223)	¥ 23,144
Other securities	9	—	(0)	10
	¥ 41,679	¥ 19,747	¥ (1,223)	¥ 23,155
March 31, 2018				
Equity securities	¥ 48,573	¥ 25,512	¥ (589)	¥ 23,650
Other securities	9	—	(0)	10
	¥ 48,584	¥ 25,512	¥ (589)	¥ 23,661

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2019				
Equity securities	$ 375,421	$ 177,917	$ (11,019)	$ 208,523
Other securities	81	—	(0)	90
	$ 375,520	$ 177,917	$ (11,019)	$ 208,622

Securities classified as other securities for which fair value is not available are unlisted equity securities amounting to ¥4,185 million ($37,706 thousand) and ¥4,267 million as of March 31, 2019 and 2018, respectively.

For the years ended March 31, 2019 and 2018, proceeds from the sale of other securities are ¥2,113 million ($19,038 thousand) and ¥4,716 million, respectively. Gross realized gains are ¥941 million ($8,478 thousand) and ¥2,066 million for the years ended March 31, 2019 and 2018, respectively.

The Company recognized impairment losses on securities of ¥837 million ($7,541 thousand) and ¥8,327 million for the years ended March 31, 2019 and 2018, respectively.

The Company recognizes impairment losses on securities with market value when the market value declines by more than 50 percent. When the market value declines by more than 30 percent but less than 50 percent, the Company recognizes necessary impairment losses as a result of considering the possibility of recovery. The Company recognizes impairment losses on securities without market value when the value declines significantly due to an issuer's financial condition.

5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2019 and 2018 are ¥131,409 million ($1,183,972 thousand) and ¥108,900 million, respectively.

6. Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rate of short-term debt is 0.9% and 0.7% as of March 31, 2019 and 2018, respectively.

Long-term debt as of March 31, 2019 and 2018 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Loans, principally from banks, maturing in installments through 2036 with weighted average interest of 1.15% as of March 31, 2019, partially secured by mortgage of property, plant and equipment and securities	¥ 44,786	¥ —	$ 403,514
Loans, principally from banks, maturing in installments through 2026 with weighted average interest of 1.37% as of March 31, 2018, partially secured by mortgage of property, plant and equipment and securities	—	42,752	—
Lease liabilities maturing in installments through 2027 as of March 31, 2019	387	—	3,487
Lease liabilities maturing in installments through 2025 as of March 31, 2018	—	478	—
Unsecured bonds, due 2021 with interest of 0.572%	10,000	10,000	90,098
	55,173	53,230	497,099
Less current installments:			
Loans	15,511	17,423	139,751
Lease liabilities	97	100	874
	¥ 39,565	¥ 35,707	$ 356,474

Note : The weighted average interest rates on lease liabilities as of March 31, 2019 and 2018 are omitted because lease liabilities were recorded in the consolidated balance sheet based on the total lease payment which includes assumed interests portion.

The aggregate annual maturities of loans after March 31, 2020, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2021	¥ 4,700	$ 42,346
2022	7,829	70,538
2023	3,257	29,345
2024	2,334	21,029

The aggregate annual maturities of bonds after March 31, 2020, are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2021	¥ 10,000	$ 90,098
2022	—	—
2023	—	—
2024	—	—

Property, plant and equipment and securities with a book value as of March 31, 2019 of ¥22,307 million ($200,982 thousand) were mortgaged to secure certain debts.

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations due the banks.

7. Asset Retirement Obligations

(a) Asset retirement obligations recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities except for mentioned below (b) according to law and land lease contracts. The asset retirement obligations are based on estimated future cash flows for the restorations. The obligations are calculated by using the estimated mine lives of 18 to 76 years and discounted rate of 0.828% to 2.385%.

Asbestos are used in part of fixed assets held by the Company and certain consolidated subsidiaries. The Company is obliged to conduct a special treatment when asbestos are removed. The asset retirement obligations are based on estimated future cash flows for the treatment. The obligations are calculated by using the estimated useful lives of the fixed assets mainly of 8 years and discounted rate mainly of 1.035%.

The following table provides a total asset retirement obligation for the years ended March 31, 2019 and 2018:

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Balance at beginning of year	¥ 3,943	¥ 3,930	$ 35,526
Liabilities incurred due to the acquisition	15	17	135
Accretion expenses	72	75	649
Liabilities settled	(57)	(80)	(514)
Other	(1,536)	–	(13,839)
Balance at end of year	¥ 2,437	¥ 3,943	$ 21,957

Note: Decrease in other for the year ended March 31, 2019 is due to cancellation of leasehold contracts resulting from the purchase of land the Company had rent.

(b) Asset retirement obligations not recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities according to law and land lease contracts, and the Company plans to use part of the facilities as storage facilities after mining continuingly. The Company and certain consolidated subsidiaries are obliged to restore their piers and pipelines according to law and lease contracts, and the piers and pipelines can be used for a substantial long-term with appropriate repair. Asset retirement obligations relating to these assets are not recognized because it is extremely difficult to estimate the time of fulfilling the obligations reasonably.

8. Retirement Benefits

MGC has defined retirement benefit plans such as lump-sum retirement benefit plans and defined benefit corporate pension plans, besides defined contribution pension plans.

In addition, the Company has also set up retirement benefit trusts.

Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum retirement benefit plans.

Defined benefit plans

(a) Reconciliation between retirement benefit obligations at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Retirement benefit obligation at beginning of year	¥ 41,246	¥ 40,775	$ 371,619
Service costs	2,145	2,164	19,326
Interest costs	372	370	3,352
Actuarial gains and losses arising during year	(91)	(121)	(820)
Retirement benefits paid	(2,013)	(1,965)	(18,137)
Decrease due to change of scope of consolidation	(258)	–	(2,325)
Other	(69)	23	(622)
Retirement benefit obligation at end of year	¥ 41,332	¥ 41,246	$ 372,394

(b) Reconciliation between plan assets at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Plan assets at beginning of year	¥ 39,438	¥ 36,289	$ 355,329
Expected return on plan assets	496	407	4,469
Actuarial gains and losses arising during year	(1,214)	2,497	(10,938)
Contribution from employer	1,612	1,577	14,524
Retirement benefits paid	(1,388)	(1,366)	(12,506)
Other	(35)	33	(315)
Plan assets at end of year	¥ 38,909	¥ 39,438	$ 350,563

(c) Reconciliation between net defined benefit liabilities of plans applying the simplified method at beginning of year and end of year:

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Net defined benefit liability at beginning of year	¥ 1,563	¥ 1,438	$ 14,082
Retirement benefit expenses	269	257	2,424
Retirement benefits paid	(118)	(73)	(1,063)
Contribution to plans	(66)	(81)	(595)
Other	2	22	18
Net defined benefit liability at end of year	¥ 1,651	¥ 1,563	$ 14,875

(d) Reconciliation between retirement benefit obligations and plan assets at end of year and net defined benefit asset and defined benefit liability on the consolidated balance sheet:

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Funded retirement benefit obligation	¥ 41,733	¥ 41,230	$ 376,007
Plan assets	(40,627)	(41,015)	(366,042)
	¥ 1,105	¥ 215	$ 9,956
Unfunded retirement benefit obligation	2,967	3,155	26,732
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 4,073	¥ 3,371	$ 36,697
Net defined benefit asset	¥ (1,174)	¥ (1,221)	$ (10,578)
Net defined benefit liability	5,247	4,592	47,275
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 4,073	¥ 3,371	$ 36,697

(e) Retirement benefit expenses and components thereof:

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Service costs	¥ 2,145	¥ 2,164	$ 19,326
Interest costs	372	370	3,352
Expected return on plan assets	(496)	(407)	(4,469)
Amortization of actuarial gains and losses	(510)	(99)	(4,595)
Amortization of past service costs	(19)	81	(171)
Retirement benefit expenses applying the simplified method	269	257	2,424
Other	(6)	(41)	(54)
Retirement benefit expenses under defined benefit plans	¥ 1,754	¥ 2,324	$ 15,803

(f) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Past service costs	¥ (19)	¥ 81	$ (171)
Actuarial gains and losses	(1,887)	2,367	(17,002)
Total	¥ (1,907)	¥ 2,449	$ (17,182)

(g) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Unrecognized past service costs	¥ (56)	¥ (76)	$ (505)
Unrecognized actuarial gains and losses	(1,627)	(3,513)	(14,659)
Total	¥ (1,684)	¥ (3,590)	$ (15,173)

(h) Plan assets

(i) Components of plan assets

Percentages to total plan assets by major category are as follows:

	2019	2018
Debt securities	42%	36%
Equity securities	32	42
Cash	9	3
Other	17	19
Total	100%	100%

(ii) Determination of expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is determined considering current and expected allocation of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(i) Actuarial assumptions

	2019	2018
Discount rate	Mainly 0.8%	Mainly 0.8%
Expected long-term rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

Defined contribution plans

The required contribution of MGC to the defined contribution plans amounted to ¥513 million ($4,622 thousand) and ¥493 million as of March 31, 2019 and 2018, respectively.

Directors, corporate auditors and executive officers are not covered by the plans described above. For such persons, the Company and certain subsidiaries had unfunded defined benefit pension plans. Under the plans, directors, corporate auditors and executive officers are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the companies. MGC provides for the amount of the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates. As of March 31, 2019 and 2018, the liabilities for retirement and severance benefits related to the plans were ¥337 million ($3,036 thousand) and ¥339 million, respectively.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 30.6% in 2019 and 30.9% in 2018.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of profit before income taxes for the years ended March 31, 2019 and 2018 is as follows:

	2019	2018
Statutory tax rate	30.6%	30.9%
Equity in earnings of affiliates	(12.6)	(7.7)
Dividend income eliminated in consolidation	8.5	10.4
Valuation allowance	(2.5)	(4.7)
Income not credited for tax purposes	(8.4)	(10.6)
Succession of operating loss carryforward associated with liquidation of subsidiaries	–	(0.0)
Foreign taxes	1.0	0.6
Adjustments of loss on valuation of shares of subsidiaries and associates	–	(3.9)
Other	(3.4)	(4.9)
Effective tax rate	13.2%	10.2%

Significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Tax loss carryforward	¥ 6,719	¥ 8,749	$ 60,537
Net defined benefit liability	5,998	6,291	54,041
Devaluation loss on investments in securities	3,207	3,273	28,894
Accrued bonuses	1,604	1,559	14,452
Intercompany profits	1,823	1,520	16,425
Depreciation	458	605	4,126
Impairment loss	2,301	3,165	20,732
Asset retirement obligations	787	1,247	7,091
Other	4,125	4,001	37,166
	27,026	30,413	243,499
Valuation allowance for tax loss carryforward	(6,046)	—	(54,473)
Valuation allowance for the total amount of deductible temporary differences	(13,410)	—	(120,822)
Valuation allowance	(19,457)	(20,401)	(175,304)
	7,569	10,011	68,195
Deferred tax liabilities:			
Net unrealized gain on other securities	(5,656)	(7,444)	(50,960)
Gain by contributing the assets to the trust	(1,356)	(1,356)	(12,217)
Tax purpose reserves etc. regulated by Japanese tax law	(1,917)	(1,982)	(17,272)
Asset retirement cost	(46)	(330)	(414)
Retained earnings of overseas consolidated subsidiaries and others	(3,566)	(4,898)	(32,129)
Other	(2,038)	(1,984)	(18,362)
	(14,580)	(17,997)	(131,363)
Net deferred tax liabilities	¥ (7,011)	¥ (7,985)	$ (63,168)

Notes:
1. The change in valuation allowance is mainly due to a decrease of valuation allowance for tax loss carryforward.
2. The expiration of tax loss carryforward and the resulting net deferred tax assets as of March 31, 2019 was as follows:

Millions of yen	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforward*	¥ 1,332	¥ 1,231	¥ 662	¥ 825	¥ 512	¥ 2,154	¥ 6,719
Valuation allowance	(983)	(1,228)	(662)	(815)	(512)	(1,843)	(6,046)
Deferred tax assets	348	2	—	10	—	311	673

Thousands of U.S. dollars	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforward*	$ 12,001	$ 11,091	$ 5,965	$ 7,433	$ 4,613	$ 19,407	$ 60,537
Valuation allowance	(8,857)	(11,064)	(5,965)	(7,343)	(4,613)	(16,605)	(54,473)
Deferred tax assets	3,135	18	—	90	—	2,802	6,064

*Tax loss carryforward was calculated by multiplying the statutory tax rate.

10. Common Stock

Under the Companies Act, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

11. Retained Earnings and Dividends

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Companies Act also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheet.

Cash dividends charged to retained earnings for the years ended March 31, 2019 and 2018 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

(a) Dividends paid during the year ended March 31, 2018

The following was approved by the Board of Directors held on May 26, 2017.

(i) Total dividends	¥4,747 million
(ii) Cash dividends per common share	¥22
(iii) Record date	March 31, 2017
(iv) Effective date	June 8, 2017

The following was approved by the Board of Directors held on November 1, 2017.

(i) Total dividends	¥5,179 million
(ii) Cash dividends per common share	¥24
(iii) Record date	September 30, 2017
(iv) Effective date	December 6, 2017

(b) Dividends paid during the year ended March 31, 2019

The following was approved by the Board of Directors held on May 25, 2018.

(i) Total dividends	¥7,476 million ($67,357 thousand)
(ii) Cash dividends per common share	¥35 ($0.32)
(iii) Record date	March 31, 2018
(iv) Effective date	June 7, 2018

The following was approved by the Board of Directors held on November 1, 2018.

(i) Total dividends	¥7,477 million ($67,366 thousand)
(ii) Cash dividends per common share	¥35 ($0.32)
(iii) Record date	September 30, 2018
(iv) Effective date	December 6, 2018

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2019

The following was approved by the Board of Directors held on May 24, 2019.

(i) Total dividends	¥7,477 million ($67,366 thousand)
(ii) Dividend source	Retained earnings
(iii) Cash dividends per common share	¥35 ($0.32)
(iv) Record date	March 31, 2019
(v) Effective date	June 6, 2019

12. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Freight	¥ 21,947	¥ 21,047	$ 197,739
Stevedoring and warehouse fee	4,015	4,076	36,174
Salaries	17,828	17,574	160,627
Employees' bonuses	5,669	5,599	51,077
Pension cost	833	1,168	7,505
Welfare	3,880	3,532	34,958
Transportation	2,969	2,828	26,750
Depreciation	5,356	5,084	48,257

13. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2019 and 2018 are ¥18,607 million ($167,646 thousand) and ¥18,987 million, respectively.

14. Loss on Liquidation of Subsidiaries and Affiliates

MGC recorded a loss on liquidation of subsidiaries and affiliates in the amount of none and ¥162 million associated with the liquidation of a consolidated subsidiary for the years ended March 31, 2019 and 2018, respectively.

Components of loss on liquidation of subsidiaries and affiliates for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Provision for loss on liquidation of subsidiaries and affiliates	¥ —	¥ 162	$ —

15. Other Comprehensive Income

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized (loss) gain on other securities:			
Arising during the year	¥ (6,508)	¥ 782	$ (58,636)
Reclassification adjustment	507	(1,714)	4,568
Before tax amount	(6,000)	(932)	(54,059)
Tax benefit (expense)	1,787	104	16,101
Net-of-tax amount	(4,212)	(827)	(37,949)
Deferred (losses) gains on hedges:			
Arising during the year	1	(0)	9
Reclassification adjustment	0	0	0
Before tax amount	2	(0)	18
Tax benefit (expense)	(0)	0	0
Net-of-tax amount	1	(0)	9
Foreign currency translation adjustments:			
Arising during the year	(2,232)	2,081	(20,110)
Reclassification adjustment	—	20	—
Net-of-tax amount	(2,232)	2,102	(20,110)
Remeasurements of defined benefit plans:			
Arising during the year	(1,120)	2,615	(10,091)
Reclassification adjustment	(787)	(166)	(7,091)
Before tax amount	(1,907)	2,449	(17,182)
Tax expense	94	(244)	847
Net-of-tax amount	(1,812)	2,204	(16,326)
Share of other comprehensive income of affiliates accounted for by equity method:			
Arising during the year	2,594	(1,775)	23,371
Reclassification adjustment	—	—	—
Net-of-tax amount	2,594	(1,775)	23,371
Total other comprehensive income	¥ (5,661)	¥ 1,702	$ (51,005)

16. Per Share Information

(a) Earnings per share

Earnings per share, and reconciliation of the numbers and the amounts used in the earnings per share computations for the years ended March 31, 2019 and 2018 are as follows:

	Yen		U.S. dollars
	2019	2018	2019
Earnings per share	¥ 257.46	¥ 281.39	$ 2.32

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit attributable to owners of parent	¥ 55,000	¥ 60,531	$495,540
Profit not applicable to common stockholders	—	—	—
Profit attributable to common stockholders of parent	¥ 55,000	¥ 60,531	$495,540

	Number of shares	
	2019	2018
Weighted average number of shares outstanding on which earnings per share is calculated	213,630,153	215,117,047

The diluted earnings per share for the years ended March 31, 2019 and 2018 are not presented because there are no dilutive potential shares as of March 31, 2019 and 2018.

(b) Net assets per share

Net assets per share as of March 31, 2019 and 2018 are as follows:

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	¥2,354.25	¥2,187.99	$ 21.21

17. Leases

Operating lease

Future minimum lease payments required under non-cancellable operating leases as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Within one year	¥ 1,839	¥ 1,238	$16,569
Over one year	2,273	2,846	20,479
	¥ 4,112	¥ 4,084	$37,048

18. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corporation as of March 31, 2019 and 2018.

Balances with the company as of March 31, 2019 and 2018 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balances:			
Trade accounts receivable	¥ 10,789	¥ 13,089	$ 97,207
Transactions:			
Sales	38,251	37,670	344,635

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. as of March 31, 2019 and 2018.

As of March 31, 2019 and 2018, the Company has guaranteed ¥5,629 million ($50,716 thousand) and ¥7,001 million of the company's loans to financial institutions, respectively.

The affiliated company of the Company has a 35% and 26.25% equity ownership in CARIBBEAN GAS CHEMICAL LTD. as of March 31, 2019 and 2018, respectively.

As of March 31, 2019 and 2018, the Company has guaranteed ¥25,991 million ($234,174 thousand) and ¥17,682 million of the company's loans to financial institutions.

The condensed financial information of all of 16 affiliates (16 in 2018) accounted for by the equity method, including the significant affiliates, Japan Saudi Arabia Methanol Company, Inc. and METANOL DE ORIENTE, METOR, S.A., are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total current assets	¥ 260,013	¥ 205,101	$2,342,671
Total non-current assets	196,780	216,184	1,772,953
Total current liabilities	123,252	125,081	1,110,478
Total non-current liabilities	69,524	68,886	626,399
Total net assets	264,016	227,318	2,378,737
Sales	367,395	361,599	3,310,163
Profit before income taxes	114,530	73,569	1,031,895
Profit	72,945	43,652	657,221

19. Commitments and Contingencies

The Company guarantees certain obligations of its associated companies and employees, etc. As of March 31, 2019 and 2018, guarantees for affiliates and employees, etc. loans amounted to ¥35,111 million ($316,344 thousand) and ¥25,160 million, respectively.

20. Financial Instruments

Conditions of financial instruments

(a) Management policy

MGC raises necessary funds through bank borrowings and issue of bonds in accordance with a funds management plan. Surplus funds are invested in highly safe financial instruments. MGC raises funds through bank borrowings for short-term operating fund. MGC uses derivatives to avoid risks mentioned below and does not enter into derivatives for speculative purposes.

(b) Financial instruments and risks

Trade notes and accounts receivable are exposed to customer's credit risk. Maturities of trade notes and accounts payable are mostly within one year. Part of trade receivables and payables is denominated in foreign currency and is exposed to fluctuation risk of foreign exchange rates. MGC uses foreign exchange contracts to hedge the net position.

Short-term investments and investments in securities are mainly held-to-maturity bonds and equity securities held for business relations and are exposed to market fluctuation risk.

Borrowings, bonds and lease obligations for finance leases are mainly for financing of funds for capital expenditure and operating. Part of the liabilities is with variable interest rate and thus is exposed to interest rate fluctuation risk. MGC uses interest rate swaps to hedge the risk.

MGC uses foreign exchange contracts to hedge future fluctuation of foreign exchange rates of operating receivables and payables and forecasted transactions denominated in foreign currencies, interest rate swaps and currency swaps to hedge future fluctuation of interest rates and foreign exchange rates of borrowings.

Hedge accounting is applied for certain derivative transactions. MGC applies the deferral hedge accounting method for hedge accounting. MGC has entered into forward exchange contracts for receivables and payables and forecasted transactions denominated in foreign currencies, and interest rate swap agreements to manage interest rate exposures on certain borrowings. Hedges for fluctuation risk of foreign exchange rates that meet certain criteria are accounted for using the allocation method. If interest rate swap agreements are used as hedges and meet certain hedging criteria, the difference in amounts to be paid or received on the interest rate swap agreements is recognized over the life of the agreements as an adjustment to interest expense. MGC employs derivative transactions within actual demand and does not hold or issue derivative financial instruments for speculative purposes. The hedge effectiveness is assessed based on the fluctuation ratio of hedged items and hedging instruments by comparing the cumulative market fluctuations or cash flow fluctuations of hedged items and those of related hedging instruments. The Company omits to assess hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet certain criteria.

(c) Financial instruments risk management

(i) Credit risk

To mitigate and quickly capture the collectability issues, sales administration divisions regularly monitor major customers' credit status, and perform due date controls and balance controls for each customer in accordance with trade receivables and credit control rules. Held-to-maturity securities are debt securities readily convertible into cash which are invested in accordance with investment of surplus funds rules.

Maximum risk as of March 31, 2019 and 2018 is represented by the carrying amount of financial assets exposed to credit risk.

(ii) Market risk

The finance departments have executed the transactions with market risk with the director's approval in accordance with the finance rules and the derivatives control rules.

To mitigate the foreign currency fluctuation risk recognized by currency and month, MGC enters into a forward exchange contract for hedging the cash flow fluctuation risk associated with operating receivables and payables and forecasted transactions denominated in foreign currencies and surplus funds. To mitigate the foreign currency and interest rate fluctuation risk, MGC enters into an interest rate swap and a currency swap for hedging the cash flow fluctuation risk associated with borrowings.

MGC regularly monitors a price and an issuer's financial condition, and continuously considers whether MGC holds the short-term investments or the investments in securities except for held-to-maturity bond.

(iii) Liquidity risk

To mitigate the liquidity risk, a finance department prepares and updates a funds management plan as necessary, and maintains an appropriate level of liquidity.

(d) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in **Fair value of financial instruments** does not represent the market risk of the derivative transactions.

Fair value of financial instruments

Balance sheet amount, fair value, and differences as of March 31, 2019 and 2018 are as follows.

Financial instruments, of which it is extremely difficult to measure the fair value, are not included in the table below. (Please see "<2> Financial instruments of which the fair value is extremely difficult to measure.")

March 31, 2019	Millions of yen: Balance sheet amount	Millions of yen: Fair value	Millions of yen: Differences	Thousands of U.S. dollars: Balance sheet amount	Thousands of U.S. dollars: Fair value	Thousands of U.S. dollars: Differences
Assets:						
(1) Cash	¥ 91,130	¥ 91,130	¥ —	$ 821,065	$ 821,065	$ —
(2) Trade notes and accounts receivable	155,507	155,507	—	1,401,090	1,401,090	—
(3) Short-term investments and investments in securities	45,692	44,976	(716)	411,677	405,226	(6,451)
Total assets	¥ 292,330	¥ 291,614	¥ (716)	$2,633,841	$2,627,390	$ (6,451)
Liabilities:						
(1) Trade notes and accounts payable	¥ 80,089	¥ 80,089	¥ —	$ 721,588	$ 721,588	$ —
(2) Short-term borrowings	58,749	58,749	—	529,318	529,318	—
(3) Accrued expenses	20,493	20,493	—	184,638	184,638	—
(4) Bonds	10,000	10,058	58	90,098	90,621	523
(5) Long-term borrowings	26,615	27,513	898	239,796	247,887	8,091
Total liabilities	¥ 195,947	¥ 196,904	¥ 956	$1,765,447	$1,774,070	$ 8,613
Derivative transactions (*):						
Hedge accounting not applied	¥ (19)	¥ (19)	¥ —	$ (171)	$ (171)	$ —
Hedge accounting applied	1	(3)	(4)	9	(27)	(36)
Total derivative transactions	¥ (17)	¥ (22)	¥ (4)	$ (153)	$ (198)	$ (36)

March 31, 2018	Millions of yen: Balance sheet amount	Millions of yen: Fair value	Millions of yen: Differences
Assets:			
(1) Cash	¥ 101,090	¥ 101,090	¥ —
(2) Trade notes and accounts receivable	165,606	165,606	—
(3) Short-term investments and investments in securities	51,968	53,638	1,670
Total assets	¥ 318,665	¥ 320,335	¥ 1,670
Liabilities:			
(1) Trade notes and accounts payable	¥ 88,720	¥ 88,720	¥ —
(2) Short-term borrowings	71,155	71,155	—
(3) Accrued expenses	16,591	16,591	—
(4) Bonds	10,000	10,074	74
(5) Long-term borrowings	25,328	25,965	636
Total liabilities	¥ 211,795	¥ 212,507	¥ 711
Derivative transactions (*):			
Hedge accounting not applied	¥ (124)	¥ (124)	¥ —
Hedge accounting applied	(0)	(9)	(9)
Total derivative transactions	¥ (124)	¥ (134)	¥ (9)

*Derivative receivables and payables are on net basis. Items that are net payables are shown in parenthesis.

<1> Fair value measurement of financial instruments

Assets:

- Cash and Trade notes and accounts receivable
  The carrying amount approximates fair value because of the short maturity of these instruments.
- Short-term investments and Investments in securities
  The fair value of equity securities is calculated by quoted market price and the fair value of bond securities is estimated based on quotes from counterparties. Please see note 4 Short-term Investments and Investments in Securities for information by category.

Liabilities:

- Trade notes and accounts payable, Short-term borrowings, and Accrued expenses
  The carrying amount approximates fair value because of the short maturity of these instruments.
- Bonds
  The fair value of bonds issued by the Company is calculated by market price.
- Long-term borrowings
  Fair value of long-term borrowings is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Derivative Transactions:
Please see note 21 Derivative Financial Instruments.

<2> Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen: 2019	Millions of yen: 2018	Thousands of U.S. dollars: 2019
Unlisted equity securities	¥ 131,342	¥ 109,545	$1,183,368

*It is extremely difficult to measure the fair value, and thus above are not included in "Assets (3) Short-term investments and investments in securities."

<3> Projected future redemption of monetary claim and securities with maturities as of March 31, 2019

Millions of yen	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash	¥ 91,130	¥ —	¥ —	¥ —
(2) Trade notes and accounts receivable	155,507	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	0	0	—	—
Total	¥ 246,637	¥ 0	¥ —	¥ —

Thousands of U.S. dollars	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash	$ 821,065	$ —	$ —	$ —
(2) Trade notes and accounts receivable	1,401,090	—	—	—
(3) Short-term investments and investments in securities:				
Held-to-maturity securities:				
Government bonds	0	0	—	—
Total	$ 2,222,155	$ 0	$ —	$ —

<4> The annual maturities of the bonds and long-term borrowings as of March 31, 2019

Millions of yen	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥ —	¥ 10,000	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	15,511	4,700	7,829	3,257	2,334	8,493

Thousands of U.S. dollars	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	$ —	$ 90,098	$ —	$ —	$ —	$ —
Long-term borrowings	139,751	42,346	70,538	29,345	21,029	76,520

21. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2019 and 2018 are summarized as follows:

Derivative financial instruments to which hedge accounting is not applied are summarized as follows:

(a) Forward exchange contracts and currency swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2019			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 14,668	¥ (29)	¥ (29)
Euro	2,068	2	2
Thai Baht	93	(0)	(0)
New Taiwan dollar	533	4	4
To buy foreign currency:			
U.S. dollar	529	(3)	(3)
Canadian dollar	986	(18)	(18)
New Taiwan dollar	0	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	545	8	8
Receive/U.S. dollar, Pay/Thai Baht	554	(7)	(7)
	¥ 19,981	¥ (43)	¥ (43)
March 31, 2018			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 17,305	¥ (0)	¥ (0)
Euro	2,289	17	17
New Taiwan dollar	554	(7)	(7)
To buy foreign currency:			
U.S. dollar	654	3	3
Canadian dollar	1,008	(40)	(40)
New Taiwan dollar	5	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	547	(18)	(18)
Receive/U.S. dollar, Pay/Thai Baht	582	(20)	(20)
	¥ 22,946	¥ (67)	¥ (67)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2019			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	$ 132,156	$ (261)	$ (261)
Euro	18,632	18	18
Thai Baht	838	(0)	(0)
New Taiwan dollar	4,802	36	36
To buy foreign currency:			
U.S. dollar	4,766	(27)	(27)
Canadian dollar	8,884	(162)	(162)
New Taiwan dollar	0	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	4,910	72	72
Receive/U.S. dollar, Pay/Thai Baht	4,991	(63)	(63)
	$ 180,025	$ (387)	$ (387)

* The fair value of forward exchange contracts and currency swap agreements is estimated based on quotes from counterparties.

(b) Interest rate swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2019			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 4,588	¥ 24	¥ 24
March 31, 2018			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 5,979	¥ (57)	¥ (57)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2019			
Interest rate swap agreements:			
Receive/floating and pay/fixed	$ 41,337	$ 216	$ 216

*The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

Derivative financial instruments to which hedge accounting is applied are summarized as follows:

(a) Forward exchange contracts

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2019			
Forward exchange contracts:			
To sell foreign currency:	**Accounts receivable**		
U.S. dollar		¥ 1,519	¥ (20)
To buy foreign currency:	**Accounts payable**		
U.S. dollar		20	0
To sell foreign currency:	**Forecasted transactions**		
U.S. dollar		5	0
To buy foreign currency:	**Forecasted transactions**		
U.S. dollar		1,038	1
		¥ 2,583	¥ (18)
March 31, 2018			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		¥ 1,495	¥ 45
To sell foreign currency:	Forecasted transactions		
U.S. dollar		7	(0)
To buy foreign currency:	Forecasted transactions		
U.S. dollar		23	(0)
		¥ 1,526	¥ 44

	Hedged items	Thousands of U.S. dollars	
		Contract or notional amounts	Fair value
March 31, 2019			
Forward exchange contracts:			
To sell foreign currency:	**Accounts receivable**		
U.S. dollar		$ 13,686	$ (180)
To buy foreign currency:	**Accounts payable**		
U.S. dollar		180	0
To sell foreign currency:	**Forecasted transactions**		
U.S. dollar		45	0
To buy foreign currency:	**Forecasted transactions**		
U.S. dollar		9,352	9
		$ 23,272	$ (162)

*The fair value of forward exchange contracts is estimated based on quotes from counterparties.

(b) Interest rate swap agreements

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2019			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**Long-term borrowings**	¥ 980	¥ (5)
March 31, 2018			
Interest rate swap agreements:			
Receive/floating and pay/fixed	Long-term borrowings	¥ 2,535	¥ (9)

	Hedged items	Thousands of U.S. dollars	
		Contract or notional amounts	Fair value
March 31, 2019			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**Long-term borrowings**	$ 8,830	$ (45)

* The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

22. Investment and Rental Property

The Company and certain consolidated subsidiaries own land and buildings for rent in Tokyo and other areas (hereafter "rental property").

The amounts recognized in the consolidated balance sheet and fair values related to the rental property for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Consolidated balance sheet amount:			
Balance at beginning of the year	¥ 11,642	¥ 10,828	$ 104,892
Increase/(decrease)	3,507	814	31,597
Balance at end of the year	¥ 15,150	¥ 11,642	$ 136,499
Fair value	¥ 18,096	¥ 14,410	$ 163,042

Notes:

1. Consolidated balance sheet amount is its cost minus accumulated depreciation and accumulated impairment loss.
2. Increase for the years ended March 31, 2019 and 2018 were mainly due to new rents executed by the Company of ¥3,778 million ($34,039 thousand) and ¥1,093 million, respectively.
3. Fair value is based on roadside value, etc.

Rent income from the rental property is ¥400 million ($3,604 thousand) and ¥334 million for the years ended March 31, 2019 and 2018, respectively.

Gain on sales from the rental property is none and ¥144 million for the years ended March 31, 2019 and 2018, respectively.

23. Subsequent Events

(a) Purchase and retirement of treasury stock

At the Board of Directors on May 13, 2019, the Company resolved to purchase its treasury stock in accordance with provisions of the Articles of Incorporation of the Company under the Article 459, Paragraph 1 of the Companies Act and to retire its treasury stock in accordance with provisions of the Article 178 of the Companies Act.
(i) Reason for the purchase and retirement of treasury stock
In order to enhance shareholder returns, improve capital efficiency and execute flexible capital policy that adopt to changes in business environment.
(ii) Detail of shares to be purchased
1) Type of shares to be purchased
Common stock
2) Number of shares to be purchased
Up to 2,700,000 shares
3) Aggregate purchase amount
Up to ¥4,000 million ($36,039 thousand)
4) Purchase period
From May 14, 2019 to July 29, 2019
5) Purchase method
Market purchases
(iii) Detail of shares to be retired
1) Type of shares to be retired
Common stock
2) Number of shares to be retired
2,700,000 shares
3) Number of issued shares after the retirement
229,039,199 shares
4) Retirement date
May 27, 2019

(b) Changes in scheme of the joint venture business of the Company's affiliates accounted for by the equity method

The Company's affiliates accounted for by the equity method, Japan Saudi Arabia Methanol Company, Inc. (JSMC) and Saudi Basic Industries Corp. (SABIC), reached an agreement regarding the Saudi Methanol Company (AR-RAZI), whose joint venture agreement was set to expire. Based on this agreement, JSMC will sell 50% of its shares in AR-RAZI (25% of all AR-RAZI shares) to SABIC for US$150 million to make the shareholding ratio to 25:75. In addition, JSMC and SABIC concluded an agreement to extend the term of the new scheme joint venture including the following conditions by 20 years.
(i) Payment of consideration for the extension of the term of the joint venture ($1,350 million) by JSMC to SABIC.
(ii) With an eye to promoting energy conservation, the Company will discuss undertaking the commercialization of new methanol technology with SABIC while considering utilizing such technology to renew its AR-RAZI methanol plants.

Decreasing in JSMC's equity ownership in AR-RAZI, and the amount equivalent to amortization cost on consideration for the extension of the term of the joint venture will be reflected ton equity in earnings of affiliates in the consolidated financial statements from the year ending March 31, 2020. In addition, equity in earnings of affiliates will decrease by ¥6.7 billion due to a loss on sales of these shares.

1. Reason of the agreement
Having performed a comprehensive examination of the agreed new scheme joint venture's economic rationality, including profitability, the various risk factors it faces and other considerations, it was determined to continue the agreed new scheme joint venture business for 20 years, and the Company agreed on this determination as a shareholder.
2. Name of contract parties
Japan Saudi Arabia Methanol Company, Inc. (The Company's affiliate accounted for by the equity method)
Saudi Basic Industries Corp.
3. Date of this agreement
June 24, 2019
4. Outline of joint venture subjected to agreement
Name: Saudi Methanol Company
Business activities: Manufacturing and sales of Methanol

24. Segment Information

The Company introduced company-based organization for clarifying management's responsibility in operation and for managing efficiently. Each company develops a business strategy for their products and services and conducts business.

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results. "Natural gas chemicals business," "Aromatic chemicals business," "Specialty chemicals business" and "Information and advanced materials business" are the Company's reported segments.

Natural gas chemicals business mainly produces and sells methanol, ammonia, amines, methacrylates, polyols, functional food materials and crude oil.

Aromatic chemicals business mainly produces and sells meta-xylenediamine, MX-Nylon, meta-xylene, purified isophthalic acid and foaming plastics.

Specialty chemicals business mainly produces and sells inorganic chemicals and engineering plastics.

Information and advanced materials business mainly produces and sells printed circuit board materials and oxygen absorber (AGELESS®).

Segment sales, profit, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment profit are calculated based on "Keijo-rieki" disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 25). Intersegment revenue and transfer are based on arm's-length transactions.

(Changes in the calculation method of profit or loss in reportable segments)

The Company reviewed the methods to adjust intersegment transactions and allocate company-wide expenses in order to evaluate and manage each reportable segment's performance more appropriately. From the year ended March 31, 2019, the method to calculate profit or loss of business segments has been changed. Segment information in the year ended March 31, 2018 has been prepared by using the revised calculation method.

(Changes due to application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

As described in 1. Summary of Significant Accounting Policies, the Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting"(ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the year ended March 31, 2019. Accordingly, segments assets as of March 31, 2018 are those after retrospective application of this standard.

The reported segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2019 and 2018 is summarized as follows:

	Millions of yen 2019						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 180,554	¥ 211,123	¥ 204,634	¥ 51,986	¥ 686	¥ —	¥ 648,986
Inter-segment sales	7,770	593	1,099	9	127	(9,601)	—
	¥ 188,325	¥ 211,717	¥ 205,734	¥ 51,996	¥ 814	¥ (9,601)	¥ 648,986
Segment profit	¥ 22,665	¥ 13,961	¥ 28,206	¥ 4,480	¥ 480	¥ (594)	¥ 69,199
Segment assets	¥ 204,278	¥ 211,795	¥ 238,546	¥ 72,484	¥ 30,606	¥ 46,326	¥ 804,038
Others:							
Depreciation and amortization	¥ 5,512	¥ 8,734	¥ 8,710	¥ 3,616	¥ 19	¥ 858	¥ 27,451
Amortization of goodwill	—	260	—	—	—	—	260
Interest income	81	218	265	38	0	36	642
Interest expenses	76	772	633	109	7	(582)	1,018
Equity in earnings (losses) of affiliates	19,402	7	7,875	783	340	—	28,408
Investments in affiliates accounted for by the equity method	74,222	464	22,230	10,520	4,178	800	112,417
Capital expenditures	5,792	14,630	14,406	2,303	0	2,146	39,279

	Millions of yen 2018						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	¥ 167,035	¥ 212,050	¥ 203,561	¥ 52,735	¥ 526	¥ —	¥ 635,909
Inter-segment sales	7,697	1,102	1,534	39	79	(10,454)	—
	¥ 174,733	¥ 213,152	¥ 205,096	¥ 52,774	¥ 606	¥ (10,454)	¥ 635,909
Segment profit	¥ 14,277	¥ 24,570	¥ 37,988	¥ 5,566	¥ 261	¥ (1,952)	¥ 80,711
Segment assets	¥ 182,960	¥ 214,587	¥ 232,967	¥ 76,921	¥ 31,174	¥ 47,075	¥ 785,687
Others:							
Depreciation and amortization	¥ 5,145	¥ 8,527	¥ 9,170	¥ 3,595	¥ 19	¥ 568	¥ 27,027
Amortization of goodwill	—	241	0	—	129	—	370
Interest income	70	190	212	27	0	(17)	485
Interest expenses	89	644	650	107	7	(429)	1,069
Equity in earnings (losses) of affiliates	9,391	(121)	7,930	899	177	—	18,277
Investments in affiliates accounted for by the equity method	56,916	457	22,344	10,318	3,548	(88)	93,496
Capital expenditures	6,076	11,301	11,004	1,937	0	640	30,959

	Thousands of U.S. dollars 2019						
	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
Sales:							
Sales to third parties	$ 1,626,759	$ 1,902,180	$ 1,843,716	$ 468,385	$ 6,181	$ —	$ 5,847,247
Inter-segment sales	70,006	5,343	9,902	81	1,144	(86,503)	—
	$ 1,696,774	$ 1,907,532	$ 1,853,626	$ 468,475	$ 7,334	$ (86,503)	$ 5,847,247
Segment profit	$ 204,208	$ 125,786	$ 254,131	$ 40,364	$ 4,325	$ (5,352)	$ 623,471
Segment assets	$ 1,840,508	$ 1,908,235	$ 2,149,257	$ 653,068	$ 275,755	$ 417,389	$ 7,244,238
Others:							
Depreciation and amortization	$ 49,662	$ 78,692	$ 78,476	$ 32,580	$ 171	$ 7,730	$ 247,329
Amortization of goodwill	—	2,343	—	—	—	—	2,343
Interest income	730	1,964	2,388	342	0	324	5,784
Interest expenses	685	6,956	5,703	982	63	(5,244)	9,172
Equity in earnings (losses) of affiliates	174,809	63	70,952	7,055	3,063	—	255,951
Investments in affiliates accounted for by the equity method	668,727	4,181	200,288	94,783	37,643	7,208	1,012,857
Capital expenditures	52,185	131,814	129,795	20,750	0	19,335	353,897

Notes:

1. Other includes listed affiliates and real estate business which are not included in reported segments.
2. Adjustments in the above tables are made for the followings:

(1) Adjustments in segment profit

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Elimination of intersegment transactions	¥ 95	¥ 99	$ 856
Unallocated company-wide expenses	(689)	(2,052)	(6,208)
	¥ (594)	¥ (1,952)	$ (5,352)

* Company-wide expenses are administrative expenses, financial income and expenses and other income and expenses which are not allocated to reported segments.

(2) Adjustments in segment assets

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Elimination of intersegment balances	¥ (39,154)	¥ (43,009)	$ (352,771)
Unallocated company-wide assets	85,480	90,084	770,159
	¥ 46,326	¥ 47,075	$ 417,389

*Company-wide assets are cash, investments in securities, and deferred taxes assets which are not allocated to reported segments.

(3) "Adjustments in depreciation and amortization" of ¥858 million ($7,730 thousand) and ¥568 million are depreciation and amortization of company-wide assets which are not allocated to reported segments for the years ended March 31, 2019 and 2018, respectively.

(4) "Adjustments in interest income" of ¥36 million ($324 thousand) and ¥(17) million are mainly elimination of intersegment transactions for the years ended March 31, 2019 and 2018, respectively.

(5) "Adjustments in interest expenses" of ¥(582) million ($ (5,244) thousand) and ¥(429) million are mainly elimination of intersegment transactions for the years ended March 31, 2019 and 2018, respectively.

(6) "Adjustments in investments in affiliates accounted for by the equity method" of ¥800 million ($7,208 thousand) and ¥(88) million are mainly investments which are not allocated to reported segments for the years ended March 31, 2019 and 2018, respectively.

(7) "Adjustments in capital expenditures" of ¥2,146 million ($19,335 thousand) and ¥640 million are related to company-wide assets which are not allocated to reported segments for the years ended March 31, 2019 and 2018, respectively.

3. Segment profit is adjusted with "Keijo-rieki" disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 25).

Related information

1. Information by products and services
   Disclosures are omitted because the classification of products and services are same as the classification of the reported segments.

2. Geographical information
   (1) Sales

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Japan	¥ 298,538	¥ 282,671	$ 2,689,774
Asia:			
China	79,518	95,707	716,443
Other	171,965	149,533	1,549,374
U.S.A.	51,086	51,367	460,276
Other	47,876	56,630	431,354
Total	¥ 648,986	¥ 635,909	$ 5,847,247

Note: Geographical sales are classified by customer's location.

(2) Property, plant and equipment

	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Japan	¥ 167,089	¥ 162,150	$ 1,505,442
Asia	35,086	36,732	316,119
U.S.A.	22,930	18,206	206,595
Other	3,385	3,628	30,498
Total	¥ 228,492	¥ 220,717	$ 2,058,672

Note: Property, plant and equipment located in the U.S.A has been separately presented from the year ended March 31, 2019 since the amount has exceeded 10% of property, plant and equipment in the consolidated balance sheet. Figures as of March 31, 2018 have been reclassified to conform to the presentation used for the year ended March 31, 2019.

3. Information by major customers
   Disclosures are omitted because no particular customer whose sales are over 10% of sales in the consolidated statement of income exists.

Information of impairment loss on fixed assets by reported segments

There was no impairment loss on fixed assets for the year ended March 31, 2019.

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
	Millions of yen						
	2018						
Impairment loss	¥ —	¥ —	¥ 11	¥ —	¥ —	¥ —	¥ 11

Information of balance of goodwill by reported segments

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
	Millions of yen						
	2019						
Goodwill	¥ —	¥ 3,841	¥ —	¥ —	¥ —	¥ —	¥ 3,841

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
	Millions of yen						
	2018						
Goodwill	¥ —	¥ 3,911	¥ 0	¥ —	¥ —	¥ —	¥ 3,911

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other	Adjustments	Consolidated
	Thousands of U.S. dollars						
	2019						
Goodwill	$ —	$ 34,607	$ —	$ —	$ —	$ —	$ 34,607

Information of negative goodwill incurred by reported segments

No negative goodwill was incurred for the years ended March 31, 2019 and 2018.

25. The Statement of Income Disclosure under Accounting Principles Generally Accepted in Japan

Under accounting principles generally accepted in Japan, an ordinary income, "Keijo-rieki" should be disclosed in the statement of income. The ordinary income is an income figure with certain adjustments made to profit before income taxes.

Followings are the summary information of the statement of income under accounting principles generally accepted in Japan.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Sales	¥ 648,986	¥ 635,909	$ 5,847,247
Gross profit	136,129	154,583	1,226,498
Operating income	41,386	62,741	372,880
Ordinary income	69,199	80,711	623,471
Profit before income taxes	69,066	73,421	622,272
Profit	59,979	65,933	540,400

Crowe

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Independent Auditor's Report

To the Board of Directors of
Mitsubishi Gas Chemical Company,Inc.

We have audited the accompanying consolidated financial statements of Mitsubishi Gas Chemical Company,Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2019, and the consolidated statement of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mitsubishi Gas Chemical Company,Inc. and its consolidated subsidiaries as of March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Crowe Toyo & Co.

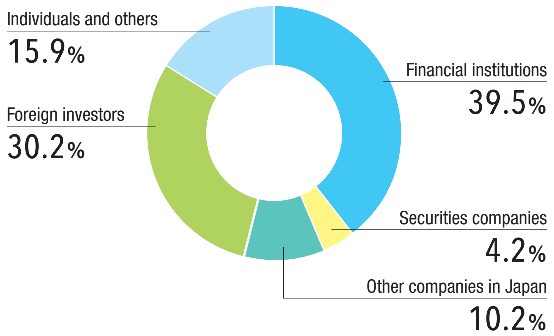
Crowe Toyo & Co.
Tokyo, Japan
June 25, 2019

Shareholder Information

Information for Shareholders (As of March 31, 2019)

Listing
First Section of the Tokyo Stock Exchange
Ticker symbol
4182
Total number of authorized shares
492,428,000
Number of outstanding shares
231,739,199
Stock transaction units
100 - shares
Number of shareholders
23,235

Composition of shareholders

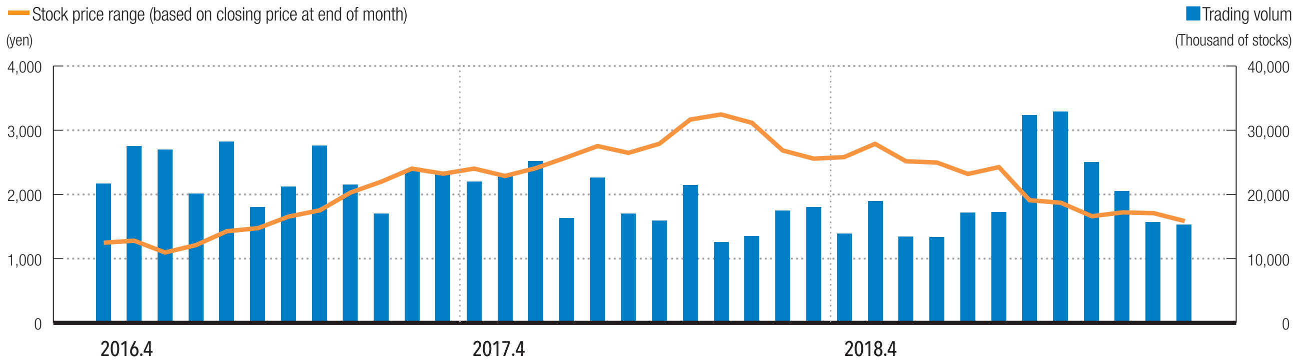


Major shareholders

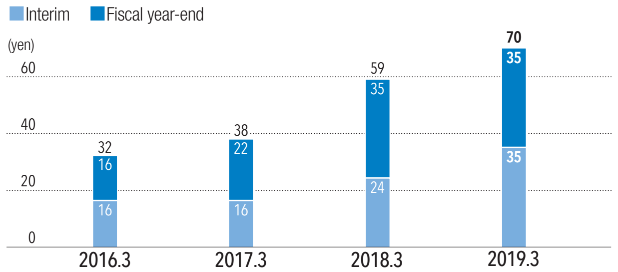
Name of shareholder	Number of shares held (thousands)	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,639	5.9%
Japan Trustee Services Bank, Ltd. (Trust Account)	11,793	5.5%
Meiji Yasuda Life Insurance Company	8,797	4.1%
Nippon Life Insurance Company	8,795	4.1%
The Norinchukin Bank	5,026	2.4%
AGC Inc.	4,835	2.3%
SSBTC CLIENT OMNIBUS ACCOUNT	4,577	2.1%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,950	1.8%
JPMorgan Securities Japan Co., Ltd.	3,380	1.6%
The Bank of Yokohama,Ltd.	3,085	1.4%

1. MGC holds 18,099 thousand shares of treasury stock, which is not included in the above list of major shareholders.
2. Percentage to Total Shares Outstanding does not include treasury stock.

Monthly stock price range and trading volume



Dividend per share



Notes: With and effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis. As a result, the share price, market trading volume and dividend per share in the graph are calculated assuming that the reverse stock split had been conducted at the beginning of April, 2015.