



February 6, 2020

Mitsubishi Chemical Holdings Corporation
Condensed Consolidated Financial Information
for the Third Quarter of the Fiscal Year Ending March 31, 2020

1. Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 (“FY2019”)
(Business period: April 1, 2019 to December 31, 2019)

Millions of Yen	
The Third Quarter of the Current Fiscal Year (“FY2019”) April 1, 2019 – December 31, 2019	The Third Quarter of the Previous Fiscal Year (“FY2018”) April 1, 2018 – December 31, 2018

(1) Results of Operations:

	2,730,767	2,870,415
Sales revenue	2,730,767	2,870,415
Core operating income*	181,037	264,817
Operating income	160,568	268,055
Income before taxes	144,724	263,199
Net Income	108,280	206,425
Net income attributable to owners of the parent	76,272	165,988
Comprehensive income	93,063	190,777

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

(Yen)

Earnings per share – Basic	53.71	116.67
– Diluted	49.54	107.68

(2) Segment Information:

[Sales Revenue by Business Segment]

Performance Products	821,092	869,829
Chemicals	825,992	975,391
Industrial Gases	628,255	512,426
Health Care	321,947	360,417
Others	133,481	152,352
Total	2,730,767	2,870,415

[Core Operating Income (Loss) by Business Segment]

Performance Products	54,425	63,316
Chemicals	38,729	107,765
Industrial Gases	66,503	42,076
Health Care	20,785	54,379
Others	8,642	4,752
Elimination and corporate	(8,047)	(7,471)
Total	181,037	264,817

Millions of Yen	
As of December 31, 2019	As of March 31, 2019

(3) Financial Position:

Total assets	5,413,105	5,572,508
Total equity	2,039,018	2,025,854
Equity attributable to owners of the parent	1,391,888	1,377,947
Ratio of equity attributable to owners of the parent to total assets (%)	25.7	24.7

Millions of Yen	
The Third Quarter of the Current Fiscal Year ("FY2019")	The Third Quarter of the Previous Fiscal Year ("FY2018")
April 1, 2019 – December 31, 2019	April 1, 2018 – December 31, 2018

(4) Cash Flows:

Net cash provided by (used in) operating activities	337,737	276,736
Net cash provided by (used in) investing activities	(114,958)	(816,157)
Net cash provided by (used in) financing activities	(294,294)	568,807
Cash and cash equivalents at the end of the period	245,348	309,951

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 third quarter of the previous fiscal year and the current fiscal year encompass continuing operations and exclude discontinued operations.
- In the nine months ended December 31, 2019, the impairment loss of ¥17,037 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 ¥15,525 million.

2. Forecasts for the Current Fiscal Year

Millions of Yen	
FY2019	
April 1, 2019 – March 31, 2020	
Sales revenue	3,630,000
Core operating income	210,000
Operating income	182,000
Net income attributable to owners of the parent	81,000

(Yen)

Earnings per share – Basic	57.04
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Note:

The profit and loss forecast for fiscal 2019 has been revised to the above from those announced on November 1, 2019.

3. Qualitative Information on Financial Results for the Term

(1) Business Performance

Performance Overview

During the third quarter of fiscal 2019 (April 1 through December 31, 2019), the business outlook remained uncertain for the Mitsubishi Chemical Holdings Group. This was due largely to supply and demand easing for some products, centered on semiconductor and automotive applications, owing to the impact of U.S.–China trade friction.

It was against this backdrop that sales revenue for the term decreased ¥ 139.6 billion, or 4.9%, to ¥2,730.8 billion. Core operating income dropped ¥83.8 billion, or 31.6%, to ¥181.0 billion. As a result of goodwill impairment charges relating to the pharmaceutical formulation materials business in the Health Care domain, operating income declined ¥107.5 billion, or 40.1%, to ¥160.6 billion. Income before taxes was down ¥118.5 billion, or 45.0%, to ¥144.7 billion. Net income attributable to owners of the parent fell ¥89.7 billion, or 54.0%, to ¥76.3 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 the third quarter of the year, the Group accordingly classified earnings related to those businesses as discontinued in comparison with the previous corresponding period.

Overview of Business Segments

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

Performance Products Segment, Performance Products Domain

Sales revenue decreased ¥48.7 billion, to ¥821.1 billion. Core operating income was down ¥8.9 billion, to ¥54.4 billion.

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

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 primarily due to a drop in market prices for phenol-polycarbonate chain materials in advanced polymers.

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

- Mitsubishi Chemical Corporation in April 2019 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 development, effective in mid-2020, is 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.
- MC PET Film Indonesia, a consolidated subsidiary of Mitsubishi Chemical Corporation, in September 2019 decided to lift its polyester film production capacity. The move enables 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.

Chemicals Segment, Industrial Materials Domain

Sales revenue decreased ¥149.4 billion, to ¥826.0 billion. Core operating income was down ¥69.1 billion, to ¥38.7 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 mainly attributable to the downturn in MMA monomer and other

markets, despite higher sales volumes stemming from the lower impact of the scheduled maintenance and repairs in petrochemicals.

Major initiatives in the Chemicals segment during the third quarter of fiscal 2019 included:

- Japan Polypropylene Corporation, a consolidated subsidiary of Mitsubishi Chemical Corporation, in July 2019 decided to halt production at one polypropylene line at its Kashima Plant, effective April 2020. This move is designed to reinforce the 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 ¥115.9 billion, to ¥628.3 billion. Core operating income was up ¥24.4 billion, to ¥66.5 billion.

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

Health Care Segment, Health Care Domain

Sales revenue declined ¥38.5 billion, to ¥321.9 billion. Core operating income was down ¥33.6 billion, to ¥20.8 billion.

In pharmaceuticals, sales revenue and core operating income decreased, primarily attributable to lower royalty revenues, despite higher sales volumes in mainly priority products in domestic ethical pharmaceuticals. With regard to royalty revenue from Novartis Pharma AG for *Gilenya*, a treatment agent for multiple sclerosis, a part of the revenue 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 third quarter of the year under review.

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

- Life Science Institute, Inc. in August 2019 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. in July 2019 started clinical trials 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 in July 2019 received approval from China's National Medical Products Administration for Ederavone (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 drug discovery modality and otherwise tackle a changing medical treatment climate, generating more synergies within the Group. In January 2020, Mitsubishi Chemical Holdings lifted its voting rights ownership ratio in that consolidated subsidiary from 56.4%, to 91.6%, and plans to make that company a wholly owned subsidiary in March 2020.

Others

Sales revenue decreased ¥18.9 billion, to ¥133.5 billion. Core operating income rose ¥3.9 billion, to ¥8.6 billion.

(2) Consolidated Financial Position

Total assets at December 31, 2019, were ¥5,413.1 billion, down ¥159.4 billion from March 31, 2019. This decrease was despite an increase in tangible assets associated with the adoption of the IFRS 16 "Leases," and reflected efforts to constrain cash and cash equivalents and a decline in trade receivables in line with lower sales revenue.

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

In light of recent performance trends, Mitsubishi Chemical Holdings Corporation has revised the forecast that it announced on November 1, 2019 for fiscal 2019, as follows. Also, please refer to the Notice on Revision to Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020, issued today (February 6, 2019).

**Revision to consolidated financial results forecast for fiscal 2019
(April 1, 2019 – March 31, 2020)**

(Unit: Billions of Yen; unless otherwise noted)

	Sales revenue	Core operating income	Operating income	Net income	Net income attributable to owners of the parent	Earnings per share (Yen)
Previous forecast (A) (announced on November 1, 2019)	3,765.0	250.0	241.0	170.0	131.0	92.26
Revised forecast (B)	3,630.0	210.0	182.0	122.0	81.0	57.04
Difference (B – A)	(135.0)	(40.0)	(59.0)	(48.0)	(50.0)	—
Difference (%)	(3.6)	(16.0)	(24.5)	(28.2)	(38.2)	—
Reference: Results for fiscal 2018	3,840.3	314.1	294.8	216.7	169.5	119.22

Notes:

- Net income before taxes: ¥221.0 billion (previous forecast); ¥159.0 billion (revised forecast)
- Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors.
- Sales revenue, core operating income, operating income, and income before taxes encompass continuing operations and exclude discontinued operations.

Sales revenue and core operating income are expected to be lower than the previous forecast. This is because market conditions of MMA, carbon, and other Chemicals segment products will likely be poor, while it is also projected that adjustments will continue for the foreseeable future in demand for products in optical applications for displays and semiconductor and automotive applications.

In the third quarter, management expects sales revenue, net income, and net income attributable to owners of the parent to be lower than previously forecast owing to goodwill impairment charges relating to the pharmaceutical formulation materials business in the Health Care domain.

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 effect of industry competition. The Company's expectations for the forward-looking statements are described on pages [2], [6], and [7] hereof.

(1) Condensed Consolidated Statement of Profit or Loss

Nine months ended December 31, 2018 and 2019

(Millions of Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Continuing operations		
Sales revenue	2,870,415	2,730,767
Cost of sales	(2,058,065)	(1,968,854)
Gross profit	812,350	761,913
Selling, general and administrative expenses	(564,653)	(592,896)
Other operating income	16,447	17,610
Other operating expenses	(17,696)	(36,746)
Share of profit of associates and joint ventures	21,607	10,687
Operating income	268,055	160,568
Financial income	9,388	6,785
Financial expenses	(14,244)	(22,629)
Income before taxes	263,199	144,724
Income taxes	(58,485)	(53,336)
Net income from continuing operations	204,714	91,388
Discontinued operations		
Net income from discontinued operations	1,711	16,892
Net income	206,425	108,280
Net income attributable to		
Owners of the parent	165,988	76,272
Non-controlling interests	40,437	32,008
Net income	206,425	108,280
Earnings per share		
Basic (Yen)		
Continuing operations	115.47	41.82
Discontinued operations	1.20	11.89
Total	116.67	53.71
Diluted (Yen)		
Continuing operations	106.57	38.60
Discontinued operations	1.11	10.94
Total	107.68	49.54

(2) Condensed Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2018 and 2019

	(Millions of Yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income	206,425	108,280
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	(856)	5,593
Remeasurements of defined benefit pensions plans	(7,808)	6,701
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	(12)	(143)
Total items that will not be reclassified to profit or loss	(8,676)	12,151
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3,484)	(22,338)
Net gain (loss) on derivatives designated as cash flow hedges	(2,652)	(28)
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	(836)	(5,002)
Total items that may be subsequently reclassified to profit or loss	(6,972)	(27,368)
Total other comprehensive income (net of tax)	(15,648)	(15,217)
Total comprehensive income	190,777	93,063
Total comprehensive income attributable to		
Owners of the parent	153,708	69,247
Non-controlling interests	37,069	23,816

(3) Condensed Consolidated Statement of Financial Position

(Millions of Yen)

	March 31, 2019	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	321,541	245,348
Trade receivables	855,107	772,312
Inventories	623,049	611,342
Other financial assets	248,262	213,346
Other current assets	76,072	110,382
Subtotal	2,124,031	1,952,730
Assets held for sales	17,810	9,195
Total current assets	2,141,841	1,961,925
Non-current assets		
Property, plant and equipment	1,683,354	1,743,222
Goodwill	648,806	627,220
Intangible assets	568,787	547,247
Investments accounted for using the equity method	183,067	175,215
Other financial assets	228,571	263,745
Other non-current assets	33,573	36,172
Deferred tax assets	84,509	58,359
Total non-current assets	3,430,667	3,451,180
Total assets	5,572,508	5,413,105

(Millions of Yen)

	March 31, 2019	December 31, 2019
Liabilities		
Current liabilities		
Trade payables	492,404	457,409
Bonds and borrowings	1,108,643	615,562
Income tax payable	31,768	19,560
Other financial liabilities	222,377	232,666
Provisions	8,296	9,303
Other current liabilities	138,089	131,518
Subtotal	2,001,577	1,466,018
Liabilities directly associated with assets held for sales	11,723	448
Total current liabilities	2,013,300	1,466,466
Non-current liabilities		
Bonds and borrowings	1,138,108	1,443,336
Other financial liabilities	26,755	89,227
Retirement benefit liabilities	120,816	109,100
Provisions	28,294	23,254
Other non-current liabilities	41,971	68,630
Deferred tax liabilities	177,410	174,074
Total non-current liabilities	1,533,354	1,907,621
Total liabilities	3,546,654	3,374,087
Equity		
Common stock	50,000	50,000
Additional paid-in capital	321,477	322,565
Treasury stock	(63,560)	(63,501)
Retained earnings	1,073,873	1,100,049
Other components of equity	(3,843)	(17,225)
Equity attributable to owners of the parent	1,377,947	1,391,888
Non-controlling interests	647,907	647,130
Total equity	2,025,854	2,039,018
Total liabilities and equity	5,572,508	5,413,105

(4) Condensed Consolidated Statement of Changes in Equity

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	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	—	—	—	—	—	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

Nine months ended December 31, 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	—	—	—	76,272
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	76,272
Purchase of treasury stock	—	—	(20)	—
Disposal of treasury stock	—	(77)	79	—
Cash dividends	—	—	—	(56,804)
Share-based payment transactions	—	289	—	—
Share-based payment transactions of subsidiaries	—	—	—	—
Changes in interests in subsidiaries	—	(1,316)	—	—
Business combinations or business divestitures	—	2,192	—	—
Changes in scope of consolidation	—	—	—	351
Transfer from other components of equity to retained earnings	—	—	—	6,357
Total transactions with owners	—	1,088	59	(50,096)
Balance at December 31, 2019	50,000	322,565	(63,501)	1,100,049

	Other components of equity				Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value	Remeasurements of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2019	51,500	—	(55,530)	187	(3,843)	1,377,947	647,907	2,025,854
Net income	—	—	—	—	—	76,272	32,008	108,280
Other comprehensive income	7,463	5,398	(19,788)	(98)	(7,025)	(7,025)	(8,192)	(15,217)
Total comprehensive income	7,463	5,398	(19,788)	(98)	(7,025)	69,247	23,816	93,063
Purchase of treasury stock	—	—	—	—	—	(20)	—	(20)
Disposal of treasury stock	—	—	—	—	—	2	—	2
Cash dividends	—	—	—	—	—	(56,804)	(29,091)	(85,895)
Share-based payment transactions	—	—	—	—	—	289	—	289
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	(14)	(14)
Changes in interests in subsidiaries	—	—	—	—	—	(1,316)	(172)	(1,488)
Business combinations or business divestitures	—	—	—	—	—	2,192	4,148	6,340
Changes in scope of consolidation	—	—	—	—	—	351	536	887
Transfer from other components of equity to retained earnings	(959)	(5,398)	—	—	(6,357)	—	—	—
Total transactions with owners	(959)	(5,398)	—	—	(6,357)	(55,306)	(24,593)	(79,899)
Balance at December 31, 2019	58,004	—	(75,318)	89	(17,225)	1,391,888	647,130	2,039,018

(5) Condensed Consolidated Statement of Cash Flow

Nine months ended December 31, 2018 and 2019

	(Millions of Yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from operating activities		
Income before taxes	263,199	144,724
Income before taxes from discontinued operations	2,290	25,585
Depreciation and amortization	143,533	179,374
Share of profit of associates and joint ventures	(21,623)	(10,692)
Gain on share exchanges	—	(23,922)
Interest and dividend income	(8,328)	(6,520)
Interest expenses	13,192	19,133
(Increase) decrease in trade receivables	(6,232)	54,654
(Increase) decrease in inventories	(28,424)	5,938
Increase (decrease) in trade payables	7,973	(22,820)
Increase (decrease) in retirement benefit assets and liabilities, net	770	558
Other	(19,090)	19,541
Subtotal	347,260	385,553
Interest received	3,332	2,800
Dividends received	22,895	22,975
Interest paid	(14,124)	(17,508)
Income tax (paid) received, net	(82,627)	(56,083)
Net cash provided by (used in) operating activities	276,736	337,737
Cash flows from investing activities		
Purchase of property, plant and equipment	(163,282)	(163,357)
Proceeds from sales of property, plant and equipment	6,056	10,836
Purchase of intangible assets	(3,995)	(4,386)
Purchase of other financial assets	(322,771)	(342,795)
Proceeds from sales/redemption of other financial assets	313,061	348,834
Net cash outflow on acquisition of subsidiaries	(655,851)	(1,429)
Proceeds from sales of investments in subsidiaries	15,274	2,836
Payments for transfer of business	(4,748)	—
Net (Increase) decrease of time deposits	4,006	25,054
Other	(3,907)	9,449
Net cash provided by (used in) investing activities	(816,157)	(114,958)

	(Millions of Yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	635,380	(465,199)
Net increase (decrease) in commercial papers	86,000	(20,000)
Proceeds from long-term borrowings	58,790	399,636
Repayment of long-term borrowings	(78,903)	(117,842)
Proceeds from issuance of bonds	25,000	79,549
Redemption of bonds	(50,000)	(60,000)
Repayment of lease liabilities	(2,857)	(22,800)
Net (increase) decrease in treasury stock	(20,023)	(18)
Dividends paid to owners of the parent	(52,867)	(56,804)
Dividends paid to non-controlling interests	(33,815)	(29,105)
Proceeds from stock issuance to non-controlling interests	4,348	3
Other	(2,246)	(1,714)
Net cash provided by (used in) financing activities	568,807	(294,294)
Effect of exchange rate changes on cash and cash equivalents	2,726	(7,436)
Net increase (decrease) in cash and cash equivalents	32,112	(78,951)
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 sales	250	2,152
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(35)	606
Cash and cash equivalents at the end of the period	309,951	245,348

(6) Change in Accounting Policy

The main standard and interpretation newly applied by the Mitsubishi Chemical Holdings Group (MCHC Group) from the first quarter of fiscal 2019 is as follows.

Standard and interpretation	Overview of introduction or revision
IFRS 16 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 is engaged in the healthcare business in Japan as well as 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.

The MCHC Group, during the third quarter of fiscal 2019, has accordingly classified the earnings related to LSIM and its subsidiaries and affiliate and gain on the share exchange as discontinued operations. Figures for the same period of the previous fiscal year have been restated, with the discontinued operations presented separately.

2. Profit or Loss from Discontinued Operations

	Nine months ended December 31, 2018	(Millions of Yen) Nine months ended December 31, 2019
Revenue (*1)	61,598	52,754
Cost	(59,308)	(27,169)
Income before tax from discontinued operations	2,290	25,585
Income tax expense (*2)	(579)	(8,693)
Net Income from discontinued operations	1,711	16,892

(*1) In the nine months ended December 31, 2019, this included ¥23,922 million from gain on share exchanges.

(*2) In the nine months ended December 31, 2019, this included ¥(8,117) million from tax on gain on share exchanges.

(8) Subsequent Event

Acquisition of non-controlling interests through a tender offer etc. 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 ¥396.7 billion (excluding transaction costs) on January 15, 2020, lifting MCHC's ownership of shares with voting rights from 56.4%, to 91.6%.

In addition, MCHC borrowed ¥397.2 billion short-term loans (with floating interest rates) in January 2020 in execution of this acquisition.

2. Demand for sale of shares

On January 17, 2020, MCHC notified MTPC that MCHC would request that non-controlling shareholders of MTPC sell all of their MTPC Common Stock. That day, MTPC resolved at its board of directors meeting to approve the demand. With the demand for sale of shares coming into effect on March 2, 2020 (scheduled), MTPC will be a wholly owned subsidiary of MCHC. Consideration for the acquisition is estimated at ¥95.1 billion.

MCHC estimates that additional paid-in capital will decrease ¥146.0 billion, with non-controlling interests decreasing by ¥348.0 billion through these transactions. These details and the final amounts are being reviewed.

To fund these transactions, MCHC plans to refinance short-term loans with long-term funds or bonds within a year, and does not envisage engaging in equity finance, such as by issuing new shares.