

Mitsubishi Chemical Holdings Corporation
Condensed Consolidated Financial Information
for the First Quarter of the Fiscal Year Ending March 31, 2017



1. Business Results for the First Quarter of the Fiscal Year Ending March 31, 2017 ("FY2016")

(Business period: April 1, 2016 to June 30, 2016)

	Millions of Yen		Thousands of U.S. Dollars
	The First Quarter of the Current Fiscal Year ("FY2016")	The First Quarter of the Previous Fiscal Year ("FY2015")	The First Quarter of the Current Fiscal Year ("FY2016")
	April 1, 2016 - June 30, 2016	April 1, 2015 - June 30, 2015	April 1, 2016 - June 30, 2016
(1) Results of Operations:			
Sales Revenue	829,380	927,999	8,052,233
Core Operating income	72,506	78,026	703,942
Operating income	66,899	78,460	649,505
Earnings before taxes	61,305	78,483	595,194
Net Income	41,221	50,773	400,204
Net income attributable to owners of the parent	26,078	35,631	253,184
Comprehensive income (loss)	(15,625)	76,386	(151,699)
	(Yen)		(U.S. Dollars)
Net income per share -Basic	17.80	24.32	0.17
Net income per share -Diluted	17.79	24.31	0.17

(2) Segment Information:

[Sales Revenue by Segment]

Electronics Applications	25,997	29,379	252,398
Designed Materials	197,344	201,832	1,915,961
Health Care	134,895	129,062	1,309,660
Chemicals	259,257	313,736	2,517,058
Polymers	170,036	206,680	1,650,835
Others	41,851	47,310	406,320
Total	829,380	927,999	8,052,233

[Core Operating Income (loss)* by Segment]

Electronics Applications	(250)	(258)	(2,427)
Designed Materials	20,520	16,514	199,223
Health Care	29,078	27,094	282,311
Chemicals	11,130	21,693	108,058
Polymers	13,407	14,086	130,165
Others	758	621	7,359
Elimination & corporate	(2,137)	(1,724)	(20,748)
Total	72,506	78,026	703,942

* "Core Operating income(loss)" is "Operating Income without special items".

	Millions of Yen		Thousands of U.S. Dollars
	As of June 30, 2016	As of March 31, 2016	As of June 30, 2016
(3) Financial Position:			
Total assets	4,079,531	4,223,774	39,607,097
Inventories	521,477	549,461	5,062,883
Property, plant and equipment	1,361,251	1,403,437	13,216,029
Short-term and long-term debts	1,522,883	1,579,575	14,785,272
Total equity attributable to owners of the parent	945,084	972,197	9,175,573
Ratio of equity attributable to owners of the parent to total assets (%)	23.1	23.0	

Millions of Yen	
The First Quarter of FY2016	The First Quarter of FY2015
April 1, 2016 - June 30, 2016	April 1, 2015 - June 30, 2015

Thousands of U.S. Dollars
The First Quarter of FY2016
April 1, 2016 - June 30, 2016

(4) Cash Flows:

Net cash provided by (used in) operating activities	99,304	(11,048)
Net cash used in investing activities	(23,301)	(12,537)
Net cash used in (provided by) financing activities	(43,175)	35,267
Cash and cash equivalents at end of the period	288,067	268,079

964,117
(226,223)
(419,175)
2,796,767

(5) Ratio of Net Income to:

Total equity attributable to owners of the parent**	4.2	4.9
Total assets**	0.9	1.1
Sales Revenue	4.9	5.4

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

Notes:

- The Company has decided to adopt International Financial Reporting Standard ("IFRS") from FY2016.
- The Company and its domestic consolidated subsidiaries maintain their accounting record in Japanese yen. The U.S. dollar amounts presented in this document are solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of 103 yen to US\$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of June 2016.

2. Forecast for the Current Fiscal Year

	Millions of Yen	
	The First Half of FY2016	FY2016
	April 1, 2016 - September 30, 2016	April 1, 2016 - March 31, 2017
Sales Revenue	1,750,000	3,600,000
Core Operating income	105,000	235,000
Operating income	97,000	211,000
Net income attributable to owners of the parent	36,000	80,000

Thousands of U.S. Dollars	
The First Half of FY2016	FY2016
April 1, 2016 - September 30, 2016	April 1, 2016 - March 31, 2017
16,990,291	34,951,456
1,019,417	2,281,553
941,748	2,048,544
349,515	776,699

		(Yen)
Net income per share -Basic	24.57	54.61

	(U.S. Dollar)
0.24	0.53

Notes:

There is no revision to the forecast for FY2016 from those announced on May 13, 2016.

3. Business Performance and Financial Position

(1) Business Performance

1) Consolidated Performance for the First Quarter of Fiscal Year Ending March 31, 2017 (Fiscal 2016): Three Months Ended June 30, 2016

Overview of General Performance

The business environment surrounding the Mitsubishi Chemical Holdings Group during the first quarter of fiscal 2016 saw uncertainty resulting from the yen's appreciation in addition to continual deceleration of China's economy, despite a moderate economic recovery in Japan and overseas. Demand in the Performance Products and Industrial Materials domains remained firm, despite a deteriorating export environment brought on by the rising yen. Demand in the Health Care domain remained generally firm, despite the negative impact of the NHI drug price revisions in Japan, which took effect in April 2016.

Against this background, sales revenue for the first quarter of fiscal 2016 was ¥829.4 billion, down ¥98.6 billion, or 10.6% year on year. Core operating income was ¥72.5 billion, down ¥5.5 billion, or 7.1% year on year, and operating income was down ¥11.6 billion, or 14.7% year on year, at ¥66.9 billion. Earnings before taxes decreased by ¥17.2 billion, or 21.9% year on year, to ¥61.3 billion. Net income attributable to owners of the parent decreased by ¥9.6 billion, or 26.8% year on year, to ¥26.1 billion.

Overview of Business Segments

The overview of financial results by segment for the first quarter of fiscal 2016 is shown below. Gains or losses by segment are stated with core operating income which excludes gains or losses from special items including losses incurred by business withdrawals, streamlining, and others.

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

Electronics Applications Segment, Performance Products Domain

Sales revenue in this segment decreased by ¥3.4 billion, to ¥26.0 billion. Core operating loss was ¥0.3 billion, mostly unchanged.

In information and electronics-related materials, including recording media and display materials, sales decreased, reflecting declining sales volumes of OPC drums and toner and the impact of the yen's appreciation, despite the sales generally remained steady. Core operating income remained unchanged mainly because of a reduction in fixed costs.

Designed Materials Segment, Performance Products Domain

Sales revenue in this segment was down ¥4.5 billion, at ¥197.3 billion. However, core operating income rose by ¥4.0 billion, to ¥20.5 billion.

In polymer processing products, sales decreased due to the impact of the yen's appreciation, despite higher sales volumes of high-performance films for display and food packaging applications and engineering plastic-related products. In fine chemicals, sales of coating materials and other products remained firm. In battery materials, sales volumes for automobile batteries increased. In composite materials, sales dropped as a result of the yen's appreciation, despite stronger sales volumes for carbon fibers and alumina fibers. In food ingredients, sales increased, reflecting the addition of Eisai Food & Chemical Co., Ltd. to the scope of consolidation since the fourth quarter of fiscal 2015. In fibers, sales volumes decreased substantially due in part to a deteriorating export environment. Core operating income grew significantly with higher sales volumes, a decline in raw material costs, and other factors, despite the impact of the yen's appreciation.

Major initiatives in the Designed Materials segment during the first quarter of fiscal 2016 included:

- The Nippon Synthetic Chemical Industry Co., Ltd., a consolidated subsidiary of Mitsubishi Chemical Corporation, decided in April 2016 to expand its production facility for *OPL film*, an optical PVOH film, which is a key material for polarizing film, at its Ogaki Plant, responding to a demand increase for polarizing film used in LCD panels and smart phones.
(Production capacity increase: 25 million m²/y → 43 million m²/y)
- Quadrant AG, a consolidated subsidiary of Mitsubishi Plastics, Inc., acquired all the shares of Piper Plastics, Inc., a polymer processing company in May 2016, aiming to further strengthen its business foundation and expand its market presence to medical and aircraft fields with growth potential.
- Mitsubishi Rayon Co., Ltd. decided in June 2016 to expand the production facility for high-performance large-tow carbon fibers at its Otake Plant, responding to strong demand from industries relating to wind power generators, automobiles, etc.
(Production capacity increase: 2,700 t/y → 3,900 t/y)

Health Care Segment, Health Care Domain

Sales revenue in this segment totaled ¥134.9 billion, an increase of ¥5.8 billion. Core operating income grew ¥2.0 billion, to ¥29.1 billion.

Pharmaceuticals saw higher sales volumes of domestic ethical pharmaceuticals and an increase in royalty revenues from products licensed out overseas including *Gilenya*, a treatment for

multiple sclerosis and *Invokana*, a treatment agent for type 2 diabetes mellitus, despite the negative impact of the NHI drug price revisions in April 2016. In diagnostics, support for pharmaceutical development, and pharmaceutical formulation materials, sales decreased, due mainly to declining sales volumes of pharmaceutical formulation materials. Core operating income increased mainly because of a reduction in fixed costs, in addition to rising revenue in pharmaceuticals.

A major initiative in the Health Care segment during the first quarter of fiscal 2016 included:

- Mitsubishi Tanabe Pharma Corporation became one of the first to receive approval of *Remicade* for I.V. infusion 100, an anti-human TNF α monoclonal antibody treatment for psoriasis that allows a higher dosage and shorter dosing intervals, in May 2016.

Chemicals Segment, Industrial Materials Domain

Sales revenue in this segment decreased by ¥54.4 billion, to ¥259.3 billion. Core operating income was down ¥10.6 billion, at ¥11.1 billion.

In basic petrochemicals, chemical derivatives, and terephthalic acid of a synthetic fiber material, sales decreased, reflecting lower sales prices stemming from a decline in raw material costs, as well as a larger scale of scheduled maintenance and repairs at ethylene production facilities. In carbon products including coke and others, sales decreased due primarily to sales price declines accompanying lower coking coal prices. In industrial gases, sales decreased as a result of the yen's appreciation, despite the addition of sales at two companies in Thailand and Australia, which became consolidated subsidiaries in the second quarter and the third quarter of fiscal 2015, respectively. Core operating income decreased mainly due to the larger scale of scheduled maintenance and repairs, in addition to declining market prices and a narrowing in the price differential between raw materials and products in exports of carbon products.

A major initiative in the Chemicals segment during the first quarter of fiscal 2016 included:

- Matheson Tri-Gas, Inc., a consolidated subsidiary of Taiyo Nippon Sanso Corporation, announced in June 2016 that it has concluded an agreement to purchase part of Air Liquide's industrial gas business and related business assets in the U.S. The move is aimed at expanding Matheson Tri-Gas's business and ensuring sustainable profitability in the U.S. market.

Polymers Segment, Industrial Materials Domain

Sales revenue in this segment was down ¥36.7 billion, at ¥170.0 billion. Core operating income decreased by ¥0.7 billion, to ¥13.4 billion.

In synthetic resins including polyolefin, MMA monomer, and other products, sales decreased, due primarily to lower sales prices resulting from a decline in raw material costs. Core operating income decreased, due in part to a larger scale of scheduled maintenance and repairs at polyolefin and other production facilities, despite steady sales of MMA monomers in the U.S. and Europe.

Others

Sales revenue in this segment decreased by ¥5.4 billion, to ¥41.9 billion. Core operating income, however, increased by ¥0.2 billion, to ¥0.8 billion.

Sales decreased owing to decreased external orders in logistics, despite steady performance in engineering. Core operating income rose in step with increased sales of engineering services, along with other factors.

4. Consolidated Financial Position

At the end of the first quarter of fiscal 2016, total assets amounted to ¥4,079.5 billion, a decrease of ¥144.3 billion compared to the end of fiscal 2015. This reflected a decrease in the yen equivalent of assets in overseas consolidated subsidiaries accompanying the yen's appreciation, a decrease in operating receivables, and other factors.

5. Consolidated Financial Results Forecasts for Fiscal 2016

There has been no change to the financial results and dividends forecasts for fiscal 2016 announced on May 13, 2016.

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 [6] hereof.