MGC

Corporate Report 2021

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MITSUBISHI GAS CHEMICAL COMPANY, INC.

Consolidated Financial Summary

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
Fiscal year period: April 1 to March 31

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Operating results (Millions of yen)						
Net sales	¥451,033	452,217	467,979	534,443	529,570	593,502
Operating income	23,363	9,083	11,421	11,488	14,996	34,018
Ordinary income	36,394	26,116	27,651	30,804	42,000	45,432
Profit (loss) attributable to owners of parent	18,950	12,327	(7,793)	14,921	43,346	34,134
Equity in earnings of affiliates	17,873	20,532	19,045	20,466	27,895	16,683
Financial position (Millions of yen)						
Current assets	¥244,522	254,037	261,397	287,642	372,166	341,237
Total assets	577,045	595,250	613,908	657,838	790,784	739,582
Current liabilities	182,527	193,464	195,438	178,897	225,068	214,676
Net assets	288,257	292,111	294,895	323,858	422,851	423,135
Interest-bearing debt	182,679	185,185	182,644	204,489	215,614	181,427
Cash flows (Millions of yen)						
Operating activity cash flow	¥39,773	37,348	31,169	27,182	76,982	84,671
Investing activity cash flow	(24,626)	(37,274)	(30,818)	(29,883)	(23,531)	(31,922)
Financing activity cash flow	(1,849)	(9,876)	(14,356)	7,124	(25,005)	(47,335)
Total cash and cash equivalents at end of year	46,768	35,701	26,907	37,310	72,678	75,828
Per share data (Yen)						
Earnings per share (EPS)*1	¥83.85	54.56	(34.50)	66.07	191.94	153.85
Net assets per share *1	1,230.50	1,246.92	1,256.81	1,382.52	1,672.25	1,707.01
Ratios (%)						
Operating income margin	5.2	2.0	2.4	2.1	2.8	5.7
Return on equity (ROE)	6.9	4.4	(2.8)	5.0	12.6	9.0
Return on assets (ROA)	6.5	4.5	4.6	4.8	5.8	5.9
Return on invested capital (ROIC)	8.0	5.5	5.8	6.1	7.2	7.3
Equity ratio	48.2	47.3	46.2	47.5	47.8	51.0
Others (Millions of yen)						
Capital expenditure	¥35,400	42,423	30,982	25,409	22,226	30,512
Depreciation and amortization	28,950	27,763	23,096	23,528	23,770	26,705
Research and Development cost	16,380	17,449	15,332	16,122	16,873	18,936
Number of employees	4,979	5,216	5,323	5,445	8,254	8,176

*1 With and effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis. As a result, each amounts per share in the above table are calculated assuming that the reverse stock split had been conducted at the beginning of FY2010.

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020
Operating results (Millions of yen)						(Thousands of U.S. dollars)*2
Net sales	¥556,480	635,909	648,986	613,344	595,718	$5,380,887
Operating income	43,762	62,741	41,386	34,260	44,510	402,041
Ordinary income	62,430	80,711	69,199	31,116	50,240	453,798
Profit (loss) attributable to owners of parent	48,013	60,531	55,000	21,158	36,070	325,806
Equity in earnings of affiliates	21,125	18,277	28,408	(1,282)	5,162	46,626
Financial position (Millions of yen)						(Thousands of U.S. dollars)*2
Current assets	¥326,674	384,249	378,845	358,669	402,141	$3,632,382
Total assets	738,188	785,687	804,038	771,733	836,364	7,554,548
Current liabilities	188,426	206,835	188,420	163,574	167,947	1,516,999
Net assets	473,370	519,144	553,282	548,141	581,411	5,251,657
Interest-bearing debt	118,713	106,964	95,751	74,713	98,476	889,495
Cash flows (Millions of yen)						(Thousands of U.S. dollars)*2
Operating activity cash flow	¥82,711	90,720	64,042	74,234	55,464	$500,985
Investing activity cash flow	(31,119)	(33,614)	(42,761)	(33,922)	(40,370)	(364,646)
Financing activity cash flow	(60,217)	(33,038)	(31,396)	(49,563)	5,154	46,554
Total cash and cash equivalents at end of year	67,177	90,304	80,379	70,043	91,075	822,645
Per share data (Yen)						U.S. dollars*2
Earnings per share (EPS)*1	¥221.83	281.39	257.46	100.50	173.41	$1.57
Net assets per share *1	1,967.94	2,187.99	2,354.25	2,368.11	2,520.34	22.77
Ratios (%)						
Operating income margin	7.9	9.9	6.4	5.6	7.5	7.5
Return on equity (ROE)	12.0	13.6	11.3	4.3	7.1	7.1
Return on assets (ROA)	8.4	10.6	8.7	3.9	6.2	6.2
Return on invested capital (ROIC)	10.4	13.2	10.9	4.9	7.7	7.7
Equity ratio	57.5	59.5	62.6	63.8	62.7	62.7
Others (Millions of yen)						(Thousands of U.S. dollars)*2
Capital expenditure	¥35,010	30,959	39,279	42,389	40,282	$363,852
Depreciation and amortization	25,631	27,027	27,451	29,591	30,686	277,175
Research and Development cost	19,267	18,987	18,607	19,696	19,905	179,794
Number of employees	8,034	8,009	8,276	8,954	8,998	8,998

*2 U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥110.71= US$1 prevailing on March 31, 2021.

Management’s Discussion and Analysis

Results of Operations

1. Management Policies, Operating Environment and Challenges to Be Addressed

Forward-looking statements contained herein are based on MGC Group’s judgment as of March 31, 2021.

Fiscal 2020 was the final year of our previous medium-term management plan, MGC Advance2020. We regrettably failed to achieve the plan’s fiscal-2020 performance targets.

The shortfall was attributable to a combination of external and internal factors. The external ones included reduced demand for certain products due to the COVID-19 pandemic and declines in prices of general-use products, largely in response to US-China trade tensions and supply surpluses stemming from the rise of emerging market economies. The internal factors included structural maturation of our existing businesses and delays in launching and developing new businesses.

Among our core and semi-core businesses, those that provide products insensitive to market price volatility grew briskly. These businesses have maintained their respective competitive advantages while helping to solve societal problems. Their markets also continue to grow.

The economic outlook remains highly opaque with respect to the extent and duration of the pandemic’s impact on economic activity in Japan and globally. MGC will continue to monitor the pandemic’s impact on its business results.

A new Medium-Term Management Plan, “Grow UP 2023,” launched in fiscal 2021, set two new objectives in accord with the MGC Way, the new MGC Group philosophy: shift to a profit structure resilient to changes in the business environment and balance social and economic value. MGC is implementing a three-pronged strategy to achieve each objective.

The New Medium-Term Management Plan: Grow UP 2023

●Objective 1
Shifting to a Profit Structure Resilient to Environmental Changes: Business Portfolio Reforms

■Strategies
- Further strengthen competitively advantageous (“differentiating”) businesses
- Accelerate creation and development of new businesses
- Reevaluate and rebuild unprofitable businesses

To move forward with business portfolio reforms under the Plan, the MGC Group has reevaluated its business categories, classifying those businesses with both competitive advantage and growth potential as “differentiating businesses.” The MGC Group is developing a broad range of differentiating businesses to offer value to society. In chemicals and materials, these include Meta-xylenediamine (MXDA), MX-Nylon, aromatic aldehydes and polyacetal; specialty products include electronics chemicals, BT-related materials, optical polymers and ultra-high refractive lens monomers. The MGC Group will continue to focus management resources on these differentiating businesses, further strengthening profitability.

In addition, the Group will work to accelerate the creation and development of new businesses. Through revisions to its Research Promotion and Supervisory organization, the MGC Group is working to more flexibly draw out the capabilities of its human resources, while maintaining and expanding its existing businesses as a true R&D company and building an R&D system for creating innovation. At the same time, the Group will construct a system for responding to the needs of its customers and markets even more swiftly and precisely, striving to create value that leads to sustainable growth. The Group also plans to continue introducing new products by increasing its research personnel and making even more active investments in R&D.

In addition to these strategies, the MGC Group will also work to reevaluate and rebuild unprofitable businesses as it attempts to shift to a profit structure that is resilient to environmental changes. Specifically, by fiscal 2023, the Group aims to have more than 40% of overall sales come from differentiating businesses, and for unprofitable businesses or those needing rebuilding to represent less than 3% of total sales.

●Objective 2
Balance Social and Economic Value: Toward Sustainable Growth

■Strategies
- Solve social issues through business
- Harmonize shared-value creation and environmental protection
- Strengthen discipline and foundation supporting business activities

Three strategies will be executed with the goal of balancing social and economic value.
While last fiscal year MGC identified materiality--priority issues for management--in line with formulating a new medium-term management plan, it has also established new fiscal 2030 targets to allow the company to make steady progress in materiality management, and has set new key performance indicators (KPIs) for fiscal 2023 aimed at achieving those targets. Specifically, KPIs have been set for GHG emission reductions aimed at air quality control, and for investments and R&D expenditures aimed at solving energy and climate change-related problems. MGC will tie this kind of materiality management to sustainable growth.

●Targeted Management Indicators (final fiscal year of Grow UP 2023)
ROIC will be introduced as a new KPI aimed at promoting management with an awareness of capital efficiency. The MGC Group’s goal in implementing these strategies is to set a new record high for operating income.

Consolidated Performance	Target Value (Fiscal 2023)
Sales (100 mil. JPY)	7,300
Operating income (100 mil. JPY)	700
Ordinary income (100 mil. JPY)	800
ROE (Return on equity)	9% or higher
ROIC (Return on invested capital)	10% or higher

Note: ROIC = Ordinary income/invested capital

(Assumptions) Exchange rate: JPY 105/USD, crude oil price (Dubai): 60 USD/BBL

This Management's Discussion & Analysis contains forward-looking statements, including ones pertaining to plans and targets, based on information available as of March 31, 2021, and certain assumptions deemed reasonable. They involve uncertainty. Actual performance may differ significantly from such forward-looking statements as a result of various factors.

2. Business and Other Risks

MGC Group defines "risk" as possibilities or hazards that, if they were to manifest, could inflict economic losses on MGC due to human casualties, property damage, reputational damage, opportunity losses or other such detriments. The Group has built a risk management regime designed for both routine and exigent circumstances. Specifically, it has established Basic Rules on Internal Control & Risk Management, formulated risk management/mitigation policies and established an Internal Control & Risk Management Committee chaired by the officer in charge of internal control and risk management as a decision-making body that reports directly to the president. The committee makes decisions on matters related to risk management policies, initiatives and plans; matters related to business and operational risk management and guidance, direction and oversight incidental thereto; and matters related to guidance, direction and oversight related to business continuity planning. Additionally, it periodically reports to the Board of Directors on the state of risk management.

The main foreseeable risks that could affect the Group's business results, share price, or financial condition are enumerated from 1) through 11) below. They are all risks that the Group deems to be a realistic possibility, though specifics such as the degree and timing of their manifestation and their impacts are impossible to estimate as of the company's annual securities report's filing date (June 25, 2021) (however, they do not necessarily include every risk to which the Group is exposed).

From a medium-term perspective, MGC Group considers mitigation of risks stemming from climate change to be a key management issue with business-continuity implications. Climate-change-induced amplification of the magnitude of natural disasters such as anomalous weather events, typhoons and flooding may disrupt MGC Group manufacturing sites' operations and/or adversely affect product distribution or supply chains. The Group may have to globally deal with fuel or raw material cost inflation, imposition of carbon taxes as a climate-change mitigation measure and/or demands to install additional equipment to reduce environmental impacts.

Initiatives launched by MGC Group to address climate change include the following. In May 2019, the Group endorsed the Task Force on Climate-Related Financial Disclosure's recommendations. It has established an internal Climate change Action Technical committee that discusses and assesses risks and opportunities posed to the Group by climate change. The committee's assessments are reviewed and approved by a CSR Council comprised of directors and chaired by MGC's president. In addition to mitigating risks due to climate change through analyses based on +2°C and +4°C scenarios, the Group will strengthen its resilience to be better able to transform risks into business opportunities.

Issues around disposal and reuse of post-use plastics, most notably marine plastic pollution, are gaining recognition globally. MGC Group places priority on recycling and circularity. It is developing recycling technologies, easily recyclable materials and compostable bioplastics. Other such initiatives include collecting and recycling waste materials generated when customers use its products and actively participating in similar initiatives led by industry organizations.

1) Endogenous Business Risks

Nature of Risks

MGC Group is mainly a manufacturer. With many of its products used as raw materials, intermediate goods or pharmaceutical inputs in customers' business activities, its sales are sensitive to economic conditions in the countries and regions where its customers' products are sold. In particular, market-priced commodities such as methanol, methanol derivatives, general-purpose aromatic chemicals and polycarbonate resins are generally prone to declines in unit sales and sales prices during economic downturns. Such products' economic sensitivity could adversely affect the Group's operating results and/or financial condition.

In specialty and high-value-added product markets, the Group competes on multiple dimensions, including price, quality, functionality, delivery time and customer service. Intensification of competition due to, for example, the advent of products offering alternative functionality, could adversely affect the Group's operating results and/or financial condition. For example, electronic materials supplied mainly to the electronics industry typically have a short product lifecycle and are constantly exposed to competition through technological innovation. The Group's sales consequently could decline as a result of existing products' obsolescence or product development delays. Additionally, some of the Group's products are sold to only a limited number of customers. If one customer stops using such a product, the Group's sales could decrease.

MGC Group externally sources electric power and raw materials like xylene. Its manufacturing operations could be disrupted if a required input were to become unavailable. Its operating results and/or financial condition could be adversely affected by a sharp rise in input prices also.

Main Risk Mitigation Measures
MGC Group endeavors to develop new markets and businesses in addition to conducting basic and applied research to develop new products and manufacturing processes and improve existing ones. Other risk mitigation measures include close communication and collaboration, inclusive of R&D, with customers, use of long-term supply contracts with both suppliers and customers, and sourcing of raw materials and other inputs from multiple suppliers.

2) Overseas Business Risk

Nature of Risk
MGC Group has subsidiaries and manufacturing and sales operations in Asia, North America, South America, the Middle East and elsewhere. Depending on country-specific conditions, such overseas operations and even dividend remittances from overseas subsidiaries could be disrupted by political instability or societal or economic turmoil due to a natural disaster, war, infrastructure failure, a widespread infectious disease outbreak or other unforeseeable circumstances. Other risks that could adversely affect the Group's operating results and/or financial condition include problems due to differences in legal systems, investment restrictions imposed by foreign governments, nationalization or expropriation of assets, and personnel or labor issues.

Main Risk Mitigation Measures
To respond to overseas risks as effectively and expeditiously as possible, MGC Group endeavors to gather information from various sources, including locally stationed expat personnel, joint venture partners, attorneys and government authorities.

3) Joint Venture Risk

Nature of Risk
MGC Group has numerous manufacturing joint ventures in not only Japan but also foreign countries such as Saudi Arabia, Venezuela, Thailand, China, South Korea, and Trinidad and Tobago. It sources and sells products such as methanol and engineering plastics through its JVs. The Group's joint venture partners are not under the control of the Group. There is consequently no assurance they will make decisions in the best interests of the Group or even the joint ventures themselves. In the event of a joint venture's dissolution or other such circumstances, the Group's operating results and/or financial condition could be adversely affected.

Main Risk Mitigation Measures
MGC Group seeks to maintain and further improve good communication, share targets and objectives and maintain relationships with its joint venture partners while mitigating risks through joint venture agreements and other operational agreements.

4) Product Quality Risk

Nature of Risk
As noted above, MGC Group manufactures many products that are used as raw materials, intermediate goods or pharmaceuticals in customers' business activities and that conform to specifications agreed upon with the customer. However, if it sells a qualitatively defective product, it may have to compensate customers that used the defective product, end-product users and/or other parties for not only direct damages but also opportunity losses. Its societal reputation also may be impaired. In such an event, the Group's operating results and financial condition could be adversely affected.

Main Risk Mitigation Measures
Even though most MGC Group manufacturing sites operate in conformance with globally recognized quality control standards, the Group has liability insurance coverage that includes product liability insurance as a precaution against risk. Other means by which the Group mitigates risk include explicitly limiting the scope of its liability as necessary in agreements with customers.

5) Natural Disaster and Accident Risks

Nature of Risks
MGC Group has numerous manufacturing sites in Japan and elsewhere. Their production activities could be disrupted by earthquakes, storms, flooding or other natural disasters, war, terrorism, civil unrest, labor actions, communication infrastructure failures, widespread outbreaks of infectious diseases such as COVID-19, equipment malfunctions, human error or other unforeseeable circumstances. Given that MGC Group handles hazardous chemical substances on a daily basis, it cannot completely eliminate the possibility of explosions, fires, toxic gas leaks or other accidents that damage production facilities, harm employees, inflict losses on neighboring property owners or customers, pollute the environment or otherwise inflict damages. Additionally, many MGC Group manufacturing sites have multiple production facilities that share utilities such as electricity, water and steam. Interruption of utility service to a manufacturing site consequently could shut down the site's entire production operations. In such an event, the Group's operating results and/or financial condition could be adversely affected.

Main Risk Mitigation Measures
While pursuing continuous improvement based on an environmental safety management system, MGC Group diligently strives to upgrade its safety and disaster preparedness regime through better risk assessment and thorough safety training. In addition to of course endeavoring to properly maintain and stably operate its manufacturing facilities, the Group also formulates business continuity plans and builds redundancy into its network of production sites, including overseas. Additionally, the Group mitigates risk with broad insurance coverage that includes fire, business interruption, oil pollution and liability insurance.

In response to the COVID-19 pandemic, MGC Group swiftly set up a Crisis Response Headquarters and has been expeditiously implementing anti-pandemic measures. Even now, it continues to refine its plants and other workplaces' anti-pandemic measures customized to specific operations on a workplace-by-workplace basis to ensure the safety of its stakeholders, particularly its employees and their families and its customers. Specific measures include proactively using online videoconferencing throughout the Group to reduce opportunities for contagion, allowing head office staff and other employees to work from home and repeatedly adjusting on-site staffing in response to changing infection rates.

6) Information Security Risk

Nature of Risk

MGC Group possesses confidential and personal information required for its business activities and uses various information systems in its operations amid ongoing digitalization of its businesses. In the event of a leak of such information, an information system failure, a cyberattack, fraud committed by a malicious third-party or other such event, the Group's business activities and/or operating results could be adversely affected.

Main Risk Mitigation Measures

MGC Group has established an information security regime and internal regulations based on various guidelines and educates its employees to increase their information-security literacy. It also conducts ongoing initiatives to ensure the adequacy of and upgrade its information security.

7) Investment Risk

Nature of Risk

MGC Group invests in capital assets and R&D to grow its businesses and increase its competitiveness. In doing so, it focuses its efforts on strengthening existing businesses and developing new businesses aligned with prospective market needs. The Group also invests and intends to continue investing in business expansion in Japan and overseas through such means as establishing or co-founding new companies, including joint ventures, and acquiring existing companies.

If the Group fails to earn adequate returns on such investments or incurs impairment losses on non-current assets, securities valuation losses or equity-method investment losses, its operating results and/or financial condition could be adversely affected.

Main Risk Mitigation Measures

MGC Group has established and carries out internal investment screening procedures and performs additional due diligence as warranted by the nature of the prospective investment. Additionally, involved organizational units endeavor to devise appropriate risk mitigation measures.

8) Currency Risk

Nature of Risk

Export, import, and other transactions denominated in foreign currencies could adversely affect the Group's operating results and/or financial condition, including by reducing sales revenues or exacerbating losses, as a result of exchange rate movements.

Additionally, financial statement accounts denominated in overseas MGC Group subsidiaries' local currencies are translated into yen to prepare MGC's consolidated financial statements. Such currency translation could adversely affect the Group's operating results and/or financial condition depending on then-prevailing exchange rates.

Main Risk Mitigation Measures

MGC Group partially hedges currency risk associated with foreign-currency receivables and payables, mainly using currency forward contracts, in accord with internal regulations.

9) Financing and Interest Rate Risks

Nature of Risks

MGC Group partially meets its financing needs by borrowing from financial institutions. In the event of a precipitous change in the financial environment, the Group's operating results and/or financial condition could be adversely affected, including by inability to access funding or increased interest expense due to a rise in interest rates.

Main Risk Mitigation Measures

MGC Group strives to maintain adequate financial soundness as measured by indicators such as debt/equity ratio and shareholders' equity ratio. It also endeavors to optimize its mix of fixed- and variable-rate debt and maintain healthy, favorable relationships with financial institutions and other sources of capital.

10) Compliance Risk

Nature of Risk

MGC Group handles toxic and otherwise hazardous chemical substances, including high-pressure gases, as an inherent aspect of its operations. As such, it is globally subject to various legal and regulatory restrictions at every stage from manufacturing to storage, distribution and sales. If the Group were to fail to comply with said legal restrictions or any other law or regulation or societal norm, its operating results and/or financial condition could be adversely affected by resultant criminal, civil or administrative liability, remediation costs, social sanctions or reputational damage.

Main Risk Mitigation Measures

In addition to establishing specialized organizational units to oversee environmental and other regulatory compliance, the Group has built a compliance regime, including an internal whistleblowing system, and endeavors to fully comply with laws and regulations. It also implements various measures to foster a general compliance consciousness among its personnel.

11) Litigation Risk

Nature of Risk

In the event of an unfavorable outcome to litigation or other legal proceedings brought against MGC Group in connection with its domestic or overseas operations, the Group's operating results and/or financial condition could be adversely affected. For example, the Group seeks to protect its intellectual property through such means as applying for and obtaining patents in Japan and overseas. It also endeavors to avoid infringing on other parties' rights. However, if litigation pertaining to intellectual property rights was to be decided against MGC, the Group's operating results and/or growth could be adversely affected.

Main Risk Mitigation Measures

MGC Group endeavors to not only comply with all laws and regulations applicable to its operations but also avoid disputes through such means as researching other parties' rights and drafting proper agreements that explicitly delineate rights and obligations with the assistance of attorneys and other expert advisors..

3. Management's Analysis of Financial Position, Business Results and Cash Flows

1) Summary of Operating Performance

The fiscal-2020 financial position, business results and cash flows (collectively referred to below as "operating performance") of MGC Group (MGC and its consolidated subsidiaries and equity-method affiliates) are summarized below.

(1) Consolidated Business Results

During the fiscal year ended March 2021 (April 1, 2020 – March 31, 2021), the world economy remained harsh due to the global fallout from the novel coronavirus pandemic. Although signs of recovery emerged thanks to national stimulus packages, progress in vaccination and other positive factors, the pandemic has yet to be contained, causing the outlook for the future to remain unclear.

Against this backdrop, the MGC Group nevertheless saw consistently strong demand for its semiconductor-related products and optical polymers. On the other hand, demand for such offerings as automotive-related products fell in the first half due to the novel coronavirus pandemic, while, at the same time, market prices remained sluggish for general-purpose products. However, the second half brought overall recovery in demand, along with upturns in methanol market prices.

In these circumstances, the MGC Group strove to execute basic policies under "MGC Advance2020," a medium-term management plan. More specifically, the Group endeavored to improve its corporate value by promoting such strategies as "Strengthening the earning power of existing businesses with a focus on core businesses," "Creating and developing new businesses," and "Implementing investment strategies to form an optimal business portfolio."

The MGC Group's net sales decreased year on year due primarily to a drop in the sales volume of general-purpose aromatic chemicals and foamed plastics.

However, group operating income rose year on year, despite increases in repair and other fixed costs, thanks primarily to growth in the sales volume of semiconductor-related products and optical polymers, along with lower raw material and fuel prices.

Ordinary income increased due to the higher operating income as well as improvement in equity in earnings of affiliates related to overseas methanol producing companies that reflected the absence of one-off costs (¥7.8 billion) recorded in the previous fiscal year in connection with a joint venture in Saudi Arabia.

Profit attributable to owners of parent grew, despite such factors as growth in impairment losses and a decrease in gain on sales of investment securities, due mainly to the increase in ordinary income.

(Billions of yen)

	FY2019	**FY2020**	Change
Net sales	613.3	**595.7**	(17.6)
Operating income	34.2	**44.5**	10.2
Ordinary income	31.1	**50.2**	19.1
Profit attributable to owners of parent	21.1	**36.0**	14.9

Operating results by segment are as described below.

In addition, the MGC Group revised the definition of its reportable segments in the first quarter of the fiscal year ended March 31, 2021. To provide comparative year-on-year segment results, the Group has restated the operating results of the previous fiscal year to reflect the revised segmentation.

[Basic Chemicals]

The methanol business saw an improvement in earnings thanks mainly to an upturn in market prices in the second half.

Methanol and ammonia-based chemicals posted a decrease in earnings compared with the previous fiscal year due mainly to a decline in market prices of MMA-based products and an increase in repair costs.

Specialty aromatic chemical products posted earnings on par with the previous fiscal year, due mainly to remarkable second-half recovery in the sales volume of meta-xylenediamine, which had previously been affected by first-half plunge in demand, in addition to solid sales of aromatic aldehydes.

General-purpose aromatic chemical products suffered decreases in net sales and earnings compared with the previous fiscal year. This was, despite lower raw material and fuel prices, mainly attributable to sluggish sales volumes of meta-xylene and purified isophthalic acid, as well as lower sales prices of these offerings.

Foamed plastics were buoyed by second-half recovery in demand in the automotive industry, which had been hit by demand stagnation in the first half, and growing product needs associated with food packaging and civil engineering. Reflecting these and other factors, earnings from these offerings were virtually unchanged from the previous fiscal year.

(Billions of yen)

	FY2019	FY2020	Change
Net sales	357.3	**315.0**	(42.2)
Operating income	11.2	**9.6**	(1.6)
Ordinary income	4.7	**11.0**	6.2

[Specialty Chemicals]

Inorganic chemicals posted an increase in earnings compared with the previous fiscal year thanks primarily to growth in the sales volume of chemicals for use in semiconductor manufacturing.

Earnings from engineering plastics were on par with the previous fiscal year thanks mainly to second-half recovery in demand for polycarbonates and polyacetal for automotive and other applications, despite lower first-half demand in these fields.

Optical materials were somewhat affected by signs of stagnation in sales volume in the fourth quarter due to such factors as shortages of semiconductors and inventory adjustments carried out by customers. However, these offerings posted increases in net sales and earnings due to the growing use of multiple camera lenses in smartphones and growth in optical polymer sales volume thanks to measures executed in October 2019 to enhance production capacity.

Electronic materials saw increases in net sales and earnings. This was mainly attributable to growing demand for products used in data centers and other ICT-related fields as well as the higher sales volume of BT materials for semiconductor packaging, the core product category for electronic materials, reflecting the introduction of a new product for use in antenna-in-package substrates to be installed in 5G-compatible smartphones.

Oxygen absorbers such as AGELESS™ posted an increase in earnings compared with the previous fiscal year, despite a decline in demand for offerings used in souvenirs and other tourism-related products, thanks mainly to a solid volume of exports.

(Billions of yen)

	FY2019	FY2020	Change
Net sales	255.1	**267.4**	12.3
Operating income	25.5	**34.8**	9.2
Ordinary income	28.1	**37.5**	9.3

[Other]

In Other, the Group posted an increase in earnings from energy-related businesses due to surges in electricity rates in the fourth quarter.

(Billions of yen)

	FY2019	FY2020	Change
Net sales	0.8	**13.2**	12.3
Operating income	0.0	**3.2**	3.1
Ordinary income	0.0	**3.2**	3.2

(2) Financial Position

Consolidated assets at March 31, 2021, totaled ¥836.3 billion, a ¥64.6 billion increase from the previous fiscal year-end.

Current assets totaled ¥402.1 billion, a ¥43.4 billion increase attributable largely to increases in cash and deposits and trade notes and accounts receivable.

Non-current assets totaled ¥434.2 billion, a ¥21.1 billion increase attributable mainly to growth in investment securities.

Liabilities totaled ¥254.9 billion, a ¥31.3 billion increase. Current liabilities increased ¥4.3 billion, mainly as a result of growth in short-term borrowing. Non-current liabilities increased ¥26.9 billion, mostly because of an increase in bonds payable.

Net assets totaled ¥581.4 billion, a ¥33.2 billion increase largely due to growth in retained earnings.

The Group consequently ended the fiscal year with an equity ratio 62.7%

(3) Cash Flows

Cash and cash equivalents at March 31, 2021, totaled ¥91.0 billion, a ¥21.0 billion increase from the previous fiscal year-end.

(Cash Flows from Operating Activities)

Operating activities provided net cash of ¥55.4 billion, ¥18.7 billion less than in the previous fiscal year. The decrease was largely due to growth in trade notes and accounts receivable.

(Cash Flows from Investing Activities)
Investing activities used net cash of ¥40.3 billion, ¥6.4 billion more than in the previous fiscal year. The increase was largely attributable to an increase in loan advances.

(Cash Flows from Financing Activities)
Financing activities provided net cash of ¥5.1 billion, a ¥54.7 billion increase from the previous fiscal year. The increase resulted largely from an increase in proceeds from issuance of bonds.

2) Discussion and Analysis of Operating Performance from Management's Perspective

The following discussion and analysis of MGC Group's operating performance from management's perspective contains forward-looking statements based on management's judgment as of March 31, 2021.

(1) Assessment, Discussion and Analysis of Operating Performance

Business results in fiscal 2020, the third year of the MGC Advance2020 medium-term management plan, are recapped below. They ended up falling short of the plan's fiscal-2020 targets.

(Billions of yen)

Consolidated KPI	**Fiscal 2020 actual**	Fiscal 2020 target*	Difference
Net sales	**595.7**	750	(154.3)
Operating income	**44.5**	65	(20.5)
Ordinary income	**50.2**	80	(29.8)
ROE (Return on equity)	**7.1%**	≥ 12%	-4.9ppt

*Revised May 13, 2019

The shortfalls relative to the plan's targets were largely attributable to a shortfall in unit sales and major changes in the external environment relative to our assumptions at the time the plan was initially formulated. These changes included depressed market prices of general-use chemicals such as methanol, purified isophthalic acid and polycarbonates.

While the Group's business results may continue to be affected by changes in economic conditions and/or market prices, including such changes due to the pandemic, the Group will proceed to execute its new Grow UP 2023 medium-term management plan's strategies in pursuit of the plan's fiscal-2023 targets. Specific initiatives are discussed below by segment.

Medium/long-term challenges to be addressed include the new medium-term management plan's two objectives and their respective three-pronged strategies discussed above in "1) Management Policies, Operating Environment and Challenges to Be Addressed" under "Results of Operations." Additionally, we plan to invest a cumulative ¥240 billion and spend a cumulative ¥73 billion on R&D during the plan's three-year term. In addition to proactively making strategic investments in differentiating businesses, we will maximally leverage intra- and extra-Group technologies and human resources through our newly reorganized R&D program to progress as a unified group toward our top priorities: shifting to a profit structure resilient against changes in the environment and balancing social and economic value.

Following is management's assessment, discussion and analysis of operating performance by segment.

[Basic Chemicals]

The basic chemicals segment's business results were as follows.

(Billions of yen)

Consolidated KPI	**Fiscal 2020 actual**	Fiscal 2020 target[*1]	Difference
Net sales[*2]	**322.8**	450	(127.2)
Operating income	**9.6**	30	(20.4)
Ordinary income	**11.0**	37	(26.0)

*1 Revised May 13, 2019

*2 Including intersegment sales and transfers.

The segment failed to achieve its targets in the previous medium-term management plan as a result of multiple factors, including depressed methanol prices due to a global demand contraction, delays and commissioning a new methanol plant in Trinidad and Tobago, a pandemic-induced contraction in foamed plastic demand and reductions in purified isophthalic acid unit sales and sales prices.

Going forward, the segment will develop new technologies to produce methanol as a circular carbon product, reduce costs by increasing logistic/production efficiency, stabilize overseas methanol production subsidiaries' operations, plan investments in new production capacity and implement sales expansion strategies for specialty aromatic chemicals such as meta-xylenediamine and aromatic aldehydes, and implement differentiation and growth strategies at JSP Corporation.

[Specialty Chemicals]
The specialty chemicals segment's business results were as follows.

(Billions of yen)

Consolidated KPI	**Fiscal 2020 actual**	Fiscal 2020 target	Difference
Net sales*	**267.8**	300	(32.2)
Operating income	**34.8**	36	(1.2)
Ordinary income	**37.5**	44	(6.5)

*Including intersegment sales and transfers.

Sales of optical polymers and BT semiconductor packaging materials were stronger than forecasted, but inorganic chemical sales fell short of forecast, polycarbonate prices slumped and demand for engineering plastics and oxygen absorbers were depressed by the pandemic. The segment consequently failed to achieve its medium-term management plan targets.

Going forward, the segment aims to better meet growing demand through such means as expanding sales of high-value-added polycarbonates, stepping up its presence in the polyacetal market, strengthening its global network of existing and new super-pure hydrogen peroxide production sites, expanding optical polymer production capacity and building a new raw-material monomer plant. It will also endeavor to increase the overseas share of its oxygen absorber sales, enlarge oxygen absorbers' scope of application and expand BT materials sales by capturing new demand for BT as an electronic material and expanding overseas manufacturing subsidiaries' production capacity.

(2) Factors that May Materially Affect Operating Performance

Factors that may materially affect MGC Group's operating performance are discussed in "2) Business Risks" under "Results of Operations."

Visibility with respect to the extent and duration of the pandemic's impact on economic activity in Japan and globally remains highly opaque, partly because of renewed spread of the virus driven by new variants. That said, the global economy is expected to recover and grow by virtue of the vaccine rollout and governments' economic stimulus policies.

Depending on how the pandemic evolves going forward, it could depress demand across a broad range of sectors, including the automotive, housing, infrastructure, electric machinery and electronics sectors, to the detriment of demand for MGC Group products used as raw materials in such sectors. In the basic chemicals segment, the pandemic's impact on products such as foamed plastic, specialty aromatic chemicals and methanol is a concern. Products subject to similar concerns in the specialty chemicals segment include engineering plastics and oxygen absorbers.

(3) Capital Resources and Liquidity

MGC Group's main uses of working capital are manufacturing expenses and operating expenses such as selling, general and administrative expenses.

Its uses of capital for investment purposes include capital expenditures, which it primarily funds with cash on hand, borrowings from financial institutions and bond issuance.

Fiscal 2020 cash flows are analyzed in "(3) Cash Flows" under "1) Summary of Operating Performance."

MGC ended fiscal 2020 with ¥98.4 billion of interest-bearing debt and ¥91.0 billion of cash and cash equivalents.

(4) Objective Metrics for Assessing Management Policies/Strategies' Execution Status and Management Targets' Attainment

Objective metrics MGC Group uses to assess its management policies/strategies execution status and its management targets' attainment are disclosed above in "1) Management Policies, Operating Environment and Challenges to Be Addressed" under "2Results of Operations." To facilitate swift management decision-making on matters such as investments in and exits from businesses, said metrics include a measure of capital efficiency in addition to net sales and profits.

(5) Significant Accounting Estimates and Their Underlying Assumptions

Significant accounting estimates used to prepare consolidated financial statements and their underlying assumptions are disclosed in "(s) Significant Accounting Estimates" under "1. Summary of Significant Accounting Policies" under "Notes to Consolidated Financial Statements."

4. Research and Development

In fiscal 2020, the final year of the MGC Advance2020 medium-term management plan aimed at bringing Vision 2021 to fruition, MGC Group vigorously carried out R&D activities to strengthen existing businesses' earnings power with a focus on core businesses and create and develop new businesses under the banner of "creating value to share with society."

The Group substantially reorganized its R&D operations in fiscal 2020, placing the four company divisions' research departments and research laboratories and all research departments previously within Corporate R&D's Advanced Business Development Division under the centralized control of the R&D Promotion Division. Under this new organizational structure, the Group has made progress in strengthening existing businesses' earnings power and developing new businesses by further accelerating R&D from a Group-wide perspective.

The Advanced Business Development Division continued to develop businesses in new domains through R&D collaborations with external partners, including startups, investees and public research institutions. It also moved forward with commercialization of internally developed products, including medical packaging materials and solid electrolytes, while developing products in new domains, including allergy diagnostics, through open innovation. The factory-grown produce business in Shirakawa, Fukushima Prefecture, provides reliably safe vegetables to the public.

MGC Group inclusive of its subsidiaries employs a total of 942 personnel, roughly10% of its total workforce, in research and development. Its research expenses totaled ¥19,905 million in fiscal 2020.

Fiscal 2020 research themes, research results and research and development costs by segment were as follows:

(Millions of yen)

Segment	Fiscal 2020
Basic Chemicals Segment	9,166
Specialty Chemicals Segment	10,739

5. Capital Expenditures

Summary of Capital Expenditures

Fiscal-2020 capital expenditures of MGC Group (MGC and its consolidated subsidiaries) were as follows.

(Millions of yen)

Segment	Fiscal 2020
Basic chemicals segment	19,482
Specialty chemicals segment	18,619
Other	637
Eliminations and corporate	1,543
Total	40,282

6. Dividend

(Yen)

	Interim	Fiscal year-end	Annual
Fiscal 2020	35	35	70

Consolidated Balance Sheet

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2021

	Millions of yen		Thousands of U.S. dollars (note 2)
	2021	2020	2021
Assets			
Current assets:			
Cash and deposits (note 3)	¥ 101,785	¥ 78,227	$ 919,384
Notes and accounts receivable - trade (note 18)	159,018	141,279	1,436,347
Securities (note 4)	269	3,514	2,430
Inventories	121,275	114,797	1,095,430
Other	20,209	21,975	182,540
Less allowance for doubtful receivables	416	1,124	3,758
Total current assets	402,141	358,669	3,632,382
Non-current assets:			
Property, plant and equipment (note 6):			
Buildings and structures	234,992	220,252	2,122,591
Machinery, equipment and vehicles	501,700	484,798	4,531,659
Land	40,774	41,109	368,296
Leased assets	3,429	2,611	30,973
Construction in progress	24,766	23,113	223,702
Other	53,054	51,266	479,216
	858,718	823,151	7,756,463
Less accumulated depreciation	608,786	583,313	5,498,925
Total property, plant and equipment	249,931	239,838	2,257,529
Intangible assets, net:			
Goodwill	4,914	5,293	44,386
Leased assets	5	0	45
Software	2,456	2,251	22,184
Other	3,123	3,052	28,209
Total intangible assets	10,499	10,597	94,833
Investments and other assets:			
Investment securities (notes 4, 5 and 6)	158,718	149,158	1,433,637
Long-term loans receivable	5,012	3,153	45,271
Deferred tax assets (note 9)	3,145	3,482	28,408
Net defined benefit asset (note 8)	1,396	974	12,610
Other investments and other assets (note 5)	6,064	6,500	54,774
Less allowance for doubtful receivables	545	640	4,923
Total investments and other assets	173,792	162,628	1,569,795
Total non-current assets	434,223	413,063	3,922,166
Total assets	¥ 836,364	¥ 771,733	$ 7,554,548

	Millions of yen		Thousands of U.S. dollars (note 2)
	2021	2020	**2021**
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable - trade	¥ **75,308**	¥ 70,776	$ **680,228**
Short-term borrowing and current installments of long-term borrowing (note 6)	**40,087**	43,980	**362,090**
Lease obligations	**543**	429	**4,905**
Accrued expenses	**20,225**	18,008	**182,684**
Income taxes payable (note 9)	**5,809**	5,539	**52,470**
Provision for bonuses	**5,770**	5,616	**52,118**
Other (note 7)	**20,201**	19,225	**182,468**
Total current liabilities	**167,947**	163,574	**1,516,999**
Non-current liabilities:			
Long-term borrowing (note 6)	**56,202**	29,043	**507,651**
Lease obligations	**1,643**	1,260	**14,841**
Retirement benefit liability (note 8)	**7,150**	9,333	**64,583**
Provision for directors' retirement benefits (note 8)	**217**	433	**1,960**
Deferred tax liabilities (note 9)	**11,828**	9,200	**106,838**
Asset retirement obligations (note 7)	**5,113**	3,560	**46,184**
Other	**4,850**	7,183	**43,808**
Total non-current liabilities	**87,006**	60,016	**785,891**
Total liabilities	**254,953**	223,591	**2,302,890**
Stockholders' equity:			
Common stock (note 10): Authorized 492,428,000 shares; issued 225,739,199 shares in 2021 and 2020	**41,970**	41,970	**379,099**
Additional paid-in capital (note 10)	**34,301**	34,234	**309,827**
Retained earnings (note 11)	**459,790**	439,701	**4,153,103**
Treasury stock, at cost; 17,726,057 and 17,758,765 shares in 2021 and 2020	**(21,562)**	(21,600)	**(194,761)**
Total stockholders' equity	**514,499**	494,306	**4,647,268**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (not 4)	**14,419**	7,789	**130,241**
Deferred (losses) gains on hedges	**(618)**	4	**(5,582)**
Foreign currency translation adjustments	**(3,542)**	(6,701)	**(31,993)**
Remeasurements of defined benefit plans (note 8)	**(494)**	(2,877)	**(4,462)**
Total accumulated other comprehensive income	**9,765**	(1,785)	**88,203**
Non-controlling interests	**57,146**	55,619	**516,177**
Total net assets	**581,411**	548,141	**5,251,657**
Total liabilities and net assets	¥ **836,364**	¥ 771,733	$ **7,554,548**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (note 2)
	2021	2020	**2021**
Net sales (note 18)	**¥ 595,718**	¥ 613,344	**$ 5,380,887**
Cost of sales (note 13)	**454,760**	481,950	**4,107,669**
Gross profit	**140,958**	131,394	**1,273,218**
Selling, general and administrative expenses (notes 12 and 13)	**96,448**	97,133	**871,177**
Operating profit	**44,510**	34,260	**402,041**
Other income (expenses):			
Interest income	**362**	565	**3,270**
Dividend income	**2,391**	2,226	**21,597**
Rental income	**1,424**	1,551	**12,862**
Interest expenses	**(800)**	(968)	**(7,226)**
Share of profit (loss) of entities accounted for using equity method	**5,162**	(1,282)	**46,626**
Gain on sale of investments in securities (note 4)	**1,800**	2,676	**16,259**
Rent expenses	**(1,396)**	(1,628)	**(12,610)**
Loss on valuation of investments in securities	**(107)**	(939)	**(966)**
Provision for loss on liquidation of subsidiaries and associates	**—**	(1,098)	**—**
Personnel expenses for seconded employees	**(1,368)**	(1,512)	**(12,357)**
Loss on tax purpose reduction entry of non-current assets	**—**	(5,652)	**—**
Gain on sale of non-current assets	**257**	859	**2,321**
Loss on sale/disposal of non-current assets	**(1,461)**	(1,803)	**(13,197)**
Impairment loss (note 14)	**(1,695)**	(381)	**(15,310)**
Loss from money transfer scam at subsidiary	**(984)**	—	**(8,888)**
Loss on withdrawal from business	**(287)**	—	**(2,592)**
Loss on liquidation of subsidiaries	**(242)**	—	**(2,186)**
Other, net	**1,388**	7,470	**12,537**
Total other income (expenses)	**4,441**	82	**40,114**
Profit before income taxes	**48,951**	34,343	**442,155**
Income taxes (note 9):			
Current	**10,180**	8,373	**91,952**
Deferred	**(611)**	1,482	**(5,519)**
Total income taxes	**9,568**	9,855	**86,424**
Profit	**¥ 39,383**	¥ 24,487	**$ 355,731**
Profit attributable to non-controlling interests	**3,312**	3,329	**29,916**
Profit attributable to owners of parent	**¥ 36,070**	¥ 21,158	**$ 325,806**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (note 2)
	2021	2020	2021
Profit	¥ 39,383	¥ 24,487	$ 355,731
Other comprehensive income arising during the year (note 15):			
Valuation difference on available-for-sale securities	6,737	(5,172)	60,853
Deferred (losses) gains on hedges	(24)	3	(217)
Foreign currency translation adjustments	3,036	(3,431)	27,423
Remeasurements of defined benefit plans	2,829	(3,386)	25,553
Shares of other comprehensive income of entities accounted for by the equity method	1,137	1,488	10,270
Total other comprehensive income arising during the year	13,718	(10,498)	123,909
Comprehensive income	¥ 53,101	¥ 13,988	$ 479,641
Comprehensive income attributable to:			
Owners of the parent	¥ 49,213	¥ 11,884	$ 444,522
Non-controlling interests	3,887	2,104	35,110

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2021

	Millions of yen				
	Stockholders' equity				
	Common stock (note 10)	Additional paid-in capital (note 10)	Retained earnings (note 11)	Treasury stock	Total
Balance as of April 1, 2019	¥ 41,970	¥ 34,298	¥ 439,080	¥ (19,930)	¥ 495,418
Changes arising during year:					
Cash dividends			(14,861)		(14,861)
Profit attributable to owners of parent			21,158		21,158
Purchase of treasury stock				(8,733)	(8,733)
Disposition of treasury stock		11		40	51
Retirement of treasury stock		(7,023)		7,023	—
Transfer to additional paid-in capital from retained earnings		6,959	(6,959)		—
Change in scope of consolidation			1,246		1,246
Change in treasury stock of parent arising from transactions with non-controlling interests		(10)			(10)
Reversal of revaluation reserve for land			37		37
Net changes other than stockholders' equity					
Total changes during the year	—	(63)	621	(1,669)	(1,111)
Balance as of March 31, 2020	¥ 41,970	¥ 34,234	¥ 439,701	¥ (21,600)	¥ 494,306
Changes arising during year:					
Cash dividends			**(14,559)**		**(14,559)**
Profit attributable to owners of parent			**36,070**		**36,070**
Purchase of treasury stock				**(4)**	**(4)**
Disposition of treasury stock		**14**		**42**	**57**
Change in scope of consolidation			**(3)**		**(3)**
Change in scope of equity method			**(1,418)**		**(1,418)**
Change in treasury stock of parent arising from transactions with non-controlling interests		**51**			**51**
Net changes other than stockholders' equity					
Total changes during the year	**—**	**66**	**20,088**	**37**	**20,192**
Balance as of March 31, 2021	**¥ 41,970**	**¥ 34,301**	**¥ 459,790**	**¥ (21,562)**	**¥ 514,499**

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities (note 4)	Deferred (losses) gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans (note 8)	Total	Non-controlling interests	Total net assets
Balance as of April 1, 2019	¥ 13,023	¥ 1	¥ 222	¥ (6,327)	¥ 623	¥ 7,542	¥ 50,321	¥ 553,282
Changes arising during year:								
Cash dividends								(14,861)
Profit attributable to owners of parent								21,158
Purchase of treasury stock								(8,733)
Disposition of treasury stock								51
Retirement of treasury stock								—
Transfer to additional paid-in capital from retained earnings								—
Change in scope of consolidation								1,246
Change in treasury stock of parent arising from transactions with non-controlling interests								(10)
Reversal of revaluation reserve for land								37
Net changes other than stockholders' equity	(5,233)	3	(222)	(374)	(3,500)	(9,327)	5,298	(4,029)
Total changes during the year	(5,233)	3	(222)	(374)	(3,500)	(9,327)	5,298	(5,141)
Balance as of March 31, 2020	¥ 7,789	¥ 4	¥ —	¥ (6,701)	¥ (2,877)	¥ (1,785)	¥ 55,619	¥ 548,141
Changes arising during year:								
Cash dividends								**(14,559)**
Profit attributable to owners of parent								**36,070**
Purchase of treasury stock								**(4)**
Disposition of treasury stock								**57**
Change in scope of consolidation								**(3)**
Change in scope of equity method								**(1,418)**
Change in treasury stock of parent arising from transactions with non-controlling interests								**51**
Net changes other than stockholders' equity	**6,630**	**(622)**		**3,159**	**2,382**	**11,550**	**1,526**	**13,077**
Total changes during the year	**6,630**	**(622)**	**—**	**3,159**	**2,382**	**11,550**	**1,526**	**33,269**
Balance as of March 31, 2021	**¥ 14,419**	**¥ (618)**	**¥ —**	**¥ (3,542)**	**¥ (494)**	**¥ 9,765**	**¥ 57,146**	**¥ 581,411**

	Thousands of U.S. dollars (note 2)				
	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance as of March 31, 2020	$ 379,099	$ 309,222	$ 3,971,647	$ (195,104)	$ 4,464,872
Changes arising during year:					
Cash dividends			(131,506)		(131,506)
Profit attributable to owners of parent			325,806		325,806
Purchase of treasury stock				(36)	(36)
Disposition of treasury stock		126		379	515
Change of scope of consolidation			(27)		(27)
Change in scope of equity method			(12,808)		(12,808)
Change in treasury stock of parent arising from transactions with non-controlling interests		461			461
Net changes other than stockholders' equity					
Total changes during the year	—	596	181,447	334	182,386
Balance as of March 31, 2021	$ 379,099	$ 309,827	$ 4,153,103	$ (194,761)	$ 4,647,268

	Thousands of U.S. dollars (note 2)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred (losses) gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance as of March 31, 2020	$ 70,355	$ 36	$ —	$ (60,528)	$ (25,987)	$ (16,123)	$ 502,385	$ 4,951,143
Changes arising during year:								
Cash dividends								(131,506)
Profit attributable to owners of parent								325,806
Purchase of treasury stock								(36)
Disposition of treasury stock								515
Change of scope of consolidation								(27)
Change in scope of equity method								(12,808)
Change in treasury stock of parent arising from transactions with non-controlling interests								461
Net changes other than stockholders' equity	59,886	(5,618)		28,534	21,516	104,327	13,784	118,119
Total changes during the year	59,886	(5,618)	—	28,534	21,516	104,327	13,784	300,506
Balance as of March 31, 2021	$ 130,241	$ (5,582)	$ —	$ (31,993)	$ (4,462)	$ 88,203	$ 516,177	$ 5,251,657

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars (note 2)
	2021	2020	**2021**
Cash flows from operating activities:			
Profit before income taxes	¥ **48,951**	¥ 34,343	$ **442,155**
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**30,686**	29,591	**277,175**
Loss on sale/disposal of property, plant and equipment	**1,165**	778	**10,523**
Impairment loss	**1,695**	381	**15,310**
Loss on tax purpose reduction entry of non-current assets	**—**	5,652	**—**
Share of profit (loss) of entities accounted for using equity method	**(5,162)**	1,282	**(46,626)**
(Decrease) increase in allowance for doubtful receivables	**(773)**	187	**(6,982)**
Increase (decrease) in net defined benefit liability	**609**	(48)	**5,501**
Decrease in provision for directors' retirement benefits	**(184)**	(245)	**(1,662)**
Decrease in provision for loss on guarantees	**—**	(2,358)	**—**
Interest and dividend income	**(2,754)**	(2,791)	**(24,876)**
Interest expenses	**800**	968	**7,226**
Gain on sale of short-term investments and investments in securities	**(1,766)**	(2,682)	**(15,952)**
Loss on devaluation of short-term investments and investments in securities	**347**	762	**3,134**
(Increase) decrease in trade notes and accounts receivable	**(16,283)**	19,048	**(147,078)**
(Increase) decrease in inventories	**(5,527)**	5,694	**(49,923)**
Increase (decrease) in trade notes and accounts payable	**2,687**	(13,799)	**24,271**
Other, net	**(1,271)**	(8,347)	**(11,480)**
Sub total	**53,221**	68,416	**480,724**
Interest and dividend received	**2,725**	2,755	**24,614**
Dividend received from entities accounted for using equity method	**3,577**	10,693	**32,310**
Interest paid	**(791)**	(1,030)	**(7,145)**
Loss from money transfer scam at subsidiary	**(984)**	—	**(8,888)**
Income taxes paid	**(9,259)**	(7,173)	**(83,633)**
Other, net	**6,975**	572	**63,002**
Net cash provided by (used in) operating activities	**55,464**	74,234	**500,985**
Cash flows from investing activities:			
Capital expenditures	**(38,234)**	(43,453)	**(345,353)**
Proceeds from sale of property, plant and equipment	**805**	1,144	**7,271**
Proceeds from sale of investment securities	**4,951**	4,702	**44,720**
Purchase of investments in securities and subsidiaries	**(4,619)**	(1,544)	**(41,722)**
Loan advances	**(4,375)**	(731)	**(39,518)**
Proceeds from collection of loans receivable	**429**	398	**3,875**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	**—**	5,810	**—**
Other, net	**672**	(248)	**6,070**
Net cash provided by (used in) investing activities	**(40,370)**	(33,922)	**(364,646)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowing	**967**	(14,927)	**8,735**
Proceeds from long-term borrowing	**17,508**	8,697	**158,143**
Payments on long-term borrowing	**(5,886)**	(15,768)	**(53,166)**
Proceeds from issuance of bonds	**20,000**	—	**180,652**
Redemption of bonds	**(10,000)**	—	**(90,326)**
Purchase of treasury stock	**(4)**	(8,733)	**(36)**
Proceeds from sale of treasury stock	**0**	—	**0**
Dividends paid to stockholders	**(14,559)**	(14,861)	**(131,506)**
Dividends paid to non-controlling interests	**(1,906)**	(1,890)	**(17,216)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(396)**	(1,208)	**(3,577)**
Other, net	**(568)**	(870)	**(5,131)**
Net cash provided by (used in) financing activities	**5,154**	(49,563)	**46,554**
Effect of exchange rate changes on cash and cash equivalents	**698**	(1,342)	**6,305**
Increase (decrease) in cash and cash equivalents	**20,947**	(10,594)	**189,206**
Cash and cash equivalents at beginning of year	**70,043**	80,379	**632,671**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**84**	258	**759**
Cash and cash equivalents at end of year (note 3)	¥ **91,075**	¥ 70,043	$ **822,645**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. (the Company) and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18, May 17, 2006) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for by the Equity Method" (ASBJ PITF No. 24, March 10, 2008) require that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards (IFRS) or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that profit (loss) is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and 68 subsidiaries (72 in 2020). The Company and its consolidated subsidiaries are collectively referred to as "MGC."

All significant intercompany accounts and transactions have been eliminated in consolidation.

Fudow Techno Corporation was excluded from the scope of consolidation due to merger with Fudow Company Ltd. as the surviving company, during the year ended March 31, 2021.

MGC MONTNEY HOLDINGS LTD. was excluded from the scope of consolidation due to liquidation during the year ended March 31, 2021.

MGC Energy Company Ltd. was included in the scope of consolidation due to its significance during the year ended March 31, 2021.

Tokyo Shokai, Ltd., Ryoko Chemical Co., Ltd., Ryoyo Trading Co., Ltd. were excluded from the scope of consolidation due to merger with MGC Trading, Inc. as the surviving company, during the year ended March 31, 2021. Upon the merger, the company name of MGC Trading, Inc. was changed to Mitsubishi Gas Chemical Trading, Inc.

Investments in 14 affiliates (1 unconsolidated subsidiary and 13 affiliates in 2020) are accounted for by the equity method.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments.

The unallocated portion of the difference, which is recognized as goodwill, is being amortized using the straight-line method over an expected benefit period by each investment within 20 years.

The fiscal year-ends of 33 consolidated subsidiaries (33 in 2020) are December 31. For consolidation purposes, the Company uses their financial statements as of December 31 with necessary consolidation adjustments made to reflect any significant transactions which occurred between January 1 and March 31.

(c) Cash and Cash Equivalents

For the purpose of the statement of cash flows, MGC considers all highly liquid investments with insignificant risk of changes in value, which have maturities of generally three months or less when purchased, to be cash equivalents.

(d) Securities and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories – "trading securities," "held-to-maturity securities," "investments in entities" and "other securities." Securities classified as "trading securities" are stated at fair value and unrealized gains or losses are recorded in the consolidated statement of income. Securities classified as "held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with fair value are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and reported as accumulated other comprehensive income in the consolidated balance sheet. Debt classified as "other securities" for which fair value is not available are stated at the amortized cost. Equity securities classified as "other securities" for which fair value is not available are stated at the moving-average cost. Realized gains and losses on the other securities are computed using the moving-average cost. Securities held by the Company are classified as held-to-maturity securities, investments in entities and other securities.

(e) Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method.

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. Depreciation of the property, plant and equipment is provided principally by the straight-line method based on the estimated useful lives.

The estimated useful lives are as follows:

Buildings and structures	7-50 years
Machinery, equipment and vehicles	8-15 years

(g) Intangible Assets

Intangible assets are carried at cost less accumulated amortization. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years). Intangible assets other than software are deferred and amortized by the straight-line method at rates based on the estimated useful lives of the respective assets.

(h) Impairment of Long-lived Assets

The standard for the impairment of long-lived assets requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Recognized impairment losses, except for those to be deducted directly from acquisition costs of corresponding fixed assets, are included in accumulated depreciation on the consolidated balance sheet.

(i) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(j) Retirement Benefits

In calculating retirement benefit obligation, the benefit formula basis is used for the method of attributing expected retirement benefits to the periods up to the end of the current fiscal year.

Past service costs are amortized by the straight-line method over a certain period within the average remaining years of service of the eligible employees (10 years) when such past service costs occur.

Actuarial gains and losses are amortized by the declining-balance method over a certain period within the average remaining years of service of the eligible employees (10 years) from the year following the year in which the gains or losses occur.

The Company and certain subsidiaries have unfunded defined benefit pension plans for directors, corporate auditors and executive officers. The provision for the plans has been made in the accompanying consolidated financial statements for the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates (See note 8).

(k) Leases

All finance lease transactions are capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line method, with the lease periods as their useful lives and no residual value.

(l) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction dates, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date, and revenues and expenses of them are translated into yen using the average rate in the year, and a comprehensive adjustment resulting from translation is presented as “Foreign currency translation adjustments” and “Non-controlling interests” in a component of net assets.

(m) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Accrual for Environmental Measures

An accrual for environmental measures is provided at an estimated amount of disposal and transport costs of polychlorinated biphenyl waste based on the handling cost publicized by Japan Environmental Storage & Safety Corporation. The Act of Special Measures for Proper Handling of Polychlorinated Biphenyl Waste requires proper handling of polychlorinated biphenyl waste.

(o) Asset Retirement Obligations

The Company recognized an asset retirement obligation which is statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.

(p) Accrued Business Structure Improvement Expenses

The Company provides a reasonably estimated amount of structural reform costs for unprofitable business.

(q) Provision for Loss on Liquidation of Subsidiaries and Affiliates

The Company provides a reasonably estimated amount for loss to be incurred in association with liquidation of subsidiaries and affiliates.

(r) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2021.

(s) Significant Accounting Estimates

Impairment of fixed assets

(1) Amount recorded on the consolidated financial statements for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
	2021	**2021**
Property, plant and equipment	**¥ 249,931**	**$ 2,257,529**
Intangible assets	**10,499**	**94,833**
Impairment loss	**2,060**	**18,607**

(2) Information on the nature of significant accounting estimates for identified items

The fixed assets held by the Company and its consolidated subsidiaries are accounted for in accordance with the accounting standards for impairment of fixed assets. In calculating the recoverable amount used to measure the impairment loss, certain assumptions are made regarding the economic remaining useful life, future cash flows, discount rate, etc.

Although these assumptions are determined based on management's best estimates, they may be affected by the results of changes in uncertain economic conditions in the future. If a revision is needed, the amount to be recognized in the consolidated financial statements for the following fiscal year may be affected.

(3) Test for impairment at MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD.

MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD. is engaged in manufacturing and sales of polycarbonates and has adopted IFRS. Although the subsidiary's operating results have deteriorated and there are indications of impairment, the subsidiary's fixed assets are recorded at book value because the recoverable amount exceeds the book value. The balance of property, plant and equipment and intangible assets related to MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD. at the March 31, 2021 was ¥5,745 million ($51,892 thousand) and ¥1,451 million ($13,106 thousand), respectively.

The recoverable amount is calculated based on discounted future cash flows. In calculating the cash flows, assumptions regarding sales volume, sales prices, marginal profit ratio, discount rates, and other items have been made based on trends from prior years, market data for polycarbonates and its raw material, bisphenol A, and the cost of capital of other companies in the same industry.

(t) Accounting Pronouncements Not Yet Adopted

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, revised on March 26, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, revised on March 31, 2020)

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued “Revenue from Contracts with Customers” in May 2014 (IASB’s IFRS 15 and FASB’s Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

These ASBJ statement and implementation guidance will be applied from the fiscal year beginning on April 1, 2021.

The impact of the application of the Accounting Standard for Revenue Recognition and other guidance on the consolidated financial statements is currently under evaluation.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, revised on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, revised on March 31, 2020)

The IASB and the FASB have provided detailed guidance of almost the same contents for fair value measurement (IFRS 13 Fair Value Measurement by IFRS, and ASU 2018-13 Fair Value Measurement (Topic 820) by U.S.GAAP). Based on such a situation, the ASBJ issued “Accounting Standard for Fair Value Measurement,” etc., as a result of initiatives mainly concerning promoting the consistency between Japanese and international accounting standards regarding guidance for fair value measurement and required disclosures.

The basic objective of the ASBJ in developing the accounting standard for fair value measurement was to enhance comparability between financial statements of domestic and foreign entities, through a unified measuring method. Accordingly, the accounting standard fundamentally incorporates the basic policies of IFRS 13.Also, where there are items that should be considered to reflect the business practices in Japan, exceptional treatments have been established for certain items to the extent that comparability is not lost significantly.

These ASBJ statements and implementation guidance will be applied from the fiscal year beginning on April 1, 2021.

The impact of the application of the Accounting Standards for Fair Value Measurement and other standards and guidance on the consolidated financial statements is currently under consideration.

(u) Change in Presentation

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, issued on March 31, 2020) from the year ended March 31, 2021 and disclosed notes regarding significant accounting estimates in the consolidated financial statements.

On the other hand, the Company does not disclose nature of the estimate for the year ended March 31, 2020 in accordance with transitional treatment prescribed in the proviso of Paragraph 11 of the accounting standard.

(v) Additional Information

Assumptions regarding impact of novel coronavirus (COVID-19) in making accounting estimate

Although there are concerns about a decrease in demand, etc. due to the impact of the COVID-19 pandemic, the Company believes that the impact on the accounting estimates for impairment of fixed assets, etc. will be immaterial.

2. Financial Statement Translation

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate as of March 31, 2021, which was ¥110.71 to U.S. $1. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Cash and Cash Equivalents

(a) Reconciliation between "Cash" in the consolidated balance sheet and "Cash and cash equivalents" in the consolidated statement of cash flows as of March 31, 2021 and 2020 is as follows

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥ 101,785	¥ 78,227	$ 919,384
Time deposits with maturities of over three months	(10,980)	(11,698)	(99,178)
Securities	269	3,514	2,430
Cash and cash equivalents	¥ 91,075	¥ 70,043	$ 822,645

(b) Details of the assets and liabilities of subsidiaries that have been included in the scope of consolidation due to acquisition of shares

As of March 31, 2020
TOHO EARTHTECH,INC. has been included in the scope of consolidation due to acquisition of its shares. Assets, liabilities and stock acquisition cost at the time of acquisition are not disclosed due to confidentiality with the seller. The acquisition cost was determined by taking into consideration the results of stock value evaluation by a third-party organization to secure fairness and validity.

Japan U-PiCA Company, Ltd. has been included in the scope of consolidation due to acquisition of its shares. The components of assets and liabilities at the time of acquisition, the acquisitions cost and net expenditure for this acquisition are as follows:

	Millions of yen
	2020
Current assets	¥ 9,227
Non-current assets	3,485
Current liabilities	(2,559)
Non-current liabilities	(1,059)
Loss on revaluation of acquisition	(190)
Non-controlling interests	(2,991)
Negative Goodwill	(492)
Stock acquisition cost	¥ 5,419
Investment value accounted for by the equity method prior to obtaining control	(3,947)
Loss on step acquisitions	197
Cash and cash equivalents of the new consolidated subsidiary	(4,922)
Expenditure for acquisition	¥ (3,251)

4. Securities and Investments in Securities

There were no held-to-maturity securities with fair value as of March 31, 2021. Balance sheet amount, fair value and gross unrealized gain and loss of held-to-maturity securities with fair value as of March 31, 2020 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Fair value
March 31, 2020				
Government bond securities	¥ 0	¥ 0	¥ —	¥ 0
Certificates of deposit	3,000	—	—	3,000
	¥ 3,000	¥ 0	¥ —	¥ 3,000

Balance sheet amount, acquisition cost, and gross unrealized gain and loss of other securities with fair value as of March 31, 2021 and 2020 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2021				
Equity securities	¥ 38,702	¥ 21,364	¥ (383)	¥ 17,721
Other securities	87	—	(12)	100
	¥ 38,790	¥ 21,364	¥ (396)	¥ 17,821
March 31, 2020				
Equity securities	¥ 32,365	¥ 14,367	¥ (2,283)	¥ 20,281
Other securities	578	—	(31)	610
	¥ 32,943	¥ 14,367	¥ (2,315)	¥ 20,891

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2021				
Equity securities	$ 349,580	$ 192,973	$ (3,459)	$ 160,067
Other securities	786	—	(108)	903
	$ 350,375	$ 192,973	$ (3,577)	$ 160,970

Securities classified as other securities for which fair value is not available are unlisted equity securities amounting to ¥5,839 million ($52,741 thousand) and ¥3,822 million as of March 31, 2021 and 2020, respectively.

For the years ended March 31, 2021 and 2020, proceeds from the sale of other securities are ¥4,648 million ($41,984 thousand) and ¥4,702 million, respectively. Gross realized gains are ¥1,807 million ($16,322 thousand) and ¥2,681 million for the years ended March 31, 2021 and 2020, respectively.

The Company recognized impairment losses on securities of ¥228 million ($2,059 thousand) and ¥762 million for the years ended March 31, 2021 and 2020, respectively.

The Company recognizes impairment losses on securities with market value when the market value declines by more than 50 percent. When the market value declines by more than 30 percent but less than 50 percent, the Company recognizes necessary impairment losses as a result of considering the possibility of recovery. The Company recognizes impairment losses on securities without market value when the value declines significantly due to an issuer's financial condition.

5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2021 and 2020 are ¥113,660 million ($1,026,646 thousand) and ¥112,946 million, respectively.

6. Short-term and Long-term Borrowings

Short-term borrowing is represented by bank loans which are due within one year. The weighted average interest rate of short-term borrowing is 0.9% and 1.3% as of March 31, 2021 and 2020, respectively.

Long-term borrowing as of March 31, 2021 and 2020 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Loans, principally from banks, maturing in installments through 2035 with weighted average interest of 0.18% as of March 31, 2021, partially secured by mortgage of property, plant and equipment and securities	¥ 55,185	¥ —	$ 498,464
Loans, principally from banks, maturing in installments through 2035 with weighted average interest of 0.87% as of March 31, 2020, partially secured by mortgage of property, plant and equipment and securities	—	38,042	—
Lease obligations maturing in installments through 2056 as of March 31, 2021	2,186	—	19,745
Lease obligations maturing in installments through 2056 as of March 31, 2020	—	1,689	—
Unsecured bonds, due 2030 with interest of 0.340%	10,000	—	90,326
Unsecured bonds, due 2025 with interest of 0.170%	10,000	—	90,326
Unsecured bonds, due 2021 with interest of 0.572%	—	10,000	—
	77,371	49,731	698,862
Less current installments:			
Loans	10,413	5,853	94,057
Lease obligations	543	429	4,905
Unsecured bonds	—	10,000	—
	¥ 66,415	¥ 33,449	$ 599,901

Note: The weighted average interest rates on lease obligations as of March 31, 2021 and 2020 are omitted because lease obligations were recorded in the consolidated balance sheet based on the total lease payment which includes assumed interests portion.

The aggregate annual maturities of loans after March 31, 2022, are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. dollars
2023	¥ 6,313	$ 57,023
2024	14,871	134,324
2025	3,756	33,926
2026	2,661	24,036

Property, plant and equipment and securities with a book value as of March 31, 2021 of ¥26,950 million ($243,429 thousand) were mortgaged to secure certain debts.

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations due the banks.

7. Asset Retirement Obligations

(a) Asset retirement obligations recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities except for mentioned below (c) according to law and land lease contracts. The asset retirement obligations are based on estimated future cash flows for the restorations. The obligations are calculated by using the estimated mine lives of 18 to 76 years and discounted rate of 0.828% to 2.385%.

Asbestos are used in part of fixed assets held by the Company and certain consolidated subsidiaries. The Company is obliged to conduct a special treatment when asbestos are removed. The asset retirement obligations are based on estimated future cash flows for the treatment. The obligations are calculated by using the estimated useful lives of the fixed assets mainly of 8 years and discounted rate mainly of 1.035%.

The following table provides a total asset retirement obligation for the years ended March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥ 3,560	¥ 2,437	$ 32,156
Liabilities incurred due to the acquisition	0	5	0
Increase due to change of estimate	1,406	—	12,700
Accretion expenses	41	42	370
Liabilities settled	(0)	(125)	(0)
Other	104	1,201	939
Balance at end of year	¥ 5,113	¥ 3,560	$ 46,184

Note: The increase in other for the year ended March 31, 2020 is due to change in scope of consolidation.

(b) Change of estimate of amount for asset retirement obligations

The Company changed its estimate for restoration costs that had been recorded as restoration obligations based on laws and regulations for some of the natural gas mining facilities owned by the Company in the year ended March 31, 2021 as new information about costs for well abandonment and other items was obtained.

The increase of ¥1,406 million ($12,700 thousand) due to this change in estimate has been added to the balance of asset retirement obligations before the change.

As a result of change in the estimate, profit before income taxes for the year ended March 31, 2021 decreased by ¥1,258 million ($11,363 thousand), because some fixed assets of natural gas mining facilities were accounted for as impairment losses due to recording property, plant and equipment according to change in the estimate.

(c) Asset retirement obligations not recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities according to law and land lease contracts, and the Company plans to use part of the facilities as storage facilities after mining continuingly. The Company and certain consolidated subsidiaries are obliged to restore their piers and pipelines according to law and lease contracts, and the piers and pipelines can be used for a substantial long-term with appropriate repair. Asset retirement obligations relating to these assets are not recognized because it is extremely difficult to estimate the time of fulfilling the obligations reasonably.

8. Retirement Benefits

MGC has defined retirement benefit plans such as lump-sum retirement benefit plans and defined benefit corporate pension plans, besides defined contribution pension plans.

In addition, the Company has also set up retirement benefit trusts.

Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum retirement benefit plans.

Defined benefit plans

(a) Reconciliation between retirement benefit obligations at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligation at beginning of year	¥ 41,794	¥ 41,332	$ 377,509
Service costs	2,175	2,105	19,646
Interest costs	375	367	3,387
Actuarial gains and losses arising during year	111	(43)	1,003
Retirement benefits paid	(2,129)	(1,953)	(19,230)
Other	227	(13)	2,050
Retirement benefit obligation at end of year	¥ 42,555	¥ 41,794	$ 384,383

(b) Reconciliation between plan assets at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at beginning of year	¥ 36,248	¥ 38,909	$ 327,414
Expected return on plan assets	498	571	4,498
Actuarial gains and losses arising during year	2,798	(3,277)	25,273
Contribution from employer	1,412	1,615	12,754
Retirement benefits paid	(1,478)	(1,550)	(13,350)
Other	68	(19)	614
Plan assets at end of year	¥ 39,548	¥ 36,248	$ 357,222

(c) Reconciliation between net defined benefit liabilities of plans applying the simplified method at beginning of year and end of year:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net defined benefit liability at beginning of year	¥ 2,813	¥ 1,651	$ 25,409
Retirement benefit expenses	164	294	1,481
Retirement benefits paid	(189)	(67)	(1,707)
Contribution to plans	36	(43)	325
Increase due to change in scope of consolidation	—	984	—
Decrease due to transition to defined contribution pension plans	(92)	—	(831)
Other	14	(4)	126
Net defined benefit liability at end of year	¥ 2,746	¥ 2,813	$ 24,804

(d) Reconciliation between retirement benefit obligations and plan assets at end of year and net defined benefit asset and defined benefit liability on the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 42,695	¥ 42,140	$ 385,647
Plan assets	(41,396)	(38,058)	(373,914)
	¥ 1,299	¥ 4,081	$ 11,733
Unfunded retirement benefit obligation	4,454	4,276	40,231
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 5,753	¥ 8,358	$ 51,965
Net defined benefit asset	¥ (1,396)	¥ (974)	$ (12,610)
Net defined benefit liability	7,150	9,333	64,583
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 5,753	¥ 8,358	$ 51,965

(e) Retirement benefit expenses and components thereof:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Service costs	**¥ 2,175**	¥ 2,105	**$ 19,646**
Interest costs	**375**	367	**3,387**
Expected return on plan assets	**(498)**	(571)	**(4,498)**
Amortization of actuarial gains and losses	**415**	(230)	**3,749**
Amortization of past service costs	**0**	(19)	**0**
Retirement benefit expenses applying the simplified method	**164**	294	**1,481**
Other	**(2)**	(7)	**(18)**
Retirement benefit expenses under defined benefit plans	**¥ 2,630**	¥ 1,938	**$ 23,756**

(f) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Past service costs	**¥ 0**	¥ (19)	**$ 0**
Actuarial gains and losses	**3,064**	(3,608)	**27,676**
Total	**¥ 3,065**	¥ (3,627)	**$ 27,685**

(g) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Unrecognized past service costs	**¥ (37)**	¥ (37)	**$ (334)**
Unrecognized actuarial gains and losses	**(1,088)**	1,973	**(9,827)**
Total	**¥ (1,126)**	¥ 1,935	**$ (10,171)**

(h) Plan assets

(i) Components of plan assets

Percentages to total plan assets by major category are as follows:

	2021	2020
Debt securities	**32%**	36%
Equity securities	**37**	26
Cash and deposits	**11**	14
Other	**20**	24
Total	**100%**	100%

(ii) Determination of expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is determined considering current and expected allocation of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(i) Actuarial assumptions

	2021	2020
Discount rate	**Mainly 0.8%**	Mainly 0.8%
Expected long-term rate of return on plan assets	**Mainly 2.0%**	Mainly 2.0%

Defined contribution plans

The required contribution of MGC to the defined contribution plans amounted to ¥548 million ($4,950 thousand) and ¥521 million as of March 31, 2021 and 2020, respectively.

Directors, corporate auditors and executive officers are not covered by the plans described above. For such persons, the Company and certain subsidiaries had unfunded defined benefit pension plans. Under the plans, directors, corporate auditors and executive officers are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the companies. MGC provides for the amount of the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates. As of March 31, 2021 and 2020, the liabilities for retirement and severance benefits related to the plans were ¥217 million ($1,960 thousand) and ¥433 million, respectively.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 30.6% in 2021 and 2020.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of profit before income taxes for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020
Statutory tax rate	30.6%	30.6%
Share of profit of entities accounted for using equity method	(3.2)	—
Share of loss of entities accounted for using equity method	—	1.1
Dividend income eliminated in consolidation	4.6	12.9
Valuation allowance	(6.7)	(0.2)
Income not credited for tax purposes	(4.8)	(12.7)
Foreign taxes	1.1	1.3
Other	(2.1)	(4.3)
Effective tax rate	19.5%	28.7%

Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Tax loss carryforward	¥ 6,193	¥ 6,604	$ 55,939
Net defined benefit liability	6,947	6,880	62,750
Devaluation loss on investments in securities	1,227	3,293	11,083
Accrued bonuses	1,717	1,650	15,509
Intercompany profits	2,335	2,287	21,091
Depreciation	408	426	3,685
Impairment loss	1,657	1,727	14,967
Asset retirement obligations	1,605	1,124	14,497
Other	3,498	3,669	31,596
	25,592	27,662	231,162
Valuation allowance for tax loss carryforward	(4,658)	(6,103)	(42,074)
Valuation allowance for the total amount of deductible temporary differences	(11,433)	(13,265)	(103,270)
Valuation allowance	(16,091)	(19,368)	(145,344)
	9,501	8,293	85,819
Deferred tax liabilities:			
Net unrealized gain on other securities	(6,328)	(4,050)	(57,158)
Gain by contributing the assets to the trust	(1,255)	(1,255)	(11,336)
Tax purpose reserves etc. regulated by Japanese tax law	(2,009)	(1,949)	(18,147)
Asset retirement cost	(192)	(51)	(1,734)
Retained earnings of overseas consolidated subsidiaries and others	(4,195)	(3,876)	(37,892)
Other	(4,203)	(2,828)	(37,964)
	(18,184)	(14,011)	(164,249)
Net deferred tax assets (liabilities)	¥ (8,682)	¥ (5,717)	$ (78,421)

Notes 1: The change in valuation allowance is mainly due to a decrease of valuation allowance for devaluation loss on investment in securities.

2: The expiration of tax loss carryforward and the resulting net deferred tax assets as of March 31, 2021 and 2020 was as follows:

March 31, 2021

	Millions of yen						
	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	Total
Tax loss carryforward*	¥ 1,085	¥ 651	¥ 411	¥ 87	¥ 1,708	¥ 2,249	¥ 6,193
Valuation allowance	(259)	(335)	(411)	(72)	(1,707)	(1,871)	(4,658)
Deferred tax assets	825	315	—	14	1	378	1,535

March 31, 2020

	Millions of yen						
	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	Total
Tax loss carryforward*	¥ 1,073	¥ 537	¥ 796	¥ 510	¥ 1,305	¥ 2,381	¥ 6,604
Valuation allowance	(809)	(537)	(789)	(510)	(1,305)	(2,151)	(6,103)
Deferred tax assets	264	—	6	—	—	229	500

March 31, 2021

	Thousands of U.S. dollars						
	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	Total
Tax loss carryforward*	$ 9,800	$ 5,880	$ 3,712	$ 786	$ 15,428	$ 20,314	$ 55,939
Valuation allowance	(2,339)	(3,026)	(3,712)	(650)	(15,419)	(16,900)	(42,074)
Deferred tax assets	7,452	2,845	—	126	9	3,414	13,865

* Tax loss carryforward was calculated by multiplying the statutory tax rate.

10. Common Stock

Under the Companies Act, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

11. Retained Earnings and Dividends

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Companies Act also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheet.

Cash dividends charged to retained earnings for the years ended March 31, 2021 and 2020 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

(a) Dividends paid during the year ended March 31, 2020

The following was approved by the Board of Directors held on May 24, 2019.

(i)	Total dividends	¥7,477 million
(ii)	Cash dividends per common share	¥35
(iii)	Record date	March 31, 2019
(iv)	Effective date	June 6, 2019

The following was approved by the Board of Directors held on November 5, 2019.

(i)	Total dividends	¥7,384 million
(ii)	Cash dividends per common share	¥35
(iii)	Record date	September 30, 2019
(iv)	Effective date	December 5, 2019

(b) Dividends paid during the year ended March 31, 2021

The following was approved by the Board of Directors held on May 26, 2020.

(i)	Total dividends	¥7,279 million ($65,748 thousand)
(ii)	Cash dividends per common share	¥35 ($0.32)
(iii)	Record date	March 31, 2020
(iv)	Effective date	June 8, 2020

The following was approved by the Board of Directors held on November 2, 2020.

(i)	Total dividends	¥7,280 million ($65,757 thousand)
(ii)	Cash dividends per common share	¥35 ($0.32)
(iii)	Record date	September 30, 2020
(iv)	Effective date	December 4, 2020

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2021

The following was approved by the Board of Directors held on May 26, 2021.

(i)	Total dividends	¥7,280 million ($65,757 thousand)
(ii)	Dividend source	Retained earnings
(iii)	Cash dividends per common share	¥35 ($0.32)
(iv)	Record date	March 31, 2021
(v)	Effective date	June 7, 2021

12. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Freight	**¥ 21,435**	¥ 22,389	**$ 193,614**
Stevedoring and warehouse fee	**3,738**	3,817	**33,764**
Salaries	**18,961**	18,361	**171,267**
Employees' bonuses	**5,747**	5,543	**51,910**
Pension cost	**1,431**	924	**12,926**
Welfare	**4,846**	4,001	**43,772**
Transportation	**670**	2,685	**6,052**
Depreciation	**5,681**	5,951	**51,314**

13. Research and Development Costs

Research and development costs charged to following items for the years ended March 31, 2021 and 2020 are as follows;

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Research and development costs which were included in selling, general and administrative expenses	**¥ 18,595**	¥ 18,410	**$ 167,961**
Research and development costs which were included in general and administrative expenses and manufacturing costs	**19,905**	19,696	**179,794**

14. Impairment Loss

MGC reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss for the years ended March 31, 2021 and March 31, 2020 as follows:

Location	Usage	Classification	Millions of yen		Thousands of U.S. dollars
			2021	2020	**2021**
Tainai-shi Niigata Pref. Japan	Manufacturing facilities for natural gas and crude oil	Machinery and equipment, etc.	**¥1,258**	¥—	**$11,363**
Kurashiki-shi Okayama Pref. Japan	Manufacturing facilities for organic chemical	Machinery and equipment, etc.	**373**	—	**3,369**
Yokkaichi-shi Mie Pref. Japan	Manufacturing facilities for optical material	Machinery and equipment, etc.	**144**	—	**1,301**
State of Michigan, U.S.A	Manufacturing facilities	Machinery and equipment, etc.	**219**	381	**1,978**

Impairment loss for Yokkaichi-shi, Mie pref. was presented as loss on withdrawal from business in the consolidated statement of income. Also, impairment loss for State of Michigan, U.S.A was presented as loss on liquidation of subsidiaries in the consolidated statement of income.

The long-lived assets that are used for business are grouped according to the classification which is used for monitoring the profit and loss continuously under the management accounting system, and the idle assets are grouped individually by each item.

The carrying amount of manufacturing facilities owned by the Company and a consolidated subsidiary of the Company were written down to a recoverable amount because the carrying amount fell below the recoverable amount.

The recoverable amounts were measured using the net selling value or value in use per each asset group, and evaluated based on reasonable estimation by cost approach or based on memorandum value due to negative future cash flow.

Impairment loss on the asset groups consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Building and structures	**¥234**	¥ —	**$2,114**
Machinery, equipment and vehicles	**1,740**	182	**15,717**
Construction in progress	**—**	86	**—**
Intangible assets	**—**	111	**—**
Other	**18**	2	**163**
Total	**¥1,994**	381	**$18,011**

15. Other Comprehensive Income

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Valuation difference on available-for-sale securities:			
Arising during the year	**¥ 10,747**	¥ (4,700)	**$ 97,073**
Reclassification adjustment	**(1,799)**	(2,069)	**(16,250)**
Before tax amount	**8,948**	(6,770)	**80,824**
Tax (expense) benefit	**(2,210)**	1,597	**(19,962)**
Net-of-tax amount	**6,737**	(5,172)	**60,853**
Deferred (losses) gains on hedges:			
Arising during the year	**(34)**	6	**(307)**
Reclassification adjustment	**—**	(1)	**—**
Before tax amount	**(34)**	4	**(307)**
Tax benefit (expense)	**10**	(1)	**90**
Net-of-tax amount	**(24)**	3	**(217)**
Foreign currency translation adjustments:			
Arising during the year	**3,036**	(3,431)	**27,423**
Net-of-tax amount	**3,036**	(3,431)	**27,423**
Remeasurements of defined benefit plans:			
Arising during the year	**2,691**	(3,232)	**24,307**
Reclassification adjustment	**373**	(395)	**3,369**
Before tax amount	**3,065**	(3,627)	**27,685**
Tax (expense) benefit	**(235)**	241	**(2,123)**
Net-of-tax amount	**2,829**	(3,386)	**25,553**
Share of other comprehensive income of entities accounted for by the equity method:			
Arising during the year	**1,137**	(1,621)	**10,270**
Reclassification adjustment	**—**	3,109	**—**
Net-of-tax amount	**1,137**	1,488	**10,270**
Total other comprehensive income	**¥ 13,718**	¥ (10,498)	**$ 123,909**

16. Per Share Information

(a) Earnings per share

Earnings per share, and reconciliation of the numbers and the amounts used in the earnings per share computations for the years ended March 31, 2021 and 2020 are as follows:

	Yen		U.S. dollars
	2021	2020	**2021**
Earnings per share	**¥ 173.41**	¥ 100.50	**$ 1.57**

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Profit attributable to owners of parent	**¥ 36,070**	¥ 21,158	**$ 325,806**
Profit not applicable to common stockholders	**—**	—	**—**
Profit attributable to common stockholders of parent	**¥ 36,070**	¥ 21,158	**$ 325,806**

	Number of shares	
	2021	2020
Weighted average number of shares outstanding on which earnings per share is calculated	**208,004,306**	210,529,901

The diluted earnings per share for the years ended March 31, 2021 and 2020 are not presented because there are no dilutive potential shares as of March 31, 2021 and 2020.

(b) Net assets per share

Net assets per share as of March 31, 2021 and 2020 are as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 2,520.34	¥ 2,368.11	$ 22.77

17. Leases

Operating lease

Future minimum lease payments required under non-cancellable operating leases as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Within one year	¥ 871	¥ 889	$ 7,867
Over one year	3,449	2,188	31,153
	¥ 4,320	¥ 3,077	$ 39,021

18. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corporation as of March 31, 2021 and 2020.

Balances with the company as of March 31, 2021 and 2020 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balances:			
Trade accounts receivable	¥ 10,736	¥ 8,820	$ 96,974
Transactions:			
Sales	29,226	31,815	263,987

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. as of March 31, 2021 and 2020.

As of March 31, 2021 and 2020, the Company has guaranteed ¥2,588 million ($23,376 thousand) and ¥4,016 million of the company’s loans to financial institutions, respectively.

The affiliated company of the Company has a 35% equity ownership in CARIBBEAN GAS CHEMICAL LTD. as of March 31, 2021 and 2020.

As of March 31, 2021 and 2020, the Company has guaranteed ¥27,309 million ($246,671 thousand) and ¥29,075 million of the company’s loans to financial institutions.

The condensed financial information of all of 14 affiliates (15 in 2020) accounted for by the equity method, including the significant affiliate, Japan Saudi Arabia Methanol Company, Inc., are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total current assets	¥ 187,161	¥ 152,348	$ 1,690,552
Total non-current assets	391,854	320,092	3,539,463
Total current liabilities	140,296	118,445	1,267,239
Total non-current liabilities	190,721	133,268	1,722,708
Total net assets	247,996	220,698	2,240,051
Sales	270,563	287,249	2,443,889
Profit before income taxes	21,793	16,667	196,848
Profit	11,806	4,168	106,639

19. Commitments and Contingencies

The Company guarantees certain obligations of its associated companies and employees, etc. As of March 31, 2021 and 2020, guarantees for affiliates and employees, etc. loans amounted to ¥29,719 million ($268,440 thousand) and ¥31,446 million, respectively.

20. Financial Instruments

Conditions of financial instruments

(a) Management policy

MGC raises necessary funds through bank borrowings and issue of bonds in accordance with a funds management plan. Surplus funds are invested in highly safe financial instruments. MGC raises funds through bank borrowings for short-term operating fund. MGC uses derivatives to avoid risks mentioned below and does not enter into derivatives for speculative purposes.

(b) Financial instruments and risks

Trade notes and accounts receivable are exposed to customer's credit risk. Maturities of trade notes and accounts payable are mostly within one year. Part of trade receivables and payables is denominated in foreign currency and is exposed to fluctuation risk of foreign exchange rates. MGC uses foreign exchange contracts to hedge the net position.

Securities and investments in securities are mainly held-to-maturity bonds and equity securities held for business relations and are exposed to market fluctuation risk.

Borrowings, bonds and lease obligations for finance leases are mainly for financing of funds for capital expenditure and operating. Part of the liabilities is with variable interest rate and thus is exposed to interest rate fluctuation risk. MGC uses interest rate swaps to hedge the risk.

MGC uses foreign exchange contracts to hedge future fluctuation of foreign exchange rates of operating receivables and payables and forecasted transactions denominated in foreign currencies, interest rate swaps and currency swaps to hedge future fluctuation of interest rates and foreign exchange rates of borrowings.

Hedge accounting is applied for certain derivative transactions. MGC applies the deferral hedge accounting method for hedge accounting. MGC has entered into forward exchange contracts for receivables and payables and forecasted transactions denominated in foreign currencies, and interest rate swap agreements to manage interest rate exposures on certain borrowings. Hedges for fluctuation risk of foreign exchange rates that meet certain criteria are accounted for using the allocation method. If interest rate swap agreements are used as hedges and meet certain hedging criteria, the difference in amounts to be paid or received on the interest rate swap agreements is recognized over the life of the agreements as an adjustment to interest expense. MGC employs derivative transactions within actual demand and does not hold or issue derivative financial instruments for speculative purposes. The hedge effectiveness is assessed based on the fluctuation ratio of hedged items and hedging instruments by comparing the cumulative market fluctuations or cash flow fluctuations of hedged items and those of related hedging instruments. The Company omits to assess hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet certain criteria.

(c) Financial instruments risk management

(i) Credit risk

To mitigate and quickly capture the collectability issues, sales administration divisions regularly monitor major customers' credit status, and perform due date controls and balance controls for each customer in accordance with trade receivables and credit control rules. Held-to-maturity securities are debt securities readily convertible into cash which are invested in accordance with investment of surplus funds rules.

Maximum risk as of March 31, 2021 and 2020 is represented by the carrying amount of financial assets exposed to credit risk.

(ii) Market risk

The finance departments have executed the transactions with market risk with the director's approval in accordance with the finance rules and the derivatives control rules.

To mitigate the foreign currency fluctuation risk recognized by currency and month, MGC enters into a forward exchange contract for hedging the cash flow fluctuation risk associated with operating receivables and payables and forecasted transactions denominated in foreign currencies and surplus funds. To mitigate the foreign currency and interest rate fluctuation risk, MGC enters into an interest rate swap and a currency swap for hedging the cash flow fluctuation risk associated with borrowings.

MGC regularly monitors a price and an issuer's financial condition, and continuously considers whether MGC holds the securities or the investments in securities except for held-to-maturity bond.

(iii) Liquidity risk

To mitigate the liquidity risk, a finance department prepares and updates a funds management plan as necessary, and maintains an appropriate level of liquidity.

(d) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in **Fair value of financial instruments** does not represent the market risk of the derivative transactions.

Fair value of financial instruments

Balance sheet amount, fair value, and differences as of March 31, 2021 and 2020 are as follows.

Financial instruments, of which it is extremely difficult to measure the fair value, are not included in the table below. (Please see “<2> Financial instruments of which the fair value is extremely difficult to measure.”)

March 31, 2021	Millions of yen: Balance sheet amount	Millions of yen: Fair value	Millions of yen: Differences	Thousands of U.S. dollars: Balance sheet amount	Thousands of U.S. dollars: Fair value	Thousands of U.S. dollars: Differences
Assets:						
(1) Cash and deposits	¥ 101,785	¥ 101,785	¥ —	$ 919,384	$ 919,384	$ —
(2) Notes and accounts receivable - trade	159,018	159,018	—	1,436,347	1,436,347	—
(3) Securities and investments in securities	39,568	39,568	—	357,402	357,402	—
Total assets	¥ 300,372	¥ 300,372	¥ —	$ 2,713,142	$ 2,713,142	$ —
Liabilities:						
(1) Notes and accounts payable - trade	¥ 75,308	¥ 75,308	¥ —	$ 680,228	$ 680,228	$ —
(2) Short-term borrowings	40,087	40,087	—	362,090	362,090	—
(3) Accrued expenses	20,225	20,225	—	182,684	182,684	—
(4) Bonds	20,000	19,976	(24)	180,652	180,435	(217)
(5) Long-term borrowings	36,202	36,177	(24)	326,998	326,773	(217)
Total liabilities	¥ 191,824	¥ 191,775	¥ (48)	$ 1,732,671	$ 1,732,228	$ (434)
Derivative transactions (*):						
Hedge accounting not applied	¥ (320)	¥ (320)	¥ —	$ (2,890)	$ (2,890)	$ —
Hedge accounting applied	(27)	(27)	—	(244)	(244)	—
Total derivative transactions	¥ (348)	¥ (348)	¥ —	$ (3,143)	$ (3,143)	$ —

March 31, 2020	Millions of yen: Balance sheet amount	Millions of yen: Fair value	Millions of yen: Differences
Assets:			
(1) Cash and deposits	¥ 78,227	¥ 78,227	¥ —
(2) Notes and accounts receivable - trade	141,279	141,279	—
(3) Securities and investments in securities	35,972	35,972	—
Total assets	¥ 255,480	¥ 255,480	¥ —
Liabilities:			
(1) Notes and accounts payable - trade	¥ 70,776	¥ 70,776	¥ —
(2) Short-term borrowings	33,980	33,980	—
(3) Accrued expenses	18,008	18,008	—
(4) Current portion of bonds payable	10,000	10,041	41
(5) Long-term borrowings	29,043	29,847	803
Total liabilities	¥ 161,809	¥ 162,654	¥ 845
Derivative transactions (*):			
Hedge accounting not applied	¥ (364)	¥ (364)	¥ —
Hedge accounting applied	6	4	(1)
Total derivative transactions	¥ (358)	¥ (359)	¥ (1)

* Derivative receivables and payables are on net basis. Items that are net payables are shown in parenthesis

<1> Fair value measurement of financial instruments

Assets:

• Cash and deposits and Notes and accounts receivable - trade

The carrying amount approximates fair value because of the short maturity of these instruments.

• Securities and investments in securities

The fair value of equity securities is calculated by quoted market price and the fair value of bond securities is estimated based on quotes from counterparties. Please see note 4 Securities and Investments in Securities for information by category.

Liabilities:

• Notes and accounts payable - trade, Short-term borrowings, and Accrued expenses

The carrying amount approximates fair value because of the short maturity of these instruments.

• Bonds

The fair value of bonds issued by the Company is calculated by market price.

• Long-term borrowings

Fair value of long-term borrowings is based on the present value of future cash flows discounted using the current borrowing rate for similar borrowings of a comparable maturity.

Derivative Transactions:

Please see note 21 Derivative Financial Instruments.

<2> Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted equity securities	¥ 119,419	¥ 116,699	$ 1,078,665

* It is extremely difficult to measure the fair value, and thus above are not included in “Assets (3) securities and investments in securities.”

<3> Projected future redemption of monetary claim and securities with maturities as of March 31, 2021

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	¥ 101,785	¥ —	¥ —	¥ —
(2) Notes and accounts receivable - trade	159,018	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity (bonds)	—	—	—	1,747
Total	¥ 260,803	¥ —	¥ —	¥ 1,747

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	$ 919,384	$ —	$ —	$ —
(2) Notes and accounts receivable - trade	1,436,347	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity (bonds)	—	—	—	15,780
Total	$ 2,355,731	$ —	$ —	$ 15,780

<4> The annual maturities of the bonds and long-term borrowings as of March 31, 2021

	Millions of yen					
	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
Bonds	¥ —	¥ —	¥ —	¥ —	¥ 10,000	¥ 10,000
Long-term borrowings	10,413	6,313	14,871	3,756	2,661	8,598

	Thousands of U.S. dollars					
	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
Bonds	$ —	$ —	$ —	$ —	$ 90,326	$ 90,326
Long-term borrowings	94,057	57,023	134,324	33,926	24,036	77,662

21. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2021 and 2020 are summarized as follows:

Derivative financial instruments to which hedge accounting is not applied are summarized as follows:

(a) Forward exchange contracts and currency swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2021			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 8,962	¥ (7)	¥ (7)
Euro	2,821	(3)	(3)
Thai Baht	114	(0)	(0)
New Taiwan dollar	512	1	1
Chinese Yuan	2,340	(1)	(1)
To buy foreign currency:			
U.S. dollar	591	(18)	(18)
New Taiwan dollar	1	(0)	(0)
Chinese Yuan	73	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	518	34	34
Receive/U.S. dollar, Pay/Thai Baht	517	(20)	(20)
Receive/Japanese Yen, Pay/Chinese Yuan	1,684	(164)	(164)
	¥ 18,136	¥ (178)	¥ (178)

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2020			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	¥ 11,642	¥ (17)	¥ (17)
Euro	2,329	(27)	(27)
Thai Baht	59	(0)	(0)
New Taiwan dollar	370	(10)	(10)
Chinese Yuan	882	(0)	(0)
Korean Won	614	5	5
To buy foreign currency:			
U.S. dollar	298	(11)	(11)
Canadian dollar	1,396	(68)	(68)
New Taiwan dollar	2	(0)	(0)
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	545	(0)	(0)
Receive/U.S. dollar, Pay/Thai Baht	547	(20)	(20)
	¥ 18,689	¥ (150)	¥ (150)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2021			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	**$ 80,950**	**$ (63)**	**$ (63)**
Euro	**25,481**	**(27)**	**(27)**
Thai Baht	**1,030**	**(0)**	**(0)**
New Taiwan dollar	**4,625**	**9**	**9**
Chinese Yuan	**21,136**	**(9)**	**(9)**
To buy foreign currency:			
U.S. dollar	**5,338**	**(163)**	**(163)**
New Taiwan dollar	**9**	**(0)**	**(0)**
Chinese Yuan	**659**	**(0)**	**(0)**
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	**4,679**	**307**	**307**
Receive/U.S. dollar, Pay/Thai Baht	**4,670**	**(181)**	**(181)**
Receive/Japanese Yen, Pay/Chinese Yuan	**15,211**	**(1,481)**	**(1,481)**
	$ 163,815	**$ (1,608)**	**$ (1,608)**

* The fair value of forward exchange contracts and currency swap agreements is estimated based on quotes from counterparties.

(b) Interest rate swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2021			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**¥ 4,014**	**¥ (142)**	**¥ (142)**
March 31, 2020			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 4,430	¥ (214)	¥ (214)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2021			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**$ 36,257**	**$ (1,283)**	**$ (1,283)**

* The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

Derivative financial instruments to which hedge accounting is applied are summarized as follows:

(a) Forward exchange contracts

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2021			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		**¥ 1,766**	**¥ (83)**
To buy foreign currency:	Accounts payable		
U.S. dollar		**218**	**7**
To sell foreign currency:	Forecasted transactions		
U.S. dollar		**875**	**(28)**
To buy foreign currency:	Forecasted transactions		
U.S. dollar		**16**	**0**
		¥ 2,877	**¥ (104)**

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2020			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		¥ 1,290	¥ 1
Chinese Yuan		65	(0)
To buy foreign currency:	Accounts payable		
U.S. dollar		566	3
To sell foreign currency:	Forecasted transactions		
U.S. dollar		234	2
To buy foreign currency:	Forecasted transactions		
U.S. dollar		537	4
		¥ 2,695	¥ 11

	Hedged items	Thousands of U.S. dollars	
		Contract or notional amounts	Fair value
March 31, 2021			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable		
U.S. dollar		**$ 15,952**	**$ (750)**
To buy foreign currency:	Accounts payable		
U.S. dollar		**1,969**	**63**
To sell foreign currency:	Forecasted transactions		
U.S. dollar		**7,904**	**(253)**
To buy foreign currency:	Forecasted transactions		
U.S. dollar		**145**	**0**
		$ 25,987	**$ (939)**

*The fair value of forward exchange contracts is estimated based on quotes from counterparties.

(b) Interest rate swap agreements

There were no interest rate swap agreements as of March 31, 2021.

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2020			
Interest rate swap agreements:			
Receive/floating and pay/fixed	Long-term borrowings	¥ 360	¥ (1)

* The fair value of interest rate swap agreements is estimated based on quotes from counterparties.

22. Investment and Rental Property

The Company and certain consolidated subsidiaries own land and buildings for rent in Tokyo and other areas (hereafter "rental property").

The amounts recognized in the consolidated balance sheet and fair values related to the rental property for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Consolidated balance sheet amount:			
Balance at beginning of the year	**¥ 10,793**	¥ 15,150	**$ 97,489**
Increase/(decrease)	**(592)**	(4,357)	**(5,347)**
Balance at end of the year	**¥ 10,200**	¥ 10,793	**$ 92,133**
Fair value	**¥ 13,665**	¥ 14,117	**$ 123,431**

Notes:
1. Consolidated balance sheet amount is its cost minus accumulated depreciation and accumulated impairment loss.
2. Decrease for the year ended March 31, 2021 was mainly due to depreciation expense of ¥676 million ($6,106 thousand) the Company recorded. Decrease for the year ended March 31, 2020 was mainly due to loss of ¥4,381 million on reduction of property, plant and equipment located in QOL Innovation Center Shirakawa.
3. Fair value is based on roadside value, etc.

Rent income from the rental property is ¥232 million ($2,096 thousand) and ¥438 million for the years ended March 31, 2021 and 2020, respectively.

23. Business Combination

Transactions under common control

1. Summary of transaction

(1) Name and business of the company subject to business combination
Name: Tokyo Shokai, Ltd., Ryoko Chemical Co., Ltd., Ryoyo Trading Co., Ltd.
Business: Sales of synthetic resins, electronic materials, organic chemicals, aromatic chemicals, inorganic chemicals and oxygen absorbers

(2) Date of combination
October 1, 2020

(3) Legal form of combination
Legal form is absorption-type merger which treats MGC Trading, Inc. as the surviving company and Tokyo Shokai, Ltd., Ryoko Chemical Co., Ltd., Ryoyo Trading Co., Ltd. as companies absorbed in the merger. Upon the merger, the company name of MGC Trading, Inc. was changed to Mitsubishi Gas Chemical Trading, Inc.

(4) Post-combination name of the acquired company
Mitsubishi Gas Chemical Trading, Inc.

(5) Other matters related to the business combination
The objective is to further unify the business activities of MGC, accelerate overseas expansion and new business development efforts on a group-wide basis, and realize a market-oriented sales structure with a stronger focus on growth areas such as "Medicine & Food," "Information & Communication," and "Mobility."

2. Outline of accounting treatment

This business combination was accounted for as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

24. Segment Information

The Company introduced company-based organization for clarifying management’s responsibility in operation and for managing efficiently. Each company develops a business strategy for their products and services and conducts business.

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

Under the Group vision of “creating values to share with society,” MGC is promoting a growth strategy based on the five measures in its medium-term management plan “MGC Advance 2020.” In particular, an organizational revision was made in the year ended March 31, 2021 in order to promote measures such as “Creating and developing new businesses,” “Implementing investment strategies to form an optimal business portfolio” and “Promoting unified MGC Group management” more swiftly and strongly than before.

The reported segments were changed from four segments of “Natural gas chemicals,” “Aromatic chemicals,” “Specialty chemicals” and “Information and advanced materials” to two segments of “Basic Chemicals Business Sector” and “Specialty Chemicals Business Sector” according to this revision.

“Basic Chemicals Business Sector” mainly produces and sells methanol, chemical products for methanol and ammonia, life science products, general aromatic products, specialty aromatic products and foaming plastics.

“Specialty Chemicals Business Sector” mainly produces and sells inorganic chemicals, plastic lens monomer, engineering plastics, electronic materials and oxygen absorbers.

The segment information for the year ended March 31, 2020 is disclosed based on the reported segment classification after the organizational revision.

Segment sales, profit, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment profit are calculated based on “Keijo-rieki” disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 25). Intersegment revenue and transfer are based on arm’s-length transactions.

The reported segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2021 and 2020 is summarized as follows:

	Millions of yen				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:					
Sales to third parties	¥ 315,034	¥ 267,457	¥ 13,226	¥ —	¥ 595,718
Inter-segment sales	7,767	368	1,965	(10,101)	—
	¥ 322,801	¥ 267,825	¥ 15,192	¥ (10,101)	¥ 595,718
Segment profit	¥ 11,001	¥ 37,552	¥ 3,297	¥ (1,610)	¥ 50,240
Segment assets	¥ 427,468	¥ 355,794	¥ 40,940	¥ 12,161	¥ 836,364
Others:					
Depreciation and amortization	¥ 16,371	¥ 13,090	¥ 189	¥ 1,034	¥ 30,686
Amortization of goodwill	368	—	3	—	371
Interest income	226	190	6	(61)	362
Interest expenses	551	581	2	(335)	800
Share of profit (loss) of entities accounted for using equity method	1,972	3,180	—	9	5,162
Investments in entities accounted for by the equity method	73,535	30,831	—	(149)	104,217
Capital expenditures	19,482	18,619	637	1,543	40,282

	Millions of yen				
	2020				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:					
Sales to third parties	¥ 357,333	¥ 255,112	¥ 898	¥ —	¥ 613,344
Inter-segment sales	6,503	830	123	(7,456)	—
	¥ 363,836	¥ 255,943	¥ 1,021	¥ (7,456)	¥ 613,344
Segment profit	¥ 4,756	¥ 28,178	¥ 8	¥ (1,827)	¥ 31,116
Segment assets	¥ 396,905	¥ 310,204	¥ 34,569	¥ 30,053	¥ 771,733
Others:					
Depreciation and amortization	¥ 15,941	¥ 12,578	¥ 19	¥ 1,052	¥ 29,591
Amortization of goodwill	379	—	1	—	380
Interest income	278	263	9	14	565
Interest expenses	822	635	5	(494)	968
Share of profit (loss) of entities accounted for using equity method	(4,924)	3,701	(60)	—	(1,282)
Investments in entities accounted for by the equity method	65,122	30,540	—	(149)	95,513
Capital expenditures	22,316	17,312	1	2,759	42,389

	Thousands of U.S. dollars				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:					
Sales to third parties	**$ 2,845,579**	**$ 2,415,834**	**$ 119,465**	**$ —**	**$ 5,380,887**
Inter-segment sales	**70,156**	**3,324**	**17,749**	**(91,238)**	**—**
	$ 2,915,735	**$ 2,419,158**	**$ 137,223**	**$ (91,238)**	**$ 5,380,887**
Segment profit	**$ 99,368**	**$ 339,192**	**$ 29,781**	**$ (14,542)**	**$ 453,798**
Segment assets	**$ 3,861,151**	**$ 3,213,748**	**$ 369,795**	**$ 109,846**	**$ 7,554,548**
Others:					
Depreciation and amortization	**$ 147,873**	**$ 118,237**	**$ 1,707**	**$ 9,340**	**$ 277,175**
Amortization of goodwill	**3,324**	**—**	**27**	**—**	**3,351**
Interest income	**2,041**	**1,716**	**54**	**(551)**	**3,270**
Interest expenses	**4,977**	**5,248**	**18**	**(3,026)**	**7,226**
Share of profit (loss) of entities accounted for using equity method	**17,812**	**28,724**	**—**	**81**	**46,626**
Investments in entities accounted for by the equity method	**664,213**	**278,484**	**—**	**(1,346)**	**941,351**
Capital expenditures	**175,973**	**168,178**	**5,754**	**13,937**	**363,852**

Notes:
1. Other includes listed affiliates, real estate business and electric power business which are not included in reported segments.
2. Adjustments in the above tables are made for the followings:
   (1) Adjustments in segment profit

	Millions of yen		Thousands of U.S. dollars
	2021	2020	**2021**
Elimination of intersegment transactions	**¥ 59**	¥ (165)	**$ 533**
Unallocated company-wide expenses	**(1,670)**	(1,661)	**(15,084)**
	¥ (1,610)	¥ (1,827)	**$ (14,542)**

* Company-wide expenses are administrative expenses, financial income and expenses and other income and expenses which are not allocated to reported segments.

(2) Adjustments in segment assets

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Elimination of intersegment balances	¥	(50,598)	¥	(37,931)	$	(457,032)
Unallocated company-wide assets		62,759		67,985		566,877
	¥	12,161	¥	30,053	$	109,846

* Company-wide assets include cash, investments in securities and deferred taxes assets which are not allocated to reported segments.

(3) "Adjustments in depreciation and amortization" of ¥1,034 million ($9,340 thousand) and ¥1,052 million are depreciation and amortization of company-wide assets which are not allocated to reported segments for the years ended March 31, 2021 and 2020, respectively.

(4) "Adjustments in interest income" of ¥(61) million ($(551) thousand) and ¥14 million are mainly interest income which are not allocated to reported segments and elimination of intersegment transactions for the years ended March 31, 2021 and 2020, respectively.

(5) "Adjustments in interest expenses" of ¥(335) million ($(3,026) thousand) and ¥(494) million are mainly elimination of intersegment transactions for the years ended March 31, 2021 and 2020, respectively.

(6) "Adjustments in investments in entities accounted for by the equity method" of ¥(149) million ($(1,346) thousand) and ¥(149) million are mainly investments which are not allocated to reported segments for the years ended March 31, 2021 and 2020, respectively.

(7) "Adjustments in capital expenditures" of ¥1,543 million ($13,937 thousand) and ¥2,759 million are related to company-wide assets which are not allocated to reported segments for the years ended March 31, 2021 and 2020, respectively.

3. Segment profit is adjusted with "Keijo-rieki" disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 25).

Related information

1. Information by products and services
   Disclosures are omitted because the classification of products and services are same as the classification of the reported segments.

2. Geographical information

(1) Sales

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Japan	¥	242,901	¥	276,706	$	2,194,029
Asia:						
China		103,487		89,653		934,757
Other		157,226		162,630		1,420,161
U.S.A.		49,353		37,196		445,786
Other		42,748		47,157		386,126
Total	¥	595,718	¥	613,344	$	5,380,887

Note: Geographical sales are classified by customer's location.

(2) Property, plant and equipment

	Millions of yen				Thousands of U.S. dollars	
	2021		2020		2021	
Japan	¥	178,945	¥	172,804	$	1,616,340
Asia		40,226		35,079		363,346
U.S.A.		25,585		26,675		231,099
Other		5,174		5,278		46,735
Total	¥	249,931	¥	239,838	$	2,257,529

3. Information by major customers
   Disclosures are omitted because no particular customer whose sales are over 10% of sales in the consolidated statement of income exists.

Information of impairment loss on fixed assets by reported segments

	Millions of yen				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	¥ 1,851	¥ 208	¥ —	¥ —	¥ 2,060

	Millions of yen				
	2020				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	¥ 381	¥ —	¥ —	¥ —	¥ 381

	Thousands of U.S. dollars				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	$ 16,719	$ 1,879	$ —	$ —	$ 18,607

Information of balance of goodwill by reported segments

	Millions of yen				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	¥ 4,900	¥ —	¥ 13	¥ —	¥ 4,914

	Millions of yen				
	2020				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	¥ 5,275	¥ —	¥ 17	¥ —	¥ 5,293

	Thousands of U.S. dollars				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	$ 44,260	$ —	$ 117	$ —	$ 44,386

Information of negative goodwill by reported segments

No negative goodwill was recognized for the year ended March 31, 2021. Negative goodwill of ¥492 million was recognized in the other segment because Japan U-PiCA Company, Ltd. became a subsidiary during the year ended March 31, 2020.

25. The Statement of Income Disclosure under Accounting Principles Generally Accepted in Japan

Under accounting principles generally accepted in Japan, an ordinary income, “Keijo-rieki” should be disclosed in the statement of income. The ordinary income is an income figure with certain adjustments made to profit before income taxes.

Followings are the summary information of the statement of income under accounting principles generally accepted in Japan.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net sales	¥ 595,718	¥ 613,344	$ 5,380,887
Gross profit	140,958	131,394	1,273,218
Operating profit	44,510	34,260	402,041
Ordinary income	50,240	31,116	453,798
Profit before income taxes	48,951	34,343	442,155
Profit	39,383	24,487	355,731

Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors of
Mitsubishi Gas Chemical Company, Inc.

Opinion

We have audited the consolidated financial statements of Mitsubishi Gas Chemical Company, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
Impairment loss on fixed assets recognized and measured by Mitsubishi Gas Chemical Engineering-Plastics The Group's core business belongs to the manufacturing industry, and large number of manufacturing sites are located domestically and internationally. On the consolidated balance sheet as at the end of the current fiscal year, the ending balance of net property, plant and equipment is JPY 249,931 million, and the ending balance of net intangible assets is JPY 10,499 million. Total amount of tangible and intangible assets is significant, which accounts for 31.1% of the total assets. As described on Note1(s) to the consolidated financial statements, there are indications of impairment on the net property, plant and equipment of JPY 5,745 million and the intangible assets of JPY 1,451 million of its consolidated subsidiary, Mitsubishi Gas	In regard to examining impairment loss on fixed assets recognized and measured by MGCEPS, we instructed its external auditor to perform audit. We received the results for the following audit procedures and determined if sufficient appropriate audit evidence was obtained. • Familiarizing the asset usages and having discussions with the management to consider the appropriateness regarding asset grouping and major assets. • Assessing the reasonableness by analyzing trends from previous years, comparing with external information including polycarbonate prices and market data of bisphenol A, and discussing with MGCEPS management regarding sales volume, selling price, and marginal profit ratio which are the main assumptions of future business plan, which is the basis of future discounted cash flow.

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Chemical Engineering-Plastics (Shanghai) Co., Ltd ("MGCEPS"). MGCEPS operates in China (Shanghai) and is engaged in manufacturing polycarbonates. In recent years, as the price variance(spread) between polycarbonate and its ingredient bisphenol A gets smaller, MGCEPS's operating results have deteriorated, and its fixed assets are classified as an asset group where indications of impairment exist. As MGCEPS has adopted IFRS, impairment loss on fixed assets is recognized and measured by comparing the total amount of discounted future cash flows based on the business plan, or the fair value, whichever is higher, with the carrying amount of fixed assets. The business plan used for future cash flow projection includes management's estimate and judgement and has possibilities to be subject to future market trends of products and raw materials. As the estimates and assumptions in the business plan include high uncertainty, we determined impairment loss on fixed assets recognized and measured by MGCEPS to be a key audit matter.	• Involving internal valuation specialists to assess the discount rate applied to compute future discounted cash flow by benchmarking against external data including cost of capital of other companies in the same business. We also performed mainly the following audit procedures in addition to above. • Discussing Mitsubishi Gas Chemical Company, Inc. ("MGC") management plan which is the basis of future discounted cash flow with the Group management and assessing the consistency of business profit and loss with the business plan and capital investment plan approved by the executive board. • Obtaining supporting documentations including sales results of similar products in MGC and verifying the rationality regarding product profits and losses related to the capital investment plan.

Responsibilities of Management, the Audit and Supervisory Board and its Members

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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 using the going concern basis of accounting, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Board and its Members are responsible for overseeing the execution of the duties of Directors related to designing and operating 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. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the presentation and disclosure of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board and its Members 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 and Supervisory Board and its Members with a statement that we have complied with relevant ethical requirements regarding independence 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, related safeguards.

Convenience Translation
Our audit also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Crowe Toyo & Co.

Crowe Toyo & Co.
Tokyo, Japan
June 25, 2021

Corporate Data (As of March 31, 2021)

Corporate Information

Company Name	MITSUBISHI GAS CHEMICAL COMPANY, INC.
Address	Mitsubishi Building 5-2 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8324, Japan
Originally founded	January 15, 1918
Incorporated	April 21, 1951
Capital	41.97 billion yen
Fiscal Year	Accounts closed in March
Number of employees	2,427 (non-consolidated) 8,998 (consolidated)

Shareholder Information

Listing	First Section of the Tokyo Stock Exchange
Ticker symbol	4182
Total number of authorized shares	492,428,000
Number of outstanding shares	225,739,199
Stock transaction unit	100
Number of shareholders	21,585
Composition of shareholders	
Financial institutions	43.8%
Securities companies	3.4%
Other companies in Japan	8.9%
Foreign investors	28.8%
Individuals and others	15.1%

Major shareholders (top 10)

Name of shareholder	Investment in MGC	
	Number of shares held (thousands)	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,514	9.3
Custody Bank of Japan, Ltd. (Trust Account)	11,551	5.5
Meiji Yasuda Life Insurance Company	8,797	4.2
Nippon Life Insurance Company	8,795	4.2
The Norinchukin Bank	5,026	2.4
AGC Inc.	4,332	2.0
The Bank of Yokohama,Ltd.	3,085	1.4
Custody Bank of Japan, Ltd. (Trust Account 5)	3,008	1.4
JPMorgan Securities Japan Co., Ltd.	2,898	1.3
Custody Bank of Japan, Ltd. (Trust Account 4)	2,812	1.3

Notes 1: MGC holds 17,726 thousand shares of treasury stock, which is not included in the above list of major shareholders.
2: Percentage of total outstanding shares does not include treasury stock.