

First Half Results Presentation Fiscal Year 2015

(April 1 - September 30, 2015)

(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.

H1 2015 Business Overview and Key Topics

Business overview

Due to lower prices of raw materials and fuels as well as the weaker yen, Aromatic chemicals and Specialty Chemicals improved in both revenue and earnings.

The conversion of JSP into a consolidated subsidiary helped increase net sales and operating income.

Sluggish demand resulted in lower sales volumes for BT materials and PC sheets and films.

Sagging market prices of methanol led to a reduction in equity in earnings of affiliates.

Key topics

Decision on investment in the methanol/DME production/sales business in Trinidad and Tobago

In-house production of ammonia discontinued and replaced by external purchases

Progress in domestic geothermal operations (in Iwate, Akita, and Hokkaido)

Increased capacity for specialty PCs (strong demand for products used in camera lenses in mobile devices)

Start of the construction of QOL Innovation Center Shirakawa

Decision on the dissolution of Japan Circuit Industrial Co., Ltd.

H1 FY2015 Consolidated Results

(Billion Yen)

	H1 FY2014	H1 FY2015	Changes	Changes (%)	H1 FY2015 (Previous forecasts)
Net sales	267.8	300.2	32.4	12.1	310.0
Operating income	6.3	15.3	9.0	143.1	11.0
Equity in earnings of affiliates	16.7	8.1	(8.6)	(51.6)	7.5
Ordinary income	22.9	21.1	(1.7)	(7.8)	17.0
Net income	20.4	18.5	(1.9)	(9.5)	14.0

Net income per share (¥)	47.62	26.57
Interim dividend (¥)	7.0	8.0
Exchange rate (¥/\$)	103	12.2

Compared with the prior-year period:

Net sales and operating income increased due to the conversion of JSP into a consolidated subsidiary, lower prices of raw materials and fuels as well as the weaker yen. However, ordinary income and net income fell due to a reduction in equity in earnings of affiliates resulting from negative factors such as lower market prices of methanol and the turnaround of equipment at the Brunei site.

Compared with previous forecasts:

The current forecasts surpass the previous ones due to positive contributions such as lower non-consolidated fixed costs, an increase in the sales volume of specialty PCs, and upward developments in the performance of JSP and electronic chemicals subsidiaries.

H1 FY2015 Non-operating & Extraordinary Items

(Billion Yen)

	H1 FY2014	H1 FY2015	Changes
Non-operating items	16.6	5.7	(10.8)
Equity in earnings of affiliates	16.7	8.1	(8.6)
Financial income or loss	0.3	0.6	0.2
Foreign exchange gains or loss	0.0	(2.4)	(2.5)
Others	(0.5)	(0.4)	0.0
Extraordinary income	2.1	3.8	1.6
Gain on sales of investment securities	-	3.4	3.4
Compensation income	1.0	-	(1.0)
Others	1.1	0.4	(0.7)
Extraordinary losses	(2.1)	(1.5)	0.5
Loss on liquidation of subsidiaries and affiliates	-	(1.0)	(1.0)
Business structure improvement expenses	(1.1)	(0.3)	0.7
Others	(0.9)	(0.1)	0.8

Equity in earnings of affiliates:

Equity in earnings of overseas methanol producing companies fell due to lower market prices of methanol and the turnaround of the Brunei site.

Exchange gains or losses:

The devalued RMB and the weaker Thai baht resulted in exchange losses.

Gain on sales of investment securities:

A gain on the sale of strategically held shares was recognized.

Loss on the dissolution of an affiliate:

A loss was posted due to the decision on the dissolution of Japan Circuit Industrial Co., Ltd.

H1 FY2015 Consolidated Balance Sheets

(Billion Yen)

	As of Mar 31, 2015	As of Sep 31, 2015	Changes		As of Mar 31, 2015	As of Sep 31, 2015	Changes
Current assets	372.1	344.1	(27.9)	Liabilities	367.9	340.1	(27.8)
Cash	62.3	54.2	(8.0)	Trade notes and accounts payable	79.3	68.9	(10.3)
Trade notes and accounts receivable	152.7	144.7	(8.0)	Interest bearing debt	215.6	203.3	(12.2)
Inventories	110.3	108.7	(1.5)	Others	72.9	67.8	(5.1)
Others	46.7	36.4	(10.3)				
Noncurrent assets	418.6	421.8	3.2	Net assets	422.4	425.9	3.0
Tangible & intangible assets	245.1	242.7	2.9	Shareholders' equity	348.9	361.1	12.2
Investment securities	164.6	169.3	4.7	Accumulated other comprehensive income	28.6	18.9	(9.7)
Others	8.8	9.6	(1.8)	Minority interests	45.2	45.7	0.5
Total assets	790.7	766.0	(24.7)	Total liabilities & net assets	790.7	766.0	(24.7)

Equity ratio	47.8	49.6
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H1 FY2015 Consolidated Cash Flows

(Billion Yen)

	H1 FY2014	H1 FY2015	Changes
Operating cash flows	40.4	28.5	(11.9)
Net income before taxes	22.9	23.4	0.4
Depreciation Expenses	11.5	13.1	1.5
Equity in earnings of affiliates	(16.7)	(8.1)	8.6
Dividends received from equity method affiliates	13.1	1.1	(12.0)
Working capital etc.	9.4	(1.1)	(10.6)
Investing activity cash flows	(7.5)	(15.7)	(8.1)
Free cash flows (Operating cash flows - Investing activity cash flows)	32.8	12.7	(20.0)
Financing activity cash flows	(16.6)	(24.0)	(7.4)
Effect of exchange rate changes on cash and cash equivalents	1.3	0.6	0.6
Increase (decrease) in cash and cash equivalents	17.5	(10.6)	(28.2)
Cash and cash equivalents at end of year	55.2	62.0	6.7

FY2015 Consolidated Forecasts

	FY2015 Previous forecasts	FY2015 Forecasts	Changes		FY2014 Results
			Changes	Changes(%)	
Net sales	620.0	600.0	(20.0)	(3.2)	529.5
Operating income	25.0	26.5	1.5	6.0	14.9
Equity in earnings of affiliates	16.0	15.0	(1.0)	(6.3)	27.8
Ordinary income	37.0	36.0	(1.0)	(2.7)	42.0
Net income or loss before taxes	35.0	34.0	(1.0)	(2.9)	46.0
Net income or loss	29.0	26.0	(3.0)	(10.3)	43.3

Net income per share (¥)	64.45	58.32
ROE(%)	7.5	6.8
dividend (¥)	16.0	16.0
Exchange rates (¥/\$)	12.0	12.1

Operating income will surpass the previous forecast. The negative effects of lower market prices of natural gas-based chemicals and lower sales volumes of electronic materials will be more than offset by an improvement in the profitability of Aromatic and Specialty chemicals.

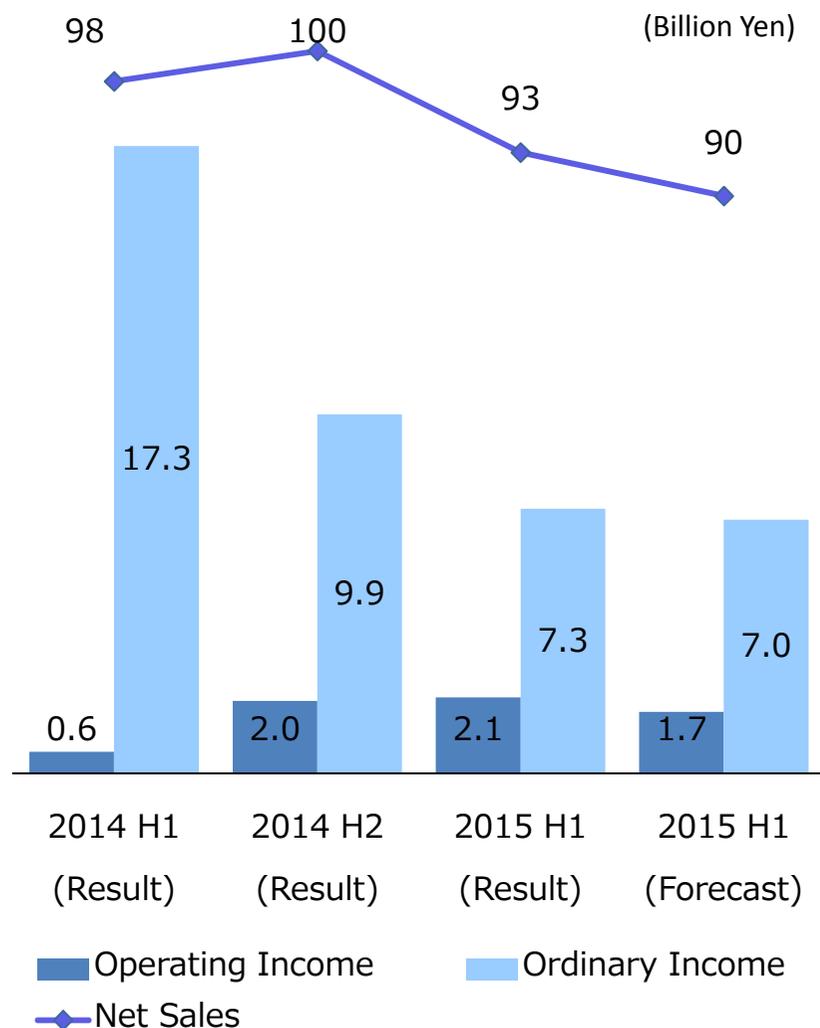
On the other hand, ordinary income and net income are expected to be lower than the previous forecast figures, primarily due to the exchange losses suffered by overseas subsidiaries, lower equity in earnings of overseas methanol producing companies, and revisions of tax costs.

Consolidated Results by Segment

(Billion Yen)

	FY2014 (Results)			FY2015 (Previous forecasts)			FY2015 (Forecasts)		
	H1	H2	Full Year	H1	H2	Full Year	H1 (Result)	H2 (Forecast)	Full Year (Forecast)
Net sales	267.8	261.7	529.5	310.0	310.0	620.0	300.2	299.7	600.0
Natural Gas Chemicals	97.7	99.8	197.6	93.7	95.2	189.0	92.8	89.8	182.7
Aromatic Chemicals	65.3	57.9	123.3	111.5	108.9	220.4	105.0	109.7	214.8
Specialty Chemicals	82.3	83.6	166.0	84.7	83.4	168.1	82.7	82.1	164.8
Information & Advanced Materials	29.9	28.2	58.2	28.9	29.5	58.4	26.4	27.4	53.8
Others & Adjustments	(7.6)	(8.0)	(15.6)	(8.8)	(7.2)	(16.1)	(6.8)	(9.4)	(16.2)
Operating income	6.3	8.6	14.9	11.0	14.0	25.0	15.3	11.1	26.5
Natural Gas Chemicals	0.6	2.0	2.7	2.0	3.1	5.1	2.1	1.7	3.9
Aromatic Chemicals	1.5	1.4	3.0	6.1	6.1	12.3	7.7	6.2	14.0
Specialty Chemicals	3.2	5.0	8.2	2.6	3.7	6.3	5.6	3.3	9.0
Information & Advanced Materials	2.2	1.5	3.8	1.8	2.4	4.3	1.1	1.2	2.3
Others & Adjustments	(1.3)	(1.5)	(2.8)	(1.6)	(1.4)	(3.0)	(1.4)	(1.4)	(2.8)
Ordinary income	22.9	19.0	42.0	17.0	20.0	37.0	21.1	14.8	36.0
Natural Gas Chemicals	17.3	9.9	28.2	7.3	9.2	16.6	7.7	7.0	14.8
Aromatic Chemicals	(0.3)	1.3	1.0	5.2	5.1	10.3	7.1	4.8	11.9
Specialty Chemicals	2.9	6.2	9.1	3.6	4.2	7.8	5.8	2.9	8.7
Information & Advanced Materials	2.4	1.5	4.0	1.8	2.1	4.0	0.8	0.8	1.6
Others & Adjustments	0.5	(0.0)	0.4	(1.1)	(0.7)	(1.9)	(0.4)	(0.8)	(1.2)

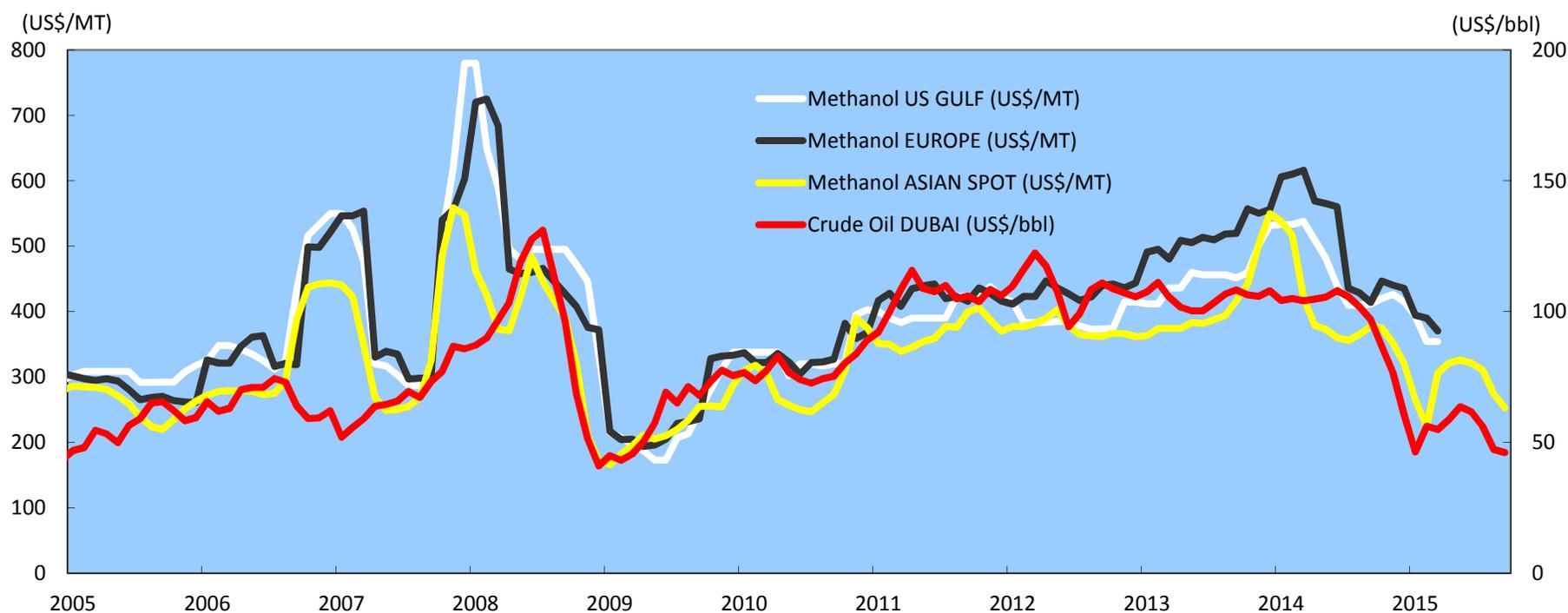
Natural Gas Chemicals



FY2015 H1 (results, year-on-year difference)
 Methanol posted lower net sales in relation to declines in international market prices.
 The profitability primarily of MMA-based products improved thanks to the weaker yen and lower raw material prices, resulting in higher operating income.
 Ordinary income declined as equity in earnings of affiliates dropped, primarily due to the impact of falling market prices on the performance of overseas methanol producing companies and the turnaround of equipment at the Brunei site.

FY2015 H2 (forecasts, difference from H1)
 Ordinary income is expected to be lower than in H1.
 Market prices of methanol will likely remain low, although the Brunei site will resume operation.

Natural Gas Chemicals : Trend in Methanol Prices



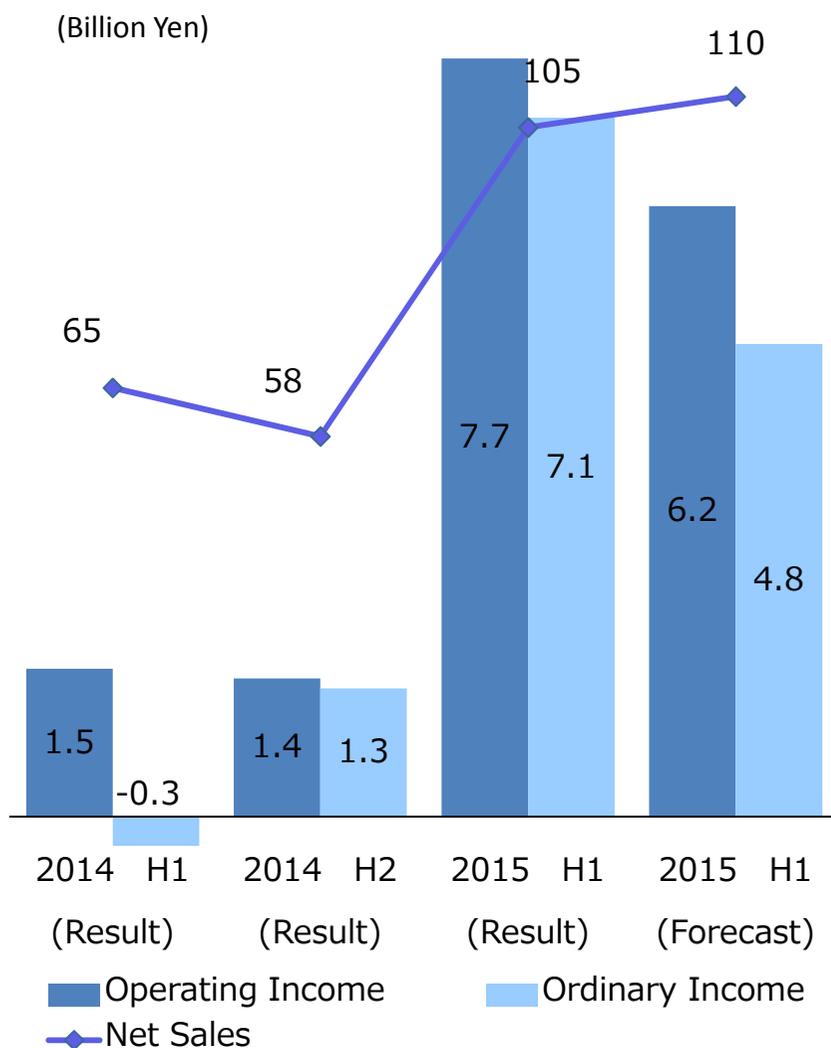
FY2015 H1 results

Recovery in crude oil prices and new demand for MTO led to recovery in market prices in Q1 (April to June). In Q2 (July to September), however, market prices will likely fall due to lower crude oil prices and a reduction in demand.

FY2015 H2 (forecasts, future developments)

Stable operation of large plants as well as the start of operation of new and transferred plants in North America allow us to expect continued sufficient supply. Demand is expected to increase as two new MTO plants start operation in China in the latter half of 2015. The Asian average spot price is expected to be 270 US\$/MT in the second half of fiscal 2015 (October 2015-March 2016).

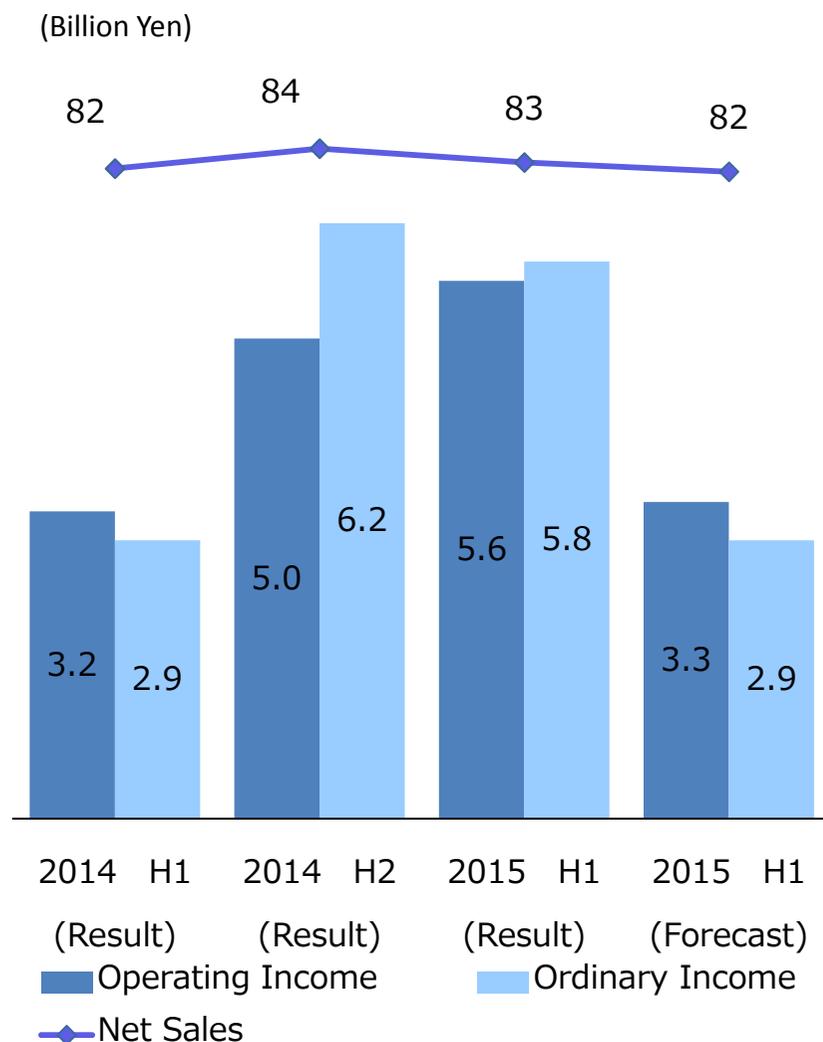
Aromatic Chemicals



FY2015 H1 (results, year-on-year difference)
 Non-consolidated net sales fell substantially primarily due to the withdrawal from purified terephthalic acid operations. However, the conversion of JSP into a consolidated subsidiary helped increase revenue. Operating income was higher due not only to the conversion of JSP into a consolidated subsidiary, but also to higher profitability of operations such as meta-xylenediamine (MXDA) and purified isophthalic acid (PIA) resulting from the weaker yen and lower prices of raw materials and fuels.

FY2015 H2 (forecasts, difference from H1)
 Non-consolidated earnings are expected to be lower. Anticipated positive contributions such as higher sales volumes of aromatic aldehydes will be more than offset by losses resulting from the turnaround at the Mizushima Plant. JSP is expected to do almost as well as in the first half of fiscal 2015.

Specialty Chemicals



FY2015 H1 (results, year-on-year difference)

Inorganic chemicals achieved growth in both revenue and earnings. Positive contributions included the correction of hydrogen peroxide prices, successful sales of super-pure hydrogen peroxide in overseas markets, and the weaker yen.

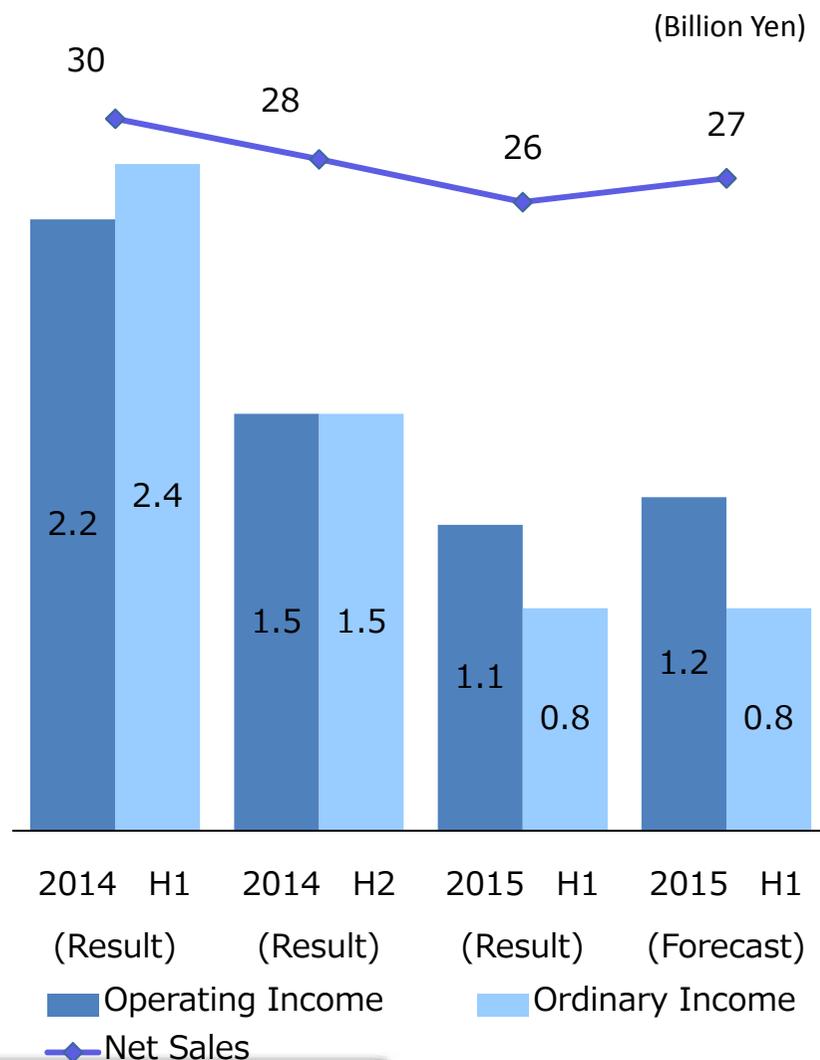
Engineering plastics posted improved earnings. While PC sheets and films suffered a downturn due to sagging demand, there were positive contributions primarily from lower prices of raw materials, which helped improve PC/POM profitability, as well as from a higher sales volume of specialty PCs for use in the camera lenses of mobile devices.

FY2015 H2 (forecasts, difference from H1)

Inorganic chemicals will likely suffer declines in both revenue and earnings, primarily due to an expected drop in the sales volume of super-pure hydrogen peroxide in overseas markets.

In the engineering plastics business, PCs/PC sheets and films are expected to see a business environment almost as favorable as in the first half of the current fiscal year. POM expects a decline in sales prices.

Information & Advanced Materials



FY2015 H1 (results, year-on-year difference)

Electronic materials posted a drop in both revenue and earnings since sales of BT materials remained at low levels in relation to the slower growth of the smartphone market and declines in the demand for other electronic products.

Oxygen absorbers posted increases in both revenue and earnings. Domestic sales volumes recovered since there was no longer an impact from the consumption tax hike. Exports also grew.

FY2015 H2 (forecasts, difference from H1)

Electronic materials will continue to face a difficulty in the sale of BT materials in the second half-year period as well.

As usual, oxygen absorbers are expected to see an increase in sales volumes due to an increase in demand toward the year end.

Developments in the core businesses in the Mid-term Management Plan “MGC Advance2017”

Methanol	Despite uncertainty surrounding market prices in the immediate future, MGC's cost competitiveness remains unchanged. A decision was made on the investment in the project in Trinidad and Tobago.
Energy	Domestic geothermal operations are under way. MGC is proceeding with the Canadian shale gas LNG project.
MXDA / MX nylon	Successful in both terms of revenue and earnings due to lower prices of raw materials and fuels as well as the weaker yen. Now aiming to win more customers and develop additional applications.
Foamed Plastics (JSP Corp.)	Steady sales and lower prices of raw materials create a favorable environment for earnings. Conducting various initiatives for generating group synergy.
Hydrogen Peroxide / EL Chemicals	Despite being successful in both terms of revenue and earnings, these operations face rapid changes in customer environments in the markets for semiconductors and LCDs. MGC will focus on ensuring stable supply for major users and developing new products for next-generation applications.
PC / Functional Sheets & Films	While sheets and films suffer from a business downturn, PCs benefit from improved spreads. Specialty PCs have been successful. MGC will focus on providing more specialized and higher-value-added products.
BT Materials	Expected to face a difficult demand environment through the end of the fiscal year. MGC is considering the feasibility of entering peripheral fields.
Ageless®	Revenue and earnings are on the increase due to the impact of the growing number of inbound tourists and an increase in exports.

Appendix : Key Indicators (1)

(Billion yen)

1. Key indicators(consolidated)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (Forecast)
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)	22.2 (103)	35.0 (14.9)
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)	23.7 (11.5)	27.0 (13.1)
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)	16.8 (8.0)	19.0 (9.2)
Employees (as of March 31)	4,561	4,686	4,902	4,920	4,979	5,216	5,323	5,445	8,254	8,298
Earnings per share (Yen)	87	87	15	13	42	27	(17)	33	98	58
ROA (Return on assets)	10.5%	10.2%	1.2%	1.4%	6.5%	4.5%	4.6%	4.8%	5.9%	4.6
ROE (Return on equity)	15.0%	13.7%	2.5%	2.2%	6.9%	4.4%	(2.8%)	5.0%	12.9%	6.8
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)	16.0 (8.0)

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

		FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	F2014
Capex	Natural Gas Chemicals	6.2	5.6	10.7	7.1	14.0	13.9	6.3	4.5	5.7
	Aromatic Chemicals	7.5	17.2	10.6	7.7	4.5	4.7	5.7	2.3	4.0
	Specialty Chemicals	8.7	7.4	9.1	8.1	14.8	21.6	15.0	11.2	7.6
	Information &Advanced Materials	7.0	9.2	4.7	4.5	1.8	1.8	3.3	6.6	4.3
	Other	0.0	0.0	0.0	0.1	0.3	0.1	0.3	0.5	0.3
Depreciation	Natural Gas Chemicals	4.6	5.4	6.4	7.5	8.6	7.7	6.2	6.3	6.9
	Aromatic Chemicals	3.7	5.2	7.7	7.9	7.8	7.7	5.8	4.1	3.9
	Specialty Chemicals	8.0	9.6	9.7	8.6	8.0	8.4	7.7	9.5	9.2
	Information &Advanced Materials	3.6	4.2	5.1	5.1	4.2	3.5	2.7	3.1	3.3
	Other	0.0	0.0	0.0	0.4	0.4	0.3	0.3	3	0.3

Appendix : Key Indicators (2)

3. Performance assumptions

	FY2007		FY2008		FY2009		FY2010		FY2011	
	H1	H2								
Methanol (US\$/MT)	332	398	424	336	195	246	283	307	349	385
Mixed Xylene (US\$/MT)	960	950	1,200	600	770	870	830	1,050	1,260	1,280
Bisphenol A (US\$/MT)	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	2,000 ~2,500	1,400 ~1,800
Polycarbonate (US\$/MT)	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	2,800 ~3,000	2,600 ~2,900
Exchange rate (JPY/US\$)	119	109	106	95	96	90	89	82	80	78

	FY2012		FY2013		FY2014		FY2015		Remarks
	H1	H2	H1	H2	H1	H2(F)	H1(R)	H2(F)	
Methanol (US\$/MT)	385	364	375	449	431	360	294	270	Asian spot average price
Mixed Xylene (US\$/MT)	1,190	1,320	1,230	1,160	1,100	1,100	740	720	Spot price (FOB-Korea)
Bisphenol A (US\$/MT)	1,500~ 1,800	1,600~ 2,000	1,550~ 1,800	1,550~ 1,700	1,600~ 2,000	1,600~ 2,000	950~ 1,500	900~ 1,300	Average CIF price
Polycarbonate (US\$/MT)	2,500~ 2,800	2,500~ 2,800	2,400~ 2,600	2,400~ 2,600	2,500~ 2,700	2,500~ 2,700	2,100~ 2,650	2,000~ 2,500	
Exchange rate (JPY/US\$)	79	87	99	102	103	105	122	120	