

Mitsubishi Chemical Holdings Corporation
Condensed Consolidated Financial Information
for the Third Quarter of the Fiscal Year Ending March 31, 2016



1. Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2016 ("FY2015")

(Business period: April 1, 2015 to December 31, 2015)

Millions of Yen		Thousands of U.S. Dollars
the Third Quarter of the Current Fiscal Year ("FY2015")	the Third Quarter of the Current Fiscal Year ("FY2014")	the Third Quarter of the Current Fiscal Year ("FY2015")
April 1, 2015 - December 31, 2015	April 1, 2014 - December 31, 2014	April 1, 2015 - December 31, 2015

(1) Results of Operations:

Net sales	2,853,346	2,680,344	23,581,372
Operating income	228,299	124,267	1,886,769
Income before income taxes	159,593	160,285	1,318,950
Net income attributable to Shareholders of the parent	31,410	75,416	259,587
Comprehensive income	53,674	161,205	443,587

(U.S. Dollars)

Net income per share -Basic	21.44	51.26	0.18
Net income per share -Diluted	21.43	51.23	0.18

(2) Segment Information:

[Net Sales by Segment]

Electronics Applications	87,020	88,435	719,174
Designed Materials	622,769	603,728	5,146,851
Health Care	431,244	406,359	3,564,000
Chemicals	972,086	776,031	8,033,769
Polymers	589,292	659,896	4,870,182
Others	150,935	145,895	1,247,397
Total	2,853,346	2,680,344	23,581,372

[Operating Income (loss) by Segment]

Electronics Applications	(162)	(2,324)	(1,339)
Designed Materials	55,917	41,290	462,124
Health Care	98,066	70,746	810,463
Chemicals	45,419	2,256	375,364
Polymers	29,104	14,310	240,529
Others	4,323	3,026	35,727
Elimination & corporate costs	(4,368)	(5,037)	(36,099)
Total	228,299	124,267	1,886,769

Millions of Yen		Thousands of U.S. Dollars
As of December 31, 2015	As of March 31, 2015	As of December 31, 2015

(3) Financial Position:

Total assets	4,310,585	4,323,038	35,624,669
Inventories	584,891	595,505	4,833,810
Property, plant and equipment	1,417,535	1,498,146	11,715,165
Short-term and long-term debts	1,568,076	1,603,595	12,959,306
Shareholders' equity*	970,614	980,993	8,021,603
Ratio of shareholders' equity to total assets (%)	22.5	22.6	

* Net assets excluding share subscription rights and minority interests

Millions of Yen		Thousands of U.S. Dollars
The Third Quarter of FY2015	The Third Quarter of FY2014	The Third Quarter of FY2015
April 1, 2015 - December 31, 2015	April 1, 2014 - December 31, 2014	April 1, 2015 - December 31, 2015

(4) Cash Flows:

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
Net cash provided by operating activities	271,554	193,047	2,244,248
Net cash used in investing activities	(68,925)	(204,954)	(569,628)
Net cash provided by (used in) financing activities	(82,127)	51,621	(678,736)
Cash and cash equivalents at end of the period	360,460	231,002	2,979,008

(5) Ratio of Net Income to:

		(%)
Shareholders' equity**	3.2	8.0
Total assets**	0.7	1.9
Net sales	1.1	2.8

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

Notes:

- From the first quarter of FY2015, the Company applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013) and others. As a result, any change resulting from the Company's ownership interests in its subsidiary when the Company retains control over the subsidiary is accounted for as Capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. For any business combinations on or after the beginning of the current first quarter, subsequent measurement of the provisional amount recognized based on the purchase price allocation due to the completion of accounting for the business combination are reflected in the quarterly consolidated financial statements for the period to which the date of that business combination occurs. In addition, the presentation method of Net income was amended as well as "Minority interests" to "Non-controlling interests." To reflect these changes in presentation, adjustments have been made to the consolidated financial statements for the prior third quarter and the prior fiscal year presented herein.
In the quarterly consolidated statements of cash flows for the current third quarter, cash flows from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are recognized under "cash flows from financing activities," whereas cash flows concerning the costs related to the purchase of ownership interests in subsidiaries that result in a change in the scope of consolidation are recognized under "cash flows from operating activities."
The aforementioned accounting standards are adopted as of the beginning of the current first quarter and thereafter, according to the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.
The effects of these changes on operating income, ordinary income, and income before income taxes are immaterial.
- Effective from FY2015, certain businesses of one consolidated subsidiary have been reclassified from "Chemicals" segment to "Polymers" segment or "Designed Materials" segment. In addition, certain three consolidated subsidiaries in "Other" segment have changed to "Polymers" segment. Accordingly, segment information for FY2014 is restated to match.
- The Company and its domestic consolidated subsidiaries maintain their accounting record in Japanese yen. The U.S. dollar amounts presented in this document are solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of 121 yen to US\$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of December 2015.

2. Forecast for the Current Fiscal Year

	Millions of Yen	Thousands of U.S. Dollars
	FY2015 - revised	FY2015 - revised
	April 1, 2015 - March 31, 2016	April 1, 2015 - March 31, 2016
Net sales	3,870,000	31,983,471
Operating income	255,000	2,107,438
Net income attributable to Shareholders of the parent	22,000	181,818
	(Yen)	(U.S. dollar)
Net income per share -Basic	15.01	0.12

Notes:

The profit and loss forecast for FY2015 has been revised to the above from those announced on November 5, 2015.

3. Business Performance and Financial Position

(1) Business Performance

1) Consolidated Performance for the Third Quarter of the Fiscal Year Ending March 31, 2016 (Fiscal 2015): Nine Months Ended December 31, 2015

Overview of General Performance

Concerning the business environment surrounding the Mitsubishi Chemical Holdings Group during the third quarter of fiscal 2015, the Performance Products and Industrial Materials domains generally saw favorable conditions, while economies in Japan and overseas showed an overall trend toward a moderate recovery, despite the slowdown of the Chinese economy. The Health Care domain remained favorable due in part to higher royalty revenues, despite the unfavorable impact of measures to reduce spending on pharmaceuticals and other factors.

Under these circumstances, net sales for the third quarter of fiscal 2015 increased by ¥173.0 billion, or 6.5%, year on year to ¥2,853.3 billion due primarily to the conversion of Taiyo Nippon Sanso Corporation as a consolidated subsidiary since the third quarter of fiscal 2014. Operating income rose sharply by 104.0 billion, or 83.7%, year on year to 228.3 billion, and ordinary income showed a significant increase of 97.2 billion, or 76.2%, year on year to 224.7 billion. Net income attributable to Shareholders to the parent decreased by ¥44.0 billion, or 58.4%, year on year to ¥31.4 billion, due primarily to the recognition of a fixed asset impairment loss of ¥70.2 billion.

Overview of Business Segments

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

Electronics Applications Segment, Performance Products Domain

Net sales in this segment decreased by ¥1.4 billion, to ¥87.0 billion. Operating losses decreased by ¥2.2 billion, to ¥0.1 billion.

In information and electronics-related materials, In information and electronics-related materials, net sales decreased due to a continued contraction in the market for optical discs of recording media and declining sales volume for OPC drums, despite an increase in sales of display materials and steady demand for precision cleaning and recycling of wafers for semiconductors. However, due mainly to reduction of fixed costs, operating income improved.

Designed Materials Segment, Performance Products Domain

Net sales in this segment increased by ¥19.0 billion, to ¥622.8 billion. Operating income increased by ¥14.6 billion, to ¥55.9 billion.

In polymer processing products, despite some weakness in expansion of demand for polyester film for flat panel display applications and touch panel display applications, sales volumes of engineering plastic-related products and aluminum composite materials increased. In fine chemicals, sales of coating materials and other products remained strong. In battery materials, sales volumes for automobile batteries increased. In composite materials, demand for carbon fibers generally continued steady, and sales volumes of alumina fibers increased. Operating income increased significantly due to declining prices for product raw materials, which contributed to profitability.

A major initiative in the Designed Materials segment during the third quarter of fiscal 2015 included:

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

Health Care Segment, Health Care Domain

Net sales in this segment increased by ¥24.9 billion, to ¥431.2 billion. Operating income increased by ¥27.4 billion, to ¥98.1 billion.

In pharmaceuticals, net sales increased, due primarily to an increase in royalty revenues for *Gilenya*, a treatment for multiple sclerosis and *Invokana*, a treatment agent for type 2 diabetes mellitus and lump-sum royalty revenues from products licensed out overseas and an increase in sales volumes in priority products including *Tenelia*, a treatment agent for type 2 diabetes mellitus, despite the expansion of generic drug use and a decline in sales associated with the ending of the sales alliance for plasma fractionation products in March 2015. In diagnostics and support for new pharmaceutical development, sales of diagnostics increased. In pharmaceutical formulation materials, sales volumes of pharmaceutical equipment declined, despite an increase in sales of capsules. Operating income increased significantly, due primarily to the lump-sum royalty revenues mentioned above.

A major initiative in the Health Care segment during the third quarter of fiscal 2015 included:

- Life Science Institute, Inc. acquired all shares of Clio, Inc., which is engaged in the development of regenerative medicine using Multilineage-differentiating Stress Enduring (Muse) cells, and made the company a consolidated subsidiary in June 2015, aiming to enter the regenerative medicine field, which is positioned as a core business in advanced medicine.
- Mitsubishi Tanabe Pharma Corporation and Biogen concluded a license agreement for MT-1303, a therapeutic agent for autoimmune diseases, which was discovered and developed by Mitsubishi Tanabe Pharma, in September 2015. The agreement will accelerate development of the drug both in Japan and overseas, maximize its product value, and enable earlier market launch of the new drug. With this agreement, Mitsubishi Tanabe Pharma grants to Biogen the exclusive right to develop and market the drug worldwide, except in Japan and in Asia.
- Due to Amgen, Inc.'s acquisition of Dezima Pharma B.V., Mitsubishi Tanabe Pharma Corporation, Amgen, and Dezima concluded patent, know-how transfer and future agreements for TA-8995, a treatment agent for dyslipidemia discovered by Mitsubishi Tanabe Pharma in September 2015.
- Mitsubishi Tanabe Pharma Corporation and Regeneron Pharmaceuticals, Inc. concluded a collaboration agreement in September 2015 for fasinumab, NGF antibody and acquired exclusive development and commercialization rights for the antibody in Japan, Korea and Asian countries, excluding China.
- Mitsubishi Tanabe Pharma Corporation and Akebia Therapeutics, Inc. entered into a development and commercialization agreement in December 2014 for vadadustat, an oral therapy for the treatment of anemia related to chronic kidney disease, in Japan and certain other countries in Asia.

Chemicals Segment, Industrial Materials Domain

Net sales in this segment increased by ¥196.1 billion, to ¥972.1 billion. Operating income increased by ¥43.2 billion, to ¥45.4 billion.

In basic petrochemicals, chemical derivatives, sales decreased due to lower sales prices brought about by a drop in raw material prices. On the other hand, amid a drop in raw material prices, operating income increased significantly due mainly to continued strong market conditions, reduced costs resulting from scale-down regular maintenance at production facilities and other factors. In terephthalic acid (a synthetic fiber raw material), sales significantly decreased due to sluggish market conditions, amid continued weak supply-demand balance. In carbon products including coke and others, net sales decreased, due primarily to sales prices decreased in response to a drop in the coking coal prices. Industrial gases have been included since the third quarter of fiscal 2014.

Major initiatives in the Chemicals segment during the third quarter of fiscal 2015 included:

- Mitsubishi Chemical Corporation and Asahi Kasei Chemicals Corporation have concluded an agreement to establish a joint venture for the operation of a unified naphtha cracker in Mizushima, slated to start operation in April 2016, based on the agreement announced in a press release dated February 25, 2014.
- Taiyo Nippon Sanso Corporation acquired additional shares of Air Products Industry Co., Ltd. and made it a consolidated subsidiary in May 2015. By aggressively infusing the Group's business resources, Taiyo Nippon Sanso plans to expand the scope of Air Products Industry's business and products as the Thai economy grows to maturity and also take advantage of synergies with other Group companies throughout Southeast Asia.
- Taiyo Nippon Sanso Corporation acquired Renegade Gas Pty Ltd, an LPG and industrial gas company in Australia and made the company a consolidated subsidiary in July 2015. Through the acquisition of Renegade, Taiyo Nippon Sanso establishes the first footprint in the Australian and Oceanian industrial gas market. Taiyo Nippon Sanso plans to increase sales of industrial gas products by using Renegade's existing distribution network, thereby expanding its business.

Polymers Segment, Industrial Materials Domain

Net sales in this segment decreased by ¥70.6 billion, to ¥589.3 billion. Operating income increased by ¥14.8 billion, to ¥29.1 billion.

In synthetic resins including polyolefin, MMA monomer, and other products, net sales decreased, due to lower sales prices in response to a drop in raw material prices, while operating income increased significantly due to an improvement in price differences between raw materials and products with a focus on polyolefin.

Others

Net sales in this segment increased by ¥5.0 billion, to ¥150.9 billion. Operating income increased by ¥1.2 billion, to ¥4.3 billion.

In engineering, external orders increased. In logistics, business remained strong.

Group in General

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

- Mitsubishi Chemical Holdings Corporation decided in December 2015 to integrate three consolidated subsidiaries — Mitsubishi Chemical Corporation, Mitsubishi Plastics, Inc., and Mitsubishi Rayon Co., Ltd. through a merger, with Mitsubishi Rayon as the merging company, effective April 1, 2017, in a move aimed at taking full advantage of each company's resources

and strengths.

4. Consolidated Financial Position

At the end of the third quarter of fiscal 2015, total assets amounted to ¥4,310.6 billion, a decrease of ¥12.4 billion compared to the end of fiscal 2014, due primarily to a decrease in tangible fixed assets incurred by a fixed asset impairment loss, despite an increase in operating receivables with the falling of the last day of the third quarter of fiscal 2015 on a holiday.

5. Consolidated Financial Results Forecasts for Fiscal 2015

In consideration of the recognition of the fixed asset impairment loss in the third quarter of fiscal 2015 (October 1, 2015 – December 31, 2015) and recent market trends, we have made a revision of our forecasts for consolidated financial results for fiscal 2015 that were announced on November 5, 2015, as detailed below.

Turning to net sales, we have made a downward revision in our forecast in anticipation of factors including lower sales prices brought about by a drop in raw material prices.

We have made upward revisions in our forecasts for operating income and ordinary income, in anticipation of higher revenues from royalties, our vaccine business, and other business and a decrease in SG&A expenses centering on R&D expenditures and other factors in pharmaceuticals, despite the deteriorating market conditions expected for MMA and other products.

Net income attributable to Shareholders of the parent is expected to decrease from previous forecasts since the recognition of the fixed asset impairment loss in the third quarter of fiscal 2015, despite a gain on sale of investment securities associated with the sale of part of the investment securities held by Mitsubishi Chemical Holdings Corporation and its consolidated subsidiaries. As a result, we have made downward revisions in our forecasts for net income attributable to Shareholders of the parent for fiscal 2015.

Revision to consolidated financial results forecasts for fiscal 2015
(April 1, 2015 – March 31, 2016)

(Unit: Billions of yen; unless otherwise noted)

	Net sales	Operating income	Ordinary income	Net income attributable to Shareholders of the parent	Net income per share
Previous forecasts (A) (Announced on November 5, 2015)	3,940.0	248.0	237.0	65.0	44.37 yen
Revised forecasts (B)	3,870.0	255.0	244.5	22.0	15.01 yen
Difference (B – A)	(70.0)	7.0	7.5	(43.0)	-
Difference (%)	(1.8)	2.8	3.2	(66.2)	-
Reference: Results for fiscal 2014	3,656.3	165.7	163.1	60.9	41.40 yen

Forward-looking Statements

The forward-looking statements are based largely on company expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond company control. Actual results could differ materially due to numerous factors, including without limitation market conditions, and the effect of industry competition. The company expectations for the forward-looking statements are described in page [2] and [7] hereof.