

To Shareholders:

On behalf of the Board, I would like to thank you, our shareholders, for your continued support.

In delivering our Notice of Convocation for our 17th Ordinary General Meeting of Shareholders, I would first like to express my heartfelt sympathy to all who have suffered the direct and indirect impacts of the spread of the Coronavirus disease (COVID-19).

In the fiscal year 2021 (April 1, 2021, to March 31, 2022), the impact of COVID-19 brought continued economic uncertainty given new infection rates, the easing of restrictions, and increasing economic activity. Domestic and overseas demand trended toward recovery from the previous fiscal year; however, continually rising raw material and fuel prices further soared due to the situation in Ukraine. Our Group responded swiftly to the challenging business environment, which resulted in significant annual increases in both revenue and profit.

The 2021 year-end dividend was ¥15 per common share. This, combined with an interim disbursement of ¥15 per share, results in a total annual dividend of ¥30 per share, compared to ¥24 from the previous fiscal year.

In December 2021, we announced our new management policy—Forging the Future—that lays out a clear strategy to unlock the growth potential of our Group and drive operational excellence. In addition, in April 2022, we shifted to an integrated management structure, operating with greater efficiency as "One Company, One Team."

The MCHC Group is committed to our KAITEKI vision of sustainably balancing social and economic value, while increasing corporate value through innovation.

Thank you for your continued support as we work to build the MCHC Group of the future.

June 2022

Jean-Marc Gilson

Director of the Board, Corporate Executive Officer, President and CEO
Mitsubishi Chemical Holdings Corporation

NOTE:

Please note that this is a summary translation of the Notice of Meeting in Japanese only for the reference of foreign investors and is not an official text, and the Card for Exercise of Voting Rights is not attached. The official Notice has been mailed to the custodian in Japan of each foreign shareholder. The Company is not responsible for the accuracy or completeness of the translation.

June 2, 2022

To Shareholders:

Notice of the 17th Ordinary General Meeting of Shareholders

On behalf of the Board, I would like to thank you, our shareholders, for your continued support.

Mitsubishi Chemical Holdings Corporation (hereinafter the “Company” or “MCHC”) cordially invites you to attend the 17th Ordinary General Meeting of Shareholders to be held on the date and at the venue specified below.

This meeting will be broadcast live over the Internet so that you can view the meeting on a real-time basis, without having to come to the venue on the day of the meeting.

(For information on how to view the meeting, please see “How to Participate in the General Meeting of Shareholders via the Internet,” a separate document contained in this envelope.)

If you are not attending the meeting in person, please exercise your voting rights in advance, by postal mail or the Internet, by following the instructions on “Exercise of Voting Rights” (pp. 4-5).

(Supplemental Note: Foreign investors may not vote by mail or the Internet. The official Notice and the Card for Exercise of Voting Rights have been mailed to each custodian in Japan. The Company asks foreign investors to indicate their agreement or disagreement on the proposals to the custodians. However, in case they have participated in the Electronic Platform to Exercise Voting Rights for Institutional Investors operated by ICJ, Inc., they can exercise their rights via the said platform.)

Sincerely yours,

Jean-Marc Gilson

Director of the Board, Corporate Executive Officer, President and CEO

Mitsubishi Chemical Holdings Corporation

- 1. Date** Friday, June 24, 2022, from 10:00 a.m. (Reception starts at 9:00 a.m.)
- 2. Venue** Royal Park Hotel, 3rd Floor, Royal Hall
1-1, Nihonbashi Kakigara-cho 2-chome, Chuo-ku, Tokyo

3. Agenda

Matters to be Reported

- Item 1. The contents of the Business Report, the Consolidated Financial Statements, and results of audit by the Accounting Auditor and the Audit Committee of the Consolidated Financial Statements for the 17th fiscal year from April 1, 2021, to March 31, 2022
- Item 2. The contents of the Non-consolidated Financial Statements for the 17th fiscal year from April 1, 2021, to March 31, 2022

Matters to be Resolved

- Agendum 1. Amendment to Articles of Incorporation
- Agendum 2. Election of Nine (9) Directors of the Board

Disclosure on the Internet

1. Pursuant to the relevant laws and regulations and Article 18 of MCHC's Articles of Incorporation, the Matters Related to Stock Acquisition Rights, System to Ensure that the Company Operates in an Appropriate Manner and Overview of its Implementation, the Basic Policy on Control of the Company, the Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements, and the Non-consolidated Statement of Changes in Net Assets and the Notes to the Non-consolidated Financial Statements are posted on MCHC's website (<https://www.mitsubishichem-hd.co.jp/>), and thus they are not presented as attachments to this Notice of the 17th Ordinary Meeting of Shareholders.
- (Supplemental Note: This English translation file contains the Matters Related to Stock Acquisition Rights, the Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements, and the Non-consolidated Statement of Changes in Net Assets and the Notes to the Non-consolidated Financial Statements.)**
2. Please be aware that if it becomes necessary to revise information contained in the Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or the Non-consolidated Financial Statements, the revised information will be posted on MCHC's website (<https://www.mitsubishichem-hd.co.jp/>).

Exercise of Voting Rights

Voting rights are principal rights of shareholders. Please exercise your voting rights after reading the Reference Materials for the General Meeting of Shareholders on pages 6 to 25 of this notice. There are three ways to exercise your voting rights as described below:

1. By submitting Card for Exercise of Voting Rights by mail

Please indicate your approval or disapproval of the proposals on the enclosed Card for Exercise of Voting Rights and return it to the Company.

Exercise due date: To be received no later than 5:45 p.m. on Thursday, June 23, 2022

2. By exercising voting rights via the Internet

Please access our Internet voting website through a computer or a smartphone and enter your approval or disapproval of the proposals. Please read further instructions given on the next page.

Exercise due date: No later than 5:45 p.m. on Thursday, June 23, 2022

*Shareholders will be responsible for the Internet connection charges and the communication charges, etc. arising from accessing the Voting Website.

3. By attending the general meeting of shareholders

Please submit the enclosed Card for Exercise of Voting Rights to reception at the meeting venue.

Date and Time: Friday, June 24, 2022, from 10:00 a.m. (Reception starts at 9:00 a.m.)

[Exercising Voting Rights via the Internet]

Scanning QR code®

You can simply login to the website for exercising voting rights without entering your login ID and temporary password printed on the Voting Instructions Form.

1. Please scan the QR code® located on the right side of the Voting Instructions Form.

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the instructions on the screen.
* screen image

Note that you can login to the website only once by using QR code®.
If you wish to redo your vote or exercise your voting rights without using QR code®, please refer to the “Entering login ID and temporary password” on the right.

Entering login ID and temporary password

Voting Website:
<https://evote.tr.mufg.jp/>

1. Please access the Voting Website.
2. Enter your “login ID” and “temporary password” printed on the Voting Instructions Form.
3. Please register a new password.
4. Indicate your approval or disapproval by following the instructions on the screen.

[System Support]

Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Division (Help Desk)
0120-173-027 (toll-free, within Japan only / 9:00 a.m. to 9:00 p.m.)

[Handling of Redundant Voting]

In the case where the Card for Exercise of Voting Rights is submitted by mail and voting rights are exercised via the Internet, votes exercised via the Internet will be considered effective. If voting rights are exercised multiple times via the Internet, the final vote cast will be considered effective.

[For Institutional Investors]

Shareholders who have participated in the Electronic Platform to Exercise Voting Rights for Institutional Investors operated by ICJ, Inc. can exercise their rights via the said platform.

[Exercising Voting Rights by Proxy]

If you are unable to attend the Ordinary General Meeting of Shareholders, you may exercise voting rights by a proxy who is also a shareholder with voting rights. Please be aware that a written statement attesting to the right of proxy must be submitted.

Reference Materials for the General Meeting of Shareholders

Agenda and References

Agendum 1. Amendment to Articles of Incorporation

1. Reason for Proposal

(1) Based on the new management policy of “Forging the future” announced in December 2021, the Company has been promoting the shift to the “One Company, One Team” flat organizational structure since April 1, 2022.

In order to represent our new organizational structure to implement strategies in a unified manner across the Group, we have decided to change our trade name to “Mitsubishi Chemical Group Corporation”. Under clear strategies to operate our businesses by pursuing efficiency and to draw out growth potential for our businesses, we will aim to maximize the corporate value of the Mitsubishi Chemical Group.

(2) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.

- ① Article 18, paragraph 1 in “Proposed Amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference materials for the general meeting of shareholders, etc. in electronic format.
- ② Article 18, paragraph 2 in “Proposed Amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- ③ Since the provisions for “Internet-based Disclosure of Reference Materials for the General Meeting of Shareholders, Etc.” (Article 18 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- ④ Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

2. Contents of Amendment

Details of the amendment are as follows:

(Underlined portions indicate the parts that are to be changed)

Current Articles of Incorporation	Proposed Amendments
<p>Article 1 (Trade Name)</p> <p>The name of the Company shall be <u>Kabushiki Kaisha Mitsubishi Chemical Holdings</u>, and shall be rendered in English as <u>Mitsubishi Chemical Holdings Corporation</u>.</p>	<p>Article 1 (Trade Name)</p> <p>The name of the Company shall be <u>Mitsubishi Chemical Group Kabushiki Kaisha</u>, and shall be rendered in English as <u>Mitsubishi Chemical Group Corporation</u>.</p>
<p>Articles 2 – 17 (Text omitted)</p>	<p>Articles 2 – 17 (Unchanged)</p>
<p>Article 18 (Internet-based Disclosure of Reference Materials for the General Meeting of Shareholders, Etc.)</p> <p><u>In convening a general meeting of shareholders, the Company may be deemed to have provided shareholders with information to be stated or indicated in reference materials for the general meeting of shareholders, business report, financial statements and consolidated financial statements, by disclosing the information via the Internet in accordance with the Ministry of Justice Order.</u></p>	<p>(Deleted)</p>
<p>(Newly established)</p>	<p><u>Article 18 (Measures, etc. for Providing Information in Electronic Format)</u></p> <p><u>1. When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference materials for the general meeting of shareholders, etc. in electronic format.</u></p>

Current Articles of Incorporation	Proposed Amendments
Articles 19 – 41 (Text omitted)	<p><u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p>Articles 19 – 41 (Unchanged)</p>
Supplementary Provisions	Supplementary Provisions
Article 1 (Text omitted)	Article 1 (Unchanged)
(Newly established)	<p><u>Article 2</u></p> <p><u>1. The amendment to Article 1 (Trade Name) shall be effective from July 1, 2022.</u></p> <p><u>2. These supplementary provisions of Article 2 shall be deleted after the effective date of the preceding paragraph.</u></p>
(Newly established)	<p><u>Article 3</u></p> <p><u>1. The amendment to Article 18 shall be effective from September 1, 2022, the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>2. Notwithstanding the provision of the preceding paragraph, Article 18 of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p>

Current Articles of Incorporation	Proposed Amendments
	<p><u>3. These supplementary provisions of Article 3 shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Agendum 2. Election of Nine (9) Directors of the Board

The terms of office of all 12 Directors will expire at the conclusion of this General Meeting of Shareholders. Based on the decision by the Nominating Committee, the Board of Directors proposes the election of nine Directors.

The candidates for Directors are as described in No. 1 to 9 below.

Candidate No.	Name	Present position and duty at the Company		Area of expertise the Company expects from candidates for Directors in particular*						
				Management experience	Finance and accounting	Science technology, IT and production	Risk management	Business strategy and marketing	Laws and regulations, etc.	Globality and diversity
1	Jean-Marc Gilson	Director of the Board, Corporate Executive Officer, President and CEO	Reelection	•				•		•
2	Ken Fujiwara	Director of the Board, Executive Vice President, Member of the Compensation Committee	Reelection				•		•	•
3	Glenn H. Fredrickson	Director of the Board	Reelection			•		•		•
4	Hiroshi Katayama	Director of the Board Member of the Audit Committee	Reelection				•		•	•
5	Takayuki Hashimoto	Director of the Board Member of the Nominating Committee Member of the Compensation Committee	Reelection Outside Director Independent Officer	•				•		•
6	Chikatomo Hodo	Director of the Board Member of the Nominating Committee Member of the Compensation Committee	Reelection Outside Director Independent Officer	•		•				•
7	Kiyomi Kikuchi	Director of the Board Member of the Nominating Committee Member of the Audit Committee	Reelection Outside Director Independent Officer				•		•	•

Candidate No.	Name	Present position and duty at the Company		Area of expertise the Company expects from candidates for Directors in particular*							
				Management experience	Finance and accounting	Science technology, IT and production	Risk management	Business strategy and marketing	Laws and regulations, etc.	Globality and diversity	
8	Tatsumi Yamada	Director of the Board Member of the Audit Committee Member of the Compensation Committee	Reelection Outside Director Independent Officer		●		●				●
9	Takako Masai	Director of the Board Member of the Nominating Committee Member of the Audit Committee	Reelection Outside Director Independent Officer		●		●				●

* Up to three particular areas of expertise the Company expects from each of candidates for Director are indicated for reference purposes.

MCHC has established the “Mitsubishi Chemical Holdings Corporate Governance Guidelines,” which set down the constitution of the Board of Directors and the policy on nomination of Director candidates, etc. An overview of the guidelines is as follows.

Constitution of the Board of Directors


In order to establish the Group’s basic management policies and oversee management appropriately, Directors who possess an advanced level of knowledge and deep insight in management experience, finance and accounting, science technology, IT and production, risk management, business strategy and marketing, laws and regulations, etc., and globality and diversity are appointed.


Furthermore, in a bid to enhance oversight functions, a majority of the Board of Directors shall not concurrently serve as Corporate Executive Officers.


Policy on nomination of Director candidates


The Nominating Committee nominates persons who fulfill the following criteria as candidates for Directors.


- possess deep insight, as well as objective and fair judgment, which are necessary to fulfill the responsibilities of a director of a company with Nominating Committee, etc.
- possess high ethical standards and a law-abiding mind.
- healthy enough to fulfill the responsibilities as a Director.
- For Outside Directors, fulfill independence standards that are separately stipulated (on pages 24 to 25), and be able to secure enough time to execute business. In addition, be able to secure diversity among Outside Directors.

	No. 1 (Reelection)	Jean-Marc Gilson	
		Date of birth	December 6, 1963
		Number of the Company's shares held	387,119
		Term of office	1 year
		Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 7/7 (100%)
		Position and duty at the Company	Director of the Board, Corporate Executive Officer, President and CEO
[Personal history]			
Aug. 1989	Joined Dow Corning Corp.	Feb. 2011	Chief Executive Officer of Avantor Performance Materials (until December 2011)
Jun. 2005	Corporate Vice President & General Manager of Specialty Chemicals Business, President Asian Area of Dow Corning Corp. (until June 2009)	Feb. 2012	Vice Chairman & Chief Operating Officer of NuSil Technology LLC (until June 2014)
	Shareholder Representative	Sep. 2014	Chief Executive Officer of Roquette Frères (until December 2020)
	Director of Dow Corning Toray Co., Ltd. (until June 2009)	Feb. 2021	Executive Advisor of Mitsubishi Chemical Holdings Corporation
Jun. 2009	Executive Vice President & General Manager of Specialty Chemicals Business of Dow Corning Toray Co., Ltd. (until December 2010)	Apr. 2021	Corporate Executive Officer, President and CEO of Mitsubishi Chemical Holdings Corporation
		Jun. 2021	Director of the Board, Corporate Executive Officer, President and CEO of Mitsubishi Chemical Holdings Corporation (to present)
[Significant concurrent positions]			
Director of the Board of The KAITEKI Institute, Inc.			
[Reason for choosing as a candidate for Director and expected role, etc.]			
<p>Jean-Marc Gilson has abundant experience and profound insight in international corporate management, having been involved in the management of chemical companies in both the West and Asia, and in the fields of specialty chemicals and life science. He has been at the helm of the Company's operations as Corporate Executive Officer, President, and CEO since April 2021, and has spearheaded a raft of measures aimed at accelerating the transformation of the MCHC Group's business portfolio and delivering sustainable growth. At meetings of the Board of Directors, he periodically reports on the general status of the Company's operations, thereby exercising accountability toward the Board. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.</p>			


	No. 2 (Reelection)	Ken Fujiwara	
		Date of birth	August 10, 1960
		Number of the Company's shares held	30,061
		Term of office	4 years
		Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/9 (100%) Nominating Committee meeting 6/6 (100%) Compensation Committee meeting 2/2 (100%)
		Position and duty at the Company	Director of the Board, Executive Vice President (Legal, Internal Control, Human Resources, Administration and Corporate Secretary) Chief Group Compliance Officer General Counsel Member of the Nominating Committee
[Personal history]			
Apr. 1984	Joined Mitsubishi Chemical Industries Limited	Apr. 2018	Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
Apr. 2015	Executive Officer of Mitsubishi Chemical Holdings Corporation	Jun. 2018	Director of the Board, Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
Apr. 2017	Executive Officer of Mitsubishi Chemical Corporation (until March 2018)	Apr. 2022	Director of the Board, Executive Vice President of Mitsubishi Chemical Holdings Corporation (to present)
[Significant concurrent positions]			
Director of the Board of Mitsubishi Chemical Corporation Director of Mitsubishi Tanabe Pharma Corporation Director of the Board of Life Science Institute, Inc. Director of Mitsubishi Chemical Holdings (Beijing) Co., Ltd.			
[Reason for choosing as candidate for Director and expected roles, etc.]			
Ken Fujiwara engaged in international risk management and M&As in the legal departments of the MCHC Group, and thus has abundant experience and profound insight. Currently serving as Executive Vice President, he engages in management of MCHC. During Board of Directors meetings, he fulfills accountability as an Executive Officer, and serving as Chairperson since fiscal 2021, he focuses on enhancing the effectiveness of the Board of Directors by consulting with the leader of the independent outside directors and the President, and setting the agenda such that the Board can exercise its oversight functions. Furthermore, as a member of the Nominating Committee, at meetings of the Committee he leverages his background as an insider to make pertinent and valuable remarks from a practical and multifaceted viewpoint. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.			


	No. 3	Glenn H. Fredrickson	
	(Reelection)	Date of birth	May 8, 1959
		Number of the Company's shares held	0
		Term of office	8 years
		Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/9 (100%)
		Position and duty at the Company	Director of the Board
[Personal history]			
Jan. 1990	Associate Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara	Apr. 2014	Managing Executive Officer of Mitsubishi Chemical Holdings Corporation
Jul. 1991	Distinguished Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara (to present)	Jun. 2014	Director of the Board, Managing Executive Officer of Mitsubishi Chemical Holdings Corporation
May 1998	Chairperson, Department of Chemical Engineering, University of California, Santa Barbara (until July 2001)	Jun. 2015	Director of the Board, Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation
Mar. 2001	Director of Mitsubishi Chemical Center for Advanced Materials at the University of California, Santa Barbara (to present)	Apr. 2017	Director of the Board of Mitsubishi Chemical Holdings Corporation (to present)
[Significant concurrent positions]			
Distinguished Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara			
[Reason for choosing as candidate for Director and expected roles, etc.]			
Glenn H. Fredrickson is a university professor in the U.S. and has profound insight as an international authority in the polymer chemistry domain and abundant experience as a consultant for global corporations. Currently acting as an internal Director who does not concurrently serve as an Executive Officer, he appropriately engages in management oversight and makes suggestions pertaining to the field of advanced technology and other such matters. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.			

	No. 4 (Reelection)	Hiroshi Katayama			
		Date of birth	April 22, 1960		
		Number of the Company's shares held	11,999		
		Term of office	2 years		
		Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/9 (100%) Audit Committee meeting 13/13 (100%)		
		Position and duty at the Company	Director of the Board Member of the Audit Committee		
[Personal history]					
Apr. 1983	Joined Mitsubishi Industries Limited	Chemical	Apr. 2018	Managing Executive Officer of Mitsubishi Chemical Corporation (until March 2020)	
Apr. 2014	Executive Officer of Mitsubishi Chemical Corporation		Jun. 2020	Director of the Board of Mitsubishi Chemical Holdings Corporation (to present)	
Apr. 2017	Executive Officer of Mitsubishi Chemical Corporation				
[Significant concurrent positions]					
Corporate Auditor of Life Science Institute, Inc.					
[Reason for choosing as candidate for Director and expected roles, etc.]					
<p>Having engaged in corporate management in the administration and legal, human resources, and internal control departments of the MCHC Group, Hiroshi Katayama has abundant experience and profound insight. Currently serving as a full-time member of the Audit Committee who hails from MCHC, he engages in management oversight primarily by ensuring effectiveness of audits, which involves assessing the operational status of internal control systems and regularly sharing information in meetings of the Audit Committee, drawing on his extensive understanding and experience of corporate governance and risk management. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.</p>					

	No. 5	Takayuki Hashimoto	
	(Reelection	Date of birth	July 9, 1954
	/ Outside	Number of the Company's shares held	8,877
	Director /	Term of office	6 years
	Independent	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/9 (100%)
	Officer)		Nominating Committee meeting 8/8 (100%)
	Compensation Committee meeting 7/7 (100%)		
	Position and duty at the Company	Director of the Board	
		Member of the Nominating Committee	
		Member of the Compensation Committee	
[Personal history]			
Apr. 1978	Joined IBM Japan, Ltd.	May 2012	Director of the Board, Chairperson of IBM Japan, Ltd.
Apr. 2000	Director of the Board of IBM Japan, Ltd.	Apr. 2014	Chairperson of IBM Japan, Ltd.
Apr. 2003	Managing Executive Officer of IBM Japan, Ltd.	Jan. 2015	Vice Chairperson of IBM Japan, Ltd.
Jan. 2007	Senior Managing Executive Officer of IBM Japan, Ltd.	Jun. 2016	Outside Director of Mitsubishi Chemical Holdings Corporation (to present)
Apr. 2008	Director of the Board, Senior Managing Officer of IBM Japan, Ltd.	May 2017	Honorary Executive Advisor of IBM Japan, Ltd. (to present)
Jan. 2009	Director of the Board, President of IBM Japan, Ltd.		
[Significant concurrent positions]			
Honorary Executive Advisor of IBM Japan, Ltd.			
Outside Director of KAGOME CO., LTD.			
Outside Director of CHUBU Electric Power Co., Inc.			
Independent Non-Executive of Deloitte Tohmatsu LLC			
Independent Non-Executive of Deloitte Touche Tohmatsu LLC			
[Reason for choosing as candidate for Director and expected roles, etc.]			
<p>Takayuki Hashimoto has extensive experience in corporate management and profound insight into digital business, having served successively as a president and a chairperson of a Japanese subsidiary of a global corporation. During Board of Directors meetings, he provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions in relation to global management, business portfolio strategy, and risk management, etc. As leader of the independent outside directors since fiscal 2021, he gathers together the opinions of the outside directors and consults with the Chairperson of the Board of Directors and the President, and also hosts meetings attended solely by the outside directors. In addition, as Chairperson of the Nominating Committee, he also fulfills a leading role in making fair and transparent decisions on succession plans for management and nomination of candidates for Directors and Corporate Executive Officers. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.</p>			

	No. 6	Chikatomo Hodo	
	(Reelection /	Date of birth	July 31, 1960
	Outside	Number of the Company's shares held	0
	Director /	Term of office	3 years
	Independent	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/9 (100%)
	Officer)		Nominating Committee meeting 8/8 (100%)
	Compensation Committee meeting 7/7 (100%)		
	Position and duty at the Company	Director of the Board	
		Member of the Nominating Committee	
		Member of the Compensation Committee	
[Personal history]			
Sep. 1982	Joined Accenture Japan Ltd	Sep. 2017	Director and Senior Corporate Advisor of Accenture Japan Ltd
Sep. 2005	Representative Director of Accenture Japan Ltd	Jul. 2018	Senior Corporate Advisor of Accenture Japan Ltd (until August 2021)
Apr. 2006	Representative Director and President of Accenture Japan Ltd	Jun. 2019	Outside Director of Mitsubishi Chemical Holdings Corporation
Sep. 2015	Director and Chairman of Accenture Japan Ltd		(to present)
[Significant concurrent positions]			
Outside Director of ORIX CORPORATION Outside Director of Konica Minolta, Inc. Outside Director of Mynavi Corporation Director of Sumitomo Mitsui Asset DS Management Company, Limited			
[Reason for choosing as candidate for Director and expected roles, etc.]			
Chikatomo Hodo has extensive experience in corporate management and profound insight in digital business successively as a president and a chairperson of a Japanese subsidiary of a global corporation, which provides management consulting and knowhow in company management. During Board of Directors meetings, he provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as global management, portfolio management, and corporate value enhancement from a perspective of ESG. As Chairperson of the Compensation Committee, he also fulfills a leading role in making fair and transparent decisions on design and implementation of remuneration system for Directors and Corporate Executive Officers. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.			

	No. 7	Kiyomi Kikuchi	
	(Reelection	Date of birth	February 2, 1963
	/ Outside	Number of the Company's shares held	0
	Director /	Term of office	3 years
	Independent	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/9 (100%)
	Officer)		Nominating Committee meeting 8/8 (100%)
	Audit Committee meeting 14/14 (100%)		
	Position and duty at the Company	Director of the Board	Member of the Nominating Committee
			Member of the Audit Committee
[Personal history]			
Apr. 1986	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.) (until December 1990)	Oct. 2003 Sep. 2004	Asahi Law Offices Taiyo Law Office (currently Paul Hastings LLP/Gaikokuho Kyodo Jigyo)
Apr. 1999	Registered as a lawyer Asahi Law Offices	Sep. 2006 Apr. 2008	JPMorgan Securities Japan Co., Ltd. TMI Associates (to present)
Sep. 2002	Allen & Overy LLP (London)	Jun. 2019	Outside Director of Mitsubishi Chemical Holdings Corporation (to present)
May 2003	Admitted to the bar of the State of New York		
[Significant concurrent positions]			
Lawyer of TMI Associates External Director of Nishimatsu Construction Co., Ltd. Outside Corporate Auditor, GECOSS CORPORATION External Auditor, Nissay Asset Management Corporation			
[Reason for choosing as candidate for Director and expected roles, etc.]			
Kiyomi Kikuchi has abundant experience working at financial institutions in addition to her profound insight as a lawyer specialized in corporate legal affairs. During Board of Directors meetings, she provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as the functions and responsibilities of the Board of Directors, risk assessments, and global governance. She also makes contributions to ensuring the effectiveness of corporate governance of the Company as a member of the Nominating Committee and the Audit Committee. As she is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that she be reelected as proposed. While she has not been involved in corporate management except for serving as Outside Director, the Board of Directors believes that she will properly execute her duties as an Outside Director of the Company based on the above reasons.			

	No. 8	Tatsumi Yamada	
	(Reelection	Date of birth	June 7, 1953
	/ Outside	Number of the Company's shares held	4,252
	Director /	Term of office	2 years
	Independent	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 9/9 (100%)
	Officer)		Audit Committee meeting 14/14 (100%)
Compensation Committee meeting 7/7 (100%)			
	Position and duty at the Company	Director of the Board Member of the Audit Committee Member of the Compensation Committee	

[Personal history]


Apr. 1976	Joined Sumitomo Corporation (until June 1993)	Feb. 2014	Founding member of International Integrated Reporting Council (currently Value Reporting Foundation) (to present)
Mar. 1980	Registered as a Certified Public Accountant	Oct. 2014	Trustee of International Valuation Standards Council (until October 2020)
Jul. 1993	Chuo Audit Corporation (until March 2001)	Sep. 2015	Specially appointed professor of Faculty of Commerce, Chuo University (to present)
Apr. 2001	Board member of The International Accounting Standards Board (until June 2011)	Apr. 2016	Member of the Certified Public Accountants and Auditing Oversight Board for FSA (until March 2022)
Sep. 2011	KPMG AZSA LLC (until June 2018)	Jun. 2020	Outside Director of Mitsubishi Chemical Holdings Corporation (to present)
Jan. 2012	Board Member of KPMG AZSA LLC (until June 2015)		

[Significant concurrent positions]

Certified Public Accountant
Specially appointed professor of Faculty of Commerce, Chuo University
External Statutory Auditor of NOMURA Co., Ltd.

[Reason for choosing as candidate for Director and expected roles, etc.]

Tatsumi Yamada has profound insight as an international accounting expert, in addition to abundant experience as a certified public accountant. During Board of Directors meetings, he provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as finance and accounting, disclosures, and market valuation. He also makes contributions to ensuring the effectiveness of corporate governance of the Company as Chairperson of the Audit Committee and a member of the Compensation Committee. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed. While he has not been involved in corporate management except for serving as Outside Director, the Board of Directors believes that he will properly execute his duties as an Outside Director of the Company based on the above reasons.

	No. 9	Takako Masai (Actual surname: Nishida)	
	(Reelection	Date of birth	March 8, 1965
	/ Outside	Number of the Company's shares held	0
	Director /	Term of office	1 year
	Independent	Attendance at meetings of the Board of Directors, etc.	Board of Directors meeting 6/6 (100%)
	Officer)		Nominating Committee meeting 5/5 (100%)
	Audit Committee meeting 10/10 (100%)		
	Position and duty at the Company	Director of the Board	Member of the Nominating Committee Member of the Audit Committee
[Personal history]			
Nov. 1988	Joined Tokyo Branch, The Bank of Nova Scotia	Jul. 2015	Executive Officer, General Manager of Markets Research Division, Shinsei Bank, Limited
May 2007	Head of Capital Markets Division, Shinsei Bank, Limited	Apr. 2016	Executive Officer, General Manager of Financial Research Division, Shinsei Bank, Limited
Oct. 2011	Head of Markets Sub-Group, Shinsei Bank, Limited	Jun. 2016	Member of the Policy Board, Bank of Japan (until June 2021)
Apr. 2013	Executive Officer, Head of Markets Research Department, Markets Sub-Group, Shinsei Bank, Limited	Jul. 2021	Outside Director of Mitsubishi Chemical Holdings Corporation (to present)
[Significant concurrent positions]			
Representative Director of SBI Financial and Economic Research Institute Co., Ltd.			
Outside Director of TOBISHIMA CORPORATION			
Outside Director of BlackRock Japan Co., Ltd.			
[Reason for choosing as candidate for Director and expected roles, etc.]			
<p>Takako Masai has abundant experience and profound insight in the analysis of the economic and financial climate as well as in financial and monetary policy operations, with her career ranging from a manager of the departments of financial products and services and economic research at various banks including foreign financial institutions to a Member of the Policy Board of the Bank of Japan. At meetings of the Board of Directors, she makes useful recommendations from the viewpoints of finance and market risk management, and provides oversight over MCHC's management as a whole from an independent and impartial standpoint. And as a member of both the Nominating Committee and the Audit Committee, she helps ensure that MCHC's corporate governance is effective. As she is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that she be reelected as proposed.</p>			

Notes:

1. There are no special interests between each candidate and MCHC.
2. For Takako Masai, listed above is her record of attendance at the Board of Directors meetings, etc. held during the fiscal year under review after she assumed the position of Director of the Company in July 2021.
3. Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, Tatsumi Yamada, and Takako Masai are candidates for Outside Directors. The Company has designated Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, Tatsumi Yamada, and Takako Masai as independent officers pursuant to the rules and regulations of the Tokyo Stock Exchange, and has notified the stock exchange accordingly. If this proposal is approved and Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, Tatsumi Yamada, and Takako Masai are inaugurated as Outside Directors, they are expected to continue serving as independent officers. Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, Tatsumi Yamada, and Takako Masai all meet the “Standards for Independence of Outside Directors” (on following page) stipulated by the Company.
4. For Takayuki Hashimoto, Honorary Executive Advisor of IBM Japan, Ltd., with which the MCHC Group had a very small amount of business transactions in fiscal 2021, no more than 1% of its consolidated net sales or MCHC’s consolidated net sales, the Company sees no issue with his independence. For Kiyomi Kikuchi, a lawyer with TMI Associates, with which the MCHC Group had a very small amount of business transactions in fiscal 2021, no more than 1% of the firm’s revenue or MCHC’s consolidated net sales, the Company sees no issue with her independence.
5. The Company has concluded with Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, Tatsumi Yamada, and Takako Masai an agreement to limit the liability for damages under Article 423, paragraph (1) of the Companies Act, pursuant to the provisions of Article 427, paragraph (1) of said Act, and set an upper limit of the liability for damages under said agreement to be the minimum amount of liability for damages set forth in Article 425, paragraph (1) of said Act. If this proposal is approved, the Company will renew the agreement with Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, Tatsumi Yamada, and Takako Masai.
6. The Company has arranged a directors and officers liability insurance policy with an insurance company to cover legal damages and expenses, etc. to be borne by the insured. The candidates will be included as the insured of the policy. The policy will also be renewed on the same terms and conditions at the time of next renewal.
7. Takayuki Hashimoto has been serving as Outside Corporate Auditor of IHI Corporation until June 2019. During his term, the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism imposed an administrative punishment on IHI due to improper operations in the commercial aircraft engine maintenance business. While he was not aware of these facts in advance, he had been providing advice on the importance of compliance and internal control on a regular basis as Outside Corporate Auditor. After these facts came to light, he assessed circumstances with respect to investigations of factual matters upon receiving successive reports in that regard, and otherwise appropriately carried out his assigned duties particularly in terms of calling for the compliance framework to be strengthened further by promptly investigating effects on safety and taking appropriate action to prevent recurrence.
8. Candidate Takako Masai’s legal surname is “Nishida” by marriage but she keeps her maiden name “Masai” in the office.

Standards for Independence of Outside Directors

The Company shall elect those as Outside Directors who do not fall under any of the following and are capable of overseeing the Company's management from a fair and neutral standpoint, free of a conflict of interest with general shareholders.

1. Related party of the Company
 - (1) Executive Director, Corporate Executive Officer, Executive Officer, Manager, employee, partner, etc. of the MCHC Group (hereinafter referred to as a "person engaged in execution of operation")
 - (2) A person who has been engaged in execution of operation of the MCHC Group in the past 10 years
2. Major shareholder

A person who directly or indirectly holds 10% or more of MCHC's total voting rights or a person engaged in execution of operation of a company that directly or indirectly holds 10% or more of MCHC's total voting rights
3. Major business partner
 - (1) A person engaged in execution of operation of a company*¹ whose major business partner includes MCHC, Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation (hereinafter referred to as "major subsidiaries of the MCHC Group")
 - (2) A person engaged in execution of operation of a major business partner*² of MCHC and major subsidiaries of the MCHC Group
4. Accounting Auditor

Accounting Auditor of the MCHC Group or an employee thereof
5. Transaction as an individual

A person who receives money and other financial benefits of 10 million yen or more per year from any of MCHC and major subsidiaries of the MCHC Group
6. Donation

A person who receives a donation or financial assistance of 10 million yen or more per year from any of MCHC and major subsidiaries of the MCHC Group or a person engaged in execution of operation of a company that receives a donation or financial assistance of 10 million yen or more per year from any of MCHC and major subsidiaries of the MCHC Group
7. Reciprocal assumption of the position of Director

A person engaged in execution of operation of a company that has elected any of the Directors and employees of the MCHC Group as its Director

8. Close relatives, etc.
- (1) Spouse, relatives within the second degree of kinship or any person who shares the same livelihood of a person engaged in execution of important operations of the MCHC Group (hereinafter referred to as “close relatives”)
 - (2) Close relatives of any person who meets the definition of items 3 through 7 above
- *1 If the said business partner receives from MCHC and major subsidiaries of the MCHC Group an amount equivalent to 2% or more of its annual consolidated net sales in the latest fiscal year, this company shall be considered as one whose major business partner includes MCHC.
- *2 If MCHC and major subsidiaries of the MCHC Group receive from the said business partner an amount equivalent to 2% or more of MCHC’s annual consolidated net sales in the latest fiscal year or the said business partner loans to the MCHC Group an amount equivalent to 2% or more of MCHC’s total consolidated assets, the said business partner shall be considered as a major business partner of MCHC.
- *3 The party is deemed to fall under the items 3 to 7 when the relevant conditions were met any time in the past three years.

(Attachment)

Business Report
(From April 1, 2021 to March 31, 2022)

1. Group Overview of Operation

(1) Business Development and Performance

The MCHC Group consists of Mitsubishi Chemical Holdings Corporation (“Company” or “MCHC”), Mitsubishi Chemical Corporation (“MCC”), Mitsubishi Tanabe Pharma Corporation (“MTPC”), Life Science Institute, Inc. and Nippon Sanso Holdings Corporation (“NSHC”), and their subsidiaries, and conducts business activities in the three business domains of performance products, industrial materials and health care under the leadership of MCHC.

Regarding the business environment surrounding the MCHC Group, economic activity in many countries started to bounce back, and both domestic and overseas demand recovered compared with a year earlier. On the other hand, prices of fuels and raw ingredients climbed continuously against a backdrop of rising resource prices, and then soared in the fourth quarter in response to the impact of the situation in Ukraine. As such, the outlook for the future remains unclear.

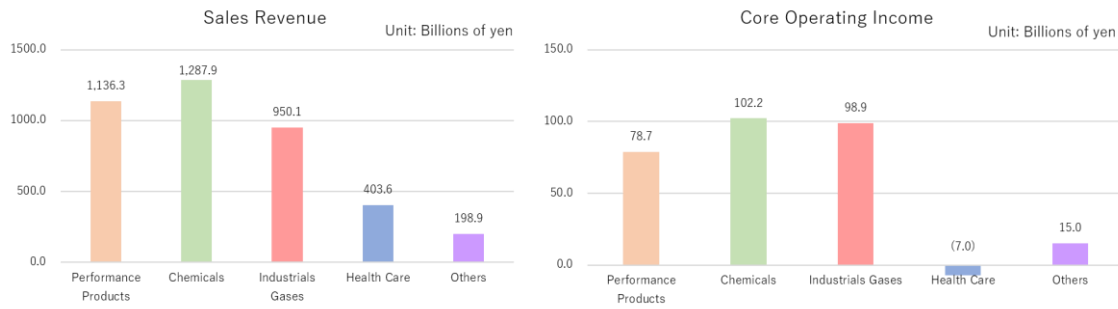
In these circumstances, sales revenue for fiscal 2021 was ¥3,976.9 billion, up ¥719.4 billion compared with a year earlier. Core operating income* increased ¥97.6 billion year on year to ¥272.3 billion and operating income was ¥303.2 billion, a year-on-year rise of ¥255.7 billion.

Net income attributable to owners of parent was ¥177.2 billion, up ¥184.8 billion year on year.

* Core operating income is operating income excluding profit/loss arising from extraordinary factors (extraordinary items).

Performance by segments is shown from P. 28 to P. 29

Performance Overview by Segment



Notes: MCHC Group adopted International Financial Reporting Standards (“IFRS”).

Performance Products Domain

Performance Products Segment

Principal Businesses: Polymers & Compounds
Films & Molding Materials
Advanced Solutions

Sales revenue for the segment totaled ¥1,136.3 billion, up ¥141.7 billion year on year, while core operating income was ¥78.7 billion, slightly up ¥19.0 billion year on year.

In Polymers & Compounds, sales revenue increased, reflecting a rise in the volume of sales for automotive and other applications and an improvement in market conditions for certain polymer products.

In Film & Molding Materials, sales revenue also rose, thanks to an increase in sales volume of molding materials, chiefly for the automotive sector, as demand recovered, and also because of strong first-half sales of films for optical applications such as displays.

In Advanced Solutions, too, sales revenue was up, with the key factor being a rise in sales volume in conjunction with the rebound in economic activity.

Core operating income for the segment increased as a result of higher sales volumes across the board, mainly for automotive applications, which offset the impact of the upswing in resource prices.

Industrial Materials Domain

Chemicals Segment

Principal Businesses: MMA, petrochemicals, carbon

Sales revenue in this segment increased by ¥396.8 billion year on year to ¥1,287.9 billion, and core operating income amounted to ¥102.2 billion, up ¥86.4 billion year on year.

In MMA, demand was brisk, and sales revenue increased thanks to such factors as improved conditions in markets such as the market for MMA monomer.

In petrochemicals, sales revenue also climbed as sale prices increased in connection with high prices of raw ingredients, the impact of scheduled repairs shrank, and sales volume rose on the back of a recovery in demand.

Carbon products sales revenue was also up as sale prices of export coke moved upwards as demand rebounded.

Core operating income for the segment increased thanks to such factors as a rise in petrochemical products sales volume, an improvement in inventory valuation gains in conjunction with higher prices of raw ingredients and materials, and better conditions in the markets for MMA monomer and export coke.

Industrial Gases Segment

Principal Businesses: Industrial gases

Sales revenue in this segment increased by ¥138.3 billion to ¥950.1 billion and core operating income grew by ¥13.8 billion to ¥98.9 billion.

In industrial gases, both sales revenue and core operating income increased due to a general recovery in demand at home and overseas.

Health Care Domain

Health Care Segment

Principal Businesses: Pharmaceuticals and Life Science

Sales revenue in this segment totaled ¥403.6 billion, an increase of ¥13.0 billion year on year, while core operating income deteriorated by ¥24.9 billion year on year to a loss of ¥7.0 billion.

In pharmaceuticals, sales revenue increased as the impact of drug price revisions and other factors on domestic ethical pharmaceuticals was offset by a growth in sales volumes of priority products and other factors.

Core operating income for the segment declined due primarily to an increase in spending on R&D related to COVID-19 vaccines.

Royalty income from licensing out *Gilenya*, a medicine used to treat multiple sclerosis, to Novartis Pharma AG (Switzerland), was not recognized as sales revenue in accordance with International Financial Reporting Standard 15 due to the ongoing arbitration to claim that Novartis Pharma AG has no obligation to pay a portion of royalties.

Others

Principal Businesses: Engineering, logistics

Sales revenue in “Others” increased by ¥29.5 billion to ¥198.9 billion, and core operating income grew by ¥3.1 billion to ¥15.0 billion.

(Note) Segments for some businesses have been changed in part due to reorganization. Accordingly, the business results of the previous fiscal year provided as comparable information have been reclassified.

(2) Outstanding Issues

With the vision to realize "KAITEKI," MCHC Group is leveraging materials and proprietary technologies throughout the business domains to enhance its existing businesses and create new business opportunities that contribute to the global environment and people's health worldwide.

In February 2021, we announced the medium-term management plan through FY 2022 "APTSIS 25 Step 1". In alignment with this, the Group developed a new management policy to maximize corporate value by the end of FY 2025. This new management policy—"Forging the future"—was announced in December 2021.

The newly defined strategy and organizational structure allow us to quickly respond to accelerating changes in social needs and the business environment while maximizing growth and profitability in the future low-carbon economy.

The new management policy consists of the following five strategic priorities.

- Growth, Performance, and Sustainability

We will focus on businesses in attractive markets where MCHC is positioned to win. These markets are selected based on three evaluation criteria: i. Market Attractiveness, ii. Market Strength, iii. Carbon Neutrality.

Electronics and Health Care & Life Science are areas of strategic focus.

- Business to Exit

We will lead the consolidation of domestic basic chemical industries via restructuring, including through the carving out and future exit of our petrochemicals and coal chemicals.

- Strategic Cost Transformation

We will reduce costs by more than 100 billion yen per year by fiscal 2025 through measures in each strategic priority.

- Leaner Structure to Execute Strategy

From this April, we shifted to an integrated management structure, operating with greater efficiency as "One Company, One Team."

- Strategic capital allocation

We will strategically reallocate available capital from operational efficiency and divestitures, improving operational efficiency and financial strength, creating a solid foundation for accelerated growth to achieve the financial goals for FY 2025.

We will continue to address safety management, thorough compliance, and reinforcement of group governance by establishing internal control and risk management systems, which are the foundation for sustainable corporate growth.

Although the outlook for the global economy remains uncertain, MCHC Group will steadily implement the strategies in the new management policy to enhance corporate and shareholder value.

Reference

For details of the new management policy, please see the following page:

<https://www.mitsubishichem-hd.co.jp/english/ir/01168.html>

(3) Capital Expenditures

The MCHC Group's aggregate capital expenditures for the fiscal year under review stood at ¥254.6 billion.

The amount by each segment includes the following:

Segment	Capital expenditures	Major facilities completed during the fiscal year under review	Major facilities under construction
Performance Products	68.7 billion yen	–	PT. MC PET Film Indonesia Production facility for polyester film Mitsubishi Polyester Film GmbH Production facility for polyester film Mitsubishi Chemical Advanced Materials AG Investment in facility related to C.P.C. Srl
Chemicals	61.3 billion yen	–	Mitsubishi Chemical Corporation Facility to enhance shipment capabilities for coke exports
Industrial Gases	74.7 billion yen	–	–
Health Care	19.5 billion yen	–	Medicago Inc. (Canada) Production facility for vaccine

Note:

Other than the above, there were capital expenditures of ¥30.4 billion in “Others” and “Company-wide (Common).”

(4) Fund Procurement

Item	Balance at April 1, 2021	Balance at March 31, 2022	Change
Borrowings	1,576.3 billion yen	1,476.3 billion yen	Down 100.0 billion yen
Corporate bonds and commercial paper	773.2 billion yen	683.6 billion yen	Down 89.6 billion yen
Total	2,349.5 billion yen	2,160.0 billion yen	Down 189.5 billion yen

(5) Principal Lenders (as of March 31, 2022)

Lenders	Amount Borrowed
Mizuho Bank, Ltd.	622.1 billion yen
MUFG Bank, Ltd.	262.5 billion yen

(6) Significant Business Realignment

- In July 2021, Japan Polychem Corporation, a consolidated subsidiary of Mitsubishi Chemical Corporation, made six overseas group companies wholly-owned subsidiaries. These companies include Mytex Polymers US Corporation (U.S.), which is owned by Japan Polypropylene Corporation, a joint venture with JNC Petrochemical Corporation, which engages in business related to polypropylene compounds and glass-fiber-reinforced thermoplastic resin.

(Chemicals Segment)

- In March 2022, Mitsubishi Chemical Corporation transferred the crystalline alumina fiber business of Mitsubishi Chemical Corporation and its consolidated subsidiary Mitsubishi Chemical High-Technica Corporation to White Japan Acquisition Co., Ltd., a special-purpose company owned by funds to which affiliates of Apollo Global Management, Inc. (U.S.) provide investment advice.

(Performance Products Segment)

(7) Employees of the MCHC Group (as of March 31, 2022)

(a) Status of Employees of the MCHC Group

Segment	No. of Employees	Year-on-year Increase/Decrease
Performance Products	26,488	Up 653
Chemicals	7,705	Down 348
Industrial Gases	19,398	Up 40
Health Care	7,265	Up 29
Others	7,868	Down 168
Company-wide (Common)	1,060	Down 29
Sum Total	69,784	Up 177

Notes:

1. Those employees who are engaged in activities such as basic R&D, which cannot be definitively sorted into any specific segment, are included in Company-wide (Common).
2. Executive Officers are included.
3. Employees loaned to entities outside of the MCHC Group are not included.
4. Segments for some businesses have been changed in part due to reorganization. Accordingly, the business results of the previous fiscal year provided as comparable information have been reclassified.

(b) Status of Employees of MCHC

No. of Employees (Year-on-year Change)	Average Age	Average Years of Service
223 (Up 22)	46 years and 4 months	18 years and 6 months

Notes:

1. The employees are seconded mainly from MCHC's subsidiaries, and their average years of service include the years of service spent at the companies dispatching them as secondees.
2. Executive Officers are included.
3. An increase in the number of employees is attributed mainly to changes in a business management structure within the MCHC Group.

(8) Changes in the Conditions of Assets and Profit/Loss

Category	14th Term (Fiscal 2018)	15th Term (Fiscal 2019)	16th Term (Fiscal 2020)	17th Term (Year under Review; Fiscal 2021)
Sales revenue (in billion yen)	3,840.3	3,580.5	3,257.5	3,976.9
Core operating income (in billion yen)	314.1	194.8	174.7	272.3
ROS (%)	8.2	5.4	5.4	6.8
Net income attributable to owners of parent (in billion yen)	169.5	54.1	(7.6)	177.2
Basic earnings per share (in yen)	119.22	38.08	(5.32)	124.68
ROE (%)	12.7	4.2	(0.6)	13.2
Total equity (in billion yen)	2,025.9	1,450.8	1,571.1	1,844.3
Equity attributable to owners of parent per share (in yen)	970.46	824.07	870.40	1,026.03
Total assets (in billion yen)	5,572.5	5,132.1	5,287.2	5,573.9

Notes:

1. MCHC has adopted IFRS.
2. ROS has been calculated as follows.
Core operating income / Sales revenue
3. Basic earnings per share are calculated on the basis of the average aggregate number of issued and outstanding shares during the fiscal year excluding treasury stocks (including the Company's shares held by the board incentive plan (BIP) trust).
4. Equity attributable to owners of parent per share is calculated on the basis of the aggregate number of issued and outstanding shares as of the end of fiscal year excluding treasury stocks (including the Company's shares held by the BIP trust).
5. ROE has been calculated as follows.
Net income attributable to owners of parent / Equity attributable to owners of parent (Yearly Average)

(9) Status of MCHC, Major Subsidiaries and Affiliates (as of March 31, 2022)

(a) MCHC

Head Office	1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
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(b) Major Subsidiaries

[Direct Investees]

Company Name	Capital	Equity Investment Ratio (%)	Principal Business	Location
Mitsubishi Chemical Corporation	53.2 billion yen	100.0	Manufacture and marketing of chemical products	Tokyo
Mitsubishi Tanabe Pharma Corporation	50.0 billion yen	100.0	Manufacture and marketing of pharmaceuticals	Osaka
Life Science Institute, Inc.	3.0 billion yen	100.0	Healthcare solutions business	Tokyo
Nippon Sanso Holdings Corporation	37.3 billion yen	50.6	Management of subsidiaries and manufacture and marketing of industrial gas through group management	Tokyo

[Indirect Investees]

Segment	Company Name	Capital	Equity Investment Ratio of the Company (%)	Principal Business	Location
Performance Products	J-Film Corporation	1.2 billion yen	100.0	Manufacture and marketing of plastic films	Tokyo
	Japan Coating Resin Corporation	0.1 billion yen	100.0	Manufacture and marketing of resins for acrylic coating materials; development, manufacture, and marketing of synthetic resin emulsions and their powder emulsions; etc.	Osaka
	Mitsubishi Chemical Infracore Co., Ltd.	0.4 billion yen	100.0	Manufacture and marketing of cooling pipe materials, building materials, waterproofing materials, reinforcement materials, logistics materials, functional materials, design materials, and construction materials	Tokyo
	MU Ionic Solutions Corporation	0.35 billion yen	80.0	Development, manufacture, and marketing of electrolytes for lithium ion rechargeable batteries, capacitors, and lithium metal non-rechargeable batteries	Tokyo

Segment	Company Name	Capital	Equity Investment Ratio of the Company (%)	Principal Business	Location
Performance Products	Soarus L.L.C.	200 thousand U.S. dollars	83.9	Marketing of ethylene vinyl alcohol copolymer etc.	U.S.A.
	Mitsubishi Chemical Advanced Materials AG	28 million Swiss francs	100.0	Management of subsidiary operating engineering plastics business, etc.	Switzerland
Chemicals	Kansai Coke and Chemicals Co., Ltd.	6.0 billion yen	51.0	Manufacture and marketing of coke	Hyogo
	Japan Polyethylene Corporation	7.5 billion yen	58.0	Manufacture and marketing of polyethylene	Tokyo
	Mitsubishi Chemical Methacrylates Ltd.	111 million sterling pounds	100.0	Management of subsidiaries that engage in MMA business	U.K.
Industrial Gases	TAIYO NIPPON SANJO CORPORATION	1.5 billion yen	100.0	Manufacture and marketing of industrial gas	Tokyo
	Nippon Gases Euro-holding Sl.	100 million euros	100.0	Management of subsidiaries that engage in the industrial gas business	Spain
	Matheson Tri-gas, Inc.	56 U.S. dollars	100.0	Manufacture and marketing of industrial gas	U.S.A.
Health Care	Mitsubishi Tanabe Pharma Factory Ltd.	1.1 billion yen	100.0	Manufacture and marketing of pharmaceuticals	Osaka
	Mitsubishi Tanabe Pharma Holdings America, Inc.	167 U.S. dollars	100.0	Planning and execution of targets and strategies relating to development of the pharmaceuticals business in the U.S., and management of U.S. subsidiaries	U.S.A.
Others	Mitsubishi Chemical Engineering Corporation	1.4 billion yen	100.0	Engineering and construction services	Tokyo
	Mitsubishi Chemical Logistics Corporation	1.5 billion yen	100.0	Logistics and warehouse services	Tokyo

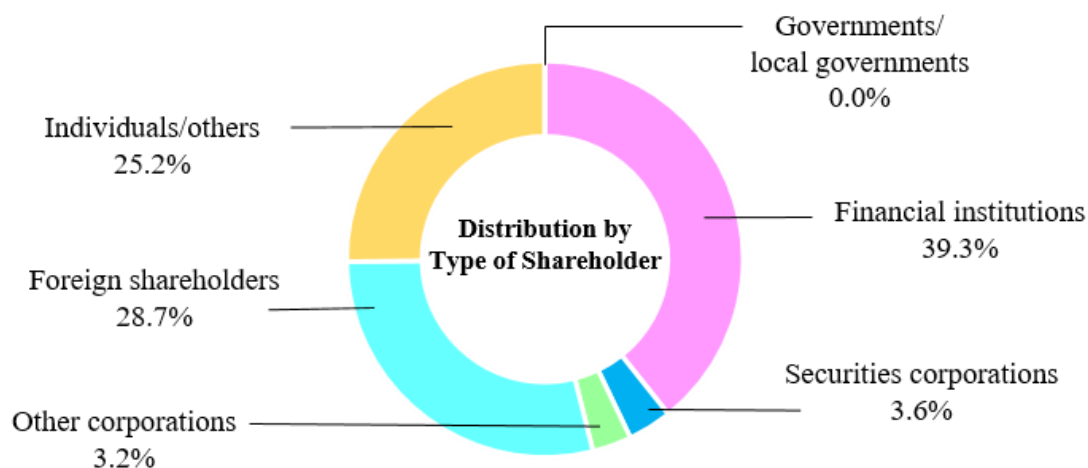
(c) Matters Related to Specified Wholly-Owned Subsidiaries

Name of specified wholly-owned subsidiary	Address of specified wholly-owned subsidiary	Total amount of book value as of the end of the fiscal year under review of shares of specified wholly-owned subsidiary owned by MCHC
Mitsubishi Chemical Corporation	1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	432,052 million yen
Mitsubishi Tanabe Pharma Corporation	2-10 Dosho-machi 3-chome, Chuo-ku, Osaka	703,819 million yen

Note: The total amount recorded in the asset section of MCHC's balance sheet as of the end of the fiscal year under review is ¥1,796,949 million.

2. Matters Related to Corporate Stocks (as of March 31, 2022)

- (1) Number of Authorized Shares: 6,000 million
- (2) Number of Issued and Outstanding Shares:
1,506.288 million (representing no changes from the previous fiscal year)
- (3) Aggregate Number of Shareholders:
274,369 (representing a year-on-year increase of 611 shareholders)



(4) Major Shareholders

Name of Shareholders	Equity Investments in MCHC	
	No. of Shares Held (million)	Equity Investment Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	229.624	16.1
SSBTC CLIENT OMNIBUS ACCOUNT	122.749	8.6
Custody Bank of Japan, Ltd. (Trust Account)	82.609	5.8
Meiji Yasuda Life Insurance Company	64.389	4.5
Nippon Life Insurance Co.	42.509	3.0
Custody Bank of Japan, Ltd. (Trust Account 4)	22.105	1.6
STATE STREET BANK WEST CLIENT - TREATY 505234	21.837	1.5
TAIYO LIFE INSURANCE COMPANY	18.838	1.3
JPMorgan Securities Japan Co., Ltd.	17.859	1.3
JP MORGAN CHASE BANK 385781	16.592	1.2

Notes:

1. In addition to the above, MCHC holds 82.367 million shares as treasury stocks, but these shares are non-voting pursuant to the provisions of Article 308, paragraph (2) of the Companies Act.
2. Equity investment ratios are calculated to the exclusion of the treasury stock (82.367 million shares).

(5) Corporate Stock Issued to Company's Officers during the Fiscal Year Under Review as Consideration for Execution of Duties

	Class of stock/number of stocks	Number of persons
Corporate Executive Officers	Common stock of the Company 428,322	6

3. Matters Related to the Company's Officers

(1) Details of Directors (as of March 31, 2022)

Name	Position and responsibility at the Company	Significant concurrent positions
Jean-Marc Gilson	Director of the Board Corporate Executive Officer, President and CEO	Director of the Board of The KAITEKI Institute, Inc.
Hidefumi Date	Director of the Board Member of the Compensation Committee Managing Corporate Executive Officer	Member of the Board of Nippon Sanso Holdings Corporation Director of the Board, President and CEO of Mitsubishi Chemical Holdings Corporate Staff, Inc.
Ken Fujiwara	Director of the Board Member of the Nominating Committee Managing Corporate Executive Officer	Director of Mitsubishi Tanabe Pharma Corporation Director of Mitsubishi Chemical Holdings (Beijing) Co., Ltd.
Yoshimitsu Kobayashi	Director of the Board	Director of the Board of The KAITEKI Institute, Inc. Outside Director of the Board, Mizuho Financial Group, Inc. Outside Director and Chairman of Tokyo Electric Power Company Holdings, Inc.
Glenn H. Fredrickson	Director of the Board	Distinguished Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara
Shigeru Kobayashi	Director of the Board Member of the Audit Committee (Chairperson)	Corporate Auditor of The KAITEKI Institute, Inc. Corporate Auditor of Mitsubishi Chemical Corporation
Hiroshi Katayama	Director of the Board Member of the Audit Committee	Corporate Auditor of Life Science Institute, Inc.
Takayuki Hashimoto	Outside Director of the Board Member of the Nominating Committee (Chairperson) Member of the Compensation Committee	Honorary Executive Advisor of IBM Japan, Ltd. Outside Director of KAGOME CO., LTD Outside Director of CHUBU Electric Power Co., Inc. Independent Non-Executive of Deloitte Tohmatsu LLC Independent Non-Executive of Deloitte Touche Tohmatsu LLC
Chikatomo Hodo	Outside Director of the Board Member of the Nominating Committee Member of the Compensation Committee (Chairperson)	Outside Director of ORIX CORPORATION Senior Corporate Advisor of Accenture Japan Ltd Outside Director of Konica Minolta, Inc. Outside Director of Mynavi Corporation Director of Sumitomo Mitsui Asset DS Management Company, Limited
Kiyomi Kikuchi	Outside Director of the Board Member of the Nominating Committee Member of the Audit Committee	Lawyer of TMI Associates External Director of Nishimatsu Construction Co., Ltd. Outside Corporate Auditor, GECOSS CORPORATION External Auditor, Nissay Asset Management Corporation
Tatsumi Yamada	Outside Director of the Board Member of the Compensation Committee Member of the Audit Committee	Certified Public Accountant Specially appointed professor of Faculty of Commerce, Chuo University Outside Statutory Auditor of NOMURA Co., Ltd.
Takako Masai	Outside Director of the Board Member of the Nominating Committee Member of the Audit Committee	Representative Director of SBI Financial and Economic Research Institute Co., Ltd. Outside Director of TOBISHIMA CORPORATION Outside Director of BlackRock Japan Co., Ltd.

Notes:

1. Five Directors, Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, Tatsumi Yamada, and Takako Masai are Outside Directors as prescribed in Article 2, item (xv) of the Companies Act. The Company has designated these five Outside Directors as independent officers pursuant to the rules and regulations of the Tokyo Stock Exchange and notified the Stock Exchange accordingly.
2. Director Tatsumi Yamada has considerable knowledge of finance and accounting, as he is qualified as Certified Public Accountant.
3. There is no special relationship between other corporations, where the Company's Outside Directors hold concurrent positions and the Company.
4. Regarding the chairperson of the Audit Committee, on April 1, 2022 Director Shigeru Kobayashi was replaced by Director Tatsumi Yamada.
5. Directors Shigeru Kobayashi and Hiroshi Katayama are the full-time members of the Audit Committee. The Company appoints full-time members for the Audit Committee in order to increase the effectiveness of audits by the Committee.
6. In accordance with Article 427, paragraph (1) of the Companies Act, the Company and its Outside Directors have entered into an agreement to limit the liability for damages under Article 423, paragraph (1) of the Act. The maximum limit of damage compensation liability under the agreement is set to the extent of the minimum limit of liability as prescribed in Article 425, paragraph (1) of the Act.
7. The Company has arranged a directors and officers liability insurance policy as prescribed in Article 430-3, paragraph (1) of the Companies Act with an insurance company, where the insured are Directors, Corporate Executive Officers, Corporate Auditors, Managing Corporate Executive Officers, etc. of the Company and its named subsidiaries. The premiums are borne in full by the Company and its named subsidiaries, and the policy covers damages and litigation expenses in the event that the insured has incurred liability for damages as result of acts they have performed in the course of their work. However, liability arising from criminal acts or intentional unlawful acts by the insured are not covered.
8. The family name of Director Takako Masai has changed to Nishida as a result of marriage, but she continues to work under her maiden name of Masai.

(2) Main Activities and Attendance at Board of Directors Meetings and Committee Meetings by Outside Officers

Name	Status of activities and summary of duties executed in relation to expected roles	Attendance
Takayuki Hashimoto	<p>During Board of Directors meetings, he provided input mainly in relation to global management, business portfolio strategy, and risk management, drawing on his extensive experience in company management and profound insights into digital business. In the Nominating Committee meetings, the main agenda items during the fiscal year under review were the composition of the Board of Directors, succession plans, and the nomination of candidates for Directors and Corporate Executive Officers, and as Chairperson of the Nominating Committee, he fulfilled his duties by playing a leading role in making highly impartial and transparent decisions. As a member of the Compensation Committee, he executed his duties by providing appropriate input regarding major agenda items for the fiscal year under review such as the consideration of an appropriate remuneration structure and levels of remuneration for Corporate Executive Officers.</p>	<p>Board of Directors meetings 9/9 (100%) Nominating Committee meetings 8/8 (100%) Compensation Committee meetings 7/7 (100%)</p>
Chikatomo Hodo	<p>During the Board of Directors meetings, he provided input on such matters as global management, portfolio management, and corporate value enhancement from a perspective of ESG, drawing on his extensive experience in company management and profound insight in management knowhow. Furthermore, in the Compensation Committee, the main agenda item during the fiscal year under review was the consideration of an appropriate remuneration structure and levels of remuneration for Corporate Executive Officers, and as Chairperson of the Compensation Committee, he fulfilled his duties by playing a leading role in making highly impartial and transparent decisions. As a member of the Nominating Committee, he executed his duties by providing appropriate input regarding major agenda items for the fiscal year under review such as the composition of the Board of Directors, succession plans, and the nomination of candidates for Directors and Corporate Executive Officers.</p>	<p>Board of Directors meetings 9/9 (100%) Nominating Committee meetings 8/8 (100%) Compensation Committee meetings 7/7 (100%)</p>

Name	Status of activities and summary of duties executed in relation to expected roles	Attendance
Kiyomi Kikuchi	<p>During the Board of Directors meetings, she provided input on such matters as the functions and responsibilities of the Board of Directors, assessment of legal risk, and global governance, drawing on her experience and profound insight as a lawyer. As a member of the Nominating Committee, she executed her duties by providing appropriate input regarding major agenda items for the fiscal year under review such as the composition of the Board of Directors, succession plans, and the nomination of candidates for Directors and Corporate Executive Officers. At the Audit Committee, she appropriately fulfilled her assigned duties as an outside member of the Committee in terms of conducting audits based on audit plans, focusing on matters such as the development and operations of the internal control system, and intensive auditing regarding progress in the first fiscal year of the “APTSIS 25 Step 1” medium-term management plan during the fiscal year under review.</p>	<p>Board of Directors meetings 9/9 (100%) Nominating Committee meetings 8/8 (100%) Audit Committee meetings 14/14 (100%)</p>
Tatsumi Yamada	<p>During the Board of Directors meetings, he provided input on such matters as finance and accounting, disclosures, and market valuation, drawing on his experience and profound insight as a certified public accountant and an international accounting expert. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input regarding major agenda items for the fiscal year under review such as the consideration of an appropriate remuneration structure and levels of remuneration for Corporate Executive Officers. At the Audit Committee, he appropriately fulfilled his assigned duties as an outside member of the Committee in terms of conducting audits based on audit plans, focusing on matters such as the development and operations of the internal control system, and intensive auditing regarding progress in the first fiscal year of the “APTSIS 25 Step 1” medium-term management plan during the fiscal year under review.</p>	<p>Board of Directors meetings 9/9 (100%) Audit Committee meetings 14/14 (100%) Nominating Committee meetings 7/7 (100%)</p>

Name	Status of activities and summary of duties executed in relation to expected roles	Attendance
Takako Masai	<p>During the Board of Directors meetings, she provided input on such matters as finance and market risk management, drawing on her experience and profound insight in the areas of analysis of financial/economic conditions and the administration of monetary policy. Furthermore, as a member of the Nominating Committee, she executed her duties by providing appropriate input regarding major agenda items for the fiscal year under review such as the composition of the Board of Directors, succession plans, and the nomination of candidates for Directors and Corporate Executive Officers. At the Audit Committee, she appropriately fulfilled her assigned duties as an outside member of the Committee in terms of conducting audits based on audit plans, focusing on matters such as the development and operations of the internal control system, and intensive auditing regarding progress in the first fiscal year of the “APTSIS 25 Step 1” medium-term management plan during the fiscal year under review.</p>	<p>Board of Directors meetings 6/6 (100%) Nominating Committee meetings 5/5 (100%) Audit Committee meetings 10/10 (100%)</p>

(3) Details of Corporate Executive Officers (as of March 31, 2022)

Name	Position	Responsibility at the Company	Significant concurrent positions
Jean-Marc Gilson	Representative Corporate Executive Officer President and CEO		Director of the Board of The KAITEKI Institute, Inc.
Yoshihiro Ikegawa	Representative Managing Corporate Executive Officer	Corporate Strategy, and Corporate Communications (Branding)	Director of the Board of Mitsubishi Chemical Corporation Member of the Board of Chairperson of SPDC Ltd.
Larry Meixner	Managing Corporate Executive Officer	Technology, and Business Development	Director of Mitsubishi Tanabe Pharma Corporation
Hidefumi Date	Managing Corporate Executive Officer Chief Financial Officer	Corporate Management, and Corporate Communications (IR)	Member of the Board of Nippon Sanso Holdings Corporation Director of the Board, President and CEO of Mitsubishi Chemical Holdings Corporate Staff, Inc.
Ken Fujiwara	Managing Corporate Executive Officer Chief Group Compliance Officer	Corporate Secretary, Legal, Administration (Administration and Secretary), Human Resources, Internal Control and Overseas Administration Headquarters	Director of Mitsubishi Tanabe Pharma Corporation Director of Mitsubishi Chemical Holdings (Beijing) Co., Ltd.
Shigeki Habuka	Corporate Executive Officer	Corporate Communications (PR), and Administration (Public Policy and Relation)	

Notes:

1. Corporate Executive Officers Jean-Marc Gilson, Hidefumi Date and Ken Fujiwara also serve as Directors as of March 31, 2022.
2. On April 1, 2022, Hidefumi Date retired as Managing Corporate Executive Officer and Chief Financial Officer while remaining as Director.

[For reference] Details of Corporate Executive Officers (as of April 1, 2022)

Name	Position	Responsibility at the Company	Significant concurrent position
Jean-Marc Gilson	Representative Corporate Executive Officer President and CEO		Director of the Board of The KAITEKI Institute, Inc.
Nobuo Fukuda	Representative Corporate Executive Officer Executive Vice President Chief Supply Chain Officer	Supply Chain	Representative Director, Director of the Board of Mitsubishi Chemical Corporation
Yuko Nakahira	Corporate Executive Officer Executive Vice President Chief Financial Officer	Finance, Communications, IR, and Public Relation	
Ken Fujiwara	Corporate Executive Officer Executive Vice President Chief Compliance Officer General Counsel	Legal, Internal Control, Human Resources, Administration and Corporate Secretary	Director of the Board of Mitsubishi Chemical Corporation Director of Mitsubishi Tanabe Pharma Corporation Director of the Board of Life Science Institute, Inc. Director of Mitsubishi Chemical Holdings (Beijing) Co., Ltd.
Johei Takimoto	Corporate Executive Officer Executive Vice President	Films & Molding Materials, Advanced Solutions	
Hitoshi Sasaki	Corporate Executive Officer Executive Vice President	Polymers & Compounds, MMA	Director of the Board, President and CEO of Mitsubishi Chemical Methacrylates Ltd. CEO of Mitsubishi Chemical Methacrylates Ltd. (UK)
Yoshihiro Ikegawa	Corporate Executive Officer Executive Vice President	Petrochemical, Coal	Representative Director, Director of the Board of Mitsubishi Chemical Corporation Member of the Board of Chairperson of SPDC Ltd. Director of Japan Polypropylene Corporation Director of Sam Nam Petrochemical Co., Ltd. (Korea)
Hiroaki Ueno	Corporate Executive Officer Executive Vice President	Pharma	Director of The KAITEKI Institute Representative Director of Mitsubishi Tanabe Pharma Corporation
Larry Meixner	Corporate Executive Officer Senior Vice President Chief Technology Officer Chief Digital Officer	Innovation, Digital	Director of Mitsubishi Tanabe Pharma Corporation
Jin Iida	Corporate Executive Officer Senior Vice President	Audit	
Shigeki Habuka	Corporate Executive Officer Senior Vice President	Public Relation	

(4) Aggregate Amount of Remuneration of Company's Officers

i. Aggregate amount of remuneration of officers for the fiscal 2021

Category of officer	Aggregate amount of consolidated remuneration, etc. (in millions of yen)				No. of persons	
	Basic remuneration, etc.	Performance-linked remuneration		Shares with restriction of transfer		Total
		Cash bonus	Stock remuneration			
Directors (inside)	169 (169)	-	-	-	169 (169)	5
Directors (outside)	86	-	-	-	86	6
Corporate Executive Officers	366 (355)	67 (67)	80 (80)	267 (267)	780 (769)	8
Sum Total	621 (610)	67 (67)	80 (80)	267 (267)	1,034 (1,023)	19

Notes:

1. The aggregate amount of remuneration, etc., above is stated as consolidated remuneration, etc. (the sum of remuneration paid or to be paid, or expenses, etc., borne by the Company and its subsidiaries). The amounts in brackets are the sum of remuneration, etc., paid by the Company for Directors (inside) and Corporate Executive Officers. For Outside Directors, the aggregate amount of consolidated remuneration, etc., is paid fully by the Company.
2. MCHC remunerates Directors who concurrently serve as Corporate Executive Officers for their services as Corporate Executive Officers.
3. The amounts of basic remuneration, etc. and cash bonus are the sum of remuneration, etc., paid during the fiscal year under review (all monetary remuneration).
4. Basic remuneration, etc. includes the amounts of fringe benefits for foreign Corporate Executive Officers (expenses for returning to their countries, education expenses for their children, increase in gross fringe benefits, etc.). Furthermore, in the case of foreign Corporate Executive Officers, MCHC bears expenses of 33 million yen for housing allowances, medical insurance etc. as fringe benefits, i.e., non-monetary remuneration, in addition to the above remuneration.
5. Performance-linked remuneration of Corporate Executive Officers includes amounts paid during the fiscal year under review for Corporate Executive Officers who retired in the previous fiscal year. Moreover, Corporate Executive Officers who retired while remaining Directors in the previous fiscal year are classified as receiving basic remuneration, etc. as Directors (inside) and performance-linked remuneration as Corporate Executive Officers.
6. The amounts of stock remuneration presented above are the sum of the those recorded as expenses in fiscal 2021 (expenses connected with the performance share units (PSU, see p. 58) introduced in fiscal 2021 and expenses connected with stock remuneration involving the BIP trust until fiscal 2020).
7. The amount of shares with restriction of transfer presented above is the sum of those recorded as expenses in fiscal 2021 (sum of grants of shares with restriction of transfer worth the base value defined by title, where the restriction of transfer is removed upon retirement, and grants of shares with restriction of transfer to the President and CEO as a sign-on bonus).

ii. Method of calculating performance-linked remuneration paid during the fiscal year under review and results of evaluation

Performance-linked remuneration of the Company is determined based mainly on the results of the KAITEKI evaluation (on the achievement of annual targets for the three axes of the KAITEKI Management that the MCHC Group values: sustainability axis (Management of Sustainability: MOS); innovation axis (Management of Technology: MOT); and economic efficiency axis (Management of Economics: MOE)).

[Cash bonus] Individual remuneration amount = base amount by title x KAITEKI Value evaluation (0-200%)

[Stock remuneration] Number of individual points granted (for receiving stock issuance) = base points by title x KAITEKI Value evaluation (0-200%)

* KAITEKI Value evaluation: performance is rated on a five-point scale with “A” (100%) as a basis, “SS” (200%) when a target is significantly surpassed, “S” (150%) when a target is surpassed, “B” (50%) when a target is missed, or “C” (0%) when a target is significantly missed (figures in brackets: percentage of payment).

* Stock remuneration: points are granted each year in proportion to the KAITEKI Value evaluation, and the amount of common stock, etc., of the Company worth the accumulated points and dividends accrued on such stocks will be paid when an officer retires. Note that regarding the PSU (see p. 58) system introduced in fiscal 2021, with the fiscal 2021 plan, shares of a number calculated in accordance with factors such as the rate of increase in the price of MCHC shares during the three years until and including fiscal 2023 are scheduled to be granted in 2024, and the evaluation results and the number of shares to be granted have not been yet been determined.

Listed below are major indicators, reason of selection, results of evaluation, etc., for the KAITEKI Value evaluation for the fiscal 2020 (from April 1, 2020 to March 31, 2021).

Major indicators		Reason of selection	% of evaluation
MOS	Reduction of environmental burden (GHG, etc.)	To actively promote energy saving activities which could lead to the prevention of global warming	10%
	Pharmaceuticals contribution index	To contribute to human life and health through response to unmet medical needs and expansion of indications/ number of countries of distribution network	
	Employees' wellness index	To promote creation of society and workplace where diverse people can work enthusiastically and actively	
MOT	New product creation rate	To raise research and development efficiency	10%
	Patent examination requests/claims rate	To enhance technological edge	
	Core technology evolution rate	To advance new core technology acquisition projects through initiatives for advanced technology and digital transformation	
MOE	Core operating income	To boost earning power in principal business	80%
	ROE	To aim for sustainable improvement in corporate value	
	Free cash flow	To manage resource allocation for the next generation and increase capacity to generate cash flows to secure financial health as well as stable returns to our shareholders	
Results of KAITEKI Value evaluation:			B (50%)

iii. Activities by the Compensation Committee during the fiscal year under review

The Compensation Committee held seven meetings between April 2021 and March 2022 to decide remuneration, etc., for Directors and Corporate Executive Officers, and every session was attended by all members. Major matters discussed and determined during the fiscal year under review are as outlined below:

- The Committee discussed the evaluation of performance, etc., for fiscal 2020 and determined the amount of performance-linked remuneration to be paid for the fiscal year 2020.
- The Committee discussed and determined the remuneration base amount and performance targets for performance-linked remuneration for the fiscal year under review.
- The Committee determined the details of the PSU system, the new system for stock remuneration, and the number of base shares by title for the fiscal 2021 plan.
- Regarding remuneration systems and levels for Directors and Corporate Executive Officers, the Committee compared and review market trends and verified their validity, as well as their compatibility with the “Policy on Deciding Remuneration for Directors and Corporate Executive Officers.”
- Through these reviews and discussions, the Committee confirmed that the remuneration systems and levels for Directors and Corporate Executive Officers in fiscal 2021 were appropriate.
- Based on the new group management structure* beginning in fiscal 2022, the Committee determined individual remuneration, etc. for Corporate Executive Officers in accordance with their new professional duties and other factors. Regarding Outside Directors, with the business environment becoming increasingly complex and diverse, the roles expected of them and the burden of executing their duties have increased, so with reference to the results of comparisons with other companies, the Committee decided to increase their basic remuneration.

* Under the new management structure, previous titles (executive director, managing director, etc.) have been scrapped, with the title Corporate Executive Officer collectively referring to “executive vice presidents” and “senior vice presidents.”

- Regarding the disclosure of remuneration for officers, the Committee discussed its basic policy and specific details.

Validity of remuneration, etc., for officers for the fiscal year under review and approach/response for fiscal 2022 and beyond

The Compensation Committee of the Company discusses how the remuneration plan for Directors and Corporate Executive Officers should be in order to continuously enhance the “KAITEKI Value” in the medium and long term and makes decisions. When making its decisions, the Committee always ensures a fair and reasonable process that allows it to fulfill its accountability for all stakeholders including shareholders, customers, and employees, and reflects such in disclosures as well.

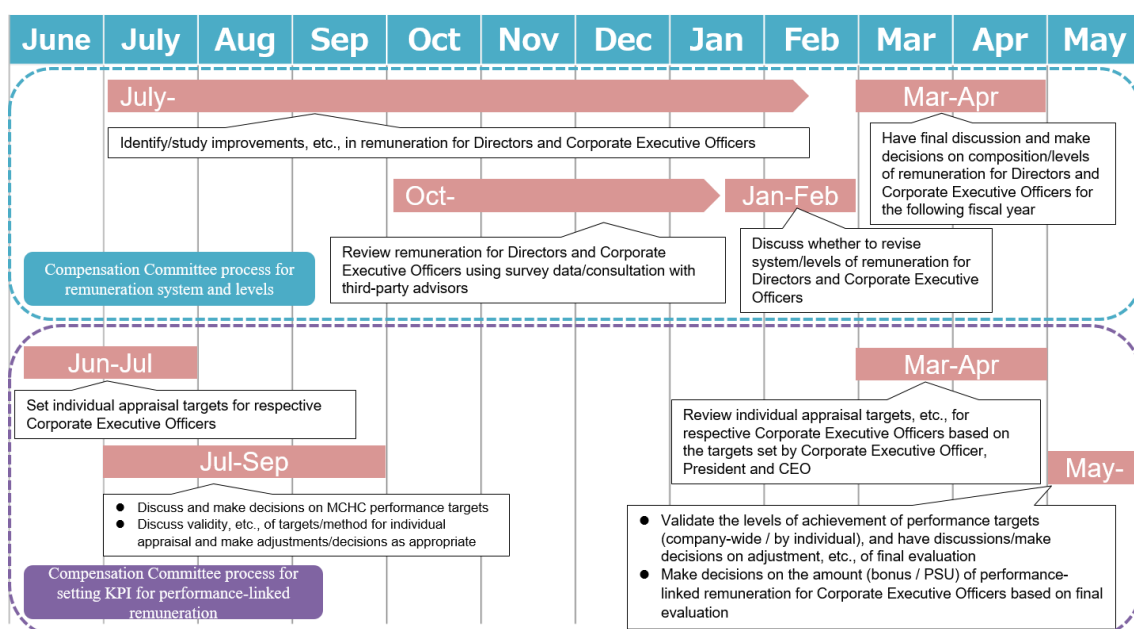
In an effort to carry out this accountability appropriately, the Committee had repeated discussions by reference to objective, expert, and adequate information and in line with the “Policy on Deciding Remuneration for Directors and Corporate Executive Officers,” before concluding that the details of individual remuneration, etc., for the fiscal year under review are valid.

Furthermore, in April 2022, and in line with the “One Company, One Team” concept, MCHC shifted from an organizational structure based on the management of the holding company and operating companies to one based on the unified administration of the corporate group as a whole. The management structure was also revamped. Ahead of this transition, the Compensation Committee discussed approaches to the remuneration system under the new management structure. Further to these discussions, the Committee determined the details of fiscal 2022 remuneration based on the premise that a Group-wide, unified system of remuneration for Corporate Executive Officers would be adopted.

[Reference] Members (constitution), roles, and annual schedule of the Compensation Committee

Constitution	Chairperson (Outside Director): Chikatomo Hodo Member (Outside Director): Takayuki Hashimoto, Tatsumi Yamada Member (Internal Director): Hidefumi Date
Roles	<ul style="list-style-type: none"> The Committee determines the amount of individual remuneration for Directors and Corporate Executive Officers. The Committee consists of four (4) members including three (3) Outside Directors, as of March 31, 2022. It is also chaired by an Outside Director in order to increase the transparency and fairness of its decision-making process.

Usual annual schedule



(5) Policy on Deciding Remuneration for Directors and Corporate Executive Officers

i. Method of determining the Policy, and revisions

a. Method of determining Policy on Deciding Remuneration for Directors and Corporate Executive Officers

The policy on deciding individual remuneration, etc., for officers of the Company is determined by the Compensation Committee every fiscal year, after reviewing its validity. Changes in business environment, opinion from shareholders and investors are weighed in the Compensation Committee meetings, and information necessary for discussions are obtained from outside remuneration consultants at WTW (Willis Towers Watson), who are replete with global experience and knowledge.

b. Revisions in Policy on Deciding Remuneration for Directors and Corporate Executive Officers, effective from fiscal 2022

There have been no changes of note concerning the Policy on Deciding Remuneration for Directors and Corporate Executive Officers for fiscal 2022, as during deliberations (see p. 51 (4) (iii) by the Compensation Committee in fiscal 2021 the validity of the current remuneration system was confirmed.

ii. Policy on Deciding Remuneration for Directors and Corporate Executive Officers for the fiscal 2022

a. Principle of remuneration

Systems for Directors and for Corporate Executive Officers are separate, and remuneration is determined by the Compensation Committee based on the following concepts:

Basic policy on deciding remuneration, etc., for Directors

- Given their role of overseeing and auditing management of the Company from an independent and objective standpoint, remuneration for Directors shall be basic remuneration (fixed remuneration) only.
- In order to secure personnel suitable for executing the responsibilities of Directors of the Company with a Nominating Committee, etc., the level of remuneration shall be determined by considering the levels of other companies, expected roles/functions, hours required to execute their duties, and other factors.

Basic policy on deciding remuneration, etc., for Corporate Executive Officers

- A remuneration plan shall be the one that makes officers conscious of the integrated practice of the three axes of the KAITEKI Management toward the MCHC Group's vision, "Realizing KAITEKI" (MOS/MOT/MOE).
- A remuneration plan shall be the one that effectively functions as an incentive to

enhance short-term and medium and long-term performance and improve sustainable corporate value and shareholder value.

- The level of remuneration shall be a level competitive enough to acquire and keep good management personnel who lead the sustainable growth of the MCHC Group.
- Remuneration shall be determined through a fair and reasonable decision-making process that can fulfill accountability for all stakeholders including shareholders, customers, and employees.

Basic policy on deciding remuneration, etc., for officers recruited from outside

- Remuneration, etc., for officers recruited from outside shall be determined on a case-by-case basis, by considering the levels and customs of remuneration expected in the place/country of birth or residence of the officer recruited under the above basic policies.

b. Remuneration system

Directors

Remuneration for Directors shall be basic remuneration (fixed remuneration) only. When a Director concurrently serves as a Corporate Executive Officer, the remuneration system for Corporate Executive Officers shall apply.

Corporate Executive Officers

Remuneration for Corporate Executive Officers shall be comprised of the following:

Type of remuneration			Outline
Fixed	Short-term / Cash	Basic remuneration	<ul style="list-style-type: none"> • Basic remuneration is paid for the execution of responsibilities/duties • Defined by roles and the size of responsibilities of each Corporate Executive Officer
Variable		Annual bonus	<ul style="list-style-type: none"> • Monetary remuneration is paid in proportion to the KAITEKI Value evaluation and individual appraisal (on the achievement of initiative targets under the medium and long-term management plan, leadership status, etc.) every fiscal year
	Long-term / Stock	Performance share unit (PSU)	<ul style="list-style-type: none"> • Stocks are issued based on growth in the Company's share price in a period of three years (TSR*) (*) In comparison to JPX-Nikkei 400 Index and peer group (domestic or foreign chemical/health care companies with global operational presence)
		Shares with restriction of transfer (RS)	<ul style="list-style-type: none"> • Shares with restriction of transfer worth the base value defined by title are issued every fiscal year and the restriction of transfer will be removed when an officer retires

Note: For foreign national officers, fringe benefits and severance pay may be paid in addition to the above, to the extent appropriate, by considering the levels and customs of remuneration expected in the place/country of birth or residence of the officer recruited.

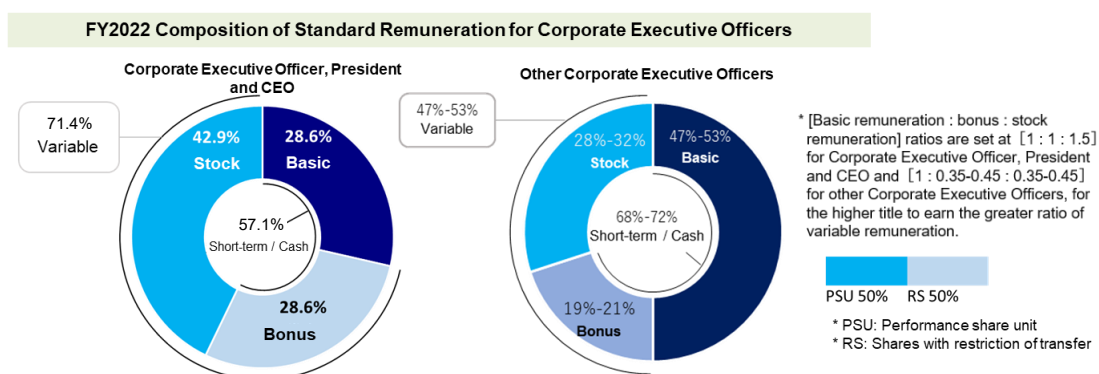
c. Method of setting the levels / percentage of remuneration

Directors

The levels of basic remuneration for Directors shall be determined by considering the levels of remuneration for non-executive directors or outside directors at other companies of similar size in domestic sales and market capital, roles and functions expected of each Director (Member/Chairperson of the Nominating/Compensation/Audit Committees, etc.), and hours required to execute their duties (full-time/part-time classification).

Corporate Executive Officers

Remuneration, etc., for Corporate Executive Officers shall be set at a competitive level with appropriate percentage of remuneration, after comparing the levels of remuneration and performance linkage with other companies of similar size in domestic sales (for foreign national officers, however, sales in certain regions shall be considered in order to acquire the talent, such as the place/country of birth or residence of an officer) and market capital.



d. Annual bonus

The amount of individual bonus for Corporate Executive Officers is determined in proportion to the KAITEKI Value evaluation (on the achievement of annual targets under the three axes of the KAITEKI Management that the MCHC Group values) and individual appraisal (on the achievement of initiative targets set individually under the medium and long-term management plan, leadership status, etc.).

$$\text{Individual bonus amount} = \frac{\text{Base amount by title}}{\text{by title}} \times \left(\frac{\text{KAITEKI Value evaluation}}{\text{evaluation}} + \frac{\text{Individual appraisal}}{\text{appraisal}} \right) + \frac{\text{Final evaluation adjustment}}{\text{adjustment}} (\pm 20\%)$$

(0-200%)

[KAITEKI Value evaluation]

To make officers conscious of the KAITEKI Management toward the Company's vision, "Realizing KAITEKI," the Company directly applies management indicators for the three respective axes of the KAITEKI Management, MOS, MOT, and MOE, as indicators for evaluating bonuses.

Specific evaluation indicators for the KAITEKI Value evaluation are selected every fiscal year, primarily from the following:

KAITEKI Management axis	Management indicator for each axis = Bonus evaluation indicator	% of evaluation
MOS	Indicator determined as associated with reduction of environmental burden such as GHG, contributions to health/medical treatment and social issues, compliance, accident/fire prevention, etc.	20%
MOT	Indicator associated with R&D efficiency, and alignment with technological edge and social needs	10%
MOE	Indicator associated with core operating income, ROE, ROIC, operating cash flow, etc.	70%

[Individual appraisal]

For targets for the Corporate Executive Officer, President and CEO, those declared by the Corporate Executive Officer, President and CEO at the beginning of the fiscal year are reviewed and determined by the Compensation Committee and the Nominating Committee. As to their evaluation, they are reviewed and determined by the Compensation Committee and the Nominating Committee at the end of the fiscal year, based on self-assessment by the Corporate Executive Officer, President and CEO.

For targets and evaluation for Corporate Executive Officers other than the Corporate Executive Officer, President and CEO, they are determined through an interview held between each Corporate Executive Officer and the Corporate Executive Officer, President and CEO, then reviewed and approved by the Compensation Committee. In cooperation with the Nominating Committee, the Compensation Committee verifies the fairness and reasonableness of the targets and evaluations for the respective Corporate Executive Officers.

[Final evaluation adjustment]

Only in cases that resulted in notable achievements or significant losses that were unforeseen at the beginning of the fiscal year, the Compensation Committee and Nominating Committee deliberate on the details and the need to take them into consideration, and such details and need will be added to or subtracted from the final evaluation.

e. Performance share unit (PSU) system

In the fiscal 2021, the Company has discontinued the stock remuneration plan using the BIP trust and introduced a PSU system. Under the Company’s PSU system, which is intended to make officers conscious of sustainable improvement in corporate value and shareholder value, common stock of the Company is issued every year, in principle, in the number calculated in proportion to growth in the Company’s share price (TSR: total shareholder return) during a period of three years. The method of calculating the number of stocks to be issued individually under the Company’s PSU system is as follows:

[TSR Evaluation Period]

TSR evaluation period for the FY2022 Plan will be from FY 2022 to FY2024.

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
FY 2022 PSU	← TSR Evaluation Period →			Stock issuance		
FY 2023 PSU		← TSR Evaluation Period →			Stock issuance	
FY 2024 PSU			← TSR Evaluation Period →			Stock issuance

[TSR Evaluation Category]

The Company TSR is compared to the index growth and the peer group TSR.

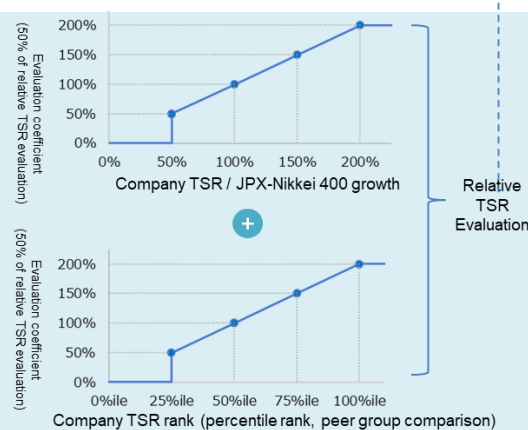
Category of evaluation	% of evaluation	Method of evaluation
Index growth comparison	50%	The coefficient of evaluation is determined by whether the Company TSR is better/worse than JPX-Nikkei 400 Index (including dividends) growth.
Peer group TSR comparison	50%	The coefficient of evaluation is determined by the rank of the Company TSR in the peer group (domestic or foreign chemical/health care companies of similar size to the Company in sales and market capital).

[Method of calculating the number of shares issued]

Number of individual shares issued =

Base number of shares by title x

Relative TSR Evaluation (0-200%)



f. Stock remuneration with restriction of transfer (RS)

With an agreement on allotment of shares with restriction of transfer executed between the Company and Corporate Executive Officers every year, common stock of the Company worth the base value defined by title is issued. In order to share shareholder value and achieve growth in share price for the medium and long term, the period of restriction of transfer shall be from the date of issuance to the date of retirement as the Company’s Corporate Executive Officer.

g. Remuneration clawback and other important matters

The Company may use other special remuneration and benefits, where necessary, after a case-by-case review by the Compensation Committee. In addition, if any gross misconduct/violation, etc., is found with a Director or a Corporate Executive Officer, the Company may make a claim for seizing one’s right to receive remuneration (“malus clause”) or getting back one’s remuneration (“clawback clause”) against this Director or Corporate Executive Officer through a review by the Compensation Committee.

[Reference] Remuneration package for Corporate Executive Officer, President and CEO

To assess the remuneration and benefit package for representative, Jean-Marc Gilson, Corporate Executive Officer, President and CEO, for the fiscal 2022, the Company considered his experience and actual achievement in global management and a headhunting market expected from his place/country of birth or residence, conducting research and study of globally competitive remuneration plans, levels, and benefits, as well as considering the handling of the previous year before finalizing the specific details of the package.

Similarly to other Corporate Executive Officers, the Policy on Deciding Remuneration for Directors and Corporate Executive Officers of the Company applies to him, and the following should be noted among other remuneration, etc., that apply to him:

a. Fringe benefit

He is provided with fringe benefits such as company housing (or a housing allowance) for his residence in Japan, expenses for temporary return visits to his country, tax declaration expenses, and medical insurance. When deciding on the types and levels of benefit to be provided, the Compensation Committee referred to standard practices overseas.

b. Severance pay (special pay provided for contract termination due to the company circumstances)

If the Company terminates a contract of mandate then in effect, based on a decision by the Nominating Committee, the Company may provide severance pay in cash up to the “amount totaling annual basic remuneration and annual bonus (base).” Severance pay is intended to offer the minimum protection to a Corporate Executive Officer subject to termination so that one would not make any improper management decisions to protect one’s own position. Whether to provide severance pay and its amount are reviewed and determined on a case-by-case basis by the Compensation Committee, in cooperation with the Nominating Committee.

* Separately from the regular remuneration package, he was issued with shares with restriction of transfer (RS) as a sign-on bonus when he assumed the position of Corporate Executive Officer, President and CEO in 2021. For these shares with restriction of transfer, a third of the restriction will be removed at the end of each fiscal year during a period of three years after he assumes the position. If he resigns before the removal of the restriction, the right to receive issuance for the relevant restricted portion will be lapsed. (The Company will acquire the portion for free.)

4. Matters Related to Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Amount of Remuneration, etc.

	Amount Paid (in million yen)
(i) Amount of audit remuneration to be paid by MCHC to the Accounting Auditor	60
(ii) Sum total of money and other financial benefits to be paid by MCHC and its subsidiaries to the Accounting Auditor	965

Notes:

1. As the amount of remuneration under the Companies Act and the amount of remuneration under the Financial Instruments and Exchange Act are not distinguished in the audit agreement between MCHC and the Accounting Auditor, a sum total of these amounts is reported in (i) above.
2. The Audit Committee checked the details of the audit plans of the Accounting Auditor, execution status of duties of accounting audits, calculation basis for remuneration estimates and reviewed their validity before approving of the amount of remuneration for the Accounting Auditor.

(3) Content of Non-auditing Affairs

With respect to services that are not stipulated in Article 2, paragraph (1) of the Certified Public Accountants Act (services other than audit attest services), MCHC asks the Accounting Auditor to advise on internal controls over financial reporting and prepare a letter of comfort for issuance of bonds, etc.

(4) Policy on Decision to Dismiss or Not Reappoint Accounting Auditor

If the Accounting Auditor is deemed to fall under any of the items prescribed in Article 340, paragraph (1) of the Companies Act, the Audit Committee will dismiss the Accounting Auditor subject to the unanimous consent of all members.

In addition, if the Accounting Auditor is deemed to be incapable of performing the audit service in a proper manner, MCHC will, based on the resolution of the Audit Committee, propose at the General Shareholders' Meeting that the Accounting Auditor should be dismissed or not be reappointed.

(5) Status of Audit of Financial Statements of MCHC's Subsidiaries by Certified Public Accountants or Audit Corporations other than the Accounting Auditor

Of MCHC's major subsidiaries, the overseas subsidiaries are audited by certified public accountants or audit corporations (including those locally certified) other than the Accounting Auditor, within the scope of the provisions of the Companies Act or the Financial Instruments and Exchange Act (or similar foreign laws and regulations).

5. Policy on Decisions on Appropriation of Retained Earnings, etc.

(1) Medium- to Long-term Policy

The basic policy of the Company for shareholder returns is to enhance its shareholder value by increasing corporate value. The Company works to pay stable dividends and maintain the consolidated dividend payout ratio at 30% of the medium-term profit level while keeping an eye to increasing retained earnings that will fund its future business activities.

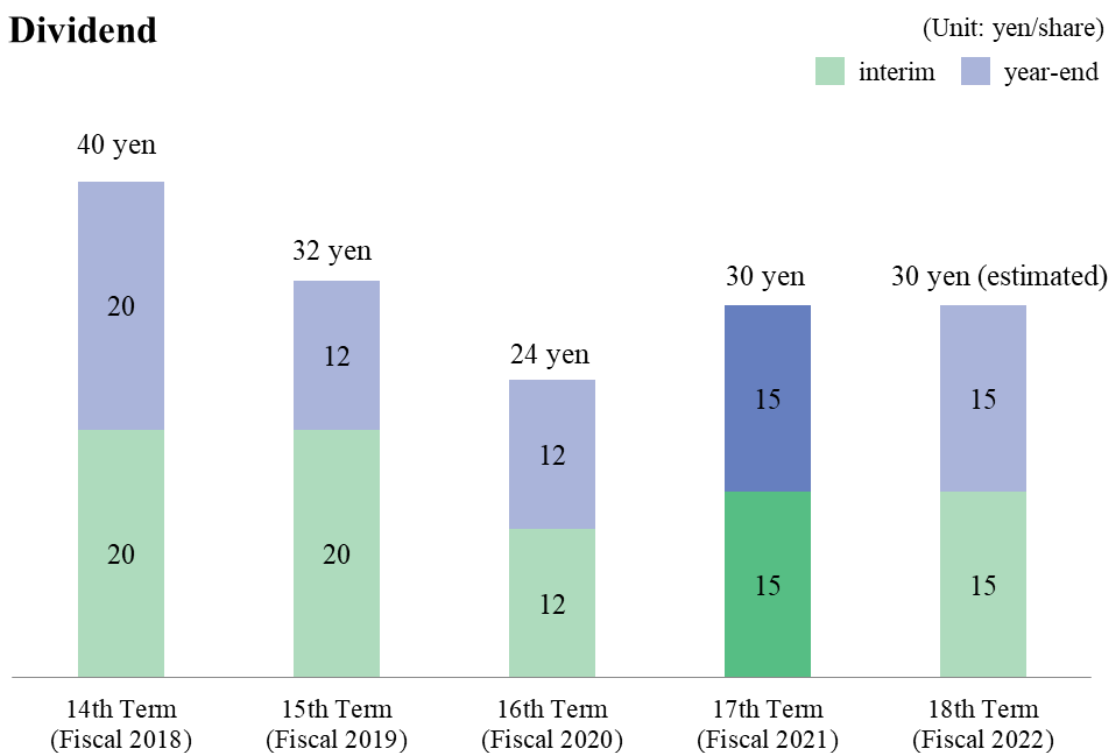
(2) Factors Affecting the Dividend Distribution for the Fiscal Year under Review

In the 17th Term, given there were recovery trends in economic activities in various countries recouping from the impact of COVID-19, demand in Japan and abroad was basically on a trajectory toward recovery year on year. Core operating income and net income attributable to owners of parent were increased compare with a year earlier.

After comprehensively considering the policy in (1) above as well as this situation and business development going forward, the Company decided to increase the year-end dividend by ¥3 from the previous fiscal year to ¥15 per common share of the Company.

Moreover, as the Company has already paid an interim dividend of ¥15 per share, the annual dividend will be ¥30 per share, an increase of ¥6 per share, and the consolidated dividend payout ratio for the fiscal year under review will be 24.1%.

Dividend



Matters Related to Stock Acquisition Rights

(1) Overview of Stock Acquisition Rights Held by MCHC's Officers (as of March 31, 2022)

Date of Resolution for Issue	Amount Paid in per Stock Acquisition Right	Exercise Period	Status of Stock Acquisition Rights Held by Officers	Type and No. of Stock as Objects of Stock Acquisition Rights
August 25, 2008	¥25,700	From September 11, 2008 to September 10, 2028	1 person 269 units	13,450 shares of MCHC's common stock
August 30, 2010	¥19,800	From September 15, 2010 to September 14, 2030	1 person 431 units	21,550 shares of MCHC's common stock
August 30, 2011	¥24,300	From September 15, 2011 to September 14, 2031	1 person 630 units	31,500 shares of MCHC's common stock
August 28, 2012	¥14,050	From September 13, 2012 to September 12, 2032	1 person 210 units	10,500 shares of MCHC's common stock
August 28, 2014	¥24,250	From September 13, 2014 to September 12, 2034	1 person 210 units	10,500 shares of MCHC's common stock
September 11, 2015	¥26,500	From September 29, 2015 to September 28, 2035	1 person 630 units	31,500 shares of MCHC's common stock
July 9, 2018	¥41,700	From July 25, 2018 to July 24, 2038	3 persons 432 units	21,600 shares of MCHC's common stock

Notes:

1. The number of stocks as object of the aforementioned stock acquisition rights is 50 per stock acquisition right. However, if MCHC's common stocks are split, the number of stocks per stock acquisition right will be adjusted.
2. The value of assets to be invested on the occasion of exercise of the aforementioned stock acquisition rights would be ¥1 per share.
3. In principle, the grantees may exercise the aforementioned stock acquisition rights only if they lose all of their positions as Director, Corporate Executive Officer, Corporate Auditor, or Executive Officer of MCHC and its subsidiaries during the respective Exercise Periods.
4. MCHC does not issue any stock acquisition rights to its Outside Director in compensation for performance of their duties.
5. The table provided above does not include stock acquisition rights received by MCHC's officers who have received such rights as Executive Officers of MCHC, or Directors, Corporate Auditors or Executive Officers of MCHC's subsidiaries.

(2) Stock Acquisition Rights Issued for Executive Officers, etc. during the Fiscal Year under Review

No stock acquisition rights issued for Executive Officers, etc. during the fiscal year under review.

(3) Stock Acquisition Rights for Convertible Bonds (As of March 31, 2022)

Zero Coupon Convertible Bonds due 2024

Date of resolution for issue	March 14, 2017
Number of stock acquisition rights	7,500 units
Type of stock as objects of stock acquisition right	MCHC's common stock
Number of stock as objects of stock acquisition right	Number obtained by dividing face value of this Corporate Bond (¥75.0 billion) by conversion value
Amount paid in	Gratis
Conversion value	¥1,187.2
Exercise period	From April 13, 2017 to March 15, 2024
Number of stock acquisition rights as of last day of fiscal year under review	7,500 units

Note: The conversion value will be adjusted if MCHC issues or disposes of its common stock at the amount below the market value, or conducts share split of its common stock.

(4) Aggregate Number of Stock Acquisition Rights (as of March 31, 2022)

The aggregate number of stock acquisition rights issued by MCHC and the type and the number of stock as objects of stock acquisition right as of the end of the fiscal year under review are as follows.

a) Stock acquisition rights issued for Officers and Executive Officers, etc. of MCHC:

Aggregate number 14,292 units
Type and number of stock as objects
MCHC's common stock 714,600 shares

b) Stock acquisition rights issued as stock acquisition rights for convertible bond:

Aggregate number 7,500 units
Type and number of stock as objects
MCHC's common stock 63,172,500 shares

System to Ensure that the Company Operates in an Appropriate Manner and Overview of its Implementation

(1) System to Ensure that the Company Operates in an Appropriate Manner

The Company's basic policy on development of systems for assuring the operational legitimacy for which the Board of Directors has passed a resolution is as follows.

1) System required for execution of duties of the Audit Committee

- i) Management shall set the Office of Audit Committee as a body to assist the Audit Committee's duties and have it assist in auditing based on the instructions thereof. The appointment (transfer, evaluation, etc.) of employees of the Office of Audit Committee and the development of the budget of the Office of Audit Committee shall be subject to approval of the Audit Committee.
- ii) Pursuant to regulations such as the Audit Standard of the Audit Committee, Directors, Corporate Executive Officers, and employees shall inform the Audit Committee of any important management matters to MCHC and a corporate group with MCHC as a parent company under the Companies Act ("MCHC Group") (including any fact or fraudulent act that might do material harm to MCHC or any important fact in violation of laws, regulations or Articles of Incorporation).
- iii) Management stipulates that any Director, Corporate Executive Officer, Corporate Auditor, or employee of the MCHC Group who has made a report to the Audit Committee shall not be treated unfavorably because of the report.
- iv) Of expenses incurred by the Audit Committee or members of the Audit Committee, those deemed necessary for the execution of their duties shall be borne by MCHC.
- v) In order to ensure that Audit Committee's audits are conducted in an effective manner, Management shall appoint full-time members of the Audit Committee as well as facilitate the Audit Committee's regular meetings with senior executives, including the President, and coordination and information exchange between the Audit Committee and the Internal Audit Office.

2) System for ensuring that Corporate Executive Officers execute their duties efficiently

- i) Except matters that significantly affect the MCHC Group's portfolio management and matters to be resolved by the Board of Directors as required by law (basic management policy, etc.), the Board of Directors allows Corporate Executive Officers to make swift decisions by delegating all the business execution decisions to them in principle.
- ii) To make decisions on business execution delegated to Corporate Executive Officers, Management shall develop a system in which the MCHC Group's decisions and

execution of business are made properly and efficiently by setting a rule that the MCHC Group's important management matters are deliberated and decided at the Corporate Executive Officers Committee, and by defining the authority of responsible Corporate Executive Officers, responsibilities of each department, and authority assigned to subsidiaries on other matters.

- iii) Corporate Executive Officers shall conduct management administration of subsidiaries in accordance with the basic management policy formulated by the Board of Directors (the Group's medium-term management plan, annual budgets, etc.) in an effort to achieve them. In addition, Corporate Executive Officers shall develop a system in which important management matters of subsidiaries are reported to the Company through the Corporate Executive Officers Committee and medium-term management plans, annual budget control, etc.

3) System for ensuring that Corporate Executive Officers' and employees' execution of their duties conform to laws, regulations, and Articles of Incorporation

- i) The MCHC Group shall treat the Group Charter of Corporate Behavior as the basic regulations on compliance matters within the MCHC Group.
- ii) Management shall develop, properly operate and manage internal control systems in order to ensure the reliability of financial reporting.
- iii) In accordance with the Group Compliance Promotion Regulations and other relevant rules and regulations, Management shall develop a promoting framework for compliance, training and education programs, audit/monitoring systems, hotlines, and other compliance promotion programs of the MCHC Group and properly operate and manage these programs by appointing a Corporate Executive Officer in charge of compliance promotion (Chief Compliance Officer).

4) Regulations, structure and systems for managing risks of loss

Corporate Executive Officer, President and CEO shall be the Chief Risk Management Officer. In accordance with the Group's Basic Regulations on Risk Management and other relevant rules and regulations, the Corporate Executive Officer, President and CEO shall be responsible for preventing serious risks from occurring in connection with or arising from the MCHC Group's business activities, and for developing, properly operating and managing risk management systems for minimizing damage if any risk occurs.

5) System for preserving and managing information related to Corporate Executive Officers' execution of their duties

In accordance with the Information Security Policy, Information Management Rules, and other relevant rules and regulations of the MCHC Group, Management shall preserve and manage the minutes of the Corporate Executive Officers Committee, approval documents, and other documents and electromagnetic records related to Corporate Executive Officers' execution of their duties and develop a system that allows Corporate Executive Officers and Directors to inspect them.

6) System for assuring operational legitimacy within the corporate group

In accordance with the above policy and the Group's Management Regulations and other relevant rules and regulations, Management shall implement the management of the MCHC Group (management of business objectives, reporting and approval of important matters and the Group's internal audits, etc.) and ensure operational legitimacy within the MCHC Group by sharing the Group's internal control policies and systems covering compliance and risk management within the MCHC Group.

(2) Overview of Implementation of System to Ensure that the Company Operates in an Appropriate Manner

In accordance with the above basic policy to develop a system to ensure that the Company operates in an appropriate manner, the Company has strived for the development of the system and its appropriate implementation. The overview of the implementation of the system to ensure operational legitimacy during the fiscal year under review is as follows.

1) System required for execution of duties of the Audit Committee

– In accordance with the Audit Committee Audit Standard, etc., Directors, Corporate Executive Officers, and employees report important management matters to the Audit Committee and circulate important approval documents to the members of the Audit Committee.

– Three employees have been assigned to the Office of Audit Committee to assist the operations of the Audit Committee and their reassignment is subject to prior consent of the Audit Committee.

– The Audit Committee Hotline has been established as a whistle-blowing contact point independent of the business execution reporting line, and it is stipulated that those who provide information will not be treated disadvantageously for reporting such information.

– While attending Corporate Executive Officers Committee meetings and other important meetings, Members of the Audit Committee conduct proactive exchange of opinions, etc.

with Corporate Executive Officers including the President and CEO, and Executive Officers, as well as the Presidents, officers of MCHC's operating companies.

– The Audit Committee has further good communication with the Internal Audit Office and Internal Control Office by receiving a regular report from them on their activities etc., and further strengthens collaboration with Corporate Auditors of the MCHC Group companies in an effort to enhance the effectiveness of audits.

– The Audit Committee held 14 meetings, and all Members of the Audit Committee attended every meeting.

2) System for ensuring that Corporate Executive Officers execute their duties efficiently

– The Board of Directors, as a general rule, delegates to the Corporate Executive Officers authority to make decisions on the execution of their duties in order to facilitate prompt and appropriate decision-making by Corporate Executive Officers.

– Of the business execution decisions delegated to the Corporate Executive Officers, important matters in the management of the MCHC Group are discussed and decided at the Corporate Executive Officers Committee Meetings. In accordance with the guidelines on management during the new coronavirus (COVID-19) pandemic, all of the Corporate Executive Officers Committee Meetings were held and operated in a web format.

– The Company formulated the management reform policy for increasing shareholder value and key financial targets for fiscal 2025, and announced its new management policy “Forging the future.”

– In order to achieve the Group-wide cost transformation, which is one of the strategic priorities in “Forging the future,” the Company led the creation of the implementation structure.

– To achieve carbon neutral by 2050, the Company began studying the strategy for carving out and future exit of petrochemicals and carbon businesses taking into consideration the efforts made by the basic chemical industry in Japan as a whole, not by the Company alone.

– Top management conveyed the messages through the internal portal and company town hall meetings to instill our vision and to get support for it within the MCHC Group.

3) System for ensuring that Corporate Executive Officers' and employees' execution of their duties conform to laws, regulations, and Articles of Incorporation

– In addition to the MCHC Group Charter of Corporate Behavior and implementation of various policies on the global basis, the Company continues activities to instill the content of Tone from the Top into the front line of the organization through each executive officer or company town hall meetings.

- In Japan and overseas, the Company continues to conduct compliance promotion program and awareness surveys for monitoring according to region and target audience.
- Regarding the whistle-blowing system, the Company considered the centralization of the system across the MCHC Group, and revised the internal reporting system.
- Reporting at the Board of Directors was regularized so that the Board can flexibly grasp the status of compliance, etc.
- In accordance with the evaluation standard for internal controls to ensure reliable financial reporting, the Company evaluated development and implementation of internal controls and confirmed the effectiveness of internal controls.

4) Regulations and other systems for managing risks of loss

- The Company began considering the introduction of Enterprise Risk Management (ERM) in order to comprehensively manage the risks associated with the MCHC Group's business activities related to material issues and to minimize losses and encourage appropriate risk-taking from a company-wide perspective.
- The Company continued to further strengthen risk management at MCHC Group companies. The Group companies particularly addressed the following risks with a shared recognition that these should be regarded as significant risk.

(Human rights)

- The Company revised the Mitsubishi Chemical Holdings Group Human Rights Policy.

(Major accidents, industrial accidents, and large-scale disasters)

- A Group-wide response system in the event of a disaster was refined further.
- The Company continued to implement reporting rules and database maintenance.

The Ukrainian Crisis Response Committee was established to consolidate information and make swift decisions.

(Compliance)

- The Company responded to cases of compliance violations at Group companies and shared measures to prevent recurrence.
- The Company conducted online training by internal and external instructors for officers and employees on the Antimonopoly Act, Act on the Protection of Personal Information, Unfair Competition Prevention Act, anti-bribery, etc.
- The Company conducted education on anti-bribery, the Antimonopoly Act, the Protection of Personal Information and other laws and regulations within the MCHC Group through e-learning and other means.

5) System for preserving and managing information related to Corporate Executive Officers' execution of their duties

- The Company carried out inventory of the information asset ledgers of each office based on the MCHC Information Management Guidelines.
- The Company carried out inventory of the access rights settings for information sharing tools (SharePoint and Box).
- The Company reduced leakage risk by further strengthening Web meeting management (Zoom).
- The Company provided more companies with training and education to further improve information security awareness and defensive ability.
- The Company maintained countermeasures based on the “Cybersecurity Management Guidelines” established by the Ministry of Economy, Trade and Industry, and considered new measures.
- To further enhance the countermeasures against targeted attacks, the Company accelerated introduction and deployment of the Endpoint Detection and Response (EDR), which has been completed in 98% of the PCs and the servers in total.
- The Company created a checklist and conducted a trial for monitoring the compliance status of information system security-related rules.

6) System for assuring operational legitimacy within the corporate group

- In light of business objectives under the medium-term management plan, the Company promoted the Group-wide targets for the fiscal year and profit management, performance management of Group Operating Companies and reportable segments, and measures for more effective assets (acceleration of reduction of strategically holding stocks, etc.).
- The Company set mission for MCHC and each Group Operating Company in accordance with the mission evaluation system which has been revised to reflect targeted levels of capital efficiency (ROE and ROIC) for the entire Group and each business unit based on the cost of capital.
- To mitigate tax risks, the Company worked with MCHC Group companies on further strengthening of checking systems.
- For the MCHC Group’s overall internal control monitoring purposes, the Company renewed internal control maps and continued to use CSA (self-evaluation tool).
- The Company received reports concerning compliance violations from operating companies in accordance with the guideline for reporting compliance violation incidents to the Company and provided necessary guidance and supervision to them.

Basic Policy on Control of the Company

We have not specifically written down a basic policy on the modality of the persons exerting controlling influences over the Company's financial and management policy decisions, but are pleased to present our basic ideas below.

We believe that we will be able to live up to the expectations of our shareholders by running the MCHC Group in a highly efficient and transparent manner, by bolstering our competitive edge and earning capabilities through optimal allocation of management resources and ultimately by enhancing our Group's corporate value.

Although we have not introduced the so-called "takeover defense" measures, we do stand ready to take whatever measures we consider appropriate if we detect a company is attempting to make a massive purchase of MCHC's shares that might harm the MCHC Group's corporate value or undermine the common interests of our shareholders.

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Consolidated Statement of Profit or Loss

17th Fiscal Year (Year ended March 31, 2022)

Unit: Millions of yen

Sales revenue	3,976,948
Cost of sales	<u>(2,862,224)</u>
Gross profit	1,114,724
Selling, general and administrative expenses	(854,455)
Other income	81,692
Other expenses	(59,961)
Equity income	<u>21,194</u>
Operating income	303,194
Financial income	9,368
Financial expenses	<u>(22,192)</u>
Earnings before taxes	290,370
Income taxes	<u>(80,965)</u>
Net income	<u><u>209,405</u></u>
Net income attributable to	
Owners of the parent	177,162
Non-controlling interests	32,243

mitsubishi chemical holdings corporation
Consolidated Statement of Financial Position
17th Fiscal Year (As of March 31, 2022)

Unit: Millions of yen

Assets	
Current assets:	
Cash and cash equivalents	245,789
Trade receivables	825,996
Inventories	745,248
Other financial assets	51,085
Other current assets	106,556
Subtotal	1,974,674
Assets held for sales	11,442
Total current assets	1,986,116
Non-current assets	
Property, plant and equipment	1,899,695
Goodwill	705,412
Intangible assets	448,805
Investments accounted for using the equity method	174,791
Other financial assets	233,533
Other non-current assets	60,923
Deferred tax assets	64,596
Total non-current assets	3,587,755
Total assets	5,573,871

MITSUBISHI CHEMICAL HOLDINGS CORPORATION
Consolidated Statement of Financial Position (continued)
17th Fiscal Year (As of March 31, 2022)

Unit: Millions of yen

Liabilities and Equity	
Liabilities	
Current liabilities:	
Trade payables	486,874
Bonds and borrowings	411,213
Income tax payable	34,875
Other financial liabilities	291,237
Provisions	15,601
Other current liabilities	178,613
Subtotal	1,418,413
Liabilities directly associated with assets held for sales	880
Total current liabilities	1,419,293
Non-current liabilities	
Bonds and borrowings	1,748,756
Other financial liabilities	112,554
Retirement benefit liabilities	103,941
Provisions	22,673
Other non-current liabilities	147,212
Deferred tax liabilities	175,123
Total non-current liabilities	2,310,259
Total liabilities	3,729,552
Equity	
Common stock	50,000
Additional paid-in capital	170,600
Treasury stock	(62,870)
Retained earnings	1,213,677
Other components of equity	86,670
Equity attributable to owners of the parent	1,458,077
Non-controlling interests	386,242
Total equity	1,844,319
Total liabilities and equity	5,573,871

Consolidated Statement of Changes in Equity
17th Fiscal Year (Year ended March 31, 2022)

Unit: Millions of yen

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

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

Notes to the Consolidated Financial Statements

Basis of Preparation of Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (hereinafter the “the MCHC Group”) are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) under the provision of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. In the consolidated financial statements, some items required to be disclosed in IFRS are omitted under the provision of the second sentence of the same Paragraph.

2. Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 452

The number above includes four (4) jointly-operating companies.

Names of major consolidated subsidiaries:

MCC, MTPC, Life Science Institute, Inc., Nippon Sanso Holdings Corporation

Number of associated companies accounted for by the equity method: 137

Name of major associated companies accounted for by the equity method:

LOTTE MCC Corp.

Companies not accounted for by the equity method because they are classified as assets held for sale: 1

3. Accounting Policies

(1) Basis and method of valuation for financial assets other than derivatives

(i) Initial recognition and measurement

MCHC Group initially recognizes trade receivables when it satisfies its performance obligations and acquires unconditional rights to consideration in accordance with IFRS 15 “Revenue from Contracts with Customers.” All other financial assets are initially recognized on the transaction date when MCHC Group becomes a contractual party to the assets.

Financial assets are classified into financial assets measured at fair value through profit or loss, fair value through other comprehensive income, and amortized cost. The MCHC Group determines the classification at initial recognition.

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting both of the following conditions are classified as financial assets measured at fair value through other comprehensive income. The other debt instruments are classified as financial assets measured at fair value through profit or loss.

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sales of financial assets.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With regard to equity instruments invested in not for the purpose of trading, a designation is made to individually measure at fair value through profit or loss or measure at fair value through other comprehensive income, and such designation is continuously applied.

Financial assets are measured at fair value plus transaction costs that are attributable to the financial assets, except for financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial assets 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 values of financial assets measured at fair value are recognized as profit or loss or as other comprehensive income.

Changes in the fair value of equity instruments designated as measured at fair value through other comprehensive income are recognized as other comprehensive income and the amount in other comprehensive income is transferred to retained earnings when equity instruments are derecognized or the decline in its fair value compared to its acquisition cost is significant.

(iii) Derecognition

The MCHC Group derecognizes a financial asset only when the contractual right to receive the cash flows from the asset expires or when the MCHC Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

When the MCHC Group does not transfer substantially all the risks and rewards but does not retain them either, and yet retains the ownership of the financial asset transferred, the MCHC Group recognizes retained interests in the financial assets and a liability that the MCHC Group may be required to pay in association therewith, to the extent of the Group's continuing involvement.

(iv) Impairment

The MCHC Group recognizes impairment of financial assets and financial guarantee transaction contracts based on whether or not credit risks of financial assets, the financial assets group or financial guarantee transaction contracts measured at amortized cost on balance sheet date have experienced significant increase compared to their initial recognition.

If there is no significant increase of credit risk in financial assets or financial assets group measured at amortized cost compared to their initial recognition, expected credit losses for 12 months are recognized as allowance for doubtful receivables, while for trade

receivables, expected credit losses for the remaining period are recognized since their initial recognition.

When there is a significant change in credit risk from the time of initial recognition, expected credit losses for the remaining period are recognized as allowance for doubtful receivables. Whether the increase in credit risk is significant or not is determined based on changes in default risks; to determine whether there is a change in default risk, we primarily consider overdue (past due information).

Expected credit losses are measured based on a discounted present value, which is the difference between the amount receivable under the contract, and the amount expected to receive taking into consideration past credit losses, etc.

(2) Basis and method of valuation for derivatives

The MCHC Group utilizes 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 the contract is entered into, and are subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized as profit or loss in the consolidated statement of income. However, the gains or losses on the hedging instrument relating to the effective portion of cash flow hedges and hedges of net investment in foreign operations (foreign subsidiaries) are recognized as other comprehensive income.

At the inception of the hedging relationships, the MCHC Group formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The document includes specific methods of hedging, items or transactions to be hedged against, or nature of risks to be hedged against, fair value of hedged items attributable to hedged risks, or methods of evaluating effectiveness of changes in fair value of hedge instruments to offset exposure to changes in cash flows (including analysis of a cause for why any portion of the hedge is found not effective, and the method of determining the hedging ratio). The MCHC Group also assesses whether a derivative used in the hedge transaction is effective in offsetting fair value of the hedged item or changes in cash flows, at the designating hedging relationships or on an ongoing basis. Specifically, the MCHC Group deems hedge transaction as effective when such hedge offsets economic relations between the hedged item and the hedge instrument.

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 as profit or loss. Changes in fair value of the hedged item attributable to hedged risks are recognized in profit or loss by modifying the carrying amount of the hedged item.

(b) Cash flow hedges

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

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss.

In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

If planned 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 a hedging instrument expires or is sold or terminated or exercised without being replaced with other hedging instrument or renewal of the hedging instrument, or when a hedge accounting is discontinued due to a change of risk management purpose, any cumulative gain or loss recognized in equity as other comprehensive income remains in equity until a forecasted transaction is executed.

(c) Hedges of a net investment in foreign operations

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

(3) Valuation basis and method for inventories

The acquisition cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at acquisition cost, or if lower, at net realizable value. The costs are determined by mainly using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(4) Depreciation and amortization method for significant depreciable assets

(i) Property, plant and equipment

The MCHC Group uses the cost model for measuring property, plant and equipment.

Property, plant and equipment are presented in values that are calculated as acquisition cost less accumulated depreciation and accumulated impairment loss.

Acquisition cost includes expenses directly attributable to acquisition of the assets, estimated costs relating to scrap, removal and retirement and restoration, and the borrowing cost that satisfy the capitalization criteria.

Except land, all of the property, plant and equipment applied depreciation on a straight-line basis to regularly allocate depreciable amount, which is calculated by subtracting the remaining value on balance sheet date from its acquisition cost.

The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures:	3–50 years
Machinery and equipment:	2–22 years
Vehicles, tools, furniture and fixtures:	2–25 years

(ii) Intangible assets

The MCHC Group uses the cost model for measuring intangible assets.

An intangible asset is presented in values that are calculated as acquisition cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets acquired separately are measured as acquisition cost at the initial recognition, and the costs of intangible assets acquired through business combinations are recognized at fair value at the acquisition date. Expenditures on internally generated intangible assets are recognized as expense in the period when incurred, except for development expenses that satisfy the capitalization criteria.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives and are tested for impairment whenever there is any indication of impairment. The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at each fiscal year end, and the effect of any changes in estimate would be accounted for on a prospective basis.

The estimated useful lives of major intangible assets are as follows:

Technology-related intangible assets: 4–22 years

Customer-related intangible assets: 5–30 years

Software: 3–5 years

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized, but they are tested for impairment individually or by cash-generating unit annually or whenever there is any indication of impairment.

(iii) Leases

A lease transaction is recognized when a right to control the use of an asset under a particular agreement is transferred in return for consideration over a certain period of time, with a right-of-use asset and lease liability in the lease transaction recognized on the date of the inception of the lease. Whether an agreement is a lease or contains a lease is determined based on the substance of the agreement, even when it does not legally constitute a form of lease.

A lease liability is measured as the discounted present value of total lease payments outstanding as of the date of inception of the lease. A right-of-use asset is initially measured as an aggregate of the initial measurement value of the lease liability after being adjusted with initial direct costs, prepaid lease payments, etc., and costs for restoration obligations, etc., required by the lease agreement.

Lease payments are allocated in finance cost or payments for outstanding lease liability, both at a consistent interest rate to outstanding lease liability, and the finance cost is recognized as profit or loss.

A right-of-use asset is amortized over the useful life of the asset where the ownership of an underlying asset is to be transferred to a lessee by the expiration of the lease term or the exercise of a purchase option is reflected in the acquisition cost of the right-of-use asset, otherwise over the shorter of the useful life or the lease term regularly.

For leases expiring within 12 months or whose underlying asset is small, relevant lease payments are recognized as finance cost regularly over the lease term.

(5) Basis for provision of significant reserves

Allowances and provisions are recognized when the MCHC Group has a present (legal or constructive) obligation as a result of a past event when it is more likely than not that an

outflow of resources having economic benefits will be required to settle the obligation and the amount of obligation has been reliably estimated.

Allowances and provisions are measured, where the time value of money is material, at present value of expenses estimated to be required to settle the obligation. The present value is calculated using the time value of money and a pre-tax discount rate that reflects the evaluation in the present market on the risks specific to the liabilities.

(6) Accounting treatment on retirement benefits

The MCHC Group sponsors defined benefit plans and defined contribution plans as employee retirement benefit plans.

The MCHC Group calculates the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method.

The discount rate is calculated based on yields of high-quality corporate bonds on balance sheet date.

Liability or asset recognized in respect of the defined benefit plan is the present value of the defined benefit obligation less the fair value of plan assets.

Remeasured liability or asset value in respect of the defined benefit plan is recognized comprehensively as other comprehensive income in the period as incurred, and immediately reflected retained earnings. In addition, past service cost is recognized as expenses in the period as incurred.

Cost for defined contribution plan is recognized as expense in the period when contributed.

(7) Basis of revenue recognition

The MCHC Group recognizes revenue, based on the following 5-step model, in an amount that reflects the consideration to which the Group expects to be entitled 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 the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

MCHC Group conducts business activities in four business segments (Performance Products, Chemicals, Industrial Gases and Health Care) and provides a wide variety of products, etc. to customers in Japan and overseas.

For the sales of such products, because the customer obtains control over the products upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products.

Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items.

Consideration for products under sales contracts is mainly collected within 12 months of the transfer of control over said products and therefore the consideration includes no significant financial elements.

(8) Basis for translating significant foreign currency assets and liabilities into Japanese yen

Consolidated financial statements of the MCHC Group are presented in Japanese yen, which is the functional currency of the Company. Each company in the MCHC Group specifies its own functional currency and measures transactions based on it.

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing at the dates of transactions or an approximation of the rate.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on balance sheet date. Differences arising from the translation and settlement are recognized as profit or loss. However, exchange differences arising from the translation of financial instruments designated as hedging instruments for net investment in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognized as other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the fiscal year end date, while income and expenses of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the dates of transactions or an approximation to the rate. The resulting translation differences are recognized in other comprehensive income.

In cases where foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations is recognized as profit or loss in the period of disposition.

(9) Matters regarding goodwill

Goodwill is recorded at the value calculated as cost less any accumulated impairment loss.

Goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, which are expected to benefit from synergies of the business combination after the acquisition date.

Goodwill is tested for impairment annually or whenever there is any indication of impairment.

However, impairment losses on goodwill are not reversed.

(10) Assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount expected to be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale within one year is highly probable and the non-current asset (or disposal groups) is available for immediate sale in its present condition. Non-current assets (or disposal groups) classified as assets held for sale are measured as carrying amount or if lowered, as fair value less costs to sell.

Property, plant and equipment and Intangible assets classified as assets held for sale are not depreciated or amortized.

Discontinued operations include an operation that has been already disposed of or a component of the MCHC Group that is classified as an asset held for sale and represents one line of the MCHC Group's business, which is recognized when the Company has a plan to dispose of such a business line.

4. Changes in Methods of Presentation

(1) Disclosure of “Notes on Revenue Recognition”

In accordance with Article 98, Paragraph 1, Item 18-2 and Article 115-2, which were added following the revision of the Regulations on Corporate Accounting, “Notes on Revenue Recognition” is disclosed from the current fiscal year.

(2) Disclosure of matters related to the appropriate breakdown by category for the fair value of financial instruments

In accordance with Article 109, Paragraph 1, Item 3, which was added following the revision of the Regulations on Corporate Accounting, matters related to the appropriate breakdown by category for the fair value of financial instruments is disclosed from the current fiscal year in “Notes on financial instruments 2. Matters Related to Fair Value of Financial Instruments.”

Notes on Accounting Estimates

Key information regarding estimates that may have a significant impact on the consolidated financial statements of the Group is as follows.

1. Impairment of non-financial assets

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

MCHC Group recorded property, plant and equipment of ¥1,899,695 million, goodwill of ¥705,412 million, and intangible assets of ¥448,805 million (including intangible assets with indefinite useful lives and intangible assets that are not yet available for use of ¥66,695 million) in the consolidated statement of financial position.

For the fiscal year under review, an impairment loss of ¥26,047 million was recorded and included under other expenses in the consolidated statement of profit or loss.

(2) Other information that contributes to the understanding of users of consolidated financial statements

(i) Calculation method

When there is an indication that property, plant and equipment, goodwill and intangible assets may be impaired, or when an asset requires annual impairment testing, the MCHD Group calculates the utility value or fair value less costs of disposal of the asset.

In determining utility value, the discounted present value of estimated future cash flows is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks inherent in the asset. In principle, the business plan used to estimate future cash flows is limited to 5 years, and future cash flows beyond the period of the business plan projections are calculated based on long-term average growth rates according to individual circumstances.

(ii) Key assumptions

The key assumptions used in the calculation of utility value are as follows:

(Intangible assets related to technology (in-process research and development expenses, rights acquired through licensing contracts in the development stage))

The likelihood of obtaining regulatory approval for marketing, projected sales revenue after launch, and discount rate

(Property, plant and equipment, intangible assets other than the above, goodwill)

Estimated future cash flows, discount rate and growth rate in the business plan for a period of up to 5 years in principle. Estimated future cash flows are primarily affected by projected sales revenue and market growth rates.

(iii) Effect on the consolidated financial statements for the following fiscal year

Although management believes that the key assumptions are reasonable, they may be affected by the results of changes in uncertain future economic conditions, and if the assumed circumstances change, the results of the calculation of the recoverable amount may differ.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Deferred tax assets (net): ¥64,596 million

(2) Other information that contributes to the understanding of users of consolidated financial statements

(i) Calculation method

The MCHC Group recognizes deferred tax assets for deductible temporary differences and tax loss carryforwards based on the expected reversal of deferred tax liabilities, projected future taxable income and tax planning.

(ii) Key assumptions

The key assumptions in the future business plan that form the basis for future taxable income are projected sales revenue and expected market trends in raw material prices.

(iii) Effect on the consolidated financial statements for the following fiscal year

MCHC believes that it is probable that the deferred tax assets recognized will be recovered based on historical taxable income levels and projections of future taxable income in the period during which deductible temporary differences and tax loss carryforwards are forecast to be reversed. Although management believes that the key assumptions are reasonable, they may be affected by the results of changes in uncertain future economic conditions, and if the results of future taxable income differ from projections and assumptions, the results of the calculation of the recoverable amount may differ.

3. Measurement of defined benefit plan obligations

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Retirement benefit liabilities: ¥103,941 million

(2) Other information that contributes to the understanding of users of consolidated financial statements

Liability or asset recognized in respect of the defined benefit plan is the present value of the defined benefit plan obligations less the fair value of plan assets. Defined benefit plan obligations are calculated using actuarial calculations, and the assumptions used include estimates of discount rates and other factors. Although management believes that the assumptions used are reasonable, they may be affected by the outcome of changes in uncertain economic conditions in the future, and the valuation of the defined benefit plan obligations may differ if actual results differ from the assumptions or if there is a change in the assumptions due to changes in the interest rate environment.

4. Fair value of financial instruments

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Equity securities and investments classified as Level 3 of the fair value hierarchy (excluding assets held for sale): ¥108,902 million

The above amount is included under other financial assets in the consolidated statement of financial position.

- (2) Other information that contributes to the understanding of users of consolidated financial statements

The fair values of unlisted equity securities and investments for which quoted prices in active markets are not available to the MCHC Group are estimated using reasonably available inputs, using the comparable companies method or other appropriate valuation techniques. Management believes that the valuation techniques selected and the assumptions used are appropriate in assessing the fair value of financial instruments. However, these valuation techniques and inputs may be affected by the outcome of changes in uncertain future economic conditions, and if estimates regarding the valuation of financial instruments change due to unpredictable changes in assumptions or other factors, the estimated fair value may differ.

In addition to the above, particularly important assumptions used in making estimates for the current fiscal year are as follows:

(Assumptions regarding the impact of the new coronavirus infection)

Regarding the impact of the new coronavirus (COVID-19), improvements have recently been seen due to the progress in vaccinations in all countries including Japan. We expect the recovery to continue with the impact of various policy measures as well as the recovery in overseas economies. Despite there still being uncertainties, accounting estimates are made upon the assumption that the impact on the MCHC Group's performance, etc. will be limited for the following fiscal year and beyond.

(Assumptions regarding the impact of the state of affairs in Ukraine)

The direct impact of the state of affairs in Ukraine on the business is insignificant and the accounting estimates at the close of the fiscal year under review assume that there will be no material impact on MCHC Group's performance.

Notes to consolidated statement of profit or loss

Other operating revenue and other operating expenses

The main breakdown of other operating revenue of ¥81,692 million and other operating expenses of ¥59,961 million is as follows:

(i) Gain on sale of businesses in the polycrystalline alumina fibers business

Gain on sale of businesses of ¥60,838 million was recorded in other operating revenue in relation to the transfer of the polycrystalline alumina fibers business of MCHC consolidated subsidiaries Mitsubishi Chemical Corporation and Mitsubishi Chemical High-Technica Corporation.

Further, as expenses related to such sale, we recorded extra retirement payments of ¥1,330 million, loss on retirement of non-current assets of ¥1,121 million, impairment losses of ¥391 million and we recorded other losses on sale of businesses of ¥379 million as other operating expenses.

(ii) Impairment losses on intangible assets related to the therapeutic agent for osteoarthritis (MT-5547)

As a result of revising the business plan due to change in the business environment for therapeutic agents for osteoarthritis, the recoverable amount was below the carrying amount, so we reduced the carrying amount of such technology-related intangible assets (rights acquired through introduction contracts in the development stage) to the recoverable amount of ¥923 million and recorded impairment losses of ¥15,797 million in other operating expenses.

The recoverable amount was measured based on the utility value. The main assumptions used in the calculation of the utility value were the likelihood of obtaining regulatory approval for marketing, projected sales revenue after launch, and discount rate. The utility value was calculated based on a planning period of more than five years, taking into account the patent period and life cycle of the product, based on past experience and information from external parties, and the estimated future cash flows were discounted to the present value.

The discount rate used is the pre-tax weighted average cost of capital of 6.5% for the relevant cash-generating unit.

Notes to consolidated statement of financial position

1. Assets Pledged as Collateral and Debt Obligations Covered by Collateral
Assets pledged as collateral
 - Property, plant and equipment ¥22,524 million
 - Other ¥1,699 million
 - Debt obligations covered by collateral ¥6,792 million
2. Allowance for Doubtful Accounts Directly Deducted From Assets
 - Trade receivables ¥9,423 million
 - Other non-current assets ¥1,702 million
3. Accumulated Depreciation and Accumulated Impairment Loss on Total Property, Plant and Equipment
¥3,764,435 million
4. Contingent Liabilities
 - Guarantee of loans from financial institutions
 - Guarantees ¥4,219 million

Notes to consolidated statement of changes in equity

1. Matters Related to Class and Number of Issued Shares

Class and total number of issued shares as of the close of the fiscal year under review:

Common stock 1,506,288 thousand shares

2. Matters Related to Dividends

(1) Dividends paid to shareholders

Resolution	Share Class	Aggregate Amount of Dividends	Dividend per share	Entitlement Date	Effective Date
Board of Directors meeting May 19, 2021	Common stock	¥17,081 million	¥12	March 31, 2021	June 3, 2021
Board of Directors meeting November 2, 2021	Common stock	¥21,358 million	¥15	September 30, 2021	December 2, 2021

Note: The aggregate amounts of dividends resolved at the Board of Directors meeting on May 19, 2021 and November 2, 2021 include ¥33 million and ¥39 million of cash dividends paid to the MCHC shares held by the BIP trust (excluding the number of shares equivalent to the accumulated points granted), respectively.

(2) Dividends whose base date arrives within the fiscal year under review but whose effective date arrives after the close of the fiscal year under review

The following matters related to payout of dividends of the common stock are being proposed as one of the agenda for the Board of Directors meeting scheduled for May 19, 2022.

Resolution	Share Class	Aggregate Amount of Dividends	Source of Dividend	Dividend per share	Entitlement Date	Effective Date
Board of Directors meeting May 19, 2022	Common stock	¥21,359 million	Retained earnings	¥15	March 31, 2022	June 3, 2022

Note: The aggregate amounts of dividend include ¥39 million of cash dividends paid to the Company's shares held by the BIP trust (excluding the number of shares equivalent to the accumulated points granted), respectively.

3. Class and Number of Shares Related to Stock Award Rights at the Close of the Fiscal Year under Review:

Common stock 167 thousand shares (number of base shares)

The above relates to the stock remuneration plan that determines whether or not to issue shares, and if they are to be issued, the number of shares to be issued based on an evaluation of the rate of growth of the Company's shares.

The number of issued shares varies within a range of 0% to 200% of the above number of base shares.

4. Class and Number of Shares Being the Object of Stock Acquisition Right (Excluding Stock Acquisition Rights for Which the First Day of the Exercising Period Has Not Yet Arrived) as of the Close of the Fiscal Year Under Review:

Common stock 63,887 thousand shares

Notes on Revenue Recognition

1. Revenue decomposition

MCHC Group operates in wide-ranging overseas businesses in four business domains (Performance Products, Chemicals, Industrial Gases and Health Care) and regularly reports categorized sales revenues according to the location of the sales destination to management. The details of the categorized sales revenues according to the location of the sales destination and the sales revenue for the four business domains (segments) are as follows.

Fiscal year under review (From April 1, 2021 to March 31, 2022)

Unit: Millions of yen

	Japan	Asia and Oceania		North America	Europe	Other	Total
			(of which, China)				
Performance Products	530,239	222,908	(111,829)	186,693	184,446	12,055	1,136,341
Chemicals	750,452	316,027	(106,813)	87,996	100,420	33,020	1,287,915
Industrial Gases	377,331	143,487	(27,848)	214,213	213,886	1,194	950,111
Health Care	329,728	30,745	(8,633)	32,329	10,514	322	403,638
Other	128,576	54,108	(43,893)	4,733	11,286	240	198,943
Total	2,116,326	767,275	(299,016)	525,964	520,552	46,831	3,976,948

Notes: 1 The amounts are presented as sales revenue from external customers.

2 Sales revenue is substantially the revenue that is recognized from the contract with customers, while revenue recognized from other sources is immaterial.

- Performance products segment

The Performance Products Segment covers the Polymers and Compounds Business (polymers, coating and additives), the Film & Molding Materials Business (film and molding materials) and the Advanced Solutions Business (amenity life and information & electronics), with sales to customers in Japan and overseas.

For sales of products, when the ownership of the products is transferred to the customer, which refers to transfer of the legal ownership and physical possession of the products, and the transfer or serious risks and rewards associated with the ownership of products upon the delivery of the products to the venue designated by the customer, the performance obligation is deemed to be satisfied and revenue is recognized at such time. The revenue from the sale of these products is measured by the transaction price in the contract with the customer.

Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items. Estimates of rebates, etc. are only recognized as revenue when there is a very high probability that there will be no significant reversal using the mode method based on past performance, etc. Consideration for products under sales contracts is mainly received within one year of the delivery of the product, which is the time when the performance obligation is satisfied, and therefore the consideration includes no significant financial elements.

- Chemicals Segment

The Chemicals Segment covers the MMA Business, Petrochemicals Business and Carbon Products Business, with sales to customers in Japan and overseas.

Upon satisfaction of the performance obligations for the sale of products in these businesses, the calculation of the transaction price and the payment conditions, etc. are the same as for the Performance Products segment.

- Industrial Gases Segment

The Industrial Gases Segment covers Gases Business such as for the steel, chemicals and electronics industry and businesses for the manufacture of household articles such as stainless steel thermos flasks, with sales to customers in Japan and overseas.

Upon satisfaction of the performance obligations for the sale of products in these businesses, the calculation of the transaction price and the payment conditions, etc. are the same as for the Performance Products segment.

- Health Care Segment

The Health Care Segment covers the Pharmaceuticals Business (research & development and manufacture of pharmaceuticals) and the Life Science Business (manufacture of active pharmaceutical ingredients and intermediates), with sales to customers in Japan and overseas.

Upon satisfaction of the performance obligations for the sale of products in these businesses, the calculation of the transaction price and the payment conditions, etc. are the same as for the Performance Products segment.

In addition, royalty income in the Pharmaceuticals Business is income from contracts recognized by the MCHC Group for the manufacture and sale of third party products, and the use of technology, etc. Lump sum contract payments recognize revenue upon permission of use, etc. if the performance obligation is satisfied at a point in time, and is recorded as deferred revenue if the performance obligation is not satisfied at a point in time, with revenue recognized over a certain period of time according to the satisfaction of performance obligation. Milestone payments are only recognized as revenue upon contractual milestones being achieved when there is a very high probability that there will be no significant reversal. Running royalties are measured on the calculation basis of contractor sales, etc. with revenue recognized with consideration to the timing of such occurrence. Further, royalty income is generally received within one year from the time of confirmation based on the contract and does not include any significant interest rate elements.

In regard to royalty income, MCHC subsidiary Mitsubishi Tanabe Pharma Corporation (hereinafter, "MTPC") received a claim for arbitration from Novartis Pharma AG (headquarters: Basel in Switzerland) (hereinafter, "Novartis") in February 2019. Novartis asserts that part of the provisions in the licensing agreement executed with MTPC in 1997 (hereinafter, "the Agreement") are invalid and that it has no obligation to pay a portion of royalties to MTPC. MTPC asserts that it has rights to receive the total amount of royalties that should be paid by Novartis in accordance with the Agreement and that it will appropriately pursue these rights at arbitration. In association with entering into such arbitration procedures, a portion of royalties are not recognized as sales revenue in accordance with IFRS 15, and since the arbitration procedures also continued through the fiscal year under review, a portion of royalties is still not recognized as sales revenue. Further, this portion that is not recognized as sales revenue is recorded as other non-current liabilities and will be recognized as revenue in a lump sum depending on the results at the conclusion of the arbitration.

2. Balance of contracts

Claims arising from contracts with customers and contract assets and liabilities are as follows.

	Unit: Millions of yen	
	Balance at April 1, 2021	Balance at March 31, 2022
Claims arising from contracts with customers	725,891	835,419
Contract assets	10,243	16,312
Contract liabilities	38,678	42,266

MCHC Group mainly records consideration for works in progress as contract assets and advances received and deferred revenue from customers and deferred revenue from licensing out transactions as contract liabilities.

For the fiscal year under review, the amount of recognized revenue that included the balance of contract liabilities as of April 1, 2021 was ¥12,571 million. In addition, for the fiscal year under review, the amount of recognized revenue from the satisfaction of performance obligations in previous periods is ¥12,067 million. Further, there is no significant movement in the balance of contract assets and contract liabilities.

3. Transaction price allocated to remaining performance obligation

The total amount of transaction price allocated to remaining performance obligation and the forecast periods for recognizing revenue are as follows. Further, there are no individual transactions for which the forecast contract period is within one year. In addition, no significant amounts of the consideration that arise from contracts with customers have been excluded from the transaction price.

	Unit: Millions of yen
	The fiscal year ended March 31, 2022
Within 1 year	43,353
Longer than 1 year	24,079
Total	<u>67,432</u>

4. Assets recognized from the costs of acquisition or fulfillment of the contracts with the customers

There were no assets recognized from the costs of acquisition or fulfillment of the contracts with the customers in the fiscal year under review. In the event that the amortization period for assets that should be recognized is within one year, for practical expediency, they are recognized as an expense when incurred.

Notes on Financial Instruments

1. Matters Related to Status of Financial Instruments

The MCHC Group is exposed to financial risks during the course of business activities in a wide range of fields in various countries and regions. To reduce or avoid said risks, it manages risks based on a specific policy. With regard to derivative transactions, its policy limits derivatives within the actual demand and prohibits transactions for speculation purposes. In addition, in accordance with the internal rules that define the authority to do transactions, the upper limit to transactions, etc., the balance of contracts, fair values, etc. with regard to derivatives transactions are reported on a regular basis to the responsible Director.

2. Matters Related to Fair Value of Financial Instruments

The hierarchy of fair value of financial instruments is classified from Level 1 to Level 3 as follows.

Level 1: fair value based on unadjusted published prices in active markets for identical assets or liabilities

Level 2: fair value calculated directly or indirectly using observable values other than Level 1

Level 3: fair value calculated from valuation techniques that include inputs not based on key observable market data

The transfer between levels in the hierarchy of fair value of financial instruments is determined on the closing day of each quarter.

In the fiscal year under review, some of our investment portfolio companies listed on the stock exchange, so we transferred the shares that we hold in them from Level 3 to Level 1.

As of September 30, 2021, PHC Holdings Corporation decided to list on the stock exchange, so we transferred our holding of shares from Level 3 to Level 2. In addition, as of December 31, 2021, PHC Holdings Corporation was listed on the stock exchange, so we transferred our holding of shares from Level 2 to Level 1.

There were no other transfers between levels apart from the above.

(i) Financial instruments recurrently measured at fair value

Financial assets and financial liabilities measured at fair value are as follows.

As of March 31, 2022

Unit: Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Equity securities and investments	84,986	–	108,902	193,888
Equity securities and investments held for sales	6,548	–	147	6,695
Financial assets concerning contingent consideration arrangement	–	–	2,956	2,956
Derivative assets	–	3,458	–	3,458
Total	91,534	3,458	112,005	206,997
Liabilities				
Derivative liabilities	–	103	–	103
Total	–	103	–	103

Equity securities and investments

The fair values of marketable equity securities classified as Level 1 are measured at fair value based on unadjusted published prices in active markets for identical assets or liabilities.

The fair values of unlisted equity securities classified as Level 2 are measured using their opening price, etc. following new listing.

The fair values of unlisted equity securities and investments for which quoted prices in active markets are not available and classified as Level 3 are estimated using reasonably available inputs, using the comparable companies method or other appropriate valuation techniques. Note that certain non-liquidity discounts, etc. are incorporated as necessary.

Financial assets concerning contingent consideration arrangement

The financial assets concerning contingent consideration arrangement in Level 3 are mainly financial assets that were recognized in association with the transfer of the polycrystalline alumina fibers business. Their fair value is calculated on the basis of a computational model that uses the Black-Scholes model, considering the future performance of such business.

Derivative assets and derivative liabilities

The fair value of derivative assets and derivative liabilities classified as Level 2 is calculated based on prices indicated by correspondent financial institutions and observable inputs such as foreign exchange rates and interest rates.

The fair value of financial instruments classified as Level 3 is calculated in accordance with the evaluation policies and procedures, including the evaluation methods for measuring fair value approved by appropriate authorities, with the evaluator determining the evaluation method for each relevant financial instrument. The results are reviewed and approved by the appropriate authorities.

The change in financial instruments classified as Level 3 is as follows.

Unit: Millions of yen	
The fiscal year ended March 31, 2022	
Balance as of April 1, 2021	133,322
Other comprehensive income	27,947
Purchase	3,111
Recognition based on contingent consideration arrangement	2,956
Sales and redemption	(830)
Transfers from Level 3 (Note)	(57,161)
Other changes	2,660
Balance as of March 31, 2022	<u>112,005</u>

(Note) Due to the listing of some investment portfolio companies on stock exchanges (including the decision to list). Note that the transfer from Level 3 includes the transfer due to the decision by PHC Holding Corporation to list on a stock exchange.

(ii) Financial instruments measured at amortized cost

The carrying amount and fair value of financial assets and financial liabilities measured at amortized cost are as follows.

As of March 31, 2022		Unit: Millions of yen			
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Liabilities					
Long-term borrowings	1,216,164	–	1,216,479	–	1,216,479
Bonds payable	676,646	–	674,798	–	674,798
Total	<u>1,892,810</u>	–	<u>1,891,277</u>	–	<u>1,891,277</u>

For the financial assets and financial liabilities measured at amortized cost, the fair value is a reasonable approximation to the carrying amount, except for long-term borrowings and bonds payable.

Long-term borrowings

The fair value of long-term borrowings classified as Level 2 is measured based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

Bonds payable

The fair value of bonds classified as Level 2 is measured mainly based on market price.

Notes on Per Share Information

Equity attributable to owners of the parent company per share	¥1,026.03
Basic earnings per share	<u>¥124.68</u>

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Non-consolidated Balance Sheet

(As of March 31, 2022)

Unit: Millions of yen

Assets

Current assets:

Cash and deposits	332
Short-term loans receivable from subsidiaries and affiliates	306,545
Others	25,369
Total current assets	332,245

Fixed assets:

Property, plant and equipment

Buildings	1,960
Structures	24
Tools, furniture and fixtures	642
Construction in progress	209
Total property, plant and equipment	2,835

Intangible fixed assets:

Software	246
Other	2
Total intangible fixed assets	247

Investments and other assets:

Investment securities	2,722
Stocks of subsidiaries and affiliates	1,303,561
Investments in affiliated companies	162
Long-term loans receivable from subsidiaries and affiliates	152,115
Deferred tax assets	139
Other	2,923
Total investments and other assets	1,461,622
Total fixed assets	1,464,704
Total assets	1,796,949

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Non-consolidated Balance Sheet (continued)

(As of March 31, 2022)

Unit: Millions of yen

Liabilities

Current liabilities:

Short-term borrowings	63,942
Short-term borrowings to subsidiaries and affiliates	393,665
Current portion of long-term borrowings	33,788
Current portion of bonds payable	20,000
Accounts payables	3,407
Accrued expenses	963
Accrued income taxes	9,563
Accrued bonuses	719
Provision for bonuses for directors (and other officers)	352
Other	421
Total current liabilities	526,821

Long-term liabilities:

Bonds payable	459,535
Long-term borrowings	395,568
Provision for stock benefits	151
Other	5,188
Total long-term liabilities	860,441
Total liabilities	1,387,262

Net Assets

Shareholders' equity:

Common stock	50,000
Additional paid-in capital	264,792
Legal capital surplus	12,500
Other capital surplus	252,292
Retained earnings	164,189
Other retained earnings	164,189
Retained earnings brought forward	164,189
Less, Treasury stock at cost	(72,679)
Total shareholders' equity	406,302

Valuation and translation adjustments:

Net unrealized holding gain on other securities	900
Total valuation and translation adjustments	900

Stock award rights

Stock acquisition right	42
	2,443
Total net assets	409,687
Total liabilities and net assets	1,796,949

mitsubishi chemical holdings corporation

Non-consolidated Statement of Income

(Year ended March 31, 2022)

Unit: Millions of yen

Operating revenue	
Dividends from subsidiaries and affiliates	60,175
Operating costs receipts	9,288
Total operating revenue	69,463
General and administrative expenses	13,721
Operating income	55,743
Other income	
Interest income	2,052
Dividends income	193
Other	974
Total other income	3,219
Other expenses	
Interest expenses	2,902
Interest on bonds	2,752
Bond issuance cost	367
Other	325
Total other expenses	6,346
Ordinary income	52,616
Extraordinary income	
Gain on sale of investment securities	1,556
Gain on reversal of stock acquisition rights	1,106
Total extraordinary income	2,662
Extraordinary losses	
Loss on sale of investment securities	337
Total extraordinary losses	337
Income before income taxes	54,941
Current income taxes	(1,311)
Deferred income taxes	38
Total income taxes	(1,273)
Profit	56,214

MITSUBISHI CHEMICAL HOLDINGS CORPORATION

Non-consolidated Statement of Changes in Net Assets

(Year ended March 31, 2022)

Unit: Millions of yen

	Shareholders' equity					
	Common stock	Additional paid-in capital			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
					Retained earnings brought forward	
Balance at April 1, 2021	50,000	12,500	252,414	264,914	146,414	146,414
Changes during the fiscal year						
Cash dividends	—	—	—	—	(38,439)	(38,439)
Profit	—	—	—	—	56,214	56,214
Purchase of treasury stock	—	—	—	—	—	—
Disposal of treasury stock	—	—	(122)	(122)	—	—
Net change in items other than those in shareholders' equity	—	—	—	—	—	—
Total changes during the fiscal year	—	—	(122)	(122)	17,775	17,775
Balance at March 31, 2022	50,000	12,500	252,292	264,792	164,189	164,189

	Shareholders' equity		Valuation and translation adjustment		Stock award rights	Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gain on other securities	Total valuation and translation adjustment			
Balance at April 1, 2021	(73,268)	388,061	588	588	—	3,616	392,265
Changes during the fiscal year							
Cash dividends	—	(38,439)	—	—	—	—	(38,439)
Profit	—	56,214	—	—	—	—	56,214
Purchase of treasury stock	(31)	(31)	—	—	—	—	(31)
Disposal of treasury stock	619	497	—	—	—	—	497
Net change in items other than those in shareholders' equity	—	—	312	312	42	(1,172)	(819)
Total changes during the fiscal year	588	18,241	312	312	42	(1,172)	17,422
Balance at March 31, 2022	(72,679)	406,302	900	900	42	2,443	409,687

Notes to the Non-consolidated Financial Statements

Matters Concerning Significant Accounting Policies

1. Valuation Methods of Securities

Subsidiaries' and affiliates' stocks

Stated at cost based on the moving average method

Other than equity securities, etc. without a market price

Stated at fair value based on market price at the closing date, or calculated by other means. The difference between the acquisition cost and the carrying value of other securities, including unrealized gain and loss, net of the applicable income taxes, is recognized as a component of net assets, and the cost of other securities sold is principally computed by the moving average method.

Equity securities, etc. without a market price

Stated at cost based on the moving average method

2. Method of Depreciation of Property, Plant and Equipment

By the straight-line method

3. Method of Amortization of Intangible Fixed Assets

By the straight-line method

4. Basis for Reserves

Accrued bonuses to employees

To provide for payments of bonuses to its employees, estimates of those accrued bonuses and social insurance costs corresponding thereto, which MCHC should bear during the fiscal year under review, are recorded.

Provision for bonuses for directors (and other officers)

To provide for payments of bonuses to its corporate executive officers and executive officers, estimates of those accrued bonuses and social insurance costs corresponding thereto pertaining to the fiscal year under review, are recorded.

Provision for stock benefits

In order to prepare for the granting of stock benefit to corporate executive officers and executive officers of the Company in accordance with the share benefit rules, the projected amount of stock benefit obligations at the end of the fiscal year under review, is recorded.

5. Basis of revenue recognition

Apart from dividends income and interest income, etc., the amount of consideration forecast to be received for exchange of goods or service is recorded as revenue upon the transfer of the promised goods or service to the customer.

MCHC mainly formulates the MCHC Group's management policy, corporate strategy and management resource allocation policy and provides the necessary guidance to subsidiaries for their implementation while implementing various measures to increase the MCHC Group's comprehensive brand value and collective capabilities. We identify the provision to subsidiaries of management guidance and benefits that rely on the MCHC Group's brand value and collective capabilities as performance obligations.

Such performance obligations are judged to be satisfied with the passage of time, and this is mainly recognized as revenue evenly over the contract period. MCHC and subsidiaries determine the consideration each fiscal year.

In addition, such consideration is recovered within one year and does not include any significant financial elements.

6. Adoption of Consolidated Tax Payment System

Consolidated tax payment system

Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022 was added to or deducted from the opening balance of retained earnings of the fiscal year, and thus the new accounting policy was applied from such opening balance. There is no cumulative effect of such application. In addition, there is no impact on profit and loss in the fiscal year under review.

(Application of Accounting Standard for Fair Value Measurement, etc.)

MCHC has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the fiscal year ended March 31, 2022, and it has applied new accounting policies stipulated in the “Accounting Standard for Fair Value Measurement,” etc. prospectively, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no effect on the financial statements.

Notes to the Non-consolidated Balance Sheets

1. Accumulated Depreciation of Total Property, Plant and Equipment	¥2,521 million
2. Monetary Claims and Liabilities Against Subsidiaries and Affiliates (excluding those sectionally indicated)	
Short-term monetary claim	¥24,782 million
Short-term monetary liabilities	¥1,418 million
3. Contingent Liabilities	
Liabilities on guarantee	
Liabilities on guarantee for bank borrowings	¥188,795 million
Liabilities similar to guarantee liabilities	
Balance of debt subject to the Keep Well Agreement	¥15,405 million
(This relates to cash pooling among Group companies in Europe).	

Notes to the Non-consolidated Statements of Income

Transactions with Subsidiaries and Affiliates

Operating revenue	¥69,463 million
General and administrative expenses	¥3,363 million
Transactions except for operational transactions	¥3,258 million

Notes to the Non-consolidated Statement of Changes in Net Assets

Class and Number of Treasury Stocks at the End of the Fiscal Year Under Review

Common stock	85,200 thousand shares
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Note: The number of shares of treasury stock at the end of the fiscal year under review includes 2,833 thousand shares of MCHC held by the board incentive plan (BIP) trust.

Notes on Tax Effect Accounting

Breakdown of Deferred Tax Assets

Deferred tax assets mainly consist of subsidiaries' stocks, losses carried forward (local tax) and provisions for bonuses. Deferred tax assets pertaining to subsidiaries' stocks and losses carried forward (local tax) were accounted for as valuation allowances.

MCHC will transition from the consolidated tax payment system to the group tax sharing system from next fiscal year. In addition, regarding the accounting treatment and disclosure for tax effect accounting related to corporation income tax and local tax, the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021) will be applied from the end of the fiscal year under review.

Notes on Related Party Transactions

Subsidiaries, etc.

Attribute	Name of related party	Equity ownership (or possession) percentage (%)	Description of the business relationship	Transactions	Trading amount (in million yen)	Accounts	Balance at year-end (in million yen)
Subsidiary	Mitsubishi Chemical Holdings Corporate Staff, Inc.	Direct 100%	Interlocking of officers and lending of funds	Collection of funds (Note 1)	190,886	Short-term loans receivable from subsidiaries and affiliates	292,813
						Long-term loans receivable from subsidiaries and affiliates	152,115
				Receipts of interest (Note 1)	1,940	Current assets and others	164
				Fund borrowing (Note 2)	11,032	Short-term borrowings to subsidiaries and affiliates	39,434
				Payment of interest (Note 2)	30	–	–
Subsidiary	Mitsubishi Tanabe Pharma Corporation	Direct 100%	Interlocking of officers and borrowing of funds	Repayment of funds (Note 2)	14,550	Short-term borrowings to subsidiaries and affiliates	354,232
				Payment of interest (Note 2)	450	–	–
Subsidiary	Mitsubishi Chemical Holdings America, Inc.	Direct 100%	Debt guarantee	Debt guarantee (Note 3)	90,021	–	–
				Receipts of guarantee commission (Note 3)	197	Current assets and others	98
Subsidiary	Mitsubishi Chemical Holdings Europe GmbH	Direct 100%	Interlocking of officers, Debt guarantee and liabilities similar to guarantee liabilities	Debt guarantee (Note 3)	40,327	–	–
				Liabilities similar to guarantee liabilities (Note 4)	15,405	–	–
				Receipts of guarantee commission (Note 3,4)	42	Current assets and others	25
Affiliate	The Saudi Methacrylates Company	Indirect 50%	Debt guarantee	Debt guarantee (Note 3)	26,297	–	–
				Receipts of guarantee commission (Note 3)	73	–	–

Trading amount above does not include consumption taxes. The balance at year-end includes consumption taxes.

Term of transactions and policy of decision-making thereof

Notes:

1. Interest rates are reasonably decided based on procurement interest rates.
Transactions relating to lending of funds and recovery are presented in net amounts.
2. Interests rates are reasonably decided reflecting market interest rates.
The amount of transactions relating to borrowings and repayments is indicated in a net amount.
3. The Company acts as jointly and severally liable guarantor with respect to borrowings from a commercial bank.
The guarantee commission is decided according to what is considered reasonable when considering the financial position of the debtor.
4. The Company has entered into a Keep Well Agreement regarding cash pooling among the Group companies.
The guarantee commission is decided according to what is considered reasonable when considering the financial position of the subsidiary.

Notes on Per Share Information

Net assets per share	¥286.54
Earnings per share	¥39.56

(Note) Amounts of less than one million yen are rounded to the nearest unit.

[English Translation of Report of Independent Auditors Originally Issued in the Japanese Language]

Report of Independent Auditors

May 17, 2022

The Board of Directors
Mitsubishi Chemical Holdings Corporation

Ernst & Young ShinNihon LLC
Tokyo Office

Kazuomi Nakamura
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Takayuki Ueki
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Kosuke Kawabata
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Makoto Okabe
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Audit Opinion

Pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Mitsubishi Chemical Holdings Corporation (the “Company”), which comprise the consolidated statement of profit or loss for the fiscal year from April 1, 2021 to March 31, 2022, the consolidated statement of financial position as of March 31, 2022, the consolidated statement of changes in equity for the fiscal year from April 1, 2021 to March 31, 2022, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with auditing standards that omit some disclosure items required under International Financial Reporting Standards pursuant to the provisions of the second sentence of first paragraph of Article 120 of the Corporate Calculation Regulations, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2022 and the results of their operations for the period then ended.

Basis for Audit 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 Company and its subsidiaries 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.

Other Information

Other information refers to the business report and the annexed specifications thereto. Management is responsible for the preparation and disclosure of other information. The Audit Committee is responsible for overseeing the performance of duties by the Directors and Corporate Executive Officers within the maintenance and operation of the reporting process for other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and we do not provide an opinion on the other information.

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

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

We have nothing to report concerning other information.

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

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with auditing standards that omit some disclosure items required under International Financial Reporting Standards pursuant to the provisions of the second sentence of first paragraph of Article 120 of the Corporate Calculation Regulations. This includes the development and maintenance of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to injustice or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of

the Group's ability to continue as a going concern and disclosing, and in the event that it is necessary to disclose matters related to the Group's ability to continue as a going concern based on auditing standards that omit some disclosure items required under International Financial Reporting Standards pursuant to the provisions of the second sentence of first paragraph of Article 120 of the Corporate Calculation Regulations, to disclose such matters.

The Audit Committee is responsible for overseeing the performance of duties by the Directors and Corporate Executive Officers within the maintenance and operation of the financial reporting process.

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

Our responsibilities 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 on the consolidated financial statements based on our audit from an independent point of view. 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 decisions of users taken on the basis of the consolidated financial statements.

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. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements 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 notes to the consolidated financial statements or, if the notes to the consolidated financial

statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with auditing standards that omit some disclosure items required under International Financial Reporting Standards pursuant to the provisions of the second sentence of first paragraph of Article 120 of the Corporate Calculation Regulations, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding 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, and other matters required by auditing standards.

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

Interests in the Company

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

[English Translation of Report of Independent Auditors Originally Issued in the Japanese Language]

Report of Independent Auditors

May 17, 2022

The Board of Directors
Mitsubishi Chemical Holdings Corporation

Ernst & Young ShinNihon LLC
Tokyo Office

Kazuomi Nakamura
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Takayuki Ueki
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Kosuke Kawabata
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Makoto Okabe
Certified Public Accountant
Designated, Limited Liability and
Operating Partner

Audit Opinion

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements of Mitsubishi Chemical Holdings Corporation (the “Company”), which comprise the balance sheet as of March 31, 2022, and the statement of income and the statement of changes in net assets for the 17th fiscal year from April 1, 2021 to March 31, 2022, and the related notes to non-consolidated financial statements as well as the related supplementary schedules thereto (hereafter referred to as “non-consolidated financial statements and others”).

In our opinion, the non-consolidated financial statements and others referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and the results of its operations for the period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit 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 Non-consolidated Financial Statements and Others section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-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.

Other Information

Other information refers to the business report and the annexed specifications thereto. Management is responsible for the preparation and disclosure of other information. The Audit Committee is responsible for overseeing the performance of duties by the Directors and Corporate Executive Officers within the maintenance and operation of the reporting process for other information.

Our audit opinion on the non-consolidated financial statements, etc. does not cover the other information, and we do not provide an opinion on the other information.

In connection with our audit of the non-consolidated financial statements, etc., our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements, etc. or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

We have nothing to report concerning other information.

Responsibilities of Management and the Audit Committee for the Non-consolidated Financial Statements and Others

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the development, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of non-consolidated financial statements and others that are free from material misstatement, whether due to injustice or error.

In preparing the non-consolidated financial statements and others, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements and others with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the Corporate Executive Officers' and Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements and Others

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. 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 on the non-consolidated financial statements, etc. based on our audit from an independent point of view. 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 decisions of users taken on the basis of the non-consolidated financial statements, etc.

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 non-consolidated financial statements, etc., whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc., 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 notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit Committee regarding 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, and other matters required by auditing standards.

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

Interests in the Company

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(TRANSLATION PURPOSE ONLY)

Copy of the Audit Committee's Report

AUDIT REPORT

With respect to the Directors' and Corporate Executive Officers' performance of their duties during the 17th business year from April 1, 2021 to March 31, 2022, the Audit Committee has carried out the audit. We hereby report the method and the results of the audit as follows:

1. Method and Contents of Audit

Concerning the content of the Board of Directors resolution relating to matters raised in Article 416, paragraph (1) item i, sub-items (b) and (e) of the Companies Act and the system that has been established pursuant to that resolution (internal control system), the Audit Committee periodically received reports from the Directors, Corporate Executive Officers and employees and other relevant personnel on its establishment and operational status, sought explanations as necessary and made opinions. In addition to this, the Audit Committee implemented the audit using the following method.

(1) The Audit Committee attended important meetings, received reports from Directors, Corporate Executive Officers and other relevant personnel on matters relating to their performance of duties, sought explanations as necessary, reviewed important written decisions and other documents, and investigated the status of operations and assets, while using certain means such as the Internet, in compliance with the Audit Committee Audit Standard set forth by the Audit Committee, in line with the Audit Policy and the allocation of duties, etc., and in cooperation with the internal audit departments of the Company. Also, with respect to the subsidiaries, the Audit Committee maintained good communications and exchanged information with the Directors, Corporate Auditors and other relevant personnel of the subsidiaries and received reports from the subsidiaries on their business as necessary.

(2) The Audit Committee oversaw and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of their performance of duties, and requested explanations as necessary. The Audit Committee was notified by the Accounting Auditor that it had established "a system for the maintenance of appropriate execution of duties" (included in each paragraph of Article 131 of the Corporate Calculation Regulations) in accordance with the "Quality Control Standards for Audits," (Business Accounting Council; October 28, 2005) and requested explanations as necessary.

Based on the above-described methods, each Corporate Auditor examined the business report and the annexed specifications, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and their annexed specifications thereto, as well as the consolidated financial statements (consolidated statement of profit or loss, the consolidated statement of financial position, consolidated statement of changes in equity, and notes to consolidated financial statements) for this business year.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- i) We acknowledge that the business report and the annexed specifications thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- ii) We acknowledge that no misconduct or violations of laws and regulations, or the Articles of Incorporation was found with respect to the Directors' and Corporate Executive Officers' performance of their duties.
- iii) We acknowledge that the Board of Directors' resolutions with respect to the Internal Control Systems are appropriate. We did not find any matter to be mentioned with respect to the descriptions of the business report and the Director's and Corporate Executive Officers' performance of their duties regarding the internal control system.

(2) Results of Audit of Non-consolidated Financial Statements and their Annexed Specifications
We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 18, 2022

The Audit Committee of
Mitsubishi Chemical Holdings Corporation

Member of the Audit Committee (chairperson)	Tatsumi Yamada
Member of the Audit Committee (full-time)	Shigeru Kobayashi
Member of the Audit Committee (full-time)	Hiroshi Katayama
Member of the Audit Committee	Kiyomi Kikuchi
Member of the Audit Committee	Takako Masai

Note: Chairperson of the Audit Committee Mr. Tatsumi Yamada, Members of the Audit Committee Ms. Kiyomi Kikuchi, and Ms. Takako Masai (Actual surname: Nishida) are Outside Directors as stipulated in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.