

**Mitsubishi Chemical Holdings Corporation**  
**Condensed Consolidated Financial Information**  
**for the First Quarter of the Fiscal Year Ending March 31, 2013**



**1. Business Results for the First Quarter of the Fiscal Year Ending March 31, 2013 ("FY2012")**

**(Business period: April 1, 2012 to June 30, 2012)**

| Millions of Yen   |  |
|---|--|
| The First Quarter of<br>the Current Fiscal Year<br>("FY2012") | The First Quarter of<br>the Previous Fiscal Year<br>("FY2011") |
| April 1, 2012 -<br>June 30, 2012                              | April 1, 2011 -<br>June 30, 2011                               |

| Thousands of<br>U.S. Dollars                                  |
|---|
| The First Quarter of<br>the Current Fiscal Year<br>("FY2012") |
| April 1, 2012 -<br>June 30, 2012                              |

**(1) Results of Operations:**

|   |         |         |
|---|---------|---------|
| Net sales   | 760,254 | 772,447 |
| Operating income  | 15,638  | 59,803  |
| Income before income taxes and minority interests<br>in consolidated subsidiaries | 7,654   | 53,867  |
| Net income (loss)   | (5,579) | 24,467  |
| Comprehensive income  | 14,647  | 49,499  |

|           |
|-----------|
| 9,623,468 |
| 197,949   |
| 96,886    |
| (70,620)  |
| 185,405   |

|                                    | (Yen)  | (U.S. Dollars) |
|------------------------------------|--------|----------------|
| Net income (loss) per share -Basic | (3.78) | 16.59          |
| Net income per share -Diluted      | -      | 15.35          |

|        |
|--------|
| (0.05) |
| -      |

**(2) Segment Information:**

**[Net Sales by Segment]**

|                          |         |         |
|--------------------------|---------|---------|
| Electronics Applications | 30,817  | 36,466  |
| Designed Materials       | 167,165 | 176,880 |
| Health Care              | 127,587 | 125,252 |
| Chemicals                | 219,555 | 218,705 |
| Polymers                 | 171,095 | 170,044 |
| Others                   | 44,035  | 45,100  |
| Total                    | 760,254 | 772,447 |

|           |
|-----------|
| 390,089   |
| 2,116,013 |
| 1,615,025 |
| 2,779,177 |
| 2,165,759 |
| 557,405   |
| 9,623,468 |

**[Operating Income (loss) by Segment]**

|                          |         |         |
|--------------------------|---------|---------|
| Electronics Applications | (357)   | 98      |
| Designed Materials       | 3,833   | 10,488  |
| Health Care              | 20,883  | 24,684  |
| Chemicals                | (7,739) | 16,022  |
| Polymers                 | 643     | 10,898  |
| Others                   | 295     | (194)   |
| Adjustments              | (1,920) | (2,193) |
| Total                    | 15,638  | 59,803  |

|          |
|----------|
| (4,519)  |
| 48,519   |
| 264,342  |
| (97,962) |
| 8,139    |
| 3,734    |
| (24,304) |
| 197,949  |

| Millions of Yen     |                      |
|---------------------|----------------------|
| As of June 30, 2012 | As of March 31, 2012 |

| Thousands of<br>U.S. Dollars |
|------------------------------|
| As of June 30, 2012          |

**(3) Financial Position:**

|   |           |           |
|---|-----------|-----------|
| Total assets                                      | 3,168,567 | 3,173,970 |
| Inventories                                       | 529,073   | 516,096   |
| Property, plant and equipment                     | 1,045,326 | 1,032,738 |
| Short-term and long-term debts                    | 1,156,772 | 1,164,128 |
| Shareholders' equity*                             | 773,005   | 770,729   |
| Ratio of shareholders' equity to total assets (%) | 24.3      | 24.2      |

|            |
|------------|
| 40,108,443 |
| 6,697,127  |
| 13,231,975 |
| 14,642,684 |
| 9,784,873  |

\*Represents the sum of total shareholders' equity and total accumulated other comprehensive income.

| Millions of Yen                  |                                  |
|----------------------------------|----------------------------------|
| The First Quarter of<br>FY2012   | The First Quarter of<br>FY2011   |
| April 1, 2012 -<br>June 30, 2012 | April 1, 2011 -<br>June 30, 2011 |

| Thousands of<br>U.S. Dollars     |
|----------------------------------|
| The First Quarter of<br>FY2012   |
| April 1, 2012 -<br>June 30, 2012 |

**(4) Cash Flows:**

|   | Millions of Yen | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|-----------------|---------------------------|
| Net cash provided by operating activities           | 38,065          | 58,522          | 481,835                   |
| Net cash (used in) provided by investing activities | (30,840)        | 5,414           | (390,380)                 |
| Net cash provided by (used in) financing activities | (20,463)        | (82,733)        | (259,025)                 |
| Cash and cash equivalents at end of the period      | 123,892         | 128,205         | 1,568,253                 |

**(5) Ratio of Net Income to:**

(%)

|                        |       |     |
|------------------------|-------|-----|
| Shareholders' equity** | (0.7) | 3.1 |
| Total assets**         | (0.1) | 0.7 |
| Net sales              | (0.7) | 3.1 |

\*\* Based on the average of the beginning and ending balances of the respective periods.

**Notes:**

- Effective as from FY2012, Mitsubishi Tanabe Pharma Corporation and its subsidiaries in Japan, all of which are subsidiaries of Mitsubishi Chemical Holdings Corporation ("MCHC"), have changed depreciation method for their tangible fixed assets, from the declining-balance method to the straight-line method, resulting in increase in "operating income" and "income before income taxes and minority interests in consolidated subsidiaries" by 541 million yen and 554 million yen, respectively, for the 1Q of FY2012 for MCHC.
- Effective as from FY2012, segmentation for certain consolidated subsidiaries has changed from "Polymers" segment to "Designed Materials" segment. The segment information for FY2011 is accordingly restated.
- Effective as from FY2012, expenses for certain basic research activities, previously included in "Corporate", are stated in "Designed Materials" segment due to progress in the research. The expenses for the 1Q of FY2011 were 585 million yen.
- The Company and its domestic consolidated subsidiaries maintain their accounting recorded in Japanese yen. The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of 79 yen to US\$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of June 2012.

**2. Forecast for the Current Fiscal Year**

|                             | Millions of Yen                       |                                   |
|-----------------------------|---------------------------------------|-----------------------------------|
|                             | The First Half of<br>FY2012 - revised | FY2012                            |
|                             | April 1, 2012 -<br>September 30, 2012 | April 1, 2012 -<br>March 31, 2013 |
| Net sales                   | 1,585,000                             | 3,450,000                         |
| Operating income            | 40,000                                | 160,000                           |
| Net income                  | 0                                     | 50,000                            |
|                             |                                       | (Yen)                             |
| Net income per share -Basic | 0.00                                  | 33.91                             |

|  | Thousands of<br>U.S. Dollars          |                                   |
|--|---------------------------------------|-----------------------------------|
|  | The First Half of<br>FY2012 - revised | FY2012                            |
|  | April 1, 2012 -<br>September 30, 2012 | April 1, 2012 -<br>March 31, 2013 |
|  | 20,063,291                            | 43,670,886                        |
|  | 506,329                               | 2,025,316                         |
|  | 0                                     | 632,911                           |
|  |                                       | (U.S. dollar)                     |
|  | 0.00                                  | 0.43                              |

**Notes:**

The profit and loss forecast for the first half of FY2012 has been revised to the above from those announced on May 10, 2012. Note that there is no revision to the forecast for FY 2012 (as the entire fiscal year).

### **3. Business Performance and Financial Position**

#### **(1) Business Performance**

##### **Consolidated Performance for the First Quarter of the Fiscal Year Ending March 31, 2013 (fiscal 2012): Three months ended June 30, 2012**

###### **Overview of General Performance**

Concerning the Mitsubishi Chemical Holdings Group's business environment in the first quarter of fiscal 2012, sluggish demand in overseas markets such as China and continued appreciation of the yen affected by a slowdown in overseas economies induced by Europe's sovereign debt crisis resulted in a severe environment for the Performance Products and Industrial Materials domains. On the other hand, despite the unfavorable impact of NHI drug price revisions in April 2012, steady demand had a favorable impact on the Health Care domain.

Under the circumstances, the consolidated results for the first quarter of fiscal 2012 were as follows. Net sales decreased by ¥12.1 billion, or 1.6%, to ¥760.3 billion compared to the same period of the previous fiscal year. Operating income decreased by ¥44.2 billion, or 73.9%, to ¥15.6 billion compared to the same period of the previous fiscal year, and ordinary income decreased by ¥49.6 billion, or 80.4%, to ¥12.0 billion compared to the same period of the previous fiscal year. Net income decreased by ¥30.1 billion, and resulted in net loss of ¥5.6 billion compared to the same period of the previous fiscal year due to posting of extraordinary loss including impairment losses, tax expenses, and minority interests in consolidated subsidiaries.

###### **Overview of Business Segments**

*Note: In the following section, all comparisons are with the same period of the previous fiscal year unless stated otherwise.*

###### **Electronics Applications Segment, Performance Products Domain**

###### **(Recording media, Information and electronics-related materials, Imaging supplies)**

Net sales in this segment decreased by ¥5.7 billion, or 15.6%, to ¥30.8 billion. Operating income decreased by ¥0.5 billion, and posted a loss of ¥0.4 billion.

In recording media, net sales significantly decreased due to DVD market shrinking and a decline in sales volumes in external hard disk drives affected by last year's floods in Thailand, despite an increase in sales volumes in flash memory devices. In information and electronics-related materials, net sales remained the same due to the end of the manufacture and sale of phosphors for cold cathode tubes and others, despite a gradual recovery in sales volumes in display materials and an increase in sales volumes in phosphors for LEDs. In imaging supplies, net

sales substantially decreased due to a decrease in sales volumes in OPC drums, toners and chemicals toners.

Major initiative in the Electronics Applications segment during the first quarter of fiscal 2012 included:

- Mitsubishi Chemical Corporation and Pioneer Corporation successfully developed organic light emitting diode elements using the coating process for the light-emitting layers. The two companies have also agreed to set up a testing facility with an eye to establishing mass production technology. (June)

### **Designed Materials Segment, Performance Products Domain**

**(Food ingredients, Battery materials, Fine chemicals, Polymer processing products, Composite materials, Inorganic chemicals, Fibers)**

Net sales in this segment decreased by ¥9.7 billion, or 5.5%, to ¥167.2 billion. Operating income decreased by ¥6.7 billion, or 63.8%, to ¥3.8 billion.

In food ingredients, business remained unchanged due to generally favorable demand. In battery materials, net sales significantly decreased due to a decrease in sales volumes associated with the end of substitute shipment caused by the Great East Japan Earthquake and the downward trend of sales pricing. In fine chemicals, net sales increased due to that Chuo Rika Kogyo Corporation became a consolidated subsidiary in December 2011, despite that demand generally stayed flat. In polymer processing products, net sales decreased due to a decline in domestic and international sales volumes by the impact of a slowdown in demand for polyester films and the downward trend of sales pricing. In composite materials, net sales of alumina fibers continued favorably, although net sales of carbon fibers decreased due to a decline in demand. In inorganic chemicals, net sales decreased due to a downturn in demand. In fibers, net sales substantially decreased due to a decrease in sales volumes.

Major initiatives in the Designed Materials segment during the first quarter of fiscal 2012 included:

- Mitsubishi Rayon Co., Ltd. and Toyota Tsusho Corporation announced their agreement on a joint investment into Fengxin JDL Environmental Protection, Ltd. Through the investment, Mitsubishi Rayon and Toyota Tsusho will establish their first water treatment operation and maintenance (O&M) business at a major Chinese engineering firm. (April)
- Mitsubishi Plastics, Inc. announced establishment of a subsidiary, Wuxi Lingshu Agricultural Film & Material Technology Co., Ltd., to manufacture and sell high-performance films for agricultural greenhouse use in PRC. (June)

## **Health Care Segment, Health Care Domain**

### **(Pharmaceuticals, Diagnostic reagents and instruments, Clinical testing)**

Net sales in this segment increased by ¥2.4 billion, or 1.9%, to ¥127.6 billion. Operating income decreased by ¥3.8 billion, or 15.4%, to ¥20.9 billion, due partly to an increase in SG & A expenses.

In the pharmaceutical business, net sales slightly increased due to continued favorable sales in *Remicade*, an anti-TNF $\alpha$  monoclonal antibody, sales of new products including *TELAVIC*: an antiviral chronic hepatitis C, and royalty revenues of a treatment for multiple sclerosis, despite an expanding impact of generics and NHI drug price revisions in April 2012. In diagnostic reagents and instruments and clinical testing, net sales remained unchanged.

Major initiatives in the Health Care segment during the first quarter of fiscal 2011 included:

- Mitsubishi Tanabe Pharma Corporation announced that VIVUS obtained NDA approval in the US for TA-1790, which MTPC developed as a therapy for erectile dysfunction. MTPC licensed VIVUS worldwide rights, except for Japan and certain parts of Asia, to develop and market the compound. (May)
- Mitsubishi Tanabe Pharma Corporation received approval to manufacture and market Type 2 Diabetes Mellitus *TENELIA* in 20mg tablets in Japan. The company and Daiichi Sankyo Co., Ltd., plan to begin joint marketing efforts. (June)

## **Chemicals Segment, Industrial Materials Domain**

### **(Basic petrochemicals, Chemical derivatives, Synthetic fiber materials, Carbon products)**

Net sales in this segment increased by ¥0.9 billion, or 0.4%, to ¥219.6 billion. Operating income decreased by ¥23.7 billion, and posted operating loss of ¥7.7 billion partly due to a reduction in inventory valuation gain associated with rising raw material prices, in addition to a significant shrunk price variance between raw material and product in terephthalic acid and others.

The production volume of ethylene, a basic raw material of petrochemicals, increased by 117.7% to 246 thousand tons due primarily to that the ethylene production facilities at the Kashima Plant of Mitsubishi Chemical Corporation stopped operations in the wake of the earthquake and the scale of regular maintenance was reduced, despite production cutbacks associated with the demand decrease. In basic petrochemicals and chemical derivatives, net sales substantially increased due to that the adverse effect such as a significant decline in sales volumes by the impact of the earthquake was virtually eliminated, in spite of sluggish demand. In synthetic fiber materials, net sales for terephthalic acid considerably decreased due to a considerable drop in market price caused by sluggish demand. In carbon products, net sales of blast furnace coke significantly

decreased due to lower sales prices responding to a decline in coking coal price.

Major initiatives in the Chemicals segment during the first quarter of fiscal 2012 included:

- Mitsubishi Chemical Corporation announced expansion of its production facility for ethylene carbonate at the Kashima Plant. (Current capacity: 3,000t/y; capacity increase: 5,000t/y) (June)
- Mitsubishi Chemical Corporation announced shutdown of its No. 1 ethylene production facility and No. 1 benzene production facility at its Kashima Plant. To counter the shutdowns, the company will expand its No. 2 ethylene production facility and others, thereby aiming to establish a structure that will allow the company to quickly respond to an anticipated trend toward high-performance and high-value added petrochemical products. (June)

### **Polymers Segment, Industrial Materials Domain**

#### **(Synthetic resins)**

Net sales in this segment increased by ¥1.1 billion, or 0.6%, to ¥171.1 billion. Operating income decreased by ¥10.3 billion, or 94.5%, to ¥0.6 billion mainly due to a shrunk price variance between raw material and product in methyl methacrylate monomer and a phenol-polycarbonate chain.

In synthetic resins, net sales remained the same. Part of which is attributable to a decrease in demand and a drop in market price in methyl methacrylate monomer, despite that the adverse effect such as a substantial decline in sales volumes by the impact of the earthquake was virtually eliminated.

Major initiatives in the Polymers segment during the first quarter of fiscal 2012 included:

- Mitsubishi Chemical Corporation's subsidiaries: Japan Polypropylene Corporation and Japan Polyethylene Corporation announced shutdown of No. 3 polypropylene production facility and No.2 high-density polyethylene production facility at their Kawasaki Plant, respectively. (June)

### **Others**

#### **(Engineering, Logistics)**

Net sales in this segment decreased by ¥1.1 billion, or 2.4%, to ¥44.0 billion. Operating income increased by ¥0.5 billion, to ¥0.3 billion.

In engineering, net sales increased due to an increase in external orders. In logistics, net sales decreased due to a decrease in external orders.

#### 4. Consolidated Financial Position

At the end of the first quarter of fiscal 2012, total assets amounted to ¥3,168.6 billion, a decrease of ¥5.4 billion compared to the end of fiscal 2011 primarily due to a decrease in operating receivables and a decrease in investment securities caused by a decline in market value of shares held.

#### 5. Consolidated Financial Results Forecasts for Fiscal 2012

The consolidated financial results forecasts for the first half of fiscal 2012 announced on May 10, 2012 have been revised downward in light of the results of the first quarter of fiscal 2012. This was due primarily to that market conditions for petrochemicals such as synthetic fiber materials for the first half of fiscal 2012 are expected to decline in excess of our original expectations. The influence on our future conditions remains uncertain, and as a result, there are no revisions to the consolidated results forecasts for fiscal 2012 at this time.

#### Revisions to the consolidated financial results forecasts for the first half of fiscal 2012 (April 1, 2012 – September 30, 2012)

(Unit: Millions of yen, unless otherwise noted.)

|   | Net sales | Operating income | Ordinary income | Net income | Net income per share |
|---|-----------|------------------|-----------------|------------|----------------------|
| Previous forecasts (A)                                      | 1,653,000 | 52,000           | 45,000          | 11,000     | 7.46 yen             |
| Revised forecasts (B)                                       | 1,585,000 | 40,000           | 32,000          | 0          | 0.0 yen              |
| Difference (B-A)  | (68,000)  | (12,000)         | (13,000)        | (11,000)   |                      |
| Difference (%)  | (4.1)     | (23.1)           | (28.9)          | (100.0)    |                      |
| Reference:<br>Results for the same period<br>of fiscal 2011 | 1,570,197 | 95,686           | 92,885          | 37,504     | 25.43 yen            |

#### Forward-looking Statements

The forward-looking statements are based largely on company expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond company control. Actual results could differ materially due to numerous factors, including without limitation market conditions, and the effect of industry competition. The company expectations for the forward-looking statements are described in page [2] and [7] hereof.