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Notice Regarding Reorganization of Purified Terephthalic Acid Business in India and China

Mitsubishi Chemical Holdings Corporation (hereinafter, the Company) announced that, at its Board of Directors held today, it passed a resolution to transfer the equity interests that its consolidated subsidiary Mitsubishi Chemical Corporation (MCC) holds in MCC subsidiaries MCC PTA India Corp. Private Limited (MCPI) and Ningbo Mitsubishi Chemical Co., Ltd. (NMC), which engage in the purified terephthalic acid (PTA) business; and MCC Advanced Polymers Ningbo Co., Ltd. (MAP), which engages in the poly tetramethylene ether glycol (PTMG) business, as detailed below.

1. Reasons for the Transfer of the Equity Interests

The Company stated “Accelerate transformation to a high-performance and high-value-added business portfolio” as the growth strategy in its medium-term management plan *APTSIS 15*, which covered the five-year period from fiscal 2011 to fiscal 2015. It enhanced its business foundation with business portfolio reforms and expanded the scale of its business while pushing forward with structural reforms in the petrochemical business, which included restructuring ethylene production facilities.

By restructuring the PTA business in India and China, and the PTMG business in China as mentioned below, the Company completed the major issues of structural reforms, centering on the petrochemical business, that were delineated in *APTSIS 15*. It can now focus on improvement of profitability through the growth of businesses in the Performance Products, Industrial Materials, and Health Care business domains, as laid out in the current medium-term management plan *APTSIS 20*.

1) MCPI and NMC (PTA)

MCC has developed business operations for PTA, a raw material for polyester, in India, China, Indonesia, and Korea.

In China’s PTA business market environment, since 2012, supply has significantly exceeded demand. Further, production overcapacity continues because of extremely large-scale capital investment resulting from monetary easing by the Chinese government and aggressive industry invitations by local governments following the financial crisis of 2008. In addition, India was impacted by the market slowdown in China while increased competitive production facilities led to excessive supply, leading to a severe business environment that is much the same as the environment in China.

Therefore, the Company positioned PTA operations as “businesses to be restructured” in *APTSIS 15*, and examined all possible drastic measures and implemented various rationalization measures such as reducing production costs at each country’s production sites. As a result, the Company judged that there would be no change in the PTA business situation in China and India in the future, and that it would be difficult for MCC to continue the PTA business alone in India and China, which led to the decision to transfer the MCPI and NMC equity interests held by MCC.

On the other hand, as for the MCC subsidiary PT Mitsubishi Chemical Indonesia (MCI), which engages in PTA business, the Company expects stable profits as polyester is also produced on MCI’s premises, which allows product chain business operations from PTA, PET, and PET film, and as product prices can be maintained within a certain range in the Indonesian market regardless of global market conditions. In the MCC affiliate, Sam Nam Petrochemical Co., Ltd. of Korea, rationalization measures including downsizing resulted in prospects for improved profitability. Thus, the Company will maintain competitiveness and continue the PTA business in these two countries by implementing said measures.

2) MAP (PTMG)

In China, MAP has developed business in PTMG, which is the main raw material of spandex and urethane resin. However, the Company cannot expect to improve profits in the future because of the excessive capacity situation in PTMG is ongoing while growth of the spandex market has slowed. In addition, MAP is located on the NMC premises and is supplied with utilities there. Therefore, a new investment would be required to become independent and continue the business after the transfer of NMC equity. Thus, the Company decided to transfer MAP equity.

The Company will transfer MCPI common shares to Chatterjee Management Company (Chatterjee; Head office: New York State; President: Purnendu Chatterjee), an affiliate of the Chatterjee Group which operates Haldia Petrochemicals Limited that carries on petrochemical business near the MCPI Haldia Plant, and other corporations. It will also transfer NMC and MAP equity to Union King Holdings Limited (UKH; Head office: The Government of the Hong Kong Special Administrative Region, China; Director: Chi Leung Wong) and its group company Ningbo Hongbang Petrochemicals Company Limited (NHP; Head office: Zhejiang Province, China; Company Representative: Guojiang Wang). UKH owns interest in CNOOC Ningbo Daxie Petrochemical Ltd, which engages in oil refining and petrochemical businesses in Ningbo.

2. Methods of the Transfer

1) MCPI

As of July 27, 2016, MCC and MCPI will conclude an agreement with Chatterjee for the transfer of common shares. MCC will (1) convert its loans to MCPI into MCPI common shares, and (2) increase MCPI capital share with MCC as underwriter by the share transfer date (scheduled for the end of October, 2016). This will increase the percentage of the MCPI common shares held by MCC to a maximum of 99.4%.

After completion of the above capital increase, MCC will transfer all the shares except for a shareholding ratio of 9% to Chatterjee on the share transfer date. As a result, MCPI will become a non-consolidated affiliate of MCC.

2) NMC

MCC invests in NMC through Ningbo PTA Investment Co., Ltd. (NPI; Head office: Chiyoda-ku, Tokyo: President: Nobuo Fukuda), an investment arm established by MCC. NPI will conclude an agreement to transfer equity with UKH and NHP on July 27, 2016.

By the equity transfer date (scheduled for the end of December, 2016), NPI will acquire the NMC equity (equity ratio 10.0%) held by China International Trust and Investment Corporation (CITIC), and transfer 33% and 67% of the NMC equity held by NPI to UKH and NHP respectively on the equity transfer date. In addition, NPI will be liquidated after the completion of the above equity transfer.

3) MAP

MCC will conclude an agreement to transfer equity with UKH and NHP on July 27, 2016. MCC is to transfer 33% and 67% of the MAP equity to UKH and NHP respectively on the equity transfer date (scheduled for the end of December 2016).

3. Outlines of Subsidiaries to be Transferred and Purchasers

1) MCPI

i) Outline of subsidiary to be transferred

(1) Corporate name	MCC PTA India Corp. Private Limited		
(2) Head office and plant	West Bengal Province, India		
(3) Representative	Masaya Nomamoto, Managing Director		
(4) Main business	Production and sale of purified terephthalic acid		
(5) Capital	INR 7,393 million* ¹		
(6) Established	February 1997		
(7) Major shareholders and shareholding percentages	Mitsubishi Chemical Corporation: 95%* ² West Bengal Industrial Development Corporation: 5%		
(8) Relationship between the Company and MCPI	Capital	As described in the above (7), the Company's consolidated subsidiary, MCC, holds 95% of the common shares in its subsidiary to be transferred.	
	Personnel	N/A	
	Business transactions	N/A	
(9) Operational results and financial conditions for the last three fiscal years	(Unit: INR million)		
Accounting period	March 2014	March 2015	March 2016
Net assets	-12,076	-20,796	-50,201
Total assets	35,217	36,277	13,857
Net sales	68,576	56,814	47,409
Net income for the year	-9,314	-8,579	-29,113

*¹ The capital as of the share transfer date is projected to be about INR 64.0 billion due to the increase of capital shares and debt-for-equity swap as described in "2. Methods of the Transfer (1) MCPI."

*² MCC's shareholding ratio is projected at a maximum of 99.4% due to the increase of capital shares and debt-for-equity swap as described in "2. Methods of the Transfer (1) MCPI."

ii) Outline of purchaser

(1) Corporate name	Chatterjee Management Company	
(2) Head office	New York State, USA	
(3) Representative	Purnendu Chatterjee	
(4) Main business	Investment firm (Investments: chemicals, real estate, pharmaceuticals, etc.)	
(5) Established	August 1989	
(6) Operating assets	Over USD 900 million (The Chatterjee Group including Chatterjee Management Company)	
(7) Major shareholder and shareholding ratio	Purnendu Chatterjee: 100%	
(8) Relationship between the Company and Chatterjee	Capital	N/A
	Personnel	N/A
	Business transactions	N/A
	Status of related parties	N/A

iii) Details regarding value of shares and number of shares held before and after transfer*

Number of shares held before transfer	6.4 billion shares (expected)
Number of shares to be transferred	5.8 billion shares (expected)
Value of shares to be transferred	USD 48 million (expected)
Number of shares held after transfer	600 million shares (expected)

* This is based on debt-for-equity swap and the projected number of shares after the increase of capital shares as described in "2. Methods of the Transfer (1) MCPI." The transfer amount may be adjusted after execution, due to changes in MCPI financial data, etc.

iv) Schedule

(1) Date of meeting for the Board of Directors	July 27, 2016
(2) Date of execution of share transfer agreement	July 27, 2016
(3) Date of transfer of shares	Scheduled for the end of October 2016

2) NMC and MAP**i) Outlines of subsidiaries to be transferred**

(1) Corporate name	Ningbo Mitsubishi Chemical Co., Ltd.	
(2) Head office and plant	Ningbo City, Zhejiang Province, China	
(3) Representative	Nobuo Fukuda, Chairman	
(4) Main business	Production and sale of PTA	
(5) Capital	USD 123 million	
(6) Established	April 2005	
(7) Major shareholders and shareholding ratios	Ningbo PTA Investment Co., Ltd.: 90% China International Trust and Investment Corporation: 10%*	
(8) Relationship between the Company and NMC	Capital	As described in the above (7), the Company's subsidiary, NPI, holds 90% of the equity in its subsidiary to be transferred.
	Personnel	N/A
	Business transactions	N/A

(9) Operational results and financial conditions for the last three fiscal years			
(Unit: RMB million)			
Accounting period	December 2013	December 2014	December 2015
Net assets	700	311	-1,090
Total assets	2,374	2,466	1,167
Net sales	4,552	3,193	2,784
Net income for the year	-314	-389	-1,401

* NPI will acquire equity of CITIC by the equity transfer date and make NMC a wholly-owned subsidiary, as described in “2. Methods of the Transfer (2) NMC.”

(1) Corporate name	MCC Advanced Polymers Ningbo Co., Ltd.	
(2) Head office and plant	Ningbo City, Zhejiang Province, China	
(3) Representative	Masaaki Momma, Chairman	
(4) Main business	Production and sale of PTMG	
(5) Capital	RMB 150 million	
(6) Established	December 2007	
(7) Major shareholder and shareholding ratio	Mitsubishi Chemical Corporation: 100%	
(8) Relationship between the Company and MAP	Capital	As described in the above (7), the Company's consolidated subsidiary, MCC, holds 100% of the equity in its subsidiary to be transferred.
	Personnel	N/A
	Business transactions	N/A

(9) Operational results and financial conditions for the last three fiscal years			
(Unit: RMB million)			
Accounting period	December 2013	December 2014	December 2015
Net assets	98	58	32
Total assets	440	476	398
Net sales	496	470	434
Net income for the year	6	-40	-26

ii) Outlines of purchasers

(1) Corporate name	Union King Holdings Limited	
(2) Head office and plant	Hong Kong Special Administrative Region, Kowloon, China	
(3) Representative	Chi Leung Wong, Director	
(4) Main business	Investment, export and import trade	
(5) Capital	HKD 10 million	
(6) Established	October 1996	
(7) Net assets	HKD 1.851 billion	
(8) Total assets	HKD 2.829 billion	
(9) Major shareholders and shareholding ratios	Chi Leung Wong: 65% Kwok Ying Wong: 35%	
(10) Relationship between the Company and UKH	Capital	N/A
	Personnel	N/A
	Business transactions	N/A

	Status of related parties	N/A
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(1) Corporate name	Ningbo Hongbang Petrochemicals Company Limited	
(2) Head office and plant	Ningbo City, Zhejiang Province, China	
(3) Representative	Guojiang Wang, Company Representative	
(4) Main business	Sale of petrochemical products, etc.	
(5) Capital	RMB 100 million	
(6) Established	March 2005	
(7) Net assets	RMB 71.18 million	
(8) Total assets	RMB 199.22 million	
(9) Major shareholder and shareholding ratio	Chi Leung Wong: 90%	
(10) Relationship between the Company and NHP	Capital	N/A
	Personnel	N/A
	Business transactions	N/A
	Status of related parties	N/A

iii) Details regarding value of shares and number of shares held before and after transfer

	NMC	MAP
Number of equity held before transfer	100%* ¹	100%
Number of equity to be transferred	100%	100%
Value of equity to be transferred	RMB 470 million (expected)* ²	RMB 26 million (expected)* ³
Number of equity held after transfer	0%	0%

*¹ NPI will acquire equity of CITIC by the equity transfer date and make NMC a wholly-owned subsidiary, as described in "2. Methods of the Transfer (2) NMC."

*² The transfer amount may be adjusted after execution, due to changes in NMC financial data, etc.

*³ The transfer amount may be adjusted after execution, due to changes in MAP financial data, etc.

iv) Schedule

(1) Date of meeting for the Board of Directors	July 27, 2016
(2) Date of execution of equity transfer agreement	July 27, 2016
(3) Date of transfer of equity	Scheduled for the end of December 2016

4. Degree of impact on business performance

The Company forecasts that gains (losses) on the transfer of equity interests of subsidiaries will have a slight impact on its business performance for the fiscal year ending on March 2017. Timely disclose will be made if important impact on performance becomes evident.

In the fiscal year ending March 2016, the Company recorded a fixed asset impairment loss of ¥63.6 billion for both MCPI (¥43.2 billion) and NMC (¥20.4 billion) in consideration of recent MCPI and NMC business performance and the possibility for future recovery.

Reference:**Consolidated Financial Results Forecasts for Fiscal 2016 (announced on May 13, 2016)**

(Unit: millions of yen)

	Sales revenue	Operating Income	Earnings before taxes	Net income	Net income attributable to owners of the parent
Forecasts for fiscal 2016	3,600,000	211,000	198,000	131,500	80,000

Notes:

1) Core operating income* (full year): JPY 235,000 million

*Excluding gains/losses incurred by non-recurring factors

2) The Company plans to voluntarily adopt IFRS starting with the disclosure of the first quarter results of fiscal 2016.

Above-mentioned forecasts are based on IFRS.

Consolidated Financial Results for Fiscal 2015

(Unit: millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
Actual results for fiscal 2015	3,823,098	280,026	270,616	46,444