

NOTE:

Please note that this is a summary translation of the Notice of Meeting in Japanese only for the reference of foreign investors and is not official texts and the Card for Exercise of Voting Rights is not attached.

The official Notice has been mailed to the custodian in Japan of each foreign shareholder.

The company is not responsible for the accuracy or completeness of the translation.

June 5, 2017

To Shareholders:

Notice of the 12th Ordinary General Meeting of Shareholders

On behalf of the Board, I would like to thank you, our shareholders, for your continued support.

Mitsubishi Chemical Holdings Corporation (hereinafter the “Company” or “MCHC”) cordially invites you to attend the 12th Ordinary General Meeting of Shareholders to be held on the date and at the venue specified below.

If you are unable to attend the meeting, you can exercise your voting rights by mail or the Internet. Please refer to the “Reference Materials for the General Meeting of Shareholders” on pages 5 to 23 of this notice and exercise your voting rights following the instructions on “Exercise of Voting Rights” on pages 3 to 4 no later than 5:45 p.m. on Monday, June 26, 2017.

(Supplemental Note: Foreign investors may not vote by mail or Internet. The official Notice and the Card for Exercise of Voting Rights have been mailed to each custodian in Japan. The Company asks foreign investors to indicate their agreement or disagreement on the proposals to the custodians. However, in case they have participated in the Electronic Platform to Exercise Voting Rights for Institutional Investors operated by ICJ, Inc., they can exercise their rights via the said platform.)

Sincerely yours,

Hitoshi Ochi, Director, President and CEO

Mitsubishi Chemical Holdings Corporation

1. Date Tuesday, June 27, 2017, from 10:00 a.m. (Reception starts at 9:00 a.m.)

2. Venue Royal Park Hotel, 3rd Floor, Royal Hall
1-1, Nihonbashi Kakigara-cho 2-chome, Chuo-ku, Tokyo

3. Agenda

Matters to be Reported

Item 1. The contents of the Business Report, the Consolidated Financial Statements, and results of audit by the Accounting Auditor and the Audit Committee of the Consolidated Financial Statements for the 12th fiscal year from April 1, 2016, to March 31, 2017

Item 2. The contents of the Non-consolidated Financial Statements for the 12th fiscal year from April 1, 2016, to March 31, 2017

Matters to be Resolved

Agendum. Election of Thirteen (13) Directors of the Board

1. Pursuant to the relevant laws and ordinances and Article 18 of MCHC's Articles of Incorporation, the Matters Related to Stock Acquisition Rights, the Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements, and the Non-consolidated Statement of Changes in Net Assets and the Notes to the Non-consolidated Financial Statements are posted on MCHC's website (<http://www.mitsubishichem-hd.co.jp/>), and thus they are not presented as attachments to this Notice of the 12th Ordinary Meeting of Shareholders.

(Supplemental Note: This English translation file contains the Matters Related to Stock Acquisition Rights, the Consolidated Statement of Changes in Net Assets and the Notes to the Consolidated Financial Statements and, the Non-consolidated Statement of Changes in Net Assets and the Notes to the Non-consolidated Financial Statements.)

2. Please be aware that if it becomes necessary to revise information contained in the Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Non-consolidated Financial Statements, the revised information will be posted on the MCHC's website (<http://www.mitsubishichem-hd.co.jp/>).

Exercise of Voting Rights

Voting rights are principal rights of shareholders. Please exercise your voting rights after reading the Reference Materials for the General Meeting of Shareholders on pages 5 to 23 of this notice.

There are three ways to exercise your voting rights as described below:

1. By attending the general meeting of shareholders

Please submit the enclosed Card for Exercise of Voting Rights to reception at the meeting venue.

Date and Time: Tuesday, June 27, 2017, from 10:00 a.m. (Reception starts at 9:00 a.m.)

2. By submitting Card for Exercise of Voting Rights by mail

Please indicate your approval or disapproval of the proposals on the enclosed Card for Exercise of Voting Rights and return it to the Company.

Exercise due date: To be received no later than 5:45 p.m. on Monday, June 26, 2017

3. By exercising voting rights via the Internet

Please access our Internet voting website through a computer, a smartphone or a mobile phone and enter your approval or disapproval of the proposals. Please read further instructions given below.

Exercise due date: No later than 5:45 p.m. on Monday, June 26, 2017

[Notes on exercising voting rights via the Internet]

- (1) Please access our Internet voting website (<http://www.evotepj.com>), log in using the Login ID and a Temporary Password indicated on the right-hand side of the Card for Exercise of Voting Rights and indicate your approval or disapproval following the instructions on the screen. (Please note that votes cannot be cast from 2:00 a.m. to 5:00 a.m. each day.)
- (2) Please be aware that in order to prevent improper access or vote altering by non-shareholders you will be asked to change your Temporary Password on the voting site the first time you log in. The Login ID and Temporary Password are only effective for this General Meeting of Shareholders.
- (3) The costs incurred when accessing the Internet voting website, including Internet access fees and communication expenses will be the responsibility of the shareholder.
- (4) When exercising your voting rights using a PC, a smartphone or a mobile phone, the Internet voting website may be unable to be used by certain Internet settings, or by the service to which you are subscribed or the model of the device you use to access the Web site. For details, please contact the Help Desk shown below.

[Exercising Voting Rights by Proxy]

If you are unable to attend the Ordinary General Meeting of Shareholders, you may exercise voting rights by a proxy who is also a shareholder with voting rights. Please be aware that a written statement attesting to the right of proxy must be submitted.

[Handling of Redundant Voting]

In the case where the Card for Exercise of Voting Rights is submitted by mail and voting rights are exercised via the Internet, votes exercised via the Internet will be considered effective. If voting rights are exercised multiple times via the Internet, the final vote cast will be considered effective.

[For Institutional Investors]

Shareholders who have participated in the Electronic Platform to Exercise Voting Rights for Institutional Investors operated by ICJ, Inc. can exercise their rights via the said platform.

[Inquiries]

(1) Inquiries regarding the exercise of voting rights via the Internet

Mitsubishi UFJ Trust and Banking Corporation

Stock Transfer Agency Division (Help Desk)

Phone: 0120-173-027 (toll-free, within Japan only)

Hours: 9:00 a.m. to 9:00 p.m. (including weekends and holidays)

(2) Other inquiries

Mitsubishi UFJ Trust and Banking Corporation

Stock Transfer Agency Division

Phone: 0120-232-711 (toll-free, within Japan only)

Hours: 9:00 a.m. to 5:00 p.m. (excluding weekends and holidays)

Reference Materials for the General Meeting of Shareholders

Agenda and References

Agendum Election of Thirteen (13) Directors of the Board

The terms of office of all 12 directors will expire at the conclusion of this General Meeting of Shareholders. Based on the decision by the Nominating Committee, the Board of Directors proposes the election of 13 directors.

The candidates for directors are as described in No. 1 to 13 below.

Candidate No.	Name	Present position and duty at the Company	
1	Yoshimitsu Kobayashi	Director of the Board, Chairperson Member of the Nominating Committee	Reelection
2	Hitoshi Ochi	Director of the Board, President, CEO Member of the Nominating Committee	Reelection
3	Glenn H. Fredrickson	Director of the Board	Reelection
4	Yoshihiro Umeha	Director of the Board Member of the Audit Committee	Reelection
5	Hisao Urata	Director of the Board Member of the Audit Committee	Reelection
6	Noriyoshi Ohira	Deputy CEO and Corporate Executive Officer	Newly elected
7	Kenkichi Kosakai	Deputy CEO and Corporate Executive Officer	Newly elected
8	Shushichi Yoshimura	Senior Management Corporate Executive Officer	Newly elected
9	Takeo Kikkawa	Director of the Board Member of the Nominating Committee Member of the Compensation Committee	Reelection Outside Director Independent Officer
10	Taigi Ito	Director of the Board Member of the Audit Committee Member of the Compensation Committee	Reelection Outside Director Independent Officer

Candidate No.	Name	Present position and duty at the Company	
11	Kazuhiro Watanabe	Director of the Board Member of the Audit Committee Member of the Compensation Committee	Reelection Outside Director Independent Officer
12	Hideko Kunii	Director of the Board Member of the Nominating Committee Member of the Audit Committee	Reelection Outside Director Independent Officer
13	Takayuki Hashimoto	Director of the Board Member of the Nominating Committee	Reelection Outside Director Independent Officer

The MCHC Group has established the “Mitsubishi Chemical Holdings Corporate Governance Guidelines,” which set down the constitution of the Board of Directors and the policy on nomination of director candidates, etc. An overview of the guidelines is as follows.

Constitution of the Board of Directors

In order to establish the Group’s basic management policies and oversee management appropriately, directors who are well acquainted with the Group’s business areas and specialized fields such as corporate planning, finance, administration and personnel, and research and development, are appointed from within the company. In addition, Outside Directors who possess an advanced level of knowledge and great insight in corporate management, social and economic situations, science technology, finance and accounting, compliance, and other subjects are appointed in order to oversee the management from an independent and objective position, and to reflect more diverse opinions in the management.


Furthermore, in a bid to enhance oversight functions, a majority of the Board of Directors shall consist of non-executive directors who do not execute business of MCHC or its operating companies (Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Life Science Institute and Taiyo Nippon Sanso. The same shall apply hereafter.).


Policy on nomination of director candidates


The Nominating Committee nominates persons who fulfill the following criteria as candidates for directors.


- possess deep insight, as well as objective and fair judgment, which are necessary to fulfill the responsibilities of a director of Company with Nominating Committee, etc.
- possess high ethical standards and a law-abiding mind.
- healthy enough to fulfill the responsibilities as a director.
- For Outside Directors, fulfills independence standards that are separately stipulated (on page 22), and be able to secure enough time to execute business. In addition, be able to secure diversity among Outside Directors.


	No.1 (Reelection)	Yoshimitsu Kobayashi			
		Date of birth	November 18, 1946		
		Number of the Company's shares held	93,148		
		Term of office	11 years		
		Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/10 (90%) Nominating Committee meetings 7/8 (87.5%)		
		Position and duty at the Company	Director of the Board, Chairperson Member of the Nominating Committee		
	[Personal history]				
Dec. 1974	Joined Mitsubishi Industries Limited	Chemical	Apr. 2007	Director of the Board, President and CEO of Mitsubishi Chemical Holdings Corporation	
Jun. 2003	Executive Officer of Mitsubishi Chemical Corporation			Director of the Board, President and CEO of Mitsubishi Chemical Corporation	
Apr. 2005	Managing Executive Officer of Mitsubishi Chemical Corporation		Apr. 2012	Director of the Board, Chairperson of Mitsubishi Chemical Corporation (until March 2017)	
Jun. 2006	Director of the Board of Mitsubishi Chemical Holdings Corporation				
Feb. 2007	Director of the Board, Managing Executive Officer of Mitsubishi Chemical Corporation		Apr. 2015 to present	Director of the Board, Chairperson of Mitsubishi Chemical Holdings Corporation	
[Significant concurrent positions]					
Director of the Board, Chairperson of The KAITEKI Institute, Inc. Outside Director of Toshiba Corporation Chairperson of Japan Association of Corporate Executives Chairperson of Council on Competitiveness-Nippon					
[Reason for choosing as candidate for Director]					
Yoshimitsu Kobayashi engaged in research and development departments and the performance products business domain and then has served as President & CEO of MCHC and Mitsubishi Chemical Corporation ("MCC") successively. Also having acted as a member of the Council on Economic and Fiscal Policy and the Council for Industrial Competitiveness, and Chairperson of the Japan Association of Corporate Executives, he has broad experience and profound insight. The Board of Directors believes that Yoshimitsu Kobayashi is qualified for Director and request that he be elected as proposed.					


	No.2 (Reelection)	Hitoshi Ochi	
		Date of birth	October 21, 1952
		Number of the Company's shares held	29,675
		Term of office	8 years
		Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/10 (90%) Nominating Committee meetings 8/8 (100%)
		Position and duty at the Company	Director of the Board, President and CEO Member of the Nominating Committee
		[Personal history]	
Apr. 1977	Joined Mitsubishi Chemical Industries Limited	Apr. 2011	Director of the Board of Mitsubishi Chemical Holdings Corporation (until June 2011)
Jun. 2007	Executive Officer of Mitsubishi Chemical Holdings Corporation Executive Officer of Mitsubishi Chemical Corporation (until March 2010)	Apr. 2012	Director of the Board, Managing Executive Officer of Mitsubishi Chemical Corporation (until March 2012)
Apr. 2009	Director of the Board of Mitsubishi Plastics, Inc. (until March 2011)	Apr. 2012	Director of the Board, President and CEO of Mitsubishi Rayon Co., Ltd. (present-day Mitsubishi Chemical Corporation) (current)
Jun. 2009	Director of the Board, Executive Officer of Mitsubishi Chemical Holdings Corporation	Jun. 2012	Director of the Board of Mitsubishi Chemical Holdings Corporation
Jun. 2010	Director of the Board, Managing Executive Officer of Mitsubishi Chemical Holdings Corporation Director of the Board of Mitsubishi Rayon Co., Ltd. (until June 2011)	Apr. 2015 to present	Director of the Board, President and CEO of Mitsubishi Chemical Holdings Corporation
[Significant concurrent positions]			
Director of the Board, President and CEO of Mitsubishi Chemical Corporation. Director of the Board of The KAITEKI Institute, Inc. Director, Chi Mei Corporation			
[Reason for choosing as candidate for Director]			
After working in manufacturing departments, Hitoshi Ochi engaged in the Corporate Strategy Office and other departments of MCHC and MCC and now serves as President & CEO of MCHC and Director of the Board, President & CEO of MCC. He has abundant experience and profound insight in the businesses of the MCHC Group as well as in corporate management, the Board of Directors believes that he is qualified for Director and request that he be elected as proposed.			


	No.3 (Reelection)	Glenn H. Fredrickson	
		Date of birth	May 8, 1959
		Number of the Company's shares held	0
		Term of office	3 years
		Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 7/10 (70%)
		Position and duty at the Company	Director of the Board
[Personal history]			
Jan. 1990	Associate Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara	Apr. 2014	Managing Executive Officer of Mitsubishi Chemical Holdings Corporation
Jul. 1991	Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara (current)	Jun. 2014	Director of the Board, Managing Executive Officer of Mitsubishi Chemical Holdings Corporation
May 1998	Chairperson, Department of Chemical Engineering, University of California, Santa Barbara (until July 2001)	Jun. 2015	Director of the Board, Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
Mar. 2001	Director of Mitsubishi Chemical Center for Advanced Materials at the University of California, Santa Barbara (current)	Apr. 2017 to present	Director of the Board of Mitsubishi Chemical Holdings Corporation
[Significant concurrent positions]			
Distinguished Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara			
[Reason for choosing as candidate for Director]			
Glenn H. Fredrickson is a university professor in the U.S. and has profound insight as an international authority in the polymer chemistry domain and abundant experience as a consultant for global corporations. Therefore, the Board of Directors believes that he is qualified for Director and request that he be elected as proposed.			


	No.4 (Reelection)	Yoshihiro Umeha			
		Date of birth		March 15, 1955	
		Number of the Company's shares held		12,156	
		Term of office		2 years	
		Attendance at meetings of the Board of Directors, etc.		Board of Directors meeting 10/10 (100%) Audit Committee meetings 13/13 (100%)	
		Position and duty at the Company		Director of the Board Member of the Audit Committee	
		[Personal history]			
Apr. 1977	Joined Mitsubishi Industries Limited	Chemical	Jun. 2015	Director of the Board of Mitsubishi Chemical Holdings Corporation (current)	
Jun. 2008	Executive Officer of Mitsubishi Chemical Corporation			Corporate Auditor of Mitsubishi Chemical Corporation (until March 2017)	
Apr. 2012	Director of the Board, Managing Executive Officer of Mitsubishi Chemical Corporation (until March 2015)		Jun. 2016	Corporate Auditor of Mitsubishi Rayon Co., Ltd. (present-day Mitsubishi Chemical Corporation) (current)	
				Corporate Auditor of Life Science Institute, Inc. (until March 2017)	
[Significant concurrent positions]					
Corporate Auditor of Mitsubishi Chemical Corporation					
[Reason for choosing as candidate for Director]					
<p>Yoshihiro Umeha engaged in accounting and financial departments and the industrial materials business domain before serving as a full-time member of the Audit Committee of MCHC. He has abundant experience and profound insight in the businesses of the MCHC Group as well as in corporate management, the Board of Directors believes that he is qualified for Director and request that he be elected as proposed.</p>					


	No.5 (Reelection)	Hisao Urata			
		Date of birth	February 20, 1956		
		Number of the Company's shares held	9,904		
		Term of office	1 year		
		Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 7/7 (100%) Audit Committee meetings 10/10 (100%)		
		Position and duty at the Company	Director of the Board Member of the Audit Committee		
		[Personal history]			
Jan. 1991	Joined Mitsubishi Corporation	Kasei	Jun. 2015	Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation (until March 2016)	
Jun. 2011	Executive Officer of Mitsubishi Chemical Corporation (until March 2014)		Jun. 2016	Director of the Board of Mitsubishi Chemical Holdings Corporation (current) Corporate Auditor of Mitsubishi Plastics, Inc. (until March 2017)	
Apr. 2015	Managing Executive Officer of Mitsubishi Chemical Holdings Corporation		Apr. 2017 to present	Corporate Auditor of Life Science Institute, Inc.	
[Significant concurrent positions]					
Corporate Auditor of Life Science Institute, Inc. Corporate Auditor of the KAITEKI Institute					
[Reason for choosing as candidate for Director]					
Hisao Urata engaged in research and development departments and the corporate strategy division of MCC before serving as a full-time member of the Audit Committee of MCHC. He has abundant experience and profound insight in the businesses of the MCHC Group as well as in corporate management, the Board of Directors believes that he is qualified for Director and request that he be elected as proposed.					


	No.6 (Newly elected)	Noriyoshi Ohira	
		Date of birth	October 21, 1952
		Number of the Company's shares held	46,107
		Position and duty at the Company	Deputy CEO and Corporate Executive Officer (Public Policy and Relation, PR, Legal, Administration, Human Resources and Internal Control) Chief Compliance Officer
[Personal history]			
Apr. 1975	Joined Mitsubishi Chemical Industries Limited	Apr. 2014	Senior Managing Executive Officer of Mitsubishi Chemical Holdings Corporation
Jun. 2006	Executive Officer of Mitsubishi Chemical Holdings Corporation Executive Officer of Mitsubishi Chemical Corporation		Director of the Board, Senior Managing Executive Officer of Mitsubishi Chemical Corporation (until March 2015)
Jun. 2009	Director of the Board, Executive Officer of Mitsubishi Chemical Corporation		Director of the Board of Life Science Institute, Inc. (current)
Jun. 2010	Managing Executive Officer of Mitsubishi Chemical Holdings Corporation Director of the Board, Managing Executive Officer of Mitsubishi Chemical Corporation	Jun. 2015	Senior Management Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
		Apr. 2017	Deputy CEO and Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
		to present	
[Significant concurrent positions]			
Director of the Board of Life Science Institute, Inc.			
[Reason for choosing as candidate for Director]			
Noriyoshi Ohira engaged mainly in human resources and internal control departments and now serves as Deputy CEO and Corporate Executive Officer of MCHC. Having thus engaged in management of MCHC, he has abundant experience and profound insight in the businesses of the MCHC Group. The Board of Directors believes that he is qualified for Director and request that he be elected as proposed.			


	No.7 (Newly elected)	Kenkichi Kosakai	
		Date of birth	August 9, 1953
		Number of the Company's shares held	9,393
		Position and duty at the Company	Deputy CEO and Corporate Executive Officer (Corporate Management and IR) Chief Financial Officer
[Personal history]			
Apr. 1976	Joined Mitsubishi Chemical Industries Limited	Apr. 2015	Senior Managing Executive Officer of Mitsubishi Chemical Holdings Corporation
Jun. 2008	Executive Officer of Mitsubishi Tanabe Pharma Corporation		Director of the Board of Mitsubishi Rayon Co., Ltd. (until March 2017)
Jun. 2010	Director of the Board, Managing Executive Officer of Mitsubishi Tanabe Pharma Corporation	Jun. 2015	Senior Management Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
Apr. 2014	Managing Executive Officer of Mitsubishi Chemical Holdings Corporation	Jun. 2016	Director of the Board of Mitsubishi Plastics, Inc. (until March 2017)
	Director of the Board of Mitsubishi Tanabe Pharma Corporation (until June 2015)	Apr. 2017	Deputy CEO and Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
		to present	
[Significant concurrent positions]			
President and CEO of Mitsubishi Chemical Holdings Corporate Staff, Inc.			
[Reason for choosing as candidate for Director]			
Kenkichi Kosakai engaged in accounting and financial departments as well as the corporate management divisions of Mitsubishi Tanabe Pharma Corporation, and now serves as Deputy CEO and Corporate Executive Officer of MCHC. Having thus engaged in management of MCHC, he has abundant experience and profound insight in the businesses of the MCHC Group and also in corporate management. The Board of Directors believes that he is qualified for Director and request that he be elected as proposed.			


	No.8 (Newly elected)	Shushichi Yoshimura			
		Date of birth		November 27, 1953	
		Number of the Company's shares held		24,182	
		Position and duty at the Company		Senior Management Corporate Executive Officer (Corporate Strategy)	
[Personal history]					
Apr. 1979	Joined	Mitsubishi Industries Limited	Chemical	Jun. 2016	Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
Jun. 2008	Executive Officer of	Mitsubishi Chemical Corporation			
Apr. 2012	Managing Executive Officer of	Mitsubishi Chemical Corporation		Apr. 2017	Senior Management Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
Apr. 2013	Director of the Board, Managing Executive Officer of	Mitsubishi Chemical Corporation (until June 2016)		to present	
[Significant concurrent positions]					
(Scheduled to assume the position as Director of the Board of Taiyo Nippon Sanso Corporation effective on June 20, 2017)					
[Reason for choosing as candidate for Director]					
Shushichi Yoshimura engaged in the industrial materials business domain as well as the corporate strategy division of MCC, and is now in charge of the corporate strategy division of the MCHC Group. Given his abundant experience and profound insight in the businesses of the MCHC Group and also in corporate management, the Board of Directors believes that he is qualified for Director and request that he be elected as proposed.					

	No.9	Takeo Kikkawa	
	(Reelection	Date of birth	August 24, 1951
	/ Outside	Number of the Company's	
	Director /	shares held	0
	Independent	Term of office	4 years
	Officer)	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/10 (90%) Nominating Committee meetings 8/8 (100%) Compensation Committee meetings 6/6 (100%)
		Position and duty at the Company	Director of the Board Member of the Nominating Committee Member of the Compensation Committee
[Personal history]			
Apr. 1987	Associate Professor, School of Business, Aoyama University	Apr. 2007	Professor, Graduate School of Commerce and Management, Hitotsubashi University
Oct. 1993	Associate Professor, Institute of Social Science, The University of Tokyo	Jun. 2013	Outside Director of Mitsubishi Chemical Holdings Corporation (current)
Apr. 1996	Professor, Institute of Social Science, The University of Tokyo	Apr. 2015	Professor, Graduate School of Innovation Studies of Tokyo University of Science
		to present	
[Significant concurrent positions]			
Professor, Graduate School of Innovation Studies of Tokyo University of Science (Scheduled to assume the position as Outside Director of Idemitsu Kosan Co., Ltd. effective on June 29, 2017.)			
[Reason for choosing as candidate for Director]			
Takeo Kikkawa plays appropriate roles as an Outside Director of the Company by utilizing his profound insight into company management from the perspective of business history and his experience as an expert in theories on the energy industry. Therefore, the Board of Directors concludes that Takeo Kikkawa would be qualified for Outside Director and request that he be elected as proposed. While he has not been involved in corporate management except for serving as Outside Director, the Board of Directors believes that he will properly execute his duties as an Outside Director of the Company.			

	No.10	Taigi Ito	
	(Reelection	Date of birth	October 13, 1946
	/ Outside	Number of the Company's	7,383
	Director /	shares held	
	Independent	Term of office	3 years
	Officer)	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 10/10 (100%) Audit committee meetings 13/13 (100%) Compensation Committee meetings 6/6 (100%)
		Position and duty at the Company	Director of the Board Member of the Audit Committee Member of the Compensation Committee
[Personal history]			
Jan. 1970	Joined Tsuji Audit Corporation	Apr. 2009	Professor, the Graduate School of Accounting of Waseda University (until March 2013)
May 1973	Registered as a Certified Public Accountant		
Feb. 1989	Representative Partner of MISUZU Audit Corporation	Jan. 2012	Chairperson of Disciplinary Committee of JICPA (until August 2016)
Jul. 2004	Deputy Chairperson of the Japanese Institute of Certified Public Accountants (JICPA) (until June 2007)	Jun. 2014	Outside Corporate Auditor of Mitsubishi Chemical Holdings Corporation Corporate Auditor of Mitsubishi Chemical Corporation (until March 2017)
May 2006	Executive Board Member of MISUZU Audit Corporation (until July 2007)	Jun. 2015 to present	Outside Director of Mitsubishi Chemical Holdings Corporation
[Significant concurrent positions]			
Certified Public Accountant Outside Corporate Auditor of Idemitsu Kosan Co., Ltd. Outside Corporate Auditor (External Audit & Supervisory Board Member) of TIS Inc.			
[Reason for choosing as candidate for Director]			
Making the best of his experience and profound insight as a certified public accountant, Taigi Ito currently fulfills his role as Outside Director of MCHC appropriately. Therefore, the Board of Directors believes that he is qualified for Outside Director and request that he be elected as proposed. While he has not been involved in corporate management except for serving as Outside Director, the Board of Directors believes that he will properly execute his duties as an Outside Director of the Company.			

	No.11	Kazuhiro Watanabe	
	(Reelection	Date of birth	May 19, 1947
	/ Outside	Number of the Company's	0
	Director /	shares held	
	Independent	Term of office	3 years
	Officer)	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 10/10 (100%) Nominating Committee meetings 2/2 (100%) Audit committee meetings 13/13 (100%) Compensation Committee meetings 6/6 (100%)
		Position and duty at the Company	Director of the Board Member of the Audit Committee Member of the Compensation Committee
[Personal history]			
Apr. 1974	Appointed as a Prosecutor	Sep. 2009	Registered as a lawyer
Jul. 1998	Assistant Vice-Minister of Justice, Ministry of Justice		Professor, the Law School of Tokai University (until March 2017)
Apr. 2001	Prosecutor of the Supreme Public Prosecutors Office	Jun. 2010	Corporate Auditor of Mitsubishi Plastics, Inc. (until March 2017)
Jan. 2002	Chief Prosecutor of the Nara District Public Prosecutors Office	Jan. 2011	Lawyer, Counselor, Higashimachi LPC (current)
Sep. 2004	Chief Prosecutor of the Maebashi District Public Prosecutors Office	Jun. 2014	Outside Corporate Auditor of Mitsubishi Chemical Holdings Corporation
Sep. 2005	Chief Prosecutor of the Nagoya District Public Prosecutors Office	Jun. 2015	Outside Director of Mitsubishi Chemical Holdings Corporation
Jun. 2007	Chief Prosecutor of the Yokohama District Public Prosecutors Office	to present	
Jul. 2008	Superintending Prosecutor of the Sapporo High Public Prosecutors Office (Retired in July 2009)		
[Significant concurrent positions]			
Attorney at law, Counselor, Higashimachi LPC			
[Reason for choosing as candidate for Director]			
<p>Making the best of his experience and profound insight as a prosecutor and lawyer, Kazuhiro Watanabe currently fulfills his role as Outside Director of the Company appropriately. The Board of Directors thus believes that he is qualified for Outside Director and request that he be elected as proposed. While he has not been involved in corporate management except for serving as Outside Director, the Board of Directors believes that he will properly execute his duties as an Outside Director of the Company.</p>			

	No.12	Hideko Kunii	
	(Reelection	Date of birth	December 13, 1947
	/ Outside	Number of the Company's	
	Director /	shares held	1,504
	Independent	Term of office	2 years
	Officer)	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 10/10(70%) Nominating Committee meetings 8/8(100%) Audit committee meetings 13/13(100%)
	Position and duty at the Company	Director of the Board Member of the Nominating Committee Member of the Audit Committee	
[Personal history]			
May 1982	Joined Ricoh Company, Ltd.	Apr. 2012	Professor, Graduate School of Engineering Management of Shibaura Institute of Technology (current)
Jun. 2005	Corporate Senior Deputy CEO of Ricoh Company, Ltd. (until March 2008)	Apr. 2013	Deputy President of Shibaura Institute of Technology (current)
Apr. 2008	Chairperson of Ricoh Software Co., Ltd. (currently Ricoh IT Solutions Co., Ltd.)	Oct. 2013	Director of Center for Promotion of Educational Innovation Gender Equality Promotion Office of Shibaura Institute of Technology (current)
Apr. 2009	Associate Director of Ricoh Company, Ltd. (until March 2013)	Jun. 2015	Outside Director of Mitsubishi Chemical Holdings Corporation
Jul. 2009	Chairperson of Ricoh IT Solutions Co., Ltd. (until March 2013)	to present	
[Significant concurrent positions]			
Deputy President of Shibaura Institute of Technology Professor, Graduate School of Engineering Management of Shibaura Institute of Technology Director of Center for Promotion of Educational Innovation Gender Equality Promotion Office of Shibaura Institute of Technology Outside Director of Innovation Network Corporation of Japan Outside Director of Tokyo Electric Power Company Holdings, Incorporated. Outside Director of Honda Motor Co., Ltd.			
[Reason for choosing as candidate for Director]			
Making the best of her extensive experience in company management and as an expert in the information processing domain, as well as her profound insight in diversity promotion as a member of the Cabinet Office Gender Equality Promotion Joint Meeting, Hideko Kunii currently fulfills her role as outside director of the Company appropriately. The Board of Directors believes that she is qualified for Outside Director and request that she be elected as proposed.			

	No.13	Takayuki Hashimoto	
	(Reelection	Date of birth	July 9, 1954
	/ Outside	Number of the Company's	
	Director /	shares held	1,088
	Independent	Term of office	1 year
	Officer)	Attendance at meetings of	Board of Directors meeting 6/7(85.7%)
		the Board of Directors, etc.	Nominating Committee meetings 4/6(66.7%)
	Position and duty at the	Director of the Board	
	Company	Member of the Nominating Committee	
[Personal history]			
Apr. 1978	Joined IBM Japan, Ltd.	May 2012	Director of the Board, Chairman of IBM Japan, Ltd.
Apr. 2000	Director of the Board of IBM Japan, Ltd.	Apr. 2014	Chairperson of IBM Japan, Ltd.
Apr. 2003	Managing Executive Officer of IBM Japan, Ltd.	Jan. 2015	Vice Chairperson of IBM Japan, Ltd.
Jan. 2007	Senior Managing Executive Officer of IBM Japan, Ltd.	Jun. 2016	Outside Director of Mitsubishi Chemical Holdings Corporation (current)
Apr. 2008	Director of the Board, Senior Managing Officer of IBM Japan, Ltd.	May 2017	Honorary Executive Advisor of IBM Japan, Ltd.
Jan. 2009	Director of the Board, President of IBM Japan, Ltd.	to present	
[Significant concurrent positions]			
Honorary Executive Advisor of IBM Japan, Ltd.			
Outside Director of KAGOME CO., LTD.			
Outside Director of CHUBU Electric Power Co., Inc.			
Outside Corporate Auditor of IHI Corporation			
[Reason for choosing as candidate for Director]			
Takayuki Hashimoto plays appropriate roles as an Outside Director of the Company by utilizing his extensive experience in corporate management as a president and CEO of a Japanese subsidiary of a global corporation and his profound insight in ICT (information and communication technology). The Board of Directors believes that he is qualified for Outside Director and request that he be elected as proposed.			

Notes:

1. There are no special interests between any candidates and MCHC.
2. Outside Director Kazuhiro Watanabe resigned from his position as member of the Nominating Committee at the conclusion of the 11th Ordinary General Meeting of Shareholders.
3. For Hisao Urata and Takayuki Hashimoto, listed above is their record of attendance at the Board of Directors meetings, etc. held during the fiscal year under review after they assumed the position of Directors of the Company in June 2016.
4. The Company has concluded with Takeo Kikkawa, Taigi Ito, Kazuhiro Watanabe, Hideko Kunii, and Takayuki Hashimoto a liability-limiting agreement as prescribed in Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of said Act, and set an upper limit of the liability for damages under said agreement to be the minimum amount of liability for damages set forth in Article 425, Paragraph 1 of said Act. If this proposal is approved, the Company will renew the agreement.
5. Takeo Kikkawa, Taigi Ito, Kazuhiro Watanabe, Hideko Kunii, and Takayuki Hashimoto are candidates for Outside Directors. The Company has designated Takeo Kikkawa, Taigi Ito, Kazuhiro Watanabe, Hideko Kunii, and Takayuki Hashimoto as independent officers pursuant to the rules and regulations of the Tokyo Stock Exchange, and has notified the stock exchange accordingly. If this proposal is approved and Takeo Kikkawa,

Taigi Ito, Kazuhiro Watanabe, Hideko Kunii, and Takayuki Hashimoto are inaugurated as Outside Directors, they are expected to continue serving as independent officers. Takeo Kikkawa, Taigi Ito, Kazuhiro Watanabe, Hideko Kunii, and Takayuki Hashimoto all meet the “Standards for Independence of Outside Directors” (on following page) stipulated by the Company.

6. If this proposal is approved, the Company plans to set up each committee as follows:

Nominating Committee: Takeo Kikkawa, Yoshimitsu Kobayashi, Hitoshi Ochi, Hideko Kunii and Takayuki Hashimoto

Audit Committee: Yoshihiro Umeha, Hisao Urata, Taigi Ito, Kazuhiro Watanabe and Hideko Kunii

Compensation Committee: Taigi Ito, Noriyoshi Ohira, Kenkichi Kosakai, Takeo Kikkawa and Kazuhiro Watanabe

Standards for Independence of Outside Directors

The Company shall elect those as Outside Directors who do not fall under any of the following and are capable of overseeing the Company's management from a fair and neutral standpoint, free of a conflict of interest with general shareholders.

1. Related party of the Company
 - (1) Person engaged in execution of operation of the MCHC Group (Executive Director, Corporate Executive Officer, Executive Officer, Manager, employee, partner, etc. The same shall apply hereafter.)
 - (2) Person who was engaged in execution of operation of the MCHC Group over the last 10 years
2. Major shareholder

A person who directly or indirectly holds 10% or more of MCHC's total voting rights or a person engaged in execution of operation of a company that directly or indirectly holds 10% or more of MCHC's total voting rights
3. Major business partner
 - (1) A person engaged in execution of operation of a company*¹ whose major business partner includes MCHC and Group Operating Companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation. The same shall apply hereafter.)
 - (2) A person engaged in execution of operation of a major business partner*² of MCHC and Group Operating Companies
4. Accounting Auditor

Accounting Auditor of the MCHC Group or an employee thereof
5. Transaction as an individual

A person who receives money and other financial benefits of 10 million yen or more per year from any of MCHC and Group Operating Companies
6. Donation

A person who receives a donation or financial assistance of 10 million yen or more per year from any of MCHC and Group Operating Companies or a person engaged in execution of operation of a company that receives a donation or financial assistance of 10 million yen or more per year from any of MCHC and Group Operating Companies
7. Reciprocal assumption of the position of Director

A person engaged in execution of operation of a company that has elected any of the Directors and employees of the MCHC Group as its Director

8. Close relatives, etc.
 - (1) Close relatives, etc. of a person engaged in execution of important operations of the MCHC Group (spouse, relatives within the second degree of relationship or any person who shares the same livelihood. The same shall apply hereafter.)
 - (2) Close relatives, etc. of any person who meets the definition of items 3 through 7 above
 - (3) A person who met the definition of items 3 through 7 above over the last three years

- *1 if the said business partner receives from MCHC and Group Operating Companies an amount equivalent to 2% or more of its annual consolidated net sales in the latest fiscal year, this company shall be considered as the one whose major business partner includes MCHC.

- *2 If MCHC and Group Operating Companies receives from the said business partner an amount equivalent to 2% or more of MCHC's annual consolidated net sales in the latest fiscal year or the said business partner loans to the MCHC Group an amount equivalent to 2% or more of MCHC's total consolidated assets, the said business partner shall be considered as a major business partner of MCHC.

(Attachment)

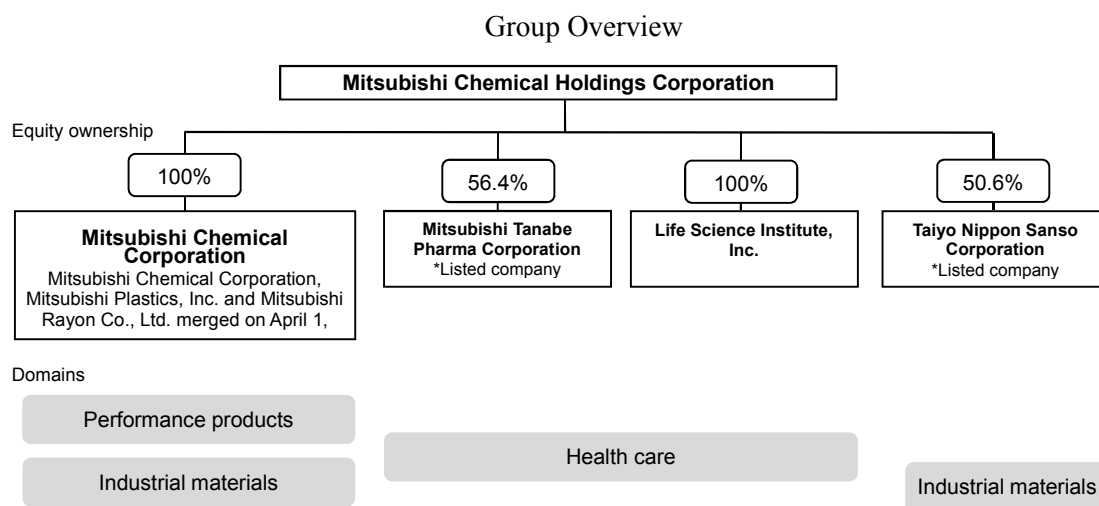
Business Report
(From April 1, 2016 to March 31, 2017)

1. Group Overview of Operation

(1) Mitsubishi Chemical Holdings Group

Under the leadership of Mitsubishi Chemical Holdings Corporation (“Company” or “MCHC”) as the holding company, the MCHC Group conducted business activities in the three business domains of performance products, health care, and industrial materials with Mitsubishi Chemical Corporation (“MCC”), Mitsubishi Tanabe Pharma Corporation (“MTPC”), Mitsubishi Plastics, Inc. (“MPI”), Mitsubishi Rayon Co., Ltd. (“MRC”), Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation (“TNSC”) serving as its six operating companies. The MCHC Group decided to integrate three of these chemical operating companies (MCC, MPI, and MRC) into Mitsubishi Chemical Corporation as of April 1, 2017, in order to establish a structure that optimizes the management resources of the three companies.

MCHC will formulate the strategy, manage the business portfolio, implement an optimal allocation of management resources, and supervise the business operations of the Group as a whole toward the implementation of the “APTSIS 20” medium-term management plan, and will work to further improve the corporate value of the MCHC Group.



(2) Business Development and Performance

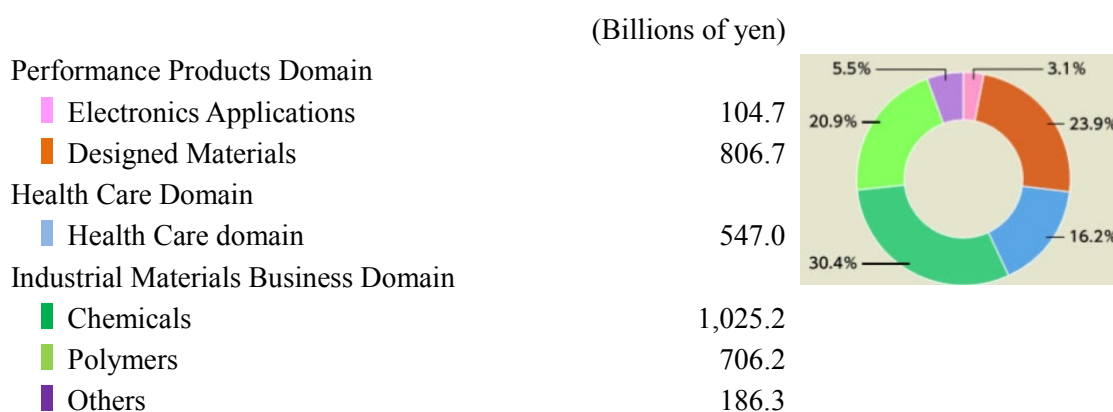
Looking at the business environment surrounding the MCHC Group during the fiscal year under review, the performance products and industrial materials domains, demand was solid both in Japan and overseas despite the yen's appreciation causing a greater foreign exchange effect than the previous fiscal year. In the health care domain, sales were solid despite some negative impacts such as that of the National Health Insurance (NHI) drug price revisions in Japan, which took effect in April 2016.

Against this background, sales revenue for fiscal 2016 was ¥3376.1 billion, down ¥167.3 billion year on year due mainly to the negative impact of the yen's appreciation. Core operating income* rose ¥7.1 billion year on year to ¥307.5 billion and operating income was ¥268.6 billion, a year-on-year fall of ¥0.1 billion.

Net income attributable to the owners of the parent improved markedly ¥104.9 billion year on year to ¥156.3 billion due to a decrease in impairment losses relating to the terephthalic acid business transfer in India and China from those recorded in the previous fiscal year and a year-on-year decrease in tax expenses resulting from recognition of deferred tax assets in relation to the decision of July last year to transfer the aforesaid business and other factors.

* Core operating income is operating income excluding profit/loss arising from extraordinary factors (extraordinary items).

Performance Overview by Segment—Breakdown of Sales Revenues



Note: The Company adopted International Reporting Standard (“IFRS”) in fiscal 2016 (12th Term). When the results of fiscal 2015 (11th Term) are displayed for comparison purposes, these figures have been restated according to IFRS.

Performance Products Domain

Electronics Applications Segment

Principal Businesses: Recording media, electronics-related products, imaging supplies

Sales revenue for the segment totaled ¥104.7 billion, down ¥11.0 billion year on year, while core operating loss deteriorated ¥1.9 billion year on year to ¥2.9 billion.

Sales revenue and core operating income decreased, reflecting lower sales volumes of organic photo conductor (OPC) drums and toners, a reduction in sales prices of information-related materials including display materials, and the impacts of the yen's appreciation, despite the effects of cost reductions in imaging supplies.

Designed Materials Segment

Principal Businesses: Food ingredients, battery materials, fine chemicals, polymer processing products, composite materials, inorganic chemicals, synthetic fibers

Sales revenue for the segment totaled ¥806.7 billion, down ¥18.9 billion year on year, while core operating income grew ¥6.5 billion year on year to ¥81.5 billion yen.

Regarding polymer processing products, sales revenue decreased due to the impacts of the yen's appreciation and a reduction in sales prices, despite higher sales volumes of films for display applications and other products. Regarding fine chemicals, demand for coating materials and other products remained generally firm. Regarding battery materials, sales volumes for automobile batteries increased. Regarding composite materials, sales revenue decreased due to the impacts of the yen's appreciation, despite higher sales volumes of alumina fibers. Regarding food ingredients, sales revenue increased, reflecting the full-year contribution of revenue from Eisai Food & Chemical Co., Ltd. which was added to the scope of consolidation in the fourth quarter of fiscal 2015. Regarding synthetic fibers, sales volumes decreased substantially due in part to a deteriorating export environment. Core operating income grew with higher sales volumes overall and other factors, despite the impacts of the yen's appreciation.

Health Care Domain

Health Care Segment

Principal Businesses: Pharmaceuticals, diagnostic reagents and instruments, clinical testing, pharmaceutical materials

Sales revenue in this segment totaled ¥547.0 billion, a decrease of ¥1.4 billion year on year. Core operating income was ¥98.4 billion year on year, down ¥13.8 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 impacts 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 was at the same level as the previous fiscal year, due mainly to solid revenues from clinical testing and other areas. Core operating income decreased, reflecting the decline in the revenue of the pharmaceuticals business mentioned above and an impact of an increase in costs associated with preparing for a product launch in the U.S.

Industrial Materials Domain

Chemicals Segment

Principal Businesses: Basic petrochemicals, chemical derivatives, synthetic fiber materials, carbon products, industrial gas

Sales revenue in this segment decreased by ¥56.4 billion to ¥1,025.2 billion. Core operating income increased by ¥1.2 billion to ¥58.9 billion.

Regarding basic petrochemicals and chemical derivatives, sales revenue decreased, reflecting a reduction in sales prices stemming from lower raw materials costs compared to the previous fiscal year, as well as a larger scale of scheduled maintenance and repairs at ethylene plants compared to the previous fiscal year. Regarding carbon products including coke and others, sales revenue increased due to sales price increases accompanying a sharp rise in coking coal prices. Regarding industrial gas, sales revenue decreased as a result of the yen's appreciation, despite the inclusion of the results of a business acquired from Air Liquide Industrial U.S. LP starting in the second quarter of fiscal 2016. Core operating income rose due partly to the following factors: regarding industrial gas, the effects of including the results of a business acquired from Air Liquide Industrial U.S. and declines in the costs of raw materials and fuels made impacts, despite the scaling up of scheduled maintenance and repairs at production facilities in the area of basic petrochemicals and chemical derivatives; and a slump of market conditions for needle coke in the area of carbon products.

Polymers Segment

Principal Businesses: Synthetic resins

Sales revenue in this segment decreased by ¥60.1 billion to ¥706.2 billion. Core operating income grew by ¥15.5 billion to ¥71.9 billion.

Regarding synthetic resins, sales revenue decreased, reflecting a reduction in sales prices of polyolefin and other synthetic resins, resulting from lower raw materials costs compared to the previous fiscal year, in addition to the impacts of the yen's appreciation on MMA monomers, despite continued solid demand for them. Core operating income increased, reflecting a continuation of firm market conditions for MMA monomers, despite a decrease in sales revenue due to a scaling up of scheduled maintenance and repairs at production facilities for polyolefin and other synthetic resins.

Others

Principal Businesses: Engineering, logistics

Sales revenue in "Others" segment decreased by ¥19.5 billion to ¥186.3 billion. Core operating income increased by ¥0.1 billion to ¥7.2 billion.

Sales revenue decreased due to a decrease in external orders in the engineering business as well as the overall impact of the yen's appreciation. However, core operating income remained on a par with the previous fiscal year due largely to cost reductions.

(3) Outstanding Issues

Under the “APTSIS 20” medium-term management plan (extending from fiscal 2016 to fiscal 2020), with the basic policy of “aiming to remain a high growth/high profit-model company through businesses in the performance products, industrial materials, and the health-care domains,” the MCHC Group will promptly establish a corporate structure that is able to maintain ROE (return on equity) of 10% or more, and is aiming to achieve core operating income of ¥ 380.0 billion in the final fiscal year of “APTSIS 20.”

During fiscal 2016, the MCHC Group made investments to achieve growth, such as the conversion of The Nippon Synthetic Chemical Industry Co., Ltd. into a wholly-owned subsidiary and the acquisition of an industrial gas business and related business assets in the U.S., while also advanced petrochemical business structural reform such as the integration of Naphtha cracker in Mizushima, and the divestiture of terephthalic acid businesses in India and China.

During fiscal 2017, the MCHC Group, with the aim of further accelerating growth, continues to make efforts to perform reforms of the business portfolio etc.

In the performance products and industrial materials domain, the new Mitsubishi Chemical Corporation, established in April 2017 through the integration of MCC, MPI, and MRC, consolidated the business units of the three chemical companies into 26 and reorganized them into 10 new business domains, through which the Group has built a structure that enables the immediate sharing of information, such as on customer needs and market trends, to maximize synergies created by coordination among business divisions. Under this structure, the Group has set five focus markets in which it aims for growth, including mobility with automobiles/aircraft and packaging/films, and will create high-performance and high value-added products and services and to provide optimal solutions in increasingly sophisticated and complex markets through the integrated activities of the relevant business divisions. In addition, MCC has established regional headquarters representing the Group in Americas, Europe, China, and Asia Pacific, respectively, which will serve the functions of closely supporting each regional business to achieve overseas business growth by taking measures such as strengthening marketing functions in each area. In the industrial gas business, the MCHC Group will work to take measures, such as proactive capital investments and business expansion through M&As, mainly in the U.S. and Asia, and work on expanding market shares and enhancing product lines in areas where the Group has already expanded operations.

In the Health Care domain, the MCHC Group will strengthen its drug discovery capabilities using Open Shared Business, etc., as well as accelerating its efforts to establish a business foundation in the U.S. in the ethical pharmaceuticals business. Furthermore, while aiming to expand the health and medical business that utilizes information communication technology

(ICT), in the next-generation health-care business the MCHC Group will accelerate development of regenerative medicine (Muse cell) working toward its rapid commercialization. Moreover, under the leadership of the Emerging Technology and Business Development Office, which was established within MCHC in April 2017, the MCHC Group will proactively use information technology, such as ICT, Internet of Things (IoT), and artificial intelligence (AI), across the Group to strengthen its business competitiveness and promote the development of new businesses.

Furthermore, the MCHC Group will ensure not only safety management but also compliance and risk management, and further reinforce internal controls while promoting “health management,” in which employees’ health is regarded as a key management resource, to improve their health and productivity at the workplace.

The MCHC Group will address these business challenges with its collective strengths and strive to become THE KAITEKI COMPANY being recognized on a truly global level and further improve corporate and shareholder value. We ask for your continued support and guidance going forward.

< For reference > Numerical targets of “APTSIS 20” in its final year

Financial indicators	Fiscal 2020
Core operating income	380.0 billion yen
ROS (core operating income on sales revenue)	8%
Net income attributable to owners of parent	180.0 billion yen
ROE (Return on equity)	12%
Net D/E ratio	0.8

(4) Capital Expenditures

The MCHC Group's aggregate capital expenditures for the fiscal year under review stood at ¥206.5 billion, the majority of which was applied to construction of new and additional production facilities, renewal of existing facilities, and rationalization investments in other existing facilities.

The amount by each segment includes the following:

Segment	Capital expenditures	Major facilities completed during the fiscal year under review	Major facilities under construction
Electronics Applications	¥6.3 billion	–	Tai Young High Tech Co., Ltd. (Taiwan) Production facility for EL sulfuric acid (addition)
Designed Materials	¥49.8 billion	Mitsubishi Rayon Carbon Fiber and Composites, Inc. (U.S.A.) Production facility for carbon fiber (addition)	Mitsubishi Polyester Film, Inc. (U.S.A.) Production facility for polyester film (addition)
Health Care	¥28.5 billion	Mitsubishi Tanabe Pharma Factory Ltd. Yoshitomi Plant Plant for diagnostic pharmaceuticals (addition)	Qualicaps Co., Ltd., Production facilities for Capsule (addition)
Chemicals	¥70.2 billion	–	TNSC Air separation systems (new)
Polymers	¥47.0 billion	–	The Saudi Methacrylates Company Production facilities for MMA monomer and polymethyl methacrylate (PMMA) (new)

Note: Other than the above, there were capital expenditures of ¥4.7 billion in “Others” and “Company-wide (Common).”

(5) Fund Procurement

Item	Balance at April 1, 2016	Balance at March 31, 2017	Change
Borrowings	1,184.6 billion yen	1,111.1 billion yen	Down 73.5 billion yen
Corporate bonds and commercial paper	395.0 billion yen	582.7 billion yen	Up 187.7 billion yen
Total	1,579.6 billion yen	1,693.8 billion yen	Up 114.2 billion yen

(6) Principal Lenders (as of March 31, 2017)

Lenders	Amount Borrowed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	264.8 billion yen
Mizuho Bank, Ltd.	162.6 billion yen
Mitsubishi UFJ Trust and Banking Corporation	117.3 billion yen
The Norinchukin Bank	76.3 billion yen

(7) Significant Business Realignment

– In April 2016, Mitsubishi Chemical Corporation and Asahi Kasei Chemicals Corporation (currently, Asahi Kasei Corporation) integrated both companies' naphtha crackers in Mizushima, as part of its activities to restructure the petrochemical business, and established the equally held joint venture Asahi Kasei Mitsubishi Chemical Ethylene Corporation.

(Chemicals Segment)

– Matheson Tri-Gas Inc. (U.S.A.), a wholly-owned subsidiary of Taiyo Nippon Sanso Corporation, acquired part of an industrial gas business and related business assets in the U.S. from Air Liquide Industrial U.S. LP and Air Gas, Inc. (U.S.A.) in September 2016.

(Chemicals Segment)

– Mitsubishi Chemical Corporation, with the tender offer and the demand for sale of shares after that, made The Nippon Synthetic Chemical Industry Co., Ltd., its consolidated subsidiary, into a wholly-consolidated subsidiary in November 2016.

(Designed Materials Segment)

– Mitsubishi Chemical Corporation decided to withdraw from the terephthalic acid business, which had continued to face excess supply and a severe business environment, in India and China. Accordingly, the company transferred shares held in MCC PTA India Corp. Private Limited in November 2016 and an equity interest held in Ningbo Mitsubishi Chemical Co., Ltd. and MCC Advanced Polymers Ningbo Co., Ltd. in December 2016.

(Chemicals Segment)

– In December 2016, TNSC Australia Pty Ltd, a consolidated subsidiary of Taiyo Nippon

Sanso Corporation, acquired all of the shares of Supagas Holdings Pty Ltd, which is engaged in the sale and distribution of industrial gases and LPG in Australia.

(Chemicals Segment)

– Mitsubishi Tanabe Pharma Corporation, in light of changes in generic drug market environment, concluded an agreement in March 2017 whereby the corporation, after having its wholly owned subsidiary Tanabe Seiyaku Hanbai Co., Ltd. succeed its business of generic drugs and part of long-listed products by way of company split, transfers all of shares it holds in Tanabe Seiyaku Hanbai Co., Ltd. to Nipro Corporation.

(Health Care Segment)

(8) Employees of the Group (as of March 31, 2017)

(a) Status of Employees of the Group

Domain	Segment	No. of Employees	Year-on-year Increase/Decrease
Performance Products	Electronics Applications	2,471	Down 58
	Designed Materials	18,405	Up 770
Health Care	Health Care	12,116	Down 760
Industrial Materials	Chemicals	19,340	Up 425
	Polymers	8,285	Up 233
Others		8,016	Down 213
Company-wide (Common)		658	Down 94
Sum Total		69,291	Up 303

Notes:

1. Those employees who are engaged in activities such as basic R&D, which cannot be definitively sorted into any specific Segment, are included in Company-wide (Common).
2. Executive Officers are included.
3. Employees loaned to entities outside of the MCHC Group are not included.

(b) Status of Employees of MCHC

No. of Employees (Year-on-year Change)	Average Age	Average Years of Service
115 (Up 5)	47 years and 1 month	21 years and 7 months

Notes:

1. The employees are seconded mainly from MCHC's subsidiaries, and their average years of service include the years of service spent at the companies dispatching them as secondees.
2. Executive Officers are included.

(9) Changes in the Conditions of Assets and Profit/Loss

Category	9th Term (Fiscal 2013)	10th Term (Fiscal 2014)	11th Term (Fiscal 2015)	12th Term (Year under Review; Fiscal 2016)
Japanese GAAP				
Net Sales (in billion yen)	3,498.8	3,656.3	3,823.1	
Operating income (in billion yen)	110.5	165.7	280.0	
ROS (%)	3.2	4.5	7.3	
Profit attributable to owners of parent (in billion yen)	32.2	60.9	46.4	
Earnings per share (in yen)	21.89	41.40	31.70	
ROE (%)	3.7	6.4	4.8	
Net assets (in billion yen)	1,314.9	1,588.6	1,554.5	
Net assets per share (in yen)	611.95	669.77	636.43	
Total assets (in billion yen)	3,479.4	4,323.0	4,061.6	

IFRS				
Sales Revenue (in billion yen)			3,543.4	3,376.1
Core operating income (in billion yen)			300.4	307.5
ROS (%)			8.5	9.1
Net income attributable to owners of parent (in billion yen)			51.4	156.3
Basic Earnings per share (in yen)			35.06	106.73
ROE (%)			5.2	15.1
Total equity (in billion yen)			1,596.2	1,698.2
Equity attributable to owners of the parent per share (in yen)			663.71	758.30
Total assets (in yen)			42,238	44,635

Notes:

1. MCHC adopted IFRS in fiscal 2016 (12th Term). Also, figures restated according to IFRS are shown for fiscal 2015 (11th Term) for reference.
2. ROS has been calculated as follows.
Japanese GAAP: Operating income / Net Sales
IFRS: Core operating income/ Sales Revenue
3. Earnings per share and Basic earnings per share are calculated on the basis of average aggregate number of issued and outstanding shares during fiscal year excluding treasury stocks.
4. Net assets per share and equity attributable to owners of the parent per share are calculated on the basis of the aggregate number of issued and outstanding shares as of the end of fiscal year excluding treasury stocks.
5. ROE has been calculated as follows.
Japanese GAAP: Profit attributable to owners of parent / Equity (Yearly Average)
IFRS: Profit attributable to owners of parent / Equity attributable to owners of the parent (Yearly Average)

(10) Status of MCHC, Major Subsidiaries and Affiliates (as of March 31, 2017)

(a) MCHC

Head Office	1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
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(b) Major Subsidiaries

[Direct Investees]

Company Name	Capital	Equity Investment Ratio (%)	Principal Business	Location
Mitsubishi Chemical Corporation	50.0 billion yen	100.0	Manufacture and marketing of chemical products	Tokyo
Mitsubishi Tanabe Pharma Corporation	50.0 billion yen	56.4	Manufacture and marketing of pharmaceuticals	Osaka
Mitsubishi Plastics, Inc.	21.5 billion yen	100.0	Manufacture and marketing of polymer processing products	Tokyo
Mitsubishi Rayon Co., Ltd.	53.2 billion yen	100.0	Manufacture and marketing of chemical products	Tokyo
Life Science Institute, Inc.	3.0 billion yen	100.0	Management of the healthcare solutions business, etc.	Tokyo
Taiyo Nippon Sanso Corporation	37.3 billion yen	50.6	Manufacture and marketing of industrial gas	Tokyo

[For reference] Changes in the Conditions of Assets and Profit/Loss of Direct Investees for the Fiscal 2016 (fiscal year under review)

(Billion yen)

Category	Mitsubishi Chemical Corporation	Mitsubishi Tanabe Pharma Corporation	Mitsubishi Plastics, Inc.	Mitsubishi Rayon Co., Ltd.	Life Science Institute, Inc.	Taiyo Nippon Sanso Corporation
Sales revenue (in billion yen)	1,440.6	424.0	446.6	503.7	133.8	581.6
Operating income (in billion yen)	66.0	94.5	50.6	44.3	4.1	54.7
Total Assets (in billion yen)	1,400.0	984.5	389.9	685.4	151.4	924.3

Note: MCHC, in preparing consolidated financial statements, makes a consolidated adjustment such as eliminating inter-segment transactions (transactions between subsidiaries, etc.), and therefore simply adding up the figures of the operating companies (consolidated) in the table above does not agree with the consolidated figures of the Company.

[Indirect Investees]

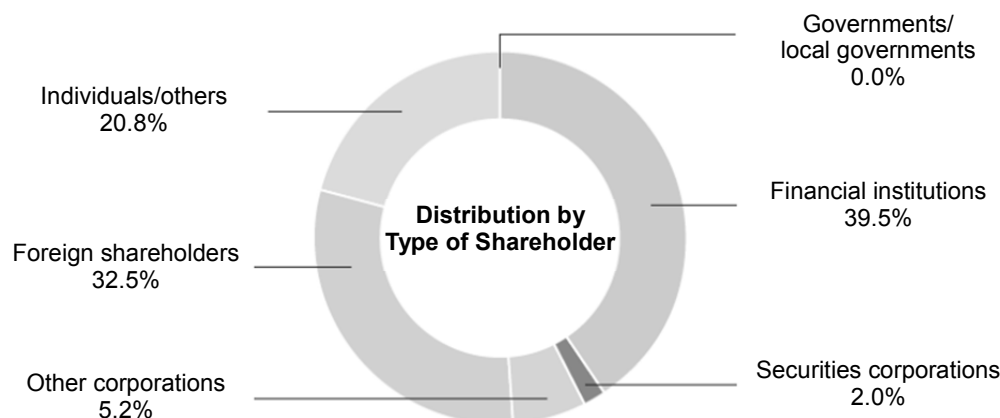
Domain / Segment	Company Name [Indirect Investees]	Capital	Equity Investment Ratio of the Company (%)	Principal Business	Location
(Performance Products Domain) <u>Electronics Applications</u> <u>Designed Materials</u>	Mitsubishi Chemical Media Co., Ltd.	4 billion yen	100.0	Marketing of recording media and computer peripheral equipment	Tokyo
	The Nippon Synthetic Chemical Industry Co., Ltd.	17.9 billion yen	100.0	Manufacture and marketing of polymer processing products	Osaka
	Quadrant AG	27 million Swiss franc	100.0	Management of subsidiary operating engineering plastics business.	Switzerland
(Health Care Domain) <u>Health Care</u>	API Corporation	4.0 billion yen	100.0	Manufacture and marketing of active pharmaceutical ingredients and intermediate bodies	Tokyo
	LSI Medience Corporation	3.0 billion yen	100.0	Clinical testing and medical support services; marketing of in vitro diagnostic agents	Tokyo
	Qualicaps Co., Ltd.	2.8 billion yen	100.0	Manufacture and marketing of capsules for pharmaceuticals and health food, and pharmaceutical processing equipment	Nara

Domain / Segment	Company Name [Indirect Investees]	Capital	Equity Investment Ratio of the Company (%)	Principal Business	Location	
(Industrial Materials Domain) <u>Chemicals</u>	Kansai Coke and Chemicals Co., Ltd.	6.0 billion yen	51.0	Manufacture and marketing of coke	Hyogo	
	Matheson Tri-Gas, Inc.	50 U.S. dollars	100.0	Manufacture and marketing of industrial gas	U.S.A.	
	<u>Polymers</u>	Japan Polypropylene Corporation	11.7 billion yen	65.0	Manufacture and marketing of polypropylene	Tokyo
		Japan Polyethylene Corporation	7.5 billion yen	58.0	Manufacture and marketing of polyethylene	Tokyo
		Mitsubishi Rayon Lucite Group Limited	246 million sterling. pounds	100.0	Management of subsidiaries that engage in MMA business	U.K.
(Others)	Mitsubishi Chemical Logistics Corporation	1.5 billion yen	100.0	Logistics and warehouse services	Tokyo	
	Mitsubishi Chemical Engineering Corporation	1.4 billion yen	100.0	Engineering and construction services	Tokyo	

Note: The four corporations changed their corporate name as of April 1, 2017: Mitsubishi Kagaku Media Co., Ltd. to Mitsubishi Chemical Media Co., Ltd.; Mitsubishi Rayon Lucite Group Limited to Mitsubishi Chemical Lucite Group Limited; Mitsubishi Chemical Logistics Corporation (*Mitsubishi Kagaku Butsuryu Kabushiki Kaisha*) to Mitsubishi Chemical Logistics Corporation (*Mitsubishi Kemikaru Butsuryu Kabushiki Kaisha*) (English name unchanged); and Mitsubishi Chemical Engineering Corporation (*Mitsubishi Kagaku Engineering Kabushiki Kaisha*) to Mitsubishi Chemical Engineering Corporation (*Mitsubishi Kemikaru Engineering Kabushiki Kaisha*) (English name unchanged).

2. Matters Related to Corporate Stocks (as of March 31, 2017)

- (1) Number of Authorized Shares: 6,000 million
- (2) Number of Issued and Outstanding Shares:
1,506.288 million (representing no changes from the previous fiscal year)
- (3) Aggregate Number of Shareholders:
165,467 (representing a year-on-year decrease of 6,549 shareholders)



(4) Major Shareholders

Name of Shareholders	Equity Investments in MCHC	
	No. of Shares Held (million)	Equity Investment Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	90.090	6.3
Japan Trustee Services Bank, Ltd. (Trust Account)	69.593	4.8
Meiji Yasuda Life Insurance Company	64.389	4.5
Nippon Life Insurance Co.	42.509	3.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	25.928	1.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	24.149	1.7
Tokio Marine and Nichido Fire Insurance Co., Ltd.	23.338	1.6
STATE STREET BANK WEST CLIENT-TREATY 505234	21.780	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 4)	21.411	1.5
STATE STREET BANK AND TRUST-COMPANY 505225	21.037	1.5

Notes:

1. In addition to the above, MCHC holds 67.025 million shares as treasury stocks, but these shares are non-voting pursuant to the provisions of Article 308, Paragraph 2 of the Companies Act.
2. Equity investment ratios are calculated to the exclusion of the treasury stock (67.025 million shares).
3. In addition to the above, equity investments of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in MCHC include 2,375 million shares of stock (representing the equity investment ratio of 0.2%) held in the name of "The Nomura Trust and Banking Co., Ltd. (Retirement Benefit Trust The Bank of Tokyo-Mitsubishi UFJ Account)" over which The Bank of Tokyo-Mitsubishi UFJ, Ltd. retains the right to issue instructions regarding the exercise of the relevant voting right.

3. Matters Related to the Company's Officers

(1) Details of Directors (as of March 31, 2017)

Name	Position and responsibility at the company	Significant concurrent positions
Yoshimitsu Kobayashi	Director of the Board, Chairperson Member of the Nominating Committee	Director of the Board, Chairperson of Mitsubishi Chemical Corporation Director of the Board, Chairperson of The KAITEKI Institute, Inc. Outside Director of Toshiba Corporation Chairperson of Japan Association of Corporate Executives Chairperson of Council on Competitiveness-Nippon
Hiroaki Ishizuka	Director of the Board, Vice Chairperson Member of the Compensation Committee	Director of the Board, President and CEO of Mitsubishi Chemical Corporation Director of the Board of The KAITEKI Institute, Inc.
Takumi Ubagai	Director of the Board, Vice Chairperson Member of the Compensation Committee	Director of the Board, President and CEO of Mitsubishi Plastics, Inc. Director of the Board of The KAITEKI Institute, Inc.
Hitoshi Ochi	Director of the Board Member of the Nominating Committee President, CEO	Director of the Board, President and CEO of Mitsubishi Rayon Co., Ltd. Director of the Board of The KAITEKI Institute, Inc. Director, Chi Mei Corporation
Masayuki Mitsuka	Director of the Board	Director of the Board, President and CEO of Mitsubishi Tanabe Pharma Corporation Director of the Board of The KAITEKI Institute, Inc.
Yujiro Ichihara	Director of the Board	President and CEO of Taiyo Nippon Sanso Corporation Director of the Board of The KAITEKI Institute, Inc.
Glenn H. Fredrickson	Director of the Board Managing Corporate Executive Officer	Distinguished Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara
Yoshihiro Umeha	Director of the Board Member of the Audit Committee (Chairperson)	Corporate Auditor of Mitsubishi Chemical Corporation Corporate Auditor of Mitsubishi Rayon Co., Ltd. Corporate Auditor of Life Science Institute, Inc.
Hisao Urata	Director of the Board Member of the Audit Committee	Corporate Auditor of Mitsubishi Plastics, Inc. Corporate Auditor of The KAITEKI Institute, Inc.
Takeo Kikkawa	Outside Director of the Board Member of the Nominating Committee (Chairperson) Member of the Compensation Committee	Professor, Graduate School of Innovation Studies of Tokyo University of Science
Taigi Ito	Outside Director of the Board Member of the Audit Committee Member of the Compensation Committee (Chairperson)	Certified Public Accountant Corporate Auditor of Mitsubishi Chemical Corporation Outside Corporate Auditor of Idemitsu Kosan Co., Ltd. Outside Corporate Auditor (External Audit & Supervisory Board Member) of TIS Inc.
Kazuhiro Watanabe	Outside Director of the Board Member of the Audit Committee Member of the Compensation Committee	Lawyer Corporate Auditor of Mitsubishi Plastics, Inc. Professor, the Law School of Tokai University

Name	Position and responsibility at the company	Significant concurrent positions
Hideko Kunii	Outside Director of the Board Member of the Nominating Committee Member of the Audit Committee	Deputy President of Shibaura Institute of Technology Professor, Graduate School of Engineering Management of Shibaura Institute of Technology Director of Center for Promotion of Educational Innovation Gender Equality Promotion Office of Shibaura Institute of Technology Outside Director of Innovation Network Corporation of Japan Outside Director of Tokyo Electric Power Company Holdings, Incorporated. Outside Director of Honda Motor Co., Ltd.
Takayuki Hashimoto	Outside Director of the Board Member of the Nominating Committee	Vice Chairperson of IBM Japan, Ltd. Outside Director of KAGOME CO., LTD. Outside Director of CHUBU Electric Power Co., Inc. Outside Corporate Auditor of IHI Corporation

Notes:

- Five Directors, Takeo Kikkawa, Taigi Ito, Kazuhiro Watanabe, Hideko Kunii and Takayuki Hashimoto are Outside Directors as prescribed in Article 2, Item 15 of the Companies Act. The Company has designated these five Outside Directors as independent officers pursuant to the rules and regulations of the Tokyo Stock Exchange and notified the Stock Exchange accordingly.
- Director Yoshihiro Umeha has considerable knowledge of finance and accounting obtained from many years of business experience relating to accounting and finance.
- Director Taigi Ito has considerable knowledge of finance and accounting as he is qualified as Certified Public Accountant.
- Of other corporations where the Company's Outside Directors hold concurrent positions, MCC and MPI are the Company's subsidiaries. Meanwhile, there is no special relationship between other corporations where the Company's Outside Directors hold concurrent positions and the Company.
- Directors Yoshihiro Umeha and Hisao Urata are the full-time members of the Audit Committee. MCHC appoints full-time members for the Audit Committee in order to increase the effectiveness of audits by the Committee.
- In accordance with Article 427, Paragraph 1 of the Companies Act, the Company and its Outside Directors have entered into liability-limiting agreements as prescribed in Article 423, Paragraph 1 of the Act. The maximum limit of damage compensation liability under the agreement is set to the extent of the minimum limit of liability as prescribed in Article 425, Paragraph 1 of the Act.
- Directors Hiroaki Ishizuka and Takumi Ubagai resigned from their positions as Directors on April 1, 2017.

(2) Main activities and attendance at Board of Directors meetings and Committee meetings by Outside Officers

Name	Status of activities	Attendance
Takeo Kikkawa	During the Board of Directors meetings, he provided relevant input that drew on his profound insight on company management from a view of the business history as well as his experience as an energy industry expert. Serving as the chair of the Nominating Committee, he fulfilled his assigned duties by presiding over the committee meetings and reporting to the Board of Directors on meeting outcomes. As a member of the Compensation Committee, he provided relevant input to the committee.	Board of Directors meetings 9/10 (90%) Nominating Committee meetings 8/8 (100%) Compensation Committee meetings 6/6 (100%)
Taigi Ito	During the Board of Directors meetings, he provided relevant input that drew on his experience and profound insight as a certified public accountant. As a member of the Audit Committee, he developed audit plans, conducted interviews to ascertain implementation status and results of audits, and contributed relevant input. Serving as the chair of the Compensation Committee, he fulfilled his assigned duties by presiding over the committee meetings and reporting to the Board of Directors on meeting outcomes.	Board of Directors meetings 10/10 (100%) Audit Committee meetings 13/13 (100%) Compensation Committee meetings 6/6 (100%)
Kazuhiro Watanabe	During the Board of Directors meetings, he provided relevant input that drew on his experience and profound insight as a prosecutor and lawyer. As a member of the Nominating Committee and the Compensation Committee, he provided relevant input to the committees. As a member of the Audit Committee, he developed audit plans, conducted interviews to ascertain implementation status and results of audits, and contributed relevant input.	Board of Directors meetings 10/10 (100%) Nominating Committee meetings 2/2 (100%) Audit Committee meetings 13/13 (100%) Compensation Committee meetings 6/6 (100%)
Hideko Kunii	During the Board of Directors meetings, she provided relevant input that drew largely on her profound insight in diversity promotion, etc. as well as experiences as a company manager and an information processing domain expert. As a member of the Nominating Committee, she provided relevant input to the committee. As a member of the Audit Committee, she developed audit plans, conducted interviews to ascertain implementation status and results of audits, and contributed relevant input.	Board of Directors meetings 10/10 (100%) Nominating Committee meetings 8/8 (100%) Audit Committee meetings 13/13 (100%)
Takayuki Hashimoto	During Board of Directors meetings, he provided relevant inputs that drew on his extensive experience in company management and profound insights into information communication technology (ICT). As a member of the Nominating Committee, he provided relevant input to the committee.	Board of Directors meetings 6/7 (85.7%) Nominating Committee meetings 4/6 (66.7%)

Notes:

1. Outside Director Kazuhiro Watanabe resigned from his position as member of the Nominating Committee at the

conclusion of the 11th Ordinary General Meeting of Shareholders.

2. Outside Director Takayuki Hashimoto assumed his office as Director of the MCHC at the conclusion of the 11th Ordinary General Meeting of Shareholders and was appointed as member of the Nominating Committee on the same date.

(3) Details of Corporate Executive Officers (as of March 31, 2017)

Name	Position	Responsibility at the company	Significant concurrent positions
Hitoshi Ochi	Representative Corporate Executive Officer President and CEO		Director of the Board, President and CEO of Mitsubishi Rayon Co., Ltd. Director of the Board of The KAITEKI Institute, Inc. Director, Chi Mei Corporation
Noriyoshi Ohira	Representative Corporate Executive Officer Senior Management Corporate Executive Officer Chief Compliance Officer	Public Policy and Relation, PR, Administration, Human Resources and Internal Control	Director of the Board of Life Science Institute, Inc.
Kenkichi Kosakai	Representative Corporate Executive Officer Senior Management Corporate Executive Officer Chief Financial Officer	Corporate Management, IR and Information Systems	Director of the Board of Mitsubishi Plastics, Inc. Director of the Board of Mitsubishi Rayon Co., Ltd. Director of the Board, President and CEO of Mitsubishi Chemical Holdings Corporate Staff
Masanori Karatsu	Senior Management Corporate Executive Officer	Production, RC, Purchasing, Logistics and Engineering	Director of the Board of Taiyo Nippon Sanso Corporation
Shushichi Yoshimura	Senior Managing Corporate Executive Officer	Corporate Strategy, Strategy by Region, Marketing and Automotive Solutions	
Glenn H. Fredrickson	Managing Corporate Executive Officer	R&D	Distinguished Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara
Steve P. Yurich	Managing Corporate Executive Officer	Strategy by Region, Marketing and Automotive Solutions	Director of the Board of Mitsubishi Plastics, Inc. Director of the Board, President and CEO of Mitsubishi Chemical Holdings Europe GmbH President and CEO of Quadrant AG

Notes:

1. Executive Officers Hitoshi Ochi and Glenn H. Fredrickson also serve as Directors.
2. Masanori Karatsu, Glenn H. Fredrickson and Steve P. Yurich resigned from their positions as Corporate Executive Officer on April 1, 2017.
3. Details of Corporate Executive Officers as of April 1, 2017 are as follows.

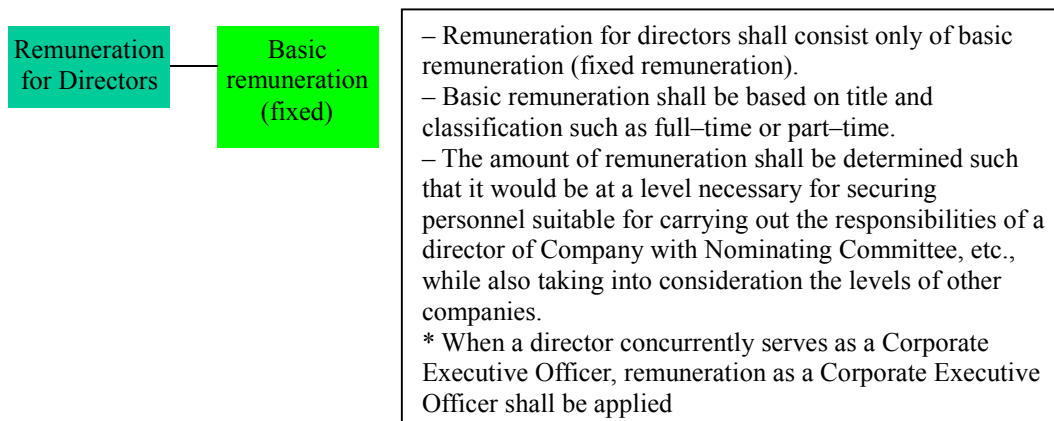
Corporate Executive Officers as of April 1, 2017

Name	Position	Responsibility	Significant concurrent position
Hitoshi Ochi	Representative Corporate Executive Officer President and CEO		Director of the Board, President and CEO of Mitsubishi Chemical Corporation Director of the Board of The KAITEKI Institute, Inc. Director, Chi Mei Corporation
Noriyoshi Ohira	Representative Corporate Executive Officer Deputy CEO Chief Compliance Officer	Public Policy and Relation, PR, legal affairs, Administration, Human Resources and Internal Control	Director of the Board of Life Science Institute, Inc.
Kenkichi Kosakai	Representative Corporate Executive Officer Deputy CEO Chief Financial Officer	Corporate Management and IR	Director of the Board, President and CEO of Mitsubishi Chemical Holdings Corporate Staff
Shushichi Yoshimura	Senior Management Corporate Executive Officer	Corporate Strategy	
Larry Meixner	Managing Corporate Executive Officer	Emerging Technology and Business Development, Information Systems	

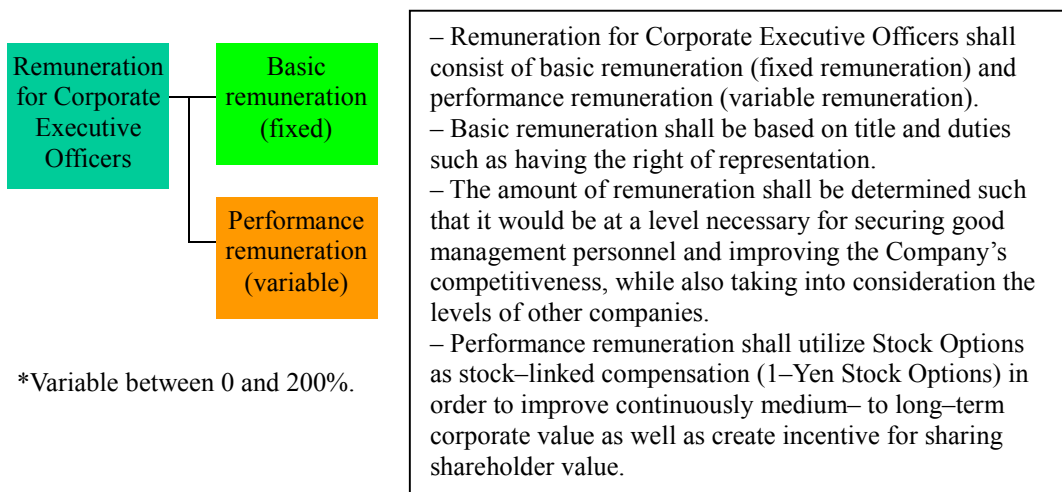
(4) Policy on Deciding Remuneration for Directors and Corporate Executive Officers

The remuneration system for directors, and that for corporate executive officers shall be different. Remuneration is determined by the Compensation Committee based on the following concepts:

Director



Corporate Executive Officer



(5) Aggregate Amount of Remuneration of Company's Officers

Category	Remuneration	
	No. of Persons	Amount (in million yen)
Directors	13	265
Corporate Executive Officers	8	297
Sum Total	21	562

Notes:

1. Directors who also serve as Corporate Executive Officers are remunerated for their services as Corporate Executive Officers as stated in the policy in (4).
2. The above-stated total amounts of remuneration paid to Directors include performance remuneration of ¥6 million utilizing Stock Options. This remuneration was paid to the director who served as Corporate Executive Officer in the previous fiscal year as performance remuneration at the time of standing as a Corporate Executive Officer.
3. The above-stated total amounts of remuneration paid to Corporate Executive Officers include performance remuneration of ¥29 million utilizing Stock Options.
4. In addition to the above remuneration paid to Directors, and Corporate Executive Officers, ¥341 million, and ¥169 million of remuneration were respectively paid by MCHC's subsidiaries to Directors, and Corporate Executive Officers who concurrently served as executive officers of the said subsidiaries.
5. The above-stated amounts of remuneration paid to Directors include ¥60 million paid to five Outside Directors as well as ¥11 million paid by MCHC subsidiaries, including MCC and MPI, to Outside Directors who also serve as Corporate Auditors of these subsidiaries.

4. Matters Related to Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Amount of Remuneration, etc.

	Amount Paid (in million yen)
(i) Amount of audit remuneration to be paid by MCHC to the Accounting Auditor	46
(ii) Sum total of money and other financial benefits to be paid by MCHC and its subsidiaries to the Accounting Auditor	1,017

Notes:

1. As the amount of remuneration under the Companies Act and the amount of remuneration under the Financial Instruments and Exchange Act are not distinguished in the audit agreement between MCHC and the Accounting Auditor, a sum total of these amounts is reported in (i) above.
2. The Audit Committee checked the details of the audit plans of the Accounting Auditor, execution status of duties of accounting audits, calculation basis for remuneration estimates and reviewed their validity before approving of the amount of remuneration for the Accounting Auditor.

(3) Content of Non-auditing Affairs

With respect to services that are not stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (services other than audit attest services), MCHC asks the Accounting Auditor to provide consulting services having to do with the introduction of the International Financial Reporting Standards (IFRS).

(4) Policy on Decision to Dismiss or Not Reappoint Accounting Auditor

If the Accounting Auditor is deemed to fall under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit Committee will dismiss the Accounting Auditor subject to the unanimous consent of all members.

In addition, if the Accounting Auditor is deemed to be incapable of performing the audit service in a proper manner, MCHC will, based on the resolution of the Audit Committee, propose at the General Shareholders' Meeting that the Accounting Auditor should be dismissed or not be reappointed.

Note: Ernst & Young ShinNihon LLC received a sanction from the Financial Services Agency (FSA) as noted in (6). In convening the 11th Ordinary General Meeting of Shareholders, however, the Company decided to reappoint the firm as the Accounting Auditor because the following were verified: (i) matters raised as reasons for the sanction were not found in the previous audits of MCHC and its subsidiaries, thus the quality of these audits was ensured; and (ii) the firm developed and implemented an appropriate

business improvement plan as required by the sanction.

In convening the 12th Ordinary General Meeting of Shareholders, the Company has decided to reappoint the firm as the Accounting Auditor because it was verified that the firm continued to appropriately implement the business improvement plan as required by the sanction.

(5) Status of Audit of Financial Statements of MCHC's Subsidiaries by Certified Public Accountants or Audit Corporations other than the Accounting Auditor

Of MCHC's major subsidiaries, the overseas subsidiaries are audited by certified public accountants or audit corporations (including those locally certified) other than the Accounting Auditor, within the scope of the provisions of the Companies Act or the Financial Instruments and Exchange Act (or similar foreign laws and regulations).

(6) Business Suspension Order Accounting Auditor Received in Past Two Years

Disciplinary actions announced by the Financial Services Agency on December 22, 2015 are as outlined below.

1) Subject Ernst & Young ShinNihon LLC

2) Details

– Suspension of new business contracts operations for three months (January 1, 2016 to March 31, 2016)

– Business improvement order (the improvement of business management structures)

3) Reasons

– In auditing the financial documents of other companies, the firm neglected due care and attested the financial documents containing material misstatements as if they contained no material misstatements.

– The firm committed a grave breach of duty by failing to fully communicate past recommendations made by the Certified Public Accountants and Auditing Oversight Board across the organization.

5. System to Ensure that the Company Operates in an Appropriate Manner and Overview of its Implementation

(1) System to ensure that the Company operates in an appropriate manner

The Company's basic policy on development of systems for assuring the operational legitimacy for which the Board of Directors has passed a resolution is as follows.

1) System required for execution of duties of the Audit Committee

- i) Management shall set the Office of Audit Committee as a body to assist the Audit Committee's duties and have it assist in auditing based on the instructions thereof. The appointment (transfer, evaluation, etc.) of employees of the Office of Audit Committee and the development of the budget of the Office of Audit Committee shall be subject to approval of the Audit Committee.
- ii) Pursuant to regulations such as the Audit Standard of the Audit Committee, Directors, Corporate Executive Officers, and employees shall inform the Audit Committee of any important management matters to MCHC and a corporate group with MCHC as a parent company under the Companies Act ("MCHC Group") (including any fact or fraudulent act that might do material harm to MCHC or any important fact in violation of laws, regulations or Articles of Incorporation).
- iii) Management stipulates that any Director, Corporate Executive Officer, Corporate Auditor, or employee of the MCHC Group who has made a report to the Audit Committee shall not be treated unfavorably because of the report.
- iv) Of expenses incurred by the Audit Committee or members of the Audit Committee, those deemed necessary for the execution of their duties shall be borne by MCHC.
- v) In order to ensure that Audit Committee's audits are conducted in an effective manner, Management shall appoint full-time members of the Audit Committee as well as facilitate the Audit Committee's regular meetings with senior executives, including the President, and coordination and information exchange between the Audit Committee and the Internal Audit Office.

2) System for ensuring that Corporate Executive Officers execute their duties efficiently

- i) Except matters that significantly affect the MCHC Group's portfolio management and matters to be resolved by the Board of Directors as required by law (basic management policy, etc.), the Board of Directors allows Corporate Executive Officers to make swift decisions by delegating all the business execution decisions to them in principle.
- ii) To make decisions on business execution delegated to Corporate Executive Officers, Management shall develop a system in which the MCHC Group's decisions and

execution of business are made properly and efficiently by setting a rule that the MCHC Group's important management matters are decided by the President and Corporate Executive Officer after deliberation at the Executive Management Committee, and by defining the authority of responsible Corporate Executive Officers, responsibilities of each department, and authority assigned to subsidiaries on other matters.

iii) Corporate Executive Officers shall conduct management administration of subsidiaries in accordance with the basic management policy formulated by the Board of Directors (the Group's medium-term management plan, annual budgets, etc.) in an effort to achieve them. In addition, Corporate Executive Officers shall develop a system in which important management matters of subsidiaries are reported to the Company through the Executive Management Committee and medium-term management plans, annual budget control, etc.

3) System for ensuring that Corporate Executive Officers' and employees' execution of their duties conform to laws, regulations, and Articles of Incorporation

i) The MCHC Group shall treat the Group Charter of Corporate Behavior as the basic regulations on compliance matters within the MCHC Group.

ii) Management shall develop, properly operate and manage internal control systems in order to ensure the reliability of financial reporting.

iii) In accordance with the Group Compliance Promotion Regulations and other relevant rules and regulations, Management shall develop a promoting framework for compliance, training and education programs, audit/monitoring systems, hotlines, and other compliance promotion programs of the MCHC Group and properly operate and manage these programs by appointing a Corporate Executive Officer in charge of compliance promotion (Chief Compliance Officer).

4) Regulations, structure and systems for managing risks of loss

The President shall be the Chief Risk Management Officer. In accordance with the Group's Basic Regulations on Risk Management and other relevant rules and regulations, the President shall be responsible for preventing serious risks from occurring in connection with or arising from MCHC Group's business activities, and for developing, properly operating and managing risk management systems for minimizing damage if any risk occurs.

5) System for preserving and managing information related to Corporate Executive Officers' execution of their duties

In accordance with the Information Security Policy, Information Management Rules, and other relevant rules and regulations of the MCHC Group, Management shall preserve and manage the minutes of the Executive Management Committee, approval documents, and other documents and electromagnetic records related to Corporate Executive Officers' execution of their duties and develop a system that allows Corporate Executive Officers and Directors to inspect them.

6) System for assuring operational legitimacy within the corporate group

In accordance with the above policy and the Group's Management Regulations and other relevant rules and regulations, Management shall implement the management of the MCHC Group (management of business objectives, reporting and approval of important matters and the Group's internal audits, etc.) and ensure operational legitimacy within the MCHC Group by sharing the Group's internal control policies and systems covering compliance and risk management within the Group.

(2) Overview of implementation of system to ensure that the Company operates in an appropriate manner

In accordance with the above basic policy to develop a system to ensure that the Company operates in an appropriate manner, the Company has strived for the development of the system and its appropriate implementation. The overview of the implementation of the system to ensure operational legitimacy during the fiscal year under review is as follows.

1) System required for execution of duties of the Audit Committee

– While attending Board of Directors meetings, Executive Management Committee meetings, and other important meetings, Members of the Audit Committee had proactive information exchanges with Corporate Executive Officers including the President and Office general managers, as well as Directors, Executive Officers, and Corporate Auditors, etc. of directly owned subsidiaries. The Audit Committee has also received a regular report from the Internal Audit Office and Internal Control Office on their activities, coordinating closely with the internal auditing division in an effort to enhance the effectiveness of audits.

– In accordance with the Audit Committee Audit Standard, etc., Directors, Corporate Executive Officers, and employees reported the MCHC Group's important management matters to the Audit Committee and circulated important approval documents to the members of the Audit Committee.

– Two employees have been assigned to the Office of Audit Committee to assist the audit operations of the Audit Committee and their reassignment is subject to prior consent of the

Audit Committee.

– In addition to the hotline system operated with the Internal Control Office and external lawyers as contact points, another hotline to the Audit Committee was newly opened. The management has stipulated rules that prohibit any Director, Corporate Executive Officer, Corporate Auditor, or employee of the MCHC Group who reports an incident to the Audit Committee, including reporting an incident through the hotline system, from being treated unfavorably for making such a report.

– The Company bore a portion of costs disbursed by the Audit Committee or its members, which is reasonably deemed necessary for executing the duties of the committee or its members.

2) System for ensuring that Corporate Executive Officers execute their duties efficiently

– The Board of Directors, as a general rule, delegates to the Corporate Executive Officers authority to make decisions on the execution of their duties in order to facilitate prompt decision-making by Corporate Executive Officers. In deciding on the execution of duties delegated to Corporate Executive Officers, the President and CEO makes decisions on matters essential to the management of the MCHC Group after they are deliberated at the Executive Management Committee meeting. The authority to make decisions on other matters is delegated to Corporate Executive Officers and departments as well as subsidiaries in order to ensure efficient business operations. The Corporate Executive Officers Committee was established, in place of the Management Committee, in April 2017. Decisions on important matters related to the management of the Company Group are made through consultations among Corporate Executive Officers.

– Under the basic policy of the “APTSIS 20” medium-term management plan, the Company accurately identified changes in the global economy and markets, and took various measures.

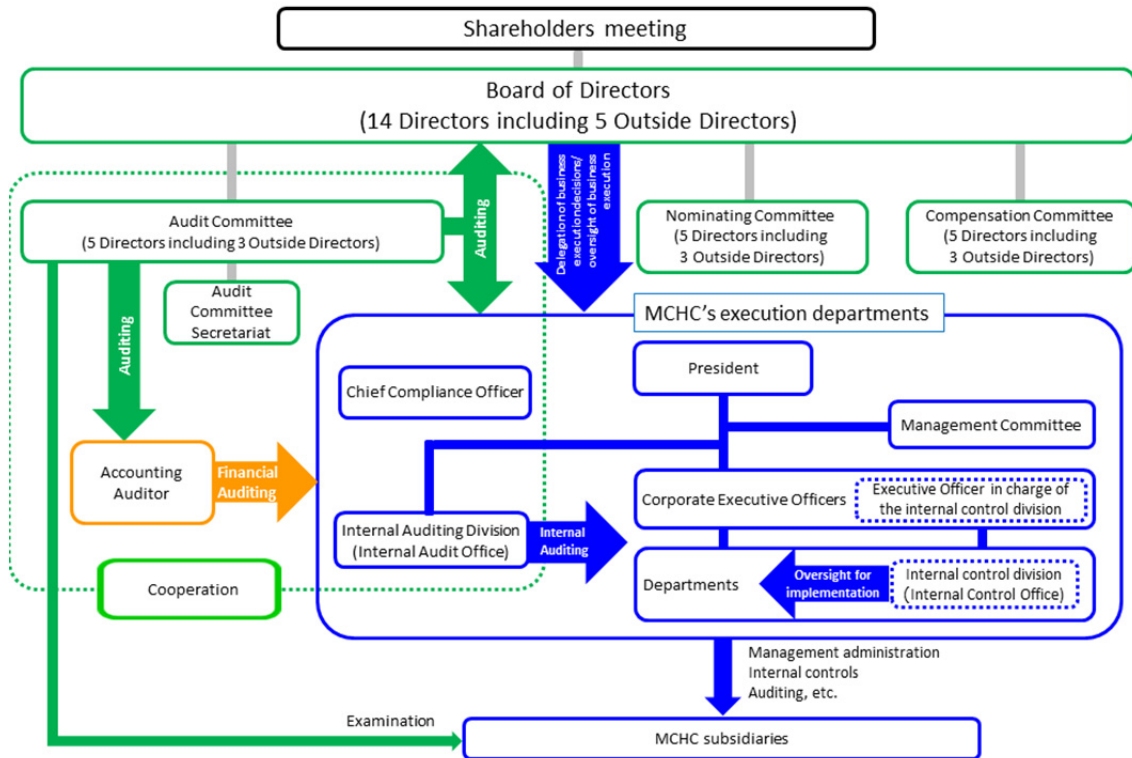
– The Company continued to make efforts to instill the “KAITEKI,” values that the MCHC’s Group is committed to realize, inside and outside the Group through information disclosures via an integration report titled the “KAITEKI Report” and company training, etc.

3) System for ensuring that Corporate Executive Officers’ and employees’ execution of their duties conform to laws, regulations, and Articles of Incorporation

– The Company translated the Group Charter of Corporate Behavior into languages used in countries and areas where its subsidiaries are located, in addition to Japanese, English, and Chinese versions that had already been made available, to disseminate it across the MCHC Group.

- In accordance with the evaluation standard for internal controls to ensure reliable financial reporting, the Company evaluated their development and implementation and confirmed the effectiveness of internal controls.
 - The Company conducted compliance training and employee awareness surveys in and out of Japan with their scope expanded and made efforts to develop systems to promote compliance overseas, such as expanding the number of external hotlines overseas.
- 4) Regulations and other systems for managing risks of loss
- The Company further enhanced the risk management system by focusing on measures to prevent bribery, ensure compliance with antitrust laws, prevent labor issues, and respond to large-scale natural disasters.
- 5) System for preserving and managing information related to Corporate Executive Officers' execution of their duties
- The Company worked to strengthen the information management system in accordance with the guidelines based on Information Security Policy, and carried out company training on information security, including countermeasures against targeted email attacks, in particular, and verified and improved the information management system in line with the “Cybersecurity Management Guidelines, specified by the Ministry of Economy, Trade and Industry.
- 6) System for assuring operational legitimacy within the corporate group
- The Company has managed subsidiaries in accordance with the “APTSIS 20” medium-term management plan as well as the annual budget, annual financial plan and annual investment plan, and provided necessary oversight for their operations.
 - Upon defining the business management unit and key management indicators, the Company reviewed methods for monitoring and evaluating the progress of the medium-term management plan.
 - The Company worked toward ensuring compliance and risk management in the Americas, Europe, China, and Asia based on the characteristics of each region and developed the internal auditing system.
 - The Company established a guideline for reporting compliance violation incidents to the Company, and received reports from subsidiaries in accordance with the guideline and provided necessary guidance and supervision to them.

System to Ensure that the Company Operates in an Appropriate Manner (Overview)



(As of March 31, 2017)

6. Basic Policy on Control of the Company

We have not specifically written down a basic policy on the modality of the persons exerting controlling influences over the Company's financial and management policy decisions, but are pleased to present our basic ideas below.

We believe that we will be able to live up to the expectations of our shareholders by running the MCHC Group in a highly efficient and transparent manner, by bolstering our competitive edge and earning capabilities through optimal allocation of management resources and ultimately by enhancing our Group's corporate value.

Although we have not introduced the so-called "takeover defense" measures, we do stand ready to take whatever measures we consider appropriate if we detect a company is attempting to make a massive purchase of MCHC's shares that might harm the MCHC Group's corporate value or undermine the common interests of our shareholders.

7. Policy on decisions on appropriation of retained earnings, etc.

(1) Medium- to long-term policy

The basic policy of the Company for shareholder returns is to enhance its shareholder value by increasing corporate value. The Company works to pay stable dividends and maintain the consolidated dividend payout ratio at 30% of the medium-term profit level while keeping an eye to increasing retained earnings that will fund its future business activities.

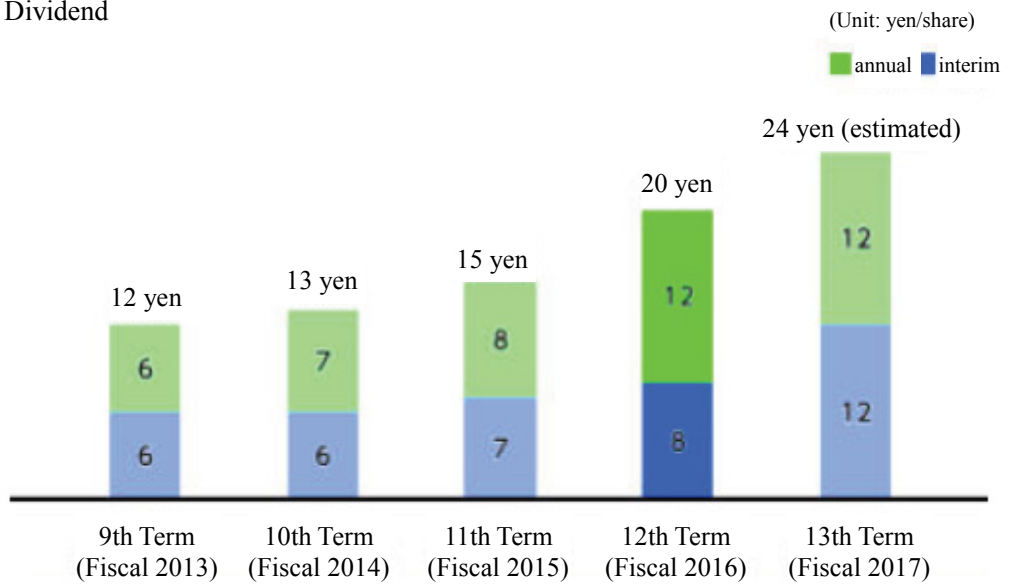
(2) Factors affecting the dividend distribution for the fiscal year under review

During the fiscal year under review, demand remained firm overall, despite the impacts of the yen's appreciation and NHI drug price revisions in Japan. Against this background, core operating income was at ¥307.5 billion, up ¥7.1 billion year on year. Net income attributable to owners of the parent grew substantially, by ¥104.9 billion year on year, to ¥156.3 billion. The factors behind this include a 33.9 billion yen decrease compared to the previous fiscal year in tax expenses associated with the recognition of deferred tax assets relating to the decision of July last year to transfer the terephthalic acid business in India and China.

After taking a comprehensive look at the above policy (1) and these circumstances as well as future business developments etc., the Company decided to increase the year-end dividend by 4 yen over last year's figure to make it 12 yen per common share.

Combined with an interim dividend of 8 yen per share, the total annual dividend will be 20 yen per share, with the consolidated dividend payout ratio standing at 18.7%.

Dividend



Matters Related to Stock Acquisition Rights

(1) Overview of Stock Acquisition Rights Held by MCHC's Officers (as of March 31, 2017)

Date of Resolution for Issue	Amount Paid In per Stock Acquisition Right	Exercise Period	Status of Stock Acquisition Rights Held by Directors	Type and No. of Stock as Objects of Stock Acquisition Rights
August 25, 2008	¥25,700	From September 11, 2008 to September 10, 2028	1 person 269 units	13,450 shares of MCHC's common stock
August 30, 2010	¥19,800	From September 15, 2010 to September 14, 2030	2 persons 638 units	31,900 shares of MCHC's common stock
August 30, 2011	¥24,300	From September 15, 2011 to September 14, 2031	1 person 630 units	31,500 shares of MCHC's common stock
August 28, 2012	¥14,050	From September 13, 2012 to September 12, 2032	1 person 210 units	10,500 shares of MCHC's common stock
August 28, 2014	¥24,250	From September 13, 2014 to September 12, 2034	1 person 210 units	10,500 shares of MCHC's common stock
September 11, 2015	¥26,500	From September 29, 2015 to September 28, 2035	1 person 630 units	31,500 shares of MCHC's common stock
July 1, 2016	¥22,750	From July 20, 2016 to July 19, 2036	3 person 1,290 units	64,500 shares of MCHC's common stock

Notes:

1. The number of stocks as object of the aforementioned stock acquisition rights is 50 per stock acquisition right. However, if MCHC's common stocks are split, the number of stocks per stock acquisition right will be adjusted.
2. The value of assets to be invested on the occasion of exercise of the aforementioned stock acquisition rights would be ¥1 per share.
3. In principle, the grantees may exercise the aforementioned stock acquisition rights only if they lose all of their positions as Director, Corporate Executive Officer, Corporate Auditor, or Executive Officers of MCHC and its subsidiaries during the respective Exercise Periods.
4. In addition to the status described in the foregoing table, one MCHC's Director is in possession of 270 units of stock acquisition rights issued pursuant to the issuance resolution of August 30, 2011, which he obtained as a retiring Director. One another MCHC's officer is in possession of 270 units of stock acquisition rights issued pursuant to the issuance resolution of July 1, 2016, which he obtained as a retiring Executive Officer.
5. MCHC does not issue any stock acquisition rights to its Outside Director in compensation for performance of their duties.
6. The table provided above does not include stock acquisition rights received by MCHC's Directors or Executive Officers of MCHC, or Directors and Corporate Auditors (including Executive Officers) of the subsidiaries.

(2) Stock Acquisition Rights Issued for Executive Officers etc. during the Fiscal Year Ended March 31, 2016

Date of Resolution for Issue	Amount Paid For Stock Acquisition Right	Exercise Period	Status of Stock Acquisition Rights Held by Officers	Type and No. of Stock as Objects of Stock Acquisition Rights
July 1, 2016	Gratis	From July 20, 2016 to July 19, 2036	MCHC's Executive Officers (7) 1,278 units MCHC's retired Executive Officers (1) 270 units	77,400 shares of MCHC's common stock

Notes:

- The number of stocks as object of the aforementioned stock acquisition rights is 50 per stock acquisition right. However, if MCHC's common stocks are split, the number of stocks per stock acquisition right will be adjusted.
- The value of assets to be invested on the occasion of exercise of the aforementioned stock acquisition rights would be ¥1 per share.
- In principle, the grantees may exercise the stock acquisition rights only if they lose all of their positions as Director, Corporate Executive Officer, Corporate Auditor, or Executive Officers of MCHC and its subsidiaries during the respective Exercise Periods.
- One retired Executive Officer was Corporate Auditor of the subsidiary at the time of delivery of the stock acquisition rights.

(3) Stock Acquisition Rights for Convertible Bonds

a) Zero Coupon Convertible Bonds due 2022

Date of resolution for issue	March 14, 2017
Number of stock acquisition rights	7,500 units
Type of stock as objects of stock acquisition right	MCHC's common stock
Number of stock as objects of stock acquisition right	Number obtained by dividing face value of this Corporate Bond (¥75.0 billion) by conversion value
Amount paid in	Gratis
Conversion value	1,276 yen
Exercise period	From April 13, 2017 to March 16, 2022
Number of stock acquisition rights as of last day of fiscal year under review	7,500 units

b) Zero Coupon Convertible Bonds due 2024

Date of resolution for issue	March 14, 2017
Number of stock acquisition rights	7,500 units
Type of stock as objects of stock acquisition right	MCHC's common stock
Number of stock as objects of stock acquisition right	Number obtained by dividing face value of this Corporate Bond (¥75.0 billion) by conversion value
Amount paid in	Gratis
Conversion value	1,258 yen
Exercise period	From April 13, 2017 to March 15, 2024
Number of stock acquisition rights as of last day of fiscal year under review	7,500 units

Note: The conversion value of a and b will be adjusted if MCHC issues or disposed of its common stock at the amount below the market value, or conduct share split of its common stock.

(4) Aggregate Number of Stock Acquisition Rights (as of March 31, 2017)

The aggregate number of stock acquisition rights issued by MCHC and the type and the number of stock as objects of stock acquisition right as of the end of the fiscal year under review are as follows.

a) Stock acquisition rights issued for Directors and Corporate Executive Officers of MCHC:

Aggregate number	18,976 units
Type and number of stock as objects	
MCHC's common stock	948,800 shares

b) Stock acquisition rights issued as stock acquisition rights for convertible bond:

Aggregate number	15,000 units
Type and number of stock as objects	
MCHC's common stock	118,387,500 shares

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Consolidated Statement of Profit or Loss

12th Consolidated Fiscal Year (Year ended March 31, 2017)

	Unit: Millions of yen
Continuing operations	
Sales revenue	3,376,057
Cost of sales	<u>(2,366,658)</u>
Gross profit	1,009,399
Selling, general and administrative expenses	(714,715)
Other income	10,695
Other expenses	(53,722)
Equity income	<u>16,964</u>
Operating income	268,621
Financial income	7,155
Financial expenses	<u>(17,433)</u>
Earnings before taxes	258,343
Income taxes	<u>(44,414)</u>
Net income from continuing operations	213,929
Discontinued operations	
Net income from discontinued operations	<u>2,586</u>
Net income	<u><u>216,515</u></u>
Net income attributable to	
Owners of the parent	156,259
Non-controlling interests	<u>60,256</u>
Net income	<u><u>216,515</u></u>

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Consolidated Statement of Financial Position

12th Consolidated Fiscal Year (As of March 31, 2017)

Unit: Millions of yen

Assets

Current assets:

Cash and cash equivalents	363,510
Trade receivables	776,191
Inventories	538,131
Other financial assets	215,446
Other current assets	58,184
Subtotal	<u>1,951,462</u>
Assets held for sales	16,916
Total current assets	<u>1,968,378</u>

Non-current assets

Property, plant and equipment	1,431,681
Goodwill	312,950
Intangible assets	227,169
Investments accounted for using the equity method	136,734
Other financial assets	252,921
Other non-current assets	39,079
Deferred tax assets	94,635
Total non-current assets	<u>2,495,169</u>

Total assets	<u><u>4,463,547</u></u>
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mitsubishi chemical holdings corporation

Consolidated Statement of Financial Position (continued)

12th Consolidated Fiscal Year (As of March 31, 2017)

Unit: Millions of yen

Liabilities and Equity

Liabilities

Current liabilities:

Trade payables	437,914
Bonds and borrowings	577,737
Income tax payable	21,287
Other financial liabilities	184,909
Provisions	6,057
Other current liabilities	116,691
Subtotal	<u>1,344,595</u>
Liabilities directly associated with assets held for sales	5,307
Total current liabilities	<u>1,349,902</u>

Non-current liabilities

Bonds and borrowings	1,116,005
Other financial liabilities	27,489
Retirement benefit liabilities	128,338
Provisions	25,018
Other non-current liabilities	38,439
Deferred tax liabilities	80,159
Total non-current liabilities	<u>1,415,448</u>

Total liabilities

2,765,350

Equity

Common stock	50,000
Additional paid-in capital	321,703
Treasury stock	(43,587)
Retained earnings	761,364
Other components of equity	1,918
Equity attributable to owners of the parent	<u>1,091,398</u>
Non-controlling interests	606,799
Total equity	<u>1,698,197</u>
Total liabilities and equity	<u><u>4,463,547</u></u>

Consolidated Statement of Changes in Equity
12th Consolidated Fiscal Year (Year ended March 31, 2017)

Unit: 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	–	–	–	156,259
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	156,259
Purchase of treasury stock	–	–	(30,033)	–
Disposal of treasury stock	–	3,035	2,686	–
Cash dividends	–	–	–	(23,437)
Issuance of convertible bond-type bonds with stock acquisition rights to shares	–	3,099	–	–
Share-based payment transactions	–	71	–	–
Changes in interests in subsidiaries	–	(2,046)	–	–
Changes in scope of consolidation	–	–	–	117
Transfer from other components of equity to retained earnings	–	–	–	17,516
Total transactions with owners	–	4,159	(27,347)	(5,804)
Balance at March 31, 2017	50,000	321,703	(43,587)	761,364

Other components of 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	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at April 1, 2016	37,054	–	(25,246)	(1,824)	9,984	972,197	623,954	1,596,151
Net income	–	–	–	–	–	156,259	60,256	216,515
Other comprehensive income	12,538	14,755	(18,640)	797	9,450	9,450	528	9,978
Total comprehensive income	12,538	14,755	(18,640)	797	9,450	165,709	60,784	226,493
Purchase of treasury stock	–	–	–	–	–	(30,033)	–	(30,033)
Disposal of treasury stock	–	–	–	–	–	5,721	–	5,721
Cash dividends	–	–	–	–	–	(23,437)	(28,013)	(51,450)
Issuance of convertible bond-type bonds with stock acquisition rights to shares	–	–	–	–	–	3,099	–	3,099
Share-based payment transactions	–	–	–	–	–	71	–	71
Changes in interests in subsidiaries	–	–	–	–	–	(2,046)	(49,533)	(51,579)
Changes in scope of consolidation	–	–	–	–	–	117	(393)	(276)
Transfer from other components of equity to retained earnings	(2,761)	(14,755)	–	–	(17,516)	–	–	–
Total transactions with owners	(2,761)	(14,755)	–	–	(17,516)	(46,508)	(77,939)	(124,447)
Balance at March 31, 2017	46,831	–	(43,886)	(1,027)	1,918	1,091,398	606,799	1,698,197

Notes to the Consolidated Financial Statements

Basis of Preparation of Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The consolidated financial statements of the Company and its subsidiaries (hereinafter the “the MCHC Group”) are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) under the provision of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies for the first time for the fiscal year under review. In the consolidated financial statements, some items required to be disclosed in IFRS are omitted under the provision of the second sentence of the same Paragraph.

2. Scope of Consolidation

Number of consolidated subsidiaries: 514

The number above includes four (4) jointly-operating companies.

Names of major consolidated subsidiaries: MCC, MTPC, MPI, MRC, TNSC

Mitsubishi Rayon Co., Ltd. merged with Mitsubishi Chemical Corporation and Mitsubishi Plastics, Inc. on April 1, 2017 and changed its company name to Mitsubishi Chemical Corporation.

Significant change in scope of consolidation (Exclusion due to share transfers)

Materials Chemicals and Performance Intermediaries Private Limited (Formerly MCC PTA India Corp. Private Limited) and Ningbo Union King Polyester Material Limited (former Ningbo Mitsubishi Chemical Co., Ltd.)

3. Scope of Equity Method

Number of associated companies accounted for by the equity method: 78

Name of major affiliate: Mitsubishi Engineering-Plastics Corporation

4. Accounting policies

(1) Early application of new standard

The MCHC Group is carrying out early application of IFRS 9 “Financial Instruments” from the date of transition to IFRS.

(2) Basis and method of valuation for financial assets other than derivatives

(i) Initial recognition and measurement

The MCHC Group initially recognizes trade receivables on each accrual date, while other financial assets on each transaction date when the MCHC Group became a party of the contract for the financial assets.

Financial assets are classified into financial assets measured at fair value through profit or loss, fair value through other comprehensive income, and amortized cost. The MCHC Group determines the classification at initial recognition.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met.

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows

that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting both of the following conditions are classified as financial assets measured at fair value through other comprehensive income. The other debt instruments are classified as financial assets measured at fair value through profit or loss.

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sales of financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With regard to equity instruments invested in not for the purpose of trading, a designation is made to individually measure at fair value through profit or loss or measure at fair value through other comprehensive income, and such designation is continuously applied.

Financial assets are measured at fair value plus transaction costs that are attributable to the financial assets, except for financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial assets at amortised cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Other financial assets

Financial assets other than those measured at amortized cost are measured at fair value.

Changes in the fair values of financial assets measured at fair value are recognized as profit or loss or as other comprehensive income.

Changes in the fair value of equity instruments designated as measured at fair value through other comprehensive income are recognized as other comprehensive income and the amount in other comprehensive income is transferred to retained earnings when equity instruments are derecognized or the decline in its fair value compared to its acquisition cost is significant.

(iii) Derecognition

The MCHC Group derecognizes a financial asset only when the contractual right to receive the cash flows from the asset expires or when the MCHC Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

When the MCHC Group does not transfer substantially all the risks and rewards but does not retain them either, and yet retains the ownership of the financial asset transferred, the MCHC Group recognizes retained interests in the financial assets and a

liability that the MCHC Group may be required to pay in association therewith, to the extent of the Group's continuing involvement.

(iv) Impairment

The MCHC Group recognizes impairment of financial assets and financial guarantee transaction contracts based on whether or not credit risks of financial assets, the financial assets group or financial guarantee transaction contracts measured at amortized cost on balance sheet date have experienced significant increase compared to their initial recognition.

If there is no significant increase of credit risk in financial assets or financial assets group measured at amortized cost compared to their initial recognition, expected credit losses for 12 months are recognized as allowance for doubtful receivables, while for trade receivables, expected credit losses for the remaining period are recognized since their initial recognition.

When there is a significant change in credit risk from the time of initial recognition, expected credit losses for the remaining period are recognized as allowance for doubtful receivables. Whether the increase in credit risk is significant or not is determined based on changes in default risks; to determine whether there is a change in default risk, we primarily consider overdue (past due information).

Expected credit losses are measured based on a discounted present value, which is the difference between the amount receivable under the contract, and the amount expected to receive taking into consideration past credit losses, etc.

(3) Basis and method of valuation for derivatives

The MCHC Group utilizes derivatives, including forward foreign exchange contracts and interest rate swap contracts, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized as profit or loss in the consolidated statement of income. However, the gains or losses on the hedging instrument relating to the effective portion of cash flow hedges and hedges of net investment in foreign operations are recognized as other comprehensive income.

At the inception of the hedging relationships, the MCHC Group formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The document includes specific methods of hedging, items or transactions to be hedged against, or nature of risks to be hedged against, fair value of hedged items attributable to hedged risks, or methods of evaluating effectiveness of changes in fair value of hedge instruments to offset exposure to changes in cash flows (including analysis of a cause for why any portion of the hedge is found not effective, and the method of determining the hedging ratio). The MCHC Group also assesses whether a derivative used in the hedge transaction is effective in offsetting fair value of the hedged item or changes in cash flows, at the designating hedging relationships or on an ongoing basis. Specifically, the MCHC Group deems hedge transaction as effective when such hedge offsets economic relations between the hedged item and the hedge instrument.

Hedges that meet the requirements for hedge accounting are classified in the following categories and accounted for in accordance with IFRS 9 “Financial Instruments”.

(a) Fair value hedges

Changes in the fair value of derivatives are recognized as profit or loss. Changes in fair value of the hedged item attributable to hedged risks is recognized in profit or loss by modifying the carrying amount of the hedged item.

(b) Cash flow hedges

The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately as profit or loss.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

If planned transactions are no longer expected to occur, any related cumulative gain or loss that has been recognized in equity as other comprehensive income is reclassified to profit or loss. When a hedging instrument expires or is sold or terminated or exercised without being replaced with other hedging instrument or renewal of the hedging instrument, or when a hedge accounting is discontinued due to a change of risk management purpose, any cumulative gain or loss recognized in equity as other comprehensive income remains in equity until a forecasted transaction is executed.

(c) Hedges of a net investment in foreign operations

Translation differences resulting from the net investment in foreign operations (foreign subsidiaries), are accounted for similarly to a cash flow hedge. The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income, while the ineffective portion is recognized as profit or loss. At the time of the disposal of the foreign operations, any related cumulative gain or loss that has been recognized in equity as other comprehensive income is reclassified to profit or loss.

(4) Valuation basis and method for inventories

The acquisition cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at acquisition cost, or if lower, at net realizable value. The costs are determined by mainly using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(5) Depreciation and amortization method for significant depreciable assets

(i) Property, plant and equipment

The MCHC Group uses the cost model for measuring property, plant and equipment. Property, plant and equipment are presented in values that is calculated as acquisition cost less accumulated depreciation and accumulated impairment loss.

Acquisition cost includes expenses directly attributable to acquisition of the assets, estimated costs relating to scrap, removal and retirement and restoration, and the borrowing cost that satisfy the capitalization criteria.

Except land, all of the property, plant and equipment applied depreciation on a straight-line basis to regularly allocate depreciable amount, which is calculated by subtracting the remaining value on balance sheet date from its acquisition cost.

The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures:	3–50 years
Machinery and equipment:	2–22 years
Vehicles, tools, furniture and fixtures:	2–25 years

(ii) Intangible assets

The MCHC Group uses the cost model for measuring intangible assets.

An intangible asset is presented in values that is calculated as acquisition cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets acquired separately are measured as acquisition cost at the initial recognition, and the costs of intangible assets acquired through business combinations are recognized at fair value at the acquisition date. Expenditures on internally generated intangible assets are recognized as expense in the period when incurred, except for development expenses that satisfy the capitalization criteria.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives and are tested for impairment whenever there is any indication of impairment. The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at each fiscal year end, and the effect of any changes in estimate would be accounted for on a prospective basis.

The estimated useful lives of major intangible assets are as follows:

Technology-related intangible assets:	4–20 years
Customer-related intangible assets:	5–20 years
Software:	3–5 years

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized, but they are tested for impairment individually or by cash-generating unit annually or whenever there is any indication of impairment.

(iii) Lease

Lease agreements are classified as finance leases whenever substantially all the risks and rewards incidental to ownership of leased assets are transferred to the MCHC Group.

In finance leasing transactions, leased assets and leased obligations are presented in the consolidated statement of financial position at the fair value of the leased assets calculated at the inception of the lease or at the present value of the minimum lease payments if the present value is lower. Lease payments are allocated in finance cost or lease obligations payment in accordance with the interest method, and the finance cost is recognized as profit or loss. Leased assets are amortized on a straight-line basis over the useful life of the asset or, if shorter, the term of the lease.

In operating lease transactions, lease payments are recognized over the term of the lease on a straight-line basis. Variable lease payments are recognized as an expenses as incurred.

The MCHC Group determines if an agreement is a lease, or if an agreement includes a lease, based on the substance of the agreement, including those legally not in the form of leasing.

(6) Basis for provision of significant reserves

Allowances and provisions are recognized when the MCHC Group has a present (legal or constructive) obligation as a result of a past event when it is more likely than not that an outflow of resources having economic benefits will be required to settle the obligation and the amount of obligation has been reliably estimated.

Allowances and provisions are measured, where the time value of money is material, at present value of expenses estimated to be required to settle the obligation. The present value is calculated using the time value of money and a pre-tax discount rate that reflects the evaluation in the present market on the risks specific to the liabilities.

(7) Accounting treatment on retirement benefits

The MCHC Group sponsors defined benefit plans and defined contribution plans as employee retirement benefit plans.

The Group calculates the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method.

The discount rate is calculated based on yields of high-quality corporate bonds on balance sheet date.

Liability or asset recognized in respect of the defined benefit plan is the present value of the defined benefit obligation less the fair value of plan assets.

Remeasured liability or asset value in respect of the defined benefit plan is recognized comprehensively as other comprehensive income in the period as incurred, and immediately reflected retained earnings. In addition, past service cost is recognized as expenses in the period as incurred.

Cost for defined contribution plan is recognized as expense in the period when contributed.

(8) Basis for translating significant foreign currency assets and liabilities into Japanese yen

Consolidated financial statements of the MCHC Group are presented in Japanese yen, which is the functional currency of the Company. Each company in the MCHC Group specifies its own functional currency and measures transactions based on it.

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing at the dates of transactions or an approximation of the rate.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on balance sheet date. Differences arising from the translation and settlement are recognized as profit or loss.

However, exchange differences arising from the translation of financial instruments designated as hedging instruments for net investment in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognized as other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the fiscal year end date, while income and expenses of foreign

operations are translated into Japanese yen at the rates of exchange prevailing at the dates of transactions or an approximation to the rate.

In cases where foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations is recognized as profit or loss in the period of disposition.

(9) Matters Regarding goodwill

Goodwill is recorded at the value calculated as cost less any accumulated impairment loss.

Goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, which are expected to benefit from synergies of the business combination after the acquisition date.

Goodwill is tested for impairment annually or whenever there is any indication of impairment.

However, impairment losses on goodwill are not reversed.

(10) Assets and discontinued operations held for sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount expected to be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale within one year is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (or disposal groups) classified as assets held for sale are measured as carrying amount or if lowered, as fair value less costs to sell.

Property, plant and equipment and Intangible assets classified as assets held for sale are not depreciated or amortized.

Discontinued operations are recognized when an operation has been already disposed of or includes a component of the MCHC Group that is classified as an asset held for sale, represents one line of the MCHC Group's business, and the Group has a plan to dispose of such a business line.

(11) Accounting treatment of consumption taxes

Consumption taxes are excluded from transaction amounts.

Notes to consolidated statement of financial position

1. Assets Pledged as Collateral and Debt Obligations Covered by Collateral
 - Assets pledged as collateral
 - Property, plant and equipment ¥25,143 million
 - Other ¥1,542 million
 - Debt obligations covered by collateral ¥11,944 million
2. Allowance for doubtful accounts directly deducted from assets
 - Trade receivables ¥4,351 million
 - Other non current assets ¥1,460 million
3. Accumulated Depreciation on Total Property, Plant and Equipment and Accumulated Depreciation ¥3,290,362 million
4. Contingent Liabilities
 - Guarantee of loans from financial institutions
 - Guarantees ¥15,676 million

Notes to consolidated statement of changes in equity

1. Matters Related to Class and Number of Issued Shares
 - Class and total number of issued shares as of the close of the consolidated fiscal year under review:
 - Common stock 1,506,288 thousand shares
2. Matters Related to Dividends
 - (1) Dividends paid to shareholders

Resolution	Share Class	Aggregate Amount of Dividends	Dividend per share	Entitlement Date	Effective Date
Board of Directors meeting May 18, 2016	Common stock	¥11,718 million	¥8	March 31, 2016	June 3, 2016
Board of Directors meeting November 8, 2016	Common stock	¥11,718 million	¥8	September 30, 2016	December 2, 2016

- (2) Dividends whose base date arrives within the consolidated fiscal year under review but whose effective date arrives after the close of the consolidated fiscal year under review

The following matters related to payout of dividends of the common stock are being proposed as one of the agenda for the Board of Directors meeting scheduled for May 17, 2017.

Resolution	Share Class	Aggregate Amount of Dividends	Source of Dividend	Dividend per share	Entitlement Date	Effective Date
Board of Directors meeting May 17, 2017	Common stock	¥17,271 million	Retained earnings	¥12	March 31, 2017	June 6, 2017

3. Type and number of shares being the object of warrants (excluding that warrant for which the first day of the exercising period has not yet arrived) as of the close of the consolidated fiscal year under review:

Common stock 216,100 shares

Notes on Financial Instruments

1. Matters Related to Status of Financial Instruments

The MCHC Group is exposed to financial risks during the course of business activities in a wide range of fields in various countries and regions. To reduce or avoid said risks, it manages risks based on a specific policy. With regard to derivative transactions, its policy limits derivatives within the actual demand and prohibits transactions for speculation purposes. In addition, in accordance with the internal rules that define the authority to do transactions, the upper limit to transactions, etc., the balance of contracts, fair values, etc. with regard to derivatives transactions are reported on a regular basis to the responsible director.

2. Matters Related to Fair Value of Financial Instruments

The fair values and the carrying amounts in consolidated statement of financial position as of the end of the fiscal year under review are shown below except for financial instruments measured at fair value and financial instruments measured at amortized cost of which fair value reasonably approximates the carrying amount in consolidated statement of financial position.

		Unit: Millions of yen	
		Values in Consolidated Statement of Financial Position	Fair value
Assets			
Bonds		7,150	7,203
	Total	7,150	7,203
Liabilities			
Long-term borrowings		754,377	755,119
Bonds payable		542,652	547,702
	Total	1,297,029	1,302,821

Bonds

The fair value of bonds which have market prices is based on market price.

The fair value of bonds which do not have market prices is valued at quoted price at the exchange or using the prices presented by the counterparty financial institutions.

Long-term borrowings

The fair value of long-term borrowings is measured based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

Bonds payable

The fair value of bonds payable is measured based on market price.

3. Matters Related to Transfer of Financial Assets

Of trade receivables transferred without satisfying the requirements for derecognition, ¥38,288 million is included in “trade receivables” and ¥55,150 million, which is received by transfer, is included in “bonds and borrowings.” The fair value reasonably approximates the carrying amount. Also, the net position is mainly arises from timing differences between the retained interests related to sale of trade receivables and payment of bonds

receivables, and repayment of borrowings. As all or part of obligations related to these bonds payables are retroactively designated to the MCHC Group if the drawer of the note or debtor becomes in default in payment, most of the risks relating to holding of the transferred assets and their economic value are deemed to be held by the MCHC Group.

Notes on Per Share Information

Equity attributable to owners of the parent company per share	¥758.30
Basic net income per share	
Continuing operations	¥104.97
Discontinued operations	¥1.76
Total basic net income per share	<u>¥106.73</u>

Discontinued Operations

1. Outline of Discontinued Operations

MCHC decided to transfer the terephthalic acid business in India and China (announced on July 27, 2016) and completed the transfer in the fiscal year under review. As a result, profit and loss of Materials Chemicals And Performance Intermediaries Private Limited (former MCC PTA India Corp. Private Limited) and Ningbo Union King Polyester Material Limited (former Ningbo Mitsubishi Chemical Co., Ltd.) are categorized to be included as discontinued operations, and continued operations and discontinued operations are separately presented.

2. Income (Loss) from Discontinued operations

	Unit: Millions of yen
	Fiscal year ended March 31, 2017
Income (Loss) from Discontinued operations	
Sales revenue	66,794
Cost of sales	(63,062)
Gross profit	3,732
Selling, general and administrative expenses	(2,588)
Other income (Note 1)	2,872
Other expenses	(436)
Operating income	3,580
Financial income	58
Financial expenses	(1,338)
Earnings before taxes	2,300
Income taxes	286
Net income	2,586
Net income attributable to	
Owners of the parent	2,586
Non-controlling interests	—

Note: Includes ¥2,347 million of gain on sales of shares of subsidiaries and associates from transfer of terephthalic acid business.

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Non-consolidated Balance Sheet

As of March 31, 2017

Unit: Millions of yen

Assets

Current assets:

Cash and deposits	1
Income taxes receivable	13,449
Short-term loans receivable from subsidiaries and affiliates	340,607
Deferred income taxes—current	57
Other	11,772
	365,886
Total current assets	365,886

Fixed assets:

Property, plant and equipment

Buildings	2,179
Structures	62
Tools, furniture and fixtures	310
Construction in progress	48
	2,599
Total property, plant and equipment	2,599

Intangible fixed assets:

Software	65
Other	2
	67
Total intangible fixed assets	67

Investments and other assets:

Investment securities	6,432
Stocks of subsidiaries and affiliates	824,298
Investments in affiliated companies	162
Long-term loans receivable from subsidiaries and affiliates	438,261
Other	2,676
	1,271,829
Total investments and other assets	1,271,829
Total fixed assets	1,274,494
Total assets	1,640,380

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Non-consolidated Balance Sheet (continued)

As of March 31, 2017

Unit: Millions of yen

Liabilities

Current liabilities:

Short-term borrowings	138,706
Short-term borrowings to subsidiaries and affiliates	198,844
Current portion of long-term borrowings	65,500
Commercial paper	40,000
Current portion of bonds payable	30,000
Accounts payables	15,773
Accrued expenses	1,193
Accrued income taxes	42
Accrued bonuses	187
Other	533

Total current liabilities	490,778
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Long-term liabilities:

Bonds payable	447,652
Long-term borrowings	314,561
Deferred tax liabilities	169
Other	3,836

Total long-term liabilities	766,218
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Total liabilities	1,256,996
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Net Assets

Shareholders' equity:

Common stock	50,000
Additional paid-in capital	264,511
Legal capital surplus	12,500
Other capital surplus	252,011
Retained earnings	117,261
Other retained earnings	117,261
Retained earnings brought forward	117,261
Less, Treasury stock at cost	(53,378)
Total shareholders' equity	378,395

Valuation and translation adjustments:

Net unrealized holding gain on other securities	1,384
Total valuation and translation adjustments	1,384

Stock acquisition rights

Total net assets	383,385
Total liabilities and net assets	1,640,380

mitsubishi chemical holdings corporation

Non-consolidated Statement of Income

Year ended March 31, 2017

Unit: Millions of yen

Operating revenue	
Dividends from subsidiaries and affiliates	41,472
Operating costs receipts	5,959
Total operating revenue	47,431
General and administrative expenses	7,214
Operating income	40,217
Other income	
Interest income	4,126
Dividends income	197
Other	419
Total other income	4,742
Other expenses	
Interest expenses	4,417
Interest on bonds	2,599
Bond issuance cost	345
Other	41
Total other expenses	7,401
Ordinary income	37,558
Extraordinary income	
Gain on sales of investment securities	797
Total extraordinary income	797
Income before income taxes	38,355
Current income taxes	(253)
Deferred income taxes	(112)
Total income taxes	(365)
Profit	38,720

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Non-consolidated Statement of Changes in Net Assets

Year ended March 31, 2017

Unit: Millions of yen

	Shareholders' equity					
	Common stock	Additional paid-in capital			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at April 1, 2016	50,000	12,500	252,022	264,522	101,978	101,978
Changes during the fiscal year						
Cash dividends	—	—	—	—	(23,437)	(23,437)
Profit	—	—	—	—	38,720	38,720
Purchase of treasury stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	(11)	(11)	—	—
Net change in items other than those in shareholders' equity	—	—	—	—	—	—
Total changes during the fiscal year	—	—	(11)	(11)	15,283	15,283
Balance at March 31, 2017	50,000	12,500	252,011	264,511	117,261	117,261
	Shareholders' equity		Valuation and translation adjustment		Warrants	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gain on other securities	Total valuation and translation adjustment		
Balance at April 1, 2016	(28,817)	387,683	724	724	515	388,923
Changes during the fiscal year						
Cash dividends	—	(23,437)	—	—	—	(23,437)
Profit	—	38,720	—	—	—	38,720
Purchase of treasury stock	(30,033)	(30,033)	—	—	—	(30,033)
Disposition of treasury stock	5,473	5,462	—	—	—	5,462
Net change in items other than those in shareholders' equity	—	—	659	659	3,091	3,750
Total changes during the fiscal year	(24,560)	(9,289)	659	659	3,091	(5,539)
Balance at March 31, 2016	(53,378)	378,395	1,384	1,384	3,606	383,385

Notes to the Non-consolidated Financial Statements

Matters Concerning Significant Accounting Policies

1. Valuation Methods of Securities

Subsidiaries' and affiliates' stocks

Stated at cost based on the moving average method

Other securities with quoted market prices

Stated at fair value based on market price at the closing date, or calculated by other means. The difference between the acquisition cost and the carrying value of other securities, including unrealized gain and loss, net of the applicable income taxes, is recognized as a component of net assets, and the cost of other securities sold is principally computed by the moving average method.

Other securities without quoted market prices

Stated at cost based on the moving average method

2. Method of Depreciation of Property, Plant and Equipment

By the straight-line method

3. Method of Amortization of Intangible Fixed Assets

By the straight-line method

4. Basis for Reserves

Accrued bonuses to employees

To provide for payments of bonuses to its employees, estimates of those accrued bonuses and social insurance costs corresponding thereto, which MCHC should bear during the fiscal year under review, are recorded.

5. Treatment of Consumption Taxes

Net of tax

6. Adoption of Consolidated Tax Payment System

Consolidated tax payment system

(Additional information)

Application of ASBJ Guidance on Recoverability of Deferred Tax Assets

Effective from the current fiscal year, the Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2016).

Notes to the Non-consolidated Balance Sheets

1. Accumulated Depreciation of Total Property, Plant and Equipment	¥1,467 million
2. Monetary Claims and Liabilities Against Subsidiaries and Affiliates (excluding those sectionally indicated)	
Short-term monetary claim	¥11,292 million
Short-term monetary liabilities	¥15,081 million
3. Contingent Liabilities	
Liabilities on guarantee for bank borrowings	
Guarantees	¥97,100 million

Notes to the Non-consolidated Statements of Income

Transactions with Subsidiaries and Affiliates

1. Operating revenue	¥47,431 million
General and administrative expenses	¥3,292 million
Transactions except for operational transactions	¥4,764 million

Notes to the Non-consolidated Statement of Changes in Net Assets

1. Matters Related to Class and Number of Treasury Stocks

(Thousands of shares)				
Class of shares	Number of shares at April 1, 2016	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at March 31, 2017
Common stock	41,485	33,418	7,878	67,025

Note: The number of shares of treasury stock increased with purchase of 48 thousand shares less than one unit, and acquisition of 33,370 thousand shares by resolution of the Board of Directors.

The number of shares of treasury stock decreased with sale of 1 thousand shares less than one unit, reissuance of 133 thousand shares upon exercise of the stock option, and disposal of 7,744 thousand shares to Mitsubishi Chemical Corporation, a subsidiary of MCHC, based on a decision by Corporate Executive Officers.

Mitsubishi Chemical Corporation made Nippon Kasei Chemical Company Limited a wholly-owned subsidiary by a share exchange with MCHC's shares as consideration.

Notes on Tax Effect Accounting

1. Breakdown of Deferred Tax Assets and Liabilities

Deferred tax assets mainly consist of subsidiaries' stocks and losses carried forward (corporation income tax and local tax), and deferred tax liabilities mainly consist of net unrealized holding gain on other securities. Deferred tax assets pertaining to subsidiaries' stocks and losses carried forward (local tax) were accounted for as valuation allowances.

Notes on Related Party Transactions

Subsidiaries, etc.

Attribute	Name of related party	Equity ownership (or possession) percentage (%)	Description of the business relationship	Transactions	Trading amount (in million yen)	Accounts	Balance at year-end (in million yen)
Subsidiary	Mitsubishi Chemical Holdings Corporate Staff, Inc.	Direct 100%	Interlocking of officers and Lending of funds	Loan charge (Note 1)	234,437	Short-term loans receivable from subsidiaries and affiliates	293,502
						Long-term loans receivable from subsidiaries and affiliates	367,581
				Receipts of interest (Note 1)	2,140	Current assets and others	378
Subsidiary	Mitsubishi Rayon Co., Ltd. (Note 2)	Direct 100%	Interlocking of officers and Lending of funds	Collection of funds (Note 1)	12,613	Short-term loans receivable from subsidiaries and affiliates	38,710
						Long-term loans receivable from subsidiaries and affiliates	70,680
				Receipts of interest (Note 1)	1,599	Current assets and others	253
Subsidiary	Mitsubishi Chemical Corporation (Note 2)	Direct 100%	Interlocking of officers and Lending of funds	Loan charge (Note 1)	60,572	Short-term loans receivable from subsidiaries and affiliates	1,417
				Receipts of interest (Note 1)		287	Current assets and others
				Succession by company split (Note 3)	20,009	Succeeded assets	–
					20,009	Succeeded liabilities	–
Subsidiary	Mitsubishi Chemical Europe GmbH	Direct 100%	Interlocking of officers Debt guarantee	Debt guarantee (Note 4)	18,354	–	–
				Receipts of guarantee commission (Note 4)		4	Current assets and others
Subsidiary	Mitsubishi Chemical Holdings America, Inc.	Direct 100%	Debt guarantee	Debt guarantee (Note 4)	17,951	–	–
				Receipts of guarantee commission (Note 4)		42	Current assets and others
Subsidiary	Mitsubishi Tanabe Pharma Corporation	Direct 56%	Interlocking of officers and Fund borrowing	Fund borrowing (Note 5)	133	Short-term borrowings to subsidiaries and affiliates	193,280
				Payment of interest (Note 5)		133	–

Attribute	Name of related party	Equity ownership (or possession) percentage (%)	Description of the business relationship	Transactions	Trading amount (in million yen)	Accounts	Balance at year-end (in million yen)
Affiliate	The Saudi Methacrylates Company	Indirect 50%	Debt guarantee	Debt guarantee (Note 4)	32,816	–	–
				Receipts of guarantee commission (Note 4)	87	–	–

Trading amount above does not include consumption taxes. The balance at year-end includes consumption taxes.

Term of transactions and policy of decision-making thereof

Notes:

- Interest rates are reasonably decided based on procurement interest rates.
Transactions relating to lending of funds and recovery are presented in net amounts.
- Mitsubishi Rayon Co., Ltd. merged with Mitsubishi Chemical Corporation and Mitsubishi Plastics, Inc. on April 1, 2017 and changed its company name to Mitsubishi Chemical Corporation.
- The Company succeeded to the rights and obligations with respect to the stock custodial business for shares of Taiyo Nippon Sanso Corporation owned by Mitsubishi Chemical Corporation, in accordance with the absorption-type company split agreement entered into on December 22, 2016.
- The Company acts as jointly and severally liable guarantor with respect to borrowings from a commercial bank. The guarantee commission is decided according to what is considered reasonable when considering the financial position of the debtor.
- Interests rates are reasonably decided reflecting market interest rates.
The amount of transactions relating to borrowings from MTPC is indicated in a net amount.

Notes on Per Share Information

Net assets per share	¥263.87
Earnings per share	¥26.44

Note: Amounts of less than one million yen are rounded to the nearest unit.

[English Translation of Report of Independent Auditors Originally Issued in the Japanese Language]

Report of Independent Auditors

May 11, 2017

The Board of Directors
Mitsubishi Chemical Holdings Corporation

Ernst & Young ShinNihon LLC

Kaoru Kashima
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Noriaki Kenmochi
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Ken Tarui
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Mitsubishi Chemical Holdings Corporation (the “Company”), which comprise the consolidated statement of profit or loss for the fiscal year from April 1, 2016 to March 31, 2017, the consolidated statement of financial position as of March 31, 2017 and the consolidated statement of changes in equity for the fiscal year from April 1, 2016 to March 31, 2017, and the related notes to consolidated financial statements.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Corporate Calculation Regulations which permits companies to omit some disclosure items required under International Financial Reporting Standards in preparing consolidated financial statements; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors’ responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards

generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. We select and apply the audit procedures based on our assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We attest that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the consolidated financial statements referred to above, which were prepared with some disclosure items required under International Financial Reporting Standards omitted pursuant to the provisions of the second sentence of first paragraph of Article 120 of the Corporate Calculation Regulations, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2017 and the results of their operations for the period then ended.

Interests in the Company

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

[English Translation of Report of Independent Auditors Originally Issued in the Japanese Language]

Report of Independent Auditors

May 11, 2017

The Board of Directors
Mitsubishi Chemical Holdings Corporation

Ernst & Young ShinNihon LLC

Kaoru Kashima
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Noriaki Kenmochi
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Ken Tarui
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements of Mitsubishi Chemical Holdings Corporation (the “Company”), which comprise the balance sheet as of March 31, 2017, and the statement of income and the statement of changes in net assets for the 12th fiscal year from April 1, 2016 to March 31, 2017, and the related notes to non-consolidated financial statements as well as the related supplementary schedules thereto.

Management’s responsibility for the non-consolidated financial statements.

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and supplementary schedules in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of non-consolidated financial statements and supplementary schedules that are free from material misstatement, whether due to fraud or error.

Independent auditors’ responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and supplementary schedules based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supplementary schedules. We select and apply the audit procedures based on our assessment of the risks of material misstatement of the non-consolidated financial statements and supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and supplementary schedules.

We attest that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the non-consolidated financial statements and supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2017, and the results of its operations for the period then ended in accordance with accounting principles generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(TRANSLATION PURPOSE ONLY)
Copy of the Audit Committee's Report

AUDIT REPORT

With respect to the Directors' and Corporate Executive Officers' performance of their duties during the 12th business year from April 1, 2016 to March 31, 2017, the Audit Committee has carried out the audit. We hereby report the method and the results of the audit as follows:

1. Method and Contents of Audit

Concerning the content of the Board of Directors resolution relating to matters raised in Article 416, paragraph (1) item i, sub-items (b) and (e) of the Companies Act and the system that has been established pursuant to that resolution (internal control system), the Audit Committee periodically received reports from the Directors, Corporate Executive Officers and employees and other relevant personnel on its construction and operational status, sought explanations as necessary and made opinions. In addition to this, the Audit Committee implemented the audit using the following method.

(1) The Audit Committee attended important meetings, received reports from Directors, Corporate Executive Officers and other relevant personnel on matters relating to their performance of duties, sought explanations as necessary, reviewed important written decisions and other documents, and investigated the status of operations and assets, in compliance with the Audit Committee Audit Standard set forth by the Audit Committee, in line with the Audit Policy and the allocation of duties, etc., and in cooperation with the internal audit departments of the Company. Also, with respect to the subsidiaries, the Audit Committee maintained good communications and exchanged information with the directors, corporate auditors and other relevant personnel of the subsidiaries and received reports from the subsidiaries on their business as necessary.

(2) The Audit Committee oversaw and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of their performance of duties, and requested explanations as necessary. The Audit Committee was notified by the Accounting Auditor that it had established "a systems for the maintenance of appropriate execution of duties" (included in each paragraph of Article 131 of the Corporate Calculation Regulations) in accordance with the "Quality Control Standards for Audits," (Business Accounting Council; October 28, 2005) and requested explanations as necessary.

Based on the above-described methods, each Corporate Auditor examined the business report and the annexed specifications, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and their annexed specifications thereto, as well as the consolidated financial statements (consolidated statement of profit or loss, the consolidated statement of financial position, consolidated statement of changes in equity, and notes to consolidated financial statements) for this business year.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- i) We acknowledge that the business report and the annexed specifications thereto fairly present the status of the Company in conformity with the applicable laws and regulations

and the Articles of Incorporation of the Company.

- ii) We acknowledge that no misconduct or violations of laws and regulations, or the Articles of Incorporation was found with respect to the Directors' and Corporate Executive Officers' performance of their duties.
- iii) We acknowledge that the Board of Directors' resolutions with respect to the Internal Control Systems are appropriate. We did not find any matter to be mentioned with respect to the descriptions of the business report and the Director's and Corporate Executive Officers' performance of their duties regarding the internal control system.

(2) Results of Audit of Non-consolidated Financial Statements and their Annexed Specifications
We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements
We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 15, 2017

The Audit Committee of
Mitsubishi Chemical Holdings Corporation

Member of the Audit Committee (full-time)	Yoshihiro Umeha
Member of the Audit Committee (full-time)	Hisao Urata
Member of the Audit Committee	Taigi Ito
Member of the Audit Committee	Kazuhiro Watanabe
Member of the Audit Committee	Hideko Kunii

Note: Member of the Audit Committee Mr. Taigi Ito, Mr. Kazuhiro Watanabe and Ms. Hideko Kunii are Outside Directors as stipulated in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.