



May 13, 2020

Mitsubishi Chemical Holdings Corporation Condensed Consolidated Financial Information for the Fiscal Year Ended March 31, 2020

1. Business Results

(Fiscal 2019: April 1, 2019, through March 31, 2020)

Millions of yen	
FY2019	FY2018

(1) Results of Operations:

Sales revenue	3,580,510	3,840,341
Core operating income*	194,820	314,104
Operating income	144,285	294,752
Income before taxes	122,003	284,846
Net Income	86,560	216,729
Net income attributable to owners of the parent	54,077	169,530
Comprehensive income	475	205,898

*Core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors.

(2) Financial Position:

Total assets	5,132,149	5,572,508
Inventories	606,505	623,049
Property, plant and equipment	1,742,216	1,683,354
Interest-bearing debts	2,388,060	2,246,751
Equity attributable to owners of the parent	1,170,222	1,377,947
Ratio of equity attributable to owners of the parent to total assets (%)	22.8	24.7

(3) Cash Flows:

Net cash provided by (used in) operating activities	452,003	415,575
Net cash provided by (used in) investing activities	(87,563)	(895,068)
Net cash provided by (used in) financing activities	(450,523)	519,062
Cash and cash equivalents at end of the period	228,211	321,541

(4) General:

Capital expenditures	240,390	231,742
Depreciation and amortization	238,612	196,057
R&D expenditures	133,368	142,822
Employees (number)	69,609	72,020

(5) Per Share:

(Yen)

Earnings per share –Basic	38.08	119.22
– Diluted	35.21	110.05
Equity attributable to owners of the parent per share	824.07	970.46

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

FY2019
1,419,982

(Thousands of shares)
FY2018
1,422,018

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, 2020
1,420,058

March 31, 2019
1,419,886

Note:

Mitsubishi Chemical Holdings Corporation adopted a performance-based share compensation plan. Shares in the Company held by the executive compensation Board Incentive Plan (BIP) trust are included in treasury stock in calculation of basic and diluted earnings per share.

(Reference)

Number of Company's shares in executive compensation BIP trust:

March 31, 2020 3,183,648
March 31, 2019 3,284,700

Millions of yen	
FY2019	FY2018

(6) Financial Ratio:

(%)

Return on equity**	4.2	12.7
Return on assets***	2.3	5.5
Return on sales****	5.4	8.2

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

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

**** Core operating income/sales revenue

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

Performance Products	1,081,612	1,155,496
Chemicals	1,057,054	1,275,973
Industrial Gases	843,340	732,837
Health Care	413,140	462,563
Others	185,364	213,472
Total	3,580,510	3,840,341

Core Operating Income (Loss) by Segment

Performance Products	62,668	71,338
Chemicals	30,265	127,950
Industrial Gases	87,973	63,323
Health Care	14,638	53,782
Others	12,319	7,932
Elimination and corporate	(13,043)	(10,221)
Total	194,820	314,104

Millions of yen	
FY2019	FY2018

Total Assets by Segment at End of Period

Performance Products	1,176,280	1,213,619
Chemicals	1,121,561	1,343,146
Industrial Gases	1,825,927	1,849,857
Health Care	1,130,496	1,171,411
Others	916,415	1,002,178
Elimination and corporate	(1,038,530)	(1,007,703)
Total	5,132,149	5,572,508

Depreciation and Amortization by Segment

Performance Products	56,725	54,838
Chemicals	64,809	60,386
Industrial Gases	86,164	58,554
Health Care	20,469	16,274
Others	6,259	3,273
Corporate	4,186	2,732
Total	238,612	196,057

Capital Expenditures by Segment

Performance Products	76,344	64,768
Designed Materials	57,598	71,043
Industrial Gases	74,748	72,056
Health Care	24,240	17,985
Others	3,130	3,729
Corporate	4,330	2,161
Total	240,390	231,742

Notes:

- Mitsubishi Chemical Holdings Corporation has classified the businesses of LSI Medience Corporation (LSIM) and its subsidiaries and affiliate as discontinued operations, based on the exchange all of its shares in LSIM. Therefore, sales revenue, core operating income, operating income and income before taxes in the consolidated financial results of the previous term and the year under review encompass continuing operations and exclude discontinued operations.
- In fiscal 2019, the Company booked an impairment loss of ¥24,069 million on in-process research and development connected with a technology for a seasonal influenza virus-like particle vaccine. The loss stemmed from a decision to halt Mitsubishi Tanabe Pharma Corporation consolidated subsidiary Medicago Inc.'s development of that vaccine in the United States.
- In fiscal 2019, the impairment loss of ¥16,274 million for goodwill related to pharmaceutical formulation materials business in the Health Care domain was recognized because it was unlikely that investments would be recoverable, as a result of revision of plans in consideration of situation where profitability would plummet amid a deteriorating business environment .
In addition, the carrying amount after impairment presented in the condensed consolidated statement of financial position is ¥16,288 million.

2. Forecasts for Fiscal 2020

	Millions of yen	
	First Half of FY2020	FY2020
Sales revenue	1,509,000	3,334,000
Core operating income	25,000	140,000
Operating income	28,500	137,000
Net income attributable to owners of the parent	0	49,000

(Yen)

Earnings per share – Basic	0.00	34.51
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3. Qualitative Information on Financial Results for the Term

(1) Business Performance

Performance Overview

In fiscal 2019 (April 1, 2019, through March 31, 2020), business conditions remained adverse for the Mitsubishi Chemical Holdings Group. One key factor was that demand stagnated, particularly for semiconductor and automotive applications, amid prolonged U.S.–China trade friction. Another was that the COVID-19 pandemic in the fourth quarter constrained economic activity around the globe.

It was against this backdrop that sales revenue for the term decreased ¥259.8 billion, or 6.8%, to ¥3,580.5 billion. Core operating income dropped ¥119.3 billion, or 38.0%, to ¥194.8 billion. Due mainly to impairment charges on nonrecurring expenses in the Health Care domain, operating income declined ¥150.5 billion, or 51.0%, to ¥144.3 billion. Income before taxes was down ¥162.8 billion, or 57.2%, to ¥122.0 billion. Net income attributable to owners of the parent fell ¥115.4 billion, or 68.1%, to ¥54.1 billion.

In keeping with an exchange of all of its shares in LSI Medience Corporation, the Group classified the businesses of that consolidated subsidiary and its subsidiaries and affiliate as discontinued. In fiscal 2019, the Group accordingly classified earnings related to those businesses as discontinued in comparison with the previous year.

Overview of Business Segments

The overview of financial results by business segment for fiscal 2019 is shown below. Gains or losses by segment are stated with core operating income which excludes gains or losses from non-recurring factors 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 decreased ¥73.9 billion, to ¥1,081.6 billion. Core operating income was down ¥8.7 billion, to ¥62.6 billion.

Functional products sales revenue declined despite higher sales volumes in environment and living solutions. The drop reflected lackluster demand, principally in semiconductor and automotive applications and lower sales volumes in high-performance engineering plastics and other products for advanced moldings and composites.

Performance chemicals sales revenue decreased. This reflected a downturn in what was a favorable market in the first half of the previous year for phenol-polycarbonate chain materials in advanced polymers. This situation offset the impact of higher sales volumes in the absence of the previous year's scheduled maintenance and repairs.

Core operating income decreased, key factors being a drop in market prices for phenol-polycarbonate chain materials in advanced polymers and lower sales volumes in high-performance engineering plastics for advanced moldings and composites.

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

- In April 2019, Mitsubishi Chemical Corporation decided to increase the annual production capacity of *Soarnol* ethylene vinyl alcohol copolymer resin of consolidated subsidiary Noltex LLC by 3,000 metric tons, to 41,000 metric tons. This rise, effective in mid-2020, was in response to rising global demand for food packaging materials.
- In June 2019, Mitsubishi Chemical Corporation agreed to transfer the storage media and other global businesses of the *Verbatim* brand of Mitsubishi Chemical Media Co., Ltd., and assets related to that consolidated subsidiary to CMC Magnetics Corporation. This accord was part of business portfolio reforms under the Mitsubishi Chemical Holdings Group's medium-term management plan. The transaction was completed in December that year.
- Mitsubishi Chemical Corporation consolidated subsidiary MC PET Film Indonesia decided in September 2019 to lift its polyester film production capacity. The move will enable the company to cater to optical applications for displays and to growing demand for multilayer ceramic capacitors and other industrial offerings in response to the expanding use of automotive electronics and a rising number of 5G-compatible base stations. Once the upgrade is completed at the end of 2021, annual production capacity in Indonesia will increase from 20,000 metric tons, to 45,000 metric tons.
- Mitsubishi Chemical Corporation and Ube Industries, Ltd., concluded an agreement in March 2020 to form joint venture MC Ionic Solutions Corporation to succeed their electrolyte manufacturing businesses in Japan and China in October 2020. One goal is to reinforce the operational underpinnings of these businesses by streamlining their purchasing, production, and sales systems. Another is to bolster the competitiveness of these businesses by combining their intellectual assets and technical development capabilities.

Chemicals Segment, Industrial Materials Domain

Sales revenue decreased ¥218.8 billion, to ¥1,057.1 billion. Core operating income was down ¥97.7 billion, to ¥30.3 billion.

In MMA, sales revenue declined amid weaker demand and a downturn in MMA monomer and other markets.

In petrochemicals, while sales volumes increased because of a smaller impact from scheduled maintenance and repairs at the ethylene production facility, prices declined owing mainly to lower raw materials costs and other factors.

Carbon products sales revenue was down, reflecting lower coke prices as a result of reduced raw materials costs as well as because of decreased needle coke sales volumes.

Core operating income decreased owing mainly to the downturn in MMA monomer and other markets. This was despite higher sales volumes stemming from the lower impact of the scheduled maintenance and repairs in petrochemicals.

Major initiatives in the Chemicals segment during fiscal 2019 included:

- In keeping with a July 2019 decision, Mitsubishi Chemical Corporation consolidated subsidiary Japan Polypropylene Corporation halted production at one polypropylene line at its Kashima Plant in April 2020. It made this move to reinforce its production infrastructure and rationalize amid the construction of a new polypropylene line at the Goi Plant as part of structural reforms to bolster profitability.
- Mitsubishi Chemical Corporation and JXTG Nippon Oil & Energy Corporation established a joint venture in November 2019 to strengthen their collaboration in petroleum refining and petrochemicals operations at the Kashima complex in Ibaraki Prefecture, Japan. It will endeavor to strengthen competitiveness by optimizing manufacturing in petrochemicals and other products. They will also explore chemical recycling technologies to reuse waste plastics as raw materials for petroleum refining and petrochemicals.

Industrial Gases Segment, Industrial Materials Domain

Sales revenue rose ¥110.5 billion, to ¥843.3 billion. Core operating income was up ¥24.7 billion, to ¥88.0 billion.

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

A major initiative in the Industrial Gases segment during fiscal 2019 included:

- In January 2020, Taiyo Nippon Sanso Corporation resolved to transition through an absorption-type split to a holding company structure and to change its tradename to "Nippon Sanso Holdings Corporation" as of October 1, 2020. The goal is to build a competitive Group operating framework as a leading player in the global industrial gas sector. This decision is subject to approval by Taiyo Nippon Sanso shareholders at an ordinary general meeting of shareholders scheduled for June 2020 and by the relevant regulators.

Health Care Segment, Health Care Domain

Sales revenue declined ¥49.5 billion, to ¥413.1 billion. Core operating income was down ¥39.2 billion, to ¥14.6 billion.

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

Major initiatives in the Health Care segment during fiscal 2019 included:

- In August 2019, Life Science Institute, Inc. completed an exchange of shares with PHC Holdings Corporation (PHCHD) after obtaining competition law-related regulatory approval as part of a strategic capital partnership announced in May 2019. PHCHD thereby acquired all shares of LSI Medience Corporation. Life Science Institute obtained a 13.7% stake in PHCHD.
- Life Science Institute, Inc., started clinical trials in July 2019 with the Muse cell-based product CL2020 in patients with spinal cord injuries. Trials previously began for patients with acute myocardial infarction, ischemic stroke, and epidermolysis bullosa. Also in July 2019, cell processing center Tonomachi CPC was authorized to manufacture regenerative medicine products. Life Science Institute plans to apply for marketing approval in fiscal 2020.
- Mitsubishi Tanabe Pharma Corporation received approval in July 2019 from China's National Medical Products Administration for Edaravone (the U.S. brand name is *Radicava*) for a treatment for amyotrophic lateral sclerosis. The company previously obtained approval in Japan, Korea, the United States, Canada, and Switzerland.
- Mitsubishi Chemical Holdings Corporation commenced a tender offer in November 2019 for Mitsubishi Tanabe Pharma Corporation to expand the latter's drug discovery modality and otherwise tackle a changing medical treatment climate, generating more synergies within the Group. That company became a wholly owned subsidiary in March 2020.
- In March 2020, Mitsubishi Chemical Holdings Corporation decided to transfer Qualicaps Co., Ltd., a consolidated subsidiary of Life Science Institute, Inc., to the High-Performance Chemicals Business domain of Mitsubishi Chemical Corporation in July 2020. Qualicaps develops, manufactures, and sells pharmaceutical and health capsules and pharmaceutical processing equipment. This move would help Qualicaps strengthen its production technologies, accelerate materials development, and bolster its sales capabilities.

Others

Sales revenue decreased ¥28.1 billion, to ¥185.4 billion. Core operating income rose ¥4.4 billion, to ¥12.3 billion.

(2) Financial Position

Total assets at the end of fiscal 2019 were down ¥440.4 billion from a year earlier, at ¥5,132.1 billion. This decline was despite an increase in property, plant and equipment associated with the adoption of IFRS 16 (Leases), and reflected the impact of efforts to constrain cash and cash equivalents, as well as the fact that other accounts including trade receivables declined mainly because the end of the previous fiscal year was a holiday.

Total liabilities at year-end were ¥3,681.3 billion, up ¥134.7 billion from the close of the previous term, mainly because lease liabilities rose in line with the adoption of IFRS 16 (Leases). Interest-bearing debt, which included lease liabilities at year-end, was ¥2,388.1 billion, up ¥141.3 billion from a year earlier. A key factor was a ¥100.6 billion increase in lease liabilities as of the date on which the Company adopted IFRS 16

(Leases).

Total equity was ¥1,450.8 billion, down ¥575.1 billion from 12 months earlier. Key factors were decreases in non-controlling interests and in additional paid-in capital in line with Mitsubishi Tanabe Pharma Corporation becoming a wholly owned subsidiary and a reduction in foreign currency translation differences of overseas subsidiaries.

As a result of these factors, the ratio of equity attributable to owners of the parent was down 1.9 percentage point, to 22.8%. The net debt-to-equity ratio was up 0.53, to 1.79.

Notes:

Net debt-to-equity ratio = Net interest-bearing debt ÷ Equity attributable to owners of the parent

Net interest-bearing debt = Interest-bearing debt - (Cash and cash equivalents + Investment of surplus funds)

(3) Cash Flow Analysis

Net cash provided by operating activities was up ¥36.4 billion from a year earlier, at ¥452.0 billion, owing mainly to rises in income before taxes and depreciation and a decrease in working capital from a drop in raw materials costs.

Net cash used in investing activities was down ¥807.5 billion, at ¥87.6 billion. This was primarily despite ¥236.1 billion in acquisitions of property, plant and equipment and intangible fixed assets, and reflected the impact of divesting fund investments. Free cash flow from operating and investing activities was ¥364.4 billion, up ¥843.9 billion from the previous term.

Net cash used in financing activities was ¥450.5 billion, up ¥969.6 billion from a year earlier. This was despite borrowings and bonds to fund spending of ¥398.1 billion to acquire additional shares in Mitsubishi Tanabe Pharma Corporation and ¥87.9 billion in expenditures for dividend payments, and reflected repayments from free cash flow and constraining cash and cash equivalents, resulting in inflows from increases in borrowings, bonds, and other interest-bearing debt remaining at ¥37.3 billion.

As a result of these factors, cash and cash equivalents at the end of the period were ¥228.2 billion, down ¥93.3 billion from a year earlier.

(4) Outlook

The global economy has experienced a rapid slowdown owing to economic activity constraints stemming from the COVID-19 pandemic. The pandemic's effects will likely continue for the foreseeable future, and the Group will accordingly keep carefully evaluating the impact.

It is against the backdrop of the pandemic that in the Performance Products segment the Company expects demand to dwindle for automotive applications, while the inventory valuation differences as a result of lower raw material prices will probably worsen in the Chemicals segment, as soft market conditions will likely continue for some products. Demand should decline in the Industrial Gases segment. In the Health Care

segment, domestic sales of pharmaceuticals should fall, while research and development expenditures will probably rise.

The Company accordingly looks for ¥3,344.0 billion in sales revenue for fiscal 2020. Other key projections for the year are ¥144.0 billion in core operating income, ¥141.0 billion in operating income, ¥118.0 billion in income before taxes, ¥80.0 billion in net income, and ¥52.0 billion in net income attributable to owners of the parent. It is unclear when the pandemic will abate. So, the operating climate will likely remain adverse in the year ahead. The Company assumes a recovery from the third quarter, however, and has produced forecasts that factor in downside demand risks in each business.

Forward-Looking Statements

The forward-looking statements are based largely on the Company's expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond the Company's control. Actual results could differ materially due to numerous factors, including, without limitation, market conditions, and the impact of industry competition. The Company's stance on forward-looking statements is described on pages [4], [9], and [10] hereof.

Reference

(1) Consolidated Statement of Profit or Loss

Fiscal year ended March 31, 2019 and 2020

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Continuing operations		
Sales revenue	3,840,341	3,580,510
Cost of sales	(2,765,813)	(2,593,247)
Gross profit	1,074,528	987,263
Selling, general and administrative expenses	(776,927)	(800,572)
Other operating income	21,311	27,571
Other operating expenses	(50,977)	(83,373)
Share of profit of associates and joint ventures	26,817	13,396
Operating income	294,752	144,285
Financial income	10,226	7,206
Financial expenses	(20,132)	(29,488)
Income before taxes	284,846	122,003
Income taxes	(70,589)	(52,335)
Net income from continuing operations	214,257	69,668
Discontinued operations		
Net income from discontinued operations	2,472	16,892
Net income	216,729	86,560
Net income attributable to		
Owners of the parent	169,530	54,077
Non-controlling interests	47,199	32,483
Net income	216,729	86,560
Earnings per share		
Basic (Yen)		
Continuing operations	117.49	26.19
Discontinued operations	1.73	11.89
Total	119.22	38.08
Diluted (Yen)		
Continuing operations	108.45	24.27
Discontinued operations	1.60	10.94
Total	110.05	35.21

(2) Consolidated Statement of Comprehensive Income

Fiscal year ended March 31, 2019 and 2020

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income	216,729	86,560
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	4,743	(15,912)
Remeasurements of defined benefit pensions plans	(4,482)	(735)
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method	107	(183)
Total items that will not be reclassified to profit or loss	368	(16,830)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(5,751)	(63,517)
Net gain (loss) on derivatives designated as cash flow hedges	(3,152)	36
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	(2,296)	(5,774)
Total items that may be subsequently reclassified to profit or loss	(11,199)	(69,255)
Total other comprehensive income (net of tax)	(10,831)	(86,085)
Total comprehensive income	205,898	475
Total comprehensive income attributable to		
Owners of the parent	161,655	(6,664)
Non-controlling interests	44,243	7,139

(3) Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2019	March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	321,541	228,211
Trade receivables	855,107	698,516
Inventories	623,049	606,505
Other financial assets	248,262	117,628
Other current assets	76,072	90,140
Subtotal	<u>2,124,031</u>	<u>1,741,000</u>
Assets held for sale	17,810	8,281
Total current assets	<u>2,141,841</u>	<u>1,749,281</u>
Non-current assets		
Property, plant and equipment	1,683,354	1,742,216
Goodwill	648,806	616,769
Intangible assets	568,787	510,575
Investments accounted for using the equity method	183,067	169,958
Other financial assets	228,571	226,488
Other non-current assets	33,573	42,813
Deferred tax assets	84,509	74,049
Total non-current assets	<u>3,430,667</u>	<u>3,382,868</u>
Total assets	<u>5,572,508</u>	<u>5,132,149</u>

(Millions of yen)

	March 31, 2019	March 31, 2020
Liabilities		
Current liabilities		
Trade payables	492,404	398,061
Bonds and borrowings	1,108,643	727,307
Income tax payable	31,768	19,287
Other financial liabilities	222,377	359,540
Provisions	8,296	7,968
Other current liabilities	138,089	122,575
Subtotal	2,001,577	1,634,738
Liabilities directly associated with assets held for sale	11,723	1,761
Total current liabilities	2,013,300	1,636,499
Non-current liabilities		
Bonds and borrowings	1,138,108	1,555,947
Other financial liabilities	26,755	88,533
Retirement benefit liabilities	120,816	125,611
Provisions	28,294	31,893
Other non-current liabilities	41,971	80,840
Deferred tax liabilities	177,410	161,997
Total non-current liabilities	1,533,354	2,044,821
Total liabilities	3,546,654	3,681,320
Equity		
Common stock	50,000	50,000
Additional paid-in capital	321,477	176,715
Treasury stock	(63,560)	(63,485)
Retained earnings	1,073,873	1,071,260
Other components of equity	(3,843)	(64,268)
Equity attributable to owners of the parent	1,377,947	1,170,222
Non-controlling interests	647,907	280,607
Total equity	2,025,854	1,450,829
Total liabilities and equity	5,572,508	5,132,149

(4) Consolidated Statement of Changes in Equity

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	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, 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

Fiscal year ended March 31, 2020

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2019	50,000	321,477	(63,560)	1,073,873
Net income	—	—	—	54,077
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	54,077
Purchase of treasury stock	—	—	(27)	—
Disposal of treasury stock	—	(100)	102	—
Cash dividends	—	—	—	(56,804)
Share-based payment transactions	—	194	—	—
Share-based payment transactions of subsidiaries	—	—	—	—
Changes in interests in subsidiaries	—	(146,638)	—	—
Business combinations or business divestitures	—	1,782	—	—
Changes in scope of consolidation	—	—	—	430
Transfer from other components of equity to retained earnings	—	—	—	(316)
Total transactions with owners	—	(144,762)	75	(56,690)
Balance at March 31, 2020	50,000	176,715	(63,485)	1,071,260

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, 2019	51,500	—	(55,530)	187	(3,843)	1,377,947	647,907	2,025,854
Net income	—	—	—	—	—	54,077	32,483	86,560
Other comprehensive income	(11,737)	(1,744)	(47,243)	(17)	(60,741)	(60,741)	(25,344)	(86,085)
Total comprehensive income	(11,737)	(1,744)	(47,243)	(17)	(60,741)	(6,664)	7,139	475
Purchase of treasury stock	—	—	—	—	—	(27)	—	(27)
Disposal of treasury stock	—	—	—	—	—	2	—	2
Cash dividends	—	—	—	—	—	(56,804)	(31,111)	(87,915)
Share-based payment transactions	—	—	—	—	—	194	—	194
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	(14)	(14)
Changes in interests in subsidiaries	—	—	—	—	—	(146,638)	(347,666)	(494,304)
Business combinations or business divestitures	—	—	—	—	—	1,782	3,737	5,519
Changes in scope of consolidation	—	—	—	—	—	430	615	1,045
Transfer from other components of equity to retained earnings	(1,428)	1,744	—	—	316	—	—	—
Total transactions with owners	(1,428)	1,744	—	—	316	(201,061)	(374,439)	(575,500)
Balance at March 31, 2020	38,335	—	(102,773)	170	(64,268)	1,170,222	280,607	1,450,829

(5) Consolidated Statement of Cash Flows

Fiscal year ended March 31, 2019 and 2020

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Income before taxes	284,846	122,003
Income before taxes from discontinued operations	3,210	25,585
Depreciation and amortization	199,332	239,824
Share of profit of associates and joint ventures	(26,850)	(13,401)
Gain on share exchanges	—	(23,922)
Interest and dividend income	(9,627)	(6,886)
Interest expense	18,868	24,515
(Increase) decrease in trade receivables	25,149	122,281
(Increase) decrease in inventories	(13,193)	7,139
Increase (decrease) in trade payables	(20,090)	(79,540)
Increase (decrease) in retirement benefit assets and liabilities, net	(1,324)	(719)
Others	33,243	90,188
Subtotal	493,564	507,067
Interest received	4,816	3,040
Dividends received	27,781	25,310
Interest paid	(18,114)	(21,847)
Income tax (paid) received, net	(92,472)	(61,567)
Net cash provided by (used in) operating activities	415,575	452,003
Cash flows from investing activities		
Purchase of property, plant and equipment	(225,740)	(223,478)
Proceeds from sales of property, plant and equipment	7,170	14,995
Purchase of intangible assets	(4,839)	(12,601)
Purchase of other financial assets	(453,070)	(348,240)
Proceeds from sales/redemption of other financial assets	438,748	453,694
Net cash outflow on acquisition of subsidiaries	(655,629)	(5,490)
Proceeds from sales of investments in subsidiaries	16,619	2,836
Payments for transfer of business	(50,900)	(3,000)
Net (Increase) decrease of time deposits	31,581	25,236
Others	992	8,485
Net cash provided by (used in) investing activities	(895,068)	(87,563)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	428,298	(330,088)
Net increase (decrease) in commercial papers	44,000	2,000
Proceeds from long-term borrowings	213,182	490,580
Repayment of long-term borrowings	(122,954)	(183,865)
Proceeds from issuance of bonds	132,036	149,185
Redemption of bonds	(65,000)	(60,000)
Repayment of lease liabilities	(3,893)	(30,555)
Net (increase) decrease in treasury stock	(20,030)	(25)
Dividends paid to owners of the parent	(52,867)	(56,804)
Dividends paid to non-controlling interests	(38,011)	(31,070)
Proceeds from stock issuance to non-controlling interests	6,548	3
Payments for acquisition of subsidiaries' interests from non-controlling interests	(1,418)	(399,834)
Others	(829)	(50)
Net cash provided by (used in) financing activities	519,062	(450,523)
Effect of exchange rate changes on cash and cash equivalents	6,207	(10,184)
Net increase (decrease) in cash and cash equivalents	45,776	(96,267)
Cash and cash equivalents at the beginning of the period	277,624	321,541
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(1,899)	2,103
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	40	834
Cash and cash equivalents at the end of the period	321,541	228,211

(6) Change in Accounting Policy

The main standards and interpretations newly applied by the Mitsubishi Chemical Holdings Group (MCHC Group) from the year ended March 31, 2020 are as follows.

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

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

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

(7) Discontinued Operations

1. Outline of Discontinued Operations

On May 14, 2019, MCHC's operating company, Life Science Institute, Inc. (LSII) came to an agreement on a strategic capital partnership with PHC Holdings Corporation (PHCHD), which engages in the healthcare business in Japan and overseas. In this agreement, it was determined that LSII would exchange all of its shares in LSI Medience Corporation (LSIM) for a part of PHCHD shares. On August 1, LSII completed the planned share exchange.

In fiscal 2019, the MCHC Group accordingly classified the earnings related to LSIM and its subsidiaries and affiliate and gain on the share exchange as discontinued operations. Figures for the previous fiscal year have been restated, with the discontinued operations presented separately.

2. Profit or Loss from Discontinued Operations

	Fiscal year ended March 31, 2019	(Millions of yen) Fiscal year ended March 31, 2020
Revenue (*1)	83,304	52,754
Cost	(80,094)	(27,169)
Income before tax from discontinued operations	3,210	25,585
Income tax expense (*2)	(738)	(8,693)
Net Income from discontinued operations	2,472	16,892

(*1) In the fiscal year ended March 31, 2020, this included ¥23,922 million from gain on share exchanges.

(*2) In the fiscal year ended March 31, 2020, this included ¥(8,117) million from tax on gain on share exchanges.

(8) Additional Information

Acquisition of non-controlling interests through a tender offer for shares of Mitsubishi Tanabe Pharma Corporation (MTPC)

1. Tender Offer

MCHC implemented a tender offer as part of a series of transactions to acquire all of the shares of consolidated subsidiary MTPC from November 19, 2019, to January 7, 2020. The tender offer was completed, as the total number of the tendered shares was greater than the minimum number of shares to be purchased. MCHC thereby acquired 197,355 thousand shares of MTPC Common Stock for ¥396.684 million (excluding transaction costs) on January 15, 2020, lifting MCHC's ownership of shares with voting rights from 56.4%, to 91.6%.

2. Demand for Sale of Shares

On January 17, 2020, MCHC notified MTPC that it would request non-controlling MTPC shareholders to sell all of their MTPC shares of common stock. That day, MTPC's Board of Directors resolved to approve of the demand. With the demand going into effect on March 2, 2020, MCHC acquired 47,308,000 of these shares for ¥95,088 million (excluding transaction costs), with MTPC becoming a wholly owned subsidiary of MCHC.

The non-controlling interest (NCI) transaction associated with the acquisition of additional shares was as follows.

(Millions of yen)

	Fiscal year ended March 31, 2020
NCI carrying amount acquired	348,615
Consideration paid to NCI (*1) (*2) (*3)	(493,271)
Decrease in equity attributable to owners of the parent	144,656

(*1) As of March 31, 2020, some of the ¥95,837 million in payments had yet to be completed, and was deducted in calculating Payments for acquisition of subsidiaries' interests from non-controlling interests in the Consolidated Statement of Cash Flows.

(*2) Payments for MTPC stock held by the MTPC Board Incentive Plan trust were deducted from the consideration paid to NCI.

(*3) Consideration paid to NCI included transaction costs.

(9) Subsequent Event

Acquisition of Gelest, Inc. through Mitsubishi Chemical America, Inc. (MCA)

Mitsubishi Chemical Corporation (MCC) has decided to acquire, through MCA, this American innovator, manufacturer, and supplier of silicones, organosilanes, and metal-organics.

MCA entered into a definitive agreement with the shareholders of Gelest Intermediate Holdings, Inc., Gelest's parent to acquire all of the latter's issued and outstanding shares on April 30, 2020. The transaction should be completed within six months of that date.

Combining Gelest's extensive capabilities with MCC's technologies, operating resources, and customer network should greatly expand the breadth of MCC's customer solutions.

Overview of Gelest, Inc.

Head office and plant:	Morrisville, Pennsylvania, the United States
Established:	1991
Number of employees:	Approximately 240 (as of July 1, 2019)
Key businesses:	Developing, manufacturing, and selling silicon chemicals, methacrylates, and metal-organic compounds