



FY2020 Results Presentation

 **mitsubishi GAS CHEMICAL COMPANY, INC.**

May 13, 2021

TSE 4182



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Profits grew, driven largely by buoyant demand for semiconductor-related products and optical resin polymers, despite H1 headwinds from pandemic

- Net sales: Down YoY, largely due to decreased unit sales of general-purpose aromatic chemicals and foamed plastics
- Operating profit: (+) Growth in unit sales of semiconductor-related products and optical resin polymers
(+) Lower feedstock/fuel prices than in FY2019
(+) ~¥3bn of incremental profit* booked in “other” segment in Q4
*Profit growth in energy resources business due to increased wholesale electricity prices
(-) Pandemic impacts (-¥5bn YoY in H1), increase in fixed expenses (e.g., repairs)
- Equity-method income: Profit growth due largely to nonrecurrence of Saudi Arabian JV’s FY2019 one-time expenses (¥7.8bn)
- Actual vs. forecast: Several businesses, including energy resources and engineering plastics, outperformed their forecasts
- DPS: ¥70 (¥35 interim + ¥35 year-end dividend*), unchanged YoY and in line with forecast

*Scheduled to be formally authorized by Board of Directors on May 26, 2021

FY2020 Results



【JPY in billions】

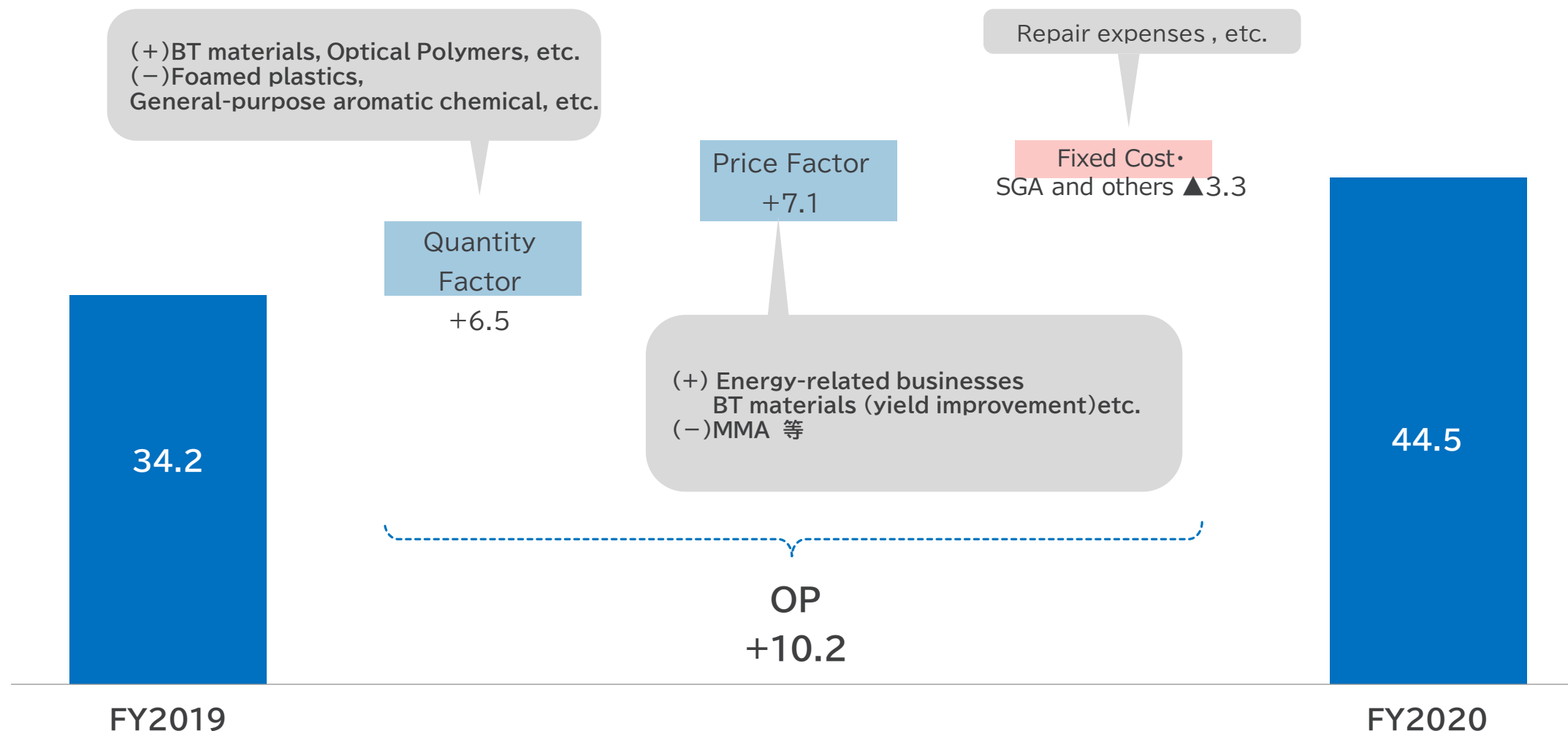
	FY2020	FY2019	Changes		FY2020 Previous Forecast*
			Amount	%	
Net Sales	595.7	613.3	▲17.6	▲2.9%	590.0
Operating Income	44.5	34.2	10.2	29.9%	36.0
(Equity in earnings of affiliates)	(5.1)	(▲1.2)	(6.4)	-	(5.4)
Ordinary Income	50.2	31.1	19.1	61.5%	40.0
Net income before taxes	48.9	34.3	14.6	42.5%	38.0
Net income attributable to owners of the parent	36.0	21.1	14.9	70.5%	30.0
*Announced on Feb4,2021					
E P S (JPY)	173.41	100.50			
R O E (%)	7.1	4.3			
R O I C※ (%)	7.7	4.9			
FX(JPY/USD)	106	109			

Figures shown on this and the following pages are rounded down to the closest 0.1 billion. Percentages are rounded off to the closest whole number.

※ROIC=Ordinary income/invested capital

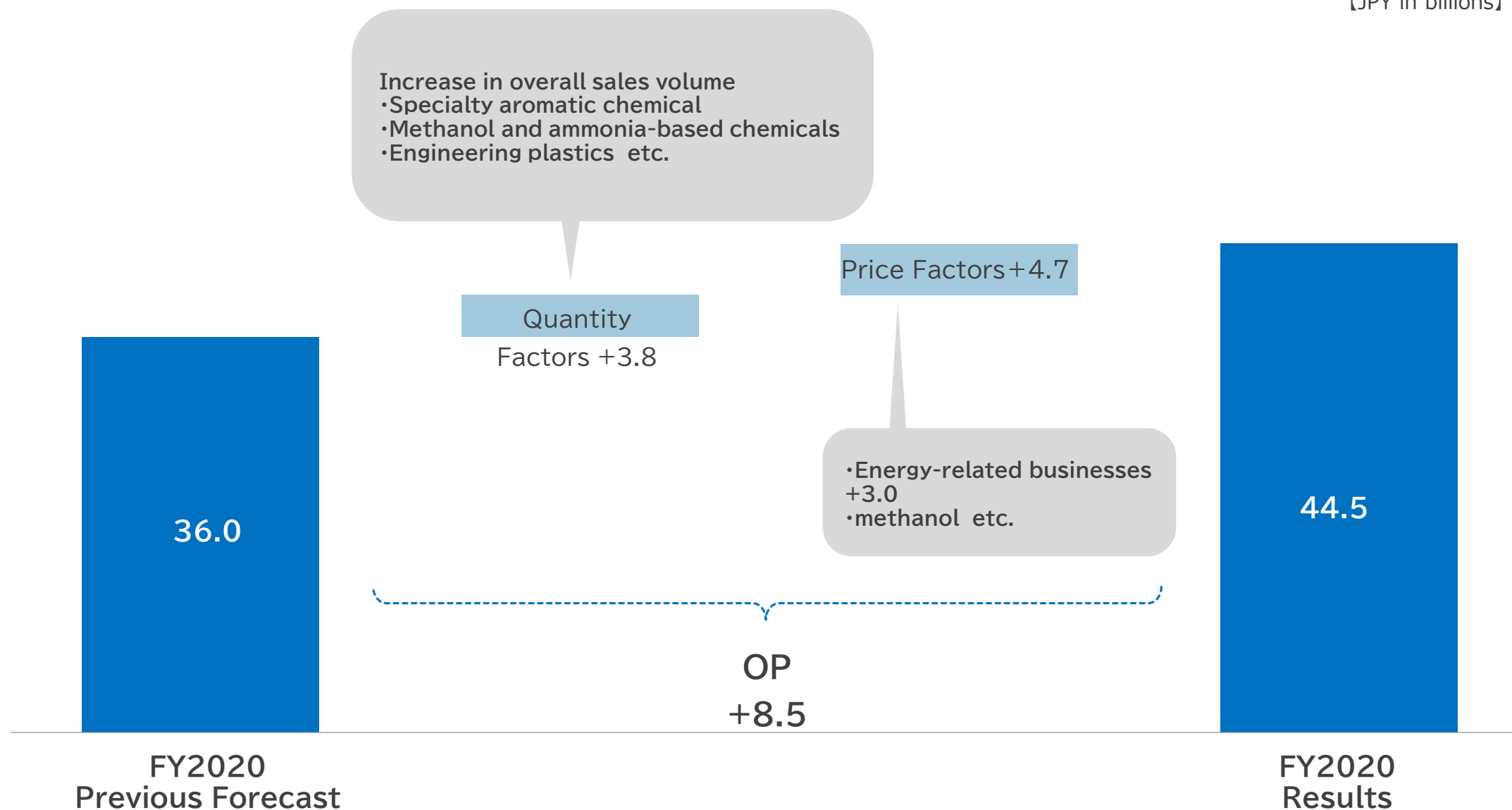
FY2020 Increase and decrease factors of Operating Income

【JPY in billions】



FY2020 Increase and decrease factors of Operating Income

【JPY in billions】



FY2020 Non-Operating & Extraordinary Items

【JPY in billions】



	FY2020	FY2019	Changes
Non-Operating items	5.7	▲ 3.1	8.8
Equity in earnings of affiliates	5.1	▲ 1.2	6.4
Financial income or losses	1.9	1.8	0.1
Foreign exchange gains or losses	0.8	▲ 1.3	2.2
Others	▲ 2.2	▲ 2.3	0.0
Extraordinary income	2.3	13.4	▲ 11.0
Gains on sales of investment securities	1.8	2.6	▲ 0.8
Gain on sales of non-current assets	0.2	0.8	▲ 0.6
Subsidy income	0.1	6.7	▲ 6.6
Reversal of provision for loss on guarantees	-	1.0	▲ 1.0
Gain on step acquisitions	-	1.0	▲ 1.0
Others	0.1	1.0	▲ 0.9
Extraordinary losses	▲ 3.6	▲ 10.2	6.5
Impairment losses	▲ 1.6	▲ 0.3	▲ 1.3
Loss on tax purpose reduction entry of non-current assets	-	▲ 5.6	5.6
Provision for loss on liquidation of subsidiaries and associates	-	▲ 1.0	1.0
Others	▲ 1.9	▲ 3.0	1.1

- **Equity in earnings of affiliates**
Basic Chemicals +6.8
Specialty Chemicals ▲0.5

FY2020 Balance Sheets

【JPY in billions】 

	Mar31,2021	Mar31,2020	Change
Current Assets	402.1	358.6	43.4
Cash and deposits	101.7	78.2	23.5
Trade notes and Accounts receivable	159.0	141.2	17.7
Inventories	121.2	114.7	6.4
Others	20.0	24.3	▲ 4.3
Non-current Assets	434.2	413.0	21.1
Tangible assets	249.9	239.8	10.0
Intangible assets	10.4	10.5	▲ 0.0
Investments and other assets	173.7	162.6	11.1
Total Assets	836.3	771.7	64.6

	Mar31,2021	Mar31,2020	Change
Liabilities	254.9	223.5	31.3
Trade note and accounts Payable	75.3	70.7	4.5
Interest-bearing debt	98.4	74.7	23.7
Others	81.1	78.1	3.0
Net Assets	581.4	548.1	33.2
Shareholders' equity	514.4	494.3	20.1
Accumulated other comprehensive income	9.7	▲ 1.7	11.5
Non controlling interest	57.1	55.6	1.5
Total liabilities and net assets	836.3	771.7	64.6
Equity Ratio	62.7%	63.8%	

FY2020 Cash Flows

[JPY in billions]



	FY2020	FY2019	Changes
Operating activity cash flow	55.4	74.2	▲ 18.7
Investing activity cash flows	▲ 40.3	▲ 33.9	▲ 6.4
Free cash flows	15.0	40.3	▲ 25.2
Financing activity cash flows	5.1	▲ 49.5	54.7
Effect of exchange rate change on cash and cash equivalents	0.6	▲ 1.3	2.0
Net increase (decrease) in cash and cash equivalents	20.9	▲ 10.5	31.5
Cash and cash equivalents at beginning of period	70.0	80.3	▲10.3
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	0.0	0.2	▲ 0.1
Cash and cash equivalents at end of period	91.0	70.0	21.0

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FY2021 Earnings Forecast



Forecasting top-line and profit growth driven largely by recovery in product demand depressed by pandemic, but profit growth will be dampened by feedstock/fuel cost inflation

- Net sales:
 - (+) Unit sales growth driven by global economic recovery/growth and continued semiconductor demand boom
 - (+) Higher market prices
 - (-) Adoption of new accounting standard for revenue recognition (estimated impact: -¥38bn)
- Operating profit:
 - (+) Unit sales growth
 - (+) Decreased nonconsolidated repair expenses (nonrecurrence of FY2020's major maintenance at Mizushima and Niigata Plants): +¥2.5bn
 - (-) Growth in R&D expenses and increased depreciation due to aggressive investments in growth: -¥5bn
 - (-) Higher feedstock/fuel prices: -¥3bn
 - (-) Nonrecurrence of energy resources business's FY2020 Q4 profit: -¥3bn
- Equity-method income: Profit growth driven largely by higher methanol prices
- DPS: ¥70, unchanged from FY2020

FY2021 Forecast



	FY2021 Forecast	FY2020 Results	Change	
			Amount	%
Net Sales	640.0	595.7	—※	—※
Operating Income	48.0	44.5	3.4	7.8%
(Equity in earnings of affiliates)	(9.4)	(5.1)	(4.3)	-
Ordinary Income	56.0	50.2	5.7	11.5%
Net income before taxes	55.0	48.9	6.0	12.4%
Net income attributable to owners of the parent	41.0	36.0	4.9	13.7%
※From the start of the fiscal year ending March 31, 2022, the Company will be applying “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and its accompanying guidance. Accordingly, the Net sales for the consolidated business forecasts for the fiscal year ending March 31, 2022 reflect the aforementioned application, and year on-year changes are not presented.				
E P S(JPY)	197.10	173.41		
R O E (%)	7.7	7.1		
R O I C※ (%)	8.1	7.7		
FX(JPY/USD)	105	106		

Shareholder return policy / Shareholder return

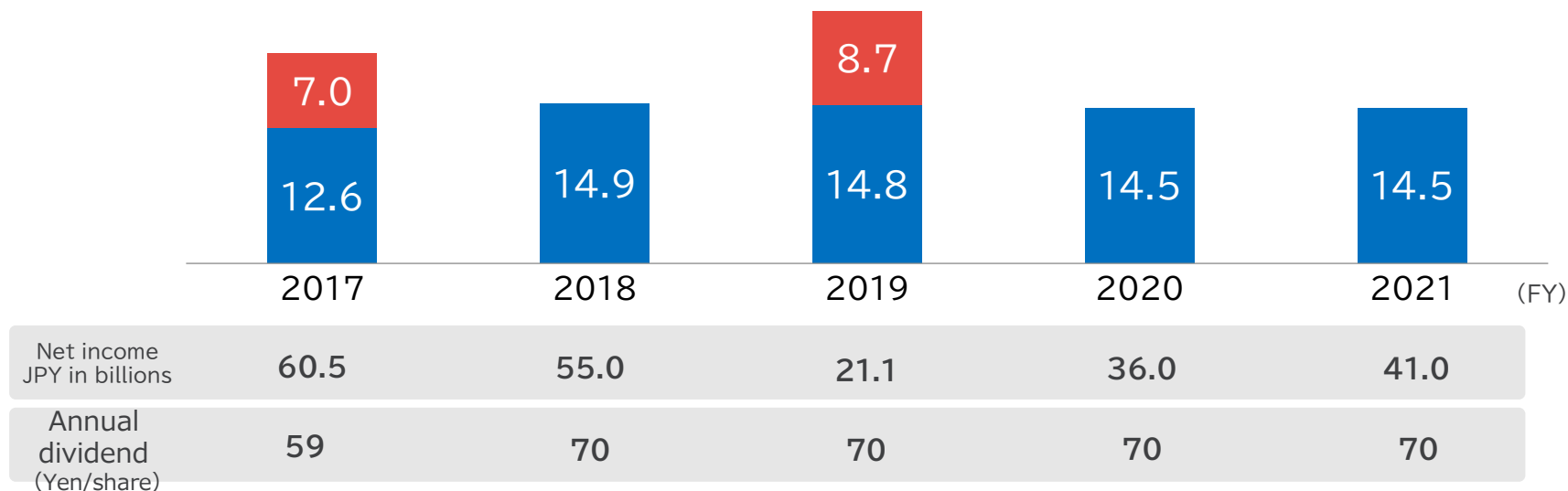
- The MGC Group places topmost management priority on enhancing corporate value.
- The Company will continuously provide stable dividends, while taking operating performance and other factors into account when determining the distribution amount.
- The Company's basic policy is to improve capital efficiency and enhance shareholder returns by flexibly purchasing treasury stock while considering the levels of internal reserves and returns to shareholders.
- Total payout ratio of 40% as a target for medium-term shareholder returns.

Full-year dividends for FY2021 expected to total ¥70 per share

【JPY in billions】

■ Total dividends ■ Share buybacks

Forecast



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Results and Forecast by Segment

【 JPY in billions 】



	FY2019			FY2020			FY2021 forecast		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	303.3	309.9	613.3	266.6	329.0	595.7	310.0	330.0	640.0
Basic Chemicals	181.4	182.3	363.8	141.2	181.5	322.8	181.2	196.1	377.4
Specialty Chemicals	125.0	130.8	255.9	124.0	143.7	267.8	131.3	136.3	267.6
Other and Adjustment	▲ 3.1	▲ 3.2	▲ 6.4	1.3	3.7	5.0	▲2.5	▲2.5	▲5.1
Operating income	16.0	18.2	34.2	14.3	30.1	44.5	22.0	26.0	48.0
Basic Chemicals	7.1	4.0	11.2	0.4	9.1	9.6	8.7	9.2	17.9
Specialty Chemicals	10.0	15.4	25.5	15.3	19.4	34.8	15.5	18.7	34.2
Other and Adjustment	▲ 1.2	▲ 1.3	▲ 2.5	▲1.4	1.5	0.0	▲2.2	▲1.9	▲4.2
Ordinary income	11.6	19.4	31.1	16.5	33.6	50.2	26.0	30.0	56.0
Basic Chemicals	0.9	3.8	4.7	1.5	9.4	11.0	11.3	12.4	23.8
Specialty Chemicals	11.7	16.4	28.1	15.9	21.6	37.5	16.5	19.5	36.0
Other and Adjustment	▲ 1.0	▲ 0.7	▲ 1.8	▲0.9	2.6	1.6	▲1.9	▲1.9	▲3.8

FY2020 results

Net sales and operating profit decreased, largely due to pandemic-induced demand contraction and increased repair expenses. Ordinary profit grew by virtue of improvement in equity-method P/L.

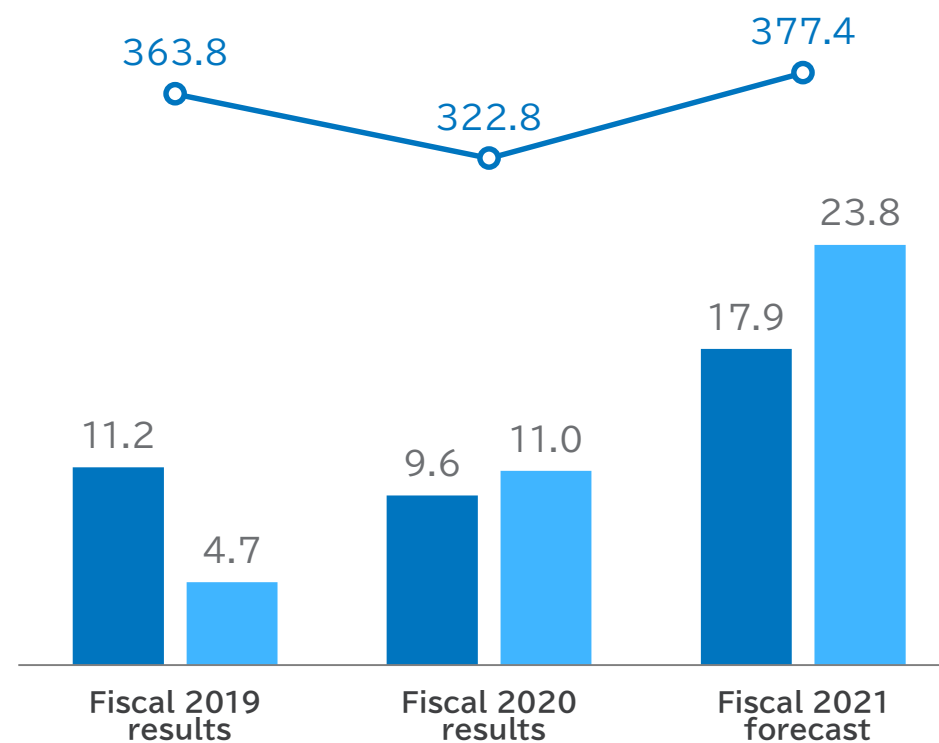
FY2021 forecast

We are forecasting growth in net sales and profits driven largely by post-pandemic demand recovery, reduction in repair expenses and higher methanol prices.

*Estimated top-line impact of adoption of new accounting standard for revenue recognition: -¥12bn

【JPY in billions】

■ Operating profit ■ Ordinary profit ○ Net sales



Basic Chemicals: Performance by Business



FY2020 results

- **Methanol:** ASP was down in H1, up in H2, roughly flat on full-year basis (FY2019: US\$261/t → FY2020: US\$256/t). Equity-method investees' P/L improved, largely by virtue of Saudi Arabian JV's ~¥1.8bn* tax refund and nonrecurrence of its ¥7.8bn of one-time expenses booked in FY2019.
*Includes reduction in income tax expense due to change in ownership percentage in addition to tax refund related to sale of equity holdings
- **Methanol/ammonia-based chemicals:** Profits reduced by increased feedstock prices and repair expenses.
- **Specialty aromatic chemicals:** Aromatic aldehyde unit-sales increased. MXDA unit-sales rebounded sharply in H2 following pandemic-induced demand contraction in H1, leaving P/L unchanged YoY.
- **General-purpose aromatic chemicals:** Sales and profits were down due to declines in MX and PIA unit-sales and ASPs.
- **Foamed plastics (JSP):** Benefited from growth in demand from food and civil engineering sectors and H2 recovery in automotive demand.

FY2021 forecast

- **Methanol:** Although maintenance at Brunei and nonrecurrence of the FY2020 tax refund will weigh on profits on a YoY basis, we are forecasting profit growth driven by equity-method investees, largely by virtue of higher methanol price (FY2020: US\$256/t → FY2021: US\$320/t).
- **Methanol/ammonia-based chemicals:** We are forecasting profit growth driven largely by MMA-based product unit-sales growth/margin expansion and reduction in repair expenses.
- **High-performance products*:** We are forecasting MXDA unit-sales growth against a backdrop of buoyant demand. We expect aromatic aldehyde unit-sales to be down YoY, largely due to customer inventory destocking. We are working on increasing sales of supply-constrained products in line with production capacity. *Previously specialty aromatic chemicals (MXDA, MX nylon, aromatic aldehyde, etc.)
- **Xylene separators/derivatives*:** We expect to improve P/L through fixed-cost cutting and post-pandemic recovery in unit sales. *Previously general-purpose aromatic chemicals (MX, PIA, etc.)
- **JSP:** We anticipate recovery in automotive unit-sales but expect P/L to remain unchanged YoY, largely because of increased feedstock/fuel costs.

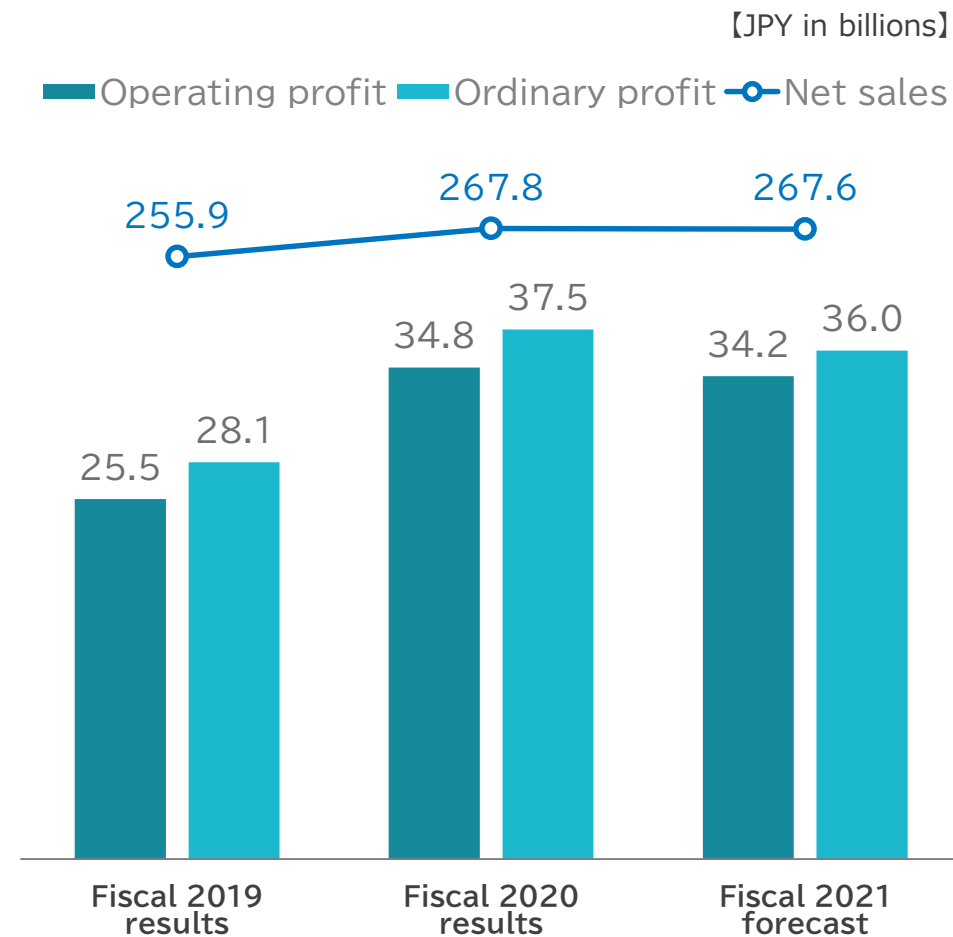
FY2020 results

Net sales and profits grew, boosted by growth in unit sales of semiconductor-related products and optical resin polymers.

FY2021 forecast

While we anticipate recovery in product demand depressed by the pandemic and growth in semiconductor-related product unit-sales, we expect profits to be down modestly YoY, largely because of margin compression due to higher feedstock/fuel prices in addition to growth in SG&A and fixed expenses.

*Estimated top-line impact of adoption of new accounting standard for revenue recognition: -¥26bn



FY2020 results

- **Inorganic chemicals:** P/L improved YoY, largely due to growth in unit sales of semiconductor chemicals.
- **Engineering plastics:** Demand rebounded in H2 from a pandemic-induced contraction in mainly automotive demand in H1, leaving P/L unchanged YoY.
- **Optical polymers:** Sales and profits increased, boosted by unit-sales growth in the wake of multi-camera smartphones' growing prevalence and an October 2019 production capacity expansion. In Q4, however, unit sales slowed amid customer inventory destocking in response to semiconductor shortages.
- **Electronic materials:** Sales and profits grew, driven largely by growth in demand for ICT applications, most notably data centers, and a ramp-up in production of AiP (antenna-in-package) substrates for 5G mobile phones.
- **Oxygen absorbers:** Although tourism-related demand, including demand for packaging of souvenir food products, was reduced by the pandemic, P/L improved YoY by virtue of buoyant exports.

FY2021 forecast

- **Inorganic chemicals:** We expect P/L to be unchanged YoY, with increased fixed expenses offsetting top-line growth driven by growth in unit sales of semiconductor chemicals.
- **Engineering plastics:** We expect the PC-BPA spread to remain low even as demand recovers from the pandemic. We are forecasting a decrease in profits due largely to feedstock/fuel cost inflation and growth in fixed expenses.
- **Optical polymers:** We expect semiconductor shortages' impact to persist, fueling continued inventory destocking early in H1 even amid the ongoing trend toward increasingly high-performance multi-camera smartphones. In H2, we expect unit sales to recover enough to end up flat YoY on a full-year basis.
- **Electronic materials:** We anticipate sales growth driven largely by growth in demand from AiP and memory makers but expect P/L to be flat YoY, largely as a result of growth in SG&A and fixed expenses.

Appendix

Appendix: Key Indicators (1)



【 JPY in billions 】
2021(F)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021(F)
Capital expenditure (H1)	30.9 [17.7]	25.4 [13.8]	22.2 [10.3]	30.5 [14.9]	35.0 [13.7]	30.9 [13.9]	39.2 [18.6]	42.3 [22.4]	40.2 [15.8]	70.0 [37.0]
Depreciation& Amortization (H1)	23.0 [10.7]	23.5 [11.4]	23.7 [11.5]	26.7 [13.1]	25.6 [12.2]	27.0 [13.1]	27.4 [13.5]	29.5 [14.4]	30.6 [15.1]	33.0 [16.0]
R&D expenditure (H1)	15.1 [7.2]	16.1 [8.0]	16.8 [8.0]	18.9 [9.2]	19.2 [9.6]	18.9 [9.5]	18.6 [9.1]	19.6 [9.4]	19.9 [9.8]	22.5 [11.5]
Employees(as of Mar 31)	5,323	5,445	8,254	8,176	8,034	8,009	8,276	8,954	8,998	10,033
EPS(Yen)*	▲35	66	192	154	222	281	257	101	173	197
ROA(%)	4.6	4.8	5.8	5.9	8.4	10.6	8.7	3.9	6.2	6.6
ROE (%)	▲2.8	5.0	12.6	9.0	12.0	13.6	11.3	4.3	7.1	7.7
ROIC(%)	5.8	6.1	7.2	7.3	10.4	13.2	10.9	4.9	7.7	8.1
Dividend(yen)* (of which, Interim dividend)	24.0 [12.0]	24.0 [12.0]	28.0 [14.0]	32.0 [16.0]	38.0 [16.0]	59.0 [24.0]	70.0 [35.0]	70.0 [35.0]	70.0 [35.0]	70.0 [35.0]

*The Company conducted a consolidation of shares at a ratio of one share for every two shares effective October1,2016. EPS and dividends have been calculated by retroactive adjustment applying the above share consolidation to preceding periods as well.

Appendix:Key Indicator (2) Capex, depreciation and amortization by segment



【 JPY in billions 】

		2012	2013	2014	2015	2016	2017	2018	2019			2020	2021(F)
Capex	Natural Gas	6.3	4.5	5.7	5.3	9.0	6.0	5.7	7.2	Basic Chemicals		19.4	24.0
	Aromatic	5.7	2.3	4.0	10.6	10.5	11.3	14.6	15.0				
	Specialty	15.0	11.2	7.6	9.9	8.1	11.0	14.4	14.6	Specialty Chemicals		18.6	42.0
	Information & Advanced Materials	3.3	6.6	4.3	3.8	6.6	1.9	2.3	2.6				
	Other	0.3	0.5	0.3	0.7	0.5	0.6	2.1	2.7	Other		2.1	4.0
	Total	30.9	25.4	22.2	30.5	35.0	30.9	39.2	42.3	Total		40.2	70.0
Depreciation	Natural Gas	6.2	6.3	6.9	6.1	5.0	5.1	5.5	6.3	Basic Chemicals		16.3	17.0
	Aromatic	5.8	4.1	3.9	8.2	8.5	8.5	8.7	9.5				
	Specialty	7.7	9.5	9.2	8.8	8.6	9.1	8.7	8.7	Specialty Chemicals		13.0	14.0
	Information & Advanced Materials	2.7	3.1	3.3	3.0	3.0	3.5	3.6	3.8				
	Other	0.3	0.3	0.3	0.3	0.3	0.5	0.8	1.0	Other		1.2	2.0
	Total	23.0	23.5	23.7	26.7	25.6	27.0	27.4	29.5	Total		30.6	33.0

Appendix: Key Indicator (3)

	FY2017		FY2018		FY2019		FY2020		FY2021
	H1	H2	H1	H2	H1	H2	H1	H2	(F)
FX(JPY/USD)	111	111	110	112	109	109	107	105	105
FX(JPY/EUR)	126	133	130	127	121	120	121	126	130
Crude Oil(Dubai) (US\$/BBL)	50	62	73	65	64	56	37	52	65
Methanol (US\$/MT)	296	381	408	335	277	245	194	319	320
Mixed Xylene(US\$/MT)	650	725	845	730	705	640	420	560	690
Bisphenol A (US\$/MT)*	1,100 ~1,300	1,200 ~1,700	1,600 ~1,900	1,200 ~1,800	1,000 ~1,450	1,050 ~1,350	900 ~1,450	1,400 ~3,300	1,200 ~3,800
Polycarbonate (US\$/MT)*	2,500 ~2,900	2,900 ~3,900	2,700 ~3,800	2,100 ~2,800	1,900 ~2,250	1,650 ~2,000	1,500 ~2,150	2,100 ~4,000	1,900 ~4,300

*Describe the minimum and maximum values during the period

Sensitivity (Rough estimates)

FX (USD) : with an appreciation(depreciation) of 1 yen against the USD, annual operating income falls (increase) by 0.6 billion yen, while annual ordinary income falls(increases) by 0.5 billion yen.

FX (EUR) : with an appreciation(depreciation) of 1 yen against the USD, annual operating income falls (increase) by 0.1 billion yen, while annual ordinary income falls(increases) by 0.1 billion yen.

Crude oil(Dubai) : A 1 dollar/BBL increase(drop) in crude oil reduces(raises) income by 0.15 billion yen. (exclude methanol affect)

Methanol : A 1 dollar/MT increase (drop) in market price raises (reduces) equity in earnings of affiliates by 0.1 billion yen.

【Reference】:Results and Forecast by Old Segment



【 JPY in billions 】

	FY2019			FY2020			FY2021 forecast		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net Sales	303.3	309.9	613.3	266.6	329.0	595.7	310.0	330.0	640.0
Natural Gas	79.1	84.6	163.7	64.5	88.9	153.5	90.4	98.9	189.3
Aromatic	103.1	97.9	201.1	80.2	93.1	173.4	92.3	98.9	191.2
Specialty	99.4	102.5	202.0	96.6	111.3	208.0	102.7	105.8	208.6
Information & Advanced Materials	26.2	28.6	54.8	29.0	32.6	61.7	28.5	30.5	59.1
Corporate/Adjustment	▲4.6	▲3.8	▲ 8.4	▲3.9	2.9	▲1.0	▲4.1	▲4.2	▲8.4
Operating income	16.0	18.3	34.2	14.3	30.1	44.5	22.0	26.0	48.0
Natural Gas	▲0.5	0.7	0.1	▲2.6	2.0	▲0.6	1.6	2.7	4.3
Aromatic	7.7	3.4	11.1	3.1	7.0	10.2	7.0	6.4	13.5
Specialty	8.0	11.8	19.9	10.3	12.3	22.7	9.3	12.7	22.1
Information & Advanced Materials	2.0	3.6	5.6	5.0	7.0	12.0	6.1	5.9	12.1
Corporate/Adjustment	▲1.2	▲1.3	▲ 2.5	▲1.4	1.6	0.1	▲2.2	▲1.9	▲4.1
Ordinary Income	11.6	19.7	31.1	16.5	33.6	50.2	26.0	30.0	56.0
Natural Gas	▲6.4	0.7	▲5.7	▲1.5	2.5	0.9	4.2	6.1	10.4
Aromatic	7.3	3.1	10.4	3.0	6.9	10.0	7.1	6.2	13.3
Specialty	9.4	12.9	22.3	10.6	14.3	24.9	10.0	13.5	23.6
Information & Advanced Materials	2.3	3.5	5.8	5.2	7.3	12.5	6.4	5.9	12.4
Corporate/Adjustment	▲1.0	▲0.7	▲ 1.8	▲0.9	2.6	1.6	▲1.8	▲1.9	▲3.8

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

These materials contain performance forecasts and other statements concerning the future.
These forward-looking statements are based on information available at the time.
These materials were prepared and on certain premises judged to be reasonable.
None of these forward-looking statements are intended to be guarantees of future performance.
Various factors may cause actual performance to differ significantly from forecasts.