

# Operational Summary

for the First Quarter of the Fiscal Year Ending March 31, 2015

August 1, 2014

Mitsubishi Chemical Holdings Corporation

# Table of Contents

<b>Consolidated Financial Statements for 1Q of FY2014</b>		Page No.
<b>Statements of Operations</b>		4
<b>Net Sales and Operating Income by Business Segment</b>		5
<b>Net Sales and Operating Income by Business Sub-Segment</b>		6
<b>Analysis of Operating Income (1Q of FY2014 vs. 1Q of FY2013)</b>		8
<b>Extraordinary Gain and Loss</b>		9
<b>Cash Flows</b>		10
<b>Balance Sheets</b>		11
<b>Statements of Comprehensive Income</b>		12

## List of Abbreviations

**FY2014:** April 1, 2014 - March 31, 2015  
**1st Quarter ("1Q") of FY2014:** April 1, 2014 - June 30, 2014  
**1st Half ("1H") of FY2014:** April 1, 2014 - September 30, 2014

**FY2013:** April 1, 2013 - March 31, 2014  
**1st Quarter ("1Q") of FY2013:** April 1, 2013 - June 30, 2013

(Note)

Divisional numbers into following "business sub-segments" under the business segments of Designed Materials, Health Care, Chemicals, or Polymers are approximation for reference purpose only;

- Functional Products
- Performance Chemicals
- Pharmaceuticals
- Diagnostics, Clinical Testing and API
- Petrochemicals
- Carbon
- Polyolefins and Advanced Polymers
- MMA Monomers and Polymers

# Consolidated Statements of Operations

	101.9	99.2	2.7		102.0
Exchange rate (¥/US\$)	101.9	99.2	2.7		102.0
Naphtha price (¥/kl)	69,900	65,600	4,300		70,000

  

	(Billions of Yen)				<Reference>	
	1Q of FY2014	1Q of FY2013	Change	%	1H of FY2014 (Forecast announced on May 12)	% to 1H forecast
<b>Net sales</b>	810.9	781.3	29.6	4%	1,720.0	47%
<b>Operating income</b>	29.5	23.5	6.0	25%	56.5	52%
Income (expenses) on financing activities	(0.7)	(1.0)	0.3		(3.0)	
[Dividend income included in above]	[2.6]	[2.3]	[0.3]		[4.5]	
Equity in Earnings of non-consolidated subsidiaries and affiliates	1.1	0.7	0.4		1.0	
Other non-operating income (expenses)	(1.1)	1.3	(2.4)	(a)	(2.5)	
<b>Ordinary income</b>	28.8	24.5	4.3	18%	52.0	55%
Extraordinary gain	0.3	4.7	(4.4)		(6.0)	
Extraordinary loss	(5.6)	(0.6)	(5.0)			
<b>Income before income taxes and minority interests</b>	23.5	28.6	(5.1)		46.0	
Current and deferred income taxes	(11.5)	(12.8)	1.3		(21.5)	
<b>Income before minority interests</b>	12.0	15.8	(3.8)		24.5	
Minority interests in consolidated subsidiaries	(6.1)	(4.8)	(1.3)		(14.5)	
<b>Net income (loss)</b>	5.9	11.0	(5.1)	(47%)	10.0	59%
<b>Comprehensive income attributable to :</b>	13.0	45.5	(32.5)			
Shareholders of the parent	8.7	36.0	(27.3)			
Minority interests	4.3	9.5	(5.2)			

(a) Other non-operating income (expenses) (2.4): Net of foreign exchange gain and loss (4.5)

# Consolidated Net Sales and Operating Income by Business Segment

		(Billions of Yen)			<Reference>
		1Q of FY2014	1Q of FY2013	Change	1H of FY2014 (Forecast announced on May 12)
<b>Total</b>	Net Sales	810.9	781.3	29.6	1,720.0
	<b>Operating Income</b>	<b>29.5</b>	<b>23.5</b>	<b>6.0</b>	<b>56.5</b>
<b>Electronics Applications</b>	Net Sales	28.6	28.4	0.2	60.0
	<b>Operating Income</b>	<b>(0.4)</b>	<b>(1.2)</b>	<b>0.8</b>	<b>(2.5)</b>
<b>Designed Materials</b>	Net Sales	194.8	179.2	15.6	405.0
	<b>Operating Income</b>	<b>12.9</b>	<sup>*1</sup> <b>11.5</b>	<b>1.4</b>	<b>23.0</b>
<b>Health Care</b>	Net Sales	122.8	125.6	<b>(2.8)</b>	261.0
	<b>Operating Income</b>	<b>16.0</b>	<sup>*1</sup> <b>18.2</b>	<b>(2.2)</b>	<b>34.0</b>
<b>Chemicals</b>	Net Sales	211.8	223.3	<b>(11.5)</b>	455.0
	<b>Operating Income</b>	<b>0.5</b>	<b>(1.4)</b>	<b>1.9</b>	<b>(2.0)</b>
<b>Polymers</b>	Net Sales	203.6	180.8	22.8	430.0
	<b>Operating Income</b>	<b>1.5</b>	<b>(1.4)</b>	<b>2.9</b>	<b>8.0</b>
<b>Others</b>	Net Sales	49.3	44.0	5.3	109.0
	<b>Operating Income</b>	<b>0.3</b>	<b>(0.5)</b>	<b>0.8</b>	<b>0.0</b>
<b>Corporate</b>	Net Sales	-	-	-	-
	<b>Operating Income</b>	<b>(1.3)</b>	<b>(1.7)</b>	<b>0.4</b>	<b>(4.0)</b>

\*1 Effective from FY2014, certain businesses (including businesses in consolidated subsidiaries) have been reclassified from the Health Care segment to the Designed Materials segment. Accordingly segment information for FY0213 is restated to match.

# Consolidated Net Sales and Operating Income by Business Sub-Segment

		(Billions of Yen)			<Reference>		
		1Q of FY2014	1Q of FY2013	Change	1H of FY2014 (Forecast announced on May 12)		
<b>Electronics Applications</b>		Net Sales	28.6	28.4	0.2	60.0	
		Operating Income	<b>(0.4)</b>	<b>(1.2)</b>	<b>0.8</b> (a)	<b>(2.5)</b>	
Designed Materials	<b>Functional Products</b>		Net Sales	133.3	121.6	11.7	280.0
			Operating Income	<b>6.7</b>	<b>5.5</b>	<b>1.2</b> (b)	<b>11.0</b>
	<b>Performance Chemicals</b>		Net Sales	61.5	57.6	3.9	125.0
			Operating Income	<b>6.2</b>	<b>6.0</b> *1	<b>0.2</b> (c)	<b>12.0</b>
Health Care	<b>Pharmaceuticals</b>		Net Sales	94.4	103.9	<b>(9.5)</b>	201.0
			Operating Income	<b>14.8</b>	<b>17.4</b>	<b>(2.6)</b> (d)	<b>32.0</b>
	<b>Diagnostics, Clinical Testing and API</b>		Net Sales	28.4	21.7	6.7	60.0
			Operating Income	<b>1.2</b>	<b>0.8</b> *1	<b>0.4</b> (e)	<b>2.0</b>

\*1 Effective from FY2014, certain businesses (including businesses in consolidated subsidiaries) have been reclassified from the Health Care segment to the Designed Materials segment. Accordingly segment information for FY0213 is restated to match.

**Major reasons for the change:**

- (a) Rationalization, etc.
- (b) Increased sales for electronic and industrial film and engineering plastic products, etc.
- (c) Increased sales for inorganic chemical products, etc.
- (d) Profit increased due to increased royalty revenues and decreased R&D expenses, whereas sales for domestic ethical drugs decreased due to drug price revisions and expanded use of generic drugs.
- (e) Qualicaps Group, etc.

# Consolidated Net Sales and Operating Income by Business Sub-Segment (Continued)

		(Billions of Yen)			<Reference>	
		1Q of FY2014	1Q of FY2013	Change	1H of FY2014 (Forecast announced on May 12)	
Chemicals	Petrochemicals	Net Sales	161.9	171.7	(9.8)	345.0
		Operating Income	(1.3)	(3.9)	2.6 (a)	(6.5)
	Carbon	Net Sales	49.9	51.6	(1.7)	110.0
		Operating Income	1.8	2.5	(0.7) (b)	4.5
Polymers	Polyolefins and Advanced Polymers	Net Sales	125.7	112.7	13.0	260.0
		Operating Income	0.7	(1.2)	1.9 (c)	3.0
	MMA Monomers and Polymers	Net Sales	77.9	68.1	9.8	170.0
		Operating Income	0.8	(0.2)	1.0 (d)	5.0

Inventory valuation gain/loss	1Q of FY2014	1Q of FY2013	Change
Chemicals (Petrochemicals)	0.0	(1.4)	1.4
Chemicals (Carbon)	(0.4)	0.2	(0.6)
Polymers (Polyolefins and Advanced Polymers)	0.8	3.6	(2.8)
Total	0.4	2.4	(2.0)

**Major reasons for the change:**

- (a) Increased margins in PTA business and reduced deficits by rationalization, despite the difference in scale of periodic maintenance, etc.
- (b) Inventory valuation gain/loss in carbon materials, etc.
- (c) Increased margins in polyolefin business, and increased sales in performance polymers business, etc.
- (d) Increased margins of MMA in U.S.A., etc.

# Analysis of Operating Income

## (1Q of FY2014 vs. 1Q of FY2013)

(Billions of Yen)

	1Q of FY2014	1Q of FY2013	Analysis				
			Change	Price	Volume	Cost reduction	Others *1
<b>Total</b>	<b>29.5</b>	<b>23.5</b>	<b>6.0</b>	<b>(2.9)</b>	4.6	4.6	<b>(0.3)</b>
<b>Electronics Applications</b>	<b>(0.4)</b>	<b>(1.2)</b>	<b>0.8</b>	<b>(1.2)</b>	1.1	0.8	0.1
<b>Designed Materials</b>	<b>12.9</b>	*2 <b>11.5</b>	<b>1.4</b>	<b>(1.5)</b>	1.9	1.3	<b>(0.3)</b>
<b>Health Care</b>	<b>16.0</b>	*2 <b>18.2</b>	<b>(2.2)</b>	<b>(5.4)</b>	1.7	0.1	1.4
<b>Chemicals</b>	<b>0.5</b>	<b>(1.4)</b>	<b>1.9</b>	1.3	<b>(0.8)</b>	0.6	0.8
<b>Polymers</b>	<b>1.5</b>	<b>(1.4)</b>	<b>2.9</b>	3.9	0.2	1.5	<b>(2.7)</b>
<b>Others</b>	<b>0.3</b>	<b>(0.5)</b>	<b>0.8</b>	-	0.5	0.2	0.1
<b>Corporate</b>	<b>(1.3)</b>	<b>(1.7)</b>	<b>0.4</b>	-	-	0.1	0.3

\*1 Items included are impacts from inventory valuation gain/loss, etc.

\*2 Effective from FY2014, certain businesses (including businesses in consolidated subsidiaries) have been reclassified from the Health Care segment to the Designed Materials segment. Accordingly segment information for FY2013 is restated to match.



## Consolidated Extraordinary Gain and Loss

	(Billions of Yen)		
	1Q of FY2014	1Q of FY2013	Change
<b>Net of extraordinary gain and loss</b>	<b>(5.3)</b>	<b>4.1</b>	<b>(9.4)</b>
<b>Extraordinary gain</b>	<b>0.3</b>	<b>4.7</b>	<b>(4.4)</b>
Gain on sales of investment securities	0.3	2.7	(2.4)
Gain on negative goodwill	-	1.6	(1.6)
Others	0.0	0.4	(0.4)
<b>Extraordinary loss</b>	<b>(5.6)</b>	<b>(0.6)</b>	<b>(5.0)</b>
Business structure improvement expenses	(5.0)	-	(5.0)
Loss on sales and retirement of property, plant and equipment	(0.4)	(0.5)	0.1
Others	(0.2)	(0.1)	(0.1)

# Consolidated Cash Flows

	Based on statements of cash flows		Adjusted by excluding cash flows from investment of surplus funds	
	1Q of FY2014	1Q of FY2013	1Q of FY2014 Excluded (24.0) billion yen	1Q of FY2013 Excluded 14.2 billion yen
<b>Net cash provided by operating activities</b>	<b>71.9</b>	<b>30.0</b>	<b>71.9</b>	<b>30.0</b>
Income before income taxes and minority interests	23.5	28.6	23.5	28.6
Depreciation and amortization	31.5	28.8	31.5	28.8
Amortization of goodwill	3.8	3.1	3.8	3.1
Change in operating receivables/payables	24.6	(13.8)	24.6	(13.8)
Change in Inventories	1.0	6.5	1.0	6.5
Others	(12.5)	(23.2)	(12.5)	(23.2)
<b>Net cash used in investment activities</b>	<b>(68.6)</b>	<b>(24.2)</b>	<b>(44.6)</b>	<b>(38.4)</b>
Capital expenditure	(31.4)	(26.2)	(31.4)	(26.2)
Sale of assets	6.3	11.4	6.3	11.4
Investment and loans receivable, etc	(43.5)	(9.4)	* 1 (19.5)	(23.6)
<b>Free cash flow</b>	<b>3.3</b>	<b>5.8</b>	<b>27.3</b>	<b>(8.4)</b>
<b>Net cash used in financing activities</b>	<b>9.1</b>	<b>3.4</b>		
Interest bearing debts	26.0	19.3		
Dividends, etc.	(16.9)	(15.9)		
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>12.4</b>	<b>9.2</b>		
Effect of exchange rate changes and change in scope of consolidation	(1.6)	8.7		
<b>Cash and cash equivalents at the beginning of the period</b>	<b>179.6</b>	<b>153.1</b>		
<b>Cash and cash equivalents at the end of the period</b>	<b>190.4</b>	<b>171.0</b>		

(Billions of Yen)

\*1 Investment on  
The Saudi Methacrylates Company

# Consolidated Balance Sheets

(Billions of Yen)

	Jun. 30, 2014	Mar. 31, 2014	Change
Cash and deposits	134.1	137.7	(3.6)
Inventories	588.1	591.1	(3.0)
Trade receivables	586.8	615.7	(28.9)
Others	259.1	218.9	40.2
<b>Current assets</b>	<b>1,568.1</b>	<b>1,563.4</b>	<b>4.7</b>
Tangible and Intangible fixed assets	1,219.6	1,234.5	(14.9)
Goodwill	175.4	180.1	(4.7)
Investment and Others	512.5	501.4	11.1
<b>Non-current assets</b>	<b>1,907.5</b>	<b>1,916.0</b>	<b>(8.5)</b>
<b>Total assets</b>	<b>3,475.6</b>	<b>3,479.4</b>	<b>(3.8)</b>

(Billions of Yen)

	Jun. 30, 2014	Mar. 31, 2014	Change
Interest-bearing debts	1,278.8	1,258.2	20.6
Trade payables	410.0	413.4	(3.4)
Others	493.0	492.9	0.1
<b>Liabilities</b>	<b>2,181.8</b>	<b>2,164.5</b>	<b>17.3</b>
Shareholders' equity	833.3	849.6	(16.3)
Accumulated other comprehensive income	54.0	51.2	2.8
Minority interests, etc.	406.5	414.1	(7.6)
<b>Net assets</b>	<b>1,293.8</b>	<b>1,314.9</b>	<b>(21.1)</b>
<b>Total liabilities and net assets</b>	<b>3,475.6</b>	<b>3,479.4</b>	<b>(3.8)</b>

Net interest-bearing debts (*1)	983.8	998.0	(14.2)
Net D/E ratio	1.11	1.11	0.00
Net D/E ratio (incl. minority interests in the denominator)	0.76	0.76	0.00

Shareholders' equity (*2)	887.3	900.8	(13.5)
Shareholders' equity ratio	25.5%	25.8%	(0.3%)

\*1. Net interest-bearing debts (983.8 billion yen)  
= interest bearing debts (1,278.8 billion yen)  
- {cash and cash equivalents (190.4 billion yen) + investments of surplus funds (104.6 billion yen)}

\*2. Represents the sum of shareholders' equity and accumulated other comprehensive income per the above B/S.

# Consolidated Statements of Comprehensive Income

Exchange rate used to convert balance sheets for foreign subsidiaries

	Jun. 2014	Mar. 2014
For subsidiaries with April-March accounting period (¥/US\$)	101.4	102.9
For subsidiaries with April-March accounting period (¥/€)	138.3	141.7

(Billions of Yen)

	1Q of FY2014	1Q of FY2013	Change
<b>Net income</b>	<b>5.9</b>	<b>11.0</b>	<b>(5.1)</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>6.1</b>	<b>4.8</b>	<b>1.3</b>
<b>Income before minority interests</b>	<b>12.0</b>	<b>15.8</b>	<b>(3.8)</b>
<b>Other comprehensive income (loss):</b>			
Net unrealized holding gain (loss) on other securities	5.0	6.5	(1.5)
Gain (loss) on deferred hedges	(0.3)	(0.2)	(0.1)
Foreign currency translation adjustments	(6.2)	21.3	(27.5)
Remeasurements of defined benefit plans	0.0	0.2	(0.2)
Other comprehensive income (loss) for affiliates accounted for using equity method	2.5	1.9	0.6
<b>Other comprehensive income (loss), net</b>	<b>1.0</b>	<b>29.7</b>	<b>(28.7)</b>
<b>Total comprehensive income (loss)</b>	<b>13.0</b>	<b>45.5</b>	<b>(32.5)</b>
<b>Total comprehensive income (loss) attributable to :</b>			
Shareholders of the parent	8.7	36.0	(27.3)
Minority interests	4.3	9.5	(5.2)

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, marketing conditions and the effects of industry competition.