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# Full Year Results Presentation

## Fiscal Year 2013

(April 1, 2013 – March 31, 2014)

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This English translation contains modified extracts from a results presentation held on May 9th, 2014. Forecasts contained in this material are based on information available at the time of presentation, and no commitment or guarantee is given that business policies will be implemented or target figures achieved.

# FY2013 consolidated full year results

(Billion yen)

|   | FY2013 | FY2012 | Change | Change (%) |
|---|--------|--------|--------|------------|
| <b>Net sales</b>                        | 534.6  | 467.9  | 66.6   | 14.3%      |
| <b>Operating Income</b>                 | 11.4   | 11.4   | (0)    | ( 0.0%)    |
| <b>Equity in earnings of affiliates</b> | 20.4   | 19.0   | 0.14   | 7.5%       |
| <b>Ordinary Income</b>                  | 30.7   | 27.6   | 3.0    | 11.2%      |
| <b>Net Income before taxes</b>          | 17.7   | 9.7    | 7.9    | 81.8%      |
| <b>Net income or loss</b>               | 14.9   | (7.7)  | 22.7   | -          |

|   |       |         |
|---|-------|---------|
| <b>Net income or loss per share (yen)</b> | 33.14 | (17.25) |
| <b>Dividend(yen)</b>                      | 12.0  | 12.0    |

※ \*Subsequent figures in this presentation are rounded down to the nearest unit

- Net sales: increased from the previous fiscal year. Major contributions came from higher sales prices of most products due to the weaker yen and the higher market price of methanol.
- Operating income: remained at the prior-year level. Positive contributions came from the improved profitability of export products thanks to the weaker yen as well as from better earnings for meta-xylene and purified isophthalic acid, which was due to the structural reform. These effects were however offset by the lower earnings for engineering plastics, notably for polycarbonates.
- Ordinary income: rose from the prior-year figure as the higher market prices and the weaker yen helped increase the equity in earnings of affiliates, especially the methanol producing company in Saudi Arabia.
- Net income: made a significant improvement. Despite the impairment loss recognized by the polycarbonate (PC) subsidiary in Shanghai, extraordinary items improved due to lower expenses for improving business structure. There was also a decline in tax costs from the previous fiscal year, which was affected by a reversal of deferred income taxes.
- Annual dividend: remains the same as for the previous year (¥12 per share).

# FY2013 consolidated results by segment

(Billion yen)

|                                  | 2013  |       |        | 2012  |       |        | Change |       |       |
|----------------------------------|-------|-------|--------|-------|-------|--------|--------|-------|-------|
|                                  | 1H    | 2H    | FY     | 1H    | 2H    | FY     | 1H     | 2H    | FY    |
| Net sales                        | 266.5 | 268.1 | 534.6  | 232.7 | 235.1 | 467.9  | 33.7   | 32.9  | 66.6  |
| Natural Gas Chemicals            | 90.0  | 104.7 | 194.8  | 81.2  | 80.5  | 161.8  | 8.8    | 24.2  | 33.0  |
| Aromatic Chemicals               | 76.2  | 65.3  | 141.6  | 65.1  | 65.0  | 130.1  | 11.1   | 0.3   | 11.4  |
| Specialty Chemicals              | 77.4  | 77.1  | 154.5  | 65.1  | 67.4  | 132.5  | 12.2   | 9.7   | 21.9  |
| Information & Advanced materials | 28.8  | 26.7  | 55.6   | 26.4  | 26.7  | 53.2   | 2.3    | (0)   | 2.3   |
| Others                           | 0.3   | 0.5   | 0.9    | 0.3   | 0.5   | 0.9    | (0)    | (0)   | (0)   |
| Elimination & Corporate          | (6.4) | (6.4) | (12.8) | (5.5) | (5.2) | (10.8) | (0.8)  | (1.2) | (2.0) |
| Operating income                 | 10.0  | 1.3   | 11.4   | 3.9   | 7.4   | 11.4   | 6.0    | (6.0) | (0)   |
| Natural Gas Chemicals            | 2.0   | 0.7   | 2.7    | (0.6) | 2.4   | 1.7    | 2.6    | (1.7) | 0.9   |
| Net sales                        | 2.0   | 0.8   | 2.9    | (0.6) | 1.3   | 0.7    | 2.7    | (0.5) | 2.1   |
| Specialty Chemicals              | 3.6   | 0.1   | 3.8    | 4.4   | 2.4   | 6.9    | (0.8)  | (2.2) | (3.1) |
| Information & Advanced materials | 3.4   | 0.8   | 4.3    | 2.0   | 2.1   | 4.1    | 1.4    | (1.2) | 0.1   |
| Others                           | 0.1   | 0.1   | 0.2    | 0.1   | 0.2   | 0.3    | (0.0)  | (0.0) | (0.0) |
| Elimination & Corporate          | (1.2) | (1.4) | (2.6)  | (1.4) | (1.1) | (2.5)  | 0.1    | (0.2) | (0.0) |

For reference :

|                                  |      |     |      |     |     |      |     |       |     |
|----------------------------------|------|-----|------|-----|-----|------|-----|-------|-----|
| Equity in earnings of affiliates | 11.8 | 8.6 | 20.4 | 9.9 | 9.1 | 19.0 | 1.9 | (0.4) | 1.4 |
|----------------------------------|------|-----|------|-----|-----|------|-----|-------|-----|

# FY2013 quarterly consolidated results by segment

(Billion yen)

|                                  | FY2013 |       |       |       | FY2012 |       |       |       |
|----------------------------------|--------|-------|-------|-------|--------|-------|-------|-------|
|                                  | 4Q     | 3Q    | 2Q    | 1Q    | 4Q     | 3Q    | 2Q    | 1Q    |
| Net sales                        | 137.2  | 130.8 | 136.4 | 130.1 | 118.6  | 116.4 | 117.3 | 115.4 |
| Natural Gas Chemicals            | 57.3   | 47.4  | 46.2  | 43.7  | 43.5   | 37.0  | 40.2  | 40.9  |
| Aromatic Chemicals               | 30.6   | 34.7  | 38.7  | 37.4  | 33.5   | 31.5  | 32.4  | 32.6  |
| Specialty Chemicals              | 39.1   | 37.9  | 40.5  | 36.8  | 31.8   | 35.6  | 34.1  | 31.0  |
| Information & Advanced materials | 13.1   | 13.5  | 14.1  | 14.7  | 12.3   | 14.4  | 13.1  | 13.3  |
| Others                           | 0.3    | 0.1   | 0.1   | 0.1   | 0.3    | 0.2   | 0.1   | 0.1   |
| Elimination & Corporate          | (3.4)  | (3.0) | (3.5) | (2.8) | (2.8)  | (2.3) | (2.8) | (2.6) |
| Operating income                 | (0.5)  | 1.9   | 3.1   | 6.8   | 1.9    | 5.5   | 2.8   | 1.1   |
| Natural Gas Chemicals            | 0.0    | 0.6   | 1.0   | 0.9   | 0.8    | 1.5   | 0.3   | (0.9) |
| Net sales                        | (0.5)  | 1.4   | 0.6   | 1.4   | 0.6    | 0.7   | (0.1) | (0.4) |
| Specialty Chemicals              | 0.6    | (0.4) | 1.0   | 2.5   | 0.1    | 2.2   | 2.8   | 1.6   |
| Information & Advanced materials | 0.0    | 0.8   | 1.5   | 1.8   | 0.6    | 1.5   | 1.1   | 0.8   |
| Others                           | 0.0    | 0.0   | 0.0   | 0.0   | 0.1    | 0.0   | 0.0   | 0.0   |
| Elimination & Corporate          | (0.7)  | (0.6) | (1.1) | (0.0) | (0.4)  | (0.7) | (1.4) | 0.0   |
| For reference :                  |        |       |       |       |        |       |       |       |
| Equity in earnings of affiliates | 4.0    | 4.5   | 5.4   | 6.3   | 3.9    | 5.2   | 4.5   | 5.3   |

## FY2013 non-operating and extraordinary items

(Billion yen)

|   | FY2013 | FY2012 | Change |
|---|--------|--------|--------|
| <b>Non-operating items</b>              | 19.3   | 16.2   | 3.0    |
| <b>Equity in earnings of affiliates</b> | 20.4   | 19.0   | 1.4    |
| <b>Financial loss</b>                   | (1.0)  | (1.0)  | 0.0    |
| <b>Others</b>                           | (0.0)  | (1.7)  | 1.6    |

|   |        |        |        |
|---|--------|--------|--------|
| <b>Extraordinary income</b>                         | 1.0    | 0.3    | 0.7    |
| <b>Extraordinary losses</b>                         | (14.0) | (18.2) | 4.1    |
| <b>Impairment loss</b>                              | (11.6) | (0.0)  | (11.5) |
| <b>Business structure improvement expenses</b>      | (1.5)  | (15.4) | 13.9   |
| <b>Environmental improvement expense</b>            | (0.4)  | (0.5)  | (0.1)  |
| <b>Loss on devaluation of investment securities</b> | -      | (1.0)  | 1.0    |
| <b>Provision for compensation expenses</b>          | -      | (0.8)  | 0.8    |
| <b>Others</b>                                       | (0.4)  | (0.2)  | (0.1)  |

Note: Changes on this table are with respect to the amount of change on the statements of income.

➤ Equity in earnings of affiliates  
Achieved year-on-year growth. Despite the suspended production at Brunei Methanol Company (BMC) for 8 months and the lower performance of engineering plastics-related affiliates, the methanol producing companies in Saudi Arabia and Venezuela achieved higher earnings due to higher market prices and the yen's depreciation against other currencies.

➤ Non-operating items and other  
FY2012: The PC subsidiary in Shanghai posted expenses for suspended production.

➤ Impairment loss  
FY2013: The PC subsidiary in Shanghai recognized an impairment of noncurrent assets.

➤ Expenses for improving the business structure  
FY2012: Group recognized an impairment in the remaining book value and expenses for removing facilities in connection with reductions in the production capacities of purified isophthalic acid and meta-xylene.

# FY2013 consolidated balance sheets

(Billion yen)

|  | As of March<br>31, 2014 | As of March<br>31, 2013 | Change | Remarks   |
|--|-------------------------|-------------------------|--------|---|
| <b>Current assets</b>                        | 287.9                   | 261.3                   | 26.5   |   |
| <b>Cash</b>                                  | 38.7                    | 28.8                    | 9.8    |   |
| <b>Trade notes &amp; accounts receivable</b> | 129.2                   | 127.8                   | 1.3    |   |
| <b>Inventories</b>                           | 98.0                    | 88.0                    | 10.0   | Increase in product inventories (above all those of methanol)       |
| <b>Others</b>                                | 21.8                    | 16.6                    | 5.2    |   |
| <b>Noncurrent assets</b>                     | 370.1                   | 352.5                   | 17.6   |   |
| <b>Tangible &amp; intangible assets</b>      | 194.4                   | 198.8                   | (4.3)  |   |
| <b>Investment securities</b>                 | 167.2                   | 146.7                   | 20.5   | Foreign currency translation adjustments (equity method) +144       |
| <b>Others</b>                                | 8.4                     | 6.9                     | 1.4    |   |
| <b>Total assets</b>                          | 658.1                   | 613.9                   | 44.2   | Shareholders' equity ratio<br>2014/3/31 :47.5%<br>2013/3/31 : 46.2% |
| <b>Liabilities</b>                           | 333.9                   | 319.0                   | 14.9   |   |
| <b>Trade notes &amp; accounts payable</b>    | 71.6                    | 73.9                    | (2.2)  |   |
| <b>Interest bearing debt</b>                 | 204.4                   | 182.6                   | 21.8   | Loans payable +135, bonds payable +100                              |
| <b>Others</b>                                | 57.8                    | 62.4                    | (4.6)  |   |
| <b>Net assets</b>                            | 324.1                   | 294.8                   | 29.2   |   |
| <b>Shareholders' equity</b>                  | 309.5                   | 301.3                   | 8.2    |   |
| <b>Others</b>                                | 14.5                    | (6.4)                   | 21.0   | Foreign currency translation adjustments +190                       |
| <b>Total liabilities &amp; net assets</b>    | 658.1                   | 613.9                   | 44.2   |   |

# FY2012 consolidated cash flows

(Billion yen)

|   | FY2013 | FY2012 | Change |
|---|--------|--------|--------|
| <b>Operating cash flow</b>  | 27.1   | 31.1   | (3.9)  |
| Net income before taxes   | 17.7   | 9.7    | 7.9    |
| Depreciation Expenses   | 23.5   | 23.0   | 0.4    |
| Equity in earnings of affiliates  | (20.4) | (19.0) | (1.4)  |
| Dividends received from equity method affiliates  | 18.7   | 17.9   | 0.8    |
| Working capital etc.  | (9.3)  | 3.7    | (13.1) |
| Income taxes paid   | (3.0)  | (4.3)  | 1.2    |
| <b>Investing activity cash flow</b>   | (29.8) | (30.8) | 0.9    |
| Capital expenditure   | (28.4) | (29.6) | 1.2    |
| Investment and financing, etc.  | (1.4)  | (1.1)  | (0.3)  |
| <b>Financing activity cash flows</b>  | 7.1    | (14.3) | 21.4   |
| Change in borrowings and bonds  | 13.0   | (8.2)  | 21.3   |
| Dividends paid  | (5.8)  | (6.0)  | 0.1    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>   | 5.5    | 3.6    | 1.9    |
| <b>Increase (decrease) in cash and cash equivalents</b>   | 9.9    | (10.3) | 20.3   |
| <b>Cash and cash equivalents at beginning of year</b>   | 26.9   | 35.7   | (8.7)  |
| <b>Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries</b> | 0.4    | 1.6    | (1.1)  |
| <b>Cash and cash equivalents at end of year</b>   | 37.3   | 26.9   | 10.4   |

# FY2014 consolidated forecasts

(Billion yen)

|                                     | FY2014<br>Forecasts | FY2013<br>results | Change | Change<br>(%) |
|-------------------------------------|---------------------|-------------------|--------|---------------|
| Net sales                           | 540.0               | 534.6             | 5.3    | 1.0%          |
| Operating Income                    | 14.0                | 11.4              | 2.5    | 22.6%         |
| Equity in earnings<br>of affiliates | 25.0                | 20.4              | 4.5    | 22.2%         |
| Ordinary Income                     | 35.0                | 30.7              | 4.2    | 13.9%         |
| Net Income before<br>taxes          | 30.0                | 17.7              | 12.2   | 69.5%         |
| Net income or loss                  | 25.0                | 14.9              | 10.0   | 67.0%         |

|                                       |       |       |  |  |
|---------------------------------------|-------|-------|--|--|
| Net income or loss<br>per share (yen) | 55.35 | 33.14 |  |  |
| Dividend(yen)                         | 14.0  | 12.0  |  |  |

➤ Operating income: will be higher compared with FY2013. Expected reductions in earnings for electronic chemicals and aromatic chemicals will be more than offset by higher profitability of the PC subsidiary in Shanghai, an increase in the margin for sales of purchased methanol, and expanded sales of oxygen absorbers.

➤ Exchange rates: Assumptions for FY2014:  
¥100/US \$ and ¥130/€

Results for FY2013: ¥100/US \$ and ¥134/€

➤ Ordinary income: will increase due to a higher equity in earnings of affiliates to come from the scheduled recovery of BMC operation.

Assumed Asian average spot price for methanol

FY2013: 412 US\$/MT, FY2014: 400 US\$/MT

➤ Net income: is expected to grow because extraordinary items will improve as they will no longer be affected by the impairment loss recognized at the PC subsidiary in Shanghai in FY2013.

➤ Annual dividend: will increase by ¥2/share to ¥14/share.

# FY2014 consolidated forecasts by segment

(Billion yen)

|   | FY2014 (forecasts) |       |        | FY2013 (results) |       |        | Change |       |        |
|---|--------------------|-------|--------|------------------|-------|--------|--------|-------|--------|
|   | 1H                 | 2H    | FY     | 1H               | 2H    | FY     | 1H     | 2H    | FY     |
| <b>Net sales</b>                            | 260.0              | 280.0 | 540.0  | 266.5            | 268.1 | 534.6  | (6.5)  | 11.8  | 5.3    |
| <b>Natural Gas Chemicals</b>                | 96.5               | 101.4 | 198.0  | 90.0             | 104.7 | 194.8  | 6.5    | (3.3) | 3.2    |
| <b>Aromatic Chemicals</b>                   | 61.8               | 62.6  | 124.5  | 76.2             | 65.3  | 141.6  | (14.4) | (2.6) | (17.1) |
| <b>Specialty Chemicals</b>                  | 77.2               | 88.4  | 165.7  | 77.4             | 77.1  | 154.5  | (0.1)  | 11.3  | 11.1   |
| <b>Information &amp; Advanced materials</b> | 30.2               | 33.4  | 63.6   | 28.8             | 26.7  | 55.6   | 1.3    | 6.7   | 8.0    |
| <b>Others</b>                               | 0.5                | 0.6   | 1.1    | 0.3              | 0.5   | 0.9    | 0.2    | 0.0   | 0.2    |
| <b>Elimination &amp; Corporate</b>          | (6.4)              | (6.7) | (13.2) | (6.4)            | (6.4) | (12.8) | (0.0)  | (0.2) | (0.3)  |
| <b>Operating income</b>                     | 5.0                | 9.0   | 14.0   | 10.0             | 1.3   | 11.4   | (5.0)  | 7.6   | 2.5    |
| <b>Natural Gas Chemicals</b>                | 1.2                | 2.3   | 3.6    | 2.0              | 0.7   | 2.7    | (0.7)  | 1.6   | 0.9    |
| <b>Aromatic Chemicals</b>                   | 0.8                | 0.8   | 1.6    | 2.0              | 0.8   | 2.9    | (1.2)  | (0.0) | (1.2)  |
| <b>Specialty Chemicals</b>                  | 1.7                | 3.9   | 5.6    | 3.6              | 0.1   | 3.8    | (1.9)  | 3.7   | 1.8    |
| <b>Information &amp; Advanced materials</b> | 2.7                | .28   | 5.6    | 3.4              | 0.8   | 4.3    | (0.6)  | 1.9   | 1.3    |
| <b>Others</b>                               | 0.1                | 0.1   | 0.2    | 0.1              | 0.1   | 0.2    | 0.0    | (0.0) | (0.0)  |
| <b>Elimination &amp; Corporate</b>          | (1.6)              | (1.2) | (2.8)  | (1.2)            | (1.4) | (2.6)  | (0.4)  | 0.2   | (0.1)  |

For reference :

|   |      |      |      |      |     |      |     |     |     |
|---|------|------|------|------|-----|------|-----|-----|-----|
| <b>Equity in earnings of affiliates</b> | 13.0 | 12.0 | 25.0 | 11.8 | 8.6 | 20.4 | 1.1 | 3.3 | 4.5 |
|---|------|------|------|------|-----|------|-----|-----|-----|

# Dividends

|                           |          | FY2012<br>(results) | FY2013<br>(results) | FY2014<br>(forecasts) |
|---------------------------|----------|---------------------|---------------------|-----------------------|
| Dividend per share        | Interim  | ¥6.0                | ¥6.0                | ¥7.0                  |
|                           | Year-end | ¥6.0                | ¥6.0                | ¥7.0                  |
|                           | Total    | ¥12.0               | ¥12.0               | ¥14.0                 |
| Total dividend payments   | Interim  | ¥2.7bn              | ¥2.7bn              | ¥3.1bn                |
|                           | Year-end | ¥2.7bn              | ¥2.7bn              | ¥3.1bn                |
|                           | Total    | ¥5.4bn              | ¥5.4bn              | ¥6.3bn                |
| Net income per share      | Total    | (¥17.25)            | ¥33.14              | ¥55.35                |
| Consolidated payout Ratio | Total    | -                   | 36.2%               | 25.3%                 |

# Natural Gas Chemicals

(Billion yen)

|                         | FY2012 (results) |      |       | FY2013(results) |       |       | FY2014 (forecasts) |       |       |
|-------------------------|------------------|------|-------|-----------------|-------|-------|--------------------|-------|-------|
|                         | 1H               | 2H   | FY    | 1H              | 2H    | FY    | 1H                 | 2H    | FY    |
| <b>Net sales</b>        | 81.2             | 80.5 | 161.8 | 90.0            | 104.7 | 194.8 | 96.5               | 101.4 | 198.0 |
| <b>Operating income</b> | (0.6)            | 2.4  | 1.7   | 2.0             | 0.7   | 2.7   | 1.2                | 2.3   | 3.6   |

## FY2013 (results)

### ➤ **Basic chemicals and organic chemicals**

Methanol: achieved an increase in revenue, but posted lower earnings. Although the weaker yen and an increase in market prices pushed up sales prices, higher purchasing costs undermined the profitability of the business.

Methanol and ammonia-based chemicals: posted growth in both revenue and earnings. Despite increases in the prices of major materials including methanol, positive effects came from higher sales prices of exports, due to the weaker yen, and a reduction in repair costs for ammonia-related equipment.

### ➤ **Energy resources**

Crude oil sales: achieved prior-year-level earnings. Despite a lower sales volume, sales prices increased.

## FY2014 (forecasts)

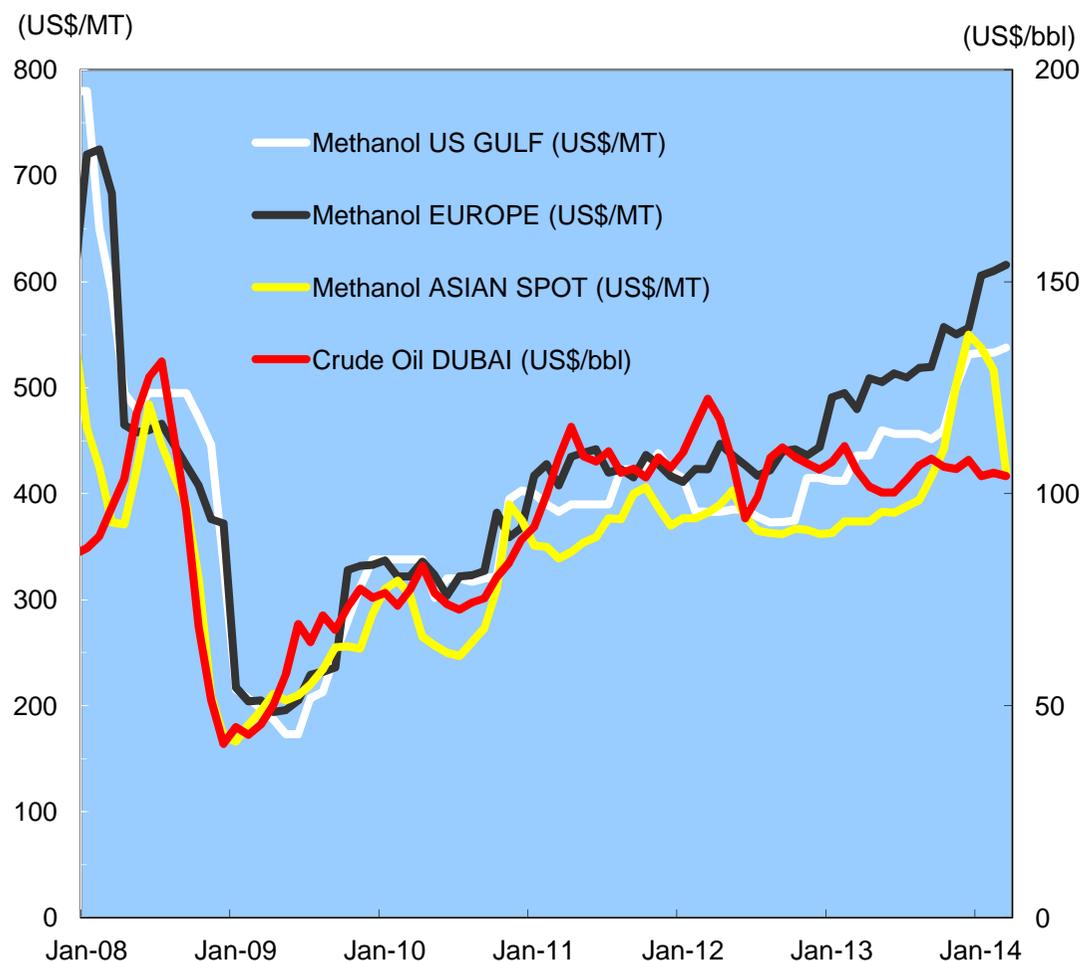
Methanol: The sharp increase in market prices of methanol is being stabilized, which is expected to improve the margin of sales of purchased methanol.

Methanol and ammonia-based chemicals: will achieve higher earnings. Despite an increase in repair costs for ammonia-related equipment, sales volumes will grow and the margin will improve due to the stabilization of market prices of methanol.

Crude oil sales: will suffer from a lower sales volume and higher fixed costs.

# Trends in methanol prices : Natural Gas Chemicals

## Methanol & crude oil prices



## Equity in earnings

### FY2013 (results for Jan-Dec 2013)

International market prices rose sharply as concerns over supply were caused by the firm demand, continued crude oil price hike, and reduced operation at major overseas plants toward the end of the fiscal year.

Assumed Asian average spot price: 412 US\$/MT

Group equity in earnings surpassed the figure for the prior-year period. Despite the 8-month suspension of production at BMC, both sites in Saudi Arabia and Venezuela operated successfully. Further positive factors were higher market prices and the weaker yen.

### FY2014 (forecast for Jan-Dec 2014)

Energy and MTO applications, mainly in China, will continue to drive growth in demand.

The Asian average spot price is expected to remain within the 350-400 US\$/MT range as operation recovers at major overseas plants including BMC since the beginning of the year.

Assumed Asian average spot price: 400 US\$/MT (490 US\$/MT for Jan-Mar and 370 US\$/MT for April-Dec)

Group equity in earnings is expected to be higher due to the recovery of operation at BMC.

# Trends in capital expenditure, product development: Natural Gas Chemicals

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## ◇ Methanol/DME (dimethyl ether)

- Studies are under way to commercially produce 1 million t/y of methanol and 0.1 million t/y of DME in Trinidad and Tobago.
- Making a final decision on investment by the middle of FY2014

## ◇ Organic chemicals

- Ammonia: In-house production at the Niigata Plant will be discontinued in July 2015 to be replaced by external purchases.
- The methylamine production equipment at the Niigata Plant will be updated.
- Accelerated sales promotion for high-performance materials (hydrogenated MS resins, new cyanate, spiroglycol PET)

## ◇ Contract research organization for the development of antibody drug production processes

- Founded under the name of MGC Pharma Co., Ltd. in April 2014

# Aromatic Chemicals

(Billion yen)

|                         | FY2012 (results) |      |       | FY2013(results) |      |       | FY2014 (forecasts) |      |       |
|-------------------------|------------------|------|-------|-----------------|------|-------|--------------------|------|-------|
|                         | 1H               | 2H   | FY    | 1H              | 2H   | FY    | 1H                 | 2H   | FY    |
| <b>Net sales</b>        | 65.1             | 65.0 | 130.1 | 76.2            | 65.3 | 141.6 | 61.8               | 62.6 | 124.5 |
| <b>Operating income</b> | (0.6)            | 1.3  | 0.7   | 2.0             | 0.8  | 2.9   | 0.8                | 0.8  | 1.6   |

## FY2013 (results)

### ➤ Specialty aromatic chemicals

Achieved growth in both revenue and earnings. Sales volumes of MXDA and Nylon-MXD6 developed steadily, while aromatic aldehydes increased. A further positive factor was higher sales prices due to the weaker yen.

### ➤ General-purpose aromatic chemicals

In Dec 2013, production of purified isophthalic acid (PIA) was reduced from 220,000 t/y to 70,000 t/y and that of meta-xylene from 220,000 t/y to 150,000 t/y.

The general-purpose chemicals business achieved increases in both revenue and earnings. Not only did the structural reform reduce fixed costs such as depreciation expenses, but also the profitability of exports improved due to the yen's depreciation.

## FY2014 (forecasts)

Prior-year-level earnings are expected due to steady development of sales volumes for meta-xylenediamine and other products.

In addition, the specialty aromatic chemicals as a whole will improve their earnings as the Group withdraws from the unsuccessful pyromellitic dianhydride and toluic acid operations.

Sales prices of PIA exports are expected to decline slightly.

The general-purpose chemicals business as a whole will suffer from lower earnings. The planned major turnaround of the Mizushima Plant will increase fixed costs, while fuel expenses are also expected to increase.

# Trends in capital expenditure, product development: Aromatic Chemicals

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- ◇ Enhancing and expanding the core businesses (MXDA-Nylon MXD6, aromatic aldehydes)
  - Enhance the competitiveness of the MXDA business by further development of manufacturing and catalyst technologies
  - Accelerate sales promotion for Nylon-MXD6 by enhancing technical services
  - Promote the development of new aromatic aldehydes
  
- ◇ Development of markets for new products
  - Neopulim®: Varnish and films have reached the near-sales phase. Film production will be started.
  - Hydrogenated poly-carboxylic acid: Further sales promotion is planned by adoption as a raw material for electronic materials.
  - Semi-conductor materials: Now developing low-molecular photoresist materials mainly made from aromatic aldehydes

# Specialty Chemicals



(Billion yen)

|                  | FY2012 (results) |      |       | FY2013(results) |      |       | FY2014 (forecasts) |      |       |
|------------------|------------------|------|-------|-----------------|------|-------|--------------------|------|-------|
|                  | 1H               | 2H   | FY    | 1H              | 2H   | FY    | 1H                 | 2H   | FY    |
| Net sales        | 65.1             | 67.4 | 132.5 | 77.4            | 77.1 | 154.5 | 77.2               | 88.4 | 165.7 |
| Operating income | 4.4              | 2.4  | 6.9   | 3.6             | 0.1  | 3.8   | 1.7                | 3.9  | 5.6   |

## FY2013 (results)

### ➤ Inorganic chemicals

Hydrogen peroxide: achieved prior-year-level earnings. Lower profitability of domestic operations was offset by the improved profitability of the Chinese subsidiary.

Electronic chemicals: achieved increases in both revenue and earnings. Super-pure hydrogen peroxide developed steadily for the most part; hybrid chemicals (HBCs) for semiconductors remain at the prior-year levels; and HBCs for flat panel displays were successful.

### ➤ Engineering plastics

PC: suffered from lower earnings as a whole. Specialty PCs achieved growth, whereas the market for general-purpose products was slow.

POM: posted lower earnings because of shrinking margins due to reductions in sales volumes and increases in the price of methanol as a raw material.

PC sheets and films: achieved a higher revenue and lower earnings. Despite an increase in sales volume for films for FPDs, there was an increase in fixed costs.

## FY2014 (forecasts)

Hydrogen peroxide: anticipates lower earnings due to an increase in fixed costs.

Electronic chemicals: will suffer lower earnings. Sales volume for super-pure hydrogen peroxide will develop firmly, while HBCs for both semiconductors and flat panel displays (FDPs) will suffer from lower profit ratios.

PC: The subsidiary in Shanghai anticipates a significant improvement in earnings due to an improved cost structure such as lower depreciation expenses resulting from an impairment loss.

POM: expects to post lower earnings because of lower sales prices.

PC sheets and films: anticipate lower sales volume of films for FPDs.

# Trends in capital expenditure, product development: Specialty Chemicals

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## ◇ Hydrogen peroxide

- Improve processes, reduce costs, and accelerate the development of products with high value added

## ◇ Electronic chemicals

- HBCs for both semiconductors and FDPs will strengthen the development of chemicals for next-generation technologies of global customers and accelerate the effort to increase adoption by major customers.

## ◇ Special polycarbonates

- Further growth as a material for camera lenses in mobile devices
- Maintain and expand the customer base by introducing new grades and improving technical services for existing grades

## ◇ Polyacetal

- Accelerate the effort to increase sales for automotive applications by improving the range of available product grades and technical services

# Information & Advanced Materials

(Billion yen)

|                         | FY2012 (results) |      |      | FY2013(results) |      |      | FY2014 (forecasts) |      |      |
|-------------------------|------------------|------|------|-----------------|------|------|--------------------|------|------|
|                         | 1H               | 2H   | FY   | 1H              | 2H   | FY   | 1H                 | 2H   | FY   |
| <b>Net sales</b>        | 26.4             | 26.7 | 53.2 | 28.8            | 26.7 | 55.6 | 30.2               | 33.4 | 63.6 |
| <b>Operating income</b> | 2.0              | 2.1  | 4.1  | 3.4             | 0.8  | 4.3  | 2.7                | 2.8  | 5.6  |

## FY2013 (results)

### ➤ **Electronic materials**

Achieved a higher revenue and prior-year-level earnings. BT materials, especially those for smartphone applications, achieved higher sales volumes. The weaker yen also helped. Negative effects came from the costs for the launch of the second production site in Thailand.

### ➤ **Oxygen absorbers**

Achieved a higher revenue and prior-year-level earnings. Products for food applications in the domestic and overseas markets achieved firm development of sales. Further positive effects included higher sales prices of exports due to the weaker yen and the growth of products for medical applications. These contributions were offset by higher costs for purchasing from overseas production sites.

## FY2014 (forecasts)

Expect a higher revenue by continuing to capitalize on the growth in the market for high-end semiconductors and increasing shares of the volume zone.

Earnings will grow over the results for FY2013. Despite postings of fixed costs for the second site in Thailand throughout the year, other subsidiaries expect higher earnings.

Higher revenue and earnings are expected thanks to steady sales of products for domestic food applications and further sales expansion in the pharmaceutical, industrial, and overseas food markets.

# Trends in capital expenditure, product development: Information & Advanced Materials

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## ◇ BT materials

- Second site in Thailand (MGC Electrotechno Thailand):  
Construction completed in June 2013 and now undergoing the customer approval process
- Strengthen work on general-purpose products by taking advantage of low costs
- Construction of the prototyping laboratory at MGC Electrotechno in Fukushima Pref. will be completed in August 2014.

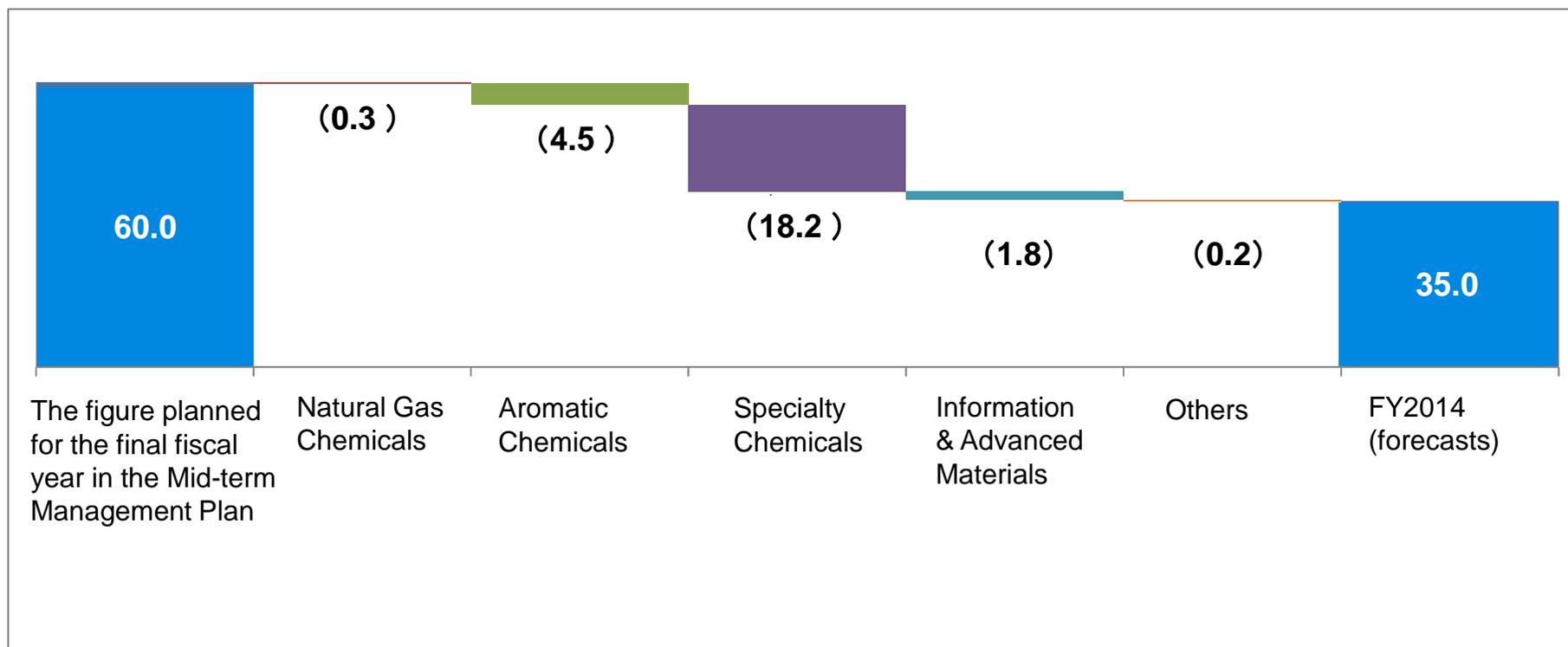
## ◇ Oxygen absorbers

- Develop capability of offering a diverse product range including AGELESS® and PharmaKeep® to accelerate the development of medical and industrial markets
- Reduce costs for AGELESS® to strengthen competitiveness further in the domestic market for food applications where MGC has a firm business foundation, and to increase sales in overseas food markets

# Changes between the final fiscal year in the Mid-term Management Plan and FY2014 forecasts

## Results by business segment (Ordinary income)

(Billion yen)



- Ordinary income for FY2014 will be ¥25 billion lower than the figure planned for the final fiscal year in the Mid-term Management Plan.
- Aromatic chemicals' figure is expected to be ¥4.5 billion lower than the plan, as the market environment will deteriorate while fixed costs will be reduced by the structural reform.
- Specialty chemicals will be ¥18.2 billion lower than the plan due to a downturn in the PC market.

# Appendix : Consolidated ordinary income by segment

(Billion yen)

|   | FY2012 (results) |      |       | FY2013(results) |       |       | FY2014 (forecasts) |       |       |
|---|------------------|------|-------|-----------------|-------|-------|--------------------|-------|-------|
|   | 1H               | 2H   | FY    | 1H              | 2H    | FY    | 1H                 | 2H    | FY    |
| <b>Ordinary income</b>                      | 11.2             | 16.4 | 27.6  | 21.5            | 9.1   | 30.7  | 16.0               | 19.0  | 35.0  |
| <b>Natural Gas Chemicals</b>                | 6.5              | 9.4  | 15.9  | 10.8            | 7.5   | 18.4  | 12.0               | 10.6  | 22.7  |
| <b>Aromatic Chemicals</b>                   | (1.1)            | 0.2  | (0.8) | 1.8             | 0.3   | 2.1   | 0.0                | (0.0) | (0.0) |
| <b>Specialty Chemicals</b>                  | 4.5              | 2.1  | 6.7   | 4.1             | (0.4) | 3.7   | 0.8                | 5.0   | 5.8   |
| <b>Information &amp; Advanced materials</b> | 1.9              | 2.4  | 4.4   | 3.7             | 1.1   | 4.8   | 2.5                | 2.6   | 5.2   |
| <b>Others</b>                               | 0.7              | 0.7  | 1.5   | 0.9             | 0.9   | 1.9   | 0.9                | 1.1   | 2.1   |
| <b>Elimination &amp; Corporate</b>          | (1.4)            | 1.3  | (0.1) | (0.0)           | (0.3) | (0.3) | (0.4)              | (0.4) | (0.8) |

# Appendix : Key indicators (1)

## 1. Key indicators(consolidated)

(Billion yen)

|  | FY2006         | FY2007         | FY2008         | FY2009         | FY2010         | FY2011         | FY2012         | FY2013         | FY2014<br>Forecasts |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Capital expenditure<br>(Of which, H1)          | 29.5<br>(14.7) | 39.4<br>(16.0) | 35.1<br>(19.3) | 27.6<br>(14.1) | 35.4<br>(14.6) | 42.4<br>(22.4) | 30.9<br>(17.7) | 25.4<br>(13.8) | 29.0<br>(14.0)      |
| Depreciation & amortization<br>(Of which, H1)  | 19.8<br>(9.1)  | 24.5<br>(11.0) | 28.9<br>(13.5) | 29.5<br>(13.7) | 29.0<br>(13.8) | 27.7<br>(13.4) | 23.0<br>(10.7) | 23.5<br>(11.4) | 23.0<br>(11.0)      |
| R&D expenditure<br>(Of which, H1)              | 11.5<br>(5.8)  | 13.6<br>(6.6)  | 14.7<br>(6.7)  | 16.2<br>(7.4)  | 16.4<br>(7.4)  | 17.4<br>(8.8)  | 15.1<br>(7.2)  | 16.1<br>(8.0)  | 18.0<br>(9.3)       |
| Employees (as of March 31)                     | 4,561          | 4,686          | 4,902          | 4,920          | 4,979          | 5,216          | 5,323          | 5,445          | 5,554               |
| Earnings per share (Yen)                       | 86.63          | 87.01          | 15.30          | 12.89          | 41.92          | 27.28          | (17.25)        | 33.14          | 55.35               |
| ROA (Return on assets)                         | 10.5%          | 10.2%          | 1.2%           | 1.4%           | 6.5%           | 4.5%           | 4.6%           | 4.8%           | 5.2%                |
| ROE (Return on equity)                         | 15.0%          | 13.7%          | 2.5%           | 2.2%           | 6.9%           | 4.4%           | (2.8%)         | 5.0%           | 7.8%                |
| Dividend (yen)<br>(Of which, interim dividend) | 14.0<br>(6.0)  | 16.0<br>(8.0)  | 16.0<br>(8.0)  | 8.0<br>(4.0)   | 8.0<br>(4.0)   | 12.0<br>(6.0)  | 12.0<br>(6.0)  | 12.0<br>(6.0)  | 14.0<br>(7.0)       |

## 2. Capex, depreciation and amortization by segment (consolidated)

(Billion yen)

|              |                                  | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|--------------|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Capex        | Natural Gas Chemicals            | 6.2    | 5.6    | 10.7   | 7.1    | 14.0   | 13.9   | 6.3    | 4.5    |
|              | Aromatic Chemicals               | 7.5    | 17.2   | 10.6   | 7.7    | 4.5    | 4.7    | 5.7    | 2.3    |
|              | Specialty Chemicals              | 8.7    | 7.4    | 9.1    | 8.1    | 14.8   | 21.6   | 15.0   | 11.2   |
|              | Information & Advanced Materials | 7.0    | 9.2    | 4.7    | 4.5    | 1.8    | 1.8    | 3.3    | 6.6    |
|              | Other                            | 0.0    | 0.0    | 0.0    | 0.1    | 0.3    | 0.1    | 0.3    | 0.5    |
| Depreciation | Natural Gas Chemicals            | 4.6    | 5.4    | 6.4    | 7.5    | 8.6    | 7.7    | 6.2    | 6.3    |
|              | Aromatic Chemicals               | 3.7    | 5.2    | 7.7    | 7.9    | 7.8    | 7.7    | 5.8    | 4.1    |
|              | Specialty Chemicals              | 8.0    | 9.6    | 9.7    | 8.6    | 8.0    | 8.4    | 7.7    | 9.5    |
|              | Information & Advanced Materials | 3.6    | 4.2    | 5.1    | 5.1    | 4.2    | 3.5    | 2.7    | 3.1    |
|              | Other                            | 0.0    | 0.0    | 0.0    | 0.4    | 0.4    | 0.3    | 0.3    | 3      |

## Appendix : Key indicators (2)

### 3. Performance assumptions

|                             | FY2006          |                 | FY2007          |                 | FY2008          |                 | FY2009          |                 | FY2010          |                 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                             | 1H              | 2H              |
| Methanol<br>(US\$/MT)       | 276             | 376             | 332             | 398             | 424             | 336             | 195             | 246             | 283             | 307             |
| Mixed Xylene<br>(US\$/MT)   | 1,000           | 870             | 960             | 950             | 1,200           | 600             | 770             | 870             | 830             | 1,050           |
| Bisphenol A<br>(US\$/MT)    | 1,200<br>~1,600 | 1,600<br>~1,700 | 1,800<br>~2,000 | 1,800<br>~2,000 | 1,800<br>~2,000 | 800<br>~1,500   | 1,000<br>~1,300 | 1,200<br>~1,700 | 1,800<br>~2,100 | 2,100<br>~2,500 |
| Polycarbonate<br>(US\$/MT)  | 2,900<br>~3,100 | 2,400<br>~2,750 | 2,600<br>~2,850 | 2,400<br>~2,850 | 2,450<br>~2,850 | 1,900<br>~2,450 | 1,900<br>~2,400 | 2,400<br>~2,900 | 2,450<br>~2,950 | 2,400<br>~2,900 |
| Exchange rate<br>(JPY/US\$) | 115             | 119             | 119             | 109             | 106             | 95              | 96              | 90              | 89              | 82              |

|                             | FY2011          |                 | FY2012          |                 | FY2013          |                 | FY2014(Forecast) |                 | Remarks                   |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|---------------------------|
|                             | 1H              | 2H              | 1H              | 2H              | 1H              | 2H              | 1H               | 2H              |                           |
| Methanol<br>(US\$/MT)       | 349             | 385             | 385             | 364             | 375             | 449             | 430              | 370             | Asia spot average price   |
| Mixed Xylene<br>(US\$/MT)   | 1,260           | 1,280           | 1,190           | 1,320           | 1,230           | 1,160           | 1,170            | 1,170           | Spot price<br>(FOB-Korea) |
| Bisphenol A<br>(US\$/MT)    | 2,000<br>~2,500 | 1,400<br>~1,800 | 1,500<br>~1,800 | 1,600<br>~2,000 | 1,550<br>~1,800 | 1,550<br>~1,700 | 1,500<br>~1,700  | 1,500<br>~1,700 | Average CIF price         |
| Polycarbonate<br>(US\$/MT)  | 2,800<br>~3,000 | 2,600<br>~2,900 | 2,500<br>~2,800 | 2,500<br>~2,800 | 2,400<br>~2,600 | 2,400<br>~2,600 | 2,400<br>~2,600  | 2,400<br>~2,600 |                           |
| Exchange rate<br>(JPY/US\$) | 80              | 78              | 79              | 87              | 99              | 102             | 100              | 100             |                           |