

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



1. Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 ("FY2016")
(Business period: April 1, 2016 to December 31, 2016)

Millions of Yen	
The Third Quarter of the Current Fiscal Year ("FY2016")	The Third Quarter of the Previous Fiscal Year ("FY2015")
April 1, 2016 - December 31, 2016	April 1, 2015 - December 31, 2015

(1) Results of Operations:

Sales revenue	2,450,610	2,681,442
Core operating income*	230,123	248,754
Operating income	210,380	229,163
Earnings before taxes	205,194	220,705
Net Income	179,828	80,828
Net income attributable to owners of the parent	131,751	33,825
Comprehensive income	182,898	69,904

* Core operating income : Operating income excluding special items

(Yen)

Net income per share - Basic	89.94	23.09
Net income per share - Diluted	89.88	23.08

(2) Segment Information:

[Sales revenue by Segment]

Electronics Applications	78,224	87,285
Designed Materials	596,268	619,401
Health Care	414,898	425,475
Chemicals	714,040	813,412
Polymers	514,467	585,043
Others	132,713	150,826
Total	2,450,610	2,681,442

[Core operating Income (loss) by Segment]

Electronics Applications	(1,330)	379
Designed Materials	63,822	58,446
Health Care	81,983	99,552
Chemicals	36,115	50,952
Polymers	51,137	40,022
Others	3,946	4,545
Elimination & corporate	(5,550)	(5,142)
Total	230,123	248,754

Millions of Yen	
As of December 31, 2016	As of March 31, 2016

(3) Financial Position:

	As of December 31, 2016	As of March 31, 2016
Total assets	4,438,251	4,223,774
Inventories	535,597	549,461
Property, plant and equipment	1,440,341	1,403,437
Current and non current bonds and borrowings	1,663,958	1,579,575
Equity attributable to owners of the parent	1,082,484	972,197
Ratio of equity attributable to owners of the parent to total assets (%)	24.3	23.0

Millions of Yen	
The Third Quarter of FY2016	The Third Quarter of FY2015
April 1, 2016 - December 31, 2016	April 1, 2015 - December 31, 2015

(4) Cash Flows:

	The Third Quarter of FY2016	The Third Quarter of FY2015
	April 1, 2016 - December 31, 2016	April 1, 2015 - December 31, 2015
Net cash provided by (used in) operating activities	254,567	165,527
Net cash provided by (used in) investing activities	(161,333)	(87,962)
Net cash provided by (used in) financing activities	(15,083)	43,360
Cash and cash equivalents at end of the period	327,687	369,312

(5) Ratio of Net Income to:

	The Third Quarter of FY2016	The Third Quarter of FY2015
	April 1, 2016 - December 31, 2016	April 1, 2015 - December 31, 2015
Total equity attributable to owners of the parent**	17.5	8.1
Total assets**	4.1	1.8
Sales revenue	7.3	3.0

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

Notes:

- 1 The Company has decided to adopt International Financial Reporting Standard ("IFRS") from FY2016.
- 2 We have categorized the terephthalic acid business in India and China as a discontinued business, based on the decision to transfer that business in both countries (announced on July 27, 2016). Therefore, sales revenue, core operating income, operating income and earnings before taxes in the consolidated financial results of the third quarter of the current fiscal year and the same period of the previous fiscal year are recorded without including the discontinued business.

2. Forecast for the Current Fiscal Year

	Millions of Yen
	FY2016
	April 1, 2016 - March 31, 2017
Sales revenue	3,350,000
Core operating income	297,000
Operating income	266,000
Net income attributable to owners of the parent	151,000
	(Yen)
Net income per share - Basic	102.95

Notes:

- 1 The profit and loss forecast for FY2016 has been revised to the above from those announced on October 28, 2016.
- 2 Sales revenue, core operating income and operating income in the consolidated financial results forecast for current fiscal year are recorded without including the discontinued business.

3. Business Performance and Financial Position

(1) Business Performance

1) Consolidated Performance for the Third Quarter of the Fiscal Year Ending March 31, 2017 (Fiscal 2016): Nine Months Ended December 31, 2016

Overview of General Performance

Looking at the business environment surrounding the MCHC Group during the third quarter of fiscal 2016, domestic and overseas demand in the Performance Products domain remained firm, despite the impact of the rising yen compared to the same period of the previous fiscal year. Sales in the Health Care domain also remained 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 third quarter of fiscal 2016 was ¥2,450.6 billion, down ¥230.8 billion, or 8.6% year on year. Core operating income was ¥230.1 billion, down ¥18.7 billion, or 7.5% year on year, and operating income was down ¥18.8 billion, or 8.2% year on year, at ¥210.4 billion. Earnings before taxes decreased by ¥15.6 billion, or 7.0% year on year, to ¥205.2 billion. Net income attributable to owners of the parent grew ¥97.9 billion, or 289.5% year on year, to ¥131.8 billion, due to a decrease in impairment losses in the discontinued business recorded during the second quarter of fiscal 2016 and a decrease in tax expenses associated with recognition of deferred tax assets relating to the terephthalic acid business transfer in India and China.

Furthermore, we have categorized the terephthalic acid business in India and China as the discontinued business, based on the decision to transfer that business in both countries (announced on July 27, 2016). Therefore, sales revenue, core operating income, operating income, and earnings before taxes are recorded without including the discontinued business. In addition, we made the same revisions of the financial results for the same period of the previous fiscal year.

Overview of Business Segments

The overview of financial results by segment for the third 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 was down ¥9.1 billion, to ¥78.2 billion. Core operating loss worsened ¥1.7 billion, to ¥1.3 billion.

Sales revenue and core operating income decreased, reflecting declining sales volumes of OPC drums and toner in imaging supplies and the impact of the yen's appreciation, in addition to lower sales prices in information and electronics-related materials including display materials.

Designed Materials Segment, Performance Products Domain

Sales revenue in this segment was down ¥23.1 billion, at ¥596.3 billion. However, core operating income rose by ¥5.5 billion, to ¥63.9 billion.

In polymer processing products, sales revenue decreased due to the impact of the yen's appreciation and lower sales prices, despite higher sales volumes of films for display applications and other products. In fine chemicals, demand of coating materials and other products remained generally firm. In battery materials, sales volumes for automobile batteries increased. In composite materials, sales revenue decreased due to the impact of the yen's appreciation, despite higher sales volumes of alumina fibers. In food ingredients, sales revenue 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 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 third quarter of fiscal 2016 included:

- Mitsubishi Chemical Corporation and its consolidated subsidiary Mitsubishi Chemical Europe GmbH acquired 94.35% of the shares of common stock of The Nippon Synthetic Chemical Industry, Co., Ltd., a consolidated subsidiary of Mitsubishi Chemical, through a joint tender offer conducted from August 2016, with the purpose of further strengthening the business foundation of the Performance Products domain. Mitsubishi Chemical made The Nippon Synthetic Chemical Industry into a wholly owned subsidiary through demand for sale of shares conducted by Mitsubishi Chemical in November 2016.
- Mitsubishi Chemical Corporation and its consolidated subsidiary Nippon Kasei Chemical Company Limited signed a share exchange agreement in September 2016, in which shares of common stock of Mitsubishi Chemical Holdings Corporation shall be allotted as consideration, and Mitsubishi Chemical made Nippon Kasei Chemical its wholly owned subsidiary effective January 2017. This move is aimed at further strengthening cooperation with Mitsubishi Chemical Holdings Group companies and enhancing corporate value.

- 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)
- Mitsubishi Rayon Co., Ltd. established a joint venture company with Fiberline Composites A/S, a composite pultrusion manufacturer that holds advanced molding and process technologies, in October 2016, to expand its market share in carbon fiber composite laminates for wind turbine blades.
- 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)
- Mitsubishi Chemical Corporation and Ube Industries, Ltd. in October 2016 agreed on a tie-up for their lithium-ion battery electrolyte businesses in China under a 50-50 joint venture, in order to supply highly competitive electrolyte to the market. The tie-up, which takes effect in April 2017, will enable the two companies to combine their production technologies and mutually use their technology resources to enhance their technologies and cost competitiveness.

Health Care Segment, Health Care Domain

Sales revenue in this segment totaled ¥414.9 billion, a decrease of ¥10.6 billion. Core operating income was down ¥17.6 billion, at ¥82.0 billion.

Pharmaceuticals recorded lower sales revenue mainly because there was no posting for this term of lump-sum royalty revenues from products licensed out overseas, which were posted in the same period of the previous fiscal year, and the negative impact of the NHI drug price revisions in Japan, which took effect in April 2016, despite higher sales volumes of domestic ethical pharmaceuticals including *Simponi*, a rheumatoid arthritis treatment agent, and an increase in royalty revenues from products licensed out overseas including *Gilenya*, a treatment for multiple sclerosis. In diagnostics and pharmaceutical formulation materials, sales revenue decreased, due mainly to declining sales volumes of active pharmaceutical intermediates and pharmaceutical formulation materials. Core operating income decreased mainly because of the above-mentioned decline in revenue.

A major initiative in the Health Care segment during the third 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.
- Mitsubishi Tanabe Pharma Corporation and Kolon Life Science, Inc. concluded a licensing agreement for *Invossa*, a cell therapy product for improvement of symptoms of knee osteoarthritis in November 2016. Through this agreement, Mitsubishi Tanabe Pharma acquired exclusive development and commercialization rights for *Invossa* in Japan. This move is aimed at reinforcing domestic commercialization initiatives in the autoimmune disease-related field.

Chemicals Segment, Industrial Materials Domain

Sales revenue in this segment decreased by ¥99.4 billion, to ¥714.0 billion. Core operating income was down ¥14.9 billion, at ¥36.1 billion.

In basic petrochemicals and chemical derivatives, sales revenue decreased, reflecting lower sales prices stemming from a decline in raw material costs, as well as a larger-than-anticipated scale of scheduled maintenance and repairs at ethylene production facilities. In carbon products including coke and others, sales revenue decreased due primarily to sales price declines accompanying lower coking coal prices in the first half of fiscal 2016. In industrial gases, sales revenue decreased as a result of the yen's appreciation, despite including results of business acquired from Air Liquide in the U.S. starting in the second quarter of fiscal 2016.

Core operating income decreased, due mainly to a narrowing in the price differential between raw materials and products and the larger-than-anticipated scale of scheduled maintenance and repairs in basic petrochemicals and chemical derivatives, in addition to a narrowing in the price differential between raw materials and products in exports of carbon products and a slump in the needle coke market. In industrial gases, meanwhile, core operating income rose with a decline in raw material costs and the impact including the results of business acquired from Air Liquide.

Major initiatives in the Chemicals segment during the third quarter of fiscal 2016 included:

- In the purified terephthalic acid business, which represents a major issue in the structural reforms of the petrochemical business, Mitsubishi Chemical Corporation transferred equity shares held in its subsidiaries Materials Chemicals And Performance Intermediaries Private Limited (former MCC PTA India Corp. Private Limited) in November 2016 and those in Ningbo Union King Polyester Material Limited (former Ningbo Mitsubishi Chemical Co., Ltd.), engaged in the terephthalic acid business and MCC Advanced Polymers Ningbo Co., Ltd., engaged in the poly tetramethylene ether glycol business, in December 2016.

- Matheson Tri-Gas, Inc., a consolidated subsidiary of Taiyo Nippon Sanso Corporation, purchased part of Air Liquide's industrial gas business and related business assets in the U.S. in September 2016. The move is aimed at expanding Matheson Tri-Gas's business and ensuring sustainable profitability in the U.S. market.
- Taiyo Nippon Sanso Corporation acquired Supagas Holdings Pty Ltd, an Australian industrial gas and LPG company, to establish a sales network and reinforce its supply system throughout Australia.
- Taiyo Nippon Sanso Corporation's subsidiary, Matheson Tri-Gas, Inc. concluded an agreement with Lotte Chemical Louisiana LLC for piping supply of industrial gases to its world-scale monoethylene glycol plant, and in November 2016, decided to construct two large scale air separation units in Louisiana, which are slated for completion in the latter half of 2018.

Polymers Segment, Industrial Materials Domain

Sales revenue in this segment was down ¥70.5 billion, at ¥514.5 billion. Core operating income grew ¥11.1 billion, to ¥51.1 billion.

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

A major initiative in the Polymers segment during the third quarter of fiscal 2016 included:

- Japan Polypropylene Corporation, a consolidated subsidiary of MCC, announced in August 2016 that it will shut down the No. 3 polypropylene production line at its Goi Plant, as part of the structural reforms. (The shutdown is to be scheduled to occur in March 2017.)

Others

Sales revenue in this segment decreased by ¥18.1 billion, to ¥132.7 billion. Core operating income decreased by ¥0.6 billion, to ¥3.9 billion.

Sales revenue and core operating income decreased owing to decreased external orders in engineering and the yen's appreciation.

4. Consolidated Financial Position

At the end of the third quarter of fiscal 2016, total assets amounted to ¥4,438.3 billion, an increase

of ¥214.5 billion compared to the end of fiscal 2015. This reflected an increase in receivables with the end of term date falling on a holiday, the acquisition of an overseas industrial gas business by a consolidated subsidiary, Taiyo Nippon Sanso Corporation, and other factors.

5. Consolidated Financial Results Forecasts for Fiscal 2016

We made upward revisions in our full-year financial results forecasts for fiscal 2016 due to positive factors including a greater-than-anticipated weakening of the yen compared to the assumption in the previous outlook, firm sales focusing on the Performance Products domain, increased income from royalty revenues in the pharmaceuticals business, and stronger market demand for petrochemicals such as MMA, in addition to business performance trends during the third quarter of fiscal 2016.

Based on that revision, we increased the forecast for the year-end dividend by ¥2, to ¥10. Accordingly, the forecast for the annual dividend will be increased by ¥3 per share to ¥18.

Revision to consolidated financial results forecast for fiscal 2016 (April 1, 2016 – March 31, 2017)

(Unit: Billions of yen; unless otherwise noted)

	Sales revenue	Operating income	Earnings before taxes	Net income	Net income attributable to owners of the parent	Net income per share (Yen)
Previous forecast (A) (Announced on October 28, 2016)	3,280.0	229.0	214.0	179.0	125.0	85.33
Revised forecast (B)	3,350.0	266.0	257.0	211.0	151.0	102.95
Difference (B–A)	70.0	37.0	43.0	32.0	26.0	
Difference (%)	2.1%	16.2%	20.1%	17.9%	20.8%	
Reference: Results for fiscal 2015 (IFRS base)	3,543.4	268.7	252.8	104.9	51.4	35.06

Note: Core operating income*: ¥259.0 billion (previous forecast); ¥297.0 billion (revised forecast)

*Operating income excluding special items

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] and [9] hereof.

Reference

(1) Condensed Consolidated Statement of Profit or Loss

Nine months ended December 31, 2015 and 2016

	(Millions of yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Continuing operations		
Sales revenue	2,681,442	2,450,610
Cost of sales	(1,910,721)	(1,709,479)
Gross profit	770,721	741,131
Selling, general and administrative expenses	(531,442)	(520,467)
Other income	14,090	5,892
Other expenses	(34,973)	(28,998)
Equity income	10,767	12,822
Operating income	229,163	210,380
Financial income	7,857	6,945
Financial expenses	(16,315)	(12,131)
Earnings before taxes	220,705	205,194
Income taxes	(68,263)	(28,005)
Net income from continuing operations	152,442	177,189
Discontinued operations		
Net income (loss) from discontinued operations	(71,614)	2,639
Net income	80,828	179,828
Net income attributable to		
Owners of the parent	33,825	131,751
Non-controlling interests	47,003	48,077
Net income	80,828	179,828
Net income per share		
Basic (Yen)		
Continuing operations	70.64	88.14
Discontinued operations	(47.55)	1.80
Total basic net income per share	23.09	89.94
Diluted (Yen)		
Continuing operations	70.60	88.08
Discontinued operations	(47.52)	1.80
Total diluted net income per share	23.08	89.88

(2) Condensed Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2015 and 2016

	(Millions of yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net income	80,828	179,828
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value	6,210	12,695
Remeasurements of defined benefit pensions plans	1,653	11,018
Share of other comprehensive income (loss) of investments accounted for using the equity method	(9)	93
Total items that will not be reclassified to profit or loss	7,854	23,806
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(16,410)	(13,680)
Net gain (loss) on derivatives designated as cash flow hedges	682	1,162
Share of other comprehensive income (loss) of investments accounted for using the equity method	(3,050)	(8,218)
Total items that may be subsequently reclassified to profit or loss	(18,778)	(20,736)
Total other comprehensive income (net of tax)	(10,924)	3,070
Total comprehensive income	69,904	182,898
Total comprehensive income attributable to		
Owners of the parent	27,464	135,057
Non-controlling interests	42,440	47,841

(3) Condensed Consolidated Statement of Financial Position

	(Millions of yen)		
	April 1, 2015	March 31, 2016	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	252,749	267,148	327,687
Trade receivables	754,335	769,094	842,178
Inventories	593,780	549,461	535,597
Other financial assets	171,089	214,485	135,384
Other current assets	57,427	53,191	63,159
Subtotal	1,829,380	1,853,379	1,904,005
Assets held for sales	8,752	3,338	5,497
Total current assets	1,838,132	1,856,717	1,909,502
Non current assets			
Property, plant and equipment	1,485,225	1,403,437	1,440,341
Goodwill	245,675	267,850	319,031
Intangible assets	198,345	195,536	225,839
Investments accounted for using the equity method	129,269	129,072	129,019
Other financial assets	339,876	251,802	265,231
Other non current assets	46,893	30,389	33,644
Deferred tax assets	85,583	88,971	115,644
Total non current assets	2,530,866	2,367,057	2,528,749
Total assets	4,368,998	4,223,774	4,438,251

	(Millions of yen)		
	April 1, 2015	March 31, 2016	December 31, 2016
Liabilities			
Current liabilities			
Trade payables	452,856	394,065	446,020
Bonds and borrowings	742,712	706,705	693,044
Income tax payable	34,181	36,434	13,636
Other financial liabilities	236,783	185,940	185,175
Provisions	3,572	3,603	8,677
Other current liabilities	126,656	114,955	126,296
Subtotal	1,596,760	1,441,702	1,472,848
Liabilities directly associated with assets held for sales	—	—	2,554
Total current liabilities	1,596,760	1,441,702	1,475,402
Non current liabilities			
Bonds and borrowings	859,216	872,870	970,914
Other financial liabilities	29,559	29,019	27,616
Retirement benefit liabilities	133,889	144,179	133,669
Provisions	21,372	23,616	26,411
Other non current liabilities	34,657	41,387	38,423
Deferred tax liabilities	91,165	74,850	82,866
Total non current liabilities	1,169,858	1,185,921	1,279,899
Total liabilities	2,766,618	2,627,623	2,755,301
Equity			
Common stock	50,000	50,000	50,000
Additional paid-in capital	318,185	317,544	316,457
Treasury stock	(16,236)	(16,240)	(16,228)
Retained earnings	582,794	610,909	730,471
Other components of equity	58,268	9,984	1,784
Equity attributable to owners of the parent	993,011	972,197	1,082,484
Non-controlling interests	609,369	623,954	600,466
Total equity	1,602,380	1,596,151	1,682,950
Total liabilities and equity	4,368,998	4,223,774	4,438,251

(4) Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2015

	(Millions of yen)								
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings					
Balance at April 1, 2015	50,000	318,185	(16,236)	582,794					
Net income	—	—	—	33,825					
Other comprehensive income	—	—	—	—					
Total comprehensive income	—	—	—	33,825					
Purchase of treasury stock	—	—	(41)	—					
Disposal of treasury stock	—	(4)	5	—					
Cash dividends	—	—	—	(20,507)					
Share-based payment transactions	—	58	—	—					
Changes in interests in subsidiaries	—	(189)	—	—					
Business combinations or business divestitures	—	—	33	—					
Changes in scope of consolidation	—	—	—	202					
Transfer from other components of equity to retained earnings	—	—	—	10,591					
Total transactions with owners	—	(135)	(3)	(9,714)					
Balance at December 31, 2015	50,000	318,050	(16,239)	606,905					
	Other components of equity								
	Net gain (loss) on reevaluation of financial assets measured at fair value	Remeasure- ments of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total	Equity attributable to owners of the parent	Non- controlling interests	Total equity	
Balance at April 1, 2015	60,322	—	—	(2,054)	58,268	993,011	609,369	1,602,380	
Net income	—	—	—	—	—	33,825	47,003	80,828	
Other comprehensive income	3,785	1,369	(12,093)	578	(6,361)	(6,361)	(4,563)	(10,924)	
Total comprehensive income	3,785	1,369	(12,093)	578	(6,361)	27,464	42,440	69,904	
Purchase of treasury stock	—	—	—	—	—	(41)	—	(41)	
Disposal of treasury stock	—	—	—	—	—	1	—	1	
Cash dividends	—	—	—	—	—	(20,507)	(21,948)	(42,455)	
Share-based payment transactions	—	—	—	—	—	58	—	58	
Changes in interests in subsidiaries	—	—	—	—	—	(189)	1,043	854	
Business combinations or business divestitures	—	—	—	—	—	33	1,858	1,891	
Changes in scope of consolidation	—	—	—	—	—	202	20	222	
Transfer from other components of equity to retained earnings	(9,222)	(1,369)	—	—	(10,591)	—	—	—	
Total transactions with owners	(9,222)	(1,369)	—	—	(10,591)	(20,443)	(19,027)	(39,470)	
Balance at December 31, 2015	54,885	—	(12,093)	(1,476)	41,316	1,000,032	632,782	1,632,814	

Nine months ended December 31, 2016

	(Millions of yen)			
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2016	50,000	317,544	(16,240)	610,909
Net income	—	—	—	131,751
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	131,751
Purchase of treasury stock	—	—	(20)	—
Disposal of treasury stock	—	(32)	32	—
Cash dividends	—	—	—	(23,437)
Share-based payment transactions	—	71	—	—
Changes in interests in subsidiaries	—	(1,126)	—	—
Changes in scope of consolidation	—	—	—	(258)
Transfer from other components of equity to retained earnings	—	—	—	11,506
Total transactions with owners	—	(1,087)	12	(12,189)
Balance at December 31, 2016	50,000	316,457	(16,228)	730,471

	Other components of equity				Total	Equity attributable to owners of the parent	Non- controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value	Remeasure- ments of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2016	37,054	—	(25,246)	(1,824)	9,984	972,197	623,954	1,596,151
Net income	—	—	—	—	—	131,751	48,077	179,828
Other comprehensive income	11,388	9,574	(18,717)	1,061	3,306	3,306	(236)	3,070
Total comprehensive income	11,388	9,574	(18,717)	1,061	3,306	135,057	47,841	182,898
Purchase of treasury stock	—	—	—	—	—	(20)	—	(20)
Disposal of treasury stock	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	(23,437)	(26,717)	(50,154)
Share-based payment transactions	—	—	—	—	—	71	—	71
Changes in interests in subsidiaries	—	—	—	—	—	(1,126)	(44,612)	(45,738)
Changes in scope of consolidation	—	—	—	—	—	(258)	—	(258)
Transfer from other components of equity to retained earnings	(1,932)	(9,574)	—	—	(11,506)	—	—	—
Total transactions with owners	(1,932)	(9,574)	—	—	(11,506)	(24,770)	(71,329)	(96,099)
Balance at December 31, 2016	46,510	—	(43,963)	(763)	1,784	1,082,484	600,466	1,682,950

(5) Condensed Consolidated Statement of Cash Flow

Nine months ended December 31, 2015 and 2016

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Cash flows from operating activities		
Earnings before taxes	220,705	205,194
Earnings before taxes from discontinued operations	(70,964)	2,393
Depreciation and amortization	137,127	129,268
Equity income	(10,767)	(12,822)
Interest and dividend income	(7,812)	(5,718)
Interest expenses	13,898	11,609
(Increase) decrease in trade receivables	(113,350)	(67,248)
(Increase) decrease in inventories	8,183	1,635
Increase (decrease) in trade payables	25,237	48,094
Increase (decrease) in retirement benefit assets and liabilities, net	925	6
Other	37,867	15,571
Subtotal	<u>241,049</u>	<u>327,982</u>
Interest received	2,271	2,175
Dividends received	9,706	10,874
Interest paid	(13,167)	(11,661)
Income tax (paid) received, net	<u>(74,332)</u>	<u>(74,803)</u>
Net cash provided by (used in) operating activities	<u>165,527</u>	<u>254,567</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(135,162)	(141,141)
Proceeds from sales of property, plant and equipment	10,143	5,157
Purchase of intangible assets	(10,171)	(7,868)
Purchase of other financial assets	(90,666)	(146,156)
Proceeds from sales/redemption of other financial assets	168,164	115,023
Net cash outflow on acquisition of subsidiaries	(26,403)	(26,226)
Net cash inflow on sales of subsidiaries	—	5,025
Net increase (decrease) of time deposits	(5,909)	116,829
Payments for transfer of business	(156)	(77,000)
Other	2,198	(4,976)
Net cash provided by (used in) investing activities	<u>(87,962)</u>	<u>(161,333)</u>

	(Millions of yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	21,642	(67,696)
Net increase (decrease) in commercial papers	(1,000)	46,000
Proceeds from long-term borrowings	80,646	192,520
Repayment of long-term borrowings	(72,536)	(125,108)
Proceeds from issuance of bonds	59,707	69,777
Repayment from redemption of bonds	(20)	(30,010)
Net (increase) decrease in treasury stock	(40)	(21)
Dividends paid to owners of the parent	(20,507)	(23,437)
Dividends paid to non-controlling interests	(21,948)	(27,156)
Proceeds from stock issuance to non-controlling interests	2,885	2,181
Payments for aquisition of subsidiaries' interests from non-controlling interests	(2,716)	(48,800)
Other	(2,753)	(3,333)
Net cash provided by (used in) financing activities	<u>43,360</u>	<u>(15,083)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4,669)</u>	<u>(11,460)</u>
Net increase (decrease) in cash and cash equivalents	<u>116,256</u>	<u>66,691</u>
Cash and cash equivalents at the beginning of the period	252,749	267,148
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sales	—	(6,179)
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	307	—
Increase (decrease) in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	27
Cash and cash equivalents at the end of the period	<u>369,312</u>	<u>327,687</u>