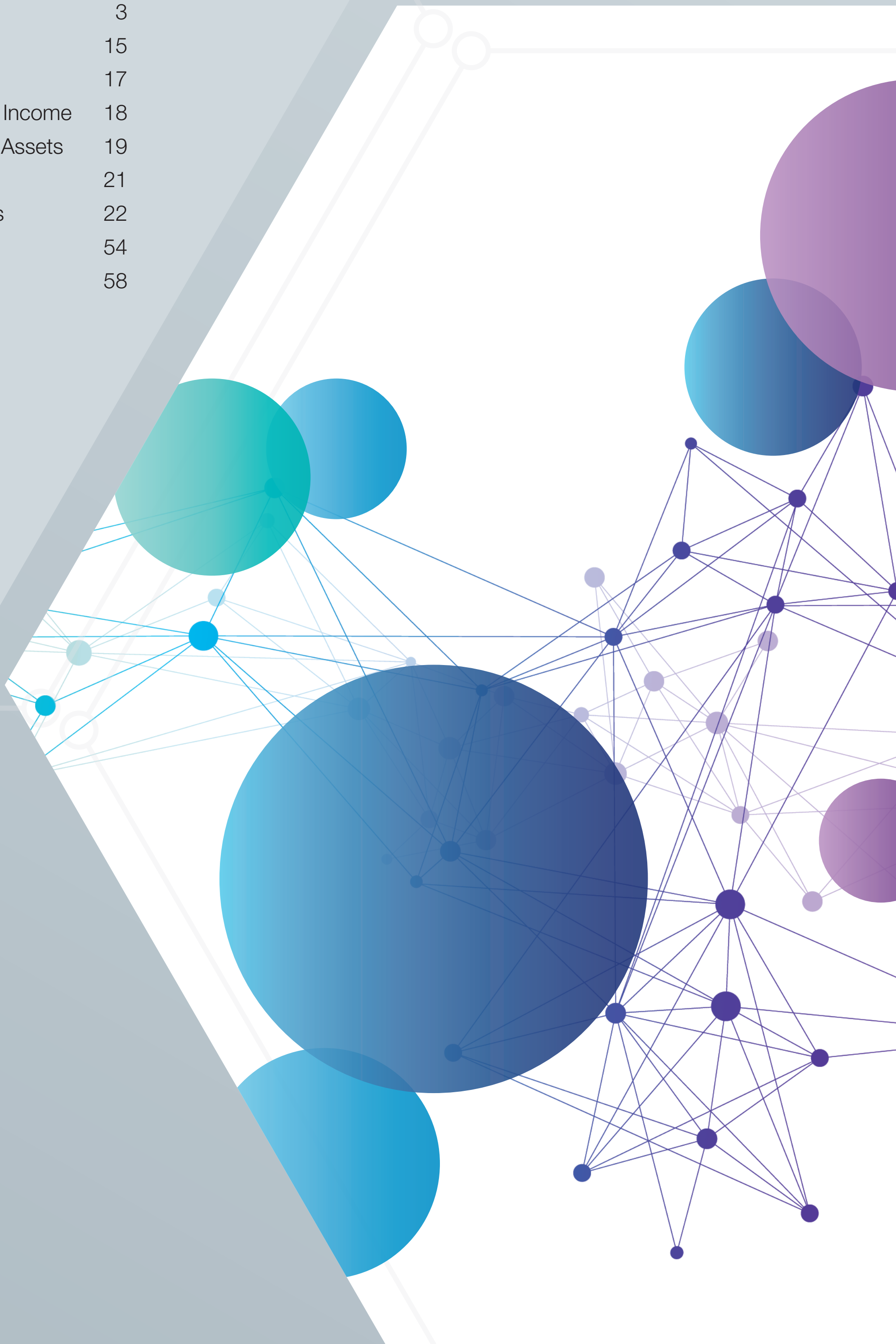
MGC REPORT 2022

Financial Section



Consolidated Financial Summary

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

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Operating results (Millions of yen)						
Net sales	¥452,217	467,979	534,443	529,570	593,502	556,480
Operating profit	9,083	11,421	11,488	14,996	34,018	43,762
Ordinary profit	26,116	27,651	30,804	42,000	45,432	62,430
Profit (loss) attributable to owners of parent	12,327	(7,793)	14,921	43,346	34,134	48,013
Share of profit of entities accounted for using equity method	20,532	19,045	20,466	27,895	16,683	21,125
Financial position (Millions of yen)						
Current assets	¥254,037	261,397	287,642	372,166	341,237	326,674
Total assets	595,250	613,908	657,838	790,784	739,582	738,188
Current liabilities	193,464	195,438	178,897	225,068	214,676	188,426
Net assets	292,111	294,895	323,858	422,851	423,135	473,370
Interest-bearing debt	185,185	182,644	204,489	215,614	181,427	118,713
Cash flows (Millions of yen)						
Operating activity cash flow	¥37,348	31,169	27,182	76,982	84,671	82,711
Investing activity cash flow	(37,274)	(30,818)	(29,883)	(23,531)	(31,922)	(31,119)
Financing activity cash flow	(9,876)	(14,356)	7,124	(25,005)	(47,335)	(60,217)
Total cash and cash equivalents at end of year	35,701	26,907	37,310	72,678	75,828	67,177
Per share data (Yen)						
Earnings per share (EPS)*1	¥54.56	(34.50)	66.07	191.94	153.85	221.83
Net assets per share*1	1,246.92	1,256.81	1,382.52	1,672.25	1,707.01	1,967.94
Ratios (%)						
Operating profit margin	2.0	2.4	2.1	2.8	5.7	7.9
Return on equity (ROE)	4.4	(2.8)	5.0	12.6	9.0	12.0
Return on assets (ROA)	4.5	4.6	4.8	5.8	5.9	8.4
Return on invested capital (ROIC)	5.5	5.8	6.1	7.2	7.3	10.4
Equity ratio	47.3	46.2	47.5	47.8	51.0	57.5
Others (Millions of yen)						
Capital expenditures	¥42,423	30,982	25,409	22,226	30,512	35,010
Depreciation and amortization	27,763	23,096	23,528	23,770	26,705	25,631
Research and development costs	17,449	15,332	16,122	16,873	18,936	19,267
Number of employees	5,216	5,323	5,445	8,254	8,176	8,034

*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 by retroactive adjustment applying the above share consolidation to preceding periods as well.

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021
Operating results (Millions of yen)						(Thousands of U.S. dollars)*2
Net sales	¥635,909	648,986	613,344	595,718	**705,656**	**$5,765,634**
Operating profit	62,741	41,386	34,260	44,510	**55,360**	**452,325**
Ordinary profit	80,711	69,199	31,116	50,240	**74,152**	**605,866**
Profit (loss) attributable to owners of parent	60,531	55,000	21,158	36,070	**48,295**	**394,599**
Share of profit of entities accounted for using equity method	18,277	28,408	(1,282)	5,162	**14,883**	**121,603**
Financial position (Millions of yen)						(Thousands of U.S. dollars)*2
Current assets	¥384,249	378,845	358,669	402,141	**452,210**	**$3,694,828**
Total assets	785,687	804,038	771,733	836,364	**928,651**	**7,587,638**
Current liabilities	206,835	188,420	163,574	167,947	**198,969**	**1,625,697**
Net assets	519,144	553,282	548,141	581,411	**630,887**	**5,154,727**
Interest-bearing debt	106,964	95,751	74,713	98,476	**117,650**	**961,271**
Cash flows (Millions of yen)						(Thousands of U.S. dollars)*2
Operating activity cash flow	¥90,720	64,042	74,234	55,464	**52,090**	**$425,607**
Investing activity cash flow	(33,614)	(42,761)	(33,922)	(40,370)	**(64,954)**	**(530,713)**
Financing activity cash flow	(33,038)	(31,396)	(49,563)	5,154	**(3,666)**	**(29,953)**
Total cash and cash equivalents at end of year	90,304	80,379	70,043	91,075	**92,257**	**753,795**
Per share data (Yen)						(U.S. dollars)*2
Earnings per share (EPS)*1	¥281.39	257.46	100.50	173.41	**232.15**	**$1.90**
Net assets per share*1	2,187.99	2,354.25	2,368.11	2,520.34	**2,733.86**	**22.34**
Ratios (%)						
Operating profit margin	9.9	6.4	5.6	7.5	**7.8**	**7.8**
Return on equity (ROE)	13.6	11.3	4.3	7.1	**8.8**	**8.8**
Return on assets (ROA)	10.6	8.7	3.9	6.2	**8.4**	**8.4**
Return on invested capital (ROIC)	13.2	10.9	4.9	7.7	**10.4**	**10.4**
Equity ratio	59.5	62.6	63.8	62.7	**61.2**	**61.2**
Others (Millions of yen)						(Thousands of U.S. dollars)*2
Capital expenditures	¥30,959	39,279	42,389	40,282	**54,793**	**$447,692**
Depreciation and amortization	27,027	27,451	29,591	30,686	**31,999**	**261,451**
Research and development costs	18,987	18,607	19,696	19,905	**21,093**	**172,343**
Number of employees	8,009	8,276	8,954	8,998	**9,888**	**9,888**

*2 U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥122.39 = US$1 prevailing on March 31, 2022.

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, 2022.

1) State of progress in important measures as of the end of fiscal 2021

Our Medium-Term Management Plan launched in fiscal 2021, set two objectives in accord with the MGC Way, the new MGC Group philosophy system: 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.

Medium-Term Management Plan

●Objective 1
Shift 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. In chemicals and materials, these include Meta-xylenediamine (MXDA), MX-Nylon, aromatic aldehydes and polyacetal (POM); specialty products include electronics chemicals, BT 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.

During the fiscal year under review, the Company established a 100%-owned MXDA manufacturing subsidiary, MGC SPECIALTY CHEMICALS NETHERLANDS B.V., in the city of Rotterdam, in the Netherlands. With the aim of further strengthening the POM-related business through more closely integrated management, the Company also made the decision to transfer it to wholly owned subsidiary Global Polyacetal Co., Ltd. In addition, in order to enhance the competitiveness of the polycarbonate (PC) operations, which is one of the foundation businesses of the MGC Group, the Company decided to acquire an additional 25% equity stake in Mitsubishi Engineering-Plastics Corporation, an equity-method affiliate of MGC, and make it a consolidated subsidiary on April 3, 2023.

The Company will also work to accelerate creation and development of new businesses. In the fiscal year under review, MGC forged ahead with active R&D investment and increased the number of research personnel. It also established the NEXX Technologies Advanced Materials Business Unit at consolidated subsidiary MITSUBISHI GAS CHEMICAL AMERICA, INC., with the intention of using prepreg products to develop the market for composite materials in the US.

In terms of initiatives to reevaluate and rebuild unprofitable businesses, the Company made the decision to terminate production of formalin at the Yokkaichi Plant by around August 2022, and to terminate production of formalin, paraform, and hexamine at the Niigata Plant by around May 2023. Following termination of trimethylolpropane production at the Mizushima Plant, we are proceeding to reevaluate and rebuild the formalin and polyol product lines. By acquiring the shares of J-CHEMICAL, Inc. and making it a subsidiary, we will establish a competitive advantage through the building of an integrated production system that ranges from formalin raw materials to wood adhesives, with the objective of converting the formalin business to a base for stable earnings (in April 2022 J-Chemical, Inc. and Yutaka Chemicals Corporation merged, with the name of the resulting company being changed to MGC Woodchem Corporation).

By implementing these strategies, the MGC Group 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 with environmental protection
- Strengthen discipline and foundation supporting business activities

Three strategies will be executed with the goal of balancing social and economic value.

In April 2020, MGC identified materiality--priority issues for management--in line with formulating a 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.

Materiality KPIs and SDG targets: Pursuing Creation of Value to Share with Society

Materiality: Category	Materiality: Elements	KPIs	Fiscal 2023 targets	Fiscal 2030 targets	Relationship to SDGs (Targets)
Creating Shared Value (CSV)	Contribution through business operations • Contribute to development of ICT/mobility society • Solve energy and climate change problems • Solve medical and food problems	Sales from ICT and mobility applications	320.0 bil. JPY (Consolidated)	Create new businesses that accelerate digital innovation	3.6 9.4
		Contribution to solving energy and environmental problems	Investment: 12.0 bil. JPY (Consolidated: 2021-2023 cumulative) Investment: Acquisition; Financing: Approval basis	Commercialize carbon-negative technology	9.4
		Sales from medical and food applications	50.0 bil. JPY (Consolidated)	• Advances in preventive and predictive medicine, enhanced healthy life expectancy • Further advance food preservation technology	3.8 12.3
Foundation for shared-value creation (S)	Cultivating a corporate culture of job satisfaction	Percentage taking fewer than 10 days of annual paid leave*1,2	0%	0%	8.5 8.8
	Occupational safety and health/Process safety and disaster prevention	Serious occupational accidents*1,3	0	0	3.9
		Serious accidents*1,4	0	0	
	Highly energy-and resource-efficient production	GHG emissions intensity Baseline: fiscal 2013*1	19.9% reduction	28.0% reduction	7.3
	Promotion of innovative R&D	R&D investments devoted to solving climate change problems*1	5% or higher	7% or higher	9.5
Harmonization of shared-value creation with environmental protection (E)	Proactive response to environmental problems • Air quality control • Water and Biodiversity Conservation • Reduction of industrial waste	GHG emissions Baseline: fiscal 2013*1	28.0% reduction	36.0% reduction	13.2
		Renewable energy as a percentage of electric power purchased*1	10%	50%	7.2
		Zero waste emission rate*1	0.3% or less	0.15% or less	12.5

*1 On a non-consolidated basis
*2 For employees granted 20 days of annual leave
*3 Accidents resulting in lost work days eligible for disability compensation, including death and permanent disability, or potential disability, with four or more lost work days
*4 Accidents that threaten third parties, including those resulting in environmental pollution involving the community or that cause damage to local residents, and other accidents involving serious damage

2) Future initiatives

Combined with restrictions on economic activity following the prolongation of COVID-19, and the impact on production activities of semiconductor shortages, the recent emergence of geopolitical risks related to the situation in Ukraine have led to a business environment that remains difficult to read going forward. Nevertheless, the MGC Group will continue to work together as one to achieve the management objectives set out in the plan.

Specifically, with regard to achieving the first objective of “Shift to a profit structure resilient to business environmental changes,” we will continue to invest proactively in differentiated products including MXDA, electronic chemicals, and BT materials, and prioritize allocation of management resources to these areas. In addition, for other foundation products, including PC products and methanol, we will also promote measures to further increase added value and improve efficiency. For businesses with profitability issues, we aim to move forward with further structural changes and overhauls, primarily in the formalin and polyol businesses, with the goal of removing businesses from the list of those classified as unprofitable businesses or those needing rebuilding. In addition, we will actively commit R&D resources with the aim of creating and nurturing new/next-generation businesses.

In order to achieve objective 2, “Balance social and economic value,” we will link our mission of “Creating value to share with society” to sustainable growth via materiality management. Particularly with regard to initiatives for carbon neutrality, this is one of the most important issues for the management strategy of the Company, and one that we will pursue through the use of our unique and distinctive technology to develop products and technologies that will contribute to decarbonization, while working to reduce greenhouse gas emissions.

♦ Reference: Disclosure in accordance with the recommendations of the TCFD (Task force on Climate-related Financial Disclosures), addressing the problem of marine plastics

MGC endorsed the TCFD recommendations in May 2019. MGC has assessed the risks and opportunities climate change represents for the Group, and we are working to strengthen resilience through scenario analysis while also engaging in sound dialogue with our stakeholders. In fiscal 2021 the Group implemented scenario analyses for the polycarbonate and MXDA businesses, while also confirming the possibility of mitigating the financial impact of the decarbonization scenario through addressing recycling and other issues.

Important CSR issues such as climate-change risks are examined by an advisory body attended by corporate sector heads, based upon which they are reviewed and approved by the CSR Council comprised primarily of directors, including outside directors, but also attended by audit & supervisory board members and others, and chaired by MGC’s president.

In March 2022, MGC announced a new objective of achieving carbon neutrality for the MGC Group by 2050, with the goal of limiting the increase in average temperature to below 2°C.

While developing existing MGC businesses with strengths in such initiatives, MGC is leveraging R&D capabilities and promoting cooperation with other group companies and external third parties. By taking specific measures during the transitional stage such as using electricity generated from LNG, which has low greenhouse gas emissions, adopting renewable energy, and installing carbon-free energy systems and CCUS*, MGC is working to reduce emissions by 36% of our target by 2030, and pushing forward to achieve carbon neutrality by 2050.

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.

* CCUS: CO_2 capture, utilization and storage; involves technologies to both capture/store CO_2 and use stored CO_2 as, e.g., a chemical feedstock.

Disclaimer

This Management’s Discussion & Analysis contains forward-looking statements, including ones pertaining to plans and targets, based on information available at the time these materials were prepared, 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 13) 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 28, 2022) (however, they do not necessarily include every risk to which the Group is exposed).

1) Endogenous Business Risk

Nature of Risk

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 or the global situation, 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, while monitoring the latest developments in the global situation, 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/or 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 Risk
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, lockdowns and other measures taken in response to outbreaks of infectious diseases, 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.

As a 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) 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. In all its business activities and transactions, the Group is required to not only comply with laws and regulations but also to fulfill social responsibilities that are not limited to such rules. However, in the event that an infringement of laws and, regulations, or social norms, including the rules described above, is deemed to have occurred, the Group's operating results and/or financial condition could be adversely affected as a result of incurring legal liability and rectification costs, social sanctions and loss of trust.

Main Risk Mitigation Measures

In addition to establishing specialized organizational units to oversee environmental and other regulatory compliance, MGC 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.

The Group takes a broad view of compliance, one that involves not only abiding by laws but also upholding the fair, transparent, and flexible conduct of business, while respecting social and other norms, in acknowledgment of its responsibilities to society, and makes this known to all employees.

8) Human Rights Risk

Nature of Risk

Awareness of human rights continues to increase, primarily in developed nations, and companies are now being required to make efforts at a global level to respect and protect human rights in the course of business, including the supply chain. In the event that the Group does not address these issues appropriately, the Group's operating results and/or financial condition could be adversely affected by not only legal and regulatory responsibility but also the termination of transactions, social sanctions, and loss of trust.

Main Risk Mitigation Measures

The MGC Corporate Behavior Guidelines and the MGC Group Code of Conduct call for respect for human rights, and the Group is also a signatory of the UN Global Compact. On its own initiative, MGC promotes responsible business, which includes protection of human rights, through such actions as showing the "Mitsubishi Gas Chemical CSR Procurement Guidelines" and other documents to its supply chain partners in order to gain their understanding and cooperation.

9) Climate Change Risk

Nature of Risk

MGC Group recognizes that climate change caused by greenhouse gases emitted in the course of its business and other activities, and a variety of related changes that occur in the natural and business environments constitute material risk factors. In the event that the Group's initiatives to address greenhouse gas emissions are inadequate, social sanctions and loss of trust may result. In addition, for example, if various emissions control measures are introduced, such as new carbon taxes or emissions trading systems, the Group's operating results and/or financial condition could be adversely affected.

Main Risk Mitigation Measures

In May 2019, MGC declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Risks and opportunities posed to MGC Group by climate change are examined by an advisory body attended by general managers of the head office's corporate sector, based upon which they are reviewed and approved by a CSR Council chaired by MGC's president and comprised primarily of directors, including outside directors, but also attended by audit & supervisory board members and others.

In addition to mitigating risks due to climate change through analyses based on decarbonization scenarios and scenarios in which no specific action is taken, the Group will strengthen its resilience to be better able to transform risks into business opportunities. In FY2021 the Group implemented scenario analyses for the polycarbonate and MXDA businesses, and confirmed the potentials for mitigating financial impacts in the decarbonization scenarios through addressing recycling and other issues.

While developing existing MGC businesses with strengths in carbon-neutral initiatives, leveraging R&D capabilities and promoting cooperation with other group companies and external third parties, by taking specific measures in the transition stage such as the use of electricity from LNG generation, which has low greenhouse gas emissions, the adoption of renewable energy, and the installation of carbon-free energy systems and CCUS, MGC is working to achieve carbon neutrality by 2050.

10) 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 if the value of securities that it holds declines significantly, leading to impairments 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.

11) Currency Risk

Nature of Risk

Export, import, and other transactions denominated in foreign currencies could adversely affect MGC 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 the 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.

12) Financing and Interest Rate Risks

Nature of Risk

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.

13) 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-2021 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.

From the first quarter of the fiscal year ended March 31, 2022, the MGC Group adopted the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020).

(1) Consolidated Business Results

During the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022), outlook for the world economy remained unstable despite glimmers of economic recovery from pandemic-induced stagnation. With the ongoing impact of logistics disruptions and semiconductor shortages already hindering economic activities, the eruption of the Russia-Ukraine conflict has caused raw material and fuel prices to surge sharply, while the depreciation of the yen has become more drastic.

Against this backdrop, the MGC Group nevertheless benefitted from constantly robust demand for semiconductor-related products reflecting market growth as well as recovery in demand for automotive-related and other products that had been heavily affected by COVID-19, along with improvement in market prices for general-purpose products, such as methanol, amid rises in raw material and fuel prices.

In addition, the MGC Group launched a medium-term management plan in April 2021. In line with this plan, the Group aims to shift to a profit structure resilient to changes in the business environment. To this end, the Group is striving to: "Further strengthen competitively advantageous ("differentiating") businesses," "Accelerate creation and development of new businesses," and "Reevaluate and rebuild unprofitable businesses." These efforts will help push ahead with business portfolio reforms.

The MGC Group's net sales increased due mainly to upturns in market prices for methanol and other offerings as well as recovery in overall sales volume.

Furthermore, operating profit rose, despite increases in raw material and fuel prices, lower sales volumes of optical polymers and other negative factors affecting profit. This was thanks primarily to the higher sales volumes of semiconductor-related products, recovery in demand for products that had been affected by fallout from COVID-19, and rising market prices for general-purpose products.

Ordinary profit increased due primarily to higher operating profit as well as growth in equity in earnings of affiliates related to engineering plastics and overseas methanol producing companies.

Profit attributable to owners of parent grew, mainly on higher ordinary profit, despite an increase in extraordinary losses reflecting such factors as the recording of an impairment loss in connection with business restructuring and other measures.

(Billions of yen)

	Fiscal 2020	**Fiscal 2021**	Change
Net sales	595.7	**705.6**	109.9
Operating profit	44.5	**55.3**	10.8
Ordinary profit	50.2	**74.1**	23.9
Profit attributable to owners of parent	36.0	**48.2**	12.2

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, 2022. 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 increases in both net sales and earnings due mainly to a significant upturn in market prices compared with the previous fiscal year.

Methanol and ammonia-based chemicals posted increases in net sales and earnings reflecting such factors as a rise in neopentyl glycol market prices and a decrease in repair costs, despite higher raw material prices.

High-performance products*1 posted increases in net sales and earnings thanks primarily to recovery in demand for meta-xylenediamine (MXDA), which had been affected by fallout from COVID-19 in the previous fiscal year, along with firm sales of aromatic aldehydes.

Xylene separators and derivatives*2 saw increase in net sales and earnings due mainly to upturns in purified isophthalic acid (PIA) market prices.

Foamed plastics posted a decrease in earnings compared with the previous fiscal year, due mainly to higher raw material and fuel prices, despite the higher sales volume of flat panel display shields and automotive materials.

*1 MXDA, MX nylon, aromatic aldehydes and other offerings that had been previously classified as specialty aromatic chemicals

*2 Meta-xylene, PIA and other offerings that had been previously classified as general-purpose aromatic chemicals

(Billions of yen)

	Fiscal 2020	**Fiscal 2021**	Change
Net sales	328.0	**419.9**	91.8
Operating profit	12.8	**25.7**	12.9
Ordinary profit	14.2	**30.0**	15.8

[Specialty Chemicals]
Inorganic chemicals posted increases in net sales and earnings thanks primarily to growth in the sales volume of chemicals for use in semiconductor manufacturing.

Engineering plastics saw increases in net sales and earnings, despite deterioration in the profitability of polycarbonates on the back of such negative factors as higher raw material and fuel prices, due mainly to robust sales of polyacetal in addition to recovery in sales volumes in automotive-related and other fields.

Optical materials posted decreases in net sales and earnings, despite recovery in optical polymer demand, which bottomed out in the first quarter. The decreases were due mainly to lower sales volume reflecting inventory adjustment carried out by customers during the first half.

Electronic materials saw increases in net sales and earnings. This was thanks mainly to robust showings of BT materials for IC plastic packaging, the core product category for electronic materials, reflecting constantly robust demand for products used in memory devices and 5G smartphones, along with higher sales volumes, especially in the first half, for general-purpose materials for a broad range of applications including PC-related devices and home appliances.

Oxygen absorbers such as AGELESS™ posted an increase in earnings, thanks mainly to recovery in domestic demand for products used for foodstuffs, achieving an improvement from the stagnation brought about by COVID-19 in the previous fiscal year.

(Billions of yen)

	Fiscal 2020	Fiscal 2021	Change
Net sales	267.4	**285.4**	17.9
Operating profit	34.8	**33.6**	(1.1)
Ordinary profit	37.5	**45.4**	7.8

[Other]
Other businesses were flat year on year.

(Billions of yen)

	Fiscal 2020	Fiscal 2021	Change
Net sales	0.3	**0.2**	(0.0)
Operating profit	0.0	**(0.0)**	(0.0)
Ordinary profit	0.0	**0.0**	(0.0)

(2) Financial Position
Consolidated assets at March 31, 2022, totaled ¥928.6 billion, a ¥92.2 billion increase from the previous fiscal year-end.

Current assets totaled ¥452.2 billion, a ¥50.0 billion increase attributable largely to increases in notes and accounts receivable - trade, and contract assets.

Non-current assets totaled ¥476.4 billion, a ¥42.2 billion increase. The main driver of the increase was construction in progress.

Liabilities totaled ¥297.7 billion, a ¥42.8 billion increase. Current liabilities increased ¥31.0 billion, driven mainly by notes and accounts payable - trade. Non-current liabilities increased ¥11.7 billion, driven mainly by long-term borrowings.

Net assets totaled ¥630.8 billion, a ¥49.4 billion increase largely due to growth in retained earnings.

The Group consequently ended the fiscal year with an equity ratio 61.2%.

(3) Cash Flows
Cash and cash equivalents at March 31, 2022, totaled ¥92.2 billion, a ¥1.1 billion increase from the previous fiscal year-end.

(Cash Flows from Operating Activities)
Operating activities provided net cash of ¥52.0 billion, ¥3.3 billion less than in the previous fiscal year. The decrease was mainly due to an increase in inventories.

(Cash Flows from Investing Activities)
Investing activities used net cash of ¥64.9 billion, ¥24.5 billion more than in the previous fiscal year. The increase was mainly due to an increase in purchase of non-current assets.

(Cash Flows from Financing Activities)
Financing activities used net cash of ¥3.6 billion, ¥8.8 billion more than in the previous fiscal year. The increase was mainly due to a decline in proceeds from issuance of bonds and an increase in payments on long-term borrowing.

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, 2022.

(1) Assessment, Discussion and Analysis of Operating Performance
Operating results for the fiscal year under review, which was the first year of the Medium-Term Management Plan, and targets for the final year of the plan (fiscal 2023) are as follows.

(Billions of yen)

Consolidated KPI	Fiscal 2020 results	Fiscal 2021 results	Fiscal 2023 target
Net sales	595.7	**705.6**	730.0
Operating profit	44.5	**55.3**	70.0
Ordinary profit	50.2	**74.1**	80.0
ROIC	7.7%	**10.4%**	≥ 10%
ROE	7.1%	**8.8%**	≥ 9%

Note: ROIC = Ordinary profit/invested capital

Management perceptions of operating results in the fiscal year under review are presented in "(1) Consolidated Business Results" under "1) Summary of Operating Performance."

Medium/long-term challenges to be addressed include the two objectives in the Medium-Term Management Plan 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 system to progress as a unified group toward our top priorities: shifting to a profit structure resilient to changes in the business environment and balancing social and economic value.

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

[Basic Chemicals]

The operating results for the Basic Chemicals Business Sector are as follows.

(Billions of yen)

Consolidated KPI	Fiscal 2020 results	FY2021 results	Fiscal 2023 target
Net sales*[2]	335.7	**425.3**	410.0
Operating profit	12.8	**25.7**	25.0
Ordinary profit	14.2	**30.0**	31.0

*1 Including intersegment sales and transfers

*2 In fiscal 2021 the method for classifying business segments was revised, with businesses related to energy and other areas that had been included in Other Businesses being transferred to Basic Chemicals Business Sector. Segment information for fiscal 2020 is presented after being restated to reflect the changes in the classification method.

As described in "(1) Consolidated Business Results" under "1) Summary of Operating Performance", net sales and profits in FY2021 grew substantially, largely by virtue of a recovery in demand for products which had been impacted by COVID-19, higher sales volume of high-performance products, and increased methanol prices.

Going forward, we will invest proactively, primarily in differentiated products, such as by establishing new manufacturing facilities for meta-xylenediamine, aromatic aldehydes, and other specialized aromatic chemicals. In addition, we will promote the development of manufacturing technology for methanol as a circular carbon product, reduce costs through improving the efficiency of logistics and production, and promote other measures aimed at continuing to enhance added value and improve efficiency of foundation businesses. We will take further steps to restructure and overhaul unprofitable businesses or those needing rebuilding, primarily formalin and polyol.

[Specialty Chemicals]

The operating results for the Specialty Chemicals Business Sector are as follows.

(Billions of yen)

Consolidated KPI	Fiscal 2020 results	Fiscal 2021 results	Fiscal 2023 target
Net sales*	267.8	**285.5**	330.0
Operating profit	34.8	**33.6**	49.0
Ordinary profit	37.5	**45.4**	53.0

* Including intersegment sales and transfers.

As described in "(1) Consolidated Business Results" under "1) Summary of Operating Performance," net sales and profits both grew in fiscal 2021, despite the deterioration in the unprofitable polycarbonate part of the engineering plastics business, due mainly to strong sales of polyacetal. Both net sales and profits increased in electronic materials, due mainly to strong sales of materials for memory devices and 5G smartphones. Conversely, both net sales and profits decreased in optical materials, due mainly to an adjustment of optical polymer inventories at customers in the first half of the fiscal year.

Going forward, we will promote various strategies aimed at growth in differentiated products, such as strengthening the global rollout of new and existing production sites for super-pure hydrogen peroxide and other electronics chemicals, restructuring the polyacetal business to enhance our market presence, expanding sales of BT materials by increasing production capacity for electronic materials at overseas manufacturing subsidiaries, increasing production capacity for optical polymers, and setting up a new raw material monomer plant. For the foundation businesses of the Specialty Chemicals Business Sector, including the polycarbonate business, as announced after the acquisition of shares and subsequent consolidation of Mitsubishi Engineering-

Plastics Corporation, we will promote high value-added products to shift to a profit structure resilient to environmental changes.

(2) Factors that May Materially Affect Operating Performance

Factors that may materially affect operating performance are discussed in “2) Business Risks” under “Results of Operations.”

Combined with restrictions on economic activity following the prolongation of COVID-19, and the impact on production activities of semiconductor shortages, the recent emergence of geopolitical risks related to the situation in Ukraine could lead to a widespread fall in demand in areas related to vehicles, housing and infrastructure, and electrical and electronic equipment, which would be expected to have a negative impact on Group products that are used as raw materials in these fields. In the Basic Chemicals Business Sector, the impact on products such as foamed plastic, specialty aromatic chemicals and methanol is a concern. Products subject to similar concerns in the Specialty Chemicals Business Sector include BT materials for IC plastic packaging, optical polymers, engineering plastics, oxygen absorbers, and other products.

(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 2021 cash flows are analyzed in “(3) Cash Flows” under “1) Summary of Operating Performance.”

MGC ended fiscal 2021 with ¥117.6 billion of interest-bearing debt and ¥92.2 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 “Results 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 R&D organization structure was significantly revised, such that all research organizations that had previously belonged to the research sector, research laboratories and the Advanced Business Development Division under corporate sector came under the unified supervision of the R&D Promotion Division. In FY2021, the R&D Promotion Division and the Advanced Business Development Division were merged under the Research & Development Division. Under this new structure, by taking a whole-company perspective to allocating management resources and further accelerating research and development, we will enhance the profitability of existing businesses and promote the creation of new businesses.

Through R&D activities based on cooperation with external organizations, such as collaboration with and investment in startups, joint research with public research institutions and other initiatives, the Research & Development Division (Future Strategy Group, New Business Development Group) has continued to create businesses in new business areas. It also took steps to build businesses around 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 1,015 personnel, roughly10% of its total workforce, in research and development. Its research expenses totaled ¥21,093 million in fiscal 2021.

Fiscal 2021 research and development costs by segment were as follows:

(Millions of yen)

Segment	Fiscal 2021
Basic Chemicals Business Sector	9,804
Specialty Chemicals Business Sector	11,289

5. Capital Expenditures

Summary of Capital Expenditures

Fiscal-2021 capital expenditures of MGC Group (MGC and its consolidated subsidiaries) were as follows.

(Millions of yen)

Segment	Fiscal 2021
Basic Chemicals Business Sector	19,256
Specialty Chemicals Business Sector	32,623
Other	1
Eliminations and corporate	2,911
Total	54,793

6. Dividend

(Yen)

	Interim	Fiscal year-end	Annual
Fiscal 2020	35	35	70
Fiscal 2021	45	35	80

Breakdown of interim dividend for the fiscal year ended March 31, 2022:
Ordinary dividend: 35.00 yen
Commemorative dividend: 10.00 yen

Consolidated Balance Sheet

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2022

	Millions of yen		Thousands of U.S. dollars (note 2)
	2022	2021	**2022**
Assets			
Current assets:			
Cash and deposits (notes 3 and 20)	¥ **102,049**	¥ 101,785	$ **833,802**
Notes and accounts receivable - trade (notes 18 and 20)	**—**	159,018	**—**
Notes and accounts receivable - trade, and contract assets (notes 18, 20, and 24)	**176,556**	—	**1,442,569**
Securities (notes 4 and 18)	**6**	269	**49**
Inventories	**155,670**	121,275	**1,271,918**
Other	**19,381**	20,209	**158,354**
Less allowance for doubtful receivables	**(1,453)**	(416)	**(11,872)**
Total current assets	**452,210**	402,141	**3,694,828**
Non-current assets:			
Property, plant and equipment (note 6):			
Buildings and structures	**254,276**	234,992	**2,077,588**
Machinery, equipment and vehicles	**523,244**	501,700	**4,275,219**
Land	**42,889**	40,774	**350,429**
Leased assets	**3,622**	3,429	**29,594**
Construction in progress	**42,385**	24,766	**346,311**
Other	**55,361**	53,054	**452,333**
	921,780	858,718	**7,531,498**
Less accumulated depreciation	**(645,396)**	(608,786)	**(5,273,274)**
Total property, plant and equipment	**276,384**	249,931	**2,258,224**
Intangible assets, net:			
Goodwill	**4,811**	4,914	**39,309**
Leased assets	**4**	5	**33**
Software	**2,992**	2,456	**24,446**
Other	**3,482**	3,123	**28,450**
Total intangible assets	**11,290**	10,499	**92,246**
Investments and other assets:			
Investment in securities (notes 4, 5, 6 and 20)	**171,446**	158,718	**1,400,817**
Long-term loans receivable	**5,159**	5,012	**42,152**
Deferred tax assets (note 9)	**3,493**	3,145	**28,540**
Retirement benefit asset (note 8)	**1,226**	1,396	**10,017**
Other investments and other assets (note 5)	**8,047**	6,064	**65,749**
Less allowance for doubtful receivables	**(607)**	(545)	**(4,960)**
Total investments and other assets	**188,765**	173,792	**1,542,324**
Total non-current assets	**476,440**	434,223	**3,892,802**
Total assets	¥ **928,651**	¥ 836,364	$ **7,587,638**

	Millions of yen		Thousands of U.S. dollars (note 2)
	2022	2021	2022
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable - trade	¥ 92,387	¥ 75,308	$ 754,857
Short-term borrowings and current installments of long-term borrowings (notes 6 and 20)	38,925	40,087	318,041
Lease obligations (note 6)	565	543	4,616
Accrued expenses	19,187	20,225	156,769
Income taxes payable (note 9)	11,997	5,809	98,023
Provision for bonuses	6,144	5,770	50,200
Other (notes 7, 20, 21 and 24)	29,760	20,201	243,157
Total current liabilities	198,969	167,947	1,625,697
Non-current liabilities:			
Long-term borrowings (notes 6 and 20)	66,621	56,202	544,334
Lease obligations (note 6)	1,537	1,643	12,558
Retirement benefit liability (note 8)	6,252	7,150	51,083
Provision for directors' retirement benefits (note 8)	285	217	2,329
Deferred tax liabilities (note 9)	11,458	11,828	93,619
Asset retirement obligations (note 7)	5,216	5,113	42,618
Provision for business restructuring	2,305	760	18,833
Other	5,115	4,089	41,793
Total non-current liabilities	98,794	87,006	807,206
Total liabilities	297,763	254,953	2,432,903
Stockholders' equity:			
Common stock (note 10): Authorized 492,428,000 shares; issued 225,739,199 shares in 2022 and 2021	41,970	41,970	342,920
Additional paid-in capital (note 10)	34,339	34,301	280,570
Retained earnings (note 11)	492,455	459,790	4,023,654
Treasury stock, at cost; 17,693,673 and 17,726,057 shares in 2022 and 2021	(21,525)	(21,562)	(175,872)
Total stockholders' equity	547,239	514,499	4,471,272
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (note 4)	11,376	14,419	92,949
Deferred losses on hedges (note 21)	(326)	(618)	(2,664)
Foreign currency translation adjustments	9,861	(3,542)	80,570
Remeasurements of defined benefit plans (note 8)	614	(494)	5,017
Total accumulated other comprehensive income	21,526	9,765	175,880
Non-controlling interests	62,121	57,146	507,566
Total net assets	630,887	581,411	5,154,727
Total liabilities and net assets	¥ 928,651	¥ 836,364	$ 7,587,638

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, 2022

	Millions of yen		Thousands of U.S. dollars (note 2)
	2022	2021	**2022**
Net sales (notes 18 and 24)	**¥ 705,656**	¥ 595,718	**$ 5,765,634**
Cost of sales (note 13)	**543,070**	454,760	**4,437,209**
Gross profit	**162,586**	140,958	**1,328,426**
Selling, general and administrative expenses (notes 12 and 13)	**107,225**	96,448	**876,093**
Operating profit	**55,360**	44,510	**452,325**
Other income (expenses):			
Interest income	**346**	362	**2,827**
Dividend income	**3,218**	2,391	**26,293**
Interest expenses	**(858)**	(800)	**(7,010)**
Share of profit of entities accounted for using equity method	**14,883**	5,162	**121,603**
Gain on sale of investments in securities (note 4)	**3,011**	1,800	**24,602**
Rent expenses	**(818)**	(1,396)	**(6,684)**
Loss on valuation of investments in securities (note 4)	**(286)**	(107)	**(2,337)**
Personnel expenses for seconded employees	**(1,361)**	(1,368)	**(11,120)**
Gain on sale of non-current assets	**—**	257	**—**
Impairment loss (note 14)	**(7,059)**	(1,695)	**(57,676)**
Loss from money transfer scam at subsidiary	**—**	(984)	**—**
Loss on withdrawal from business	**—**	(287)	**—**
Loss on liquidation of subsidiaries	**—**	(242)	**—**
Loss on sale/disposal of non-current assets	**(1,833)**	(1,461)	**(14,977)**
Insurance claim income	**2,616**	—	**21,374**
Gain on step acquisitions	**796**	—	**6,504**
Provision for business restructuring	**(1,733)**	—	**(14,160)**
Provision of allowance for doubtful accounts	**(960)**	—	**(7,844)**
Provision for loss on business of subsidiaries and associates	**(188)**	—	**(1,536)**
Fire loss	**(128)**	—	**(1,046)**
Loss on change in retirement benefit plan at subsidiary (note 8)	**(109)**	—	**(891)**
Other, net	**4,734**	2,812	**38,680**
Total other income (expenses)	**14,267**	4,441	**116,570**
Profit before income taxes	**69,628**	48,951	**568,903**
Income taxes (note 9):			
Current	**16,542**	10,180	**135,158**
Deferred	**555**	(611)	**4,535**
Total income taxes	**17,098**	9,568	**139,701**
Profit	**¥ 52,530**	¥ 39,383	**$ 429,202**
Profit attributable to non-controlling interests	**4,235**	3,312	**34,603**
Profit attributable to owners of parent	**¥ 48,295**	¥ 36,070	**$ 394,599**

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, 2022

	Millions of yen		Thousands of U.S. dollars (note 2)
	2022	2021	**2022**
Profit	**¥ 52,530**	¥ 39,383	**$ 429,202**
Other comprehensive income arising during the year (note 15):			
Valuation difference on available-for-sale securities	**(3,118)**	6,737	**(25,476)**
Deferred losses on hedges	**(14)**	(24)	**(114)**
Foreign currency translation adjustments	**9,330**	3,036	**76,232**
Remeasurements of defined benefit plans	**1,032**	2,829	**8,432**
Shares of other comprehensive income of entities accounted for by the equity method	**6,471**	1,137	**52,872**
Total other comprehensive income arising during the year	**13,701**	13,718	**111,945**
Comprehensive income	**¥ 66,232**	¥ 53,101	**$ 541,155**
Comprehensive income attributable to:			
Owners of the parent	**¥ 60,083**	¥ 49,213	**$ 490,914**
Non-controlling interests	**6,149**	3,887	**50,241**

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, 2022

	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, 2020	¥ 41,970	¥ 34,234	¥ 439,701	¥ (21,600)	¥ 494,306
Changes arising during year:					
Cash dividends (note 11)			(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
Cumulative effects of changes in accounting policies			**(50)**		**(50)**
Restated balance	**41,970**	**34,301**	**459,739**	**(21,562)**	**514,448**
Changes arising during year:					
Cash dividends			**(16,642)**		**(16,642)**
Profit attributable to owners of parent			**48,295**		**48,295**
Purchase of treasury stock				**(5)**	**(5)**
Disposition of treasury stock		**39**		**42**	**81**
Change in scope of consolidation			**441**		**441**
Change in scope of equity method			**620**		**620**
Change in treasury stock of parent arising from transactions with non-controlling interests		**(0)**			**(0)**
Net changes other than stockholders' equity					
Total changes during the year	**—**	**38**	**32,715**	**36**	**32,791**
Balance as of March 31, 2022	**¥ 41,970**	**¥ 34,339**	**¥ 492,455**	**¥ (21,525)**	**¥ 547,239**

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities (note 4)	Deferred (losses) gains on hedges (note 21)	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans (note 8)	Total	Non-controlling interests	Total net assets
Balance as of April 1, 2020	¥ 7,789	¥ 4	¥ (6,701)	¥ (2,877)	¥ (1,785)	¥ 55,619	¥ 548,141
Changes arising during year:							
Cash dividends (note 11)							(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
Cumulative effects of changes in accounting policies							**(50)**
Restated balance	**14,419**	**(618)**	**(3,542)**	**(494)**	**9,765**	**57,146**	**581,360**
Changes arising during year:							
Cash dividends							**(16,642)**
Profit attributable to owners of parent							**48,295**
Purchase of treasury stock							**(5)**
Disposition of treasury stock							**81**
Change in scope of consolidation							**441**
Change in scope of equity method							**620**
Change in treasury stock of parent arising from transactions with non-controlling interests							**(0)**
Net changes other than stockholders' equity	**(3,043)**	**291**	**13,404**	**1,108**	**11,761**	**4,974**	**16,736**
Total changes during the year	**(3,043)**	**291**	**13,404**	**1,108**	**11,761**	**4,974**	**49,527**
Balance as of March 31, 2022	**¥ 11,376**	**¥ (326)**	**¥ 9,861**	**¥ 614**	**¥ 21,526**	**¥ 62,121**	**¥ 630,887**

	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, 2021	$ 342,920	$ 280,260	$ 3,756,761	$ (176,175)	$ 4,203,767
Cumulative effects of changes in accounting policies			(409)		(409)
Restated balance	342,920	280,260	3,756,344	(176,175)	4,203,350
Changes arising during year:					
Cash dividends			(135,975)		(135,975)
Profit attributable to owners of parent			394,599		394,599
Purchase of treasury stock				(41)	(41)
Disposition of treasury stock		319		343	662
Change in scope of consolidation			3,603		3,603
Change in scope of equity method			5,066		5,066
Change in treasury stock of parent arising from transactions with non-controlling interests		(0)			(0)
Net changes other than stockholders' equity					
Total changes during the year	—	310	267,301	294	267,922
Balance as of March 31, 2022	$ 342,920	$ 280,570	$ 4,023,654	$ (175,872)	$ 4,471,272

	Thousands of U.S. dollars (note 2)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred (losses) gains on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance as of March 31, 2021	$ 117,812	$ (5,049)	$ (28,940)	$ (4,036)	$ 79,786	$ 466,917	$ 4,750,478
Cumulative effects of changes in accounting policies							(409)
Restated balance	117,812	(5,049)	(28,940)	(4,036)	79,786	466,917	4,750,061
Changes arising during year:							
Cash dividends							(135,975)
Profit attributable to owners of parent							394,599
Purchase of treasury stock							(41)
Disposition of treasury stock							662
Change in scope of consolidation							3,603
Change in scope of equity method							5,066
Change in treasury stock of parent arising from transactions with non-controlling interests							(0)
Net changes other than stockholders' equity	(24,863)	2,378	109,519	9,053	96,094	40,641	136,743
Total changes during the year	(24,863)	2,378	109,519	9,053	96,094	40,641	404,665
Balance as of March 31, 2022	$ 92,949	$ (2,664)	$ 80,570	$ 5,017	$ 175,880	$ 507,566	$ 5,154,727

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, 2022

	Millions of yen		Thousands of U.S. dollars (note 2)
	2022	2021	**2022**
Cash flows from operating activities:			
Profit before income taxes	**¥ 69,628**	¥ 48,951	**$ 568,903**
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**31,999**	30,686	**261,451**
Amortization of goodwill	**396**	371	**3,236**
Loss on sale/disposal of non-current assets	**1,630**	1,165	**13,318**
Impairment loss	**7,059**	1,695	**57,676**
Share of profit of entities accounted for using equity method	**(14,883)**	(5,162)	**(121,603)**
Increase (decrease) in allowance for doubtful receivables	**1,027**	(773)	**8,391**
Increase in net defined benefit liability	**140**	609	**1,144**
Increase (decrease) in provision for directors' retirement benefits	**49**	(184)	**400**
Provision for business restructuring	**1,733**	—	**14,160**
Interest and dividend income	**(3,564)**	(2,754)	**(29,120)**
Interest expenses	**858**	800	**7,010**
Gain on sale of short-term investments and investments in securities	**(3,041)**	(1,766)	**(24,847)**
Loss on devaluation of short-term investments and investments in securities	**332**	347	**2,713**
Increase in trade notes and accounts receivable	**(9,273)**	(16,283)	**(75,766)**
Increase in inventories	**(28,992)**	(5,527)	**(236,882)**
Increase in trade notes and accounts payable	**9,792**	2,687	**80,007**
Other, net	**(12,396)**	(1,271)	**(101,283)**
Sub total	**52,497**	53,221	**428,932**
Interest and dividend received	**3,526**	2,725	**28,810**
Dividend received from entities accounted for using equity method	**4,439**	3,577	**36,269**
Interest paid	**(818)**	(791)	**(6,684)**
Loss from money transfer scam at subsidiary	**—**	(984)	**—**
Income taxes paid	**(10,386)**	(9,259)	**(84,860)**
Other, net	**2,831**	6,975	**23,131**
Net cash provided by operating activities	**52,090**	55,464	**425,607**
Cash flows from investing activities:			
Purchase of non-current assets	**(56,347)**	(38,234)	**(460,389)**
Proceeds from sale of non-current assets	**463**	805	**3,783**
Proceeds from sale of investments in securities	**5,724**	4,951	**46,769**
Purchase of investments in securities and subsidiaries	**(11,849)**	(4,619)	**(96,813)**
Loan advances	**(824)**	(4,375)	**(6,733)**
Proceeds from collection of loans receivable	**101**	429	**825**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (note 3)	**(2,668)**	—	**(21,799)**
Other, net	**445**	672	**3,636**
Net cash used in investing activities	**(64,954)**	(40,370)	**(530,713)**
Cash flows from financing activities:			
Increase in short-term borrowings	**316**	967	**2,582**
Proceeds from long-term borrowings	**16,641**	17,508	**135,967**
Payments on long-term borrowings	**(10,641)**	(5,886)	**(86,943)**
Proceeds from issuance of bonds	**—**	20,000	**—**
Redemption of bonds	**—**	(10,000)	**—**
Purchase of treasury stock	**(5)**	(4)	**(41)**
Proceeds from sale of treasury stock	**0**	0	**0**
Dividends paid to stockholders	**(16,642)**	(14,559)	**(135,975)**
Dividends paid to non-controlling interests	**(2,551)**	(1,906)	**(20,843)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**—**	(396)	**—**
Other, net	**9,216**	(568)	**75,300**
Net cash (used in) provided by financing activities	**(3,666)**	5,154	**(29,953)**
Effect of exchange rate changes on cash and cash equivalents	**6,502**	698	**53,125**
(Decrease) increase in cash and cash equivalents	**(10,028)**	20,947	**(81,935)**
Cash and cash equivalents at beginning of year	**91,075**	70,043	**744,138**
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	**11,210**	84	**91,592**
Cash and cash equivalents at end of year (note 3)	**¥ 92,257**	¥ 91,075	**$ 753,795**

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 71subsidiaries (68 in 2021). The Company and its consolidated subsidiaries are collectively referred to as "MGC."

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

MGC AGELESS Co., Ltd., Global Polyacetal Co., Ltd. and MGC SPECIALTY CHEMICALS NETHERLANDS B.V. were included in the scope of consolidation due to their significance during the year ended March 31, 2022.

Nisshin Transportation Co., Ltd., a non-consolidated subsidiary of MGC, merged with MGC Advance Chemical Inc., having been a consolidated subsidiary of MGC and MGC Engineering Co., Ltd., having been a non-consolidated subsidiary of MGC, and changed its company name to MGC Advance Co., Ltd. As a result, MGC Advance Chemical Inc. was excluded from the scope of consolidation, as it was dissolved due to the absorption-type merger, and MGC Advance Co., Ltd. was included in the scope of consolidation, due to its significance, during the year ended March 31, 2022.

JSP Sheet Foam LLC was excluded from the scope of consolidation due to liquidation during the year ended March 31, 2022.

J-CHEMICAL, Inc. was included in the scope of consolidation due to acquisition of its shares. Yutaka Chemicals Corporation was included in the scope of consolidation due to an increase in its shareholding ratio following the acquisition of shares of J-CHEMICAL, Inc.

Japan Circuit Industrial Co., Ltd. was excluded from the scope of consolidation due to liquidation during the year ended March 31, 2022.

Investments in 15 affiliates (14 in 2021) 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 30 consolidated subsidiaries (33 in 2021) 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" except for equity securities without market price 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" without market price 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) Recognition of Significant Revenues and Expenses
MGC is primarily engaged in business activities related to manufacturing and sales of products in the "Basic Chemicals Business Sector" and "Specialty Chemicals Business Sector." For the sale of these products, revenue is recognized upon delivery of the products since MGC determines that the customer obtains control of the products and the performance obligations are satisfied at the time of delivery. For transactions in which MGC acts as an agent in sales of products to customers, revenue is recognized at net amount after deducting the amount paid to the supplier from the total amount of considerations received from the customer.

(n) 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.

(o) 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.

(p) 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.

(q) Provision for business restructuring
The Company provides a reasonably estimated amount of structural reform costs for its businesses.

(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, 2022.

(s) Significant Accounting Estimates
Impairment of fixed assets

(1) Amount recorded on the consolidated financial statements for the year ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	**2021**	**2022**
Property, plant and equipment	**¥ 276,384**	**¥ 249,931**	**$ 2,258,224**
Intangible assets	**11,290**	**10,499**	**92,246**
Impairment loss	**7,059**	**2,060**	**57,676**

(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. The Company reviewed this company's business plans as the spread between prices of polycarbonates and its raw material, bisphenol A, has been low for a few years. As a result of the review, the recoverable amounts of property, plant and equipment and intangible assets fell below their carrying amounts, and an impairment loss of ¥3,736 million ($30,525 thousand) was recognized for the year ended March 31, 2022. The balance of property, plant and

equipment and intangible assets related to MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD. at the March 31, 2022 was ¥1,557 million ($12,722 thousand) and ¥1,551 million ($12,673 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 bisphenol A, and the cost of capital of other companies in the same industry.

(t) Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022. Revenue is recognized at the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

As for paid-in transactions in which MGC is obligated to repurchase paid-in supplies, revenue was previously recognized for transfer of the supplies. The Company has changed the method not to recognize revenue for the transfer of the supplies and the extinguishment of such supplies.

As for transactions in which MGC acts as an agent in sales of products to customers, previously, the total amount of considerations received from the customer was recognized as revenue. Revenue is now recognized at net amount after deducting the amount paid to the supplier of the products from the total amount of considerations received from the customer.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the year ended March 31, 2022, was added to or subtracted from the opening balance of retained earnings for the year ended March 31, 2022, and thus the new accounting policy was applied from such opening balance.

In addition, “notes and accounts receivable - trade,” which were presented under current assets in the consolidated balance sheet as of March 31, 2021, have been included in “notes and accounts receivable - trade, and contract assets” from the year ended March 31, 2022. However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for related figures as of March 31, 2021 based on the new presentation method.

As a result, compared to those before the application of the Accounting Standard for Revenue Recognition, net sales, cost of sales and selling, general and administrative expenses decreased by ¥34,823 million ($284,525 thousand), ¥34,712 million ($283,618 thousand) and ¥79 million ($645 thousand), respectively, for the year ended March 31, 2022. Operating profit and profit before income taxes decreased by ¥31 million ($253 thousand) and ¥3 million ($25 thousand), respectively. In addition, the beginning balance of retained earnings decreased by ¥50 million ($409 thousand). The impact on the figures in the consolidated statement of cash flows is insignificant.

The impact on the figures in per share information is described 16. PER SHARE INFORMATION.

In accordance with the transitional treatment prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on revenue recognition for the year ended March 31, 2021 have not been provided.

Application of the Accounting Standard for Fair Value Measurement

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, and it has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

Previously, equity securities classified as other securities with market price were stated at fair value based on the average market price for a period of one month before the fiscal year end. Due to the application of this accounting standard, the method has been changed to state at fair value based on the market price at the fiscal year end. The impact of the application on the consolidated financial statements for the year ended March 31, 2022 is immaterial.

The Company has provided notes on the breakdown by level of fair value of financial instruments and other matters in the note “Financial Instruments.” However, information for the year ended March 31, 2021 has not been included in this note accordance with the transitional treatment prescribed in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019).

(u) Accounting Pronouncements Not Yet Adopted

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019)

The ASBJ revised the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31) on June 17, 2021. At the time of its initial release on July 4, 2019, deliberation on method of fair value measurement for investment trusts and investments in partnership and similar instruments for which net interest amounts are recorded in the balance sheet, were to be performed roughly over one year period after the release as further consideration had been required among related parties.

The implementation guidance will be applied from the beginning of the year ending March 31, 2023.

The impact of the application of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” on the consolidated financial statements is currently under consideration.

(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, 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, 2022, which was ¥122.39 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 and deposits" in the consolidated balance sheet and "Cash and cash equivalents" in the consolidated statement of cash flows as of March 31, 2022 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and deposits	**¥ 102,049**	¥ 101,785	**$ 833,802**
Time deposits with maturities of over three months	**(9,797)**	(10,980)	**(80,047)**
Securities	**6**	269	**49**
Cash and cash equivalents	**¥ 92,257**	¥ 91,075	**$ 753,795**

(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, 2022

J-CHEMICAL, Inc. 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	Thousands of U.S. dollars
	2022	**2022**
Current assets	**¥ 2,974**	**$ 24,299**
Non-current assets	**2,297**	**18,768**
Current liabilities	**(2,140)**	**(17,485)**
Non-current liabilities	**(173)**	**(1,414)**
Goodwill	**292**	**2,386**
Stock acquisition cost	**¥ 3,250**	**$ 26,554**
Cash and cash equivalents of the new consolidated subsidiary	**(581)**	**(4,747)**
Expenditure for acquisition	**¥ 2,668**	**$ 21,799**

4. Securities and Investments in Securities

Balance sheet amount, acquisition cost, and gross unrealized gain and loss of other securities with fair value as of March 31, 2022 and 2021 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2022				
Equity securities	**¥ 31,798**	**¥ 17,148**	**¥ (497)**	**¥ 15,146**
Bonds	**1,737**	**—**	**(0)**	**1,737**
Other securities	**104**	**55**	**—**	**48**
	¥ 33,639	**¥ 17,204**	**¥ (497)**	**¥ 16,932**
March 31, 2021				
Equity securities	¥ 38,702	¥ 21,364	¥ (383)	¥ 17,721
Other securities	87	—	(12)	100
	¥ 38,790	¥ 21,364	¥ (396)	¥ 17,821

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2022				
Equity securities	$ 259,809	$ 140,109	$ (4,061)	$ 123,752
Bonds	14,192	—	(0)	14,192
Other securities	850	449	—	392
	$ 274,851	$ 140,567	$ (4,061)	$ 138,345

Securities classified as other securities without market price are unlisted equity securities amounting to ¥3,843 million ($31,400 thousand) and ¥5,839 million as of March 31, 2022 and 2021, respectively.

For the years ended March 31, 2022 and 2021, proceeds from the sale of other securities are ¥5,724 million ($46,769 thousand) and ¥4,648 million, respectively. Gross realized gains are ¥3,041 million ($24,847 thousand) and ¥1,807 million for the years ended March 31, 2022 and 2021, respectively.

The Company recognized impairment losses on securities of ¥332 million ($2,713 thousand) and ¥228 million for the years ended March 31, 2022 and 2021, respectively.

The Company recognizes impairment losses on securities with market price when the fair value declines by more than 50 percent. When the fair 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 price 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, 2022 and 2021 are ¥135,490 million ($1,107,035 thousand) and ¥113,660 million, respectively.

6. Short-term and Long-term Borrowings

Short-term borrowings are represented by bank loans which are due within one year. The weighted average interest rate of short-term borrowings is 1.7% and 0.9% as of March 31, 2022 and 2021, respectively.

Long-term borrowings as of March 31, 2022 and 2021 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Loans, principally from banks, maturing in installments through 2035 with weighted average interest of 0.99% as of March 31, 2022, partially secured by mortgage of property, plant and equipment and securities	¥ 63,753	¥ —	$ 520,900
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	—
Lease obligations maturing in installments through 2056 as of March 31, 2022	2,102	—	17,175
Lease obligations maturing in installments through 2056 as of March 31, 2021	—	2,186	—
Unsecured bonds, due 2030 with interest of 0.340%	10,000	10,000	81,706
Unsecured bonds, due 2025 with interest of 0.170%	10,000	10,000	81,706
	85,855	77,371	701,487
Less current installments:			
Loans	8,092	10,413	66,117
Lease obligations	565	543	4,616
	¥ 77,198	¥ 66,415	$ 630,754

Note: The weighted average interest rates on lease obligations as of March 31, 2022 and 2021 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, 2023, are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. dollars
2024	¥ 17,028	$ 139,129
2025	5,142	42,013
2026	4,104	33,532
2027	1,868	15,263

The aggregate annual maturities of bonds after March 31, 2023, are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. dollars
2024	¥ —	$ —
2025	—	—
2026	10,000	81,706
2027	—	—

Property, plant and equipment, Notes and accounts receivable-trade, and contract assets and Securities with a book value as of March 31, 2022 of ¥29,903 million ($244,326 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 (b) 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, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of year	**¥ 5,113**	¥ 3,560	**$ 41,776**
Liabilities incurred due to the acquisition	**1**	0	**8**
Increase due to change of estimate	**—**	1,406	**—**
Accretion expenses	**43**	41	**351**
Liabilities settled	**(85)**	(0)	**(695)**
Other	**261**	104	**2,133**
Balance at end of year	**¥ 5,334**	¥ 5,113	**$ 43,582**

(b) 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.

In the year ended March 31, 2022, Mitsubishi Gas Chemical Trading Inc., a consolidated subsidiary of the Company, integrated retirement benefit plans of the former TOKYO SHOKAI, LTD., the former RYOYO TRADING CO., LTD. and the former RYOKO CHEMICAL CO., LTD. into a new retirement benefit plan. In line with this integration, the method of calculating retirement benefit obligations was also unified to the principle method.

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
	2022	2021	2022
Retirement benefit obligation at beginning of year	¥ 42,555	¥ 41,794	$ 347,700
Service costs	2,190	2,175	17,894
Interest costs	379	375	3,097
Actuarial gains and losses arising during year	(36)	111	(294)
Retirement benefits paid	(2,492)	(2,129)	(20,361)
Effect of change in retirement benefit plan at subsidiary	424	—	3,464
Other	54	227	441
Retirement benefit obligation at end of year	¥ 43,076	¥ 42,555	$ 351,957

(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
	2022	2021	2022
Plan assets at beginning of year	¥ 39,548	¥ 36,248	$ 323,131
Expected return on plan assets	527	498	4,306
Actuarial gains and losses arising during year	1,106	2,798	9,037
Contribution from employer	1,133	1,412	9,257
Retirement benefits paid	(1,688)	(1,478)	(13,792)
Effect of change in retirement benefit plan at subsidiary	160	—	1,307
Other	12	68	98
Plan assets at end of year	¥ 40,800	¥ 39,548	$ 333,361

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit liability at beginning of year	¥ 2,746	¥ 2,813	$ 22,436
Retirement benefit expenses	295	164	2,410
Retirement benefits paid	(133)	(189)	(1,087)
Contribution to plans	(7)	36	(57)
Increase due to change in scope of consolidation	254	—	2,075
Effect of change in retirement benefit plan at subsidiary	(397)	(92)	(3,244)
Other	(6)	14	(49)
Retirement benefit liability at end of year	¥ 2,750	¥ 2,746	$ 22,469

(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	
	2022		2021		**2022**	
Funded retirement benefit obligation	**¥**	**43,097**	¥	42,695	**$**	**352,128**
Plan assets		**(42,997)**		(41,396)		**(351,311)**
		99		1,299		**809**
Unfunded retirement benefit obligation		**4,926**		4,454		**40,248**
Net balance of liability and asset recorded on the consolidated balance sheet	**¥**	**5,025**	¥	5,753	**$**	**41,057**
Retirement benefit asset	**¥**	**(1,226)**	¥	(1,396)	**$**	**(10,017)**
Retirement benefit liability		**6,252**		7,150		**51,083**
Net balance of liability and asset recorded on the consolidated balance sheet	**¥**	**5,025**	¥	5,753	**$**	**41,057**

(e) Retirement benefit expenses and components thereof:

	Millions of yen				Thousands of U.S. dollars	
	2022		2021		**2022**	
Service costs	**¥**	**2,190**	¥	2,175	**$**	**17,894**
Interest costs		**379**		375		**3,097**
Expected return on plan assets		**(527)**		(498)		**(4,306)**
Amortization of actuarial gains and losses		**(209)**		415		**(1,708)**
Amortization of past service costs		**(13)**		0		**(106)**
Retirement benefit expenses applying the simplified method		**295**		164		**2,410**
Loss on change in retirement benefit plan at subsidiary		**109**		—		**891**
Other		**29**		(2)		**237**
Retirement benefit expenses under defined benefit plans	**¥**	**2,253**	¥	2,630	**$**	**18,408**

(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	
	2022		2021		**2022**	
Past service costs	**¥**	**223**	¥	0	**$**	**1,822**
Actuarial gains and losses		**780**		3,064		**6,373**
Total	**¥**	**1,004**	¥	3,065	**$**	**8,203**

(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	
	2022		2021		**2022**	
Unrecognized past service costs	**¥**	**(261)**	¥	(37)	**$**	**(2,133)**
Unrecognized actuarial gains and losses		**(1,871)**		(1,088)		**(15,287)**
Total	**¥**	**(2,132)**	¥	(1,126)	**$**	**(17,420)**

(h) Plan assets

(i) Components of plan assets

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

	2022	2021
Debt securities	**30%**	32%
Equity securities	**36**	37
Cash and deposits	**12**	11
Other	**22**	20
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

	2022	2021
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 ¥816 million ($6,667 thousand) and ¥548 million as of March 31, 2022 and 2021, 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, 2022 and 2021, the liabilities for retirement and severance benefits related to the plans were ¥285 million ($2,329 thousand) and ¥217 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 2022 and 2021.

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, 2022 and 2021 is as follows:

	2022	2021
Statutory tax rate	**30.6%**	30.6%
Share of profit of entities accounted for using equity method	**(6.5)**	(3.2)
Dividend income eliminated in consolidation	**5.7**	4.6
Valuation allowance	**3.5**	(6.7)
Income not credited for tax purposes	**(6.2)**	(4.8)
Foreign taxes	**0.7**	1.1
Other	**(3.3)**	(2.1)
Effective tax rate	**24.6%**	19.5%

Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforward	¥ 6,092	¥ 6,193	$ 49,775
Retirement benefit liability	7,178	6,947	58,649
Loss on valuation of investments in securities	1,249	1,227	10,205
Provision for bonuses	1,684	1,717	13,759
Intercompany profits	2,921	2,335	23,866
Depreciation	445	408	3,636
Impairment loss	3,120	1,657	25,492
Asset retirement obligations	1,676	1,605	13,694
Other	4,724	3,498	38,598
	29,093	25,592	237,707
Valuation allowance for tax loss carryforward	(4,756)	(4,658)	(38,859)
Valuation allowance for the total amount of deductible temporary differences	(14,269)	(11,433)	(116,586)
Valuation allowance	(19,025)	(16,091)	(155,446)
	10,067	9,501	82,253
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(4,992)	(6,328)	(40,788)
Gain by contributing the assets to the trust	(1,255)	(1,255)	(10,254)
Tax purpose reserves etc. regulated by Japanese tax law	(2,189)	(2,009)	(17,885)
Asset retirement cost	(132)	(192)	(1,079)
Retained earnings of overseas consolidated subsidiaries and others	(5,174)	(4,195)	(42,275)
Other	(4,287)	(4,203)	(35,027)
	(18,032)	(18,184)	(147,332)
Net deferred tax assets (liabilities)	¥ (7,964)	¥ (8,682)	$ (65,071)

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, 2022 and 2021 were as follows:

March 31, 2022	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*	¥ 825	¥ 279	¥ 1,116	¥ 1,097	¥ 717	¥ 2,056	¥ 6,092
Valuation allowance	(42)	(55)	(1,097)	(1,091)	(654)	(1,814)	(4,756)
Deferred tax assets	782	223	19	5	63	242	1,336

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, 2022	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*	$ 6,741	$ 2,280	$ 9,118	$ 8,963	$ 5,858	$ 16,799	$ 49,775
Valuation allowance	(343)	(449)	(8,963)	(8,914)	(5,344)	(14,821)	(38,859)
Deferred tax assets	6,389	1,822	155	41	515	1,977	10,916

* 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, 2022 and 2021 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, 2021

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

(i)	Total dividends	¥7,279 million
(ii)	Cash dividends per common share	¥35
(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
(ii)	Cash dividends per common share	¥35
(iii)	Record date	September 30, 2020
(iv)	Effective date	December 4, 2020

(b) Dividends paid during the year ended March 31, 2022

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

(i)	Total dividends	¥7,280 million ($59,482 thousand)
(ii)	Cash dividends per common share	¥35 ($0.29)
(iii)	Record date	March 31, 2021
(iv)	Effective date	June 7, 2021

The following was approved by the Board of Directors held on November 5, 2021

(i)	Total dividends	¥9,362 million ($76,493 thousand)
(ii)	Cash dividends per common share	¥45 ($0.37)
(iii)	Record date	September 30, 2021
(iv)	Effective date	December 6, 2021

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2022

The following was approved by the Board of Directors held on May 26, 2022.

(i)	Total dividends	¥7,281 million ($59,490 thousand)
(ii)	Dividend source	Retained earnings
(iii)	Cash dividends per common share	¥35 ($0.29)
(iv)	Record date	March 31, 2022
(v)	Effective date	June 9, 2022

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
	2022	2021	**2022**
Freight	¥ **27,713**	¥ 21,435	$ **226,432**
Stevedoring and warehouse fee	**3,811**	3,738	**31,138**
Salaries	**19,842**	18,961	**162,121**
Employees' bonuses	**5,785**	5,747	**47,267**
Pension cost	**1,118**	1,431	**9,135**
Welfare	**5,045**	4,846	**41,221**
Transportation	**847**	670	**6,921**
Depreciation	**5,906**	5,681	**48,256**

13. Research and Development Costs

Research and development costs charged to following items for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Research and development costs which were included in selling, general and administrative expenses	¥ **19,755**	¥ 18,595	$ **161,410**
Research and development costs which were included in general and administrative expenses and manufacturing costs	**21,093**	19,905	**172,343**

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, 2022 and 2021 as follows:

Location	Usage	Classification	Millions of yen		Thousands of U.S. dollars
			2022	2021	2022
Shanghai City, China	Manufacturing facilities for synthetic resins	Buildings, machinery and equipment, etc.	¥3,736	¥—	$30,525
Shirakawa-shi Fukushima Pref. Japan	Facilities for rent	Buildings, machinery and equipment, etc.	1,194	—	9,756
Yokkaichi-shi Mie Pref. Japan	Manufacturing facilities for synthetic resins	Machinery and equipment, etc.	769	—	6,283
Niigata-shi Niigata Pref. Japan	Manufacturing facilities for organic chemicals	Machinery and equipment, etc.	611	—	4,992
Maebashi-shi Gunma Pref. Japan	Manufacturing facilities	Buildings, machinery and equipment, etc.	177	—	1,446
Kurashiki-shi Okayama Pref. Japan	Manufacturing facilities for aromatic chemicals	Machinery and equipment	147	—	1,201
Ishikari-shi Hokkaido Pref. Japan	Manufacturing facilities	Buildings, machinery and equipment, etc.	117	—	956
Tainai-shi Niigata Pref. Japan	Manufacturing facilities for natural gas and crude oil	Machinery and equipment, etc.	—	1,258	—
Kurashiki-shi Okayama Pref. Japan	Manufacturing facilities for organic chemicals	Machinery and equipment, etc.	—	373	—
Yokkaichi-shi Mie Pref. Japan	Manufacturing facilities for optical material	Machinery and equipment, etc.	—	144	—
State of Michigan, U.S.A	Manufacturing facilities	Machinery and equipment, etc.	—	219	—

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 amounts of manufacturing facilities owned by the Company and its consolidated subsidiaries, and of facilities for rent owned by the Company were written down to their recoverable amounts because the carrying amounts fell below the recoverable amounts.

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
	2022	2021	2022
Buildings and structures	¥2,084	¥234	$17,028
Machinery, equipment and vehicles	4,243	1,740	34,668
Intangible assets	55	—	449
Other	373	18	3,048
Total	¥6,756	¥1,994	$55,201

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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Valuation difference on available-for-sale securities:			
Arising during the year	¥ (1,433)	¥ 10,747	$ (11,708)
Reclassification adjustment	(2,974)	(1,799)	(24,299)
Before tax amount	(4,407)	8,948	(36,008)
Tax benefit (expense)	1,289	(2,210)	10,532
Net-of-tax amount	(3,118)	6,737	(25,476)
Deferred losses on hedges:			
Arising during the year	(20)	(34)	(163)
Reclassification adjustment	—	—	—
Before tax amount	(20)	(34)	(163)
Tax benefit	6	10	49
Net-of-tax amount	(14)	(24)	(114)
Foreign currency translation adjustments:			
Arising during the year	9,330	3,036	76,232
Net-of-tax amount	9,330	3,036	76,232
Remeasurements of defined benefit plans:			
Arising during the year	1,313	2,691	10,728
Reclassification adjustment	(309)	373	(2,525)
Before tax amount	1,004	3,065	8,203
Tax benefit (expense)	28	(235)	229
Net-of-tax amount	1,032	2,829	8,432
Share of other comprehensive income of entities accounted for by the equity method:			
Arising during the year	6,471	1,137	52,872
Reclassification adjustment	—	—	—
Net-of-tax amount	6,471	1,137	52,872
Total other comprehensive income	¥ 13,701	¥ 13,718	$ 111,945

16. Per Share Information

As stated in “Changes in Accounting Policies,” the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations, and complied with the transitional treatment prescribed in the proviso Paragraph 84 of the Accounting Standard for Revenue Recognition.

The impact on net assets per share and earnings per share as of and for the year ended March 31, 2022 is immaterial.

(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, 2022 and 2021 are as follows:

	Yen		U.S. dollars
	2022	2021	2022
Earnings per share	¥ 232.15	¥ 173.41	$ 1.90

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Profit attributable to owners of parent	¥ 48,295	¥ 36,070	$ 394,599
Profit not applicable to common stockholders	—	—	—
Profit attributable to common stockholders of parent	¥ 48,295	¥ 36,070	$ 394,599

	Number of shares	
	2022	2021
Weighted average number of shares outstanding on which earnings per share is calculated	208,036,405	208,004,306

The diluted earnings per share for the years ended March 31, 2022 and 2021 are not presented because there are no dilutive potential shares as of March 31, 2022 and 2021.

(b) Net assets per share

Net assets per share as of March 31, 2022 and 2021 are as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share	¥ 2,733.86	¥ 2,520.34	$ 22.34

17. Leases

Operating lease

Future minimum lease payments required under non-cancellable operating leases as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Within one year	¥ 754	¥ 871	$ 6,161
Over one year	2,470	3,449	20,181
	¥ 3,224	¥ 4,320	$ 26,342

18. Balances and Transactions with Related Party

The Company has a 50% equity ownership in Mitsubishi Engineering-Plastics Corporation as of March 31, 2022 and 2021.

Balances with the company as of March 31, 2022 and 2021 and related transactions for the years then ended are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balances:			
Accounts receivable - trade	¥ 9,509	¥ 10,736	$ 77,694
Transactions:			
Sales	39,252	29,226	320,712

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. as of March 31, 2022 and 2021.

As of March 31, 2022 and 2021, the Company has guaranteed ¥1,235 million ($10,091 thousand) and ¥2,588 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, 2022 and 2021.

As of March 31, 2022 and 2021, the Company has guaranteed ¥27,612 million ($225,607 thousand) and ¥27,309 million of the company's loans to financial institutions.

The condensed financial information of all of 15 affiliates (14 in 2021) 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
	2022	2021	2022
Total current assets	¥ 252,314	¥ 187,161	$ 2,061,557
Total non-current assets	421,830	391,854	3,446,605
Total current liabilities	169,348	140,296	1,383,675
Total non-current liabilities	205,190	190,721	1,676,526
Total net assets	299,706	247,996	2,448,778
Sales	410,666	270,563	3,355,389
Profit before income taxes	56,274	21,793	459,792
Profit	35,856	11,806	292,965

19. Commitments and Contingencies

The Company guarantees certain obligations of its associated companies and employees, etc. As of March 31, 2022 and 2021, guarantees for affiliates and employees, etc. loans amounted to ¥35,809 million ($292,581 thousand) and ¥29,719 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, 2022 and 2021 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 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, 2022 and 2021 are as follows.

March 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Balance sheet amount	Fair value	Differences	Balance sheet amount	Fair value	Differences
Assets:						
(1) Securities and investments in securities	¥ 33,636	¥ 33,636	¥ —	$ 274,826	$ 274,826	$ —
Total assets	¥ 33,636	¥ 33,636	¥ —	$ 274,826	$ 274,826	$ —
Liabilities:						
(1) Bonds	¥ 20,000	¥ 19,866	¥ (133)	$ 163,412	$ 162,317	$ (1,087)
(2) Long-term borrowings	46,621	47,465	843	380,922	387,818	6,888
Total liabilities	¥ 66,621	¥ 67,332	¥ 710	$ 544,334	$ 550,143	$ 5,801
Derivative transactions (*4):						
Hedge accounting not applied:	¥ (456)	¥ (456)	¥ —	$ (3,726)	$ (3,726)	$ —
Hedge accounting applied:	(48)	(48)	—	(392)	(392)	—
Total derivative transactions	¥ (504)	¥ (504)	¥ —	$ (4,118)	$ (4,118)	$ —

March 31, 2021	Millions of yen		
	Balance sheet amount	Fair value	Differences
Assets:			
(1) Securities and investments in securities	¥ 39,568	¥ 39,568	¥ —
Total assets	¥ 39,568	¥ 39,568	¥ —
Liabilities:			
(1) Bonds	¥ 20,000	¥ 19,976	¥ (24)
(2) Long-term borrowings	36,202	36,177	(24)
Total liabilities	¥ 56,202	¥ 56,153	¥ (48)
Derivative transactions (*4):			
Hedge accounting not applied:	¥ (320)	¥ (320)	¥ —
Hedge accounting applied	(27)	(27)	—
Total derivative transactions	¥ (348)	¥ (348)	¥ —

*1. Disclosure of notes on Cash is omitted. Disclosure of notes on Deposits, Notes and accounts receivable - trade, and contract assets, Notes and accounts payable - trade, Short-term borrowings, Accrued expenses and Income taxes payable is omitted since their carrying amounts approximate their fair values because of the short maturity of these instruments.

*2. Equity securities without market price are not included in “Assets (1) Securities and investments in securities.” The balance sheet amount of these instruments is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unlisted equity securities	¥ 137,531	¥ 119,419	$ 1,123,711

*3. Investment in partnerships is not included in “Assets (1) Securities and investments in securities” as the Company has applied the accounting treatment prescribed in Paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The balance sheet amount of these instruments is as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Investment in partnerships	¥ 284	$ 2,320

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

<1> Projected future redemption of monetary claim and securities with maturities as of March 31, 2022

	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	¥ 102,049	¥ —	¥ —	¥ —
(2) Notes and accounts receivable - trade, and contract assets	175,993	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity:				
Bonds	—	—	—	1,737
Other	—	—	—	100
Total	¥ 278,042	¥ —	¥ —	¥ 1,837

	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	$ 833,802	$ —	$ —	$ —
(2) Notes and accounts receivable - trade, and contract assets	1,437,969	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity:				
Bonds	—	—	—	14,192
Other	—	—	—	817
Total	$ 2,271,771	$ —	$ —	$ 15,009

<2> The annual maturities of the bonds and long-term borrowings as of March 31, 2022

	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	8,092	17,028	5,142	4,104	1,868	18,477

	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	$ —	$ —	$ —	$ 81,706	$ —	$ 81,706
Long-term borrowings	66,117	139,129	42,013	33,532	15,263	150,968

Breakdown by level of fair value of financial instruments

Fair value of financial instruments is categorized into following three levels depending on observability and materiality of inputs used for the measurement of fair values.

Level 1: Fair value determined based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value determined based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value determined based on significant unobservable inputs for the asset or liability.

If multiple inputs that have significant impact on the fair value measurement are used, the fair value is categorized in the level of the lowest level input used in the fair value measurement.

(i) Financial instruments whose fair value is presented as carrying amount in the balance sheet

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities:				
Other securities:				
Equity securities	¥ 31,795	¥ —	¥ —	¥ 31,795
Bonds	—	1,737	—	1,737
Other	104	—	—	104
Total assets	¥ 31,899	¥ 1,737	¥ —	¥ 33,636
Derivative transactions (*):				
Hedge accounting not applied:				
Forward exchange contracts and currency swap agreements	¥ —	¥ (498)	¥ —	¥ (498)
Interest rate swap agreements	—	42	—	42
Hedge accounting applied:				
Forward exchange contracts	—	(48)	—	(48)
Total derivative transactions	¥ —	¥ (504)	¥ —	¥ (504)

	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities:				
Other securities:				
Equity securities	$ 259,784	$ —	$ —	$ 259,784
Bonds	—	14,192	—	14,192
Other	850	—	—	850
Total assets	$ 260,634	$ 14,192	$ —	$ 274,826
Derivative transactions (*):				
Hedge accounting not applied:				
Forward exchange contracts and currency swap agreements	$ —	$ (4,069)	$ —	$ (4,069)
Interest rate swap agreements	—	343	—	343
Hedge accounting applied:				
Forward exchange contracts	—	(392)	—	(392)
Total derivative transactions	$ —	$ (4,118)	$ —	$ (4,118)

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

(ii) Financial instruments whose carrying amount in the balance sheet is not based on fair value

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds	¥ 19,866	¥ —	¥ —	¥ 19,866
Long-term borrowings	—	47,465	—	47,465
Total liabilities	¥ 19,866	¥ 47,465	¥ —	¥ 67,332

	Thousands of U.S. dollars			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds	$ 162,317	$ —	$ —	$ 162,317
Long-term borrowings	—	387,818	—	387,818
Total liabilities	$ 162,317	$ 387,818	$ —	$ 550,143

Note: Explanation on techniques and inputs used for fair value measurement

Securities and investments in securities:
Equity securities are valued using quoted market prices. The fair value of equity securities is categorized in Level 1 as they are traded in active markets. The fair value of bonds is categorized in Level 2 since it is not considered a quoted price in an active market as bonds they are not frequently traded in the market.

Derivative transactions:
The fair value of derivatives is determined based on prices obtained from counterparty financial institutions and categorized in Level 2.

Bonds:
The fair value of bonds issued by the Company is determined based on market prices and categorized in Level 1.

Long-term borrowings:
The fair value of long-term borrowings is determined by the present value based on the total principal and interest discounted by the interest rates assumed for similar new loans, and categorized in Level 2.

21. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2022 and 2021 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, 2022			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	**¥ 15,953**	**¥ (123)**	**¥ (123)**
Euro	**3,387**	**(6)**	**(6)**
Thai Baht	**230**	**(0)**	**(0)**
New Taiwan dollar	**604**	**(21)**	**(21)**
Chinese Yuan	**2,254**	**(0)**	**(0)**
To buy foreign currency:			
U.S. dollar	**189**	**2**	**2**
New Taiwan dollar	**2**	**(0)**	**(0)**
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	**802**	**43**	**43**
Receive/U.S. dollar, Pay/Thai Baht	**575**	**9**	**9**
Receive/Japanese Yen, Pay/Chinese Yuan	**1,926**	**(402)**	**(402)**
	¥ 25,926	**¥ (498)**	**¥ (498)**

	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)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2022			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	**$ 130,346**	**$ (1,005)**	**$ (1,005)**
Euro	**27,674**	**(49)**	**(49)**
Thai Baht	**1,879**	**(0)**	**(0)**
New Taiwan dollar	**4,935**	**(172)**	**(172)**
Chinese Yuan	**18,417**	**(0)**	**(0)**
To buy foreign currency:			
U.S. dollar	**1,544**	**16**	**16**
New Taiwan dollar	**16**	**(0)**	**(0)**
Currency swap agreements:			
Receive/U.S. dollar, Pay/Japanese Yen	**6,553**	**351**	**351**
Receive/U.S. dollar, Pay/Thai Baht	**4,698**	**74**	**74**
Receive/Japanese Yen, Pay/Chinese Yuan	**15,737**	**(3,285)**	**(3,285)**
	$ 211,831	**$ (4,069)**	**$ (4,069)**

(b) Interest rate swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2022			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**¥ 3,606**	**¥ 42**	**¥ 42**
March 31, 2021			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 4,014	¥ (142)	¥ (142)

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2022			
Interest rate swap agreements:			
Receive/floating and pay/fixed	**$ 29,463**	**$ 343**	**$ 343**

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

Forward exchange contracts

		Millions of yen	
	Hedged items	Contract or notional amounts	Fair value
March 31, 2022			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	Accounts receivable - trade	**¥ 1,579**	**¥ (79)**
To buy foreign currency:			
U.S. dollar	Accounts payable - trade	**245**	**11**
To sell foreign currency:			
U.S. dollar	Forecasted transactions	**1,101**	**(48)**
To buy foreign currency:			
U.S. dollar	Forecasted transactions	**90**	**0**
		¥ 3,017	**¥ (116)**

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

	Hedged items	Thousands of U.S. dollars: Contract or notional amounts	Thousands of U.S. dollars: Fair value
March 31, 2022			
Forward exchange contracts:			
To sell foreign currency:			
U.S. dollar	Accounts receivable - trade	**$ 12,901**	**$ (645)**
To buy foreign currency:			
U.S. dollar	Accounts payable - trade	**2,002**	**90**
To sell foreign currency:			
U.S. dollar	Forecasted transactions	**8,996**	**(392)**
To buy foreign currency:			
U.S. dollar	Forecasted transactions	**735**	**0**
		$ 24,651	**$ (948)**

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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Consolidated balance sheet amount:			
Balance at beginning of the year	**¥ 10,200**	¥ 10,793	**$ 83,340**
Increase/(decrease)	**(3,886)**	(592)	**(31,751)**
Balance at end of the year	**¥ 6,314**	¥ 10,200	**$ 51,589**
Fair value	**¥ 9,448**	¥ 13,665	**$ 77,196**

Notes:
1. Consolidated balance sheet amount is its cost minus accumulated depreciation and accumulated impairment loss.
2. Decrease for the year ended March 31, 2022 was mainly due to exclusion of ¥3,755 million ($30,681 thousand) on changes in the scope of consolidation. Decrease for the year ended March 31, 2021 was mainly due to depreciation expense of ¥676 million the Company recorded.
3. Fair value is based on roadside value, etc.

Rent income from the rental property is ¥230 million ($1,879 thousand) and ¥232 million for the years ended March 31, 2022 and 2021, respectively.

23. Business Combination

Business combination through acquisition

1. Summary of the combination
   1) Name and business of the company acquired
      (i) Name: J-CHEMICAL, Inc.
      Business: Sales of adhesives, formalin, etc.
      (ii) Name: Yutaka Chemicals Corporation
      Business: Manufacturing and sales of adhesives, formalin, etc.

   2) Reason for the combination
      Through the acquisition of the companies' shares, the Company aims to strengthen a stable earnings base of the formalin business by achieving an integrated production from raw materials to woody adhesives and gaining a competitive advantage.

   3) Date of the combination
      May 31, 2021

   4) Legal form of combination
      Acquisition of equity shares for cash consideration

   5) Post-combination name of the acquired company
      No change

   6) Percentage of voting rights acquired
      (i) J-CHEMICAL, Inc.
      Voting rights held immediately before stock acquisition: —%
      Percentage of additional voting rights acquired on the date of business combination: 100.00%
      Voting rights after stock acquisition: 100.00%
      (ii) Yutaka Chemicals Corporation
      Voting rights held immediately before stock acquisition: 50.00%
      Percentage of additional voting rights acquired on the date of business combination: 50.00% (including indirect holding of 50.00%)
      Voting rights after stock acquisition: 100.00% (including indirect holding of 50.00%)

   7) Basis for determining acquiring company
      The Company acquired shares for cash consideration.

2. Period of the acquired company's financial results included in the consolidated financial statements
   From June 30, 2021 to March 31, 2022

3. Acquisition cost and type of consideration paid

		Millions of yen	Thousands of U.S. dollars
Consideration paid for the acquisition	Cash and deposits	¥ 3,250	$ 26,554
Acquisition cost		¥ 3,250	$ 26,554

4. Difference between acquisition cost of the acquired company and sum of acquisition costs of individual transactions

	Millions of yen	Thousands of U.S. dollars
Gain on step acquisition	¥ 796	$ 6,504

5. Principal acquisition related expenses

	Millions of yen	Thousands of U.S. dollars
Advisory fees	¥ 21	$ 172

6. Amount of goodwill recognized, reason for the recognition, and amortization method and period
   1) Goodwill recognized
      ¥292 million ($2,386 thousand)
   2) Reason for the recognition
      Goodwill was recognized as the excess of acquisition cost over the Company's interest in net assets of the acquired company.
   3) Amortization method and period
      Straight-line method over 9 years

7. Details of the assets acquired and the liabilities assumed at the date of the business combination

(i) J-CHEMICAL, Inc.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,974	$ 24,299
Non-current assets	2,297	18,768
Total assets	¥ 5,271	$ 43,067
Current liabilities	¥ 2,140	$ 17,485
Non-current liabilities	173	1,414
Total liabilities	¥ 2,314	$ 18,907

(ii) Yutaka Chemicals Corporation

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,194	$ 9,756
Non-current assets	1,312	10,720
Total assets	¥ 2,507	$ 20,484
Current liabilities	¥ 527	$ 4,306
Non-current liabilities	307	2,508
Total liabilities	¥ 834	$ 6,814

8. Estimated impact on the consolidated statement of income for the year ended March 31, 2022 on the assumption that the business combination had been completed at the beginning of the year ended March 31, 2022 and the calculation method
Not disclosed since it is difficult to determine the estimated impact for the year ended March 31, 2022.

24. Revenue Recognition

(a) Breakdown of revenue from contracts with customers for the year ended March 31, 2022

	Millions of yen				
	2022				
	Reported segment				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other (note)	Adjustments	Total
Natural-gas chemicals	¥ **219,791**	¥ **—**	¥ **—**	¥ **—**	¥ **219,791**
Aromatic chemicals	**200,167**	**—**	**—**	**—**	**200,167**
Specialty chemicals	**—**	**213,908**	**—**	**—**	**213,908**
Information and advanced materials	**—**	**71,511**	**—**	**—**	**71,511**
Other	**—**	**—**	**76**	**(0)**	**76**
Revenue from contracts with customers	¥ **419,959**	¥ **285,419**	¥ **76**	¥ **(0)**	¥ **705,456**
Other revenue	¥ **—**	¥ **—**	¥ **200**	¥ **—**	¥ **200**
Sales to third parties	¥ **419,959**	¥ **285,419**	¥ **277**	¥ **(0)**	¥ **705,656**

	Thousands of U.S. dollars				
	2022				
	Reported segment				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other (note)	Adjustments	Total
Natural-gas chemicals	$ **1,795,825**	$ **—**	$ **—**	$ **—**	$ **1,795,825**
Aromatic chemicals	**1,635,485**	**—**	**—**	**—**	**1,635,485**
Specialty chemicals	**—**	**1,747,757**	**—**	**—**	**1,747,757**
Information and advanced materials	**—**	**584,288**	**—**	**—**	**584,288**
Other	**—**	**—**	**621**	**(0)**	**621**
Revenue from contracts with customers	$ **3,431,318**	$ **2,332,045**	$ **621**	$ **(0)**	$ **5,764,000**
Other revenue	$ **—**	$ **—**	$ **1,634**	$ **—**	$ **1,634**
Sales to third parties	$ **3,431,318**	$ **2,332,045**	$ **2,263**	$ **(0)**	$ **5,765,634**

Note: Other includes real estate business which is not included in reported segments.

(b) Basic information to understand the revenue from contracts with customers

Based on the following five-step approach, MGC recognizes revenue at the time of the transfer of promised goods or services to customers in the amount that reflects the consideration to which MGC expects to be entitled in exchange for those goods or services.

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

MGC is primarily engaged in business activities related to manufacturing and sales of products in the “Basic Chemicals Business Sector” and “Specialty Chemicals Business Sector.” For the sale of these products, revenue is recognized upon delivery of the products since MGC determines that the customer obtains control of the products and the performance obligations are satisfied at the time of delivery.

Revenue is measured at the amount of consideration promised in a contract with a customer, excluding discounts, rebates, returns, etc. For transactions in which MGC acts as an agent in sales of products to customers, revenue is recognized at net amount after deducting the amount paid to the supplier from the total amount of considerations received from the customer.

Consideration in sales contracts for goods and products is principally received within one year from the time control of the goods and services are transferred to the customer and does not include any significant financing component.

(c) Information to understand amounts of revenue for the year ended March 31, 2022 and the year ending March 31, 2023 onward

(i) Balance of contract assets and contract liabilities

The MGC’s contract assets and contract liabilities are not presented since their balance is immaterial and there is no significant fluctuation. Revenue recognized in the year ended March 31, 2022 from performance obligations that were satisfied (or partially satisfied) in prior periods is not material.

(ii) Transaction price allocated to the remaining performance obligations

MGC has applied a practical expedient and does not provide information on the transaction price allocated to the remaining performance obligations since there is no significant contract that has an original expected duration of one year or more, excluding the sales-based or usage-based royalty. In addition, there is no significant amount not included in the transaction price among considerations arising from contracts with customers.

(d) Notes and accounts receivable - trade, and contract assets from contracts with customers is as follows

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Notes receivable- trade	¥ 18,675	$ 152,586
Accounts receivable- trade	157,317	1,285,375
Contract assets	562	4,592

(e) The amount of contract liabilities from contracts with customers is as follows

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Contract liabilities	¥ 124	$ 1,013

25. 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 MGC’s reported segments consist of “Basic Chemicals Business Sector” and “Specialty Chemicals Business Sector” 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.

The Company reviewed the classification of its business segments, and as a result, businesses related to energy, which were previously included in “other businesses,” have been included in the “Basic Chemicals Business Sector” from the year ended March 31, 2022.

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

“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, 2021 is disclosed based on the new reported segment classification applied from the year ended March 31, 2022.

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 26). Intersegment revenue and transfer are based on arm’s-length transactions.

Change in accounting policy
As stated in “Changes in Accounting Policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations and changed the accounting method for revenue recognition. Accordingly, the method for determining profit or loss in the business segments has been also changed.

As a result of the change, for the year ended March 31, 2022, sales to third parties and segment profit in the Basic Chemicals Business Sector decreased by ¥14,989 million ($122,469 thousand) and ¥14 million ($114 thousand), respectively. In the Specialty Chemicals Business Sector, sales to third parties decreased by ¥19,833 million ($162,048 thousand) and segment profit increased by ¥4 million ($33 thousand). Adjustments for segment loss decreased by ¥6 million ($49 thousand).

The MGC’s reported segment information for the years ended March 31, 2022 and 2021 is summarized as follows:

	Millions of yen				
	2022				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:					
Sales to third parties	¥ 419,959	¥ 285,419	¥ 277	¥ (0)	¥ 705,656
Inter-segment sales	5,383	98	16	(5,499)	—
	¥ 425,343	¥ 285,518	¥ 294	¥ (5,499)	¥ 705,656
Segment profit	¥ 30,083	¥ 45,433	¥ 22	¥ (1,387)	¥ 74,152
Segment assets	¥ 481,866	¥ 405,824	¥ 26,971	¥ 13,988	¥ 928,651
Others:					
Depreciation and amortization	¥ 17,165	¥ 13,083	¥ 18	¥ 1,732	¥ 31,999
Amortization of goodwill	393	—	3	—	396
Interest income	268	140	0	(62)	346
Interest expenses	411	687	0	(240)	858
Share of profit (loss) of entities accounted for using equity method	5,136	9,747	—	0	14,883
Investments in entities accounted for by the equity method	86,149	39,434	—	(40)	125,543
Capital expenditures	19,256	32,623	1	2,911	54,793

	Millions of yen				
	2021				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:					
Sales to third parties	¥ 328,078	¥ 267,457	¥ 340	¥ (158)	¥ 595,718
Inter-segment sales	7,639	368	6	(8,014)	—
	¥ 335,717	¥ 267,825	¥ 347	¥ (8,172)	¥ 595,718
Segment profit	¥ 14,238	¥ 37,552	¥ 89	¥ (1,639)	¥ 50,240
Segment assets	¥ 440,838	¥ 351,917	¥ 26,573	¥ 17,034	¥ 836,364
Others:					
Depreciation and amortization	¥ 16,479	¥ 13,090	¥ 82	¥ 1,034	¥ 30,686
Amortization of goodwill	368	—	3	—	371
Interest income	228	190	5	(61)	362
Interest expenses	550	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	19,791	18,619	328	1,543	40,282

	Thousands of U.S. dollars				
	2022				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:					
Sales to third parties	$ 3,431,318	$ 2,332,045	$ 2,263	$ (0)	$ 5,765,634
Inter-segment sales	43,982	801	131	(44,930)	—
	$ 3,475,308	$ 2,332,854	$ 2,402	$ (44,930)	$ 5,765,634
Segment profit	$ 245,796	$ 371,215	$ 180	$ (11,333)	$ 605,866
Segment assets	$ 3,937,135	$ 3,315,826	$ 220,369	$ 114,290	$ 7,587,638
Others:					
Depreciation and amortization	$ 140,248	$ 106,896	$ 147	$ 14,151	$ 261,451
Amortization of goodwill	3,211	—	25	—	3,236
Interest income	2,190	1,144	0	(507)	2,827
Interest expenses	3,358	5,613	0	(1,961)	7,010
Share of profit (loss) of entities accounted for using equity method	41,964	79,639	—	0	121,603
Investments in entities accounted for by the equity method	703,889	322,200	—	(327)	1,025,762
Capital expenditures	157,333	266,550	8	23,785	447,692

Notes:
1. Other includes real estate business which is 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
	2022	2021	2022
Elimination of intersegment transactions	¥ (109)	¥ 30	$ (891)
Unallocated company-wide expenses	(1,278)	(1,670)	(10,442)
	¥ (1,387)	¥ (1,639)	$ (11,333)

* 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	
	2022		2021		2022	
Elimination of intersegment balances	¥	(63,025)	¥	(50,598)	$	(514,952)
Unallocated company-wide assets		77,013		67,632		629,243
	¥	13,988	¥	17,034	$	114,290

* Company-wide assets include cash and deposits which are not allocated to reported segments.

(3) "Adjustments in depreciation and amortization" of ¥1,732 million ($14,151 thousand) and ¥1,034 million are depreciation and amortization of company-wide assets which are not allocated to reported segments for the years ended March 31, 2022 and 2021, respectively.

(4) "Adjustments in interest income" of ¥(62) million ($(507) thousand) and ¥(61) million are mainly elimination of intersegment transactions and interest income which are not allocated to reported segments for the years ended March 31, 2022 and 2021, respectively.

(5) "Adjustments in interest expenses" of ¥(240) million ($(1,961) thousand) and ¥(335) million are mainly elimination of intersegment transactions for the years ended March 31, 2022 and 2021, respectively.

(6) "Adjustments in investments in entities accounted for by the equity method" of ¥(40) million ($(327) thousand) and ¥(149) million are mainly investments which are not allocated to reported segments for the years ended March 31, 2022 and 2021, respectively.

(7) "Adjustments in capital expenditures" of ¥2,911 million ($23,785 thousand) and ¥1,543 million are related to company-wide assets which are not allocated to reported segments for the years ended March 31, 2022 and 2021, 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 26).

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	
	2022		2021		2022	
Japan	¥	312,433	¥	242,901	$	2,552,766
Asia:						
China		92,207		103,487		753,387
Other		176,280		157,226		1,440,314
U.S.A.		52,143		49,353		426,040
Other		72,591		42,748		593,112
Total	¥	705,656	¥	595,718	$	5,765,634

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

(2) Property, plant and equipment

	Millions of yen				Thousands of U.S. dollars	
	2022		2021		2022	
Japan	¥	189,484	¥	178,945	$	1,548,198
Asia		50,331		40,226		411,235
U.S.A.		29,557		25,585		241,498
Other		7,010		5,174		57,276
Total	¥	276,384	¥	249,931	$	2,258,224

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				
	2022				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	**¥ 1,160**	**¥ 4,694**	**¥ 10**	**¥ 1,194**	**¥ 7,059**

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

	Thousands of U.S. dollars				
	2022				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	**$ 9,478**	**$ 38,353**	**$ 82**	**$ 9,756**	**$ 57,676**

Note: Adjustments for the year ended March 31, 2022 are impairment loss on company-wide assets which are not allocated to reported segments.

Information of balance of goodwill by reported segments

	Millions of yen				
	2022				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	**¥ 4,811**	**¥ —**	**¥ —**	**¥ —**	**¥ 4,811**

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

	Thousands of U.S. dollars				
	2022				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	**$ 39,309**	**$ —**	**$ —**	**$ —**	**$ 39,309**

Information of negative goodwill by reported segments

No negative goodwill was recognized for the years ended March 31, 2022 and 2021.

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

Under accounting principles generally accepted in Japan, an ordinary profit, “Keijo-rieki” should be disclosed in the statement of income. The ordinary profit 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
	2022	2021	**2022**
Net sales	**¥ 705,656**	¥ 595,718	**$ 5,765,634**
Gross profit	**162,586**	140,958	**1,328,426**
Operating profit	**55,360**	44,510	**452,325**
Ordinary profit	**74,152**	50,240	**605,866**
Profit before income taxes	**69,628**	48,951	**568,903**
Profit	**52,530**	39,383	**429,202**

27. Subsequent Events

Purchase and retirement of treasury stock

At the Board of Directors on May 12, 2022, the Company resolved to purchase its treasury stock in accordance with provisions of the Articles of Incorporation of the Company under the Article 459, Paragraph 1 of the Companies Act and to retire its treasury stock in accordance with provisions of the Article 178 of the Companies Act.

(i) Reason for the purchase and retirement of treasury stock

In order to enhance shareholder returns, improve capital efficiency and execute flexible capital policy.

(ii) Detail of shares to be purchased

1) Type of shares to be purchased: Common stock
2) Number of shares to be purchased: Up to 3,500,000 shares
3) Aggregate purchase amount: Up to ¥8,000 million ($65,365 thousand)
4) Purchase period: From May 13, 2022 to July 29, 2022
5) Purchase method: Market purchases

(iii) Detail of shares to be retired

1) Type of shares to be retired: Common stock
2) Number of shares to be retired: 3,500,000 shares
3) Number of issued shares after the retirement: 222,239,199 shares
4) Planned retirement date: July 29, 2022

Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors
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, 2022, 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, 2022, 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 Mitsubishi Gas Chemical Engineering-Plastics (Shanghai) Co., Ltd ("MGCEPS") is one of the consolidated subsidiaries that operates in China (Shanghai) and is engaged in manufacturing polycarbonates. At the end of the current fiscal year, the ending balance of their property, plant and equipment is JPY 1,557million, and the ending balance of their intangible assets is JPY 1,551 million. As described in Note1(s) to the consolidated financial statements, the price variance (spread) between the polycarbonate and the ingredient bisphenol A has been low for a few years, so they reassessed their business plan.	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. •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. •Assessing the discount rate applied to compute future discounted cash flow by

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As a result, the recoverable amount of their property, plant and equipment and their intangible assets were less than the carrying amount Therefore, an impairment loss of JPY 3,736 million is recorded in the current fiscal year. MGCEPS has adopted IFRS. The recoverable amount of a fixed asset is measured by its value in use, and the value in use is determined by the total amount of discounted future cash flows based on the business plan. 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.	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 business plan.

Other Information

The other information comprises the information included in the Corporate Report 2022 Financial Section, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board and its Members are responsible for overseeing the execution of duties of Directors relating to the design and operation of the Group's reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express our opinion on the other information.

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

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

We have nothing to report in this regard.

Responsibilities of Management, the Audit & 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 & 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.

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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.

- 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 & 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 & 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.

From the matters communicated with the Audit & Supervisory Board and its Members, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report

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unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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.

小林 弥
Wataru Kobayashi
Designated Engagement Partner
Certified Public Accountant

井澤 浩昭
Hiroaki Izawa
Designated Engagement Partner
Certified Public Accountant

川久保 孝之
Takayuki Kawakubo
Designated Engagement Partner,
Certified Public Accountant

Crowe Toyo & Co.
Tokyo,Japan
28 June, 2022

Corporate Data

Corporate Information (As of March 31, 2022)

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	2,461(non-consolidated) 9,888 (consolidated)

Shareholder Information (As of March 31, 2022)

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	32,175
Composition of shareholders	
Financial institutions	48.8%
Securities companies	3.6%
Other companies in Japan	8.5%
Foreign investors	22.2%
Individuals and others	16.9%

* Transitioned to the Tokyo Stock Exchange Prime Market on April 4, 2022

Major shareholders (top 10)

Name of shareholder	Investment in MGC: Number of shares held (thousands)	Investment in MGC: Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	35,163	16.9
Custody Bank of Japan, Ltd. (Trust Account)	17,472	8.4
Meiji Yasuda Life Insurance Company	8,797	4.2
Nippon Life Insurance Company	7,326	3.5
The Norinchukin Bank	5,026	2.4
AGC Inc.	3,929	1.8
Custody Bank of Japan, Ltd. (Trust Account 4)	3,574	1.7
The Bank of Yokohama, Ltd.	3,085	1.4
JPMorgan Securities Japan Co., Ltd.	3,076	1.4
MUFG Bank, Ltd.	2,700	1.3

Notes 1: MGC holds 17,693 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.