

Operational Summary

for the First Quarter of the Fiscal Year Ending March 31, 2018

August 1, 2017

Mitsubishi Chemical Holdings Corporation

Table of Contents

Consolidated Financial Statements for FY2017 1Q	Page No.	References	Page No.
Statements of Operations	4	Statements of Operations [Quarterly Data]	15
Sales Revenue and Core Operating Income by Business Segment	5	Sales Revenue and Core Operating Income by Business Segment [Quarterly Data]	16
Analysis of Core Operating Income	6	Capital Expenditure, Depreciation & Amortization, R&D Expenses by Business Segment	17
Overview of Business Segments	7	Business Segment Information	18
Special Items	11		
Cash Flows	12		
Statements of Financial Positions	13		

Mitsubishi Chemical Holdings Corporation has adopted IFRS starting with FY2016 1Q.

List of Abbreviations

FY2017	April 1, 2017 – March 31, 2108	
	1st Quarter (1Q) of FY2017:	April 1, 2017 – June 30, 2017
	1st Half (1H) of FY2017:	April 1, 2017 – September 30, 2017
FY2016	April 1, 2016 – March 31, 2017	
	1st Quarter (1Q) of FY2016:	April 1, 2016 – September 30, 2016
	2nd Quarter (2Q) of FY2016:	July 1, 2016 – September 30, 2016
	3rd Quarter (3Q) of FY2016:	October 1, 2016 – December 31, 2016
	4th Quarter (4Q) of FY2016:	January 1, 2017 – March 31, 2017
MCHC	Mitsubishi Chemical Holdings Corporation	
MCC	Mitsubishi Chemical Corporation	
MTPC	Mitsubishi Tanabe Pharma Corporation	
LSII	Life Science Institute, Inc.	
TNSC	Taiyo Nippon Sanso Corporation	

Consolidated Statements of Operations

		111.4	107.9	3.5	3%	110.0	
Exchange Rate (¥/\$)							
Naphtha Price (¥/kl)		39,100	31,600	7,500	24%	42,000	
		(Billions of Yen)			<Reference>		
		FY2017 1Q	FY2016 1Q	Change	%	FY2017 1H Forecast (Announced on May 12)	% to 1H Forecast
Continuing Operations	Sales Revenue	898.0	794.6	103.4	13%	1,800.0	50%
	Core Operating Income *	95.5	70.6	24.9	35%	157.0	61%
	Special Items	(4.5)	(5.6)	1.1		(5.0)	
	Operating Income	91.0	65.0	26.0	40%	152.0	60%
	Financial Income/Expenses	(1.4)	(5.0)	3.6		(6.5)	
	(Dividend included above)	[2.6]	[2.5]	[0.1]		-	
	(Foreign Exchange Gain/Loss included above)	[(0.7)]	[(3.9)]	[3.2]		-	
	Earnings before Taxes	89.6	60.0	29.6		145.5	
	Income Taxes	(26.3)	(19.9)	(6.4)		(41.5)	
	Net Income from Continuing Operations	63.3	40.1	23.2		104.0	
Net Income from Discontinued Operations	-	1.1	(1.1)		-		
Net Income	63.3	41.2	22.1		104.0		
Net Income Attributable to Owners of the Parent	47.7	26.1	21.6	83%	74.0	64%	
Net Income Attributable to Non-Controlling Interests	15.6	15.1	0.5		30.0		
* Equity income included		5.6	4.0	1.6			

Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors (losses incurred by business withdrawal and contraction, etc.).

Sales Revenue and Core Operating Income by Business Segment

		(Billions of Yen)			<Reference> FY2017 1H Forecast (Announced on May 12)
		FY2017 1Q	FY2016 1Q	Change	
Total Consolidated	Sales Revenue	898.0	794.6	103.4	1,800.0
	Core Operating Income	95.5	70.6	24.9	157.0
Functional Products	Sales Revenue	188.7	182.0	6.7	375.0
	Core Operating Income	16.7	16.1	0.6	28.0
Performance Chemicals	Sales Revenue	88.5	80.0	8.5	180.0
	Core Operating Income	9.8	8.2	1.6	14.0
Performance Products	Sales Revenue	277.2	262.0	15.2	555.0
	Core Operating Income	26.5	24.3	2.2	42.0
MMA	Sales Revenue	92.3	68.9	23.4	170.0
	Core Operating Income	24.3	6.7	17.6	34.0
Petrochemicals	Sales Revenue	127.5	113.1	14.4	270.0
	Core Operating Income	5.8	0.4	5.4	12.0
Carbon products	Sales Revenue	68.1	39.7	28.4	120.0
	Core Operating Income	4.0	(0.1)	4.1	2.5
Chemicals	Sales Revenue	287.9	221.7	66.2	560.0
	Core Operating Income	34.1	7.0	27.1	48.5
Industrial Gases	Sales Revenue	149.1	131.7	17.4	295.0
	Core Operating Income	13.4	11.5	1.9	25.5
Health Care	Sales Revenue	138.1	134.9	3.2	275.0
	Core Operating Income	22.0	29.1	(7.1)	43.0
Others	Sales Revenue	45.7	44.3	1.4	115.0
	Core Operating Income	(0.5)	(1.3)	0.8	(2.0)
[Inventory valuation gain/loss]					
	Performance Chemicals	(0.7)	0.3	(1.0)	
	Petrochemicals	(1.0)	(2.9)	1.9	
	Carbon products	(0.2)	(0.3)	0.1	
	Total	(1.9)	(2.9)	1.0	

*All figures are approximation for reference purpose only.

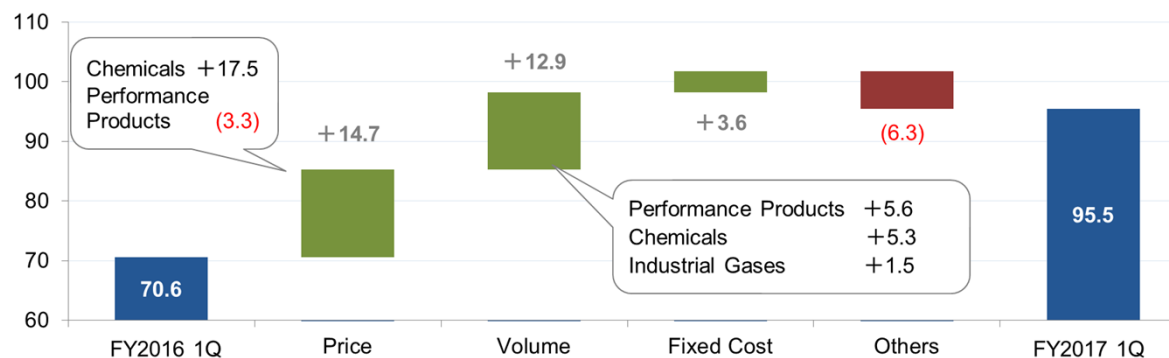
Analysis of Core Operating Income

(Billions of Yen)

	FY2017 1Q	FY2016 1Q	Change				
				Price	Volume	Fixed Cost	Others *
Total Consolidated	95.5	70.6	24.9	14.7	12.9	3.6	(6.3)
Performance Products	26.5	24.3	2.2	(3.3)	5.6	2.0	(2.1)
Chemicals	34.1	7.0	27.1	17.5	5.3	0.7	3.6
Industrial Gases	13.4	11.5	1.9	0.1	1.5	0.6	(0.3)
Health Care	22.0	29.1	(7.1)	0.4	0.2	0.1	(7.8)
Others	(0.5)	(1.3)	0.8	0.0	0.3	0.2	0.3

* Items included are impacts from inventory valuation gain/loss and Equity Income, etc.

Changes in exchange rates	1.3	1.3	0.5	-	(0.5)
Changes in foreign currency translation included in above		0.8			



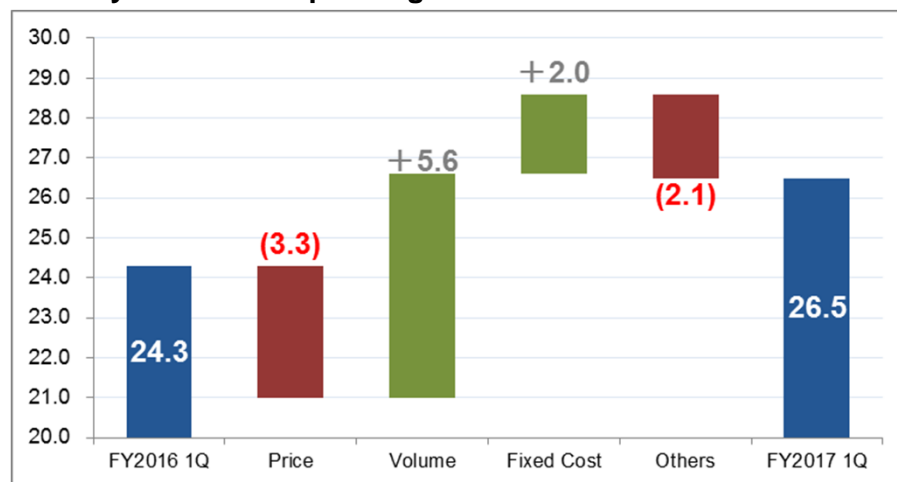
Performance Products Segment

(Billions of Yen)

		FY2017 1Q	FY2016 1Q	Change
Functional Products	Sales Revenue	188.7	182.0	6.7
	Core Operating Income	16.7	16.1	0.6
Performance Chemicals	Sales Revenue	88.5	80.0	8.5
	Core Operating Income	9.8	8.2	1.6
Performance Products	Sales Revenue	277.2	262.0	15.2
	Core Operating Income	26.5	24.3	2.2

Functional Products	
Sales revenue	Sales of advanced moldings and composites including high performance engineering plastics, alumina fibers, and other products remained firm, and sales remained steady for films for displays in electronics and displays.
Core operating income	Profit increased, due primarily to higher sales volumes as a whole, despite a rise in raw material costs for some products.
Performance Chemicals	
Sales revenue	Sales volumes of advanced polymers increased compared to the same period of fiscal 2016, when scheduled maintenance and repairs for phenol-polycarbonate related production facilities had a significant impact. In addition, sales volumes of battery materials for automobiles in new energy increased.
Core operating income	Profit increased, due primarily to higher sales volumes of battery materials for automobiles and phenol-polycarbonate products.

<Analysis of Core Operating Income>



Chemicals Segment

(Billions of Yen)

		FY2017 1Q	FY2016 1Q	Change
MMA	Sales Revenue	92.3	68.9	23.4
	Core Operating Income	24.3	6.7	17.6
Petrochemicals	Sales Revenue	127.5	113.1	14.4
	Core Operating Income	5.8	0.4	5.4
Carbon products	Sales Revenue	68.1	39.7	28.4
	Core Operating Income	4.0	(0.1)	4.1
Chemicals	Sales Revenue	287.9	221.7	66.2
	Core Operating Income	34.1	7.0	27.1

MMA	
Sales revenue	Sales prices increased, accompanying a rise in MMA monomer market prices.
Core operating income	Profit increased due primarily to a broadening in the price differential between raw materials and products in MMA and carbon.
Petrochemicals	
Sales revenue	Sales volumes increased, reflecting rising sales prices brought on by higher raw material prices and a smaller impact from ethylene production facility scheduled maintenance and repairs, which were less than in the previous period.
Core operating income	Profit increased reflecting a smaller impact from ethylene production facility scheduled maintenance and repairs, which were less than in the previous period, and other factors.
Carbon	
Sales revenue	Sale prices rose, accompanying a rise in coking coal prices.
Core operating income	Profit increased due primarily to higher market prices of carbon and higher sales volumes of needle coke.

<Analysis of Core Operating Income>



<Major initiatives>

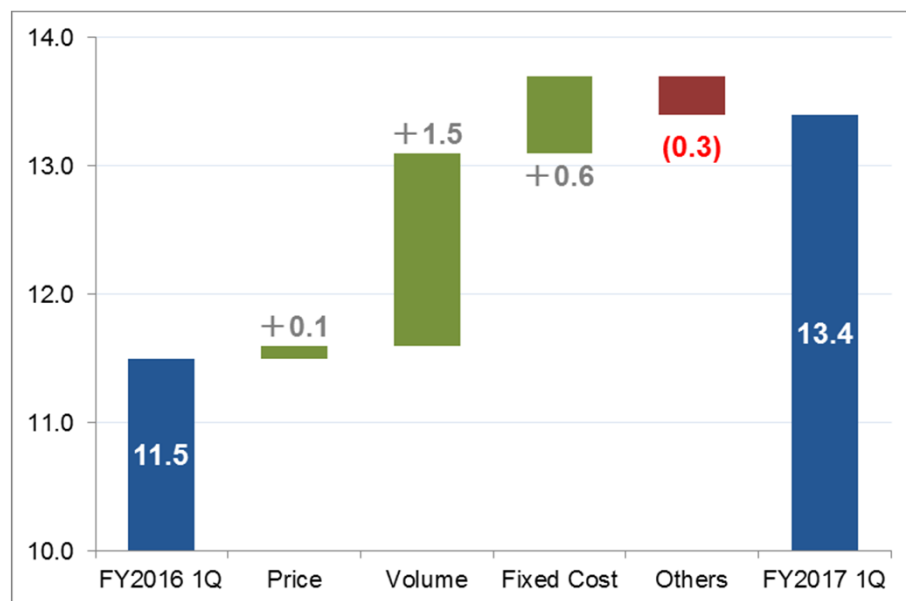
- The Saudi Methacrylates Company, a joint venture between MCC and Saudi Basic Industries Corporation achieved mechanical completion of production facilities for MMA monomer (250 kt/y) and PMMA (40 kt/y) in April 2017. Commercial operations are slated to begin in August 2017.
- MCC's subsidiary, Japan Polypropylene Corporation decided to construct a new production facility for polypropylene (150 kt/y) at its Goi Plant, as part of its structural reforms in April 2017. Commercial operation is scheduled to begin in October 2019.

Industrial Gases Segment

		(Billions of Yen)		
		FY2017 1Q	FY2016 1Q	Change
Industrial Gases	Sales Revenue	149.1	131.7	17.4
	Core Operating Income	13.4	11.5	1.9

Industrial Gases	
Sales revenue	Sales revenue increased, reflecting continued firmness in the domestic industrial gas business and including the results of businesses acquired in the U.S. and Australia starting in the second quarter and fourth quarter of fiscal 2016, respectively.
Core operating income	Profit increased, reflecting continued firmness in the domestic industrial gas business such as electronics gases and electronics business operations, in addition to the effects of the acquisition mentioned above.

<Analysis of Core Operating Income>



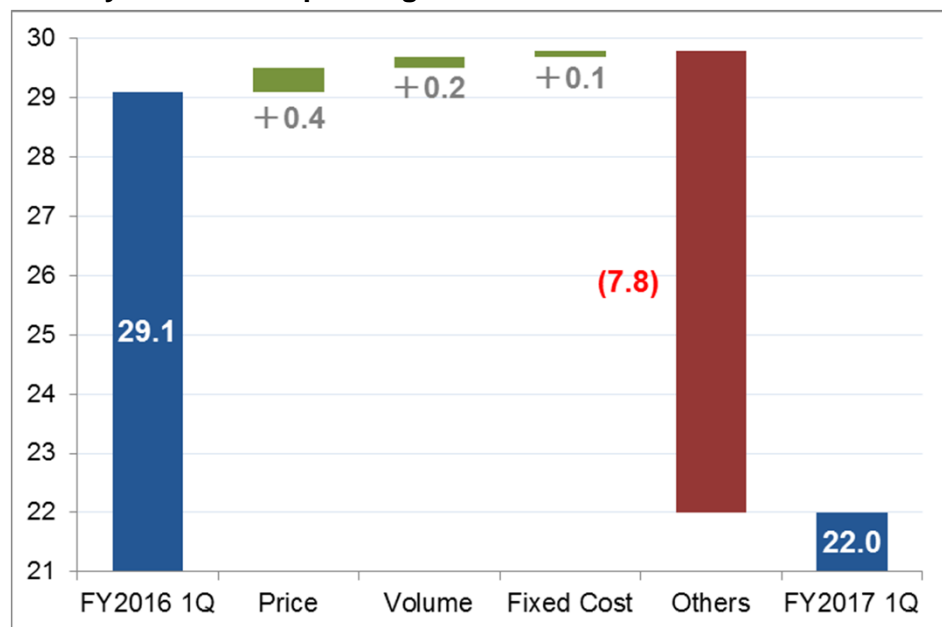
Health Care Segment

(Billions of Yen)

		FY2017 1Q	FY2016 1Q	Change
Health Care	Sales Revenue	138.1	134.9	3.2
	Core Operating Income	22.0	29.1	(7.1)

Health Care	
Sales revenue	Pharmaceuticals recorded higher sales revenue, mainly due to sales growth of domestic ethical pharmaceuticals and ongoing steady royalty revenues from products licensed out overseas including <i>Gilenya</i> , a treatment for multiple sclerosis.
Core operating income	Profit decreased due primarily to increased business development costs in the U.S., in addition to R&D expenses.

<Analysis of Core Operating Income>



<Major initiatives>

- MTPC's *RADICAVA*, a free-radical scavenger discovered by Mitsubishi Pharma Corporation (current MTPC) was approved by the U.S. Food and Drug Administration for an indication of amyotrophic lateral sclerosis (ALS). Sales of *RADICAVA* in the U.S. through MTPC's subsidiary, MT Pharma America, Inc. are slated to begin in August 2017.
- In July 2017, MTPC has entered a definitive agreement to acquire NeuroDerm Ltd., a clinical-stage pharmaceutical company developing novel formulation technology and drug-device combinations for Parkinson's disease. The transaction consideration is US\$1,117 million, and NeuroDerm will become a wholly owned subsidiary of MPTC in October 2017. A pharmaceutical developed by NeuroDerm is expected to launch in fiscal 2019 in the U.S.

Consolidated Special Items

	(Billions of Yen)		
	FY2017 1Q	FY2016 1Q	Change
Total Special Items	(4.5)	(5.6)	1.1
Integration-related expenses of MCC	(2.2)	(0.1)	(2.1)
Special retirement expenses	(1.1)	(1.4)	0.3
Loss on sale and disposal of fixed assets	(0.8)	(0.2)	(0.6)
Others	(0.4)	* (3.9)	3.5

* Including the impact of Kumamoto earthquake-related losses (2.3 billion yen).

[Special Items by Business Segment]

Performance Products	(0.3)	* (3.4)	3.1
Chemicals	(0.4)	(2.4)	2.0
Industrial Gases	0.1	0.2	(0.1)
Health Care	(0.9)	0.1	(1.0)
Others	(3.0)	(0.1)	(2.9)

Consolidated Cash Flows

	Based on statements of cash flows		Adjusted cash flows*		<reference> Target for FY2017 Forecast (announced on May 12)
	FY2017 1Q	FY2016 1Q	FY2017 1Q	FY2016 1Q	
Net cash provided by operating activities	88.2	99.3	88.2	99.3	350.0
Income before income taxes	89.6	61.3	89.6	61.3	277.0
Depreciation and amortization	43.8	42.0	43.8	42.0	182.0
Change in operating receivables/payables	(16.2)	16.8	(16.2)	16.8	} (44.0)
Change in Inventories	(14.4)	14.0	(14.4)	14.0	
Others	(14.6)	(34.8)	(14.6)	(34.8)	(65.0)
Net cash used in investment activities	(126.3)	(23.3)	(58.5)	(50.0)	(250.0)
Capital expenditure	(56.7)	(48.3)	(56.7)	(48.3)	(249.0)
Sale of assets	2.4	4.2	2.4	4.2	} (1.0)
Investment and loans receivable, etc.	(72.0)	20.8	(4.2)	(5.9)	
Free cash flow	(38.1)	76.0	29.7	49.3	100.0
Net cash used in financing activities	(19.5)	(43.2)			
Interest bearing debts	17.8	(14.0)			
Dividends, etc.	(37.3)	(29.2)			
Increase (Decrease) in cash and cash equivalents	(57.6)	32.8			
Effect of exchange rate changes and change in scope of consolidation	1.3	(11.8)			
Cash and cash equivalents at the beginning of the period	363.5	267.1			
Cash and cash equivalents at the end of the period	307.2	288.1			

Adjusted cash flows based on actual results are calculated by excluding cash flows from investment of surplus funds for explanatory purposes.

Consolidated Statements of Financial Positions

(Billions of Yen)

	Jun. 30, 2017	Mar. 31, 2017	Change
Cash and cash equivalents	307.2	363.5	(56.3)
Trade receivables	795.3	776.2	19.1
Inventories	554.8	538.1	16.7
Other current assets	371.7	290.6	81.1
Total current assets	2,029.0	1,968.4	60.6
Tangible and Intangible fixed assets	1,678.3	1,658.9	19.4
Goodwill	313.6	313.0	0.6
Investment and other non-current assets	530.2	523.2	7.0
Total non-current assets	2,522.1	2,495.1	27.0
Total assets	4,551.1	4,463.5	87.6

	Jun. 30, 2017	Mar. 31, 2017	Change
Interest-bearing debts	1,712.7	1,693.7	19.0
Trade payables	439.6	437.9	1.7
Other liabilities	655.0	633.7	21.3
Total liabilities	2,807.3	2,765.3	42.0
Shareholders' equity	1,125.6	1,089.5	36.1
Other components of equity	9.8	1.9	7.9
Total equity attributable to owners of the parent	1,135.4	1,091.4	44.0
Non-controlling interests	608.4	606.8	1.6
Total equity	1,743.8	1,698.2	45.6
Total liabilities and equity	4,551.1	4,463.5	87.6

Net interest-bearing debts (*1)	1,163.4	1,155.9	7.5
Net D/E ratio	1.02	1.06	(0.04)
Ratio of equity attributable to owners of the parent to total assets	24.9%	24.5%	0.4%

* Net interest-bearing debts
 = interest bearing debts (1,712.7 billion yen)
 - {cash and cash equivalents (307.2 billion yen) + investments of surplus funds (242.1 billion yen)}

References

Statements of Operations [Quarterly Data]

		107.9	102.9	111.3	112.9	111.4
		31,600	31,300	34,000	41,800	39,100
Exchange Rate (¥/\$)						
Naphtha Price (¥/kl)						
(Billions of Yen)						
		FY2016				FY2017
		1Q	2Q	3Q	4Q	1Q
Continuing Operations	Sales Revenue	794.6	791.7	864.3	925.5	898.0
	Core Operating Income *	70.6	65.7	93.8	77.4	95.5
	Special Items	(5.6)	(10.6)	(3.5)	(19.2)	(4.5)
	Operating Income	65.0	55.1	90.3	58.2	91.0
	Financial Income/Expenses	(5.0)	(3.5)	3.3	(5.1)	(1.4)
	(Dividend included above)	[2.5]	[0.2]	[1.0]	[0.2]	[2.6]
	(Foreign Exchange Gain/Loss included above)	[(3.9)]	[(0.7)]	[5.5]	[(1.4)]	[(0.7)]
	Earnings before Taxes	60.0	51.6	93.6	53.1	89.6
	Income Taxes	(19.9)	17.5	(25.6)	(16.4)	(26.3)
	Net Income from Continuing Operations	40.1	69.1	68.0	36.7	63.3
Net Income from Discontinued Operations	1.1	(1.2)	2.7	(0.0)	0.0	
Net Income	41.2	67.9	70.7	36.7	63.3	
Net Income Attributable to Owners of the Parent	26.1	53.1	52.6	24.5	47.7	
Net Income Attributable to Non-Controlling Interests	15.1	14.8	18.1	12.2	15.6	
* Equity income included		4.0	3.4	5.4	6.1	5.6

Sales Revenue and Core Operating Income by Business Segment [Quarterly Data]

(Billions of Yen)

		FY2016				FY2017
		1Q	2Q	3Q	4Q	1Q
Total Consolidated	Sales Revenue	794.6	791.7	864.3	925.5	898.0
	Core Operating Income	70.6	65.7	93.8	77.4	95.5
Functional Products	Sales Revenue	182.0	183.4	187.4	191.8	188.7
	Core Operating Income	16.1	16.0	17.6	12.5	16.7
Performance Chemicals	Sales Revenue	80.0	78.5	79.8	89.0	88.5
	Core Operating Income	8.2	6.6	9.0	8.2	9.8
Performance Products	Sales Revenue	262.0	261.9	267.2	280.8	277.2
	Core Operating Income	24.3	22.6	26.6	20.7	26.5
MMA	Sales Revenue	68.9	67.2	72.2	77.6	92.3
	Core Operating Income	6.7	9.1	11.1	11.0	24.3
Petrochemicals	Sales Revenue	113.1	110.4	133.2	143.6	127.5
	Core Operating Income	0.4	(0.2)	8.2	12.5	5.8
Carbon	Sales Revenue	39.7	42.6	46.3	69.3	68.1
	Core Operating Income	(0.1)	0.7	1.4	1.8	4.0
Chemicals	Sales Revenue	221.7	220.2	251.7	290.5	287.9
	Core Operating Income	7.0	9.6	20.7	25.3	34.1
Industrial Gases	Sales Revenue	131.7	133.8	145.5	163.6	149.1
	Core Operating Income	11.5	12.9	14.5	13.2	13.4
Health Care	Sales Revenue	134.9	128.5	151.5	132.1	138.1
	Core Operating Income	29.1	19.9	33.0	16.4	22.0
Others	Sales Revenue	44.3	47.3	48.4	58.5	45.7
	Core Operating Income	(1.3)	0.7	(1.0)	1.8	(0.5)

*All figures are approximation for reference purpose only.

Capital Expenditure, Depreciation & Amortization, R&D Expenses by Business Segment

(Billions of Yen)

	Capital Expenditure		Depreciation & Amortization		R&D Expenses	
	FY2017 Forecast	FY2016 Actual	FY2017 Forecast	FY2016 Actual	FY2017 Forecast	FY2016 Actual
Performance Products	88.0	62.8	56.0	54.4	31.0	29.6
Chemicals	62.0	68.5	57.0	54.6	11.5	12.1
Industrial Gases	66.0	42.1	46.0	42.5	3.5	3.3
Health Care	19.0	28.5	17.0	17.9	87.5	77.0
Others	14.0	4.6	6.0	4.5	6.5	4.3
Total	249.0	206.5	182.0	173.9	140.0	126.3

Business Segment Information

Business Domains	Business Segments	Business Sub-Segments		
				Businesses
Performance Products	Performance Products	Functional Products	Electronics and displays	Optical films, Electronics and displays, Acetyl
			High performance films	Packaging films, Industrial films
			Environment and living solutions	Aqua and separator solutions, Infrastructure solutions and agricultural materials
			Advanced moldings and composites	High performance engineering plastics, Fibers and textile, Carbon fiber and composite materials, Functional moldings and composites, Almina fiber and light metal products
		Performance Chemicals	Advanced polymers	Performance polymers, Engineering polymers, Sustainable resources
			High performance chemicals	Performance chemicals, Performance materials, Food ingredients
New energy	Lithium ion battery materials, Energy transduction device materials			
Industrial Materials	Chemicals	MMA	MMA	MMA
		Petrochemicals	Petrochemicals	Basic petrochemicals, Polyolefins, Basic chemical derivatives
		Carbon	Carbon	Carbon
	Industrial Gases			Industrial gases
Health Care	Health Care			Pharmaceuticals
				Life science

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.