



May 14, 2019

Mitsubishi Chemical Holdings Corporation Condensed Consolidated Financial Information for the Fiscal Year Ended March 31, 2019

1. Business Results for the Fiscal Year Ended March 31, 2019 (Business Period: April 1, 2018 to March 31, 2019)

Millions of Yen	
FY2018	FY2017
April 1, 2018 - March 31, 2019	April 1, 2017 - March 31, 2018

(1) Results of Operations:

	FY2018	FY2017
Sales revenue	3,923,444	3,724,406
Core operating income*	317,187	380,489
Operating income	297,950	355,711
Income before taxes	288,056	344,077
Net Income	216,729	276,362
Net income attributable to owners of the parent	169,530	211,788
Comprehensive income	205,898	297,476

* Core operating income: Operating income excluding special items

(2) Financial Position:

	FY2018	FY2017
Total assets	5,572,508	4,701,415
Inventories	623,049	607,671
Property, plant and equipment	1,683,354	1,433,509
Current and non-current bonds and borrowings	2,246,751	1,606,122
Equity attributable to owners of the parent	1,377,947	1,285,750
Ratio of equity attributable to owners of the parent to total assets (%)	24.7	27.3

(3) Cash Flows:

	FY2018	FY2017
Net cash provided by (used in) operating activities	415,575	397,940
Net cash provided by (used in) investing activities	(895,068)	(335,933)
Net cash provided by (used in) financing activities	519,062	(150,592)
Cash and cash equivalents at end of the period	321,541	277,624

(4) General:

	FY2018	FY2017
Capital expenditures	231,742	225,189
Depreciation and amortization	199,332	178,895
R&D expenditures	143,836	138,833
Employees (number)	72,020	69,230

(Yen)

(5) Per Share:

Earnings per share -Basic	119.22	147.14
- Diluted	110.05	136.06
Equity attributable to owners of the parent per share	970.46	893.26

Earnings per share is based on the average number of common shares (excluding treasury stocks) during the respective period.

[FY2018]
1,422,018

(Thousands of shares)

[FY2017]
1,439,338

Equity attributable to owners of the parent per share is based on the number of common shares outstanding (excluding treasury stocks) as of the following closing dates.

[March 31, 2019]
1,419,886

[March 31, 2018]
1,439,386

Note:

In the calculation of basic earnings per share and diluted earnings per share, since the Company's shares held by the executive compensation BIP trust are accounted as treasury shares, the number of those shares is deducted in calculating the number of ordinary shares outstanding at the end of the fiscal year and average number of ordinary shares outstanding during the fiscal year.

(Reference)

The number of Company's shares held by the executive compensation BIP trust

March 31, 2019 3,284,700 March 31, 2018 -

Millions of Yen	
FY2018	FY2017
April 1, 2018 - March 31, 2019	April 1, 2017 - March 31, 2018

(6) Financial Ratio:

(%)

Return on equity**	12.7	17.8
Return on assets***	5.6	7.5
Return on sales****	8.1	10.2

** Net income attributable to owners of the parent / the average of the beginning and ending balances of equity attributable to owners of the parent

*** Income before taxes / the average of the beginning and ending balances of total assets

**** Core operating income / sales revenue

(7) Segment Information:**[Sales Revenue by Segment]**

Performance Products	1,170,119	1,145,932
Chemicals	1,270,750	1,177,352
Industrial Gases	732,837	638,675
Health Care	545,666	556,568
Others	204,072	205,879
Total	3,923,444	3,724,406

[Core Operating Income (Loss) by Segment]

Performance Products	68,564	93,995
Chemicals	131,132	147,868
Industrial Gases	63,323	57,467
Health Care	56,865	81,227
Others	7,553	7,119
Elimination and corporate	(10,250)	(7,187)
Total	317,187	380,489

Millions of Yen	
FY2018	FY2017
April 1, 2018 - March 31, 2019	April 1, 2017 - March 31, 2018

[Total Assets by Segment at the End of the Period]

Performance Products	1,216,636	1,215,112
Chemicals	1,340,129	1,290,102
Industrial Gases	1,849,857	1,016,171
Health Care	1,171,411	1,167,599
Others	1,002,178	961,554
Elimination and corporate	(1,007,703)	(949,123)
Total	5,572,508	4,701,415

[Depreciation and Amortization by Segment]

Performance Products	55,661	54,861
Chemicals	59,563	53,741
Industrial Gases	58,554	45,708
Health Care	19,549	19,049
Others	3,273	3,018
Corporate	2,732	2,518
Total	199,332	178,895

[Capital Expenditures by Segment]

Performance Products	65,188	68,301
Designed Materials	70,623	61,910
Industrial Gases	72,056	61,549
Health Care	17,985	27,505
Others	3,729	3,535
Corporate	2,161	2,389
Total	231,742	225,189

Note:

The consolidated financial statements for fiscal 2017 have been retroactively adjusted to reflect the finalization of the provisional amounts of the business combination stemming from the October 2017 acquisition of NeuroDerm Ltd. by Mitsubishi Tanabe Pharma Corporation.

2. Prospects for the Following 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 Fiscal Year Ended March 31, 2019 (Fiscal 2018): April 1, 2018 – March 31, 2019

Overview of General Performance

In fiscal 2018, ended March 31, 2019, the operating climate for the Mitsubishi Chemical Holdings Group remained favorable, due to continued strong market prices for products in the Industrial Materials domain in the first half of the fiscal year, despite the impact of NHI price revision in April 2018 in the Health Care domain and slowing demand and higher raw material costs in the Performance Products domain. On the other hand, a sense of uncertainty about the future has been increasing since the second half of fiscal 2018, as the supply and demand balance for some products loosened due to growing concerns over more serious U.S.-China trade friction and other factors.

In this environment, sales revenue increased by ¥199.0 billion, or 5.3% year on year, to ¥3,923.4 billion. Core operating income decreased by ¥63.3 billion, or 16.6% year on year, to ¥317.2 billion, and operating income decreased by ¥57.7 billion, or 16.2% year on year, to ¥298.0 billion. Income before taxes decreased by ¥56.0 billion, or 16.3% year on year, to ¥288.1 billion. Net income attributable to owners of the parent decreased by ¥42.3 billion, or 20.0% year on year, to ¥169.5 billion.

Overview of Business Segment

The overview of financial results by business segment for fiscal 2018 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 previous fiscal year unless stated otherwise.

Performance Products Segment, Performance Products Domain

Sales revenue increased by ¥24.2 billion, to ¥1,170.1 billion. Core operating income decreased by ¥25.4 billion, to ¥68.6 billion.

In functional products, sales revenue remained nearly flat, due to lower sales volumes for information and electronics, display related products, and other products in the midst of slowing demand during the second half of fiscal 2018, despite higher sales volumes in advanced moldings and composites including high-performance engineering plastics and other products.

In performance chemicals, sales revenue rose, reflecting continued strong market prices for phenol-polycarbonate chain materials in advanced polymers in the first half of fiscal 2018, despite a drop in the prices in the second half of the fiscal year, and rising sales volumes for battery materials for automobiles in the new energy business.

Core operating income decreased primarily due to an increase in fixed costs and the impact of scheduled maintenance and repairs at production facilities producing phenol-polycarbonate chain materials in advanced polymers, in addition to a rise in raw material costs as a whole.

Major initiatives in the Performance Products segment during fiscal 2018 included:

- Mitsubishi Chemical Corporation's consolidated subsidiary, The Nippon Synthetic Chemical Industry Co., Ltd. (now Mitsubishi Chemical Corporation), decided to expand a production facility for optical PVOH film, *OPL film*, in its Kumamoto Plant, in response to rising demand in polarizing film primarily due to spread of FPDs to emerging countries and an increase in screen size. The facility is slated to complete in March 2020. (Capacity increase: 106 million m²/y to 127 million m²/y)
- Mitsubishi Chemical Corporation decided to absorb its consolidated subsidiary, The Nippon Synthetic Chemical Industry Co., Ltd., as of April 1, 2019, to further group-wide growth of associated businesses, by increasing revenue of existing businesses and developing new applications and products. The absorption merger was implemented on April 1, 2019.
- In October 2018, Mitsubishi Chemical Corporation acquired Cleanpart Group GmbH, which provides semiconductor makers in Europe and the U.S. with precision cleaning and coating services for semiconductor manufacturing equipment, aiming at strengthening its position in the growing field of semiconductor-related services and providing global services.
- Mitsubishi Chemical Corporation has been conducting R&D and developing applications for biodegradable and bio-based plastics. In October 2018, Japan Paper and Pulp Co., Ltd. launched sales of paper cups made with Mitsubishi Chemical's *BioPBS* biodegradable plastic. In addition, straws using *BioPBS* were introduced at facilities operated by Keikyu Corporation and its group companies starting on April 1, 2019.
- Mitsubishi Chemical Corporation decided to expand the Yokkaichi Plant (now Mie Plant)'s production capacity of electrolyte for lithium-ion batteries from 11kt/y to 16kt/y. (The facility expansion is slated for completion at the end of December 2020.)

Chemicals Segment, Industrial Materials Domain

Sales revenue increased by ¥93.4 billion, to ¥1,270.7 billion. Core operating income decreased by ¥16.8 billion, to ¥131.1 billion.

In MMA, sales revenue remained nearly flat due to continued strong market prices for MMA monomer and other products in the first half of fiscal 2018, despite deceleration of demand growth, especially in China in the second half of the fiscal year.

In petrochemicals, sales revenue grew due to rising sales prices brought on by higher raw material prices, despite decreased sales volumes reflecting the larger impact of scheduled maintenance and repairs at the ethylene production facility.

In carbon products, sales revenue increased primarily due to higher market prices of needle coke in the continued firm demand for coke and other products.

Core operating income decreased mainly attributable to the larger impact of scheduled maintenance and

repairs at the production facility, as well as inventory valuation losses along with a sharp drop in raw material prices since the end of last year, and decreased sales volumes in MMA, despite a widened price spread between raw materials and products in carbon products.

Major initiatives in the Chemicals segment during fiscal 2018 included:

- The Saudi Methacrylates Company, a joint venture between Mitsubishi Chemical Corporation and Saudi Basic Industries Corporation commenced full-scale operation at its facilities for MMA monomer (250kt/y) and PMMA (40kt/y) in April 2018.
- As part of the business portfolio reform in the MCHC Group's medium-term management plan, Mitsubishi Chemical Corporation transferred the acrylic sheet business in Europe operated by its subsidiary in the U.K., valued at 92 million British pounds (13.5 billion yen), to Schweiter Technologies Group, in December 2018.

Industrial Gases Segment, Industrial Materials Domain

Sales revenue amounted to ¥94.1 billion, an increase of ¥732.8 billion. Core operating income increased by ¥5.8 billion, to ¥63.3 billion.

In industrial gases, sales revenue and core operating income increased, reflecting continued firmness in the overseas gas business, the acquisition of a portion of the European businesses of Praxair, Inc. and a portion of the HyCO business and related assets in the U.S. owned by Linde Gas North America LLC, along with other factors.

Major initiatives in the Industrial Gas segment during fiscal 2018 included:

- Taiyo Nippon Sanso Corporation acquired the European businesses of Praxair, Inc. including the industrial gas business in Germany, Spain, and Italy; the carbon dioxide gas business in the U.K., etc.; and the helium-related business, with a total value of 635.8 billion yen. This move is aimed at accelerating Taiyo Nippon Sanso's global expansion by acquiring businesses with certain shares in markets where the company has little or no market presence.
- Taiyo Nippon Sanso Corporation in February 2019 acquired a portion of the HyCO business and related assets in the U.S. owned by Linde Gas North America LLC, a subsidiary of the German company Linde Aktiengesellschaft, through its wholly owned subsidiary, Matheson Tri-Gas, Inc. for 46.1 billion yen.

Health Care Segment, Health Care Domain

Sales revenue totaled ¥545.7 billion, a decrease of ¥10.9 billion. Core operating income decreased by ¥24.3 billion, to ¥56.9 billion.

In pharmaceuticals, sales revenue decreased, mainly attributable to NHI price revision in domestic ethical pharmaceuticals in April 2018 and lower royalty revenues, despite sales growth of *Radicava*, a

treatment for amyotrophic lateral sclerosis (ALS) in the U.S. Core operating income decreased, primarily due to lower sales revenue and higher R&D expenses. With regard to royalty revenue from Novartis Pharma AG for *Gilenya*, a treatment agent for multiple sclerosis, the royalty revenue was reduced, because a part of the revenue was not recognized as sales revenue in accordance with IFRS 15 due to the start of arbitration proceedings.

Major initiatives in the Health Care segment during fiscal 2018 included:

- Mitsubishi Tanabe Pharma Corporation's Edarabone (U.S. name: *Radicava*) was approved by the Health Canada and the Swissmedic for an indication of amyotrophic lateral sclerosis (ALS), in October 2018 and January 2019, respectively, following its approval in Japan, Korea, and the U.S.
- Life Science Institute, Inc. launched exploratory clinical trials with the Muse cell-based product "CL2020" in patients with epidermolysis bullosa in December 2018, following earlier trials in patients with acute myocardial infarction in January 2018 and ischemic stroke in September 2018. In addition, the company established Tonomachi CPC, a cell processing center that plans to use for the manufacturing of Muse cell-based products for clinical trials and their commercial production after regulatory approval.

Others

Sales revenue decreased by ¥1.8 billion, to ¥204.1 billion and core operating income increased by ¥0.4 billion, to ¥7.6 billion.

(2) Consolidated Financial Position for Fiscal 2018

Total assets as of March 31, 2019, were ¥5,572.5 billion, an increase of ¥871.1 billion from March 31, 2018. The increase was primarily due to an increase in fixed assets and goodwill associated with Taiyo Nippon Sanso Corporation's acquisition of the European and U.S. industrial gas businesses.

Total liabilities were ¥3,546.6 billion, an increase of ¥764.7 billion from March 31, 2018. The increase was mainly attributable to an increase in interest-bearing debts associated with financing for the above-mentioned acquisition.

Total equity was ¥2,025.9 billion, an increase of ¥106.4 billion from March 31, 2018. The increase was primarily due to the recording of net income, despite expenditures for dividend payments and acquisition of treasury stock.

As a result of the above factors, ratio of equity attributable to owners of the parent decreased by 2.6 points, to 24.7%, and net debt-to-equity ratio increased by 0.37, to 1.26 from March 31, 2018.

Notes:

Net debt-to-equity ratio = net interest-bearing debts ÷ Total of equity attributable to owners of the parent

Net interest-bearing debts = interest-bearing debts – (cash and cash equivalents + investment of surplus funds)

(3) Consolidated Cash Flows for Fiscal 2018

Cash and cash equivalents as of March 31, 2019 stood at ¥321.5 billion, an increase of ¥43.9 billion from March 31, 2018.

(Operating activities)

Net cash provided by operating activities was ¥415.6 billion, an increase of ¥17.7 billion, primarily due to the posting of income before taxes.

(Investing activities)

Net cash used in investing activities was ¥895.1 billion, an increase of ¥559.2 billion, primarily due to outflows from Taiyo Nippon Sanso Corporation's acquisition of the European and U.S. industrial gas businesses, while promoting asset sales and sale of businesses associated with business portfolio reforms.

As a result of these factors, free cash flow, comprising cash flows from operating and investing activities, was outflow of ¥479.5 billion, an increase of ¥541.5 billion.

(Financing activities)

Net cash provided by financing activities was ¥519.1 billion, an increase of ¥669.7 billion. This reflected inflows from financing for Taiyo Nippon Sanso Corporation's acquisition of the European and U.S. industrial gas businesses with short-term and long-term debts and bonds.

(4) Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2020 (Fiscal 2019)

Though Japan's economy is expected to continue a moderate recovery as the employment and income situations show ongoing improvement, the world economy overall is expected to face continued uncertainty due to concerns about U.S.-China trade issues, progress toward Brexit, and other factors. Under these circumstances, the European and U.S. businesses in the Industrial Gas segment, acquired in the second half of fiscal 2018, are expected to contribute to profits throughout the fiscal year, while market prices of some products in the Chemicals segment remain weak since the second half of fiscal 2018, and the Health Care segment faces the impact of NHI price revision and declining royalty revenues. In addition, increase production capacities in polyester film in the U.S. and optical PVOH film in Japan in the Performance Products segment are expected to contribute to profits throughout the fiscal year. In the course of these actions, the Mitsubishi Chemical Holdings Group strives to expand sales and continues efforts on cost reduction.

In light of the above-mentioned circumstances, forecasts of the consolidated financial results for fiscal 2019, as compared to fiscal 2018, are as follows. Sales revenue, core operating income, operating income, income before taxes, net income, and net income attributable to owners of the parent are expected to stand at ¥4,080.0 billion, ¥300.0 billion, ¥300.0 billion, ¥278.0 billion, ¥213.0 billion, and

¥168.0 billion, respectively.

The expected numeral values of the major indices are as follows:

(Billions of yen, unless otherwise noted)

	Results for fiscal 2018	Forecasts for fiscal 2019
Capital expenditure	231.7	298.0
Depreciation and amortization*	199.3	239.0
R&D expenses	143.8	151.0
Exchange rate (¥/\$)**	111	110
Naphtha (¥/kl)**	49,400	48,000

*Depreciation and amortization for fiscal 2019 forecasts include the impact from the adoption of IFRS 16 (Leases).

**Fiscal 2018: Average from April 2018 through March 2019; Fiscal 2019: Average from April 2019 through March 2020

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 [3], [8], and [9] hereof.

Reference

(1) Consolidated Statement of Profit or Loss

Fiscal year ended March 31, 2018 and 2019

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Sales revenue	3,724,406	3,923,444
Cost of sales	(2,604,344)	(2,821,889)
Gross profit	1,120,062	1,101,555
Selling, general and administrative expenses	(764,317)	(800,843)
Other operating income	19,679	21,462
Other operating expenses	(46,350)	(51,074)
Share of profit of associates and joint ventures	26,637	26,850
Operating income	355,711	297,950
Financial income	8,404	10,243
Financial expenses	(20,038)	(20,137)
Income before taxes	344,077	288,056
Income taxes	(67,715)	(71,327)
Net income	276,362	216,729
Net income attributable to		
Owners of the parent	211,788	169,530
Non-controlling interests	64,574	47,199
Earnings per share (Yen)		
Basic earnings per share attributable to owners of the parent	147.14	119.22
Diluted earnings per share attributable to owners of the parent	136.06	110.05

(2) Consolidated Statement of Comprehensive Income

Fiscal year ended March 31, 2018 and 2019

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income	276,362	216,729
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	9,682	4,743
Remeasurements of defined benefit pensions plans	22,170	(4,482)
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method	—	107
Total items that will not be reclassified to profit or loss	31,852	368
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(13,598)	(5,751)
Net gain (loss) on derivatives designated as cash flow hedges	2,278	(3,152)
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	582	(2,296)
Total items that may be subsequently reclassified to profit or loss	(10,738)	(11,199)
Total other comprehensive income (net of tax)	21,114	(10,831)
Total comprehensive income	297,476	205,898
Total comprehensive income attributable to		
Owners of the parent	233,619	161,655
Non-controlling interests	63,857	44,243

(3) Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2018	March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	277,624	321,541
Trade receivables	854,804	855,107
Inventories	607,671	623,049
Other financial assets	247,365	248,262
Other current assets	62,050	76,072
Subtotal	<u>2,049,514</u>	<u>2,124,031</u>
Assets held for sale	2,139	17,810
Total current assets	<u>2,051,653</u>	<u>2,141,841</u>
Non-current assets		
Property, plant and equipment	1,433,509	1,683,354
Goodwill	324,201	648,806
Intangible assets	355,151	568,787
Investments accounted for using the equity method	175,905	183,067
Other financial assets	244,489	228,571
Other non-current assets	36,145	33,573
Deferred tax assets	80,362	84,509
Total non-current assets	<u>2,649,762</u>	<u>3,430,667</u>
Total assets	<u><u>4,701,415</u></u>	<u><u>5,572,508</u></u>

(Millions of yen)

	March 31, 2018	March 31, 2019
Liabilities		
Current liabilities		
Trade payables	488,592	492,404
Bonds and borrowings	580,854	1,108,643
Income tax payable	41,293	31,768
Other financial liabilities	201,208	222,377
Provisions	7,463	8,296
Other current liabilities	127,108	138,089
Subtotal	<u>1,446,518</u>	<u>2,001,577</u>
Liabilities directly associated with assets held for sale	364	11,723
Total current liabilities	<u>1,446,882</u>	<u>2,013,300</u>
Non-current liabilities		
Bonds and borrowings	1,025,268	1,138,108
Other financial liabilities	29,174	26,755
Retirement benefit liabilities	110,639	120,816
Provisions	30,712	28,294
Other non-current liabilities	38,014	41,971
Deferred tax liabilities	101,236	177,410
Total non-current liabilities	<u>1,335,043</u>	<u>1,533,354</u>
Total liabilities	2,781,925	3,546,654
Equity		
Common stock	50,000	50,000
Additional paid-in capital	321,111	321,477
Treasury stock	(43,569)	(63,560)
Retained earnings	956,946	1,073,873
Other components of equity	1,262	(3,843)
Equity attributable to owners of the parent	<u>1,285,750</u>	<u>1,377,947</u>
Non-controlling interests	633,740	647,907
Total equity	<u>1,919,490</u>	<u>2,025,854</u>
Total liabilities and equity	<u><u>4,701,415</u></u>	<u><u>5,572,508</u></u>

(4) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2018

	(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	—	—	—	211,788
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	211,788
Purchase of treasury stock	—	—	(62)	—
Disposal of treasury stock	—	(77)	80	—
Cash dividends	—	—	—	(38,861)
Share-based payment transactions	—	144	—	—
Share-based payment transactions of subsidiaries	—	—	—	—
Changes in interests in subsidiaries	—	(659)	—	—
Changes in scope of consolidation	—	—	—	1,242
Transfer from other components of equity to retained earnings	—	—	—	21,413
Transfer from other components of equity to non-financial assets, etc.	—	—	—	—
Total transactions with owners	—	(592)	18	(16,206)
Balance at March 31, 2018	50,000	321,111	(43,569)	956,946

	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	Remeasure- ments 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	—	—	—	—	—	211,788	64,574	276,362
Other comprehensive income	6,918	19,208	(6,569)	2,274	21,831	21,831	(717)	21,114
Total comprehensive income	6,918	19,208	(6,569)	2,274	21,831	233,619	63,857	297,476
Purchase of treasury stock	—	—	—	—	—	(62)	—	(62)
Disposal of treasury stock	—	—	—	—	—	3	—	3
Cash dividends	—	—	—	—	—	(38,861)	(40,946)	(79,807)
Share-based payment transactions	—	—	—	—	—	144	—	144
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	41	41
Changes in interests in subsidiaries	—	—	—	—	—	(659)	3,882	3,223
Changes in scope of consolidation	—	—	—	—	—	1,242	107	1,349
Transfer from other components of equity to retained earnings	(2,205)	(19,208)	—	—	(21,413)	—	—	—
Transfer from other components of equity to non-financial assets, etc.	—	—	—	(1,074)	(1,074)	(1,074)	—	(1,074)
Total transactions with owners	(2,205)	(19,208)	—	(1,074)	(22,487)	(39,267)	(36,916)	(76,183)
Balance at March 31, 2018	51,544	—	(50,455)	173	1,262	1,285,750	633,740	1,919,490

Fiscal year ended March 31, 2019

	(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	—	—	—	169,530				
Other comprehensive income	—	—	—	—				
Total comprehensive income	—	—	—	169,530				
Purchase of treasury stock	—	—	(20,033)	—				
Disposal of treasury stock	—	(39)	42	—				
Cash dividends	—	—	—	(52,867)				
Share-based payment transactions	—	609	—	—				
Share-based payment transactions of subsidiaries	—	—	—	—				
Changes in interests in subsidiaries	—	(204)	—	—				
Business combinations or business divestitures	—	—	—	—				
Changes in scope of consolidation	—	—	—	(24)				
Transfer from other components of equity to retained earnings	—	—	—	373				
Transfer from other components of equity to non-financial assets, etc.	—	—	—	—				
Total transactions with owners	—	366	(19,991)	(52,518)				
Balance at March 31, 2019	50,000	321,477	(63,560)	1,073,873				
	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value	Remeasure- ments 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, 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	—	—	—	—	—	169,530	47,199	216,729
Other comprehensive income	4,152	(3,823)	(5,075)	(3,129)	(7,875)	(7,875)	(2,956)	(10,831)
Total comprehensive income	4,152	(3,823)	(5,075)	(3,129)	(7,875)	161,655	44,243	205,898
Purchase of treasury stock	—	—	—	—	—	(20,033)	—	(20,033)
Disposal of treasury stock	—	—	—	—	—	3	—	3
Cash dividends	—	—	—	—	—	(52,867)	(38,025)	(90,892)
Share-based payment transactions	—	—	—	—	—	609	—	609
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	25	25
Changes in interests in subsidiaries	—	—	—	—	—	(204)	5,796	5,592
Business combinations or business divestitures	—	—	—	—	—	—	2,265	2,265
Changes in scope of consolidation	—	—	—	—	—	(24)	(76)	(100)
Transfer from other components of equity to retained earnings	(4,196)	3,823	—	—	(373)	—	—	—
Transfer from other components of equity to non-financial assets, etc.	—	—	—	3,143	3,143	3,143	—	3,143
Total transactions with owners	(4,196)	3,823	—	3,143	2,770	(69,373)	(30,015)	(99,388)
Balance at March 31, 2019	51,500	—	(55,530)	187	(3,843)	1,377,947	647,907	2,025,854

(5) Consolidated Statement of Cash Flow

Fiscal year ended March 31, 2018 and 2019

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Income before taxes	344,077	288,056
Depreciation and amortization	178,895	199,332
Share of profit of associates and joint ventures	(26,637)	(26,850)
Interest and dividend income	(7,669)	(9,627)
Interest expense	15,652	18,868
(Increase) decrease in trade receivables	(80,607)	25,149
(Increase) decrease in inventories	(70,882)	(13,193)
Increase (decrease) in trade payables	51,755	(20,090)
Increase (decrease) in retirement benefit assets and liabilities, net	8,876	(1,324)
Others	37,572	33,243
Subtotal	451,032	493,564
Interest received	2,699	4,816
Dividends received	16,941	27,781
Interest paid	(15,041)	(18,114)
Income tax (paid) received, net	(57,691)	(92,472)
Net cash provided by (used in) operating activities	397,940	415,575
Cash flows from investing activities		
Purchase of property, plant and equipment	(199,871)	(225,740)
Proceeds from sales of property, plant and equipment	10,268	7,170
Purchase of intangible assets	(28,390)	(4,839)
Purchase of other financial assets	(401,573)	(453,070)
Proceeds from sales/redemption of other financial assets	441,464	438,748
Purchase of investments in subsidiaries	(122,977)	(655,629)
Proceeds from sales of investments in subsidiaries	12,701	16,619
Payments for acquisition of businesses	(343)	(50,900)
Net (Increase) decrease of time deposits	(55,835)	31,581
Others	8,623	992
Net cash provided by (used in) investing activities	(335,933)	(895,068)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	25,243	428,298
Net increase (decrease) in commercial papers	(16,000)	44,000
Proceeds from long-term borrowings	80,638	213,182
Repayment of long-term borrowings	(148,016)	(122,954)
Proceeds from issuance of bonds	29,828	132,036
Redemption of bonds	(40,000)	(65,000)
Net (increase) decrease in treasury stock	(60)	(20,030)
Dividends paid to owners of the parent	(38,861)	(52,867)
Dividends paid to non-controlling interests	(40,946)	(38,011)
Proceeds from stock issuance to non-controlling interests	5,473	6,548
Others	(7,891)	(6,140)
Net cash provided by (used in) financing activities	(150,592)	519,062
Effect of exchange rate changes on cash and cash equivalents	847	6,207
Net increase (decrease) in cash and cash equivalents	(87,738)	45,776
Cash and cash equivalents at the beginning of the period	363,510	277,624
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(6)	(1,899)
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1,640	40
Net increase in cash and cash equivalents resulting from merger and acquisition	218	—
Cash and cash equivalents at the end of the period	277,624	321,541

(6) Change in Accounting Policy

Main standards and interpretations newly applied by the Mitsubishi Chemical Holdings Group (MCHC Group) from the year ended March 31, 2019, are as follows.

Standard and interpretation	Overview of introduction or Revision
IFRS15 Revenue from Contracts with Customers	Accounting standards and disclosure methods for revenue recognition have been revised. Specifically, revenue is recognized based on the rights expected to be received in exchange for transferring goods or services to customers.

In accordance with the adoption of IFRS 15, the MCHC Group recognizes revenue, based on the following 5-step model, in an amount that reflects the consideration to which the MCHC Group expects to be entitled in exchange for goods or services transferred to customers.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The MCHC Group offers a variety of products and services (see the following table, "Business Segment Information") to domestic and foreign customers through its business activities in four business segments ("Performance Products", "Chemicals", "Industrial Gases" and "Health Care"), primarily by the four operating companies, Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation. For the sales of such products, because the customer obtains control over the products upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items.

Consideration for products under sales contracts is mainly collected within 12 months of the transfer of control over said products and therefore the consideration includes no significant financial elements.

The adoption of IFRS 15 has no material impact on the consolidated financial statements of the MCHC Group.

In the adoption of IFRS 15, the Group has employed the method in which the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as the transition method. The amount of cumulative effect at the date of initial application of this standard is not material.

Business Segment Information

Business Domain	Business Segment	Business Sub-Segment		
		Businesses		
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, Functional 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 products	Carbon	Carbon products
	Industrial Gases			Industrial gases
Health Care	Health Care			Pharmaceuticals
				Life science

(7) Subsequent Event

Life Science Institute Reaches Agreement on Strategic Capital Partnership with PHC Holdings

MCHC's operating company, Life Science Institute, Inc. (LSII) on May 14 announced its agreement 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 (treasury stock), resulting in capital participation of 13.72% in PHCHD. This move aims at expanding and strengthening LSII Group's healthcare business in Japan and around the world.

PHCHD and LSII plan to complete the share exchange, pending competition law-related regulatory approval.