

Chapter 4

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11-Year Financial Summary

Figures for years indicated with (*) do not include results from discontinued operations.

J-GAAP (fiscal 2012–2015)					IFRS (fiscal 2015–2022)								
	2012	2013	2014	2015		2015*	2016*	2017	2018*	2019*	2020	2021	2022
For the year					For the year								
Net sales	3,088,577	3,498,834	3,656,278	3,823,098	Sales revenue	3,543,352	3,376,057	3,724,406	3,840,341	3,580,510	3,257,535	3,976,948	4,634,532
Operating income	90,241	110,460	165,681	280,026	Core operating income	300,410	307,522	380,489	314,104	194,820	174,710	272,342	325,558
Income before income taxes and minority interests in consolidated subsidiaries	82,900	116,594	165,621	198,248	Income before taxes	252,791	258,343	344,077	284,846	122,003	32,908	290,370	167,964
Net income attributable to owners of the parent	18,596	32,248	60,859	46,444	Net income (loss) attributable to owners of the parent	51,358	156,259	211,788	169,530	54,077	(7,557)	177,162	96,066
Total comprehensive income	94,900	134,016	173,692	7,695	Total comprehensive income	34,302	226,493	297,476	205,898	475	160,551	332,834	210,493
Capital expenditures	132,221	133,339	165,057	176,508	Capital expenditures	213,134	206,482	225,189	231,742	240,390	263,715	254,589	282,173
Depreciation and amortization	129,549	131,571	151,253	180,374	Depreciation and amortization	182,656	174,040	178,895	199,332	239,824	243,793	251,469	269,616
R&D	134,723	134,260	132,217	138,364	R&D	126,782	126,290	138,833	142,822	133,368	126,073	156,584	149,467
Net cash provided by operating activities	206,504	177,027	329,776	388,663	Net cash provided by operating activities	299,612	396,643	397,940	415,575	452,003	467,133	346,871	355,189
Net cash used in investing activities	(169,758)	(159,789)	(277,223)	(202,796)	Net cash used in investing activities	(234,078)	(289,056)	(335,933)	(895,068)	(87,563)	(217,010)	(128,781)	(247,632)
Net cash used in financing activities	(26,250)	(8,307)	(2,061)	(156,957)	Net cash provided by (used in) financing activities	(40,945)	1,411	(150,592)	519,062	(450,523)	(142,773)	(336,283)	(60,783)
At year-end					At year-end								
Total assets	3,307,758	3,479,359	4,323,038	4,061,572	Total assets	4,223,774	4,463,547	4,701,415	5,572,508	5,132,149	5,287,228	5,573,871	5,773,903
Property, plant and equipment	1,061,551	1,118,050	1,498,146	1,390,727	Property, plant and equipment	1,403,437	1,431,681	1,433,509	1,683,354	1,742,216	1,813,838	1,899,695	1,907,898
Interest-bearing debt	1,198,799	1,258,186	1,603,595	1,465,752	Interest-bearing debt	1,579,575	1,693,742	1,606,123	2,246,751	2,388,060	2,482,422	2,289,869	2,375,827
Total net assets	1,203,316	1,314,870	1,588,601	1,554,528	Equity attributable to owners of the parent	972,197	1,091,398	1,285,750	1,377,947	1,170,222	1,236,339	1,458,077	1,564,366
Per share					Per share								
Net income—basic	12.61	21.89	41.40	31.70	Basic earnings (loss) per share	35.06	106.73	147.14	119.22	38.08	(5.32)	124.68	67.57
Net assets	553.54	611.95	669.77	636.43	Equity attributable to owners of the parent	663.71	758.30	893.26	970.46	824.07	870.40	1,026.03	1,100.04
Cash dividends	12	12	13	15	Cash dividends	15	20	32	40	32	24	30	30
Key indicators					Key indicators								
Return on assets (ROA) (%)	2.6	3.4	4.2	4.7	Return on assets (ROA) (%)	5.9	5.9	7.5	5.5	2.3	0.6	5.3	3.0
Return on equity (ROE) (%)	2.3	3.7	6.4	4.8	Return on equity (ROE) (%)	5.2	15.1	17.8	12.7	4.2	(0.6)	13.2	6.4
Shareholders' equity ratio (%)	24.6	25.8	22.6	22.9	Ratio of core operating income to sales revenue (ROS) (%)	8.5	9.1	10.2	8.2	5.4	5.4	6.8	7.0
					ROIC (%)	—	—	—	5.9	3.5	3.3	4.9	5.7
					Net debt-to-equity (D/E) ratio (times)	1.17	1.06	0.89	1.26	1.79	1.73	1.40	1.33
					P/E ratio (times)	16.8	8.1	7.0	6.5	16.9	—	6.6	11.6
					P/B ratio (times)	0.9	1.1	1.2	0.8	0.8	1.0	0.8	0.7

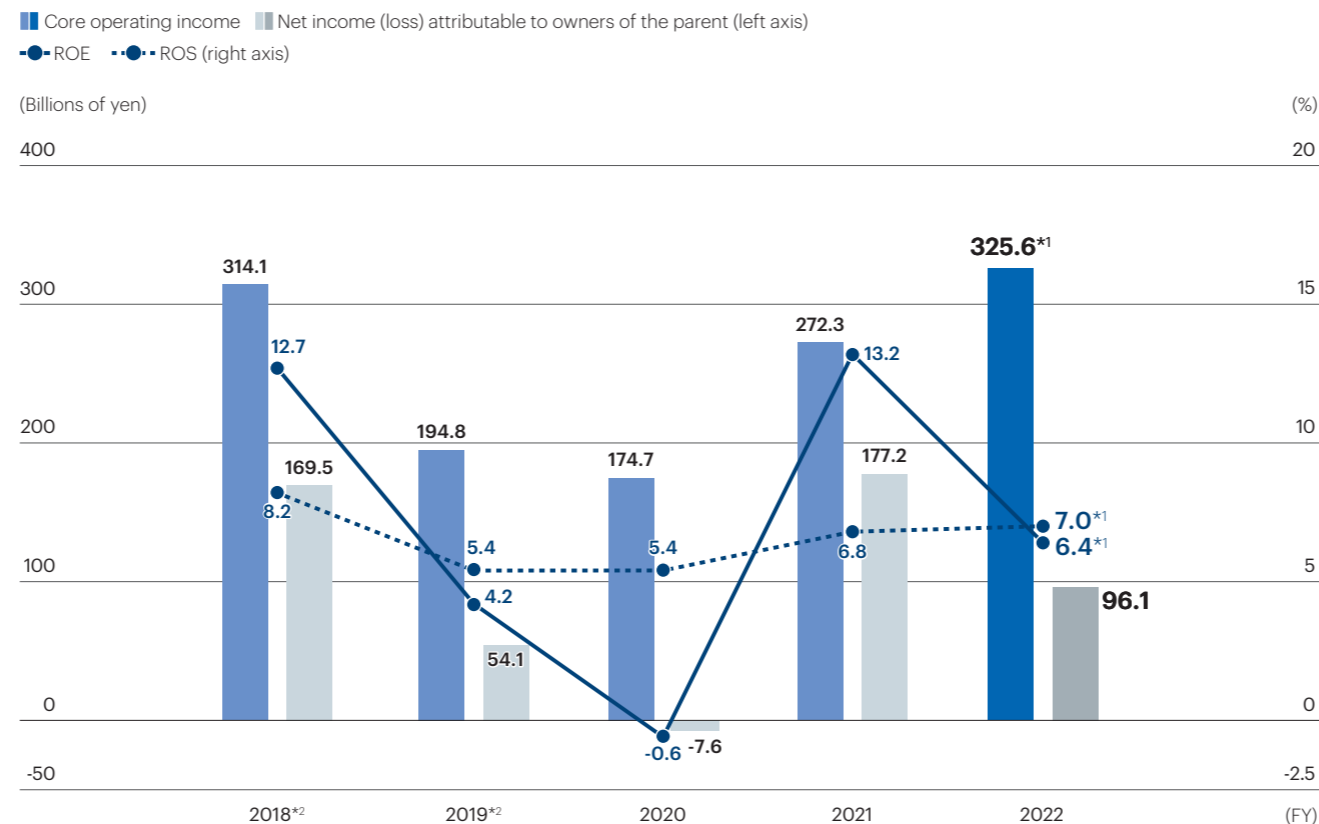
We adopted the International Financial Reporting Standards (IFRS) from fiscal 2016. Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors (gains and losses incurred by business withdrawal and contraction, etc.) as defined under IFRS. We disclose core operating income as our unique gains/losses incurred by staged gains/losses, considering the comparability with the operating income of J-GAAP.

Based on the outcome of arbitration proceedings relating to royalties for *Gilenya*, a treatment agent for multiple sclerosis, sales revenue of ¥125.9 billion was recognized in the fourth quarter of fiscal 2022.

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Financial/Non-Financial Highlights (1)

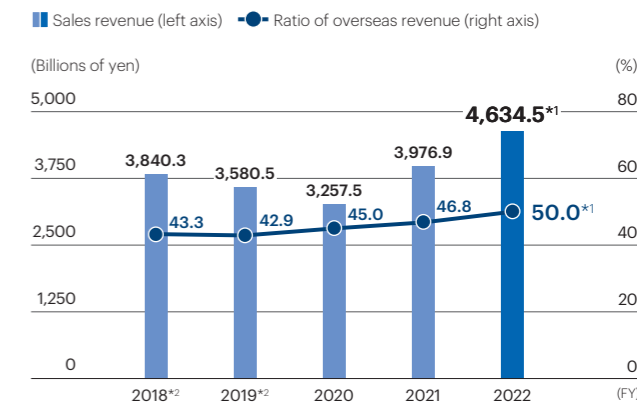
Net income and ROS/ROE



*1 Fiscal 2022 core operating income is calculated at ¥199.7 billion and ROE and ROS for the fiscal year at 0.4% and 4.4% after deduction of an amount equivalent to the *Gilenya* arbitration award.

2 Figures for years indicated with () do not include results from discontinued operations.

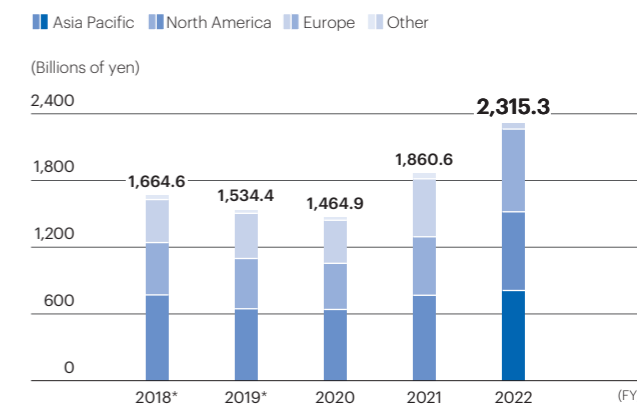
Sales revenue and ratio of overseas revenue



*1 Fiscal 2022 sales revenue is calculated at ¥4,508.6 billion and the ratio of overseas sales revenue for the fiscal year at 48.6% after deduction of an amount equivalent to the *Gilenya* arbitration award.

2 Figures for years indicated with () do not include results from discontinued operations.

Overseas revenue by region

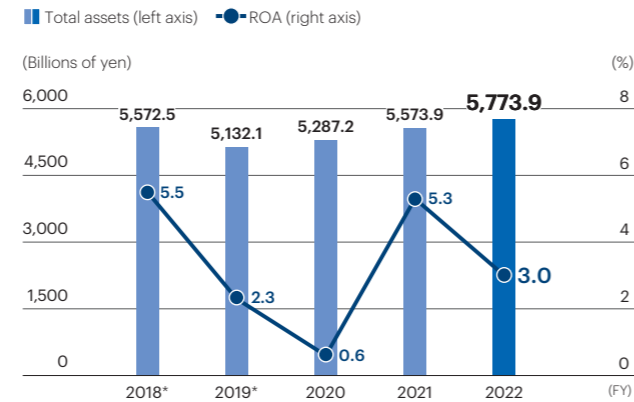


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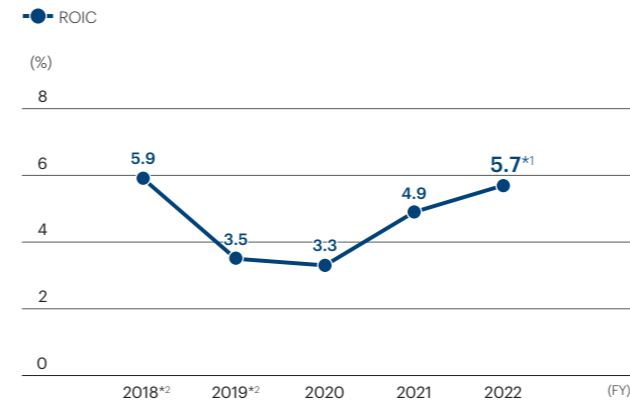
Financial/Non-Financial Highlights (2)

Total assets and ROA



Figures for years indicated with (*) do not include results from discontinued operations.

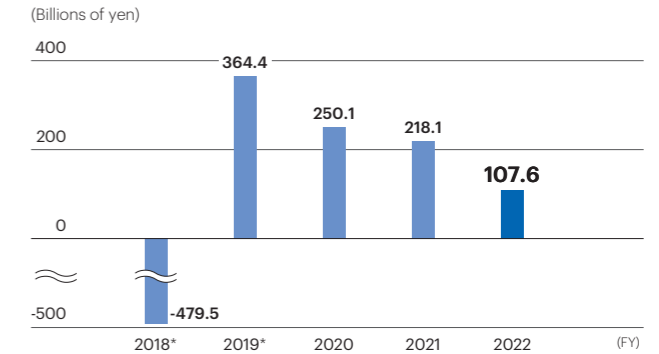
ROIC



*1 Fiscal 2022 ROIC is calculated at 3.6% after deduction of an amount equivalent to the Gilenya arbitration award.

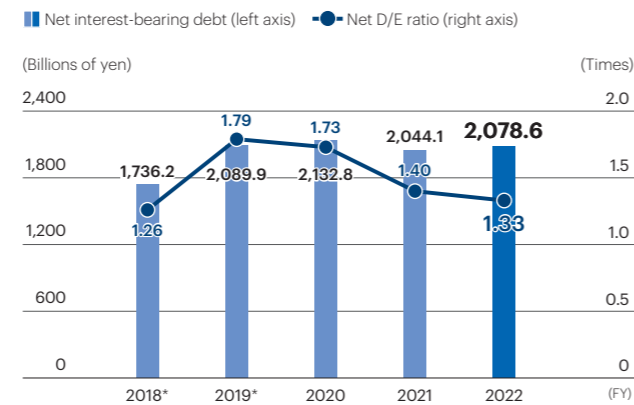
2 Figures for years indicated with () do not include results from discontinued operations.

Free cash flow



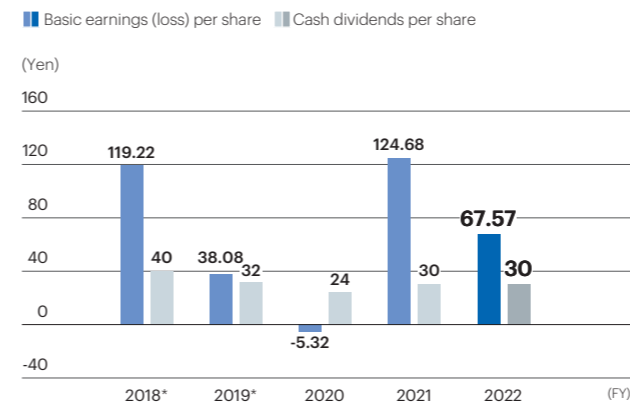
Figures for years indicated with (*) do not include results from discontinued operations.

Net interest-bearing debt and net D/E ratio



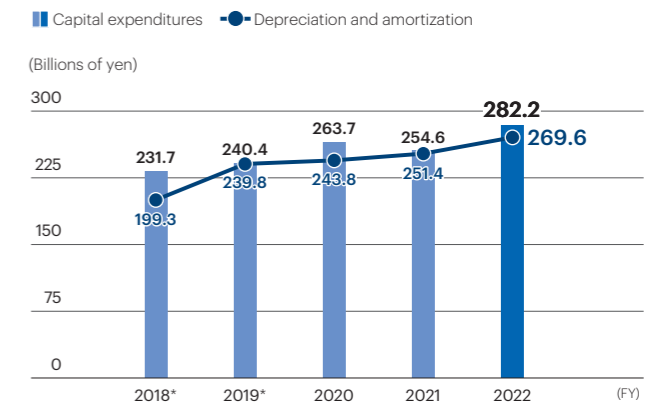
Figures for years indicated with (*) do not include results from discontinued operations.

Basic earnings (loss) per share and cash dividends per share



Figures for years indicated with (*) do not include results from discontinued operations.

Capital expenditures and depreciation and amortization

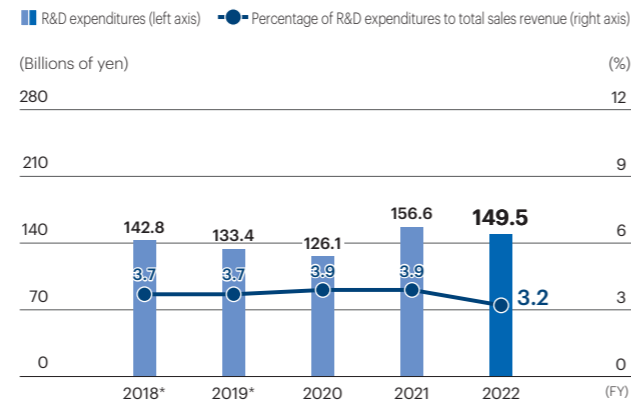


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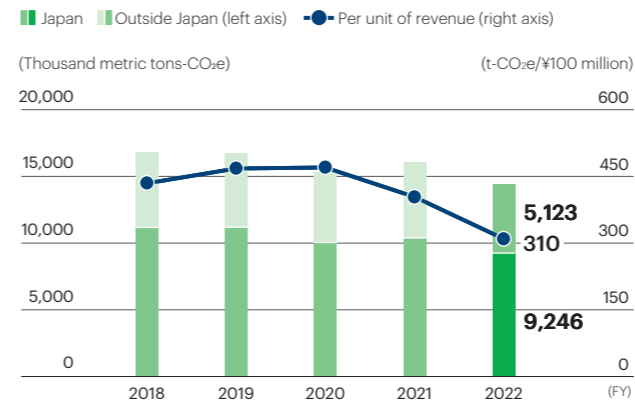
Financial/Non-Financial Highlights (3)

R&D expenditures and percentage of total sales revenue



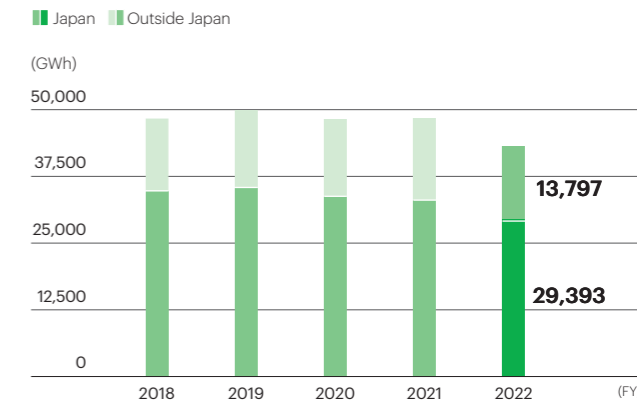
Figures for years indicated with (*) do not include results from discontinued operations.

Scope 1 + 2 emissions*



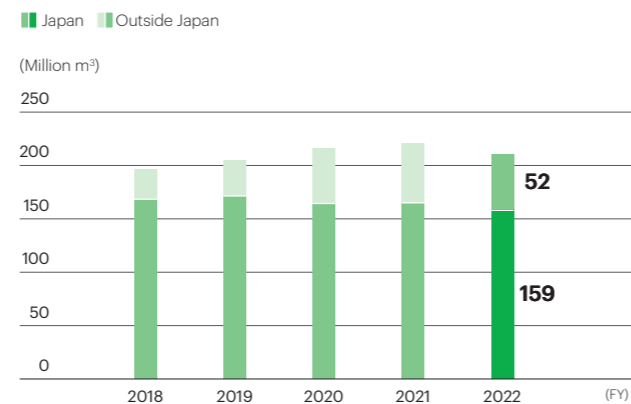
* Data for fiscal 2019 and subsequent periods are calculated based on boundaries revised to reflect the scope of activity of KV30. Figures for fiscal 2018 shown in the graph have been recalculated based on the revised boundaries. Figures for fiscal 2019 and subsequent periods, calculated based on the post-revision boundaries, have received independent assurance. (▶ Page 112)

Energy consumption*



* Data for fiscal 2019 and subsequent periods are calculated based on boundaries revised to reflect the scope of activity of KV30. Figures for fiscal 2018 shown in the graph have been recalculated based on the revised boundaries. Figures for fiscal 2019 and subsequent periods, calculated based on the post-revision boundaries, have received independent assurance. (▶ Page 112)

Water withdrawal (excluding seawater)



Tax governance

The Mitsubishi Chemical Group manages its tax affairs in an appropriate and highly transparent manner in line with its Global Tax Policy to ensure that it complies with the law and that taxes are paid as due and on time. Through these activities, we seek to strengthen our relationships of trust with stakeholders.

[MCG Group Global Tax Policy](#)

MCG Group Taxes Paid by Region*1

FY*2	Billions of yen				
	2017	2018	2019	2020	2021
Japan	40.3	78.0	43.6	24.0	20.2
Asia Pacific	9.7	15.0	16.2	7.6	9.5
North America	-3.7	4.3	2.5	1.5	0.4
Europe	5.2	7.6	10.7	9.4	9.5
Other	0.2	0.1	0.1	0.0	0.1
Total	51.7	105.0	73.1	42.5	39.7

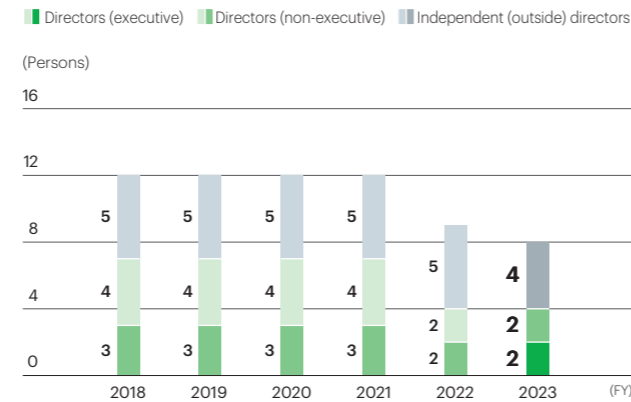
*1 Sum of central and local government income taxes

*2 Tax paid by region based on the Country-by-Country Report submitted to the Japanese tax authorities.

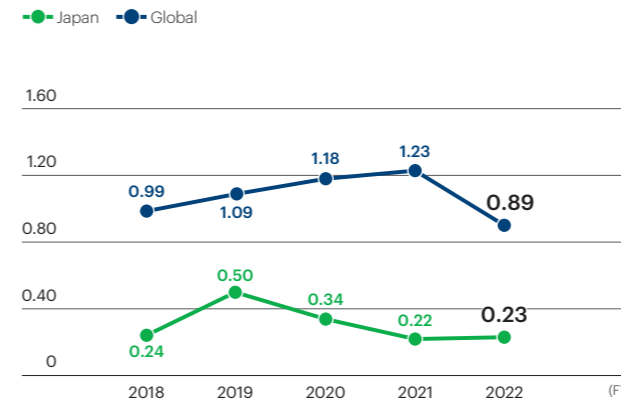
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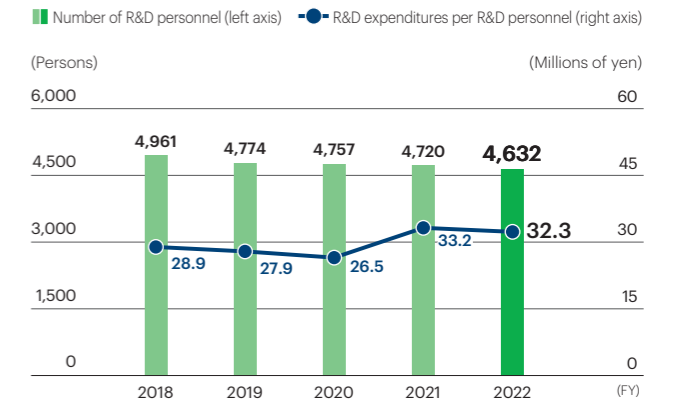
Number of directors and outside directors



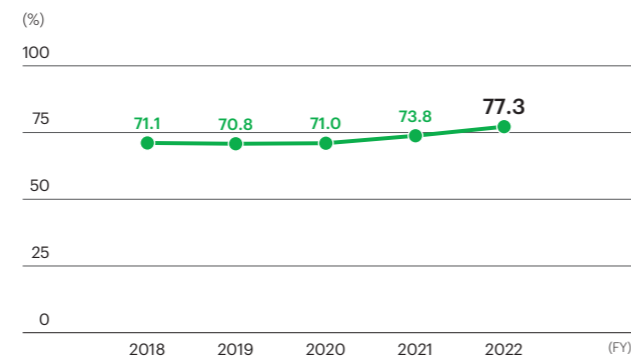
Lost-time injury frequency rate (LTIFR)



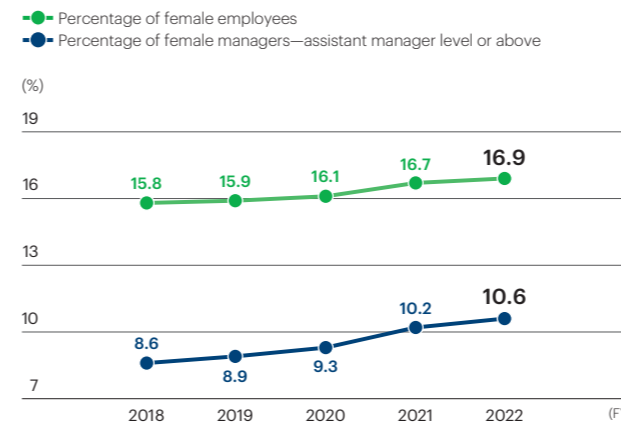
Number of R&D personnel and R&D expenditures per R&D personnel



Paid leave utilization rate



Percentage of female employees and percentage of female managers—assistant manager level or above



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Overview of Business Domains | Summary (1)

[Financial results figures for each domain](#)

Notes: 1. Figures for previous fiscal periods (up to and including fiscal 2021) are the business results figures announced at the time.
2. ROA was calculated as core operating income divided by the fiscal year average of total assets.

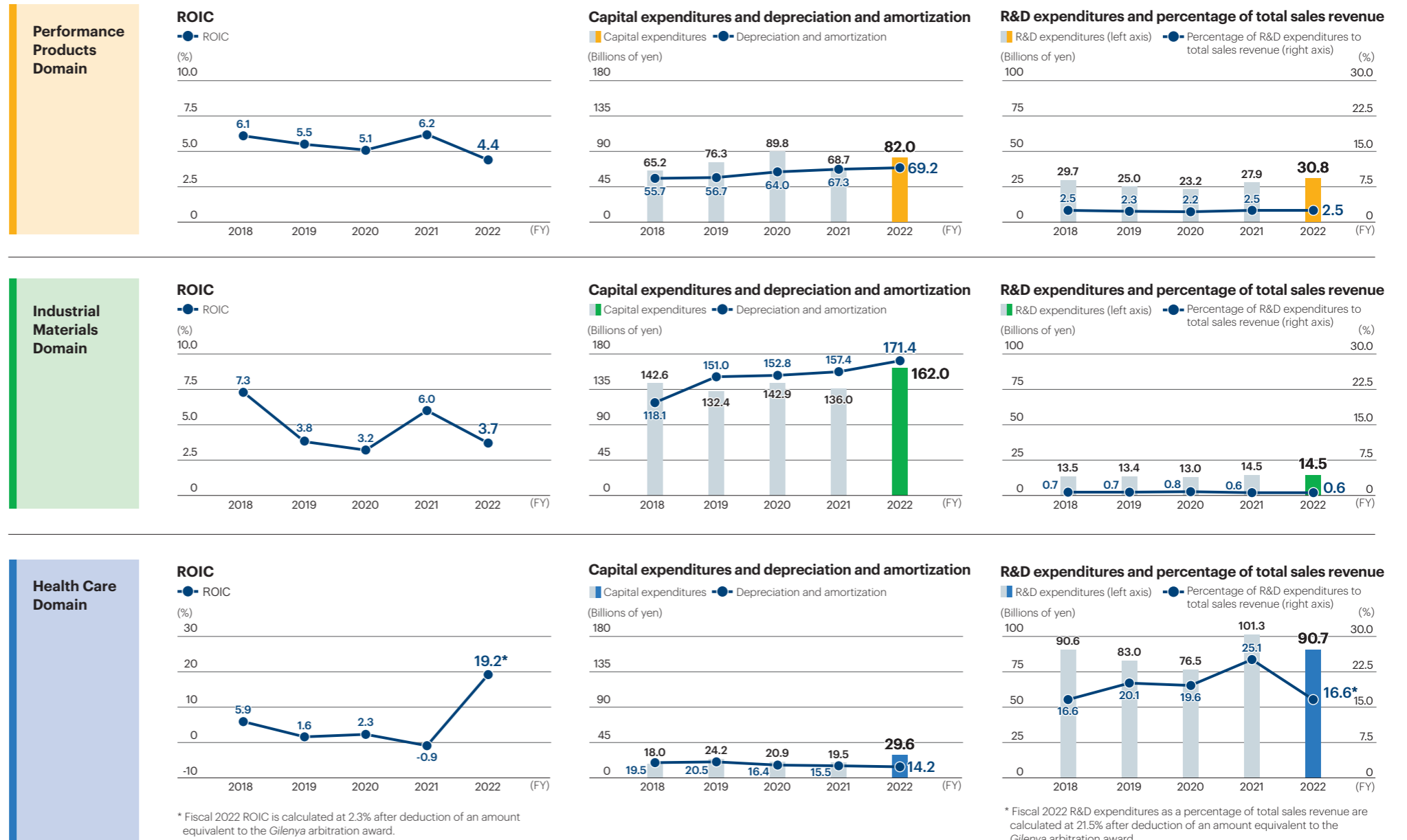


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Overview of Business Domains | Summary (2)

[Financial results figures for each domain](#)

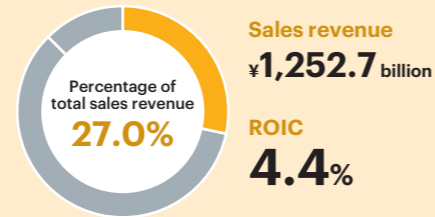
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Overview of Business Domains | Results by Segment (1)

Performance Products Domain



Performance Products segment

Sales revenue amounted to ¥1,252.7 billion, a year-on-year increase of ¥116.4 billion, and core operating income to ¥51.5 billion, a decrease of ¥27.2 billion.

Sales revenue in the Polymers & Compounds subsegment increased despite the fall in sales volume in automotive applications in particular. The growth was due mainly to active passing on of rising raw material costs to sales prices and currency translation effects.

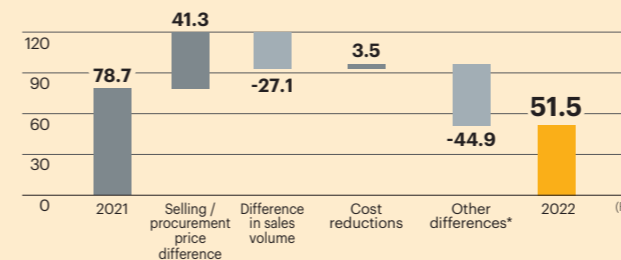
Sales revenue in the Films & Molding Materials subsegment increased due notably to sales price corrections reflecting raw material price rises and currency translation effects, which largely absorbed the impact of the previous fiscal year's transfer of the alumina fiber

business and the sharp fall in demand in display applications.

Sales revenue in the Advanced Solutions subsegment increased due mainly to sales prices corrections to reflect raw material price rises and currency translation effects, which absorbed the impact of a decrease in sales volume mainly in display applications.

Core operating income decreased due to the general decline in demand, particularly in display applications, and the inflation-driven increase in costs, only partly balanced by active passing on of costs to sales prices to reflect raw material price rises.

Performance Products: Factors underlying the YoY change in core operating income (Billions of yen)



* Includes differences due to gains/losses on inventory valuation and to gains/losses on equity-method investments

Polymers & Compounds

Develops greater added value for various materials and delivers high-performance materials to the world

- Performance polymers
- Polycarbonate
- Coating materials, etc.



Coating material ACRYKING

Films & Molding Materials

Utilizes a range of molding technologies to provide products designed for different applications

- Packaging (food packaging) and industrial films
- Polyester films
- High-performance engineering plastics
- Carbon fiber and composite materials, etc.

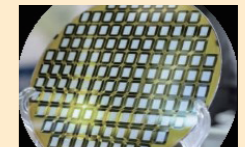


Food packaging film DIAMIRON

Advanced Solutions

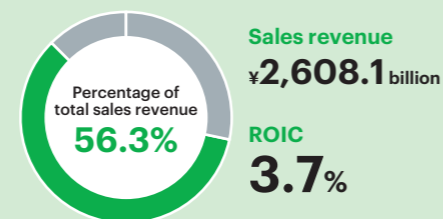
Offers new solutions to society's search for value, through advanced products and technologies, business models, and ideas

- Aqua solutions
- Life solutions
- Semiconductors & electronics
- Battery materials, etc.



Semiconductor-related materials

Industrial Materials Domain



Chemicals segment

Sales revenue amounted to ¥1,430.2 billion, a year-on-year increase of ¥142.3 billion, and core operating income to ¥9.2 billion, a decrease of ¥93 billion.

Sales revenue in the MMA subsegment decreased despite the positive effect particularly of currency translation, as sales volume decreased due to decline in demand and sales prices fell for MMA monomers and other products.

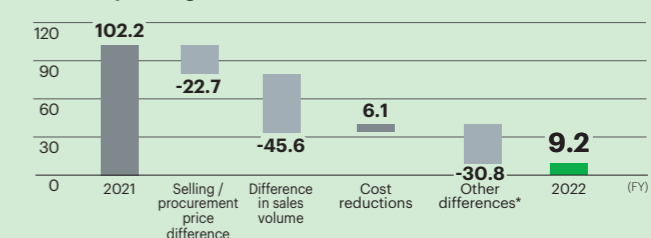
Sales revenue in the Petrochemicals subsegment increased due to sales price increases mainly reflecting rising raw material prices. This growth outweighed the decrease in sales volume due to declining demand and the increased impact of scheduled maintenance and repair at our ethylene production facilities.

Sales revenue in the Carbon Products subsegment grew on rising sales prices due to an increase in the sale price of coke, in turn driven mainly by rising raw material prices, which outweighed the decreased sales volume resulting from declining demand.

Core operating income decreased due mainly to the decreased sales volume resulting from declining demand combined with the

general narrowing of the price margin between raw material and finished product and a decrease in inventory valuation gain.

Chemicals: Factors underlying the YoY change in core operating income (Billions of yen)



* Includes differences due to gains/losses on inventory valuation and to gains/losses on equity-method investments

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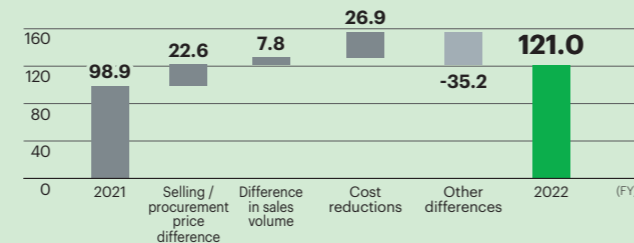
Overview of Business Domains | Results by Segment (2)

Industrial Gases segment

Sales revenue amounted to ¥1,177.9 billion, a year-on-year increase of ¥227.8 billion, and core operating income to ¥121.0 billion, an increase of ¥22.1 billion.

Sales revenue and core operating income increased due to sales volumes being boosted by robust demand in the domestic and overseas markets. Higher sales prices driven by fuel price rises and currency translation effects also contributed.

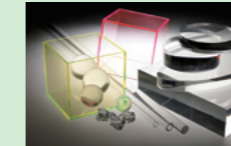
Industrial Gases: Factors underlying the YoY change in core operating income (Billions of yen)



MMA

Manufactures MMA using all three of the main manufacturing methods and delivers global supplies of MMA and MMA derivative acrylic resin

- MMA
- PMMA



PMMA acrylic resin block

Carbon Products business

Uses superior coking coal formulation and quality control technologies to deliver stable supplies in Japan and overseas

- Coke
- Carbon black
- Carbon materials
- Synthetic rubbers



Coke

Petrochemicals business

Operates ethylene plants in Japan and delivers stable supplies of petrochemical materials as well as high-performance polyolefins

- Basic petrochemicals and basic chemical derivatives
- Polyolefins



Ethylene plant

Industrial Gases business

Commands a top share of the domestic market and has built a global supply system with sites in Japan, the United States, Europe, and Asia

- Industrial gases
- Related equipment and facilities



Industrial gases business

Health Care Domain



Sales revenue
¥547.1 billion

ROIC
19.2%

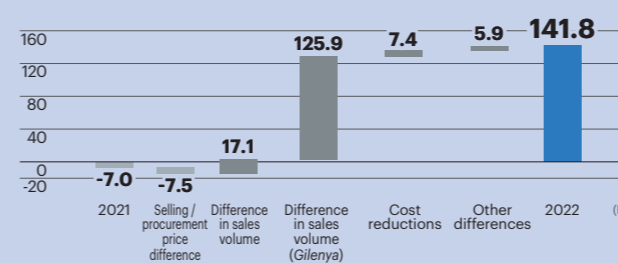
Health Care segment

Sales revenue amounted to ¥547.1 billion, a year-on-year increase of ¥143.5 billion, and core operating income to ¥141.8 billion, an increase of ¥148.8 billion.

Sales revenue and core operating income in this segment increased despite the impact of negative factors including National Health Insurance drug price revisions in the Japanese ethical

pharmaceuticals market. The factors in the increase included robust sales of priority products in the Japanese market and of RADICAVA ORS, a treatment agent for amyotrophic lateral sclerosis (ALS) released in the United States in June 2022, together with royalty revenue* from *Gilenya*, a treatment agent for multiple sclerosis outlicensed to Novartis Pharma AG.

Health Care: Factors underlying the YoY change in core operating income (loss) (Billions of yen)



* As arbitration proceedings began in February 2019, a portion of the royalty revenue had not been recognized as sales revenue in accordance with IFRS 15 (Revenue from Contracts with Customers). However, as the arbitration court judged all the provisions of the relevant contract to be valid in February 2023, sales revenue of ¥125.9 billion was recognized in the consolidated accounting period of the fourth quarter of fiscal 2022.

Pharma business

Develops precision medicine and around the pill solutions in fields where there are unmet medical needs

- Central nervous system
- Immuno-inflammation
- Diabetes and kidney
- Oncology



Biopharmaceuticals

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Shareholder Information

Share information (As of March 31, 2023)

Securities code	4188 (Tokyo Stock Exchange Prime Market)
Shares per unit	100
Authorized shares	6,000,000,000
Outstanding shares	1,506,288,107
Number of shareholders	283,641

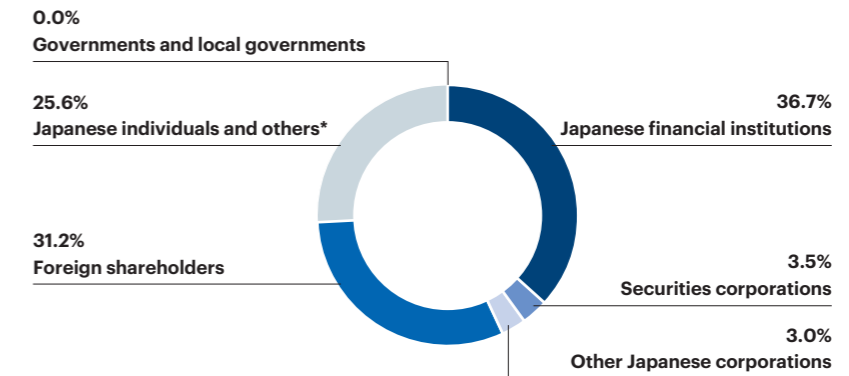
Major shareholders

Name	Number of shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	224,331	15.7
SSBTC CLIENT OMNIBUS ACCOUNT	148,370	10.4
Custody Bank of Japan, Ltd. (Trust account)	94,350	6.6
Meiji Yasuda Life Insurance Company	64,389	4.5
Nippon Life Insurance Company	42,509	3.0
STATE STREET BANK WEST CLIENT - TREATY 505234	22,631	1.6
Custody Bank of Japan, Ltd. (Trust account 4)	21,671	1.5
Taiyo Life Insurance Company	18,838	1.3
JP MORGAN CHASE BANK 385781	17,034	1.2
The Norinchukin Bank	13,497	0.9

Notes: 1. In addition to the above, Mitsubishi Chemical Group Corporation holds 81,777 thousand shares as treasury stock, but these shares are non-voting pursuant to the provisions of Article 308, Paragraph 2 of the Companies Act.

2. Equity investment ratios are calculated to the exclusion of the treasury stock (81,777 thousand shares).

Shareholding ratio by type of owner (As of March 31, 2023)



* The Japanese individuals and others category includes the portion held as treasury stock (5.4%).



General Meeting of Shareholders

The 18th Ordinary General Meeting of Shareholders was held on June 27, 2023. Internet live streaming of the meeting was also provided for shareholders unable to attend in person.

Consolidated Financial Statements

Consolidated Statement of Income

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

	Millions of yen	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Continuing operations:		
Sales revenue	¥ 3,976,948	¥ 4,634,532
Cost of sales	(2,862,224)	(3,395,045)
Gross profit	1,114,724	1,239,487
Selling, general and administrative expenses	(854,455)	(922,650)
Other operating income	81,692	31,893
Other operating expenses	(59,961)	(177,755)
Share of profit of associates and joint ventures	21,194	11,743
Operating income	303,194	182,718
Financial income	9,368	16,636
Financial expenses	(22,192)	(31,390)
Income before taxes	290,370	167,964
Income taxes	(80,965)	(32,814)
Net income from continuing operations	¥ 209,405	¥ 135,150
Net income attributable to:		
Owners of the parent	¥ 177,162	¥ 96,066
Non-controlling interests	32,243	39,084
Earnings per share:		
		(Yen)
Basic earnings per share attributable to owners of the parent	¥ 124.68	¥ 67.57
Diluted earnings per share attributable to owners of the parent	¥ 115.03	¥ 64.72

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Consolidated Statement of Comprehensive Income

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

	Millions of yen	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income	¥209,405	¥135,150
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	4,471	(9,923)
Remeasurements of defined benefit pensions plans	7,328	(3,018)
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method	(6)	426
Total items that will not be reclassified to profit or loss	11,793	(12,515)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	104,596	78,926
Net gain (loss) on derivatives designated as cash flow hedges	2,384	1,528
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method	4,656	7,404
Total items that may be subsequently reclassified to profit or loss	111,636	87,858
Total other comprehensive income (net of tax)	123,429	75,343
Total comprehensive income	¥332,834	¥210,493
Total comprehensive income attributable to:		
Owners of the parent	¥268,003	¥150,984
Non-controlling interests	64,831	59,509

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Consolidated Statement of Financial Position

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Assets	Millions of yen	
	March 31, 2022	March 31, 2023
Current assets:		
Cash and cash equivalents	¥ 245,789	¥ 297,224
Trade receivables	825,996	808,787
Inventories	745,248	797,877
Other financial assets	51,085	74,469
Other current assets	106,556	141,020
Subtotal	1,974,674	2,119,377
Assets held for sale	11,442	30,241
Total current assets	1,986,116	2,149,618
Non-current assets:		
Property, plant and equipment	1,899,695	1,907,898
Goodwill	705,412	727,655
Intangible assets	448,805	459,213
Investments accounted for using the equity method	174,791	170,736
Other financial assets	233,533	203,270
Other non-current assets	60,923	61,425
Deferred tax assets	64,596	94,088
Total non-current assets	3,587,755	3,624,285
Total assets	¥5,573,871	¥5,773,903

Liabilities and Equity	Millions of yen	
	March 31, 2022	March 31, 2023
Liabilities		
Current liabilities:		
Trade payables	¥ 486,874	¥ 476,311
Bonds and borrowings	411,213	601,443
Income tax payable	34,875	29,127
Other financial liabilities	291,237	316,379
Provisions	15,601	47,274
Other current liabilities	178,613	184,272
Subtotal	1,418,413	1,654,806
Liabilities directly associated with assets held for sale	880	9,024
Total current liabilities	1,419,293	1,663,830
Non-current liabilities:		
Bonds and borrowings	1,748,756	1,642,325
Other financial liabilities	112,554	118,527
Retirement benefit liabilities	103,941	102,292
Provisions	22,673	39,476
Other non-current liabilities	147,212	39,936
Deferred tax liabilities	175,123	179,380
Total non-current liabilities	2,310,259	2,121,936
Total liabilities	3,729,552	3,785,766
Equity		
Common stock:	50,000	50,000
Additional paid-in capital	170,600	167,917
Treasury stock	(62,870)	(62,231)
Retained earnings	1,213,677	1,270,245
Other components of equity	86,670	138,435
Equity attributable to owners of the parent	1,458,077	1,564,366
Non-controlling interests	386,242	423,771
Total equity	1,844,319	1,988,137
Total liabilities and equity	¥5,573,871	¥5,773,903

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Fiscal year ended March 31, 2022

	Millions of yen			
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2021	¥50,000	¥179,716	¥(63,244)	¥1,060,069
Net income	—	—	—	177,162
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	177,162
Purchase of treasury stock	—	—	(31)	—
Disposal of treasury stock	—	(403)	405	—
Cash dividends	—	—	—	(38,367)
Share-based payment transactions	—	533	—	—
Forfeiture of share acquisition rights	—	(1,106)	—	823
Changes in interests in subsidiaries	—	(8,140)	—	—
Business combinations or business divestitures	—	—	—	—
Changes in scope of consolidation	—	—	—	21
Transfer from other components of equity to retained earnings	—	—	—	13,969
Total transactions with owners	—	(9,116)	374	(23,554)
Balance at March 31, 2022	¥50,000	¥170,600	¥(62,870)	¥1,213,677

	Other components of equity				Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2021	¥56,707	¥ —	¥(47,077)	¥ 168	¥ 9,798	¥1,236,339	¥334,809	¥1,571,148
Net income	—	—	—	—	—	177,162	32,243	209,405
Other comprehensive income	1,063	7,155	80,395	2,228	90,841	90,841	32,588	123,429
Total comprehensive income	1,063	7,155	80,395	2,228	90,841	268,003	64,831	332,834
Purchase of treasury stock	—	—	—	—	—	(31)	—	(31)
Disposal of treasury stock	—	—	—	—	—	2	—	2
Cash dividends	—	—	—	—	—	(38,367)	(15,963)	(54,330)
Share-based payment transactions	—	—	—	—	—	533	—	533
Forfeiture of share acquisition right	—	—	—	—	—	(283)	—	(283)
Changes in interests in subsidiaries	—	—	—	—	—	(8,140)	2,553	(5,587)
Business combinations or business divestitures	—	—	—	—	—	—	(9)	(9)
Changes in scope of consolidation	—	—	—	—	—	21	21	42
Transfer from other components of equity to retained earnings	(6,814)	(7,155)	—	—	(13,969)	—	—	—
Total transactions with owners	(6,814)	(7,155)	—	—	(13,969)	(46,265)	(13,398)	(59,663)
Balance at March 31, 2022	¥50,956	¥ —	¥33,318	¥2,396	¥86,670	¥1,458,077	¥386,242	¥1,844,319

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Consolidated Statement of Changes in Equity

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Fiscal year ended March 31, 2023

	Millions of yen			
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2022	¥50,000	¥170,600	¥(62,870)	¥1,213,677
Net income	—	—	—	96,066
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	96,066
Purchase of treasury stock	—	—	(21)	—
Disposal of treasury stock	—	(651)	660	—
Cash dividends	—	—	—	(42,651)
Share-based payment transactions	—	463	—	—
Changes in interests in subsidiaries	—	(2,495)	—	—
Business combinations or business divestitures	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	3,153
Total transactions with owners	—	(2,683)	639	(39,498)
Balance at March 31, 2023	¥50,000	¥167,917	¥(62,231)	¥1,270,245

	Other components of equity							Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges							
Balance at April 1, 2022	¥50,956	¥ —	¥33,318	¥ 2,396	¥ 86,670	¥1,458,077	¥386,242	¥1,844,319			
Net income	—	—	—	—	—	96,066	39,084	135,150			
Other comprehensive income	(10,053)	(3,459)	66,570	1,860	54,918	54,918	20,425	75,343			
Total comprehensive income	(10,053)	(3,459)	66,570	1,860	54,918	150,984	59,509	210,493			
Purchase of treasury stock	—	—	—	—	—	(21)	—	(21)			
Disposal of treasury stock	—	—	—	—	—	9	—	9			
Cash dividends	—	—	—	—	—	(42,651)	(19,216)	(61,867)			
Share-based payment transactions	—	—	—	—	—	463	—	463			
Changes in interests in subsidiaries	—	—	—	—	—	(2,495)	(3,153)	(5,648)			
Business combinations or business divestitures	—	—	—	—	—	—	389	389			
Transfer from other components of equity to retained earnings	(6,612)	3,459	—	—	(3,153)	—	—	—			
Total transactions with owners	(6,612)	3,459	—	—	(3,153)	(44,695)	(21,980)	(66,675)			
Balance at March 31, 2023	¥34,291	¥ —	¥99,888	¥4,256	¥138,435	¥1,564,366	¥423,771	¥1,988,137			

Consolidated Financial Statements

Consolidated Statement of Cash Flows

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities:		
Income before taxes	¥290,370	¥167,964
Depreciation and amortization	251,469	269,616
Share of (profit) loss of associates and joint ventures	(21,194)	(11,743)
Impairment loss	26,047	96,782
Provision for loss on plant closure	—	26,726
Loss on sale and disposal of fixed assets	14,407	10,979
Provision for loss on business liquidation	—	5,666
Provision for loss on litigation	615	3,550
Gain on sale of property, plant and equipment	(9,121)	(8,792)
Gain on sale of intercompany securities	(1,888)	(3,316)
Gain on reversal of environmental expenses	—	(3,149)
Gain on business transfer	(60,838)	—
Interest and dividend income	(5,875)	(14,616)
Interest expense	20,985	29,800
(Increase) decrease in trade receivables	(88,721)	20,438
(Increase) decrease in inventories	(152,599)	(45,166)
Increase (decrease) in trade payables	86,511	(14,611)
Increase (decrease) in retirement benefit assets and liabilities, net	9,222	4,184
Others	45,221	(66,344)
Subtotal	404,611	467,968
Interest received	1,134	2,039
Dividends received	14,204	26,338
Interest paid	(20,250)	(25,335)
Income tax (paid) received, net	(52,828)	(115,821)
Net cash provided by (used in) operating activities	346,871	355,189
Cash flows from investing activities:		
Purchase of property, plant and equipment	(244,851)	(259,026)
Proceeds from sales of property, plant and equipment	24,707	5,793
Purchase of intangible assets	(12,814)	(21,969)
Purchase of other financial assets	(4,070)	(5,184)
Proceeds from sales/redemption of other financial assets	38,988	26,944
Purchase of investments in subsidiaries	(6,501)	(122)
Proceeds from sales of investments in subsidiaries	0	9,832
Payments for transfer of businesses	(700)	—
Proceeds from transfer of businesses	81,901	1,934
Net (increase) decrease in time deposits	476	(636)
Others	(5,917)	(5,198)
Net cash provided by (used in) investing activities	(128,781)	(247,632)

Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(89,129)	(9,167)
Net increase (decrease) in commercial papers	(60,000)	69,000
Proceeds from long-term borrowings	66,162	81,270
Repayment of long-term borrowings	(130,246)	(128,728)
Proceeds from issuance of bonds	94,636	44,776
Redemption of bonds	(125,000)	(20,000)
Repayment of lease liabilities	(32,349)	(34,099)
Net (increase) decrease in treasury stock	(27)	(21)
Dividends paid to owners of the parent	(38,367)	(42,651)
Dividends paid to non-controlling interests	(15,810)	(19,113)
Repayments to non-controlling interests	(5,600)	—
Others	(553)	(2,050)
Net cash provided by (used in) financing activities	(336,283)	(60,783)
Effect of exchange rate changes on cash and cash equivalents		
	14,276	6,425
Net increase (decrease) in cash and cash equivalents	(103,917)	53,199
Cash and cash equivalents at the beginning of the period	349,577	245,789
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(137)	(1,868)
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	266	—
Net increase in cash and cash equivalents resulting from merger and acquisition	—	104
Cash and cash equivalents at the end of the period	¥245,789	¥297,224

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Non-Financial Information

Environmental Data

☑ Indicators with this icon have been assured by KPMG AZSA Sustainability Co., Ltd. for fiscal 2022.

Boundary of data aggregation

The data covers the four operating companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute Inc., and Nippon Sanso Holdings Corporation) and their domestic and overseas Group companies.

Energy consumption/Greenhouse gas (GHG) emissions*1	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
☑ GHG emissions (Scope 1 + Scope 2) (thousand metric tons-CO ₂ e)*2	16,629	15,325	16,079	14,369
☑ Scope 1	8,455	7,786	7,829	6,685
☑ Scope 2	8,174	7,540	8,250	7,685
☑ Scope 3*4	51,820	51,930	53,637	48,976
☑ Energy consumption (GWh)*3	49,110	47,335	48,425	43,190

Environmental impact	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
☑ NOx emissions (thousand metric tons)	8.28	7.94	7.91	6.81
☑ SOx emissions (thousand metric tons)	3.39	3.23	3.08	2.31
☑ COD (thousand metric tons)*5	1.80	1.68	1.70	1.48
☑ Total nitrogen load (thousand metric tons)*5	5.67	4.87	4.85	4.40
☑ Total phosphorous load (thousand metric tons)*5	0.11	0.10	0.09	0.04

Water use	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
☑ Water withdrawal (Million m ³) (excluding seawater)	204	216	222	212

*1 Based on the GHG Protocol, energy used to produce electricity and steam sold externally and the resulting CO₂ emissions are not excluded. The data has included half of the energy consumption and GHG emissions of joint operations in Japan.

*2 For the calculation of emissions in Japan, the base emission factors of individual electric power companies specified in the Act on Promotion of Global Warming Countermeasures are used in principle, with an alternative emission factor used in cases where the specific emission factor is unavailable. GHG emissions that are not subject to reporting under the Act are mostly calculated based on the mass balance of chemical reactions. Overseas Scope 1 emissions are calculated with the emission factors specified in the Act on Promotion of Global Warming Countermeasures, and overseas Scope 2 emissions are calculated with power company-specific emission factors or country-level emission factors for electricity published by the IEA.

*3 The unit higher heating values for fuels specified in the Act on the Rational Use of Energy are used.

*4 See page 3 of the non-financial data sheet on the Mitsubishi Chemical Group Corporation's website for the calculation method for Scope 3 GHG emissions.

*5 COD, total nitrogen load, and total phosphorous load each show total quantity of pollutants discharged into rivers, lakes, and oceans. Pollutants discharged into sewage systems and off-site wastewater treatment plants are excluded.

Non-Financial Information

Social Data

☑ Indicators with this icon have been assured by KPMG AZSA Sustainability Co., Ltd. for fiscal 2022.

Constitution of employees (Mitsubishi Chemical Group)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of employees (consolidated)	69,609	69,607	69,784	68,639
Number of employees by district				
Japan	40,732	40,774	40,289	39,297
Outside Japan	28,877	28,833	29,495	29,342

Aggregation period

Each fiscal year from April 1 to March 31, or as of March 31

Boundary of data aggregation

The figures show those employed by Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Life Science Institute, and Taiyo Nippon Sanso (including those seconded to other companies but excluding those seconded from other companies and workers in fixed-term employment).

Diversity/Work-life balance/Occupational safety	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
☑ Number of employees	23,116	23,147	22,739	22,325
☑ Number of employees by gender				
Male	19,444	19,429	18,934	18,545
Female	3,672	3,718	3,805	3,780
☑ Percentage of female employees (%)	15.9	16.1	16.7	16.9
☑ Percentage of female managers (%)				
Assistant manager level or above	8.9	9.3	10.2	10.6
Manager level or above	—	—	5.4	5.6
Pay gap between male and female employees (full-time) (%)	—	—	77.4	77.4
Childcare leave utilization rate (%) ^{*6}				
Male	—	—	45.0	65.0
Female	—	—	100.0	100.0
☑ Paid leave utilization rate (%) ^{*7}	70.8	71.0	73.8	77.3
☑ Lost-time injury frequency rate (LTIFR) ^{*8, *9}	1.09	1.18	1.23	0.89

^{*6} The childcare leave utilization rate is calculated using the formula: Number of employees who started childcare leave ÷ People who gave birth (spouse gave birth) x 100. The number of employees who started childcare leave is counted based on the start date of the leave, and those who gave birth (spouse giving birth) are counted based on the date of birth, so the childcare leave take rate may exceed 100%.

^{*7} The denominator is the number of days newly granted and the numerator is the number of days acquired in the reporting fiscal year. The denominator does not include the number of days carried over from the previous fiscal year.

^{*8} Boundary of data aggregation: The data covers the four operating companies and their domestic and overseas Group companies with operating divisions active. From fiscal 2020, the boundary of the LTIFR includes the staff of Mitsubishi Tanabe Pharma's Head Office, branches, and sales offices in Japan.


^{*9} The LTIFR is the number of lost-time injuries and fatalities per million hours worked.

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Independent Assurance Report

To the President and CEO of Mitsubishi Chemical Group Corporation

We were engaged by Mitsubishi Chemical Group Corporation (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  (the “Indicators”) for the period from April 1, 2022 to March 31, 2023 included in its KAITEKI REPORT 2023 (the “Report”) for the fiscal year ended March 31, 2023.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting the Company’s Kyushu Plant (Kumamoto Area) and the Lemont 2 Plant of Matheson Tri-Gas, Inc. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito
Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 30, 2023

Notes to the Reader of Independent Assurance Report:

This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

Editorial Postscript

“Science. Value. Life.” is the Slogan of the new Group Concept formulated in February 2023. Value in particular stands for our unwavering commitment to making a difference in society.

This report outlines the thinking that went into our new Group Concept and presents examples of portfolio reform and other elements of our growth strategy, and the initiatives for innovation and sustainability that are the foundation for growth, thus giving a clear insight into the process of value creation. We hope that the report will stimulate constructive dialogue with readers and other stakeholders.

Osamu Shimizu

Director, Corporate Communications Division
Mitsubishi Chemical Group Corporation



KAITEKI Report 2023 editorial team members

Disclaimer

This report contains forward-looking statements that reflect Mitsubishi Chemical Group Corporation's assumptions and beliefs based on currently available information. Actual results may differ materially from forecasts due to various risk factors and uncertainties. These include, but are not limited to, demand in Japan and overseas, exchange rates, price and procurement volume of crude oil and naphtha, market trends, technological innovation, National Health Insurance drug price revisions, product liabilities, lawsuits, laws, and regulations, as the MCG is engaged in a wide range of businesses, including various performance products, MMA, petrochemicals, coal chemicals, industrial gases, and pharmaceuticals.



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