Mitsubishi Chemical Holdings
KAITEKI Value for Tomorrow

Consolidated Financial Statements

Years ended March 31, 2021 and 2020

Consolidated Statement of Income

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Continuing operations:		
Sales revenue (Notes 4 and 7)	¥ 3,580,510	**¥ 3,257,535**
Cost of sales	(2,593,247)	**(2,331,286)**
Gross profit	987,263	**926,249**
Selling, general and administrative expenses	(800,572)	**(752,693)**
Other operating income (Note 10)	27,571	**30,713**
Other operating expenses (Note 10)	(83,373)	**(172,391)**
Share of profit of associates and joint ventures (Note 4)	13,396	**15,640**
Operating income (Note 4)	144,285	**47,518**
Financial income (Note 11)	7,206	**8,252**
Financial expenses (Note 11)	(29,488)	**(22,862)**
Income before taxes	122,003	**32,908**
Income taxes (Note 12)	(52,335)	**(10,186)**
Net income from continuing operations	69,668	**22,722**
Discontinued operations:		
Net income from discontinued operations (Note 6)	16,892	**—**
Net income	¥ 86,560	**¥ 22,722**
Net income attributable to:		
Owners of the parent	¥ 54,077	**¥ (7,557)**
Non-controlling interests	32,483	**30,279**
Net income	¥ 86,560	**¥ 22,722**
Earnings per share:		(Yen)
Basic earnings(loss) per share attributable to owners of the parent (Note 13)		
Continuing operations	¥ 26.19	**¥ (5.32)**
Discontinued operations	11.89	**—**
Total	¥ 38.08	**¥ (5.32)**
Diluted earnings(loss) per share attributable to owners of the parent (Note 13)		
Continuing operations	¥ 24.27	**¥ (5.32)**
Discontinued operations	10.94	**—**
Total	¥ 35.21	**¥ (5.32)**

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

Consolidated Statement of Comprehensive Income

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen	
	Year ended March 31, 2020	**Year ended March 31, 2021**
Net income	¥ 86,560	**¥ 22,722**
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 (Note 26)	(15,912)	**26,675**
Remeasurements of defined benefit pensions plans (Note 26)	(735)	**26,817**
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method (Note 26)	(183)	**(191)**
Total items that will not be reclassified to profit or loss	(16,830)	**53,301**
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations (Note 26)	(63,517)	**81,019**
Net gain (loss) on derivatives designated as cash flow hedges (Note 26)	36	**180**
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method (Note 26)	(5,774)	**3,329**
Total items that may be subsequently reclassified to profit or loss	(69,255)	**84,528**
Total other comprehensive income (net of tax)	(86,085)	**137,829**
Total comprehensive income	¥ 475	**¥160,551**
Total comprehensive income attributable to:		
Owners of the parent	¥(6,664)	**¥ 97,068**
Non-controlling interests	7,139	**63,483**

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

Consolidated Statement of Financial Position

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries

		Millions of yen	
		March 31, 2020	**March 31, 2021**
Assets	**Current assets:**		
	Cash and cash equivalents (Note 22)	¥ 228,211	**¥ 349,577**
	Trade receivables (Note 21)	698,516	**716,392**
	Inventories (Note 20)	606,505	**576,473**
	Other financial assets (Note 18)	117,628	**47,818**
	Other current assets (Note 19)	90,140	**83,462**
	Subtotal	1,741,000	**1,773,722**
	Assets held for sale (Note 23)	8,281	**23,812**
	Total current assets	1,749,281	**1,797,534**
	Non-current assets:		
	Property, plant and equipment (Note 15)	1,742,216	**1,813,838**
	Goodwill (Note 14)	616,769	**671,889**
	Intangible assets (Note 14)	510,575	**455,317**
	Investments accounted for using the equity method (Note 17)	169,958	**162,042**
	Other financial assets (Note 18)	226,488	**251,211**
	Other non-current assets (Note 19)	42,813	**68,051**
	Deferred tax assets (Note 12)	74,049	**67,346**
	Total non-current assets	3,382,868	**3,489,694**
	Total assets (Note 4)	¥5,132,149	**¥5,287,228**

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

		Millions of yen	
		March 31, 2020	**March 31, 2021**
Liabilities and Equity			
Liabilities	**Current liabilities:**		
	Trade payables (Note 35)	¥ 398,061	**¥ 382,272**
	Bonds and borrowings (Note 30)	727,307	**653,475**
	Income tax payable	19,287	**22,283**
	Other financial liabilities (Note 32)	359,540	**272,341**
	Provisions (Note 29)	7,968	**11,690**
	Other current liabilities (Note 34)	122,575	**147,911**
	Subtotal	1,634,738	**1,489,972**
	Liabilities directly associated with assets held for sale (Note 23)	1,761	**2,534**
	Total current liabilities	1,636,499	**1,492,506**
	Non-current liabilities:		
	Bonds and borrowings (Note 30)	1,555,947	**1,696,029**
	Other financial liabilities (Note 32)	88,533	**118,300**
	Retirement benefit liabilities (Note 28)	125,611	**112,272**
	Provisions (Note 29)	31,893	**27,398**
	Other non-current liabilities (Note 34)	80,840	**113,730**
	Deferred tax liabilities (Note 12)	161,997	**155,845**
	Total non-current liabilities	2,044,821	**2,223,574**
	Total liabilities	3,681,320	**3,716,080**
Equity	Common stock: (Note 24)	50,000	**50,000**
	Additional paid-in capital (Note 24)	176,715	**179,716**
	Treasury stock (Note 24)	(63,485)	**(63,244)**
	Retained earnings (Note 24)	1,071,260	**1,060,069**
	Other components of equity (Note 24)	(64,268)	**9,798**
	Equity attributable to owners of the parent	1,170,222	**1,236,339**
	Non-controlling interests	280,607	**334,809**
	Total equity	1,450,829	**1,571,148**
	Total liabilities and equity	¥5,132,149	**¥5,287,228**

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

Consolidated Statement of Changes in Equity

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries

Year ended March 31, 2020

Millions of yen

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2019	¥50,000	¥ 321,477	¥ (63,560)	¥1,073,873
Net income	—	—	—	54,077
Other comprehensive income (Note 26)	—	—	—	—
Total comprehensive income	—	—	—	54,077
Purchase of treasury stock (Note 24)	—	—	(27)	—
Disposal of treasury stock (Note 24)	—	(100)	102	—
Cash dividends (Note 25)	—	—	—	(56,804)
Share-based payment transactions (Note 27)	—	194	—	—
Share-based payment transactions of subsidiaries (Note 27)	—	—	—	—
Changes in interests in subsidiaries (Note 24)	—	(146,638)	—	—
Business combinations or business divestitures	—	1,782	—	—
Changes in scope of consolidation	—	—	—	430
Transfer from other components of equity to retained earnings	—	—	—	(316)
Total transactions with owners	—	(144,762)	75	(56,690)
Balance at March 31, 2020	¥50,000	¥176,715	¥(63,485)	¥1,071,260

	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at April 1, 2019	¥51,500	¥ —	¥(55,530)	¥187	¥(3,843)	¥1,377,947	¥647,907	¥2,025,854
Net income	—	—	—	—	—	54,077	32,483	86,560
Other comprehensive income (Note 26)	(11,737)	(1,744)	(47,243)	(17)	(60,741)	(60,741)	(25,344)	(86,085)
Total comprehensive income	(11,737)	(1,744)	(47,243)	(17)	(60,741)	(6,664)	7,139	475
Purchase of treasury stock (Note 24)	—	—	—	—	—	(27)	—	(27)
Disposal of treasury stock (Note 24)	—	—	—	—	—	2	—	2
Cash dividends (Note 25)	—	—	—	—	—	(56,804)	(31,111)	(87,915)
Share-based payment transactions (Note 27)	—	—	—	—	—	194	—	194
Share-based payment transactions of subsidiaries (Note 27)	—	—	—	—	—	—	(14)	(14)
Changes in interests in subsidiaries (Note 24)	—	—	—	—	—	(146,638)	(347,666)	(494,304)
Business combinations or business divestitures	—	—	—	—	—	1,782	3,737	5,519
Changes in scope of consolidation	—	—	—	—	—	430	615	1,045
Transfer from other components of equity to retained earnings	(1,428)	1,744	—	—	316	—	—	—
Total transactions with owners	(1,428)	1,744	—	—	316	(201,061)	(374,439)	(575,500)
Balance at March 31, 2020	¥38,335	¥ —	¥(102,773)	¥170	¥(64,268)	¥1,170,222	¥280,607	¥1,450,829

Year ended March 31, 2021

Millions of yen

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2020	**¥50,000**	**¥ 176,715**	**¥ (63,485)**	**¥1,071,260**
Net income(loss)	—	—	—	**(7,557)**
Other comprehensive income (Note 26)	—	—	—	—
Total comprehensive income	—	—	—	**(7,557)**
Purchase of treasury stock (Note 24)	—	—	**(20)**	—
Disposal of treasury stock (Note 24)	—	**(198)**	**261**	—
Cash dividends (Note 25)	—	—	—	**(34,091)**
Share-based payment transactions (Note 27)	—	**(13)**	—	—
Changes in interests in subsidiaries (Note 24)	—	**(756)**	—	—
Business combinations or business divestitures	—	**2,456**	—	—
Changes in scope of consolidation	—	—	—	**51**
Transfer from other components of equity to retained earnings	—	—	—	**30,406**
Transfer from other components of equity to non-financial assets	—	—	—	—
Total transactions with owners	—	**3,001**	**241**	**(3,634)**
Balance at March 31, 2021	**¥50,000**	**¥179,716**	**¥(63,244)**	**¥1,060,069**

	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at April 1, 2020	**¥38,335**	**¥ —**	**¥(102,773)**	**¥170**	**¥(64,268)**	**¥1,170,222**	**¥280,607**	**¥1,450,829**
Net income(loss)	—	—	—	—	—	**(7,557)**	**30,279**	**22,722**
Other comprehensive income (Note 26)	**22,523**	**26,255**	**55,696**	**151**	**104,625**	**104,625**	**33,204**	**137,829**
Total comprehensive income	**22,523**	**26,255**	**55,696**	**151**	**104,625**	**97,068**	**63,483**	**160,551**
Purchase of treasury stock (Note 24)	—	—	—	—	—	**(20)**	—	**(20)**
Disposal of treasury stock (Note 24)	—	—	—	—	—	**63**	—	**63**
Cash dividends (Note 25)	—	—	—	—	—	**(34,091)**	**(11,049)**	**(45,140)**
Share-based payment transactions (Note 27)	—	—	—	—	—	**(13)**	—	**(13)**
Changes in interests in subsidiaries (Note 24)	—	—	—	—	—	**756**	**361**	**1,117**
Business combinations or business divestitures	—	—	—	—	—	**2,456**	**1,488**	**3,944**
Changes in scope of consolidation	—	—	—	—	—	**51**	**(81)**	**(30)**
Transfer from other components of equity to retained earnings	**(4,151)**	**(26,255)**	—	—	**(30,406)**	—	—	—
Transfer from other components of equity to non-financial assets	—	—	—	**(153)**	**(153)**	**(153)**	—	**(153)**
Total transactions with owners	**(4,151)**	**(26,255)**	—	**(153)**	**(30,559)**	**(30,951)**	**(9,281)**	**(40,232)**
Balance at March 31, 2021	**¥56,707**	**¥ —**	**¥(47,077)**	**¥168**	**¥9,798**	**¥1,236,339**	**¥334,809**	**¥1,571,148**

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

Consolidated Statement of Cash Flows

Mitsubishi Chemical Holdings Corporation and Consolidated Subsidiaries

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Cash flows from operating activities:		
Income before taxes	¥122,003	**¥32,908**
Income before taxes from discontinued operations	25,585	**—**
Depreciation and amortization	239,824	**243,793**
Share of profit of associates and joint ventures	(13,401)	**(15,640)**
Impairment loss	48,647	**127,193**
Loss on sales and retirement of property, plant and equipment	15,797	**11,458**
Loss on liquidation of subsidiaries and associates	—	**7,379**
Provision for loss related to plant closure	—	**3,318**
Loss on sales of shares of subsidiaries and associates	1,567	**554**
Gain on sales of property, plant and equipment	(8,533)	**(9,869)**
Gain on transfer of businesses	—	**(1,428)**
Gain on step acquisitions	—	**(1,295)**
Gain on sales of shares of subsidiaries and associates	(530)	**(1,168)**
Gain on share exchanges	(23,922)	**—**
Gain on reversal of impairment loss	(1,720)	**—**
Interest and dividend income	(6,886)	**(5,547)**
Interest expense	24,515	**21,404**
(Increase) decrease in trade receivables	122,281	**(237)**
(Increase) decrease in inventories	7,139	**44,629**
Increase (decrease) in trade payables	(79,540)	**(27,240)**
Increase (decrease) in retirement benefit assets and liabilities, net	(719)	**446**
Others	34,960	**71,141**
Subtotal	507,067	**501,799**
Interest received	3,040	**1,391**
Dividends received	25,310	**19,019**
Interest paid	(21,847)	**(19,891)**
Income tax (paid) received, net	(61,567)	**(35,185)**
Net cash provided by (used in) operating activities	452,003	**467,133**

Cash flows from investing activities:		
Purchase of property, plant and equipment	(223,478)	**(246,410)**
Proceeds from sales of property, plant and equipment	14,995	**15,843**
Purchase of intangible assets	(12,601)	**(10,606)**
Purchase of other financial assets	(348,240)	**(3,106)**
Proceeds from sales/redemption of other financial assets	453,694	**76,982**
Purchase of investments in subsidiaries (Note 5)	(5,490)	**(28,677)**
Proceeds from sales of investments in subsidiaries	2,836	**3,020**
Proceeds from loss of control due to share exchange (Note 6)	14,432	**—**
Payments for transfer of businesses	(3,000)	**(983)**
Net (increase) decrease in time deposits	25,236	**5,708**
Others (Note 5)	(5,947)	**(28,781)**
Net cash provided by (used in) investing activities	(87,563)	**(217,010)**

Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(330,088)	**(115,453)**
Net increase (decrease) in commercial papers	2,000	**(3,000)**
Proceeds from long-term borrowings	490,580	**301,531**
Repayment of long-term borrowings	(183,865)	**(171,789)**
Proceeds from issuance of bonds	149,185	**69,640**
Redemption of bonds	(60,000)	**(55,000)**
Repayment of lease liabilities	(30,555)	**(30,349)**
Net (increase) decrease in treasury stock	(25)	**(19)**
Dividends paid to owners of the parent	(56,804)	**(34,091)**
Dividends paid to non-controlling interests	(31,070)	**(11,007)**
Proceeds from stock issuance to non-controlling interests	3	**4,404**
Payment for acquisition of subsidiaries' interests from non-controlling interests	(399,834)	**(98,779)**
Others	(50)	**1,139**
Net cash provided in (used in) financing activities	(450,523)	**(142,773)**

Effect of exchange rate changes on cash and cash equivalents	(10,184)	**13,094**
Net increase (decrease) in cash and cash equivalents	(96,267)	**120,444**
Cash and cash equivalents at the beginning of the period	321,541	**228,211**
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	2,103	**49**
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	834	**854**
Net increase in cash and cash equivalents resulting from merger and acquisition	—	**19**
Cash and cash equivalents at the end of the period (Note 22)	¥228,211	**¥349,577**

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

Note 1

Reporting Entity

Mitsubishi Chemical Holdings Corporation (the "Company") is a corporation domiciled in Japan, whose shares are listed on the First Section of the Tokyo Stock Exchange. The registered address of its Head Office is presented on its website (https://www.mitsubishichem-hd.co.jp/). The Company's Consolidated Financial Statements for the year ended March 31, 2021 comprise those of the Company, its subsidiaries and associates, and interests under joint arrangements (collectively, the "Group"). The Group's three principal domains are Performance Products, Industrial Materials, and Health Care. Further details are presented in Note 4 Segment Information.

Taiyo Nippon Sanso Corporation, a consolidated subsidiary, adopted a holding company structure through an absorption-type company split on October 1, 2020, and renamed itself Nippon Sanso Holdings Corporation. In these notes to the consolidated financial statements, that company is now referred to as Nippon Sanso Holdings Corporation, including transactions before it was renamed.

Note 2

Basis of Presentation

1. Compliance with IFRS

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The provisions of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements apply, as the Company meets the requirements for a "Specified Company applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of said ordinance.

2. Approval of Consolidated Financial Statements

The Group's consolidated financial statements were approved on June 24, 2021, by Jean-Marc Gilson, Representative Corporate Executive Officer, President and Chief Executive Officer, and Hidefumi Date, Managing Corporate Executive Officer and Chief Financial Officer.

3. Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments measured at fair value presented in Note 3 Significant Accounting Policies.

4. Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, rounded to the nearest million yen.

5. Use of Judgments, Estimates and Assumptions

Management has made a number of judgments, estimates and assumptions relating to the application of accounting policies, reporting of revenues and expenses and assets and liabilities in the preparation of these consolidated financial statements in accordance with IFRS. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated. The effect of changes to accounting estimates is recognized in the reporting period in which the revision was made and in future periods.

Information regarding judgments, estimates, and assumptions used in applying accounting policies that could materially affect the Company's consolidated financial statements is included in the following notes:

- Impairment of Non-Financial Assets (Note 14, Goodwill and Intangible Assets, Note 15, Property, Plant and Equipment and Note 16, Impairment Losses)

- Recoverability of Deferred Tax Assets (Note 12, Income Taxes)
- Measurement of Defined Benefit Obligations (Note 28, Retirement Benefits)
- Fair Value of Financial Instruments (Note 36, Financial Instruments)

Significant assumptions used in making estimates for the year ended March 31, 2020 include the following.

(Assumptions relating to impacts of COVID-19 pandemic)
The COVID-19 pandemic suppressed economic activity and demand in the year ended March 31, 2021. While some countries and territories have already recovered to pre-pandemic levels, the outlook remained unclear at the end of the year under review. Management has estimated future taxable income for assessing deferred tax assets and future cash flows from non-financial asset impairment tests on the assumption that the impact of the pandemic will continue through the year ending March 31, 2022.

6. Newly Applied Standards and Interpretations

The Group adopted standards and interpretations that became mandatory in the year ended March 31, 2021. However, these did not materially affect its consolidated financial statements.

7. New Standards and Interpretations Not Yet Applied

As of the reporting date, the Group did not apply new standards or interpretations issued by the approval date for the Consolidated Financial Statements, as their application was not mandatory and would not have materially affected the Group’s Consolidated Financial Statements.

Note 3

Significant Accounting Policies

1. Basis of Consolidation

(1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group has control over an entity if it has exposure or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its influence over the investee.

In preparing its consolidated financial statements, the Company based the financial statements of each Group company prepared as of the same closing date based on common Group accounting policies. Subsidiaries’ financial statements are adjusted, if necessary, when their accounting policies differ from those of the Group.

The Group consolidates entities from the date on which it acquires control until the date on which it loses control.

All intergroup balances, outstanding receivables and obligations, unrealized gains and losses are eliminated on consolidation.

A change in ownership interest of a consolidated subsidiary, without a loss of control, is accounted for as an equity transaction. Differences between adjusted non-controlling interest amounts and fair value are recognized directly as equity attributable to owners of the parent.

In the event of a loss of control, the Group measures and recognizes any remaining investments at fair value. Any gain or loss arising from a loss of control is recognized in profit or loss.

Non-controlling interests in a subsidiary's net assets are recognized separately from those under the Group's control. The comprehensive income of consolidated subsidiaries is attributed to owners of the parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(2) Associates

Associates are entities in which the Group has significant influence over the financial and operational policies but does not have control or joint control. Normally, the Group is assumed to be able to exercise significant influence when it holds 20% to 50% ownership. Other factors considered in assessing whether or not the Group can exercise significant influence include sending any of its officers being on the Board of Directors. In such cases, the Group may be considered to be able to exercise significant influence over an associate even if its investment accounts for less than 20% of voting rights.

The Group accounts for investments in associates under the equity method. Such investments are recognized at cost upon acquisition. After acquisition, the Group's share of net assets of associates is adjusted and recorded in the consolidated statement of financial position.

The consolidated financial statements reflect the Group's share of earnings in associates. If amounts recognized in other comprehensive income of associates change, the Group's share with respect to those changes is also recognized in other comprehensive income.

The Group's consolidated financial statements have been adjusted to eliminate its share in unrealized gains and losses arising from transactions between it and associates.

Associates prepare their financial statements for the same reporting period as the Group, adjusting their accounting policies to align with those of the Group.

In the event that the Group loses significant control over an associate, it assesses and recognizes the remaining investment at fair value as of the day on which it lost such influence. Gains and losses arising from the loss of significant influence are recognized in profit or loss.

In preparing the consolidated financial statements, the requirements of local laws and shareholder agreements made it effectively impossible to match reporting dates of all associates to that of the Group. For certain associates for which it was impracticable to provisionally settle accounts on the Group's reporting date owing to business or other factors, the Group uses relevant provisional financial statements for the period ending December 31. Significant transactions or events between the reporting dates of those associates and the consolidated closing date are reflected in the consolidated financial statements.

(3) Joint Arrangements

A joint arrangement is an arrangement in which unanimous consensus from the parties that have joint control of decision-making over related activities is required.

A joint venture is a joint agreement through which parties with joint control over an arrangement have rights to the net assets of an arrangement.

The Group uses the equity method to account for its equity interests in joint ventures.

A joint operation is one in which parties with joint control of an arrangement have rights to assets and obligations for liabilities relating to the joint arrangement.

If the Group holds an interest in a joint operation, the Group recognizes assets, liabilities, revenues and expenses generated from joint operating activities only to the extent of its interest. Inter-company transactions among the Group’s companies as well as receivable and payable balances and unrealized gains and losses arising from such transactions are eliminated.

The principal joint operation is The Saudi Methacrylates Company, in which the Group and Saudi Arabia have a 50-50 interest. That company manufactures methyl methacrylate monomer, acrylic resin, and other offerings.

2. Business Combinations

The Group uses the acquisition method to account for business combinations.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts and adjusts the amounts in a measurement period that does not exceed one year from the acquisition date.

The Group measures the cost of an acquisition as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the Group measures components of non-controlling interests in the acquiree at fair value or the amounts of non-controlling interests in the acquiree's identifiable net assets.

The Group accounts for acquisition-related costs as expenses in the periods in which such costs are incurred.

When the Group acquires a business, the Group classifies or designates the identifiable assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date. In principle, the Group generally measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

If a business combination is achieved in stages, the Group reassesses the equity of the acquiree before acquisition of control at fair value on the acquisition date, and recognizes the resulting gain or loss in profit or loss. The Group accounts for the equity interest of the acquiree booked in other comprehensive income before the acquisition on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Goodwill is measured as the difference by which total value recognized as transferred consideration and non-controlling interests exceeds the net value of identifiable assets acquired and liabilities assumed.

If the total amount recognized as transferred consideration and non-controlling interests is less than net amount of identifiable assets acquired and liabilities assumed, the Group recognizes the difference as profit or loss.

After initial recognition, the Group does not amortize goodwill acquired through a business combination, but records goodwill at cost less any accumulated impairment loss. The Group conducts impairment tests annually or when there are signs of impairment.

3. Foreign Currency Translations

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency.

In addition, each company in the Group determines its individual functional currency and measures transactions using these functional currencies.

Foreign currency denominated transactions are translated into functional currencies at spot exchange rates as of the transaction dates or at similar rates.

Foreign currency monetary assets and liabilities are translated into the functional currency using the spot exchange rate on the date of end of the consolidated reporting period. Exchange differences arising from translations or settlement are recognized in profit or loss. However, exchange differences arising from financial instruments designated as hedging instruments of net investments in foreign operations (foreign subsidiaries, etc.), financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

The Group translates assets and liabilities of foreign operations using the spot exchange rate at the end of the reporting period, and revenue and expenses using the spot exchange rate on the transaction date or an approximate rate in Japanese yen, respectively. The Group accounts for any exchange differences arising in such retranslation in other comprehensive income.

On the disposal of a foreign operation, accumulated exchange differences related to the foreign operation are recognized in profit or loss in the corresponding period of disposal.

4. Sales Revenue

The Group recognizes sales revenue based on the following five-step model in amounts reflecting the Group’s anticipated entitlements in exchange for goods or services transferred to customers.

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

The Group offers an array of products and services to domestic and foreign customers through its business activities. The Group operates in four business areas centered on four companies. They are Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation. The business segments are Performance Products, Chemicals, Industrial Gases, and Health Care.

Regarding product sales in these businesses, once customers gain control over delivered products and it is determined that the performance obligations are met, sales revenue is recognized upon product delivery.

Sales revenue is measured at the amount of consideration promised in contracts with customers, net of discounts, rebates and returns.

Considerations in product sales contracts are generally collected within one year after control of products transfers to customer, and do not include significant financial elements.

5. Government Grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with grant terms and that the grant will be received.

Government grants related to income are recognized as income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants relating to assets are deducted from asset acquisition costs.

6. Borrowing Costs

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of assets that require considerable time before use as intended or sale as part of the cost of that asset. The Group recognizes all other borrowing costs as expenses in periods incurred.

7. Income Taxes

The Group calculates current tax liabilities or assets for the current and prior periods as amounts that it expects to pay to or recover from taxation authorities. The Group uses tax rates and tax laws enacted or substantively enacted by the end of a reporting period to determine tax amounts.

The Group uses the asset and liability method to record deferred taxes for differences between carrying amounts of assets or liabilities on the accounts at the end of the reporting period and the tax basis (temporary differences).

In principle, the Group recognizes deferred tax liabilities for all future taxable temporary differences. Deferred tax assets are recognized to the extent that it is probably that taxable income will be available against which deductible temporary differences and for tax credits and tax loss carryforwards can be used.

As exceptions, however, the Group does not recognize deferred tax assets or deferred tax liabilities for the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities in transactions that are not business combinations and do not affect profits in the accounts at the time of transactions or taxable profits or losses.
- Deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is probable that the timing of the reversal of the temporary difference in the foreseeable future and it is not probable that future taxable profits will be available against which they can be utilized.
- Taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets and liabilities (including unrecognized deferred tax assets) at the end of each reporting period. The Group calculates deferred tax assets and liabilities based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, estimating tax rates at the time assets materialize or liabilities are settled.

8. Earnings per Share

The Company calculates basic earnings per share by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for treasury stock during that period. The Company calculates diluted earnings per share by adjusting the effects of all potentially dilutive shares.

9. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible to cash, which are subject to insignificant risks of changes in value, and whose maturities are three months or less from the date of acquisition.

10. Inventories

The cost of inventories comprises all purchase costs, processing costs, and all costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of acquisition cost and net realizable value. The Company mainly uses the weighted average cost formula to calculate costs. The

Company calculates net realizable value by deducting the estimated selling price in the ordinary course of business from the estimated costs required to make a sale.

11. Assets Held for Sale and Discontinued Operations

The Company classifies a non-current asset (or disposal group) as held for sale if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. This applies only if the asset (or disposal group) is available for immediate sale in its present condition and a sale is highly probable within one year. The Company measures a non-current asset (or disposal group) classified as held for sale at the lower of the carrying amount and fair value, less the cost to sell.

The Group does not depreciate or amortize property, plant and equipment or intangible assets classified as held for sale.

Discontinued operations include units that have been disposed of or are classified as held for sale. The Group recognizes an operation as discontinued if it is a Group business and is scheduled for disposal.

12. Property, Plant and Equipment

The Group applies the cost model to measure property, plant and equipment.

The Group carries property, plant and equipment at acquisition cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost includes direct costs of acquisition, estimated costs of dismantlement, removal and restoration, and borrowing costs that satisfy capitalization criteria.

Except for land, property, plant and equipment, less the residual value at the end of the reporting term, is depreciated using the straight-line method.

Depreciation is computed over the following estimated useful lives for the following major classes of assets:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	2 to 22 years
Tools, furniture and fixtures	2 to 25 years

13. Intangible Assets

The Group uses the cost model to measure intangible assets.

Intangible assets are stated at acquisition cost less accumulated amortization and impairment losses.

Separately acquired intangible assets are initially recognized at cost. The acquisition cost of an intangible asset acquired in a business combination is measured at fair value at the acquisition date.

Expenditure on an internally generated intangible asset is recognized as an expense when it is incurred, excluding development expenditures that satisfy the criteria for capitalization.

The Group amortizes intangible assets with finite useful lives on a straight-line basis over their useful lives. It tests intangible assets when there are indications of impairment. Amortization periods and methods for intangible assets with finite useful lives are reviewed at year-end. Any changes are applied to the future as changes in accounting estimates.

Amortization is over the following estimated useful lives for the following major classes of intangible assets:

Technology-related intangible assets	4 to 21 years
Customer-related intangible assets	5 to 30 years
Software	3 to 5 years

The Group does not amortize intangible assets with indefinite useful lives, and conducts impairment tests individually or by cash-generating unit (or groups of cash-generating units) annually, and whenever there are indications of impairment.

14. Impairment of Assets

(1) Impairment of Non-Financial Assets

The Group assesses whether indications of asset impairment exist at the end of each reporting period. If there are such indications and annual impairment testing is necessary, the Group estimates recoverable amounts, which are the higher amount of fair value less costs of disposal and value in use. If a recoverable amount of an asset cannot be estimated, the Group estimates the recoverable amount of each cash-generating unit or group of cash-generating units of the asset class. If the carrying amount of an asset exceeds its recoverable amount, the Group recognizes an impairment loss and reduces the carrying amount of the asset to its recoverable amount. In measuring value in use, the Group determines the present value of cash flow projections, discounted by pre-tax rates reflecting current market assessments of the time value of money and risks specific to the asset. The Group estimates cash flow projections using a business plan for five years or less, in principle. Cash flow projections beyond the business plan period use long-term-average growth rates according to individual circumstances.

The Group uses an appropriate valuation model supported by an available fair value index to measure fair value less costs of disposal.

The Group allocates goodwill after acquisition dates to individual or groups of cash generating units expected to benefit from corporate combination synergies.

For goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, the Group tests for impairment annually and when there are indications of impairment.

(2) Reversal of Impairment Loss

For assets other than goodwill, at the end of each reporting period the Group evaluates whether assumptions used to measure recoverable amounts have changed for impairment losses recognized in prior periods and if there are indications that such losses have decreased or disappeared.

If such indications exist, the Group reverses impairment losses if recoverable amounts exceed the Group's carrying amounts of assets or cash-generating units. Any reversal is limited to the lower of the estimated recoverable amount or the carrying value that would have been determined, net of accumulated depreciation, had no impairment loss been recognized in prior periods.

Impairment loss reversals are recognized in profit or loss.

Goodwill impairment losses are not reversed.

15. Leases

When transferring the right to control the use of assets specified in lease contracts in exchange for consideration over a certain period, the Group recognizes lease transactions and the right-of-use assets and lease liabilities as of the commencement date of the lease. Determining whether an arrangement is, or contains, a lease is based on the substance of an arrangement regardless of whether it takes the legal form of a lease.

Lease liabilities are measured as the discounted present value of unsettled portions of lease payments at the lease commencement date. Right-of-use assets are initially measured by adjusting initial direct costs, prepaid lease fees, and other charges for lease liabilities, adding costs for the obligation to restore to original condition and other requirements based on lease contracts.

Lease payments are allocated to the repayment portion of the net financial expenses and lease liabilities so the amount produces a constant periodic rate of interest on the remaining balance of the lease liability, with financial expenses being recognized in profit or loss.

Right-of-use assets are depreciated over their service lives where ownership of the underlying assets transfer to the lessees by the end of lease periods or where the costs of right-of-use assets reflect the exercise of purchase options. In other cases, assets are depreciated systematically over the shorter of service lives or lease periods.

For leases ending within 12 months or leases for which the underlying asset is of low value, related lease payments are systematically recognized as costs over the lease periods.

16. Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can estimated reliability.

Where the effect of the time value of money is material, the provision is measured at the present value of the expenditures expected to be required to settle obligations. The discount rate used in measuring the present value is a pre-tax rate that reflects current market assessments of the time value of money and risks inherent in the liability.

17. Retirement Benefits

The Group operates a defined benefit plan and defined contribution plan as employee retirement benefit plans.

The Group uses the projected unit credit method to determine the present value of its defined benefit obligations and the related current and past service costs for each plan.

The rate used to discount post-employment benefit obligations is determined by referring to market yields at the end of the reporting period on high quality corporate bonds.

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the amount of the net defined benefit liabilities or assets of defined benefit plans.

Remeasurements of liabilities and assets associated with defined benefit retirement plans are recognized in other comprehensive income in the period incurred and immediately reflected in retained earnings. Prior service costs are recognized as expenses in the periods incurred.

The Group recognizes contributions payable to defined contribution plans as expenses at the time of contribution.

18. Capital

(1) Ordinary Shares

The Company allocated the issue price of ordinary shares between common stock and additional paid-in capital.

(2) Treasury Stock

Acquired treasury stock is recognized at cost and deducted from equity, while the difference between the carrying value of treasury stock and its value at the time of sale is recognized in additional paid-in capital.

19. Share-Based Payment

The Company and some subsidiaries employ equity-settled share-based compensation plans.

Under such plans, services received are measured at fair value as of the date capital financial instruments are granted. If granted capital financial instruments are immediately determined, all services received on the grant date is recognized as expenses, that amount being recognized as an increase in equity. If granted capital financial instruments are determined after a certain period of time, they are recognized as expenses over the vesting period from the date granted, that amount being recognized as an increase in equity.

20. Financial Instruments

(1) Financial Assets (Except Derivatives)

(i) Initial Recognition and Measurement

The Group initially recognizes trade receivables at the date of occurrence. The Group initially recognizes all other financial assets on the transaction dates on which the Group becomes a contract party.

Financial assets are classified as financial assets measured at fair value through profit or loss or other comprehensive income and financial assets measured at amortized cost. The Group determines classifications at initial recognition.

Debt financial instruments are classified as financial assets measured at amortized cost if both of the following conditions are met.

- Financial assets are based on a business model where the aim is to hold financial assets to recover contractual cash flows
- Contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on principal amounts outstanding

Debt financial instruments meeting the following conditions and measured at fair value are classified as financial assets measured at fair value through other comprehensive income. Otherwise, they are classified as financial assets measured at fair value through profit or loss.

- Financial assets are based on a business model where the aim is to hold financial assets to collect contractual cash flows and sell assets
- Contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on principal amounts outstanding

Equity instruments other than those for trading purpose are designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income. Such designations are applied subsequently on a consistent basis.

Except for financial assets measured at fair value through profit or loss, financial instruments are measured at fair value plus transaction costs attributable directly to them.

(ii) Subsequent Measurements

After initial recognition, financial assets are measured based on the following classifications:

(a) Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Other Financial Assets

Financial assets other than those measured at amortized cost are measured at fair value.

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss or in other comprehensive income.

Changes in the fair value of equity instruments designated as measured at fair value through other comprehensive income are recognized in other comprehensive income and the amount in other comprehensive income is transferred to retained earnings when equity instruments are derecognized or when the fair value of equity instruments declines significantly.

(iii) Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when the Group transfers the financial asset and the substantially all the risks and rewards of ownership of the financial asset are transferred.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset and retains control of the transferred asset, the Group recognizes the residual interest in the transferred asset and the associated liability to be payable to the extent of the Group's continuing involvement.

(iv) Impairment

At each closing date, the Group assesses whether the credit risk on a financial asset or a financial asset group measured at amortized cost or a financial guarantee contract has increased significantly since initially recognizing the impairment of a financial asset or financial guarantee contract.

If, at the closing date, the credit risk of a financial asset or a financial asset group has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. However, the Group recognizes the expected credit losses of trade receivables over the remaining period from the initial recognition.

If a credit risk has increased significantly since initial recognition, the Group recognizes an expected credit loss over the remaining period as a loss allowance.

The Group assesses whether the credit risk has increased significantly using the change in the risk of default, and assesses whether the default risk has changed mainly using delinquent (past due information).

The Group measures a credit loss using the discounted present value of the difference between the contractual amount receivable and the estimate amount receivable based on the past credit loss.

(2) Financial Liabilities (Except Derivatives)

(i) Initial Recognition and Measurement

Financial liabilities are classified into financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. The Group determines classifications at initial recognition.

Although all financial liabilities are measured at fair value at initial recognition, financial liabilities measured at amortized cost are measured at cost after deducting, from the fair value, transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent Measurement

After initial recognition, financial liabilities are measured based on classifications as follows:

(a) Financial Liabilities Measured at Fair Value through Profit or Loss

Financial liabilities measured at fair value through profit or loss are measured at fair value. After initial recognition, portions of changes in fair value attributed to the change in credit risk of the Group are recognized in other comprehensive income, and the balance is recognized in profit or loss.

(b) Financial Liabilities Measured at Amortized Cost

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization under the effective interest method and gains or losses on derecognition is recognized in profit or loss.

(iii) Derecognition

Financial liabilities are derecognized when the obligation is discharged, canceled or expired, or when they are exchanged with substantially different terms or their terms are modified substantially.

(3) Complex Financial Instruments

The Group measures and initially recognizes hybrid financial instrument liabilities at the fair value of similar liabilities that do not have equity conversion options. Equity is measured and initially recognized at fair value after deducting the fair value of the liabilities of complex financial instruments overall. Direct transaction costs are allocated according to initial carrying amount ratio of liabilities and equity. After initial recognition, complex financial instruments liabilities are measured at amortized cost using the effective interest method. The Company does not remeasure complex financial instrument equity after initial recognition.

(4) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and presented as a net amount in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(5) Derivatives and Hedge Accounting

The Group uses derivatives, including forward foreign exchange contracts and interest rate swap contracts, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when contracts are entered into and are subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized in profit or loss, although gains or losses on hedging instruments relating to the effective portions of cash flow hedges and hedges of net investments in foreign operations are recognized in other comprehensive income.

At the inception of hedging relationships, the Group formally designates and documents relationships to which hedge accounting applies and the objectives and strategies of risk management for undertaking the hedges. The documentation includes identifying hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the hedging instrument effectiveness (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio) is assessed in offsetting the exposure to changes in hedged item fair value or cash flows attributable to hedged risks. When designating a hedging relationship and on an ongoing basis, the Group analyses whether a derivative used to a hedge transaction is effective to offset the change in the fair value or the cash flow of a hedged item. The Group specifically determines that a hedge is effective when the economic relationship between the hedged item and the hedging instrument is offset.

Hedges that meet the requirements for hedge accounting are classified in the following categories and accounted for in accordance with IFRS 9 “Financial Instruments”.

(a) Fair Value Hedges

Changes in the fair value of derivatives are recognized in profit or loss. For changes in the fair value of hedged items attributable to the hedged risks, carrying amounts of hedged items are adjusted, with changes recognized in profit or loss.

(b) Cash Flow Hedges

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss.

Hedging instrument amounts recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. Where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

When forecast transactions are no longer expected to occur, any related cumulative gain or loss that has been recognized in equity as other comprehensive income is reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked due to change in the risk management objective, accumulated amounts that have been recognized in other comprehensive income continue to be recognized in other comprehensive income until the forecast transactions occur.

(c) Hedges of Net Investments in Foreign Operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss. At the time of the disposal of the foreign operations, any related cumulative gain or loss recognized in equity as other comprehensive income is reclassified to profit or loss.

(6) Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active financial markets at the fiscal year-end refers to quoted prices or dealer quotations.

If there is no active market, the fair value of financial instruments is determined referring to appropriate valuation models or prices presented by related financial institutions.

Note 4

Segment Information

1. Overview of Reporting Segments

The Group's reporting segments are the components for which separate financial information is available, and the Board of Directors regularly assesses this information in deciding how to allocate resources and evaluate results. No operating segments or components have been aggregated in preparing the reporting segment information.

The Group operates in four business areas centered on four operating companies. They are Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation. The business segments are Performance Products, Chemicals, Industrial Gases, and Health Care.

The businesses in each reporting segment are as follows:

Business Domains	Business Segments	Sub Business Segments		
			Businesses	
Performance Products	Performance Products	Functional Products	Information, Electronics & Displays	Optical Films, Displays, and Semiconductor-Related Products
			High Performance Films	Packaging and Industrial Films
			Environment and Living Solutions	Aqua and Separator Solutions, Infrastructure Solutions, and Agricultural Materials
			Advanced Moldings and Composites	High-Performance Engineering Plastics, Fibers and Textiles, Carbon Fiber and Composite Materials, Functional Moldings and Composites, Alumina Fibers Light and Metal Products
		Performance chemicals	Advanced Polymers	Performance and Engineering Polymers and Sustainable Resources
			High Performance Chemicals	Performance Chemicals and Materials and Food Ingredients
			New energy	Lithium Ion Battery Materials and Energy Transduction Materials
Industrial Materials	Chemicals	MMA	MMA	MMA
		Petrochemicals	Petrochemicals	Basic Petrochemicals, Polyolefins, and Basic Chemical Derivatives
		Carbon Products	Carbon Products	Carbon Products
	Industrial Gases			Industrial Gases
Health Care	Health Care			Ethical Pharmaceuticals
				Life Science

Accounting policies for reportable segments are identical to those Group accounting policies stated in Note 3, Significant Accounting Policies. Inter-segment sales and transfers are based mainly on prevailing market prices.

2. Revenues and Operating Results for the Group's Reporting Segments

The Group evaluates results based on segment profits.

Year ended March 31, 2020

Millions of yen

	REPORTING SEGMENT					Others (Note 1)	Subtotal	Adjustments (Note 2)	Consolidated
	Performance Products	Chemicals	Industrial Gases	Health Care	Total				
Sales revenue External revenue	¥1, 118,070	¥1,043,413	¥843,340	¥ 393,128	¥3,397,951	¥ 182,559	¥3,580,510	¥ —	¥3,580,510
Inter-segment revenue	63,489	48,087	6,900	603	119,079	183,150	302,229	(302,229)	—
Total	¥1, 181,559	¥1, 091,500	¥850,240	¥ 393,731	¥3,517,030	¥ 365,709	¥3,882,739	¥ (302,229)	¥3,580,510
Segment profit (loss) Core operating income (Note 3)	¥ 61,322	¥ 29,788	¥ 87,973	¥ 16,475	¥ 195,558	¥ 12,305	¥ 207,863	¥ (13,043)	¥ 194,820
Segment assets	1,235,365	1,115,777	1,825,927	1,076,474	5,253,543	916,256	6,169,799	(1,037,650)	5,132,149
Other items Depreciation and amortization	60,262	64,794	86,164	16,947	228,167	6,259	234,426	4,186	238,612
Share of profit of investments accounted for using the equity method	4,744	4,953	3,569	8	13,274	158	13,432	—	13,432
Investments accounted for using the equity method	59,545	60,747	31,949	16,145	168,386	1,572	169,958	—	169,958
Capital expenditures	77,918	57,582	74,748	22,682	232,930	3,130	236,060	4,330	240,390

Notes:

1. The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.
2. The segment profit (loss) adjustment includes corporate costs of ¥(13,060) million not allocated to reporting segments and inter-segment eliminations of ¥17 million. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
   The segment assets adjustment includes corporate assets of ¥88,349 million not allocated to reporting segments and inter-segment eliminations of ¥(1,125,999) million. Corporate assets include financial assets not allocated to reporting segments. Intersegment elimination transactions mainly comprise cash management system-based loan eliminations.
3. Segment profit (loss) is Operating profit in accordance with IFRS after excluding earnings from non-recurring factors, such as losses from business withdrawals and downsizings, representing core operating income.
4. The Company classified the businesses of LSI Medience Corporation and its subsidiaries as discontinued operations during the year ended March 31, 2020. Segment information presents the amounts from continuing operations, excluding those of discontinued operations.

Year ended March 31, 2021

Millions of yen

	REPORTING SEGMENT					Others (Note 1)	Subtotal	Adjustments (Note 2)	Consolidated
	Performance Products	Chemicals	Industrial Gases	Health Care	Total				
Sales revenue External revenue	¥1,033,962	¥ 858,180	¥811,756	¥ 390,569	¥3,094,467	¥ 163,068	¥3,257,535	¥ —	¥3,257,535
Inter-segment revenue	57,980	47,786	6,482	501	112,749	190,323	303,072	(303,072)	—
Total	¥1,091,942	¥ 905,966	¥818,238	¥ 391,070	¥3,207,216	¥ 353,391	¥3,560,607	¥ (303,072)	¥3,257,535
Segment profit (loss) Core operating income (Note 3)	¥ 61,320	¥ 14,180	¥ 85,066	¥ 17,911	¥ 178,477	¥ 11,904	¥ 190,381	¥ (15,671)	¥ 174,710
Segment assets	1,316,272	1,091,218	1,909,229	1,093,716	5,410,435	1,038,888	6,449,323	(1,162,095)	5,287,228
Other items Depreciation and amortization	64,013	64,077	88,720	16,417	233,227	6,841	240,068	3,725	243,793
Share of profit of investments accounted for using the equity method	6,596	3,235	2,843	135	12,809	72	12,881	—	12,881
Investments accounted for using the equity method	51,691	60,225	32,179	16,314	160,409	1,633	162,042	—	162,042
Capital expenditures	89,771	73,301	69,607	20,942	253,621	4,896	258,517	5,198	263,715

Notes:

1. The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.
2. The segment profit (loss) adjustment includes corporate costs of ¥(14,627) million not allocated to reporting segments and inter-segment eliminations of ¥(1,044) million. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.
   The segment assets adjustment includes corporate assets of ¥105,177 million not allocated to reporting segments and inter-segment eliminations of ¥(1,267,272) million. Corporate assets include financial assets not allocated to reporting segments. Intersegment elimination transactions mainly comprise cash management system-based loan eliminations.
3. Segment profit (loss) is Operating profit in accordance with IFRS after excluding earnings from non-recurring factors, such as losses from business withdrawals and downsizings, representing core operating income.

4. From the first quarter of the year ended March 31, 2021, the Company conducted reviewed segments for some businesses and consolidated subsidiaries. Segment information for the previous fiscal year reflects the new segmentation.
5. From the second quarter of the year ended March 31, 2021, the Company reclassified segments for Qualicaps Co., Ltd., and its subsidiaries from the Health Care segment to the Performance Products segment. Segment information for the previous fiscal year reflects the new segmentation.

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

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Segment operating results	¥194,820	**¥174,710**
Gain on sales of property, plant and equipment	7,902	**8,644**
Gains on arbitration award	—	**4,099**
Share of profit of associates and joint ventures	—	**2,759**
Gain on business transfer	—	**1,428**
Gain on step acquisitions	—	**1,295**
Gain on sales of shares of subsidiaries and associates	523	**1,157**
Reversal of impairment loss	1,720	**—**
Impairment loss (Note)	(43,916)	**(118,291)**
Loss on liquidation of subsidiaries and affiliates	—	**(7,379)**
Loss on sales and disposal of fixed assets	(9,900)	**(6,218)**
Special retirement expenses	(2,008)	**(5,473)**
Provision for loss on plant closure	—	**(3.318)**
Cancellation penalty	—	**(1.934)**
Loss on sales of subsidiaries and associates	(1,512)	**(554)**
Others	(3,344)	**(3,407)**
Operating income	144,285	**47,518**
Financial income	7,206	**8,252**
Financial expenses	(29,488)	**(22,862)**
Income before taxes	¥122,003	**¥32,908**

Note: See Note 16 Impairment Losses for details.

3. Geographic Information

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

External sales revenue

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Japan	¥2,046,147	**¥1,792,668**
Asia and Oceania	645,049	**639,976**
(China)	(246,220)	**(279,730)**
North America	453,750	**414,766**
Europe	405,719	**387,065**
Others	29,845	**23,060**
Total	¥3,580,510	**¥3,257,535**

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

Non-current assets

	As of March 31, 2020	As of March 31, 2021
		Millions of yen
Japan	¥1,230,218	**¥1,249,694**
Asia and Oceania	417,522	**361,480**
North America	459,990	**499,634**
Europe	757,228	**826,213**
Others	12,086	**12,448**
Total	¥2,877,044	**¥2,949,469**

Note:

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

4. Information about Major Customers

This information has been omitted because no external customers account for more than 10% of sales revenue.

Note 5

Business Combinations

Year ended March 31, 2020
There were no significant business combinations in the year ended March 31, 2020.

Year ended March 31, 2021
Acquisition of Gelest by Mitsubishi Chemical America

On October 1, 2020, consolidated subsidiary Mitsubishi Chemical Corporation, through its subsidiary Mitsubishi Chemical America, Inc., acquired all of the shares of Gelest Intermediate Holdings, Inc., which holds a controlling interest in Gelest, Inc., to acquire the latter company, which manufactures silicon chemicals and metal-organic compounds. Gelest accordingly became a consolidated subsidiary.

(1) Overview of business combination

1. Names and business descriptions of acquired companies
   Name: Gelest, Inc., and 12 companies
   Description of business: Develops, manufactures, and sells silicon chemicals, specialty acrylates, metal-organic compounds, and other products

2. Main reason for business combination
   Combining Gelest's expertise in silicon chemicals and metal compounds with the Group's technologies, resources, and customer network should significantly broaden the Company's solutions. The Company will continue to bolster its technology platform and pursue further growth through extensive R&D and business development in life sciences, electronics, and other growth markets.

3. Acquisition date
   October 1, 2020

4. Legal form of acquisition
   Acquisition of shares for cash

5. Percentage of voting rights acquired
   100%

(2) Fair value of consideration transferred

	Acquisition date (October 1, 2020)
	Millions of yen
Cash	**¥28,198**
Cost of acquisition (Note)	**¥28,198**

Note:
Although price adjustments after the share acquisition had not been completed in the third quarter of the year ended March 31, 2021, these adjustments were completed in the fourth quarter, for the above amount. As well as paying cash for the acquisition, the Group extended a cash loan of ¥23,754 million to the acquired company. That

loan is included in “Other” under net cash provided by (used in) investing activities in the Consolidated Statement of Cash Flows for the year ended March 31, 2021. The acquired company used that loan to repay its liabilities.

(3) Assets acquired, liabilities assumed, and goodwill

Millions of yen

	Acquisition date (October 1, 2020)
Current assets:	
Cash and cash equivalents	¥ 640
Trade receivables	1,822
Inventories	6,756
Others	6
Non-current assets:	
Property, plant and equipment	5,973
Intangible assets (Note 1)	30,783
Others	387
Acquired assets	46,367
Current liabilities:	
Borrowings	23,754
Others	713
Non-current liabilities:	
Deferred tax liabilities	7,813
Others	239
Liabilities assumed	32,519
Net assets acquired and liabilities assumed	13,848
Goodwill (Note 2)	14,350

Although the Company provisionally accounted for the transaction in the third quarter of the year ended March 31, 2021, it completed the initial accounting for the business combination in the fourth quarter.

Notes

1. Composition of intangible assets
   Intangible assets mainly comprised ¥27,548 million in technology-related intangible assets.
2. Goodwill
   Goodwill mainly comprises anticipated synergies and excess earnings capabilities arising from acquisition that do not match specific recognition criteria. Goodwill is not deductible for tax purposes
   In view of extensive envisaged synergies from this business combination, the Company allocated related goodwill to multiple cash-generating unit groups in the Performance Products and Chemicals segments.

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(4) Acquisition-related expenses

Acquisition-related expenses totaled ¥1,803 million, of which ¥1,603 million was included in Selling, general and administrative expenses and Financial expenses in the consolidated statement of income for the year ended March 31, 2021.

(5) Impact on Group business results

The Company has not presented profit or loss information since the acquisition date and pro forma information on the assumption that the business combination took place on April 1, 2020, the start of the year under review, because the impact on the consolidated financial statements was immaterial.

Note 6

Discontinued Operations

1. Outline of Discontinued Operations

On May 14, 2019, Life Science Institute, Inc.(LSII), a consolidated subsidiary in the Health Care segment, came to an agreement on a strategic capital partnership with PHC Holdings Corporation (PHCHD), which engages in the health care business in Japan and overseas. In this agreement, it was determined that LSII would exchange all of its shares in LSI Medience Corporation (LSIM) for a part of PHCHD shares. On August 1, 2019, LSII completed the planned share exchange. As a result, gains and losses related to the businesses of LSIM and its subsidiaries and other factors and the marginal gain on the share exchange are presented separately for the previous fiscal year as discontinued operations.

2. Profit or Loss from Discontinued Operations

Details of net income from discontinued operations in the Consolidated Statement of Income are as follows:

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Revenue (Note 1)	¥52,754	¥ —
Cost	(27,169)	—
Income from discontinued operations before taxes	¥25,585	¥ —
Income taxes (Note 2)	(8,693)	—
Net income from discontinued operations	¥16,892	¥ —

Notes:

1. In the fiscal year ended March 31, 2020, this included ¥23,922 million from a gain on share exchanges.
2. In the fiscal year ended March 31, 2020, this included ¥(8,117) million from income taxes related to gain on share exchanges.

3. Cash Flows from Discontinued Operations

Cash flows from discontinued operations included in the Consolidated Statement of Cash Flows are as follows:

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Cash flows from operating activities	¥ 2,886	¥ —
Cash flows from investing activities	12,608	—
Cash flows from financing activities	(994)	—
Total	¥14,500	¥ —

4. Supplementary Information Relating to Cash Flows

The net assets and liabilities of LSI Medience Corporation and its subsidiaries excluded as of the date of the share exchange in connection with the share exchange and shares included for PHC Holdings Corporation are as follows:

	Share exchange date (August 1, 2019)
Cash and cash equivalents (Note)	¥ 753
Net amount of assets other than cash and cash equivalents and shares accepted	28,232
Liabilities (Note)	(52,957)

Note:

In keeping with the loss of control of LSI Medience Corporation and its subsidiaries, the net of ¥(753) million of cash and cash equivalents held by LSI Medience Corporation and its subsidiaries and proceeds from collections of loans to LSI Medience Corporation and its subsidiaries of ¥15,185 million is presented in the Consolidated Statement of Cash Flows for the year ended March 31, 2020, as ¥14,432 million in proceeds from loss of control due to share exchange in Cash flows from investing activities.

Sales Revenue

(1) Disaggregation of sales revenue

The Group operates in four business areas centered on four operating companies. They are Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation. The business segments are Performance Products, Chemicals, Industrial Gases, and Health Care. Progress reports on enhancing overseas sales ratios as a key operational measure go regularly to the Board of Directors. The relationship between geographic and segment revenue described in Note 4 Segment Information is as follows.

Year ended March 31, 2020

Millions of yen

	Japan	Asia and Oceania	(China)	North America	Europe	Others	Total
Performance Products	¥ 574,708	¥211,584	¥ (91,950)	¥162,520	¥156,826	¥12,432	¥1,118,070
Chemicals	670,666	237,185	(91,846)	65,438	54,723	15,401	1,043,413
Industrial Gases	361,317	120,368	(18,306)	190,100	170,307	1,248	843,340
Health Care	322,926	26,001	(6,824)	32,846	10,986	369	393,128
Others	116,530	49,911	(37,294)	2,846	12,877	395	182,559
Total	¥2,046,147	¥645,049	¥(246,220)	¥453,750	¥405,719	¥29,845	¥3,580,510

Notes:
1. Amounts are shown as sales revenue from external customers.
2. Sales revenue is mostly recognized from contracts with customers. Sales revenue recognized from other sources is immaterial.

Year ended March 31, 2021

Millions of yen

	Japan	Asia and Oceania	(China)	North America	Europe	Others	Total
Performance Products	¥ 512,060	¥223,582	¥(104,240)	¥140,410	¥147,933	¥ 9,997	¥1,033,962
Chemicals	517,811	217,181	(102,991)	59,017	52,782	11,389	858,180
Industrial Gases	345,680	120,418	(23,253)	180,571	164,079	1,008	811,756
Health Care	322,979	25,304	(6,648)	31,484	10,479	323	390,569
Others	94,138	53,491	(42,598)	3,284	11,792	363	163,068
Total	¥1,792,668	¥639,976	¥(279,730)	¥414,766	¥387,065	¥23,060	¥3,257,535

Notes:
1. Amounts are shown as sales revenue from external customers.
2. Sales revenue is mostly recognized from contracts with customers. Sales revenue recognized from other sources is immaterial.

Performance Products Segment

This segment encompasses the functional products business (information, electronics and displays, high-performance films, environment and living solutions, and advanced moldings and composites) and the performance chemical business (advanced polymers, high-performance chemicals, and new energy). We sell to domestic and overseas customers. Principal businesses are described in Note 4 Segment Information.

Once customers gain control over products, when products are delivered to customer-designated locations, the legal title and physical possession of products and significant risks associated with product possession and rewards have been transferred, and we accordingly determine at that stage that we have satisfied our performance obligations and recognize sales revenue. Sales revenue from selling these products is measured at transaction prices relating to agreements with customers.

Sales revenue is measured at the amount of consideration promised in contracts with customers, net of discounts, rebates and returns. Rebates and other estimates use the most frequent techniques based on experience. Sales revenue is recognized only to the extent of no possibility of a significant reversal. Considerations in product sales contracts are generally collected within one year after control of products transfers to customer, and do not include significant financial elements.

Chemicals Segment

In the Chemicals segment, we conduct the MMA, petrochemicals, and carbon products businesses, and sell to domestic and overseas customers. Principal businesses are described in Note 4 Segment Information.

Upon satisfying performance obligations in selling products in these businesses, calculations of transaction prices and payment terms are identical to those of the Performance Products segment.

Industrial Gases Segment

In this segment, our gas business serves the steel, chemical and electronics industries. We manufacture such household items as stainless steel thermoses. We sell to domestic and overseas customers.

Upon satisfying performance obligations in selling products in these businesses, calculations of transaction prices and payment terms are identical to those of the Performance Products segment.

Health Care Segment

Here, we engage in the ethical pharmaceuticals business (researching and developing and manufacturing ethical pharmaceuticals) and the life science business (manufacturing of active pharmaceutical ingredients and intermediates), selling to domestic and foreign customers.

Upon fulfilling performance obligations in selling products in these businesses, calculations of transaction prices and payment terms are identical to those of the Performance Products segment.

Royalty income generated in the Health Care business is from contracts in which the Group has permitted third parties to produce or sell products or use technology. One-off contract payments are recognized as sales revenue when performance obligations are met at certain points. If such obligations are not met, the transaction is recorded as deferred sales revenue and recognized as sales revenue over a certain period as obligations are met. Milestone payments are recognized only to the extent that significant returns are unlikely after reaching contractual milestones. Running royalties are measured based on contractor sales calculations, etc., and sales revenue is recognized as sales occur. Royalty income is generally received within one year of establishing contractual rights, and does not include significant financing components.

With regard to royalty revenue and other income, Mitsubishi Tanabe Pharma Corporation , a consolidated subsidiary , received a petition for arbitration from Novartis Pharma AG ("Novartis") of Switzerland in February 2019. Novartis claimed that some provisions of a license agreement entered into in 1997 ("Agreement") were invalid and that Novartis had no obligation to pay some royalties. Mitsubishi Tanabe Pharma Corporation claimed the right to receive all royalties payable under the Agreement, and will appropriately pursue this right through arbitration.

Due to arbitration proceedings, the Company decided not to recognize sales revenue in accordance with IFRS 15 for some royalty revenue. Since arbitration proceedings remain ongoing, some sales revenue was not recognized as revenue for some royalties in the year ended March 31, 2020.

The portion for which this revenue is not recognized has been posted to other non-current liabilities, and the cumulative amount will be recognized at the end of arbitration.

(2) Contract balance

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

Millions of yen

	As of April 1, 2019	Year ended March 31, 2020	**Year ended March 31, 2021**
Receivables arising from contracts with customers	¥850,802	¥706,659	**¥725,891**
Contract assets	12,562	11,873	**10,243**
Contract liabilities	16,234	23,158	**38,678**

The Group mainly posts contract assets for compensation from work in progress and posts contract liabilities for advance payments from customers and for deferred sales revenue.

Of sales revenue recognized in the years ended March 31, 2020 and 2021, ¥9,245 million and ¥10,491 million, respectively, were included in contract liabilities at the start of the terms. Sales revenue recognized from performance obligations satisfied during the two years was ¥16,950 million and ¥15,561 million, respectively. The significant change in contract liabilities stemmed from advance payments for ¥13,163 million in product supplies in the Health Care segment for the year ended March 31, 2021 and the performance obligations will be satisfied mainly within a year. There were no significant changes in outstanding contract assets.

(3) Transaction price allocated to the remaining performance obligations

Total transaction price allocated to the remaining performance obligations and sales revenue recognition periods were as follows. Transactions with estimated contract terms of less than one year are excluded. There are no material consideration amounts excluded in the transaction arising from customer contracts.

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Due within one year	¥28,903	**¥21,243**
Due after one year	19,507	**30,590**
Total	¥48,410	**¥51,833**

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

In the years ended March 31, 2020 and 2021, no assets were recognized from the costs to obtain or fulfill contracts with customers. As a practical expedient, costs are recognized as expenses when incurred if the amortization period of the asset to be recognized is one year or less.

Note 8

Employee Benefit Expenses

Employee benefit expenses other than retirement benefit expenses and special retirement expenses are as follows:

	Millions of yen	
	Year ended March 31, 2020	**Year ended March 31, 2021**
Wages and salaries	¥562,253	**¥555,360**

Notes:
1. Retirement benefit expenses are as described in Note 28 Retirement Benefits.
2. Key special retirement expenses are as described in Note 10 Other Operating Income and Other Operating Expenses.
3. Remuneration for key executives is excluded. Remuneration to major executives is as described in Note 38 Related Parties.

Note 9

Research and Development Expenses

Research and development expenses recognized in the years ended March 31, 2020 and 2021 were ¥133,368 million and ¥126,073 million, respectively.

In the year ended March 31, 2021, government subsidies for Medicago Inc., a subsidiary of Mitsubishi Tanabe Pharma Corporation, to develop a plant-derived virus-like particle (VLP*) vaccine (development number: MT-2766) to prevent COVID-19, were deducted from research and development expenses.

Note 10

Other Operating Income and Other Operating Expenses

The breakdown of other operating income is as follows:

	Millions of yen	
	Year ended March 31, 2020	**Year ended March 31, 2021**
Gain on sales of property, plant and equipment (Note)	¥ 8,533	**¥ 9,869**
Gain on arbitration ruling	—	**4,099**
Rent income	2,079	**2,236**
Gain on transfer of businesses	—	**1,428**
Gain on step acquisitions	—	**1,295**
Gain on sales of shares of subsidiaries and associates	530	**1,168**
Insurance income	2,529	**1,119**
Subsidy income	2,006	**—**
Reversal of impairment loss	1,720	**—**
Others	10,174	**9,499**
Total	¥27,571	**¥30,713**

Note:
Gains on sales of fixed assets for the year ended March 31, 2021, included the gain on the sale of the Toda Office of Mitsubishi Tanabe Pharma Corporation.

The breakdown of other operating expenses is as follows:

	Year ended March 31, 2020	**Year ended March 31, 2021**
		Millions of yen
Impairment loss (Note 1)	¥48,647	**¥127,193**
Loss on sales and disposal of fixed assets	15,793	**11,458**
Loss on liquidation of subsidiaries and associates (Note 2)	—	**7,379**
Special retirement expenses (Note 3)	412	**5,386**
Provision for loss on plant closure	—	**3,318**
Cancellation penalties	—	**1,934**
Loss on sales of shares of subsidiaries and associates	1,567	**554**
Loss on reduction of fixed assets	1,988	**—**
Others	14,956	**15,169**
Total	¥83,373	**¥172,391**

Notes:

1. Note 16 Impairment Losses details impairment losses.
2. The loss on liquidation of subsidiaries and associates for the year ended March 31, 2021, included a loss on appraisal on an investment in Sinopec Mitsubishi Chemical Polycarbonate (Beijing) Co., Ltd., resulting from a decision to sell that company and reclassify it as an asset held for sale.
3. Special retirement expenses for the year ended March 31, 2021, included expenses related to the Career Change Support Program of Mitsubishi Chemical Corporation.

In addition to an impairment loss of ¥19,396 million, the Company posted ¥901 million in special retirement payments and a ¥3,318 million provision for loss related to plant closure in connection with the decision to end production and close MMA monomer and MAA plants in Beaumont, Texas.

Note 11

Financial Income and Financial Expenses

The breakdown of financial income is as follows:

	Year ended March 31, 2020	**Year ended March 31, 2021**
		Millions of yen
Financial income		
Interest income		
Financial assets measured at amortized cost	¥2,699	**¥1,295**
Dividend income		
Financial assets measured at fair value through other comprehensive income	4,187	**4,252**
Foreign exchange gains	—	**2,399**
Others	320	**306**
Total	¥7,206	**¥8,252**

The breakdown of financial expenses is as follows:

	Year ended March 31, 2020	**Year ended March 31, 2021**
		Millions of yen
Financial expenses		
Interest expenses		
Financial liabilities measured at amortized cost	¥24,515	**¥21,404**
Foreign exchange losses	3,661	**—**
Others	1,312	**1,458**
Total	¥29,488	**¥22,862**

Note 12

Income Taxes

1. Deferred Tax Assets and Liabilities

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

Year ended March 31, 2020

Millions of yen

	April 1, 2019	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income	Others (Note 1)	March 31, 2020
Deferred tax assets:					
Tax loss carryforwards	¥ 64,069	¥(10,830)	¥ —	¥ (289)	¥ 52,950
Net defined benefit liabilities	32,862	(733)	569	(1,979)	30,719
Property, plant and equipment	17,238	1,486	—	14	18,738
Employees' bonuses	14,815	(1,834)	—	(522)	12,459
Inventories	10,593	(483)	—	(42)	10,068
Employees' paid leave	8,145	188	—	(379)	7,954
Others	56,792	7,090	122	330	64,334
Total	¥ 204,514	¥ (5,116)	¥ 691	¥ (2,867)	¥ 197,222
Deferred tax liabilities:					
Valuation of assets	¥(144,786)	¥13,164	¥ —	¥ 5,063	¥(126,559)
Property, plant and equipment	(74,182)	(3,949)	—	1,583	(76,548)
Securities and other investments (Note 2)	(34,308)	(8,117)	5,978	1,876	(34,571)
Retained earnings of foreign subsidiaries	(18,096)	3,266	—	(18)	(14,848)
Others	(26,043)	(7,093)	(1)	493	(32,644)
Total	¥(297,415)	¥ (2,729)	¥ 5,977	¥ 8,997	¥(285,170)
Net deferred tax assets	¥ (92,901)	¥ (7,845)	¥ 6,668	¥ 6,130	¥ (87,948)

Notes:

1. Others include exchange differences on translation of foreign operations and changes owing to business combinations, etc.
2. Amount recognized in profit or loss includes ¥(8,117) million in income taxes related to share exchange gains.

Year ended March 31, 2021

Millions of yen

	April 1, 2020	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income	Others (Note)	March 31, 2021
Deferred tax assets:					
Tax loss carryforwards	**¥ 52,950**	**¥(6,068)**	**¥ —**	**¥ 511**	**¥ 47,393**
Net defined benefit liabilities	**30,719**	**241**	**(11,346)**	**370**	**19,984**
Property, plant and equipment	**18,738**	**277**	**—**	**79**	**19,094**
Employees' bonuses	**12,459**	**(395)**	**—**	**(24)**	**12,040**
Inventories	**10,068**	**(2,044)**	**—**	**44**	**8,068**
Employees' paid leave	**7,954**	**(248)**	**—**	**121**	**7,827**
Others	**64,334**	**16,159**	**(786)**	**1,328**	**81,035**
Total	**¥ 197,222**	**¥ 7,922**	**¥ (12,132)**	**¥ 2,429**	**¥ 195,441**
Deferred tax liabilities:					
Valuation of assets	**¥(126,559)**	**¥27,533**	**¥ —**	**¥(11,666)**	**¥(110,692)**
Property, plant and equipment	**(76,548)**	**2,349**	**—**	**(2,939)**	**(77,138)**
Securities and other investments	**(34,571)**	**(211)**	**(11,398)**	**2,199**	**(43,981)**
Retained earnings of foreign subsidiaries	**(14,848)**	**1,446**	**—**	**13**	**(13,389)**
Others	**(32,644)**	**(4,787)**	**(25)**	**(1,284)**	**(38,740)**
Total	**¥(285,170)**	**¥(26,330)**	**¥ (11,423)**	**¥(13,677)**	**¥(283,940)**
Net deferred tax assets	**¥ (87,948)**	**¥(34,252)**	**¥ (23,555)**	**¥(11,248)**	**¥ (88,499)**

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

In recognizing deferred tax assets, the Group considers whether it can use all or part of future deductible temporary differences or unused tax loss carryforwards with respect to expected future taxable income. In evaluating the recoverability of deferred tax assets, the Group considers the planned reversal of deferred tax liabilities, expected future taxable income, and tax planning. In addition, future taxable income estimates are based on future business plans. The primary assumptions are sales revenue forecasts and market trends for raw material prices. Management expects to recover recognized deferred tax assets in keeping with past taxable income levels and the forecasts for future taxable income when future deductible temporary differences and unused tax loss carryforwards are expected to reverse. Although management deems its assumptions reasonable, they could be affected by future uncertain fluctuations in economic conditions. If future taxable income differs from forecasts and assumptions, the recoverability of deferred tax assets could differ.

Future deductible temporary differences and unused tax loss carryforwards (on an income basis), not recognized as deferred tax assets are as follows:

		Millions of yen
	Year ended March 31, 2020	**Year ended March 31, 2021**
Future deductible temporary differences	¥112,005	**¥116,660**
Unused tax loss carryforwards	392,703	**331,749**
Unused tax credit carryforwards	28,458	**42,298**

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

		Millions of yen
	Year ended March 31, 2020	**Year ended March 31, 2021**
Future deductible temporary differences	¥32,543	**¥33,678**
Unused tax loss carryforwards	63,884	**53,753**
Unused tax credit carryforwards	6,879	**9,928**

The breakdowns of tax loss carryforwards not recognized as deferred tax assets (on an income basis) by expiration date are as follows:

		Millions of yen
	Year ended March 31, 2020	**Year ended March 31, 2021**
Tax loss carry forwards:		
Due within one year	¥ 8,543	**¥ 10,923**
Due after one year and not later than five years	85,155	**138,213**
Due after five years and not later than 10 years	124,571	**25,731**
Due after 10 years and not later than 20 years	89,591	**64,510**
Indefinite	84,843	**92,372**
Total	¥392,703	**¥331,749**

	Year ended March 31, 2020	**Year ended March 31, 2021**
Unused tax credit carryforwards		
Due within one year	¥ 744	**¥ 757**
Due after one year and not later than five years	8,852	**11,085**
Due after five years and not later than 10 years	—	**—**
Due after 10 years and not later than 20 years	—	**1,752**
Indefinite	18,862	**28,704**
Total	¥28,458	**¥42,298**

As of March 31, 2020 and 2021, total temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities were not recognized were ¥1,306,312 million and ¥1,307,764 million, respectively.

The Group does not recognize deferred tax liabilities related to temporary differences when it can control the timing of the reversal of the temporary differences and it is highly probable that temporary differences will not be reversed in the foreseeable future.

2. Income Taxes

The breakdown of income taxes is as follows:

Income taxes relating to discontinued operations are disclosed in Note 6 Discontinued Operations.

	Millions of yen	
	Year ended March 31, 2020	**Year ended March 31, 2021**
Income taxes	¥53,139	**¥44,438**
Deferred income taxes	(804)	**(34,252)**
Total	¥52,335	**¥10,186**

3. Effective Tax Rate Reconciliation Schedule

The Company is principally subject to corporate taxes, resident taxes and business taxes. The statutory effective tax rate that is the base for these taxes was 30.6% in the years ended March 31, 2020 and 2021. For overseas subsidiaries, local corporate income taxes are imposed.

A reconciliation of the statutory tax rates to the effective tax rates for the years ended March 31, 2020 and 2021, was as follows:

	Year ended March 31, 2020	**Year ended March 31, 2021**
Statutory tax rate	30.6%	**30.6%**
Permanent differences	3.1	**15.4**
Foreign taxes	3.0	**7.7**
Unrecognized deferred tax assets	17.1	**5.1**
Share of profit of investments accounted for using the equity method	(3.3)	**(14.4)**
Tax credits for research and development costs	(2.8)	**(11.4)**
Tax effect on undistributed earnings	(2.7)	**(4.5)**
Difference of statutory tax rate in overseas subsidiaries	(6.4)	**(1.5)**
Goodwill impairment	4.1	**—**
Others	0.2	**4.0**
Effective tax rate	42.9%	**31.0%**

Note 13

Per Share Information

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

1. Basic Earnings per Share

	Year ended March 31, 2020	**Year ended March 31, 2021**
		(Millions of yen)
Net income(loss) used to calculate basic earnings per share:		
Net income(loss) from continuing operations attributable to owners of the parent	¥ 37,186	**¥ (7,557)**
Net income from discontinued operations attributable to owners of the parent	16,891	**—**
Net income(loss) attributable to owners of the parent	¥ 54,077	**¥ (7,557)**
		(Thousands of shares)
Average number of ordinary shares during period	1,419,982	**1,420,256**
		(Yen)
Basic earnings(loss) per share attributable to owners of the parent:		
Continuing operations	¥ 26.19	**¥ (5.32)**
Discontinued operations	11.89	**—**
Basic earnings(loss) per share attributable to owners of the parent	¥ 38.08	**¥ (5.32)**

2. Diluted Earnings per Share

	Year ended March 31, 2020	**Year ended March 31, 2021**
		(Millions of yen)
Net income(loss) used to calculate diluted earnings per share:		
Net income(loss) from continuing operations used to calculate basic earnings per share	¥ 37,186	**¥ (7,557)**
Adjustment	285	**—**
Net income(loss) from continuing operations used to calculate diluted earnings per share	¥ 37,471	**¥ (7,557)**
Net income from discontinued operations used to calculate diluted earnings per share	16,891	**—**
Net income(loss) used to calculate diluted earnings per share	¥ 54,362	**¥ (7,557)**
		(Thousands of shares)
Average number of diluted ordinary shares during period:		
Average number of ordinary shares during period	1,419,982	**1,420,256**
Impact of potentially dilutive ordinary shares		
Convertible bond-type bonds with subscription rights to shares	122,565	**—**
Subscription rights to shares	1,568	**—**
Average number of diluted ordinary shares during period	1,544,115	**1,420,256**
		(Yen)
Diluted earnings(loss) per share attributable to owners of the parent:		
Continuing operations	¥ 24.27	**¥ (5.32)**
Discontinued operations	10.94	**—**
Diluted earnings(loss) per share attributable to owners of the parent	¥ 35.21	**¥ (5.32)**

Notes:

1. In the calculation of basic and diluted net income per share attributable to owners of the parent, the Company stocks held by Board Incentive Plan trust are included in shares of treasury stock deducted in calculating the average number of shares during the period.
2. Diluted earnings per share for the year ended March 31, 2021 does not include dilutive potential ordinary shares; convertible bond-type bonds with subscription rights to shares and Subscription rights to shares due to the anti-dilutive effect caused by the loss during the period.

Goodwill and Intangible Assets

1. Schedule of Goodwill and Intangible Assets

The acquisition cost, accumulated amortization, accumulated impairment losses and carrying amount of goodwill and intangible assets were as follows:

Year ended March 31, 2020

Acquisition cost

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2019	¥648,806	¥291,613	¥332,450	¥79,511	¥66,176	¥769,750
Acquisitions	—	6,347	—	5,985	4,644	16,976
Acquisitions through business combinations	7,992	144	5,353	35	(278)	5,254
Sale or disposal	(268)	(25,524)	(14)	(6,918)	(9,221)	(41,677)
Transfers	(546)	—	831	(245)	(2)	584
Exchange differences on translation of foreign operations	(22,941)	(27,661)	(12,572)	(5,351)	(1,596)	(47,180)
Balance as of March 31, 2020	¥633,043	¥244,919	¥326,048	¥73,017	¥59,723	¥703,707

Accumulated amortization, accumulated impairment losses

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2019	¥ —	¥61,286	¥44,223	¥57,882	¥37,572	¥200,963
Amortization	—	7,227	16,606	6,947	3,169	33,949
Impairment losses	16,274	24,102	83	53	22	24,260
Sale or disposal	—	(25,610)	—	(3,693)	(7,992)	(37,295)
Exchange differences on translation of foreign operations	—	(22,302)	(1,269)	(4,441)	(733)	(28,745)
Balance as of March 31, 2020	¥ 16,274	¥44,703	¥59,643	¥56,748	¥32,038	¥193,132

Carrying amount

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2019	¥648,806	¥230,327	¥288,227	¥21,629	¥28,604	¥568,787
Balance as of March 31, 2020	¥616,769	¥200,216	¥266,405	¥16,269	¥27,685	¥510,575

Year ended March 31, 2021
Acquisition cost

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2020	**¥633,043**	**¥244,919**	**¥326,048**	**¥73,017**	**¥59,723**	**¥703,707**
Acquisitions	**—**	**2,702**	**—**	**5,661**	**4,181**	**12,544**
Acquisitions through business combinations	**17,202**	**27,801**	**5,658**	**130**	**194**	**33,783**
Sale or disposal	**—**	**(6,446)**	**—**	**(1,938)**	**(320)**	**(8,704)**
Transfers	**(386)**	**—**	**—**	**182**	**(382)**	**(200)**
Exchange differences on translation of foreign operations	**38,304**	**26,320**	**21,884**	**(4,333)**	**1,504**	**45,375**
Balance as of March 31, 2021	**¥688,163**	**¥295,296**	**¥353,590**	**¥72,719**	**¥64,900**	**¥786,505**

Accumulated amortization, accumulated impairment losses

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2020	**¥ 16,274**	**¥44,703**	**¥59,643**	**¥56,748**	**¥32,038**	**¥193,132**
Amortization	**—**	**7,613**	**16,371**	**6,180**	**2,973**	**33,137**
Impairment losses	**—**	**88,408**	**—**	**55**	**268**	**88,731**
Sale or disposal	**—**	**(6,435)**	**—**	**(1,871)**	**(62)**	**(8,368)**
Exchange differences on translation of foreign operations	**—**	**26,928**	**2,491**	**(5,018)**	**155**	**24,556**
Balance as of March 31, 2021	**¥ 16,274**	**¥161,217**	**¥78,505**	**¥56,094**	**¥35,372**	**¥331,188**

Carrying amount

Millions of yen

	Goodwill	Intangible assets				
		Technology-related intangible assets	Customer-related intangible assets	Software	Other	Total
Balance as of April 1, 2020	**¥616,769**	**¥200,216**	**¥266,405**	**¥16,269**	**¥27,685**	**¥510,575**
Balance as of March 31, 2021	**¥671,889**	**¥134,079**	**¥275,085**	**¥16,625**	**¥29,528**	**¥455,317**

There were no material internally generated assets in the years ended March 31, 2020 and 2021.

The amortization of intangible assets is included in Cost of sales, Selling, general and administrative expenses and Net income from discontinued operations in the Consolidated Statement of Income.

2. Significant Intangible Assets

Significant intangible assets in the Consolidated Statement of Financial Position include technology-related intangible assets that the Company obtained in acquiring Mitsubishi Rayon Co., Ltd. (now Mitsubishi Chemical Corporation), in March 2010. The carrying amounts of these intangible assets were ¥15,532 million as of March 31, 2020 and ¥13,239 million as of March 31, 2021. The remaining amortization periods were 4 to 8 years.

The carrying amounts of customer-related intangible assets of Taiyo Nippon Sanso Corporation (now Nippon Sanso Holdings Corporation), which the Company acquired in November 2014, were ¥26,083 million as of March 31, 2020, and ¥23,979 million as of March 31, 2021. The remaining amortization periods were 7 to 12 years.

The carrying amounts of technology-related intangible assets of NeuroDerm Ltd. which Mitsubishi Tanabe Pharma Corporation acquired in October 2017, were ¥131,467 million as of March 31, 2020 and ¥45,280 million as of March 31, 2021. This item is classified as intangible assets with indefinite useful lives. In the fiscal year ended March 31, 2021, the carrying amount of such intangible assets was partially impaired, and stated in Note 16 Impairment Losses.

The carrying amount of customer-related intangible assets of European businesses which Taiyo Nippon Sanso Corporation (now Nippon Sanso Holdings Corporation) acquired in December 2018, were ¥186,453 million as of March 31, 2020 and ¥187,385 million as of March 31, 2021. The remaining amortization period was mainly 27 years.

The carrying amount of intangible assets related to technology obtained through the Mitsubishi Chemical America acquisition of Gelest in October 2020, was ¥28,111 million as of March 31, 2021. The remaining amortization period was mainly 14 years.

3. Intangible Assets with Indefinite Useful Lives

The carrying amounts of intangible assets with indefinite useful lives were ¥168,180 million and ¥79,474 million, as of March 31, 2020 and 2021, respectively, mainly comprising in-process research and development costs recognized by Mitsubishi Tanabe Pharma Corporation in the Health Care segment in connection with its acquisition of NeuroDerm Ltd. in 2017. These amounts are included in technology-related intangible assets. Given that the assets are at the research and development stage, have yet to obtain marketing approval from regulatory authorities, and cannot be in use, the Company classifies them as intangible assets with indefinite useful lives and as intangible assets that are not yet available for use.

The relevant assets are subject to impairment testing at certain times every year, regardless of whether there are indications of impairment.

In impairment tests, recoverable amounts of intangible assets are measured by their value in use.

In calculating value in use, the Company uses estimates of future cash flows based on management-approved business plans. The business plans are based on experience and external information. Except on justifiable grounds, the plans are, in principle, for up to five years, the prime assumptions being the prospects for obtaining regulatory approval for sales, post launch sales revenue forecasts, and discount rates.

The discount rate used is the pre-tax weighted average cost of capital. The rates were 7.7%-13.0% and 8.1%-10.4% for the years ended March 31, 2020 and 2021, respectively. The discount rates used in the annual impairment test for in-process R&D expenses related to NeuroDerm were 13.0% and 10.4% for the years ended March 31, 2020 and 2021, respectively. If the discount rate were to increase by 0.3% in the year ended March 31, 2021, the recoverable amount could equal the carrying amount.

Although management deems these assumptions reasonable, they are subject to uncertain fluctuations in future economic conditions. If assumptions change, calculations of recoverable amount may differ.

Impairment losses recognized for intangible assets with indefinite useful lives are as described in Note 16 Impairment Losses.

4. Goodwill

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

Millions of yen

Reporting segment	Cash-Generating Unit (Groups of Cash-Generating Units)	March 31, 2020	**March 31, 2021**
Performance Products	High performance engineering plastics	¥ 25,497	**¥ 26,500**
	Pharmaceutical formulation materials	16,288	**16,288**
	Other	36,024	**53,148**
	Total	¥ 77,989	**¥ 95,936**
Chemicals	MMA	¥ 36,813	**¥ 38,190**
	Other	2,859	**2,913**
	Total	¥ 39,672	**¥ 41,103**
Industrial Gases	Industrial gases	¥441,805	**¥476,639**
Health Care	Ethical pharmaceuticals	¥ 57,303	**¥ 58,211**
Total		¥616,769	**¥671,889**

Note:
From the second quarter of the year ended March 31, 2021, the Company recategorized the segment in which Qualicaps Co., Ltd., and its subsidiaries belong from the Health Care segment to the Performance Products segment. As a result, the Company calculated the carrying amount of goodwill allocated to pharmaceutical formulation materials for the years ended March 31, 2020 and 2021, based on the classification method subsequent to that change.

The recoverable amounts of goodwill of cash-generating unit groups are measured by their value in use.

The value in use is based on a management-approved five-year plan reflecting experience and external information sources. After considering future uncertainties after the five-year period, the Company assumes a zero-growth rate, with value equaling cash flows in the fifth year. Estimated future cash flows are shaped largely by sales revenue forecasts and market growth rates. While management has determined that its main assumptions are reasonable, they are subject to uncertain changes in economic conditions, and calculations of recoverable amounts could differ if assumptions change.

The discount rates used for measuring recoverable amounts are as follows:

Reporting segment	Cash-Generating Unit (Groups of Cash-Generating Units)	March 31, 2020	**March 31, 2021**
Performance Products	High performance engineering plastics	7.5%	**7.1%**
	Pharmaceutical formulation materials	7.2%	**6.2%**
Chemicals	MMA	5.9%	**5.8%**
Industrial Gases	Industrial gases	5.9%	**5.8%**
Health Care	Ethical pharmaceuticals	7.7%	**8.1%**

The Company recognized an impairment loss for goodwill allocated to pharmaceutical formulation materials in the year ended March 31, 2020, because the recoverable amount was less than the carrying amount. See Note 16 Impairment Losses for details. If the discount rate were to increase by 1.3% in the year ended March 31, 2021, the recoverable amount could equal the carrying amount if the discount rate rose 1.3%.

Property, Plant and Equipment

The acquisition cost, accumulated depreciation, accumulated impairment losses and carrying amount of property, plant and equipment were as follows:

1. Schedule of property, plant and equipment

Year ended March 31, 2020

Acquisition cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2019	¥1,104,925	¥3,231,121	¥356,789	¥290,111	¥132,856	¥5,115,802
Adjustment due to applying IFRS 16	62,633	14,501	9,744	7,851	—	94,729
Adjusted balance as of April 1, 2019	1,167,558	3,245,622	366,533	297,962	132,856	5,210,531
Acquisitions (Note 1)	46,563	166,556	24,266	2,523	17,287	257,195
Acquisitions through business combinations	1,148	1,029	158	300	14	2,649
Sale or disposal	(46,642)	(55,342)	(39,081)	(4,690)	(1,239)	(146,994)
Transfers (Note 2)	(12,898)	(2,504)	(404)	(6,149)	(15,894)	(37,849)
Exchange differences on translation of foreign operations	(1,680)	(40,585)	(10,768)	(1,445)	(119)	(54,597)
Balance as of March 31, 2020	¥1,154,049	¥3,314,776	¥340,704	¥288,501	¥132,905	¥5,230,935

Accumulated depreciation, accumulated impairment losses

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2019	¥759,773	¥2,409,611	¥250,114	¥9,369	¥3,581	¥3,432,448
Adjustment due to applying IFRS 16	—	—	—	—	—	—
Adjusted balance as of April 1, 2019	759,773	2,409,611	250,114	9,369	3,581	3,432,448
Depreciation	41,889	142,127	20,695	1,164	—	205,875
Impairment losses	2,500	4,725	760	4	124	8,113
Sale or disposal	(29,656)	(52,245)	(32,218)	(440)	(3)	(114,562)
Transfers (Note 2)	(14,424)	(775)	(158)	—	—	(15,357)
Exchange differences on translation of foreign operations	(3,108)	(18,432)	(4,043)	(2,092)	(123)	(27,798)
Balance as of March 31, 2020	¥756,974	¥2,485,011	¥235,150	¥8,005	¥3,579	¥3,488,719

Notes:
1. "Acquisitions" of construction in progress is presented as a net amount, including the amount of increase due to new acquisitions as well as the amount in parentheses transferred to each property, plant and equipment account.
2. Transfers include a transfer to assets held for sale.

Carrying amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2019	¥407,785	¥836,011	¥116,419	¥288,593	¥129,275	¥1,778,083
Balance as of March 31, 2020	¥397,075	¥829,765	¥105,554	¥280,496	¥129,326	¥1,742,216

Year ended March 31, 2021

Acquisition cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020	**¥1,154,049**	**¥3,314,776**	**¥340,704**	**¥288,501**	**¥132,905**	**¥5,230,935**
Acquisitions (Note 1)	**81,444**	**147,002**	**24,811**	**5,385**	**43,570**	**302,212**
Acquisitions through business combinations	**6,270**	**7,040**	**468**	**671**	**557**	**15,006**
Sale or disposal	**(27,500)**	**(100,455)**	**(14,059)**	**(714)**	**(197)**	**(142,925)**
Transfers (Note 2)	**(21,274)**	**(8,839)**	**(38)**	**(8,991)**	**(15,232)**	**(54,374)**
Exchange differences on translation of foreign operations	**16,123**	**23,724**	**9,453**	**5,327**	**4,753**	**59,380**
Balance as of March 31, 2021	**¥1,209,112**	**¥3,383,248**	**¥361,339**	**¥290,179**	**¥166,356**	**¥5,410,234**

Accumulated depreciation, accumulated impairment losses

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020	**¥756,974**	**¥2,485,011**	**¥235,150**	**¥8,005**	**¥3,579**	**¥3,488,719**
Depreciation	**42,607**	**145,829**	**20,766**	**1,454**	**—**	**210,656**
Impairment losses	**6,522**	**28,153**	**188**	**745**	**2,854**	**38,462**
Sale or disposal	**(25,515)**	**(97,512)**	**(13,214)**	**—**	**(114)**	**(136,355)**
Transfers (Note 2)	**(13,668)**	**(9,081)**	**84**	**(88)**	**—**	**(22,753)**
Exchange differences on translation of foreign operations	**7,423**	**4,584**	**3,995**	**1,927**	**(262)**	**17,667**
Balance as of March 31, 2021	**¥774,343**	**¥2,556,984**	**¥246,969**	**¥12,043**	**¥6,057**	**¥3,596,396**

Notes:
1. "Acquisitions" of construction in progress is presented as a net amount, including the amount of increase due to new acquisitions as well as the amount in parentheses transferred to each property, plant and equipment account.
2. Transfers include a transfer to assets held for sale.

Carrying amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2020	**¥397,075**	**¥829,765**	**¥105,554**	**¥280,496**	**¥129,326**	**¥1,742,216**
Balance as of March 31, 2021	**¥434,769**	**¥826,264**	**¥114,370**	**¥278,136**	**¥160,299**	**¥1,813,838**

Right-of-use assets increased ¥18,211 million and ¥51,634 million in the years ended March 31, 2020 and 2021, respectively.

Depreciation of property, plant and equipment is included in Cost of sales and Selling, general and administrative expenses and Net income from discontinued operations in the Consolidated Statement of Income.

Expenditure on construction work in progress for property, plant and equipment is included in construction in progress.

2. Right-of-use assets (lease assets)

The carrying amounts of right-of-use assets included in property, plant and equipment are as follows:

	As of March 31, 2020	**As of March 31, 2021**
Buildings and structures	¥57,565	**¥85,642**
Machinery and vehicles	16,716	**16,353**
Tools, furniture and fixtures	11,837	**11,992**
Land	6,681	**6,710**
Total	¥92,799	**¥120,697**

Millions of yen

Note 16

Impairment Losses

In principle, the Group determines its cash-generating units considering operational, production processes, regions, and other factors based on business units. The Group tests idle assets individually to recognize impairment losses.

Impairment losses and gain on reversal of impairment loss in the years ended March 31, 2020 and 2021, are as follows. These are included in Other operating income and Other operating expenses, respectively, in the Consolidated Statement of Income.

Impairment losses

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Property, plant and equipment		
Buildings and structures	¥2,500	**¥6,522**
Machinery and vehicles	4,725	**28,153**
Tools, furniture and fixtures	760	**188**
Land	4	**745**
Construction in progress	124	**2,854**
Total of property, plant and equipment	¥8,113	**¥38,462**
Goodwill	16,274	**—**
Intangible assets (Note)	24,260	**88,731**
Total impairment losses	¥48,647	**¥127,193**

Note: The impairment losses on intangible assets with indefinite useful lives were ¥24,069 million and ¥88,393 million in the years ended March 31, 2020 and 2021, respectively.

Gain on reversal of impairment loss

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Property, plant and equipment		
Land	¥1,720	**¥ —**
Total gain on reversal of impairment loss	¥1,720	**¥ —**

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

Year ended March 31, 2020
Goodwill

Millions of yen

Main details	Reporting segment	Impairment loss
Goodwill on pharmaceutical formulation materials	Health Care	¥16,274

Management expects profitability in the pharmaceutical formulation materials business of the Health Care segment to decrease owing to a deteriorating business climate and reviews of plans based on prevailing circumstances. The Company thus lowered the carrying amount of goodwill related to the pharmaceutical formulation materials business to the recoverable amount of ¥16,288 million.

The recoverable amount is measured using value in use. The cash flow forecast underpinning value in use is based on experience and external information sources, and is based on a management-approved five-year business plan that reflects management's assessment of future business trends.

The significant assumptions used to calculate the value in use are the growth and discount rates. Taking into account uncertainties subsequent to the five-year plan, management assumes that the growth rate will be zero, with cash flows remaining the same as in the fifth year. The Company used a pretax weighted average cost of capital of 7.2% in the year ended March 31, 2020 for cash-generating units.

Under the assumptions above, if the discount rate used to calculate the value in use increases 0.5%, the impairment loss would rise ¥3,371 million.

Intangible Assets

Millions of yen

Use	Location	Category	Reporting segment	Impairment loss
Development of virus-like particle vaccines for seasonal flu	Medicago Inc. (headquartered in Quebec, Canada)	Intangible assets related to technology (in-process R&D expenses)	Health Care	¥24,069

The Company reduced the overall carrying amount of intangible assets related to technology (in-process R&D expenses) owing to Medicago's decision to stop U.S. development of a virus-like particle vaccine (MT-2271) for seasonal flu.

The recoverable amount is based on value in use, which is zero.

Year ended March 31, 2021

Property, plant and equipment and intangible assets

Use	Location	Category	Reporting segment	Impairment loss
Development of therapeutic drug for Parkinson's disease	NeuroDerm Ltd. (Rehovot, Israel)	Intangible assets related to technology (in-process R&D expenses)	Health Care	¥84,534 million
MMA monomer and MAA production facilities	Lucite International (Texas, USA)	Machinery and equipment, etc.	Chemicals	¥19,396 million
Polyvinyl alcohol manufacturing facilities	Kumamoto Plant of Mitsubishi Chemical Corporation (Udo, Kumamoto Prefecture)	Machinery and equipment, etc.	Primarily Performance Products	¥4,432 million
Development of nucleic acid pharmaceuticals for inflammatory bowel disease	Stelic Institute & Co., Inc. (Chuo-ku, Osaka)	Intangible assets related to technology (in-process R&D expenses)	Health Care	¥3,859 million

1. Development of therapeutic drug for Parkinson's disease

Management expects the profitability of the Parkinson's disease drug that NeuroDerm is developing to decline owing to changes in the business climate. Reviewing plans based on market research showed that the recoverable amount was less than the carrying amount. The Company accordingly reduced the carrying amount of intangible assets (in-process R&D expenses) related to this technology to the recoverable amount of ¥43,272 million and recorded an impairment loss of ¥84,534 million in the second quarter of the year ended March 31, 2021.

The recoverable amount is based on value in use. The significant assumptions used to calculate the value in use are prospects for obtaining regulatory marketing approval, sales revenue forecasts after a product launch, and the discount rate. The value in use is based on a planning period exceeding five years, factoring in account the patent period and product lifecycle based on experience and external information sources, with estimated future cash flows discounted to the present value.

The discount rate is the pre-tax weighted average cost of capital of 10.2% for the relevant cash-generating unit (13.0% in the previous fiscal year).

2. Facilities for MMA monomer and MAA production

The Company decided to strengthen the competitiveness of its MMA business and optimize its supply system by terminating MMA monomer and MAA production at Lucite International's plant in Beaumont, Texas., and by closing that facility. Lucite International is a subsidiary of Mitsubishi Chemical Corporation, a consolidated subsidiary of the Company. In the absence of prospects for recovering the investment, the Company lowered the relevant plant and equipment carrying amount to the recoverable amount and posted an impairment loss of ¥19,396 million (¥18,547 million for machinery and equipment and ¥849 million for other).

The relevant recoverable amount is based on value in use. Future cash flows used to measure value in use were not discounted owing to a short remaining usage period that was immaterial in calculating the recoverable amount.

3. Polyvinyl alcohol manufacturing facilities
The Company decided to undertake structural reforms at some polyvinyl alcohol manufacturing facilities at the Kumamoto Plant of Mitsubishi Chemical Corporation. This is because the facilities are aging and require extensive renovations to continue operating as cost competition with foreign offerings intensifies. The Company accordingly posted an impairment loss of ¥4,432 million (including ¥3,145 million for machinery and equipment, ¥774 million for buildings and structures and ¥513 million yen for others).
The recoverable amount is based on value in use. The discount rate is not presented because the undiscounted future cash flow is negative.

4. Development of nucleic acid pharmaceutical for inflammatory bowel diseases
Mitsubishi Tanabe Pharma Corporation decided to stop developing a nucleic acid pharmaceutical (MT-5745) for inflammatory bowel diseases. That drug was obtained from Stelic Institute & Co., Inc. The Company thus fully reduced the carrying amount of intangible assets (in-process R&D expenses) related to this technology and posted an impairment loss of ¥3,859 million.
The recoverable amount is based on the value in use, set at zero.

Note 17

Individually Insignificant Investments Accounted for Using Equity Method

1. Carrying Amounts of Investments and Share of Total Shareholders' Equity in Total Comprehensive Income

The carrying amounts of individually insignificant investments in joint ventures accounted for using the equity method are as follows:

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Carrying amounts of investments in joint ventures	¥84,956	**¥81,651**

Equity in earnings of joint ventures accounted for using the equity method for total comprehensive income is as follows:

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Share of profit from continuing operations using equity method	¥5,099	**¥6,243**
Share of profit from discontinued operations using equity method	5	**—**
Share of other comprehensive income using equity method	(3,146)	**2,770**
Share of total shareholders' equity in total comprehensive income	¥1,958	**¥9,013**

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

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Carrying amounts of investments in associates	¥85,002	**¥80,391**

Equity in earnings of associates accounted for using the equity method for total comprehensive income is as follows:

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Share of profit from continuing operations using equity method	¥8,297	**¥9,397**
Share of other comprehensive income using equity method	(2,811)	**368**
Share of total shareholders' equity in total comprehensive income	¥5,486	**¥9,765**

2. Loss on Liquidation of Subsidiaries and Associates

For investments in affiliates and joint ventures, the Group looks for indications of asset impairment, estimating recoverable amounts for assets with such indications. For the year ended March 31, 2021, the Company recorded a loss on liquidation of subsidiaries and associates of ¥7,379 million yen under Other operating expenses in the Consolidated Statement of Income.

Note 18

Other Financial Assets

The breakdown of other financial assets is as follows:

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Stocks and investments	¥192,481	**¥219,371**
Accounts receivable	32,553	**34,067**
Time deposits	10,738	**5,444**
Bonds	50,000	**—**
Certificate of deposits	5,000	**—**
Other	55,380	**42,202**
Allowance for doubtful accounts	(2,036)	**(2,055)**
Total	¥344,116	**¥299,029**
Current assets	¥117,628	**¥ 47,818**
Non-current assets	226,488	**251,211**
Total	¥344,116	**¥299,029**

Stocks and investments are classified mainly as equity financial assets measured at fair value through other comprehensive income. Accounts receivable, time deposits, bonds and certificate of deposits are classified as financial assets measured mainly at amortized cost.

The major issues and fair values of equity financial assets measured at fair value through other comprehensive income are as follows:

As of March 31, 2020

Company name	Millions of yen
TOHO HOLDINGS CO., LTD.	¥8,101
Alfresa Holdings Corporation	4,482
MEDIPAL HOLDINGS CORPORATION	4,289
SUZUKEN CO., LTD.	3,774
IBIDEN CO., LTD.	3,145
Mitsubishi Research Institute, Inc.	2,744
Tosoh Corporation	2,742
KOATSU GAS KOGYO CO., LTD.	2,427
Shin-Etsu Chemical Co., Ltd.	2,167
Mitsubishi UFJ Financial Group, Inc.	2,142

As of March 31, 2021

Company name	Millions of yen
TOHO HOLDINGS CO., LTD.	**¥7,254**
IBIDEN CO., LTD.	**6,741**
Alfresa Holdings Corporation	**4,748**
Tosoh Corporation	**4,725**
MEDIPAL HOLDINGS CORPORATION	**4,515**
SUZUKEN CO., LTD.	**4,149**
Shin-Etsu Chemical Co., Ltd.	**3,759**
JFE Holdings, Inc.	**3,507**
Mitsubishi Research Institute, Inc.	**3,436**
Mitsubishi UFJ Financial Group, Inc.	**3,242**

As well as the assets above, the Group holds financial assets measured at fair value through other comprehensive income for which quoted prices in active markets are unavailable, mainly comprising stocks related to the Chemicals, Health Care and Industrial Gases product segments.

Investments in Chemicals -related stocks were ¥62,128 million as of March 31, 2020, and ¥65,532 million as of March 31, 2021. Investments in Health Care-related stocks were ¥43,929 million as of March 31, 2020, and ¥54,534 million as of March 31, 2021. Investments in Industrial Gases-related stocks amounted to ¥7,864 million as of March 31, 2020, and ¥8,679 million as of March 31, 2021.

As stocks are held mainly to maintain and strengthen business and collaborative ties and financial transactions, they are designated as equity financial assets measured at fair value through other comprehensive income.

The Company endeavors to enhance the efficiency and effective use of its assets by selling (derecognizing) equity financial assets measured at fair value through other comprehensive income. Fair values upon sales and cumulative gains or losses (before tax) on sales are as follows. Cumulative gains or losses (after tax) recognized in other components of equity are transferred to retained earnings at the time of sale.

		Millions of yen
	Year ended March 31, 2020	**Year ended March 31, 2021**
Fair value	¥13,117	**¥9,927**
Cumulative gains or losses	2,668	**6,000**

Dividend income from equity financial assets measured at fair value through other comprehensive income is as follows:

		Millions of yen
	Year ended March 31, 2020	**Year ended March 31, 2021**
Derecognized financial assets	¥ 134	**¥ 18**
Financial assets held at year-end	4,053	**4,234**

Note 19

Other Assets

The breakdown of other assets is as follows:

		Millions of yen
	As of March 31, 2020	**As of March 31, 2021**
Net defined benefit assets	¥35,329	**¥59,626**
Prepaid expenses	34,916	**36,195**
Accrued income tax	23,840	**16,403**
Contract asset (Note)	11,873	**10,243**
Advance payment	7,522	**9,772**
Other	19,473	**19,274**
Total	¥132,953	**¥151,513**
Current assets	90,140	**83,462**
Non-current assets	42,813	**68,051**
Total	¥132,953	**¥151,513**

Note: See Note 7 Sales Revenue for details.

Note 20

Inventory

The breakdown of inventory is as follows:

		Millions of yen
	As of March 31, 2020	**As of March 31, 2021**
Finished goods	¥356,999	**¥327,499**
Raw materials and supplies	175,083	**175,948**
Work in process	74,423	**73,026**
Total	¥606,505	**¥576,473**

Inventories measured at net realizable value as of March 31, 2020 and 2021 were ¥80,516 million and ¥78,933 million, respectively.

In the years ended March 31, 2020 and 2021, write-downs of inventories recognized as expenses were ¥7,523 million and ¥5,758 million, respectively.

Note 21

Trade Receivables

The breakdown of trade receivables is as follows:

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Accounts receivable	¥706,659	**¥725,891**
Allowance for doubtful accounts	(8,143)	**(9,499)**
Total	¥698,516	**¥716,392**

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

Note 22

Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Cash and deposits	¥207,640	**¥355,511**
Short-term investments	20,571	**14,066**
Total	¥228,211	**¥349,577**

Note 23

Assets Held for Sale

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

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Assets held for sale:		
Cash and cash equivalents	¥ 49	**¥ —**
Trade receivables	660	**—**
Inventories	1,029	**855**
Property, plant and equipment	6,047	**14,007**
Other financial assets	83	**8,947**
Others	413	**3**
Total	¥8,281	**¥23,812**
Liabilities related directly to assets held for sale:		
Trade payables	¥ 102	**¥ —**
Other financial liabilities	152	**—**
Deferred tax liabilities	448	**2,534**
Others	1,059	**—**
Total	¥ 1,761	**¥ 2,534**

Year ended March 31, 2020

Assets held for sale and directly related liabilities directly as of March 31, 2020, stemmed mainly from the conclusion of a real estate sales agreement for the Toda Office of Mitsubishi Tanabe Pharma Corporation, a consolidated subsidiary of the Company in the Health Care segment.

Assets held for sales relating the Toda Office is measured at the carrying amount because the fair value after deducting the sale cost (projected sale value) exceeds the carrying amount. The assets were divested on April 24, 2020.

As of March 31, 2020, other components of equity related to assets held for sale were immaterial.

Year ended March 31, 2021
Assets held for sale and directly related liabilities as of March 31, 2021, related primarily to the following.
(1) Those related to the Kashima Office of Mitsubishi Tanabe Pharma Corporation, a consolidated subsidiary of the Company in the Health Care segment
The Company entered into a real estate sale agreement with the buyer in March 2019. Those have been classified as held for sale as it is expected to be sold within one year since the end of the third quarter of the year ended March 31, 2021.
Assets held for sales relating to the Kashima Office of Mitsubishi Tanabe Pharma Corporation is measured at the carrying amount because the fair value after deducting the sale cost (projected sale value) exceeds the carrying amount.

(2) Those related to Investment in joint venture (Sinopec Mitsubishi Chemical Polycarbonate (Beijing) Co., Ltd.), accounted for using the equity method in the Performance Products segment
The shares above were classified as held for sale based on the decision made by Mitsubishi Chemical Corporation on March 26, 2021 to sell them as part of portfolio reform. Mitsubishi Chemical Corporation entered into a transfer agreement with Sinopec for the above shares on April 29, 2021, and expects to complete the sale by the end of October 2021.
The Company accordingly stopped using the equity method to the investment, and has measured the investment at fair value, after deducting sales costs. The fair value is based on the price negotiated with the buyer, etc. The hierarchy is Level 3. The difference between the fair value, after deducting the sale cost (projected sale value) and the carrying amount is included in Other operating expenses in the Consolidated Statement of Income.

As of March 31, 2021, other components of equity related to assets held for sale were ¥924 million.

Note 24

Capital

1. Common stock and Treasury Stock

Number of shares authorized and issued is as follows:

		Thousands of shares
	Year ended March 31, 2020	**Year ended March 31, 2021**
Number of shares authorized	6,000,000	**6,000,000**
Number of shares issued:		
At the beginning of the period	1,506,288	**1,506,288**
Increase (decrease)	—	**—**
At the end of the period	1,506,288	**1,506,288**

The Company's shares are ordinary shares without par value. The shares issued were fully paid.

Changes in the number of shares of treasury stock during the year are as follows:

		Thousands of shares
	Year ended March 31, 2020	**Year ended March 31, 2021**
At the beginning of the period	86,402	**86,230**
Increase (note 1)	35	**30**
Decrease (note 2)	(207)	**(394)**
At the end of the period	86,230	**85,866**

Notes:
1. An increase in the number of shares of treasury stock in the year ended March 31, 2020, was due to the purchase of 35,000 shares of less than one unit.
An increase in the number of shares of treasury stock in the year ended March 31, 2021, was due to the purchase of 30,000 shares of less than one unit.
2. A decrease in the number of shares of treasury stock in the year ended March 31, 2020, was due to the payment of 103,000 shares through the exercise of stock options,101,000 shares from the Board Incentive Plan trust, and the sale of 2,000 shares of less than one unit.
A decrease in the number of shares of treasury stock in the year ended March 31, 2021, was due to

payments of 102,000 shares for grants of restricted stock as share-based compensation, payments of 101,000 shares through the exercise of stock options, grants of 189,000 shares from the Board Incentive Plan trust, and the sale of 2,000 shares of less than one unit.

3. Company stocks held by the Board Incentive Plan trust are included.
   March 31, 2020: 3,184,000 shares and March 31, 2021: 2,995,000 shares

2. Additional paid-in capital and Retained Earnings

Additional paid-in capital comprises amounts arising from capital transactions that are not included in common stock. The main component is legal capital surplus and other capital surplus. Retained earnings comprise legal retained earnings and other retained earnings.

The Japanese Company Law mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as a legal reserve within the legal capital surplus. Under that law, the legal capital surplus can be incorporated in common stock by resolution at a shareholders' meeting.

Amounts classified as equity elements at the time of issuance of convertible bond type bonds with stock acquisition rights are included in other capital surplus as a capital element of compound financial products.

That law requires that 10% of the surplus appropriated for dividends be retained until the total amount of the legal capital surplus and legal retained earnings reaches a quarter of the amount of common stock. The accumulated legal retained earnings can be appropriated for deficit disposition, and legal retained earnings may be available for dividends by resolution at a shareholders' meeting.

3. Other Components of Equity

Other components of equity are as follows:

(Financial Assets Measured at Fair Value through Other Comprehensive Income)
Unrealized gains on financial assets are measured at fair value through other comprehensive income.

(Remeasurement of Defined Benefit Pension Plans)
This remeasurement is for differences between actuarial assumptions at the beginning of the year and actual experience and the effects of changes in actuarial assumptions. This amount is recognized in other comprehensive income when it occurs and is immediately transferred from other components of equity to retained earnings.

(Exchange Differences on Translation of Foreign Operations)
These are the adjustments result from consolidating the financial statements of foreign operations, and the cumulative amount of effective portions of hedges from gains or losses on hedge instruments designated as net investment hedges.

(Effective Portion of Net Change in Fair Value of Cash Flow Hedges)
This is the cumulative amount of effective portions of hedges from gains or losses arising from changes in the fair value of hedging instruments relating to cash flow hedges.

4. Capital Transactions with Non-Controlling Interests

Year ended March 31, 2020
(Making Mitsubishi Tanabe Pharma Corporation a wholly owned subsidiary)
(1) Tender Offer
The Company implemented a tender offer as part of a series of transactions to acquire all of the shares of Mitsubishi Tanabe Pharma Corporation (MTPC), a consolidated subsidiary, from November 19, 2019, to January 7, 2020. The tender offer was completed, as the total number of the tendered shares was greater than the minimum number of shares to be purchased. The Company thereby acquired 197,355 thousand shares of MTPC's common stock for ¥396,684 million (excluding transaction costs) on January 15, 2020, lifting the Company's ownership of shares with voting rights from 56.4%, to 91.6%.

(2) Demand for Sale of Shares
On January 17, 2020, the Company notified MTPC that it would request non-controlling MTPC shareholders to sell all of their MTPC shares of common stock. That day, MTPC's Board of Directors resolved to approve of the demand. With the demand going into effect on March 2, 2020, the Company acquired 47,308,000 of these shares for ¥95,088 million (excluding transaction costs), with MTPC becoming a wholly owned subsidiary of the company.

The non-controlling interest (NCI) transaction associated with the acquisition of additional shares was accounted for as a capital transaction. The difference between the adjustment of

NCI and the fair value of consideration and transaction costs is directly recognized as equity attributable to owners of the parent. The transaction outline is as follows.

Millions of yen

	Year ended March 31, 2020
NCI carrying amount acquired Consideration paid to NCI (Notes 1, 2, 3)	¥348,615 (493,271)
Decrease in equity attributable to owners of the parent	¥144,656

Notes:

1. As of March 31, 2020, ¥95,433 million in payments had yet to be completed, and was deducted in calculating payments for acquisition of subsidiaries' interests from non-controlling interests in the Consolidated Statement of Cash Flows. This amount is included in payment for acquisition of subsidiaries' interests from non-controlling interests in the Consolidated Statement of Cash Flows for the year ended March 31, 2021.
2. Payments for MTPC stock held by the MTPC Board Incentive Plan trust were deducted from the consideration paid to NCI.
3. Consideration paid to NCI included transaction costs.

Year ended March 31, 2021

There were no material capital transaction with non-controlling interests.

Note 25

Dividends

Dividends paid to shareholders are as follows:

Year ended March 31, 2020

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Entitlement date	Effective date
May 22, 2019	Board of Directors	Common stock	¥28,463	¥20	March 31, 2019	June 4, 2019
November 1, 2019	Board of Directors	Common stock	¥28,464	¥20	September 30, 2019	December 3, 2019

Note:

Total dividends from a resolution of the Board of Directors on May 22, 2019, and November 1, 2019, included ¥66 million and ¥57 million, respectively, in dividends for the Company stock held by the Board Incentive Plan trust (excluding shares equivalent to the accumulated number of points granted).

Year ended March 31, 2021

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Entitlement date	Effective date
May 26, 2020	Board of Directors	Common stock	¥17,079	¥12	March 31, 2020	June 10, 2020
November 4, 2020	Board of Directors	Common stock	¥17,080	¥12	September 30, 2020	December 2, 2020

Note:

Total dividends from a resolution of the Board of Directors on May 26, 2020, and November 4, 2020, included ¥34 million and ¥34 million, respectively, in dividends for the Company stock held by the Board Incentive Plan trust (excluding shares equivalent to the accumulated number of points granted).

Dividends with a record date in the year ended March 31, 2021, with an effective date in the following fiscal year are as follows:

Year ended March 31, 2021

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Entitlement date	Effective date
May 19, 2021	Board of Directors	Common stock	¥17,081	Retained earnings	¥12	March 31, 2021	June 3, 2021

Note:

Total dividends included ¥33 million in dividends for the Company stock held by the Board Incentive Plan trust (excluding shares equivalent to the accumulated number of points granted).

Note 26

Other Comprehensive Income

Changes in each item of other comprehensive income during the year are as follows:

	Millions of yen	
	Year ended March 31, 2020	**Year ended March 31, 2021**
Financial assets measured at fair value through other comprehensive income:		
Amounts arising during period	¥(21,955)	**¥ 38,543**
Tax effects	6,043	**(11,868)**
Net amount	¥(15,912)	**¥ 26,675**
Remeasurements of defined benefit pension plans:		
Amounts arising during period	¥(1,312)	**¥ 38,415**
Tax effects	577	**(11,598)**
Net amount	¥ (735)	**¥ 26,817**
Exchange differences on translation of foreign operations:		
Amounts arising during period	¥(64,738)	**¥ 80,514**
Reclassification adjustments	1,149	**554**
Tax effects	72	**(49)**
Net amount	¥(63,517)	**¥ 81,019**
Effective portion of net change in fair value of cash flow hedges:		
Amounts arising during period	¥ 129	**¥ 621**
Reclassification adjustments	(69)	**(401)**
Tax effects	(24)	**(40)**
Net amount	¥ 36	**¥ 180**
Share of other comprehensive income (loss) of investments accounted for using equity method:		
Amounts arising during period	¥ (5,966)	**¥ 2,987**
Reclassification adjustments	9	**151**
Net amount	¥ (5,957)	**¥ 3,138**
Total other comprehensive income	¥(86,085)	**¥137,829**

Note 27

Share-based Payment

1. Stock Option System

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

Based on a resolution of the Remuneration Committee, the Company issues share-based compensation stock options as a form of performance-related payment to its corporate executive officers (directors excluding outside directors until the year ended March 31, 2015. The same shall apply hereinafter) and executive officers who will share with shareholders not only the benefits due to a rise in the Company's stock price but also losses due to a decline in the stock price as an incentive to boost corporate performance and enhance medium- to long-term corporate value taking into consideration the Company's financial results for each fiscal year as well as the status of achieving of business targets by the corporate executive officers or executive officers (including those who have the retired) based on their degree of contribution, etc.

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

In line with the deployment of a share-based compensation plan using the Board Incentive Plan trust, there are no new share-based compensation stock option grants from the fiscal year ended March 2020.

(2) Changes in the Number of Stock Options

	Number of shares	
	Year ended March 31, 2020	**Year ended March 31, 2021**
Outstanding at the beginning of the period	1,028,500	**925,100**
Granted	—	**—**
Exercised	(103,400)	**(101,400)**
Forfeited	—	**—**
Expired	—	**—**
Outstanding at the end of the period	925,100	**823,700**
Exercisable at the end of the period	286,050	**302,950**

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

The weighted average share prices for exercised stock options were ¥772.4 and ¥622.1 in the years ended March 31, 2020 and 2021, respectively.

The weighted average remaining contractual years of stock options outstanding at year-end were 10.1 years and 8.7 years as of March 31, 2020 and 2021, respectively.

2. Share-Based Compensation Plans using Board Incentive Plan Trusts of the Company and Mitsubishi Chemical Corporation

(1) Details of Share-Based Compensation Plans

In the year ended March 31, 2019, the Company and Mitsubishi Chemical Corporation began offering performance-based share compensation plans ("the Plans") to executive officers and directors (excluding non-residents of Japan, the same applying hereafter) and the president & CEO of Mitsubishi Chemical Corporation and to directors and executives concurrently serving as executive officers (excluding nonresidents of Japan; executive officers and directors collectively referred to as executive officers below).

The Plans cover five consecutive fiscal years (initially, three through the fiscal year ending March 2021) that correspond to the period covered by the Company's medium-term management plan. Based on assessments of progress toward corporate performance targets, each executive officer is granted a number of points each year according to that person's position. The Company stocks equivalent to accumulated points calculated after the retirements of executive officers (1 point = 1 share) are provided as executive remuneration.

The Plans employ the Board Incentive Plan trust. The Company and Mitsubishi Chemical Corporation contribute funds to acquire the Company stocks through the trust, which delivers the shares to executive officers.

The Plans are accounted for as equity-settled share-based compensation.

(2) Number of Points Granted during the Period and Weighted Average Fair Value of Points

The number of points granted during the period and weighted average fair value of points are as follows. The fair value on the day points were granted uses the share price on that day since the share price on the day of grant is a close approximation of fair value.

	Year ended March 31, 2020	**Year ended March 31, 2021**
Number of points granted during the period	197,008	**39,580**
Weighted average fair value of points (yen)	984.7	**848.7**

(3) Share-Based Compensation Expenses

Expenses related to this plan were ¥194 million and ¥(13) million in the years ended March 31, 2020 and 2021, respectively. These expenses were presented within Selling, general and administrative expenses and Cost of sales in the Consolidated Statement of Income.

3. Restricted Stock Compensation Plan

(1) Details of Share-based Compensation Plan

In the year ended March 31, 2021, the Company introduced a share-based compensation plan for executive officers to encourage them to enhance corporate and shareholder value over the medium through long terms, increase retention, and share more value with shareholders.

Under this plan, Remuneration Committee determines the number of shares of common stock based on a standard amount that reflects plan objectives, the Company's results, the scope of responsibilities of executive officers, and other factors. Restrictions on the transfer of such common stock are lifted upon retiring from the positions of director, executive officer, or corporate officer of the Company or its subsidiaries (hereinafter, Officers, etc., of the Company), provided that such individuals continuously hold those positions from grant dates through March 31 of the following year.

(2) Number of shares and weighted average fair value of shares granted during the period
The number of shares granted and the weighted average fair value of shares during the term are below. The Company uses share prices on grant dates, as the fair values of shares on those dates approximate share prices on those dates.

	Year ended March 31, 2020	**Year ended March 31, 2021**
Number of points granted during the period	–	**102,189**
Weighted average fair value of points (yen)	–	**604.5**

(3) Share-Based Compensation Expenses
Expense related to this plan was ¥62 million in the year ended March 31, 2021. The expense was presented within Selling, general and administrative expenses and Cost of sales in the Consolidated Statement of Income.

4. Share-Based Compensation Plan using the Board Incentive Plan Trust of Mitsubishi Tanabe Pharma Corporation
(1) Details of Share-based Compensation Plan
Mitsubishi Tanabe Pharma Corporation (MTPC), a consolidated subsidiary of the Company, has introduced a performance-based share compensation plan (hereinafter, "the plan") from the fiscal year ended March 31, 2018. The plan clarifies the linkage between remuneration of MTPC's board directors and executive officers (excluding non-residents of Japan and outside board directors; hereinafter "MTPC directors and executive officers") and the MTPC group's business performance. The objectives of introducing the plan are to provide incentives to MTPC directors and executive officers to strive for sustained growth of the MTPC group and enhance medium- to long-term corporate value, as well as raise management team morale. These objectives will be achieved by sharing with shareholders not only the benefits of rises in MTPC's share price but also the risk of share price decline.
MTPC has adopted a Board Incentive Plan (BIP) trust as the structure for the plan. Under the plan, MTPC shares are acquired through the trust using money contributed by MTPC as the source of funds. In accordance with "Rules relating to grant of shares" established by MTPC, from the date of commencement of the plan, points (1 point = 1 share) are granted to MTPC directors and executive officers each year on the final day of the fiscal year during the period in which the plan applies. Vesting conditions include the requirement that the recipient is a current office holder as an MTPC director or executive officer, and points are granted according to office held and the degree of achievement of performance targets. In principle, when MTPC directors and executive officers retire from office, by carrying out the prescribed beneficiary vesting procedures, they are able to receive shares of the Company, with the number of shares corresponding to the number of points granted.
The plan is accounted for as equity-settled share-based compensation.
In line with that entity's delisting on February 27, 2020, in March 2020 the Company revised its provisions for incorporating stock compensation in performance compensation for monetary benefits.

(2) Number of Points Granted during the Period and Weighted Average Fair Value of Points
The number of points granted during the period and weighted average fair value of points are as follows. The fair value on the day points were granted uses the share price on that day since the share price on the day of grant is a close approximation of fair value.

	Year ended March 31, 2020	**Year ended March 31, 2021**
Number of points granted during the period	4,749	**—**
Weighted average fair value of points (yen)	2,416	**—**

(3) Share-Based Compensation Expenses

Expense related to this plan was ¥14 million in the year ended March 31, 2020. The expense was presented within Selling, general and administrative expenses in the Consolidated Statement of Income.

Note 28

Retirement Benefits

The Company's consolidated subsidiaries maintain lump-sum retirement and retirement benefit plans. The retirement benefit plans are defined benefit (fund- and contract-type) and defined contribution plans. Some consolidated subsidiaries also maintain welfare pension plans.

1. Defined Benefit Plans

The defined benefit plans of the Company's consolidated subsidiaries are mainly cash balance pension plans. Benefits under these plans are based on such conditions as years of service, points gained from results and contributions during employment. Investment yields are determined after taking into consideration the yields of 10-year national government bonds.

Cash balance pension plans are managed by corporate pension funds that are legally separated from the consolidated subsidiaries of the Company pursuant to Japan's Defined Benefit Corporate Pension Plan Act. Consolidated subsidiaries, or pension fund directors, and pension investment management institutions are legally required to accord top priority to plan participants, and must manage plan assets based on prescribed policies.

Contract-type cash balance plans are run in line with Bureau of Health and Welfare-approved pension provisions. The management and operation of reserve funds is through contracts with trust banks and other entrusted management institutions on the basis of duty of care and damages stipulations for trustees.

Funded cash balance pension plans are run by corporate pension funds. If fund directors neglect to faithfully discharge their duties concerning reserve management and operations, they assume liability for fund damages.

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

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Present value of the defined benefit obligation	¥577,815	**¥584,556**
Fair value of the plan assets	(487,533)	**(531,910)**
Net defined benefit liabilities	¥ 90,282	**¥ 52,646**
Retirement benefit liabilities	¥125,611	**¥112,272**
Retirement benefit assets	(35,329)	**(59,626)**
Net defined benefit liabilities	¥ 90,282	**¥ 52,646**

For defined benefit plans, amounts recognized as expenses in the Consolidated Statement of Income are as follows:

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Current service cost	¥18,935	**¥19,142**
Prior service cost	301	**(473)**
Interest expense	3,887	**3,933**
Interest income	(3,901)	**(4,315)**
Total	¥19,222	**¥18,287**

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

		Millions of yen
	Year ended March 31, 2020	**Year ended March 31, 2021**
Outstanding at the beginning of the period	¥617,139	**¥577,815**
Current service cost	18,935	**19,142**
Interest expense	3,887	**3,933**
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	(3,806)	**(246)**
Actuarial gains and losses arising from changes in financial assumptions	(605)	**10,247**
Other	(2,128)	**813**
Benefits paid	(35,268)	**(36,587)**
Prior service cost	301	**(473)**
Exchange differences on translation of foreign operations	(20,640)	**9,912**
Outstanding at the end of the period	¥577,815	**¥584,556**

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

		Millions of yen
	Year ended March 31, 2020	**Year ended March 31, 2021**
Outstanding at the beginning of the period	¥521,713	**¥487,533**
Interest income	3,901	**4,315**
Remeasurements:		
Return on plan assets	(7,851)	**49,229**
Contributions by the employer	13,694	**11,407**
Benefits paid	(29,092)	**(29,743)**
Exchange differences on translation of foreign operations	(14,832)	**9,169**
Outstanding at the end of the period	¥487,533	**¥531,910**

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

	As of March 31, 2020	**As of March 31, 2021**
Discount rate	0.60%	**0.70%**

In the event of a 0.5% increase or decrease in the discount rate, the principal actuarial assumption, the impact on the present value of defined benefit obligation as of March 31, 2020 and 2021 would be as follows. This sensitivity analysis assumes that all actuarial assumptions other than that subject to analysis are held constant.

		Millions of yen
	As of March 31, 2020	**As of March 31, 2021**
Increase by 0.5%	¥(29,659)	**¥(29,528)**
Decrease by 0.5%	23,401	**24,738**

Note: The discount rate is determined by referring to yields on high-quality bonds with maturities similar to periods in which benefits are anticipated. The sensitivity analysis is therefore based on a minimum reasonable discount rate of 0%.

The fair value of plan assets are as follows:

As of March 31, 2020

			Millions of yen
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
Cash and cash equivalents	¥ 30,560	¥ —	¥ 30,560
Equity instruments			
Domestic equities	29,785	—	29,785
Foreign equities	13,901	—	13,901
Other	—	67,564	67,564
Debt instruments			
Domestic bonds	3,426	—	3,426
Foreign bonds	44,251	—	44,251
Other	—	162,899	162,899
General accounts of life insurance companies	—	104,747	104,747
Other	—	30,400	30,400
Total	¥121,923	¥365,610	¥487,533

As of March 31, 2021

			Millions of yen
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
Cash and cash equivalents	**¥ 11,453**	**¥ —**	**¥ 11,453**
Equity instruments			
Domestic equities	**38,672**	**—**	**38,672**
Foreign equities	**19,818**	**—**	**19,818**
Other	**—**	**91,798**	**91,798**
Debt instruments			
Domestic bonds	**3,364**	**—**	**3,364**
Foreign bonds	**49,318**	**—**	**49,318**
Other	**—**	**159,707**	**159,707**
General accounts of life insurance companies	**—**	**121,201**	**121,201**
Other	**—**	**36,579**	**36,579**
Total	**¥122,625**	**¥409,285**	**¥531,910**

The Company's consolidated subsidiaries secure the total investment returns required within an acceptable range of risk to sufficiently fund payments of pension benefits and lump-sum payments, and endeavor to minimize long-term contributions and amass financing for payments of benefits.

To achieve targeted rates of return, management sets percentages of policy assets based on medium- to long-term perspectives, reviewing them regularly, and endeavors to maximize returns in keeping with risk assumptions.

Standard and special contributions to defined benefit plans cover the expenses necessary to provide benefits.

In keeping with laws and regulations, the Company regularly recalculates pension financing to balance pension funding for the future. The recalculations review basal rates (including projected mortality, withdrawal, and interest rates) related to setting contributions, and validating premiums.

Scheduled contributions to plan assets for the year ending March 31, 2022 are ¥10,899 million.

The Company's consolidated subsidiaries may pay premium benefits to employees on retirement.

Some domestic consolidated subsidiaries have established retirement benefits trusts.

The weighted average durations of defined benefit plan obligations as of March 31, 2020 and 2021 were10.5 years and 11.0 years, respectively.

2. Defined Contribution and Public Plans

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

	Millions of yen	
	Year ended March 31, 2020	**Year ended March 31, 2021**
Defined contribution plan cost	¥ 9,556	**¥ 8,007**
Public plan cost	24,669	**23,766**

Note 29

Provisions

The breakdowns and schedule of provisions are as follows:

Year ended March 31, 2020

	Asset retirement obligations	Provision for litigation	Provision for environmental measures	Other	Total
					Millions of yen
As of April 1, 2019	¥17,938	¥7,601	¥3,061	¥7,990	¥36,590
Arising during the year	10,687	—	2,470	2,971	16,128
Interest cost associated with passage of time	235	11	—	12	258
Utilized	(35)	(818)	(1,481)	(1,959)	(4,293)
Unused amounts reversed	(5,400)	(98)	(5)	(2,684)	(8,187)
Exchange differences on translation of foreign operations	(554)	—	(1)	(58)	(613)
Other	(160)	—	29	109	(22)
As of March 31, 2020	¥22,711	¥6,696	¥4,073	¥6,381	¥39,861
Current liabilities	¥201	¥ —	¥2,060	¥5,707	¥ 7,968
Non-current liabilities	22,510	6,696	2,013	674	31,893
Total	¥22,711	¥6,696	¥4,073	¥6,381	¥39,861

Year ended March 31, 2021

	Asset retirement obligations	Provision for litigation	Provision for environmental measures	Other	Total
					Millions of yen
As of April 1, 2020	**¥22,711**	**¥6,696**	**¥4,073**	**¥6,381**	**¥39,861**
Arising during the year	**757**	**60**	**13**	**8,858**	**9,688**
Interest cost associated with passage of time	**406**	**10**	**—**	**3**	**419**
Utilized	**(714)**	**(664)**	**(1,306)**	**(1,760)**	**(4,444)**
Unused amounts reversed	**(5,487)**	**(24)**	**—**	**(1,698)**	**(7,209)**
Exchange differences on translation of foreign operations	**411**	**—**	**2**	**223**	**636**
Other	**(5)**	**—**	**(30)**	**172**	**137**
As of March 31, 2021	**¥18,079**	**¥6,078**	**¥2,752**	**¥12,179**	**¥39,088**
Current liabilities	**¥439**	**¥ —**	**¥ —**	**¥11,251**	**¥11,690**
Non-current liabilities	**17,640**	**6,078**	**2,752**	**928**	**27,398**
Total	**¥18,079**	**¥6,078**	**¥2,752**	**¥12,179**	**¥39,088**

Note:
An increase during the period under review includes a provision for loss related to plant closure related to a decision to terminate production and close MMA monomer and MAA plants in Beaumont, Texas. See Note 10 Other Operating Income and Other Operating Expenses for details.

Asset retirement obligations
The Company covers recovery obligations for the rental real estate of the Group by recording projected payments based on historical amounts. These expenses are expected to be paid after one year or more; however, they may be affected by future business plans.

Reserves for Possible Losses in Connection with Litigation
Reserves for possible losses in connection with litigation are set aside for payments to settle lawsuits and in preparation for payments that may arise in the future. The main provisions for loss on litigation are as follows:

(1) Reserve for Health Management Allowances for HIV Compensation

To provide for future payments of health management allowances in connection with a lawsuit for damages filed by plaintiffs infected with HIV, the consolidated subsidiary, Mitsubishi Tanabe Pharma Corporation (MTPC) has set aside an estimated amount for such future payments.

Based on a letter confirming a settlement concluded in March 1996, an amount equivalent to the present value of the estimated future expenditure based on the payments to date for AIDS patients who have reached a settlement is recognized.

(2) Reserve for Health Management Allowances for Sub-acute Myelo-Optical Neuropathy (SMON) Compensation

MTPC has made a provision in the accompanying consolidated financial statements for the estimated future medical treatment payments to be made over the remaining lives of the parties entitled to such payments under the compromise settlement.

(3) Reserve for HCV Litigation

To provide for losses that may arise in the future from a settlement of lawsuits filed by plaintiffs infected with HCV (hepatitis C virus), MTPC has set aside an estimated amount for payments related to such settlement based on estimates of the number of people receiving relief and the amount of relief payments required under a law which stipulates that relief be provided to people who contacted hepatitis C from specific fibrinogen products or specific coagulation factor IX products.

Reserve for environmental measures
The Company records estimated losses to cover future losses from construction and environmental remediation activities. These expenses are expected to be paid after one year or more; however, they may be affected by future business plans.

Note 30

Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen	
	As of March 31, 2020	**As of March 31, 2021**
Short-term borrowings	¥ 422,290	**¥ 314,606**
Current portion of long-term borrowings	155,532	**125,109**
Commercial paper	70,000	**67,000**
Current portion of bonds	55,000	**50,000**
Current portion of convertible bond-type bonds with subscription rights to shares	—	**74,854**
Loans due to the transfer of trade receivables	21,586	**18,961**
Loans due to the transfer of trade receivables of subsidiaries	2,899	**2,945**
Bonds	486,823	**507,050**
Convertible bond-type bonds with subscription rights to shares	148,779	**74,303**
Long-term borrowings	920,345	**1,114,676**
Total	¥2,283,254	**¥2,349,504**
Current liabilities	¥ 727,307	**¥ 653,475**
Non-current liabilities	1,555,947	**1,696,029**
Total	¥2,283,254	**¥2,349,504**

Bonds and borrowings are classified as financial liabilities measured at amortized cost.

The average interest rates for short- and long-term borrowings as of March 31, 2020 were 0.578% and 1.162%, respectively.
The average interest rates for short- and long-term borrowings as of March 31, 2021 were 0.513% and 0.949%, respectively.
Repayment terms for long-term borrowings are from 2021 to 2059.

Loans due to the transfer of trade receivables are liabilities for transfers that do not meet the criteria for derecognition as financial assets.
Borrowings by consolidated subsidiaries from trade receivable transfers are liabilities related to transfers to consolidated subsidiaries.

The breakdown of bonds is as follows:

Millions of yen

Note	Name of bond	Term	Interest rate	As of March 31, 2020	**As of March 31, 2021**
1	2nd unsecured bond	2011-2021	1.204%	¥ 10,000	**¥ 10,000**
1	8th unsecured bond	2013-2020	0.948%	10,000	**—**
1	9th unsecured bond	2013-2023	1.226%	10,000	**10,000**
1	11th unsecured bond	2013-2020	0.604%	15,000	**—**
1	12th unsecured bond	2013-2023	0.918%	15,000	**15,000**
1	14th unsecured bond	2014-2021	0.482%	15,000	**15,000**
1	15th unsecured bond	2014-2024	0.800%	15,000	**15,000**
1	16th unsecured bond	2015-2022	0.433%	10,000	**10,000**
1	17th unsecured bond	2015-2025	0.755%	10,000	**10,000**
1	18th unsecured bond	2015-2020	0.281%	20,000	**—**
1	19th unsecured bond	2015-2022	0.476%	10,000	**10,000**
1	20th unsecured bond	2015-2025	0.711%	10,000	**10,000**
1	21st unsecured bond	2016-2021	0.120%	10,000	**10,000**
1	22nd unsecured bond	2016-2026	0.320%	10,000	**10,000**
1	23rd unsecured bond	2016-2036	0.850%	20,000	**20,000**
1	24th unsecured bond	2018-2028	0.370%	15,000	**15,000**
1	25th unsecured bond	2018-2038	0.890%	15,000	**15,000**
1	26th unsecured bond	2018-2028	0.410%	12,000	**12,000**
1	27th unsecured bond	2018-2038	1.000%	8,000	**8,000**
1	28th unsecured bond	2018-2048	1.380%	5,000	**5,000**
1	29th unsecured bond	2019-2029	0.330%	10,000	**10,000**
1	30th unsecured bond	2019-2039	0.830%	12,000	**12,000**
1	31st unsecured bond	2019-2049	1.214%	8,000	**8,000**
1	32nd unsecured bond	2020-2027	0.230%	20,000	**20,000**
1	33rd unsecured bond	2020-2030	0.280%	20,000	**20,000**
1	34th unsecured bond	2020-2040	0.690%	29,825	**29,833**
1	35th unsecured bond	2020-2025	0.190%	—	**25,000**
1	36th unsecured bond	2020-2030	0.400%	—	**15,000**
1	37th unsecured bond	2020-2040	0.830%	—	**10,000**
1	38th unsecured bond	2020-2030	0.360%	—	**10,000**
1	39th unsecured bond	2020-2040	0.770%	—	**10,000**
2	12th unsecured bond	2014-2021	0.558%	10,000	**—**
2	13th unsecured bond	2016-2021	0.140%	15,000	**15,000**
2	14th unsecured bond	2016-2026	0.390%	15,000	**15,000**
2	15th unsecured bond	2019-2024	0.130%	19,908	**19,928**
2	16th unsecured bond	2019-2026	0.190%	9,947	**9,955**
2	17th unsecured bond	2019-2029	0.300%	19,900	**19,910**
3	1st series deferrable interest and callable unsecured subordinated bonds	2019-2054	1.410%	99,323	**99,496**
4	2nd series deferrable interest and callable unsecured subordinated bonds	2019-2059	1.870%	7,920	**7,928**
	Subtotal			¥541,823	**¥557,050**
1	Zero coupon convertible bond-type bonds with subscription rights to shares due 2022	2017-2022	0.196%	74,707	**74,854**
1	Zero coupon convertible bond-type bonds with subscription rights to shares due 2024	2017-2024	0.312%	74,072	**74,303**
	Subtotal			148,779	**149,157**
	Total			¥690,602	**¥706,207**

Notes:
1. These corporate bonds are issued by the Company.
2. These corporate bonds are issued by Nippon Sanso Holdings Corporation, a domestic consolidated subsidiary.
3. These corporate bonds are issued by Nippon Sanso Holdings Corporation, a domestic consolidated subsidiary. A fixed interest rate from the day following January 29, 2019 to January 29, 2024 and a variable interest rate from the day following January 29, 2024 (with a step-up in the interest rate scheduled for January 30, 2024).
4. These corporate bonds are issued by Nippon Sanso Holdings Corporation, a domestic consolidated subsidiary. A fixed interest rate from the day following January 29, 2019 to January 29, 2029 and a variable interest rate from the day following January 29, 2029 (with a step-up in the interest rate scheduled for January 30, 2029).

Assets pledged as collateral and collateralized obligations are as follows:
Assets pledged as collateral

	Millions of yen	
	As of March 31, 2020	**As of March 31, 2021**
Buildings and structures	¥ 6,291	**¥ 6,842**
Machinery and vehicles	11,590	**10,888**
Land	6,417	**6,532**
Other	773	**1,680**
Total	¥25,071	**¥25,942**

Collateralized obligations

	Millions of yen	
	As of March 31, 2020	**As of March 31, 2021**
Trade payables	¥ 312	**¥ 226**
Short-term borrowings	46	**51**
Current portion of long-term borrowings	2,304	**1,537**
Long-term borrowings	6,088	**6,373**
Other	20	**25**
Total	¥ 8,770	**¥ 8,212**

Note 31

Changes in Liabilities Relating to Financing Activities

Changes in liabilities relating to financing activities are as follows:

Year ended March 31, 2020

Millions of yen

	Short-term borrowings	Commercial paper	Long-term borrowings (Note)	Bonds (Note)	Lease liabilities (Note)
As of April 1, 2019	¥799,770	¥68,000	¥778,513	¥600,468	¥ 16,329
Adjustment due to applying IFRS 16	—	—	—	—	100,614
Adjusted balance as of April 1, 2019	799,770	68,000	778,513	600,468	116,943
Cash flows	(330,088)	2,000	306,715	89,185	(30,555)
Increase (decrease) due to transfer to liabilities related directly associated with assets held for sale	(100)	—	(600)	—	—
Changes from acquisition or loss of control over subsidiaries or other businesses	331	—	732	—	(9,627)
Changes owing to new leases and contract changes, etc.	—	—	—	—	29,284
Impact of foreign exchange rate fluctuations, etc.	(23,138)	—	(9,483)	949	(1,239)
As of March 31, 2020	¥446,775	¥70,000	¥1,075,877	¥690,602	¥104,806

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

Year ended March 31, 2021

Millions of yen

	Short-term borrowings	Commercial paper	Long-term borrowings (Note)	Bonds (Note)	Lease liabilities (Note)
As of April 1, 2020	**¥446,775**	**¥70,000**	**¥1,075,877**	**¥690,602**	**¥104,806**
Cash flows	**(115,453)**	**(3,000)**	**129,742**	**14,640**	**(30,349)**
Changes from acquisition or loss of control over subsidiaries or other businesses	**1,178**	**—**	**2,738**	**—**	**—**
Changes owing to new leases and contract changes, etc.	**—**	**—**	**—**	**—**	**54,846**
Impact of foreign exchange rate fluctuations, etc.	**4,012**	**—**	**31,428**	**965**	**3,615**
As of March 31, 2021	**¥336,512**	**¥67,000**	**¥1,239,785**	**¥706,207**	**¥132,918**

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

Note 32

Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Accounts payable-other	¥ 212,111	**¥ 117,000**
Accrued expenses	78,052	**83,059**
Lease liabilities	104,806	**132,918**
Deposits	30,665	**34,942**
Other	22,439	**22,722**
Total	¥448,073	**¥390,641**
Current liabilities	¥359,540	**¥272,341**
Non-current liabilities	88,533	**118,300**
Total	¥448,073	**¥390,641**

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

Note 33

Lease Transactions

1. Profit or Loss and Cash Outflows Related to Lease Transactions

Profit or loss and cash outflows related to lease transactions are as follows.

Millions of yen

	Year ended March 31, 2020	Year ended March 31, 2021
Depreciation of right-of-use assets		
Underlying assets of land, buildings and structures	¥16,450	¥17,201
Underlying assets of machinery and vehicles	5,574	5,646
Underlying assets of tools, furniture and fixtures	2,676	2,683
Total	¥24,700	¥25,530
Expenses related to short-term leases	¥ 1,507	¥ 877
Expenses related to leases of low-value assets	10,841	10,333
Variable lease payments	353	253
Total cash outflows for leases	¥43,256	¥41,812

2. Additional Information Related to Lease Transactions

Many of the leasing activities of the Group entail real estate leasing, with land and buildings being leased mainly as office and factory land. To provide business flexibility, some leases contain extension and termination options. The Group assesses whether it is reasonably certain to exercise extension options (or not to exercise termination options) and determines the lease periods.

Under the Group's leasing activities, there are no significant restrictions or covenants imposed by leasing or sale and leaseback transactions.

Note 34

Other Liabilities

The breakdown of other liabilities is as follows:

		Millions of yen
	As of March 31, 2020	**As of March 31, 2021**
Suspense receipt (Note 1)	¥ 37,787	**¥ 75,336**
Employees' bonuses	40,495	**40,841**
Contract liability (Note 2)	23,158	**38,678**
Employees' paid leave related obligations	35,443	**35,153**
Accrued consumption taxes	13,051	**21,305**
Social insurance premiums received	3,719	**2,679**
Advances received (Note 3)	3,339	**1,748**
Other	46,323	**45,901**
Total	¥203,415	**¥261,641**
Current liabilities	¥122,575	**¥147,911**
Non-current liabilities	80,840	**113,730**
Total	¥203,415	**¥261,641**

Notes:

1. Suspense receipt include amounts recorded as liability for some royalties without recognizing revenue. See Note 7 Sales Revenues for details.
2. From the year ended March 31, 2021, the Company switched to separately disclosing contract liabilities that were included in Advances received, Deferred income from out-licensing agreements, and Other in the year ended March 31, 2020. As a result, ¥13,183 million in Advances received, ¥3,090 million in Deferred income from out-licensing agreements, and ¥6,885 million in Other in the year ended March 31, 2020 are reclassified and presented as Contract liabilities.
3. Advances related to items other than sales revenue.

Note 35

Trade Payables

Trade payables are as follows:

		Millions of yen
	As of March 31, 2020	**As of March 31, 2021**
Accounts payable	¥398,061	**¥382,272**

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

Note 36

Financial Instruments

1. Capital Management

Under the APTSIS 20 medium-term management plan (fiscal 2016 to 2020), which commenced from the year ended March 31, 2017, the Group aims to become a fast-growing, highly profitable corporate entity through its business domains in Performance Products, Health Care and Industrial Materials. The Company aims to balance efforts to invest in growth business, bolster shareholder returns, and reinforce its financial position and thereby enhance enterprise value. Key benchmarks are core operating income, core operating income return on sales, net income attributable to owners of the parent, return on equity, and the net debt-to-equity ratio.

	As of or year ended March 31, 2020	**As of or year ended March 31, 2021**
Return on Equity (ROE) (Note 1)	4.2%	**(0.6)%**
Net D/E ratio (Note 2)	1.79	**1.73**

Notes:

1. Net income attributable to owners of the parent / equity attributable to owners of the parent (averages of beginning and end of fiscal years)
2. Net interest-bearing debt*1 / equity attributable to owners of the parent (end of fiscal years)
   *1Net interest-bearing debt = Interest-bearing debt - (cash and cash equivalents + cash reserves*2)

*2 Cash reserves comprise certificates of deposits, securities, and other instruments other than cash equivalents that the Group holds to manage surplus funds.

2. Financial Risk Management

The Group is exposed to financial risks in the course of doing business in an array of fields around the world. It manages risks based on certain policies to reduce or avoid such risks. The policy with derivatives transactions is to restrict their use to actual demand. The Group does not enter into derivative transactions for speculative purposes. The relevant officers are informed about contract balances, fair value, and other elements of these transactions based on internal regulations for transaction authority and limits.

3. Credit Risk

The Group is exposed to customer credit risk for trade and other receivables acquired in the course of business. The securities that the Group holds are exposed to the credit risk of issuers. Derivatives transactions that the Group conducts to hedge financial risks are exposed to the credit risks of counterparty financial institutions.

In keeping with its credit management rules, the Group regularly monitors the trade receivables and long-term loans of major customers, oversees due dates and balances for each counterparty, and endeavors to swiftly identify and mitigate collections concerns arising from deteriorating financial positions. The Group only invests in bonds with high ratings, so credit risk is inconsequential. Derivatives transactions are only entered into with financial institutions with high credit ratings to minimize credit risk from nonperformance by counterparties. The Group prevents excessive concentrations of credit risk through special management procedures.

At the end of the fiscal year, the Group recognizes impairment losses based on historical rates to the Allowance for doubtful accounts, for significant uncollectible financial assets, and for insignificant financial assets. The Allowance for doubtful accounts relating to such assets is included in Trade receivables and Other financial assets in the Consolidated Statement of Financial Position.

Changes in the Allowance for doubtful accounts, measured at amounts equivalent to projected losses for the entire period, are as follows.

There were no significant differences between projected 12-month credit losses on loans and the projected credit losses for the entire period.

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Outstanding at the beginning of the period	¥9,807	**¥10,179**
Addition	2,637	**1,968**
Decrease (intended use)	(1,445)	**(1,378)**
Decrease (reversal)	(406)	**(629)**
Other	(414)	**1,414**
Outstanding at the end of the period	¥10,179	**¥11,554**

The maximum exposure to the credit risks of financial assets is the carrying amount after impairment presented in the Consolidated Statement of Financial Position.

The Group holds real estate, securities, etc. as collateral for receivables against certain customers.

Maximum exposure on credit risk of financial guarantee contracts is the amount of guarantee obligations etc. described in "Note 40 Contingent Liabilities".

4. Liquidity Risk

The Group's trade payables obligations and borrowings are exposed to liquidity risk. The Group manages this risk by producing cash plan and ensuring liquidity by maintaining commitment lines with several financial institutions.

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

As of March 31, 2020

	Millions of yen							
	Carrying amount	Contractual cash flow	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities:								
Trade payables	¥398,061	¥398,061	¥398,061	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	446,775	446,775	446,775	—	—	—	—	—
Commercial paper	70,000	70,000	70,000	—	—	—	—	—
Bonds	690,602	693,000	55,000	125,000	20,000	100,000	35,000	358,000
Long-term borrowings	1,075,877	1,080,863	155,532	114,698	106,578	137,557	114,916	451,582
Lease obligations	104,806	116,458	30,264	22,517	13,475	10,584	8,853	30,765
Accounts payable-other	212,111	212,111	212,111	—	—	—	—	—
Accrued expenses	78,052	78,052	78,052	—	—	—	—	—
Others	51,829	51,829	40,879	268	22	2	2	10,656
Derivative liabilities:								
Foreign exchange forward contracts	¥ 25	¥ 25	¥ 25	¥ —	¥ —	¥ —	¥ —	¥ —
Currency swaps	1,181	1,181	1,181	—	—	—	—	—
Interest rate swaps	69	69	18	11	11	11	11	7

As of March 31, 2021

Millions of yen

	Carrying amount	Contractual cash flow	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities:								
Trade payables	**¥382,272**	**¥382,272**	**¥382,272**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Short-term borrowings	**336,512**	**336,512**	**336,512**	**—**	**—**	**—**	**—**	**—**
Commercial paper	**67,000**	**67,000**	**67,000**	**—**	**—**	**—**	**—**	**—**
Bonds	**706,207**	**708,000**	**125,000**	**20,000**	**100,000**	**35,000**	**45,000**	**383,000**
Long-term borrowings	**1,239,785**	**1,245,217**	**125,109**	**118,407**	**151,731**	**154,350**	**97,141**	**598,479**
Lease obligations	**132,918**	**141,432**	**27,558**	**22,448**	**17,769**	**13,365**	**14,929**	**45,363**
Accounts payable-other	**117,000**	**117,000**	**117,000**	**—**	**—**	**—**	**—**	**—**
Accrued expenses	**83,059**	**83,059**	**83,059**	**—**	**—**	**—**	**—**	**—**
Others	**57,466**	**57,470**	**46,667**	**495**	**441**	**2**	**24**	**9,841**
Derivative liabilities:								
Foreign exchange forward contracts	**¥ 118**	**¥ 118**	**¥ 118**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Currency swaps	**2**	**2**	**1**	**1**	**—**	**—**	**—**	**—**
Interest rate swaps	**78**	**78**	**11**	**11**	**11**	**41**	**4**	**—**

For financial guarantee agreements, maximum amounts based on performance requests are the outstanding guaranteed liabilities described in Note 40 Contingent Liabilities.

The total commitment line and borrowing balance is as follows:

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Total commitment line	¥135,878	**¥136,432**
Borrowing balance	—	**—**
Unused balance	¥135,878	**¥136,432**

We are also diversifying funding, notably by obtaining uncommitment-based overdraft facilities with several financial institutions and by securing frameworks to issue commercial paper or register corporate bond issues.

5. Foreign Exchange Risk

Foreign currency denominated receivables and payables from the Group's global operations are exposed to foreign exchange fluctuation risk. The Group uses foreign exchange forward contracts and currency swaps as needed to hedge against the foreign currency risk associated with such receivables and payables.

The Group’s net investments in foreign operations are exposed to foreign exchange fluctuation risk. The Group hedges such risk as needed using foreign currency-denominated loans.

Foreign Exchange Sensitivity Analysis

If the yen at the end of the fiscal year was 1% higher against the U.S. dollar and the euro for the foreign currency denominated financial instruments that the Group held at the year end, the impact on income before taxes in the Consolidated Statement of Income would be as follows.

This analysis is based on multiplying each currency risk exposure by 1%, based on the assumption that other variables (including other foreign exchange rates and interest rates) are held constant.

	Millions of yen	
	Year ended March 31, 2020	**Year ended March 31, 2021**
U.S. dollar (1% appreciation of yen)	**¥(39)**	**¥(143)**
Euro (1% appreciation of yen)	**(6)**	**(25)**

6. Interest Rate Risk

Interest rate risk within the Group arises from interest-bearing debt net of cash equivalents. The Group raises funds needed to do business and make capital investments through borrowings and the issuance of corporate bonds. Borrowings and corporate bonds with floating rates are exposed to interest rate fluctuation risk.

The Group uses derivatives transactions (including interest rate swaps) to hedge against interest rate fluctuation risk.

Interest Rate Sensitivity Analysis

In the event the interest rate on financial instruments that the Group holds at the end of each fiscal year increases by 100 basis points, the impact on income before taxes in the Consolidated Statement of Income would be as follows:

The analysis is for financial instruments affected by interest rate fluctuations and assumes that other factors, including the impacts of foreign exchange fluctuations, are held constant.

	Millions of yen	
	Year ended March 31, 2020	**Year ended March 31, 2021**
Income before taxes	**¥(3,426)**	**¥(3,332)**

7. Market Price Fluctuation Risk

The Group's securities holdings are exposed to market price fluctuation risk.

With respect to securities, the Group regularly reviews the fair value and financial positions of issuers (business partners), and constantly reviews holdings by taking into account its relationships with business partners.

8. Fair Value of Financial Instruments

Financial instruments are classified into the following three-level fair value hierarchy:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs

Whether any financial instruments are determined to have been transferred between levels is considered at year-end. There were no significant transfers between levels in the years ended March 31, 2020 and 2021.

(1) Financial instruments measured at fair value on a recurring basis

Financial assets and liabilities measured at fair value on a recurring basis were as follows:

As of March 31, 2020

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Stocks and investments	¥ 75,050	¥ —	¥ 117,431	¥ 192,481
Stocks and investments held for sale	20	—	11	31
Derivatives	—	169	—	169
Total	¥75,070	¥ 169	¥ 117,442	¥ 192,681
Liabilities				
Derivatives	¥ —	¥1,275	¥ —	¥ 1,275
Total	¥ —	¥1,275	¥ —	¥ 1,275

As of March 31, 2021

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Stocks and investments	**¥ 86,261**	**¥ —**	**¥ 133,110**	**¥ 219,371**
Stocks and investments held for sale	**4,465**	**—**	**212**	**4,677**
Derivatives	**—**	**347**	**—**	**347**
Total	**¥90,726**	**¥ 347**	**¥ 133,322**	**¥ 224,395**
Liabilities				
Derivatives	**¥ —**	**¥ 198**	**¥ —**	**¥ 198**
Total	**¥ —**	**¥ 198**	**¥ —**	**¥ 198**

Stocks and investments

The fair value of marketable shares classified as Level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities.

The fair value of Level 3 unlisted shares and investments for which quoted prices in active markets are unavailable is calculated by using reasonably available inputs through similar company comparisons or other appropriate valuation techniques. Illiquidity discounts are added as needed.

Derivative assets and liabilities

The fair value of Level 2 derivative assets and liabilities is based on such observable inputs as prices provided by counterparty financial institutions or exchange and interest rates and such like.

The fair value of Level 3 financial instruments is calculated by valuation specialists determining valuation methods for each relevant financial instrument in accordance with valuation policies and procedures that include valuation methods for fair value calculations approved by suitably authorized personnel

Changes in Level 3 financial instruments are as follows:

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Balance at beginning of period	**¥84,173**	**¥117,442**
Other comprehensive income (Note)	**(1,712)**	**13,531**
Purchase and share exchange acceptance	**37,860**	**2,651**
Sales or redemptions	**(289)**	**(118)**
Others	**(2,590)**	**(184)**
Balance at end of period	**¥117,442**	**¥133,322**

Note: Included in “Financial assets measured at fair value through other comprehensive income” in the Consolidated Statement of Comprehensive Income

(2) Financial instruments measured at amortized cost
The carrying amounts and estimated fair values of the financial instruments measured at amortized cost are as follows:

As of March 31, 2020

Millions of yen

	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Debt securities	¥ 50,000	¥ —	¥ —	¥49,960	¥ 49,960
Total	¥ 50,000	¥ —	¥ —	¥49,960	¥ 49,960
Liabilities:					
Long-term borrowings	¥1,075,877	¥ —	¥1,094,455	¥ —	¥1,094,455
Bonds	690,602	—	695,108	—	695,108
Total	¥1,766,479	¥ —	¥1,789,563	¥ —	¥1,789,563

As of March 31, 2021

Millions of yen

	Carrying amounts	Fair value			
		Level 1	Level 2	Level 3	Total
Liabilities:					
Long-term borrowings	**¥1,239,785**	**¥ —**	**¥1,250,455**	**¥ —**	**¥1,250,455**
Bonds	**706,207**	**—**	**710,660**	**—**	**710,660**
Total	**¥1,945,992**	**¥ —**	**¥1,961,105**	**¥ —**	**¥1,961,105**

The carrying amounts of financial assets and liabilities measured at amortized cost, other than debt securities, long-term borrowings and bonds presented in the tables above, are approximately the same as the fair values of such financial assets and liabilities.

Debt securities
The fair value of Level 3 subordinated and other bonds is calculated with reference to prices provided by counterparty financial institutions.

Long-term borrowings
The fair value of Level 2 long-term loans is based on the present value, calculated by discounting the total principal and interest by the interest rate assumed for similar new borrowings.

Bonds

The fair value of Level 2 corporate bonds is based on the market price.

9. Transfers of Financial Assets
The Group transfers some operating receivables to a business entity comprising third-party financial institutions. The entity operates as part of these institutions and purchases a large amount of assets from customers other than those of the Group, so trade receivables that the Group transferred constitute a small proportion of the entity's total assets. The relevance of the Group to the assessment of exposure to the risks of this entity is therefore low.

(1) Transfers of financial assets that are not derecognized overall
As of March 31, 2020 and 2021, Trade receivables included ¥9,202 million and ¥7,811 million, respectively, of trade receivables that were transferred without satisfying financial asset derecognition requirements. Bonds and borrowings included ¥21,586 million and ¥18,961 million in transfers. These fair values approximate their carrying values. The net positions mainly stem from differences in periods for retained portions relating to sales of trade receivables and deposits of trade receivables and repayments of borrowings. If debtors defaulted on these trade receivables, the Group would be deemed to hold most of the risks and economic value of ownership of the transferred assets, as payment obligations would revert to the Group.

(2) Transfers of financial assets that are derecognized overall
In the years ended March 31, 2020 and 2021, expenses arising from transfers of trade

receivables that were derecognized in their entirety were ¥224 million and ¥228 million, respectively.

10. Derivative Transactions

(1) Derivative transactions to which hedge accounting is applied

The analysis of contract amounts of derivative transactions by due dates is as follows:

As of March 31, 2020

Millions of yen

	Contract amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash flow hedges							
Foreign exchange risk:							
Foreign exchange forward contracts	¥12,983	¥12,983	¥ —	¥ —	¥ —	¥ —	¥ —
Currency swaps	17,899	17,899	—	—	—	—	—
Interest rate risk:							
Interest rate swaps	3,639	2,298	298	298	298	298	149
Others	—	—	—	—	—	—	—
Hedge of net investments in foreign operations							
Foreign exchange risk:							
Foreign currency-denominated borrowings	74,718	—	—	—	—	—	74,718

As of March 31, 2021

Millions of yen

	Contract amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash flow hedges							
Foreign exchange risk:							
Foreign exchange forward contracts	**¥11,823**	**¥11,823**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Currency swaps	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Interest rate risk:							
Interest rate swaps	**12,842**	**—**	**—**	**—**	**12,842**	**—**	**—**
Others	**481**	**481**	**—**	**—**	**—**	**—**	**—**
Hedge of net investments in foreign operations							
Foreign exchange risk:							
Foreign currency-denominated borrowings	**81,125**	**—**	**—**	**—**	**—**	**—**	**81,125**

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

		Millions of yen
	As of March 31, 2020	**As of March 31, 2021**
Cash flow hedges		
Foreign exchange risk:		
Foreign exchange forward contracts		
U.S. dollars	¥103.93-111.68	**¥102.98-110.93**
Euros	¥118.23-122.43	**¥116.72-129.15**
Currency swaps		
British pounds	¥143.19	**—**
Interest rate risk		
Interest rate swaps		
Pay fixed rate, receive floating rate	0.23%-0.70%	**1.32%**

Amounts for derivatives designated as hedges are as follows:

As of March 31, 2020

					Millions of yen
	Contract amount	Carrying amount		Items in Consolidated Statement of Financial Position	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	¥ 12,983	¥ 96	¥ 23	Other financial assets Other financial liabilities	¥ 54
Currency swaps	17,899	—	1,181	Other financial liabilities	(1,181)
Interest rate risk:					
Interest rate swaps	3,639	—	69	Other financial liabilities	(138)
Others	—	—	—	—	8
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	74,718	—	74,718	Bonds and borrowings	937

As of March 31, 2021

Millions of yen

	Contract amount	Carrying amount		Items in Consolidated Statement of Financial Position	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	**¥ 11,823**	**¥ 91**	**¥ 100**	Other financial assets Other financial liabilities	**¥ (82)**
Currency swaps	**—**	**—**	**—**	Other financial liabilities	**121**
Interest rate risk:					
Interest rate swaps	**12,842**	**—**	**30**	Other financial liabilities	**39**
Others	**481**	**232**	**—**	Other financial assets	**232**
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	**81,125**	**—**	**81,125**	Bonds and borrowings	**(6,407)**

Amounts for items designated as hedges are as follows:

Millions of yen

	As of March 31, 2020			**As of March 31, 2021**		
	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness	Cash flow hedge reserve	Foreign currency translation surplus	Change in fair value of hedged item used as the basis for recognizing hedge ineffectiveness	Cash flow hedge reserve	Foreign currency translation surplus
Cash flow hedges						
Foreign exchange risk:						
Planned to purchase	¥ (54)	¥ 69	—	**¥ 82**	**¥ 50**	**—**
Foreign currency-denominated debt and interest	1,181	37	—	**(121)**	**—**	**—**
Interest rate risk:						
Interest on borrowings	138	45	—	**(39)**	**18**	**—**
Others	(8)	19	—	**(232)**	**100**	**—**
Hedge of net investments in foreign operations						
Foreign exchange risk:						
Exchange rate fluctuations in net investments	(937)	—	474	**6,407**	**—**	**(2,767)**

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

Year ended March 31, 2020

Millions of yen

	Changes in fair value of hedges recognized in other comprehensive income	Ineffective portions of hedges recognized in profit or loss	Consolidated Statement of Income items in which ineffective portions of hedges are included in profit or loss	Reclassification adjustments from cash flow hedge reserve to profit or loss	Consolidated Statement of Income items including profit from reclassification adjustments
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	¥32	¥—	¥—	¥23	Financial expenses
Currency swaps	37	—	—	—	—
Interest rate risk:					
Interest rate swaps	(39)	—	—	38	Financial expenses
Others	6	—	—	—	—
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	937	—	—	—	—

Year ended March 31, 2021

Millions of yen

	Changes in fair value of hedges recognized in other comprehensive income	Ineffective portions of hedges recognized in profit or loss	Consolidated Statement of Income items in which ineffective portions of hedges are included in profit or loss	Reclassification adjustments from cash flow hedge reserve to profit or loss	Consolidated Statement of Income items including profit from reclassification adjustments
Cash flow hedges					
Foreign exchange risk:					
Foreign exchange forward contracts	**¥83**	**¥—**	**¥—**	**¥(5)**	Financial income
Currency swaps	**(37)**	**—**	**—**	**(29)**	Financial income
Interest rate risk:					
Interest rate swaps	**(25)**	**—**	**—**	**1**	Financial expenses
Others	**159**	**—**	**—**	**(243)**	Financial expenses
Hedge of net investments in foreign operations					
Foreign exchange risk:					
Foreign currency-denominated borrowings	**(6,407)**	**—**	**—**	**—**	**—**

(2) Derivative transactions to which hedge accounting is not applied

Amounts relating to items not designated as hedges are as follows:

	As of March 31, 2020			**As of March 31, 2021**		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contracts	¥ 5,370	¥ —	¥ 37	**¥ 4,377**	**¥ —**	**¥ (18)**
Currency swaps	339	269	34	**366**	**295**	**22**
Interest rate swaps	—	—	—	**1,274**	**991**	**(48)**
Total	¥ 5,709	¥269	¥ 71	**¥ 6,017**	**¥1,286**	**¥ (44)**

Note 37

Subsidiaries

Subsidiaries with significant non-controlling interests in years ended March 31, 2020 and 2021, were as follows:

		Percentage of non-controlling interest	
Name of subsidiary	Location	As of March 31, 2020	**As of March 31, 2021**
NIPPON SANSO HOLDINGS CORPORATION (former TAIYO NIPPON SANSO CORPORATION)	Japan, others	49.4%	**49.4%**

Note:

Note1 Reporting Entity presents details regarding the change in trade name.

Since Mitsubishi Tanabe Pharma Corporation, a consolidated subsidiary, became wholly owned in the year ended March 31, 2020 and there were no significant non-controlling interests in Mitsubishi Tanabe Pharma Corporation at the end of the years ended March 31, 2020 and 2021, the Company has not disclosed items other than net income allocated to non-controlling interests and dividends paid to non-controlling interests for Mitsubishi Tanabe Pharma Corporation in the year ended March 31, 2020. Note 24 Capital details the transformation of that company into a wholly owned subsidiary.

Net income attributable to non-controlling interests of relevant subsidiaries and dividends paid to non-controlling interests are as follows:

Millions of yen

	Year ended March 31, 2020		**Year ended March 31, 2021**
	Mitsubishi Tanabe Pharma Corporation	TAIYO NIPPON SANSO CORPORATION	NIPPON SANSO HOLDINGS CORPORATION
Net income (loss) attributable to non-controlling interests	¥(1,371)	¥26,681	**¥28,073**
Dividends paid to non-controlling interests	13,879	6,391	**6,514**

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

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
	TAIYO NIPPON SANSO CORPORATION	NIPPON SANSO HOLDINGS CORPORATION
Cumulative non-controlling interests amounts	¥222,418	**¥271,962**

Summary financial information of Nippon Sanso Holdings Corporation (formerly Taiyo Nippon Sanso Corporation) is as follows. Summary financial information below is calculated based on the amounts before elimination in consolidation, adjusting goodwill and other items recognized at the time of a business combination.

Summary Consolidated Statements of Financial Position

Millions of yen

	As of March 31, 2020 TAIYO NIPPON SANSO CORPORATION	**As of March 31, 2021** NIPPON SANSO HOLDINGS CORPORATION
Current assets	¥ 367,302	**¥ 368,901**
Non-current assets	1,464,947	**1,544,556**
Total	¥1,832,249	**¥1,913,457**
Current liabilities	331,903	**326,019**
Non-current liabilities	996,880	**983,369**
Total	¥1,328,783	**¥1,309,388**
Equity	503,466	**604,069**
Total	¥1,832,249	**¥1,913,457**

Summary Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Millions of yen

	As of March 31, 2020 TAIYO NIPPON SANSO CORPORATION	**As of March 31, 2021** NIPPON SANSO HOLDINGS CORPORATION
Sales revenue	¥850,239	**¥818,238**
Net income	51,396	**55,172**
Total comprehensive income	9,608	**116,227**

Summary Consolidated Statements of Cash Flows

Millions of yen

	As of March 31, 2020 TAIYO NIPPON SANSO CORPORATION	**As of March 31, 2021** NIPPON SANSO HOLDINGS CORPORATION
Cash flows from operating activities	¥150,084	**¥149,232**
Cash flows from investing activities	(62,630)	**(59,686)**
Cash flows from financing activities	(46,242)	**(103,159)**
Effect of exchange rate changes on cash and cash equivalents	(1,096)	**4,543**
Net increase (decrease) in cash and cash equivalents	¥ 40,116	**¥ (9,070)**

Note 38

Related Parties

1. Related Party Transactions

Transactions with major related parties are as follows. For sales of goods and services, the principal transactions are product sales, while the main transactions for goods purchases are purchases of raw materials. The terms for transactions with related parties are similar to those of independent third-party transactions.

Millions of yen

	Year ended March 31, 2020		**Year ended March 31, 2021**	
	Joint venture	Associates	Joint venture	Associates
Sales of goods and services	¥62,576	¥29,449	**¥62,242**	**¥26,765**
Purchases of goods and services	24,024	40,687	**18,988**	**41,081**

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

Millions of yen

	As of March 31, 2020		**As of March 31, 2021**	
	Joint venture	Associates	Joint venture	Associates
Receivables				
Accounts receivable	¥14,302	¥ 7,274	**¥16,991**	**¥7,214**
Others	635	1,548	**432**	**1,415**
Total	¥14,937	¥ 8,822	**¥17,423**	**¥8,629**
Obligations				
Accounts payable	¥ 3,154	¥4,418	**¥ 2,893**	**¥4,958**
Others	11	204	**70**	**80**
Total	¥ 3,165	¥4,622	**¥ 2,963**	**¥5,038**

2. Remuneration for key Group executives

Remuneration for key Group executives is as follows:

Millions of yen

	Year ended March 31, 2020	**Year ended March 31, 2021**
Remuneration and bonuses	¥1,788	**¥1,700**
Share-based compensation	116	**107**
Total	¥1,904	**¥1,807**

Note 39

Commitments

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

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Acquisitions of property, plant and equipment and intangible assets	¥169,921	**¥182,294**

Note 40

Contingent Liabilities

Guarantee Obligations

Guarantees and similar undertakings for borrowings from joint ventures, associates and financial institutions of general business partners are as follows.

Millions of yen

	As of March 31, 2020	**As of March 31, 2021**
Joint ventures	¥6,741	**¥3,896**
Associates	247	**228**
General business partners	225	**179**
Others	1,170	**1,070**
Total	¥8,383	**¥5,373**

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1036
Fax:+81 3 3503 1506
ey.com

Independent Auditor's Report

The Board of Directors
Mitsubishi Chemical Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Chemical Holdings Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Valuation of goodwill with impairment test	
Key audit matter	How our audit addressed the key audit matter
On March 31, 2021, goodwill is valued at ¥671,889 million (12.7% of total assets) in the consolidated statement of financial position. As described in note 14 and 16 to the consolidated financial statements, the breakdown of goodwill by cash generating unit is as follows; Industrial gases business in the amount of ¥476,639 million, Ethical pharmaceuticals business in the amount of ¥58,211 million, MMA business in the amount of ¥38,190 million, and others in the amount of ¥98,849 million. In the impairment tests, the recoverable amount of cash generating units including goodwill is measured based on value in use. The value in use is measured using discounted cash flow projections. The cash flow projections are based on the business plan for up to five years approved by management. For the subsequent periods, the Company estimates the cash flow projections and growth rates considering future uncertainties. The significant assumptions in estimating the value in use are the cash flow projections based on the business plan for up to five years, the growth rates for the subsequent periods and the discount rates. The medium-term management plan considers the impacts of the Coronavirus disease (COVID-19) pandemic and is affected primarily by the sales revenue forecasts and the market growth rates. The impairment test of goodwill is complex and the assumptions in the future cash	We performed the following procedures to assess valuation of goodwill, among others: ■ Valuation methodologies - With the involvement of the valuation specialists of our network firm, we assessed valuation methodologies used in the calculation of the value in use. ■ Cash flow projections - In order to ensure that the cash flow projections used in the impairment tests are based on the business plan for up to five years approved by management, we assessed consistency of the business plan with the budget for the next year and the medium-term management plan approved by management. - In order to evaluate the degree of accuracy of estimation process for the future business plan, we compared the budgets and medium-term management plan in the prior years with actual results. In addition, we discussed the impacts of the COVID-19 pandemic with management and evaluated management's assumptions on the duration of the economic fallout and the impacts on the business. - We assessed the key inputs included in the estimation for the business plan such as the sales revenue forecasts and the market growth rates by discussing with management, comparing the relevant assumptions with market forecasts and publicly available data, performing comparisons with similar companies, and analyzing trends using actual results in order to ensure the reasonableness.

flows, growth rates and discount rates have a significant impact on value in use calculations and involve uncertainties. Given that the calculation result of value in use and the judgment of whether or not impairment is necessary significantly depend on the assessment and judgment of management, we determined it to be a key audit matter.	■ Growth rates for the subsequent periods and responses to estimation uncertainty - In order to ensure that future uncertainties are evaluated and reflected by management, we evaluated management's assessment of estimation uncertainty related to long-term market growth rates. - If there was insufficient headroom in the cash generating units, we assessed whether value in use was not less than the carrying value, even considering additional risks. ■ Discount rates - In order to evaluate the reasonableness of the calculation results, we assessed the consistency between the input information used in the calculation and available external information by involving the valuation specialists of our network firm.

Valuation of intangible assets with indefinite useful lives identified in the acquisition of NeuroDerm Ltd. (In-process research and development expenses related to pharmaceutical products)	
Key audit matter	How our audit addressed the key audit matter
On March 31, 2021, Intangible assets with indefinite useful lives are valued at ¥79,474 million (1.5% of total assets) in the consolidated statement of financial position and the related disclosure of Intangible assets with indefinite useful lives is made in note 14 to the consolidated financial statements. Intangible assets with indefinite useful lives mostly consist of in-process research and development expenses recognized when Mitsubishi Tanabe Pharma Corporation, a consolidated subsidiary of the Company, acquired NeuroDerm Ltd. in October 2017 and the corresponding carrying amount is ¥45,280 million (0.9% of total assets). In the second quarter of the current fiscal year, it was determined that the future profitability is expected to decline due to changes in the development plan for the treatment for Parkinson's disease developed by NeuroDerm Ltd. because of changes in the business environment. As a result of revising the business plan based on market research, the recoverable amount was less than the book value. The book value has been reduced to the recoverable amount, and an impairment loss of ¥84,534 million has been recorded for in-process research and development expenses. Because the in-process research and development expenses are at the research and development stage, have yet to obtain marketing approval from regulatory authorities, and are not available for use, the	We performed the following procedures to assess valuation of the in-process research and development expenses, among others: ■ Valuation methodologies - With the involvement of the valuation specialists of our network firm, we assessed valuation methodologies used in the calculation of the value in use. ■ Probability of marketing approval by regulators - We assessed the probability of marketing approval from regulatory authorities by considering publicly available and observable success ratios for each stage of research and development. We also discussed the current development status of the products and the probability of approval including the impacts of the COVID-19 pandemic with management and the persons responsible for the products. ■ Sales revenue forecasts after launch - In order to evaluate the reasonableness of the key inputs in the cash flow projections based on the market research by the external institution, we assessed projected sales prices and volumes, and market share of the products to evaluate the projected revenues after launch of products. We compared the relevant assumptions with market forecasts from external institutions and examined changes from the projections in the previous year. We compared management’s assumptions with external

period during which the future economic benefits embodied in the assets are consumed is unforeseeable and therefore, the assets are classified as intangible assets with indefinite useful lives. The Company does not amortize intangible assets with indefinite useful lives and conducts impairment tests annually and whenever there are indications of impairment. In the impairment tests, the recoverable amount of the in-process research and development expenses is measured based on value in use. The value in use is measured using discounted cash flow projections, and the significant assumptions thereof are the probability of marketing approval from regulatory authorities, the sales revenue forecasts after launch of products and the discount rates. Prospects for the product pipelines at the development stage in the pharmaceutical industry are highly uncertain. Probability of marketing approval by regulators, the sales revenue forecasts after launch and its main input information, and discount rates all have significant impact on the calculation of value in use. Given that the significant assumptions depend on the assessment and judgment of management and affect the calculation result of value in use and the judgment of the necessity of impairment, we determined it to be a key audit matter.	data where it was available. We also discussed with management and reviewed management presentation materials to the Board of Directors. ■ Discount rates - In order to evaluate the reasonableness of the calculation results, we assessed the consistency between the input information used in the calculation and available external information with involvement of the valuation specialists of our network firm. ■ Responses to estimation uncertainty - We identified the risk factors considered for probability of marketing approval by regulators and sales revenue forecasts after launch through discussions with management and department managers, and we examined the evaluation of uncertainty by management. - With regard to the annual impairment test after recording impairment losses, we considered the necessity for changes to key assumptions and assessed that value in use was not less than the carrying amount, even considering additional risks.

Valuation of deferred tax assets for tax loss carryforwards	
Key audit matter	How our audit addressed the key audit matter
On March 31, 2021, deferred tax assets are valued at ¥67,346 million (1.3% of total assets) in the consolidated statement of financial position. The related disclosure of income taxes is made in note 12 to the consolidated financial statements. The Company recognizes deferred tax assets for future deductible temporary differences and unused tax loss carryforwards, considering the planned reversal of deferred tax liabilities, expected future taxable income and tax planning. In particular, the Company has unused tax loss carryforwards incurred in the prior years, and recognizes the deferred tax assets of ¥47,393 million (0.9% of total assets) for part of unused tax loss carryforwards considering estimates of the expected future taxable income. The estimates of future taxable income are based on the Company's business plan considering the impacts of the COVID-19 pandemic, and the significant assumptions thereof are primarily the sales revenue forecasts and the forecasted market prices of raw materials. Given that the valuation of deferred tax assets is based on primarily management's estimates of future taxable income, and is affected by the underlying business plan and significant assumptions involving management's evaluation and judgment, we determined it to be a key audit matter.	We performed the following procedures to assess valuation of the deferred tax assets for tax loss carryforwards, among others: ■ Temporary differences balance and scheduling - In order to evaluate the reasonableness of the amounts of existing temporary differences and unused tax loss carryforwards, we assessed the scheduling of the reversals of existing temporary differences and the utilizations of unused tax loss carryforwards with the involvement of the tax specialists of our network firm. ■ Estimating future taxable income - In order to evaluate the appropriateness of the future taxable income estimated by management, we assessed the underlying business plan. Specifically, in order to evaluate the reasonableness of the business plan, we assessed consistency of the business plan with the budget for the next year approved by management. In order to evaluate the degree of accuracy of estimation process, we also compared the past budget and medium-term management plan with actual results. In addition, we discussed the impacts of the COVID-19 pandemic with management and evaluated management's assumptions on the duration of the economic fallout and impacts on the business. - In order to assess the reasonableness of significant assumptions included in the business plan such as the sales revenue forecasts and the forecasted market prices of raw materials, we discussed with management, performed trend analysis considering actual results and performing

	comparisons with market forecasts and publicly available data. ■ Responses to estimation uncertainty - With regard to significant assumptions included in the business plan, we identified risk factors considered uncertainties by discussing with management and department managers, and we evaluated management's assessment of estimation uncertainty.

Responsibilities of Management, the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern. The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within 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 Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2021

/s/ Kazuomi Nakamura
Designated Engagement Partner
Certified Public Accountant

/s/ Takayuki Ueki
Designated Engagement Partner
Certified Public Accountant

/s/ Kosuke Kawabata
Designated Engagement Partner
Certified Public Accountant

/s/ Makoto Okabe
Designated Engagement Partner
Certified Public Accountant

Mitsubishi Chemical Holdings Corporation
1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8251
www.mitsubishichem-hd.co.jp/english