



November 2, 2017

Mitsubishi Chemical Holdings Corporation Condensed Consolidated Financial Information for the First Half of the Fiscal Year Ending March 31, 2018

1. Business Results for the First Half of the Fiscal Year Ending March 31, 2018 ("FY2017") (Business period: April 1, 2017 to September 30, 2017)

Millions of Yen	
The First Half of the Current Fiscal Year ("FY2017") April 1, 2017 - September 30, 2017	The First Half of the Previous Fiscal Year ("FY2016") April 1, 2016 - September 30, 2016

(1) Results of Operations:

	1,804,766	1,586,259
Sales revenue	1,804,766	1,586,259
Core operating income*	192,292	136,331
Operating income	185,328	120,068
Earnings before taxes	180,209	111,620
Net Income	131,320	109,147
Net income attributable to owners of the parent	100,478	79,154
Comprehensive income	175,026	42,241

* Core operating income: Operating income excluding special items

(Yen)

Earnings per share - Basic	69.81	54.04
- Diluted	64.56	54.00

(2) Segment Information:

[Sales Revenue by Business Segment]

Performance Products	560,747	523,979
Chemicals	571,581	441,964
Industrial Gases	302,160	265,568
Health Care	273,175	263,352
Others	97,103	91,396
Total	1,804,766	1,586,259

[Core Operating Income (Loss) by Business Segment]

Performance Products	50,848	46,997
Chemicals	71,854	16,679
Industrial Gases	28,063	24,379
Health Care	40,959	48,986
Others	3,450	3,477
Elimination & corporate	(2,882)	(4,187)
Total	192,292	136,331

Millions of Yen	
As of September 30, 2017	As of March 31, 2017

(3) Financial Position:

Total assets	4,576,127	4,463,547
Total equity	1,838,941	1,698,197
Equity attributable to owners of the parent	1,209,403	1,091,398
Ratio of equity attributable to owners of the parent to total assets (%)	26.4	24.5

Millions of Yen	
The First Half of the Current Fiscal Year ("FY2017") April 1, 2017 - September 30, 2017	The First Half of the Previous Fiscal Year ("FY2016") April 1, 2016 - September 30, 2016

(4) Cash Flows:

Net cash provided by (used in) operating activities	189,173	195,607
Net cash provided by (used in) investing activities	(27,390)	(124,273)
Net cash provided by (used in) financing activities	(113,922)	(23,916)
Cash and cash equivalents at end of the period	416,198	281,575

Note:

The Company has reclassified business segments from FY2017. Accordingly, segment information for FY2016 has been restated to match.

2. Forecast for the Current Fiscal Year

	Millions of Yen
	FY2017
	April 1, 2017 - March 31, 2018
Sales revenue	3,700,000
Core operating income	365,000
Operating income	345,000
Net income attributable to owners of the parent	180,000

(Yen)

Earnings per share - Basic	125.06
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3. Business Performance and Financial Position

(1) Business Performance

Consolidated Performance for the First Half of the Fiscal Year Ending March 31, 2018 (Fiscal 2017): Six Months Ended September 30, 2017

Overview of General Performance

The business environment surrounding the Mitsubishi Chemical Holdings Group during the first half of fiscal 2017 remained generally favorable, due primarily to continuing overall sales growth, especially in the Performance Products domain, as well as continued strong market prices for petrochemicals such as MMA and other products in the Industrial Materials domain.

Against this background, sales revenue for the first half of fiscal 2017 increased by ¥218.5 billion, or 13.8% year on year, to ¥1,804.8 billion. Profit increased significantly year on year, as follows. Core operating income rose by ¥56.0 billion, or 41.0% year on year, to ¥192.3 billion, and operating income was up ¥65.2 billion, or 54.4% year on year, at ¥185.3 billion. Earnings before taxes rose by ¥68.6 billion, or 61.4% year on year, to ¥180.2 billion. Net income attributable to owners of the parent grew ¥21.3 billion, or 26.9% year on year, to ¥100.5 billion, due to a decrease in tax expenses associated with recognition of deferred tax assets relating to the discontinued business transfer in the same period of the previous fiscal year.

Overview of Business Segments

The overview of financial results by business segment for the first half of fiscal 2017 is shown below.

Gains or losses by segment are stated with core operating income which excludes gains or losses from special items including losses incurred by business withdrawals, streamlining, and others.

In the following sections, all comparisons are with the same period of the previous fiscal year unless stated otherwise.

Note:

From the first quarter of fiscal 2017, new business segments are used for the announcement of financial results. The business segments were reviewed and reclassified into "Performance Products, Chemicals," "Industrial Gases," and "Health Care," based on the following factors.

Mitsubishi Chemical Holdings integrated three consolidated subsidiaries — Mitsubishi Chemical Corporation, Mitsubishi Plastics, Inc., and Mitsubishi Rayon Co., Ltd. — into one company, and established the new Mitsubishi Chemical Corporation on April 1, 2017. This was executed in consideration of the need to establish an organizational structure that can take full advantage of each company's resources and strengths to address a rapidly changing business climate and drive the expansion of their business toward accomplishing the goals of the five-year medium-term management plan, *APTSIS 20*, which began in fiscal 2016.

Taking this opportunity, Mitsubishi Chemical Holdings, the holding company of the four operating companies — the new Mitsubishi Chemical, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Taiyo Nippon

Sanso Corporation — stepped up its efforts to plan medium-term strategies for each of four business segments (Performance Products, Chemicals, Industrial Gases, and Health Care) in which four operating companies are mainly engaged, enhance monitoring of *APTSIS 20*, and shift to a management system that accelerate growth strategies for these four business segments.

Business Domains	Business Segments	Business Sub-Segment		
		Busiensses		
Performance Products	Performance Products	Functional Products	Electronics and displays	Optical films, Electronics and displays, Acetyl
			High performance films	Packaging films, Industrial films
			Environment and living solutions	Aqua and separator solutions, Infrastructure solutions and agricultural materials
			Advanced moldings and composites	High performance engineering plastics, Fibers and textile, Carbon fiber and composite materials, Functionial moldings and composites, Almina fiber and light metal products
		Performance Chemicals	Advanced polymers	Performance polymers, Engineering polymers, Sustainable resources
			High performance chemicals	Performance chemicals, Performance materials, Food ingredients
			New energy	Lithium ion battery materials, Energy transduction device materials
Industrial Materials	Chemicals	MMA	MMA	MMA
		Petrochemicals	Petrochemicals	Basic petrochemicals, Polyolefins, Basic chemical derivatives
		Carbon	Carbon	Carbon
	Industrial Gases			Industrial gases
Health Care	Health Care			Pharmaceuticals
				Life science

Performance Products Segment, Performance Products Domain

Sales revenue in this segment increased by ¥36.8 billion, to ¥560.7 billion. Core operating income was up ¥3.9 billion, at ¥50.8 billion.

In functional products, sales of advanced moldings and composites including high-performance engineering plastics, alumina fibers, and other products remained firm, and sales remained steady for films for displays in electronics and displays.

In performance chemicals, sales volumes increased due to growing sales volumes of battery materials for automobiles in the new energy business. In addition, in advanced polymers, market prices for phenol-polycarbonate chain continued firm, and sales volumes increased as the impact of scheduled plant maintenance and repairs during the same period of fiscal 2016 was resolved. Core operating income increased, due primarily to higher sales volumes as a whole, despite a rise in raw material costs for some products.

In addition, during the same period of fiscal 2016, performance was affected by scheduled plant maintenance and repairs, but those issues have been resolved. Improvements also reflect continued firm market prices for phenol-polycarbonate chain in advanced polymers.

Chemicals Segment, Industrial Materials Domain

Sales revenue in this segment was rose by ¥129.7 billion, to ¥571.6 billion. Core operating income grew ¥55.3 billion, to ¥71.9 billion.

In MMA, MMA monomer market prices rose in line with continuing firm demand.

In petrochemicals, sales volumes increased, reflecting rising sales prices brought on by higher raw material prices and a smaller impact from ethylene production facility scheduled maintenance and repairs, which were less than in the previous period.

In carbon, sale prices rose, accompanying a rise in coking coal prices.

Core operating income increased due primarily to a broadening in the price differential between raw materials and products in MMA and carbon and less impact of the smaller scheduled maintenance and repairs at petrochemical production facilities.

Major initiatives in the Chemicals segment during the first half of fiscal 2017 included:

- The Saudi Methacrylates Company, a joint venture between Mitsubishi Chemical Corporation and Saudi Basic Industries Corporation achieved mechanical completion of production facilities for MMA monomer (250 kt/y) and PMMA (40 kt/y). Commercial operations are slated to begin in November 2017.
- Mitsubishi Chemical Corporation's subsidiary, Japan Polypropylene Corporation decided to construct a new production facility for polypropylene (150 kt/y) at its Goi Plant, as part of its structural reforms in April 2017. Commercial operation is scheduled to begin in October 2019.

Industrial Gases Segment, Industrial Materials Domain

Sales revenue in this segment increased by ¥36.7 billion, to ¥302.2 billion. Core operating income was up ¥3.7 billion, at ¥28.1 billion.

In industrial gases, sales revenue and core operating income increased, reflecting continued firmness in the domestic and overseas electronics material gases and the inclusion of results of businesses acquired in the U.S. and Australia starting in the second quarter and fourth quarter of fiscal 2016, respectively.

Health Care Segment, Health Care Domain

Sales revenue in this segment totaled ¥273.2 billion, an increase of ¥9.8 billion. Core operating income was down ¥8.0 billion, at ¥41.0 billion.

Pharmaceuticals recorded higher sales revenue, due mainly to sales growth of domestic ethical pharmaceuticals and sales of *Radicava*, a treatment for amyotrophic lateral sclerosis (ALS) in the U.S., as well as steady royalty revenues from products licensed out overseas including *Gilenya*, a treatment for multiple sclerosis, despite a decrease in royalty revenue from *Invokana*, a type 2

diabetes mellitus treatment agent.

Core operating income decreased due primarily to increased business development costs in the U.S., in addition to R&D expenses.

A major initiative in the Health Care segment during the first half of fiscal 2017 included:

- Mitsubishi Tanabe Pharma Corporation's *Radicava*, a free-radical scavenger discovered by Mitsubishi Pharma Corporation (current Mitsubishi Tanabe Pharma) was approved by the U.S. Food and Drug Administration for an indication of ALS in May 2017. Sales of *Radicava* in the U.S. through Mitsubishi Tanabe Pharma's subsidiary, MT Pharma America, Inc. began in August.
- Mitsubishi Tanabe Pharma Corporation entered into a definitive agreement in July 2017 to begin the acquisition of NeuroDerm Ltd., which is a clinical-stage pharmaceutical company that develops novel formulation technology and drug-device combinations for Parkinson's disease, and made it a consolidated subsidiary in October.

Others

Sales revenue in this segment was up ¥5.7 billion, to ¥97.1 billion and core operating income remained unchanged and stood at ¥3.5 billion, reflecting continued overall firmness in logistics and other business.

Forward-looking Statements

The forward-looking statements are based largely on company expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond company control. Actual results could differ materially due to numerous factors, including without limitation market conditions, and the effect of industry competition. The company expectations for the forward-looking statements are described in page [2] hereof.

Reference

(1) Condensed Consolidated Statement of Profit or Loss

Six months ended September 30, 2016 and 2017

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Continuing operations		
Sales revenue	1,586,259	1,804,766
Cost of sales	(1,111,063)	(1,254,037)
Gross profit	475,196	550,729
Selling, general and administrative expenses	(344,041)	(369,047)
Other income	4,217	4,719
Other expenses	(22,656)	(12,629)
Equity income	7,352	11,556
Operating income	120,068	185,328
Financial income	4,422	4,535
Financial expenses	(12,870)	(9,654)
Earnings before taxes	111,620	180,209
Income taxes	(2,358)	(48,889)
Net income from continuing operations	109,262	131,320
Discontinued operations		
Net income from discontinued operations	(115)	—
Net income	109,147	131,320
Net income attributable to		
Owners of the parent	79,154	100,478
Non-controlling interests	29,993	30,842
Net income	109,147	131,320
Earnings per share		
Basic (Yen)		
Continuing operations	54.11	69.81
Discontinued operations	(0.07)	—
Total	54.04	69.81
Diluted (Yen)		
Continuing operations	54.07	64.56
Discontinued operations	(0.07)	—
Total	54.00	64.56

(2) Condensed Consolidated Statement of Comprehensive Income

Six months ended September 30, 2016 and 2017

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income	109,147	131,320
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value	(2,503)	10,800
Remeasurements of defined benefit pensions plans	712	11,756
Share of other comprehensive income (loss) of investments accounted for using the equity method	(2)	(13)
Total items that will not be reclassified to profit or loss	(1,793)	22,543
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(56,308)	20,681
Net gain (loss) on derivatives designated as cash flow hedges	454	1,546
Share of other comprehensive income(loss) of investments accounted for using the equity method	(9,259)	(1,064)
Total items that may be subsequently reclassified to profit or loss	(65,113)	21,163
Total other comprehensive income (net of tax)	(66,906)	43,706
Total comprehensive income	42,241	175,026
Total comprehensive income attributable to		
Owners of the parent	31,565	135,409
Non-controlling interests	10,676	39,617

(3) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2017	September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	363,510	416,198
Trade receivables	776,191	840,717
Inventories	538,131	559,115
Other financial assets	215,446	120,003
Other current assets	58,184	53,079
Subtotal	1,951,462	1,989,112
Assets held for sales	16,916	17,375
Total current assets	1,968,378	2,006,487
Non-current assets		
Property, plant and equipment	1,431,681	1,456,417
Goodwill	312,950	315,446
Intangible assets	227,169	236,961
Investments accounted for using the equity method	136,734	154,903
Other financial assets	252,921	264,073
Other non-current assets	39,079	52,417
Deferred tax assets	94,635	89,423
Total non-current assets	2,495,169	2,569,640
Total assets	4,463,547	4,576,127

(Millions of yen)

	March 31, 2017	September 30, 2017
Liabilities		
Current liabilities		
Trade payables	437,914	458,395
Bonds and borrowings	577,737	533,049
Income tax payable	21,287	46,448
Other financial liabilities	184,909	171,688
Provisions	6,057	6,060
Other current liabilities	116,691	120,999
Subtotal	1,344,595	1,336,639
Liabilities directly associated with assets held for sales	5,307	4,965
Total current liabilities	1,349,902	1,341,604
Non-current liabilities		
Bonds and borrowings	1,116,005	1,090,362
Other financial liabilities	27,489	26,772
Retirement benefit liabilities	128,338	128,951
Provisions	25,018	24,889
Other non-current liabilities	38,439	38,556
Deferred tax liabilities	80,159	86,052
Total non-current liabilities	1,415,448	1,395,582
Total liabilities	2,765,350	2,737,186
Equity		
Common stock	50,000	50,000
Additional paid-in capital	321,703	321,612
Treasury stock	(43,587)	(43,576)
Retained earnings	761,364	854,888
Other components of equity	1,918	26,479
Equity attributable to owners of the parent	1,091,398	1,209,403
Non-controlling interests	606,799	629,538
Total equity	1,698,197	1,838,941
Total liabilities and equity	4,463,547	4,576,127

(4) Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2016

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2016	50,000	317,544	(16,240)	610,909
Net income	—	—	—	79,154
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	79,154
Purchase of treasury stock	—	—	(9)	—
Disposal of treasury stock	—	(27)	27	—
Cash dividends	—	—	—	(11,718)
Share-based payment transactions	—	71	—	—
Changes in interests in subsidiaries	—	717	—	—
Changes in scope of consolidation	—	—	—	(258)
Transfer from other components of equity to retained earnings	—	—	—	1,075
Total transactions with owners	—	761	18	(10,901)
Balance at September 30, 2016	50,000	318,305	(16,222)	679,162

	Other components of equity				Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value	Remeasurements of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2016	37,054	—	(25,246)	(1,824)	9,984	972,197	623,954	1,596,151
Net income	—	—	—	—	—	79,154	29,993	109,147
Other comprehensive income	(1,112)	1,070	(48,031)	484	(47,589)	(47,589)	(19,317)	(66,906)
Total comprehensive income	(1,112)	1,070	(48,031)	484	(47,589)	31,565	10,676	42,241
Purchase of treasury stock	—	—	—	—	—	(9)	—	(9)
Disposal of treasury stock	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	(11,718)	(16,608)	(28,326)
Share-based payment transactions	—	—	—	—	—	71	—	71
Changes in interests in subsidiaries	—	—	—	—	—	717	(38,857)	(38,140)
Changes in scope of consolidation	—	—	—	—	—	(258)	—	(258)
Transfer from other components of equity to retained earnings	(5)	(1,070)	—	—	(1,075)	—	—	—
Total transactions with owners	(5)	(1,070)	—	—	(1,075)	(11,197)	(55,465)	(66,662)
Balance at September 30, 2016	35,937	—	(73,277)	(1,340)	(38,680)	992,565	579,165	1,571,730

Six months ended September 30, 2017

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2017	50,000	321,703	(43,587)	761,364
Net income	—	—	—	100,478
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	100,478
Purchase of treasury stock	—	—	(25)	—
Disposal of treasury stock	—	(35)	36	—
Cash dividends	—	—	—	(17,271)
Share-based payment transactions	—	144	—	—
Share-based payment transactions of subsidiaries	—	—	—	—
Changes in interests in subsidiaries	—	(200)	—	—
Changes in scope of consolidation	—	—	—	(53)
Transfer from other components of equity to retained earnings	—	—	—	10,370
Total transactions with owners	—	(91)	11	(6,954)
Balance at September 30, 2017	50,000	321,612	(43,576)	854,888

	Other components of equity				Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value	Remeasurements of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2017	46,831	—	(43,886)	(1,027)	1,918	1,091,398	606,799	1,698,197
Net income	—	—	—	—	—	100,478	30,842	131,320
Other comprehensive income	8,125	10,116	15,470	1,220	34,931	34,931	8,775	43,706
Total comprehensive income	8,125	10,116	15,470	1,220	34,931	135,409	39,617	175,026
Purchase of treasury stock	—	—	—	—	—	(25)	—	(25)
Disposal of treasury stock	—	—	—	—	—	1	—	1
Cash dividends	—	—	—	—	—	(17,271)	(18,296)	(35,567)
Share-based payment transactions	—	—	—	—	—	144	—	144
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	17	17
Changes in interests in subsidiaries	—	—	—	—	—	(200)	1,479	1,279
Changes in scope of consolidation	—	—	—	—	—	(53)	(78)	(131)
Transfer from other components of equity to retained earnings	(254)	(10,116)	—	—	(10,370)	—	—	—
Total transactions with owners	(254)	(10,116)	—	—	(10,370)	(17,404)	(16,878)	(34,282)
Balance at September 30, 2017	54,702	—	(28,416)	193	26,479	1,209,403	629,538	1,838,941

(5) Condensed Consolidated Statement of Cash Flow

Six months ended September 30, 2016 and 2017

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Earnings before taxes	111,620	180,209
Earnings before taxes from discontinued operations	74	—
Depreciation and amortization	84,408	87,962
Equity income	(7,352)	(11,556)
Interest and dividend income	(4,294)	(4,171)
Interest expenses	7,863	7,914
(Increase) decrease in trade receivables	34,216	(58,106)
(Increase) decrease in inventories	12,283	(15,759)
Increase (decrease) in trade payables	(2,571)	15,840
Increase (decrease) in retirement benefit assets and liabilities, net	(333)	2,259
Other	(3,822)	(1,148)
Subtotal	232,092	203,444
Interest received	1,718	1,194
Dividends received	9,277	13,027
Interest paid	(7,896)	(7,571)
Income tax (paid) received, net	(39,584)	(20,921)
Net cash provided by (used in) operating activities	195,607	189,173
Cash flows from investing activities		
Purchase of property, plant and equipment	(94,264)	(91,399)
Proceeds from sales of property, plant and equipment	4,472	1,404
Purchase of intangible assets	(1,732)	(13,921)
Purchase of other financial assets	(122,150)	(195,226)
Proceeds from sales/redemption of other financial assets	55,274	335,670
Net cash outflow on acquisition of subsidiaries	(5,742)	(1,786)
Net (Increase) decrease of time deposits	117,000	(60,828)
Payments for transfer of business	(77,000)	(199)
Other	(131)	(1,105)
Net cash provided by (used in) investing activities	(124,273)	(27,390)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,620)	38,078
Net increase (decrease) in commercial papers	49,000	(30,000)
Proceeds from long-term borrowings	43,763	51,787
Repayment of long-term borrowings	(61,567)	(111,262)
Proceeds from issuance of bonds	39,777	—
Repayment from redemption of bonds	(20,010)	(25,000)
Net (increase) decrease in treasury stock	(10)	(25)
Dividends paid to owners of the parent	(11,718)	(17,271)
Dividends paid to non-controlling interests	(17,047)	(18,296)
Proceeds from stock issuance to non-controlling interests	1,616	2,902
Payments for acquisition of subsidiaries' interests from non-controlling interests	(39,773)	(2,640)
Other	(2,327)	(2,195)
Net cash provided by (used in) financing activities	(23,916)	(113,922)
Effect of exchange rate changes on cash and cash equivalents	(22,537)	4,460
Net increase (decrease) in cash and cash equivalents	24,881	52,321
Cash and cash equivalents at the beginning of the period	267,148	363,510
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sales	(10,454)	(122)
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	364
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	125
Cash and cash equivalents at the end of the period	281,575	416,198