Consolidated Financial Statements

Years ended March 31, 2025 and 2024

Mitsubishi Chemical Group Corporation

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 23, 2025 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, 2024	**Fiscal year ended March 31, 2025**
Continuing operations:		
Sales revenue (Notes 4 and 7)	¥ 4,387,218	**¥ 4,407,405**
Cost of sales	(3,240,394)	**(3,127,811)**
Gross profit	1,146,824	**1,279,594**
Selling, general and administrative expenses	(932,345)	**(970,021)**
Other operating income (Note 10)	117,801	**48,392**
Other operating expenses (Note 10)	(78,539)	**(169,338)**
Share of profit of associates and joint ventures (Notes 4 and 17)	8,090	**8,067**
Operating income (Note 4)	261,831	**196,694**
Financial income (Note 11)	23,796	**8,988**
Financial expenses (Note 11)	(45,080)	**(54,987)**
Income before taxes	240,547	**150,695**
Income taxes (Note 12)	(62,108)	**(45,059)**
Net income from continuing operations	¥ 178,439	**¥ 105,636**
Net income attributable to:		
Owners of the parent	¥ 119,596	**¥ 45,020**
Non-controlling interests	58,843	**60,616**
Earnings per share:	(Yen)	(Yen)
Basic earnings per share attributable to owners of the parent (Note 13)	¥ 84.07	**¥ 31.64**
Diluted earnings per share attributable to owners of the parent (Note 13)	¥ 80.77	**¥ 31.63**

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, 2024	**Fiscal year ended March 31, 2025**
Net income	¥178,439	**¥105,636**
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)	7,792	**(7,818)**
Remeasurements of defined benefit plans (Note 26)	7,295	**6,091**
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method (Note 26)	(26)	**95**
Total items that will not be reclassified to profit or loss	15,061	**(1,632)**
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations (Note 26)	166,868	**(27,682)**
Net gain (loss) on derivatives designated as cash flow hedges (Note 26)	1,163	**(1,115)**
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method (Note 26)	2,066	**2,257**
Total items that may be subsequently reclassified to profit or loss	170,097	**(26,540)**
Total other comprehensive income (net of tax)	185,158	**(28,172)**
Total comprehensive income	¥363,597	**¥ 77,464**
Total comprehensive income attributable to:		
Owners of the parent	¥249,349	**¥ 21,774**
Non-controlling interests	114,248	**55,690**

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, 2024	**March 31, 2025**
Assets	**Current assets:**		
	Cash and cash equivalents (Note 22)	¥ 294,924	**¥ 326,144**
	Trade receivables (Note 21)	852,353	**764,814**
	Inventories (Note 20)	799,249	**759,423**
	Other financial assets (Note 18)	82,804	**66,103**
	Other current assets (Note 19)	131,721	**128,973**
	Subtotal	2,161,051	**2,045,457**
	Assets held for sale (Note 23)	30,585	**16,103**
	Total current assets	2,191,636	**2,061,560**
	Non-current assets:		
	Property, plant and equipment (Note 15)	2,043,330	**2,004,447**
	Goodwill (Note 14)	832,899	**827,604**
	Intangible assets (Note 14)	481,028	**442,039**
	Investments accounted for using the equity method (Note 17)	164,246	**166,753**
	Other financial assets (Note 18)	221,232	**203,645**
	Other non-current assets (Note 19)	72,747	**70,324**
	Deferred tax assets (Note 12)	97,395	**118,247**
	Total non-current assets	3,912,877	**3,833,059**
	Total assets (Note 4)	¥6,104,513	**¥5,894,619**

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

		March 31, 2024	March 31, 2025
		Millions of yen	
Liabilities and Equity			
Liabilities	**Current liabilities:**		
	Trade payables (Note 35)	¥ 501,532	**¥ 424,635**
	Bonds and borrowings (Note 30)	605,307	**428,067**
	Income tax payable	22,890	**39,441**
	Other financial liabilities (Note 32)	367,925	**351,480**
	Provisions (Note 29)	35,957	**38,227**
	Other current liabilities (Note 34)	187,420	**217,563**
	Subtotal	1,721,031	**1,499,413**
	Liabilities directly associated with assets held for sale (Note 23)	3,881	**745**
	Total current liabilities	1,724,912	**1,500,158**
	Non-current liabilities:		
	Bonds and borrowings (Note 30)	1,595,704	**1,612,920**
	Other financial liabilities (Note 32)	121,128	**135,356**
	Retirement benefit liabilities (Note 28)	104,828	**99,050**
	Provisions (Note 29)	31,672	**25,160**
	Other non-current liabilities (Note 34)	44,147	**37,287**
	Deferred tax liabilities (Note 12)	206,627	**200,119**
	Total non-current liabilities	2,104,106	**2,109,892**
	Total liabilities	3,829,018	**3,610,050**
Equity	Common stock (Note 24)	50,000	**50,000**
	Additional paid-in capital (Note 24)	159,602	**160,114**
	Treasury stock (Note 24)	(61,857)	**(61,458)**
	Retained earnings (Note 24)	1,355,131	**1,363,689**
	Other components of equity (Note 24)	260,571	**228,225**
	Equity attributable to owners of the parent	1,763,447	**1,740,570**
	Non-controlling interests	512,048	**543,999**
	Total equity	2,275,495	**2,284,569**
	Total liabilities and equity	¥6,104,513	**¥5,894,619**

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, 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.

Fiscal year ended March 31, 2025

Millions of yen

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2024	¥50,000	¥159,602	¥(61,857)	¥1,355,131
Net income	—	—	—	45,020
Other comprehensive income (Note 26)	—	—	—	—
Total comprehensive income	—	—	—	45,020
Purchase of treasury stock (Note 24)	—	—	(26)	—
Disposal of treasury stock (Note 24)	—	(144)	425	—
Cash dividends (Note 25)	—	—	—	(45,533)
Share-based payment transactions (Note 27)	—	(13)	—	—
Changes in interests in subsidiaries	—	669	—	—
Business combinations or business divestitures	—	—	—	—
Changes in scope of consolidation	—	—	—	(29)
Transfer from other components of equity to retained earnings	—	—	—	9,100
Total transactions with owners	—	512	399	(36,462)
Balance at March 31, 2025	¥50,000	¥160,114	¥(61,458)	¥1,363,689

	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, 2024	¥37,941	¥ —	¥217,484	¥5,146	¥260,571	¥1,763,447	¥512,048	¥2,275,495
Net income	—	—	—	—	—	45,020	60,616	105, 636
Other comprehensive income (Note 26)	(5,840)	5,644	(22,115)	(935)	(23,246)	(23,246)	(4,926)	(28,172)
Total comprehensive income	(5,840)	5,644	(22,115)	(935)	(23,246)	21,774	55,690	77,464
Purchase of treasury stock (Note 24)	—	—	—	—	—	(26)	—	(26)
Disposal of treasury stock (Note 24)	—	—	—	—	—	281	—	281
Cash dividends (Note 25)	—	—	—	—	—	(45,533)	(18,866)	(64,399)
Share-based payment transactions (Note 27)	—	—	—	—	—	(13)	—	(13)
Changes in interests in subsidiaries	—	—	—	—	—	669	(1,265)	(596)
Business combinations or business divestitures	—	—	—	—	—	—	(3,579)	(3,579)
Changes in scope of consolidation	—	—	—	—	—	(29)	(29)	(58)
Transfer from other components of equity to retained earnings	(3,456)	(5,644)	—	—	(9,100)	—	—	—
Total transactions with owners	(3,456)	(5,644)	—	—	(9,100)	(44,651)	(23,739)	(68,390)
Balance at March 31, 2025	¥28,645	¥ —	¥195,369	¥4,211	¥228,225	¥1,740,570	¥543,999	¥2,284,569

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, 2024	**Fiscal year ended March 31, 2025**
Cash flows from operating activities:		
Income before taxes	¥240,547	**¥150,695**
Depreciation and amortization	275,436	**275,933**
Share of (profit) loss of associates and joint ventures	(8,090)	**(8,067)**
Impairment loss	33,530	**94,576**
Loss on sale and disposal of fixed assets	18,540	**21,773**
Loss on sale of intercompany securities	149	**3,220**
Provision for loss on business liquidation	1,832	**1,850**
Gain on sale of intercompany securities	(36,488)	**(11,279)**
Gain on sale of property, plant and equipment	(2,349)	**(13,826)**
Reversal of provision for loss on plant closure	(11,960)	**(1,864)**
Gain on forgiveness of debts	(3,816)	**(1,698)**
Gain on step acquisitions	(27,000)	**—**
Gain on reversal of asset retirement obligations	(4,681)	**—**
Interest and dividend income	(11,681)	**(8,426)**
Interest expense	43,049	**41,114**
(Increase) decrease in trade receivables	(14,184)	**53,118**
(Increase) decrease in inventories	30,298	**13,436**
Increase (decrease) in trade payables	(2,663)	**(22,457)**
Increase (decrease) in retirement benefit assets and liabilities, net	(490)	**2,746**
Increase (decrease) in employees' bonus liabilities	868	**7,179**
Others	2,038	**32,909**
Subtotal	522,885	**630,932**
Interest received	5,463	**4,887**
Dividends received	28,145	**14,650**
Interest paid	(40,881)	**(41,399)**
Income tax (paid) received, net	(50,466)	**(56,223)**
Net cash provided by (used in) operating activities	465,146	**552,847**

Cash flows from investing activities:		
Purchase of property, plant and equipment	(268,686)	**(314,533)**
Proceeds from sales of property, plant and equipment	6,020	**21,058**
Purchase of intangible assets	(5,786)	**(10,439)**
Purchase of other financial assets	(7,313)	**(2,291)**
Proceeds from sales/redemption of other financial assets	21,983	**13,734**
Net cash outflow on acquisition of subsidiaries (Note 5)	(49,519)	**(781)**
Proceeds from sales of investments in subsidiaries (Note 6)	44,315	**16,391**
Payments for transfer of businesses	(10,024)	**(5,646)**
Proceeds from transfer of businesses	1,319	**5,292**
Net (increase) decrease in time deposits	(4,967)	**(284)**
Proceeds from collection of loans receivable from companies over which control was lost (Note 6)	29,286	**—**
Others	(2,715)	**2,065**
Net cash provided by (used in) investing activities	(246,087)	**(275,434)**

Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	11,641	**(23,425)**
Net increase (decrease) in commercial papers	21,000	**(97,000)**
Proceeds from long-term borrowings	115,602	**253,118**
Repayment of long-term borrowings	(197,805)	**(266,241)**
Proceeds from issuance of bonds	119,446	**19,899**
Redemption of bonds	(200,000)	**(35,000)**
Repayment of lease liabilities	(36,491)	**(34,203)**
Net (increase) decrease in treasury stock	(33)	**(25)**
Dividends paid to owners of the parent	(44,094)	**(45,533)**
Dividends paid to non-controlling interests	(13,816)	**(17,753)**
Payments for acquisition of subsidiaries' interests from non-controlling interests	(17,445)	**(601)**
Others	271	**110**
Net cash provided by (used in) financing activities	(241,724)	**(246,654)**

Effect of exchange rate changes on cash and cash equivalents	21,225	**(2,698)**
Net increase (decrease) in cash and cash equivalents	(1,440)	**28,061**
Cash and cash equivalents at the beginning of the period	297,224	**294,924**
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(1,045)	**3,040**
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	185	**17**
Net increase in cash and cash equivalents resulting from merger and acquisition	—	**102**
Cash and cash equivalents at the end of the period (Note 22)	¥294,924	**¥326,144**

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, 2025 comprise those of the Company, its subsidiaries and associates, and interests under joint arrangements (collectively, the “MCG Group”). The MCG Group’s five principal domains are Specialty Materials, MMA & Derivatives, Basic Materials & Polymers, Pharma and Industrial Gases. 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 312 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 1-2-1 of said ordinance.

2. Approval of Consolidated Financial Statements

The MCG Group's consolidated financial statements were approved on June 23, 2025, 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, 2025, are as follows.

Standards and Interpretations		Summary of new and revised provisions
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	Amendments to require disclosure to promote transparency in supplier finance arrangements

As a result of the application above, disclosure has been expanded in Note 36 Financial Instruments.

Other than the above, there is no material impact on the MCG Group's consolidated financial statements.

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, MMA & Derivatives, Basic Materials & Polymers, Pharma and Industrial Gases.

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. If a defined benefit plan is overfunded, the fair value of plan assets is capped at the present value of available future economic benefits such as refunds from the plan or reductions in future contributions.

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, and the chief operating decision maker regularly assesses this information in deciding how to allocate resources and evaluate results. No operating segments or components have been aggregated in preparing the reporting segment information.

As of April 1, 2024, the MCG Group reorganized its business structure with the aim of further reinforcing collaboration among businesses and accelerating growth. In tandem with this reorganization, businesses within reporting segments have been reorganized and the previous five reporting segments (Specialty Materials, Industrial Gases, Health Care, MMA, and Basic Materials) have been reclassified into the new five reporting segments (Specialty Materials, Industrial Gases, Pharma, MMA & Derivatives, and Basic Materials & Polymers).

In line with the New Medium-Term Management Plan 2029 announced in November 2024, the order of reporting segments has been changed from the third quarter of the fiscal year ended March 31, 2025.

The MCG Group used revised classifications and a revised order to present segment information for the fiscal year ended March 31, 2024.

The businesses in each reporting segment are as follows.

Business Segments	Business Sub-Segments	Businesses
Specialty Materials	Advanced Films & Polymers	Performance Polymers, Soarnol, Gohsenol Packaging, Industrial & Medical Films, Acetyl Firms, Polyester Films, and Fiber
	Advanced Solutions	Aqua Solution, Life Solution, Infrastructure Solution, Semiconductor, Electronics, and Battery Materials
	Advanced Composites & Shapes	Engineering Shapes & Solutions, Carbon Fiber and Composite Materials
MMA & Derivatives	MMA	MMA, PMMA
	Coating & Additives	Coating Material, Additives & Fine
Basic Materials & Polymers	Materials & Polymers	Basic Petrochemicals, Polyolefins, Basic Chemical Derivatives, Sustainable Polymers, and Engineering Plastic
	Carbon Products	Carbon Products
Pharma		Ethical Pharmaceuticals
Industrial Gases		Industrial Gases

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, 2024

Millions of yen

	REPORTING SEGMENT					Others (Note 1)	Adjustments (Note 2)	Consolidated
	Specialty Materials	MMA & Derivatives	Basic Materials & Polymers	Pharma	Industrial Gases			
Sales revenue								
External revenue	¥1,043,754	¥347,941	¥1,106,560	¥ 437,230	¥1,246,877	¥204,856	¥ —	¥4,387,218
Inter-segment revenue	9,848	13,876	39,044	138	8,204	149,588	(220,698)	—
Total	¥1,053,602	¥361,817	¥1,145,604	¥ 437,368	¥1,255,081	¥354,444	¥(220,698)	¥4,387,218
Segment profit (loss) Core operating income (Note 3)	¥ 7,444	¥ 5,537	¥ (25,428)	¥ 56,281	¥ 163,040	¥ 13,647	¥ (12,405)	¥ 208,116
Segment assets	1,392,212	590,159	858,879	933,618	2,454,108	274,249	(398,712)	6,104,513
Other items								
Depreciation and amortization	62,328	25,260	45,433	13,814	114,781	7,228	6,592	275,436
Share of profit of investments accounted for using the equity method	1,329	1,743	47	372	4,007	90	—	7,588
Investments accounted for using the equity method	15,156	28,719	48,538	16,547	54,557	729	—	164,246
Capital expenditures	80,867	24,965	39,170	5,129	126,257	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 ¥(12,392) million not allocated to reporting segments and inter-segment eliminations of ¥(13) 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 ¥102,138 million not allocated to reporting segments and items such as an inter-segment eliminations of ¥(500,850) 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.

Fiscal year ended March 31, 2025

Millions of yen

	REPORTING SEGMENT					Others (Note 1)	Adjustments (Note 2)	Consolidated
	Specialty Materials	MMA & Derivatives	Basic Materials & Polymers	Pharma	Industrial Gases			
Sales revenue								
External revenue	**¥1,081,338**	**¥402,119**	**¥ 972,448**	**¥ 460,328**	**¥1,301,105**	**¥190,067**	**¥ —**	**¥4,407,405**
Inter-segment revenue	**10,276**	**14,276**	**34,818**	**92**	**6,920**	**145,406**	**(211,788)**	**—**
Total	**¥1,091,614**	**¥416,395**	**¥ 1,007,266**	**¥ 460,420**	**¥1,308,025**	**¥335,473**	**¥(211,788)**	**¥4,407,405**
Segment profit (loss) Core operating income (Note 3)	**¥ 25,111**	**¥ 35,285**	**¥ (15,570)**	**¥ 65,402**	**¥ 186,069**	**¥ 13,437**	**¥ (11,357)**	**¥ 298,377**
Segment assets	**1,342,072**	**529,179**	**704,404**	**963,032**	**2,461,545**	**253,034**	**(358,647)**	**5,894,619**
Other items								
Depreciation and amortization	**67,998**	**25,253**	**37,437**	**13,504**	**118,632**	**6,175**	**6,934**	**275,933**
Share of profit of investments accounted for using the equity method	**1,609**	**2,447**	**(1,360)**	**231**	**5,014**	**126**	**—**	**8,067**
Investments accounted for using the equity method	**15,776**	**26,728**	**45,896**	**16,487**	**61,055**	**811**	**—**	**166,753**
Capital expenditures	**114,603**	**23,355**	**46,750**	**7,920**	**142,427**	**2,243**	**1,929**	**339,227**

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 ¥(11,552) million not allocated to reporting segments and inter-segment eliminations of ¥195 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 ¥149,448 million not allocated to reporting segments and items such as an inter-segment eliminations of ¥(508,095) 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. From the third quarter of the fiscal year ended March 31, 2025, the MCG Group reclassified segments for some businesses. The MCG Group used new classifications to present segment information for the fiscal year ended March 31, 2024

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

Millions of yen

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Segment profit	¥208,116	**¥298,377**
Gain on sale of intercompany securities (Note 1) (Note 2)	36,488	**11,278**
Gain on sales of property, plant and equipment	1,632	**9,739**
Gain on sale of carbon credit	—	**2,718**
Reversal of provision for loss on plant closure (Note 3)	11,960	**1,864**
Gain on step acquisitions (Note 4)	27,000	**—**
Gain on reversal of asset retirement obligations	4,681	**—**
Gain on forgiveness of debts	3,816	**—**
Impairment loss (Note 5)	(23,761)	**(76,590)**
Special retirement expenses (Note 6)	(2,006)	**(22,080)**
Loss on sale and disposal of fixed assets	(9,656)	**(15,178)**
Cancellation penalty	(343)	**(3,480)**
Loss on sale of intercompany securities	(149)	**(3,220)**
Provision for loss on business liquidation	(1,832)	**(1,850)**
Loss on business liquidation	(4,796)	**(826)**
Loss on arbitration award	(1,073)	**(334)**
Others (Note 6)	11,754	**(3,724)**
Operating income	261,831	**196,694**
Financial income	23,796	**8,988**
Financial expenses	(45,080)	**(54,987)**
Income before taxes	¥240,547	**¥150,695**

Notes:
1. See Note 10 Other Operating Income and Other Operating Expenses for details of gain on sale of intercompany securities in the fiscal year ended March 31, 2025.
2. In the fiscal year ended March 31, 2024, the MCG Group recorded a gain on sales of shares of intercompany securities of ¥20,173 million and other associated losses of ¥1,966 million on transferring shares of Qualicaps Co., Ltd.
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 5 Business Combination for details of gain on step acquisitions.
5. See Note 16 Impairment Losses for details of impairment loss.
6. See Note 10 Other Operating Income and Other Operating Expenses for details of special retirement expenses in the fiscal year ended March 31 2025 and others in the fiscal year ended March 31 2024

3. Geographic Information

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

External sales revenue

Millions of yen

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Japan	¥2,187,485	**¥2,137,647**
Asia and Oceania	785,744	**810,185**
(China)	(275,079)	**(302,239)**
North America	747,340	**785,683**
(America)	(723,505)	**(756,726)**
Europe	620,420	**625,368**
Others	46,229	**48,522**
Total	¥4,387,218	**¥4,407,405**

Note:

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

Non-current assets

	Millions of yen	
	As of March 31, 2024	**As of March 31, 2025**
Japan	¥1,156,887	**¥ 1,085,121**
Asia and Oceania	460,475	**454,345**
North America	655,561	**623,272**
(America)	(652,363)	**(623,202)**
Europe	1,098,530	**1,124,042**
Others	1,544	**1,270**
Total	¥3,372,997	**¥ 3,288,050**

Note:
Non-current assets are based on the locations of the assets and do not include financial instruments, deferred tax assets and retirement benefit asset.

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 (Note)	**54,280**
Total acquisition consideration	**54,280**

Note:
Additional payment of ¥428 million based on the earn-out method contingent on certain stipulations in the share transfer agreement was completed in the fiscal year ended March 31, 2025.

(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	**9,497**
Inventories	**8,301**
Other current assets	**1,322**
Non-current assets:	
Property, plant and equipment (Note 1)	**20,756**
Intangible assets (Note 2)	**21,399**
Other non-current assets	**291**
Acquired assets	**68,095**
Current liabilities:	
Trade payables	**4,692**
Borrowings	**5,844**
Other current liabilities	**3,353**
Non-current liabilities:	
Lease liabilities	**4,912**
Deferred tax liabilities	**5,682**
Other non-current liabilities	**2,042**
Assumed liabilities	**26,525**
Net assets acquired and liabilities assumed	**41,570**
Fair value of equity interest in acquired company held before business combination	**42,313**
Fair value of consideration paid for additional acquisition	**54,280**
Goodwill (Note 3)	**55,023**

While the amounts of assets acquired and liabilities assumed had been presented at provisional fair values in the fiscal year ended March 31, 2024, the initial accounting for the business combination was completed in the first quarter of the fiscal year, and the amounts have been determined as above. The modification amounts resulting from the determination are immaterial.

Notes:
1. Composition of property, plant and equipment: Property, plant and equipment mainly comprise ¥13,376 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 fiscal year ended March 2024, 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.

Year ended March 31, 2025
(Transfer of shares in the Kansai Coke and Chemicals Company, Limited.)
In September 2024, it was decided to transfer all shares held by the MCG Group of Kansai Coke and Chemicals Company, Limited, which engages in the production and sale of coke and its byproducts to Kobe Steel, Ltd. as part of the business portfolio reform. The share transfer was completed in October 2024.

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

(1) Proceeds from sale of subsidiary

	Millions of yen
Cash consideration received	**6,837**
Cash and cash equivalents of subsidiary over which control was lost	**(1,650)**
Proceeds from sale of subsidiary	**5,187**

(2) Assets and liabilities of subsidiary

	Millions of yen
Current assets (including cash and cash equivalents)	**52,325**
Non-current assets	**34,051**
Total assets	**86,376**
Current liabilities	**61,343**
Non-current liabilities	**5,998**
Total liabilities	**67,341**

(3) Gain or loss from sale of subsidiary

As a result of the decision on the Transfer, impairment loss (other operating expenses) of ¥1,891 million was recorded as the difference between the fair value less cost to sell and the carrying amount. In addition, loss on sales of intercompany securities (other operating expenses) of ¥1,822 million was recognized upon the completion of the land transaction which is a part of the series of transactions relating to this transfer.

Note 7

Sales Revenue

(1) Disaggregation of sales revenue

The MCG Group undertakes diverse operations overseas through its Specialty Materials, MMA & Derivatives, Basic Materials & Polymers, Pharma and Industrial Gases 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, 2024

Millions of yen

	Japan	Asia and Oceania	(China)	North America	Europe	Others	Total
Specialty Materials	¥ 421,586	¥214,368	¥(109,943)	¥212,053	¥180,087	¥15,660	¥1,043,754
MMA& Derivatives	81,403	167,511	(70,796)	53,381	39,442	6,204	347,941
Basic Materials& Polymers	812,346	173,057	(38,441)	44,937	55,349	20,871	1,106,560
Pharma	310,073	30,873	(7,794)	85,919	10,289	76	437,230
Industrial Gases	414,987	178,680	(31,045)	338,368	313,061	1,781	1,246,877
Others	147,090	21,255	(17,060)	12,682	22,192	1,637	204,856
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.

Fiscal year ended March 31, 2025

Millions of yen

	Japan	Asia and Oceania	(China)	North America	Europe	Others	Total
Specialty Materials	**¥ 430,475**	**¥234,773**	**¥(119,158)**	**¥204,619**	**¥196,792**	**¥14,679**	**¥1,081,338**
MMA& Derivatives	**83,035**	**202,709**	**(91,799)**	**62,732**	**46,757**	**6,886**	**402,119**
Basic Materials& Polymers	**737,278**	**133,255**	**(39,149)**	**44,089**	**33,530**	**24,296**	**972,448**
Pharma	**319,740**	**27,876**	**(2,793)**	**105,955**	**6,722**	**35**	**460,328**
Industrial Gases	**412,339**	**192,910**	**(35,656)**	**356,958**	**336,277**	**2,621**	**1,301,105**
Others	**154,780**	**18,662**	**(13,684)**	**11,330**	**5,290**	**5**	**190,067**
Total	**¥2,137,647**	**¥810,185**	**¥(302,239)**	**¥785,683**	**¥625,368**	**¥48,522**	**¥4,407,405**

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 the Advanced Films & Polymers Business, the Advanced Solutions Business and the Advanced Composite & Shapes Business. 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.

MMA& Derivatives Segment

The MCG Group engages in the MMA Business and the Coating & Additives 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& Polymers Segment

The MCG Group sells its the Materials & Polymers Business and Carbon Products 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.

Pharma Segment

Here, we engage in the 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 Pharmaceuticals 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.

Industrial Gases Segment

In this segment, our Gas Business serves the steel, chemical and electronics industries. We manufacture household items such 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.

(2) Contract balance

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

Millions of yen

	As of April 1, 2023	As of March 31, 2024	**As of March 31, 2025**
Receivables arising from contracts with customers	¥819,461	¥867,117	**¥777,561**
Contract assets	22,315	32,886	**35,452**
Contract liabilities	31,283	37,247	**46,877**

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, 2024, and March 31, 2025, ¥15,843 million and ¥23,661 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, 2024, and March 31, 2025, were ¥15,149 million and ¥13,801 million, respectively.

There were no significant changes in outstanding contract assets and liabilities in the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2025.

(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, 2024	**Fiscal year ended March 31, 2025**
Due within one year	¥77,506	**¥77,876**
Due after one year	51,320	**43,645**
Total	¥128,826	**¥121,521**

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

In the fiscal years ended March 31, 2024 and March 31, 2025, 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, 2024 and 2025, were ¥679,716 million and ¥734,164 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, 2024 and 2025 were ¥121,624 million and ¥123,870 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, 2024	**Fiscal year ended March 31, 2025**
Gain on sale of intercompany securities (Note 1)	¥36,488	**¥11,279**
Gain on sale of property, plant and equipment	2,349	**13,826**
Gain on sale of carbon credit	—	**2,718**
Rent income	2,179	**2,199**
Reversal of provision for loss on plant closure (Note 2)	11,960	**1,864**
Gain on forgiveness of debts	3,816	**1,698**
Insurance income	415	**1,206**
Gain on step acquisitions (Note 3)	27,000	**—**
Gain on reversal of asset retirement obligations	4,681	**—**
Others (Note 4)	28,913	**13,602**
Total	¥117,801	**¥48,392**

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 Note 6 Sale of Subsidiary for details of the transfer of shares in Qualicaps Co., Ltd.
In the fiscal year ended March 31, 2025, concerning the transfer of shares in PT Mitsubishi Chemical Indonesia, the MCG Group recorded gain on sales of intercompany securities of ¥5,578 million, mainly reflecting the realization of the foreign currency translation adjustments, which are recognized at the time sales are completed. Gain on sales of interests in Tianjin Tanabe Seiyaku Co., Ltd., is also included in the fiscal year ended March 31, 2025.
2. 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 fiscal year ended March 31, 2023 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.
3. 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.
4. The MCG Group had reclassified ¥15,530 million of advances in connection with COVID-19 vaccine supply contract in the Health Care segment (currently the Pharma segment) from advances received to other liabilities as of the end of the fiscal year ended March 31,2023 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, 2024	**Fiscal year ended March 31, 2025**
Impairment loss (Notes 1,2, 3 and 5)	¥ 33,530	**¥ 94,576**
Special retirement expenses (Notes 2,3 and 4)	2,006	**22,023**
Loss on sale and disposal of fixed assets (Note 5)	18,540	**21,773**
Cancellation penalty (Note 2)	343	**3,323**
Loss on sale of intercompany securities	149	**3,220**
Provision for loss on business liquidation (Note 3)	1,832	**1,850**
Loss on business liquidation	4,743	**826**
Loss on arbitration award	1,073	**334**
Others (Notes 2,3 and 4)	16,323	**21,413**
Total	¥ 78,539	**¥169,338**

Notes:
1. See Note 16 Impairment Losses for details of impairment losses.
2. In the fiscal year ended March 31, 2025, as a result of the decision to discontinue consideration of a new MMA monomer plant being pursued by Mitsubishi Chemical America Inc., the MCG Group recorded impairment loss of ¥ 12,612 million, cancellation penalty of ¥ 3,323 million, special retirement expense of ¥ 209 and other associated losses of ¥ 367 million.
3. 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.

4. In the fiscal year ended March 31, 2025, with respect to the decision to implement a voluntary retirement program at Mitsubishi Tanabe Pharma Corporation, the MCG Group recorded special retirement expense of ¥ 16,632 million and other associated losses of ¥ 304 million.
5. In the fiscal year ended March 31, 2024, as a result of the decision 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, the MCG Group recorded an impairment loss of ¥3,993 million. The MCG Group also recorded a loss on sale and disposal of fixed assets of ¥7,053 million in the fiscal year ended March 31, 2025.

Note 11

Financial Income and Financial Expenses

The breakdown of financial income is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Financial income		
Interest income		
Financial assets measured at amortized cost	¥ 5,501	**¥ 4,822**
Dividend income		
Financial assets measured at fair value through other comprehensive income	5,019	**3,604**
Others	1,161	**—**
Foreign exchange gains	7,538	**—**
Changes in fair value of financial assets relating to contingent consideration agreements	3,473	**—**
Others	1,104	**562**
Total	¥23,796	**¥8,988**

The breakdown of financial expenses is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Financial expenses		
Interest expenses		
Financial liabilities measured at amortized cost	¥43,049	**¥41,114**
Loss on marketable securities		
Financial assets measured at FVtPL	—	**2,633**
Foreign exchange losses	—	**3,805**
Changes in fair value of financial assets relating to contingent consideration agreements	—	**5,653**
Others	2,031	**1,782**
Total	¥45,080	**¥54,987**

Income Taxes

1. Deferred Tax Assets and Liabilities

As of March 31, 2024 and 2025, 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 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, 2024

Millions of yen

	April 1, 2023	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income	Others (Note)	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)

Note:
Others include exchange differences on translation of foreign operations and changes owing to business combinations, etc.

Fiscal year ended March 31, 2025

Millions of yen

	April 1, 2024	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income	Others (Note 1)	March 31, 2025
Deferred tax assets:					
Property, plant and equipment	**¥ 43,657**	**¥ (803)**	**¥ —**	**¥ (371)**	**¥ 42,483**
Net defined benefit liabilities	**23,114**	**1,706**	**(1,479)**	**(221)**	**23,120**
Employees' bonuses	**17,454**	**3,558**	**—**	**(259)**	**20,753**
Tax loss carryforwards	**13,000**	**443**	**—**	**(223)**	**13,220**
Inventories	**11,990**	**1,086**	**—**	**(241)**	**12,835**
Employees' paid leave	**9,776**	**322**	**—**	**(248)**	**9,850**
Others (Note 2) (Note 3)	**116,313**	**16,231**	**383**	**335**	**133,262**
Total	**¥ 235,304**	**¥ 22,543**	**¥ (1,096)**	**¥ (1,228)**	**¥ 255,523**
Deferred tax liabilities:					
Property, plant and equipment	**¥(119,218)**	**¥ 2,174**	**¥ —**	**¥1,330**	**¥ (115,714)**
Valuation of assets	**(115,650)**	**10,724**	**—**	**(4)**	**(104,930)**
Securities and other investments	**(32,706)**	**113**	**1,623**	**2,475**	**(28,495)**
Undistributed of foreign subsidiaries (Note 3)	**(20,658)**	**(3,772)**	**(5,842)**	**393**	**(29,879)**
Others	**(56,304)**	**(657)**	**(1,300)**	**(116)**	**(58,377)**
Total	**¥(344,536)**	**¥ 8,582**	**¥(5,519)**	**¥4,078**	**¥(337,395)**
Net deferred tax assets	**¥(109,232)**	**¥ 31,125**	**¥(6,615)**	**¥2,850**	**¥ (81,872)**

Note:
1.Others include exchange differences on translation of foreign operations and changes owing to business combinations, etc.
2.The balances at the beginning and end of the fiscal year ended March 31,2025 include deferred tax assets recognized as future deductible temporary differences related to the investment in Medicago, Inc. following the decision to liquidate the company, which were recorded in the fiscal year ended March 31,2023.
3.At the end of the fiscal year, deferred tax assets of ¥16,626 million were recognized as temporary differences related to investments in Mitsubishi Tanabe Pharma Corporation. ¥24,225 million is included in others item of deferred tax assets and ¥7,599 million is in undistributed of foreign subsidiaries of deferred tax liabilities.
(a) the temporary difference will reverse in the foreseeable future; and
(b) taxable profit will be available against which the temporary difference can be utilized.

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, 2024	**Fiscal year ended March 31, 2025**
Future deductible temporary differences	¥219,804	**¥ 216,700**
Unused tax loss carryforwards	379,807	**417,828**
Unused tax credit carryforwards	16,231	**16,991**

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

Millions of yen

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Future deductible temporary differences	¥73,794	**¥ 66,844**
Unused tax loss carryforwards	57,952	**62,234**
Unused tax credit carryforwards	4,097	**4,281**

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, 2024	**Fiscal year ended March 31, 2025**
Tax loss carry forwards:		
Due within one year	¥ 8,539	**¥ 2,686**
Due after one year and not later than five years	103,907	**108,529**
Due after five years and not later than 10 years	129,525	**143,406**
Due after 10 years and not later than 20 years	1,874	**11,154**
Indefinite	135,962	**152,053**
Total	¥379,807	**¥417,828**

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Unused tax credit carryforwards		
Due within one year	¥ —	**¥ —**
Due after one year and not later than five years	—	**—**
Due after five years and not later than 10 years	2,993	**4,127**
Due after 10 years and not later than 20 years	—	**—**
Indefinite	13,238	**12,864**
Total	¥16,231	**¥ 16,991**

As of March 31, 2024 and 2025, total temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities were not recognized were ¥1,409,192 million and ¥1,024,814 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, 2024	**Fiscal year ended March 31, 2025**
Income taxes	¥67,693	**¥76,277**
Deferred income taxes	(5,585)	**(31,218)**
Total	¥62,108	**¥45,059**

The Act for Partial Revision of the Income Tax Act and Other Acts (Act no. 13, 2025) was passed by the Diet on March 31, 2025, and the special defense corporate tax will be imposed from the fiscal years beginning on or after April 1, 2026. Accordingly, deferred tax assets and liabilities related to temporary differences that are expected to be eliminated after the fiscal years beginning on or after April 1, 2026 are calculated at the statutory effective tax rate based on the revised tax rate. The impact of this change on the consolidated financial statements for the fiscal year ended March 31, 2025 is immaterial.

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, 2024 and 2025. 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, 2024 and 2025, was as follows:

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Statutory tax rate	30.6%	**30.6%**
Tax effect on undistributed earnings (Note)	(0.7)	**(13.8)**
Difference of statutory tax rate in overseas subsidiaries	(5.3)	**(6.4)**
Tax credits for research and development costs	(0.7)	**(3.5)**
Share of profit of investments accounted for using the equity method	(1.0)	**(1.6)**
Gain on step acquisitions	(3.4)	**—**
Difference of unrecognized deferred tax assets	4.1	**15.7**
Amount permanently excluded from deductible expenses and taxable income	1.1	**3.9**
Others	1.1	**5.0**
Effective tax rate	25.8%	**29.9%**

Note:
Tax effect on undistributed earnings in the fiscal year ended March 31,2025 includes temporary differences related to investments in MTPC described in 1. Deferred Tax Assets and Liabilities.

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. Income taxes arising from the global minimum tax regime included in current income taxes for the fiscal year ended March 31,2025 are immaterial.

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.

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, 2024	**Fiscal year ended March 31, 2025**
		(Millions of yen)
Net income attributable to owners of the parent	¥119,596	**¥ 45,020**
Adjustment	169	**—**
Net income used to calculate diluted earnings per share	¥119,765	**¥ 45,020**
		(Thousands of shares)
Average number of ordinary shares during period	1,422,496	**1,423,071**
Impact of potentially dilutive ordinary shares		
Convertible bond-type bonds with subscription rights to shares	59,572	**—**
Subscription rights to shares	728	**390**
Average number of diluted ordinary shares during period	1,482,796	**1,423,461**
		(Yen)
Basic earnings per share attributable to owners of the parent	¥ 84.07	**¥31.64**
Diluted earnings per share attributable to owners of the parent	¥ 80.77	**¥31.63**

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, 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

Fiscal year ended March 31, 2025
Acquisition cost

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2024	**¥ 840,247**	**¥ 340,846**	**¥ 447,225**	**¥ 89,761**	**¥ 70,781**	**¥ 948,613**
Acquisitions	**—**	**3,234**	**208**	**6,213**	**4,490**	**14,145**
Acquisitions through business combinations	**7,052**	—	**2,558**	—	**3,762**	**6,320**
Sale or disposal	**(5,629)**	**(1,210)**	**—**	**(2,437)**	**(513)**	**(4,160)**
Transfers	**—**	**(12)**	**—**	**1,142**	**(981)**	**149**
Exchange differences on translation of foreign operations	**(6,836)**	**(2,626)**	**(5,636)**	**(2,679)**	**(6,285)**	**(17,226)**
Balance as of March 31, 2025	**¥ 834,834**	**¥ 340,232**	**¥ 444,355**	**¥ 92,000**	**¥ 71,254**	**¥ 947,841**

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, 2024	**¥ 7,348**	**¥205,621**	**¥152,492**	**¥72,456**	**¥37,016**	**¥467,585**
Amortization	**—**	**9,888**	**23,506**	**6,850**	**4,061**	**44,305**
Impairment losses	**4,496**	**7,965**	**3,897**	**42**	**34**	**11,938**
Sale or disposal	**(4,138)**	**(1,210)**	**—**	**(2,383)**	**(427)**	**(4,020)**
Exchange differences on translation of foreign operations	**(476)**	**(1,699)**	**(3,970)**	**(2,541)**	**(5,796)**	**(14,006)**
Balance as of March 31, 2025	**¥ 7,230**	**¥ 220,565**	**¥ 175,925**	**¥ 74,424**	**¥ 34,888**	**¥ 505,802**

Carrying amount

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2024	¥832,899	¥135,225	¥294,733	¥17,305	¥33,765	¥481,028
Balance as of March 31, 2025	**¥ 827,604**	**¥ 119,667**	**¥ 268,430**	**¥ 17,576**	**¥36,366**	**¥ 442,039**

There were no material internally generated assets in the fiscal years ended March 31, 2024 and 2025.

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 ¥6,571 million as of March 31, 2024 and ¥3,871million as of March 31, 2025. The remaining amortization periods were 1 to 4 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¥17,242 million as of March 31, 2024, and ¥15,138 million as of March 31, 2025. The remaining amortization periods were 3 to 8 years.

The carrying amounts of technology-related intangible assets of NeuroDerm Ltd. which

Mitsubishi Tanabe Pharma Corporation acquired in October 2017, were ¥61,927 million as of March 31, 2024 and ¥61,154 million as of March 31, 2025. 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 ¥199,260 million as of March 31, 2024 and ¥189,333 million as of March 31, 2025. The remaining amortization period was mainly 23 years.

The carrying amount of intangible assets related to technology obtained through the Mitsubishi Chemical America Inc. acquisition of Gelest in October 2020, were ¥30,977 million as of March 31, 2024 and ¥21,015 million as of March 31, 2025. The remaining amortization period was mainly 10 years. In the fiscal year ended March 31, 2025, impairment losses were recognized for some of the carrying amounts of these intangible assets as described in Note 16 Impairment Losses.

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 ¥10,641 million as of March 31, 2024 and ¥9,459 million as of March 31, 2025. The remaining amortization period was 8 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 and ¥15,218 million as of March 31, 2025. The remaining amortization period was 3 years.

3. Intangible Assets with Indefinite Useful Lives

The carrying amounts of intangible assets with indefinite useful lives were ¥68,793 million and ¥67,831 million, as of March 31, 2024 and 2025, respectively, mainly comprising in-process research and development costs recognized by Mitsubishi Tanabe Pharma Corporation in the Pharma 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 rates used are the pre-tax discount rate based on weighted average cost of capital. The rates were 8.8%-13.4% and 8.0%-14.0% for the fiscal years ended March 31, 2024 and 2025, respectively. The discount rates used in the annual impairment test for in-process R&D expenses related to NeuroDerm were 13.4% and 14.0% for the fiscal years ended March 31, 2024 and 2025, respectively. It was possible that the recoverable amount would equal the carrying amount if the discount rate rose 0.7% in the previous fiscal year. In the fiscal year ended March 31, 2025, even if the prime assumptions used to determine impairment testing fluctuate within a reasonably predictable range, management believes that there is a low probability of material impairment loss.

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, 2024	**March 31, 2025**
Specialty Materials	Carbon Fiber and Composite Materials	¥ 65,818	**¥ 59,572**
	High Performance Engineering Plastics	30,865	**30,787**
	Others	51,123	**50,637**
	Total	¥ 147,806	**¥ 140,996**
MMA & Derivatives	MMA	¥ 36,813	**¥ 36,813**
	Others	11,748	**11,722**
	Total	¥ 48,561	**¥ 48,535**
Basic Materials & Polymers	Others	¥ 3,359	**¥ 3,337**
Pharma	Ethical Pharmaceuticals	¥ 56,099	**¥ 55,927**
Industrial Gases	Industrial Gases	¥ 576,921	**¥ 578,680**
Others	Others	¥ 153	**¥ 129**
Total		¥ 832,899	**¥ 827,604**

Note:
Owing to the reclassification of businesses within the reporting segments from the beginning of the fiscal year ended March 31, 2025, the carrying amount of goodwill allocated to each cash-generating unit (group of cash-generating unit) for the fiscal years ended March 31, 2024, and 2025, were prepared in line with the new classification method.

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, 2024	**March 31, 2025**
Specialty Materials	Carbon Fiber and Composite Materials	6.9%	**7.2%**
	High Performance Engineering Plastics	6.9%	**7.2%**
MMA & Derivatives	MMA	6.1%	**5.9%**
Pharma	Ethical Pharmaceuticals	8.8%	**8.0%**
Industrial Gases	Industrial Gases	6.1%	**5.9%**

Even if fluctuations in principal assumptions used to determine impairment are reasonably predictable, management believes that there is a low probability of material impairment.

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, 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

Fiscal year ended March 31, 2025

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, 2024	¥1,347,016	¥3,780,763	¥450,562	¥299,723	¥286,118	¥6,164,182
Acquisitions (Note 1)	49,211	168,507	31,347	8,173	98,415	355,653
Acquisitions through business combinations	1,781	2,535	550	1,797	439	7,102
Business transfer	(2,579)	(10,011)	(313)	(12)	(12)	(12,927)
Sale or disposal	(73,422)	(343,891)	(19,390)	(14,948)	(17,213)	(468,864)
Transfers (Note 2)	(6,368)	55,206	1,561	(10,122)	(45,372)	(5,095)
Exchange differences on translation of foreign operations	854	(9,575)	(4,452)	(2,211)	(10,520)	(25,904)
Balance as of March 31, 2025	¥ 1,316,493	¥ 3,643,534	¥ 459,865	¥ 282,400	¥ 311,855	¥ 6,014,147

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, 2024	¥865,077	¥2,893,018	¥299,358	¥15,517	¥47,882	¥4,120,852
Depreciation	47,514	155,714	26,830	1,570	―	231,628
Impairment losses	10,259	20,651	881	1,295	45,056	78,142
Business transfer	(2,506)	(9,942)	(306)	—	—	(12,754)
Sale or disposal	(59,776)	(326,492)	(18,472)	(1,249)	(13,647)	(419,637)
Transfers (Note 2)	316	57,825	622	(580)	(24,635)	33,548
Exchange differences on translation of foreign operations	(3,080)	(8,553)	(2,316)	94	(8,225)	(22,079)
Balance as of March 31, 2025	¥ 857,804	¥ 2,782,221	¥ 306,597	¥ 16,647	¥ 46,431	¥ 4,009,700

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, 2024	¥ 481,939	¥ 887,745	¥ 151,204	¥ 284,206	¥ 238,236	¥ 2,043,330
Balance as of March 31, 2025	¥ 458,689	¥ 861,313	¥ 153,268	¥ 265,753	¥ 265,424	¥ 2,004,447

Right-of-use assets increased ¥21,406 million and ¥ 30,894million in the fiscal years ended March 31, 2024 and 2025, 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, 2024	As of March 31, 2025
Buildings and structures	¥ 82,603	¥ 70,971
Machinery and vehicles	24,991	34,262
Tools, furniture and fixtures	10,745	11,152
Land	7,738	6,310
Total	¥126,077	¥ 122,695

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, 2024, and 2025, 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, 2024	**Fiscal year ended March 31, 2025**
Property, plant and equipment		
Buildings and structures	¥ 5,937	**¥ 10,259**
Machinery and vehicles	20,238	**20,651**
Tools, furniture and fixtures	315	**881**
Land	351	**1,295**
Construction in progress	2,591	**45,056**
Total of property, plant and equipment	¥29,432	**¥78,142**
Goodwill	31	**4,496**
Intangible assets (Note)	4,067	**11,938**
Total impairment losses	¥33,530	**¥94,576**

Note:
The impairment losses on intangible assets with indefinite useful lives were ¥1,232 million and ¥520 million in the fiscal years ended March 31, 2024 and 2025, respectively.

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

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 (Currently Basic Materials & Polymers)	¥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 (Currently Basic Materials & Polymers)	¥ 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 (Currently MMA & Derivatives)	¥ 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.

Fiscal year ended March 31, 2025
Property, plant and equipment and intangible assets

Use	Location	Category	Reporting segment	Impairment loss
Hydrogen production facility	Some business bases of Matheson Tri-Gas, Inc.(Alabama, U.S.)	Construction in progress	Industrial Gases	¥25,843 million
Development, production, sales of Si chemicals, special acrylates, organometallic compounds, etc.	Gelest, Inc. (Pennsylvania , U.S.)	Technology-related intangible assets, etc.	Specialty Materials	¥12,853 million
MMA monomer production facilities using the New Ethylene Process (Alpha Process) technology	Mitsubishi Chemical America Inc. (Louisiana, U.S.)	Construction in progress	MMA & Derivatives	¥12,612 million
Coke production facilities	Mitsubishi Chemical CorporationKagawa Plant (Sakaide City, Kagawa Prefecture)	Machinery and equipment, etc.	Basic Materials & Polymers	¥7,046 million
Facilities related to parts cleaning services for semiconductor manufacturing equipment	Certain business bases of Cleanpart USA Inc. (California, Texas, and Massachusetts, U.S.)	Customer-related intangible assets, etc.	Specialty Materials	¥3,598 million
Carbon fiber production facilities	Mitsubishi Chemical Carbon Fiber and Composites, Inc. (U.S.) (California, U.S.)	Buildings, etc.	Specialty Materials	¥3,415 million
Facilities related to carbon fiber prepreg business	Mitsubishi Chemical Advanced Materials GmbH (Germany) (North Rhine-Westphalia, Germany)	Technology-related intangible assets, etc.	Specialty Materials	¥1,305 million

Goodwill

Main contents	Reporting segment	Impairment loss
Goodwill related to the carbon fiber prepreg business of Mitsubishi Chemical Advanced Materials GmbH (Germany)	Specialty Materials	¥4,138 million
Goodwill concerning certain business bases of Cleanpart USA Inc.	Specialty Materials	¥358 million

1. Hydrogen production facility of Matheson Tri-Gas, Inc.
   As a result of the decision to discontinue construction plans for the hydrogen production facility being constructed by Matheson Tri-Gas, Inc., the carrying amount of the facility was reduced to the recoverable amount, and an impairment loss of ¥25,843 million (including ¥25,843 million for construction in progress) was recorded.
   The recoverable amount is measured at fair value less costs of disposal. Since the assets are not expected to be sold, the fair value less costs of disposal is zero. The fair value hierarchy is Level 3.

2. Production facilities and intangible assets of Gelest, Inc.
   As it became clear that the launch of the new business of Gelest, Inc. would be delayed compared with the initial expectation, the MCG Group reviewed Gelest’s business plan in light of the current profit and loss situation. Consequently, since the investment became unrecoverable, the carrying amount of the production facilities and intangible assets was reduced to the recoverable amount of ¥40,901 million, and an impairment loss of ¥12,853 million (including ¥7,215 million for technology-related intangible assets, ¥2,615 million for construction in progress, and ¥3,023 million for others) was recorded.
   The recoverable amount is measured by value in use. The discount rates are used to calculate value in use as primary assumption. The discount rates reflect the risks specific to the cash-generating unit, and a pre-tax discount rate of 32.6% (32.6% in the fiscal year ended March 31, 2024) is used for businesses currently in the start-up phase and a pre-tax discount rate of 13.9% (14.3% in the fiscal year ended March 31, 2024) for all other businesses based on the weighted average cost of capital.

3. MMA production facilities of Mitsubishi Chemical America Inc.

The MCG Group had considered to construct a new MMA monomer plant that would utilize the Group's proprietary "New Ethylene Process (Alpha Process)" technology (hereinafter, "Investment Plan"). However, the decision was made to discontinue consideration of the Investment Plan due in part to the prospect of meeting immediate demand with existing MMA monomer manufacturing facilities in Tennessee and elsewhere in the U.S. and the failure in negotiations with customers to obtain long-term commitments on transactions after the execution of the Investment Plan based on increases in capital investment stemming from inflation and other factors.

Consequently, since the investment became unrecoverable, the carrying amount of the production facilities was reduced to the recoverable amount, and an impairment loss of ¥12,612 million (including ¥12,612 million for construction in progress) was recorded.

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

4. Coke production facilities at Mitsubishi Chemical Corporation’s Kagawa Plant

In light of the demand trends in the domestic steel industry, the MCG Group has been transforming its coal business into an international export expansion business model by downsizing the number of coke ovens and reinforcing the export shipment facility at MCC’s Kagawa Plant. However, the demand for steel materials is sluggish at the moment mainly in China, leading to a slump in the overseas coke market, and the coal business environment is in a difficult situation.

Under this environment, the MCG Group reviewed the coke production system and decided to reduce the number of coke ovens owned by Kagawa Plant from 250 to 150. The production through the targeted 100 ovens has been discontinued. Furthermore, it is planned to review the Group's domestic and overseas sales portfolios and implement additional streamlining measures to transform its coal business structure into one that is not affected by market fluctuations.

As a result of the decision, the carrying amount of the production equipment of 100 coke ovens whose production had been discontinued was reduced to the recoverable amount, and an impairment loss of ¥7,046 million (including ¥6,843 million for machinery and equipment and ¥203 million for others) was recorded.

The MCG Group bases the recoverable amount on value in use, and set it at zero.

5. Carbon fiber prepreg production facilities and intangible assets of Mitsubishi Chemical Advanced Materials GmbH (Germany) and goodwill related to the carbon fiber prepreg business

The profitability of the carbon fiber prepreg business deteriorated with changes in the business environment, and management concluded that the prospects for improvement are low and plans, subject to consultation, to undertake structural reforms. Consequently, the carrying amount of the assets related to the business whose investment is not expected to be recovered in the future was reduced to the recoverable amount, and an impairment loss of ¥5,443 million (including ¥4,138 million for goodwill, ¥430 million for technology-related intangible assets, and ¥875 million for others) was recorded.

The MCG Group bases the recoverable amount on value in use, and set it at zero.

6. Facilities related to parts cleaning services for semiconductor manufacturing equipment, intangible assets and goodwill concerning certain business bases of Cleanpart USA Inc.

The MCG Group has decided to close some of the business bases of Cleanpart USA Inc. in order to improve the profitability of parts cleaning services for semiconductor manufacturing equipment and to concentrate management resources on the remaining bases. Consequently, since the investment became unrecoverable, the carrying amount of the facilities at the business bases, related goodwill and intangible assets including customer-related intangible assets was reduced to the recoverable amount, and an impairment loss of ¥3,598 million (including ¥358 million for goodwill, ¥2,117 million for customer-related intangible assets, and ¥1,123 million for others) was recorded.

The MCG Group bases the recoverable amount on value in use, and set it at zero.

7. Carbon fiber production facilities of Mitsubishi Chemical Carbon Fiber and Composites, Inc. (U.S.)

The MCG Group decided to downsize production operations of Mitsubishi Chemical Carbon Fiber and Composites, Inc. in order to improve the profitability of carbon fiber business. The MCG Group accordingly reduced the book value of related fixed assets to the recoverable amount and recorded an impairment loss of ¥3,415 million (including ¥1,977 million for buildings and ¥1,438 million for machinery and equipment) was recorded.

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, 2024	**As of March 31, 2025**
Carrying amounts of investments in joint ventures	¥78,419	**¥77,026**

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, 2024	**Fiscal year ended March 31, 2025**
Share of profit using equity method	¥3,777	**¥4,454**
Share of other comprehensive income using equity method	1,982	**(1,851)**
Share of total shareholders' equity in total comprehensive income	¥5,759	**¥2,603**

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

Millions of yen

	As of March 31, 2024	**As of March 31, 2025**
Carrying amounts of investments in associates	¥85,827	**¥89,727**

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, 2024	**Fiscal year ended March 31, 2025**
Share of profit using equity method	¥4,313	**¥3,613**
Share of other comprehensive income using equity method	58	**4,203**
Share of total shareholders' equity in total comprehensive income	¥4,371	**¥7,816**

Note 18

Other Financial Assets

The breakdown of other financial assets is as follows:

Millions of yen

	As of March 31, 2024	**As of March 31, 2025**
Stocks and investments	¥169,076	**¥151,834**
Accounts receivable	56,033	**45,292**
Lease receivable	13,544	**17,523**
Time deposits	11,928	**11,778**
Derivatives	7,490	**5,699**
Other	47,879	**39,415**
Allowance for doubtful accounts	(1,914)	**(1,793)**
Total	¥304,036	**¥269,748**
Current assets	¥ 82,804	**¥ 66,103**
Non-current assets	221,232	**203,645**
Total	¥304,036	**¥269,748**

Stocks and investments are classified mainly as equity financial assets measured at fair value through other comprehensive income. Accounts receivable, lease 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, 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 of March 31, 2025

Company name	Millions of yen
PHC Holdings Corporation	**¥12,556**
Tosoh Corporation	**4,595**
IBIDEN CO., LTD.	**3,538**
KOATSU GAS KOGYO CO., LTD.	**3,043**
Mitsubishi Research Institute, Inc.	**2,930**
MITSUBISHI GAS CHEMICAL COMPANY, INC.	**1,962**
RIKEN KEIKI Co., Ltd.	**1,758**
KOIKE SANSO KOGYO CO., LTD.	**1,699**
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	**1,438**
STANLEY ELECTRIC CO., LTD.	**1,363**

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 ¥73,096 million as of March 31, 2024, and ¥73,057 million as of March 31, 2025. Investments in Health Care-related stocks were ¥10,396 million as of March 31, 2024, and ¥11,266 million as of March 31, 2025. Investments in Industrial Gases-related stocks amounted to ¥9,741 million as of March 31, 2024, and ¥9,879 million as of March 31, 2025.

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, 2024	**Fiscal year ended March 31, 2025**
Fair value	¥10,034	**¥ 11,554**
Cumulative gains or losses	2,653	**7,193**

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, 2024	**Fiscal year ended March 31, 2025**
Derecognized financial assets	¥ 46	**¥ 207**
Financial assets held at year-end	4,973	**3,397**

Note 19

Other Assets

The breakdown of other assets is as follows:

	Millions of yen	
	As of March 31, 2024	**As of March 31, 2025**
Net defined benefit assets	¥ 57,007	**¥ 56,364**
Prepaid expenses	40,354	**38,641**
Contract asset (Note)	32,886	**35,452**
Consumption taxes receivable	20,960	**18,460**
Advance payment	16,493	**18,367**
Accrued income tax	23,362	**17,246**
Other	13,406	**14,767**
Total	¥204,468	**¥199,297**
Current assets	131,721	**128,973**
Non-current assets	72,747	**70,324**
Total	¥ 204,468	**¥199,297**

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, 2024	**As of March 31, 2025**
Finished goods	¥450,229	**¥437,371**
Raw materials and supplies	254,199	**230,463**
Work in process	94,821	**91,589**
Total	¥799,249	**¥759,423**

Inventories measured at net realizable value as of March 31, 2024 and 2025 were ¥81,067 million and ¥69,883 million, respectively.

In the fiscal years ended March 31, 2024 and 2025, write-downs of inventories recognized as expenses were ¥8,878 million and ¥9,721 million, respectively.

Note 21

Trade Receivables

The breakdown of trade receivables is as follows:

	Millions of yen	
	As of March 31, 2024	**As of March 31, 2025**
Accounts receivable	¥867,117	**¥777,561**
Allowance for doubtful accounts	(14,764)	**(12,747)**
Total	¥852,353	**¥764,814**

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, 2024	**As of March 31, 2025**
Cash and deposits	¥269,494	**¥301,412**
Short-term investments	25,430	**24,732**
Total	¥294,924	**¥326,144**

Note 23

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

	Millions of yen	
	As of March 31, 2024	**As of March 31, 2025**
Assets held for sale:		
Cash and cash equivalents	¥ 3,050	**¥ 10**
Trade receivables	5,163	**152**
Inventories	7,421	**704**
Property, plant and equipment	3,870	**12,870**
Other financial assets	8,533	**2,325**
Others	2,548	**42**
Total	¥30,585	**¥16,103**
Liabilities related directly to assets held for sale:		
Other financial liabilities	1,130	**501**
Provisions	1,330	**—**
Others	1,421	**244**
Total	¥ 3,881	**¥745**

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 (now Basic Materials & Polymers)
As part of portfolio reforms, the MCG Group agreed in December 2023 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 sold 80% of its 100% holding in August 2024. The MCG Group has consequently lost control of that company, and the MCG Group’s shareholding ratio in that company has declined to 20%. The MCG Group is going to also unwind its remaining 20% holding.

(2) Related to Tianjin Tanabe Seiyaku Co., Ltd., a consolidated subsidiary in the Health Care segment (now Pharma)
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 transfer was completed in July 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.

The cross-shareholdings classified as held for sale as of March 31, 2024 have been sold mostly as of March 31, 2025.

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

Fiscal year ended March 31, 2025

(1) Assets held for sale and directly related liabilities as of March 31, 2025, primarily comprised the following.

・Part of the real estate leasing and management business of Dia Rix Corporation, a consolidated subsidiary in the Other segment, and the real estate held by the MCG Group in relation with the business

In December 2024, the MCG Group concluded an agreement to transfer part of the real estate leasing and management business of Dia Rix Corporation and the real estate held by the MCG Group in relation with the business. This is based on the judgement that it is appropriate to transfer part of the real estate leasing and management business and the real estate owned by the MCG Group in relation with the business to a company engaged in real estate development business throughout Japan from the perspective of optimization of real estate holdings in response to increasing maintenance and repair costs associated with real estate holdings. Accordingly, the related assets and liabilities have been classified 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 transfer was completed in April 2025.

As of March 31, 2025, other components of equity related to assets held for sale were ¥1,421 million.

Note 24

Capital

1. Common stock and Treasury Stock

Number of shares authorized and issued is as follows:

Thousands of shares

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
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:

Thousands of shares

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
At the beginning of the period	84,190	**83,705**
Increase (Note 1)	38	**30**
Decrease (Note 2)	(523)	**(633)**
At the end of the period (Note 3)	83,705	**83,102**

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, 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.

   A decrease in the number of shares of treasury stock in the fiscal year ended March 31, 2025, was due to grants of 319,000 shares from the Board Incentive Plan trust (including grants of restricted stock as share-based compensation), the disposition of158,000 treasury shares under performance-linked stock compensation, payments of 155,000 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, 2024: 1,989,000 shares and as of March 31, 2025: 1,670,000 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, 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).

Fiscal year ended March 31, 2025

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Entitlement date	Effective date
May 20, 2024	Board of Directors	Common stock	¥22,793	¥16	March 31, 2024	June 4, 2024
November 1, 2024	Board of Directors	Common stock	¥22,797	¥16	September 30, 2024	December 3, 2024

Note:
Total dividends from a resolution of the Board of Directors on May 20, 2024, and November 1, 2024, included ¥31 million and ¥26 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, 2025, with an effective date in the following fiscal year are as follows:

Fiscal year ended March 31, 2025

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, 2025	Board of Directors	Common stock	¥22,798	Retained earnings	¥16	March 31, 2025	June 4, 2025

Note:
Total dividends included ¥26 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, 2024	**Fiscal year ended March 31, 2025**
Net gain (loss) on revaluation of financial assets measured at fair value:		
Amounts arising during period	¥ 11,677	**¥ (9,753)**
Tax effects	(3,885)	**1,935**
Net amount	¥ 7,792	**¥ (7,818)**
Remeasurements of defined benefit plans:		
Amounts arising during period	¥ 10,758	**¥ 9,080**
Tax effects	(3,463)	**(2,989)**
Net amount	¥ 7,295	**¥ 6,091**
Exchange differences on translation of foreign operations:		
Amounts arising during period	¥168,807	**¥(13,613)**
Reclassification adjustments	(182)	**(8,227)**
Tax effects	(1,757)	**(5,842)**
Net amount	¥166,868	**¥(27,682)**
Net gain (loss) on derivatives designated as cash flow hedges:		
Amounts arising during period	¥ 2,920	**¥ 531**
Reclassification adjustments	(1,541)	**(1,927)**
Tax effects	(216)	**281**
Net amount	¥ 1,163	**¥ (1,115)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method:		
Amounts arising during period	¥ 7,990	**¥ 2,352**
Reclassification adjustments	(5,950)	**—**
Net amount	¥ 2,040	**¥ 2,352**
Total other comprehensive income	¥185,158	**¥(28,172)**

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

Thousands of shares

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Outstanding at the beginning of the period	442	**343**
Exercised	(99)	**(156)**
Outstanding at the end of the period	343	**187**
Exercisable at the end of the period	248	**142**

Note: No shares were granted or forfeited in the fiscal years ended March 31, 2024, or 2025.

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

The weighted average share prices for exercised stock options were ¥870.3 and ¥832.4 in the fiscal years ended March 31, 2024 and 2025, respectively.

The weighted average remaining contractual years of stock options outstanding at year-end were 4.6 years and 4.7 years as of March 31, 2024 and 2025, respectively.

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

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 ended 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.

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, 2024	**Fiscal year ended March 31, 2025**
Number of points granted during the period (thousands of shares)	406	**306**
Weighted average fair value of points (yen)	¥798.6	**¥907.4**

(3) Share-Based Compensation Expenses

Expenses related to this plan were ¥345 million and ¥275 million in the fiscal years ended March 31, 2024 and 2025, 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.

At the Company's Compensation Committee held on February 17, 2025, it was resolved to introduce this plan for representative directors and executive officers of certain subsidiaries effective from the fiscal year ending March 31, 2026.

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, 2024	**Fiscal year ended March 31, 2025**
Number of standard shares granted during period (thousands of shares) (Note)	269	**145**
Weighted average fair value per standard share (yen)	¥805.7	**¥892.2**

Note:
The standard number of shares for the fiscal years ended March 31, 2024 and 2025, included 198,000 shares and 97,000 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, 2024	**Fiscal year ended March 31, 2025**
Share price on grant date	¥795.1,etc.	**¥896.4,etc.**
Expected dividend rate	3.773%	**3.570%**
Initial share price	¥784.1	**¥896.1**
Volatility (Note)	26.004%	**24.151%**
Risk-free interest rate	0.012%	**0.318%**

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 ¥185 million and ¥62 million, respectively, in the fiscal years ended March 31, 2024 and 2025. 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.

In cases where the decisions are made with regard to the retirement benefit plans to switch from defined benefit plans to defined contribution pension plans or to revise the rules to extend the retirement age, the MCG Group recognizes the gain and loss on the retirement benefit plan revision and prior service cost resulting from such decisions in the fiscal years in which the decisions are made. The MCG Group also recognizes 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 occur.

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

	Millions of yen	
	As of March 31, 2024	**As of March 31, 2025**
Present value of the defined benefit obligation	¥387,763	**¥ 350,222**
Fair value of the plan assets	(341,215)	**(314,684)**
Effect of asset ceiling	1,273	**7,148**
Net defined benefit liabilities	¥ 47,821	**¥ 42,686**
Retirement benefit liabilities	¥104,828	**¥ 99,050**
Retirement benefit assets	(57,007)	**(56,364)**
Net defined benefit liabilities	¥ 47,821	**¥ 42,686**

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, 2024	**Fiscal year ended March 31, 2025**
Current service cost	¥12,444	**¥ 11,700**
Prior service cost	13	**511**
Interest expense	5,860	**6,373**
Interest income	(5,502)	**(5,576)**
Profit or loss on revision of retirement benefit plan	—	**(14)**
Total	¥12,815	**¥ 12,994**

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

	Millions of yen	
	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Outstanding at the beginning of the period	¥402,579	**¥ 387,763**
Current service cost	12,444	**11,700**
Interest expense	5,860	**6,373**
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	160	**461**
Actuarial gains and losses arising from changes in financial assumptions	(2,527)	**(15,151)**
Other	(2,166)	**(6,464)**
Benefits paid	(30,502)	**(32,072)**
Prior service cost	13	**511**
Retirement benefit plan liquidation and downsizing	(996)	**—**
Impact of retirement benefit plan revisions	(5,708)	**(14)**
Exchange differences on translation of foreign operations	8,606	**(2,885)**
Outstanding at the end of the period	¥387,763	**¥ 350,222**

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

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
		Millions of yen
Outstanding at the beginning of the period	¥345,584	**¥341,215**
Interest income	5,502	**5,587**
Remeasurements:		
Return on plan assets	6,225	**(6,210)**
Contributions by the employer	7,009	**4,196**
Benefits paid	(25,437)	**(27,122)**
Retirement benefit plan liquidation and downsizing	(996)	**—**
Impact of retirement benefit plan revisions	(5,708)	**—**
Exchange differences on translation of foreign operations	9,036	**(2,982)**
Outstanding at the end of the period	¥341,215	**¥ 314,684**

Changes in the effect of asset ceiling are as follows:

	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
		Millions of yen
Outstanding at the beginning of the period	¥ —	**¥1,273**
Restriction on interest income	—	**11**
Remeasurement		
Changes in the effect of asset ceiling (Note)	1,273	**5,864**
Outstanding at the end of the period	¥1,273	**¥7,148**

Note:
Asset ceiling is calculated based on the present value of economic benefits available in the form of a decrease in future contributions to plants, taking into account minimum fund requirements.

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

	As of March 31, 2024	**As of March 31, 2025**
Discount rate	1.67%	**2.32%**

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, 2024 and 2025 would be as follows. This sensitivity analysis assumes that all actuarial assumptions other than that subject to analysis are held constant.

	As of March 31, 2024	**As of March 31, 2025**
		Millions of yen
Increase by 0.5%	¥(16,402)	**¥(14,016)**
Decrease by 0.5%	17,766	**15,117**

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, 2024

			Millions of yen
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
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

As of March 31, 2025

			Millions of yen
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
Cash and cash equivalents	**¥ 9,724**	**¥ —**	**¥ 9,724**
Equity financial assets			
Domestic equities	**2,444**	**—**	**2,444**
Foreign equities	**1,061**	**—**	**1,061**
Other	**—**	**45,823**	**45,823**
Debt instruments			
Domestic bonds	**2,595**	**—**	**2,595**
Foreign bonds	**2,913**	**—**	**2,913**
Other	**—**	**88,393**	**88,393**
General accounts of life insurance companies	**—**	**124,374**	**124,374**
Other	**—**	**37,357**	**37,357**
Total	**¥ 18,737**	**¥ 295,947**	**¥ 314,684**

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, 2026 are ¥4,285 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, 2024 and 2025 were 10.2 years and 9.9 years, respectively.

2. Defined Contribution and Public Plans

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

	Millions of yen	
	Fiscal year ended March 31, 2024	**Fiscal year ended March 31, 2025**
Defined contribution plan cost	¥15,828	**¥ 16,687**
Public plan cost	23,895	**25,503**

Note 29

Provisions

The breakdowns and schedule of provisions are as follows:

Fiscal year ended March 31, 2024

Millions of yen

	Asset retirement obligations	Provision for litigation	Provision for loss on plant closure (Note)	Provision for sales rebates related to pharmaceuticals	Other	Total
As of April 1, 2023	¥19,473	¥9,374	¥29,371	¥ 9,305	¥19,227	¥86,750
Arising during the year	1,143	262	52	31,074	9,807	42,338
Interest cost associated with passage of time	816	9	786	—	—	1,611
Utilized	(1,351)	(771)	(6,190)	(25,981)	(13,707)	(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	1,266	857	7,099
Other	(161)	—	39	—	26	(96)
As of March 31, 2024	¥16,940	¥9,167	¥15,080	15,664	10,778	¥67,629
Current liabilities	¥ 881	¥ —	¥ 9,849	¥15,664	¥ 9,563	¥35,957
Non-current liabilities	16,059	9,167	5,231	—	1,215	31,672
Total	¥16,940	¥9,167	¥15,080	15,664	10,778	¥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 fiscal year ended March 31,2023 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.

Fiscal year ended March 31, 2025

Millions of yen

	Asset retirement obligations	Provision for litigation	Provision for loss on plant closure (Note)	Provision for sales rebates related to pharmaceuticals	Other	Total
As of April 1, 2024	**¥ 16,940**	**¥ 9,167**	**¥ 15,080**	**¥ 15,664**	**¥ 10,778**	**¥ 67,629**
Arising during the year	**1,226**	**4**	**1,687**	**39,470**	**25,873**	**68,260**
Interest cost associated with passage of time	**583**	**9**	**220**	**—**	**—**	**812**
Utilized	**(700)**	**(969)**	**(5,156)**	**(32,054)**	**(20,887)**	**(59,766)**
Unused amounts reversed	**(434)**	**(706)**	**(1,864)**	**(7,262)**	**(839)**	**(11,105)**
Exchange differences on translation of foreign operations	**(220)**	**(8)**	**(107)**	**(273)**	**(33)**	**(641)**
Other	**(1,986)**	**(1)**	**248**	—	**(63)**	**(1,802)**
As of March 31, 2025	**¥ 15,409**	**¥ 7,496**	**¥ 10,108**	**¥ 15,545**	**¥ 14,829**	**¥ 63,387**
Current liabilities	**¥ 534**	**¥ 820**	**¥ 9,731**	**¥ 15,545**	**¥11,597**	**¥38,227**
Non-current liabilities	**14,875**	**6,676**	**377**	—	**3,232**	**25,160**
Total	**¥ 15,409**	**¥ 7,496**	**¥ 10,108**	**¥ 15,545**	**¥ 14,829**	**¥ 63,387**

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.

Provision for Sales Rebates related to Pharmaceuticals
For the rebates linked with the U.S. health care system, the subsidiary of the Pharma segment records a provision. The Company recorded the estimated amount based on the terms of the contracts and past results.
These are expected to be paid generally within one year.

Note 30

Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

		Millions of yen
	As of March 31, 2024	**As of March 31, 2025**
Short-term borrowings	¥ 283,605	**¥ 255,741**
Current portion of long-term borrowings	187,182	**121,450**
Commercial paper	97,000	**—**
Current portion of bonds	35,000	**45,000**
Borrowings due to the transfer of trade receivables	2,508	**2,870**
Borrowings due to the transfer of trade receivables of subsidiaries	12	**3,006**
Bonds	587,163	**562,223**
Long-term borrowings	1,008,541	**1,050,697**
Total	¥2,201,011	**¥2,040,987**
Current liabilities	¥ 605,307	**¥ 428,067**
Non-current liabilities	1,595,704	**1,612,920**
Total	¥2,201,011	**¥2,040,987**

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, 2024 were 3.065% and 2.462%, respectively.

The average interest rates for short- and long-term borrowings as of March 31, 2025 were 2.751% and 2.199%, respectively.

Repayment terms for long-term borrowings are from 2025 to 2059.

Borrowings 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, 2024	**As of March 31, 2025**
1	15th unsecured bond	2014-2024	0.800%	¥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	0.420%	12,000	**12,000**
1	27th unsecured bond	2018-2038	1.000%	8,000	**8,000**
1	28th unsecured bond	2018-2048	1.388%	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%	29,858	**29,867**
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%	29,847	**29,855**
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	**20,000**
2	14th unsecured bond	2016-2026	0.390%	15,000	**15,000**
2	15th unsecured bond	2019-2024	0.130%	20,000	**—**
2	16th unsecured bond	2019-2026	0.190%	9,979	**9,987**
2	17th unsecured bond	2019-2029	0.300%	19,941	**19,952**
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	**29,938**
2	4th unsecured bond	2023-2028	0.599%	59,738	**59,805**
2	5th unsecured bond	2023-2033	1.052%	9,949	**9,954**
2	6th unsecured bond	2025-2030	1.355%	—	**19,901**
3	2nd series deferrable interest and callable unsecured subordinated bonds	2019-2059	1.870%	7,955	**7,964**
	Total			¥622,163	**¥607,223**

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. 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, 2024	**As of March 31, 2025**
Buildings and structures	¥ 6,823	**¥ 381**
Machinery and vehicles	11,684	**152**
Land	6,268	**636**
Other	1,409	**1,123**
Total	¥26,184	**¥2,292**

Collateralized obligations

Millions of yen

	As of March 31, 2024	**As of March 31, 2025**
Trade payables	¥ 54	**¥ 35**
Current portion of long-term borrowings	1,234	**—**
Long-term borrowings	4,458	**296**
Total	¥5,746	**¥331**

Note 31

Changes in Liabilities Relating to Financing Activities

Changes in liabilities relating to financing activities are as follows:

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.

Fiscal year ended March 31, 2025

Millions of yen

	Short-term borrowings	Commercial paper	Long-term borrowings (Note)	Bonds (Note)	Lease liabilities (Note)
As of April 1, 2024	**¥ 286,125**	**¥ 97,000**	**¥ 1,195,723**	**¥ 622,163**	**¥ 137,179**
Cash flows	**(23,425)**	**(97,000)**	**(13,123)**	**(15,101)**	**(34,203)**
Changes from acquisition or loss of control over subsidiaries or other businesses	**651**	**—**	**(8,063)**	**—**	**(291)**
Changes owing to new leases and contract changes, etc.	**—**	**—**	**—**	**—**	**36,222**
Impact of foreign exchange rate fluctuations, etc.	**(1,734)**	**—**	**(2,390)**	**161**	**(1,417)**
As of March 31, 2025	**¥ 261,617**	**¥ —**	**¥ 1,172,147**	**¥607,223**	**¥ 137,490**

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, 2024	**As of March 31, 2025**
Accounts payable-other	¥146,141	**¥139,906**
Lease liabilities	137,179	**137,490**
Accrued expenses	142,891	**130,787**
Deposits	21,041	**35,497**
Other	41,801	**43,156**
Total	¥489,053	**¥486,836**
Current liabilities	¥367,925	**¥351,480**
Non-current liabilities	121,128	**135,356**
Total	¥489,053	**¥486,836**

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, 2024	**Fiscal year ended March 31, 2025**
Depreciation of right-of-use assets		
Underlying assets of land, buildings and structures	¥19,310	**¥ 18,364**
Underlying assets of machinery and vehicles	6,978	**9,117**
Underlying assets of tools, furniture and fixtures	2,624	**2,810**
Total	¥28,912	**¥ 30,291**
Expenses related to short-term leases	¥ 650	**¥ 1,099**
Expenses related to leases of low-value assets	10,168	**9,529**
Variable lease payments	146	**132**
Total cash outflows for leases	¥47,455	**¥ 44,963**

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, 2024	**As of March 31, 2025**
Employees' bonuses	¥ 64,443	**¥ 72,374**
Contract liability	37,247	**46,877**
Employees' paid leave related obligations	40,802	**40,236**
Accrued consumption taxes	17,625	**13,697**
Refund liabilities	11,502	**9,026**
Long-term employee benefit obligations	5,367	**5,645**
Advances received (Note)	1,291	**3,895**
Social insurance premiums received	3,935	**2,668**
Other	49,355	**60,432**
Total	¥231,567	**¥254,850**
Current liabilities	¥187,420	**¥217,563**
Non-current liabilities	44,147	**37,287**
Total	¥231,567	**¥254,850**

Note:
Advances related to items other than sales revenue.

Note 35

Trade Payables

Trade payables are as follows:

	Millions of yen	
	As of March 31, 2024	**As of March 31, 2025**
Accounts payable	¥501,532	**¥424,635**

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

Note 36

Financial Instruments

1. Capital Management

Based on management policy "KAITEKI Vision 35," the MCG Group will achieve portfolio transformation and profit improvement with the aim of becoming Green Specialty Company that continues to provide optimal solutions to social problems and deliver impressive results to customers with the power of materials. The indices related to capital management among financial targets are as follows.

	As of or fiscal year ended March 31, 2024	**As of or fiscal year ended March 31, 2025**
Return on Equity (ROE) (Note 1)	7.2%	**2.6%**
Net D/E ratio (Note 2)	1.16	**1.06**

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)
   *1 Net 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, 2024	**Fiscal year ended March 31, 2025**
Outstanding at the beginning of the period	¥12,392	**¥ 16,678**
Addition	5,515	**3,270**
Decrease (intended use)	(1,594)	**(3,988)**
Decrease (reversal)	(2,196)	**(1,330)**
Other	2,561	**(90)**
Outstanding at the end of the period	¥16,678	**¥ 14,540**

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

(i) Liquidity risk management

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.

(ii) Outstanding financial liabilities (including derivative financial instruments) by fiscal year

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

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	—

As of March 31, 2025

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	**¥ 424,635**	**¥ 424,635**	**¥424,635**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Short-term borrowings	**261,617**	**261,617**	**261,617**	**—**	**—**	**—**	**—**	**—**
Bonds	**607,223**	**608,000**	**45,000**	**120,000**	**25,000**	**92,000**	**70,000**	**256,000**
Long-term borrowings	**1,172,147**	**1,174,094**	**121,450**	**104,971**	**216,391**	**133,447**	**233,782**	**364,053**
Lease obligations	**137,490**	**147,641**	**33,194**	**26,506**	**21,697**	**18,476**	**14,803**	**32,965**
Accounts payable-other	**139,906**	**139,906**	**135,618**	**605**	**3,635**	**—**	**—**	**48**
Accrued expenses	**130,787**	**130,787**	**115,544**	**15,243**	**—**	**—**	**—**	**—**
Others	**77,925**	**78,072**	**69,490**	**10**	**4**	**3**	**3**	**8,562**
Derivative liabilities:								
Foreign exchange forward contracts	**¥ 188**	**¥ 188**	**¥ 188**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Currency swaps	**399**	**399**	**—**	**—**	**—**	**—**	**399**	**—**
Interest rate and currency swaps	**141**	**141**	**—**	**—**	**—**	**80**	**61**	**—**

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, 2024	**As of March 31, 2025**
Total commitment line	¥136,999	**¥ 76,569**
Borrowing balance	6,056	**1,495**
Unused balance	¥130,943	**¥ 75,074**

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.

(iii) Supplier finance arrangements
Certain subsidiaries in the Industrial Gases segment of the MCG Group have concluded supplier finance arrangements with third party financial institutions and make payments to third party financial institutions based on the arrangements concluded with their respective suppliers. Suppliers are entitled to receive early payments with discounts from third party financial institutions at their discretion.
There are no significant supplier finance arrangements in the MCG Group other than those mentioned above.

The MCG Group does not provide collateral assets or third-party guarantees for supplier finance arrangements.
The carrying amounts of financial liabilities related to these arrangements are as follows:

	As of April 1, 2024	**As of March 31, 2025**
Carrying amounts of financial liabilities that are part of supplier finance arrangements Trade payables	23,034	**16,792**
Amounts of the above for which suppliers have already received payments	(Note)	**9,689**

Periods of payment due dates pertaining to supplier finance arrangements are as follows:

	As of April 1, 2024	**As of March 31, 2025**
Liabilities under supplier finance arrangements	(Note)	**0 to 180 days after invoice issue date**
Comparable trade payables that are not part of supplier finance arrangements	(Note)	**0 to 120 days after invoice issue date**

Note:
The MCG Group applied transitional measures based on "Supplier Finance Arrangements" (amendments to IAS 7 and IFRS 7) and does not disclose information as of the beginning of the first fiscal year of application.

The supplier finance arrangements do not lead to a more concentrated or significantly extended payment date than the normal payment terms agreed with other suppliers who do not participate in the supplier finance arrangements, and the supplier finance arrangements do not pose a material liquidity risk. There were no material non-cash changes in the carrying amounts of financial liabilities covered by the supplier finance arrangements during the fiscal year ended March 31, 2025.

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, etc.

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, 2024	**Fiscal year ended March 31, 2025**
U.S. dollar (1% appreciation of yen)	¥(496)	**¥ (1,242)**
Euro (1% appreciation of yen)	(64)	**(92)**

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, 2024	**Fiscal year ended March 31, 2025**
Income before taxes	¥ (2,739)	**¥ (2,725)**

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 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.

Other than the above, there were no material 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, 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

As of March 31, 2025

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Stocks and investments	**¥47,978**	**¥ 370**	**¥103,486**	**¥151,834**
Stocks and investments held for sale	**2,270**	**—**	**—**	**2,270**
Financial assets related to contingent consideration agreements	**—**	**—**	**390**	**390**
Derivatives	**—**	**5,699**	**—**	**5,699**
Total	**¥50,248**	**¥6,069**	**¥103,876**	**¥160,193**
Liabilities				
Derivatives	**¥ —**	**¥ 728**	**¥ —**	**¥ 728**
Total	**¥ —**	**¥ 728**	**¥ —**	**¥ 728**

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, 2024	**Fiscal year ended March 31, 2025**
Balance at beginning of period	¥ 99,313	**¥ 109,149**
Profit or loss (Note 1)	3,192	**(6,529)**
Other comprehensive income (Note2)	2,963	**(567)**
Purchase and share exchange acceptance	3,423	**1,923**
Sales or redemptions	(433)	**(1,738)**
Transfer from Level 3 (Note 3)	(1,385)	**—**
Others	2,076	**1,638**
Balance at end of period	¥ 109,149	**¥ 103,876**

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, 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

As of March 31, 2025

Millions of yen

	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Liabilities:					
Long-term borrowings	**¥1,172,147**	**¥ —**	**¥1,158,961**	**¥ —**	**¥1,158,961**
Bonds	**607,223**	**—**	**561,435**	**—**	**561,435**
Total	**¥1,779,370**	**¥ —**	**¥1,720,396**	**¥ —**	**¥1,720,396**

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, 2024, and 2025, were ¥1,729 million and ¥1,286 million, respectively. The carrying amounts of borrowings for the same periods were ¥2,508 million and ¥2,870 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, 2024 and 2025, expenses arising from transfers of trade receivables that were derecognized in their entirety were ¥364 million and ¥643 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, 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

As of March 31, 2025

	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	**¥ 3,685**	**¥ 3,685**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Interest rate risk:							
Interest rate swaps	**43,809**	**777**	**777**	**777**	**614**	**614**	**40,250**
Interest rate and currency swaps	**12,384**	**—**	**—**	**449**	**11,935**	**—**	**—**
Others	**5,597**	**5,597**	**—**	**—**	**—**	**—**	**—**
Hedge of net investments in foreign operations							
Foreign exchange risk:							
Foreign currency-denominated borrowings	**101,300**	**—**	**—**	**—**	**—**	**—**	**101,300**
Currency swaps	**20,795**	**—**	**—**	**—**	**—**	**20,795**	**—**
Interest rate and currency swaps	**6,759**	**—**	**—**	**—**	**—**	**6,759**	**—**

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, 2024	**As of March 31, 2025**
Cash flow hedges		
Foreign exchange risk:		
Foreign exchange forward contracts		
U.S. dollars	¥144.54-151.07	**¥118.72-155.90**
Euros	¥140.82-162.48	**¥154.69-167.10**
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, 2024

Millions of yen

	Contract amount	Carrying amount: Assets	Carrying amount: Liabilities	Items in Consolidated Statement of Financial Position	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness
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)

As of March 31, 2025

Millions of yen

	Contract amount	Carrying amount: Assets	Carrying amount: Liabilities	Items in Consolidated Statement of Financial Position	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	**¥3,685**	**¥ 7**	**¥ 185**	Other financial assets Other financial liabilities	**¥ 318**
Interest rate risk:					
Interest rate swaps	**43,809**	**5,423**	**—**	Other financial assets	**(1,392)**
Interest rate and currency swaps	**12,384**	**—**	**80**	Other financial liabilities	**(30)**
Others	**5,597**	**217**	**—**	Other financial assets	**(258)**
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	**101,300**	**—**	**101,300**	Bonds and borrowings	**725**
Currency swaps	**20,795**	**154**	**—**	Other financial assets	**154**
Interest rate and currency swaps	**6,759**	**50**	**—**	Other financial assets	**50**

Amounts for items designated as hedges are as follows:

Millions of yen

	As of March 31, 2024			**As of March 31, 2025**		
	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	¥ 382	¥ (319)	¥ —	**¥ (320)**	**¥ (64)**	**—**
Foreign currency-denominated debt and interest	(12)	4	—	**2**	**(1)**	**—**
Interest rate risk:						
Interest on borrowings	(1,239)	5,283	—	**1,422**	**4,188**	**—**
Others	(745)	178	—	**258**	**87**	**—**
Hedge of net investments in foreign operations						
Foreign exchange risk:						
Exchange rate fluctuations in net investments	10,950	—	(13,340)	**(929)**	**—**	**(12,769)**

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

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)	—	—	—	—

Fiscal year ended March 31, 2025

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	**223**	**—**	**—**	**831**	Financial income
Interest rate risk:					
Interest rate swaps	**(1,030)**	**—**	**—**	**(1,714)**	Financial expenses
Interest rate and currency swaps	**(128)**	**—**	**—**	**—**	**—**
Others	**(179)**	**—**	**—**	**(626)**	Financial expenses
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	**725**	**—**	**—**	**—**	**—**
Currency swaps	**154**	**—**	**—**	**—**	**—**
Interest rate and currency swaps	**50**	**—**	**—**	**—**	**—**

(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, 2024			**As of March 31, 2025**		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	¥17,307	¥ —	¥ (80)	**¥ 11,792**	**¥ —**	**¥ 46**
Currency swaps	123	123	35	**236**	**—**	**(0)**
Interest rate swaps	580	580	20	**191**	**—**	**3**
Total	¥18,010	¥703	¥ (25)	**¥ 12,219**	**¥ —**	**¥ 49**

Note 37

Subsidiaries

Subsidiaries with significant non-controlling interests in fiscal years ended March 31, 2024 and 2025 were as follows:

		Percentage of non-controlling interest	
Name of subsidiary	Location	As of March 31, 2024	**As of March 31, 2025**
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, 2024	**Fiscal year ended March 31, 2025**
Net income attributable to non-controlling interests	¥54,634	**¥50,898**
Dividends paid to non-controlling interests	9,225	**11,340**

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

Millions of yen

	As of March 31, 2024	**As of March 31, 2025**
Cumulative non-controlling interests amounts	¥457,988	**¥499,030**

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, 2024	**As of March 31, 2025**
Current assets	¥ 568,201	**¥ 565,776**
Non-current assets	1,890,155	**1,900,181**
Total	¥2,458,356	**¥2,465,957**
Current liabilities	498,019	**395,285**
Non-current liabilities	979,670	**1,015,536**
Total	¥1,477,689	**¥1,410,821**
Equity	980,667	**1,055,136**
Total	¥2,458,356	**¥2,465,957**

Summary Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Millions of yen

	As of March 31, 2024	**As of March 31, 2025**
Sales revenue	¥1,255,081	**¥1,308,024**
Net income	107,625	**99,317**
Total comprehensive income	213,164	**88,180**

Summary Consolidated Statements of Cash Flows

Millions of yen

	As of March 31, 2024	**As of March 31, 2025**
Cash flows from operating activities	¥215,980	**¥235,147**
Cash flows from investing activities	(124,654)	**(142,926)**
Cash flows from financing activities	(110,072)	**(73,287)**
Effect of exchange rate changes on cash and cash equivalents	12,445	**(626)**
Net increase (decrease) in cash and cash equivalents	¥ (6,301)	**¥ 18,308**

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, 2024		**Fiscal year ended March 31, 2025**	
	Joint venture	Associates	Joint venture	Associates
Sales of goods and services	¥37,489	¥27,276	**¥35,908**	**¥36,287**
Purchases of goods and services	31,558	42,290	**29,372**	**46,831**

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

Millions of yen

	As of March 31, 2024		**As of March 31, 2025**	
	Joint venture	Associates	Joint venture	Associates
Receivables				
Accounts receivable	¥4,894	¥10,617	**¥4,407**	**¥10,606**
Others	519	1,882	**484**	**1,491**
Total	¥5,413	¥12,499	**¥4,891**	**¥12,097**
Obligations				
Accounts payable	¥7,608	¥ 6,217	**¥4,214**	**¥ 5,435**
Others	19	83	**117**	**110**
Total	¥7,627	¥ 6,300	**¥4,331**	**¥ 5,545**

2. Remuneration for key Group executives

Remuneration for key Group executives is as follows:

Millions of yen

	Fiscal year ended March 31, 2024	**Fiscal Year ended March 31, 2025**
Remuneration and bonuses	¥1,832	**¥1,334**
Share-based compensation	515	**258**
Total	¥2,347	**¥1,592**

Note 39

Commitments

1. Commitments related to acquisitions of assets

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

	Millions of yen	
	As of March 31, 2024	**As of March 31, 2025**
Acquisitions of property, plant and equipment and intangible assets	¥131,730	**¥117,984**

2. Other

Other than the above, significant commitments as of March 31, 2025 are as follows.

(Acquisition (conversion into a subsidiary) of the industrial gas business by Australian subsidiary)

The MCG Group reached an agreement with Wesfarmers Limited (hereinafter "Wesfarmers") in Australia to acquire Coregas Pty Ltd, Blacksmith Jacks Pty Ltd, and Coregas NZ Limited (hereinafter collectively "Coregas Group"), which is currently owned by Wesfarmers and handles industrial gas businesses in Australia and New Zealand, through the MCG Group's subsidiary in Australia NSC (Australia) Pty Ltd. An agreement on the acquisition of all shares of Coregas Group was signed in December 2024.

(1) Date of stock acquisition

The acquisition of shares is scheduled to be completed upon obtaining approval from the Foreign Investment Review Board (FIRB) and the Australian Competition and Consumer Commission (ACCC).

(2) Planned percentage of voting equity interests to be acquired

100%

(3) Acquisition consideration

The MCG Group plans to pay 770 million Australian dollar (72.4billion yen) as acquisition consideration.

Note: The conversion to yen was based on the March 31,2025 rate of 1 Australian dollar = ¥93.97 yen.

(Acquisition (conversion into a subsidiary) of the homecare and respiratory business by European subsidiary)

The MCG Group reached an agreement with Corporación Químico-Farmacéutica Esteve (hereinafter "CQFE") in Spain and Teijin Holdings Europe BV (hereinafter "Teijin") regarding the acquisition of Esteve Teijin Healthcare, S.L. (hereinafter "ETH"), a joint venture by CQFE and Teijin which operates respiratory home therapy services in Spain, through the MCG Group's subsidiary in Europe Oximesa S.L.U. An agreement on the acquisition of all shares of ETH was signed in December 2024.

(1) Date of stock acquisition

The acquisition of shares is scheduled to be completed upon obtaining approval from Spain's National Commission on Markets and Competition (Comisión Nacional de los Mercados y de la Competencia).

(2) Planned percentage of voting equity interests to be acquired

100%

(3) Acquisition consideration

The MCG Group plans to pay 124 million euro (20.1billion yen) as acquisition consideration

Note: The conversion to yen was based on the March 31,2025 rate of 1 euro = ¥162.8 yen.

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, 2024	**As of March 31, 2025**
Joint ventures	¥4,839	**¥4,500**
Associates	776	**583**
General business partners	29	**39**
Others	742	**649**
Total	¥6,386	**¥5,771**

Note 41

Subsequent Events

(Acquisition and cancellation of treasury shares)

On May 13, 2025, the Company's Board of Directors passed a resolution on matters pertaining to the acquisition of treasury shares pursuant to Article 459, Paragraph 1 of the Companies Act and Article 40 of the Company's Articles of Incorporation, and that its Corporate Executive Officers Committee resolved at a separate meeting held on the same day to cancel the Company’s treasury shares pursuant to Article 178 of the Companies Act.

1. Reason for acquisition and cancellation of treasury shares
In the timely disclosure "Notice Concerning the Transfer of Mitsubishi Tanabe Pharma Corporation and its Subsidiaries" dated February 7, 2025, the Company announced that control of Mitsubishi Tanabe Pharma Corporation (Head Office: Chuo-ku, Osaka; Representative Directors: Akihiro Tsujimura and Hiroaki Ueno), a consolidated subsidiary of the Company, would be transferred to K.K. BCJ-94, a special purpose company indirectly owned by an investment fund advised by Bain Capital Private Equity, LP (together with its corporate group, "Bain Capital") (hereinafter referred to as the "Transfer"). Upon making the Transfer, the Company shall receive from Bain Capital a cash consideration equivalent to approximately ¥510 billion.
Having passed a resolution on matters pertaining to the acquisition of treasury shares in order to utilize the funds obtained from the Transfer to strengthen shareholder returns and improve capital efficiency, the Company shall cancel all such treasury shares acquired to improve shareholder value over the medium to long term.

2. Acquisition of treasury shares
(1) The class and number of shares to be acquired
MCG common shares-Up to 100,000,000 shares
(2) Total acquisition price for shares
Up to ¥50 billion
(3) Acquisition period
May 14, 2025 – May 13, 2026
(4) Method of acquisition
On-market share purchase transaction on the Tokyo Stock Exchange on a discretionary trading contract.

3. Cancellation of treasury shares
(1) The class and number of shares to be canceled
MCG common shares
All treasury shares acquired in accordance with "2. Acquisition of treasury shares" described above
(2) Planned date of cancellation
June 30, 2026

English Translation

Independent Auditor’s Report

June 23, 2025

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

Shinya Yamaga
Designated Engagement Partner
Certified Public Accountant

Takao Yamamoto
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, 2025, 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, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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.

<table>
<tr><th colspan="2">Valuation of goodwill with impairment test</th></tr>
<tr><th>Description of key audit matter</th><th>Auditor's response</th></tr>
<tr><td>As of March 31, 2025, goodwill is valued at ¥827,604 million (14.0% 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 ¥578,680 million, Carbon fiber and composite materials in the amount of ¥59,572 million, Ethical pharmaceuticals business in the amount of ¥55,927 million, and others in the amount of ¥133,425 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.</td><td>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.</td></tr>
</table>

<table>
<tr>
<td>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.</td>
<td>■ 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 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.</td>
</tr>
<tr>
<td colspan="2">Valuation of intangible assets with indefinite useful lives related to pharmaceutical products
(In-process research and development expenses in the acquisition of NeuroDerm Ltd.)</td>
</tr>
<tr>
<td>Description of key audit matter</td>
<td>Auditor’s response</td>
</tr>
<tr>
<td>As of March 31, 2025, intangible assets with indefinite useful lives are valued at ¥67,831 million (1.2% 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, ¥61,154 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</td>
<td>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,</td>
</tr>
</table>

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 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.	we understood the calculation logic and assumptions regarding projected sales prices and volumes, and market share of the products considering approval status of a competitor to evaluate the projected revenues after launch of products. We examined changes from the projections in the previous year in the light of 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 assessed that it was based on the market research conducted by an external organization and the launch timing of the competitor. We also discussed with management and reviewed management presentation materials to the Executive Management Committee. ■ 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 IFRS Accounting Standards, 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 IFRS Accounting Standards, 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 IFRS Accounting Standards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review 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, 2025 are presented in paragraph (3) titled "Information about Audits" in Section 4 "Corporate Governance" included in Item 4 "Information about Reporting Company" in Part 1 of the annual securities report for the year ended March 31, 2025 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.

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