

Mitsubishi Chemical Holdings Corporation
Condensed Consolidated Financial Information
for the Fiscal Year Ended March 31, 2018



1. Business Results for the Fiscal Year Ended March 31, 2018
(Business Period: April 1, 2017 to March 31, 2018)

Millions of Yen	
FY2017	FY2016
April 1, 2017 - March 31, 2018	April 1, 2016 - March 31, 2017

(1) Results of Operations:

Sales revenue	3,724,406	3,376,057
Core operating income*	380,489	307,522
Operating income	355,711	268,621
Earnings before taxes	344,077	258,343
Net Income	276,362	216,515
Net income attributable to owners of the parent	211,788	156,259
Comprehensive income	297,476	226,493

* Core operating income: Operating income excluding special items

(2) Financial Position:

Total assets	4,700,592	4,463,547
Inventories	607,671	538,131
Property, plant and equipment	1,433,509	1,431,681
Current and non-current bonds and borrowings	1,606,122	1,693,742
Equity attributable to owners of the parent	1,285,750	1,091,398
Ratio of equity attributable to owners of the parent to total assets (%)	27.4	24.5

(3) Cash Flows:

Net cash provided by (used in) operating activities	397,940	396,643
Net cash provided by (used in) investing activities	(335,933)	(289,056)
Net cash provided by (used in) financing activities	(150,592)	1,411
Cash and cash equivalents at end of the period	277,624	363,510

(4) General:

Capital expenditures	225,189	206,482
Depreciation and amortization	178,895	173,874
R&D expenditures	138,833	126,290
Employees (number)	69,230	69,291

(5) Per Share:

	(Yen)	
Earnings per share -Basic	147.14	106.73
- Diluted	136.06	105.95
Equity attributable to owners of the parent per share	893.26	758.30

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

[FY2017]
1,439,338

(Thousands of shares)
[FY2016]
1,464,004

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, 2018]
1,439,386

[March 31, 2017]
1,439,263

Millions of Yen	
FY2017	FY2016
April 1, 2017 - March 31, 2018	April 1, 2016 - March 31, 2017

(6) Financial Ratio:

(%)

Return on equity**	17.8	15.1
Return on assets***	7.5	5.9
Return on sales****	10.2	9.1

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

*** Earnings 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	1,145,932	1,072,640
Chemicals	1,177,352	983,957
Industrial Gases	638,675	574,664
Health Care	556,568	547,032
Others	205,879	197,764
Total	3,724,406	3,376,057

[Core Operating Income (Loss) by Segment]

Performance Products	93,995	94,280
Chemicals	147,868	62,520
Industrial Gases	57,467	52,056
Health Care	81,227	98,389
Others	7,119	7,754
Elimination & corporate	(7,187)	(7,477)
Total	380,489	307,522

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

Performance Products	1,215,112	1,140,413
Chemicals	1,290,102	1,061,351
Industrial Gases	1,016,171	1,009,085
Health Care	1,166,776	1,101,469
Others	961,554	940,930
Elimination & corporate costs	(949,123)	(789,701)
Total	4,700,592	4,463,547

[Depreciation & Amortization by Segment]

Performance Products	54,861	54,399
Chemicals	53,741	54,573
Industrial Gases	45,708	42,490
Health Care	19,049	17,930
Others	3,018	2,918
Corporate costs	2,518	1,564
Total	178,895	173,874

Millions of Yen	
FY2017	FY2016
April 1, 2017 - March 31, 2018	April 1, 2016 - March 31, 2017

[Capital Expenditures by Segment]

Performance Products	68,301	62,757
Designed Materials	61,910	68,500
Industrial Gases	61,549	42,069
Health Care	27,505	28,507
Others	3,535	4,266
Corporate	2,389	383
Total	225,189	206,482

Note:

The Company has reclassified business segments from fiscal 2017. Accordingly, segment information for fiscal 2016 has been restated to match.

2. Prospects for the Following Fiscal Year

	Millions of Yen	
	The First Half of FY2018	FY2018
	April 1, 2018 - September 30, 2018	April 1, 2018 - March 31, 2019
Sales revenue	1,935,000	3,930,000
Core operating income	172,000	355,000
Operating income	168,000	337,000
Net income attributable to owners of the parent	91,000	184,000

(Yen)

Earnings per share - Basic	63.22	127.83
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3. Business Performance and Financial Position

(1) Business Performance

Consolidated Performance for the Fiscal Year Ended March 31, 2018 (Fiscal 2017): April 1, 2017 – March 31, 2018

Overview of General Performance

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

Against this background, sales revenue for fiscal 2017 increased by ¥348.3 billion, or 10.3% year on year, to ¥3,724.4 billion. Profit increased significantly year on year, as follows. Core operating income rose by ¥73.0 billion, or 23.7% year on year, to ¥380.5 billion, and operating income was up ¥87.1 billion, or 32.4% year on year, at ¥355.7 billion. Earnings before taxes rose by ¥85.8 billion, or 33.2% year on year, to ¥344.1 billion. Net income attributable to owners of the parent grew ¥55.5 billion, or 35.5% year on year, to ¥211.8 billion, due to a reversal of deferred tax liabilities in associated with a reduction of the U.S. federal corporate tax rate and other factors.

Overview of Business Segments

The overview of financial results by business segment for 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 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		
			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, Alumina 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
	Industrial Gases		Industrial gases	
Health Care	Health Care			Pharmaceuticals
				Life science

Performance Products Segment, Performance Products Domain

Sales revenue increased by ¥73.3 billion, to ¥1,145.9 billion. Core operating income decreased by ¥0.2 billion, to ¥94.0 billion.

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

In performance chemicals, sales volumes increased, reflecting rising sales of battery materials for automobiles in the new energy business, continued firmness in market prices for phenol-polycarbonate chain in advanced polymers, and the resolution of issues related to scheduled plant maintenance and repairs completed during the previous period.

Core operating income remained unchanged, due primarily to a rise in raw material costs for some products, despite higher sales volumes as a whole.

Major initiatives in the Chemicals segment during fiscal 2017 included:

- Changshu UM Battery Materials Co., Ltd., a 50-50 joint venture established by Mitsubishi Chemical Corporation and Ube Industries, Ltd. to further strengthen their technological capabilities and cost competitiveness in China by utilizing both companies' intellectual property and R&D capacities began production and sale of electrolytes for lithium-ion batteries in January 2018.
- Mitsubishi Chemical Corporation decided to absorb its wholly owned subsidiary, Nippon Kasei Chemical Co., Ltd. which produces and sells inorganic chemicals and other products in the High-Performance Chemicals business domain, in a move to accelerate its business portfolio

reformation and more quickly realize synergies. The absorption merger was implemented on April 1, 2018.

- Mitsubishi Chemical Corporation decided to build a new production facility in Thailand for its *DIAMIRON* multilayer co-extruded film, which is used in food packaging, medical supplies and devices, and a wide range of other fields. Commercial operation is slated to start in April 2020.

Chemicals Segment, Industrial Materials Domain

Sales revenue was rose by ¥193.2 billion, to ¥1,177.3 billion. Core operating income grew ¥85.3 billion, to ¥147.9 billion.

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

In petrochemicals, sales volumes increased in the midst of continued firm supply-demand situation, 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 products including coke and needle coke in the continued firm demand and the lower impact of the smaller scheduled maintenance and repairs at petrochemical production facilities.

Major initiatives in the Chemicals segment during 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 (250kt/y) and PMMA (40kt/y). Commercial operation of both facilities commenced in April 2018.
- Mitsubishi Chemical Corporation's subsidiary, Japan Polypropylene Corporation decided to construct a new production facility for polypropylene (150kt/y) at its Goi Plant, as part of its structural reforms in April 2017. Commercial operation is scheduled to begin in October 2019.
- Mitsubishi Chemical Corporation's subsidiary, Japan Polypropylene Corporation suspended its polypropylene production line (300kt/y) for four months from the end of September 2017, due to the partially damaged production line. Operation resumed at the end of January 2018.

Industrial Gases Segment, Industrial Materials Domain

Sales revenue increased by ¥64.1 billion, to ¥638.7 billion. Core operating income was up ¥5.4 billion, at ¥57.5 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 in the previous period.

Health Care Segment, Health Care Domain

Sales revenue totaled ¥556.6 billion, an increase of ¥9.6 billion. Core operating income was down ¥17.2 billion, at ¥81.2 billion.

Pharmaceuticals recorded higher sales revenue, due mainly to higher sales volumes of priority ethical pharmaceutical products including *Simponi*, a treatment for rheumatoid arthritis and significant sales growth of *Radicava*, a treatment for amyotrophic lateral sclerosis (ALS) in the U.S., despite a lower sales brought on by a generic drug business transfer and other factors.

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 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 made NeuroDerm Ltd. a consolidated subsidiary in October 2017. NeuroDerm is a clinical-stage pharmaceutical company that develops novel formulation technology and drug-device combinations for Parkinson's disease.
- Life Science Institute, Inc. began exploratory clinical trials of Muse cell-based product to treat acute myocardial infarction in January 2018, with the aim of acquiring manufacture and sales approval in fiscal 2021. And in February of the same year, it decided to construct a new cell process facility (CPF) for commercialization of the Muse-based product. The facility is slated to commence operation in January 2019.

Others

Sales revenue was up ¥8.1 billion, to ¥205.9 billion and core operating income decreased by ¥0.7 billion, to ¥7.1 billion.

(2) Consolidated Financial Position at the End of Fiscal 2017

Total assets were ¥4,700.6 billion, an increase of ¥237.1 billion. The increase was due primarily to an increase in trade receivables, reflecting that March 31, 2018, fell on a holiday of financial institutions, in addition to an increase in inventory.

Total liabilities were ¥2,781.1 billion, an increase of ¥15.8 billion. The increase was due primarily to an increase in trade receivables, reflecting that March 31, 2018, fell on a holiday of financial institutions, despite a decrease in interest-bearing debt.

Total equity was ¥1,919.5 billion, an increase of ¥221.3 billion. Key factors in this increase included an increase in retained earnings, reflecting the recording of ¥211.8 billion in net income attributable to owners of the parent.

As a result of the above factors, ratio of equity attributable to owners of the parent increased by 2.9%, to 27.4%, and net debt-to-equity ratio decreased by 0.17, to 0.89.

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 2017

Cash and cash equivalents stood at ¥277.6 billion, a decrease of ¥85.9 billion.

(Operating activities)

Net cash provided by operating activities totaled ¥397.9 billion, an increase of ¥1.3 billion, due primarily to inflows from earnings before taxes and depreciation and amortization, which offset the impact of corporate taxes and an increase in working capital associated with higher trade receivables and inventories.

(Investing activities)

Net cash used in investing activities totaled ¥335.9 billion, an increase of ¥46.8 billion, due primarily to outflows for payments for capital expenditures and acquisition of shares in subsidiaries, which offset inflows from the sale and redemption of investment of surplus funds.

As a result of these factors, free cash flow, comprising cash flows from operating and investing activities, totaled ¥62.0 billion, a decrease of ¥45.5 billion.

(Financing activities)

Net cash used in financing activities totaled ¥150.6 billion, an increase of ¥152.0 billion, due primarily to outflows from dividend payments and a decrease in interest-bearing debt including loans payable, etc.

(4) Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2019 (Fiscal 2018)

Though Japan's economy is expected to continue a moderate recovery as the employment and income situations show ongoing improvement, the overall world economy faces uncertainties such as future trends in trade issues and the impact of geopolitical risks in the Middle East and East Asia.

Under these circumstances, the Group can expect margins in the Performance Products and Industrial Materials domains to decline due to rising prices of raw materials for some products, while the Health Care domain faces the impact of NHI drug price revisions and an increase in research and development expenses. Therefore, we will push forward to expand sales and reduce costs in each business domain.

In light of the above-mentioned circumstances, forecasts of the consolidated financial results for fiscal 2018, as compared to fiscal 2017, are as follows. Sales revenue, core operating income, operating income, earnings before taxes, net income, and net income attributable to owners of the parent are

expected to stand at ¥3,930.0 billion, ¥355.0 billion, ¥337.0 billion, ¥325.0 billion, ¥238.0 billion, and ¥184.0 billion, respectively.

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

(Billions of yen, unless otherwise noted)

	Forecasts for fiscal 2017	Forecasts for fiscal 2018
Capital expenditure	225.2	264.0
Depreciation	178.9	185.0
R&D expenses	138.8	160.0
Exchange rate (¥/\$)*	111	105
Naphtha (¥/kl)*	41,900	50,000

*Fiscal 2017: Average from April 2017 through March 2018; Fiscal 2018: Average from April 2018 through March 2019

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 years ended March 31, 2017 and 2018

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Continuing operations		
Sales revenue	3,376,057	3,724,406
Cost of sales	(2,366,658)	(2,604,344)
Gross profit	1,009,399	1,120,062
Selling, general and administrative expenses	(714,715)	(764,317)
Other income	10,695	19,679
Other expenses	(53,722)	(46,350)
Equity income	16,964	26,637
Operating income	268,621	355,711
Financial income	7,155	8,404
Financial expenses	(17,433)	(20,038)
Earnings before taxes	258,343	344,077
Income taxes	(44,414)	(67,715)
Net income from continuing operations	213,929	276,362
Discontinued operations		
Net income (loss) from discontinued operations	2,586	—
Net income	216,515	276,362
Net income attributable to		
Owners of the parent	156,259	211,788
Non-controlling interests	60,256	64,574
Net income	216,515	276,362
Earnings per share		
Basic (Yen)		
Continuing operations	104.97	147.14
Discontinued operations	1.76	—
Total	106.73	147.14
Diluted (Yen)		
Continuing operations	104.20	136.06
Discontinued operations	1.75	—
Total	105.95	136.06

(2) Consolidated Statement of Comprehensive Income

Fiscal years ended March 31, 2017 and 2018

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net income	216,515	276,362
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	14,391	9,682
Remeasurements of defined benefit pensions plans	17,324	22,170
Share of other comprehensive income (loss) of investments accounted for using the equity method	(207)	—
Total items that will not be reclassified to profit or loss	31,508	31,852
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(20,405)	(13,598)
Net gain (loss) on derivatives designated as cash flow hedges	840	2,278
Share of other comprehensive income (loss) of investments accounted for using the equity method	(1,965)	582
Total items that may be subsequently reclassified to profit or loss	(21,530)	(10,738)
Total other comprehensive income (net of tax)	9,978	21,114
Total comprehensive income	226,493	297,476
Total comprehensive income attributable to		
Owners of the parent	165,709	233,619
Non-controlling interests	60,784	63,857

(3) Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2017	March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	363,510	277,624
Trade receivables	776,191	854,804
Inventories	538,131	607,671
Other financial assets	215,446	247,365
Other current assets	58,184	62,050
Subtotal	1,951,462	2,049,514
Assets held for sales	16,916	2,139
Total current assets	1,968,378	2,051,653
Non-current assets		
Property, plant and equipment	1,431,681	1,433,509
Goodwill	312,950	323,378
Intangible assets	227,169	355,151
Investments accounted for using the equity method	136,734	175,905
Other financial assets	252,921	244,489
Other non-current assets	39,079	36,145
Deferred tax assets	94,635	80,362
Total non-current assets	2,495,169	2,648,939
Total assets	4,463,547	4,700,592

(Millions of yen)

	March 31, 2017	March 31, 2018
Liabilities		
Current liabilities		
Trade payables	437,914	488,592
Bonds and borrowings	577,737	580,854
Income tax payable	21,287	41,293
Other financial liabilities	184,909	201,208
Provisions	6,057	7,463
Other current liabilities	116,691	126,285
Subtotal	1,344,595	1,445,695
Liabilities directly associated with assets held for sales	5,307	364
Total current liabilities	1,349,902	1,446,059
Non-current liabilities		
Bonds and borrowings	1,116,005	1,025,268
Other financial liabilities	27,489	29,174
Retirement benefit liabilities	128,338	110,639
Provisions	25,018	30,712
Other non-current liabilities	38,439	38,014
Deferred tax liabilities	80,159	101,236
Total non-current liabilities	1,415,448	1,335,043
Total liabilities	2,765,350	2,781,102
Equity		
Common stock	50,000	50,000
Additional paid-in capital	321,703	321,111
Treasury stock	(43,587)	(43,569)
Retained earnings	761,364	956,946
Other components of equity	1,918	1,262
Equity attributable to owners of the parent	1,091,398	1,285,750
Non-controlling interests	606,799	633,740
Total equity	1,698,197	1,919,490
Total liabilities and equity	4,463,547	4,700,592

(4) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2017

(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	—	—	—	156,259
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	156,259
Purchase of treasury stock	—	—	(30,033)	—
Disposal of treasury stock	—	3,035	2,686	—
Cash dividends	—	—	—	(23,437)
Issuance of convertible bond-type bonds with stock acquisition rights to shares	—	3,099	—	—
Share-based payment transactions	—	71	—	—
Changes in interests in subsidiaries	—	(2,046)	—	—
Changes in scope of consolidation	—	—	—	117
Transfer from other components of equity to retained earnings	—	—	—	17,516
Total transactions with owners	—	4,159	(27,347)	(5,804)
Balance at March 31, 2017	50,000	321,703	(43,587)	761,364

Other components of 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	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at April 1, 2016	37,054	—	(25,246)	(1,824)	9,984	972,197	623,954	1,596,151
Net income	—	—	—	—	—	156,259	60,256	216,515
Other comprehensive income	12,538	14,755	(18,640)	797	9,450	9,450	528	9,978
Total comprehensive income	12,538	14,755	(18,640)	797	9,450	165,709	60,784	226,493
Purchase of treasury stock	—	—	—	—	—	(30,033)	—	(30,033)
Disposal of treasury stock	—	—	—	—	—	5,721	—	5,721
Cash dividends	—	—	—	—	—	(23,437)	(28,013)	(51,450)
Issuance of convertible bond-type bonds with stock acquisition rights to shares	—	—	—	—	—	3,099	—	3,099
Share-based payment transactions	—	—	—	—	—	71	—	71
Changes in interests in subsidiaries	—	—	—	—	—	(2,046)	(49,533)	(51,579)
Changes in scope of consolidation	—	—	—	—	—	117	(393)	(276)
Transfer from other components of equity to retained earnings	(2,761)	(14,755)	—	—	(17,516)	—	—	—
Total transactions with owners	(2,761)	(14,755)	—	—	(17,516)	(46,508)	(77,939)	(124,447)
Balance at March 31, 2017	46,831	—	(43,886)	(1,027)	1,918	1,091,398	606,799	1,698,197

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	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	—	—	—	—	—	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

(5) Consolidated Statement of Cash Flow

Fiscal years ended March 31, 2017 and 2018

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Earnings before taxes	258,343	344,077
Earnings before taxes from discontinued operations	2,300	—
Depreciation and amortization	174,040	178,895
Equity income	(16,964)	(26,637)
Interest and dividend income	(6,593)	(7,669)
Interest expenses	16,060	15,652
(Increase) decrease in trade receivables	(11,264)	(80,607)
(Increase) decrease in inventories	(9,224)	(70,882)
Increase (decrease) in trade payables	43,992	51,755
Increase (decrease) in retirement benefit assets and liabilities, net	761	8,876
Other	24,827	37,572
Subtotal	476,278	451,032
Interest received	2,809	2,699
Dividends received	13,666	16,941
Interest paid	(15,741)	(15,041)
Income tax (paid) received, net	(80,369)	(57,691)
Net cash provided by (used in) operating activities	396,643	397,940
Cash flows from investing activities		
Purchase of property, plant and equipment	(197,100)	(199,871)
Proceeds from sales of property, plant and equipment	8,905	10,268
Purchase of intangible assets	(8,684)	(28,390)
Purchase of other financial assets	(314,982)	(401,573)
Proceeds from sales/redemption of other financial assets	207,280	441,464
Net cash outflow on acquisition of subsidiaries	(26,276)	(122,977)
Net cash inflow on sales of subsidiaries	10,748	12,701
Net (Increase) decrease of time deposits	117,294	(55,835)
Payments for transfer of business	(77,774)	(343)
Other	(8,467)	8,623
Net cash provided by (used in) investing activities	(289,056)	(335,933)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(129,692)	25,243
Net increase (decrease) in commercial papers	10,000	(16,000)
Proceeds from long-term borrowings	217,446	80,638
Repayment of long-term borrowings	(143,867)	(148,016)
Proceeds from issuance of bonds	220,408	29,828
Repayment from redemption of bonds	(40,010)	(40,000)
Net (increase) decrease in treasury stock	(30,035)	(60)
Dividends paid to owners of the parent	(23,437)	(38,861)
Dividends paid to non-controlling interests	(28,453)	(40,946)
Proceeds from stock issuance to non-controlling interests	2,812	5,473
Payments for acquisition of subsidiaries' interests from non-controlling interests	(48,837)	(3,732)
Other	(4,924)	(4,159)
Net cash provided by (used in) financing activities	1,411	(150,592)
Effect of exchange rate changes on cash and cash equivalents	(13,144)	847
Net increase (decrease) in cash and cash equivalents	95,854	(87,738)
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	(247)	(6)
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	728	1,640
Increase (decrease) in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	27	218
Cash and cash equivalents at the end of the period	363,510	277,624

(6) Subsequent Event

Acquisition of Treasury Stock

Mitsubishi Chemical Holdings Corporation (MCHC) has resolved at the meeting of the Board of Directors held today to acquire treasury stock in accordance with the provisions of Article 459, Paragraph 1 of Japan's Companies Act and Article 40 of MCHC Articles of Incorporation.

1. Reason for Acquisition of Treasury Stock

To implement flexible capital management policies in response to changes in the business environment.

2. Type of stock to be acquired: MCHC Common stock

3. Total number of shares to be acquired: Up to 20,000,000 shares

4. Total acquisition price for shares: Up to ¥20 billion

5. Acquisition period: May 11 – June 15, 2018

6. Method of Acquisition

(1) Purchase through Off-auction own shares repurchase trading system (ToSTNeT-3)

MCHC will entrust the purchase of its treasury stock at the closing price on May 10, 2018, through the off-auction own shares repurchase trading system of the Tokyo Stock Exchange (ToSTNeT-3) at 8:45 a.m. on May 11, 2018. (No changes in the trading method or trading time will be made.)

This purchase order will be valid as mentioned above.

In addition, MCHC will announce the acquisition price after determining today's closing share price.

(2) Market purchase after the purchase through ToSTNeT-3

MCHC will continue to acquire treasury stock through market purchase on the basis of discretionary trading pertaining to acquisition of treasury stock up to the total number of shares or total acquisition price obtained by subtracting the total number of shares and total acquisition price acquired through the off-auction own shares repurchase trading system of the Tokyo Stock Exchange (ToSTNeT-3) from the total number of shares to be acquired and total acquisition price, in case the total number of shares and total acquisition price through the aforementioned ToSTNeT-3 system did not reach the acquisition limit of either the total number of shares to be acquired or the total acquisition price resolved by the Board of Directors on May 10, 2018.