



Extraordinary Loss to Be Posted for the 3rd Quarter of FY 2017

 MITSUBISHI GAS CHEMICAL COMPANY, INC.

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Mitsubishi Gas Chemical Company, Inc. (MGC) will likely post an extraordinary loss for the third quarter of the fiscal year ending March 2018 (FY 2017).

1. Background information

Via MGC Montney Holdings Ltd. (MML), MGC has a 10% stake in JAPEX Montney Ltd. (JML), a subsidiary of Japan Petroleum Exploration Co., Ltd. Via JML, MGC also participates in a shale gas development project ("Upstream Project") in British Columbia, Canada, holding an equity interest representing 1% of the entire project.

Following the decision of not proceeding with the Pacific NorthWest LNG Project (the PNW LNG Project)^{*1} which had pursued the possibility of producing LNG from the shale gas in the Upstream Project, JML has decided to reduce the carrying amount of its asset to the recoverable amount based on the revised development plan of the Upstream Project without the assumption of the PNW LNG Project.

The reduction in the assets of JML has led to a dramatic decline in the real share price of the company. This combined with other reasons to make it likely that the MGC Group's consolidated financial report for the third quarter of FY 2017 will post approximately 9.0 billion yen in extraordinary loss, including a loss on valuation of investment securities related to the JML shares held by MML.

The non-consolidated financial report for the third quarter of FY 2017 will also recognize approximately 10.2 billion yen in extraordinary loss, including a loss on valuation of shares of subsidiaries and associates related to the MML shares owned by MGC.

2. Outlook

Full-year forecasts for FY 2017 performance, which will include the above extraordinary losses, are currently under close study. These figures will be provided as necessary in the financial report for the third quarter of FY 2017 which is set to be published on February 6, 2018.

*1: See the MGC press release of July 26, 2017 titled "Partial Cancellation of Shale Gas Development and LNG Production Project in British Columbia, Canada."

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