

Operational Summary

for the First Quarter of the Fiscal Year Ending March 31, 2019

July 31, 2018

Mitsubishi Chemical Holdings Corporation

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

List of Abbreviations

FY2018	April 1, 2018 – March 31, 2019	
	1st Quarter (1Q):	April 1, 2018 – June 30, 2018
	1st Half (1H):	April 1, 2018 – September 30, 2018
FY2017	April 1, 2017 – March 31, 2018	
	1st Quarter (1Q):	April 1, 2017 – June 30, 2017
	2nd Quarter (2Q):	July 1, 2017 – September 30, 2017
	3rd Quarter (3Q):	October 1, 2017 – December 31, 2017
	4th Quarter (4Q):	January 1, 2018 – March 31, 2018
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

	109.5	111.4	(1.9)	(2%)	105.0	
Exchange Rate (¥/\$)						
Naphtha Price (¥/kl)	48,700	39,100	9,600	25%	50,000	
	(Billions of Yen)			<Reference>		
	FY2018 1Q	FY2017 1Q	Change	%	FY2018 1H Forecast (Announced on May 10)	% to 1H Forecast
Sales Revenue	941.9	898.0	43.9	5%	1,935.0	49%
Core Operating Income *	92.8	95.5	(2.7)	(3%)	172.0	54%
Special Items	0.8	(4.5)	5.3		(4.0)	
Operating Income	93.6	91.0	2.6	3%	168.0	56%
Financial Income/Expenses	0.9	(1.4)	2.3		(6.0)	
(Dividend included above)	[3.4]	[2.6]	[0.8]		-	
(Foreign Exchange Gain/Loss included above)	[0.8]	[(0.7)]	[1.5]		-	
Earnings before Taxes	94.5	89.6	4.9		162.0	
Income Taxes	(22.3)	(26.3)	4.0		(46.0)	
Net Income	72.2	63.3	8.9		116.0	
Net Income Attributable to Owners of the Parent	58.1	47.7	10.4	22%	91.0	64%
Net Income Attributable to Non-Controlling Interests	14.1	15.6	(1.5)		25.0	
* Equity income included	8.6	5.6	3.0			

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

*All figures are approximation for reference purpose only.

		(Billions of Yen)			<Reference>
		FY2018 1Q	FY2017 1Q	Change	FY2018 1H Forecast (Announced on May 10)
Total Consolidated	Sales Revenue	941.9	898.0	43.9	1,935.0
	Core Operating Income	92.8	95.5	(2.7)	172.0
Functional Products	Sales Revenue	193.8	188.7	5.1	400.0
	Core Operating Income	14.3	16.7	(2.4)	29.0
Performance Chemicals	Sales Revenue	95.9	88.5	7.4	190.0
	Core Operating Income	9.6	9.8	(0.2)	14.0
Performance Products	Sales Revenue	289.7	277.2	12.5	590.0
	Core Operating Income	23.9	26.5	(2.6)	43.0
MMA	Sales Revenue	108.3	92.3	16.0	225.0
	Core Operating Income	31.0	24.3	6.7	57.0
Petrochemicals	Sales Revenue	132.5	127.5	5.0	285.0
	Core Operating Income	0.3	5.8	(5.5)	6.0
Carbon Products	Sales Revenue	72.5	68.1	4.4	130.0
	Core Operating Income	5.6	4.0	1.6	8.5
Chemicals	Sales Revenue	313.3	287.9	25.4	640.0
	Core Operating Income	36.9	34.1	2.8	71.5
Industrial Gases	Sales Revenue	156.8	149.1	7.7	324.0
	Core Operating Income	13.3	13.4	(0.1)	29.0
Health Care	Sales Revenue	135.6	138.1	(2.5)	271.0
	Core Operating Income	20.1	22.0	(1.9)	31.0
Others	Sales Revenue	46.5	45.7	0.8	110.0
	Core Operating Income	(1.4)	(0.5)	(0.9)	(2.5)

[Inventory valuation gain/loss]

Performance Chemicals	0.5	(0.7)	1.2
Petrochemicals	2.9	(1.0)	3.9
Carbon products	0.1	(0.2)	0.3
Total	3.5	(1.9)	5.4

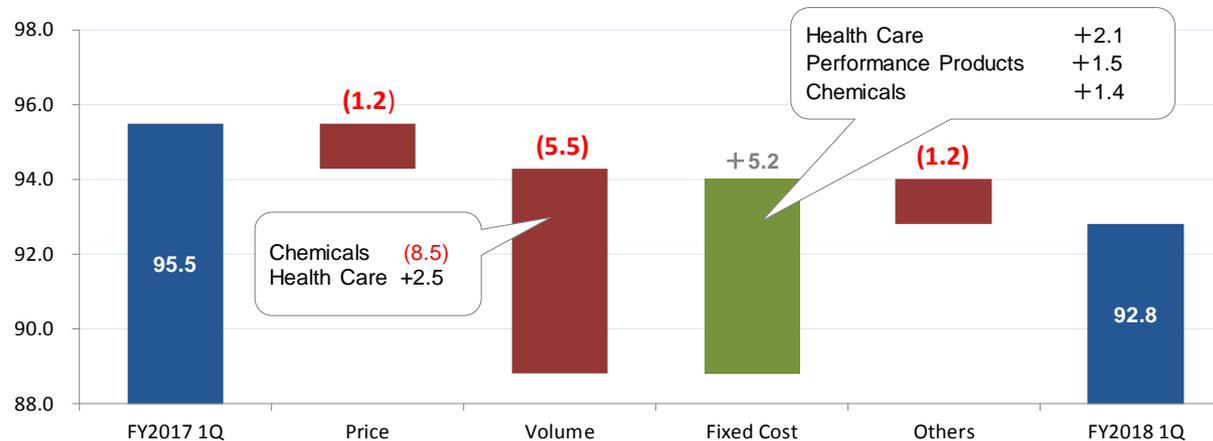
Analysis of Core Operating Income

(Billions of Yen)

	FY2018 1Q	FY2017 1Q	Change	Change			
				Price	Volume	Fixed Cost	Others *
Total Consolidated	92.8	95.5	(2.7)	(1.2)	(5.5)	5.2	(1.2)
Performance Products	23.9	26.5	(2.6)	(2.5)	0.6	1.5	(2.2)
Chemicals	36.9	34.1	2.8	6.0	(8.5)	1.4	3.9
Industrial Gases	13.3	13.4	(0.1)	(0.1)	(0.1)	0.2	(0.1)
Health Care	20.1	22.0	(1.9)	(4.6)	2.5	2.1	(1.9)
Others	(1.4)	(0.5)	(0.9)	0.0	0.0	0.0	(0.9)

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

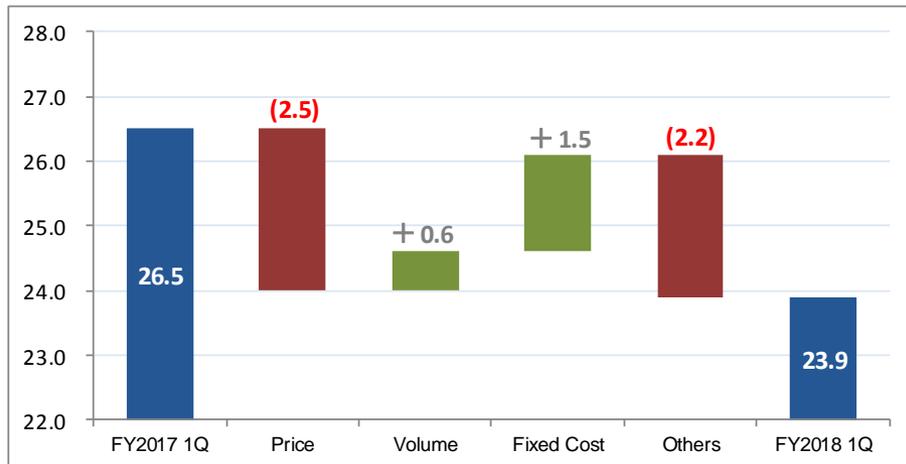
Changes in exchange rates	(0.4)	(0.1)	(0.3)	-	0.0
Changes in foreign currency translation included in above		0.1			



Performance Products Segment

		(Billions of Yen)		
		FY2018 1Q	FY2017 1Q	Change
Functional Products	Sales Revenue	193.8	188.7	5.1
	Core Operating Income	14.3	16.7	(2.4)
Performance Chemicals	Sales Revenue	95.9	88.5	7.4
	Core Operating Income	9.6	9.8	(0.2)
Performance Products	Sales Revenue	289.7	277.2	12.5
	Core Operating Income	23.9	26.5	(2.6)

< Analysis of Core Operating Income >



Functional Products	
Sales revenue	Sales volumes of advanced moldings and composites, including high-performance engineering plastics, alumina fibers, and other products increased.
Core operating income	Profit decreased due mainly to declining sales in of some films for displays and to rising raw material costs, despite higher sales volumes in high-performance engineering plastics, and alumina fibers.
Performance Chemicals	
Sales revenue	In advanced polymers, sales volumes of performance polymers increased mainly in Europe. In the new energy business, sales volumes of battery materials for automobiles increased.
Core operating income	Profit remained unchanged reflecting an impact from scheduled maintenance and repairs, despite rising market prices in phenol-polycarbonate chain, in addition to increased sales in performance polymers and battery materials.

<Major initiatives>

- MCC's consolidated subsidiary, The Nippon Synthetic Chemical Industry Co., Ltd., decided to expand a production facility for optical PVOH film, OPL film, in its Kumamoto Plant, in response to rising demand in polarizing film due primarily to spread of FPDs to emerging countries and an increase in screen size. The facility is slated to complete in March 2020. (Capacity increase: 106 million m²/y to 127 million m²/y)
- MCC decided to start discussions about a merger of its consolidated subsidiary, The Nippon Synthetic Chemical Industry Co., Ltd., with an assumed target date of April 2019, to further group-wide growth of associated businesses, by increasing revenue of existing businesses and developing new applications and products.

Chemicals Segment

(Billions of Yen)

		FY2018 1Q	FY2017 1Q	Change
MMA	Sales Revenue	108.3	92.3	16.0
	Core Operating Income	31.0	24.3	6.7
Petrochemicals	Sales Revenue	132.5	127.5	5.0
	Core Operating Income	0.3	5.8	(5.5)
Carbon products	Sales Revenue	72.5	68.1	4.4
	Core Operating Income	5.6	4.0	1.6
Chemicals	Sales Revenue	313.3	287.9	25.4
	Core Operating Income	36.9	34.1	2.8

< Analysis of Core Operating Income >



MMA	
Sales revenue	Market prices increased in the continued firm demand of for MMA.
Core operating income	Profit increased due mainly to due primarily to a broadening in the price differential between raw materials and products, and new plants going into operation.
Petrochemicals	
Sales revenue	Sales prices increased due to rising sales prices brought on by higher raw material prices, despite decreased sales volumes reflecting a larger impact from scheduled maintenance and repairs at an ethylene production facility.
Core operating income	Profit decreased due mainly to a broadening in the price differential between raw materials and products, in addition to an impact of the scheduled maintenance and repairs at petrochemical production facilities.
Carbon Products	
Sales revenue	Sales prices increased due to higher market prices of needle coke brought on by the continued firm demand for coke and other products.
Core operating income	Profit increased due mainly to a broadening in the price differential between raw materials and products, reflecting higher market prices of needle coke.

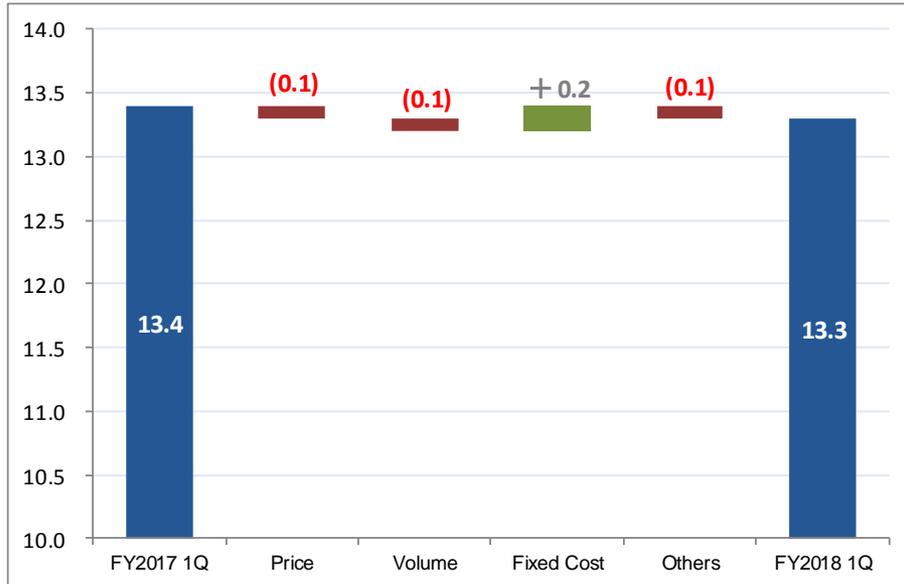
<Major initiatives>

- The Saudi Methacrylates Company, a joint venture between MCC and Saudi Basic Industries Corporation commenced full-scale operation at its facilities for MMA monomer (250kt/y) and PMMA (40kt/y) in April 2018.

Industrial Gases Segment

		(Billions of Yen)		
		FY2018 1Q	FY2017 1Q	Change
Industrial Gases	Sales Revenue	156.8	149.1	7.7
	Core Operating Income	13.3	13.4	(0.1)

< Analysis of Core Operating Income >



Industrial Gases	
Sales revenue	The overseas industrial gas business continued firm, in addition to an establishment of a new domestic onsite gas plant in October 2017.
Core operating income	Profit remained unchanged due mainly to increased costs brought on by rising fuel prices, despite continued firmness in the domestic and overseas gas businesses.

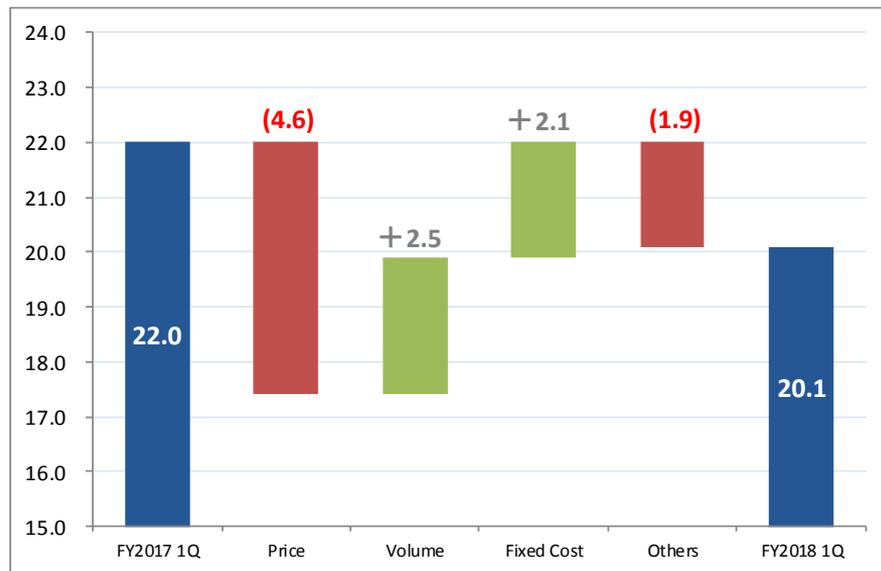
<Major initiative>

- In July, TNSC executed a share purchase agreement with Praxair, Inc. pursuant to which TNSC would acquire the shares of the corporations running a part of Praxair's European businesses. TNSC plans to acquire the shares in November 2018.

Health Care Segment

		(Billions of Yen)		
		FY2018 1Q	FY2017 1Q	Change
Health Care	Sales Revenue	135.6	138.1	(2.5)
	Core Operating Income	20.1	22.0	(1.9)

< Analysis of Core Operating Income >



Health Care	
Sales revenue	In pharmaceuticals, sales revenue decreased due mainly to the impact of NHI price revision and lower sales brought on by a generic drug business transfer, despite sales contribution of <i>Radicava</i> , a treatment for amyotrophic lateral sclerosis (ALS) in the U.S. and sales growth of priority ethical pharmaceutical products including <i>Simponi</i> , a treatment for rheumatoid arthritis, and other products.
Core operating income	Profit decreased due mainly to increased R&D expenses reflecting the impact of NHI price revision and acquisition of NeuroDerm Ltd., despite sales contribution of <i>Radiava</i> .

<Major initiatives>

- MTPC submitted a new drug application for edaravone (generic name) (U.S. product name: *Radicava*) to treat amyotrophic lateral sclerosis (ALS) to Health Canada and European Medicines Agency. The applications were approved on April 6, 2018, and May 24, 2018, respectively.

Consolidated Special Items

(Billions of Yen)

	FY2018 1Q	FY2017 1Q	Change
Total Special Items	0.8	(4.5)	5.3
Gain on sale of property, plant and equipment	2.2	0.1	2.1
Impairment loss	(0.8)	(0.0)	(0.8)
Loss on sale and disposal of fixed assets	(0.8)	(0.8)	0.0
Others	0.2	(3.8)	4.0

[Special Items by Business Segment]

Performance Products	(0.7)	(0.3)	(0.4)
Chemicals	(0.1)	(0.4)	0.3
Industrial Gases	0.3	0.1	0.2
Health Care	-	(0.9)	0.9
Others	1.3	(3.0)	4.3

Consolidated Cash Flows

	Based on statements of cash flows		Adjusted cash flows*		<reference> Target for FY2018 Forecast (announced on May 10)
	FY2018 1Q	FY2017 1Q	FY2018 1Q	FY2017 1Q	
Net cash provided by operating activities	89.6	88.2	89.6	88.2	394.0
Income before income taxes	94.5	89.6	94.5	89.6	325.0
Depreciation and amortization	45.8	43.8	45.8	43.8	185.0
Change in operating receivables/payables	(6.8)	(16.2)	(6.8)	(16.2)	} 0.0
Change in Inventories	5.2	(14.4)	5.2	(14.4)	
Others	(49.1)	(14.6)	(49.1)	(14.6)	(116.0)
Net cash used in investment activities	(59.0)	(126.3)	(53.1)	(58.5)	(254.0)
Capital expenditure	(55.5)	(56.7)	(55.5)	(56.7)	(264.0)
Sale of assets	9.5	2.4	9.5	2.4	} 10.0
Investment and loans receivable, etc.	(13.0)	(72.0)	(7.1)	(4.2)	
Free cash flow	30.6	(38.1)	36.5	29.7	140.0
Net cash used in financing activities	(54.8)	(19.5)			
Interest bearing debts	5.4	17.8			
Dividends, etc.	(60.2)	(37.3)			
Increase (Decrease) in cash and cash equivalents	(24.2)	(57.6)			
Effect of exchange rate changes and change in scope of consolidation	0.3	1.3			
Cash and cash equivalents at the beginning of the period	277.6	363.5			
Cash and cash equivalents at the end of the period	253.7	307.2			

* 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, 2018	Mar. 31, 2018	Change
Cash and cash equivalents	253.7	277.6	(23.9)
Trade receivables	833.8	854.8	(21.0)
Inventories	603.7	607.7	(4.0)
Other current assets	331.7	311.6	20.1
Total current assets	2,022.9	2,051.7	(28.8)
Tangible and Intangible fixed assets	1,812.3	1,788.7	23.6
Goodwill	325.3	323.4	1.9
Investment and other non-current assets	536.1	536.8	(0.7)
Total non-current assets	2,673.7	2,648.9	24.8
Total assets	4,696.6	4,700.6	(4.0)

	Jun. 30, 2018	Mar. 31, 2018	Change
Interest-bearing debts	1,624.6	1,606.1	18.5
Trade payables	464.6	488.6	(24.0)
Other liabilities	661.6	686.4	(24.8)
Total liabilities	2,750.8	2,781.1	(30.3)
Shareholders' equity	1,302.9	1,284.5	18.4
Other components of equity	4.5	1.3	3.2
Total equity attributable to owners of the parent	1,307.4	1,285.8	21.6
Non-controlling interests	638.4	633.7	4.7
Total equity	1,945.8	1,919.5	26.3
Total liabilities and equity	4,696.6	4,700.6	(4.0)
Net interest-bearing debts *1	1,173.7	1,139.5	34.2
Net D/E ratio	0.90	0.89	0.01
Ratio of equity attributable to owners of the parent	27.8%	27.4%	0.4%
ROE *2	-	17.8%	-

*1 Net interest-bearing debts
= interest bearing debts (1,624.6 billion yen)
- {cash and cash equivalents (253.7 billion yen) + investments of surplus funds (197.2 billion yen)}

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

References

Statement of Operations [Quarterly Data]

Exchange Rate (¥/\$)	111.4	111.2	112.7	107.5	109.5
Naphtha Price (¥/kl)	39,100	36,100	44,600	47,900	48,700

(Billions of Yen)

	FY2017				FY2018
	1Q	2Q	3Q	4Q	1Q
Sales Revenue	898.0	906.8	957.4	962.2	941.9
Core Operating Income *	95.5	96.8	112.7	75.5	92.8
Special Items	(4.5)	(2.5)	(3.8)	(14.0)	0.8
Operating Income	91.0	94.3	108.9	61.5	93.6
Financial Income/Expenses	(1.4)	(3.7)	(1.4)	(5.1)	0.9
(Dividend included above)	2.6	0.3	1.1	0.3	3.4
(Foreign Exchange Gain/Loss included above)	(0.7)	0.0	0.2	(2.5)	0.8
Earnings before Taxes	89.6	90.6	107.5	56.4	94.5
Income Taxes	(26.3)	(22.6)	(15.0)	(3.8)	(22.3)
Net Income	63.3	68.0	92.5	52.6	72.2
Net Income Attributable to Owners of the Parent	47.7	52.8	68.5	42.8	58.1
Net Income Attributable to Non-Controlling Interests	15.6	15.2	24.0	9.8	14.1
	5.6	6.0	6.7	9.0	8.6

* Equity income included

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

(Billions of Yen)

* All figures are approximation for reference purpose only.

		FY2017				FY2018
		1Q	2Q	3Q	4Q	1Q
Total Consolidated	Sales Revenue	898.0	906.8	957.4	962.2	941.9
	Core Operating Income	95.5	96.8	112.7	75.5	92.8
Functional Products	Sales Revenue	188.7	195.9	199.7	197.8	193.8
	Core Operating Income	16.7	16.2	15.4	9.7	14.3
Performance Chemicals	Sales Revenue	88.5	87.6	91.9	95.8	95.9
	Core Operating Income	9.8	8.1	9.7	8.4	9.6
Performance Products	Sales Revenue	277.2	283.5	291.6	293.6	289.7
	Core Operating Income	26.5	24.3	25.1	18.1	23.9
MMA	Sales Revenue	92.3	92.6	96.7	104.3	108.3
	Core Operating Income	24.3	27.9	29.2	28.2	31.0
Petrochemicals	Sales Revenue	127.5	130.9	141.6	138.0	132.5
	Core Operating Income	5.8	8.7	8.5	2.9	0.3
Carbon Products	Sales Revenue	68.1	60.2	59.5	65.6	72.5
	Core Operating Income	4.0	1.2	3.2	4.0	5.6
Chemicals	Sales Revenue	287.9	283.7	297.8	307.9	313.3
	Core Operating Income	34.1	37.8	40.9	35.1	36.9
Industrial Gases	Sales Revenue	149.1	153.1	163.7	172.8	156.8
	Core Operating Income	13.4	14.7	15.8	13.6	13.3
Health Care	Sales Revenue	138.1	135.1	155.6	127.8	135.6
	Core Operating Income	22.0	19.0	31.2	9.0	20.1
Others	Sales Revenue	45.7	51.4	48.7	60.1	46.5
	Core Operating Income	(0.5)	1.0	(0.3)	(0.3)	(1.4)

Business Segment Information

Business Domain	Business Segment	Business Sub-Segment		
			Businesses	
Performance Products	Performance Products	Functional Products	Electronics and Displays	Optical films, Electronics and displays, Acetyl
			High Performance Films	Packaging films, Industrial films
			Environment and Living Solutions	Aqua and separator solutions, Infrastructure solutions and agricultural materials
			Advanced Moldings and Composites	High performance engineering plastics, Fibers and textile, Carbon fiber and composite materials, Functional moldings and composites, Almina fiber and light metal products
		Performance Chemicals	Advanced Polymers	Performance polymers, Engineering polymers, Sustainable resources
			High Performance Chemicals	Performance chemicals, Performance materials, Food ingredients
New Energy	Lithium ion battery materials, Energy transduction device materials			
Industrial Materials	Chemicals	MMA	MMA	MMA
		Petrochemicals	Petrochemicals	Basic petrochemicals, Polyolefins, Basic chemical derivatives
		Carbon Products	Carbon	Carbon
	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.