



August 4, 2020

Mitsubishi Chemical Holdings Corporation
Condensed Consolidated Financial Information
for the First Quarter of the Fiscal Year Ending March 31, 2021

1. Business Results

(Fiscal 2020 First Quarter: April 1, through June 30, 2020)

Millions of yen	
FY2020 1st Quarter	FY2019 1st Quarter

(1) Results of Operations:

Sales revenue	722,737	916,357
Core operating income*	15,010	70,059
Operating income	23,722	69,878
Income before taxes	20,408	66,566
Net Income	8,231	48,891
Net income attributable to owners of the parent	5,170	37,849
Comprehensive income	21,361	510

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

(Yen)

Earnings per share – Basic	3.64	26.66
- Diluted	3.39	24.56

(2) Segment Information:

[Sales Revenue by Business Segment]

Performance Products	225,148	276,626
Chemicals	181,136	284,003
Industrial Gases	182,928	208,614
Health Care	100,234	107,879
Others	33,291	39,235
Total	722,737	916,357

[Core Operating Income (Loss) by Business Segment]

Performance Products	9,952	19,555
Chemicals	(16,055)	20,558
Industrial Gases	13,459	21,090
Health Care	8,772	9,241
Others	1,998	1,890
Elimination and corporate	(3,116)	(2,275)
Total	15,010	70,059

Millions of yen	
As of June 30, 2020	As of March 31, 2020

(3) Financial Position:

Total assets	5,134,657	5,132,149
Total equity	1,447,155	1,450,829
Equity attributable to owners of the parent	1,165,540	1,170,222
Ratio of equity attributable to owners of the parent to total assets (%)	22.7	22.8

Millions of yen	
FY2020 1st Quarter	FY2019 1st Quarter

(4) Cash Flows:

Net cash provided by (used in) operating activities	70,118	103,707
Net cash provided by (used in) investing activities	22,726	(47,344)
Net cash provided by (used in) financing activities	72,277	(109,097)
Cash and cash equivalents at the end of the period	393,559	259,465

2. Forecasts for Fiscal 2020

	Millions of yen	
	FY2020 1st Half	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

During the first quarter of fiscal 2020 (April 1, through June 30, 2020), business conditions remained adverse for the Mitsubishi Chemical Holdings Group. This reflected stagnation of demand, particularly for automotive applications, as the COVID-19 pandemic constrained economic activity around the globe.

It was against this backdrop that sales revenue for the term decreased ¥193.7 billion, or 21.1%, to ¥722.7 billion. Core operating income dropped ¥55.1 billion, or 78.6%, to ¥15.0 billion. Operating income declined ¥46.2 billion, or 66.1%, to ¥23.7 billion. Income before taxes was down ¥46.2 billion, or 69.3%, to ¥20.4 billion. Net income attributable to owners of the parent fell ¥32.6 billion, or 86.3%, to ¥5.2 billion.

Overview of Business Segments

The overview of financial results by business segment for the first quarter of fiscal 2020 is shown below. Segment gains or losses are stated as core operating income, which excludes gains or losses from non-recurring factors and including losses from business withdrawals, streamlining, and other factors.

In the following sections, all comparisons are with the same period of the previous fiscal year unless stated otherwise.

Performance Products Segment, Performance Products Domain

Sales revenue decreased ¥51.4 billion, to ¥225.2 billion. Core operating income was down ¥9.5 billion, to ¥10.0 billion.

Functional products sales revenue declined. The drop reflected lackluster demand, principally in automotive applications, with sales volumes falling for high-performance engineering plastics and other offerings for advanced moldings and composites.

In performance chemicals, sales revenue decreased amid lower overall sales volumes for automobiles, including for performance polymers in advanced polymers. Another downside sales volume factor was the impact of scheduled maintenance and repairs for phenol-polycarbonate chain materials facilities in advanced polymers.

Core operating income decreased because of the impact of these scheduled maintenance and repairs and lower sales volumes for automobiles, including for high-performance engineering plastics for advanced moldings and composites, and performance polymers for advanced polymers.

A major initiative in the Performance Products segment during the first quarter of fiscal 2020 included:

- In April 2020, Mitsubishi Chemical Corporation consolidated subsidiary Mitsubishi Chemical America, Inc. entered into a definitive agreement to acquire Gelest, Inc. The transaction is scheduled for completion by year-end. This purchase will enable Mitsubishi Chemical to broaden its customer solutions by combining its advanced technologies, business resources, and customer network with Gelest's capabilities. Gelest's key strengths include its advanced molecular design and compounding technologies in silicon compounds for contact lens materials, antimicrobials, and other materials, and the extensive use of the company's metal compounds for semiconductor precursors and other materials.

Chemicals Segment, Industrial Materials Domain

Sales revenue decreased ¥103.0 billion, to ¥181.1 billion. Core operating income was down ¥36.7 billion, to a loss of ¥16.1 billion.

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

In petrochemicals, sales revenue decreased. This reflected lower sales volumes because of a greater impact from scheduled maintenance and repairs at the ethylene production facility, with sales prices declining owing to lower raw materials costs and other factors.

In carbon products, sales revenue was down because of lower sales prices as a result of reduced raw materials costs and a drop in sales volumes from declining in demand for coke and other offerings.

Core operating income was off mainly because market conditions deteriorated for MMA monomers and other offerings. Other factors included the greater impact of scheduled maintenance and repairs on petrochemicals, inventory valuation losses from lower raw materials costs, and a shrinking gap between raw materials and carbon product prices.

Industrial Gases Segment, Industrial Materials Domain

Sales revenue decreased ¥25.7 billion, to ¥182.9 billion. Core operating income was down ¥7.6 billion, to ¥13.5 billion.

In industrial gases, sales revenue and core operating income were down amid lower domestic and overseas demand, although demand for electronics-related gases remained strong.

Health Care Segment, Health Care Domain

Sales revenue declined ¥7.7 billion, to ¥100.2 billion. Core operating income was down ¥0.5 billion, to ¥8.8 billion.

In pharmaceuticals, sales revenue decreased amid lower domestic sales prices for pharmaceuticals due to National Health Insurance drug price revisions and other factors. Core operating income was unchanged from the previous corresponding period, however, because constrained activities owing to the COVID-19

pandemic suppressed spending on selling, general and administrative expenses, and research and development. The Company decided not to recognize some royalty revenue from Novartis Pharma for *Gilenya*, a treatment for multiple sclerosis, as sales revenue in accordance with IFRS No 15 (Revenue from Contracts with Customers), because arbitration proceedings started in February 2019 and were still ongoing during the first quarter of this fiscal year.

Others

Sales revenue decreased ¥5.9 billion, to ¥33.3 billion. Core operating income increased ¥0.1 billion, to ¥2.0 billion.

(2) Financial Position

Total assets at June 30, 2020 were up ¥2.6 billion from a year earlier, to ¥5,134.7 billion. This was due partly to efforts to secure cash and cash equivalents to cover unexpected circumstances in view of the pandemic. This outweighed such factor that trade receivables declined owing to lower sales revenue.

(2) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

The Company has maintained the consolidated earnings forecasts for the second quarter and full term that it announced on May 13, 2020. Its outlook stems from assumptions that the business climate will remain adverse and that it is unclear when the pandemic will abate. At the same time, the Company has factored in the risks of demand downturns for each business based on its anticipation of a recovery after the third quarter. The Company has not significantly changed the assumptions it made at the end of the first quarter.

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 page [2] hereof.

Reference

(1) Condensed Consolidated Statement of Profit or Loss

Three months ended June 30, 2019 and 2020

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Continuing operations		
Sales revenue	916,357	722,737
Cost of sales	(655,494)	(530,925)
Gross profit	260,863	191,812
Selling, general and administrative expenses	(196,898)	(176,061)
Other operating income	5,889	11,165
Other operating expenses	(5,008)	(3,382)
Share of profit of associates and joint ventures	5,032	188
Operating income	69,878	23,722
Financial income	3,991	3,129
Financial expenses	(7,303)	(6,443)
Income before taxes	66,566	20,408
Income taxes	(18,144)	(12,177)
Net income from continuing operations	48,422	8,231
Discontinued operations		
Net income from discontinued operations	469	—
Net income	48,891	8,231
Net income attributable to		
Owners of the parent	37,849	5,170
Non-controlling interests	11,042	3,061
Net income	48,891	8,231
Earnings per share		
Basic (Yen)		
Continuing operations	26.33	3.64
Discontinued operations	0.33	—
Total	26.66	3.64
Diluted (Yen)		
Continuing operations	24.26	3.39
Discontinued operations	0.30	—
Total	24.56	3.39

(2) Condensed Consolidated Statement of Comprehensive Income

Three months ended June 30, 2019 and 2020

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Net income	48,891	8,231
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	(8,356)	(4,496)
Remeasurements of defined benefit pensions plans	(642)	9,800
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	(47)	(79)
Total items that will not be reclassified to profit or loss	(9,045)	5,225
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(36,570)	8,372
Net gain (loss) on derivatives designated as cash flow hedges	(105)	117
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	(2,661)	(584)
Total items that may be subsequently reclassified to profit or loss	(39,336)	7,905
Total other comprehensive income (net of tax)	(48,381)	13,130
Total comprehensive income	510	21,361
Total comprehensive income attributable to		
Owners of the parent	1,984	12,555
Non-controlling interests	(1,474)	8,806

(3) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2020	June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	228,211	393,559
Trade receivables	698,516	621,426
Inventories	606,505	594,701
Other financial assets	117,628	36,771
Other current assets	90,140	100,282
Subtotal	1,741,000	1,746,739
Assets held for sales	8,281	12
Total current assets	1,749,281	1,746,751
Non-current assets		
Property, plant and equipment	1,742,216	1,748,954
Goodwill	616,769	623,184
Intangible assets	510,575	508,150
Investments accounted for using the equity method	169,958	168,077
Other financial assets	226,488	220,405
Other non-current assets	42,813	46,452
Deferred tax assets	74,049	72,684
Total non-current assets	3,382,868	3,387,906
Total assets	5,132,149	5,134,657

(Millions of yen)

	March 31, 2020	June 30, 2020
Liabilities		
Current liabilities		
Trade payables	398,061	334,756
Bonds and borrowings	727,307	885,560
Income tax payable	19,287	18,058
Other financial liabilities	359,540	232,967
Provisions	7,968	8,631
Other current liabilities	122,575	120,236
Subtotal	1,634,738	1,600,208
Liabilities directly associated with assets held for sales	1,761	—
Total current liabilities	1,636,499	1,600,208
Non-current liabilities		
Bonds and borrowings	1,555,947	1,598,606
Other financial liabilities	88,533	88,556
Retirement benefit liabilities	125,611	116,839
Provisions	31,893	31,088
Other non-current liabilities	80,840	87,482
Deferred tax liabilities	161,997	164,723
Total non-current liabilities	2,044,821	2,087,294
Total liabilities	3,681,320	3,687,502
Equity		
Common stock	50,000	50,000
Additional paid-in capital	176,715	176,390
Treasury stock	(63,485)	(63,432)
Retained earnings	1,071,260	1,069,167
Other components of equity	(64,268)	(66,585)
Equity attributable to owners of the parent	1,170,222	1,165,540
Non-controlling interests	280,607	281,615
Total equity	1,450,829	1,447,155
Total liabilities and equity	5,132,149	5,134,657

(4) Condensed Consolidated Statement of Changes in Equity

Three months ended June 30, 2019

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

	Other components of equity				Total	Equity attributable to owners of the parent	Non- controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value	Remeasure- ments of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2019	51,500	—	(55,530)	187	(3,843)	1,377,947	647,907	2,025,854
Net income	—	—	—	—	—	37,849	11,042	48,891
Other comprehensive income	(6,788)	(927)	(28,018)	(132)	(35,865)	(35,865)	(12,516)	(48,381)
Total comprehensive income	(6,788)	(927)	(28,018)	(132)	(35,865)	1,984	(1,474)	510
Purchase of treasury stock	—	—	—	—	—	(5)	—	(5)
Disposal of treasury stock	—	—	—	—	—	1	—	1
Cash dividends	—	—	—	—	—	(28,398)	(14,953)	(43,351)
Share-based payment transactions	—	—	—	—	—	77	—	77
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	3	3
Changes in interests in subsidiaries	—	—	—	—	—	(783)	(576)	(1,359)
Business combinations or business divestitures	—	—	—	—	—	2,198	3,292	5,490
Changes in scope of consolidation	—	—	—	—	—	351	476	827
Transfer from other components of equity to retained earnings	(53)	927	—	—	874	—	—	—
Total transactions with owners	(53)	927	—	—	874	(26,559)	(11,758)	(38,317)
Balance at June 30, 2019	44,659	—	(83,548)	55	(38,834)	1,353,372	634,675	1,988,047

Three months ended June 30, 2020

	(Millions of yen)			
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2020	50,000	176,715	(63,485)	1,071,260
Net income	—	—	—	5,170
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	5,170
Purchase of treasury stock	—	—	(2)	—
Disposal of treasury stock	—	8	55	—
Cash dividends	—	—	—	(17,045)
Share-based payment transactions	—	(105)	—	—
Changes in interests in subsidiaries	—	(228)	—	—
Changes in scope of consolidation	—	—	—	80
Transfer from other components of equity to retained earnings	—	—	—	9,702
Total transactions with owners	—	(325)	53	(7,263)
Balance at June 30, 2020	50,000	176,390	(63,432)	1,069,167

	Other components of equity				Total	Equity attributable to owners of the parent	Non- controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value	Remeasure- ments of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2020	38,335	—	(102,773)	170	(64,268)	1,170,222	280,607	1,450,829
Net income	—	—	—	—	—	5,170	3,061	8,231
Other comprehensive income	(5,550)	9,751	3,090	94	7,385	7,385	5,745	13,130
Total comprehensive income	(5,550)	9,751	3,090	94	7,385	12,555	8,806	21,361
Purchase of treasury stock	—	—	—	—	—	(2)	—	(2)
Disposal of treasury stock	—	—	—	—	—	63	—	63
Cash dividends	—	—	—	—	—	(17,045)	(5,262)	(22,307)
Share-based payment transactions	—	—	—	—	—	(105)	—	(105)
Changes in interests in subsidiaries	—	—	—	—	—	(228)	(2,482)	(2,710)
Changes in scope of consolidation	—	—	—	—	—	80	(54)	26
Transfer from other components of equity to retained earnings	49	(9,751)	—	—	(9,702)	—	—	—
Total transactions with owners	49	(9,751)	—	—	(9,702)	(17,237)	(7,798)	(25,035)
Balance at June 30, 2020	32,834	—	(99,683)	264	(66,585)	1,165,540	281,615	1,447,155

(5) Condensed Consolidated Statement of Cash Flow

Three months ended June 30, 2019 and 2020

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Income before taxes	66,566	20,408
Income before taxes from discontinued operations	680	—
Depreciation and amortization	59,640	59,576
Share of profit of associates and joint ventures	(5,032)	(188)
Interest and dividend income	(3,908)	(2,977)
Interest expenses	6,460	5,949
(Increase) decrease in trade receivables	40,520	79,627
(Increase) decrease in inventories	(5,174)	12,563
Increase (decrease) in trade payables	(18,338)	(65,235)
Increase (decrease) in retirement benefit assets and liabilities, net	1,122	1,238
Other	(10,398)	(27,030)
Subtotal	<u>132,138</u>	<u>83,931</u>
Interest received	647	492
Dividends received	13,983	8,778
Interest paid	(6,611)	(6,547)
Income tax (paid) received, net	<u>(36,450)</u>	<u>(16,536)</u>
Net cash provided by (used in) operating activities	<u>103,707</u>	<u>70,118</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(54,735)	(58,686)
Proceeds from sales of property, plant and equipment	1,626	12,508
Purchase of intangible assets	(1,313)	(1,849)
Purchase of other financial assets	(115,355)	(1,104)
Proceeds from sales/redemption of other financial assets	125,102	65,155
Net cash outflow on acquisition of subsidiaries	(1,429)	(3)
Proceeds from sales of investments in subsidiaries	1,015	1,886
Net (Increase) decrease of time deposits	(564)	5,289
Other	(1,691)	(470)
Net cash provided by (used in) investing activities	<u>(47,344)</u>	<u>22,726</u>

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(66,827)	82,587
Net increase (decrease) in commercial papers	(28,000)	67,000
Proceeds from long-term borrowings	54,042	51,144
Repayment of long-term borrowings	(20,185)	(42,961)
Proceeds from issuance of bonds	29,812	49,753
Redemption of bonds	(25,000)	(10,000)
Repayment of lease liabilities	(8,218)	(7,087)
Net (increase) decrease in treasury stock	(4)	(2)
Dividends paid to owners of the parent	(28,398)	(17,045)
Dividends paid to non-controlling interests	(14,966)	(5,316)
Payments for acquisition of subsidiaries' interests from non-controlling interests	(1,354)	(95,795)
Other	1	(1)
Net cash provided by (used in) financing activities	(109,097)	72,277
Effect of exchange rate changes on cash and cash equivalents	(7,654)	36
Net increase (decrease) in cash and cash equivalents	(60,388)	165,157
Cash and cash equivalents at the beginning of the period	321,541	228,211
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sales	(2,294)	49
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	606	123
Increase in cash and cash equivalents resulting from merger	—	19
Cash and cash equivalents at the end of the period	259,465	393,559