Consolidated Financial Statements

Years ended March 31, 2024 and 2023

Mitsubishi Chemical Group Corporation

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 25, 2024 for reference purposes only.
In the event of any discrepancy between this translated document and Japanese version, the Japanese version shall prevail.

Consolidated Statement of Income

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries
Fiscal years ended March 31

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Continuing operations:		
Sales revenue (Notes 4 and 7)	¥ 4,634,532	**¥ 4,387,218**
Cost of sales	(3,395,045)	**(3,240,394)**
Gross profit	1,239,487	**1,146,824**
Selling, general and administrative expenses	(922,650)	**(932,345)**
Other operating income (Note 10)	31,893	**117,801**
Other operating expenses (Note 10)	(177,755)	**(78,539)**
Share of profit of associates and joint ventures (Notes 4 and 17)	11,743	**8,090**
Operating income (Note 4)	182,718	**261,831**
Financial income (Note 11)	16,636	**23,796**
Financial expenses (Note 11)	(31,390)	**(45,080)**
Income before taxes	167,964	**240,547**
Income taxes (Note 12)	(32,419)	**(62,108)**
Net income from continuing operations	¥ 135,545	**¥ 178,439**
Net income attributable to:		
Owners of the parent	¥ 96,461	**¥ 119,596**
Non-controlling interests	39,084	**58,843**
Earnings per share:	(Yen)	(Yen)
Basic earnings per share attributable to owners of the parent (Note 13)	¥ 67.85	**¥ 84.07**
Diluted earnings per share attributable to owners of the parent (Note 13)	¥ 64.99	**¥ 80.77**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries
Fiscal years ended March 31

	Millions of yen	
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Net income	¥135,545	**¥178,439**
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 (Note 26)	(9,923)	**7,792**
Remeasurements of defined benefit plans (Note 26)	(3,018)	**7,295**
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method (Note 26)	426	**(26)**
Total items that will not be reclassified to profit or loss	(12,515)	**15,061**
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations (Note 26)	78,926	**166,868**
Net gain (loss) on derivatives designated as cash flow hedges (Note 26)	1,528	**1,163**
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method (Note 26)	7,404	**2,066**
Total items that may be subsequently reclassified to profit or loss	87,858	**170,097**
Total other comprehensive income (net of tax)	75,343	**185,158**
Total comprehensive income	¥210,888	**¥363,597**
Total comprehensive income attributable to:		
Owners of the parent	¥151,379	**¥249,349**
Non-controlling interests	59,509	**114,248**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

		Millions of yen	
		March 31, 2023	**March 31, 2024**
Assets	**Current assets:**		
	Cash and cash equivalents (Note 22)	¥ 297,224	**¥ 294,924**
	Trade receivables (Note 21)	808,787	**852,353**
	Inventories (Note 20)	797,877	**799,249**
	Other financial assets (Note 18)	74,469	**82,804**
	Other current assets (Note 19)	141,020	**131,721**
	Subtotal	2,119,377	**2,161,051**
	Assets held for sale (Note 23)	30,241	**30,585**
	Total current assets	2,149,618	**2,191,636**
	Non-current assets:		
	Property, plant and equipment (Note 15)	1,907,898	**2,043,330**
	Goodwill (Note 14)	727,655	**832,899**
	Intangible assets (Note 14)	459,213	**481,028**
	Investments accounted for using the equity method (Note 17)	170,736	**164,246**
	Other financial assets (Note 18)	203,270	**221,232**
	Other non-current assets (Note 19)	61,425	**72,747**
	Deferred tax assets (Note 12)	94,533	**97,395**
	Total non-current assets	3,624,730	**3,912,877**
	Total assets (Note 4)	¥5,774,348	**¥6,104,513**

The accompanying notes are an integral part of these consolidated financial statements.

		March 31, 2023	March 31, 2024
			Millions of yen
Liabilities and Equity			
Liabilities	**Current liabilities:**		
	Trade payables (Note 35)	¥ 476,311	**¥ 501,532**
	Bonds and borrowings (Note 30)	601,443	**605,307**
	Income tax payable	29,127	**22,890**
	Other financial liabilities (Note 32)	316,379	**367,925**
	Provisions (Note 29)	47,274	**35,957**
	Other current liabilities (Note 34)	184,272	**187,420**
	Subtotal	1,654,806	**1,721,031**
	Liabilities directly associated with assets held for sale (Note 23)	9,024	**3,881**
	Total current liabilities	1,663,830	**1,724,912**
	Non-current liabilities:		
	Bonds and borrowings (Note 30)	1,642,325	**1,595,704**
	Other financial liabilities (Note 32)	118,527	**121,128**
	Retirement benefit liabilities (Note 28)	102,292	**104,828**
	Provisions (Note 29)	39,476	**31,672**
	Other non-current liabilities (Note 34)	39,936	**44,147**
	Deferred tax liabilities (Note 12)	179,493	**206,627**
	Total non-current liabilities	2,122,049	**2,104,106**
	Total liabilities	3,785,879	**3,829,018**
Equity	Common stock: (Note 24)	50,000	**50,000**
	Additional paid-in capital (Note 24)	167,917	**159,602**
	Treasury stock (Note 24)	(62,231)	**(61,857)**
	Retained earnings (Note 24)	1,270,577	**1,355,131**
	Other components of equity (Note 24)	138,435	**260,571**
	Equity attributable to owners of the parent	1,564,698	**1,763,447**
	Non-controlling interests	423,771	**512,048**
	Total equity	1,988,469	**2,275,495**
	Total liabilities and equity	¥5,774,348	**¥6,104,513**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Fiscal year ended March 31, 2023

Millions of yen

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2022	¥50,000	¥170,600	¥(62,870)	¥1,213,677
Cumulative effects of changes in accounting policies (Note 2)	—	—	—	(63)
Restated balance at April 1, 2022	50,000	170,600	(62,870)	1,213,614
Net income	—	—	—	96,461
Other comprehensive income (Note 26)	—	—	—	—
Total comprehensive income	—	—	—	96,461
Purchase of treasury stock (Note 24)	—	—	(21)	—
Disposal of treasury stock (Note 24)	—	(651)	660	—
Cash dividends (Note 25)	—	—	—	(42,651)
Share-based payment transactions (Note 27)	—	463	—	—
Changes in interests in subsidiaries	—	(2,495)	—	—
Business combinations or business divestitures	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	3,153
Total transactions with owners	—	(2,683)	639	(39,498)
Balance at March 31, 2023	¥50,000	¥167,917	¥(62,231)	¥1,270,577

	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	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, 2022	¥50,956	¥ —	¥33,318	¥ 2,396	¥ 86,670	¥1,458,077	¥386,242	¥1,844,319
Cumulative effects of changes in accounting policies (Note 2)	—	—	—	—	—	(63)	—	(63)
Restated balance at April 1, 2022	50,956	—	33,318	2,396	86,670	1,458,014	386,242	1,844,256
Net income	—	—	—	—	—	96,461	39,084	135,545
Other comprehensive income (Note 26)	(10,053)	(3,459)	66,570	1,860	54,918	54,918	20,425	75,343
Total comprehensive income	(10,053)	(3,459)	66,570	1,860	54,918	151,379	59,509	210,888
Purchase of treasury stock (Note 24)	—	—	—	—	—	(21)	—	(21)
Disposal of treasury stock (Note 24)	—	—	—	—	—	9	—	9
Cash dividends (Note 25)	—	—	—	—	—	(42,651)	(19,216)	(61,867)
Share-based payment transactions (Note 27)	—	—	—	—	—	463	—	463
Changes in interests in subsidiaries	—	—	—	—	—	(2,495)	(3,153)	(5,648)
Business combinations or business divestitures	—	—	—	—	—	—	389	389
Transfer from other components of equity to retained earnings	(6,612)	3,459	—	—	(3,153)	—	—	—
Total transactions with owners	(6,612)	3,459	—	—	(3,153)	(44,695)	(21,980)	(66,675)
Balance at March 31, 2023	¥34,291	¥ —	¥99,888	¥4,256	¥138,435	¥1,564,698	¥423,771	¥1,988,469

Fiscal year ended March 31, 2024

Millions of yen

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2023	¥50,000	¥167,917	¥(62,231)	¥1,270,577
Net income	—	—	—	119,596
Other comprehensive income (Note 26)	—	—	—	—
Total comprehensive income	—	—	—	119,596
Purchase of treasury stock (Note 24)	—	—	(33)	—
Disposal of treasury stock (Note 24)	—	(83)	407	—
Cash dividends (Note 25)	—	—	—	(44,094)
Share-based payment transactions (Note 27)	—	46	—	—
Forfeiture of share acquisition rights	—	(1,993)	—	1,445
Changes in interests in subsidiaries	—	(6,285)	—	—
Changes in scope of consolidation	—	—	—	(10)
Transfer from other components of equity to retained earnings	—	—	—	7,617
Total transactions with owners	—	(8,315)	374	(35,042)
Balance at March 31, 2024	¥50,000	¥159,602	¥(61,857)	¥1,355,131

	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure-ments 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, 2023	¥34,291	¥ —	¥99,888	¥ 4,256	¥138,435	¥1,564,698	¥423,771	¥1,988,469
Net income	—	—	—	—	—	119,596	58,843	178,439
Other comprehensive income (Note 26)	4,752	6,515	117,596	890	129,753	129,753	55,405	185,158
Total comprehensive income	4,752	6,515	117,596	890	129,753	249,349	114,248	363,597
Purchase of treasury stock (Note 24)	—	—	—	—	—	(33)	—	(33)
Disposal of treasury stock (Note 24)	—	—	—	—	—	324	—	324
Cash dividends (Note 25)	—	—	—	—	—	(44,094)	(14,457)	(58,551)
Share-based payment transactions (Note 27)	—	—	—	—	—	46	—	46
Forfeiture of share acquisition rights	—	—	—	—	—	(548)	—	(548)
Changes in interests in subsidiaries	—	—	—	—	—	(6,285)	(11,503)	(17,788)
Changes in scope of consolidation	—	—	—	—	—	(10)	(11)	(21)
Transfer from other components of equity to retained earnings	(1,102)	(6,515)	—	—	(7,617)	—	—	—
Total transactions with owners	(1,102)	(6,515)	—	—	(7,617)	(50,600)	(25,971)	(76,571)
Balance at March 31, 2024	¥37,941	¥ —	¥217,484	¥5,146	¥260,571	¥1,763,447	¥512,048	¥2,275,495

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Cash flows from operating activities:		
Income before taxes	¥167,964	**¥240,547**
Depreciation and amortization	269,616	**275,436**
Share of (profit) loss of associates and joint ventures	(11,743)	**(8,090)**
Impairment loss	96,782	**33,530**
Loss on sale and disposal of fixed assets	10,979	**18,540**
Provision for loss on business liquidation	5,666	**1,832**
Provision for loss on plant closure	26,726	**52**
Provision for loss on litigation	3,550	**—**
Gain on sale of intercompany securities	(3,316)	**(36,488)**
Gain on step acquisitions	—	**(27,000)**
Reversal of provision for loss on plant closure	—	**(11,960)**
Gain on reversal of asset retirement obligations	—	**(4,681)**
Gain on forgiveness of debts	—	**(3,816)**
Gain on sale of property, plant and equipment	(8,792)	**(2,349)**
Gain on reversal of environmental expenses	(3,149)	**(76)**
Interest and dividend income	(14,616)	**(11,681)**
Interest expense	29,800	**43,049**
(Increase) decrease in trade receivables	20,438	**(14,184)**
(Increase) decrease in inventories	(45,166)	**30,298**
Increase (decrease) in trade payables	(14,611)	**(2,663)**
Increase (decrease) in retirement benefit assets and liabilities, net	4,184	**(490)**
Others	(66,344)	**3,079**
Subtotal	467,968	**522,885**
Interest received	2,039	**5,463**
Dividends received	26,338	**28,145**
Interest paid	(25,335)	**(40,881)**
Income tax (paid) received, net	(115,821)	**(50,466)**
Net cash provided by (used in) operating activities	355,189	**465,146**

Cash flows from investing activities:		
Purchase of property, plant and equipment	(259,026)	**(268,686)**
Proceeds from sales of property, plant and equipment	5,793	**6,020**
Purchase of intangible assets	(21,969)	**(5,786)**
Purchase of other financial assets	(5,184)	**(7,313)**
Proceeds from sales/redemption of other financial assets	26,944	**21,983**
Net cash outflow on acquisition of subsidiaries (Note 5)	(122)	**(49,519)**
Proceeds from sales of investments in subsidiaries (Note 6)	9,832	**44,315**
Payments for transfer of businesses	—	**(10,024)**
Proceeds from transfer of businesses	1,934	**1,319**
Net (increase) decrease in time deposits	(636)	**(4,967)**
Proceeds from collection of loans receivable from companies over which control was lost (Note 6)	4,881	**29,286**
Others	(10,079)	**(2,715)**
Net cash provided by (used in) investing activities	(247,632)	**(246,087)**

Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(9,167)	**11,641**
Net increase (decrease) in commercial papers	69,000	**21,000**
Proceeds from long-term borrowings	81,270	**115,602**
Repayment of long-term borrowings	(128,728)	**(197,805)**
Proceeds from issuance of bonds	44,776	**119,446**
Redemption of bonds	(20,000)	**(200,000)**
Repayment of lease liabilities	(34,099)	**(36,491)**
Net (increase) decrease in treasury stock	(21)	**(33)**
Dividends paid to owners of the parent	(42,651)	**(44,094)**
Dividends paid to non-controlling interests	(19,113)	**(13,816)**
Payments for acquisition of subsidiaries' interests from non-controlling interests	(2,888)	**(17,445)**
Others	838	**271**
Net cash provided by (used in) financing activities	(60,783)	**(241,724)**

Effect of exchange rate changes on cash and cash equivalents	6,425	**21,225**
Net increase (decrease) in cash and cash equivalents	53,199	**(1,440)**
Cash and cash equivalents at the beginning of the period	245,789	**297,224**
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(1,868)	**(1,045)**
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	**185**
Net increase in cash and cash equivalents resulting from merger and acquisition	104	**—**
Cash and cash equivalents at the end of the period (Note 22)	¥297,224	**¥294,924**

The accompanying notes are an integral part of these consolidated financial statements.

Note 1

Reporting Entity

Mitsubishi Chemical Group Corporation (the "Company") is a corporation domiciled in Japan, whose shares are listed on the Prime Market of the Tokyo Stock Exchange. The registered address of its Head Office is presented on its website (https://www.mcgc.com/). The Company's Consolidated Financial Statements for the fiscal year ended March 31, 2024 comprise those of the Company, its subsidiaries and associates, and interests under joint arrangements (collectively, the "MCG Group"). The MCG Group's three principal domains are Performance Products, Industrial Materials, and Health Care. Further details are presented in Note 4 Segment Information.

Note 2

Basis of Presentation

1. Compliance with IFRS

The accompanying consolidated financial statements of the MCG Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The provisions of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements apply, as the Company meets the requirements for a "Specified Company applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of said ordinance.

2. Approval of Consolidated Financial Statements

The MCG Group's consolidated financial statements were approved on June 25, 2024, by Manabu Chikumoto, Representative Corporate Executive Officer, President and Chief Executive Officer, and Minoru Kida, Vice President, Chief Financial Officer.

3. Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments measured at fair value presented in Note 3 Material Accounting Policies.

4. Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, rounded to the nearest million yen.

5. Use of Judgments, Estimates and Assumptions

Management has made a number of judgments, estimates and assumptions relating to the application of accounting policies, reporting of revenues, expenses, assets and liabilities in the preparation of the consolidated financial statements in accordance with IFRS. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated. The effect of changes to accounting estimates is recognized in the reporting period in which the revision was made and in future periods.

Information regarding judgments, estimates, and assumptions used in applying accounting policies that could materially affect the MCG Group's consolidated financial statements is included in the following notes:

- Impairment of Non-Financial Assets (Note 14, Goodwill and Intangible Assets, Note 15, Property, Plant and Equipment and Note 16, Impairment Losses)
- Recoverability of Deferred Tax Assets (Note 12, Income Taxes)
- Measurement of Defined Benefit Obligations (Note 28, Retirement Benefits)
- Fair Value of Financial Instruments (Note 36, Financial Instruments)

6. Newly Applied Standards and Interpretations

The principal new standards and interpretations that the MCG Group applied in the fiscal year ended March 31, 2024, are as follows.

Standards and Interpretations		Summary of new and revised provisions
IAS 12	Income Taxes (amended in May 2021)	Clarification of accounting for deferred taxes related to assets and liabilities arising from a single transaction

The application of IAS 12 "Income Taxes" (amended in May 2021) clarifies accounting treatment upon initial recognition for transactions that result in equal taxable temporary and deductible temporary differences at the time of the transaction.
Taxable temporary differences and deductible temporary differences are recognized as deferred tax liabilities and deferred tax assets, respectively, in the consolidated statement of financial position.

In applying this standard, the consolidated financial statements for the previous fiscal year were revised retrospectively. As a result, in the consolidated statement of financial position as of March 31, 2023, deferred tax assets increased by ¥445 million, deferred tax liabilities increased by ¥113 million, and retained earnings increased by ¥332 million. Also, net income increased by ¥395 million in the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the previous fiscal year due to changes in income taxes. Basic earnings per share and diluted earnings per share increased by ¥0.28 and ¥0.27 for the previous fiscal year respectively.

In addition, the cumulative effect of applying the above-mentioned standard was reflected. As a result, the beginning balance of retained earnings of the previous fiscal year decreased by ¥63 million in the consolidated statement of changes in equity.

7. New Standards and Interpretations Not Yet Applied

Among the new standards and interpretations that have been issued by the approval date for the consolidated financial statements, the MCG Group has not applied the following new standards and interpretations as the application is not yet mandatory: The MCG Group is reviewing the impact of applying IFRS 18.

Standards and Interpretations		Mandatory from	Applying from	Summary of new and revised provisions
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	This new standard replaces IAS 1, the current accounting standard for presenting and disclosing financial statements. IFRS 18 aims to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies.

Note 3

Material Accounting Policies

1. Basis of Consolidation

(1) Subsidiaries

Subsidiaries are entities controlled by the MCG Group. The MCG Group has control over an entity if it has exposure or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its influence over the investee.

In preparing its consolidated financial statements, the Company based the financial statements of each Group company prepared as of the same closing date based on common Group accounting policies. Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the MCG Group.

A change in ownership interest of a consolidated subsidiary, without a loss of control, is accounted for as an equity transaction. Differences between adjusted non-controlling interest amounts and fair value are recognized directly as equity attributable to owners of the parent.

In the event of a loss of control, the MCG Group measures and recognizes any remaining investments at fair value. Any gain or loss arising from a loss of control is recognized in profit or loss.

(2) Associates

Associates are entities in which the MCG Group has significant influence over the financial and operational policies but does not have control or joint control. Normally, the MCG Group is assumed to be able to exercise significant influence when it holds 20% to 50% ownership. Other factors considered in assessing whether or not the MCG Group can exercise significant influence include sending any of its officers being on the Board of Directors. In such cases, the MCG Group may be considered to be able to exercise significant influence over an associate even if its investment accounts for less than 20% of voting rights.

The MCG Group accounts for investments in associates under the equity method.

Associates prepare their financial statements for the same reporting period as the MCG Group, adjusting their accounting policies to align with those of the MCG Group.

In the event that the MCG Group loses significant control over an associate, it assesses and recognizes the remaining investment at fair value as of the day on which it lost such influence. Gains and losses arising from the loss of significant influence are recognized in profit or loss.

In preparing the consolidated financial statements, the requirements of local laws and shareholder agreements made it effectively impossible to match reporting dates of all associates to that of the MCG Group. For certain associates for which it was impracticable to provisionally settle accounts on the MCG Group's reporting date owing to business or other factors, the MCG Group uses relevant provisional financial statements for the period ending December 31. Significant transactions or events between the reporting dates of those associates and the consolidated closing date are reflected in the consolidated financial statements.

(3) Joint Arrangements

A joint arrangement is an arrangement in which unanimous consensus from the parties that have joint control of decision-making over related activities is required.

A joint venture is a joint agreement through which parties with joint control over an arrangement have rights to the net assets of an arrangement.

The MCG Group uses the equity method to account for its equity interests in joint ventures.

A joint operation is one in which parties with joint control of an arrangement have rights to assets and obligations for liabilities relating to the joint arrangement.

If the MCG Group holds an interest in a joint operation, the MCG Group recognizes assets, liabilities, revenues and expenses generated from joint operating activities only to the extent of its interest.

The principal joint operation is The Saudi Methacrylates Company, in which the Group and Saudi Arabia have a 50-50 interest. That company manufactures methyl methacrylate monomer, acrylic resin, and other offerings.

2. Business Combinations

The MCG Group uses the acquisition method to account for business combinations.

The MCG Group measures the cost of an acquisition as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree.

When the MCG Group acquires a business, the MCG Group classifies or designates the identifiable assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date. In principle, the MCG Group generally measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

If a business combination is achieved in stages, the MCG Group reassesses the equity of the acquiree before acquisition of control at fair value on the acquisition date, and recognizes the resulting gain or loss in profit or loss. The MCG Group accounts for the equity interest of the acquiree booked in other comprehensive income before the acquisition on the same basis as would be required if the MCG Group had disposed directly of the previously held equity interest.

Goodwill is measured as the difference by which total value recognized as transferred consideration and non-controlling interests exceeds the net value of identifiable assets acquired and liabilities assumed.

If the total value recognized as transferred consideration and non-controlling interests is less than the net value of identifiable assets acquired and liabilities assumed, the MCG Group recognizes the difference in profit or loss.

After initial recognition, the MCG Group does not amortize goodwill acquired through a business combination.

3. Foreign Currency Translations

Each company in the MCG Group determines its individual functional currency and measures transactions using these functional currencies.

Foreign currency denominated transactions are translated into functional currencies at spot exchange rates as of the transaction dates or at similar rates.

Foreign currency monetary assets and liabilities are translated into the functional currency using the spot exchange rate on the date of end of the consolidated reporting period. Exchange differences arising from translations or settlement are recognized in profit or loss. However, if a gain or loss on such assets and liabilities is recognized in other comprehensive income, the translation gain or loss is also recognized in other comprehensive income.

The MCG Group translates assets and liabilities of foreign operations using the spot exchange rate at the end of the reporting period, and revenue and expenses using the spot exchange rate on the transaction date or an approximate rate (in principle, the average rate for the period) in Japanese yen, respectively. The MCG Group accounts for any exchange differences arising in such retranslation in other comprehensive income.

On the disposal of a foreign operation, accumulated exchange differences related to the foreign operation are recognized in profit or loss in the corresponding period of disposal.

4. Sales Revenue

The MCG Group recognizes sales revenue based on the following five-step model in amounts reflecting the MCG Group's anticipated entitlements in exchange for goods or services transferred to customers.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The MCG Group provides an array of products and services to customers in Japan and abroad through the principal business domains of Specialty Materials, Industrial Gases, Health Care, MMA, and Basic Materials.

Regarding product sales in these businesses, once customers gain control over delivered products and it is determined that the performance obligations are met, sales revenue is recognized upon product delivery.

Sales revenue is measured at the amount of consideration promised in contracts with customers, net of discounts, rebates and returns.

5. Government Grants

Government grants are recognized at fair value when there is reasonable assurance that the MCG Group will comply with grant terms and that the grant will be received.

Government grants related to income are recognized as income on a systematic basis over the periods in which the MCG Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants relating to assets are deducted from asset acquisition costs.

6. Income Taxes

The MCG Group calculates current tax liabilities or assets for the current and prior periods as amounts that it expects to pay to or recover from taxation authorities. The MCG Group uses tax rates and tax laws enacted or substantively enacted by the end of a reporting period to determine tax amounts.

The MCG Group uses the asset and liability method to record deferred taxes for differences between carrying amounts of assets or liabilities on the accounts at the end of the reporting period and the tax basis (temporary differences).

In principle, the MCG Group recognizes deferred tax liabilities for all future taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and for tax credits and tax loss carryforwards can be used.

As exceptions, however, the MCG Group does not recognize deferred tax assets or deferred tax liabilities for the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss) and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- Deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is probable that the temporary difference will not reverse in the foreseeable future or it is not probable that future taxable profits will be available against which they can be utilized.
- Taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable the temporary difference will not reverse in the foreseeable future.

The MCG Group reviews the carrying amount of deferred tax assets and liabilities (including unrecognized deferred tax assets) at the end of each reporting period. The MCG Group calculates deferred tax assets and liabilities based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, estimating tax rates at the time assets materialize or liabilities are settled.

7. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible to cash, which are subject to insignificant risks of changes in value, and whose maturities are three months or less from the date of acquisition.

8. Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. The MCG Group mainly uses the weighted average cost formula to calculate costs. The MCG Group calculates net realizable value by deducting the estimated selling price in the ordinary course of business from the estimated costs required to make a sale.

9. Assets Held for Sale and Discontinued Operations

The MCG Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. This applies only if the asset (or disposal group) is available for immediate sale in its present condition and a sale is highly probable within one year. The MCG Group measures a non-current asset (or disposal group) classified as held for sale at the lower of the carrying amount and fair value, less the cost to sell.

The MCG Group does not depreciate or amortize property, plant and equipment or intangible assets classified as held for sale.

Discontinued operations include units that have been disposed of or are classified as held for sale. The MCG Group recognizes an operation as discontinued if it is a Group business and is scheduled for disposal.

10. Property, Plant and Equipment (other than right-of-use assets)

The MCG Group applies the cost model to measure property, plant and equipment.

The MCG Group carries property, plant and equipment at acquisition cost less accumulated depreciation and accumulated impairment losses.

Except for land and construction in progress, property, plant and equipment, less the residual value at the end of the reporting term, is depreciated using the straight-line method.

Depreciation is computed over the following estimated useful lives for the following major classes of assets:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	2 to 22 years
Tools, furniture and fixtures	2 to 25 years

11. Intangible Assets

The MCG Group uses the cost model to measure intangible assets.

Intangible assets are stated at acquisition cost less accumulated amortization and impairment losses.

Separately acquired intangible assets are initially recognized at cost. The acquisition cost of an intangible asset acquired in a business combination is measured at fair value at the acquisition date.

Expenditure on an internally generated intangible asset is recognized as an expense when it is incurred, excluding development expenditures that satisfy the criteria for capitalization.

The MCG Group amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives.

Amortization is over the following estimated useful lives for the following major classes of intangible assets:

Technology-related intangible assets	4 to 22 years
Customer-related intangible assets	5 to 30 years
Software	3 to 5 years

The MCG Group does not amortize intangible assets with indefinite useful lives and intangible assets that are not yet available for use.

12. Impairment of Assets

(1) Impairment of Non-Financial Assets

The MCG Group assesses whether indications of asset impairment exist at the end of each reporting period. If there are such indications and annual impairment testing is necessary, the MCG Group estimates recoverable amounts, which are the higher amount of fair value less costs of disposal and value in use. If a recoverable amount of an asset cannot be estimated, the MCG Group estimates the recoverable amount of each cash-generating unit or group of cash-generating units of the asset class. If the carrying amount of an asset exceeds its recoverable amount, the MCG Group recognizes impairment losses and reduces the carrying amount of the asset to its recoverable amount. In measuring value in use, the MCG Group determines the present value of cash flow projections, discounted by pre-tax rates reflecting current market assessments of the time value of money and risks specific to the asset.

The MCG Group uses an appropriate valuation model supported by an available fair value index to measure fair value less costs of disposal.

The MCG Group allocates goodwill after acquisition dates to individual or groups of cash generating units expected to benefit from corporate combination synergies.

For goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, the MCG Group tests for impairment annually and when there are indications of impairment.

(2) Reversal of Impairment Loss
The MCG Group reverses previously recognized impairment loss to the recoverable amount when there are indications of such reversal and estimates used to determine recoverable amounts have changed. Reversal of impairment loss is recognized in profit or loss other than impairment loss on goodwill. The carrying amount of an asset for which the reversal of an impairment loss is recognized cannot exceed the carrying amount that would have been determined had no impairment loss been recognized previous years.

13. Leases
When transferring the right to control the use of assets specified in lease contracts in exchange for consideration over a certain period, the MCG Group recognizes lease transactions and the right-of-use assets and lease liabilities as of the commencement date of the lease.

Lease liabilities are measured as the discounted present value of unsettled portions of lease payments at the lease commencement date. Right-of-use assets are initially measured by adjusting initial direct costs, prepaid lease fees, and other charges for lease liabilities, adding costs for the obligation to restore to original condition and other requirements based on lease contracts.

Lease payments are allocated to the repayment portion of the net financial expenses and lease liabilities so the amount produces a constant periodic rate of interest on the remaining balance of the lease liability, with financial expenses being recognized in profit or loss.

Right-of-use assets are depreciated over their service lives where ownership of the underlying assets transfer to the lessees by the end of lease periods or where the costs of right-of-use assets reflect the exercise of purchase options. In other cases, assets are depreciated systematically over the shorter of service lives or lease periods.

For leases ending within 12 months or leases for which the underlying asset is of low value, related lease payments are systematically recognized as costs over the lease periods.

14. Provisions
A provision is recognized when the MCG Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliability.

The MCG Group measures provisions according to projected expenditures required to settle the obligations. The MCG Group discounts provisions to present value if the impact of the time value of money is material.

15. Retirement Benefits
- Defined benefit plans

The MCG Group operates a defined benefit plan and defined contribution plan as employee retirement benefit plans.

The MCG Group uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current and past service costs for each plan.

The rate used to discount post-employment benefit obligations is determined by referring to market yields at the end of the reporting period on high quality corporate bonds.

Liabilities and assets associated with defined benefit retirement plans are presented as the present value of its defined benefit obligations and the net fair value of plan assets.

Remeasurements of liabilities and assets associated with defined benefit retirement plans are recognized in other comprehensive income in the period incurred and immediately reflected in retained earnings. Prior service costs are recognized as expenses in the periods incurred.
- Defined contribution plans

The MCG Group recognizes costs related to defined contribution plans in periods in which employees provide related services.

16. Capital

(1) Ordinary Shares

The Company allocated the issue price of ordinary shares between common stock and additional paid-in capital.

(2) Treasury Stock

Acquired treasury stock is recognized at cost and deducted from equity, while the difference between the carrying value of treasury stock and its value at the time of sale is recognized in additional paid-in capital.

17. Share-Based Payment

The MCG Group maintains an equity-settled share-based compensation plan.

Under such plans, the MCG Group measures services from employees at the fair value of the equity instruments granted at grant-dates. The MCG Group recognizes these expenses from grant dates over vesting periods, recognizing an equivalent increase in equity.

18. Financial Instruments

(1) Financial Assets (Except Derivatives)

(i) Initial Recognition and Measurement

The MCG Group initially recognizes trade receivables upon fulfilling its performance obligations and acquiring unconditional rights to consideration in accordance with IFRS 15 (Revenue from Contracts with Customers). The MCG Group initially recognizes all other financial assets on the transaction dates on which the MCG Group becomes a contract party.

Financial assets are classified as financial assets measured at fair value through profit or loss or other comprehensive income and financial assets measured at amortized cost. The MCG Group determines classifications at initial recognition.

Financial assets are classified as measured at amortized cost if both of the following conditions are met.

- They are held to collect contractual cash flows.
- Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amounts outstanding

Financial assets meeting the following conditions and measured at fair value are classified as financial assets measured at fair value through other comprehensive income. Other financial assets are measured at fair value through profit or loss.

- Held to collect contractual cash flows and sell financial assets.
- Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amounts outstanding

However, equity financial assets are designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income. Such designations are applied subsequently on a consistent basis.

Except for financial assets measured at fair value through profit or loss, financial instruments are measured at fair value plus transaction costs attributable directly to them.

(ii) Subsequent Measurements

After initial recognition, financial assets are measured based on the following classifications:

- Financial Assets Measured at Amortized Cost

  Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.
- Other Financial Assets

  Financial assets other than those measured at amortized cost are measured at fair value.

  Changes in the fair value of financial assets measured at fair value are recognized in profit or loss or in other comprehensive income.

  Where derecognizing an equity financial asset at fair value through other comprehensive income or where fair value declines significantly, the MCG Group transfers the accumulated change in fair value to retained earnings.

  The MCG Group recognizes dividends from equity financial assets in profit or loss.

(iii) Derecognition

The MCG Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the MCG Group transfers the financial asset and substantially transfers all the risks and rewards of ownership of that financial asset.

(iv) Impairment

The MCG Group recognizes the impairment of financial assets based on whether credit risk has increased significantly since initial recognition.

For financial assets measured at amortized cost, the MCG Group recognizes expected credit losses estimated at the closing date and recognizes an allowance for doubtful accounts.

The MCG Group measures the allowance for doubtful accounts by expected credit losses over 12 months if the credit risk of the financial or other asset have not increased significantly since initial recognition, measuring by expected credit losses over the remaining period if credit risk has increased significantly. The MCG Group measures trade receivables at expected credit losses over the entire period from initial recognition.

The MCG Group assesses whether the credit risk has increased significantly using the change in the risk of default, and assesses whether the default risk has changed mainly using delinquent (past due information).

The MCG Group measures a credit loss using the discounted present value of the difference between the contractual amount receivable and the estimate amount receivable based on the past credit loss.

(2) Financial Liabilities (Except Derivatives)

(i) Recognition and Measurement

The MCG Group primarily classifies financial liabilities (excluding derivatives) as those measured at amortized cost.

The MCG Group initially recognizes such liabilities at fair value net of transaction costs directly attributable to financial liabilities when the MCG Group becomes party to contracts. After initial recognition, the MCG Group measures these liabilities at amortized cost using the effective interest method. The MCG Group recognizes the amortized amount using the effective interest method and any gain or loss on derecognition in profit or loss.

(ii) Derecognition

Financial liabilities are derecognized when the obligation is discharged, canceled or expired, or when they are exchanged with substantially different terms or their terms are modified substantially.

(3) Derivatives and Hedge Accounting

The MCG Group uses derivatives, including forward foreign exchange contracts and interest rate swap contracts, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when contracts are entered into and are subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized in profit or loss, although gains or losses on hedging instruments relating to the effective portions of cash flow hedges and hedges of net investments in foreign operations are recognized in other comprehensive income.

At the inception of hedging relationships, the MCG Group formally designates and documents relationships to which hedge accounting applies and the objectives and strategies of risk management for undertaking the hedges. When designating a hedging relationship and on an ongoing basis, the MCG Group analyses whether a derivative used to a hedge transaction is effective to offset the change in the fair value or the cash flow of a hedged item. The MCG Group specifically determines that a hedge is effective when the economic relationship between the hedged item and the hedging instrument is offset.

Hedges that meet the requirements for hedge accounting are classified in the following categories and accounted for in accordance with IFRS 9 “Financial Instruments”.

(a) Fair Value Hedges

Changes in the fair value of derivatives are recognized in profit or loss. For changes in the fair value of hedged items attributable to the hedged risks, carrying amounts of hedged items are adjusted, with changes recognized in profit or loss.

(b) Cash Flow Hedges

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss.

Hedging instrument amounts recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. Where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

(c) Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss. At the time of the disposal of the foreign operations, any related cumulative gain or loss recognized in equity as other comprehensive income is reclassified to profit or loss.

(4) Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active financial markets at the fiscal year-end refers to quoted prices or dealer quotations.

If there is no active market, the fair value of financial instruments is determined referring to appropriate valuation models or prices presented by related financial institutions.

Note 4

Segment Information

1. Overview of Reporting Segments

The MCG Group's reporting segments are the components for which separate financial information is available. The chief operating decision maker regularly assesses this information in determining how to allocate resources and evaluate results. No operating segments or components have been aggregated in preparing the reporting segment information.

In accordance with "Forging the future," a management policy that the MCG Group announced in December 2021 and covers fiscal years 2021 through 2025, the MCG Group is undertaking various measures to maximize corporate value. In February 2023, the MCG Group formulated and disclosed an action plan based on that policy and announced an organizational structure that the MCG Group would deploy from April that year. The MCG Group accordingly reviewed its reporting segments in the first quarter of the current fiscal year. The MCG Group reclassified four reporting segments (Performance Products, Chemicals, Industrial Gases, and Health Care) reporting segments as five (Specialty Materials, Industrial Gases, Health Care, MMA and Basic Materials).

Segment information for the fiscal year ended March 31, 2023 is presented based on these new classifications.

The businesses in each reporting segment are as follows.

Business Segments (Domains)	Business Sub-Segments		
		Businesses	
Specialty Materials (Performance Products)	Polymers & Compounds	Polymers	Performance Polymers, Soarnol, Gohsenol Sustainable Polymers, and Engineering Plastics
		Coating & Additives	Coating Materials, Additives & Fine
	Films & Molding Materials	Films	Packaging, Industrial & Medical Films, Acetyl Films, and Polyester Films
		Molding Materials	Engineering Shapes & Solutions, Carbon Fiber and Composite Materials, and Fiber
	Advanced Solutions	Life Solutions	Aqua, Life, and Infrastructure Solutions
		Information & Electronics	Semiconductor, Electronics, and Battery Materials
Industrial Gases (Industrial Materials)	Industrial Gases	Industrial Gases	Industrial Gases
Health Care (Health Care)	Health Care	Ethical Pharmaceuticals	Ethical Pharmaceuticals
MMA (Industrial Materials)	MMA	MMA	MMA, PMMA
Basic Materials (Industrial Materials)	Petrochemicals	Petrochemicals	Basic Petrochemicals, Polyolefins, and Basic Chemical Derivatives
	Carbon Products	Carbon Products	Carbon Products

Accounting policies for reportable segments are identical to those Group accounting policies stated in Note 3, Material Accounting Policies. Inter-segment sales and transfers are based mainly on prevailing market prices.

2. Revenues and Operating Results for the MCG Group's Reporting Segments

The MCG Group evaluates results based on segment profits.

Fiscal year ended March 31, 2023

Millions of yen

	REPORTING SEGMENT					Others (Note 1)	Adjustments (Note 2)	Consolidated
	Specialty Materials	Industrial Gases	Health Care (Note 4)	MMA	Basic Materials			
Sales revenue								
External revenue	¥1,233,716	¥1,177,934	¥535,449	¥ 305,238	¥1,121,768	¥260,427	¥ —	¥4,634,532
Inter-segment revenue	51,166	8,750	—	9,287	43,713	185,930	(298,846)	—
Total	¥1,284,882	¥1,186,684	¥535,449	¥ 314,525	¥1,165,481	¥446,357	¥ (298,846)	¥4,634,532
Segment profit (loss) Core operating income (Note 3)	¥ 51,499	¥ 121,013	¥144,219	¥ (3,966)	¥ 12,085	¥ 15,197	¥ (14,489)	¥ 325,558
Segment assets	1,435,379	2,215,448	1,021,148	418,899	806,092	329,210	(451,828)	5,774,348
Other items								
Depreciation and amortization	65,561	108,070	13,481	24,060	41,652	10,841	5,951	269,616
Share of profit of investments accounted for using the equity method	5,783	3,698	256	668	1,534	(51)	—	11,888
Investments accounted for using the equity method	55,093	38,114	16,407	21,172	39,221	729	—	170,736
Capital expenditures	80,331	96,636	29,189	22,233	45,068	5,891	2,825	282,173

Notes:

1. The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.
2. The segment profit (loss) adjustment includes corporate costs of ¥(14,537) million not allocated to reporting segments and inter-segment eliminations of ¥48 million. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
   The segment assets adjustment includes corporate assets of ¥165,835 million not allocated to reporting segments and items such as an inter-segment eliminations of ¥(617,663) million. Corporate assets include financial assets not allocated to reporting segments.
3. Segment profit (loss) is Operating profit in accordance with IFRS after excluding earnings from non-recurring factors, such as losses from business withdrawals and downsizings, representing core operating income.
4. Since entering the arbitration procedures related to payment obligations for some royalties for Gilenya, a treatment agent for multiple sclerosis, sales revenue was not recognized in accordance with IFRS 15. Reflecting the results of the arbitration award, sales revenue of ¥125,883 million was recorded in the fourth quarter of the fiscal year ended March 31, 2023. See Note 7 Sales Revenue for details.

Fiscal year ended March 31, 2024

Millions of yen

	REPORTING SEGMENT					Others (Note 1)	Adjustments (Note 2)	Consolidated
	Specialty Materials	Industrial Gases	Health Care	MMA	Basic Materials			
Sales revenue								
External revenue	**¥1,172,885**	**¥1,246,877**	**¥ 437,230**	**¥ 281,584**	**¥1,008,615**	**¥240,027**	**¥ —**	**¥4,387,218**
Inter-segment revenue	**52,351**	**8,204**	**138**	**10,750**	**39,844**	**150,934**	**(262,221)**	**—**
Total	**¥1,225,236**	**¥1,255,081**	**¥ 437,368**	**¥ 292,334**	**¥1,048,459**	**¥390,961**	**¥ (262,221)**	**¥4,387,218**
Segment profit (loss) Core operating income (Note 3)	**¥ 5,269**	**¥ 163,040**	**¥ 56,258**	**¥ 786**	**¥ (19,253)**	**¥ 14,448**	**¥ (12,432)**	**¥ 208,116**
Segment assets	**1,596,688**	**2,454,108**	**933,618**	**471,202**	**766,667**	**280,246**	**(398,016)**	**6,104,513**
Other items								
Depreciation and amortization	**68,152**	**114,781**	**13,814**	**23,427**	**41,443**	**7,227**	**6,592**	**275,436**
Share of profit of investments accounted for using the equity method	**1,740**	**4,007**	**372**	**953**	**426**	**90**	**—**	**7,588**
Investments accounted for using the equity method	**36,012**	**54,557**	**16,547**	**16,707**	**39,694**	**729**	**—**	**164,246**
Capital expenditures	**91,690**	**126,257**	**5,129**	**21,031**	**32,281**	**4,417**	**3,069**	**283,874**

Notes:

1. The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.
2. The segment profit (loss) adjustment includes corporate costs of ¥(12,524) million not allocated to reporting segments and inter-segment eliminations of ¥92 million. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
   The segment assets adjustment includes corporate assets of ¥117,244 million not allocated to reporting segments and items such as an inter-segment eliminations of ¥(515,260) million. Corporate assets include financial assets not allocated to reporting segments.
3. Segment profit (loss) is Operating profit in accordance with IFRS after excluding earnings from non-recurring factors, such as losses from business withdrawals and downsizings, representing core operating income.

Adjustments to income before tax from segment operating results are as follows:

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
		Millions of yen
Segment profit	¥325,558	**¥208,116**
Gain on sale of intercompany securities (Note 1)	3,311	**36,488**
Gain on step acquisitions (Note 2)	—	**27,000**
Reversal of provision for loss on plant closure (Note 3)	—	**11,960**
Gain on reversal of asset retirement obligations	—	**4,681**
Gain on forgiveness of debts	—	**3,816**
Gain on sale of property, plant and equipment	2,446	**1,632**
Gain on reversal of environmental expenses	3,149	**76**
Gain on arbitration award	2,884	**—**
Impairment loss (Note 4)	(93,381)	**(23,761)**
Loss on sale and disposal of fixed assets	(3,924)	**(9,656)**
Loss on business liquidation	(3,345)	**(4,796)**
Special retirement expenses	(10,557)	**(2,006)**
Provision for loss on business liquidation	(5,666)	**(1,832)**
Loss on arbitration award	(3,520)	**(1,073)**
Provision for loss on plant closure (Note 3)	(26,726)	**(52)**
Provision for loss on litigation	(3,550)	**—**
Others (Notes 1and 5)	(3,961)	**11,238**
Operating income	182,718	**261,831**
Financial income	16,636	**23,796**
Financial expenses	(31,390)	**(45,080)**
Income before taxes	¥167,964	**¥240,547**

Notes:
1. In the fiscal year ended March 31, 2024, the MCG Group recorded a gain on sales of shares of subsidiaries and associates of ¥20,173 million and other associated losses of ¥1,966 million on transferring shares of Qualicaps Co., Ltd.
2. See Note 5 Business Combination for details of gain on step acquisitions.
3. See Note 29 Provisions for details of reversal of provision for loss on plant closure and provision for loss on plant closure.
4. See Note 16 Impairment Losses for details of impairment loss.
5. See Note 10 Other Operating Income and Other Operating Expenses for details of others.

3. Geographic Information

The breakdown of external sales revenue and non-current assets is as follows:

External sales revenue

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
		Millions of yen
Japan	¥2,319,207	**¥2,187,485**
Asia and Oceania	810,608	**785,744**
(China)	(300,764)	**(275,079)**
North America	707,830	**747,340**
Europe	743,363	**620,420**
Others	53,524	**46,229**
Total	¥4,634,532	**¥4,387,218**

Note: Sales revenue is classified by country or region according to the locations of sales destinations.

Non-current assets

	As of March 31, 2023	As of March 31, 2024
		Millions of yen
Japan	¥1,227,504	**¥1,156,887**
Asia and Oceania	428,020	**460,475**
North America	568,085	**655,561**
Europe	886,541	**1,098,530**
Others	744	**1,544**
Total	¥3,110,894	**¥3,372,997**

Notes:
1. Non-current assets are based on the locations of the assets and do not include financial instruments, deferred tax assets and retirement benefit asset.
2. After reviewing regional classifications, the MCG Group included certain countries and regions in Asia and Oceania after previously presenting them as part of Others. The MCG Group retroactively adjusted figures for the previous fiscal year to reflect these revisions.

4. Information about Major Customers

This information has been omitted because no external customers account for more than 10% of sales revenue.

Note 5

Business Combination

Fiscal year ended March 31, 2024

Acquisition of C.P.C. S.r.l
On January 10, 2024, the MCG Group acquired additional shares in C.P.C. S.r.l from subsidiary Mitsubishi Chemical Europe GmbH. C.P.C. manufactures and distributes automotive components crafted from carbon fiber reinforced plastic (CFRP).

(1) Overview of business combination
- (i) Name and description of acquired business
  Name: C.P.C. S.r.l.
  Description: Manufactures and sells automotive components crafted from CFRP
- (ii) Main reason for business combination
  In 2017, the MCG Group owned 44% shares in C.P.C. S.r.l., making it an equity method affiliate. The additional acquisition made that company a wholly owned subsidiary, reinforcing and expanding its vertically integrated supply chain and accelerating the long-term growth of its carbon fiber business.
- (iii) Acquisition date
  January 10, 2024
- (iv) Acquisition method
  Acquisition of shares for cash
- (v) Percentage of voting equity interests acquired
  56%

(2) Fair value of acquisition consideration

	Millions of yen Acquisition date (January 10, 2024)
Cash	**53,852**
Provisions (see note)	**363**
Total acquisition consideration	**54,215**

Note:
The share transfer agreement included an estimated additional payment based on the earn-out method, contingent on certain stipulations in that agreement. The conversion to yen was based on the January 10 rate of 1 euro = ¥158.20 yen.

(3) Net assets acquired, liabilities assumed and goodwill

Millions of yen

	Acquisition date (January 10, 2024)
Current assets:	
Cash and cash equivalents	**6,529**
Trade receivables	**9,607**
Inventories	**8,339**
Other current assets	**1,340**
Non-current assets:	
Property, plant and equipment (Note 1)	**20,730**
Intangible assets (Note 2)	**21,399**
Other non-current assets	**291**
Acquired assets	**68,235**
Current liabilities:	
Trade payables	**5,334**
Borrowings	**5,844**
Other current liabilities	**3,092**
Non-current liabilities:	
Deferred tax liabilities	**5,557**
Lease liabilities	**4,912**
Other non-current liabilities	**2,042**
Assumed liabilities	**26,781**
Net assets acquired and liabilities assumed	**41,454**
Fair value of equity interest in acquired company held before business combination	**42,313**
Fair value of consideration paid for additional acquisition	**54,215**
Goodwill (Note 3)	**55,074**

Since the initial accounting for the business combination was incomplete, the above amounts are provisional fair values based on the best estimates available at the date of reporting. These amounts are subject to adjustment in a measurement period that does not exceed one year from the acquisition date the acquisition date as additional information about facts and circumstances at the acquisition date becomes available and is evaluated.

Notes:
1. Composition of property, plant and equipment: Property, plant and equipment mainly comprise ¥13,379 million in buildings and structures.
2. Composition of intangible assets: Intangible assets primarily comprise ¥19,554 million in customer-related intangible assets.
3. Goodwill: The principal components of goodwill are synergies with existing businesses and excess earnings expected to arise from the acquisition that do not meet individual recognition criteria. Also, goodwill is not fully deductible for tax purposes.

(4) Gain recognized from remeasuring to fair value of equity interest in acquired company held before business combination

After remeasuring its 44% equity interest in C.P.C. at the acquisition-date fair value, the MCG Group recognized a gain of ¥27,000 million from this business combination relating to the step acquisition. The MCG Group included this gain in Other operating income in the Consolidated Statement of Income for the fiscal year ended March 31, 2024.

(5) Acquisition-related expenses

These were ¥98 million, and the MCG Group included this amount in Selling, general and administrative expenses in the Consolidated Statement of Income for the fiscal year ended March 31, 2024.

(6) Impact on Group business result

The MCG Group is not disclosing earnings recorded from the acquisition date and pro forma information assuming the business combination was completed on April 1, 2023, the beginning of the year under review, because the impact on the consolidated financial statements is immaterial.

Note 6

Sale of Subsidiary

Year ended March 31, 2024
(Transfer of shares in Qualicaps Co., Ltd.)
As part of its portfolio reform efforts, the MCG Group concluded an agreement in July 2023 to transfer all of its shares in Qualicaps Co., Ltd., to Roquette Frères SA. The MCG Group completed this transfer in October 2023.

The relationship between the transfer consideration, sales proceeds, and the principal assets and liabilities upon loss of control in the subsidiary are as follows.

(1) Proceeds from sale of subsidiary

	Millions of yen
Cash consideration received	**44,326**
Cash and cash equivalents of subsidiary over which control was lost	**(4,772)**
Proceeds from sale of subsidiary	**39,554**

Note
The MCG Group includes ¥27,950 million in proceeds from collecting loans receivable from Qualicaps in connection with the loss of control in that company and its subsidiaries in Proceeds from collection of loans receivable from companies over which control was lost under cash flows from investing activities in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2024.

(2) Assets and liabilities of subsidiary

	Millions of yen
Current assets (including cash and cash equivalents)	**23,505**
Non-current assets	**39,419**
Total assets	**62,924**
Current liabilities	**29,505**
Non-current liabilities	**10,432**
Total liabilities	**39,937**

(3) Gain or loss from sale of subsidiary
The MCG Group recognized a gain of ¥20,173 million from this transfer of shares. The MCG Group included this gain in Other operating income in the Consolidated Statement of Income for the fiscal year ended March 31, 2024.

Note 7

Sales Revenue

(1) Disaggregation of sales revenue
The MCG Group undertakes diverse operations overseas through its Specialty Materials, Industrial Gases, Health Care, MMA, and Basic Materials reporting segments, which regularly submit regional sales reports to management. The relationship between geographic and segment revenue described in Note 4 Segment Information is as follows.

Fiscal year ended March 31, 2023

Millions of yen

	Japan	Asia and Oceania	(China)	North America	Europe	Others	Total
Specialty Materials	¥ 531,035	¥233,698	¥(106,548)	¥249,935	¥202,963	¥16,085	¥1,233,716
Industrial Gases	420,693	179,330	(39,698)	294,653	282,564	694	1,177,934
Health Care	319,050	31,383	(9,013)	52,859	132,028	129	535,449
MMA	58,019	138,788	(64,421)	60,989	40,936	6,506	305,238
Basic Materials	826,703	173,543	(36,455)	38,849	55,990	26,683	1,121,768
Others	163,707	53,866	(44,629)	10,545	28,882	3,427	260,427
Total	¥2,319,207	¥810,608	¥(300,764)	¥707,830	¥743,363	¥53,524	¥4,634,532

Notes:
1. Amounts are shown as sales revenue from external customers.
2. Sales revenue is mostly recognized from contracts with customers. Sales revenue recognized from other sources is immaterial.

Fiscal year ended March 31, 2024

Millions of yen

	Japan	Asia and Oceania	(China)	North America	Europe	Others	Total
Specialty Materials	¥ 510,893	¥227,477	¥(102,104)	¥222,439	¥193,837	¥18,239	¥1,172,885
Industrial Gases	414,987	178,680	(31,045)	338,368	313,061	1,781	1,246,877
Health Care	310,073	30,873	(7,794)	85,919	10,289	76	437,230
MMA	51,476	144,098	(59,025)	46,308	34,091	5,611	281,584
Basic Materials	752,821	148,335	(24,796)	41,624	46,950	18,885	1,008,615
Others	147,235	56,281	(50,315)	12,682	22,192	1,637	240,027
Total	¥2,187,485	¥785,744	¥(275,079)	¥747,340	¥620,420	¥46,229	¥4,387,218

Notes:
1. Amounts are shown as sales revenue from external customers.
2. Sales revenue is mostly recognized from contracts with customers. Sales revenue recognized from other sources is immaterial.

Specialty Materials Segment

This segment encompasses Polymers & Compounds (Polymers and Coating & Additives), Films & Molding Materials (Films and Molding Materials), and Advanced Solutions (Life Solutions and Information & Electronics). We sell to domestic and overseas customers. Principal businesses are described in Note 4 Segment Information.

Once customers gain control over products, when products are delivered to customer-designated locations, the legal title and physical possession of products and significant risks associated with product possession and rewards have been transferred, and we accordingly determine at that stage that we have satisfied our performance obligations and recognize sales revenue. Sales revenue from selling these products is measured at transaction prices relating to agreements with customers.

Sales revenue is measured at the amount of consideration promised in contracts with customers, net of discounts, rebates and returns. Rebates and other estimates use the most frequent techniques based on experience. Sales revenue is recognized only to the extent of no possibility of a significant reversal. Considerations in product sales contracts are generally collected within one year after control of products transfers to customer, and do not include significant financial elements.

Industrial Gases Segment

In this segment, our gas business serves the steel, chemical and electronics industries. We manufacture such household items as stainless steel thermoses. We sell to domestic and overseas customers.

Upon satisfying performance obligations in selling products in these businesses, calculations of transaction prices and payment terms are identical to those of the Specialty Materials segment.

Health Care Segment

Here, we engage in the ethical pharmaceuticals business (researching and developing and manufacturing ethical pharmaceuticals) and selling to domestic and foreign customers.

Upon fulfilling performance obligations in selling products in these businesses, calculations of transaction prices and payment terms are identical to those of the Specialty Materials segment.

Royalty income generated in the Health Care business is from contracts in which the MCG Group has permitted third parties to produce or sell products or use technology. One-off contract payments are recognized as sales revenue when performance obligations are met at certain points. If such obligations are not met, the transaction is recorded as deferred sales revenue and recognized as sales revenue over a certain period as obligations are met. Milestone payments are recognized only to the extent that significant returns are unlikely after reaching contractual milestones. Running royalties are measured based on contractor sales calculations, etc., and sales revenue is recognized as sales occur. Royalty income is generally received within one year of establishing contractual rights, and does not include significant financing components.

With regard to royalty revenue and other income, Mitsubishi Tanabe Pharma Corporation received a petition for arbitration from Novartis Pharma AG (“Novartis”) of Basel, Switzerland in February 2019. Novartis claimed that some provisions of a license agreement entered into in 1997 (“Agreement”) were invalid and that Novartis had no obligation to pay some royalties. Mitsubishi Tanabe Pharma Corporation claimed the right to receive all royalties payable under the Agreement, and appropriately pursued this right through arbitration.

Due to arbitration proceedings, the Company did not recognize some royalties in accordance with IFRS15 as sales revenue, and recorded them to other non-current liabilities. Following an arbitration tribunal ruling in February 2023 that validated all of the agreement’s provisions, however, the Company recognized ¥125,883 million in sales in the fiscal year ended March 31, 2023. Such recognition has continued.

MMA Segment
The MCG Group engages in the MMA business and sells to domestic and overseas customers. Principal businesses are described in Note 4 Segment Information. Upon satisfying performance obligations in selling products in these businesses, calculations of transaction prices and payment terms are identical to those of the Specialty Materials segment.

Basic Materials Segment
The MCG Group sells its petrochemicals and carbon business offerings to domestic and overseas customers. Principal businesses are described in Note 4 Segment Information. Upon satisfying performance obligations in selling products in these businesses, calculations of transaction prices and payment terms are identical to those of the Specialty Materials segment.

(2) Contract balance

Receivables from contracts with customers, contract assets, and liabilities are as follows:

Millions of yen

	As of April 1, 2022	As of March 31, 2023	**As of March 31, 2024**
Receivables arising from contracts with customers	¥835,419	¥819,461	**¥867,117**
Contract assets	16,312	22,315	**32,886**
Contract liabilities	42,266	31,283	**37,247**

The MCG Group mainly records contract assets for compensation from work in progress and records contract liabilities for advance payments from customers and for deferred sales revenue.

Of sales revenue recognized in the fiscal years ended March 31, 2023, and 2024, ¥15,813 million and ¥15,843 million, respectively, were included in contract liabilities at the start of the terms. Sales revenue recognized from obligations satisfied in previous periods for the fiscal years ended March 31, 2023, and 2024, were ¥139,487 million and ¥15,149 million, respectively. The significant change in contract liabilities in the fiscal year ended March 31, 2023, stemmed from a reclassification of some portion of advances of ¥14,784 million which had already received at the beginning of the fiscal year ended March 31, 2023 related to product supplies in the Health Care segment from contract liabilities in other liabilities to other liabilities in the same line item, as requirements for recognition as contract liabilities were no longer met.

There were no significant changes in outstanding contract assets in the fiscal year ended March 31, 2023, or in outstanding contract assets and liabilities in the fiscal year ended March 31, 2024.

(3) Transaction price allocated to the remaining performance obligations

Total transaction price allocated to the remaining performance obligations and sales revenue recognition periods were as follows. Transactions with estimated contract terms of less than one year are excluded. There are no material consideration amounts excluded in the transaction arising from customer contracts.

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Due within one year	¥69,830	**¥77,506**
Due after one year	32,135	**51,320**
Total	¥101,965	**¥128,826**

(4) Assets recognized from costs to obtain or fulfill contracts with customers

In the fiscal years ended March 31, 2023 and 2024, no assets were recognized from the costs to obtain or fulfill contracts with customers. As a practical expedient, costs are recognized as expenses when incurred if the amortization period of the asset to be recognized is one year or less.

Note 8

Employee Benefit Expenses

Employee benefit expenses included in the Consolidated Statement of Income in the fiscal years ended March 31, 2023 and 2024, were ¥682,400 million and ¥679,716 million, respectively. These costs include salaries, bonuses, legal welfare expenses, and expenses related to retirement benefits, and were presented within Cost of sales, Selling, general and administrative expenses, Other operating income, and Other operating expenses.

Special retirement expenses are as described in Note 10 Other Operating Income and Other Operating Expenses. Retirement benefit expenses are as described in Note 28 Retirement Benefits.

Note 9

Research and Development Expenses

Research and development expenses recognized in the fiscal years ended March 31, 2023 and 2024 were ¥149,467 million and ¥121,624 million, respectively.

Note 10

Other Operating Income and Other Operating Expenses

The breakdown of other operating income is as follows:

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Gain on sale of intercompany securities (Note 1)	¥ 3,316	**¥36,488**
Gain on step acquisitions (Note 2)	—	**27,000**
Reversal of provision for loss on plant closure (Note 3)	—	**11,960**
Gain on reversal of asset retirement obligations	—	**4,681**
Gain on forgiveness of debts	—	**3,816**
Gain on sale of property, plant and equipment (Note 4)	8,792	**2,349**
Rent income	2,199	**2,179**
Insurance income	2,228	**415**
Gain on reversal of environmental expenses	3,149	**76**
Gain on arbitration award	2,884	**—**
Others (Note 5)	9,325	**28,837**
Total	¥31,893	**¥117,801**

Notes:

1. In the fiscal year ended March 31, 2024, the MCG Group recorded a gain on sale of shares of intercompany securities after transferring Qualicaps shares , and a gain arising from the loss of control over Taiyo Nippon Sanso Energy Corporation as a result of the merger between the company which was a consolidated subsidiary of the MCG group and Astomos Retailing Corporation, a subsidiary of Astomos Energy Corporation. See Note6 Sale of Subsidiary for details of the transfer of shares in Qualicaps Co., Ltd.
2. In the fiscal year ended March 31, 2024, the MCG Group recorded a ¥27,000 million gain on step acquisitions related to additional purchases of C.P.C. S.r.l. shares. See Note 5 Business Combination for details of the additional purchases.
3. In the fiscal year ended March 31, 2024, the MCG Group recorded a ¥10,169 million reversal of provision for loss on plant closure by reversing part of that provision recorded in the previous term in line with a decision to terminate methacrylate production at the Cassel Works of Mitsubishi Chemical UK Limited. See Note 29 Provisions for details of reversal of provision.
4. The MCG Group recorded a gain on transfer of intangible assets in the Health Care segment in the previous fiscal year.
5. The MCG Group had reclassified ¥15,530 million of advances in connection with COVID-19 vaccine supply contract in the Health Care segment from advances received to other liabilities as of the end of the previous fiscal year because the requirements for recognition as a contract liability were no longer met. In the fiscal year ended March 31, 2024, the Company agreed with the counterparty to terminate the contract, and the liability recorded in other liabilities was derecognized and recorded in other operating income because it is no longer required to be refunded.

The breakdown of other operating expenses is as follows:

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Impairment loss (Notes 1,2,3 and 4)	¥ 96,782	**¥33,530**
Loss on sale and disposal of fixed assets	10,979	**18,540**
Loss on business liquidation (Note 3)	3,345	**4,743**
Special retirement expenses (Notes 2,3 and 4)	10,557	**2,006**
Provision for loss on business liquidation (Notes 3 and 4)	5,666	**1,832**
Loss on arbitration award	3,520	**1,073**
Provision for loss on plant closure (Note 2)	26,726	**52**
Provision for loss on litigation	3,550	**—**
Others (Notes 2 and 4)	16,630	**16,763**
Total	¥177,755	**¥78,539**

Notes:

1. See Note 16 Impairment Losses for details of impairment losses.
2. In the fiscal year ended March 31, 2023, the Company recorded an impairment loss of ¥39,251 million, a provision for loss on plant closure of ¥26,726 million, special retirement expenses of ¥1,999 million, and other expense of ¥720 million related to a decision to cease producing methacrylates at the Cassel Site of Mitsubishi Chemical UK. See Note 29 Provisions for details of provision for loss on plant closure.
3. In the fiscal year ended March 31, 2023, in line with a decision to halt the commercialization of VLP vaccines and cease operations at Medicago and wind it up, the Company recorded an impairment loss of ¥47,358 million, a provision for loss on business liquidation of ¥4,495 million, special retirement expenses of ¥3,805 million, and a loss on business liquidation of ¥1,776 million.
4. In the fiscal year ended March 31, 2024, the MCG Group recorded an impairment loss of ¥10,652 million, a provision for loss on business liquidation of ¥1,330 million, special retirement expenses of ¥323 million and other associated losses of ¥28 million in line with a decision to transfer shares of PT Mitsubishi Chemical Indonesia.

Note 11

Financial Income and Financial Expenses

The breakdown of financial income is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Financial income		
Interest income		
Financial assets measured at amortized cost	¥ 2,343	**¥ 5,501**
Dividend income		
Financial assets measured at fair value through other comprehensive income	6,824	**5,019**
Others	5,449	**1,161**
Foreign exchange gains	—	**7,538**
Changes in fair value of financial assets relating to contingent consideration agreements	—	**3,473**
Others	2,020	**1,104**
Total	¥16,636	**¥23,796**

The breakdown of financial expenses is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Financial expenses		
Interest expenses		
Financial liabilities measured at amortized cost	¥29,800	**¥43,049**
Foreign exchange losses	123	**—**
Changes in fair value of financial assets relating to contingent consideration agreements	386	**—**
Others	1,081	**2,031**
Total	¥31,390	**¥45,080**

Income Taxes

1. Deferred Tax Assets and Liabilities

As of March 31, 2023 and 2024, significant components of deferred tax assets and liabilities are as follows:

The MCG Group applied the temporary exception for International Tax Reform—Pillar Two Model Rules (amended in May 2023) under IAS 12 Income Taxes. Deferred tax assets and liabilities relating to income taxes arising from global minimum tax are not recognized or disclosed.

Fiscal year ended March 31, 2023

Millions of yen

	April 1, 2022	Amounts recognized in profit or loss (Note 2)	Amounts recognized in other comprehensive income	Others (Note 1)	March 31, 2023
Deferred tax assets:					
Property, plant and equipment	¥ 39,154	¥ 1,089	¥ —	¥ (292)	¥ 39,951
Net defined benefit liabilities	31,312	(1,683)	1,266	(1,017)	29,878
Employees' bonuses	20,459	(2,251)	—	(105)	18,103
Tax loss carryforwards	19,810	(5,408)	—	1,243	15,645
Employees' paid leave	9,105	1,316	—	(219)	10,202
Inventories	7,901	6,805	—	2	14,708
Others	86,921	18,125	521	603	106,170
Total	¥ 214,662	¥ 17,993	¥1,787	¥ 215	¥ 234,657
Deferred tax liabilities:					
Property, plant and equipment	¥(110,394)	¥ 6,920	¥ —	¥(6,700)	¥(110,174)
Valuation of assets	(110,290)	6,744	—	(5,456)	(109,002)
Securities and other investments	(38,986)	29	4,647	3,510	(30,800)
Undistributed earnings of foreign subsidiaries	(17,141)	(1,293)	—	(149)	(18,583)
Others	(48,441)	(881)	(1,173)	(563)	(51,058)
Total	¥(325,252)	¥ 11,519	¥3,474	¥(9,358)	¥(319,617)
Net deferred tax assets	¥(110,590)	¥29,512	¥5,261	¥(9,143)	¥ (84,960)

Notes:

1. Others include exchange differences on translation of foreign operations and changes owing to business combinations, etc.
2. The recognition of deferred tax assets in profit or loss included ¥48,383 million from recognizing deferred tax assets related to the investment in Medicago Inc. following the decision to wind up that company and a loss of ¥33,557 million from recognizing revenue and reversing deductible temporary differences following an arbitration award relating to royalties for Gilenya, a treatment agent for multiple sclerosis.
   See Note 16 Impairment Losses for details of the Medicago liquidation. See Note 7 Sales Revenue for details of revenue recognition resulting from the arbitration award.

Fiscal year ended March 31, 2024

					Millions of yen
	April 1, 2023	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income	Others (Note 1)	March 31, 2024
Deferred tax assets:					
Property, plant and equipment	**¥ 39,951**	**¥ 3,748**	**¥ —**	**¥ (42)**	**¥ 43,657**
Net defined benefit liabilities	**29,878**	**(3,869)**	**(2,777)**	**(118)**	**23,114**
Employees' bonuses	**18,103**	**(621)**	**—**	**(28)**	**17,454**
Tax loss carryforwards	**15,645**	**(4,438)**	**—**	**1,793**	**13,000**
Inventories	**14,708**	**(2,803)**	**—**	**85**	**11,990**
Employees' paid leave	**10,202**	**(483)**	**—**	**57**	**9,776**
Others	**106,170**	**7,239**	**—**	**2,904**	**116,313**
Total	**¥ 234,657**	**¥ (1,227)**	**¥(2,777)**	**¥ 4,651**	**¥ 235,304**
Deferred tax liabilities:					
Property, plant and equipment	**¥(110,174)**	**¥ 1,330**	**¥ —**	**¥(10,374)**	**¥(119,218)**
Valuation of assets	**(109,002)**	**7,117**	**—**	**(13,765)**	**(115,650)**
Securities and other investments	**(30,800)**	**(224)**	**(3,975)**	**2,293**	**(32,706)**
Undistributed of foreign subsidiaries	**(18,583)**	**130**	**(1,757)**	**(448)**	**(20,658)**
Others	**(51,058)**	**(1,541)**	**(812)**	**(2,893)**	**(56,304)**
Total	**¥(319,617)**	**¥ 6,812**	**¥(6,544)**	**¥(25,187)**	**¥(344,536)**
Net deferred tax assets	**¥ (84,960)**	**¥ 5,585**	**¥(9,321)**	**¥(20,536)**	**¥(109,232)**

Notes:

1. Others include exchange differences on translation of foreign operations and changes owing to business combinations, etc.
2. The MCG Group applied IAS 12 Income Taxes (amended in May 2021) from the fiscal year ended March 31, 2024. The MCG Group accordingly restated figures for the previous fiscal year to retroactively reflect this application. See Note 2 Basis of Preparation for details of this accounting policy change.

In recognizing deferred tax assets, the MCG Group considers whether it can use all or part of future deductible temporary differences or unused tax loss carryforwards with respect to expected future taxable income. In evaluating the recoverability of deferred tax assets, the MCG Group considers the planned reversal of deferred tax liabilities, expected future taxable income, and tax planning. In addition, future taxable income estimates are based on future business plans. The primary assumptions are sales revenue forecasts. Management expects to recover recognized deferred tax assets in keeping with past taxable income levels and the forecasts for future taxable income when future deductible temporary differences and unused tax loss carryforwards are expected to reverse. Although management deems its projections of future taxable income and key assumptions reasonable, they could be affected by future uncertain fluctuations in economic conditions. If assumed circumstances change, calculations of the assessed recoverability of deferred tax assets could differ.

Future deductible temporary differences and unused tax loss carryforwards (on an income basis), not recognized as deferred tax assets are as follows:

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Future deductible temporary differences	¥135,979	**¥219,804**
Unused tax loss carryforwards	446,702	**379,807**
Unused tax credit carryforwards	93,490	**16,231**

Unrecognized deferred tax assets corresponding to the above are as follows.

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Future deductible temporary differences	¥38,390	**¥73,794**
Unused tax loss carryforwards	75,047	**57,952**
Unused tax credit carryforwards	23,603	**4,097**

The breakdowns of tax loss carryforwards not recognized as deferred tax assets (on an income basis) by expiration date are as follows:

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Tax loss carry forwards:		
Due within one year	¥ 1,476	**¥ 8,539**
Due after one year and not later than five years	105,107	**103,907**
Due after five years and not later than 10 years	93,120	**129,525**
Due after 10 years and not later than 20 years	99,700	**1,874**
Indefinite	147,299	**135,962**
Total	¥446,702	**¥379,807**

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Unused tax credit carryforwards		
Due within one year	¥ —	**¥ —**
Due after one year and not later than five years	16,530	**—**
Due after five years and not later than 10 years	—	**2,993**
Due after 10 years and not later than 20 years	1,760	**—**
Indefinite	75,200	**13,238**
Total	¥93,490	**¥16,231**

As of March 31, 2023 and 2024, total temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities were not recognized were ¥1,397,268 million and ¥1,409,192 million, respectively.

The MCG Group does not recognize deferred tax liabilities related to temporary differences when it can control the timing of the reversal of the temporary differences and it is highly probable that temporary differences will not be reversed in the foreseeable future.

2. Income Taxes

The breakdown of income taxes is as follows:

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Income taxes	¥61,931	**¥67,693**
Deferred income taxes	(29,512)	**(5,585)**
Total	¥32,419	**¥62,108**

3. Effective Tax Rate Reconciliation Schedule

The Company is principally subject to corporate taxes, resident taxes and business taxes. The statutory effective tax rate that is the base for these taxes was 30.6% in the fiscal years ended March 31, 2023 and 2024. For overseas subsidiaries, local corporate income taxes are imposed.

A reconciliation of the statutory tax rates to the effective tax rates for the fiscal years ended March 31, 2023 and 2024, was as follows:

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Statutory tax rate	30.6%	**30.6%**
Difference of statutory tax rate in overseas subsidiaries	(1.5)	**(5.3)**
Gain on step acquisitions	—	**(3.4)**
Share of profit of investments accounted for using the equity method	(2.1)	**(1.0)**
Tax credits for research and development costs	(3.5)	**(0.7)**
Difference of unrecognized deferred tax assets	(8.9)	**4.1**
Foreign taxes	1.8	**0.4**
Others	2.9	**1.1**
Effective tax rate	19.3%	**25.8%**

4. Global Minimum Tax Regime

In Japan, as a result of the 2023 tax reform, a corporate tax corresponding to global minimum tax was established, and including related provisions (the Global Minimum Tax), the Tax Reform Act (Act for Partial Revision of the Income Tax Act and Other Acts (Act no. 3, 2023)) (Revised Corporation Tax Act) was enacted on March 28, 2023. Revised Corporation Tax Act introduced the Income Inclusion Rule (IIR) from the global minimum tax rules of BEPS, imposing top-up taxes on parent companies headquartered in Japan until the tax burdens of their domestic subsidiaries reach the minimum tax rate of 15%, effective from the fiscal year beginning April 1, 2024

The MCG Group assessed the potential exposure to this tax legislation. This assessment is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the MCG Group. As a result of this assessment, the MCG Group concluded that while it may incur additional income taxes in some jurisdictions where the constituent entities in the MCG Group operate, material exposure is not expected.

See 1. Deferred Tax Assets and Liabilities for the recognition of deferred tax assets and liabilities relating to income taxes arising from global minimum tax.

Note 13

Per Share Information

The bases for calculating basic and diluted earnings per share attributable to owners of the parent were as follows:

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
		(Millions of yen)
Net income attributable to owners of the parent	¥ 96,461	**¥119,596**
Adjustment	173	**169**
Net income used to calculate diluted earnings per share	¥ 96,634	**¥119,765**
		(Thousands of shares)
Average number of ordinary shares during period	1,421,783	**1,422,496**
Impact of potentially dilutive ordinary shares		
Convertible bond-type bonds with subscription rights to shares	64,020	**59,572**
Subscription rights to shares	1,106	**728**
Average number of diluted ordinary shares during period	1,486,909	**1,482,796**
		(Yen)
Basic earnings per share attributable to owners of the parent	¥ 67.85	**¥ 84.07**
Diluted earnings per share attributable to owners of the parent	¥ 64.99	**¥ 80.77**

Note:
In the calculation of basic and diluted net income per share attributable to owners of the parent, the Company stocks held by Board Incentive Plan trust are included in shares of treasury stock deducted in calculating the average number of shares during the period.

Goodwill and Intangible Assets

1. Schedule of Goodwill and Intangible Assets

The acquisition cost, accumulated amortization, accumulated impairment losses and carrying amount of goodwill and intangible assets were as follows:

Fiscal year ended March 31, 2023

Acquisition cost

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2022	¥721,686	¥308,323	¥377,015	¥80,705	¥69,275	¥835,318
Acquisitions	—	14,904	53	5,132	3,391	23,480
Acquisitions through business combinations	740	—	173	—	377	550
Sale or disposal	—	(13,414)	(490)	(3,184)	(75)	(17,163)
Transfers	—	(1)	—	(172)	(12)	(185)
Exchange differences on translation of foreign operations	27,965	14,744	15,669	2,043	2,341	34,797
Balance as of March 31, 2023	¥750,391	¥324,556	¥392,420	¥84,524	¥75,297	¥876,797

Accumulated amortization, accumulated impairment losses

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2022	¥16,274	¥183,463	¥101,204	¥62,645	¥39,201	¥386,513
Amortization	—	9,120	18,847	6,708	2,081	36,756
Impairment losses	6,739	1,717	—	754	21	2,492
Sale or disposal	—	(13,198)	(490)	(3,049)	(67)	(16,804)
Exchange differences on translation of foreign operations	(277)	6,563	1,268	(451)	1,247	8,627
Balance as of March 31, 2023	¥22,736	¥187,665	¥120,829	¥66,607	¥42,483	¥417,584

Carrying amount

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2022	¥705,412	¥124,860	¥275,811	¥18,060	¥30,074	¥448,805
Balance as of March 31, 2023	¥727,655	¥136,891	¥271,591	¥17,917	¥32,814	¥459,213

Fiscal year ended March 31, 2024

Acquisition cost

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2023	**¥750,391**	**¥324,556**	**¥392,420**	**¥84,524**	**¥75,297**	**¥876,797**
Acquisitions	**745**	**—**	**57**	**5,800**	**1,896**	**7,753**
Acquisitions through business combinations	**56,829**	**—**	**19,554**	**616**	**2,690**	**22,860**
Sale or disposal	**(32,562)**	**(14,664)**	**(2,645)**	**(3,851)**	**(11,284)**	**(32,444)**
Transfers	**—**	**1**	**—**	**146**	**(167)**	**(20)**
Exchange differences on translation of foreign operations	**64,844**	**30,953**	**37,839**	**2,526**	**2,349**	**73,667**
Balance as of March 31, 2024	**¥840,247**	**¥340,846**	**¥447,225**	**¥89,761**	**¥70,781**	**¥948,613**

Accumulated amortization, accumulated impairment losses

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2023	**¥22,736**	**¥187,665**	**¥120,829**	**¥66,607**	**¥42,483**	**¥417,584**
Amortization	**—**	**10,355**	**21,061**	**6,612**	**3,046**	**41,074**
Impairment losses	**31**	**1,233**	**2,083**	**185**	**566**	**4,067**
Sale or disposal	**(16,274)**	**(11,218)**	**(1,517)**	**(3,064)**	**(9,909)**	**(25,708)**
Exchange differences on translation of foreign operations	**855**	**17,586**	**10,036**	**2,116**	**830**	**30,568**
Balance as of March 31, 2024	**¥ 7,348**	**¥205,621**	**¥152,492**	**¥72,456**	**¥37,016**	**¥467,585**

Carrying amount

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2023	¥727,655	¥136,891	¥271,591	¥17,917	¥32,814	¥459,213
Balance as of March 31, 2024	**¥832,899**	**¥135,225**	**¥294,733**	**¥17,305**	**¥33,765**	**¥481,028**

There were no material internally generated assets in the fiscal years ended March 31, 2023 and 2024.

The amortization of intangible assets is included in Cost of sales and Selling, general and administrative expenses in the Consolidated Statement of Income.

2. Significant Intangible Assets

Significant intangible assets in the Consolidated Statement of Financial Position include technology-related intangible assets that the Company obtained in acquiring Mitsubishi Rayon Co., Ltd. (now Mitsubishi Chemical Corporation), in March 2010. The carrying amounts of these intangible assets were ¥8,786 million as of March 31, 2023 and ¥6,571 million as of March 31, 2024. The remaining amortization periods were 1 to 5 years.

The carrying amounts of customer-related intangible assets of Taiyo Nippon Sanso Corporation (now Nippon Sanso Holdings Corporation), which the Company acquired in November 2014, were ¥19,346 million as of March 31, 2023, and ¥17,242 million as of March 31, 2024. The remaining amortization periods were 4 to 9 years.

The carrying amounts of technology-related intangible assets of NeuroDerm Ltd. which Mitsubishi Tanabe Pharma Corporation acquired in October 2017, were ¥54,614 million as of March 31, 2023 and ¥61,927 million as of March 31, 2024. This item is classified as intangible assets with indefinite useful lives.

The carrying amount of customer-related intangible assets of European businesses which Taiyo Nippon Sanso Corporation (now Nippon Sanso Holdings Corporation) acquired in December 2018, were ¥188,773 million as of March 31, 2023 and ¥199,260 million as of March 31, 2024. The remaining amortization period was mainly 24 years.

The carrying amount of intangible assets related to technology obtained through the Mitsubishi Chemical America Inc. acquisition of Gelest in October 2020, were ¥29,692 million as of March 31, 2023 and ¥30,977 million as of March 31, 2024. The remaining amortization period was mainly 11 years.

The carrying amounts of technology-related intangible assets recorded as a result of Mitsubishi Tanabe Pharma Corporation’s payment to Eli Lilly and Company in September 2022 for the marketing rights of pharmaceutical products in Japan, were ¥11,823 million as of March 31, 2023 and ¥10,641 million as of March 31, 2024. The remaining amortization period was 9 years.

The carrying amounts of customer-related intangible assets added from Mitsubishi Chemical Europe’s acquisition of C.P.C. S.r.l. in January 2024, were ¥19,225 million as of March 31, 2024. The remaining amortization period was 4 years.

3. Intangible Assets with Indefinite Useful Lives

The carrying amounts of intangible assets with indefinite useful lives were ¥63,127 million and ¥68,793 million, as of March 31, 2023 and 2024, respectively, mainly comprising in-process research and development costs recognized by Mitsubishi Tanabe Pharma Corporation in the Health Care segment in connection with its acquisition of NeuroDerm Ltd. in 2017. These amounts are included in technology-related intangible assets. Given that the assets are at the research and development stage, have yet to obtain marketing approval from regulatory authorities, and cannot be in use, the Company classifies them as intangible assets with indefinite useful lives and as intangible assets that are not yet available for use.

The relevant assets are subject to impairment testing at certain times every year, regardless of whether there are indications of impairment.

In impairment tests, recoverable amounts of intangible assets are measured by their value in use.

In calculating value in use, the Company uses estimates of future cash flows based on management-approved business plans. The business plans are based on experience and external information. Except on justifiable grounds, the plans are, in principle, for up to five years, the prime assumptions being the prospects for obtaining regulatory approval for sales, post launch sales revenue forecasts, and discount rates.

The discount rate used is the pre-tax weighted average cost of capital. The rates were 8.2%-15.0% and 8.8%-13.4% for the fiscal years ended March 31, 2023 and 2024, respectively. The discount rates used in the annual impairment test for in-process R&D expenses related to NeuroDerm were 15.0% and 13.4% for the fiscal years ended March 31, 2023 and 2024, respectively. It was possible that the recoverable amount would equal the carrying amount if the discount rate rose 1.3% in the previous fiscal year. If the discount rate were to increase by 0.7% in the fiscal year ended March 31, 2024, the recoverable amount could equal the carrying amount.

Although management deems these main assumptions reasonable, they are subject to uncertain fluctuations in future economic conditions. If assumptions change, calculations of recoverable amount may differ.

Impairment losses recognized for intangible assets with indefinite useful lives are as described in Note 16 Impairment Losses.

4. Goodwill

The carrying amounts of goodwill allocated to cash-generating units (groups of cash-generating units) are as follows:

Millions of yen

Reporting segment	Cash-Generating Unit (Groups of Cash-Generating Units)	March 31, 2023	**March 31, 2024**
Specialty Materials	Carbon fiber and Composite materials	¥ 8,350	**¥ 65,818**
	High performance engineering plastics	27,235	**30,865**
	Others	55,517	**60,823**
	Total	¥ 91,102	**¥157,506**
Industrial Gases	Industrial gases	¥523,921	**¥576,921**
Health Care	Ethical pharmaceuticals	¥ 54,540	**¥ 56,099**
MMA	MMA	¥ 38,474	**¥ 38,861**
Basic Materials	Others	¥ 3,152	**¥ 3,359**
Others	Pharmaceutical formulation materials	¥ 16,288	**¥ —**
	Others	¥ 178	**¥ 153**
	Total	¥ 16,466	**¥ 153**
Total		¥727,655	**¥832,899**

Note:
Owing to a revision of reporting segments from the first quarter of the fiscal year under review, the book value of goodwill allocated to each cash-generating unit (cash-generating unit group) for the fiscal years ended March 31, 2023, and 2024, were prepared in line with the new classification method. There was no balance for goodwill allocated to pharmaceutical formulation materials because the MCG Group completed the transfer of that business in the fiscal year ended March 31, 2024.

The recoverable amounts of goodwill of cash-generating unit groups are measured by their value in use.

The value in use is based on a management-approved five-year plan reflecting experience and external information sources. After considering future uncertainties after the five-year period, the Company assumes a zero-growth rate, with value equaling cash flows in the fifth year. Estimated future cash flows are shaped largely by sales revenue forecasts and market growth rates. While management has determined that its main assumptions are reasonable, they are subject to uncertain changes in economic conditions, and calculations of recoverable amounts could differ if assumptions change.

The discount rates used for measuring recoverable amounts are as follows:

Reporting segment	Cash-Generating Unit (Groups of Cash-Generating Units)	March 31, 2023	**March 31, 2024**
Specialty Materials	Carbon fiber and composite materials	6.3%	**6.9%**
	High performance engineering plastics	6.3%	**6.9%**
Industrial Gases	Industrial gases	5.5%	**6.1%**
Health Care	Ethical pharmaceuticals	8.2%	**8.8%**
MMA	MMA	5.5%	**6.1%**
Others	Pharmaceutical formulation materials	5.8%	**—**

For goodwill allocated to pharmaceutical formulation materials, it was possible that the recoverable amount would equal the carrying amount if the discount rate rose 1.9% in the previous fiscal year.

Property, Plant and Equipment

The acquisition cost, accumulated depreciation, accumulated impairment losses and carrying amount of property, plant and equipment were as follows:

1. Schedule of property, plant and equipment

Fiscal year ended March 31, 2023

Acquisition cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	¥1,247,199	¥3,530,621	¥387,449	¥294,153	¥204,708	¥5,664,130
Acquisitions (Note 1)	70,983	152,656	31,644	3,887	29,030	288,200
Acquisitions through business combinations	24	180	1	212	—	417
Transfer of businesses	(6,821)	(19,098)	(1,552)	(49)	(23)	(27,543)
Sale or disposal	(20,205)	(83,869)	(14,303)	(2,898)	(1,463)	(122,738)
Transfers (Note 2)	(4,772)	(8,854)	13	(384)	(10,895)	(24,892)
Exchange differences on translation of foreign operations	17,671	89,946	12,067	4,190	(2,453)	121,421
Balance as of March 31, 2023	¥1,304,079	¥3,661,582	¥415,319	¥299,111	¥218,904	¥5,898,995

Accumulated depreciation, accumulated impairment losses

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	¥804,960	¥2,681,948	¥262,308	¥ 9,709	¥ 5,510	¥3,764,435
Transfer of businesses	(5,372)	(17,667)	(1,373)	—	—	(24,412)
Depreciation	47,147	159,107	24,827	1,779	—	232,860
Impairment losses	9,118	27,298	782	2,295	48,058	87,551
Sale or disposal	(16,251)	(81,287)	(13,960)	(554)	(845)	(112,897)
Transfers (Note 2)	(1,888)	(5,631)	(29)	(102)	(139)	(7,789)
Exchange differences on translation of foreign operations	5,110	51,929	4,570	1,131	(11,391)	51,349
Balance as of March 31, 2023	¥842,824	¥2,815,697	¥277,125	¥14,258	¥41,193	¥3,991,097

Notes:
1. "Acquisitions" of construction in progress is presented as a net amount, including the amount of increase due to new acquisitions as well as the amount in parentheses transferred to each property, plant and equipment account.
2. Transfers include transfers to and from assets held for sale.

Carrying amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	¥442,239	¥848,673	¥125,141	¥284,444	¥199,198	¥1,899,695
Balance as of March 31, 2023	¥461,255	¥845,885	¥138,194	¥284,853	¥177,711	¥1,907,898

Fiscal year ended March 31, 2024

Acquisition cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2023	**¥1,304,079**	**¥3,661,582**	**¥415,319**	**¥299,111**	**¥218,904**	**¥5,898,995**
Acquisitions (Note 1)	**46,750**	**160,367**	**27,752**	**1,177**	**63,204**	**299,250**
Acquisitions through business combinations	**16,931**	**15,682**	**2.073**	**1,145**	**1,451**	**37,282**
Sale or disposal	**(33,117)**	**(128,902)**	**(19,546)**	**(3,897)**	**(3,737)**	**(189,199)**
Transfers (Note 2)	**(19,449)**	**(73,968)**	**59**	**(2,871)**	**(12,269)**	**(108,498)**
Exchange differences on translation of foreign operations	**31,822**	**146,002**	**24,905**	**5,058**	**18,565**	**226,352**
Balance as of March 31, 2024	**¥1,347,016**	**¥3,780,763**	**¥450,562**	**¥299,723**	**¥286,118**	**¥6,164,182**

Accumulated depreciation, accumulated impairment losses

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2023	**¥842,824**	**¥2,815,697**	**¥277,125**	**¥14,258**	**¥41,193**	**¥3,991,097**
Depreciation	**47,262**	**159,346**	**26,048**	**1,706**	**—**	**234,362**
Impairment losses	**5,937**	**20,238**	**315**	**351**	**2,591**	**29,432**
Sale or disposal	**(24,707)**	**(119,268)**	**(17,854)**	**(528)**	**(168)**	**(162,525)**
Transfers (Note 2)	**(14,538)**	**(70,662)**	**(198)**	**(1,158)**	**(92)**	**(86,648)**
Exchange differences on translation of foreign operations	**8,299**	**87,667**	**13,922**	**888**	**4,358**	**115,134**
Balance as of March 31, 2024	**¥865,077**	**¥2,893,018**	**¥299,358**	**¥15,517**	**¥47,882**	**¥4,120,852**

Notes:

1. "Acquisitions" of construction in progress is presented as a net amount, including the amount of increase due to new acquisitions as well as the amount in parentheses transferred to each property, plant and equipment account.
2. Transfers include transfers to and from assets held for sale.

Carrying amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2023	¥461,255	¥845,885	¥138,194	¥284,853	¥177,711	¥1,907,898
Balance as of March 31, 2024	**¥481,939**	**¥887,745**	**¥151,204**	**¥284,206**	**¥238,236**	**¥2,043,330**

Right-of-use assets increased ¥26,926 million and ¥21,406 million in the fiscal years ended March 31, 2023 and 2024, respectively.

Depreciation of property, plant and equipment is included in Cost of sales and Selling, general and administrative expenses in the Consolidated Statement of Income.

Expenditure on construction work in progress for property, plant and equipment is included in construction in progress.

2. Right-of-use assets (lease assets)

The carrying amounts of right-of-use assets included in property, plant and equipment are as follows:

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Buildings and structures	¥ 75,556	**¥ 82,603**
Machinery and vehicles	19,400	**24,991**
Tools, furniture and fixtures	11,215	**10,745**
Land	8,489	**7,738**
Total	¥114,660	**¥126,077**

Note 16

Impairment Losses

In principle, the MCG Group determines its cash-generating units considering operational, production processes, regions, and other factors based on business units. The MCG Group tests idle assets individually to recognize impairment losses.

Impairment losses in the fiscal years ended March 31, 2023, and 2024, are as follows. Impairment losses are included in other operating expenses in the Consolidated Statement of Income.

Impairment losses

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Property, plant and equipment		
Buildings and structures	¥ 9,118	**¥ 5,937**
Machinery and vehicles	27,298	**20,238**
Tools, furniture and fixtures	782	**315**
Land	2,295	**351**
Construction in progress	48,058	**2,591**
Total of property, plant and equipment	¥87,551	**¥29,432**
Goodwill	6,739	**31**
Intangible assets (Note)	2,492	**4,067**
Total impairment losses	¥96,782	**¥33,530**

Note:
The impairment losses on intangible assets with indefinite useful lives were ¥1,463 million and ¥1,232 million in the fiscal years ended March 31, 2023 and 2024, respectively.

The main assets for which impairment losses were recognized are as follows:

Fiscal year ended March 31, 2023
Property, plant and equipment and intangible assets

Use	Location	Category	Reporting segment	Impairment loss
MMA manufacturing equipment	Mitsubishi Chemical UK Limited (Stockton-on-Tees, United Kingdom)	Machinery and equipment, etc.	Chemicals (now MMA)	¥39,251 million
Vaccine manufacturing equipment	Medicago Inc. (Quebec, Canada)	Construction in progress, etc.	Health Care	¥40,619 million

(Goodwill)

Main contents	Reporting segment	Impairment loss
Goodwill related to Medicago's business and operations	Health Care	¥6,739 million

1. Methyl Methacrylate (MMA) manufacturing equipment at Mitsubishi Chemical UK's Cassel Site

A comprehensive business review was undertaken which concluded that MCG does not believe that the manufacturing operation of methacrylates at Mitsubishi Chemical UK Cassel Site can be economically sustainable for the foreseeable future. MCG therefore decided to cease the production of methacrylates at the site. Consequently, since the investment became unrecoverable, the carrying amount of the manufacturing equipment at the site was reduced to the recoverable amount, and an impairment loss of ¥39,251 million (including ¥20,720 million for machinery and equipment and ¥18,531 million for others) was recorded.

The recoverable amount is measured at fair value less costs of disposal. The fair value less costs of disposal is the estimated sale amount or is zero for the assets which are not expected to be sold. The fair value hierarchy is Level 3.

2. Medicago's vaccine manufacturing equipment and goodwill related to its business and operations

Medicago Inc. is a biopharmaceutical company specializing in the research and development of new vaccines using plant-based virus-like particles (hereinafter, "VLP") technology. Medicago's VLP vaccine for the prevention of COVID-19 was approved in Canada in February 2022 and the company has since been preparing for the transition to commercial-scale production. However, in light of significant changes to the COVID-19 vaccine landscape since the approval of the VLP vaccine, and after a comprehensive review of the current global demand and market environment for COVID-19 vaccines and Medicago's challenges in transitioning to commercial-scale production, MCG has determined that it will not pursue the commercialization of the VLP vaccine. In addition, MCG judged that it was not viable to continue to make further investment in the commercialization of Medicago's development products, and decided to cease all of its operations at Medicago and proceed with an orderly wind up of its business and operations. Consequently, since the investment became unrecoverable, the carrying amount of Medicago's vaccine manufacturing equipment and goodwill related to its business and operations was reduced to the recoverable amount, and an impairment loss of ¥47,358 million (including ¥31,762million for construction in progress, ¥6,739 million for goodwill, and ¥8,857 million for others) was recorded.

The recoverable amount is measured at fair value less costs of disposal. The fair value less costs of disposal is the estimated sale amount or is zero for the assets which are not expected to be sold. The fair value hierarchy is Level 3.

Fiscal year ended March 31, 2024

Property, plant and equipment and intangible assets

Use	Location	Category	Reporting segment	Impairment loss
Purified terephthalic acid production facilities	PT Mitsubishi Chemical Indonesia (Location: Jakarta, Indonesia)	Machinery and equipment, etc.	Basic Materials	¥10,652 million
Phenol and bisphenol A production facilities	Mitsubishi Chemical Corporation Ibaraki Plant (Kamisu, Ibaraki Prefecture) Okayama Plant (Kurashiki, Okayama Prefecture) Kyushu Plant (Kitakyushu, Fukuoka Prefecture)	Machinery and equipment, etc.	Basic Materials	¥ 4,242 million
Acetone cyanohydrin process-based MMA and acrylonitrile production facilities	Mitsubishi Chemical Corporation Hiroshima Plant (Otake, Hiroshima Prefecture)	Machinery and equipment, etc.	MMA	¥ 3,993 million

1. Purified terephthalic acid production facility at PT Mitsubishi Chemical Indonesia
As part of portfolio reforms, the MCG Group resolved to gradually transfer all of its shares in consolidated subsidiary PT Mitsubishi Chemical Indonesia to PT Lintas Buana Kasei. After reclassifying assets held for sale, the MCG Group accordingly recorded a loss to cover the difference between the fair value after deducting disposal costs and the book value.
The MCG Group fully reduced the entire book value of equipment and other non-current assets at Mitsubishi Chemical Indonesia, recording a ¥10,652 million impairment loss. This included ¥8,981 million for machinery and equipment, ¥924 million for construction in progress, and ¥747 million for other assets. The MCG Group also recorded an estimated loss of ¥1,330 million, exceeding the book value of non-current assets, as a provision for loss on business liquidation.
The MCG Group based the fair value on the estimated selling price of Mitsubishi Chemical Indonesia shares. The fair value hierarchy is Level 3.

2. Phenol and bisphenol A production facilities of Mitsubishi Chemical Corporation
The profitability of the phenol and bisphenol A businesses deteriorated with changes in the business environment, and management concluded that the prospects for improvement are low. The MCG Group accordingly reduced the book value of fixed assets relating to these businesses to the recoverable amount and recorded an impairment loss of ¥4,242 million (including ¥2,658 million for machinery and equipment, ¥802 million for buildings and structures, and ¥782 million for other assets).
The MCG Group bases the recoverable amount on value in use, calculated by discounting future cash flows at a discount rate of 6.1%.

3. Acetone cyanohydrin process-based MMA and acrylonitrile production facilities at Hiroshima Plant of Mitsubishi Chemical Corporation
The MCG Group decided to discontinue the production of MMA based on the acetone cyanohydrin process and of acrylonitrile and acrylonitrile derivatives at the Hiroshima Plant of Mitsubishi Chemical Corporation to enhance the competitiveness of its MMA and acrylonitrile businesses and optimize its supply system. The MCG Group accordingly reduced the book values of fixed assets related to these products were reduced to memorandum values and recorded an impairment loss of ¥3,993 million (including ¥2,844 million for machinery and equipment, ¥702 million for buildings and structures, and ¥447 million for other assets).
The MCG Group bases the recoverable amount on value in use, and set it at zero.

Note 17

Individually Insignificant Investments Accounted for Using Equity Method

Amounts of Investments and Share of Total Shareholders' Equity in Total Comprehensive Income

The carrying amounts of individually insignificant investments in joint ventures accounted for using the equity method are as follows:

	Millions of yen	
	As of March 31, 2023	**As of March 31, 2024**
Carrying amounts of investments in joint ventures	¥79,020	**¥78,419**

Equity in earnings of joint ventures accounted for using the equity method for total comprehensive income is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Share of profit using equity method	¥5,558	**¥3,777**
Share of other comprehensive income using equity method	856	**1,982**
Share of total shareholders' equity in total comprehensive income	¥6,414	**¥5,759**

Carrying amounts of individually insignificant investments in associates accounted for using the equity method are as follows:

		Millions of yen
	As of March 31, 2023	**As of March 31, 2024**
Carrying amounts of investments in associates	¥91,716	**¥85,827**

Equity in earnings of associates accounted for using the equity method for total comprehensive income is as follows:

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Share of profit using equity method	¥ 6,185	**¥4,313**
Share of other comprehensive income using equity method	6,974	**58**
Share of total shareholders' equity in total comprehensive income	¥13,159	**¥4,371**

Note 18

Other Financial Assets

The breakdown of other financial assets is as follows:

		Millions of yen
	As of March 31, 2023	**As of March 31, 2024**
Stocks and investments	¥162,919	**¥169,076**
Accounts receivable	51,025	**56,033**
Time deposits	6,286	**11,928**
Derivatives	5,678	**7,490**
Other	53,549	**61,423**
Allowance for doubtful accounts	(1,718)	**(1,914)**
Total	¥277,739	**¥304,036**
Current assets	¥ 74,469	**¥ 82,804**
Non-current assets	203,270	**221,232**
Total	¥277,739	**¥304,036**

Stocks and investments are classified mainly as equity financial assets measured at fair value through other comprehensive income. Accounts receivable and time deposits are classified as financial assets measured mainly at amortized cost. Derivative assets are financial assets measured at fair value through profit or loss (except those to which hedge accounting applies).

Other includes financial assets related to contingent consideration agreements, are classified as financial assets measured at fair value through profit or loss.

The major issues and fair values of equity financial assets measured at fair value through other comprehensive income are as follows:

As of March 31, 2023

Company name	Millions of yen
PHC Holdings Corporation	¥17,610
IBIDEN CO., LTD.	6,966
NewAmsterdam Pharma Company N.V.	6,633
Tosoh Corporation	4,014
Mitsubishi Research Institute, Inc.	3,182
KOATSU GAS KOGYO CO., LTD.	2,394
STANLEY ELECTRIC CO., LTD.	2,174
RIKEN KEIKI Co., Ltd.	1,939
MITSUBISHI GAS CHEMICAL COMPANY, INC.	1,656
MEDIPAL HOLDINGS CORPORATION	1,564

As of March 31, 2024

Company name	Millions of yen
PHC Holdings Corporation	**¥15,199**
IBIDEN CO., LTD.	**8,805**
Tosoh Corporation	**4,610**
Mitsubishi Research Institute, Inc.	**3,095**
KOATSU GAS KOGYO CO., LTD.	**3,044**
RIKEN KEIKI Co., Ltd.	**2,611**
MITSUBISHI GAS CHEMICAL COMPANY, INC.	**2,185**
Kobe Steel, Ltd.	**2,152**
STANLEY ELECTRIC CO., LTD.	**2,089**
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	**1,860**

As well as the assets above, the MCG Group holds financial assets measured at fair value through other comprehensive income for which quoted prices in active markets are unavailable, mainly comprising stocks related to the Chemicals, Health Care and Industrial Gases product segments.

Investments in Chemicals -related stocks were ¥69,807 million as of March 31, 2023, and ¥73,096 million as of March 31, 2024. Investments in Health Care-related stocks were ¥9,648 million as of March 31, 2023, and ¥10,396 million as of March 31, 2024. Investments in Industrial Gases-related stocks amounted to ¥9,437 million as of March 31, 2023, and ¥9,741 million as of March 31, 2024.

As stocks are held mainly to maintain and strengthen business and collaborative ties and financial transactions, they are designated as equity financial assets measured at fair value through other comprehensive income.

The Company endeavors to enhance the efficiency and effective use of its assets by selling (derecognizing) equity financial assets measured at fair value through other comprehensive income. Fair values upon sales and cumulative gains or losses (before tax) on sales are as follows. Cumulative gains or losses (after tax) recognized in other components of equity are transferred to retained earnings at the time of sale.

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Fair value	¥23,821	**¥10,034**
Cumulative gains or losses	10,699	**2,653**

Dividend income from equity financial assets measured at fair value through other comprehensive income is as follows:

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Derecognized financial assets	¥ 266	**¥ 46**
Financial assets held at year-end	6,558	**4,973**

Note 19

Other Assets

The breakdown of other assets is as follows:

	Millions of yen	
	As of March 31, 2023	**As of March 31, 2024**
Net defined benefit assets	¥ 45,297	**¥ 57,007**
Prepaid expenses	41,306	**40,354**
Contract asset (Note)	22,315	**32,886**
Accrued income tax	48,907	**23,362**
Consumption taxes receivable	11,560	**20,960**
Advance payment	17,765	**16,493**
Other	15,295	**13,406**
Total	¥202,445	**¥204,468**
Current assets	141,020	**131,721**
Non-current assets	61,425	**72,747**
Total	¥202,445	**¥204,468**

Note: See Note 7 Sales Revenue for details.

Note 20

Inventory

The breakdown of inventory is as follows:

	Millions of yen	
	As of March 31, 2023	**As of March 31, 2024**
Finished goods	¥448,463	**¥450,229**
Raw materials and supplies	257,845	**254,199**
Work in process	91,569	**94,821**
Total	¥797,877	**¥799,249**

Inventories measured at net realizable value as of March 31, 2023 and 2024 were ¥125,244 million and ¥81,067 million, respectively.

In the fiscal years ended March 31, 2023 and 2024, write-downs of inventories recognized as expenses were ¥11,378 million and ¥8,878 million, respectively.

Note 21

Trade Receivables

The breakdown of trade receivables is as follows:

	Millions of yen	
	As of March 31, 2023	**As of March 31, 2024**
Accounts receivable	¥819,461	**¥867,117**
Allowance for doubtful accounts	(10,674)	**(14,764)**
Total	¥808,787	**¥852,353**

Trade receivables are classified as financial assets measured at amortized cost.

Note 22

Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen	
	As of March 31, 2023	**As of March 31, 2024**
Cash and deposits	¥278,416	**¥269,494**
Short-term investments	18,808	**25,430**
Total	¥297,224	**¥294,924**

Assets Held for Sale The breakdowns of assets held for sale and directly related liabilities are as follows:

	As of March 31, 2023	**As of March 31, 2024**
		Millions of yen
Assets held for sale:		
Cash and cash equivalents	¥ 2,005	**¥ 3,050**
Trade receivables	7,173	**5,163**
Inventories	3,922	**7,421**
Property, plant and equipment	1,262	**3,870**
Other financial assets	14,772	**8,533**
Others	1,107	**2,548**
Total	¥30,241	**¥30,585**
Liabilities related directly to assets held for sale:		
Trade payables	¥ 4,713	**¥ 414**
Other financial liabilities	361	**1,130**
Retirement benefit liabilities	2,009	**—**
Provisions	24	**1,330**
Others	1,917	**1,007**
Total	¥ 9,024	**¥ 3,881**

Fiscal year ended March 31, 2023

Assets held for sale and directly related liabilities as of March 31, 2023, primarily comprised the following.

(1) Investment in joint venture Mitsubishi Engineering-Plastics Corporation accounted for using the equity method in the Performance Products (now Specialty Materials) segment

In February 2022, the Company decided to transfer a portion of the shares as part of portfolio reforms. As the sale was expected within one year from the end of the first quarter of the fiscal year ended March 31, 2023, the Company discontinued the use of equity method for those shares and classified them as held for sale.

As the fair value after deducting selling costs (the estimated sales price) exceeded the carrying amount, the Company measured this investment at its carrying amount.

The Company completed the sale in April 2023.

(2) Related to Mitsubishi Chemical Agri Dream Co., Ltd., a consolidated subsidiary in the Performance Products (now Specialty Materials) segment

As part of portfolio reforms, the MCG Group agreed in March 2023 to transfer all of its shares in Mitsubishi Chemical Agri Dream Co., Ltd., classifying all of that company's assets and liabilities as held for sale.

As the fair value after deducting selling costs (estimated sales price) exceeded the carrying amount, the Company measured the assets and liabilities at their carrying amount.

The Company completed the sale in September 2023.

(3) Related to Alphatec Solutions, Co., Ltd., a consolidated subsidiary in the Other segment

In keeping with efforts to reinforce and rationalize its systems infrastructure, the MCG Group agreed in February 2023 to transfer all of its shares in Alphatec Solutions, Co., Ltd., classifying all of that company's assets and liabilities as held for sale.

As the fair value after deducting selling costs (estimated sales price) exceeded the carrying amount, the Company measured the assets and liabilities at their carrying amount.

The Company completed the sale in April 2023.

(4) Cross-shareholdings held by the MCG Group

The MCG Group constantly reviews the meaningfulness of cross-shareholdings. Pursuant to such review, at the end of the fiscal year ended March 31, 2023, it classified the shares which are assessed to be insufficiently justified and planned to be sold within one year as held for sale. These shares are primarily listed, and are classified as Level 1 in the fair value hierarchy.

Although sales were in progress for cross-shareholdings classified as held for sale as of the end of the fiscal year ended March 31, 2023, the sales of some of the shares were not completed by the end of the fiscal year ended March 31, 2024. These shares thus remained classified as held for sale at the end of the fiscal year ended March 31, 2024. The MCG Group should complete the sale of these shares in the fiscal year ending March 31, 2025.

As of March 31, 2023, other components of equity related to assets held for sale were ¥4,428 million.

Fiscal year ended March 31, 2024
Assets held for sale and directly related liabilities as of March 31, 2024, primarily comprised the following.

(1) Related to Mitsubishi Chemical Indonesia, a consolidated subsidiary in the Basic Materials segment
As part of portfolio reforms, the MCG Group agreed in December to gradually transfer all of its shares in consolidated subsidiary PT Mitsubishi Chemical Indonesia, classifying all of the assets and liabilities that it held in that consolidated subsidiary company as held for sale.

The MCG Group accordingly measured its shares at fair value after deducting disposal costs. The MCG Group based the fair value on the estimated selling price of Mitsubishi Chemical Indonesia shares. The fair value hierarchy is Level 3. In making a transfer to assets held for sale, the MCG Group recorded a loss to cover the difference between the fair value after deducting disposal costs and the book value, including that amount in other operating expenses.

Under the transfer agreement, the MCG Group plans to sell 80% of our 100% shares within one year from the end of the fiscal year ended March 2024. The MCG Group will consequently lose control of that company and also gradually unwind its remaining 20% holding.

(2) Related to Tianjin Tanabe Seiyaku Co., Ltd., a consolidated subsidiary in the Health Care segment
In December 2023, Mitsubishi Tanabe Pharma concluded an agreement to transfer its entire equity interest in Tianjin Tanabe Seiyaku Co., Ltd. Management made this decision in view of recent changes in the operating climate in China, concluding that transferring its shares to a company with deep knowledgeable about the market would enable Tianjin Tanabe to enhance its growth and competitiveness. Mitsubishi Tanabe Pharma thus classified the assets and liabilities of Tianjin Tanabe Seiyaku as held for sale.

The MCG Group measures the assets and liabilities at book value because the fair value (estimated sale price) after deducting disposal costs would exceed the book value.

The MCG Group expects to complete the transfer within one year from the end of the fiscal year ended March 31, 2024.

(3) Cross-shareholdings held by the MCG Group
The MCG Group constantly reviews the meaningfulness of cross-shareholdings. Pursuant to such review, at the end of the fiscal year ended March 31, 2024, it classified the shares which are assessed to be insufficiently justified and planned to be sold within one year as held for sale. These shares are primarily listed, and are classified as Level 1 in the fair value hierarchy.

As of March 31, 2024, other components of equity related to assets held for sale were ¥11,008 million.

Note 24

Capital

1. Common stock and Treasury Stock

Number of shares authorized and issued is as follows:

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
	Thousands of shares	
Number of shares authorized	6,000,000	**6,000,000**
Number of shares issued:		
At the beginning of the period	1,506,288	**1,506,288**
Increase (decrease)	—	**—**
At the end of the period	1,506,288	**1,506,288**

The Company's shares are ordinary shares without par value. The shares issued were fully paid.

Changes in the number of shares of treasury stock during the year are as follows:

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
	Thousands of shares	
At the beginning of the period	85,200	**84,190**
Increase (Note 1)	29	**38**
Decrease (Note 2)	(1,039)	**(523)**
At the end of the period	84,190	**83,705**

Notes:
1. The increase in the number of treasury stock reflects the purchase of shares of less than one unit.
2. A decrease in the number of shares of treasury stock in the fiscal year ended March 31, 2023, was due to payments of 344,000 shares for grants of restricted stock as share-based compensation, payments of 273,000 shares through the exercise of stock options, grants of 420,000 shares from the Board Incentive Plan trust, and the sale of 1,000 shares of less than one unit.
   A decrease in the number of shares of treasury stock in the fiscal year ended March 31, 2024, was due to grants of 423,000 shares from the Board Incentive Plan trust (including grants of restricted stock as share-based compensation), payments of 99,000 share through the exercise of stock options, and the sale of 1,000 shares of less than one unit.
3. Company stocks held by the Board Incentive Plan trust are included.
   As of March 31, 2023: 2,413,000 shares and as of March 31, 2024: 1,989,000 shares

2. Additional paid-in capital and Retained Earnings

Additional paid-in capital comprises amounts arising from capital transactions that are not included in common stock. The main component is legal capital surplus and other capital surplus. Retained earnings comprise legal retained earnings and other retained earnings.

The Japanese Company Law mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as a legal reserve within the legal capital surplus. Under that law, the legal capital surplus can be incorporated in common stock by resolution at a shareholders' meeting.

The MCG Group recorded to other capital surplus the amount classified as a capital element of compound financial products when issuing convertible bonds with stock acquisition rights. Because the rights were not exercised and the exercise period expired in the fiscal year ended March 31, 2024, the MCG Group transferred the post-tax amount to retained earnings.

That law requires that 10% of the surplus appropriated for dividends be retained until the total amount of the legal capital surplus and legal retained earnings reaches a quarter of the amount of common stock. The accumulated legal retained earnings can be appropriated for deficit disposition, and legal retained earnings may be available for dividends by resolution at a shareholders' meeting.

3. Other Components of Equity

Other components of equity are as follows:

(Financial Assets Measured at Fair Value through Other Comprehensive Income)
Unrealized gains on financial assets are measured at fair value through other comprehensive income.

(Remeasurement of Defined Benefit Pension Plans)
This remeasurement is for differences between actuarial assumptions at the beginning of the year and actual experience and the effects of changes in actuarial assumptions. This amount is recognized in other comprehensive income when it occurs and is immediately transferred from other components of equity to retained earnings.

(Exchange Differences on Translation of Foreign Operations)
These are the adjustments result from consolidating the financial statements of foreign operations, and the cumulative amount of effective portions of hedges from gains or losses on hedge instruments designated as net investment hedges.

(Effective Portion of Net Change in Fair Value of Cash Flow Hedges)
This is the cumulative amount of effective portions of hedges from gains or losses arising from changes in the fair value of hedging instruments relating to cash flow hedges.

Note 25

Dividends

Dividends paid to shareholders are as follows:

Fiscal year ended March 31, 2023

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Entitlement date	Effective date
May 19, 2022	Board of Directors	Common stock	¥21,359	¥15	March 31, 2022	June 3, 2022
November 8, 2022	Board of Directors	Common stock	¥21,366	¥15	September 30, 2022	December 2, 2022

Note:
Total dividends from a resolution of the Board of Directors on May 19, 2022, and November 8, 2022, included ¥39 million and ¥35 million, respectively, in dividends for the Company stock held by the Board Incentive Plan trust (excluding shares equivalent to the accumulated number of points granted).

Fiscal year ended March 31, 2024

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Entitlement date	Effective date
May 19, 2023	Board of Directors	Common stock	¥21,368	¥15	March 31, 2023	June 6, 2023
November 1, 2023	Board of Directors	Common stock	¥22,792	¥16	September 30, 2023	December 4, 2023

Note:
Total dividends from a resolution of the Board of Directors on May 19, 2023, and November 1, 2023, included ¥35 million and ¥31 million, respectively, in dividends for the Company stock held by the Board Incentive Plan trust (excluding shares equivalent to the accumulated number of points granted).

Dividends with a record date in the fiscal year ended March 31, 2024, with an effective date in the following fiscal year are as follows:

Fiscal year ended March 31, 2024

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Entitlement date	Effective date
May 20, 2024	Board of Directors	Common stock	¥22,793	Retained earnings	¥16	March 31, 2024	June 4, 2024

Note:
Total dividends included ¥31 million in dividends for the Company stock held by the Board Incentive Plan trust (excluding shares equivalent to the accumulated number of points granted).

Note 26

Other Comprehensive Income

Changes in each item of other comprehensive income during the year are as follows:

	Millions of yen	
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Net gain (loss) on revaluation of financial assets measured at fair value:		
Amounts arising during period	¥ (14,499)	**¥ 11,677**
Tax effects	4,576	**(3,885)**
Net amount	¥ (9,923)	**¥ 7,792**
Remeasurements of defined benefit plans:		
Amounts arising during period	¥ (4,168)	**¥ 10,758**
Tax effects	1,150	**(3,463)**
Net amount	¥ (3,018)	**¥ 7,295**
Exchange differences on translation of foreign operations:		
Amounts arising during period	¥ 79,018	**¥168,807**
Reclassification adjustments	(92)	**(182)**
Tax effects	—	**(1,757)**
Net amount	¥ 78,926	**¥166,868**
Net gain (loss) on derivatives designated as cash flow hedges:		
Amounts arising during period	¥ 3,858	**¥ 2,920**
Reclassification adjustments	(1,865)	**(1,541)**
Tax effects	(465)	**(216)**
Net amount	¥ 1,528	**¥ 1,163**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method:		
Amounts arising during period	¥ 7,832	**¥ 7,990**
Reclassification adjustments	(2)	**(5,950)**
Net amount	¥ 7,830	**¥ 2,040**
Total other comprehensive income	¥75,343	**¥185,158**

Note 27

Share-based Payment

The Company adopted the following share-based compensation plan intended primarily to promote awareness of sustainable improvement in corporate value.

1. Stock Option Plan

(1) Details of Equity-Settled Share-Based Compensation Plan

Based on a resolution of the Remuneration Committee, the Company issues share-based compensation stock options as a form of performance-related payment to its corporate executive officers (directors excluding outside directors until the fiscal year ended March 31, 2015. The same shall apply hereinafter) and executive officers, taking into consideration the Company's financial results for each fiscal year as well as the status of achieving of business targets by the corporate executive officers or executive officers (including those who have the retired) based on their degree of contribution, etc.

All stock options that the Company issues are equity-settled share-based compensation. There are no vesting conditions. The exercise period is principally 20 years from the date of grant, and is, in principle, effective for 5 years from the day after the first year after recipients lose their status as director, executive officer, executive, or corporate auditor of the Company and/or its subsidiaries.

There are no new share-based compensation stock option grants from the fiscal year ended March 31, 2020.

(2) Changes in the Number of Stock Options

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
		Thousands of shares
Outstanding at the beginning of the period	715	**442**
Exercised	(273)	**(99)**
Outstanding at the end of the period	442	**343**
Exercisable at the end of the period	150	**248**

Note: No shares were granted or forfeited in the fiscal years ended March 31, 2022, or 2023.

The exercise price for all stock options is ¥1 per share.

The weighted average share prices for exercised stock options were ¥732.9 and ¥870.3 in the fiscal years ended March 31, 2023 and 2024, respectively.

The weighted average remaining contractual years of stock options outstanding at year-end were 5.9 years and 4.6 years as of March 31, 2023 and 2024, respectively.

2. Share-Based Compensation Plans using Board Incentive Plan Trusts

(1) Details of Share-Based Compensation Plans

In the fiscal year ended March 31, 2019, the Company and some subsidiaries introduced performance-based share compensation plans ("the Plans") to executive officers (through the fiscal year ended March 31, 2021), executive directors (excluding non-residents of Japan, the same applying hereafter), the president of some subsidiaries and directors and executives concurrently serving as executive officers (excluding nonresidents of Japan; executive officers and directors collectively referred to as executive officers below).

The Plans cover five consecutive fiscal years (initially, three through the fiscal year ending March 31, 2021) that correspond to the period covered by the Company's medium-term management plan. Based on assessments of progress toward corporate performance targets, each executive officer is granted a number of points each year according to the office title. The Company stocks equivalent to accumulated points calculated after the retirements of executive officers (1 point = 1 share) are provided as executive remuneration.

The Plans employ the Board Incentive Plan trust. The Company and some subsidiaries contribute funds to acquire the Company shares through the trust, which delivers the common shares to executive officers.

The Plans are accounted for as equity-settled share-based compensation.

In line with its revision of share-based compensation plans, the Company decided not to grant points under them from the fiscal year ended March 31, 2024.

(2) Number of Points Granted during the Period and Weighted Average Fair Value of Points

The number of points granted during the period and weighted average fair value of points are as follows. The fair value on the day points were granted uses the share price on that day since the share price on the day of grant is a close approximation of fair value.

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Number of points granted during the period (thousands of shares)	30	**—**
Weighted average fair value of points (yen)	¥996.7	**¥ —**

(3) Share-Based Compensation Expenses

Expenses related to this plan were ¥32 million in the fiscal year ended March 31, 2023. These expenses were presented within Selling, general and administrative expenses and Cost of sales in the Consolidated Statement of Income.

3. Restricted Shares Compensation Plan

(1) Details of Share-based Compensation Plan

In the fiscal year ended March 31, 2021, the Company introduced a restricted share compensation plan for executive officers, etc.

Under this plan, Compensation Committee determines the number of shares of common shares to be delivered based on the base value that reflects plan objectives, the Company's performance, the scope of responsibilities of eligible individuals, and other factors. Restrictions on the transfer of such common shares are lifted upon retirement from the positions of director, executive officer, or corporate officer of the Company or its subsidiaries (hereinafter, Officers, etc., of the Company), provided that such individuals continuously hold those positions from grant dates through March 31 of the following year.

Also, the Company granted restricted shares as a sign-on bonus to the president & CEO on assuming the position in the fiscal year ended March 31, 2022. One-third of the transfer restrictions are to be lifted at the end of each of three fiscal years after assuming the position.

This plan is accounted for as equity-settled share-based compensation.

(2) Number of shares and weighted average fair value of shares granted during the period

The number of shares granted and the weighted average fair value of shares during the period are as follows. The Company uses share prices on grant dates, as the fair values of shares on those dates approximate share prices on those dates.

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Number of points granted during the period (thousands of shares)	344	**406**
Weighted average fair value of points (yen)	¥772.3	**¥798.6**

(3) Share-Based Compensation Expenses

Expenses related to this plan were ¥321 million and ¥345 million in the fiscal years ended March 31, 2023 and 2024, respectively. These expenses were presented within Selling, general and administrative expenses in the Consolidated Statement of Income.

4. Performance Share Unit

(1) Details of Stock Compensation Plan

In the fiscal year ended March 31, 2022, The Company introduced a performance share unit (PSU) system for executive officers, etc. The system assesses the Company's total shareholder return (TSR) over three years to determine whether or not to grant shares and, in case it is determined to grant shares, the number of shares to grant. Based on comparison with the growth rate of the JPX-Nikkei Index 400 (including dividends) and comparison with the TSR of the peer group, which includes the domestic and overseas chemical and health companies with similar sales volume and market capitalization, the TSR is evaluated to determine the calculation factor ranging between 0% and 200%. In case it is determined to grant shares, the Company determines the number of shares to deliver to eligible individuals by using the above calculation factor multiplied by the base number of shares according to the office title. An executive officer is required to continuously hold one of the positions of corporate executive officer or executive officer for the target period of three years to qualify. A corporate executive officer or executive officer resigning for a legitimate reason during this time will receive a payment based on the share price in the month preceding the resignation date and the duration of service.

This plan is accounted for as equity-settled and cash-settled share-based compensation.

(2) Number of Shares Granted during Period and Weighted Average Fair Value of Shares

The base number of shares granted during the period and the weighted average fair value of the shares are as follows. The actual number of standard shares granted varied between 0% and 200% of the base number of shares. The Monte Carlo simulation is used to determine the fair value as of the grant date.

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Number of standard shares granted during period (thousands of shares) (Note)	238	**269**
Weighted average fair value per standard share (yen)	¥788.1	**¥805.7**

Note:
The standard number of shares for the fiscal years ended March 31, 2023 and 2024, included 37,000 shares and 198,000 shares, respectively, for retirees.

Key basic figures used in the Monte Carlo simulation for the Company's shares were as follows.

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Share price on grant date	¥759.5,etc.	**¥795.1,etc.**
Expected dividend rate	3.950%	**3.773%**
Initial share price	¥795.8	**¥784.1**
Volatility (Note)	27.076%	**26.004%**
Risk-free interest rate	0.049%	**0.012%**

Note:
The MCG Group calculates volatility based on the share price from the grant date through the end of the applicable period.

(3) Share-Based Compensation Expenses

Expense related to this plan were ¥111 million and ¥185 million, respectively, in the fiscal years ended March 31, 2023 and 2024. The expenses were presented within Selling, general and administrative expenses in the Consolidated Statement of Income.

Note 28

Retirement Benefits

The Company's consolidated subsidiaries maintain lump-sum retirement and retirement benefit plans. The retirement benefit plans are defined benefit (fund- and contract-type) and defined contribution plans. Some consolidated subsidiaries also maintain welfare pension plans.

1. Defined Benefit Plans

The defined benefit plans of the Company's consolidated subsidiaries are mainly cash balance pension plans. Benefits under these plans are based on such conditions as years of service, points gained from results and contributions during employment. Investment yields are determined after taking into consideration such as the yields of 10-year national government bonds.

Cash balance pension plans are managed by corporate pension funds that are legally separated from the consolidated subsidiaries of the Company pursuant to Japan's Defined Benefit Corporate Pension Plan Act. Consolidated subsidiaries, or pension fund directors, and pension investment management institutions are legally required to accord top priority to plan participants, and must manage plan assets based on prescribed policies.

Contract-type cash balance plans are run in line with Bureau of Health and Welfare-approved pension provisions. The management and operation of reserve funds is through contracts with trust banks and other entrusted management institutions on the basis of duty of care and damages stipulations for trustees.

Funded cash balance pension plans are run by corporate pension funds. If fund directors neglect to faithfully discharge their duties concerning reserve management and operations, they assume liability for fund damages.

By the fiscal year ended March 31, 2023, some domestic consolidated subsidiaries have decided to switch from defined benefit to defined contribution pension plans. They also decided to revise their rules to extend the retirement age from 60 years of age, to 65. The MCG Group recognized the gain and loss on the retirement benefit plan revision and prior service cost in the fiscal years in which subsidiaries made these decisions. The Company recognized decreases in defined benefit plan obligations and plan assets resulting from transitions to defined contribution pension plans in the fiscal years in which the transitions occurred.

Defined benefit plan amounts in the Consolidated Statement of Financial Position are as follows:

		Millions of yen
	As of March 31, 2023	**As of March 31, 2024**
Present value of the defined benefit obligation	¥402,579	**¥387,763**
Fair value of the plan assets	(345,584)	**(341,215)**
Effect of asset ceiling	—	**1,273**
Net defined benefit liabilities	¥ 56,995	**¥ 47,821**
Retirement benefit liabilities	¥102,292	**¥104,828**
Retirement benefit assets	(45,297)	**(57,007)**
Net defined benefit liabilities	¥ 56,995	**¥ 47,821**

For defined benefit plans, amounts recognized as expenses in the Consolidated Statement of Income are as follows:

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Current service cost	¥13,070	**¥12,444**
Prior service cost	1,077	**13**
Interest expense	4,249	**5,860**
Interest income	(4,226)	**(5,502)**
Loss on revision of retirement benefit plan	3	**—**
Total	¥14,173	**¥12,815**

Changes in the present value of the defined benefit obligation are as follows:

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Outstanding at the beginning of the period	¥563,660	**¥402,579**
Current service cost	13,070	**12,444**
Interest expense	4,249	**5,860**
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	49	**160**
Actuarial gains and losses arising from changes in financial assumptions	(21,853)	**(2,527)**
Other	(1,765)	**(2,166)**
Benefits paid	(33,438)	**(30,502)**
Prior service cost	1,077	**13**
Retirement benefit plan liquidation and downsizing	(17,591)	**(996)**
Impact of retirement benefit plan revisions	(109,829)	**(5,708)**
Exchange differences on translation of foreign operations	4,950	**8,606**
Outstanding at the end of the period	¥402,579	**¥387,763**

Changes in the fair value of plan assets are as follows:

	Millions of yen	
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Outstanding at the beginning of the period	¥511,881	**¥345,584**
Interest income	4,226	**5,502**
Remeasurements:		
Return on plan assets	(27,737)	**6,225**
Contributions by the employer	4,899	**7,009**
Benefits paid	(28,036)	**(25,437)**
Retirement benefit plan liquidation and downsizing	(17,849)	**(996)**
Impact of retirement benefit plan revisions	(109,195)	**(5,708)**
Exchange differences on translation of foreign operations	7,395	**9,036**
Outstanding at the end of the period	¥345,584	**¥341,215**

Changes in the effect of asset ceiling are as follows:

	Millions of yen	
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Outstanding at the beginning of the period	¥ —	**¥ —**
Remeasurement		
Changes in the effect of asset ceiling	—	**1,273**
Outstanding at the end of the period	¥ —	**¥1,273**

The principal actuarial assumptions used to calculate present values of defined benefit obligations are as follows:

	As of March 31, 2023	**As of March 31, 2024**
Discount rate	1.44%	**1.67%**

In the event of changes in the discount rate, the principal actuarial assumption, the impact on the present value of defined benefit obligation as of March 31, 2023 and 2024 would be as follows. This sensitivity analysis assumes that all actuarial assumptions other than that subject to analysis are held constant.

	Millions of yen	
	As of March 31, 2023	**As of March 31, 2024**
Increase by 0.5%	¥(18,717)	**¥(16,402)**
Decrease by 0.5%	20,392	**17,766**

Note:
The discount rate is determined by referring to yields on high-quality bonds with maturities similar to periods in which benefits are anticipated. The sensitivity analysis is therefore based on a minimum reasonable discount rate of 0%.

The fair value of plan assets are as follows:

As of March 31, 2023

	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
			Millions of yen
Cash and cash equivalents	¥30,615	¥ —	¥ 30,615
Equity financial assets			
Domestic equities	4,986	—	4,986
Foreign equities	2,248	—	2,248
Other	—	47,115	47,115
Debt instruments			
Domestic bonds	3,185	—	3,185
Foreign bonds	6,097	—	6,097
Other	—	93,316	93,316
General accounts of life insurance companies	—	119,655	119,655
Other	—	38,367	38,367
Total	¥47,131	¥298,453	¥345,584

As of March 31, 2024

	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
			Millions of yen
Cash and cash equivalents	**¥12,995**	**¥ —**	**¥ 12,995**
Equity financial assets			
Domestic equities	**2,301**	**—**	**2,301**
Foreign equities	**1,622**	**—**	**1,622**
Other	**—**	**56,915**	**56,915**
Debt instruments			
Domestic bonds	**3,075**	**—**	**3,075**
Foreign bonds	**6,814**	**—**	**6,814**
Other	**—**	**81,687**	**81,687**
General accounts of life insurance companies	**—**	**134,237**	**134,237**
Other	**—**	**41,569**	**41,569**
Total	**¥26,807**	**¥314,408**	**¥341,215**

The Company's consolidated subsidiaries secure the total investment returns required within an acceptable range of risk to sufficiently fund payments of pension benefits and lump-sum payments, and endeavor to minimize long-term contributions and amass financing for payments of benefits.

To achieve targeted rates of return, management sets percentages of policy assets based on medium- to long-term perspectives, reviewing them regularly, and endeavors to maximize returns in keeping with risk assumptions.

Standard and special contributions to defined benefit plans cover the expenses necessary to provide benefits.

In keeping with laws and regulations, the Company regularly recalculates pension financing to balance pension funding for the future. The recalculations review basal rates (including projected mortality, withdrawal, and interest rates) related to setting contributions, and validating premiums.

Scheduled contributions to plan assets for the year ending March 31, 2025 are ¥5,716 million.

The Company's consolidated subsidiaries may pay premium benefits to employees on retirement.

Some domestic consolidated subsidiaries have established retirement benefits trusts.

The weighted average durations of defined benefit plan obligations as of March 31, 2023 and 2024 were 10.3 years and 10.2 years, respectively.

2. Defined Contribution and Public Plans

Amounts recognized as expenses under defined contribution and public plans are as follows:

	Fiscal year ended March 31, 2023 (Millions of yen)	**Fiscal year ended March 31, 2024** (Millions of yen)
Defined contribution plan cost	¥13,757	**¥15,828**
Public plan cost	24,038	**23,895**

Note 29

Provisions

The breakdowns and schedule of provisions are as follows:

Fiscal year ended March 31, 2023

Millions of yen

	Asset retirement obligations	Provision for litigation	Provision for loss on plant closure (Note 1)	Other (Note 2)	Total
As of April 1, 2022	¥19,338	¥6,260	¥ 2,693	¥ 9,983	¥38,274
Arising during the year	1,123	3,965	34,317	25,785	65,190
Interest cost associated with passage of time	517	9	—	1	527
Utilized	(2,160)	(860)	(3,318)	(3,812)	(10,150)
Unused amounts reversed	(248)	—	(4,633)	(3,097)	(7,978)
Exchange differences on translation of foreign operations	1,098	—	1,019	(231)	1,886
Other	(195)	—	(707)	(97)	(999)
As of March 31, 2023	¥19,473	¥9,374	¥29,371	¥28,532	¥86,750
Current liabilities	¥ 5,139	¥ 17	¥14,767	¥27,351	¥47,274
Non-current liabilities	14,334	9,357	14,604	1,181	39,476
Total	¥19,473	¥9,374	¥29,371	¥28,532	¥86,750

Notes:
1. Includes a provision for loss related to plant closure and special retirement expenses related to a decision to cease the production of methacrylates at Mitsubishi Chemical UK's Cassel Site. An increase during the fiscal year ended March 31, 2023 is a loss arising from contractual commitments including penalties for cancelling purchasing contracts and expenses for fulfilling contractual obligations and costs related to removing the plant. See Note 16 Impairment Losses for details of the cessation the production.
2. Includes a provision for loss on business liquidation and special retirement expenses related to a decision to liquidate business operations at Medicago. See Note 16 Impairment Losses for details of the liquidation.

Fiscal year ended March 31, 2024

Millions of yen

	Asset retirement obligations	Provision for litigation	Provision for loss on plant closure (Note)	Other	Total
As of April 1, 2023	**¥19,473**	**¥9,374**	**¥29,371**	**¥28,532**	**¥86,750**
Arising during the year	**1,143**	**262**	**52**	**40,881**	**42,338**
Interest cost associated with passage of time	**816**	**9**	**786**	**—**	**1,611**
Utilized	**(1,351)**	**(771)**	**(6,190)**	**(39,688)**	**(48,000)**
Unused amounts reversed	**(4,681)**	**—**	**(11,960)**	**(5,432)**	**(22,073)**
Exchange differences on translation of foreign operations	**1,701**	**293**	**2,982**	**2,123**	**7,099**
Other	**(161)**	**—**	**39**	**26**	**(96)**
As of March 31, 2024	**¥16,940**	**¥9,167**	**¥15,080**	**¥26,442**	**¥67,629**
Current liabilities	**¥ 881**	**¥ —**	**¥ 9,849**	**¥25,227**	**¥35,957**
Non-current liabilities	**16,059**	**9,167**	**5,231**	**1,215**	**31,672**
Total	**¥16,940**	**¥9,167**	**¥15,080**	**¥26,442**	**¥67,629**

Note:
The MCG Group recorded a ¥10,169 million reversal of provision for loss on plant closure by reversing part of that provision recorded in the previous fiscal year in line with a decision to terminate methacrylate production at the Cassel Works of Mitsubishi Chemical UK Limited. The MCG Group reassessed losses on contractual commitments and plant removal costs. This is in view of progress in negotiations with the counterparties, the conclusion of a new agreement, and the latest estimated demolition costs from construction companies.

Asset Retirement Obligations

The Company covers recovery obligations for the rental real estate of the MCG Group by recording projected payments based on historical amounts. These expenses are expected to be paid after one year or more; however, they may be affected by future business plans.

Reserves for Possible Losses in Connection with Litigation

Reserves for possible losses in connection with litigation are set aside for payments to settle lawsuits and in preparation for payments that may arise in the future. The main provisions for loss on litigation are as follows:

(1) Reserve for Health Management Allowances for HIV Compensation

To provide for future payments of health management allowances in connection with a lawsuit for damages filed by plaintiffs infected with HIV, the consolidated subsidiary, Mitsubishi Tanabe Pharma Corporation (MTPC) has set aside an estimated amount for such future payments.

Based on a letter confirming a settlement concluded in March 1996, an amount equivalent to the present value of the estimated future expenditure based on the payments to date for AIDS patients who have reached a settlement is recognized.

(2) Reserve for Health Management Allowances for Sub-acute Myelo-Optical Neuropathy (SMON) Compensation

MTPC has made a provision in the accompanying consolidated financial statements for the estimated future medical treatment payments to be made over the remaining lives of the parties entitled to such payments under the compromise settlement.

(3) Reserve for HCV Litigation

To provide for losses that may arise in the future from a settlement of lawsuits filed by plaintiffs infected with HCV (hepatitis C virus), MTPC has set aside an estimated amount for payments related to such settlement based on estimates of the number of people receiving relief and the amount of relief payments required under a law which stipulates that relief be provided to people who contacted hepatitis C from specific fibrinogen products or specific coagulation factor IX products.

Provision for Loss on Plant Closure

The Company estimates and records a provision for loss on plant closure in line with its decision to shut down a facility to prepare for related expenses. Progress with the closure plan affects the timing of payments for those expenses.

Note 30

Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Short-term borrowings	¥ 243,627	**¥ 283,605**
Current portion of long-term borrowings	174,086	**187,182**
Commercial paper	76,000	**97,000**
Current portion of bonds	25,000	**35,000**
Current portion of convertible bond-type bonds with subscription rights to shares	74,767	**—**
Loans due to the transfer of trade receivables	7,911	**2,508**
Loans due to the transfer of trade receivables of subsidiaries	52	**12**
Bonds	602,357	**587,163**
Long-term borrowings	1,039,968	**1,008,541**
Total	¥2,243,768	**¥2,201,011**
Current liabilities	¥ 601,443	**¥ 605,307**
Non-current liabilities	1,642,325	**1,595,704**
Total	¥2,243,768	**¥2,201,011**

Bonds and borrowings are classified as financial liabilities measured at amortized cost.

The average interest rates for short- and long-term borrowings as of March 31, 2023 were 2.684% and 1.882%, respectively.

The average interest rates for short- and long-term borrowings as of March 31, 2024 were 3.065% and 2.462%, respectively.

Repayment terms for long-term borrowings are from 2024 to 2059.

Loans due to the transfer of trade receivables are liabilities for transfers that do not meet the criteria for derecognition as financial assets.

Borrowings by consolidated subsidiaries from trade receivable transfers are liabilities related to transfers to consolidated subsidiaries.

The breakdown of bonds is as follows:

Millions of yen

Note	Name of bond	Term	Interest rate	As of March 31, 2023	**As of March 31, 2024**
1	9th unsecured bond	2013-2023	1.226%	¥ 10,000	**¥ —**
1	12th unsecured bond	2013-2023	0.918%	15,000	**—**
1	15th unsecured bond	2014-2024	0.800%	15,000	**15,000**
1	17th unsecured bond	2015-2025	0.755%	10,000	**10,000**
1	20th unsecured bond	2015-2025	0.711%	10,000	**10,000**
1	22nd unsecured bond	2016-2026	0.320%	10,000	**10,000**
1	23rd unsecured bond	2016-2036	0.850%	20,000	**20,000**
1	24th unsecured bond	2018-2028	0.370%	15,000	**15,000**
1	25th unsecured bond	2018-2038	0.890%	15,000	**15,000**
1	26th unsecured bond	2018-2028	0.410%	12,000	**12,000**
1	27th unsecured bond	2018-2038	1.000%	8,000	**8,000**
1	28th unsecured bond	2018-2048	1.380%	5,000	**5,000**
1	29th unsecured bond	2019-2029	0.330%	10,000	**10,000**
1	30th unsecured bond	2019-2039	0.830%	12,000	**12,000**
1	31st unsecured bond	2019-2049	1.214%	8,000	**8,000**
1	32nd unsecured bond	2020-2027	0.230%	20,000	**20,000**
1	33rd unsecured bond	2020-2030	0.280%	20,000	**20,000**
1	34th unsecured bond	2020-2040	0.690%	29,850	**29,858**
1	35th unsecured bond	2020-2025	0.190%	25,000	**25,000**
1	36th unsecured bond	2020-2030	0.400%	15,000	**15,000**
1	37th unsecured bond	2020-2040	0.830%	10,000	**10,000**
1	38th unsecured bond	2020-2030	0.360%	10,000	**10,000**
1	39th unsecured bond	2020-2040	0.770%	10,000	**10,000**
1	40th unsecured bond	2021-2026	0.090%	20,000	**20,000**
1	41st unsecured bond	2021-2031	0.330%	20,000	**20,000**
1	42nd unsecured bond	2021-2041	0.740%	29,841	**29,847**
1	43rd unsecured bond	2022-2032	0.659%	17,000	**17,000**
1	1st unsecured bond	2023-2028	0.579%	10,000	**10,000**
1	2nd unsecured bond	2023-2033	1.180%	18,000	**18,000**
1	3rd unsecured bond	2023-2028	0.758%	—	**20,000**
2	14th unsecured bond	2016-2026	0.390%	15,000	**15,000**
2	15th unsecured bond	2019-2024	0.130%	19,969	**20,000**
2	16th unsecured bond	2019-2026	0.190%	9,971	**9,979**
2	17th unsecured bond	2019-2029	0.300%	19,930	**19,941**
2	1st unsecured bond	2021-2026	0.110%	15,000	**15,000**
2	2nd unsecured bond	2021-2031	0.280%	10,000	**10,000**
2	3rd unsecured bond	2023-2026	0.330%	—	**29,896**
2	4th unsecured bond	2023-2028	0.599%	—	**59,738**
2	5th unsecured bond	2023-2033	1.052%	—	**9,949**
3	1st series deferrable interest and callable unsecured subordinated bonds	2019-2054	1.410%	99,850	**—**
4	2nd series deferrable interest and callable unsecured subordinated bonds	2019-2059	1.870%	7,946	**7,955**
	Subtotal			¥627,357	**¥622,163**
1	Zero coupon convertible bond-type bonds with subscription rights to shares due 2024	2017-2024	0.312%	¥ 74,767	**¥ —**
	Subtotal			¥ 74,767	**¥ —**
	Total			¥702,124	**¥622,163**

Notes:
1. These corporate bonds are issued by the Company.
2. These corporate bonds are issued by Nippon Sanso Holdings Corporation, a domestic consolidated subsidiary.
3. These corporate bonds are issued by Nippon Sanso Holdings Corporation, a domestic consolidated subsidiary. The bonds were redeemed prior to maturity on January 29, 2024.
4. These corporate bonds are issued by Nippon Sanso Holdings Corporation, a domestic consolidated subsidiary. A fixed interest rate from the day following January 29, 2019 to January 29, 2029 and a variable interest rate from the day following January 29, 2029 (with a step-up in the interest rate scheduled for January 30, 2029).

Assets pledged as collateral and collateralized obligations are as follows:
Assets pledged as collateral

Millions of yen

	As of March 31, 2023	As of March 31, 2024
Buildings and structures	¥ 6,993	**¥ 6,823**
Machinery and vehicles	9,750	**11,684**
Land	6,414	**6,268**
Other	1,834	**1,409**
Total	¥24,991	**¥26,184**

Collateralized obligations

Millions of yen

	As of March 31, 2023	As of March 31, 2024
Trade payables	¥ 82	**¥ 54**
Current portion of long-term borrowings	250	**1,234**
Long-term borrowings	5,206	**4,458**
Other	33	**—**
Total	¥5,571	**¥5,746**

Note 31

Changes in Liabilities Relating to Financing Activities

Changes in liabilities relating to financing activities are as follows:

Fiscal year ended March 31, 2023

Millions of yen

	Short-term borrowings	Commercial paper	Long-term borrowings (Note)	Bonds (Note)	Lease liabilities (Note)
As of April 1, 2022	¥260,159	¥ 7,000	¥1,216,164	¥676,646	¥129,900
Cash flows	(9,167)	69,000	(47,458)	24,776	(34,099)
Changes from acquisition or loss of control over subsidiaries or other businesses	—	—	3	—	191
Changes owing to new leases and contract changes, etc.	—	—	—	—	30,631
Impact of foreign exchange rate fluctuations, etc.	598	—	45,345	702	5,436
As of March 31, 2023	¥251,590	¥76,000	¥1,214,054	¥702,124	¥132,059

Note: Including amounts due or scheduled for redemption within one year.

Fiscal year ended March 31, 2024

Millions of yen

	Short-term borrowings	Commercial paper	Long-term borrowings (Note)	Bonds (Note)	Lease liabilities (Note)
As of April 1, 2023	**¥251,590**	**¥76,000**	**¥1,214,054**	**¥702,124**	**¥132,059**
Cash flows	**11,641**	**21,000**	**(82,203)**	**(80,554)**	**(36,491)**
Changes from acquisition or loss of control over subsidiaries or other businesses	**5,644**	**—**	**1,726**	**—**	**4,288**
Changes owing to new leases and contract changes, etc.	**—**	**—**	**—**	**—**	**29,851**
Impact of foreign exchange rate fluctuations, etc.	**17,250**	**—**	**62,146**	**593**	**7,472**
As of March 31, 2024	**¥286,125**	**¥97,000**	**¥1,195,723**	**¥622,163**	**¥137,179**

Note: Including amounts due or scheduled for redemption within one year.

Note 32

Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Accounts payable-other	¥110,314	**¥146,141**
Accrued expenses	127,099	**142,891**
Lease liabilities	132,059	**137,179**
Deposits	36,325	**21,041**
Other	29,109	**41,801**
Total	¥434,906	**¥489,053**
Current liabilities	¥316,379	**¥367,925**
Non-current liabilities	118,527	**121,128**
Total	¥434,906	**¥489,053**

Other financial liabilities are mainly classified as financial liabilities measured at amortized cost.

Note 33

Lease Transactions

1. Profit or Loss and Cash Outflows Related to Lease Transactions

Profit or loss and cash outflows related to lease transactions are as follows.

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Depreciation of right-of-use assets		
Underlying assets of land, buildings and structures	¥17,977	**¥19,310**
Underlying assets of machinery and vehicles	6,159	**6,978**
Underlying assets of tools, furniture and fixtures	2,644	**2,624**
Total	¥26,780	**¥28,912**
Expenses related to short-term leases	¥ 980	**¥ 650**
Expenses related to leases of low-value assets	10,962	**10,168**
Variable lease payments	119	**146**
Total cash outflows for leases	¥46,160	**¥47,455**

2. Additional Information Related to Lease Transactions

Many of the leasing activities of the MCG Group entail real estate leasing, with land and buildings being leased mainly as office and factory land. To provide business flexibility, some leases contain extension and termination options. The MCG Group assesses whether it is reasonably certain to exercise extension options (or not to exercise termination options) and determines the lease periods.

Under the MCG Group's leasing activities, there are no significant restrictions or covenants imposed by leasing or sale and leaseback transactions.

Note 34

Other Liabilities

The breakdown of other liabilities is as follows:

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Employees' bonuses	¥ 62,271	**¥ 64,443**
Employees' paid leave related obligations	39,209	**40,802**
Contract liability	31,283	**37,247**
Accrued consumption taxes	18,621	**17,625**
Social insurance premiums received	4,040	**3,935**
Advances received (Note 1)	5,621	**1,291**
Other (Note 2)	63,163	**66,224**
Total	¥224,208	**¥231,567**
Current liabilities	¥184,272	**¥187,420**
Non-current liabilities	39,936	**44,147**
Total	¥224,208	**¥231,567**

Notes:

1. Advances related to items other than sales revenue.
2. Includes amounts transferred from contract liabilities in the fiscal year ended March 31, 2023. See Note 7 Sales Revenue for details. In the fiscal year ended March 31, 2024, the MCG Group derecognized these liabilities and recognized them as other operating revenues. See Note 10 Other Operating Income and Other Operating Expenses for details.

Note 35

Trade Payables

Trade payables are as follows:

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Accounts payable	¥476,311	**¥501,532**

Trade payables are classified as financial liabilities measured at amortized cost.

Note 36

Financial Instruments

1. Capital Management

Under its "Forging the future" management policy, the MCG Group quickly responded to accelerating changes in social needs and the business environment while maximizing growth and profitability in the future low-carbon economy.

	As of or fiscal year ended March 31, 2023	**As of or fiscal year ended March 31, 2024**
Return on Equity (ROE) (Note 1)	6.4%	**7.2%**
Net D/E ratio (Note 2)	1.33	**1.16**

Notes:

1. Net income attributable to owners of the parent / equity attributable to owners of the parent (averages of beginning and end of fiscal years)
2. Net interest-bearing debt*[1] / equity attributable to owners of the parent (end of fiscal years)
   1Net interest-bearing debt = Interest-bearing debt - (cash and cash equivalents + cash reserves[2])
   *2 Cash reserves comprise certificates of deposits, securities, and other instruments other than cash equivalents that the MCG Group holds to manage surplus funds.

2. Financial Risk Management

The MCG Group is exposed to financial risks in the course of doing business in an array of fields around the world. It manages risks based on certain policies to reduce or avoid such risks. The policy with derivatives transactions is to restrict their use to actual demand. The MCG Group does not enter into derivative transactions for speculative purposes. The relevant officers are informed about contract balances, fair value, and other elements of these transactions based on internal regulations for transaction authority and limits.

3. Credit Risk

The MCG Group is exposed to customer credit risk for trade and other receivables acquired in the course of business. The securities that the MCG Group holds are exposed to the credit risk of issuers. Derivatives transactions that the MCG Group conducts to hedge financial risks are exposed to the credit risks of counterparty financial institutions.

In keeping with its credit management rules, the MCG Group regularly monitors the trade receivables and long-term loans of major customers, oversees due dates and balances for each counterparty, and endeavors to swiftly identify and mitigate collections concerns arising from deteriorating financial positions. The MCG Group only invests in bonds with high ratings, so credit risk is inconsequential. Derivatives transactions are only entered into with financial institutions with high credit ratings to minimize credit risk from nonperformance by counterparties. The MCG Group prevents excessive concentrations of credit risk through special management procedures.

At the end of the fiscal year, the MCG Group recognizes impairment losses based on historical rates to the Allowance for doubtful accounts, for significant uncollectible financial assets, and for insignificant financial assets. The Allowance for doubtful accounts relating to such assets is included in Trade receivables and Other financial assets in the Consolidated Statement of Financial Position.

Changes in the Allowance for doubtful accounts, measured at amounts equivalent to projected losses for the entire period, are as follows.

There were no significant differences between projected 12-month credit losses on loans and the projected credit losses for the entire period.

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Outstanding at the beginning of the period	¥11,125	**¥12,392**
Addition	4,392	**5,515**
Decrease (intended use)	(2,564)	**(1,594)**
Decrease (reversal)	(1,235)	**(2,196)**
Other	674	**2,561**
Outstanding at the end of the period	¥12,392	**¥16,678**

The maximum exposure to the credit risks of financial assets is the carrying amount after impairment presented in the Consolidated Statement of Financial Position.

The MCG Group holds real estate, securities, etc. as collateral for receivables against certain customers.

Maximum exposure on credit risk of financial guarantee contracts is the amount of guarantee obligations etc. described in Note 40 Contingent Liabilities.

4. Liquidity Risk

The MCG Group's trade payables obligations and borrowings are exposed to liquidity risk. The MCG Group manages this risk by producing cash plan and ensuring liquidity by maintaining commitment lines with several financial institutions.

Outstanding financial liabilities (including derivative financial instruments) by fiscal year are as follows:

As of March 31, 2023

Millions of yen

	Carrying amount	Contractual cash flow	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities:								
Trade Payables	¥ 476,311	¥ 476,311	¥476,311	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	251,590	251,590	251,590	—	—	—	—	—
Commercial paper	76,000	76,000	76,000	—	—	—	—	—
Bonds	702,124	703,000	100,000	35,000	45,000	90,000	25,000	408,000
Long-term borrowings	1,214,054	1,216,227	174,086	173,558	117,988	97,309	195,019	458,267
Lease obligations	132,059	136,931	30,972	22,891	16,916	13,920	10,662	41,570
Accounts payable-other	110,314	110,314	110,314	—	—	—	—	—
Accrued expenses	127,099	127,099	127,099	—	—	—	—	—
Others	64,974	64,974	50,852	984	106	103	3,075	9,854
Derivative liabilities:								
Foreign exchange forward contracts	¥ 189	¥ 189	¥ 189	¥ —	¥ —	¥ —	¥ —	¥ —
Currency swaps	1	1	1	—	—	—	—	—
Others	270	270	269	1	—	—	—	—

As of March 31, 2024

Millions of yen

	Carrying amount	Contractual cash flow	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities:								
Trade Payables	¥ 501,532	¥ 501,532	¥501,532	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	286,125	286,125	286,125	—	—	—	—	—
Commercial paper	97,000	97,000	97,000	—	—	—	—	—
Bonds	622,163	623,000	35,000	45,000	120,000	25,000	92,000	306,000
Long-term borrowings	1,195,723	1,198,190	187,182	122,535	102,531	209,272	113,050	463,620
Lease obligations	137,179	143,840	32,850	24,121	19,438	15,610	15,210	36,611
Accounts payable-other	146,141	146,141	146,141	—	—	—	—	—
Accrued expenses	142,891	142,891	142,891	—	—	—	—	—
Others	62,071	62,071	47,844	1,086	2	3,463	2	9,674
Derivative liabilities:								
Foreign exchange forward contracts	¥ 721	¥ 721	¥ 721	¥ —	¥ —	¥ —	¥ —	¥ —
Interest rate and currency swaps	50	50	—	—	—	—	50	—

For financial guarantee agreements, maximum amounts based on performance requests are the outstanding guaranteed liabilities described in Note 40 Contingent Liabilities.

The total commitment line and borrowing balance is as follows:

		Millions of yen
	As of March 31, 2023	**As of March 31, 2024**
Total commitment line	¥134,545	**¥136,999**
Borrowing balance	8,679	**6,056**
Unused balance	¥125,866	**¥130,943**

We are also diversifying funding, notably by obtaining uncommitment-based overdraft facilities with several financial institutions and by securing frameworks to issue commercial paper or register corporate bond issues.

5. Foreign Exchange Risk

Foreign currency denominated receivables and payables from the MCG Group's global operations are exposed to foreign exchange fluctuation risk. The MCG Group uses foreign exchange forward contracts and currency swaps as needed to hedge against the foreign currency risk associated with such receivables and payables.

The MCG Group’s net investments in foreign operations are exposed to foreign exchange fluctuation risk. The MCG Group hedges such risk as needed using foreign currency-denominated loans.

Foreign Exchange Sensitivity Analysis

If the yen at the end of the fiscal year was 1% higher against the U.S. dollar and the euro for the foreign currency denominated financial instruments that the MCG Group held at the year end, the impact on income before taxes in the Consolidated Statement of Income would be as follows.

This analysis is based on multiplying each currency risk exposure by 1%, based on the assumption that other variables (including other foreign exchange rates and interest rates) are held constant.

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
U.S. dollar (1% appreciation of yen)	¥(408)	**¥(496)**
Euro (1% appreciation of yen)	(20)	**(64)**

6. Interest Rate Risk

Interest rate risk within the MCG Group arises from interest-bearing debt net of cash equivalents. The MCG Group raises funds needed to do business and make capital investments through borrowings and the issuance of corporate bonds. Borrowings and corporate bonds with floating rates are exposed to interest rate fluctuation risk. The MCG Group uses derivatives transactions (including interest rate swaps) to hedge against interest rate fluctuation risk.

Interest Rate Sensitivity Analysis

In the event the interest rate on financial instruments that the MCG Group holds at the end of each fiscal year increases by 100 basis points, the impact on income before taxes in the Consolidated Statement of Income would be as follows:

The analysis is for financial instruments affected by interest rate fluctuations and assumes that other factors, including the impacts of foreign exchange fluctuations, are held constant.

		Millions of yen
	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Income before taxes	¥(3,025)	**¥(2,739)**

7. Market Price Fluctuation Risk

The MCG Group's securities holdings are exposed to market price fluctuation risk.

With respect to securities, the MCG Group regularly reviews the fair value and financial positions of issuers (business partners), and constantly reviews holdings by taking into account its relationships with business partners.

8. Fair Value of Financial Instruments

Financial instruments are classified into the following three-level fair value hierarchy:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

The Company determines transfers between levels of the fair value hierarchy of the financial instruments at the end of each quarter.

At the end of the first quarter of the fiscal year ended March 31, 2023, one of the Company’s investments was listed on the TOKYO PRO Market. The Company had transferred its holdings from Level 3 to Level 2. The shares are classified as Level 2 because transactions on this market are infrequent and prices are not considered quoted in an active market.

At the end of the third quarter of the fiscal year ended March 31, 2024, one of the Company’s investments was listed on the NASDAQ. The Company had transferred its holdings from Level 3 to Level 1.

There were no other transfers between levels.

(1) Financial instruments measured at fair value on a recurring basis

Financial assets and liabilities measured at fair value on a recurring basis were as follows:

As of March 31, 2023

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Stocks and investments	¥65,822	¥ 370	¥96,727	¥162,919
Stocks and investments held for sale	7,238	—	16	7,254
Financial assets related to contingent consideration agreements	—	—	2,570	2,570
Derivatives	—	5,678	—	5,678
Total	¥73,060	¥6,048	¥99,313	¥178,421
Liabilities				
Derivatives	¥ —	¥ 460	¥ —	¥ 460
Total	¥ —	¥ 460	¥ —	¥ 460

As of March 31, 2024

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Stocks and investments	**¥65,600**	**¥ 370**	**¥103,106**	**¥169,076**
Stocks and investments held for sale	**8,093**	**—**	**—**	**8,093**
Financial assets related to contingent consideration agreements	**—**	**—**	**6,043**	**6,043**
Derivatives	**—**	**7,490**	**—**	**7,490**
Total	**¥73,693**	**¥7,860**	**¥109,149**	**¥190,702**
Liabilities				
Derivatives	**¥ —**	**¥ 771**	**¥ —**	**¥ 771**
Total	**¥ —**	**¥ 771**	**¥ —**	**¥ 771**

Stocks and investments

The fair value of marketable shares classified as Level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities.

The fair value of shares in Level 2 is calculated using quoted prices for identical or similar assets or liabilities in markets that are not active.

The fair value of Level 3 unlisted shares and investments for which quoted prices in active markets are unavailable is calculated by using reasonably available inputs through similar company comparisons or other appropriate valuation techniques. Illiquidity discounts are added as needed.

Financial Assets Related to Contingent Consideration Agreements

The fair value of financial assets related to Level 3 contingent consideration agreements are primarily financial assets which arose from the transfers of polycrystalline alumina fiber business. The Black-Scholes model is used to calculate the fair value of these financial assets, taking future business performances and other relevant factors into account.

Derivative assets and liabilities

The fair value of Level 2 derivative assets and liabilities is based on such observable inputs as prices provided by counterparty financial institutions or exchange and interest rates and such like.

The fair value of Level 3 financial instruments is calculated by valuation specialists determining valuation methods for each relevant financial instrument in accordance with valuation policies and procedures that include valuation methods for fair value calculations approved by suitably authorized personnel.

Changes in Level 3 financial instruments are as follows:

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Balance at beginning of period	¥112,005	**¥ 99,313**
Profit or loss (Note 1)	(304)	**3,192**
Other comprehensive income (Note2)	(10,887)	**2,963**
Purchase and share exchange acceptance	4,181	**3,423**
Sales or redemptions	(3,996)	**(433)**
Transfer from Level 3 (Note 3)	(370)	**(1,385)**
Others	(1,316)	**2,076**
Balance at end of period	¥ 99,313	**¥ 109,149**

Notes:

1. Included in “Financial Income” or “Financial Expenses” in the Consolidated Statement of Income
2. Included in “Financial assets measured at fair value through other comprehensive income” in the Consolidated Statement of Comprehensive Income
3. This stemmed from the listings (and decisions to do so) of some investees.

(2) Financial instruments measured at amortized cost
The carrying amounts and estimated fair values of the financial instruments measured at amortized cost are as follows:

As of March 31, 2023

Millions of yen

	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Liabilities:					
Long-term borrowings	¥1,214,054	¥ —	¥1,203,530	¥ —	¥1,203,530
Bonds	702,124	—	681,898	—	681,898
Total	¥1,916,178	¥ —	¥1,885,428	¥ —	¥1,885,428

As of March 31, 2024

Millions of yen

	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Liabilities:					
Long-term borrowings	**¥1,195,723**	**¥ —**	**¥1,186,882**	**¥ —**	**¥1,186,882**
Bonds	**622,163**	**—**	**595,249**	**—**	**595,249**
Total	**¥1,817,886**	**¥ —**	**¥1,782,131**	**¥ —**	**¥1,782,131**

The carrying amounts of financial assets and liabilities measured at amortized cost, other than debt securities, long-term borrowings and bonds presented in the tables above, are approximately the same as the fair values of such financial assets and liabilities.

Long-term borrowings
The fair value of Level 2 long-term loans is based on the present value, calculated by discounting the total principal and interest by the interest rate assumed for similar new borrowings.

Bonds

The fair value of Level 2 corporate bonds is based on the market price.

9. Transfers of Financial Assets
The MCG Group transfers some trade receivables to a business entity comprising third-party financial institutions. The entity operates as part of these institutions and purchases a large amount of assets from customers other than those of the MCG Group, so trade receivables that the MCG Group transferred constitute a small proportion of the entity's total assets. The relevance of the MCG Group to the assessment of exposure to the risks of this entity is therefore low.

(1) Transfers of financial assets that are not derecognized in their entirety
The trade receivables transferred that do not qualify for derecognition remain included in trade receivables. The considerations received for the transfer are included in bonds and borrowings in the Consolidated Statement of Financial Position. The carrying amounts of the transferred trade receivables in the fiscal years ended March 31, 2023, and 2024, were ¥4,814 million and ¥1,729 million, respectively. The carrying amounts of borrowings for the same periods were ¥7,911 million and ¥2,508 million, respectively. The difference in carrying amounts is due to the retained portion of the trade receivables and the difference between the timing of collection of trade receivables and repayment of borrowings. If debtors defaulted on these trade receivables, the MCG Group would be deemed to hold most of the risks and economic value of ownership of the transferred assets, as payment obligations would revert to the MCG Group.

(2) Transfers of financial assets that are derecognized in their entirety
In the fiscal years ended March 31, 2023 and 2024, expenses arising from transfers of trade receivables that were derecognized in their entirety were ¥388 million and ¥364 million, respectively.

10. Derivative Transactions

(1) Derivative transactions to which hedge accounting is applied

The analysis of contract amounts of derivative transactions by due dates is as follows:

As of March 31, 2023

Millions of yen

	Contract amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash flow hedges							
Foreign exchange risk:							
Foreign exchange forward contracts	¥10,828	¥9,369	¥ 1,459	¥ —	¥ —	¥ —	¥ —
Interest rate risk:							
Interest rate swaps	56,002	694	16,183	694	694	694	37,043
Others	3,234	2,632	602	—	—	—	—
Hedge of net investments in foreign operations							
Foreign exchange risk:							
Foreign currency-denominated borrowings	91,075	—	—	—	—	—	91,075

As of March 31, 2024

Millions of yen

	Contract amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash flow hedges							
Foreign exchange risk:							
Foreign exchange forward contracts	**¥12,526**	**¥12,526**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Interest rate risk:							
Interest rate swaps	**62,715**	**18,351**	**787**	**787**	**787**	**622**	**41,381**
Interest rate and currency swaps	**3,452**	**—**	**—**	**—**	**—**	**3,452**	**—**
Others	**3,931**	**3,931**	**—**	**—**	**—**	**—**	**—**
Hedge of net investments in foreign operations							
Foreign exchange risk:							
Foreign currency-denominated borrowings	**102,025**	**—**	**—**	**—**	**—**	**—**	**102,025**

The principal rates on forward exchange contracts and currency swap transactions and the principal rates on payments under interest rate swaps are as follows:

	Millions of yen	
	As of March 31, 2023	**As of March 31, 2024**
Cash flow hedges		
Foreign exchange risk:		
Foreign exchange forward contracts		
U.S. dollars	¥112.99-143.63	**¥144.54-151.07**
Euros	¥142.12-145.13	**¥140.82-162.48**
Interest rate risk		
Interest rate swaps		
Pay fixed rate, receive floating rate	0.94%–2.01%	**0.94%–2.01%**

Amounts for derivatives designated as hedges are as follows:

As of March 31, 2023

Millions of yen

	Contract amount	Carrying amount		Items in Consolidated Statement of Financial Position	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	¥10,828	¥ 53	¥ 179	Other financial assets / Other financial liabilities	¥ (166)
Interest rate risk:					
Interest rate swaps	56,002	5,526	—	Other financial assets	2,928
Others	3,234	—	270	Other financial assets	(900)
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	91,075	—	91,075	Bonds and borrowings	(5,637)

As of March 31, 2024

Millions of yen

	Contract amount	Carrying amount		Items in Consolidated Statement of Financial Position	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	**¥12,526**	**¥ 154**	**¥ 650**	Other financial assets / Other financial liabilities	**¥ (370)**
Interest rate risk:					
Interest rate swaps	**62,715**	**6,815**	**—**	Other financial assets	**1,289**
Interest rate and currency swaps	**3,452**	**—**	**50**	Other financial liabilities	**(50)**
Others	**3,931**	**475**	**—**	Other financial assets	**745**
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	**102,025**	**—**	**102,025**	Bonds and borrowings	**(10,950)**

Amounts for items designated as hedges are as follows:

Millions of yen

	As of March 31, 2023			**As of March 31, 2024**		
	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness	Cash flow hedge reserve	Foreign currency translation surplus	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness	Cash flow hedge reserve	Foreign currency translation surplus
Cash flow hedges						
Foreign exchange risk:						
Planned to purchase	¥ 176	¥ (64)	¥ —	**¥ 382**	**¥ (319)**	**¥ —**
Foreign currency-denominated debt and interest	(10)	7	—	**(12)**	**4**	**—**
Interest rate risk:						
Interest on borrowings	(2,928)	4,394	—	**(1,239)**	**5,283**	**—**
Others	900	(81)	—	**(745)**	**178**	**—**
Hedge of net investments in foreign operations						
Foreign exchange risk:						
Exchange rate fluctuations in net investments	5,637	—	(7,802)	**10,950**	**—**	**(13,340)**

Details of cash flow hedges and hedges of net investments in foreign operations are as follows:

Fiscal year ended March 31, 2023

Millions of yen

	Changes in fair value of hedges recognized in other comprehensive income	Ineffective portions of hedges recognized in profit or loss	Consolidated Statement of Income items in which ineffective portions of hedges are included in profit or loss	Reclassification adjustments from cash flow hedge reserve to profit or loss	Consolidated Statement of Income items including profit from reclassification adjustments
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	¥ (156)	¥ —	¥ —	¥ (136)	Financial expenses
Interest rate risk:					
Interest rate swaps	2,299	—	—	(438)	Financial expenses
Others	(615)	—	—	(742)	Financial expenses
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	(5,637)	—	—	—	—

Fiscal year ended March 31, 2024

Millions of yen

	Changes in fair value of hedges recognized in other comprehensive income	Ineffective portions of hedges recognized in profit or loss	Consolidated Statement of Income items in which ineffective portions of hedges are included in profit or loss	Reclassification adjustments from cash flow hedge reserve to profit or loss	Consolidated Statement of Income items including profit from reclassification adjustments
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	**¥ (239)**	**¥ —**	**¥ —**	**¥ 103**	Financial income
Interest rate risk:					
Interest rate swaps	**967**	**—**	**—**	**(1,629)**	Financial expenses
Interest rate and currency swaps	**(59)**	**—**	**—**	**—**	**—**
Others	**494**	**—**	**—**	**396**	Financial expenses
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	**(10,950)**	**—**	**—**	**—**	**—**

(2) Derivative transactions to which hedge accounting is not applied

Amounts relating to items not designated as hedges are as follows:

Millions of yen

	As of March 31, 2023			**As of March 31, 2024**		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	¥6,406	¥ —	¥ (2)	**¥17,307**	**¥ —**	**¥ (80)**
Currency swaps	435	197	55	**123**	**123**	**35**
Interest rate swaps	854	854	35	**580**	**580**	**20**
Total	¥7,695	¥1,051	¥88	**¥18,010**	**¥703**	**¥ (25)**

Note 37

Subsidiaries

Subsidiaries with significant non-controlling interests in fiscal years ended March 31, 2023 and 2024 were as follows:

		Percentage of non-controlling interest	
Name of subsidiary	Location	As of March 31, 2023	**As of March 31, 2024**
NIPPON SANSO HOLDINGS CORPORATION	Japan, others	49.4%	**49.4%**

Net income attributable to non-controlling interests of relevant subsidiaries and dividends paid to non-controlling interests are as follows:

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal year ended March 31, 2024**
Net income attributable to non-controlling interests	¥37,896	**¥54,634**
Dividends paid to non-controlling interests	8,876	**9,225**

Cumulative non-controlling interests of relevant subsidiaries are as follows:

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Cumulative non-controlling interests amounts	¥371,596	**¥457,988**

Summary financial information of Nippon Sanso Holdings Corporation is as follows. Summary financial information below is calculated based on the amounts before elimination in consolidation, adjusting goodwill and other items recognized at the time of a business combination.

Summary Consolidated Statements of Financial Position

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Current assets	¥ 527,074	**¥ 568,201**
Non-current assets	1,692,785	**1,890,155**
Total	¥2,219,859	**¥2,458,356**
Current liabilities	425,157	**498,019**
Non-current liabilities	991,288	**979,670**
Total	¥1,416,445	**¥1,477,689**
Equity	803,414	**980,667**
Total	¥2,219,859	**¥2,458,356**

Summary Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Sales revenue	¥1,186,683	**¥1,255,081**
Net income	72,765	**107,625**
Total comprehensive income	109,911	**213,164**

Summary Consolidated Statements of Cash Flows

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Cash flows from operating activities	¥187,958	**¥215,980**
Cash flows from investing activities	(98,073)	**(124,654)**
Cash flows from financing activities	(54,430)	**(110,072)**
Effect of exchange rate changes on cash and cash equivalents	2,961	**12,445**
Net increase (decrease) in cash and cash equivalents	¥ 38,416	**¥ (6,301)**

Related Parties

1. Related Party Transactions

Transactions with major related parties are as follows. For sales of goods and services, the principal transactions are product sales, while the main transactions for goods purchases are purchases of raw materials. The terms for transactions with related parties are similar to those of independent third-party transactions.

Millions of yen

	Fiscal year ended March 31, 2023		**Fiscal year ended March 31, 2024**	
	Joint venture	Associates	Joint venture	Associates
Sales of goods and services	¥77,610	¥26,944	**¥37,489**	**¥27,276**
Purchases of goods and services	26,401	58,384	**31,558**	**42,290**

Receivables and obligations to major related parties as a result of the above transactions are as follows:

Millions of yen

	As of March 31, 2023		**As of March 31, 2024**	
	Joint venture	Associates	Joint venture	Associates
Receivables				
Accounts receivable	¥15,718	¥6,852	**¥4,894**	**¥10,617**
Others	578	1,502	**519**	**1,882**
Total	¥16,296	¥8,354	**¥5,413**	**¥12,499**
Obligations				
Accounts payable	¥ 4,041	¥5,449	**¥7,608**	**¥ 6,217**
Others	124	124	**19**	**83**
Total	¥ 4,165	¥5,573	**¥7,627**	**¥ 6,300**

2. Remuneration for key Group executives

Remuneration for key Group executives is as follows:

Millions of yen

	Fiscal year ended March 31, 2023	**Fiscal Year ended March 31, 2024**
Remuneration and bonuses	¥1,342	**¥1,832**
Share-based compensation	337	**515**
Total	¥1,679	**¥2,347**

Note 39

Commitments

Commitments relating to acquisitions of property, plant and equipment and intangible assets are as follows:

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Acquisitions of property, plant and equipment and intangible assets	¥136,001	**¥131,730**

Note 40

Contingent Liabilities

Guarantee Obligations

Guarantees and similar undertakings for borrowings from joint ventures, associates and financial institutions of general business partners are as follows.

Millions of yen

	As of March 31, 2023	**As of March 31, 2024**
Joint ventures	¥1,371	**¥4,839**
Associates	744	**776**
General business partners	38	**29**
Others	844	**742**
Total	¥2,997	**¥6,386**

English Translation
Independent Auditor's Report

June 25, 2024

The Board of Directors
Mitsubishi Chemical Group Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Takayuki Ueki
Designated Engagement Partner
Certified Public Accountant

Kosuke Kawabata
Designated Engagement Partner
Certified Public Accountant

Makoto Okabe
Designated Engagement Partner
Certified Public Accountant

Shinya Yamaga
Designated Engagement Partner
Certified Public Accountant

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Chemical Group Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill with impairment test	
Description of key audit matter	**Auditor's response**
As of March 31, 2024, goodwill is valued at ¥832,899 million (13.6% of total assets) in the Consolidated Statement of Financial Position. As described in note 14 to the consolidated financial statements, the breakdown of goodwill by cash generating units or group of cash generating units is as follows: Industrial gases business in the amount of ¥576,921 million, Carbon fiber and composite materials in the amount of ¥65,818 million, Ethical pharmaceuticals business in the amount of ¥56,099 million, and others in the amount of ¥134,061 million. In the impairment tests, the recoverable amount of a group of cash generating units including goodwill is measured based on value in use. The value in use is measured using discounted cash flow projections. The cash flow projections are based on the business plan for up to five years approved by management. For the subsequent periods, the Company estimates the cash flow projections and long-term growth rates considering future uncertainty. The significant assumptions in estimating the value in use are the cash flow projections based on the business plan for up to five years, discount rates and long-term growth rates for the subsequent periods. The business plan is affected primarily by the sales revenue forecasts and the market growth rates.	We assessed the valuation methodologies used in the calculation of the value in use by involving valuation specialists of our network firm. We performed the following procedures for cash flow projections, discount rates, and long-term growth rates over five years, which are significant assumptions in the calculation of the value in use, among others: ■ Cash flow projections - In order to ensure that the cash flow projections used in the impairment tests are based on the business plan for up to five years approved by management, we assessed consistency of the business plan with the budget for the next year and the business plan approved by management. - In order to evaluate the degree of accuracy of the estimation process for the future business plan, we compared the budgets and business plans in the prior years with actual results. - We assessed the key inputs included in the estimation for the business plan such as the sales revenue forecasts and the market growth rates by discussing with management, comparing the relevant assumptions with market forecasts, external data such as forecasts of similar companies, and analyzing trends using actual results in order to evaluate the reasonableness of such inputs. ■ Discount rates - In order to evaluate the reasonableness of the calculation results, we assessed the consistency

The calculation process of the value in use used in goodwill impairment tests is complex and the assumptions for future cash flows and long-term growth rates over five years depend on the market trends in each industry and have uncertainty due to projections over a long period. Estimates of future cash flows, discount rates, and long-term growth rates over five years significantly depend on the assessments and judgment of management, and therefore we determined it to be a key audit matter.	between the input information used in the calculation and available external information by involving the valuation specialists of our network firm. ■ Long-term growth rates over five years and responses to estimation uncertainty - In order to ensure that future uncertainty is considered and reflected by management, we evaluated management's assessment of estimation uncertainty related to long-term market growth rates. - If there was insufficient headroom in the group of cash generating units, we assessed whether the value in use was not less than the carrying value, while considering additional risks.

Valuation of intangible assets with indefinite useful lives related to pharmaceutical products (In-process research and development expenses in the acquisition of NeuroDerm Ltd.)	
Description of key audit matter	**Auditor's response**
As of March 31, 2024, intangible assets with indefinite useful lives are valued at ¥68,793 million (1.1% of total assets) in the Consolidated Statement of Financial Position and the related disclosure of intangible assets with indefinite useful lives is made in note 14 to the consolidated financial statements. As of the end of the current fiscal year intangible assets with indefinite useful lives mostly consist of in-process research and development expenses for the treatment for Parkinson's disease recognized when Mitsubishi Tanabe Pharma Corporation, a consolidated subsidiary of the Company, acquired NeuroDerm Ltd. in October 2017 and corresponding carrying amount is, ¥61,927 million (1.0% of total assets). No impairment loss was recorded as a result of the annual impairment tests. In-process research and development expenses is at the research and development stage, have yet to obtain marketing approval from regulatory authorities, and are not available for use, the period during which the future economic benefits embodied in the assets are consumed is currently unforeseeable and therefore, the assets are classified as intangible assets with indefinite useful lives and intangible assets that are not yet available for use. The Company does not	We performed the following procedures to assess valuation of the in-process research and development expenses, among others: ■ Valuation methodologies - With the involvement of the valuation specialists of our network firm, we assessed the valuation methodologies used in the calculation of the value in use. ■ Probability of obtaining marketing approval by regulators - We discussed the future forecasts considering product development progress and success probabilities with the management and department managers. In addition, we considered and evaluated past data related to success probabilities at each stage of research and development in the pharmaceutical industry. ■ Sales revenue forecasts after launch - In order to evaluate the reasonableness of the key inputs in the cash flow projections, we understood the calculation logic and assumptions regarding projected sales prices and volumes, and market share of the products to evaluate the projected revenues after launch of products. We examined changes from the projections in the previous year in the light of

amortize intangible assets with indefinite useful lives and conducts impairment tests annually and whenever there are indications of impairment. In the impairment tests, the recoverable amount of the intangible assets is measured based on value in use. The value in use is measured using discounted cash flow projections, and the significant assumptions are the probability of obtaining marketing approval from regulatory authorities, sales revenue forecasts after launch of products and discount rates. Prospects for product pipelines in development stages in the pharmaceutical industry are highly uncertain. Furthermore, the assumptions such as the probability of obtaining marketing approval by regulators, sales revenue forecasts after launch, and discount rates are numerous and highly complex and have significant impact on the calculation of value in use. Given that the significant assumptions depend on the assessments and judgment of management and affect the value in use calculation and the judgment of whether impairment loss recognition is necessary, and therefore we determined it to be a key audit matter.	the business environment. We compared the relevant assumptions with market forecasts from external institutions and assessed the basis of the estimation. Especially, for the forecast of sales volume, we obtained, reviewed, and compared the results of the market research conducted by an external organization. We also discussed with management and reviewed management presentation materials to the Board of Directors. ■ Discount rates - In order to evaluate the reasonableness of the calculation results, we assessed the consistency between the input information used in the calculation and available external information with involvement of the valuation specialists of our network firm. ■ Responses to estimation uncertainty - We identified the risk factors considered for probability of obtaining marketing approval by regulators and the sales revenue forecasts after launch through discussions with management and department managers, and we evaluated the evaluation of uncertainty by management. - We assessed that the value in use was not less than the carrying amount, while considering additional risks by raising the discount rate to a certain amount.

Other Information

The other information comprises the information included in the annual securities report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

The fees for the audits of the financial statements of the Group and other services provided by us and other EY member firms for the year ended March 31, 2024 are presented in paragraph (4) titled "Status of the Company" in Section 3 "Corporate Governance" included in Item 3 "Information about Audits" in Part 1 of the annual securities report for the year ended March 31, 2024 of the Group.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

<u>Notes to the Reader of Independent Auditor's Report:</u>

Other information described in the Independent Auditor's Report and information referenced above in fee-related information relate to the Japanese annual securities report and the Independent Auditor's Report therein, and thus solely represent the English translation of the original Independent Auditor's Report in accordance with the Financial Instruments and Exchange Act of Japan.

Mitsubishi Chemical Group Corporation
1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8251
www.mcgc.com/english/