



July 30, 2019

**Mitsubishi Chemical Holdings Corporation**  
**Condensed Consolidated Financial Information**  
**for the First Quarter of the Fiscal Year Ending March 31, 2020**

**1. Business Results for the First Quarter of the Fiscal Year Ending March 31, 2020 ("FY2019")**  
**(Business period: April 1, 2019 to June 30, 2019)**

Millions of Yen	
The First Quarter of the Current Fiscal Year ("FY2019")	The First Quarter of the Previous Fiscal Year ("FY2018")
April 1, 2019 - June 30, 2019	April 1, 2018 - June 30, 2018

**(1) Results of Operations:**

	916,357	921,771
Sales revenue	916,357	921,771
Core operating income*	70,059	92,330
Operating income	69,878	93,070
Income before taxes	66,566	94,007
Net Income	48,891	72,162
Net income attributable to owners of the parent	37,849	58,105
Comprehensive income	510	84,881

\* Core operating income: Operating income excluding special items

(Yen)

Earnings per share - Basic	26.66	40.68
- Diluted	24.56	37.56

**(2) Segment Information:**

**[Sales Revenue by Business Segment]**

Performance Products	272,640	286,061
Chemicals	287,233	315,124
Industrial Gases	208,614	156,814
Health Care	107,879	115,404
Others	39,991	48,368
Total	916,357	921,771

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

Performance Products	19,500	24,477
Chemicals	20,606	36,244
Industrial Gases	21,090	13,339
Health Care	9,241	19,576
Others	1,897	912
Elimination and corporate	(2,275)	(2,218)
Total	70,059	92,330

Millions of Yen	
As of June 30, 2019	As of March 31, 2019

**(3) Financial Position:**

Total assets	5,509,917	5,572,508
Total equity	1,988,047	2,025,854
Equity attributable to owners of the parent	1,353,372	1,377,947
Ratio of equity attributable to owners of the parent to total assets (%)	24.6	24.7

Millions of Yen	
The First Quarter of the Current Fiscal Year ("FY2019") April 1, 2019 - June 30, 2019	The First Quarter of the Previous Fiscal Year ("FY2018") April 1, 2018 - June 30, 2018

**(4) Cash Flows:**

Net cash provided by (used in) operating activities	103,707	89,563
Net cash provided by (used in) investing activities	(47,344)	(58,983)
Net cash provided by (used in) financing activities	(109,097)	(54,757)
Cash and cash equivalents at the end of the period	259,465	253,681

**Notes:**

We have classified the businesses of LSI Medience Corporation (LSIM) and its subsidiaries and affiliate as discontinued operations, based on the decision to exchange all of its shares in LSIM. Therefore, sales revenue, core operating income, operating income and income before taxes in the consolidated financial results of the first quarter of the previous fiscal year and the current fiscal year are recorded excluding the discontinued operations.

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

	Millions of Yen	
	The First Half of FY2019	FY2019
	April 1, 2019 - September 30, 2019	April 1, 2019 - March 31, 2020
Sales revenue	2,005,000	4,080,000
Core operating income	146,000	300,000
Operating income	146,000	300,000
Net income attributable to owners of the parent	80,000	168,000

(Yen)

Earnings per share - Basic	56.34	118.32
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### 3. Business Performance and Financial Position

#### (1) Business Performance

##### **Consolidated Performance for the First Quarter of the Fiscal Year Ending March 31, 2020 (Fiscal 2019): Three Months Ended June 30, 2019**

##### **Overview of General Performance**

Looking at the operating climate for the Mitsubishi Chemical Holdings Group during the first quarter of fiscal 2019, a sense of uncertainty about the future has continued, as the supply and demand balance for some products mainly for semiconductors and automobiles loosened due to growing concerns over more serious U.S.-China trade friction and other factors.

In this environment, sales revenue decreased by ¥5.4 billion, or 0.6% year on year, to ¥916.4 billion. Core operating income decreased by ¥22.2 billion, or 24.1% year on year, to ¥70.1 billion, and operating income decreased by ¥23.2 billion, or 24.9% year on year, to ¥69.9 billion. Income before taxes decreased by ¥27.4 billion, or 29.2% year on year, to ¥66.6 billion. Net income attributable to owners of the parent decreased by ¥20.3 billion, or 34.9% year on year, to ¥37.8 billion.

Furthermore, we have classified the businesses operated by LSI Medience Corporation and its subsidiaries and affiliate as discontinued operations, based on the decision to exchange all the shares held by its parent company, Life Science Institute, Inc. for a part of PHC Holdings Corporation's shares. (The agreement was reached on May 14, 2019.) Therefore, from the first quarter of fiscal 2019, we have classified the earnings related to these businesses as discontinued operations in conjunction with the same period of the previous fiscal year, which is a comparative fiscal year.

##### **Overview of Business Segment**

The overview of financial results by business segment for the first quarter of fiscal 2019 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.*

##### **Performance Products Segment, Performance Products Domain**

Sales revenue decreased by ¥13.5 billion, to ¥272.6 billion. Core operating income decreased by ¥5.0 billion, to ¥19.5 billion.

In functional products, sales revenue decreased, due to slowing demand in products mainly for semiconductors and automobiles, and lower sales volumes in advanced moldings and composites including high-performance engineering plastics, alumina fibers, and other products, while performance

in information and electronics and display-related products remained nearly flat.

In performance chemicals, sales revenue decreased, reflecting a drop in market prices for phenol-polycarbonate chain materials in advanced polymers, which were favorable in the same period of the previous fiscal year, despite an increase in sales volumes due to the impact of the previous fiscal year's scheduled maintenance and repairs at the above-mentioned production facilities being resolved. Core operating income decreased primarily due to a drop in market prices for phenol-polycarbonate chain materials in advanced polymers.

Major initiatives in the Performance Products segment during the first quarter of fiscal 2019 included:

- Mitsubishi Chemical Corporation in April 2019 decided to increase its consolidated subsidiary Noltex LLC's annual production capacity of *Soarnol* ethylene vinyl alcohol copolymer resin by 3,000 tons to 41,000 tons, in response to rising global demand for food packaging materials. The production increase is slated to take effect in mid-2020.
- Mitsubishi Chemical Corporation, a parent company of Mitsubishi Chemical Media Co., Ltd. (MCM), in June 2019 agreed to transfer its storage media business and other businesses globally operated by Verbatim Group companies affiliated with MCM, as well as MCM's related assets, to CMC Magnetics Corporation, as part of the business portfolio reform in the Mitsubishi Chemical Holdings Group's medium-term management plan.

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

Sales revenue decreased by ¥27.8 billion, to ¥287.3 billion. Core operating income decreased by ¥15.6 billion, to ¥20.6 billion.

In MMA, sales revenue decreased due to continued deceleration of demand growth, especially in China, and lower prices in MMA monomers and other products.

In petrochemicals, sales revenue remained unchanged due to an increase in sales volumes stemming from the lower impact of the scheduled maintenance and repairs at the ethylene production facility, despite lower sales prices along with a drop in raw material costs and other factors.

In carbon products, sales revenue remained unchanged due to the continued firm demand for coke and other products.

Core operating income decreased mainly attributable to the drop in sale prices in MMA monomers and other products, despite higher sales volumes stemming from the lower impact of the scheduled maintenance and repairs in petrochemicals.

#### **Industrial Gases Segment, Industrial Materials Domain**

Sales revenue amounted to ¥208.6 billion, an increase of ¥51.8 billion. Core operating income increased by ¥7.8 billion, to ¥21.1 billion.

In industrial gases, sales revenue and core operating income increased, due to including the performance of the European and U.S. businesses acquired in the second half of the previous fiscal

year.

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

Sales revenue totaled ¥107.9 billion, a decrease of ¥7.5 billion. Core operating income decreased by ¥10.3 billion, to ¥9.3 billion.

In pharmaceuticals, sales revenue and core operating income decreased, primarily attributable to lower royalty revenues, despite higher sales volumes in mainly priority products in domestic ethical pharmaceuticals. With regard to royalty revenue from Novartis Pharma AG for *Gilenya*, a treatment agent for multiple sclerosis, a part of the revenue has not been recognized as sales revenue in accordance with IFRS 15 due to the start of arbitration proceedings since February 2019. Due to the ongoing proceedings, sales revenue has not been recognized and decreased in the quarter under review.

A major initiative in the Health Care segment during the first quarter of fiscal 2019 included:

- Life Science Institute, Inc. (LSII) in May 2019 agreed on a strategic capital partnership with PHC Holdings Corporation (PHCHD), which engages in the healthcare business in Japan and overseas, to further develop the group's life science-related businesses. After competition law-related regulatory approval, LSII will exchange all of its shares in LSI Medience Corporation for a part of PHCHD's shares, resulting in capital participation of 13.7% in PHCHD.

### **Others**

Sales revenue decreased by ¥8.4 billion, to ¥40.0 billion and core operating income increased by ¥1.0 billion, to ¥1.9 billion.

## **(2) Consolidated Financial Position**

Total assets at June 30, 2019, were ¥5,509.9 billion, a decrease of ¥62.6 billion from March 31, 2019. The decrease was primarily due to the decline in the assets of overseas consolidated subsidiaries upon conversion to yen because of a stronger yen and the decline in trade receivables reflecting the impact of scheduled maintenance and repairs and other factors, despite an increase in tangible assets in associated with the impact from the adoption of IFRS 16 (Leases).

### **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

Three months ended June 30, 2018 and 2019

	(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019
<b>Continuing operations</b>		
Sales revenue	921,771	916,357
Cost of sales	(656,421)	(655,494)
Gross profit	265,350	260,863
Selling, general and administrative expenses	(181,013)	(196,898)
Other operating income	4,943	5,889
Other operating expenses	(5,575)	(5,008)
Share of profit of associates and joint ventures	9,365	5,032
Operating income	93,070	69,878
Financial income	5,378	3,991
Financial expenses	(4,441)	(7,303)
Income before taxes	94,007	66,566
Income taxes	(22,236)	(18,144)
Net income from continuing operations	71,771	48,422
<b>Discontinued operations</b>		
Net income from discontinued operations	391	469
Net income	72,162	48,891
<b>Net income attributable to</b>		
Owners of the parent	58,105	37,849
Non-controlling interests	14,057	11,042
Net income	72,162	48,891
<b>Earnings per share</b>		
Basic (Yen)		
Continuing operations	40.41	26.33
Discontinued operations	0.27	0.33
Total	40.68	26.66
Diluted (Yen)		
Continuing operations	37.31	24.26
Discontinued operations	0.25	0.30
Total	37.56	24.56

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

Three months ended June 30, 2018 and 2019

	(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Net income	72,162	48,891
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	2,405	(8,356)
Remeasurements of defined benefit pensions plans	3,167	(642)
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	140	(47)
Total items that will not be reclassified to profit or loss	5,712	(9,045)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	9,650	(36,570)
Net gain (loss) on derivatives designated as cash flow hedges	55	(105)
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	(2,698)	(2,661)
Total items that may be subsequently reclassified to profit or loss	7,007	(39,336)
Total other comprehensive income (net of tax)	12,719	(48,381)
Total comprehensive income	84,881	510
Total comprehensive income attributable to		
Owners of the parent	65,981	1,984
Non-controlling interests	18,900	(1,474)

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

(Millions of yen)

	March 31, 2019	June 30, 2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	321,541	259,465
Trade receivables	855,107	784,243
Inventories	623,049	618,664
Other financial assets	248,262	228,368
Other current assets	76,072	108,613
Subtotal	2,124,031	1,999,353
Assets held for sales	17,810	79,435
Total current assets	2,141,841	2,078,788
Non-current assets		
Property, plant and equipment	1,683,354	1,732,454
Goodwill	648,806	643,622
Intangible assets	568,787	551,016
Investments accounted for using the equity method	183,067	179,278
Other financial assets	228,571	210,364
Other non-current assets	33,573	33,632
Deferred tax assets	84,509	80,763
Total non-current assets	3,430,667	3,431,129
Total assets	5,572,508	5,509,917



(Millions of yen)

	March 31, 2019	June 30, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	492,404	459,594
Bonds and borrowings	1,108,643	1,001,609
Income tax payable	31,768	22,307
Other financial liabilities	222,377	226,288
Provisions	8,296	8,548
Other current liabilities	138,089	126,832
Subtotal	2,001,577	1,845,178
Liabilities directly associated with assets held for sales	11,723	47,603
<b>Total current liabilities</b>	2,013,300	1,892,781
<b>Non-current liabilities</b>		
Bonds and borrowings	1,138,108	1,175,215
Other financial liabilities	26,755	89,516
Retirement benefit liabilities	120,816	117,647
Provisions	28,294	28,019
Other non-current liabilities	41,971	45,691
Deferred tax liabilities	177,410	173,001
<b>Total non-current liabilities</b>	1,533,354	1,629,089
<b>Total liabilities</b>	3,546,654	3,521,870
<b>Equity</b>		
Common stock	50,000	50,000
Additional paid-in capital	321,477	322,955
Treasury stock	(63,560)	(63,550)
Retained earnings	1,073,873	1,082,801
Other components of equity	(3,843)	(38,834)
<b>Equity attributable to owners of the parent</b>	1,377,947	1,353,372
Non-controlling interests	647,907	634,675
<b>Total equity</b>	2,025,854	1,988,047
<b>Total liabilities and equity</b>	5,572,508	5,509,917

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

Three months ended June 30, 2018

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2018	50,000	321,111	(43,569)	956,946
Cumulative effects of changes in accounting policies	—	—	—	(85)
Restated balance at April 1, 2018	50,000	321,111	(43,569)	956,861
Net income	—	—	—	58,105
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	58,105
Purchase of treasury stock	—	—	(20,007)	—
Disposal of treasury stock	—	(18)	18	—
Cash dividends	—	—	—	(24,470)
Share-based payment transactions	—	188	—	—
Share-based payment transactions of subsidiaries	—	—	—	—
Changes in interests in subsidiaries	—	33	—	—
Transfer from other components of equity to retained earnings	—	—	—	4,660
Total transactions with owners	—	203	(19,989)	(19,810)
Balance at June 30, 2018	50,000	321,314	(63,558)	995,156

	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, 2018	51,544	—	(50,455)	173	1,262	1,285,750	633,740	1,919,490
Cumulative effects of changes in accounting policies	—	—	—	—	—	(85)	(61)	(146)
Restated balance at April 1, 2018	51,544	—	(50,455)	173	1,262	1,285,665	633,679	1,919,344
Net income	—	—	—	—	—	58,105	14,057	72,162
Other comprehensive income	1,617	2,871	3,338	50	7,876	7,876	4,843	12,719
Total comprehensive income	1,617	2,871	3,338	50	7,876	65,981	18,900	84,881
Purchase of treasury stock	—	—	—	—	—	(20,007)	—	(20,007)
Disposal of treasury stock	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	(24,470)	(15,343)	(39,813)
Share-based payment transactions	—	—	—	—	—	188	—	188
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	12	12
Changes in interests in subsidiaries	—	—	—	—	—	33	1,176	1,209
Transfer from other components of equity to retained earnings	(1,789)	(2,871)	—	—	(4,660)	—	—	—
Total transactions with owners	(1,789)	(2,871)	—	—	(4,660)	(44,256)	(14,155)	(58,411)
Balance at June 30, 2018	51,372	—	(47,117)	223	4,478	1,307,390	638,424	1,945,814

Three months ended June 30, 2019

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2019	50,000	321,477	(63,560)	1,073,873
Net income	—	—	—	37,849
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	37,849
Purchase of treasury stock	—	—	(5)	—
Disposal of treasury stock	—	(14)	15	—
Cash dividends	—	—	—	(28,398)
Share-based payment transactions	—	77	—	—
Share-based payment transactions of subsidiaries	—	—	—	—
Changes in interests in subsidiaries	—	(783)	—	—
Business combinations or business divestitures	—	2,198	—	—
Changes in scope of consolidation	—	—	—	351
Transfer from other components of equity to retained earnings	—	—	—	(874)
Total transactions with owners	—	1,478	10	(28,921)
Balance at June 30, 2019	50,000	322,955	(63,550)	1,082,801

	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, 2019	51,500	—	(55,530)	187	(3,843)	1,377,947	647,907	2,025,854
Net income	—	—	—	—	—	37,849	11,042	48,891
Other comprehensive income	(6,788)	(927)	(28,018)	(132)	(35,865)	(35,865)	(12,516)	(48,381)
Total comprehensive income	(6,788)	(927)	(28,018)	(132)	(35,865)	1,984	(1,474)	510
Purchase of treasury stock	—	—	—	—	—	(5)	—	(5)
Disposal of treasury stock	—	—	—	—	—	1	—	1
Cash dividends	—	—	—	—	—	(28,398)	(14,953)	(43,351)
Share-based payment transactions	—	—	—	—	—	77	—	77
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	3	3
Changes in interests in subsidiaries	—	—	—	—	—	(783)	(576)	(1,359)
Business combinations or business divestitures	—	—	—	—	—	2,198	3,292	5,490
Changes in scope of consolidation	—	—	—	—	—	351	476	827
Transfer from other components of equity to retained earnings	(53)	927	—	—	874	—	—	—
Total transactions with owners	(53)	927	—	—	874	(26,559)	(11,758)	(38,317)
Balance at June 30, 2019	44,659	—	(83,548)	55	(38,834)	1,353,372	634,675	1,988,047

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

Three months ended June 30, 2018 and 2019

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
<b>Cash flows from operating activities</b>		
Income before taxes	94,007	66,566
Income before taxes from discontinued operations	527	680
Depreciation and amortization	45,824	59,640
Share of profit of associates and joint ventures	(9,368)	(5,032)
Interest and dividend income	(4,483)	(3,908)
Interest expenses	4,185	6,460
(Increase) decrease in trade receivables	21,842	40,520
(Increase) decrease in inventories	5,163	(5,174)
Increase (decrease) in trade payables	(28,601)	(18,338)
Increase (decrease) in retirement benefit assets and liabilities, net	(455)	1,122
Other	5,192	(10,398)
Subtotal	133,833	132,138
Interest received	1,280	647
Dividends received	14,797	13,983
Interest paid	(3,450)	(6,611)
Income tax (paid) received, net	(56,897)	(36,450)
Net cash provided by (used in) operating activities	89,563	103,707
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(54,789)	(54,735)
Proceeds from sales of property, plant and equipment	3,529	1,626
Purchase of intangible assets	(730)	(1,313)
Purchase of other financial assets	(107,663)	(115,355)
Proceeds from sales/redemption of other financial assets	103,950	125,102
Net cash outflow on acquisition of subsidiaries	—	(1,429)
Proceeds from sales of investments in subsidiaries	—	1,015
Net (Increase) decrease of time deposits	(3,458)	(564)
Other	178	(1,691)
Net cash provided by (used in) investing activities	(58,983)	(47,344)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,054	(66,827)
Net increase (decrease) in commercial papers	18,000	(28,000)
Proceeds from long-term borrowings	12,035	54,042
Repayment of long-term borrowings	(17,709)	(20,185)
Proceeds from issuance of bonds	—	29,812
Redemption of bonds	(20,000)	(25,000)
Repayment of lease liabilities	(1,051)	(8,218)
Net (increase) decrease in treasury stock	(20,007)	(4)
Dividends paid to owners of the parent	(24,470)	(28,398)
Dividends paid to non-controlling interests	(15,343)	(14,966)
Proceeds from stock issuance to non-controlling interests	1,248	—
Other	(514)	(1,353)
Net cash provided by (used in) financing activities	(54,757)	(109,097)
Effect of exchange rate changes on cash and cash equivalents	61	(7,654)
Net increase (decrease) in cash and cash equivalents	(24,116)	(60,388)
Cash and cash equivalents at the beginning of the period	277,624	321,541
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sales	208	(2,294)
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(35)	606
Cash and cash equivalents at the end of the period	253,681	259,465

## (6) Change in accounting policy

Main standards and interpretations newly applied by the Mitsubishi Chemical Holdings Group (MCHC Group) from the first quarter of fiscal 2019 are as follows.

Standard and interpretation	Overview of introduction or Revision
IFRS16 Leases	Accounting standards and disclosure methods for handling leases have been revised. Specifically, under a single model, the financial statements must generally reflect asset usage rights and payment obligations for borrower leases exceeding 12 months.

The adoption of IFRS 16 increased the carrying amounts of the MCHC Group's lease-related assets by ¥100.2 billion while increasing lease liabilities by ¥100.6 billion on the adoption date.

In adopting IFRS 16, the MCHC Group employed a retroactive adjustment as a transitional measure to recognize the cumulative effect retrospectively to the adoption date, though the cumulative impact is nothing.

## (7) Discontinued Operations

### 1. Outline of Discontinued Operations

MCHC's operating company, Life Science Institute, Inc. (LSII) on May 14 agreed on a strategic capital partnership with PHC Holdings Corporation (PHCHD), which engages in the healthcare business in Japan and overseas. LSII will exchange all of its shares in LSI Medience Corporation (LSIM) for a part of PHCHD shares.

The MCHC Group has accordingly classified the earnings related to LSIM and its subsidiaries and affiliate as discontinued operations from the first quarter of fiscal 2019 and presents corresponding information on the discontinued and continuing operations in the condensed consolidated financial statements.

### 2. Profit or Loss from Discontinued Operations

	(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Revenue	20,185	21,241
Cost	(19,658)	(20,561)
Income before tax from discontinued operations	527	680
Income tax expense	(136)	(211)
Net Income from discontinued operations	391	469