

# Consolidated Financial Statements

Years ended March 31, 2026 and 2025

Mitsubishi Chemical Group Corporation

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 22, 2026 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, 2025 and 2026

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
<b>Continuing operations</b>		
Sales revenue (Notes 4 and 8)	3,947,566	<b>3,703,988</b>
Cost of sales	(2,908,249)	<b>(2,632,886)</b>
Gross profit	1,039,317	<b>1,071,102</b>
Selling, general and administrative expenses	(796,039)	<b>(813,877)</b>
Other operating income (Note 11)	37,161	<b>31,651</b>
Other operating expenses (Note 11)	(146,725)	<b>(256,543)</b>
Share of profit (loss) of associates and joint ventures (Notes 4 and 18)	7,836	<b>(2,255)</b>
Operating income (Note 4)	141,550	<b>30,078</b>
Financial income (Note 12)	8,134	<b>9,220</b>
Financial expenses (Note 12)	(50,436)	<b>(38,587)</b>
Income before taxes	99,248	<b>711</b>
Income taxes (Note 13)	(41,179)	<b>(17,066)</b>
Net income (loss) from continuing operations	58,069	<b>(16,355)</b>
<b>Discontinued operations</b>		
Net income from discontinued operations (Note 7)	47,567	<b>94,780</b>
Net income	105,636	<b>78,425</b>
<b>Net income attributable to</b>		
Owners of the parent	45,020	<b>11,829</b>
Non-controlling interests	60,616	<b>66,596</b>
Net income	105,636	<b>78,425</b>
<b>Earnings per share (Yen)</b>		
Basic earnings (loss) per share attributable to owners of the parent		
Continuing operations	(1.30)	<b>(60.41)</b>
Discontinued operations	32.94	<b>69.04</b>
Total (Note 14)	31.64	<b>8.63</b>
Diluted earnings (loss) per share attributable to owners of the parent		
Continuing operations	(1.30)	<b>(60.41)</b>
Discontinued operations	32.94	<b>69.04</b>
Total (Note 14)	31.64	<b>8.63</b>

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, 2025 and 2026

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net income	105,636	<b>78,425</b>
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 27)	(7,818)	<b>(404)</b>
Remeasurements of defined benefit plans (Note 27)	6,091	<b>6,435</b>
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method (Note 27)	95	<b>136</b>
Total items that will not be reclassified to profit or loss	(1,632)	<b>6,167</b>
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations (Note 27)	(27,682)	<b>164,263</b>
Net gain (loss) on derivatives designated as cash flow hedges (Note 27)	(1,115)	<b>1,891</b>
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method (Note 27)	2,257	<b>1,159</b>
Total items that may be subsequently reclassified to profit or loss	(26,540)	<b>167,313</b>
Total other comprehensive income (net of tax)	(28,172)	<b>173,480</b>
Total comprehensive income	77,464	<b>251,905</b>
Total comprehensive income attributable to		
Owners of the parent	21,774	<b>116,616</b>
Non-controlling interests	55,690	<b>135,289</b>

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, 2025	March 31, 2026
<b>Assets</b>	<b>Current assets:</b>		
	Cash and cash equivalents (Note 23)	326,144	<b>527,104</b>
	Trade receivables (Note 22)	764,814	<b>671,912</b>
	Inventories (Note 21)	759,423	<b>669,126</b>
	Other financial assets (Note 19)	66,103	<b>94,504</b>
	Other current assets (Note 20)	128,973	<b>95,050</b>
	Subtotal	2,045,457	<b>2,057,696</b>
	Assets held for sale (Note 24)	16,103	<b>37,551</b>
	Total current assets	2,061,560	<b>2,095,247</b>
	<b>Non-current assets:</b>		
	Property, plant and equipment (Note 16)	2,004,447	<b>2,096,630</b>
	Goodwill (Note 15)	827,604	<b>891,032</b>
	Intangible assets (Note 15)	442,039	<b>377,656</b>
	Investments accounted for using the equity method (Note 18)	166,753	<b>150,396</b>
	Other financial assets (Note 19)	203,645	<b>152,769</b>
	Other non-current assets (Note 20)	70,324	<b>24,586</b>
	Deferred tax assets (Note 13)	118,247	<b>88,293</b>
	Total non-current assets	3,833,059	<b>3,781,362</b>
	Total assets (Note 4)	5,894,619	<b>5,876,609</b>

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

		Millions of yen	
		March 31, 2025	March 31, 2026
<b>Liabilities and Equity</b>			
<b>Liabilities</b>	<b>Current liabilities:</b>		
	Trade payables (Note 36)	424,635	<b>383,664</b>
	Bonds and borrowings (Note 31)	428,067	<b>387,064</b>
	Income tax payable	39,441	<b>27,958</b>
	Other financial liabilities (Note 33)	351,480	<b>344,290</b>
	Provisions (Note 30)	38,227	<b>25,841</b>
	Other current liabilities (Note 35)	217,563	<b>221,856</b>
	Subtotal	1,499,413	<b>1,390,673</b>
	Liabilities directly associated with assets held for sale (Note 24)	745	<b>10,228</b>
	Total current liabilities	1,500,158	<b>1,400,901</b>
	<b>Non-current liabilities:</b>		
	Bonds and borrowings (Note 31)	1,612,920	<b>1,503,457</b>
	Other financial liabilities (Note 33)	135,356	<b>134,467</b>
	Retirement benefit liabilities (Note 29)	99,050	<b>95,383</b>
	Provisions (Note 30)	25,160	<b>90,535</b>
	Other non-current liabilities (Note 35)	37,287	<b>36,175</b>
	Deferred tax liabilities (Note 13)	200,119	<b>201,011</b>
	Total non-current liabilities	2,109,892	<b>2,061,028</b>
	Total liabilities	3,610,050	<b>3,461,929</b>
<b>Equity</b>	Common stock (Note 25)	50,000	<b>50,000</b>
	Additional paid-in capital (Note 25)	160,114	<b>116,789</b>
	Treasury stock (Note 25)	(61,458)	<b>(67,538)</b>
	Retained earnings (Note 25)	1,363,689	<b>1,339,150</b>
	Other components of equity (Note 25)	228,225	<b>323,274</b>
	Equity attributable to owners of the parent	1,740,570	<b>1,761,675</b>
	Non-controlling interests	543,999	<b>653,005</b>
	Total equity	2,284,569	<b>2,414,680</b>
	Total liabilities and equity	5,894,619	<b>5,876,609</b>

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, 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 27)	—	—	—	—
Total comprehensive income	—	—	—	45,020
Purchase of treasury stock (Note 25)	—	—	(26)	—
Disposal of treasury stock (Note 25)	—	(144)	425	—
Cash dividends (Note 26)	—	—	—	(45,533)
Share-based payment transactions (Note 28)	—	(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 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 27)	(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 25)	—	—	—	—	—	(26)	—	(26)
Disposal of treasury stock (Note 25)	—	—	—	—	—	281	—	281
Cash dividends (Note 26)	—	—	—	—	—	(45,533)	(18,866)	(64,399)
Share-based payment transactions (Note 28)	—	—	—	—	—	(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.

Fiscal year ended March 31, 2026

	Millions of yen			
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2025	50,000	160,114	(61,458)	1,363,689
Net income	—	—	—	11,829
Other comprehensive income (Note 27)	—	—	—	—
Total comprehensive income	—	—	—	11,829
Purchase of treasury stock (Note 25)	—	—	(50,025)	—
Disposal of treasury stock (Note 25)	—	(52)	173	—
Cancellation of treasury stock (Note 25)	—	(43,772)	43,772	—
Cash dividends (Note 26)	—	—	—	(44,508)
Share-based payment transactions (Note 28)	—	60	—	—
Changes in interests in subsidiaries	—	439	—	—
Business combinations or business divestitures	—	—	—	—
Changes in scope of consolidation	—	—	—	20
Transfer from other components of equity to retained earnings	—	—	—	8,120
Transfer from other components of equity to non-financial assets and others	—	—	—	—
Other changes	—	—	—	—
Total transactions with owners	—	(43,325)	(6,080)	(36,368)
Balance at March 31, 2026	50,000	116,789	(67,538)	1,339,150

Other components of equity

	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit 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, 2025	28,645	—	195,369	4,211	228,225	1,740,570	543,999	2,284,569
Net income	—	—	—	—	—	11,829	66,596	78,425
Other comprehensive income (Note 27)	(3,640)	5,768	101,075	1,584	104,787	104,787	68,693	173,480
Total comprehensive income	(3,640)	5,768	101,075	1,584	104,787	116,616	135,289	251,905
Purchase of treasury stock (Note 25)	—	—	—	—	—	(50,025)	—	(50,025)
Disposal of treasury stock (Note 25)	—	—	—	—	—	121	—	121
Cancellation of treasury stock (Note 25)	—	—	—	—	—	—	—	—
Cash dividends (Note 26)	—	—	—	—	—	(44,508)	(21,676)	(66,184)
Share-based payment transactions (Note 28)	—	—	—	—	—	60	—	60
Changes in interests in subsidiaries	—	—	—	—	—	439	(3,704)	(3,265)
Business combinations or business divestitures	—	—	—	—	—	—	(2,725)	(2,725)
Changes in scope of consolidation	—	—	—	—	—	20	58	78
Transfer from other components of equity to retained earnings	(2,352)	(5,768)	—	—	(8,120)	—	—	—
Transfer from other components of equity to non-financial assets and others	—	—	—	(1,618)	(1,618)	(1,618)	—	(1,618)
Other changes	—	—	—	—	—	—	1,764	1,764
Total transactions with owners	(2,352)	(5,768)	—	(1,618)	(9,738)	(95,511)	(26,283)	(121,794)
Balance at March 31, 2026	22,653	—	296,444	4,177	323,274	1,761,675	653,005	2,414,680

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

# Consolidated Statement of Cash Flows

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries  
Fiscal years ended March 31, 2025 and 2026

Millions of yen

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
<b>Cash flows from operating activities:</b>		
Income before taxes	99,248	711
Income before taxes from discontinued operations	51,447	134,327
Depreciation and amortization	275,933	271,157
Share of (profit) loss of associates and joint ventures	(8,067)	2,172
Impairment loss	94,576	98,458
Provision for restructuring costs	—	59,249
Loss on sale and disposal of fixed assets	21,773	14,046
Loss on disposal of inventories	893	4,497
Provision for loss on business liquidation	1,850	2,758
Loss on liquidation of subsidiaries and associates	234	1,410
Disaster-related loss	—	1,144
Loss on sale of shares of subsidiaries and associates	3,220	242
Gain on sale of shares of subsidiaries and associates	(11,279)	(133,173)
Gain on business transfer	(982)	(7,950)
Gain on sale of property, plant and equipment	(13,826)	(2,894)
Reversal of provision for restructuring costs	(1,838)	(1,507)
Gain on forgiveness of debts	(1,698)	—
Interest and dividend income	(8,426)	(7,839)
Interest expense	41,114	36,447
(Increase) decrease in trade receivables	53,118	955
(Increase) decrease in inventories	13,436	(445)
Increase (decrease) in trade payables	(22,457)	(17,224)
Increase (decrease) in retirement benefit assets and liabilities, net	2,746	1,033
Increase (decrease) in employees' bonus liabilities	7,179	(13,519)
Others	32,738	90,431
Subtotal	630,932	534,486
Interest received	4,887	4,663
Dividends received	14,650	9,121
Interest paid	(41,399)	(36,718)
Income tax (paid) received, net	(56,223)	(75,265)
Net cash provided by (used in) operating activities	552,847	436,287
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(314,533)	(284,089)
Proceeds from sales of property, plant and equipment	21,058	7,941
Purchase of intangible assets	(10,439)	(8,044)
Purchase of other financial assets	(2,291)	(3,295)
Proceeds from sales/redemption of other financial assets	13,734	15,991
Net cash outflow on acquisition of subsidiaries (Note 5)	(781)	(98,479)
Proceeds from sales of investments in subsidiaries (Notes 6 and 7)	16,391	517,510
Payments for transfer of businesses	(5,646)	(8,529)
Proceeds from transfer of businesses	5,292	10,268
Net (increase) decrease in time deposits	(284)	(33,990)
Proceeds from collection of loans from subsidiaries over which control was lost	—	18,158
Others	2,065	(8,972)
Net cash provided by (used in) investing activities	(275,434)	124,470

<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term borrowings	(23,425)	<b>(121,718)</b>
Net increase (decrease) in commercial papers	(97,000)	—
Proceeds from long-term borrowings	253,118	<b>58,155</b>
Repayment of long-term borrowings	(266,241)	<b>(139,241)</b>
Proceeds from issuance of bonds	19,899	<b>29,695</b>
Redemption of bonds	(35,000)	<b>(45,000)</b>
Repayment of lease liabilities	(34,203)	<b>(32,588)</b>
Net (increase) decrease in treasury stock	(25)	<b>(50,025)</b>
Dividends paid to owners of the parent	(45,533)	<b>(44,508)</b>
Dividends paid to non-controlling interests	(17,753)	<b>(22,768)</b>
Payments for acquisition of subsidiaries' interests from non-controlling interests	(601)	<b>(6,514)</b>
Others	110	<b>(695)</b>
Net cash provided by (used in) financing activities	(246,654)	<b>(375,207)</b>

Effect of exchange rate changes on cash and cash equivalents	(2,698)	<b>18,357</b>
Net increase (decrease) in cash and cash equivalents	28,061	<b>203,907</b>
Cash and cash equivalents at the beginning of the period	294,924	<b>326,144</b>
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	3,040	<b>(3,130)</b>
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	17	<b>99</b>
Net increase in cash and cash equivalents resulting from merger and acquisition	102	<b>84</b>
Cash and cash equivalents at the end of the period (Note 23)	326,144	<b>527,104</b>

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

# Notes to Consolidated Financial Statements

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

## Note 1

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### 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, 2026 comprise those of the Company, its subsidiaries and associates, and interests under joint arrangements (collectively, the "MCG Group"). The MCG Group's four principal domains are Specialty Materials, MMA & Derivatives, Basic Materials & Polymers, and Industrial Gases. Further details are presented in Note 4 Segment Information.

## Note 2

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### 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 22, 2026, 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 15 Goodwill and Intangible Assets, Note 16 Property, Plant and Equipment and Note 17 Impairment Losses)
- Recoverability of Deferred Tax Assets (Note 13 Income Taxes)
- Measurement of Defined Benefit Obligations (Note 29 Retirement Benefits)
- Provision for restructuring costs (Note 30 Provisions)
- Fair Value of Financial Instruments (Note 37 Financial Instruments)

The key significant assumptions used in the accounting estimates for the fiscal year ended March 31, 2026 are as follows.

(Assumptions regarding the impact of the situation in the Middle East)

The impact of the situation in the Middle East on the MCG Group varies depending on future developments and the duration of the situation. If the situation is resolved at an early stage, the impact is expected to be limited, as the MCG Group will take measures such as passing on increases in raw material prices to selling prices to a certain extent. On the other hand, if the situation becomes prolonged, disruptions in the supply of raw materials may hinder production activities, which could significantly affect the financial position and operating results of the MCG Group. Although the future outlook remains uncertain at present, no assumptions have been made based on the premise that the situation will become prolonged.

#### 6. Newly Applied Standards and Interpretations

The MCG Group has applied the standards and interpretations that became mandatory from the fiscal year ended March 31, 2026, however, there was 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 the appointment of its officers to 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 at the end of the 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, 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	5 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 in 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.

The MCG Group previously classified its reporting segments into the following five segments: "Specialty Materials," "MMA & Derivatives," "Basic Materials & Polymers," "Pharma," and "Industrial Gases." However, following the classification of the businesses of Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation) and its subsidiaries, etc. as discontinued operations, the reporting segments have been changed to the following four segments: "Specialty Materials," "MMA & Derivatives," "Basic Materials & Polymers," and "Industrial Gases" from the first quarter of the fiscal year ended March 31, 2026.

Furthermore, segment revenue and operating results for the fiscal year ended March 31, 2026 and the fiscal year ended March 31, 2025 represent amounts from continuing operations, excluding discontinued operations. Details of the discontinued operations are described in "Note 7. Discontinued Operations."

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 & Barrier Films, Industrial & Medical Films, Acetyl & Optical Films, and Polyester Films
	Advanced Solutions	Aqua Solution, Life Solution, Infrastructure Solution, Semiconductor, Electronics, and Battery Materials
	Advanced Composites & Shapes	Engineering Shapes & Solutions, Carbon Fiber & Composite Materials
MMA & Derivatives	MMA	MMA, PMMA
	Coating & Additives	Coating Materials, Additives & Modifiers
Basic Materials & Polymers	Materials & Polymers	Basic Petrochemicals, Polyolefins, Basic Chemical Derivatives, Sustainable Polymers, and Engineering Plastics
	Carbon Products	Carbon Products
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, 2025

Millions of yen

	REPORTING SEGMENT					Others (Note 1)	Adjustments (Note 2)	Consolidated
	Specialty Materials	MMA & Derivatives	Basic Materials & Polymers	Industrial Gases	Total			
Sales revenue								
External revenue	1,071,255	417,594	986,555	1,301,105	3,776,509	171,057	—	3,947,566
Inter-segment revenue	19,956	28,092	74,340	6,920	129,308	142,910	(272,218)	—
<b>Total</b>	<b>1,091,211</b>	<b>445,686</b>	<b>1,060,895</b>	<b>1,308,025</b>	<b>3,905,817</b>	<b>313,967</b>	<b>(272,218)</b>	<b>3,947,566</b>
Segment profit (loss)								
Core operating income (Note 3)	23,872	35,701	(14,647)	186,069	230,995	11,972	(14,128)	228,839
Segment assets	1,339,686	535,750	688,431	2,461,545	5,025,412	235,944	633,263	5,894,619
Other items								
Depreciation and amortization	68,862	25,558	36,249	118,632	249,301	6,194	6,934	262,429
Share of profit of investments accounted for using the equity method	1,609	2,447	(1,360)	5,014	7,710	126	—	7,836
Investments accounted for using the equity method	15,776	26,728	45,879	61,055	149,438	828	16,487	166,753
Capital expenditures	115,935	23,943	44,830	142,427	327,135	2,243	9,849	339,227

Notes:

- The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.
- The segment profit (loss) adjustment includes corporate costs of ¥(14,323) 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 adjustment of segment assets includes corporate assets of ¥170,932 million not allocated to reporting segments, items such as an inter-segment eliminations of ¥(500,701) million, and assets related to discontinued operations of ¥963,032 million. Corporate assets include financial assets not allocated to reporting segments.
- 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, 2026

Millions of yen

	REPORTING SEGMENT					Others (Note 1)	Adjustments (Note 2)	Consolidated
	Specialty Materials	MMA & Derivatives	Basic Materials & Polymers	Industrial Gases	Total			
Sales revenue								
External revenue	1,059,646	351,931	790,684	1,352,498	3,554,759	149,229	—	3,703,988
Inter-segment revenue	14,804	12,572	30,860	7,113	65,349	162,760	(228,109)	—
<b>Total</b>	<b>1,074,450</b>	<b>364,503</b>	<b>821,544</b>	<b>1,359,611</b>	<b>3,620,108</b>	<b>311,989</b>	<b>(228,109)</b>	<b>3,703,988</b>
Segment profit (loss)								
Core operating income (Note 3)	32,309	(1,538)	(4,159)	200,706	227,318	13,505	(15,821)	225,002
Segment assets	1,414,912	501,799	699,948	2,804,028	5,420,687	203,339	252,583	5,876,609
Other items								
Depreciation and amortization	66,653	23,388	35,927	129,347	255,315	5,604	6,867	267,786
Share of profit of investments accounted for using the equity method	3,044	176	(10,176)	4,554	(2,402)	147	—	(2,255)
Investments accounted for using the equity method	17,034	27,047	38,212	67,198	149,491	905	—	150,396
Capital expenditures	131,574	23,178	35,744	113,245	303,741	2,590	2,513	308,844

Notes:

- The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.
- The segment profit (loss) adjustment includes corporate costs of ¥(13,543) million not allocated to reporting segments and inter-segment eliminations of ¥(2,278) 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 ¥417,111 million not allocated to reporting segments and items such as an inter-segment eliminations of ¥(164,528) million. Corporate assets include financial assets not allocated to reporting segments.
- 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.
- From the fiscal year ended March 31, 2026, the MCG Group reclassified segments for some businesses and consolidated subsidiaries. The MCG Group used new classifications to present segment information for the fiscal year ended March 31, 2025.

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Segment profit	228,839	<b>225,002</b>
Gain on business transfer (Note 1)	982	<b>7,950</b>
Gain on sale of shares of subsidiaries and associates (Note 1)	5,593	<b>2,382</b>
Reversal of provision for restructuring costs (Note 2)	1,838	<b>1,507</b>
Gain on sale of property, plant and equipment	9,739	<b>1,393</b>
Gain on sale of carbon credit	2,718	—
Impairment loss (Note 3)	(74,846)	<b>(61,405)</b>
Provision for restructuring costs (Note 4)	—	<b>(59,249)</b>
Special retirement expenses (Note 1)	(5,419)	<b>(53,091)</b>
Share of loss of associates and joint ventures (Note 5)	—	<b>(9,264)</b>
Loss on sale and disposal of fixed assets (Note 1)	(15,178)	<b>(6,863)</b>
Loss on disposal of inventories	(1,169)	<b>(4,761)</b>
Provision for loss on business liquidation	(1,850)	<b>(2,758)</b>
Loss on liquidation of subsidiaries and associates	(228)	<b>(1,410)</b>
Disaster-related loss	—	<b>(1,144)</b>
Loss on sale of shares of subsidiaries and associates	(3,220)	<b>(242)</b>
Cancellation penalty	(3,480)	—
Others	(2,769)	<b>(7,969)</b>
Operating income	141,550	<b>30,078</b>
Financial income	8,134	<b>9,220</b>
Financial expenses	(50,436)	<b>(38,587)</b>
Income before taxes	99,248	<b>711</b>

Notes:

1. See Note 11 Other Operating Income and Other Operating Expenses for details of gain on business transfer, gain on sale of shares of subsidiaries and associates, special retirement expenses, and loss on sale and disposal of fixed assets.
2. In the fiscal year ended March 31, 2026, the MCG Group newly recorded a provision for restructuring costs. Accordingly, with respect to amounts previously presented as reversal of provision for loss on plant closure in the fiscal year ended March 31, 2025, amounts that should be aggregated as reversal of provision for restructuring costs have been reclassified and presented as reversal of provision for restructuring costs after a review of the presentation classification.
3. See Note 17 Impairment Losses for details of impairment loss, including those included in segment profit (loss).
4. See Note 30 Provisions for details of reversal of provision for restructuring costs.
5. See Note 18 Individually Insignificant Investments Accounted for Using Equity Method for details of share of loss of associates and joint ventures.

### 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, 2025	Fiscal year ended March 31, 2026
Japan	1,818,314	<b>1,627,670</b>
Asia and Oceania	782,397	<b>748,798</b>
(China)	(299,549)	<b>(281,546)</b>
North America	679,717	<b>652,048</b>
(America)	(654,960)	<b>(633,347)</b>
Europe	618,651	<b>635,038</b>
Others	48,487	<b>40,434</b>
Total	3,947,566	<b>3,703,988</b>

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, 2025	As of March 31, 2026
Japan	1,085,121	<b>939,031</b>
Asia and Oceania	454,345	<b>493,213</b>
North America	623,272	<b>657,453</b>
(America)	(623,202)	<b>(657,390)</b>
Europe	1,124,042	<b>1,287,009</b>
Others	1,270	<b>1,660</b>
Total	3,288,050	<b>3,378,366</b>

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, 2025

There were no significant business combinations during the fiscal year ended March 31, 2025.

Fiscal year ended March 31, 2026

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

On July 1, 2025, the MCG Group acquired a business conducted by Coregas Pty Ltd and others in Australia and New Zealand through NSC (Australia) Pty Ltd, the MCG Group's subsidiary in Australia in the Industrial Gases segment.

#### (1) Overview of the business acquisition

- (i) Name of the acquired company and the content of its business  
 Name of the acquired company: Coregas Pty Ltd, and three others  
 Business description: Industrial gas businesses in Australia and New Zealand under the umbrella of Wesfarmers
- (ii) Main reasons for the business acquisition  
 Supagas, business subsidiary in Australia, operates a stable business supplying a wide range of industrial gases, primarily LPG. The acquired companies, Coregas Pty Ltd, Blacksmith Jacks Pty Ltd, and Coregas NZ Limited (collectively referred to as the "Coregas Group"), have an extensive sales network across Australia and New Zealand. They are engaged in the manufacture and sale of industrial gases, medical gases, specialty gases, and other industrial gases, as well as related services, in addition to welding-related businesses.  
 Through the acquisition of the Coregas Group, which has a customer base and product portfolio different from those of Supagas, the Company will strive to create further value for customers through collaboration between the LPG business and the industrial gas business, and to enhance its presence in Australia and New Zealand.
- (iii) Acquisition date: July 1, 2025
- (iv) Method of acquiring control of the acquired company:  
 Acquisition of shares for cash consideration
- (v) Percentage of acquired voting equity interest: 100%

#### (2) Fair value of acquisition consideration

	Millions of yen
	Acquisition date (July 1, 2025)
Cash	71,521
Total acquisition amount	<b>71,521</b>

### (3) Acquired assets, assumed liabilities, and goodwill

	Millions of yen
	Acquisition date (July 1, 2025)
Current assets	
Cash and cash equivalents	89
Trade receivables (Note 1)	3,741
Other	3,516
Non-current assets	
Property, plant and equipment (Note 2)	37,314
Intangible assets (Note 3)	13,524
Other	788
Acquired assets	58,975
Current liabilities	
Other financial liabilities	6,318
Other	1,795
Non-current liabilities	
Deferred tax liabilities	5,596
Other	1,229
Assumed liabilities	14,940
Acquired assets and assumed liabilities (net amount)	44,035
Goodwill (Note 4) (Note 5)	27,485

During the interim consolidated accounting period of the fiscal year ended March 31, 2026, the Company applied provisional accounting for the business combination; however, by the end of the fiscal year, the initial accounting for the business combination had been completed. The impact of these adjustments is not material.

#### Notes:

1. Fair value of acquired receivables, contractually unpaid amounts, and estimated uncollectible amounts: The fair value of the acquired claims and the contractually unrecovered amount are approximately the same. There are no outstanding contract receivables that are expected to be uncollectible.
2. Breakdown of property, plant and equipment: The breakdown of tangible fixed assets mainly consists of tools, instruments and equipment of ¥19,810 million.
3. Breakdown of intangible assets: The composition of intangible assets mainly consists of intangible assets related to customers amounting to ¥12,929 million.
4. Goodwill: The main content of goodwill is the synergy effects and excess earning power expected to arise from the acquisition with existing businesses that individually do not meet the recognition criteria. Additionally, goodwill cannot be included as a deductible expense for tax purposes.
5. Basis adjustment: To hedge the foreign exchange risk related to investments in the acquired company, we executed a foreign exchange forward contract. The scheduled transaction in question is subject to hedge accounting as a cash flow hedge, and the fair value of the hedging instrument on the acquisition date of ¥1,618 million was adjusted as a basis adjustment to the initial recognition amount of goodwill arising from the business combination, resulting in a decrease of the same amount in the initial recognition amount of goodwill.

### (4) Acquisition-related expenses

The acquisition-related expenses amount to ¥1,222 million and were recorded under "selling, general and administrative expenses". Among these, the acquisition-related expenses incurred in the previous consolidated fiscal year were ¥410 million and ¥812 million were recorded as the acquisition-related expenses during the fiscal year ended March 31, 2026.

### (5) Impact on the performance of the MCG Group

Profit and loss information after the acquisition date and pro forma information on the assumption that the business combination was carried out on April 1, 2025, the beginning of the current consolidated fiscal year, are not disclosed because their impact on the consolidated financial statements is not material. The pro forma information has not been audited.

Acquisition (conversion into a subsidiary) of the homecare medical services business by European subsidiary

On March 3, 2026, the MCG Group acquired homecare medical services business conducted by Esteve Teijin Healthcare, S.L. (which was renamed to Nippon Sanso

Homecare Espana, S.L.U., concurrent with the business combination) in Spain through Oximesa S.L.U (hereinafter "Oximesa"), the MCG Group's subsidiary in Europe in the Industrial Gases segment.

(1) Overview of business acquisition

- (i) Name of the acquired company and the content of its business  
Name: Esteve Teijin Healthcare, S.L.  
Business description: Homecare and respiratory services in Spain
- (ii) Main reasons for the business acquisition  
Oximesa, the Group's operating company in Europe in the Industrial Gases segment, provides homecare and respiratory services in Spain.  
The acquisition target, Esteve Teijin Healthcare, S.L., provides homecare and innovative home medical services in Spain.  
Through the acquisition of Esteve Teijin Healthcare, S.L., which has a business platform and services highly compatible with Oximesa, the Group will strive to further strengthen its business base in Spain, enhance its presence in the homecare and respiratory market and expand its service network.
- (iii) Acquisition date: March 3, 2026
- (iv) Method of acquiring control of the acquired company:  
Acquisition of shares for cash consideration
- (v) Percentage of acquired voting equity interest: 100%

(2) Fair value of acquisition consideration

	Millions of yen
	Acquisition date (March 3, 2026)
Cash	22,432
Total acquisition amount	<u>22,432</u>

(3) Acquired assets, assumed liabilities, and goodwill

	Millions of yen
	Acquisition date (March 3, 2026)
Current assets	
Cash and cash equivalents	414
Trade receivables (Note 1)	1,145
Other	1,055
Non-current assets	
Property, plant and equipment (Note 2)	6,649
Intangible assets (Note 3)	7,425
Other	48
Acquired assets	<u>16,739</u>
Current liabilities	2,974
Non-current liabilities	2,162
Assumed liabilities	<u>5,136</u>
Acquired assets and assumed liabilities (net amount)	11,602
Goodwill (Note 4)	<u>10,830</u>

Because the accounting treatment for the business combination at the time of acquisition has not been completed, the above amount is a provisional fair value based on the best estimate at the present time, and if additional information regarding facts and circumstances existing as of the acquisition date is obtained and evaluated, the above amount may be adjusted within one year from the acquisition date.

Notes:

1. Fair value of acquired receivables, contractually unpaid amounts, and estimated uncollectible amounts: The fair value of the acquired claims and the contractually unrecovered amount are approximately the same. There are no outstanding contract receivables that are expected to be uncollectible.
2. Breakdown of property, plant and equipment: The breakdown of property, plant and equipment mainly consists of machinery and vehicles of ¥6,457 million.
3. Breakdown of intangible assets: The composition of intangible assets mainly consists of intangible assets

related to customers amounting to ¥7,252 million.

4. Goodwill: The main content of goodwill is the synergy effects and excess earning power expected to arise from the acquisition with existing businesses that individually do not meet the recognition criteria. Additionally, goodwill cannot be included as a deductible expense for tax purposes.

(4) Acquisition-related expenses

The acquisition-related expenses amount to ¥199 million and were recorded under "selling, general and administrative expenses".

(5) Impact on Group's business results

Profit and loss information after the acquisition date and pro forma information on the assumption that the business combination was carried out on April 1, 2025, the beginning of the current consolidated fiscal year, are not disclosed because their impact on the consolidated financial statements is not material. The pro forma information has not been audited.

## Note 6

### Sale of Subsidiary

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) Gains and losses related to the transfer

In connection with the decision to execute the transfer, an impairment loss (included in "Other operating expenses") of ¥1,891 million was recognized for the difference between the fair value less costs to sell and the carrying amount. In addition, a loss on sale of shares of subsidiaries and associates (included in "Other operating expenses") of ¥1,822 million was recognized upon completion of a land-related transaction, which is part of the transactions associated with the transfer.

Year ended March 31, 2026

The Company completed the transfer of all shares of Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation). See Note 7 Discontinued Operations for details.

## Note 7

### Discontinued Operations

#### (1) Outline of Discontinued Operations

At the MCG's annual shareholders' meeting held on June 25, 2025, an absorption-type split agreement was approved to transfer all shares and related assets of Mitsubishi Tanabe Pharma Corporation (hereinafter "MTPC"), which had been MCG's consolidated subsidiary, to K.K. BCJ-94, a special purpose company indirectly owned by funds advised by Bain Capital Private Equity, LP. The transfer was completed on July 1, 2025.

Consequently, the operations of MTPC and its subsidiaries and affiliates have been classified as discontinued operations. They have been classified as discontinued operations for the fiscal year ended March 31, 2026, and their results for the fiscal year ended March 31, 2025, have been separately represented as discontinued operations.

MTPC changed its corporate name to Tanabe Pharma Corporation as of December 1, 2025.

#### (2) Profit or Loss from Discontinued Operations

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Revenue	472,155	244,321
Cost	(420,708)	(109,994)
Income before taxes from discontinued operations (Note 1)	51,447	134,327
Income taxes (Note 2)	(3,880)	(39,547)
Net income from discontinued operations	47,567	94,780

#### Notes

1. In the fiscal year ended March 31, 2026, gains associated with the transfer of all shares and related assets of MTPC (currently Tanabe Pharma Corporation) of ¥128,600 million are included.
2. In the fiscal year ended March 31, 2026, income taxes on gains associated with the transfer of all shares and related assets of MTPC (currently Tanabe Pharma Corporation) of ¥ (36,740) million are included.

#### (3) Cash Flows from Discontinued Operations

Cash flows from discontinued operations included in the consolidated statement of cash flows are as follows.

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities	48,602	(419)
Cash flows from investing activities	10,371	512,702
Cash flows from financing activities	(12,635)	(3,693)
Total	46,338	508,590

#### (4) Supplementary Information on Cash Flows

	Millions of yen
Cash consideration	536,800
Cash and cash equivalents of subsidiaries over which control was lost	(25,202)
Proceeds from sales of investments in subsidiaries	511,598

#### (5) Assets and Liabilities of Subsidiaries

	Millions of yen
Current assets (including cash and cash equivalents)	273,304
Non-current assets	327,787
Total assets	601,091
Current liabilities	133,895
Non-current liabilities	33,798
Total liabilities	167,693

## Note 8

### Sales Revenue

#### (1) Disaggregation of sales revenue

The MCG Group undertakes diverse operations overseas through its Specialty Materials, MMA & Derivatives, Basic Materials & Polymers 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, 2025

	Millions of yen						Total
	Japan	Asia and Oceania (China)	North America	Europe	Others		
Specialty Materials	420,665	234,545	(119,137)	204,579	196,787	14,679	1,071,255
MMA & Derivatives	97,649	203,408	(92,023)	62,844	46,803	6,890	417,594
Basic Materials & Polymers	750,660	133,815	(39,302)	44,196	33,587	24,297	986,555
Industrial Gases	412,339	192,910	(35,656)	356,958	336,277	2,621	1,301,105
Others	137,001	17,719	(13,431)	11,140	5,197	—	171,057
Total	1,818,314	782,397	(299,549)	679,717	618,651	48,487	3,947,566

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, 2026

	Millions of yen						Total
	Japan	Asia and Oceania (China)	North America	Europe	Others		
Specialty Materials	396,663	239,044	(120,337)	197,771	212,403	13,765	1,059,646
MMA & Derivatives	97,153	166,996	(76,637)	47,013	37,098	3,671	351,931
Basic Materials & Polymers	597,706	102,314	(36,420)	41,974	27,783	20,907	790,684
Industrial Gases	409,362	225,879	(38,147)	359,538	355,628	2,091	1,352,498
Others	126,786	14,565	(10,005)	5,752	2,126	—	149,229
Total	1,627,670	748,798	(281,546)	652,048	635,038	40,434	3,703,988

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 Composites & 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 customers, and do not include significant financial elements.

#### **MMA & Derivatives Segment**

The MCG Group engages in the MMA Business and the Coatings & 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 the Materials & Polymers Business and Carbon Product 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.

#### **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 contract liabilities are as follows:

	As of April 1, 2024	As of March 31, 2025	Millions of yen <b>As of March 31, 2026</b>
Receivables arising from contracts with customers	867,117	777,561	<b>685,379</b>
Contract assets	32,886	35,452	<b>19,260</b>
Contract liabilities	37,247	46,877	<b>61,563</b>

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, 2025, and March 31, 2026, ¥23,661 million and ¥20,641 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, 2025, and March 31, 2026, were ¥13,801 million and ¥1,696 million, respectively.

There were no significant changes in outstanding contract assets and liabilities in the fiscal year ended March 31, 2025 and the fiscal year ended March 31, 2026.

(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, 2025	Fiscal year ended March 31, 2026
Due within one year	77,876	<b>73,100</b>
Due after one year	43,645	<b>66,164</b>
Total	121,521	<b>139,264</b>

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

In the fiscal years ended March 31, 2025 and March 31, 2026, 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.

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**Note 9**

**Employee Benefit Expenses**

Employee benefit expenses included in the Consolidated Statement of Income in the fiscal years ended March 31, 2025 and 2026, were ¥648,224 million and ¥710,750 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 11 Other Operating Income and Other Operating Expenses. Retirement benefit expenses are as described in Note 29 Retirement Benefits.

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**Note 10**

**Research and Development Expenses**

Research and development expenses recognized in the fiscal years ended March 31, 2025 and 2026 were ¥57,387 million and ¥58,705 million, respectively.

## Note 11

### Other Operating Income and Other Operating Expenses

The breakdown of other operating income is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Gain on business transfer (Note 1)	982	<b>7,950</b>
Gain on sale of property, plant and equipment	10,544	<b>2,894</b>
Gain on sale of shares of subsidiaries and associates (Note 2)	5,594	<b>2,428</b>
Subsidy income	347	<b>2,359</b>
Rent income	2,088	<b>2,261</b>
Insurance income	1,202	<b>1,648</b>
Reversal of provision for restructuring costs (Note 3)	1,838	<b>1,507</b>
Gain on sale of carbon credit	2,718	—
Gain on forgiveness of debts	1,698	—
Others	10,150	<b>10,604</b>
<b>Total</b>	<b>37,161</b>	<b>31,651</b>

Notes:

- In the fiscal year ended March 31, 2026, the MCG Group recorded a gain on business transfer related to the partial transfer of the real estate leasing and management business of DIA RIX CORPORATION and the transfer of real estate held by the MCG Group related to such business.
- In the fiscal year ended March 31, 2025, concerning the transfer of shares in PT Mitsubishi Chemical Indonesia, the MCG Group recorded gain on sale of shares of subsidiaries and associates of ¥5,578 million, mainly reflecting the realization of the foreign currency translation adjustments, which are recognized at the time sales are completed.
- In the fiscal year ended March 31, 2026, the MCG Group newly recorded a provision for restructuring costs. Accordingly, of the amounts previously presented as a reversal of provision for loss on plant closure in the fiscal year ended March 31, 2025, amounts that should be aggregated as a reversal of provision for restructuring costs have been reclassified and presented as a reversal of provision for restructuring costs after a review of the presentation classification.

The breakdown of other operating expenses is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Impairment loss (Notes 1, 2 and 3)	92,830	<b>98,458</b>
Provision for restructuring costs (Notes 2 and 5)	—	<b>59,249</b>
Special retirement expenses (Notes 2, 3 and 6)	5,362	<b>52,967</b>
Loss on sale and disposal of fixed assets (Note 4)	20,758	<b>14,046</b>
Loss on disposal of inventories (Note 2)	893	<b>4,497</b>
Provision for loss on business liquidation	1,850	<b>2,758</b>
Loss on reduction of non-current assets	347	<b>2,141</b>
Loss on liquidation of subsidiaries and associates	234	<b>1,410</b>
Cancellation penalty (Note 3)	3,323	<b>1,185</b>
Disaster-related loss	—	<b>1,144</b>
Loss on sale of shares of subsidiaries and associates	3,220	<b>242</b>
Others (Notes 2, 3 and 6)	17,908	<b>18,446</b>
<b>Total</b>	<b>146,725</b>	<b>256,543</b>

Notes:

- See Note 17 Impairment Losses for details of impairment losses.
- In the fiscal year ended March 31, 2026, in connection with the decision to withdraw from the coke and carbon materials business at the Kagawa Plant of Mitsubishi Chemical Corporation, the MCG Group recorded a provision for restructuring costs of ¥54,085 million, an impairment loss of ¥16,300 million, special retirement expenses of ¥7,186 million, a loss on disposal of inventories of ¥2,584 million, and other related losses of ¥13 million. See Note 30 Provisions for the details of the provision for restructuring costs.
- 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 million and other associated losses of ¥ 367 million.
- 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 a loss on sale and disposal of fixed assets of ¥7,053 million in the fiscal year ended March 31, 2025.

5. In the fiscal year ended March 31, 2026, the MCG Group recorded a provision of restructuring costs related to the business structure reform aimed at the decarbonization of ethylene production facilities and optimizing the production structure in western Japan. See Note 30 Provisions for details of the provision for restructuring costs.
6. In the fiscal year ended March 31, 2026, in connection with the decision to implement Mitsubishi Chemical Corporation's Next Stage Support Program, the MCG Group recorded special retirement expenses of ¥31,885 million and other related losses of ¥666 million.

## Note 12

### Financial Income and Financial Expenses

The breakdown of financial income is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Financial income		
Interest income		
Financial assets measured at amortized cost	4,418	4,886
Dividend income		
Financial assets measured at fair value through other comprehensive income	3,531	2,953
Foreign exchange gains	—	1,183
Others	185	198
<b>Total</b>	<b>8,134</b>	<b>9,220</b>

The breakdown of financial expenses is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Financial expenses		
Interest expenses		
Financial liabilities measured at amortized cost	40,945	36,447
Foreign exchange losses	1,995	—
Changes in fair value of financial assets relating to contingent consideration agreements	5,653	390
Others	1,843	1,750
<b>Total</b>	<b>50,436</b>	<b>38,587</b>

Income Taxes

1. Deferred Tax Assets and Liabilities

As of March 31, 2025 and 2026, 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, 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
<b>Deferred tax assets:</b>					
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 (Notes 2 and 3)	116,313	16,231	383	335	133,262
Total	235,304	22,543	(1,096)	(1,228)	255,523
<b>Deferred tax liabilities:</b>					
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 earnings 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)
<b>Net deferred tax assets</b>	(109,232)	31,125	(6,615)	2,850	(81,872)

Notes:

- Others include exchange differences on translation of foreign operations and changes owing to business combinations, etc.
- 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 Medicago, Inc.
- At the end of the fiscal year ended March 31, 2025, deferred tax assets of ¥16,626 million were recognized as temporary differences related to investments in Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation). ¥24,225 million is included in others of deferred tax assets and ¥7,599 million is included in undistributed earnings of foreign subsidiaries of deferred tax liabilities.

Fiscal year ended March 31, 2026

	Millions of yen				
	April 1, 2025	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income	Others (Note 1)	March 31, 2026
<b>Deferred tax assets:</b>					
Property, plant and equipment	42,483	3,899	—	4,176	50,558
Net defined benefit liabilities	23,120	716	(3,522)	1,811	22,125
Employees' bonuses	20,753	(2,861)	—	95	17,987
Tax loss carryforwards	13,220	26,500	—	(32,283)	7,437
Inventories	12,835	(747)	—	(8,024)	4,064
Employees' paid leave	9,850	46	—	(1,680)	8,216
Others (Notes 2 and 3)	133,262	(19,395)	86	(24,353)	89,600
Total	255,523	8,158	(3,436)	(60,258)	199,987
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	(115,714)	467	—	(15,825)	(131,072)
Valuation of assets	(104,930)	7,994	—	623	(96,313)
Undistributed earnings of foreign subsidiaries (Note 3)	(29,879)	(347)	7,476	530	(22,220)
Securities and other investments	(28,495)	152	(629)	5,194	(23,778)
Others	(58,377)	(3,431)	736	21,750	(39,322)
Total	(337,395)	4,835	7,583	12,272	(312,705)
Net deferred tax assets	(81,872)	12,993	4,147	(47,986)	(112,718)

Notes:

- Others include exchange differences on translation of foreign operations and the impact of changes in the scope of consolidation, such as the transfer of the businesses of Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation), a former consolidated subsidiary of the Company, and its subsidiaries, as well as changes owing to business combinations, etc.
- The balances at the beginning of the fiscal year ended March 31, 2026 include deferred tax assets recognized as future deductible temporary differences related to the investment in Medicago, Inc. following the decision to liquidate Medicago, Inc.
- At the beginning of the fiscal year ended March 31, 2026, deferred tax assets and deferred tax liabilities recognized for temporary differences related to investments in Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation) were included. Of these amounts, ¥24,225 million is included in other deferred tax assets, and ¥7,599 million is included in undistributed earnings of foreign consolidated subsidiaries, etc. under deferred tax liabilities.

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, 2025	Fiscal year ended March 31, 2026
Future deductible temporary differences	216,700	373,840
Unused tax loss carryforwards	417,828	344,691
Unused tax credit carryforwards	16,991	—

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

	Millions of yen	
	Fiscal year ended March 31, 2025	<b>Fiscal year ended March 31, 2026</b>
Future deductible temporary differences	66,844	<b>41,647</b>
Unused tax loss carryforwards	62,234	<b>43,957</b>
Unused tax credit carryforwards	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, 2025	<b>Fiscal year ended March 31, 2026</b>
Tax loss carry forwards:		
Due within one year	2,686	<b>1,772</b>
Due after one year and not later than five years	108,529	<b>25,435</b>
Due after five years and not later than 10 years	143,406	<b>246,460</b>
Due after 10 years and not later than 20 years	11,154	<b>11,203</b>
Indefinite	152,053	<b>59,821</b>
Total	417,828	<b>344,691</b>
	Fiscal year ended March 31, 2025	<b>Fiscal year ended March 31, 2026</b>
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	4,127	—
Due after 10 years and not later than 20 years	—	—
Indefinite	12,864	—
Total	16,991	—

As of March 31, 2025 and 2026, total temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities were not recognized were ¥1,024,814 million and ¥959,591 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:

Income taxes related to discontinued operations are as described in Note 7. Discontinued Operations.

	Millions of yen	
	Fiscal year ended March 31, 2025	<b>Fiscal year ended March 31, 2026</b>
Income taxes	59,185	<b>61,437</b>
Deferred income taxes	(18,006)	<b>(44,371)</b>
Total	41,179	<b>17,066</b>

### 3. Reconciliation schedule between the amount calculated by multiplying income before taxes by the statutory effective tax rate and the actual amount of income taxes

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, 2025 and 2026. For overseas subsidiaries, local corporate income taxes are imposed.

A reconciliation of the amount calculated by multiplying income before taxes by the statutory effective tax rate to the actual amount of income taxes for the fiscal years ended March 31, 2025 and 2026, was as follows.

See Note 7 Discontinued Operations for income taxes related to discontinued operations.

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Income before taxes	99,248	711
Income taxes at the statutory effective tax rate	30,370	215
Changes in unrecognized deferred tax assets	7,911	16,690
Amount permanently excluded from deductible expenses and taxable income	5,452	3,404
Foreign taxes	1,557	1,727
Adjustment for unrealized gains on sales of property, plant and equipment, and inventories	1,805	1,058
Share of profit (loss) of investments accounted for using the equity method	(2,398)	664
Tax effect on undistributed earnings	3,626	198
Difference of statutory tax rate in overseas subsidiaries	(9,722)	(7,748)
Tax credits for research and development costs	(2,515)	(1,085)
Others	5,093	1,943
Income taxes	41,179	17,066

Note:

The MCG Group previously presented an effective tax rate reconciliation schedule, however, due to a significant difference between the tax amount based on the statutory effective tax rate and the actual amount of income taxes, it changed the presentation method to an income taxes reconciliation schedule from the fiscal year ended March 31, 2026, from the perspective of comparability with the fiscal year ended March 31, 2025.

### 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.

## Note 14

### Per Share Information

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

#### (1) Basic earnings (loss) per share

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net income used to calculate basic earnings per share (millions of yen)		
Net income (loss) from continuing operations attributable to owners of the parent	(1,850)	<b>(82,789)</b>
Net income from discontinued operations attributable to owners of the parent	46,870	<b>94,618</b>
Net income attributable to owners of the parent	45,020	<b>11,829</b>
Weighted average number of ordinary shares (thousands of shares)	1,423,071	<b>1,370,507</b>
Basic earnings (loss) per share attributable to owners of the parent (yen)		
Continuing operations	(1.30)	<b>(60.41)</b>
Discontinued operations	32.94	<b>69.04</b>
Basic earnings per share attributable to owners of the parent	31.64	<b>8.63</b>

#### (2) Diluted earnings per share

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net income used to calculate diluted earnings per share (millions of yen)		
Net income (loss) from continuing operations used to calculate basic earnings per share	(1,850)	<b>(82,789)</b>
Adjustment	—	—
Net income (loss) from continuing operations used to calculate diluted earnings per share	(1,850)	<b>(82,789)</b>
Net income from discontinued operations used to calculate diluted earnings per share	46,870	<b>94,618</b>
Net income used to calculate diluted earnings per share	45,020	<b>11,829</b>
Weighted average number of diluted ordinary shares (thousands of shares)		
Weighted average number of ordinary shares	1,423,071	<b>1,370,507</b>
Impact of potentially dilutive ordinary shares		
Subscription rights to shares	390	<b>429</b>
Weighted average number of diluted ordinary shares	1,423,461	<b>1,370,936</b>
Diluted earnings (loss) per share attributable to owners of the parent (yen)		
Continuing operations	(1.30)	<b>(60.41)</b>
Discontinued operations	32.94	<b>69.04</b>
Diluted earnings per share attributable to owners of the parent	31.64	<b>8.63</b>

#### Notes:

- 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 weighted average number of shares.
- For the fiscal year ended March 31, 2025 and the fiscal year ended March 31, 2026, potentially dilutive ordinary shares related to subscription rights to shares do not have a dilutive effect because they decrease the loss per share. The presence or absence of a dilutive effect is determined based on the net income (loss) from continuing operations.

**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, 2025

Acquisition cost

	Millions of yen					
	Goodwill	Intangible assets				Total
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	
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				Total
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	
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				Total
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	
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

Fiscal year ended March 31, 2026  
Acquisition cost

	Millions of yen					
	Goodwill	Intangible assets				Total
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	
Balance as of April 1, 2025	834,834	340,232	444,355	92,000	71,254	947,841
Acquisitions	—	910	64	23,280	(11,702)	12,552
Acquisitions through business combinations	41,802	—	22,583	261	924	23,768
Sale or disposal (Note)	(66,005)	(229,462)	—	(9,065)	(1,351)	(239,878)
Transfers	—	(373)	—	(507)	(19)	(899)
Exchange differences on translation of foreign operations	80,886	2,641	46,354	2,197	3,615	54,807
Balance as of March 31, 2026	891,517	113,948	513,356	108,166	62,721	798,191

Accumulated amortization, accumulated impairment losses

	Millions of yen					
	Goodwill	Intangible assets				Total
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	
Balance as of April 1, 2025	7,230	220,565	175,925	74,424	34,888	505,802
Amortization	—	4,523	24,798	9,371	2,261	40,953
Impairment losses	3,637	81	495	135	279	990
Sale or disposal (Note)	(10,505)	(140,446)	—	(5,696)	(618)	(146,760)
Transfers	—	(373)	—	(471)	(18)	(862)
Exchange differences on translation of foreign operations	123	2,403	14,253	1,422	2,334	20,412
Balance as of March 31, 2026	485	86,753	215,471	79,185	39,126	420,535

Note:

The sale or disposal includes the impact of the transfer of the business of our former consolidated subsidiary, Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation), and its subsidiaries.

Carrying amount

	Millions of yen					
	Goodwill	Intangible assets				Total
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	
Balance as of April 1, 2025	827,604	119,667	268,430	17,576	36,366	442,039
Balance as of March 31, 2026	891,032	27,195	297,885	28,981	23,595	377,656

There were no material internally generated assets in the fiscal years ended March 31, 2025 and 2026.

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. (currently Mitsubishi Chemical Corporation), in March 2010. The carrying amounts of these intangible assets were ¥3,871 million as of March 31, 2025 and ¥3,106 million as of March 31, 2026. The remaining amortization period was 3 years.

The carrying amounts of customer-related intangible assets of Taiyo Nippon Sanso Corporation (currently Nippon Sanso Holdings Corporation), which the Company acquired in

November 2014, were ¥15,138 million as of March 31, 2025, and ¥13,034 million as of March 31, 2026. The remaining amortization periods were 2 to 7 years.

The carrying amount of customer-related intangible assets of European businesses which Taiyo Nippon Sanso Corporation (currently Nippon Sanso Holdings Corporation) acquired in December 2018, held by Nippon Gases Euro Holdings Corporation, were ¥189,333 million as of March 31, 2025 and ¥208,900 million as of March 31, 2026. The remaining amortization period was mainly 22 years.

The carrying amount of intangible assets related to technology obtained through the Mitsubishi Chemical America, Inc. acquisition of Gelest, Inc. in October 2020, were ¥21,015 million as of March 31, 2025 and ¥20,485 million as of March 31, 2026. The remaining amortization period was mainly 9 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 17 Impairment Losses.

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 ¥15,218 million as of March 31, 2025 and ¥12,861 million as of March 31, 2026. The remaining amortization period was 2 years.

The carrying amount of software recognized by Mitsubishi Chemical Corporation in April 2025 in connection with the investment in "Mone-M", a system that integrated the core systems previously used in Japan by the former Mitsubishi Chemical Corporation, former Mitsubishi Rayon Co., Ltd. and former Mitsubishi Plastics, Inc. prior to their integration into Mitsubishi Chemical Corporation, was ¥11,526 million as of March 31, 2026. The remaining amortization period was 4 years.

The carrying amount of customer-related intangible assets obtained through the acquisition of Coregas Pty Ltd. and others by the Company's Australian subsidiary NSC (Australia) Pty Ltd. in July 2025, was ¥14,384 million as of March 31, 2026. The remaining amortization period was mainly 26 years.

### **3. Intangible Assets with Indefinite Useful Lives**

No material intangible assets with indefinite useful lives are recognized in the Consolidated Statement of Financial Position.

#### 4. Goodwill

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

Millions of yen

Reporting segments and Others	Cash-Generating Unit (Groups of Cash-Generating Units)	March 31, 2025	March 31, 2026
Specialty Materials	Carbon Fiber and Composite Materials	59,572	<b>66,955</b>
	High Performance Engineering Plastics	30,787	<b>38,004</b>
	Others	50,637	<b>48,199</b>
	Total	140,996	<b>153,158</b>
MMA & Derivatives	MMA	36,813	<b>36,813</b>
	Others	11,722	<b>13,938</b>
	Total	48,535	<b>50,751</b>
Basic Materials & Polymers	Others	3,337	<b>3,463</b>
Industrial Gases	Industrial Gases	578,680	<b>683,556</b>
Others (Note)	Others	56,056	<b>104</b>
Total		827,604	<b>891,032</b>

Note:

The "Others" segment comprises business segments that are not included in the reporting segments, mainly consisting of engineering, transportation, and warehousing operations. In addition, the "Others" segment includes goodwill related to discontinued operations of ¥55,927 million as of March 31, 2025.

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 their 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, 2025	March 31, 2026
Specialty Materials	Carbon Fiber and Composite Materials	7.2%	<b>8.6%</b>
	High Performance Engineering Plastics	7.2%	<b>8.6%</b>
MMA & Derivatives	MMA	5.9%	<b>7.2%</b>
Industrial Gases	Industrial Gases	5.9%	<b>7.2%</b>

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

## Note 16

### 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, 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:

- "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.
- 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

Fiscal year ended March 31, 2026

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, 2025	1,316,493	3,643,534	459,865	282,400	311,855	6,014,147
Acquisitions (Note 1)	61,011	197,308	28,920	6,456	47,810	341,505
Acquisitions through business combinations	3,573	14,931	20,632	2,779	4,519	46,434
Business transfer	(12,201)	(118)	(217)	(8,606)	—	(21,142)
Sale or disposal (Note 2)	(106,634)	(169,134)	(38,392)	(16,819)	(1,387)	(332,366)
Transfers (Note 3)	(1,110)	(22,479)	(1,658)	4,185	(27,659)	(48,721)
Exchange differences on translation of foreign operations	32,419	155,435	29,112	4,075	25,583	246,624
Balance as of March 31, 2026	1,293,551	3,819,477	498,262	274,470	360,721	6,246,481

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, 2025	857,804	2,782,221	306,597	16,647	46,431	4,009,700
Depreciation	43,634	158,396	26,945	1,229	—	230,204
Impairment losses	27,697	27,773	2,222	4,983	31,156	93,831
Business transfer	(8,535)	(118)	(202)	—	—	(8,855)
Sale or disposal (Note 2)	(72,546)	(157,420)	(34,609)	(3,735)	(314)	(268,624)
Transfers (Note 3)	(906)	(20,357)	(2,964)	(2,212)	(3,150)	(29,589)
Exchange differences on translation of foreign operations	16,339	92,908	11,607	(1,575)	3,905	123,184
Balance as of March 31, 2026	863,487	2,883,403	309,596	15,337	78,028	4,149,851

Notes:

- "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.
- The sale or disposal includes the impact of the transfer of the business of our former consolidated subsidiary, Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation), and its subsidiaries.
- 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, 2025	458,689	861,313	153,268	265,753	265,424	2,004,447
Balance as of March 31, 2026	430,064	936,074	188,666	259,133	282,693	2,096,630

Right-of-use assets increased ¥30,894 million and ¥30,351 million in the fiscal years ended March 31, 2025 and 2026, 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, 2025	As of March 31, 2026
Buildings and structures	70,971	59,695
Machinery and vehicles	34,262	44,035
Tools, furniture and fixtures	11,152	11,095
Land	6,310	5,703
Total	122,695	120,528

## Note 17

**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, 2025, and 2026, 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, 2025	Fiscal year ended March 31, 2026
Property, plant and equipment		
Buildings and structures	10,258	<b>27,697</b>
Machinery and vehicles	20,650	<b>27,773</b>
Tools, furniture and fixtures	881	<b>2,222</b>
Land	1,139	<b>4,983</b>
Construction in progress	43,995	<b>31,156</b>
Total of property, plant and equipment	76,923	<b>93,831</b>
Goodwill	4,496	<b>3,637</b>
Intangible assets (Note)	11,411	<b>990</b>
Total impairment losses	92,830	<b>98,458</b>

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

Fiscal year ended March 31, 2025

Property, plant and equipment and intangible assets

Use	Location (Principal location)	Category	Reporting segment	Millions of yen
				Impairment loss
Hydrogen production facility	Some business bases of Matheson Tri-Gas, Inc.(Alabama, U.S.)	Construction in progress	Industrial Gases	25,843
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
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
Coke production facilities	Mitsubishi Chemical Corporation Kagawa Plant (Sakaide City, Kagawa Prefecture)	Machinery and equipment, etc.	Basic Materials & Polymers	7,046
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
Carbon fiber production facilities	Mitsubishi Chemical Carbon Fiber and Composites, Inc. (U.S.) (California, U.S.)	Buildings, etc.	Specialty Materials	3,415
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

## Goodwill

Millions of yen

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
Goodwill concerning certain business bases of Cleanpart USA Inc.	Specialty Materials	358

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% is used for businesses currently in the start-up phase and a pre-tax discount rate of 13.9% 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.

Fiscal year ended March 31, 2026  
Property, plant and equipment and intangible assets

Millions of yen

Use	Location (Principal location)	Category	Reporting segment	Impairment loss
Soarnol production facilities	Mitsubishi Chemical UK Limited (Hull, U.K.)	Machinery and equipment, and construction in progress, etc.	Specialty Materials	30,251
Coke and carbon materials production facilities	Mitsubishi Chemical Corporation Kagawa Plant (Sakaide City, Kagawa Prefecture)	Machinery and equipment, and structures, etc.	Basic Materials & Polymers	16,300
Assets recognized through the recording of asset retirement obligations related to the subsea pipeline facilities	Mitsubishi Chemical Corporation Kanto Plant (Yokohama City, Kanagawa Prefecture)	Structures, etc.	Other	7,952
Plastic films production facilities, etc.	J-Film Corporation (Katori City, Chiba Prefecture, and other locations)	Land and buildings, etc.	Specialty Materials	6,089
MMA production facilities, etc.	Kaohsiung Monomer Company Limited (Kaohsiung City, Taiwan)	Machinery and equipment, etc.	MMA & Derivatives	5,465
Ethylene oxide and ethylene glycols production facilities	Mitsubishi Chemical Corporation Ibaraki Plant (Kamisu City, Ibaraki Prefecture) Tokai Plant (Yokkaichi City, Mie Prefecture)	Machinery and equipment, structures, etc.	Basic Materials & Polymers	5,154
Organic photoconductor production facilities	Business site of Vina MC Infonics Co., Ltd. (Phu Tho Province, Vietnam)	Machinery and equipment, etc.	Specialty Materials	4,408
Lithium-ion battery electrolyte production facilities	Mitsubishi Chemical America, Inc. (Tennessee, U.S.) Mitsubishi Chemical UK Limited (Stockton-On-Tees U.K.)	Buildings, etc.	Specialty Materials	4,103
Film coating production facilities	Shimane Nakai Industrial Co., Ltd. Shimane Factory (Masuda City, Shimane Prefecture) Nakai-Techno Plant (Kusatsu City, Shiga Prefecture)	Buildings, etc.	Specialty Materials	2,484

Goodwill

Millions of yen

Main contents	Reporting segment	Impairment loss
Goodwill related to the film coating business of Nakai Industrial Co., Ltd.	Specialty Materials	2,329

- Soarnol production facilities of Mitsubishi Chemical UK Limited  
To meet growing global demand for "Soarnol," an ethylene-vinyl alcohol copolymer resin developed using the MCG Group's proprietary technology, featuring high gas barrier properties, oil resistance and transparency, the MCG Group has been making capital investments in the U.K. to expand production capacity by 21,000 tons per year. However, because this investment involved special construction work with numerous design and construction constraints, contract and management structures became complex, resulting in delays in various stages of the construction and additional safety assessments. Combined

with the soaring costs of materials and labor driven by the recent global inflation, construction-related expenses have exceeded the initial plan and the overall construction schedule has been delayed as the MCG Group refined design work and conducted on-site cost reviews. In light of the cost overruns and schedule delays from the original plan, the MCG Group decided to increase the investment amount.

As a result, since profitability is expected to decline due to the increase in the investment amount, the carrying amount of the manufacturing facilities was reduced to the recoverable amount of ¥33,237 million, and an impairment loss of ¥30,251 million (including ¥3,020 million for machinery and equipment, ¥26,503 million for construction in progress, and ¥728 million for others) was recorded.

The recoverable amount is measured at value in use. The discount rate used in calculating the value in use is a pre-tax discount rate of 9.6%, based on the weighted average cost of capital of the relevant cash-generating unit.

2. **Coke and carbon materials production facilities of Mitsubishi Chemical Corporation**  
The MCG Group decided to withdraw from the coke and carbon materials (needle coke, pitch coke) product group (hereinafter referred to as "the Product Group") of Mitsubishi Chemical Corporation after comprehensively reviewing the medium-to-long-term positioning of this Product Group within its overall business portfolio. As a result, since the investment is no longer expected to be recoverable, the carrying amount of the relevant manufacturing facilities was written down in full, and an impairment loss of ¥16,300 million (including ¥9,173 million for machinery and equipment, ¥3,279 million for structures, ¥1,815 million for buildings, ¥1,126 million for construction in progress and ¥907 million for others) was recorded.

The MCG Group bases the recoverable amount on value in use.

3. **Assets recognized through the recording of asset retirement obligations related to the subsea pipeline facilities of Mitsubishi Chemical Corporation**  
With respect to the asset recognized through the recording of asset retirement obligations related to the subsea pipelines in the Tsurumi area of Mitsubishi Chemical Corporation's Kanto Plant, it became more probable during the fiscal year ended March 31, 2026 that expenditures for restoration obligations will be incurred.

Consequently, while the MCG Group recorded asset retirement obligations and added the corresponding asset retirement costs to the carrying amount of the property, plant and equipment, these subsea pipelines have been decommissioned and are not expected to resume operation. Therefore, the carrying amount including such additional costs was reduced in full, and an impairment loss of ¥7,952 million (including ¥7,952 million for structures) was recorded.

The MCG Group bases the recoverable amount on value in use.

4. **Plastic films production facilities, etc. of J-Film Corporation**  
As part of its portfolio reform, the MCG Group decided to transfer all shares of J-Film Corporation, a consolidated subsidiary of the MCG Group. In connection with the reclassification to assets held for sale based on such decision, a loss on the difference between the fair value less costs to disposal and the carrying amount was recorded. The carrying amount of J-Film Corporation's non-current assets, including its facilities, was reduced to the recoverable amount of ¥3,515 million, and an impairment loss of ¥6,089 million (including ¥2,336 million for land, ¥2,049 million for buildings, and ¥1,704 million for others) was recorded.

The recoverable amount is measured at fair value less costs of disposal. The fair value is based on the estimated selling price of the shares of J-Film Corporation, and the fair value hierarchy is Level 3.

5. **MMA production facilities, etc. of Kaohsiung Monomer Company Limited**  
In light of the increasingly competitive business environment for MMA, particularly in the Asia region, driven by large-scale capacity expansions in China, the MCG Group decided to transfer all shares of its equity interest in Kaohsiung Monomer Company Limited, a consolidated subsidiary of the MCG Group. In connection with the reclassification to assets held for sale based on such decision, a loss on the difference between the fair value less costs to disposal and the carrying amount was recorded. The carrying amount of the non-current assets of Kaohsiung Monomer Company Limited, including its facilities, was fully reduced, and an impairment loss of ¥5,465 million (including ¥5,351 million for machinery and equipment, ¥33 million for construction in progress, and ¥81 million for patents, etc.)

was recorded. In addition, an estimated loss of ¥840 million in excess of the carrying amount of the non-current assets was recorded as a provision for loss on business liquidation.

The fair value is based on the estimated selling price of the shares of Kaohsiung Monomer Company, and the fair value hierarchy is Level 3.

6. Ethylene oxide and ethylene glycols production facilities of Mitsubishi Chemical Corporation  
The profitability of ethylene oxide and ethylene glycols business has been deteriorating due to changes in the business environment, and the MCG Group concluded that the profitability is unlikely to improve in the future. Accordingly, the carrying amount of the relevant production facilities was written down in full, and an impairment loss of ¥5,154 million (including ¥2,595 million for machinery and equipment, ¥2,210 million for structures, and ¥349 million for others) was recorded.

The recoverable amount is measured at value in use. The discount rate used in calculating the value in use is a pre-tax discount rate of 8.2%, based on the weighted average cost of capital of the relevant cash-generating unit.

7. Production facilities for the organic photoconductor business of Vina MC Infonics Co., Ltd.  
The MCG Group concluded that the profitability of the organic photoconductor business is unlikely to improve in the future as it has been deteriorating due to changes in the business environment, and therefore decided to close the business site of Vina MC Infonics Co., Ltd.. Accordingly, since the investment is no longer expected to be recoverable, the carrying amount of the production facilities of Vina MC Infonics Co., Ltd. was written down in full, and an impairment loss of ¥4,408 million (including ¥4,101 million for machinery and equipment and ¥307 million for others) was recorded.

The MCG Group bases the recoverable amount on value in use.

8. Lithium-ion battery electrolyte production facilities of Mitsubishi Chemical America, Inc. and Mitsubishi Chemical UK Limited  
The MCG Group's electrolytes for lithium-ion batteries offer high output performance by minimizing side reactions at electrodes through proprietary additive technology, and have been widely adopted for automotive applications due to their excellent durability and high safety. The MCG Group also licenses this technology to battery manufacturers. The MCG Group has expanded its production capacity in line with growing demand for xEVs (electric vehicles) with production sites in four countries across the globe. However, it has decided to transfer its production sites in the U.S. and the U.K. and to promote business development through strategic alliances with manufacturing and sales partners. For business operations in the European and U.S. markets, the MCG Group will transition to a new business model centered on licensing in order to capture medium- to long-term market expansion. In connection with the transfer of these production sites, the carrying amount of the lithium-ion battery electrolyte production facilities was reduced to the recoverable amount of ¥3,068 million, and an impairment loss of ¥4,103 million (including ¥1,937 million for buildings, ¥1,257 million for machinery and equipment, ¥907 million for construction in progress, and others) was recorded.

The recoverable amount is measured at fair value less costs of disposal. The fair value less costs of disposal is the estimated selling price, or is zero for assets that are difficult to sell. The fair value hierarchy is Level 3.

9. Film coating production facilities of Nakai Industrial Co., Ltd. and Shimane Nakai Industrial Co., Ltd. and goodwill related to their businesses

As part of its portfolio reform, the MCG Group decided to transfer all shares of Nakai Industrial Co., Ltd., a consolidated subsidiary of the MCG Group. In connection with the reclassification to assets held for sale based on such decision, a loss on the difference between the fair value less costs of disposal and the carrying amount was recorded. The carrying amount of Nakai Industrial Co., Ltd.'s non-current assets, including the facilities, of Nakai Industrial Co., Ltd. and its subsidiary, Shimane Nakai Industrial Co., Ltd., was fully reduced, and an impairment loss of ¥4,813 million (including ¥2,329 million for goodwill, ¥1,681 million for buildings, and ¥803 million for others) was recorded. In addition, an estimated loss of ¥257 million in excess of the carrying amount of the non-current assets was recorded as a provision for loss on business liquidation.

The fair value is based on the estimated selling price of the shares of Nakai Industrial Co., Ltd., and the fair value hierarchy is Level 3.

## Note 18

### 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, 2025	As of March 31, 2026
Carrying amounts of investments in joint ventures	77,026	<b>59,931</b>

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, 2025	Fiscal year ended March 31, 2026
Share of profit from continuing operations using equity method (Note)	4,223	<b>(4,110)</b>
Share of profit from discontinued operations using equity method	231	<b>83</b>
Share of other comprehensive income using equity method	(1,851)	<b>739</b>
Share of total shareholders' equity in total comprehensive income	2,603	<b>(3,288)</b>

Note:

For the fiscal year ended March 31, 2026, the share of profit from continuing operations using equity method includes a share of loss of associates and joint ventures incurred in connection with the business structure reform of PTT MCC Biochem Company Limited, an equity-method affiliate of the MCG Group.

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Carrying amounts of investments in associates	89,727	<b>90,465</b>

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, 2025	Fiscal year ended March 31, 2026
Share of profit from continuing operations using equity method	3,613	<b>1,855</b>
Share of other comprehensive income using equity method	4,203	<b>556</b>
Share of total shareholders' equity in total comprehensive income	7,816	<b>2,411</b>

## Note 19

### Other Financial Assets

The breakdown of other financial assets is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Stocks and investments	151,834	<b>106,478</b>
Accounts receivable	45,292	<b>38,414</b>
Lease receivable	17,523	<b>14,557</b>
Time deposits	11,778	<b>46,999</b>
Derivatives	5,699	<b>8,359</b>
Other	39,415	<b>34,259</b>
Allowance for doubtful accounts	(1,793)	<b>(1,793)</b>
Total	269,748	<b>247,273</b>
Current assets	66,103	<b>94,504</b>
Non-current assets	203,645	<b>152,769</b>
Total	269,748	<b>247,273</b>

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 in the fiscal year ended March 31, 2025 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, 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 of March 31, 2026

Company name	Millions of yen
PHC Holdings Corporation	<b>13,392</b>
Tosoh Corporation	<b>4,164</b>
KOATSU GAS KOGYO CO., LTD.	<b>3,780</b>
MITSUBISHI GAS CHEMICAL COMPANY, INC.	<b>3,032</b>
Mitsubishi Research Institute, Inc.	<b>2,911</b>
KOIKE SANSO KOGYO CO., LTD.	<b>2,110</b>
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	<b>2,025</b>
Mitsubishi Electric Corporation	<b>1,960</b>
NAGANO KEIKI CO., LTD.	<b>1,901</b>
Toho Acetylene Co., Ltd.	<b>1,518</b>

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 and Industrial Gases product segments.

Investments in Chemicals -related stocks were ¥73,057 million as of March 31, 2025, and ¥41,551 million as of March 31, 2026. Investments in Industrial Gases-related stocks amounted to ¥9,879 million as of March 31, 2025, and ¥11,047 million as of March 31, 2026.

The MCG Group held stocks related to the Health Care-related stocks with a balance of ¥11,266 million as of March 31, 2025, However, it no longer held such stocks as of March 31, 2026.

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, 2025	Fiscal year ended March 31, 2026
Fair value	11,554	<b>15,724</b>
Cumulative gains or losses	7,193	<b>11,090</b>

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, 2025	Fiscal year ended March 31, 2026
Derecognized financial assets	168	<b>174</b>
Financial assets held at year-end	3,363	<b>2,779</b>

## Note 20

### Other Assets

The breakdown of other assets is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Prepaid expenses	38,641	32,470
Consumption taxes receivable	18,460	20,967
Contract asset (Note)	35,452	19,260
Advance payment	18,367	11,866
Net defined benefit assets	56,364	11,538
Accrued income tax	17,246	9,113
Other	14,767	14,422
Total	199,297	119,636
Current assets	128,973	95,050
Non-current assets	70,324	24,586
Total	199,297	119,636

Note: See Note 8 Sales Revenue for details.

## Note 21

### Inventory

The breakdown of inventory is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Finished goods	437,371	356,467
Raw materials and supplies	230,463	220,901
Work in process	91,589	91,758
Total	759,423	669,126

Inventories measured at net realizable value as of March 31, 2025 and 2026 were ¥69,883 million and ¥78,010 million, respectively.

In the fiscal years ended March 31, 2025 and 2026, write-downs of inventories recognized as expenses were ¥9,721 million and ¥10,819 million, respectively.

## Note 22

### Trade Receivables

The breakdown of trade receivables is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Accounts receivable	777,561	685,379
Allowance for doubtful accounts	(12,747)	(13,467)
Total	764,814	671,912

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

## Note 23

### Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Cash and deposits	301,412	269,840
Short-term investments	24,732	257,264
Total	326,144	527,104

## Note 24

**Assets Held for Sale** The breakdowns of assets held for sale and liabilities directly associated with those assets are as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
<b>Assets held for sale:</b>		
Cash and cash equivalents	10	<b>3,140</b>
Trade receivables	152	<b>2,102</b>
Inventories	704	<b>3,379</b>
Property, plant and equipment	12,870	<b>5,531</b>
Other financial assets	2,325	<b>21,656</b>
Others	42	<b>1,743</b>
<b>Total</b>	<b>16,103</b>	<b>37,551</b>
<b>Liabilities directly associated with assets held for sale:</b>		
Trade payables	27	<b>2,801</b>
Other financial liabilities	501	<b>926</b>
Provisions	—	<b>3,712</b>
Others	217	<b>2,789</b>
<b>Total</b>	<b>745</b>	<b>10,228</b>

Fiscal year ended March 31, 2025

Assets held for sale and liabilities directly associated with those assets as of March 31, 2025, primarily comprised the following.

- (1) 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.

Fiscal year ended March 31, 2026

Assets held for sale and liabilities directly associated with those assets as of March 31, 2026 primarily comprised the following.

- (1) Related to Kaohsiung Monomer Company Limited, a consolidated subsidiary in the MMA & Derivatives segment

In light of the increasingly competitive business environment for MMA, particularly in the Asia region, driven by large-scale capacity expansions in China, the MCG Group entered into an agreement to transfer all shares of its equity interests in Kaohsiung Monomer Company Limited in March 2026. Accordingly, the assets and liabilities held by the subsidiary were classified as held for sale.

In connection with this, such assets and liabilities are measured at fair value less costs of disposal. The fair value is based on the estimated selling price of the shares of Kaohsiung Monomer Company Limited, and the fair value hierarchy is Level 3. In addition, in connection with the reclassification to assets held for sale, a loss on the difference between the fair value less costs of disposal and the carrying amount was recorded, which is included in other operating expenses. See Note 17 Impairment Losses for details of impairment losses.

Kaohsiung Monomer Company Limited is expected to be excluded from the scope of consolidation of the MCG Group by August 2026.

(2) Cross-shareholdings held by the MCG Group

The MCG Group continuously reviews the significance of its cross-shareholdings. As a result of such review, shares for which the significance of holding was determined to be limited and which are scheduled to be sold within one year from the end of the fiscal year ended March 31, 2026 have been classified as held for sale. These shares primarily consist of the shares of CHIMEI Corporation held by the MCG Group, which are measured at fair value less costs of disposal. Such fair value is based on the estimated selling price of the shares of CHIMEI Corporation, and the fair value hierarchy is Level 3.

The sale of the shares of CHIMEI Corporation was completed in May 2026.

As of March 31, 2026, other components of equity related to assets held for sale were ¥7,842 million.

## Note 25

### Capital

#### 1. Common Stock and Treasury Stock

Number of shares authorized and issued is as follows:

	Thousands of shares	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Number of shares authorized	6,000,000	<b>6,000,000</b>
Number of shares issued:		
At the beginning of the period	1,506,288	<b>1,506,288</b>
Increase (decrease)	—	<b>(64,821)</b>
At the end of the period	1,506,288	<b>1,441,467</b>

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, 2025	Fiscal year ended March 31, 2026
At the beginning of the period	83,705	<b>83,102</b>
Increase (Note 1)	30	<b>64,854</b>
Decrease (Note 2)	(633)	<b>(65,036)</b>
At the end of the period (Note 3)	83,102	<b>82,920</b>

Notes:

- The increase in the number of treasury stock in the fiscal year ended March 31, 2025 was due to the purchase of shares of less than one unit.  
The increase in the number of treasury stock in the fiscal year ended March 31, 2026 was due to the acquisition of 64,821 thousand treasury shares, the purchase of 28 thousand shares of less than one unit, and the acquisition without consideration of 5 thousand shares related to restricted stock compensation.
- The decrease in the number of shares of treasury stock in the fiscal year ended March 31, 2025, was due to grants of 319 thousand shares from the Board Incentive Plan trust (including grants of shares under the restricted stock compensation plan), the grants of 158 thousand shares under performance-linked stock compensation plan, payments of 155 thousand shares through the exercise of stock options, and the sale of 1 thousand shares of less than one unit.  
The decrease in the number of shares of treasury stock in the fiscal year ended March 31, 2026, was due to the cancellation of 64,821 thousand treasury shares, grants of 180 thousand shares from the Board Incentive Plan trust (including grants of shares under the restricted stock compensation plan and the performance-linked stock compensation plan), payments of 34 thousand shares through the exercise of stock options, and the sale of 1 thousand shares of less than one unit.
- Company stocks held by the Board Incentive Plan trust are included.  
As of March 31, 2025: 1,670 thousand shares and as of March 31, 2026: 1,490 thousand 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.

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 26

### Dividends

Dividends paid to shareholders are as follows:

#### 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).

#### Fiscal year ended March 31, 2026

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Entitlement date	Effective date
May 20, 2025	Board of Directors	Common stock	22,798	16	March 31, 2025	June 4, 2025
October 31, 2025	Board of Directors	Common stock	21,761	16	September 30, 2025	December 2, 2025

Note:

Total dividends from a resolution of the Board of Directors on May 20, 2025, and October 31, 2025, included ¥26 million and ¥24 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, 2026, with an effective date in the following fiscal year are as follows:

Fiscal year ended March 31, 2026

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, 2026	Board of Directors	Common stock	21,761	Retained earnings	16	March 31, 2026	June 3, 2026

Note:

Total dividends included ¥24 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 27**

**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, 2025	Fiscal year ended March 31, 2026
Net gain (loss) on revaluation of financial assets measured at fair value:		
Amounts arising during period	(9,753)	241
Tax effects	1,935	(645)
Net amount	(7,818)	(404)
Remeasurements of defined benefit plans:		
Amounts arising during period	9,080	9,096
Tax effects	(2,989)	(2,661)
Net amount	6,091	6,435
Exchange differences on translation of foreign operations:		
Amounts arising during period	(13,613)	181,584
Reclassification adjustments	(8,227)	(24,797)
Tax effects	(5,842)	7,476
Net amount	(27,682)	164,263
Net gain (loss) on derivatives designated as cash flow hedges:		
Amounts arising during period	531	2,558
Reclassification adjustments	(1,927)	(644)
Tax effects	281	(23)
Net amount	(1,115)	1,891
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method:		
Amounts arising during period	2,352	1,315
Reclassification adjustments	—	(20)
Net amount	2,352	1,295
Total other comprehensive income	(28,172)	173,480

**Share-based Payment**

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

**1. Stock Option Plan**

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

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

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

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

(2) Changes in the Number of Stock Options

	Fiscal year ended March 31, 2025	Thousands of shares Fiscal year ended March 31, 2026
Outstanding at the beginning of the period	343	187
Exercised	(156)	(34)
Outstanding at the end of the period	187	153
Exercisable at the end of the period	142	125

Note: No shares were granted or forfeited in the fiscal years ended March 31, 2025, or 2026.

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

The weighted average share prices for exercised stock options were ¥832.4 and ¥798.8 in the fiscal years ended March 31, 2025 and 2026, respectively.

The weighted average remaining contractual years of stock options outstanding at year-end were 4.7 years and 3.0 years as of March 31, 2025 and 2026, 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. In addition, certain subsidiaries introduced the plan for their executive directors, etc. from the fiscal year ended March 31, 2026.

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.

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, 2025	Fiscal year ended March 31, 2026
Number of points granted during the period (thousands of shares)	306	141
Weighted average fair value of points (yen)	907.4	663.6

#### (3) Share-Based Compensation Expenses

Expenses related to this plan were ¥275 million and ¥94 million in the fiscal years ended March 31, 2025 and 2026, 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. In addition, certain subsidiaries introduced the PSU system for their executive directors, etc. in the fiscal year ended March 31, 2026. The system assesses the Company's total shareholder return (TSR) over three years to determine whether or not to grant shares and, in case it is determined to grant shares, the number of shares to grant. Based on comparison with the growth rate of the JPX-Nikkei Index 400 (including dividends) and comparison with the TSR of the peer group, which includes the domestic and overseas chemical and health companies with similar sales volume and market capitalization, the TSR is evaluated to determine the calculation factor ranging between 0% and 200%. In case it is determined to grant shares, the Company determines the number of shares to deliver to eligible individuals by using the above calculation factor multiplied by the base number of shares according to the office title. An executive officer is required to continuously hold one of the positions of corporate executive officer or executive officer for the target period of three years to qualify. A corporate executive officer or executive officer resigning for a legitimate reason during this time will receive a payment based on the share price in the month preceding the resignation date and the duration of service.

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

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

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Number of standard shares granted during period (thousands of shares) (Note)	145	245
Weighted average fair value per standard share (yen)	892.2	608.9

Note:

The standard number of shares for the fiscal years ended March 31, 2025 and 2026, included 97 thousand shares and 29 thousand 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, 2025	Fiscal year ended March 31, 2026
Share price on grant date	¥896.4, etc.	¥671.8, etc.
Expected dividend rate	3.570%	4.763%
Initial share price	¥896.1	¥780.3
Volatility (Note)	24.151%	24.384%
Risk-free interest rate	0.318%	0.741%

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 ¥62 million and ¥110 million, respectively, in the fiscal years ended March 31, 2025 and 2026. The expenses were presented within Selling, general and administrative expenses in the Consolidated Statement of Income.

## Note 29

**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.

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

	Millions of yen	
	As of March 31, 2025	<b>As of March 31, 2026</b>
Present value of the defined benefit obligation	350,222	<b>241,997</b>
Fair value of the plan assets	(314,684)	<b>(172,987)</b>
Effect of asset ceiling	7,148	<b>14,835</b>
Net defined benefit liabilities	42,686	<b>83,845</b>
Retirement benefit liabilities	99,050	<b>95,383</b>
Retirement benefit assets	(56,364)	<b>(11,538)</b>
Net defined benefit liabilities	42,686	<b>83,845</b>

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, 2025	<b>Fiscal year ended March 31, 2026</b>
Current service cost	11,700	<b>8,639</b>
Prior service cost	511	<b>130</b>
Interest expense	6,373	<b>6,707</b>
Interest income	(5,576)	<b>(5,053)</b>
Profit or loss on revision of retirement benefit plan	(14)	—
Total	12,994	<b>10,423</b>

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

	Millions of yen	
	Fiscal year ended March 31, 2025	<b>Fiscal year ended March 31, 2026</b>
Outstanding at the beginning of the period	387,763	<b>350,222</b>
Current service cost	11,700	<b>8,639</b>
Interest expense	6,373	<b>6,707</b>
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	461	<b>(365)</b>
Actuarial gains and losses arising from changes in financial assumptions	(15,151)	<b>(10,574)</b>
Other	(6,464)	<b>7</b>
Benefits paid	(32,072)	<b>(28,229)</b>
Prior service cost	511	<b>130</b>
Impact of business combinations and disposals (Note)	(1,923)	<b>(94,370)</b>
Exchange differences on translation of foreign operations	(976)	<b>9,830</b>
Outstanding at the end of the period	350,222	<b>241,997</b>

Note:

During the fiscal year ended March 31, 2026, the present value of the defined benefit obligation decreased by ¥92,065 million due to the transfer of the businesses of Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation), which had been a consolidated subsidiary of the Company, and its subsidiaries, etc.

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

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Outstanding at the beginning of the period	341,215	<b>314,684</b>
Interest income	5,587	<b>5,169</b>
Remeasurements:		
Return on plan assets	(6,210)	<b>5,735</b>
Contributions by the employer	4,196	<b>3,133</b>
Benefits paid	(27,122)	<b>(20,652)</b>
Impact of business combinations and disposals (Note)	(2,096)	<b>(140,739)</b>
Exchange differences on translation of foreign operations	(886)	<b>5,657</b>
Outstanding at the end of the period	314,684	<b>172,987</b>

Note:

During the fiscal year ended March 31, 2026, the fair value of plan assets decreased by ¥137,702 million due to the transfer of the businesses of Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation), which had been a consolidated subsidiary of the Company, and its subsidiaries, etc.

Changes in the effect of asset ceiling are as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Outstanding at the beginning of the period	1,273	<b>7,148</b>
Restriction on interest income	11	<b>116</b>
Remeasurement		
Changes in the effect of asset ceiling (Note)	5,864	<b>7,571</b>
Outstanding at the end of the period	7,148	<b>14,835</b>

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, 2025	As of March 31, 2026
Discount rate	2.32%	<b>3.29%</b>

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, 2025 and 2026 would be as follows. This sensitivity analysis assumes that all actuarial assumptions other than that subject to analysis are held constant.

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Increase by 0.5%	(14,016)	<b>(9,691)</b>
Decrease by 0.5%	15,117	<b>10,514</b>

The fair value of plan assets are as follows:

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
<b>Total</b>	<b>18,737</b>	<b>295,947</b>	<b>314,684</b>

As of March 31, 2026

			Millions of yen
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
Cash and cash equivalents	<b>3,582</b>	—	<b>3,582</b>
Equity financial assets			
Domestic equities	<b>1,709</b>	—	<b>1,709</b>
Foreign equities	<b>1,139</b>	—	<b>1,139</b>
Other	—	<b>26,725</b>	<b>26,725</b>
Debt instruments			
Domestic bonds	—	—	—
Foreign bonds	<b>3,022</b>	—	<b>3,022</b>
Other	—	<b>34,114</b>	<b>34,114</b>
General accounts of life insurance companies	—	<b>95,076</b>	<b>95,076</b>
Other	—	<b>7,620</b>	<b>7,620</b>
<b>Total</b>	<b>9,452</b>	<b>163,535</b>	<b>172,987</b>

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, 2027 are ¥3,373 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, 2025 and 2026 were 9.9 years and 10.0 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, 2025	Fiscal year ended March 31, 2026
Defined contribution plan cost	16,687	<b>16,568</b>
Public plan cost	25,503	<b>21,949</b>

### Note 30

#### Provisions

The breakdowns and schedule of provisions are as follows:

Fiscal year ended March 31, 2025

	Millions of yen					
	Asset retirement obligations	Provision for litigation	Provision for restructuring costs (Note 1)	Provision for sales rebates related to pharmaceuticals	Other	Total
As of April 1, 2024	16,940	9,167	14,546	15,664	11,312	67,629
Arising during the year	1,226	4	770	39,470	26,790	68,260
Interest cost associated with passage of time	583	9	220	—	—	812
Utilized	(700)	(969)	(5,149)	(32,054)	(20,894)	(59,766)
Unused amounts reversed	(434)	(706)	(1,838)	(7,262)	(865)	(11,105)
Exchange differences on translation of foreign operations	(220)	(8)	(84)	(273)	(56)	(641)
Other	(1,986)	(1)	165	—	20	(1,802)
As of March 31, 2025	15,409	7,496	8,630	15,545	16,307	63,387
Current liabilities	534	820	8,468	15,545	12,860	38,227
Non-current liabilities	14,875	6,676	162	—	3,447	25,160
Total	15,409	7,496	8,630	15,545	16,307	63,387

Fiscal year ended March 31, 2026

	Millions of yen					
	Asset retirement obligations	Provision for litigation	Provision for restructuring costs (Note 1)	Provision for sales rebates related to pharmaceuticals	Other	Total
As of April 1, 2025	15,409	7,496	8,630	15,545	16,307	63,387
Arising during the year	10,065	—	66,773	7,911	20,376	105,125
Interest cost associated with passage of time	65	—	—	—	—	65
Utilized	(154)	(1,031)	(3,144)	(7,905)	(7,123)	(19,357)
Unused amounts reversed	(905)	—	(1,507)	—	(2,785)	(5,197)
Exchange differences on translation of foreign operations	576	108	543	(432)	399	1,194
Other (Note 2)	(1,447)	(6,573)	—	(15,119)	(5,702)	(28,841)
As of March 31, 2026	23,609	—	71,295	—	21,472	116,376
Current liabilities	462	—	9,231	—	16,148	25,841
Non-current liabilities	23,147	—	62,064	—	5,324	90,535
Total	23,609	—	71,295	—	21,472	116,376

Notes:

1. In the fiscal year ended March 31, 2026, the MCG Group newly recorded a provision for restructuring costs. Accordingly, of the amounts previously presented as a provision for loss on plant closure in the fiscal year ended March 31, 2025, amounts that should be aggregated as a provision for restructuring costs have been reclassified and presented as a provision for restructuring costs after a review of the presentation classification. As a result, ¥10,108 million previously presented as "Provision for loss on plant closure" in the balance as of March 31, 2025 in the fiscal year ended March 31, 2025 has been reclassified as "Provision for restructuring costs" of ¥8,630 million and "Others" of ¥1,478 million.
2. In the fiscal year ended March 31, 2026, "Other" includes the impact of the transfer of the businesses of Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation) and its subsidiaries, etc., which were formerly consolidated subsidiaries of the Company.

#### 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 restructuring costs

When the MCG Group has a detailed formal restructuring plan and has either commenced implementation of the plan or announced the plan to those affected by it, the MCG Group recognizes a provision for restructuring costs by reasonably estimating the costs related to the plan.

Expenses such as equipment removal costs and special retirement expenses of ¥59,683 were recorded based on the restructuring plan primarily at Mitsubishi Chemical Corporation, as a result of the decision to withdraw from the coke and carbon materials business. These costs are expected to be paid mainly after the cessation of production in the fiscal year ending March 31, 2028, but may be affected by the progress of the restructuring plan.

Equipment removal costs, which account for a major portion of the provision for restructuring costs, are calculated by estimating future removal costs per unit based on the weight, area, or number of units, etc. of the assets subject to removal, and multiplying them accordingly. Management believes that the principal assumptions used are reasonable, however, they may be affected by changes in uncertain future economic conditions. If the underlying circumstances change, the estimated provision amount may differ.

#### 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 31

### Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Short-term borrowings	255,741	<b>148,505</b>
Current portion of long-term borrowings	121,450	<b>111,739</b>
Current portion of bonds	45,000	<b>119,977</b>
Borrowings due to the transfer of trade receivables	2,870	<b>3,312</b>
Borrowings due to the transfer of trade receivables of subsidiaries	3,006	<b>3,531</b>
Bonds	562,223	<b>472,261</b>
Long-term borrowings	1,050,697	<b>1,031,196</b>
Total	2,040,987	<b>1,890,521</b>
Current liabilities	428,067	<b>387,064</b>
Non-current liabilities	1,612,920	<b>1,503,457</b>
Total	2,040,987	<b>1,890,521</b>

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, 2025 were 2.751% and 2.199%, respectively.

The average interest rates for short- and long-term borrowings as of March 31, 2026 were 2.560% and 2.201%, respectively.

Repayment terms for long-term borrowings are from 2026 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 due to the transfer of trade receivable of subsidiaries 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, 2025	As of March 31, 2026
1	17th unsecured bond	2015-2025	0.755%	10,000	—
1	20th unsecured bond	2015-2025	0.711%	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%	29,867	29,875
1	35th unsecured bond	2020-2025	0.190%	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%	29,855	29,863
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	16th unsecured bond	2019-2026	0.190%	9,987	9,996
2	17th unsecured bond	2019-2029	0.300%	19,952	19,962
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%	29,938	29,982
2	4th unsecured bond	2023-2028	0.599%	59,805	59,862
2	5th unsecured bond	2023-2033	1.052%	9,954	9,959
2	6th unsecured bond	2025-2030	1.355%	19,901	19,920
2	7th unsecured bond	2026-2031	1.933%	—	25,876
2	8th unsecured bond	2026-2033	2.166%	—	3,970
3	2nd series deferrable interest and callable unsecured subordinated bonds	2019-2059	1.870%	7,964	7,973
	<b>Total</b>			<b>607,223</b>	<b>592,238</b>

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, 2025	As of March 31, 2026
Buildings and structures	381	416
Machinery and vehicles	152	179
Land	636	649
Other	1,123	1,344
Total	2,292	2,588

Collateralized obligations

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Trade payables	35	115
Long-term borrowings	296	186
Total	331	301

## Note 32

### Changes in Liabilities Relating to Financing Activities

Changes in liabilities relating to financing activities are as follows:

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.

Fiscal year ended March 31, 2026

	Millions of yen				
	Short-term borrowings	Commercial paper	Long-term borrowings (Note)	Bonds (Note)	Lease liabilities (Note)
As of April 1, 2025	261,617	—	1,172,147	607,223	137,490
Cash flows	(121,718)	—	(81,086)	(15,305)	(32,588)
Changes from acquisition or loss of control over subsidiaries or other businesses	1,391	—	—	—	(12,896)
Changes owing to new leases and contract changes, etc.	—	—	—	—	32,452
Impact of foreign exchange rate fluctuations, etc.	14,058	—	51,874	320	6,896
As of March 31, 2026	155,348	—	1,142,935	592,238	131,354

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

## Note 33

### Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Accounts payable-other	139,906	148,798
Lease liabilities	137,490	131,354
Accrued expenses	130,787	128,508
Deposits	35,497	40,780
Other	43,156	29,317
Total	486,836	478,757
Current liabilities	351,480	344,290
Non-current liabilities	135,356	134,467
Total	486,836	478,757

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

## Note 34

### 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, 2025	Fiscal year ended March 31, 2026
Depreciation of right-of-use assets		
Underlying assets of land, buildings and structures	18,364	15,456
Underlying assets of machinery and vehicles	9,117	10,271
Underlying assets of tools, furniture and fixtures	2,810	2,893
Total	30,291	28,620
Expenses related to short-term leases	1,099	1,298
Expenses related to leases of low-value assets	9,529	8,953
Variable lease payments	132	75
Total cash outflows for leases	44,963	42,914

#### 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 35

**Other Liabilities** The breakdown of other liabilities is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Contract liability	46,877	61,563
Employees' bonuses	72,374	55,073
Employees' paid leave related obligations	40,236	36,642
Accrued consumption taxes	13,697	15,045
Long-term employee benefit obligations	5,645	7,670
Refund liabilities	9,026	6,158
Social insurance premiums received	2,668	3,342
Advances received (Note)	3,895	924
Other	60,432	71,614
Total	254,850	258,031
Current liabilities	217,563	221,856
Non-current liabilities	37,287	36,175
Total	254,850	258,031

Note:

Advances related to items other than sales revenue.

## Note 36

**Trade Payables** Trade payables are as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Accounts payable	424,635	383,664

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

## Note 37

### 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, 2025	As of or fiscal year ended March 31, 2026
Return on Equity (ROE) (Note 1)	2.6%	0.7%
Net D/E ratio (Note 2)	1.06	0.83

Notes:

- Net income attributable to owners of the parent / equity attributable to owners of the parent (averages of beginning and end of fiscal years)
- 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, 2025	Fiscal year ended March 31, 2026
Outstanding at the beginning of the period	16,678	<b>14,540</b>
Addition	3,270	<b>3,438</b>
Decrease (intended use)	(3,988)	<b>(2,784)</b>
Decrease (reversal)	(1,330)	<b>(1,173)</b>
Other	(90)	<b>1,239</b>
Outstanding at the end of the period	14,540	<b>15,260</b>

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 41 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, 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	—

As of March 31, 2026

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	383,664	383,664	383,664	—	—	—	—	—
Short-term borrowings	155,348	155,348	155,348	—	—	—	—	—
Bonds	592,238	593,000	120,000	25,000	92,000	70,000	51,000	235,000
Long-term borrowings	1,142,935	1,144,273	111,739	230,716	145,440	245,023	265,959	145,396
Lease obligations	131,354	143,917	30,718	26,239	21,890	17,400	12,940	34,730
Accounts payable-other	148,798	148,798	146,023	1,370	1,335	—	—	70
Accrued expenses	128,508	128,508	112,770	11,738	—	200	200	3,600
Others	64,816	64,816	56,938	4	3	2	5	7,864
Derivative liabilities:								
Foreign exchange forward contracts	13	13	13	—	—	—	—	—
Currency swaps	3,346	3,346	—	—	—	3,346	—	—
Interest rate and currency swaps	1,922	1,922	42	115	115	930	720	—

For financial guarantee agreements, maximum amounts based on performance requests are the outstanding guaranteed liabilities described in Note 41 Contingent Liabilities.

The total commitment line and borrowing balance is as follows:

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Total commitment line	76,569	78,363
Borrowing balance	1,495	459
Unused balance	75,074	77,904

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	As of March 31, 2026
Carrying amounts of financial liabilities that are part of supplier finance arrangements			
Trade payables	23,034	16,792	21,971
Amounts of the above for which suppliers have already received payments	(Note)	9,689	14,241

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

	As of April 1, 2024	As of March 31, 2025	As of March 31, 2026
Liabilities under supplier finance arrangements	(Note)	0 to 180 days after invoice issue date	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	0 to 120 days after invoice issue date

Note:

The MCG Group has 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 fiscal year ended March 31, 2025, which was 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 and the fiscal year ended March 31, 2026.

## 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, 2025	Fiscal year ended March 31, 2026
U.S. dollar (1% appreciation of yen)	(1,242)	(391)
Euro (1% appreciation of yen)	(92)	76

### **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, 2025	Fiscal year ended March 31, 2026
Income before taxes	(2,725)	(2,432)

### **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.

In the fiscal years ended March 31, 2025 and 2026, there were no significant transfers of financial instruments 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, 2025

	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
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
<b>Total</b>	<b>50,248</b>	<b>6,069</b>	<b>103,876</b>	<b>160,193</b>
<b>Liabilities</b>				
Derivatives	—	728	—	728
<b>Total</b>	<b>—</b>	<b>728</b>	<b>—</b>	<b>728</b>

As of March 31, 2026

	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Stocks and investments	<b>45,809</b>	<b>370</b>	<b>60,299</b>	<b>106,478</b>
Stocks and investments held for sale	—	—	<b>21,486</b>	<b>21,486</b>
Derivatives	—	<b>8,359</b>	—	<b>8,359</b>
<b>Total</b>	<b>45,809</b>	<b>8,729</b>	<b>81,785</b>	<b>136,323</b>
<b>Liabilities</b>				
Derivatives	—	<b>5,281</b>	—	<b>5,281</b>
<b>Total</b>	<b>—</b>	<b>5,281</b>	<b>—</b>	<b>5,281</b>

#### 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, 2025	Fiscal year ended March 31, 2026
Balance at beginning of period	109,149	<b>103,876</b>
Profit or loss (Note 1)	(6,529)	<b>(324)</b>
Other comprehensive income (Notes 2 and 3)	(567)	<b>(10,932)</b>
Purchase and share exchange acceptance	1,923	<b>2,784</b>
Sales or redemptions	(1,738)	<b>(1,978)</b>
Impact of changes in the scope of consolidation (Note 4)	(251)	<b>(12,005)</b>
Others	1,889	<b>364</b>
Balance at end of period	103,876	<b>81,785</b>

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. In the fiscal year ended March 31, 2026, shares of CHIMEI Corporation held by the MCG Group were classified as assets held for sale. The amount of decrease includes the effect of changes in the fair value of such shares.
4. In the fiscal year ended March 31, 2026, Mitsubishi Tanabe Pharma Corporation (currently Tanabe Pharma Corporation) and its subsidiaries, etc. were excluded from the scope of consolidation of the MCG Group. The amount of decrease includes the effect of such change in the scope of consolidation.

## (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, 2025

	Carrying amounts	Millions of yen			
		Fair value			Total
		Level 1	Level 2	Level 3	
<b>Liabilities:</b>					
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

As of March 31, 2026

	Carrying amounts	Millions of yen			
		Fair value			Total
		Level 1	Level 2	Level 3	
<b>Liabilities:</b>					
Long-term borrowings	<b>1,142,935</b>	—	<b>1,121,146</b>	—	<b>1,121,146</b>
Bonds	<b>592,238</b>	—	<b>531,206</b>	—	<b>531,206</b>
Total	<b>1,735,173</b>	—	<b>1,652,352</b>	—	<b>1,652,352</b>

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, 2025, and 2026, were ¥1,286 million and ¥1,464 million, respectively. The carrying amounts of borrowings for the same periods were ¥2,870 million and ¥3,312 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, 2025 and 2026, expenses arising from transfers of trade receivables that were derecognized in their entirety were ¥643 million and ¥722 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, 2025

	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
Millions of yen							
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	—

As of March 31, 2026

	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	2,756	2,756	—	—	—	—	—
Interest rate risk:							
Interest rate swaps	46,016	831	831	656	656	42,385	657
Interest rate and currency swaps	36,026	606	2,125	21,367	1,645	10,283	—
Others	6,889	6,889	—	—	—	—	—
Hedge of net investments in foreign operations							
Foreign exchange risk:							
Foreign currency-denominated borrowings	114,631	—	—	—	—	114,631	—
Currency swaps	23,532	—	—	—	23,532	—	—
Interest rate and currency swaps	7,648	—	—	—	7,648	—	—

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

	As of March 31, 2025	As of March 31, 2026
Cash flow hedges		
Foreign exchange risk:		
Foreign exchange forward contracts		
U.S. dollars	¥118.72-155.90	¥138.16-159.51
Euros	¥154.69-167.10	¥161.34-183.50
Interest rate risk		
Interest rate swaps		
Pay fixed rate, receive floating rate	0.94%–2.01%	1.96%–2.01%

Amounts for derivatives designated as hedges are as follows:

As of March 31, 2025

					Millions of yen
	Contract amount	Carrying amount		Items in Consolidated Statement of Financial Position	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness
		Assets	Liabilities		
<b>Cash flow hedges</b>					
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)
<b>Hedge of net investments in foreign operations</b>					
Foreign exchange risk:					
Foreign currency-denominated borrowings	101,300	—	101,300	Bonds and borrowings	725
Currency swaps	20,795	154	—	Other financial liabilities	154
Interest rate and currency swaps	6,759	50	—	Other financial liabilities	50

As of March 31, 2026

					Millions of yen
	Contract amount	Carrying amount		Items in Consolidated Statement of Financial Position	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness
		Assets	Liabilities		
<b>Cash flow hedges</b>					
Foreign exchange risk:					
Foreign exchange forward contracts	<b>2,756</b>	<b>188</b>	<b>8</b>	Other financial assets Other financial liabilities	<b>358</b>
Interest rate risk:					
Interest rate swaps	<b>46,016</b>	<b>4,670</b>	—	Other financial assets	<b>(753)</b>
Interest rate and currency swaps	<b>36,026</b>	<b>1,877</b>	<b>1,107</b>	Other financial assets Other financial liabilities	<b>850</b>
Others	<b>6,889</b>	<b>1,569</b>	—	Other financial assets	<b>1,352</b>
<b>Hedge of net investments in foreign operations</b>					
Foreign exchange risk:					
Foreign currency-denominated borrowings	<b>114,631</b>	—	<b>114,631</b>	Bonds and borrowings	<b>(13,331)</b>
Currency swaps	<b>23,532</b>	—	<b>2,583</b>	Other financial liabilities	<b>(2,737)</b>
Interest rate and currency swaps	<b>7,648</b>	—	<b>839</b>	Other financial liabilities	<b>(889)</b>

Amounts for items designated as hedges are as follows:

Millions of yen						
	As of March 31, 2025			As of March 31, 2026		
	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
<b>Cash flow hedges</b>						
Foreign exchange risk:						
Planned to purchase	(320)	(64)	—	(359)	113	—
Foreign currency-denominated debt and interest	2	(1)	—	1	—	—
Interest rate risk:						
Interest on borrowings	1,422	4,188	—	(97)	3,473	—
Others	258	87	—	(1,352)	592	—
<b>Hedge of net investments in foreign operations</b>						
Foreign exchange risk:						
Exchange rate fluctuations in net investments	(929)	—	(12,769)	16,957	—	(23,140)

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

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
<b>Cash flow hedges</b>					
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
<b>Hedge of net investments in foreign operations</b>					
Foreign exchange risk:					
Foreign currency-denominated borrowings	725	—	—	—	—
Currency swaps	154	—	—	—	—
Interest rate and currency swaps	50	—	—	—	—

Fiscal year ended March 31, 2026

	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	586	—	—	52	Financial income
Interest rate risk:					
Interest rate swaps	(885)	—	—	(914)	Financial expenses
Interest rate and currency swaps	(370)	—	—	—	—
Others	2,560	—	—	409	Cost of sales
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	(13,331)	—	—	—	—
Currency swaps	(2,737)	—	—	—	—
Interest rate and currency swaps	(889)	—	—	—	—

(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, 2025			As of March 31, 2026		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	11,792	—	46	13,549	122	50
Currency swaps	236	—	(0)	643	573	(0)
Interest rate swaps	191	—	3	—	—	—
Total	12,219	—	49	14,192	695	50

**Subsidiaries**

Subsidiaries with significant non-controlling interests in fiscal years ended March 31, 2025 and 2026 were as follows:

Name of subsidiary	Location	Percentage of non-controlling interest	
		As of March 31, 2025	As of March 31, 2026
NIPPON SANSO HOLDINGS CORPORATION	Japan, others	49.4%	<b>49.4%</b>

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, 2025	Fiscal year ended March 31, 2026
Net income attributable to non-controlling interests	50,898	64,217
Dividends paid to non-controlling interests	11,340	14,321

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Cumulative non-controlling interests amounts	499,030	<b>615,543</b>

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, 2025	As of March 31, 2026
Current assets	565,776	623,304
Non-current assets	1,900,181	2,184,952
Total	2,465,957	2,808,256
Current liabilities	395,285	503,586
Non-current liabilities	1,015,536	1,016,622
Total	1,410,821	1,520,208
Equity	1,055,136	1,288,048
Total	2,465,957	2,808,256

**Summary Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Sales revenue	1,308,024	1,359,611
Net income	99,317	125,858
Total comprehensive income	88,180	259,562

**Summary Consolidated Statements of Cash Flows**

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Cash flows from operating activities	235,147	272,594
Cash flows from investing activities	(142,926)	(202,776)
Cash flows from financing activities	(73,287)	(59,230)
Effect of exchange rate changes on cash and cash equivalents	(626)	10,049
Net increase (decrease) in cash and cash equivalents	18,308	20,637

**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.

	Millions of yen			
	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026	
	Joint venture	Associates	Joint venture	Associates
Sales of goods and services	35,908	36,287	<b>31,119</b>	<b>38,143</b>
Purchases of goods and services	29,372	46,831	<b>25,035</b>	<b>42,978</b>

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

	Millions of yen			
	As of March 31, 2025		As of March 31, 2026	
	Joint venture	Associates	Joint venture	Associates
<b>Receivables</b>				
Accounts receivable	4,407	10,606	<b>5,889</b>	<b>8,774</b>
Others	484	1,491	<b>521</b>	<b>995</b>
<b>Total</b>	<b>4,891</b>	<b>12,097</b>	<b>6,410</b>	<b>9,769</b>
<b>Obligations</b>				
Accounts payable	4,214	5,435	<b>3,729</b>	<b>4,876</b>
Others	117	110	<b>20</b>	<b>37</b>
<b>Total</b>	<b>4,331</b>	<b>5,545</b>	<b>3,749</b>	<b>4,913</b>

**2. Remuneration for key Group executives**

Remuneration for key Group executives is as follows:

	Millions of yen	
	Fiscal year ended March 31, 2025	Fiscal Year ended March 31, 2026
Remuneration and bonuses	1,334	<b>984</b>
Share-based compensation	258	<b>108</b>
<b>Total</b>	<b>1,592</b>	<b>1,092</b>

## Note 40

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2026
Acquisitions of property, plant and equipment and intangible assets	117,984	87,901

## Note 41

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**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, 2025	As of March 31, 2026
Joint ventures	4,500	136
Associates	583	495
General business partners	39	—
Others	649	543
Total	5,771	1,174

English Translation  
Independent Auditor's Report

June 22, 2026

The Board of Directors  
Mitsubishi Chemical Group Corporation

Ernst & Young ShinNihon LLC  
Tokyo, Japan

Noriaki Kenmochi  
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, 2026, 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, 2026, 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, including those applicable to audits of financial statements of public interest entities, 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.

<b>Valuation of goodwill with impairment test</b>	
<b>Description of key audit matter</b>	<b>Auditor's response</b>
<p>As of March 31, 2026, goodwill is valued at ¥891,032 million (15.2% of total assets) in the Consolidated Statement of Financial Position. As described in note 15 "Goodwill and Intangible Assets" 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 ¥683,556 million, Carbon fiber and composite materials in the amount of ¥66,955 million, and others in the amount of ¥140,521 million.</p> <p>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.</p> <p>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</p>	<p>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:</p> <ul style="list-style-type: none"> <li>■ Cash flow projections <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- 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</li> </ul> </li> </ul>

<p>the sales revenue forecasts and the market growth rates.</p> <p>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.</p> <p>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.</p>	<p>results in order to evaluate the reasonableness of such inputs.</p> <ul style="list-style-type: none"> <li>■ Discount rates <ul style="list-style-type: none"> <li>- 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.</li> </ul> </li> <li>■ Long-term growth rates over five years and responses to estimation uncertainty <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> </ul> </li> </ul>
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**Recognition of provision for restructuring costs related to withdrawal from coke and carbon materials business**

Description of key audit matter	Auditor’s response
<p>The Company has been pursuing business portfolio reform based on its “KAITEKI Vision 35” and “Medium-Term Management Plan 2029,” and evaluates its businesses against the following three criteria for business selection: “Consistent with Vision,” “Competitive advantage,” and “Potential for growth.” In the coke and carbon materials (hereinafter referred to as “the Product Group”) business at Mitsubishi Chemical Corporation, the Company has pursued measures to improve profitability. However, after comprehensively reviewing the medium-to-long-term positioning of the Product Group within its overall business portfolio, the Company consequently decided on a business withdrawal from the Product Group in February 2026. The Company expects to cease production in the fiscal year ending March 31, 2028 and plans to promptly proceed with the removal of equipment upon the termination of production.</p>	<p>We performed the following procedures to assess the appropriateness of the provision for restructuring costs related to the withdrawal from the coke and carbon materials business, among others:</p> <ul style="list-style-type: none"> <li>■ Recognition of provision for restructuring costs <ul style="list-style-type: none"> <li>- In order to evaluate whether a detailed and specific formal plan has been established, we reviewed management presentation materials submitted to the Executive Management Committee.</li> <li>- In order to evaluate whether a constructive obligation existed as of the end of the current fiscal year, we reviewed publicly available information such as press releases and presentation materials provided to employees.</li> </ul> </li> </ul>

<p>As described in note 30 “Provisions” to the consolidated financial statements, the Company recorded provision for restructuring costs of ¥71,295 million related to this business withdrawal, consisting primarily of equipment removal costs and special retirement expenses, based on the restructuring plan.</p> <p>The Company recognizes a provision for restructuring costs by reasonably estimating the costs related to the plan when it has a detailed formal plan for the restructuring and has either commenced implementation of the plan or announced its main features to those affected.</p> <p>The provision for restructuring costs primarily comprises equipment removal costs, which are calculated by estimating the expected future unit costs of equipment removal works for each relevant input, such as the weight, area, and number of units of the assets subject to removal, and multiplying those unit costs by the respective quantities.</p> <p>Prudent consideration is required regarding the timing of the recognition of a provision for restructuring costs as a constructive obligation. In addition, the provision for restructuring costs related to the withdrawal is material, and because there is a lengthy execution period involved in completing the restructuring plan, the estimates of the provision involve uncertainty. Therefore, we determined it to be a key audit matter.</p>	<p>■ Estimate of equipment removal costs</p> <ul style="list-style-type: none"> <li>- We obtained the schedule of the equipment removal costs, performed recalculations, and assessed the consistency with the fixed asset register of the relevant business.</li> <li>- With the involvement of the valuation specialists of our network firm, we made inquiries of the responsible department to understand the calculation methodology and the inputs, including the unit costs for equipment removal works as significant assumptions, and evaluated the reasonableness of these unit costs by comparing them with inflation-adjusted unit costs for similar past equipment removal works.</li> <li>- We evaluated the weight, area, number of units, and other key inputs of the assets subject to removal by conducting the site visit to relevant facilities and by agreeing them to supporting documentation.</li> </ul> <p>■ Estimate of special retirement expenses</p> <ul style="list-style-type: none"> <li>- We obtained the Company’s calculation schedules, assessed whether the calculation methodology was consistent with presentation materials provided to employees, and performed recalculations.</li> <li>- In order to evaluate the base figures for the special retirement expenses, we assessed the Company’s calculations for average salaries used in its estimation.</li> <li>- In order to understand the assumptions adopted by management, we made inquiries of the responsible department regarding the basis for the expected timing of retirements and the attrition rates.</li> </ul>
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## 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, 2026 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, 2026 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.

### **Notes to the Reader of Independent Auditor's Report:**

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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