

Operational Summary

for the First Quarter of the Fiscal Year Ending March 31, 2020

July 30, 2019

Mitsubishi Chemical Holdings Corporation

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Mitsubishi Chemical Holdings Corporation has adopted IFRS starting with FY2016 1Q.

List of Abbreviations

FY2019	<p>April 1, 2019 – March 31, 2020</p> <p>1st Quarter (1Q): April 1, 2019 – June 30, 2019</p> <p>2nd Quarter (2Q): July 1, 2019 – September 30, 2019</p> <p>3rd Quarter (3Q): October 1, 2019 – December 31, 2019</p> <p>4th Quarter (4Q): January 1, 2020 – March 31, 2020</p> <p>1st Half (1H): April 1, 2019 – September 30, 2019</p> <p>2nd Half (2H): October 1, 2019 – March 31, 2020</p>
FY2018	<p>April 1, 2018 – March 31, 2019</p> <p>1st Quarter (1Q): April 1, 2018 – June 30, 2018</p> <p>2nd Quarter (2Q): July 1, 2018 – September 30, 2018</p> <p>3rd Quarter (3Q): October 1, 2018 – December 31, 2018</p> <p>4th Quarter (4Q): January 1, 2019 – March 31, 2019</p> <p>1st Half (1H): April 1, 2018 – September 30, 2018</p> <p>2nd Half (2H): October 1, 2018 – March 31, 2019</p>
MCHC	Mitsubishi Chemical Holdings Corporation
MCC	Mitsubishi Chemical Corporation
MTPC	Mitsubishi Tanabe Pharma Corporation
LSII	Life Science Institute, Inc.
TNSC	Taiyo Nippon Sanso Corporation

Consolidated Statements of Operations

Exchange Rate (¥/\$)	109.7	109.5	0.2	0%	110.0
Naphtha Price (¥/kl)	45,200	48,700	Δ 3,500	(7%)	48,000

(Billions of Yen)

<Reference>

		FY2019 1Q	FY2018 1Q	Difference	%	FY2019 1H Forecast (Announced on May 14)	% to 1H Forecast
Continuing Operations * 2	Sales Revenue	916.4	921.8	(5.4)	(1%)	2,005.0	46%
	Core Operating Income *1	70.1	92.3	(22.2)	(24%)	146.0	48%
	Special Items	(0.2)	0.8	(1.0)		0.0	
	Operating Income	69.9	93.1	(23.2)	(25%)	146.0	48%
	Financial Income/Expenses	(3.3)	0.9	(4.2)		(9.0)	
	(Dividend included above)	[2.9]	[3.4]	[(0.5)]		-	
	(Foreign Exchange Gain/Loss included above)	[(0.3)]	[0.8]	[(1.1)]		-	
	Income before Taxes	66.6	94.0	(27.4)		137.0	
	Income Taxes	(18.2)	(22.2)	4.0		(32.0)	
	Net Income from Continuing Operations	48.4	71.8	(23.4)		-	
Net Income from Discontinued Operations	0.5	0.4	0.1		-		
Net Income	48.9	72.2	(23.3)		105.0		
Net Income Attributable to Owners of the Parent	37.8	58.1	(20.3)	(35%)	80.0	47%	
Net Income Attributable to Non-Controlling Interests	11.1	14.1	(3.0)		25.0		
	5.0	8.6	(3.6)				

*1 Share of profit of associates and joint ventures included.

*2 Discontinued operations are not included.

Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors (losses incurred by business withdrawal and contraction, etc.).

Sales Revenue and Core Operating Income by Business Segment

		(Billions of Yen)			<Reference>
		FY2019 1Q	FY2018 1Q	Difference	FY2019 1H Forecast (Announced on May 14)
Total Consolidated	Sales Revenue	916.4	921.8	(5.4)	2,005.0
	Core Operating Income	70.1	92.3	(22.2)	146.0
Functional Products	Sales Revenue	170.2	179.1	(8.9)	375.0
	Core Operating Income	12.0	13.9	(1.9)	29.5
Performance Chemicals	Sales Revenue	102.4	107.0	(4.6)	231.0
	Core Operating Income	7.5	10.6	(3.1)	18.0
Performance Products	Sales Revenue	272.6	286.1	(13.5)	606.0
	Core Operating Income	19.5	24.5	(5.0)	47.5
MMA	Sales Revenue	81.0	108.3	(27.3)	181.0
	Core Operating Income	13.8	31.0	(17.2)	38.0
Petrochemicals	Sales Revenue	134.7	134.3	0.4	309.0
	Core Operating Income	0.8	(0.5)	1.3	2.0
Carbon Products	Sales Revenue	71.6	72.5	(0.9)	139.0
	Core Operating Income	6.0	5.7	0.3	14.0
Chemicals	Sales Revenue	287.3	315.1	(27.8)	629.0
	Core Operating Income	20.6	36.2	(15.6)	54.0
Industrial Gases	Sales Revenue	208.6	156.8	51.8	431.0
	Core Operating Income	21.1	13.3	7.8	45.0
Health Care	Sales Revenue	107.9	115.4	(7.5)	247.0
	Core Operating Income	9.3	19.6	(10.3)	4.0
Others	Sales Revenue	40.0	48.4	(8.4)	92.0
	Core Operating Income	(0.4)	(1.3)	0.9	(4.5)
[Inventory valuation gain/loss]					
Performance Chemicals		(0.7)	0.5	(1.2)	
Petrochemicals		0.9	2.9	(2.0)	
Carbon Products		0.0	0.1	(0.1)	
Total		0.2	3.5	(3.3)	

*1 All figures are approximation for reference purpose only.

*2 Discontinued operations in the Health Care segment are not included.

*3 Starting from fiscal 2019, the segmentation of certain businesses and consolidated subsidiaries in MCC has been reviewed and revised the method of allocating certain common expenses. The segment information for fiscal 2018 is accordingly restated.

Analysis of Core Operating Income

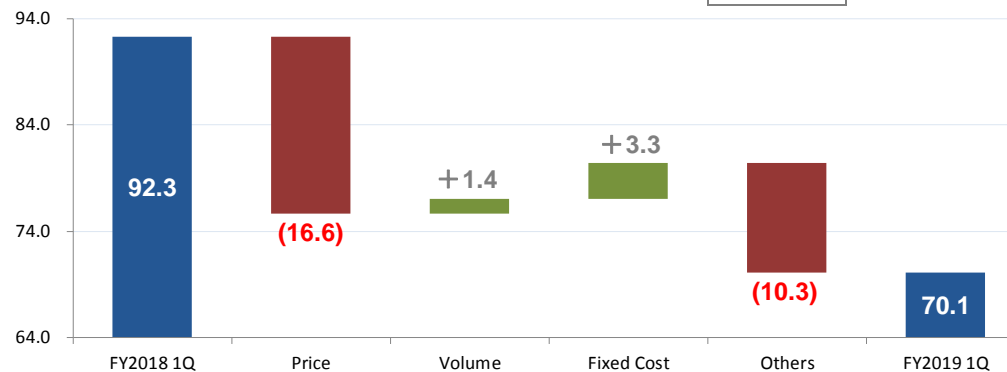
(Billions of Yen)

	FY2019 1Q	FY2018 1Q	Difference	Price	Volume	Fixed Cost	Others *1
Total Consolidated	70.1	92.3	(22.2)	(16.6)	1.4	3.3	(10.3)
Performance Products	19.5	24.5	(5.0)	(2.0)	(0.8)	1.2	(3.4)
Chemicals	20.6	36.2	(15.6)	(14.0)	3.9	0.7	(6.2)
Industrial Gases	21.1	13.3	7.8	(0.7)	8.9	0.2	(0.6)
Health Care *2	9.3	19.6	(10.3)	0.1	(10.7)	1.2	(0.9)
Others	(0.4)	(1.3)	0.9	0.0	0.1	0.0	0.8

*1 Items included are impacts from inventory valuation gain/loss and Equity Income, etc.

*2 Discontinued operations are not included.

Changes in exchange rates	(0.3)	(0.6)	0.0	-	0.3
Changes in foreign currency translation included in above		(0.6)			



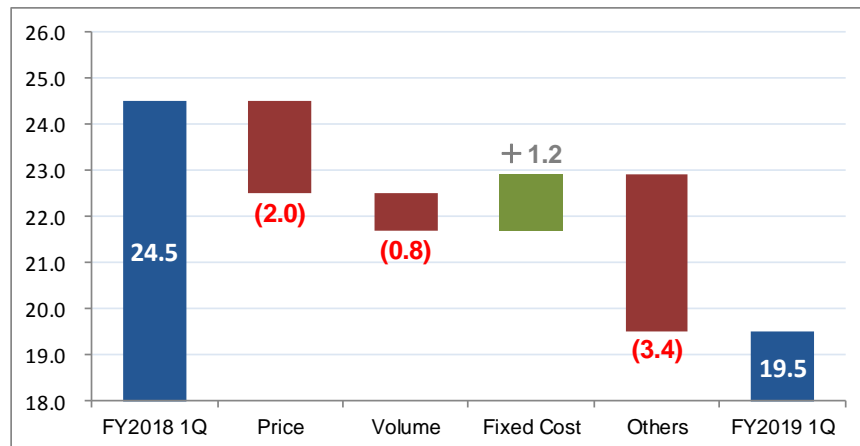
Performance Products Segment

(Billions of Yen)

		FY2019 1Q	FY2018 1Q	Difference
Functional Products	Sales Revenue	170.2	179.1	(8.9)
	Core Operating Income	12.0	13.9	(1.9)
Performance Chemicals	Sales Revenue	102.4	107.0	(4.6)
	Core Operating Income	7.5	10.6	(3.1)
Performance Products	Sales Revenue	272.6	286.1	(13.5)
	Core Operating Income	19.5	24.5	(5.0)

Functional Products	
Sales Revenue	Revenue decreased due to slowing demand in products mainly for semiconductors and automobiles, and lower sales volumes in advanced moldings and composites including high-performance engineering plastics, alumina fibers, and other products.
Core Operating income	Profit decreased mainly due to lower sales volumes in high-performance engineering plastics, alumina fibers, and other products.
Performance Chemicals	
Sales Revenue	Revenue decreased, reflecting a drop in market prices for phenol-polycarbonate chain materials, despite that the impact of the scheduled maintenance and repairs at the above-mentioned production facilities being resolved.
Core Operating income	Profit decreased mainly due to a drop in market prices for phenol-polycarbonate chain materials.

< Analysis of Core Operating Income >



<Major initiatives>

- MCC April 2019 decided to increase its consolidated subsidiary Noltex LLC's annual production capacity of *Soarnol* ethylene vinyl alcohol copolymer resin by 3,000 tons to 41,000 tons, in response to rising global demand for food packaging materials. The production increase is slated to take effect in mid-2020.
- MCC, a parent company of Mitsubishi Chemical Media Co., Ltd. (MCM), in June 2019 agreed to transfer its storage media business and other businesses globally operated by Verbatim Group companies affiliated with MCM, as well as MCM's related assets, to CMC Magnetics Corporation, as part of the business portfolio reform in the Mitsubishi Chemical Holdings Group's medium-term management plan.

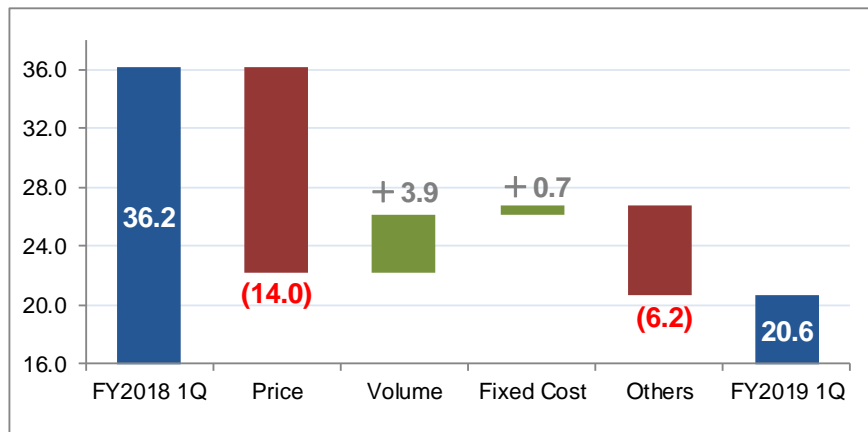
Chemicals Segment

(Billions of Yen)

		FY2019 1Q	FY2018 1Q	Difference
MMA	Sales Revenue	81.0	108.3	(27.3)
	Core Operating Income	13.8	31.0	(17.2)
Petrochemicals	Sales Revenue	134.7	134.3	0.4
	Core Operating Income	0.8	(0.5)	1.3
Carbon Products	Sales Revenue	71.6	72.5	(0.9)
	Core Operating Income	6.0	5.7	0.3
Chemicals	Sales Revenue	287.3	315.1	(27.8)
	Core Operating Income	20.6	36.2	(15.6)

MMA	
Sales Revenue	Revenue decreased due to continued deceleration of demand growth, especially in China, and lower market prices.
Core Operating income	Profit decreased mainly due to a decreased price variance between raw materials and products, along with lower market prices.
Petrochemicals	
Sales Revenue	Revenue remained unchanged due to the lower impact of the scheduled maintenance and repairs at the ethylene production facility, despite lower sales prices along with a drop in raw material costs and other factors.
Core Operating income	Profit increased mainly due to the lower impact of the scheduled maintenance and repairs.
Carbon	
Sales Revenue	Revenue remained unchanged due to the continued firm demand for coke and other products.
Core Operating income	Profit remained unchanged due to the continued firm demand for coke and other products.

< Analysis of Core Operating Income >



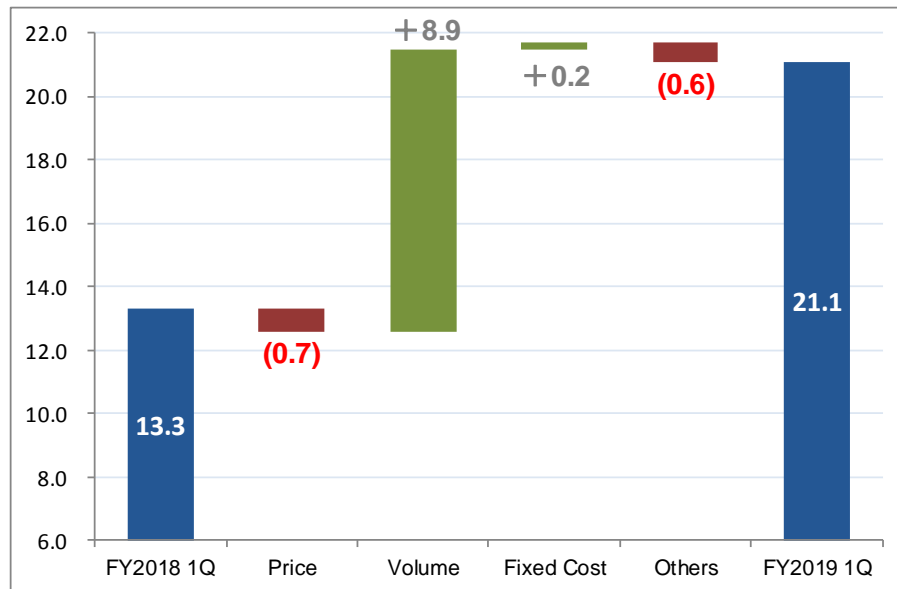
Industrial Gases Segment

(Billions of Yen)

		FY2019 1Q	FY2018 1Q	Difference
Industrial Gases	Sales Revenue	208.6	156.8	51.8
	Core Operating Income	21.1	13.3	7.8

Industrial Gases	
Sales Revenue	Revenue increased mainly due to continued steady performance in overseas businesses, in addition to including the performance of the European and U.S. businesses acquired in the second half of the previous fiscal year.
Core Operating income	Profit increased due to including the performance of the European and U.S. businesses acquired.

< Analysis of Core Operating Income >



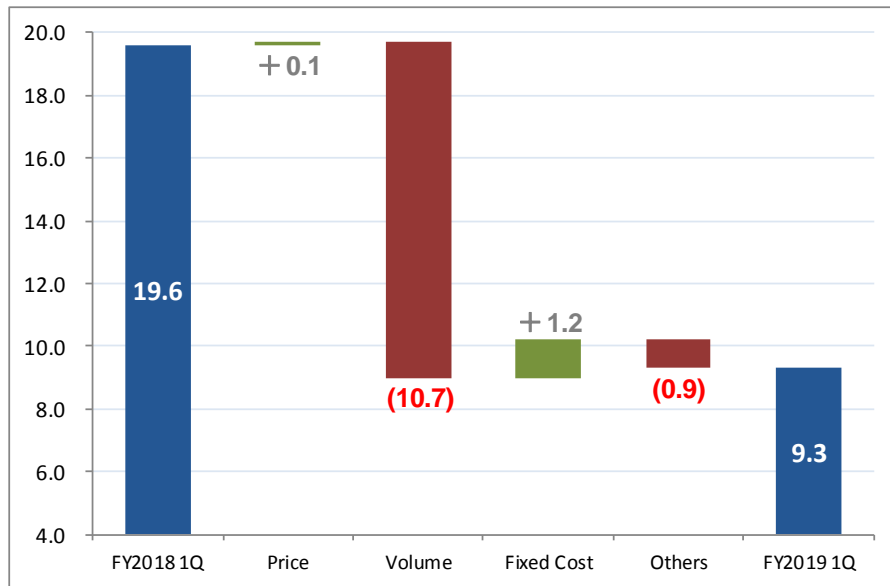
Health Care Segment

		(Billions of Yen)		
		FY2019 1Q	FY2018 1Q	Difference
Health Care	Sales Revenue	107.9	115.4	(7.5)
	Core Operating Income	9.3	19.6	(10.3)

Discontinued operations are not included.

Health Care	
Sales Revenue	Revenue decreased mainly due to lower royalty revenues, reflecting that a part of the revenue has not been recognized as sales revenue in accordance with ongoing arbitration proceedings of <i>Gilenya</i> , despite higher sales volumes in mainly priority products in domestic ethical pharmaceuticals.
Core Operating income	Profit decreased mainly due to that the royalty revenue of <i>Gilenya</i> has not been recognized as sales revenue.

< Analysis of Core Operating Income >



Note:

Royalty revenue from Novartis Pharma AG for *Gilenya*, a treatment agent for multiple sclerosis, was reduced, because a part of the royalty revenue has not been recognized as sales revenue in accordance with IFRS 15 due to the start of arbitration proceedings.

<Major initiatives>

- LSII in May 2019 agreed on a strategic capital partnership with PHC Holdings Corporation (PHCHD), which engages in the healthcare business in Japan and overseas, to further develop the group's life science-related businesses. After competition law-related regulatory approval, LSII will exchange all of its shares in LSI Medience Corporation for a part of PHCHD's shares, resulting in capital participation of 13.7% in PHCHD.

Consolidated Special Items

(Billions of Yen)

	FY2019 1Q	FY2018 1Q	Difference
Total Special Items	(0.2)	0.8	(1.0)
Impairment loss	(0.7)	(0.8)	0.1
Loss on sale and disposal of fixed assets	(0.6)	(0.8)	0.2
Gain on sale of property, plant and equipment	0.9	2.2	(1.3)
Others	0.2	0.2	0.0

[Special Items by Business Segment]

Performance Products	0.2	(0.7)	0.9
Chemicals	0.0	(0.1)	0.1
Industrial Gases	(0.6)	0.3	(0.9)
Health Care	(0.0)	-	(0.0)
Others	0.2	1.3	(1.1)

Consolidated Cash Flows

	Based on statements of cash flows		Adjusted cash flows *1		<reference> Target for FY2019 Forecast (announced on May.14)
	FY2019 1Q	FY2018 1Q	FY2019 1Q	FY2018 1Q	
Net cash provided by (used in) operating activities	103.7	89.6	103.7	89.6	464.0
Income before taxes	67.3	94.5	67.3	94.5	278.0
Depreciation and amortization	59.6	45.8	59.6	45.8	239.0
Change in operating receivables/payables	22.2	(6.8)	22.2	(6.8)	} 5.0
Change in Inventories	(5.2)	5.2	(5.2)	5.2	
Others	(40.2)	(49.1)	(40.2)	(49.1)	(58.0)
Net cash provided by (used in) investment activities	(47.3)	(59.0)	(57.4)	(53.1)	(274.0)
Capital expenditure	(56.0)	(55.5)	(56.0)	(55.5)	(298.0)
Sale of assets	2.8	9.5	2.8	9.5	} 24.0
Investment and loans receivable, etc.	5.9	(13.0)	(4.2)	(7.1)	
Free cash flow	56.4	30.6	46.3	36.5	190.0
Net cash provided by (used in) financing activities	(109.1)	(54.8)			
Interest bearing debts	(64.4)	5.4			
Dividends, etc.	(44.7)	(60.2)			
Net increase (decrease) in cash and cash equivalents	(52.7)	(24.2)			
Effect of exchange rate changes and changes in scope of consolidation	(9.3)	0.3			
Cash and cash equivalents at the beginning of the period	321.5	277.6			
Cash and cash equivalents at the end of the period	259.5	253.7			

*1 Adjusted cash flows based on actual results are calculated by excluding cash flows from investment of surplus funds for explanatory purposes.

Consolidated Statements of Financial Positions

	(Billions of Yen)		
	Jun. 30, 2019	Mar. 31, 2019	Difference
Cash and cash equivalents	259.5	321.5	(62.0)
Trade receivables	784.2	855.1	(70.9)
Inventories	618.7	623.0	(4.3)
Other current assets	416.4	342.2	74.2
Total current assets	2,078.8	2,141.8	(63.0)
Tangible and Intangible fixed assets	2,283.5	2,252.1	31.4
Goodwill	643.6	648.8	(5.2)
Investment and other non-current assets	504.0	529.8	(25.8)
Total non-current assets	3,431.1	3,430.7	0.4
Total assets	5,509.9	5,572.5	(62.6)

	(Billions of Yen)		
	Jun. 30, 2019	Mar. 31, 2019	Difference
Interest-bearing debts	2,280.9	2,246.8	34.1
Trade payables	459.6	492.4	(32.8)
Other liabilities	781.4	807.4	(26.0)
Total liabilities	3,521.9	3,546.6	(24.7)
Shareholders' equity	1,392.2	1,381.8	10.4
Other components of equity	(38.8)	(3.8)	(35.0)
Total equity attributable to owners of the parent	1,353.4	1,378.0	(24.6)
Non-controlling interests	634.6	647.9	(13.3)
Total equity	1,988.0	2,025.9	(37.9)
Total liabilities and equity	5,509.9	5,572.5	(62.6)

Net interest-bearing debts *1	1,843.3	1,736.2	107.1
Net D/E ratio	1.36	1.26	0.10
Ratio of equity attributable to owners of the parent	24.6%	24.7%	(0.1%)
ROE *2	-	12.7%	-

*1 Net interest-bearing debts
 = interest-bearing debts (2,280.9 billion yen)
 - {cash and cash equivalents (259.5 billion yen) + investments of surplus funds (178.1 billion yen)}
 Note: Interest-bearing debts include lease obligations.

*2 Ratio of net income attributable to owners of the parent.

References

Statement of Operations [Quarterly Data]

		109.5	111.9	112.6	110.3	109.7
		48,700	53,500	54,200	41,200	45,200
						(Billions of Yen)
		FY2018				FY2019
		1Q	2Q	3Q	4Q	1Q
Continuing Operations * 2	Sales Revenue	921.8	960.1	988.5	969.9	916.4
	Core Operating Income *1	92.3	94.9	77.6	49.3	70.1
	Special Items	0.8	(2.4)	4.9	(22.6)	(0.2)
	Operating Income	93.1	92.5	82.5	26.7	69.9
	Financial Income/Expenses (Dividend included above)	0.9 [3.4]	(3.5) [0.3]	(2.3) [1.3]	(5.1) [0.2]	(3.3) [2.9]
	(Foreign Exchange Gain/Loss included above)	[0.8]	[0.0]	[0.1]	[(0.5)]	[(0.3)]
	Income before Taxes	94.0	89.0	80.2	21.6	66.6
	Income Taxes	(22.2)	(14.7)	(21.6)	(12.0)	(18.2)
	Net Income from Continuing Operations	71.8	74.3	58.6	9.6	48.4
	Net Income from Discontinued Operations	0.4	0.4	0.9	0.7	0.5
Net Income	72.2	74.7	59.5	10.3	48.9	
	Net Income Attributable to Owners of the Parent	58.1	62.1	45.8	3.5	37.8
	Net Income Attributable to Non-Controlling Interests	14.1	12.6	13.7	6.8	11.1

*1 Share of profit of associates and joint ventures included.

*2 Discontinued operations are not included.

8.6 7.6 5.4 5.2 5.0

Sales Revenue and Core Operating Income by Business Segment [Quarterly Data]

(Billions of Yen)

		FY2018				FY2019
		1Q	2Q	3Q	4Q	1Q
Total Consolidated	Sales Revenue	921.8	960.1	988.5	969.9	916.4
	Core Operating Income	92.3	94.9	77.6	49.3	70.1
Functional Products	Sales Revenue	179.1	180.5	184.5	182.0	170.2
	Core Operating Income	13.9	9.8	11.6	2.9	12.0
Performance Chemicals	Sales Revenue	107.0	109.0	109.7	103.7	102.4
	Core Operating Income	10.6	11.4	6.0	5.1	7.5
Performance Products	Sales Revenue	286.1	289.5	294.2	285.7	272.6
	Core Operating Income	24.5	21.2	17.6	8.0	19.5
MMA	Sales Revenue	108.3	110.6	88.9	81.0	81.0
	Core Operating Income	31.0	32.5	16.3	14.6	13.8
Petrochemicals	Sales Revenue	134.3	158.5	167.0	147.0	134.7
	Core Operating Income	(0.5)	7.7	2.9	(1.4)	0.8
Carbon Products	Sales Revenue	72.5	64.7	70.6	72.5	71.6
	Core Operating Income	5.7	5.6	6.6	7.0	6.0
Chemicals	Sales Revenue	315.1	333.8	326.5	300.5	287.3
	Core Operating Income	36.2	45.8	25.8	20.2	20.6
Industrial Gases	Sales Revenue	156.8	168.9	186.7	220.4	208.6
	Core Operating Income	13.3	13.6	15.2	21.2	21.1
Health Care	Sales Revenue	115.4	113.9	131.1	102.2	107.9
	Core Operating Income	19.6	14.7	20.1	(0.6)	9.3
Others	Sales Revenue	48.4	54.0	50.0	61.1	40.0
	Core Operating Income	(1.3)	(0.4)	(1.1)	0.5	(0.4)

*1 All figures are approximation for reference purpose only.

*2 Discontinued operations in the Health Care segment are not included.

*3 Starting from fiscal 2019, the segmentation of certain businesses and consolidated subsidiaries in MCC has been reviewed and revised the method of allocating certain common expenses. The segment information for fiscal 2018 is accordingly restated.

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 materials
Industrial Materials	Chemicals	MMA	MMA	MMA
		Petrochemicals	Petrochemicals	Basic petrochemicals, Polyolefins, Basic chemical derivatives
		Carbon Products	Carbon	Carbon Products
	Industrial Gases		Industrial gases	
Health Care	Health Care			Pharmaceuticals
				Life science

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, marketing conditions and the effects of industry competition.