February 6, 2019

Mitsubishi Chemical Holdings Corporation
Condensed Consolidated Financial Information
for the Third Quarter of the Fiscal Year Ending March 31, 2019

1. Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2019 ("FY2018") (Business Period: April 1, 2018 to December 31, 2018)

	Millions of Yen	
	The Third Quarter of the Current Fiscal Year ("FY2018")	The Third Quarter of the Previous Fiscal Year ("FY2017")
	April 1, 2018 - December 31, 2018	April 1, 2017 - December 31, 2017

(1) Results of Operations:

Sales revenue	**2,931,836**	2,762,248
Core operating income*	**266,982**	305,040
Operating income	**270,332**	294,172
Earnings before taxes	**265,489**	287,708
Net Income	**206,425**	223,838
Net income attributable to owners of the parent	**165,988**	168,953
Comprehensive income	**190,777**	295,105

* Core operating income: Operating income excluding special items

(Yen)

Earnings per share - Basic	**116.67**	117.38
- Diluted	**107.68**	108.53

(2) Segment Information:

[Sales Revenue by Business Segment]

Performance Products	**880,028**	852,338
Chemicals	**970,848**	869,447
Industrial Gases	**512,426**	465,859
Health Care	**421,838**	428,812
Others	**146,696**	145,792
Total	**2,931,836**	2,762,248

[Core Operating Income (Loss) by Business Segment]

Performance Products	**61,363**	75,888
Chemicals	**109,967**	112,813
Industrial Gases	**42,076**	43,913
Health Care	**56,544**	72,225
Others	**4,536**	4,994
Elimination and corporate	**(7,504)**	(4,793)
Total	**266,982**	305,040

(3) Financial Position:

	Millions of Yen	
	As of December 31, 2018	As of March 31, 2018
Total assets	**5,613,870**	4,701,415
Total equity	**2,011,364**	1,919,490
Equity attributable to owners of the parent	**1,369,556**	1,285,750
Ratio of equity attributable to owners of the parent to total assets (%)	**24.4**	27.3

(4) Cash Flows:

	Millions of Yen	
	The Third Quarter of FY2018	The Third Quarter of FY2017
	April 1, 2018 - December 31, 2018	April 1, 2017 - December 31, 2017
Net cash provided by (used in) operating activities	**276,736**	287,194
Net cash provided by (used in) investing activities	**(816,157)**	(244,269)
Net cash provided by (used in) financing activities	**568,807**	(142,790)
Cash and cash equivalents at the end of the period	**309,951**	271,386

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. Forecast for the Current Fiscal Year

	Millions of Yen
	FY2018
	April 1, 2018 - March 31, 2019
Sales revenue	4,040,000
Core operating income	368,000
Operating income	354,000
Net income attributable to owners of the parent	213,000

	(Yen)
Earnings per share - Basic	149.79

3. Business Performance and Financial Position

(1) Business Performance

Consolidated Performance for the Third Quarter of the Fiscal Year Ending March 31, 2019 (Fiscal 2018): Nine Months Ended December 31, 2018

Overview of General Performance

The business environment surrounding the Mitsubishi Chemical Holdings Group (MCHC Group) during the third quarter of fiscal 2018 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 for some products 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 third quarter 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.

Against this background, sales revenue increased by ¥169.6 billion, or 6.1% year on year, to ¥2,931.8 billion. Core operating income decreased by ¥38.0 billion, or 12.5% year on year, to ¥267.0 billion, and operating income decreased by ¥23.9 billion, or 8.1% year on year, to ¥270.3 billion. Earnings before taxes decreased by ¥22.2 billion, or 7.7% year on year, to ¥265.5 billion. Net income attributable to owners of the parent decreased by ¥3.0 billion, or 1.8% year on year, to ¥166.0 billion.

Overview of Business Segment

The overview of financial results by business segment for the third quarter of 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 same period of the previous fiscal year unless stated otherwise.

Performance Products Segment, Performance Products Domain

Sales revenue increased by ¥27.8 billion, to ¥880.1 billion. Core operating income decreased by ¥14.5 billion, to ¥61.4 billion.

In functional products, sales revenue remained nearly flat due to higher sales volumes in advanced moldings and composites including high-performance engineering plastics, alumina fibers, and other products, despite slowing demand for some information and electronics and display related 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 third quarter of fiscal 2018, and rising sales volumes for battery materials for automobiles in the new energy business.

Core operating income decreased primarily due to an impact from scheduled maintenance and repairs for phenol-polycarbonate chain materials in advanced polymers and a rise in raw material costs as a whole.

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

- Mitsubishi Chemical Corporation's consolidated subsidiary, The Nippon Synthetic Chemical Industry Co., Ltd., 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 m^2/y to 127 million m^2/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.
- 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.
- Mitsubishi Chemical Corporation decided to enhance the Yokkaichi 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 ¥101.4 billion, to ¥970.8 billion. Core operating income decreased by ¥2.8 billion, to ¥110.0 billion.

In MMA, sales revenue rose 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 third quarter of fiscal 2018.
In petrochemicals, sales revenue grew due to rising sales prices brought on by higher raw material prices, despite decreased sales volumes reflecting a larger impact from scheduled maintenance and repairs at an ethylene production facility.
In carbon, 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 the scheduled maintenance and repairs at the production facility, a narrowed price spread between raw materials and products in polyolefin, 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 the third quarter of 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 ¥512.4 billion, an increase of ¥46.5 billion. Core operating income decreased by ¥1.8 billion, to ¥42.1 billion.

In industrial gases, sales revenue increased, reflecting establishment of a new domestic onsite gas plant in October 2017 and continued firmness in the overseas gas business.
Core operating income decreased attributable to increased costs related to European business acquisition and other factors, despite increased revenue and profits.
In addition, the performance of the European businesses of Praxair, Inc., which Taiyo Nippon Sanso Corporation acquired in December 2018, has been included since the third quarter of fiscal 2018.

Major initiatives in the Industrial Gas segment during the third quarter of 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 637.2 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 concluded an agreement with Linde Gas North America LLC, a subsidiary of the German company Linde Aktiengesellschaft, to acquire a portion of its HyCO business and related assets in the U.S. through its wholly owned subsidiary, Matheson Tri-Gas, Inc. for 413.07 million U.S. dollars (about 46.8 billion yen) in December 2018.

Health Care Segment, Health Care Domain

Sales revenue totaled ¥421.8 billion, a decrease of ¥7.0 billion. Core operating income decreased by ¥15.7 billion, to ¥56.5 billion.

Pharmaceuticals recorded lower sales revenue and core operating income, mainly attributable to NHI price revision in domestic ethical pharmaceuticals in April 2018 and a generic drug business transfer in

October 2017, despite sales growth of *Radicava*, a treatment for amyotrophic lateral sclerosis (ALS) in the U.S.

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

- Mitsubishi Tanabe Pharma Corporation's Edarabone (U.S. name: Radicava) was approved by the Health Canada for an indication of amyotrophic lateral sclerosis (ALS), a rapidly progressive, neurodegenerative disease in October 2018, 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 increased by ¥0.9 billion, to ¥146.7 billion and core operating income decreased by ¥0.5 billion, to ¥4.5 billion.

(2) Consolidated Financial Position at the End of the Third Quarter of Fiscal 2018

Total assets at the end of the third quarter of fiscal 2018 were ¥5,613.9 billion, an increase of ¥912.5 billion from the end of fiscal 2017. The increase was mainly attributable to an increase in fixed assets and goodwill caused by that Taiyo Nippon Sanso Corporation acquired the European businesses of Praxair, Inc. with a total value of 637.2 billion yen and other factors.

Total liabilities were ¥3,602.5 billion, an increase of ¥820.6 billion from the end of fiscal 2017. The increase was primarily due to an increase in interest-bearing debts associated with financing for the above-mentioned acquisition.

Total equity was ¥2,114 billion, an increase of ¥91.9 billion from the end of fiscal 2017. The increase was primarily due to an increase in retained earnings, reflecting the recording of ¥166.0 billion in net income attributable to owners of the parent.

As a result of the above factors, the ratio of equity attributable to owners of the parent decreased by 2.9%, to 24.4%, and the net debt-to-equity ratio increased by 0.41, to 1.30, from the end of fiscal 2017.

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)

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

Nine months ended December 31, 2017 and 2018

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Sales revenue	2,762,248	2,931,836
Cost of sales	(1,913,918)	(2,099,325)
Gross profit	848,330	832,511
Selling, general and administrative expenses	(560,100)	(582,612)
Other income	15,055	16,593
Other expenses	(26,983)	(17,783)
Equity income	17,870	21,623
Operating income	294,172	270,332
Financial income	6,628	9,403
Financial expenses	(13,092)	(14,246)
Earnings before taxes	287,708	265,489
Income taxes	(63,870)	(59,064)
Net income	223,838	206,425
Net income attributable to		
Owners of the parent	168,953	165,988
Non-controlling interests	54,885	40,437
Earnings per share(Yen)		
Basic earnings per share attributable to owners of the parent	117.38	116.67
Diluted earnings per share attributable to owners of the parent	108.53	107.68

(2) Condensed Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2017 and 2018

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended September 31, 2018
Net income	223,838	206,425
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	19,516	(856)
Remeasurements of defined benefit pensions plans	19,954	(7,808)
Share of other comprehensive income (loss) of investments accounted for using the equity method	10	(12)
Total items that will not be reclassified to profit or loss	39,480	(8,676)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	27,967	(3,484)
Net gain (loss) on derivatives designated as cash flow hedges	2,005	(2,652)
Share of other comprehensive income(loss) of investments accounted for using the equity method	1,815	(836)
Total items that may be subsequently reclassified to profit or loss	31,787	(6,972)
Total other comprehensive income (net of tax)	71,267	(15,648)
Total comprehensive income	295,105	190,777
Total comprehensive income attributable to		
Owners of the parent	225,861	153,708
Non-controlling interests	69,244	37,069

(3) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2018	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	277,624	309,951
Trade receivables	854,804	893,048
Inventories	607,671	644,605
Other financial assets	247,365	262,625
Other current assets	62,050	83,984
Subtotal	2,049,514	2,194,213
Assets held for sales	2,139	1,773
Total current assets	2,051,653	2,195,986
Non-current assets		
Property, plant and equipment	1,433,509	1,669,049
Goodwill	324,201	646,344
Intangible assets	355,151	560,775
Investments accounted for using the equity method	175,905	194,100
Other financial assets	244,489	230,040
Other non-current assets	36,145	31,819
Deferred tax assets	80,362	85,757
Total non-current assets	2,649,762	3,417,884
Total assets	4,701,415	5,613,870

(Millions of yen)

	March 31, 2018	December 31, 2018
Liabilities		
Current liabilities		
Trade payables	488,592	517,733
Bonds and borrowings	580,854	1,368,944
Income tax payable	41,293	28,128
Other financial liabilities	201,208	202,280
Provisions	7,463	9,574
Other current liabilities	127,108	142,864
Subtotal	1,446,518	2,269,523
Liabilities directly associated with assets held for sales	364	578
Total current liabilities	1,446,882	2,270,101
Non-current liabilities		
Bonds and borrowings	1,025,268	929,585
Other financial liabilities	29,174	27,122
Retirement benefit liabilities	110,639	125,472
Provisions	30,712	26,972
Other non-current liabilities	38,014	43,754
Deferred tax liabilities	101,236	179,500
Total non-current liabilities	1,335,043	1,332,405
Total liabilities	2,781,925	3,602,506
Equity		
Common stock	50,000	50,000
Additional paid-in capital	321,111	321,558
Treasury stock	(43,569)	(63,561)
Retained earnings	956,946	1,065,542
Other components of equity	1,262	(3,983)
Equity attributable to owners of the parent	1,285,750	1,369,556
Non-controlling interests	633,740	641,808
Total equity	1,919,490	2,011,364
Total liabilities and equity	4,701,415	5,613,870

(4) Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2017

(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	－	－	－	168,953
Other comprehensive income	－	－	－	－
Total comprehensive income	－	－	－	168,953
Purchase of treasury stock	－	－	(46)	－
Disposal of treasury stock	－	(63)	65	－
Cash dividends	－	－	－	(38,861)
Share-based payment transactions	－	144	－	－
Share-based payment transactions of subsidiaries	－	－	－	－
Changes in interests in subsidiaries	－	(199)	－	－
Changes in scope of consolidation	－	－	－	(53)
Transfer from other components of equity to retained earnings	－	－	－	18,611
Transfer from other components of equity to non-financial assets, etc.	－	－	－	－
Total transactions with owners	－	(118)	19	(20,303)
Balance at December 31, 2017	50,000	321,585	(43,568)	910,014

	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, 2017	46,831	－	(43,886)	(1,027)	1,918	1,091,398	606,799	1,698,197
Net income	－	－	－	－	－	168,953	54,885	223,838
Other comprehensive income	14,195	16,961	23,758	1,994	56,908	56,908	14,359	71,267
Total comprehensive income	14,195	16,961	23,758	1,994	56,908	225,861	69,244	295,105
Purchase of treasury stock	－	－	－	－	－	(46)	－	(46)
Disposal of treasury stock	－	－	－	－	－	2	－	2
Cash dividends	－	－	－	－	－	(38,861)	(38,064)	(76,925)
Share-based payment transactions	－	－	－	－	－	144	－	144
Share-based payment transactions of subsidiaries	－	－	－	－	－	－	33	33
Changes in interests in subsidiaries	－	－	－	－	－	(199)	2,640	2,441
Changes in scope of consolidation	－	－	－	－	－	(53)	(78)	(131)
Transfer from other components of equity to retained earnings	(1,650)	(16,961)	－	－	(18,611)	－	－	－
Transfer from other components of equity to non-financial assets, etc.	－	－	－	(1,033)	(1,033)	(1,033)	－	(1,033)
Total transactions with owners	(1,650)	(16,961)	－	(1,033)	(19,644)	(40,046)	(35,469)	(75,515)
Balance at December 31, 2017	59,376	－	(20,128)	(66)	39,182	1,277,213	640,574	1,917,787

Nine months ended December 31, 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	–	–	–	165,988
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	165,988
Purchase of treasury stock	–	–	(20,025)	–
Disposal of treasury stock	–	(31)	33	–
Cash dividends	–	–	–	(52,867)
Share-based payment transactions	–	656	–	–
Share-based payment transactions of subsidiaries	–	–	–	–
Changes in interests in subsidiaries	–	(178)	–	–
Business combinations or business divestitures	–	–	–	–
Changes in scope of consolidation	–	–	–	(35)
Transfer from other components of equity to retained earnings	–	–	–	(4,405)
Transfer from other components of equity to non-financial assets, etc.	–	–	–	–
Total transactions with owners	–	447	(19,992)	(57,307)
Balance at December 31, 2018	50,000	321,558	(63,561)	1,065,542

	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	–	–	–	–	–	165,988	40,437	206,425
Other comprehensive income	(140)	(6,781)	(2,717)	(2,642)	(12,280)	(12,280)	(3,368)	(15,648)
Total comprehensive income	(140)	(6,781)	(2,717)	(2,642)	(12,280)	153,708	37,069	190,777
Purchase of treasury stock	–	–	–	–	–	(20,025)	–	(20,025)
Disposal of treasury stock	–	–	–	–	–	2	–	2
Cash dividends	–	–	–	–	–	(52,867)	(33,935)	(86,802)
Share-based payment transactions	–	–	–	–	–	656	–	656
Share-based payment transactions of subsidiaries	–	–	–	–	–	–	27	27
Changes in interests in subsidiaries	–	–	–	–	–	(178)	3,603	3,425
Business combinations or business divestitures	–	–	–	–	–	–	1,451	1,451
Changes in scope of consolidation	–	–	–	–	–	(35)	(86)	(121)
Transfer from other components of equity to retained earnings	(2,376)	6,781	–	–	4,405	–	–	–
Transfer from other components of equity to non-financial assets, etc.	–	–	–	2,630	2,630	2,630	–	2,630
Total transactions with owners	(2,376)	6,781	–	2,630	7,035	(69,817)	(28,940)	(98,757)
Balance at December 31, 2018	49,028	–	(53,172)	161	(3,983)	1,369,556	641,808	2,011,364

(5) Condensed Consolidated Statement of Cash Flow

Nine months ended December 31, 2017 and 2018

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities		
Earnings before taxes	287,708	265,489
Depreciation and amortization	133,275	143,533
Equity income	(17,870)	(21,623)
Interest and dividend income	(5,895)	(8,328)
Interest expenses	11,627	13,192
(Increase) decrease in trade receivables	(89,204)	(6,232)
(Increase) decrease in inventories	(35,364)	(28,424)
Increase (decrease) in trade payables	40,109	7,973
Increase (decrease) in retirement benefit assets and liabilities, net	4,105	770
Other	8,347	(19,090)
Subtotal	336,838	347,260
Interest received	1,912	3,332
Dividends received	14,835	22,895
Interest paid	(11,632)	(14,124)
Income tax (paid) received, net	(54,759)	(82,627)
Net cash provided by (used in) operating activities	287,194	276,736
Cash flows from investing activities		
Purchase of property, plant and equipment	(143,958)	(163,282)
Proceeds from sales of property, plant and equipment	6,603	6,056
Purchase of intangible assets	(23,157)	(3,995)
Purchase of other financial assets	(273,088)	(322,771)
Proceeds from sales/redemption of other financial assets	360,902	313,061
Net cash outflow on acquisition of subsidiaries	(121,513)	(655,851)
Net cash inflow on sales of subsidiaries	10,935	15,274
Payments for transfer of business	(199)	(4,748)
Net (Increase) decrease of time deposits	(61,340)	4,006
Other	546	(3,907)
Net cash provided by (used in) investing activities	(244,269)	(816,157)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	36,290	635,380
Net increase (decrease) in commercial papers	2,000	86,000
Proceeds from long-term borrowings	65,075	58,790
Repayment of long-term borrowings	(127,429)	(78,903)
Proceeds from issuance of bonds	—	25,000
Repayment from redemption of bonds	(40,000)	(50,000)
Net (increase) decrease in treasury stock	(45)	(20,023)
Dividends paid to owners of the parent	(38,861)	(52,867)
Dividends paid to non-controlling interests	(38,064)	(33,815)
Proceeds from stock issuance to non-controlling interests	4,153	4,348
Other	(5,909)	(5,103)
Net cash provided by (used in) financing activities	(142,790)	568,807
Effect of exchange rate changes on cash and cash equivalents	7,158	2,726
Net increase (decrease) in cash and cash equivalents	(92,707)	32,112
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 sales	1	250
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	364	(35)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	218	—
Cash and cash equivalents at the end of the period	271,386	309,951

(6) Change in Accounting Policy

The Mitsubishi Chemical Holdings Group adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (together, hereinafter "IFRS 15") from the first quarter of fiscal 2018.

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 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 quarterly 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	Carbon	Carbon products
	Industrial Gases			Industrial gases
Health Care	Health Care			Pharmaceuticals
				Life science

(7) Subsequent Event

Issuance of Hybrid Bonds (Public Subordinated Bonds) by Consolidated Subsidiary Taiyo Nippon Sanso Corporation (TNSC)

TNSC issued Deferrable Interest and Callable Unsecured Subordinated Bonds on January 29, 2019. Following is the outline.

	1st Series Deferrable Interest and Callable Unsecured Subordinated Bonds	2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds
(1) Amount of issue	¥100.0 billion	¥8.0 billion
(2) Initial interest rate	1.41% per annum (Note 1)	1.87% per annum (Note 2)
(3) Payment date	January 29, 2019	January 29, 2019
(4) Maturity date	January 29, 2054	January 29, 2059

<table>
<tr><td>(5) Early redemption</td><td>Early redemption is possible at TNSC's discretion on each interest payment date from January 29, 2024 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the payment date.</td><td>Early redemption is possible at TNSC's discretion on each interest payment date from January 29, 2029 or upon the occurrence and continuation of a tax event or an equity credit change event on or after the payment date.</td></tr>
<tr><td rowspan="2">(6) Replacement restrictions</td><td>In the case of early redemption, etc., of the subordinated bonds, TNSC does not intend to conduct early redemption, etc., unless it raises funds through the issuance of replacement securities, etc., within the 12-month period preceding the date of early redemption, etc. (However, this restriction will not apply if the date of early redemption, etc., falls on or after January 29, 2024 and TNSC meets both of the requirements of (i) and (ii) below.)</td><td rowspan="2">(Note 3)</td></tr>
<tr><td>As of the end of the fiscal year immediately preceding the date of early redemption, etc., or at the end of any quarter of that fiscal year,
(i) TNSC's adjusted consolidated net debt to shareholders' equity ratio is 1.00x or lower.
(ii) The amount of TNSC's consolidated shareholders' equity has increased by ¥100.0 billion or more compared with the amount of TNSC's consolidated shareholders' equity as of the end of the second quarter of the fiscal year ending March 31, 2019.</td></tr>
<tr><td>(7) Optional suspension of interest payment</td><td colspan="2">TNSC may defer all or part of interest payments at its discretion.</td></tr>
<tr><td>(8) Subordination</td><td colspan="2">In terms of the order of repayment, the subordinated bonds are subordinate to TNSC's ordinary debt but have a higher priority than its ordinary shares.</td></tr>
<tr><td>(9) Method of issue</td><td colspan="2">Public issue in Japan</td></tr>
<tr><td>(10) Use of proceeds</td><td colspan="2">Repayment of borrowings</td></tr>
</table>

Notes

1. A fixed interest rate from the day following January 29, 2019 to January 29, 2024 and a variable interest rate from the day following January 29, 2024 (with a step-up in the interest rate scheduled for January 30, 2024).
2. A fixed interest rate from the day following January 29, 2019 to January 29, 2029 and a variable interest rate from the day following January 29, 2029 (with a step-up in the interest rate scheduled for January 30, 2029).
3. If the 2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds are redeemed early, TNSC expects to raise funds through the issuance of replacement securities, etc., within the 12-month period preceding the date of early redemption, etc. However, if the date of the early redemption, etc., falls on or after January 29, 2029, TNSC may forgo the issuance of such replacement securities, etc., provided that TNSC meets both of the following requirements (i) and (ii):
   (i) TNSC’s adjusted consolidated net debt to shareholders' equity ratio is 1.00x or lower.
   (ii) The amount of TNSC's consolidated shareholders' equity has increased by an amount greater than or equal to the amount of funds raised from hybrid securities through March 2019, compared with the amount of TNSC's consolidated shareholders' equity at the end of the second quarter of the fiscal year ending March 31, 2019.