

**Mitsubishi Chemical Holdings Corporation**  
**Condensed Consolidated Financial Information**  
**for the First Half of the Fiscal Year Ending March 31, 2017**



**1. Business Results for the First Half of the Fiscal Year Ending March 31, 2017 ("FY2016")**  
**(Business period: April 1, 2016 to September 30, 2016)**

| Millions of Yen  |   |
|--|---|
| The First Half of<br>the Current Fiscal Year<br>("FY2016") | The First Half of<br>the Previous Fiscal Year<br>("FY2015") |
| April 1, 2016 -<br>September 30, 2016                      | April 1, 2015 -<br>September 30, 2015                       |

**(1) Results of Operations:**

|  |           |           |
|--|-----------|-----------|
| Sales revenue                                      | 1,586,259 | 1,777,923 |
| Core operating income*                             | 136,331   | 153,598   |
| Operating income                                   | 120,068   | 153,371   |
| Earnings before taxes                              | 111,620   | 147,591   |
| Net Income   | 109,147   | 96,685    |
| Net income attributable<br>to owners of the parent | 79,154    | 67,849    |
| Comprehensive income                               | 42,241    | 72,696    |

\* Core operating income: Operating income excluding special items

(Yen)

|                                |       |       |
|--------------------------------|-------|-------|
| Net income per share - Basic   | 54.04 | 46.32 |
| Net income per share - Diluted | 54.00 | 46.29 |

**(2) Segment Information:**

**[Sales Revenue by Segment]**

|                          |           |           |
|--------------------------|-----------|-----------|
| Electronics Applications | 52,013    | 58,362    |
| Designed Materials       | 393,904   | 408,470   |
| Health Care              | 263,352   | 262,211   |
| Chemicals                | 452,944   | 546,834   |
| Polymers                 | 336,789   | 402,026   |
| Others                   | 87,257    | 100,020   |
| Total                    | 1,586,259 | 1,777,923 |

**[Core Operating Income (Loss) by Segment]**

|                          |         |         |
|--------------------------|---------|---------|
| Electronics Applications | (633)   | 565     |
| Designed Materials       | 40,248  | 36,639  |
| Health Care              | 48,983  | 51,997  |
| Chemicals                | 17,584  | 35,260  |
| Polymers                 | 30,889  | 30,006  |
| Others                   | 3,238   | 2,970   |
| Elimination & corporate  | (3,978) | (3,839) |
| Total                    | 136,331 | 153,598 |

| Millions of Yen          |                      |
|--------------------------|----------------------|
| As of September 30, 2016 | As of March 31, 2016 |

**(3) Financial Position:**

|   |           |           |
|---|-----------|-----------|
| Total assets  | 4,147,713 | 4,223,774 |
| Inventories   | 504,424   | 549,461   |
| Property, plant and equipment   | 1,366,870 | 1,403,437 |
| Current and non current bonds and borrowings                                | 1,563,181 | 1,579,575 |
| Equity attributable to owners of the parent                                 | 992,565   | 972,197   |
| Ratio of equity attributable to owners of the parent to<br>total assets (%) | 23.9      | 23.0      |

| Millions of Yen                       |                                       |
|---------------------------------------|---------------------------------------|
| The First Half of<br>FY2016           | The First Half of<br>FY2015           |
| April 1, 2016 -<br>September 30, 2016 | April 1, 2015 -<br>September 30, 2015 |

**(4) Cash Flows:**

|   |                  |         |
|---|------------------|---------|
| Net cash provided by (used in) operating activities | <b>195,607</b>   | 67,803  |
| Net cash provided by (used in) investing activities | <b>(124,273)</b> | (1,629) |
| Net cash provided by (used in) financing activities | <b>(23,916)</b>  | 7,373   |
| Cash and cash equivalents at end of the period      | <b>281,575</b>   | 325,306 |

**(5) Ratio of Net Income to:**

|   |             |     |
|---|-------------|-----|
| Total equity attributable to owners of the parent** | <b>11.1</b> | 9.5 |
| Total assets**                                      | <b>2.6</b>  | 2.2 |
| Sales Revenue                                       | <b>6.8</b>  | 5.4 |

\*\* 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 first half of the current fiscal year and the same period of the previous year are recorded without including the discontinued business.

**2. Forecast for the Current Fiscal Year**

| Millions of Yen                                    |           |
|--|-----------|
| FY2016   |           |
| April 1, 2016 -<br>March 31, 2017                  |           |
| Sales revenue                                      | 3,280,000 |
| Core operating income                              | 259,000   |
| Operating income                                   | 229,000   |
| Net income attributable<br>to owners of the parent | 125,000   |
| (Yen)  |           |
| Net income per share - Basic                       | 85.33     |

**Notes:**

- 1 There is no revision to the forecast for FY2016 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 First Half of the Fiscal Year Ending March 31, 2017 (Fiscal 2016): Six Months Ended September 30, 2016

###### Overview of General Performance

Looking at the business environment surrounding the MCHC Group during the first half of fiscal 2016, domestic and overseas demand in the Performance Products domain remained firm, despite a deteriorating export environment brought on by the rising yen. 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 first half of fiscal 2016 was ¥1,586.3 billion, down ¥191.6 billion, or 10.8% year on year. Core operating income was ¥136.3 billion, down ¥17.3 billion, or 11.2% year on year, and operating income was down ¥33.3 billion, or 21.7% year on year, at ¥120.1 billion. Earnings before taxes decreased by ¥36.0 billion, or 24.4% year on year, to ¥111.6 billion. Net income attributable to owners of the parent grew ¥11.4 billion, or 16.7% year on year, to ¥79.2 billion, due to 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 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 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 first half 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 ¥6.4 billion, to ¥52.0 billion. Core operating loss

worsened ¥1.2 billion, to ¥0.6 billion.

Sales 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 ¥14.6 billion, at ¥393.9 billion. However, core operating income rose by ¥3.6 billion, to ¥40.2 billion.

In polymer processing products, sales decreased due to the impact of the yen's appreciation, despite higher sales volumes of high-performance films for display applications and engineering plastic-related products. In fine chemicals, sales of coating materials and other products remained generally firm. In battery materials, sales volumes for automobile batteries increased. In composite materials, sales volumes for alumina fibers increased. In food ingredients, sales 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 first half 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. The Nippon Synthetic Chemical Industry is scheduled to become a wholly owned subsidiary of Mitsubishi Chemical after demanding the sale of shares conducted by Mitsubishi Chemical, effective November 14, 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, in order to make Nippon Kasei Chemical a wholly owned subsidiary of Mitsubishi Chemical effective January 2017. The 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. announced the establishment of a joint venture company with Fiberline Composites A/S, a composite pultrusion manufacturer that holds advanced molding and process technologies, on 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 m<sup>2</sup>/y → 43 million m<sup>2</sup>/y)

#### **Health Care Segment, Health Care Domain**

Sales revenue in this segment totaled ¥263.4 billion, an increase of ¥1.2 billion. Core operating income was down ¥3.0 billion, at ¥49.0 billion.

Pharmaceuticals saw higher sales volumes of domestic ethical pharmaceuticals including *Simponi*, a rheumatoid arthritis treatment agent, as well as vaccines, and an increase in royalty revenues from products licensed out overseas including *Gilenya*, a treatment for multiple sclerosis, despite the negative impact of the NHI drug price revisions in April 2016. In diagnostics, support for pharmaceutical development, and pharmaceutical formulation materials, sales decreased, due mainly to declining sales volumes of pharmaceutical formulation materials. Core operating income decreased mainly because of the impact of the NHI drug price revisions, despite rising revenue in pharmaceuticals.

A major initiative in the Health Care segment during the first half 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 $\alpha$  monoclonal antibody treatment for psoriasis that allows a higher dosage and shorter dosing intervals, in May 2016.

#### **Chemicals Segment, Industrial Materials Domain**

Sales revenue in this segment decreased by ¥93.9 billion, to ¥452.9 billion. Core operating income was down ¥17.7 billion, at ¥17.6 billion.

In basic petrochemicals and chemical derivatives, sales 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 decreased due primarily to sales price declines accompanying lower coking coal prices. In industrial gases, sales decreased as a result of the yen's appreciation. 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. In industrial gases, meanwhile, core operating income rose with a decline in raw material costs.

Major initiatives in the Chemicals segment during the first half 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 decided in July 2016 to transfer its equity interests in its subsidiaries MCC PTA India Corp. Private Limited and 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.
- 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.

#### **Polymers Segment, Industrial Materials Domain**

Sales revenue in this segment was down ¥65.2 billion, at ¥336.8 billion. Core operating income grew ¥0.9 billion, to ¥30.9 billion.

In synthetic resins including polyolefin, MMA monomer, and other products, sales 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, despite a larger than anticipated scale of scheduled maintenance and repairs at polyolefin and other production facilities and other factors, even though raw material costs declined.

A major initiative in the Polymers segment during the first half 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 ¥12.7 billion, to ¥87.3 billion. Core operating income, however, increased by ¥0.2 billion, to ¥3.2 billion.

Sales decreased owing to decreased external orders in engineering and the yen's appreciation. Core operating income remained unchanged due to a reduction of fixed costs, along with other factors.

### **4. Consolidated Financial Position**

At the end of the first half of fiscal 2016, total assets amounted to ¥4,147.7 billion, a decrease of ¥76.1 billion compared to the end of fiscal 2015. This reflected a decrease in the yen equivalent of assets in overseas consolidated subsidiaries accompanying the yen's appreciation and other factors.

### **5. Consolidated Financial Results Forecasts for Fiscal 2016**

There has been no change to the full year financial results forecasts for fiscal 2016 announced on October 28, 2016.

#### **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 [2] and [7] hereof.

## Reference

### Condensed consolidated Financial Statements

#### (1) Condensed Consolidated Statement of Profit or Loss

Six months ended September 30, 2015 and 2016

|  | (Millions of yen)                         |   |
|--|---|---|
|  | Six months<br>ended September 30,<br>2015 | Six months<br>ended September 30,<br>2016 |
| <b>Continuing operations</b>                   |   |   |
| Sales revenue                                  | 1,777,923                                 | 1,586,259                                 |
| Cost of sales                                  | (1,278,805)                               | (1,111,063)                               |
| Gross profit                                   | 499,118                                   | 475,196                                   |
| Selling, general and administrative expenses   | (351,502)                                 | (344,041)                                 |
| Other income                                   | 9,116                                     | 4,217                                     |
| Other expenses                                 | (11,409)                                  | (22,656)                                  |
| Equity income                                  | 8,048                                     | 7,352                                     |
| Operating income                               | 153,371                                   | 120,068                                   |
| Financial income                               | 5,094                                     | 4,422                                     |
| Financial expenses                             | (10,874)                                  | (12,870)                                  |
| Earnings before taxes                          | 147,591                                   | 111,620                                   |
| Income taxes                                   | (45,054)                                  | (2,358)                                   |
| Net income from continuing operations          | 102,537                                   | 109,262                                   |
| <b>Discontinued operations</b>                 |   |   |
| Net income (loss) from discontinued operations | (5,852)                                   | (115)                                     |
| Net income                                     | 96,685                                    | 109,147                                   |
| <b>Net income attributable to</b>              |   |   |
| Owners of the parent                           | 67,849                                    | 79,154                                    |
| Non-controlling interests                      | 28,836                                    | 29,993                                    |
| Net income                                     | 96,685                                    | 109,147                                   |
| <b>Net income per share</b>                    |   |   |
| Basic (Yen)                                    |   |   |
| Continuing operations                          | 49.42                                     | 54.11                                     |
| Discontinued operations                        | (3.10)                                    | (0.07)                                    |
| Total basic net income per share               | 46.32                                     | 54.04                                     |
| Diluted (Yen)                                  |   |   |
| Continuing operations                          | 49.39                                     | 54.07                                     |
| Discontinued operations                        | (3.10)                                    | (0.07)                                    |
| Total diluted net income per share             | 46.29                                     | 54.00                                     |



**(2) Condensed Consolidated Statement of Comprehensive Income**

Six months ended September 30, 2015 and 2016

|  | (Millions of yen)                         |   |
|--|---|---|
|  | Six months<br>ended September 30,<br>2015 | Six months<br>ended September 30,<br>2016 |
| Net income   | 96,685                                    | 109,147                                   |
| Other comprehensive income   |   |   |
| Items that will not be reclassified to profit or loss  |   |   |
| Net gain (loss) on revaluation of financial assets<br>measured at fair value                       | (9,925)                                   | (2,503)                                   |
| Remeasurements of defined benefit pensions plans   | (3,871)                                   | 712                                       |
| Share of other comprehensive income (loss) of<br>investments accounted for using the equity method | (25)                                      | (2)                                       |
| Total items that will not be reclassified<br>to profit or loss                                     | (13,821)                                  | (1,793)                                   |
| Items that may be subsequently reclassified<br>to profit or loss                                   |   |   |
| Exchange differences on translation of<br>foreign operations                                       | (7,978)                                   | (56,308)                                  |
| Net gain (loss) on derivatives designated<br>as cash flow hedges                                   | (2)                                       | 454                                       |
| Share of other comprehensive income (loss) of<br>investments accounted for using the equity method | (2,188)                                   | (9,259)                                   |
| Total items that may be subsequently reclassified<br>to profit or loss                             | (10,168)                                  | (65,113)                                  |
| Total other comprehensive income (net of tax)  | (23,989)                                  | (66,906)                                  |
| Total comprehensive income   | 72,696                                    | 42,241                                    |
| Total comprehensive income attributable to   |   |   |
| Owners of the parent   | 51,552                                    | 31,565                                    |
| Non-controlling interests  | 21,144                                    | 10,676                                    |

**(3) Condensed Consolidated Statement of Financial Position**

|   | (Millions of yen) |                   |                       |
|---|-------------------|-------------------|-----------------------|
|   | April 1,<br>2015  | March 31,<br>2016 | September 30,<br>2016 |
| <b>Assets</b>                                     |                   |                   |                       |
| Current assets                                    |                   |                   |                       |
| Cash and cash equivalents                         | 252,749           | 267,148           | 281,575               |
| Trade receivables                                 | 754,335           | 769,094           | 715,880               |
| Inventories                                       | 593,780           | 549,461           | 504,424               |
| Other financial assets                            | 171,089           | 214,485           | 159,944               |
| Other current assets                              | 57,427            | 53,191            | 52,726                |
| Subtotal  | 1,829,380         | 1,853,379         | 1,714,549             |
| Assets held for sales                             | 8,752             | 3,338             | 46,692                |
| Total current assets                              | 1,838,132         | 1,856,717         | 1,761,241             |
| Non current assets                                |                   |                   |                       |
| Property, plant and equipment                     | 1,485,225         | 1,403,437         | 1,366,870             |
| Goodwill  | 245,675           | 267,850           | 293,457               |
| Intangible assets                                 | 198,345           | 195,536           | 210,428               |
| Investments accounted for using the equity method | 129,269           | 129,072           | 121,316               |
| Other financial assets                            | 339,876           | 251,802           | 242,370               |
| Other non current assets                          | 46,893            | 30,389            | 26,924                |
| Deferred tax assets                               | 85,583            | 88,971            | 125,107               |
| Total non current assets                          | 2,530,866         | 2,367,057         | 2,386,472             |
| Total assets                                      | 4,368,998         | 4,223,774         | 4,147,713             |

|  | (Millions of yen) |                   |                       |
|--|-------------------|-------------------|-----------------------|
|  | April 1,<br>2015  | March 31,<br>2016 | September 30,<br>2016 |
| <b>Liabilities</b>   |                   |                   |                       |
| Current liabilities  |                   |                   |                       |
| Trade payables   | 452,856           | 394,065           | 380,501               |
| Bonds and borrowings                                       | 742,712           | 706,705           | 747,593               |
| Income tax payable   | 34,181            | 36,434            | 27,912                |
| Other financial liabilities                                | 236,783           | 185,940           | 161,983               |
| Provisions   | 3,572             | 3,603             | 6,368                 |
| Other current liabilities                                  | 126,656           | 114,955           | 124,326               |
| Subtotal   | 1,596,760         | 1,441,702         | 1,448,683             |
| Liabilities directly associated with assets held for sales | -                 | -                 | 11,302                |
| Total current liabilities                                  | 1,596,760         | 1,441,702         | 1,459,985             |
| Non current liabilities                                    |                   |                   |                       |
| Bonds and borrowings                                       | 859,216           | 872,870           | 815,588               |
| Other financial liabilities                                | 29,559            | 29,019            | 28,387                |
| Retirement benefit liabilities                             | 133,889           | 144,179           | 139,921               |
| Provisions   | 21,372            | 23,616            | 24,329                |
| Other non current liabilities                              | 34,657            | 41,387            | 35,666                |
| Deferred tax liabilities                                   | 91,165            | 74,850            | 72,107                |
| Total non current liabilities                              | 1,169,858         | 1,185,921         | 1,115,998             |
| Total liabilities  | 2,766,618         | 2,627,623         | 2,575,983             |
| <b>Equity</b>  |                   |                   |                       |
| Common stock   | 50,000            | 50,000            | 50,000                |
| Additional paid-in capital                                 | 318,185           | 317,544           | 318,305               |
| Treasury stock   | (16,236)          | (16,240)          | (16,222)              |
| Retained earnings  | 582,794           | 610,909           | 679,162               |
| Other components of equity                                 | 58,268            | 9,984             | (38,680)              |
| Equity attributable to owners of the parent                | 993,011           | 972,197           | 992,565               |
| Non-controlling interests                                  | 609,369           | 623,954           | 579,165               |
| Total equity   | 1,602,380         | 1,596,151         | 1,571,730             |
| Total liabilities and equity                               | 4,368,998         | 4,223,774         | 4,147,713             |

**(4) Condensed Consolidated Statement of Changes in Equity**

Six months ended September 30, 2015

|  | (Millions of yen)  |   |  |  |          |  |                                  |                 |  |
|--|--|---|--|--|----------|--|----------------------------------|-----------------|--|
|  | Common<br>stock  | Additional<br>paid-in<br>capital                                  | Treasury<br>stock  | Retained<br>earnings   |          |  |                                  |                 |  |
| Balance at April 1, 2015   | 50,000   | 318,185   | (16,236)   | 582,794  |          |  |                                  |                 |  |
| Net income   | —  | —   | —  | 67,849   |          |  |                                  |                 |  |
| Other comprehensive income                                       | —  | —   | —  | —  |          |  |                                  |                 |  |
| Total comprehensive income                                       | —  | —   | —  | 67,849   |          |  |                                  |                 |  |
| Purchase of treasury stock                                       | —  | —   | (24)   | —  |          |  |                                  |                 |  |
| Disposal of treasury stock                                       | —  | (4)   | 4  | —  |          |  |                                  |                 |  |
| Cash dividends   | —  | —   | —  | (10,253)   |          |  |                                  |                 |  |
| Share-based payment transactions                                 | —  | 58  | —  | —  |          |  |                                  |                 |  |
| Changes in interests in subsidiaries                             | —  | 115   | —  | —  |          |  |                                  |                 |  |
| Business combinations or business divestitures                   | —  | —   | 33   | —  |          |  |                                  |                 |  |
| Changes in scope of consolidation                                | —  | —   | —  | 169  |          |  |                                  |                 |  |
| Transfer from other components<br>of equity to retained earnings | —  | —   | —  | (3,072)  |          |  |                                  |                 |  |
| Total transactions with owners                                   | —  | 169   | 13   | (13,156)   |          |  |                                  |                 |  |
| Balance at September 30, 2015                                    | 50,000   | 318,354   | (16,223)   | 637,487  |          |  |                                  |                 |  |
|  | <b>Other components of equity</b>  |   |  |  |          |  |                                  |                 |  |
|  | Net gain<br>(loss) on<br>reevaluation<br>of financial<br>assets<br>measured<br>at fair value | Remeasure-<br>ments of<br>defined<br>benefit<br>pensions<br>plans | Exchange<br>differences<br>on<br>translation<br>of foreign<br>operations | Net gain<br>(loss) on<br>derivatives<br>designated<br>as cash flow<br>hedges | Total    | Equity<br>attributable<br>to owners of<br>the parent | Non-<br>controlling<br>interests | Total<br>equity |  |
| Balance at April 1, 2015   | 60,322   | —   | —  | (2,054)  | 58,268   | 993,011  | 609,369                          | 1,602,380       |  |
| Net income   | —  | —   | —  | —  | —        | 67,849   | 28,836                           | 96,685          |  |
| Other comprehensive income                                       | (7,690)  | (3,077)   | (5,566)  | 36   | (16,297) | (16,297)   | (7,692)                          | (23,989)        |  |
| Total comprehensive income                                       | (7,690)  | (3,077)   | (5,566)  | 36   | (16,297) | 51,552   | 21,144                           | 72,696          |  |
| Purchase of treasury stock                                       | —  | —   | —  | —  | —        | (24)   | —                                | (24)            |  |
| Disposal of treasury stock                                       | —  | —   | —  | —  | —        | —  | —                                | —               |  |
| Cash dividends   | —  | —   | —  | —  | —        | (10,253)   | (13,694)                         | (23,947)        |  |
| Share-based payment transactions                                 | —  | —   | —  | —  | —        | 58   | —                                | 58              |  |
| Changes in interests in subsidiaries                             | —  | —   | —  | —  | —        | 115  | 1,537                            | 1,652           |  |
| Business combinations or business divestitures                   | —  | —   | —  | —  | —        | 33   | 1,571                            | 1,604           |  |
| Changes in scope of consolidation                                | —  | —   | —  | —  | —        | 169  | 53                               | 222             |  |
| Transfer from other components<br>of equity to retained earnings | (5)  | 3,077   | —  | —  | 3,072    | —  | —                                | —               |  |
| Total transactions with owners                                   | (5)  | 3,077   | —  | —  | 3,072    | (9,902)  | (10,533)                         | (20,435)        |  |
| Balance at September 30, 2015                                    | 52,627   | —   | (5,566)  | (2,018)  | 45,043   | 1,034,661  | 619,980                          | 1,654,641       |  |

Six months ended September 30, 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  | —            | —                          | —              | 79,154            |
| Other comprehensive income                                    | —            | —                          | —              | —                 |
| Total comprehensive income                                    | —            | —                          | —              | 79,154            |
| Purchase of treasury stock                                    | —            | —                          | (9)            | —                 |
| Disposal of treasury stock                                    | —            | (27)                       | 27             | —                 |
| Cash dividends  | —            | —                          | —              | (11,718)          |
| Share-based payment transactions                              | —            | 71                         | —              | —                 |
| Changes in interests in subsidiaries                          | —            | 717                        | —              | —                 |
| Changes in scope of consolidation                             | —            | —                          | —              | (258)             |
| Transfer from other components of equity to retained earnings | —            | —                          | —              | 1,075             |
| Total transactions with owners                                | —            | 761                        | 18             | (10,901)          |
| Balance at September 30, 2016                                 | 50,000       | 318,305                    | (16,222)       | 679,162           |

|   | 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 | Remeasurements 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  | —   | —  | —   | —   | —        | 79,154                                      | 29,993                    | 109,147      |
| Other comprehensive income                                    | (1,112)   | 1,070  | (48,031)  | 484   | (47,589) | (47,589)                                    | (19,317)                  | (66,906)     |
| Total comprehensive income                                    | (1,112)   | 1,070  | (48,031)  | 484   | (47,589) | 31,565                                      | 10,676                    | 42,241       |
| Purchase of treasury stock                                    | —   | —  | —   | —   | —        | (9)   | —                         | (9)          |
| Disposal of treasury stock                                    | —   | —  | —   | —   | —        | —   | —                         | —            |
| Cash dividends  | —   | —  | —   | —   | —        | (11,718)                                    | (16,608)                  | (28,326)     |
| Share-based payment transactions                              | —   | —  | —   | —   | —        | 71  | —                         | 71           |
| Changes in interests in subsidiaries                          | —   | —  | —   | —   | —        | 717   | (38,857)                  | (38,140)     |
| Changes in scope of consolidation                             | —   | —  | —   | —   | —        | (258)                                       | —                         | (258)        |
| Transfer from other components of equity to retained earnings | (5)   | (1,070)  | —   | —   | (1,075)  | —   | —                         | —            |
| Total transactions with owners                                | (5)   | (1,070)  | —   | —   | (1,075)  | (11,197)                                    | (55,465)                  | (66,662)     |
| Balance at September 30, 2016                                 | 35,937  | —  | (73,277)  | (1,340)   | (38,680) | 992,565                                     | 579,165                   | 1,571,730    |

**(5) Condensed Consolidated Statement of Cash Flow**

Six months ended September 30, 2015 and 2016

(Millions of yen)

|  | Six months<br>ended September 30,<br>2015 | Six months<br>ended September 30,<br>2016 |
|--|---|---|
| Cash flows from operating activities                                     |   |   |
| Earnings before taxes  | 147,591                                   | 111,620                                   |
| Earnings before taxes from discontinued operations                       | (5,480)                                   | 74  |
| Depreciation and amortization  | 90,642                                    | 84,408                                    |
| Equity income  | (8,048)                                   | (7,352)                                   |
| Interest and dividend income   | (5,149)                                   | (4,294)                                   |
| Interest expenses  | 9,289                                     | 7,863                                     |
| (Increase) decrease in trade receivables                                 | (42,637)                                  | 34,216                                    |
| (Increase) decrease in inventories                                       | (10,932)                                  | 12,283                                    |
| Increase (decrease) in trade payables                                    | (16,130)                                  | (2,571)                                   |
| Increase (decrease) in retirement benefit assets<br>and liabilities, net | 1,116                                     | (333)                                     |
| Other  | (50,167)                                  | (3,822)                                   |
| Subtotal   | 110,095                                   | 232,092                                   |
| Interest received  | 1,672                                     | 1,718                                     |
| Dividends received   | 7,577                                     | 9,277                                     |
| Interest paid  | (9,203)                                   | (7,896)                                   |
| Income tax (paid) received, net  | (42,338)                                  | (39,584)                                  |
| Net cash provided by (used in) operating activities                      | 67,803                                    | 195,607                                   |
| Cash flows from investing activities                                     | (87,824)                                  | (94,264)                                  |
| Proceeds from sales of property, plant and equipment                     | 7,073                                     | 4,472                                     |
| Purchase of intangible assets  | (5,982)                                   | (1,732)                                   |
| Purchase of other financial assets                                       | (36,163)                                  | (122,150)                                 |
| Proceeds from sales/redemption of other financial assets                 | 110,071                                   | 55,274                                    |
| Acquisition of control over subsidiaries                                 | (14,683)                                  | (5,742)                                   |
| Net increase (decrease) of time deposits                                 | 25,132                                    | 117,000                                   |
| Payments for transfer of business  | (156)                                     | (77,000)                                  |
| Other  | 903                                       | (131)                                     |
| Net cash provided by (used in) investing activities                      | (1,629)                                   | (124,273)                                 |

|   | (Millions of yen)                         |   |
|---|---|---|
|   | Six months<br>ended September 30,<br>2015 | Six months<br>ended September 30,<br>2016 |
| <b>Cash flows from financing activities</b>   |   |   |
| Net increase (decrease) in short-term borrowings  | 34,068                                    | (5,620)                                   |
| Net increase (decrease) in commercial papers  | (16,000)                                  | 49,000                                    |
| Proceeds from long-term borrowings  | 55,946                                    | 43,763                                    |
| Repayment of long-term borrowings   | (62,842)                                  | (61,567)                                  |
| Proceeds from issuance of bonds   | 19,897                                    | 39,777                                    |
| Repayment from redemption of bonds  | (20)                                      | (20,010)                                  |
| Net (increase) decrease in treasury stock   | (24)                                      | (10)                                      |
| Dividends paid to owners of the parent  | (10,253)                                  | (11,718)                                  |
| Dividends paid to non-controlling interests   | (13,448)                                  | (17,047)                                  |
| Proceeds from stock issuance to non-controlling interests   | 2,474                                     | 1,616                                     |
| Payments for aquisition of subsidiaries' interests from non-controlling interests                     | (681)                                     | (39,773)                                  |
| Other   | (1,744)                                   | (2,327)                                   |
| Net cash provided by (used in) financing activities   | <u>7,373</u>                              | <u>(23,916)</u>                           |
| Effect of exchange rate changes on cash and cash equivalents  | (1,202)                                   | (22,537)                                  |
| Net increase (decrease) in cash and cash equivalents  | <u>72,345</u>                             | <u>24,881</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 | —   | (10,454)                                  |
| Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation  | 212                                       | —   |
| Cash and cash equivalents at the end of the period  | <u>325,306</u>                            | <u>281,575</u>                            |