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Announcement Regarding the Issuance of Zero Coupon Convertible Bonds due 2022 and Zero Coupon Convertible Bonds due 2024

Mitsubishi Chemical Holdings Corporation (MCHC) has decided today to issue Zero Coupon Convertible Bonds due 2022 (bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*)) and Zero Coupon Convertible Bonds due 2024 (bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*)) (collectively, the “Bonds with Stock Acquisition Rights”) in the aggregate issue amount of ¥150 billion, pursuant to the determination of the Representative Corporate Executive Officer, President & CEO of MCHC, upon a delegation by a resolution of the Board of Directors of MCHC, as shown below:

Background to Issuance of Bonds with Stock Acquisition Rights

In December 2015, the MCHC group formulated its New Medium-Term Management Plan “*APTSIS 20*”, which has been in effect for the five-year period from fiscal year 2016 to fiscal year 2020. In “*APTSIS 20*,” the MCHC group aims to become a high-growth, high-profit entity group through implementing principal measures such as (a) integration of its three chemical operating companies (the newly integrated company, “Mitsubishi Chemical Corporation”), (b) thorough portfolio management, (c) development of next-generation businesses and (d) acceleration of global development.

The MCHC group is proceeding with enhancement and expansion of its existing businesses with growth potential and the incubation and development of new next-generation businesses, and is aiming for improvement of corporate value and shareholder value, and MCHC determined to issue the Bonds with Stock Acquisition Rights with the intent to ensure flexible financing for strategic investments and further growth.

Note: This announcement is intended as general information regarding the issuance of convertible bonds by MCHC. This announcement does not constitute an offer of, or the solicitation of an offer to buy or subscribe for the Bonds or the shares of common stock of MCHC in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the shares of common stock of MCHC issuable upon exercise of, or upon acquisition by MCHC of, the Stock Acquisition Rights (together, the “Securities”) have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act). The Securities may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. No public offering of the Securities will be made in the United States.

Use of Proceeds

The proceeds from the issuance of the Bonds with Stock Acquisition Rights are expected to be used as follows:

- 1) approximately 40 billion yen towards repayment of debt which was borrowed by the Company as funds for its subsidiaries, Mitsubishi Chemical Corporation and Mitsubishi Chemical Europe GmbH to acquire shares of The Nippon Synthetic Chemical Industry Co., Ltd through a tender offer;
- 2) approximately 80 billion yen towards repayment of borrowings and redemption of bonds to ensure flexible financing for (i) investments for strengthening its overseas business and developing a product line-up in the Health Care Domain and (ii) research and development expenses, capital expenditures, strategic investments and other expenses towards enhancing technologies in key areas including the Performance Products Domain; and
- 3) up to 30 billion yen towards the repurchase of Shares by the Company in order to implement flexible capital management policies in response to changes in business environment. Further, as such repurchase takes place prior to the closing date for the Bonds with Stock Acquisition Rights, such amount will be applied to cash reserves which were used for such repurchase of shares.

In addition, MCHC resolved to establish a limit of the total number of treasury stock to be repurchased with the maximum aggregate amount of the repurchase price being 30 billion yen, and MCHC determined to conduct the repurchase of treasury stock with the aggregate amount of treasury stock to be repurchased being the same amount as the above limit of the total number of shares to be acquired. As the repurchase of treasury stock will be conducted taking the market environment into consideration, the aggregate amount of the purchase price may not reach the above amount. In such case, the proceeds remain after the implementation of such repurchase will be used as the MCHC's and its subsidiaries' working capital.

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