

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Results for the First Quarter of Fiscal Year 2014

(April 1 – June 30, 2014)

August 1, 2014

MITSUBISHI GAS CHEMICAL COMPANY, INC.

Listed exchanges: First section of the Tokyo Stock Exchange
 Stock Code: 4182
 URL: <http://www.mgc.co.jp>
 President: Toshikiyo Kurai
 Inquiries: Yoshihisa Kashima
 General Manager, Corporate Communications Division
 Tel: +81-3-3283-5041

Scheduled date of filing of the quarterly financial report: August 8, 2014

Scheduled date of payment of dividend: —

1. Summary of Consolidated Results for the First Quarter of Fiscal Year 2014

(April 1, 2014– June 30, 2014)

1) Operating results

Millions of yen, rounded down

Percentage figures denote change compared to equivalent period of previous year

	April 1 – June 30, 2014		April 1 – June 30, 2013	
		Change %		Change %
Net sales	134,723	3.4	130,331	
Operating income (loss)	3,144	(53.0)	6,682	
Ordinary income (loss)	13,430	(3.5)	13,919	
Net income (loss)	10,594	(9.2)	11,665	
Net income (loss) per share (¥)	23.46	-	25.82	-
Fully diluted net income (loss) per share (¥)	-	-	-	-

(Note) Comprehensive income: first quarter of FY 2014 : ¥10,382 million [(52.6%)] ; first quarter of FY 2013 : ¥21,924 million [—%]

2) Financial position

Millions of yen, rounded down

	As of June 30, 2014	As of March 31, 2014
Total assets	653,925	657,838
Net assets	331,656	323,858
Equity ratio (%)	49.0	47.5

(Note) Shareholders' equity as of June 30, 2014: ¥320,308million; as of March 31, 2014: ¥312,226million

2. Cash Dividends

	FY 2014	FY 2013
Interim dividend per share (¥)	7.00 (Forecast)	6.00
Year-end dividend per share (¥)	7.00 (Forecast)	6.00
Annual dividend per share (¥)	14.00 (Forecast)	12.00

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

3. Consolidated Business Forecasts for Fiscal Year 2014

(April 1, 2014– March 31, 2015)

Millions of yen, rounded down

Percentage figures denote change compared to equivalent period of previous year

	Six-month period		Full year	
		Change %		Change %
Net sales	260,000	(2.4)	540,000	1.0
Operating income (loss)	5,000	(50.7)	14,000	21.9
Ordinary income (loss)	21,000	(3.2)	40,000	29.8
Net Income (loss)	17,000	(8.7)	30,000	101.1
Net income (loss) per share (¥)	37.64		66.42	

(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: Yes**

2. **Changes other than 1: Yes**

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

4. **Restatement of corrections: None**

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

	June 30, 2014	March 31, 2014
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	31,803,287	31,800,380
	April 1 – June 30, 2014	April 1 – June 30, 2013
Average shares outstanding during period	451,676,684	451,706,738

(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 first quarter of the previous fiscal year, unless stated otherwise.

(1) Consolidated operating results

Overview of results

During the first quarter of the fiscal year ending March 2015 (April 1-June 30, 2014), the Japanese economy experienced a slow recovery. Despite the backlash from the last-minute surge in demand before the rise in consumption tax, there were improvements in corporate earnings and the employment environment.

The MGC Group achieved an increase in revenue compared with the same prior-year period. Business restructuring resulted in lower sales volumes for general-purpose aromatic chemicals such as purified isophthalic acid. This negative impact, however, was more than offset by positive factors such as an increase in the sales price of methanol and a higher sales volume for engineering plastics.

Operating income suffered a loss from a year earlier, due to lower sales volumes for hybrid chemicals for semiconductors, as well as declines in the profitability of general-purpose chemicals in the Natural Gas Chemicals and Aromatic Chemicals Companies.

Ordinary income also declined. While equity in earnings of affiliates increased as rising market prices helped the overseas methanol producing companies achieve significant growth in earnings, there was a greater negative impact, primarily due to the decline in operating income.

In the first quarter of fiscal 2014, the MGC Group achieved ¥134.7 billion in consolidated net sales, an increase of ¥4.3 billion (3.4%) from the prior-year period. Consolidated operating income was ¥3.1 billion, a decline of ¥3.5 billion (53.0%). Equity in earnings of affiliates was ¥10.3 billion, an increase of ¥3.9 billion (62.3%). Consolidated ordinary income fell by ¥0.4 billion (3.5%) to ¥13.4 billion. Consolidated net income was ¥10.5 billion, a drop of ¥1.0 billion (9.2%).

Results by business segment

Natural Gas Chemicals Company

The methanol business enjoyed an increase in net sales. Positive contributions came not only from higher market prices and favorable exchange effects, but also from an increase in sales volume.

Methanol and ammonia-based chemicals suffered a decline in earnings. The profitability of neopentylglycol declined due to a lower market price. In addition, the earnings from these chemicals were adversely affected by lower sales volumes and higher repair costs recorded for ammonia operations. The negative impact on ammonia came from the turnaround carried out during the quarter under review.

Crude oil and other energy sources achieved prior-year-level earnings thanks to the stable development of crude oil sales volume.

In the first three months of fiscal 2014, the Natural Gas Chemicals Company achieved consolidated net sales of ¥46.8 billion, an increase of ¥5.2 billion (12.6%) and an operating loss of ¥0.2 billion, a drop of ¥1.1 billion from the positive figure for the prior-year period.

An equity in earnings of affiliates of ¥9.8 billion, coming primarily from overseas methanol producing companies, resulted in an ordinary income of ¥9.4 billion, up ¥3.7 billion (66.8%).

Aromatic Chemicals Company

Specialty aromatic chemical products posted slightly higher earnings than in the prior-year period. This was primarily due to the stable development of sales volume for meta-xylenediamine exports.

General-purpose aromatic chemical products suffered losses in both revenue and earnings. Negative contributions include reductions in sales volumes for meta-xylene and purified isophthalic acid resulting from the business restructuring, as well as the lower profitability of purified terephthalic acid operations.

In the first quarter of fiscal 2014, the Aromatic Chemicals Company achieved consolidated net sales of ¥33.0 billion, a decline of ¥4.1 billion (11.1%), an operating income of ¥0.4 billion, a drop of ¥0.9 billion (68.0%), and an ordinary income of ¥0.3 billion, a reduction of ¥1.0 billion (77.0%).

Specialty Chemicals Company

Inorganic chemicals posted a drop in earnings, primarily due to the lower profitability of hydrogen peroxide and a reduction in lens monomer sales volume.

Electronic chemicals suffered reductions in both revenue and earnings due to a decline in the sales volume for hybrid chemicals for semiconductors.

In the engineering plastics business, polycarbonates saw an improvement in earnings. Major positive factors include a reduction in depreciation expenses due to the impairment loss recognized during the previous fiscal year. Polyacetal suffered lower earnings. Despite a higher sales volume, there were negative contributions from higher prices of methanol material and an increase in fixed costs due to plant expansion.

Polycarbonate sheets and films enjoyed growth in both revenue and earnings. This was because of a higher sales volume of films for use in flat panel displays.

Between April and June of fiscal 2014, the Specialty Chemicals Company achieved consolidated net sales of ¥39.4 billion, an increase of ¥ 2.7 billion (7.5%) from the previous year, an operating income of ¥1.5 billion, a decline of ¥0.8 billion (36.7%), and an ordinary income of ¥1.1 billion, down ¥2.3 billion (66.3%).

Information & Advanced Materials Company

Electronic materials grew in revenue, but suffered a decline in earnings. BT materials for semiconductor packaging, which represent the core product category of the electronic materials business, had a strong showing in terms of sales volumes, notably from smartphone-related applications. The reduction in earnings was mainly due to an increase in fixed costs resulting from the start of commercial operation at the second site in Thailand.

Oxygen absorbers such as AGELESS® posted declines in both revenue and earnings. The impact of the consumption tax hike and other negative factors drove down sales volumes for products used in domestic food applications.

In the three-month period under review, the Information & Advanced Materials Company achieved consolidated net sales of ¥15.2 billion, an increase of ¥0.4 billion (3.3%), an operating income of ¥1.3 billion, a drop of ¥0.5 billion (29.9%), and an ordinary income of ¥1.5 billion, a decline of ¥0.6 billion (31.1%).

Other

In the first quarter of fiscal 2014, other business operations achieved net sales of ¥0.1 billion, a decline of ¥0.0 billion (8.4%), an operating income of ¥0.0 billion, growth of ¥0.0 billion (33.6%), and an ordinary income of ¥0.1 billion, a decline of ¥0.0 billion (18.3%).

(2) Consolidated financial position

At the end of the first quarter of fiscal 2014, the MGC Group had ¥653.9 billion in total assets, a decrease of ¥3.9 billion from the end of fiscal 2013.

Current assets decreased by ¥7.9 billion to ¥279.7 billion, primarily due to a decrease in trade notes and accounts receivable and increases in merchandise and finished goods.

Noncurrent assets increased by ¥4.0 billion to ¥374.2 billion. Property, plant and equipment decreased by ¥3.4 billion to ¥187.9 billion, due to a decrease in depreciation and amortization. Investments and other assets were ¥183.2 billion, an increase of ¥7.5 billion, due mainly to the posting of equity in earnings of affiliates and the assessment of the market value of equity holdings.

Liabilities decreased by ¥11.7 billion to ¥322.2 billion from the end of fiscal 2013.

Current liabilities decreased by ¥4.6 billion to ¥174.2 billion, primarily due to a decrease in Short-term loans payable.

Noncurrent liabilities decreased by ¥7.0 billion to ¥148.0 billion, primarily due to a decrease in long-term loans payable.

Net assets were ¥331.6 billion, an increase of ¥7.7 billion from the end of fiscal 2013, primarily due to an increase in retained earnings resulting from the posting of net income. As of June 30, 2014 the shareholders' equity ratio was 49.0%.

(3) Consolidated business forecasts

In the MGC Group's consolidated full-year forecasts, projected net sales and operating income remain unchanged from the previous figures. This is because overseas methanol producing companies are performing strongly as their sales volumes and sales prices are higher than the previous forecasts and their non-operating results have improved. Consolidated ordinary income is expected to surpass the previous forecast as the MGC Group will likely achieve higher equity in earnings of affiliates. Consolidated full-year net income will be higher than that of fiscal 2013 due to an expected increase in ordinary income.

MGC confirms its previous non-consolidated forecasts.

These performance forecasts assume exchange rates of ¥100=\$1 and ¥130=€1.

Revision of consolidated business forecasts

Half year ending September 30, 2014 (April 1, 2014 – September 30, 2014)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (¥)
Previously announced forecasts (A)	260,000	5,000	16,000	12,000	26.57
Revised forecasts (B)	260,000	5,000	21,000	17,000	37.64
Change (B – A)	-	-	5,000	5,000	-
Change (%)	-	-	31.3	41.7	-
Results for the previous period (ended September 30, 2013)	266,444	10,145	21,701	18,625	41.23

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

Millions of yen, rounded down

	As of March 31, 2014	As of June 30, 2014
ASSETS		
Current assets		
Cash and deposits	38,772	41,354
Trade notes and accounts receivable	127,817	126,092
Short-term investments securities	2,130	130
Merchandise and finished goods	61,641	57,984
Work in progress	10,319	9,448
Raw materials and supplies	27,232	26,314
Other	20,527	19,209
Allowance for doubtful accounts	(798)	(829)
Total current assets	287,642	279,705
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	59,279	58,716
Machinery, equipment and vehicles, net	71,637	71,358
Other, net	60,394	57,830
Total property, plant and equipment	191,311	187,905
Intangible assets		
Other	3,169	3,040
Total intangible assets	3,169	3,040
Investments and other assets		
Investment securities	167,296	176,003
Other	8,499	7,362
Allowance for doubtful accounts	(81)	(90)
Total investments and other assets	175,714	183,274
Total noncurrent assets	370,195	374,220
Total assets	657,838	653,925

Consolidated Quarterly Balance Sheets (contd.)

Millions of yen, rounded down

	As of March 31, 2014	As of June 30, 2014
LIABILITIES		
Current Liabilities		
Trade notes and accounts payable	71,665	73,071
Short-term loans payable	75,859	70,427
Income taxes payable.....	1,570	1,017
Provision	5,016	2,941
Asset retirement obligations	267	256
Other.....	24,518	26,490
Total current liabilities.....	178,897	174,204
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long –term loans payable	83,481	76,819
Provision	1,220	1,641
Provision for retirement benefits.....	9,232	9,689
Asset retirement obligations	3,582	3,600
Other.....	32,564	31,314
Total noncurrent liabilities.....	155,081	148,064
Total liabilities	333,979	322,268
NET ASSETS		
Shareholders' equity		
Capital stock	41,970	41,970
Capital surplus	35,595	35,595
Retained earnings.....	239,831	248,370
Treasury stock	(8,119)	(8,121)
Total shareholders' equity	309,277	317,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities.....	11,384	13,426
Revaluation reserve for land.....	206	206
Foreign currency translation adjustment	(7,305)	(9,940)
Remeasurements of defined benefit plans	(1,337)	(1,198)
Total accumulated other comprehensive	(2,949)	(2,493)
Minority interests.....	11,632	11,348
Total net assets	323,858	331,656
Total liabilities and net assets	657,838	653,925

(2) Consolidated Quarterly Statements of Income*Millions of yen, rounded down*

	April 1 - June 30, 2013	April 1 - June 30, 2014
Net sales.....	130,331	134,723
Cost of sales	108,796	116,542
Gross profit	21,534	18,180
Selling, general and administrative expenses	14,852	15,036
Operating income	6,682	3,144
Non-operating income		
Interest income	34	45
Dividend income	633	1,141
Equity in earnings of affiliates	6,362	10,326
Other	1,708	626
Total non-operating income.....	8,739	12,140
Non-operating expenses		
Interest expense.....	711	699
Personnel expenses for seconded employees	416	372
Other	374	781
Total non-operating expenses	1,502	1,853
Ordinary income	13,919	13,430
Extraordinary income		
Gain on rights and interests	-	809
Gain on bargain purchase.....	-	198
Gain on sales of noncurrent assets	175	-
Total extraordinary income	175	1,008
Extraordinary losses		
Business structure improvement expenses	168	1,143
Amortization of goodwill	-	476
Environmental improvement expense	150	-
Total extraordinary losses	318	1,620
Income before income taxes and minority interests	13,776	12,819
Income taxes, etc.....	1,835	1,975
Net income before minority interests	11,940	10,844
Minority interests in income.....	275	250
Net income	11,665	10,594

(Consolidated Quarterly Statements of Comprehensive Income)

	<i>Millions of yen, rounded down</i>	
	April 1 - June 30, 2013	April 1 - June 30, 2014
Income before minority Interests	11,940	10,844
Other comprehensive Income		
Valuation difference on available-for-sale securities ...	863	2,045
Foreign currency statements translation adjustment	3,524	(529)
Deferred gains or losses on hedges	-	100
Share of other comprehensive income of associates accounted for using equity method.....	5,597	(2,078)
Total other comprehensive Income.....	9,984	(461)
Comprehensive Income	21,924	10,382
Total comprehensive Income Attributable to		
Owners of the parent.....	20,981	10,138
Minority interests	943	243

4. Consolidated Quarterly Segment Information

(1) Three-month period ended June 30, 2013 (April 1 – June 30, 2013)

1. Revenue and earnings by segment

Millions of yen, rounded down

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information & advanced materials	Other (Note 1)	Adjustment (Note 2)	Consolidated (Note 3)
Sales to outside customers	41,636	37,114	36,643	14,772	164	—	130,331
Inter-segment sales	2,134	455	278	1	17	(2,887)	—
Total	43,770	37,570	36,922	14,773	182	(2,887)	130,331
Segment income (loss) [Ordinary income (loss)]	5,661	1,328	3,469	2,190	244	1,025	13,919

Notes :

- The 'Other' segment includes operations not included in the other segments, such as listed related companies and real estate business.
- The adjustment amounts are as follows:
The ¥1,025 million segment income adjustment consists of ¥3 million loss in inter-segment sales, and ¥1,028million income of overall costs not allocated to segments.
Overall costs include SG&A expenses, financing expenses, and other expenses not allocated to segments.
- Segment income (loss) is based on ordinary income as provided in the quarterly consolidated statement of income

(2) Three-month period ended June 30, 2014 (April 1 – June 30, 2014)

1. Revenue and earnings by segment

Millions of yen, rounded down

	Natural gas chemicals	Aromatic chemicals	Specialty chemicals	Information & advanced materials	Other (Note 1)	Adjustment (Note 2)	Consolidated (Note 3)
Sales to outside customers	46,894	33,013	36,403	15,261	150	—	134,723
Inter-segment sales	3,326	581	303	0	22	(4,234)	—
Total	50,220	33,595	39,707	15,262	173	(4,234)	134,723
Segment income (loss) [Ordinary income (loss)]	9,445	305	1,169	1,509	199	801	13,430

Notes :

- The 'Other' segment includes operations not included in the other segments, such as listed related companies and real estate business.
- The adjustment amounts are as follows:
The ¥801 million segment income adjustment consists of ¥4 million loss in inter-segment sales, and ¥806 million income of overall costs not allocated to segments.
Overall costs include SG&A expenses, financing expenses, and other expenses not allocated to segments.
- Segment income (loss) is based on ordinary income as provided in the quarterly consolidated statement of income.**

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS (FY 2014)

(billions of yen, rounded down)

	FY 2014 Q1	FY 2013 Q1	Change		FY 2014 (Forecast)
				Change(%)	
Net sales	134.7	130.3	4.3	3.4%	540.0
Natural gas chemicals	50.2	43.7	6.4	14.7%	195.0
Aromatic chemicals	33.5	37.5	(3.9)	(10.6%)	126.0
Specialty chemicals	39.7	36.9	2.7	7.5%	168.5
Information and advanced materials	15.2	14.7	0.4	3.3%	61.7
Other and Adjustment	(4.0)	(2.7)	(1.3)	—	(11.4)
Operating income (loss)	3.1	6.6	(3.5)	(53.0%)	14.0
Natural gas chemicals	(0.2)	0.9	(1.1)	—	3.0
Aromatic chemicals	0.4	1.4	(0.9)	(68.0%)	1.9
Specialty chemicals	1.5	2.3	(0.8)	(36.7%)	6.2
Information and advanced materials	1.3	1.8	(0.5)	(29.9%)	5.3
Other and Adjustment	0	0	0	91.5%	(2.6)
Non- operating profit (loss)	10.2	7.2	3.0	42.1%	26.0
Ordinary income (loss)	13.4	13.9	(0.4)	(3.5%)	40.0
Natural gas chemicals	9.4	5.6	3.7	66.8%	28.3
Aromatic chemicals	0.3	1.3	(1.0)	(77.0%)	(0.5)
Specialty chemicals	1.1	3.4	(2.2)	(66.3%)	6.1
Information and advanced materials	1.5	2.1	(0.6)	(31.1%)	5.1
Other and Adjustment	1.0	1.2	(0.2)	(21.2%)	0.8
Extraordinary income (loss)	(0.6)	(0.1)	(0.4)	—	(5.0)
Income before income taxes and minority interests	12.8	13.7	(0.9)	(6.9%)	35.0
Net income	10.5	11.6	(1.0)	(9.2%)	30.0
Net income (loss) per share (¥)	23.46	25.82	(2.36)		66.42
Annual dividend per share (¥)	—	—	—		14.00

※Consolidated subsidiaries: 40 , Affiliates : 13 (As of end of March,2014)

Non□operating profit (loss)

Equity in earnings of affiliates	10.3	6.3	3.9	62.3%	30.0
Income (expenses) on financing activities	0.4	(0)	0.5	—	—
Foreign currency statements translation adjustment	(0.3)	0.5	(0.8)	—	—
Other	(0.2)	0.3	(0.5)	—	(4.0)
Total : Non - operating profit (loss)	10.2	7.2	3.0	42.1%	26.0

Extraordinary income (loss)

Gain on rights and interests	0.8	—	0.8	—
Gain on bargain purchase	0.1	—	0.1	—
Gain on sales of noncurrent assets	—	0.1	(0.1)	—
Gain on sales of investment securities	—	—	—	—
Insurance income	—	—	—	—
Loss (gain) on liquidation of subsidiaries and associates	—	—	—	—
Business structure improvement expenses	(1.1)	(0.1)	(0.9)	—
Amortization of goodwill	(0.4)	—	(0.4)	—
Environmental improvement expense	—	(0.1)	0.1	—
Impairment loss	—	—	—	—
Compensation for products	—	—	—	—
Loss on fire accident	—	—	—	—
Total : Extraordinary income (loss)	(0.6)	(0.1)	(0.4)	—

Various index

	FY2014 (Forecast)	FY2013	FY2012	FY2011	FY2010
Investments (Full year) (Q1)	29.0 3.9	25.4 6.2	30.9 3.1	42.4 9.1	35.4 6.3
Depreciation and amortization (Full year) (Q1)	23.0 5.6	23.5 5.8	23.0 5.1	27.7 6.4	29.0 6.6
R&D expenditures (Full year) (Q1)	18.0 3.9	16.1 3.9	15.3 3.5	17.4 4.3	16.4 3.5
Staff	5,554	5,445	5,323	5,216	4,979
ROA	5.9%	4.8%	4.6%	4.5%	6.5%
ROE	9.3%	5.0%	(2.8%)	4.4%	6.9%
Annual dividend (Full year) (first half)	14.0 7.0	12.0 6.0	12.0 6.0	12.0 6.0	8.0 4.0
Exchange rate (average)					
Apr-Sep	¥102/\$	¥99/\$	¥80/\$	¥82/\$	¥92/\$
Oct-Mar	¥101/\$	¥100/\$	¥83/\$	¥79/\$	¥86/\$
Methanol market(Assumed Asian average spot price)					
Jan-June	\$431/MT	\$375/MT	\$385/MT	\$349/MT	\$283/MT
July-Dec	\$370/MT	\$449/MT	\$364/MT	\$385/MT	\$307/MT