May 13, 2016

Mitsubishi Chemical Holdings Corporation
Condensed Consolidated Financial Information
for the Fiscal Year Ended March 31, 2016

FASF MEMBERSHIP

1. Business Results for the Fiscal Year Ended March 31, 2016

(Business period: April 1, 2015 to March 31, 2016)

	Millions of Yen		Thousands of U.S. Dollars
	FY2015	FY2014	FY2015
	April 1, 2015 - March 31, 2016	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016
(1) Results of Operations:			
Net sales	**3,823,098**	3,656,278	33,832,726
Operating income	**280,026**	165,681	2,478,106
Income before income taxes	**198,248**	165,621	1,754,407
Net income attributable to Shareholders of the parent	**46,444**	60,859	411,009
Comprehensive income	**7,695**	173,692	68,097
(2) Financial Position:			
Total assets	**4,061,572**	4,323,038	35,943,115
Inventories	**547,826**	595,505	4,848,018
Property, plant and equipment	**1,390,727**	1,498,146	12,307,319
Short-term and long-term debts	**1,465,752**	1,603,595	12,971,257
Shareholders' equity*	**932,252**	980,993	8,250,018
Ratio of shareholders' equity to total assets (%)	**22.9**	22.6	

* Net assets excluding share subscription rights and minority interests

(3) Cash Flows:			
Net cash provided by operating activities	**388,663**	329,776	3,439,496
Net cash used in investing activities	**(202,796)**	(277,223)	(1,794,655)
Net cash used in financing activities	**(156,957)**	(2,061)	(1,389,000)
Cash and cash equivalents at end of the period	**263,770**	243,055	2,334,248
(4) General:			
Capital expenditures	**176,508**	165,057	1,562,018
Depreciation and amortization (excld. goodwill)	**180,374**	151,253	1,596,230
R&D expenditures	**138,364**	132,217	1,224,460
Employees (number)	**68,988**	68,263	
(5) Per Share:			(U.S. dollar)
Net income - Basic	**31.70**	41.40	0.28
- Diluted	**31.68**	41.37	0.28
Shareholders' equity	**636.43**	669.77	5.63

* Net income per share is based on the average number of common shares (excluding treasury stocks) during the respective period.

[FY2015] 1,464,811 [FY2014] 1,469,998 (Thousands of shares)

* Shareholders' equity per share is based on the number of common shares outstanding (excluding treasury stocks) as of the following closing dates.

[March 31, 2016] 1,464,802 [March 31, 2015] 1,464,664 (Thousands of shares)

(6) Ratio of Net Income to:		(%)
Shareholders' equity**	**4.8**	6.4
Total assets**	**1.1**	1.5
Net sales	**1.2**	1.6

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

	Millions of Yen		Thousands of U.S. Dollars
	FY2015	FY2014	FY2015
	April 1, 2015 - March 31, 2016	April 1, 2014 - March 31, 2015	April 1, 2015 - March 31, 2016

(7) Segment Information:

[Net Sales by Segment]

Electronics Applications	**115,649**	118,752	1,023,442
Designed Materials	**852,565**	818,591	7,544,823
Health Care	**554,056**	531,933	4,903,150
Chemicals	**1,321,112**	1,113,952	11,691,257
Polymers	**773,672**	873,611	6,846,655
Others	**206,044**	199,439	1,823,398
Total	**3,823,098**	3,656,278	33,832,726

[Operating Income (loss) by Segment]

Electronics Applications	**(988)**	(2,725)	(8,743)
Designed Materials	**75,713**	55,629	670,027
Health Care	**103,417**	77,012	915,195
Chemicals	**57,256**	8,823	506,690
Polymers	**43,340**	27,969	383,540
Others	**7,284**	6,056	64,460
Elimination & corporate	**(5,996)**	(7,083)	(53,062)
Total	**280,026**	165,681	2,478,106

[Total Assets by Segment at the end of the period]

Electronics Applications	**102,769**	117,474	909,460
Designed Materials	**834,760**	841,498	7,387,257
Health Care	**1,059,035**	1,050,987	9,371,991
Chemicals	**1,296,916**	1,421,283	11,477,133
Polymers	**743,781**	822,070	6,582,133
Others	**658,865**	603,121	5,830,664
Elimination & corporate costs	**(634,554)**	(533,395)	(5,615,522)
Total	**4,061,572**	4,323,038	35,943,115

[Depreciation & Amortization (excld. Goodwill) by Segment]

Electronics Applications	**6,231**	6,134	55,142
Designed Materials	**42,079**	40,181	372,381
Health Care	**16,219**	15,712	143,531
Chemicals	**71,153**	46,189	629,673
Polymers	**40,010**	38,150	354,071
Others	**3,059**	3,097	27,071
Corporate costs	**1,623**	1,790	14,363
Total	**180,374**	151,253	1,596,230

[Capital Expenditures by Segment]

Electronics Applications	**5,056**	5,889	44,743
Designed Materials	**49,676**	53,666	439,611
Health Care	**21,302**	24,608	188,513
Chemicals	**73,562**	44,666	650,991
Polymers	**21,861**	30,191	193,460
Others	**3,510**	3,642	31,062
Corporate	**1,541**	2,395	13,637
Total	**176,508**	165,057	1,562,018

Notes:

1 From FY2015, the Company applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013) and others. As a result, any change resulting from the Company's ownership interests in its subsidiary when the Company retains control over the subsidiary is accounted for as Capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. For any business combinations on or after the beginning of FY2015, subsequent measurement of the provisional amount recognized based on the purchase price allocation due to the completion of accounting for the business combination are reflected in the consolidated financial statements for the period to which the date of that business combination occurs. In addition, the presentation method of Net income was amended as well as "Minority interests" to "Non-controlling interests." To reflect these changes in presentation, adjustments have been made to the consolidated financial statements for FY2014 presented herein.
In the consolidated statements of cash flows for FY2015, cash flows from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are recognized under "cash flows from financing activities," whereas cash flows concerning the costs related to the purchase of ownership interests in subsidiaries that result in a change in the scope of consolidation are recognized under "cash flows from operating activities."
The aforementioned accounting standards are adopted as of the beginning of the current fiscal year and thereafter, according to the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The effects of these changes on operating income, ordinary income, and income before income taxes are immaterial.

2 Effective from FY2015, certain businesses of one consolidated subsidiary have been reclassified from "Chemicals" segment to "Polymers" segment or "Designed Materials" segment. In addition, certain three consolidated subsidiaries in "Other" segment have changed to "Polymers" segment. Accordingly, segment information for FY2014 is restated to match.

3 Taiyo Nippon Sanso Corporation ("TNSC") acquired 100% of the shares of Renegade Gas Pty Ltd (RGP") on July 31, 2015. The total acquisition costs were 167 million Australian dollars and TNSC recognized goodwill of 124 million Australian dollars.

2. Prospects for the Following Fiscal Year

	Millions of Yen		Thousands of U.S. Dollars	
	The First Half of FY2016	FY2016	The First Half of FY2016	FY2016
	April 1, 2016 - September 30, 2016	April 1, 2016 - March 31, 2017	April 1, 2016 - September 30, 2016	April 1, 2016 - March 31, 2017
Net sales	1,750,000	3,600,000	15,486,726	31,858,407
Core Operating income	105,000	235,000	929,204	2,079,646
Operating income	97,000	211,000	858,407	1,867,257
Net income attributable to owners of the parent	36,000	80,000	318,584	707,965

-1 The Company has decided to adopt International Financial Reporting Standard ("IFRS") from FY2016, and therefore "Prospects for the Following Fiscal Year" is based on IFRS.
-2 "Core Operating income" is "Operating Income without special items".

	(Yen)		(U.S. dollar)	
Net income attributable to owners of the parent per share - Basic	24.57	54.61	0.22	0.48

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 113 yen to US$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of March 2016.

3. Business Performance and Financial Position

(1) Business Performance

1) Consolidated Performance for the Fiscal Year Ended March 31, 2016 (Fiscal 2015): April 1, 2015 – March 31, 2016

Overview of General Performance

The business environment surrounding the Mitsubishi Chemical Holdings Group during fiscal 2015 saw generally favorable conditions resulting from an overall trend toward a moderate economic recovery in Japan and overseas, despite some signs of weakness including the slowdown of the Chinese economy. Market conditions for petrochemical-related products remained firm, while raw material costs are declining in the Performance Products and Industrial Materials domains. The Health Care domain remained favorable due in part to higher royalty revenues, despite the unfavorable impact of measures to reduce spending on pharmaceuticals and other factors.

Under these circumstances, net sales for fiscal 2015 increased by ¥166.8 billion, or 4.6%, year on year to ¥3,823.1 billion due primarily to the conversion of Taiyo Nippon Sanso Corporation as a consolidated subsidiary since the third quarter of fiscal 2014. Operating income rose sharply by ¥114.3 billion, or 69.0%, year on year to ¥280.0 billion, and ordinary income showed a significant increase of ¥107.5 billion, or 66.0%, year on year to ¥270.6 billion. Net income attributable to Shareholders of the parent decreased by ¥14.5 billion, or 23.7%, year on year to ¥46.4 billion, due primarily to an extraordinary loss of ¥110.7 billion including structural reform expenses and a fixed asset impairment loss for petrochemical businesses.

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

Overview of Business Segments

<u>Electronics Applications Segment, Performance Products Domain</u>

Net sales in this segment decreased by ¥3.2 billion, to ¥115.6 billion. Operating losses decreased by ¥1.8 billion, to ¥1.0 billion.

In information and electronics-related materials, net sales decreased, reflecting a continued contraction in the market for optical discs and declining sales volumes for OPC drums and toners, despite an increase in sales of display materials and precision cleaning and recycling of wafers for semiconductors. However, operating income improved, mainly because of a reduction in fixed costs.

Designed Materials Segment, Performance Products Domain

Net sales in this segment increased by ¥34.0 billion, to ¥852.6 billion. Operating income increased by ¥20.1 billion, to ¥75.7 billion.

In polymer processing products, high-performance films for food packaging applications and electronic and industrial applications remained firm, and sales volumes of engineering plastic-related products and aluminum composite materials increased. In fine chemicals, sales of coating materials and other products remained firm. In battery materials, sales volumes for automobile batteries increased. In composite materials, demand for carbon fibers generally remained steady, and sales volumes of alumina fibers increased. Operating income increased significantly, due primarily to a decline in raw material costs.

Major initiatives in the Designed Materials segment during fiscal 2015 included:

- Mitsubishi Plastics, Inc. decided in October 2015 that its wholly owned subsidiary, Mitsubishi Polyester Film, Inc. would build a new facility scheduled for completion in 2017 to increase its polyester film production to meet growing demand in the U.S.
- Mitsubishi-Kagaku Foods Corporation (MFC), a wholly owned subsidiary of Mitsubishi Chemical Corporation, acquired all shares of Eisai Food & Chemical Co., Ltd. (EFC), a wholly owned subsidiary of Eisai Co., Ltd., in February 2016. By acquiring all the shares of EFC, MFC becomes the largest domestic producer of food emulsifiers and antioxidants (vitamin E). MFC will integrate both companies' technologies to develop new products and take advantage of the Mitsubishi Chemical Holdings Group's resources to advance into overseas markets, moving decisively toward sustainable growth and development of its food ingredients businesses.

Health Care Segment, Health Care Domain

Net sales in this segment increased by ¥22.2 billion, to ¥554.1 billion. Operating income increased by ¥26.4 billion, to ¥103.4 billion.

In pharmaceuticals, net sales increased. This increase mainly reflected an increase in sales volumes in priority products including *Tenelia*, a treatment agent for type 2 diabetes mellitus and vaccines; an increase in royalty revenues for *Invokana*, a treatment agent for type 2 diabetes mellitus and *Gilenya*, a treatment for multiple sclerosis; as well as lump-sum royalty revenues from products licensed out overseas, despite the expansion of generic drug use and a decline in sales associated with the ending of the sales alliance for plasma fractionation products in March 2015.

In diagnostics, support for new pharmaceutical development, and pharmaceutical formulation materials, net sales remained firm, due to an increase in diagnostics. Operating income increased significantly, due primarily to the increase in royalty revenues for pharmaceuticals and the lump-sum royalty revenues mentioned above.

Major initiatives in the Health Care segment during fiscal 2015 included:

- Life Science Institute, Inc. acquired all shares of Clio, Inc., which is engaged in the development of regenerative medicine using Multilineage-differentiating Stress Enduring (Muse) cells, and made the company a consolidated subsidiary in June 2015, aiming to enter the regenerative medicine field, which is positioned as a core business in advanced medicine.
- Mitsubishi Tanabe Pharma Corporation and Biogen concluded a license agreement for MT-1303, a therapeutic agent for autoimmune diseases, which was discovered and developed by Mitsubishi Tanabe Pharma, in September 2015. The agreement will accelerate development of the drug both in Japan and overseas, maximize its product value, and enable earlier market launch of the new drug. With this agreement, Mitsubishi Tanabe Pharma grants to Biogen the exclusive right to develop and market the drug worldwide, except in Japan and in Asia.
- Due to Amgen, Inc.'s acquisition of Dezima Pharma B.V., Mitsubishi Tanabe Pharma Corporation, Amgen, and Dezima concluded patent, know-how transfer and future agreements for TA-8995, a treatment agent for dyslipidemia discovered by Mitsubishi Tanabe Pharma in September 2015.
- Mitsubishi Tanabe Pharma Corporation and Regeneron Pharmaceuticals, Inc. concluded a collaboration agreement in September 2015 for fasinumab, NGF antibody and acquired exclusive development and commercialization rights for the antibody in Japan, Korea and Asian countries, excluding China.
- Mitsubishi Tanabe Pharma Corporation and Akebia Therapeutics, Inc. entered into a development and commercialization agreement in December 2015 for vadadustat, an oral therapy for the treatment of anemia related to chronic kidney disease, in Japan and certain other countries in Asia.
- Qualicaps Co., Ltd., a consolidated subsidiary of Life Science Institute, Inc. acquired Genix Industria Farmaceutica Ltda., Brazil's leading manufacturer of two-piece hard capsules for the pharmaceutical and nutraceutical industries, in December 2015, aiming to secure production and sales site in the Latin American pharmaceutical market, which has significant potential for growth.

<u>Chemicals Segment, Industrial Materials Domain</u>

Net sales in this segment increased by ¥207.2 billion, to ¥1,321.1 billion. Operating income increased by ¥48.4 billion, to ¥57.3 billion.

In basic petrochemicals, chemical derivatives, and terephthalic acid (a synthetic fiber material), sales decreased, reflecting lower sales prices caused by a decline in raw material costs. In carbon products including coke and others, net sales decreased, due primarily to lower sales prices in response to lower coking coal prices. On the other hand, amid a decline in raw material costs, operating income improved significantly due to continued steady market conditions, reduced costs resulting from the scale-down of regular maintenance at production facilities, and other factors. Industrial gases have been included since the third quarter of fiscal 2014, and sales remained firm.

Major initiatives in the Chemicals segment during fiscal 2015 included:

- Mitsubishi Chemical Corporation and Asahi Kasei Chemicals Corporation have concluded an agreement to establish a joint venture for the operation of a unified naphtha cracker in Mizushima, slated to start operation in April 2016, based on the agreement announced in a press release dated February 25, 2014.
- Taiyo Nippon Sanso Corporation acquired additional shares of Air Products Industry Co., Ltd. and made it a consolidated subsidiary in May 2015. By aggressively infusing the Group's business resources, Taiyo Nippon Sanso plans to expand the scope of Air Products Industry's business and products as the Thai economy grows to maturity and also take advantage of synergies with other Group companies throughout Southeast Asia.
- Taiyo Nippon Sanso Corporation acquired Renegade Gas Pty Ltd, an LPG and industrial gas company in Australia and made the company a consolidated subsidiary in July 2015. Through the acquisition of Renegade, Taiyo Nippon Sanso establishes the first footprint in the Australian and Oceanian industrial gas market. Taiyo Nippon Sanso plans to increase sales of industrial gas products by using Renegade's existing distribution network, thereby expanding its business.
- Taiyo Nippon Sanso Corporation announced in March 2016 that the company has decided to establish a new Kurashiki Plant for JFE Sanso Center Co., Ltd., a joint venture of Taiyo Nippon Sanso and JFE Steel Corporation, to improve the efficiency of its oxygen production system in response to future steel demand. It will also transfer the industrial gas production business of JFE Steel's West Japan Works to JFE Sanso Center's Kurashiki Plant and introduce two of Japan's largest air separation units there.

Polymers Segment, Industrial Materials Domain

Net sales in this segment decreased by ¥100.0 billion, to ¥773.7 billion. Operating income increased by ¥15.3 billion, to ¥43.3 billion.

In synthetic resins including polyolefin, MMA monomer, and other products, net sales decreased.

This decrease reflected lower sales prices in response to a decline in raw material costs. On the other hand, operating income increased significantly, due primarily to an improvement in price differences between raw materials and products in polyolefin and other products.

Others

Net sales in this segment increased by ¥6.6 billion, to ¥206.0 billion. Operating income increased by ¥1.2 billion, to ¥7.3 billion.

In engineering, construction work outside the Group increased. In logistics, business remained firm.

Group in General

A major initiative in the Group in general other than the above-mentioned segments during fiscal 2015 included:

- Mitsubishi Chemical Holdings Corporation decided in December 2015 to integrate three consolidated subsidiaries — Mitsubishi Chemical Corporation, Mitsubishi Plastics, Inc., and Mitsubishi Rayon Co., Ltd. — in a move aimed at taking full advantage of each company's resources and strengths. In March 2016, Mitsubishi Chemical Holdings also announced that the trade name of the integrated company, which begins operation on April 1, 2017, will be Mitsubishi Chemical Corporation.

2) Business Forecasts for the Fiscal Year Ending March 31, 2017 (Fiscal 2016)

Though Japan's economy is expected to continue a moderate recovery as the employment and income situations show ongoing improvement, there are concerns such as the impact of a stronger yen on corporate earnings and decelerating economic growth in China and other emerging countries.

Under these circumstances, the Group continues to push ahead with sales expansion and rationalization, but looking at our consolidated business performance, we expect to see reduced margins for the Performance Products and Industrial Materials domains due to declining markets for some products which were firm during fiscal 2015. And the Health Care domain is bracing for the impact of NHI drug price revisions in Japan, along with a decrease in lump-sum royalty revenues from products licensed out overseas in fiscal 2015.

In addition, the five-year medium-term management plan *APTSIS 20*, which begins with fiscal 2016, calls for a speedup in global development. We decided to voluntarily adopt International Financial Reporting Standards (IFRS) concurrently with the launch of *APTSIS 20*, with the aim of

improving international comparability of financial statements in capital markets and unify accounting procedures within the Group.
The Group will also introduce “core operating income” excluding gains or losses incurred by non-recurring factors.

In light of the above-mentioned circumstances, forecasts of the consolidated financial results for fiscal 2016 under IFRS, as compared to fiscal 2015, are as follows. Sales revenue, core operating income, operating income, earnings before taxes, net income, and net income attributable to owners of the parent are expected to stand at ¥3,600.0 billion, ¥235.0 billion, ¥211.0 billion, ¥198.0 billion, ¥131.5 billion, and ¥80.0 billion, respectively. The actual value of fiscal 2015 results used for comparison is being calculated based on IFRS.

The expected numeral values of the major indices are as follows:

(Billions of yen, unless otherwise noted)

	Actual results for fiscal 2015	Forecasts for fiscal 2016
Capital expenditure	176.5	244.0
Depreciation*	180.4	180.0
R&D expenses*	138.4	135.0
Exchange rate (¥/$)**	120	110
Naphtha (¥/kl)**	42,800	37,000

*Fiscal 2015: JGAAP; Fiscal 2016: IFRS
**Fiscal 2015: Average from April 2015 through March 2016; Fiscal 2016: Average from April 2016 through March 2017

3) Progress on Medium-term Management Plan *APTSIS 15* and Achievement of Target Financial Indexes

Under the five-year medium-term management plan *APTSIS 15*, of which fiscal 2015 was the final year, the Group has promoted the reform of its business portfolio by expanding businesses and stabilizing earnings. For example, we strengthened high-performance and high-value-added businesses such as polyester film and carbon fibers in the Performance Products domain and restructured and rebuilt unprofitable businesses. We also made Qualicaps Co., Ltd., which manufactures and sells capsules for the pharmaceutical and nutraceutical industries, and Taiyo Nippon Sanso Corporation, which produces and sells industrial gases and related equipment and devices, into consolidated subsidiaries in March 2013 and November 2014, respectively. Furthermore, we made various group-wide efforts aimed at increasing earnings, by systematically reducing costs and assets, along with other measures.

As a result of those efforts, we achieved our operating income target for the final year of *APTSIS 15*. Return on assets (ROA) and net debt-to-equity ratio improved from fiscal 2011, the first year of

APTSIS 15. However, we did not achieve our final-year targets for several reasons: increased total assets and interest-bearing debt resulting from acquisitions and other factors; extraordinary loss caused by delays in achievement of profitability aimed at swifter commercialization of the next-generation growth businesses; and extraordinary loss through promotion of structural reforms. We did not achieve our target overseas sales ratio, but improved by 6.5% from fiscal 2011 by accelerating global expansion.

	Targets for fiscal 2015	Actual results for fiscal 2015
Operating income	¥280.0 billion	¥280.0 billion
ROA (Income before income taxes/Total assets)	≧7.0%	4.7%
Net debt-to-equity ratio	0.80	1.10
Overseas sales ratio	≧45.0%	43.4%

(2) Financial Position

1) Consolidated Financial Position at the End of Fiscal 2015

Total assets were ¥4,061.6 billion, a decrease of ¥261.4 billion. The decrease was due primarily to a decline in the assets of overseas consolidated subsidiaries upon conversion to yen because of a stronger yen; a decrease in trade receivables and inventories, mainly reflecting lower costs for raw material and fuel; a decrease in tangible fixed assets due to a fixed asset impairment loss; and a decrease in investment securities in response to the sale of shares held and a decline in the market value of shares held.
Liabilities were ¥2,507.1 billion, a decrease of ¥227.3 billion, due primarily to a decrease in interest-bearing debt.
Net assets were ¥1,554.5 billion, a decrease of ¥34.1 billion. Key factors in this decline included a decrease in foreign currency translation adjustments, as the yen was stronger at year-end than in fiscal 2014 and a decrease in valuation difference on available-for-sale securities resulting from the sale of shares held and a decline in the market value of shares held.

Accordingly, shareholders' equity ratio increased by 0.3%, to 22.9%, and net debt-to-equity ratio* decreased by 0.15 to 1.10.

*Net debt-to-equity ratio = net interest-bearing debts ÷book value of shareholders' equity
Net interest-bearing debts = interest-bearing debts (including discounted notes) – (cash and cash equivalents＋investment of surplus funds)

2) Consolidated Cash Flows for Fiscal 2015

Net cash provided by operating activities totaled ¥388.7 billion, an increase of ¥58.9 billion, due primarily to inflows from income before income taxes and minority interests, depreciation and amortization, impairment loss, and a decrease in working capital associated with lower costs for raw material and fuel, despite payment of corporate tax.

Net cash used in investing activities totaled ¥202.8 billion, a decrease of ¥74.4 billion, due primarily to outflows from capital expenditures and acquisition of shares of subsidiaries resulting from changes in the scope of consolidation, despite inflows from the sale of investment securities.

Net cash used in financing activities totaled ¥157.0 billion, an increase of ¥154.9 billon, due primarily to outflows from repayment of interest-bearing debt.

As a result of these factors, free cash flow, comprising cash flows from operating and investing activities, totaled ¥185.9 billion, an increase of ¥133.3 billion. Cash and cash equivalents stood at ¥263.8 billion, an increase of ¥20.7 billion, reflecting a ¥8.5 billion effect of exchange rate changes on cash and cash equivalents, in addition to the above-mentioned factors.

3) Forecasts for Consolidated Statements of Cash Flows for Fiscal 2016

Free cash flow for fiscal 2016 is expected to decrease compared to fiscal 2015, due primarily to expansion of capital expenditures, in addition to reduction of inflows, reflecting the sale of investment securities in fiscal 2015.

4) Cash Flow Ratios

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Ratio of shareholders’ equity to total assets (%)	24.6	25.8	22.6	22.9
Ratio of market value shareholders’ equity to total assets (%)	19.3	18.1	23.7	21.2
Debt payment year (year)	5.8	7.1	4.9	3.8
Interest coverage ratio (times)	13.7	10.9	18.3	19.9

・Ratio of shareholders' equity to total assets:
  Book value of shareholders' equity / Book value of total assets
・Ratio of market value of shareholders' equity to total assets:
  Market value of shareholders' equity / Book value of total assets
・Debt payment year:
  Interest-bearing debts / Net cash provided by operating activities
・Interest coverage ratio:
  Net cash provided by operating activities / Interest expenses paid

1. Each ratio is calculated based on consolidated financial figures.
2. Market value of shareholders' equity is calculated by multiplying market value of a share by the number of shares outstanding (excluding treasury stock), both at the end of each of the fiscal years.
3. Net cash provided by operating activities and interest expenses paid are from those presented on the consolidated statements of cash flows.

   Interest-bearing debts represent all of the liabilities which bear interest (including discounted notes) based on the consolidated statement of cash flows.

(3) Basic Policy for Profit Distribution and Dividends

Mitsubishi Chemical Holdings Corporation's basic policy of returning profits to shareholders emphasizes enhancement of shareholder value by increasing the value of the company. Therefore, using 30% of the medium-term profit level as a guideline for the consolidated dividend payout ratio, we will make stable dividend payments, while maintaining sufficient internal reserves as resources to develop future businesses.
Based on the above stated policy, fiscal 2015 dividend payments are as follows: with an interim dividend of ¥7 per share already paid out, and a year-end dividend of ¥8 per share that is ¥1 greater than last year, the annual dividend is ¥15 per share.
In fiscal 2016, we plan to pay an interim dividend of ¥8 per share and a year-end dividend of ¥8 per share for an annual dividend of ¥16 per share.

4. Management Policy

(1) Basic Management Policy

The Mitsubishi Chemical Holdings Group corporate activities are based on the three decision criteria of "Sustainability," "Health," and "Comfort." While corporations are expected to find solutions to global-scale problems, they must devise a new key performance axis that goes beyond the pursuit of profit alone for sustainable growth. Under this idea, the Group has adopted an approach called *KAITEKI* Management — enhancing corporate value by applying different time frames to the management of three aspects of our business: Management of Sustainability (MOS), which aims to enhance sustainability for people, society, and our planet, in addition to management of economics (MOE), which emphasizes capital efficiency using financial indices such as operating income and ROA, and Management of Technology (MOT), which fosters the creation of innovative technologies. Mitsubishi Chemical Holdings settled upon THE KAITEKI COMPANY as our corporate brand and the basis upon which we will work to further raise our Group value. Our aim, through business activities based on *KAITEKI* management, is to create a group of companies that realize improved lifestyles for people, create more comfortable societies, and make all corporate and societal activities truly sustainable for the Earth and the global environment.

(2) Medium- to Long-term Management Strategy and Financial Indexes

The Group has strengthened and expanded its business foundation, engaged in structural reform of its petrochemical business, and moved ahead with portfolio reforms under *APTSIS 15*. In fiscal 2015, the final year of *APTSIS 15,* the Group is united to accomplish all these tasks. We formulated the five-year medium-term management plan *APTSIS 20* (fiscal 2016 - fiscal 2020) in

December 2015, and set the following numerical targets as our financial indexes for fiscal 2020 under the following basic policy: "Aim at a high growth and high profit-model group through businesses in the Performance Products, Industrial Materials, and Health Care domains."

IFRS base

Financial Indexes	Targets
Core operating income*	¥380.0 billion
ROS	8%
Net income attributable to owners of the parent	¥180.0 billion
ROE	≦10%
Net debt-to-equity ratio	0.8

*Gains/losses incurred by staged gain/loss introduced in accordance with transition to IFRS
Ordinary income excluding gains/losses incurred by non-recurring factors

Key measures center on thorough portfolio management and strengthening sustainable growth and profitability. In April 2017, three chemical companies—Mitsubishi Chemical Corporation, Mitsubishi Plastics, Inc., and Mitsubishi Rayon Co., Ltd.—will be integrated as "Mitsubishi Chemical Corporation," and we will establish an organizational structure that takes full advantage of the three companies' management resources while generating synergies of orchestration and integration in a proactive manner.

In addition, we position businesses such as healthcare solutions, gas solutions, and new energy and frontier materials as the next-generation businesses that will spearhead growth from 2020 to 2025, promoting open-shared type development. In global business development, we will re-establish our business support system in the Asia-Pacific region, China, Europe, and the U.S., and promote orchestration among business units to increase net sales and overseas earnings capabilities. The Group will steadily carry out the above measures and establish our foundation as "THE KAITEKI COMPANY" on a truly global scale.

(3) Challenges

In *APTSIS 20,* which took effect starting in fiscal 2016, we must establish the optimal management structure from a global perspective and orchestrate the Group's strengths in ways that transcend business units. It will also be essential to establish various policies and take specific measures as we strive to create a company that generates high profitability, setting ourselves apart from the competition by revolutionizing our productivity. The Group will exert all-out efforts as we move ahead toward these goals.

The Group will also push ahead with efforts to ensure thorough compliance and risk management, enhance safety, strengthen internal control, and promote “health management” that positions the health of employees as an important management resource, while striving to improve their health and increase productivity.

We also transitioned to a Company with a Nominating Committee, etc. in June 2015, and since then we have endeavored to strengthen our supervisory functions and improve the agility of management. We continue to seek optimal governance, which increases both the soundness and efficiency of management, under the “Corporate Governance Guidelines” established in November of the same year.

We will further pursue contributions to sustainability of people, societies, and our planet, and aim to become a corporate group trusted by society.

5. Basic Policy for Selection of Accounting Standards

The company plans to voluntarily adopt IFRS starting with the disclosure of the first quarter results of the fiscal year ending March 31, 2017.

Acceleration of global expansion is a major focus of *APTSIS 20*, which begins with fiscal 2016. With the aim of improving international comparability of financial statements in capital markets and unifying accounting procedures within the Group, we decided to voluntarily adopt IFRS concurrently with the launch of *APTSIS 20.*

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 [3], [8] through [9], and [11] through [13] hereof.