

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Results for the Third Quarter of Fiscal Year 2013

(April 1 – December 31, 2013)

February 5, 2014

### MITSUBISHI GAS CHEMICAL COMPANY, INC.

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Scheduled date of payment of dividend: -

### 1. Summary of Consolidated Results for the Third Quarter of Fiscal Year 2013

(April 1, 2013 – December 31, 2013)

#### 1) Operating results

*Millions of yen, rounded down*  
*Percentage figures denote change compared to equivalent period of previous year*

	April 1 – December 31, 2013		April 1 – December 31, 2012	
		Change %		Change %
Net sales.....	397,401	13.8	349,286	1.7
Operating income (loss).....	11,951	26.5	9,450	2.8
Ordinary income (loss).....	28,310	30.4	21,717	(4.0)
Net income (loss).....	13,172	(18.5)	16,155	76.4
Net income (loss) per share (¥) .....	29.16		35.76	
Fully diluted net income (loss) per share (¥) .....	-		-	

(Note) Comprehensive income: third quarter of FY 2013 : ¥30,620 million [77.1%]; third quarter of FY 2012 : ¥17,291 million [- %]

#### 2) Financial position

*Millions of yen, rounded down*

	As of December 31, 2013	As of March 31, 2013
Total assets .....	663,114	613,908
Net assets.....	318,578	294,895
Equity ratio (%).....	46.3	46.2

(Note) Shareholders' equity as of December 31, 2013: ¥306,953million; as of March 31, 2013: ¥283,855million

### 2. Cash Dividends

	FY 2013	FY 2012
Interim dividend per share (¥) .....	6.00	6.00
Year-end dividend per share (¥) .....	6.00 (Forecast)	6.00
Annual dividend per share (¥).....	12.00 (Forecast)	12.00

(Note) Revision of cash dividend forecast during this period: None

### 3. Consolidated Business Forecasts for Fiscal Year 2012

(April 1, 2012 – March 31, 2013)

*Millions of yen, rounded down*  
*Percentage figures denote change compared to equivalent period of previous year*

	Full Year	
		Change %
Net sales .....	530,000	13.3
Operating income (loss) .....	13,000	13.8
Ordinary income (loss) .....	32,000	15.7
Net Income (loss).....	16,000	-
Net income (loss) per share (¥) .....	35.42	

(Note) Revision of consolidated business forecasts during this period: Yes

#### 4. Other Information

1) **Transfer of important subsidiaries during the period under review: None**

(Transfers of certain subsidiaries resulting in changes in the scope of consolidation)

2) **Adoption of simplified accounting methods: None**

3) **Changes in accounting policies, changes in accounting estimate or restatement of corrections:**

1. **Changes in accounting policies following revisions to accounting standards: None**

2. **Changes other than 1: None**

3. **Changes in accounting estimates: None**

4. **Restatement of corrections: None**

4) **Number of shares outstanding (ordinary shares)**

	December 31, 2013	March 31, 2013
Number of shares issued at end of period (including treasury shares) .....	483,478,398	483,478,398
Number of treasury shares at end of period .....	31,794,774	31,769,134
	April 1 – December 31, 2013	April 1 – December 31, 2012
Average shares outstanding during period .....	451,698,860	451,732,813

(NOTE)

1. *These quarterly financial results are not subject to quarterly review procedures. At this time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instrument and Exchange Law have not been completed.*

2. *Forecasts, etc., recorded in this document contain forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.*

## 1. Consolidated business results for this period

*Note: All comparisons are with the same period of the previous fiscal year, unless stated otherwise.*

### (1) Consolidated operating results

#### Overview of results

In the nine months up to the third quarter of the fiscal year ending March 2014 (April 1-December 31, 2013), the Japanese economy showed signs of slow recovery. Despite concerns over an economic downturn in overseas markets due to slower growth of emerging economies, Japan enjoyed improvements in the export environment due to the weaker yen as well as stable domestic demand.

The MGC Group achieved an increase in revenue compared with the same prior-year period. Major contributions came from overall increases in sales prices due to the weaker yen as well as higher market price of methanol during the latter half of the nine-month period under review.

The Group's operating income was higher than the corresponding prior-year figure. Even though Group earnings were adversely affected by the lower profitability of engineering plastics, the improved profitability of export products made a positive contribution. There were also favorable effects from lower fixed costs for purified isophthalic acid and meta-xylene thanks to the structural reform conducted during the previous fiscal year.

In addition to the higher operating income, equity in earnings of affiliates grew compared with the prior-year level due mainly to the excellent performance of overseas methanol producing companies, resulting in a higher ordinary income.

By contrast, net income was lower than the prior-year level because the MGC polycarbonate subsidiary in China recognized an impairment of noncurrent assets. The Chinese company faced difficulty in remaining profitable, and it is expected that it will take some time to recover.

In the nine-month period under review, the MGC Group achieved ¥397.4 billion in consolidated net sales, an increase of ¥48.1 billion (13.8%). Consolidated operating income was ¥11.9 billion, an increase of ¥2.5 billion (26.5%). Equity in earnings of affiliates was ¥16.3 billion, a growth of ¥1.2 billion (8.3%). Consolidated ordinary income rose by ¥6.5 billion (30.4%) to ¥28.3 billion. Consolidated net income was ¥13.1 billion, a decline of ¥2.9 billion (18.5%).

#### Results by business segment

##### **Natural Gas Chemicals Company**

The methanol business achieved an increase in revenue, but posted lower earnings. Although the weaker yen and — in the latter half of the nine-month period under review — 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, higher sales prices of exports, due to the weaker yen, and a reduction in repair costs for ammonia-related equipment had positive effects.

Crude oil and other energy sources achieved prior-year-level earnings. This is because the reduction in the sales volume of crude oil was offset by increases in unit sales price due to the weaker yen.

Some of the subsidiaries in this segment also achieved growth in earnings. This was due to improved profitability resulting from the structural reform conducted during fiscal 2012.

In the nine months up to the third quarter of fiscal 2013, the Natural Gas Chemicals Company achieved

consolidated net sales of ¥130.4 billion, an increase of ¥17.8 billion (15.9%), and an operating income of ¥2.6 billion, an increase of ¥1.7 billion (188.1%). An equity in earnings of affiliates of ¥12.9 billion, coming primarily from overseas methanol producing companies, resulted in ordinary income of ¥14.7 billion, up ¥2.8 billion (24.0%).

### **Aromatic Chemicals Company**

Specialty aromatic chemical products posted growth in both revenue and earnings compared with the corresponding prior-year period. Not only were exports of core products more profitable due to the weaker yen, but also there was an increase in the sales volume of aromatic aldehydes.

General-purpose aromatic chemicals such as purified isophthalic acid grew in both revenue and earnings. This was partly because fixed costs were reduced by the structural reform conducted during fiscal 2012. Another reason was that the weaker yen made exports more profitable.

In the nine-month period under review, the Aromatic Chemicals Company achieved consolidated net sales of ¥109.5 billion, an increase of ¥14.4 billion (15.2%), an operating income of ¥3.4 billion, up ¥3.3 billion, and an ordinary income of ¥3.2 billion, an improvement of ¥4.2 billion.

### **Specialty Chemicals Company**

Inorganic chemicals achieved prior-year-level earnings. A decline in the profitability of domestic hydrogen peroxide operations was offset by increased profitability of the Chinese subsidiary.

Electronic chemicals achieved growth in both revenue and earnings. There was a lower volume of sales of hybrid chemicals for semiconductors, a core product range of MGC. However, some overseas regions benefited from strong developments in the sales volumes of super-pure hydrogen peroxide and hybrid chemicals for LCD applications.

In the engineering plastics business, polycarbonates suffered a significant decline in earnings as they were affected by shrinking margins due to excess supply and sluggish demand. The polyacetal business also posted lower earnings due to reductions in sales volumes and market prices.

Polycarbonate sheets and films marked higher net sales and lower earnings. Despite a higher sales volume of films for use in flat panel displays, there was an increase in fixed costs, due partly to new acquisitions of equipment.

Between April and December 2013, the Specialty Chemicals Company achieved consolidated net sales of ¥114.5 billion, an increase of ¥14.4 billion (14.5%) from the previous year and an operating income of ¥3.1 billion, a decline of ¥3.6 billion (53.4%). Due to the recognition of ¥1.2 billion equity in earnings of affiliates, the Company posted an ordinary income of ¥3.5 billion, a drop of ¥2.9 billion (45.3%).

### **Information & Advanced Materials Company**

Electronic materials grew in both revenue and earnings. BT materials for semiconductor packaging, which represent MGC's core segment for electronic materials, achieved higher sales volumes, notably for smartphone-related applications. A further contribution came from the improved profitability of exports due to the weaker yen.

Oxygen absorbers such as AGELESS® achieved prior-year-level earnings due to stable developments in both food and non-food segments.

In the nine-month period up to December 2013, the Information & Advanced Materials Company achieved consolidated net sales of ¥42.4 billion, an increase of ¥1.4 billion (3.6%), an operating income of ¥4.3 billion, an increase of ¥0.8 billion (22.9%), and an ordinary income of ¥4.6 billion, growth of ¥0.9 billion (26.9%).

## **Other**

In the three-quarter period under review, the other business segment achieved consolidated net sales of ¥0.4 billion, a decline of ¥0.1 billion (23.2%), an operating income of ¥0.1 billion, a drop of ¥0.0 billion (16.7%), and an ordinary income of ¥1.4 billion, an increase of ¥0.2 billion (18.1%).

## **(2) Consolidated financial position**

At the end of the third quarter of fiscal 2013, the MGC Group had ¥663.1 billion in total assets, an increase of ¥49.2 billion from the end of fiscal 2012.

Current assets rose by ¥29.0 billion to ¥290.3 billion, primarily due to increases in trade notes and accounts receivable as well as merchandise and finished goods.

Noncurrent assets increased by ¥20.2 billion to ¥372.7 billion. Property, plant and equipment fell by ¥3.9 billion to ¥191.5 billion. This is because, despite an increase due to capital expenditure, there were negative effects from an impairment loss recognized by a consolidated subsidiary. Investments and other assets were ¥177.8 billion, an increase of ¥24.1 billion, due primarily to an increase in investment securities achieved by equity method companies.

Liabilities increased by ¥25.5 billion to ¥344.5 billion from the end of fiscal 2012.

Current liabilities increased by ¥16.6 billion to ¥212.1 billion, primarily due to increases in short-term loans payable as well as trade notes and accounts payable.

Noncurrent liabilities rose by ¥8.8 billion to ¥132.4 billion, primarily due to an increase in long-term loans payable.

Net assets were ¥318.5 billion, an increase of ¥23.6 billion from the end of fiscal 2012. This was because foreign currency translation adjustments increased by ¥11.5 billion due to the weaker yen and because retained earnings rose by ¥6.4 billion. As of December 31, 2013 the shareholders' equity ratio was 46.3%.

## **(3) Consolidated business forecasts**

An unexpectedly rapid increase in methanol market price will reduce the profitability of sales of purchased methanol and earnings from various derivatives compared with the previous forecasts. Engineering plastics are expected to fall short of the previous forecasts. Polycarbonate sales have been slow in recovery due to excess supply and sluggish demand, while polyacetal suffers from the higher price of methanol, its base material, and an imbalance between supply and demand. The semiconductor package substrates operations are also likely to post lower earnings due to prolonged inventory adjustments within the supply chain. The MGC Group therefore expects that consolidated full-year operating income and ordinary income will be lower than their previously forecast figures.

In addition, consolidated full-year net income will be significantly lower than the previous forecast level. This is because the MGC polycarbonate subsidiary in China posted an impairment loss. For further details of the above impairment loss, see the recent release titled "Shanghai MGC Subsidiary Extraordinary Loss."

As far as MGC's non-consolidated full-year forecasts are concerned: Nonconsolidated ordinary income will surpass the previously forecast figure primarily due to increases in dividends received from overseas methanol producing companies. By contrast, nonconsolidated full-year net income will be significantly lower than the corresponding forecast. This is because, not only has a loss on valuation of shares in affiliates been recognized due to the above-mentioned recognition of the impairment loss by the Chinese subsidiary, but the loss expected to be charged to MGC in the future the above subsidiary's business has been posted in the form of a provision.

These performance forecasts assume exchange rates of ¥100=\$1 and ¥130=€1 for the unelapsed period of the fiscal year.

Revision of consolidated business forecasts

Fiscal year ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (¥)
Previously announced forecasts (A)	530,000	16,000	34,000	26,000	57.56
Revised forecasts (B)	530,000	13,000	32,000	16,000	35.42
Change (B – A)	-	(3,000)	(2,000)	(10,000)	-
Change (%)	-	(18.8)	(5.9)	(38.5)	-
Results for the previous period (ended March 31, 2012)	467,979	11,421	27,651	(7,793)	(17.25)

### 3. Consolidated Quarterly Financial Statements

#### (1) Consolidated Quarterly Balance Sheets

Millions of yen, rounded down

	As of March 31, 2013	As of December 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits.....	28,888	29,235
Trade notes and accounts receivable .....	127,843	143,986
Short-term investments securities.....	140	130
Merchandise and finished goods .....	50,172	61,341
Work in progress.....	10,607	10,349
Raw materials and supplies.....	27,261	26,847
Other.....	17,275	19,250
Allowance for doubtful accounts .....	(792)	(744)
Total current assets .....	261,397	290,397
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net .....	55,570	58,925
Machinery, equipment and vehicles, net .....	69,780	71,409
Other, net .....	70,103	61,201
Total property, plant and equipment.....	195,453	191,536
<b>Intangible assets</b>		
Other .....	3,374	3,300
Total intangible assets .....	3,374	3,300
<b>Investments and other assets</b>		
Investment securities.....	146,762	169,767
Other .....	7,182	8,359
Allowance for doubtful accounts.....	(260)	(247)
Total investments and other assets .....	153,683	177,879
Total noncurrent assets .....	352,511	372,716
<b>Total assets.....</b>	<b>613,908</b>	<b>663,114</b>

Consolidated Quarterly Balance Sheets (contd.)

Millions of yen, rounded down

	As of March 31, 2013	As of December 31, 2013
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade notes and accounts payable .....	73,907	82,175
Short-term loans payable .....	84,627	98,774
Income taxes payable .....	1,358	1,266
Provision .....	4,318	2,016
Asset retirement obligations .....	-	(29)
Other .....	31,226	27,873
Total current liabilities .....	195,438	212,135
<b>Noncurrent liabilities</b>		
Bonds payable .....	15,000	15,000
Long-term loans payable .....	61,183	67,829
Provision for retirement benefits .....	7,549	8,089
Other provision .....	2,951	2,609
Asset retirement obligations .....	4,207	4,199
Other .....	32,682	34,670
Total noncurrent liabilities .....	123,574	132,400
Total liabilities .....	319,013	344,535
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock .....	41,970	41,970
Capital surplus .....	35,595	35,595
Retained earnings .....	231,882	238,312
Treasury stock .....	(8,094)	(8,115)
Total shareholders' equity .....	301,353	307,762
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities .....	8,607	13,754
Revaluation reserve for land .....	206	206
Foreign currency translation adjustment .....	( 26,311)	( 14,769 )
Total accumulated other comprehensive income .....	( 17,497 )	( 809 )
Minority interests .....	11,039	11,624
Total net assets .....	294,895	318,578
<b>Total liabilities and net assets .....</b>	<b>613,908</b>	<b>663,114</b>

## (2) Consolidated Quarterly Statements of Income

Millions of yen, rounded down

	April 1 - December 31 2012	April 1 - December 31 2013
Net sales.....	349,286	397,401
Cost of sales .....	297,265	339,043
Gross profit .....	52,020	58,357
Selling, general and administrative expenses .....	42,570	46,406
Operating income .....	9,450	11,951
<b>Non-operating income</b>		
Interest income.....	124	131
Dividend income.....	1,110	1,362
Equity in earnings of affiliates .....	15,139	16,396
Other .....	1,426	3,219
Total non-operating income .....	17,801	21,110
<b>Non-operating expenses</b>		
Interest expense .....	1,898	2,277
Personnel expenses for seconded employees .....	1,144	1,142
Other.....	2,490	1,331
Total non-operating expenses .....	5,533	4,750
Ordinary income .....	21,717	28,310
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets.....	180	361
Gain on sales of investment securities .....	-	245
Insurance income.....	163	238
Total extraordinary income .....	344	845
<b>Extraordinary losses</b>		
Impairment loss.....	50	11,525
Environmental improvement expense .....	420	382
Compensation for products .....	-	339
Business structure improvement expenses.....	828	240
Loss on fire accident .....	-	120
Loss on valuation of investment securities .....	1,437	-
Provision for compensation expenses.....	838	-
Loss on litigation .....	159	-
Loss on disposal of noncurrent assets .....	120	-
Total extraordinary losses.....	3,855	12,607
Income before income taxes and minority interests .....	18,206	16,548
Income taxes, etc. ....	1,486	3,558
Net income before minority interests .....	16,719	12,989
Minority interests in income.....	564	(182)
Net income.....	16,155	13,172

**(Consolidated Quarterly Statements of Comprehensive Income)**

*Millions of yen, rounded down*

	April 1 - December 31 2012	April 1 – December 31 2013
Income before minority Interests .....	16,719	12,989
Other comprehensive Income		
Valuation difference on available-for-sale securities .....	340	5,068
Deferred gains or losses on hedges .....	(51)	-
Foreign currency statements translation adjustment.....	289	4,054
Share of other comprehensive income of associates accounted for using equity method .....	(6)	8,507
Total other comprehensive Income .....	571	17,630
<b>Comprehensive Income</b> .....	17,291	30,620
Total comprehensive Income Attributable to		
Owners of the parent.....	16,633	29,860
Minority interests .....	657	759

#### 4. Consolidated Quarterly Segment Information

(1) Nine-month period ended December 31, 2012(April 1 – December 31, 2012)

##### 1. Revenue and earnings by segment

Millions of yen, rounded down

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other (Note 1)	Adjustment (Note 2)	Consolidated (Note 3)
Sales to outside customers ....	112,515	95,151	100,047	40,969	601	—	349,286
Inter-segment sales .....	5,704	1,505	711	1	39	( 7,963 )	—
Total .....	118,220	96,656	100,759	40,971	641	( 7,963 )	349,286
Segment income (loss) [Ordinary income (loss)].....	11,858	( 956 )	6,553	3,654	1,265	(657)	21,717

Notes :

1. The 'Other' segment includes operations not included in the other segments, such as listed related companies and real estate business.
2. The adjustment amounts are as follows:  
The ¥657 million segment income adjustment consists of ¥-23 million income in inter-segment sales, and ¥634 million loss of overall costs not allocated to segments.  
Overall costs include SG&A expenses, financing expenses, and other expenses not allocated to segments.
3. Segment income (loss) is based on ordinary income as provided in the quarterly consolidated statement of income.

(2) Nine-month period ended December 31, 2013(April 1 – December 31, 2013)

##### 1. Revenue and earnings by segment

Millions of yen, rounded down

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information and advanced materials	Other (Note 1)	Adjustment (Note 2)	Consolidated (Note 3)
Sales to outside customers ....	130,404	109,576	114,515	42,442	461	—	397,401
Inter-segment sales .....	7,064	1,451	865	1	96	(9479)	—
Total .....	137,468	111,028	115,380	42,444	558	(9,479)	397,401
Segment income (loss) [Ordinary income (loss)].....	14,709	3,292	3,582	4,635	1,494	595	28,310

Notes :

1. The 'Other' segment includes operations not included in the other segments, such as listed related companies and real estate business.
2. The adjustment amounts are as follows:  
The ¥595 million segment loss adjustment consists of ¥65 million loss in inter-segment sales, and ¥661 million loss of overall costs not allocated to segments.  
Overall costs include SG&A expenses, financing expenses, and other expenses not allocated to segments.
3. Segment income (loss) is based on ordinary income as provided in the quarterly consolidated statement of income.