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# First Half Results Presentation Fiscal Year 2014

(April 1, 2014 - September 30, 2014)

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(Disclaimer)

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.

 **MITSUBISHI GAS CHEMICAL CO., INC.**

# H1 FY2014 Consolidated Results

(Billion Yen)

	H1 FY2013	H1 FY2014	Changes	Changes(%)
Net sales	266.4	267.8	1.4	0.5%
Operating income	10.1	6.3	(3.8)	(37.8%)
Equity in earnings of affiliates	11.8	17.7	5.9	50.3%
Ordinary income	21.7	23.9	2.2	10.4%
Net income	18.6	21.5	2.8	15.5%
Net income per share (¥)	41.23	47.62		
Interim dividend (¥)	6.0	7.0		
Exchange rate (¥/\$)	99	103		

(Net Sales) ¥267.8 billion, up 0.5%

Pluses: Higher sales prices of methanol, increase in sales volume of engineering plastics

Minus: Decline in sales volume of general-purpose aromatic chemicals

(Operating income) ¥6.3 billion, down 37.8%

Plus: Improved profitability of exports due to a weaker yen

Minus: Deteriorated profitability of Hybrid Chemicals for LSI, electric materials, and general-purpose chemical products

(Ordinary income) ¥23.9 billion, up 10.4%

Plus: Increase in equity in earnings of affiliates from overseas' methanol producing companies

Minus: Decline in operating income

# H1 FY2014 Non-operating & Extraordinary Items

(Billion Yen)

	H1 FY2013	H1 FY2014	Changes
Non-operating items	11.5	17.6	6.0
Equity in earnings of affiliates	11.8	17.7	5.9
Financial income or loss	(0.3)	0.3	0.6
Others	(0.0)	(0.4)	(0.4)
Extraordinary income	0.1	2.1	2.0
Compensation	-	1.0	1.0
Others	0.1	1.1	0.9
Extraordinary losses	(0.5)	(2.1)	(1.6)
Business structure improvement expenses	(0.2)	(1.1)	(0.9)
Impairment losses	-	(0.5)	(0.5)
Others	(0.2)	(0.4)	(0.1)

(Equity in earnings of affiliates) ¥17.7 billion , up 5.9 billion

Plus: Increase in earnings from overseas' methanol producing companies due to higher methanol prices and a weaker yen

(Business structure improvement expenses) ¥1.1 billion H1 FY2014

For the restructuring of the ammonia business

# H1 FY2014 Consolidated Balance Sheets

(Billion Yen)

	As of March 31, 2014	As of September 31, 2014	Changes		As of March 31, 2014	As of September 31, 2014	Changes
Current assets	287.6	299.4	11.8	Liabilities	333.9	330.4	(3.5)
Cash	38.7	41.2	2.5	Trade notes & accounts payable	71.6	78.8	7.1
Trade notes & accounts receivable	127.8	127.0	(0.7)	Interest bearing debt	204.4	191.6	(12.8)
Inventories	99.1	97.9	(1.2)	Others	57.8	59.9	2.1
Others	21.8	33.1	13.0	Net assets	323.8	346.1	22.2
Noncurrent assets	370.1	377.1	6.9	Shareholders' equity	309.2	328.7	19.4
Tangible & intangible assets	194.4	193.3	(1.0)	Accumulated other comprehensive income	2.9	5.3	2.4
Investment securities	167.2	176.5	9.2	Minority interests	11.6	12.0	0.3
Others	8.4	7.2	(1.1)				
Total assets	657.8	676.5	18.7	Total liabilities & net assets	657.8	676.5	18.7

Equity ratio	47.5%	49.4%
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# H1 FY2014 Consolidated Cash Flows

(Billion Yen)

	H1 FY2013	H1 FY2014	Changes
Operating cash flows	15.6	40.4	24.7
Net income before taxes	21.3	23.9	2.6
Depreciation Expenses	11.4	11.5	0.1
Equity in earnings of affiliates	(11.8)	(17.7)	(5.9)
Dividends received from equity method affiliates	7.4	13.1	5.7
Working capital etc.	(12.5)	10.1	22.6
Income taxes paid	(0.1)	(0.6)	(0.4)
Investing activity cash flows	(16.6)	(7.5)	9.0
Capital expenditure	(16.5)	(8.6)	7.8
Investment and financing, etc.	(0.0)	1.0	1.1
Financing activity cash flows	1.0	(16.6)	(18.1)
Change in borrowings and bonds	4.2	(13.4)	(17.7)
Dividends paid	(3.1)	(3.1)	0.0
Effect of exchange rate changes on cash and cash equivalents	3.3	1.3	(2.0)
Increase (decrease) in cash and cash equivalents	3.5	17.5	14.0
Cash and cash equivalents at beginning of year	26.9	37.3	10.4
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	0.4	0.3	(0.0)
Cash and cash equivalents at end of year	30.8	55.2	24.4

# H1 FY2014 Consolidated Results by Segment

(Billion Yen)

	H1 FY2013	H1 FY2014	Changes	Main factors
<b>Net sales</b>	266.4	267.8	1.4	
Natural Gas Chemicals	89.9	97.7	7.8	Higher sales prices of methanol
Aromatic Chemicals	76.4	65.3	(11.0)	Decline in sales volume of purified isophthalic acid and meta-xylene
Specialty Chemicals	77.3	82.3	5.0	Increase in sales volume of PC and POM
Information & Advanced Materials	28.8	29.9	1.1	Strong demand for BT materials
Others & Adjustments	(6.0)	(7.6)	(1.5)	
<b>Operating income</b>	10.1	6.3	(3.8)	
Natural Gas Chemicals	1.9	0.6	(1.3)	Deteriorated profitability of purchase methanol, amines and polyols and higher repair costs for the ammonia equipment due to a turnaround
Aromatic Chemicals	2.1	1.5	(0.5)	Deteriorated profitability of general-purpose products
Specialty Chemicals	3.7	3.2	(0.5)	Deteriorated profitability of Hybrid Chemicals for LSI
Information & Advanced Materials	3.4	2.2	(1.1)	Increase in fixed and SGA costs due to the start of commercial operation at the second site of electronic materials in Thailand
Others & Adjustments	(1.1)	(1.3)	(0.2)	
<b>Ordinary income</b>	21.7	23.9	2.2	
Natural Gas Chemicals	10.8	18.3	7.4	Increase in equity in earnings of affiliates from overseas' methanol producing companies due to higher methanol prices and a weaker yen
Aromatic Chemicals	1.9	(0.3)	(2.2)	Loss of equity earnings due to the withdrawal of PTA business
Specialty Chemicals	4.2	2.9	(1.3)	
Information & Advanced Materials	3.7	2.4	(1.2)	
Others & Adjustments	0.9	0.5	(0.3)	

# FY2014 Consolidated Forecasts

(Billion Yen)

	FY2013			FY2014			Changes		
	H1	H2	FY	H1 (Results)	H2 (Forecasts)	FY (Forecasts)	H1	H2	FY
Net sales	264.4	267.9	534.4	267.8	272.1	540.0	1.4	4.1	5.5
Operating income	10.1	1.3	11.4	6.3	7.6	14.0	(3.8)	6.3	2.5
Equity in earnings of affiliates	11.8	8.6	20.4	17.7	10.2	28.0	5.9	1.5	7.5
Ordinary income	21.7	9.1	30.8	23.9	16.0	40.0	2.2	6.9	9.1
Net income or loss before taxes	21.3	(3.5)	17.7	23.9	11.0	35.0	2.6	14.5	17.2
Net income or loss	18.6	(3.7)	14.9	21.5	8.4	30.0	2.8	12.1	15.0

Net income per share (¥)	41.23		33.03	47.62		66.42
dividend (¥)	6.0	6.0	12.0	7.0	7.0	14.0
Exchange rates (¥/\$)	99	102	100	103	105	104

# FY2014 Consolidated Forecasts by Segment - 1



(Billion Yen)

	FY2013(Results)			FY2014			Changes		
	H1	H2	FY	H1 (Results)	H2 (Forecasts)	FY (Forecasts)	H1	H2	FY
Net sales	266.4	267.9	534.4	267.8	272.1	540.0	1.4	4.1	5.5
Natural Gas Chemicals	89.9	104.9	194.8	97.7	110.1	198.8	7.8	(3.8)	3.9
Aromatic Chemicals	76.4	65.0	141.5	65.3	60.0	125.4	(11.0)	(5.0)	(16.0)
Specialty Chemicals	77.3	77.2	154.5	82.3	85.7	168.1	5.0	8.5	13.5
Information & Advanced Materials	28.8	26.6	55.4	29.9	29.4	59.4	1.1	2.8	3.9
Others & Adjustments	(6.0)	(5.9)	(11.9)	(7.6)	(4.2)	(11.8)	(1.5)	1.6	0.0
Operating income	10.1	1.3	11.4	6.3	7.6	14.0	(3.8)	6.3	2.5
Natural Gas Chemicals	1.9	0.7	2.7	0.6	1.7	2.4	(1.3)	1.0	(0.2)
Aromatic Chemicals	2.1	0.7	2.8	1.5	1.3	2.9	(0.5)	0.5	0.0
Specialty Chemicals	3.7	0.2	3.9	3.2	2.7	5.9	(0.5)	2.5	2.0
Information & Advanced Materials	3.4	0.8	4.2	2.2	2.8	5.1	(1.1)	1.9	0.8
Others & Adjustments	(1.1)	(1.2)	(2.3)	(1.3)	(1.0)	(2.4)	(0.2)	0.1	(0.0)
Ordinary income	21.7	9.1	30.8	23.9	16.0	40.0	2.2	6.9	9.1
Natural Gas Chemicals	10.8	7.5	18.4	18.3	9.1	27.4	7.4	1.5	8.9
Aromatic Chemicals	1.9	0.2	2.1	(0.3)	0.4	0.1	(2.2)	0.2	(2.0)
Specialty Chemicals	4.2	(0.4)	3.8	2.9	3.2	6.1	(1.3)	3.6	2.2
Information & Advanced Materials	3.7	1.1	4.8	2.4	2.5	5.0	(1.2)	1.3	0.1
Others & Adjustments	0.9	0.5	1.5	0.5	0.7	1.2	(0.3)	0.1	(0.2)

# FY2014 Consolidated Forecasts by Segment - 2

(Billion Yen)

	H1 FY2014 (Results)	H2 FY2014 (Forecasts)	Changes	Main factors (forecasts)
Operating income	6.3	7.6	1.3	
Natural Gas Chemicals	0.6	1.7	1.1	Improve profitability of purchase methanol and increase in sales volume of organic chemicals
Aromatic Chemicals	1.5	1.3	(0.2)	Increase in sales volume of aromatic aldehydes, but decline in sales volume of MXDA and a turnaround in a domestic plant
Specialty Chemicals	3.2	2.7	(0.4)	Decline in sales volume of PC films
Information & Advanced Materials	2.2	2.8	0.6	Lower demand for the BT materials, but increase in sales volume of oxygen absorbers
Others & Adjustments	(1.3)	(1.0)	0.2	
Ordinary income	23.9	23.9	2.2	
Natural Gas Chemicals	18.3	9.1	(9.1)	Decline in equity in earnings of affiliates from overseas' methanol producing companies
Aromatic Chemicals	(0.3)	0.4	0.8	
Specialty Chemicals	2.9	3.2	0.2	
Information & Advanced Materials	2.4	2.5	0.0	
Others & Adjustments	0.5	0.7	0.1	

## Natural Gas Chemicals

Methanol            Continuing a feasibility study in Trinidad Tobago (methanol 1mmtpa, DME 100kmtpa)

Ammonia            Will shut down the ammonia production facilities and change to procurement in July 2015

## Aromatic Chemicals

PTA                 Decided withdrawal from the PTA business because its market suffers from a substantial excessive supply worldwide due to an overall increase in production capacity

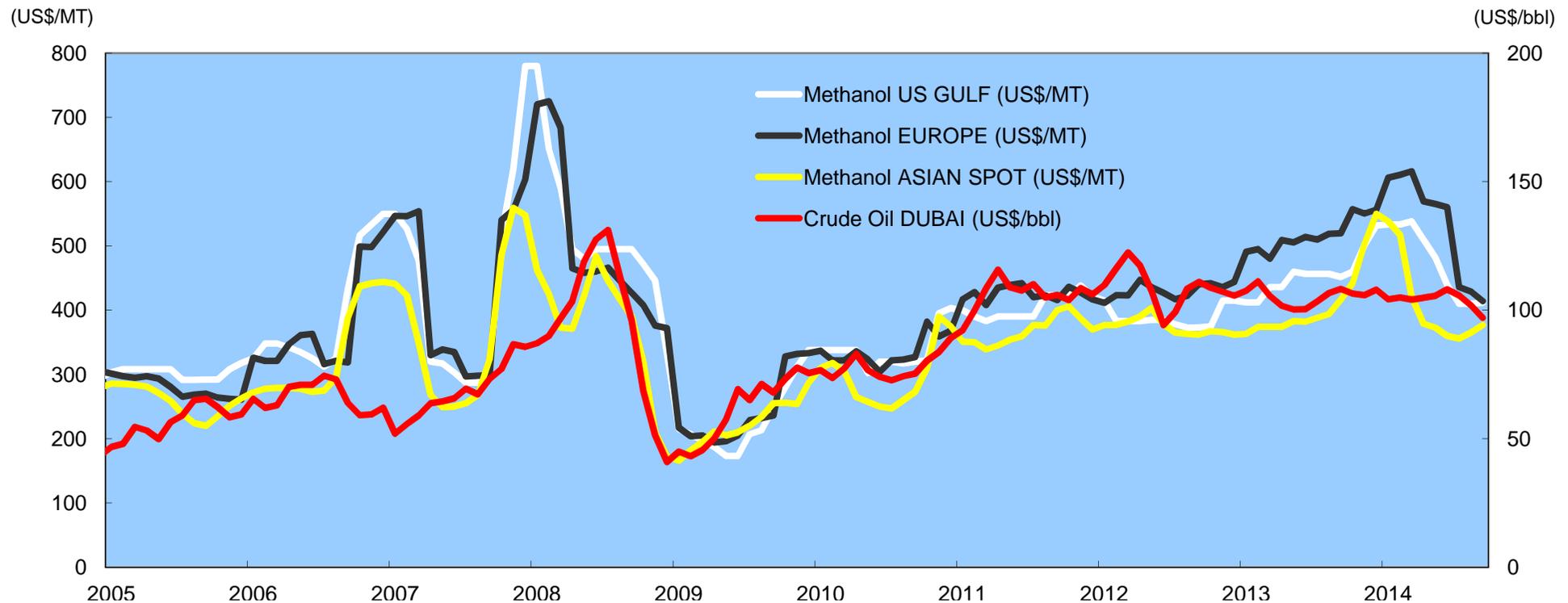
## Specialty Chemicals

Polycarbonate    Aiming at further growth of high-added value products such as special PCs, for camera lenses in mobile devices and decided expansion of its production capacity, and high transparency grades

## Information & Advanced Materials

BT materials       Started commercial operation in Thailand and completed construction of the prototyping laboratory in Japan

# Appendix : Trend in Methanol Prices



## H1 FY2014 Results (January 2014 – June 2014)

Operation of overseas main plants was recovered from the beginning of the year. Market prices has been normalized since April.

Asian average spot price(Jan-Jun) : 431US\$/MT (Jan-Mar : 492US\$/MT, Apr-Jun : 371US\$/MT)

## H2 FY2014 Forecasts (July 2014 – December 2014)

Energy and MTO applications in China will continue to drive growth in demand. Market prices are expected to remain within the present situation (350-400 US\$/MT).

Assumed Asian average spot price (Jul-Dec) : 360US\$/MT

# Appendix : Key Indicators (1)

## 1. Key indicators(consolidated)

(Billion yen)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014(F)
Capital expenditure (Of which, H1)	29.5 (14.7)	39.4 (16.0)	35.1 (19.3)	27.6 (14.1)	35.4 (14.6)	42.4 (22.4)	30.9 (17.7)	25.4 (13.8)	25.0 (102)
Depreciation & amortization (Of which, H1)	19.8 (9.1)	24.5 (11.0)	28.9 (13.5)	29.5 (13.7)	29.0 (13.8)	27.7 (13.4)	23.0 (10.7)	23.5 (11.4)	22.0 (11.5)
R&D expenditure (Of which, H1)	11.5 (5.8)	13.6 (6.6)	14.7 (6.7)	16.2 (7.4)	16.4 (7.4)	17.4 (8.8)	15.1 (7.2)	16.1 (8.0)	17.3 (8.0)
Employees (as of March 31)	4,561	4,686	4,902	4,920	4,979	5,216	5,323	5,445	5,514
Earnings per share (Yen)	86.63	87.01	15.30	12.89	41.92	27.28	(17.25)	33.03	66.02
ROA (Return on assets)	10.5%	10.2%	1.2%	1.4%	6.5%	4.5%	4.6%	4.8%	5.9%
ROE (Return on equity)	15.0%	13.7%	2.5%	2.2%	6.9%	4.4%	(2.8%)	5.0%	9.3%
Dividend (yen) (Of which, interim dividend)	14.0 (6.0)	16.0 (8.0)	16.0 (8.0)	8.0 (4.0)	8.0 (4.0)	12.0 (6.0)	12.0 (6.0)	12.0 (6.0)	14.0 (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	
	H1	H2								
Methanol (US\$/MT)	276	376	332	398	424	336	195	246	283	307
Mixed Xylene (US\$/MT)	1,000	870	960	950	1,200	600	770	870	830	1,050
Bisphenol A (US\$/MT)	1,200 ~1,600	1,600 ~1,700	1,800 ~2,000	1,800 ~2,000	1,800 ~2,000	800 ~1,500	1,000 ~1,300	1,200 ~1,700	1,800 ~2,100	2,100 ~2,500
Polycarbonate (US\$/MT)	2,900 ~3,100	2,400 ~2,750	2,600 ~2,850	2,400 ~2,850	2,450 ~2,850	1,900 ~2,450	1,900 ~2,400	2,400 ~2,900	2,450 ~2,950	2,400 ~2,900
Exchange rate (JPY/US\$)	115	119	119	109	106	95	96	90	89	82

	FY2011		FY2012		FY2013		FY2014		Remarks
	H1	H2	H1	H2	H1	H2	H1	H2(F)	
Methanol (US\$/MT)	349	385	385	364	375	449	431	360	Asian spot average price
Mixed Xylene (US\$/MT)	1,260	1,280	1,190	1,320	1,230	1,160	1,100	1,100	Spot price (FOB-Korea)
Bisphenol A (US\$/MT)	2,000 ~2,500	1,400 ~1,800	1,500 ~1,800	1,600 ~2,000	1,550 ~1,800	1,550 ~1,700	1,600 ~2,000	1,600 ~2,000	Average CIF price
Polycarbonate (US\$/MT)	2,800 ~3,000	2,600 ~2,900	2,500 ~2,800	2,500 ~2,800	2,400 ~2,600	2,400 ~2,600	2,500 ~2,700	2,500 ~2,700	
Exchange rate (JPY/US\$)	80	78	79	87	99	102	103	105	