

November 1, 2019

Mitsubishi Chemical Holdings Corporation **Condensed Consolidated Financial Information** **for the First Half of the Fiscal Year Ending March 31, 2020**

1. Business Results for the First Half of the Fiscal Year Ending March 31, 2020 ("FY2019") **(Business period: April 1, 2019 to September 30, 2019)**

Millions of Yen	
The First Half of the Current Fiscal Year ("FY2019")	The First Half of the Previous Fiscal Year ("FY2018")
April 1, 2019 - September 30, 2019	April 1, 2018 - September 30, 2018

(1) Results of Operations:

Sales revenue	1,827,690	1,881,905
Core operating income*	130,758	187,150
Operating income	130,557	185,582
Income before taxes	122,428	183,017
Net Income	101,711	146,896
Net income attributable to owners of the parent	81,318	120,213
Comprehensive income	26,833	197,881

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

(Yen)

Earnings per share - Basic	57.27	84.41
- Diluted	52.76	77.91

(2) Segment Information:

[Sales Revenue by Business Segment]

Performance Products	548,923	575,561
Chemicals	563,737	648,977
Industrial Gases	419,475	325,652
Health Care	205,281	229,276
Others	90,274	102,439
Total	1,827,690	1,881,905

[Core Operating Income (Loss) by Business Segment]

Performance Products	40,519	45,692
Chemicals	35,991	82,010
Industrial Gases	44,276	26,934
Health Care	9,817	34,273
Others	5,435	3,050
Elimination and corporate	(5,280)	(4,809)
Total	130,758	187,150

Millions of Yen	
As of September 30, 2019	As of March 31, 2019

(3) Financial Position:

Total assets	5,338,791	5,572,508
Total equity	2,014,058	2,025,854
Equity attributable to owners of the parent	1,380,067	1,377,947
Ratio of equity attributable to owners of the parent to total assets (%)	25.8	24.7

Millions of Yen	
The First Half of the Current Fiscal Year ("FY2019") April 1, 2019 - September 30, 2019	The First Half of the Previous Fiscal Year ("FY2018") April 1, 2018 - September 30, 2018

(4) Cash Flows:

Net cash provided by (used in) operating activities	251,187	221,456
Net cash provided by (used in) investing activities	(105,715)	(114,815)
Net cash provided by (used in) financing activities	(220,997)	(124,449)
Cash and cash equivalents at the end of the period	234,210	263,108

Note:

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 first half of the previous fiscal year and the current fiscal year encompass continuing operations and exclude discontinued operations.

2. Forecast for the Current Fiscal Year

	Millions of Yen
	FY2019
	April 1, 2019 - March 31, 2020
Sales revenue	3,765,000
Core operating income	250,000
Operating income	241,000
Net income attributable to owners of the parent	131,000

(Yen)

Earnings per share - Basic	92.26
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Note:

The profit and loss forecast for fiscal 2019 has been revised to the above from those announced on May 14, 2019.

3. Qualitative Information on Financial Results for the Term

(1) Business Performance

Performance Overview

During the first half of fiscal 2019 (April 1 through September 30, 2019), the business outlook remained uncertain for the Mitsubishi Chemical Holdings Group. This was notably in terms of supply and demand easing for some products, centered on semiconductor and automotive applications, amid concerns about U.S.-China trade friction.

It was against this backdrop that sales revenue for the term decreased ¥ 54.2 billion, or 2.9%, to ¥1,827.7 billion. Core operating income dropped ¥56.4 billion, or 30.1%, to ¥130.8 billion. Operating income declined ¥55.0 billion, or 29.6%, to ¥130.6 billion. Income before taxes was down ¥60.6 billion, or 33.1%, to ¥122.4 billion. Net income attributable to owners of the parent fell ¥38.9 billion, or 32.4%, to ¥81.3 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 first half 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 first half 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 ¥26.7 billion, to ¥548.9 billion. Core operating income was down ¥5.2 billion, to ¥40.5 billion.

In functional products, sales revenue declined. This was despite higher sales volumes in some information, electronics, and display-related products and 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.

In performance chemicals, sales revenue decreased, reflecting a drop in market prices for phenol-polycarbonate chain materials in advanced polymers, which were favorable in the same period of the previous fiscal year, despite an increase in sales volumes due to the impact of the previous fiscal

year's scheduled maintenance and repairs at the above-mentioned production facilities being resolved.

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 first half 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.
- Mitsubishi Chemical Corporation in June 2019 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.
- 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 ¥85.2 billion, to ¥563.7 billion. Core operating income was down ¥46.0 billion, to ¥36.0 billion.

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

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.

In carbon products, sales revenue was down owing primarily to lower exported coke prices.

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.

A major initiative in the Chemicals segment during the first half 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.

Industrial Gases Segment, Industrial Materials Domain

Sales revenue rose ¥93.8 billion, to ¥419.5 billion. Core operating income was up ¥17.4 billion, to ¥44.3 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 ¥24.0 billion, to ¥205.3 billion. Core operating income was down ¥24.5 billion, to ¥9.8 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 first half of the year under review.

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

- Life Science Institute, Inc. in August 2019 completed an exchange of shares with PHC Holdings Corporation (PHCHD) after obtaining competition low-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.

Others

Sales revenue decreased ¥12.1 billion, to ¥90.3 billion. Core operating income rose ¥2.3 billion, to ¥5.4 billion.

(2) Consolidated Financial Position

Total assets at September 30, 2019, were ¥5,338.8 billion, down ¥233.7 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 a decline in trade receivables owing to the end of the previous fiscal year being a holiday and the decline in the assets of overseas consolidated subsidiaries in yen terms owing to the yen’s appreciation.

(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 May 14, 2019 for the fiscal year ending March 31, 2020, 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 (November 1, 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 May 14, 2019)	4,080.0	300.0	300.0	213.0	168.0	118.32
Revised forecast (B)	3,765.0	250.0	241.0	170.0	131.0	92.26
Difference (B – A)	(315.0)	(50.0)	(59.0)	(43.0)	(37.0)	
Difference (%)	(7.7)	(16.7)	(19.7)	(20.2)	(22.0)	
Reference: Results for fiscal 2018	3,840.3	314.1	294.8	216.7	169.5	119.22

Notes:

- Net income before taxes: ¥278.0 billion (previous forecast); ¥221.0 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 is projected to be lower than the previous forecast mainly because of lower prices from a drop in raw materials costs.

Profits are projected to be below the previous forecast owing to such factors as market conditions being weaker than initially projected for MMA, phenol-polycarbonate chain materials, and other products and sluggish demand, particularly for semiconductor and automotive applications.

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] and [6] hereof.

Reference

(1) Condensed Consolidated Statement of Profit or Loss

Six months ended September 30, 2018 and 2019

	(Millions of yen)	
	Six months ended June 30, 2018	Six months ended June 30, 2019
Continuing operations		
Sales revenue	1,881,905	1,827,690
Cost of sales	(1,340,757)	(1,311,322)
Gross profit	541,148	516,368
Selling, general and administrative expenses	(368,269)	(396,333)
Other operating income	6,506	12,750
Other operating expenses	(10,875)	(10,321)
Share of profit of associates and joint ventures	17,072	8,093
Operating income	185,582	130,557
Financial income	6,734	5,383
Financial expenses	(9,299)	(13,512)
Income before taxes	183,017	122,428
Income taxes	(36,945)	(37,609)
Net income from continuing operations	146,072	84,819
Discontinued operations		
Net income from discontinued operations	824	16,892
Net income	146,896	101,711
Net income attributable to		
Owners of the parent	120,213	81,318
Non-controlling interests	26,683	20,393
Net income	146,896	101,711
Earnings per share		
Basic (Yen)		
Continuing operations	83.83	45.37
Discontinued operations	0.58	11.90
Total	84.41	57.27
Diluted (Yen)		
Continuing operations	77.38	41.82
Discontinued operations	0.53	10.94
Total	77.91	52.76

(2) Condensed Consolidated Statement of Comprehensive Income

Six months ended September 30, 2018 and 2019

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	146,896	101,711
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	8,591	(8,124)
Remeasurements of defined benefit pensions plans	8,087	1,603
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	129	(52)
Total items that will not be reclassified to profit or loss	16,807	(6,573)
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	30,013	(62,435)
Net gain (loss) on derivatives designated as cash flow hedges	5,073	(190)
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	(908)	(5,680)
Total items that may be subsequently reclassified to profit or loss	34,178	(68,305)
Total other comprehensive income (net of tax)	50,985	(74,878)
Total comprehensive income	197,881	26,833
Total comprehensive income attributable to		
Owners of the parent	156,282	28,767
Non-controlling interests	41,599	(1,934)

(3) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2019	September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	321,541	234,210
Trade receivables	855,107	735,677
Inventories	623,049	607,884
Other financial assets	248,262	245,719
Other current assets	76,072	88,613
Subtotal	2,124,031	1,912,103
Assets held for sales	17,810	22,488
Total current assets	2,141,841	1,934,591
Non-current assets		
Property, plant and equipment	1,683,354	1,714,145
Goodwill	648,806	629,049
Intangible assets	568,787	537,390
Investments accounted for using the equity method	183,067	171,878
Other financial assets	228,571	247,034
Other non-current assets	33,573	33,875
Deferred tax assets	84,509	70,829
Total non-current assets	3,430,667	3,404,200
Total assets	5,572,508	5,338,791

	(Millions of yen)	
	March 31, 2019	September 30, 2019
Liabilities		
Current liabilities		
Trade payables	492,404	420,581
Bonds and borrowings	1,108,643	946,646
Income tax payable	31,768	24,734
Other financial liabilities	222,377	221,307
Provisions	8,296	8,029
Other current liabilities	138,089	127,172
Subtotal	2,001,577	1,748,469
Liabilities directly associated with assets held for sales	11,723	10,512
Total current liabilities	2,013,300	1,758,981
Non-current liabilities		
Bonds and borrowings	1,138,108	1,117,136
Other financial liabilities	26,755	90,045
Retirement benefit liabilities	120,816	112,689
Provisions	28,294	22,725
Other non-current liabilities	41,971	55,627
Deferred tax liabilities	177,410	167,530
Total non-current liabilities	1,533,354	1,565,752
Total liabilities	3,546,654	3,324,733
Equity		
Common stock	50,000	50,000
Additional paid-in capital	321,477	322,814
Treasury stock	(63,560)	(63,497)
Retained earnings	1,073,873	1,128,672
Other components of equity	(3,843)	(57,922)
Equity attributable to owners of the parent	1,377,947	1,380,067
Non-controlling interests	647,907	633,991
Total equity	2,025,854	2,014,058
Total liabilities and equity	5,572,508	5,338,791

(4) Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 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	—	—	—	120,213
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	120,213
Purchase of treasury stock	—	—	(20,016)	—
Disposal of treasury stock	—	(23)	24	—
Cash dividends	—	—	—	(24,470)
Share-based payment transactions	—	483	—	—
Share-based payment transactions of subsidiaries	—	—	—	—
Changes in interests in subsidiaries	—	34	—	—
Changes in scope of consolidation	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	9,558
Total transactions with owners	—	494	(19,992)	(14,912)
Balance at September 30, 2018	50,000	321,605	(63,561)	1,062,162

	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, 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	—	—	—	—	—	120,213	26,683	146,896
Other comprehensive income	5,800	7,385	20,317	2,567	36,069	36,069	14,916	50,985
Total comprehensive income	5,800	7,385	20,317	2,567	36,069	156,282	41,599	197,881
Purchase of treasury stock	—	—	—	—	—	(20,016)	—	(20,016)
Disposal of treasury stock	—	—	—	—	—	1	—	1
Cash dividends	—	—	—	—	—	(24,470)	(16,189)	(40,659)
Share-based payment transactions	—	—	—	—	—	483	—	483
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	16	16
Changes in interests in subsidiaries	—	—	—	—	—	34	2,273	2,307
Changes in scope of consolidation	—	—	—	—	—	—	(86)	(86)
Transfer from other components of equity to retained earnings	(2,173)	(7,385)	—	—	(9,558)	—	—	—
Total transactions with owners	(2,173)	(7,385)	—	—	(9,558)	(43,968)	(13,986)	(57,954)
Balance at September 30, 2018	55,171	—	(30,138)	2,740	27,773	1,397,979	661,292	2,059,271

Six months ended September 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	—	—	—	81,318
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	81,318
Purchase of treasury stock	—	—	(11)	—
Disposal of treasury stock	—	(74)	74	—
Cash dividends	—	—	—	(28,398)
Share-based payment transactions	—	182	—	—
Share-based payment transactions of subsidiaries	—	—	—	—
Changes in interests in subsidiaries	—	(973)	—	—
Business combinations or business divestitures	—	2,202	—	—
Changes in scope of consolidation	—	—	—	351
Transfer from other components of equity to retained earnings	—	—	—	1,528
Total transactions with owners	—	1,337	63	(26,519)
Balance at September 30, 2019	50,000	322,814	(63,497)	1,128,672

	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	—	—	—	—	—	81,318	20,393	101,711
Other comprehensive income	(6,110)	1,109	(47,357)	(193)	(52,551)	(52,551)	(22,327)	(74,878)
Total comprehensive income	(6,110)	1,109	(47,357)	(193)	(52,551)	28,767	(1,934)	26,833
Purchase of treasury stock	—	—	—	—	—	(11)	—	(11)
Disposal of treasury stock	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	(28,398)	(15,499)	(43,897)
Share-based payment transactions	—	—	—	—	—	182	—	182
Share-based payment transactions of subsidiaries	—	—	—	—	—	—	(17)	(17)
Changes in interests in subsidiaries	—	—	—	—	—	(973)	(363)	(1,336)
Business combinations or business divestitures	—	—	—	—	—	2,202	3,361	5,563
Changes in scope of consolidation	—	—	—	—	—	351	536	887
Transfer from other components of equity to retained earnings	(419)	(1,109)	—	—	(1,528)	—	—	—
Total transactions with owners	(419)	(1,109)	—	—	(1,528)	(26,647)	(11,982)	(38,629)
Balance at September 30, 2019	44,971	—	(102,887)	(6)	(57,922)	1,380,067	633,991	2,014,058

(5) Condensed Consolidated Statement of Cash Flow

Six months ended September 30, 2018 and 2019

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Income before taxes	183,017	122,428
Income before taxes from discontinued operations	1,066	25,585
Depreciation and amortization	93,362	119,052
Share of profit of associates and joint ventures	(17,078)	(8,098)
Gain on share exchanges	—	(23,922)
Interest and dividend income	(5,767)	(4,743)
Interest expenses	8,664	12,719
(Increase) decrease in trade receivables	16,882	84,886
(Increase) decrease in inventories	(21,083)	3,227
Increase (decrease) in trade payables	(3,261)	(56,496)
Increase (decrease) in retirement benefit assets and liabilities, net	(598)	(591)
Other	(5,080)	(10,563)
Subtotal	250,124	263,484
Interest received	2,487	2,075
Dividends received	20,337	21,545
Interest paid	(9,013)	(11,557)
Income tax (paid) received, net	(42,479)	(24,360)
Net cash provided by (used in) operating activities	221,456	251,187
Cash flows from investing activities		
Purchase of property, plant and equipment	(101,101)	(104,929)
Proceeds from sales of property, plant and equipment	3,967	5,261
Purchase of intangible assets	(1,288)	(3,225)
Purchase of other financial assets	(148,434)	(236,912)
Proceeds from sales/redemption of other financial assets	137,186	220,398
Net cash outflow on acquisition of subsidiaries	—	(1,429)
Proceeds from sales of investments in subsidiaries	83	2,836
Payments for transfer of business	(4,459)	—
Net (Increase) decrease of time deposits	95	217
Other	(864)	12,068
Net cash provided by (used in) investing activities	(114,815)	(105,715)

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(23,709)	(107,941)
Net increase (decrease) in commercial papers	(4,000)	(45,000)
Proceeds from long-term borrowings	40,514	57,127
Repayment of long-term borrowings	(36,760)	(43,682)
Proceeds from issuance of bonds	—	29,812
Redemption of bonds	(40,000)	(50,000)
Repayment of lease liabilities	(1,904)	(16,028)
Net (increase) decrease in treasury stock	(20,015)	(11)
Dividends paid to owners of the parent	(24,470)	(28,398)
Dividends paid to non-controlling interests	(15,937)	(15,512)
Proceeds from stock issuance to non-controlling interests	2,451	3
Other	(619)	(1,367)
Net cash provided by (used in) financing activities	(124,449)	(220,997)
Effect of exchange rate changes on cash and cash equivalents	3,425	(11,383)
Net increase (decrease) in cash and cash equivalents	(14,383)	(86,908)
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	(98)	(1,029)
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	263,108	234,210

(6) Change in Accounting Policy

Main standards and interpretations newly applied by the Mitsubishi Chemical Holdings Group (MCHC Group) from the first quarter of fiscal 2019 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 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 first half 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

		(Millions of yen)
	Six months ended September 30, 2018	Six months ended September 30, 2019
Revenue (*1)	40,222	52,754
Cost	(39,156)	(27,169)
Income before tax from discontinued operations	1,066	25,585
Income tax expense (*2)	(242)	(8,693)
Net Income from discontinued operations	824	16,892

(*1) In the six months ended September 30, 2019, this included ¥23,922 million from gain on share exchanges.

(*2) In the six months ended September 30, 2019, this included ¥(8,117) million from tax on gain on share exchanges.