

Dear Shareholders,

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

During fiscal 2022 (April 1, 2022, to March 31, 2023), the global economy modestly trended upward with a progressive return to normal socioeconomic activities. As the year progressed, the risk of an upcoming economic slowdown heightened, driven by monetary tightening to control inflation, continued high energy prices, and supply chain disruptions.

The Group's revenue increased significantly compared to the previous year, primarily driven by two events; a concerted effort to offset higher feedstock and energy costs by increasing selling prices and the yen's weakening against most currencies. The Net Income attributable to owners of the parent company decreased significantly, driven by one-time impairment and special charges linked to restructuring initiatives in the Pharma and MMA businesses. Despite lower performance in the display and semiconductor markets and a steep decline in profits from MMA, petrochemicals, and carbon products, I am pleased to report that Core Operating Profit increased. This results from strong growth in the gas business, significant cost reductions, and the recognition of revenue related Gilenya royalties following a favorable arbitration award.

Based on these results and a positive free cash flow for the year, the Group will maintain its yearly dividend at ¥30/share and, accordingly, will pay a year-end ¥15/share dividend in June 2023.

In February 2023, the MCG Group formulated a specific action plan for growth and profit margin expansion based on its “Forging the future” management policy and updated its financial targets for FY2025. In addition to cost structure reforms and business restructuring, the Group will seek to improve profitability and business growth by shifting to a market-oriented organization that leverages all products globally to bring complex, innovative solutions to the market. In addition, the Group will enhance shareholder returns with a FY2025 target payout ratio of 35%.

Under this management policy, the Mitsubishi Chemical Group's purpose is to lead with innovative solutions the achieve of KAITEKI, the well-being of people and the planet. As we look to the exciting future ahead, I want to express my sincere gratitude to all shareholders for your continued trust and support.

June 2023

Jean-Marc Gilson

Director of the Board, Corporate Executive Officer, President and CEO
Mitsubishi Chemical Group 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 5, 2023

(Start date for providing information in electronic format) May 29, 2023

To Shareholders:

Notice of the 18th Ordinary General Meeting of Shareholders

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

Mitsubishi Chemical Group Corporation (hereinafter the “Company” or “MCG”) cordially invites you to attend the 18th Ordinary General Meeting of Shareholders to be held on the date and at the venue specified below.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information as “Notice of the 18th Annual General Meeting of Shareholders” on the Company’s website. Please access the Company’s website by using the internet address shown below to review the information.

MCG’s website: https://www.mcgc.com/english/ir/stock_info/stock_meeting.html

In addition to the above, the information is also posted on the website of the Tokyo Stock Exchange (TSE). Please access the following website, enter the issue name (Mitsubishi Chemical Group) or securities code (4188), search for the company, and select “Basic Information” and then “Documents for Public Inspection/PR Information.”

TSE website: <https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

In addition, the General Meeting of Shareholders will be broadcast live over the Internet and questions will be accepted in advance.

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”

(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 Group Corporation

1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo

1. Date Tuesday, June 27, 2023, 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 18th fiscal year from April 1, 2022, to March 31, 2023

Item 2. The contents of the Non-consolidated Financial Statements for the 18th fiscal year from April 1, 2022, to March 31, 2023

Matters to be Resolved

Agenda Election of Eight (8) Directors of the Board

Other Matters on Providing Information in Electronic Format

1. In the event of any modification to the information provided in electronic format, the modification will be posted on each of the above websites.
2. Pursuant to the relevant laws and regulations and Article 18 of MCG'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 MCG's website (<https://www.mcgc.com/english/>), and thus they are not presented as attachments to this Notice of the 18th Ordinary Meeting of Shareholders.

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 7 to 20 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 Monday, June 26, 2023

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 Monday, June 26, 2023

*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: Tuesday, June 27, 2023, 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

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

Agenda Election of Eight (8) Directors of the Board

The terms of office of all nine 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 eight Directors.

The candidates for Directors are as described in No. 1 to 8 below.

| Candidate No. | Name | Present position and duty at the Company | | Skills Matrix | | | | | | |
|---------------|----------------------|--|---|----------------------|-----------------|-----------------|----------------------|---------|-------------------------------|---------------------------------|
| | | | | Corporate management | Global business | Risk management | Legal and compliance | Finance | Industry and related business | Technology, science and digital |
| 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 Nominating Committee | Reelection | | • | • | • | | • | |
| 3 | Glenn H. Fredrickson | Director of the Board | Reelection | | • | • | | | • | • |
| 4 | Nobuo Fukuda | | To be newly elected | | • | • | | | • | |
| 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 | • | • | • | | | | • |

| Candidate No. | Name | Present position and duty at the Company | | Skills Matrix | | | | | | |
|---------------|----------------|---|--|----------------------|-----------------|-----------------|----------------------|---------|-------------------------------|---------------------------------|
| | | | | Corporate management | Global business | Risk management | Legal and compliance | Finance | Industry and related business | Technology, science and digital |
| 7 | Kiyomi Kikuchi | Director of the Board Member of the Nominating Committee, Member of the Audit Committee | Reelection Outside Director Independent Officer | | • | • | • | | | |
| 8 | Tatsumi Yamada | Director of the Board Member of the Audit Committee, Member of the Compensation Committee | Reelection Outside Director Independent Officer | | • | • | | • | | |

General skills*: Corporate management, Global business, Risk management

Specialty skills*: Legal and compliance, Finance, Industry and related business, Technology, science and digital

* General skills are skills that are universally required of Directors of the Board of MCG, and “global business” and “risk management” are common skills required of all Directors of the Board. Specialty skills are skills that are required from a medium- to long-term perspective, and are professional skills that each Director of the Board has particular strengths.

MCG has established the “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 formulate the basic management policy of the Group and appropriately supervise management, the Company appoints the Board of Directors from a multifaceted perspective by defining universally required skills as corporate management, global business, and risk management and skills required from a medium- to long-term perspective as laws and compliance, finance, industry and related business, and technology, science and digital.


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 19-20), and be able to secure enough time to execute business. In addition, be able to secure diversity among Outside Directors.


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|  | No. 1 (Reelection) | Jean-Marc Gilson | |
| | | Date of birth | December 6, 1963 |
| | | Number of the Company's shares held | 543,473 |
| | | Term of office | 2 years |
| | | Attendance at meetings of the Board of Directors, etc. | Board of Directors meeting 7/7 (100%) |
| | | Present 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 Director of Dow Corning Toray Co., Ltd. (until June 2009) | Sep. 2014 | Chief Executive Officer of Roquette Frères (until December 2020) |
| Jun. 2009 | Executive Vice President & General Manager of Specialty Chemicals Business of Dow Corning Toray Co., Ltd. (until December 2010) | Feb. 2021 | Executive Advisor of Mitsubishi Chemical Holdings Corporation |
| | | 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] | | | |
| None | | | |
| [Reason for choosing as candidate for Director and expected roles, 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 MCG 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 MCG through such initiatives, the Board of Directors requests that he be reelected as proposed.</p> | | | |


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|  | No. 2 (Reelection) | Ken Fujiwara | |
| | | Date of birth | August 10, 1960 |
| | | Number of the Company's shares held | 61,805 |
| | | Term of office | 5 years |
| | | Attendance at meetings of the Board of Directors, etc. | Board of Directors meeting 7/7 (100%) Nominating Committee meetings 13/13 (100%) |
| | | Present position and duty at the Company | Director of the Board, Executive Vice President (Legal, Internal Control, Administration, Public relation and Corporate Secretary) Chief 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 | | | |
| [Reason for choosing as candidate for Director and expected roles, etc.] | | | |
| <p>Ken Fujiwara engaged in international risk management and M&As in the legal departments of the MCG Group, and thus has abundant experience and profound insight. Currently serving as Executive Vice President, he engages in management of MCG. During Board of Directors meetings, he fulfills accountability as a Corporate 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 MCG through such initiatives, the Board of Directors requests that he be reelected as proposed.</p> | | | |


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|  | No. 3 | Glenn H. Fredrickson | |
| | (Reelection) | Date of birth | May 8, 1959 |
| | | Number of the Company's shares held | 0 |
| | | Term of office | 9 years |
| | | Attendance at meetings of the Board of Directors, etc. | Board of Directors meeting 7/7 (100%) |
| | | Present 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.] | | | |
| <p>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 MCG through such initiatives, the Board of Directors requests that he be reelected as proposed.</p> | | | |

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|  | No. 4 | Nobuo Fukuda | | | |
| | (To be newly elected) | Date of birth | December 9, 1958 | | |
| | | Number of the Company's shares held | 44,313 | | |
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| [Personal history] | | | | | |
| Apr. 1981 | Joined Mitsubishi Chemical Industries Limited | Apr. 2022 | Representative Corporate Officer, Executive Vice President of Mitsubishi Chemical Holdings Corporation (until March 2023) | | |
| Apr. 2019 | Representative Director, Director of the Board, Managing Executive Officer of Mitsubishi Chemical Corporation | | Representative Director, Director of the Board of Mitsubishi Chemical Corporation (to present) | | |
| [Significant concurrent positions] | | | | | |
| Director of the Board of Mitsubishi Chemical Corporation (scheduled to retire as Representative Director, Director of the Board of Mitsubishi Chemical Corporation and be reelected as Director of the Board (Non-Executive Director) of Mitsubishi Chemical Corporation on June 23, 2023) | | | | | |
| [Reason for choosing as candidate for Director and expected roles, etc.] | | | | | |
| <p>Nobuo Fukuda has a wealth of experience and deep insight, having worked in the business and manufacturing divisions of the Group's chemical business, and after serving as Representative Director and Managing Executive Officer of Mitsubishi Chemical Corporation, he was involved in management as Representative Corporate Officer and Chief Supply Chain Officer of the Company. As he is expected to contribute to the formulation of basic management policies and appropriate supervision of management by the Company's Board of Directors as an internal director who does not concurrently serve as an executive officer, by leveraging his deep understanding of the chemical business and global supply chain and his experience in risk management, the Board of Directors requests that he be newly elected as proposed.</p> | | | | | |

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|  | No. 5 | Takayuki Hashimoto | | |
| | (Reelection) | Date of birth | July 9, 1954 | |
| | Outside Director | Number of the Company's shares held | 10,801 | |
| | | Term of office | 7 years | |
| | Independent Officer | Attendance at meetings of the Board of Directors, etc. | Board of Directors meeting 7/7 (100%) Nominating Committee meetings 13/13 (100%) Compensation Committee meetings 10/11 (91%) | |
| Present 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 Executive 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 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 the 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 MCG through such initiatives, the Board of Directors requests that he be reelected as proposed.</p> | | | | |

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|  | No. 6 | Chikatomo Hodo | |
| | (Reelection) | Date of birth | July 31, 1960 |
| | Outside | Number of the Company's shares held | 0 |
| | Director | Term of office | 4 years |
| | Independent Officer | Attendance at meetings of the Board of Directors, etc. | Board of Directors meetings 7/7 (100%) Nominating Committee meetings 13/13 (100%) Compensation Committee meetings 11/11 (100%) |
| | Present 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 (to present) |
| Sep. 2015 | Director and Chairperson of Accenture Japan Ltd | | |
| [Significant concurrent positions] | | | |
| Outside Director of ORIX CORPORATION, Outside Director of Konica Minolta, Inc., Outside Director of Mynavi Corporation, Outside Director of Sumitomo Mitsui DS Asset Management Company, Limited (Scheduled to retire as Outside Director of Sumitomo Mitsui DS Asset Management Company, Limited on June 28, 2023 and to be appointed as Outside Director of Sumitomo Mitsui Banking Corporation on June 29, 2023) | | | |
| [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 MCG through such initiatives, the Board of Directors requests that he be reelected as proposed. | | | |

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|  | No. 7 | Kiyomi Kikuchi | |
| | (Reelection) | Date of birth | February 2, 1963 |
| | Outside | Number of the Company's shares held | 0 |
| | Director | Term of office | 4 years |
| | Independent Officer | Attendance at meetings of the Board of Directors, etc. | Board of Directors meeting 7/7 (100%) Nominating Committee meetings 13/13 (100%) Audit Committee meetings 15/15 (100%) |
| | Present 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 Jigyō) |
| 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, Outside Corporate Auditor of GECOSS CORPORATION, External Auditor of Nissay Asset Management Corporation | | | |
| [Reason for choosing as candidate for Director and expected roles, etc.] | | | |
| <p>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 MCG 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.</p> | | | |

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|  | No. 8 | Tatsumi Yamada | | |
| | (Reelection) | Date of birth | June 7, 1953 | |
| | Outside Director | Number of the Company's shares held | 8,196 | |
| | | Term of office | 3 years | |
| | Independent Officer | Attendance at meetings of the Board of Directors, etc. | Board of Directors meeting 7/7 (100%) | |
| | | | Audit Committee meetings | |
| Independent Officer | Attendance at meetings of the Board of Directors, etc. | 15/15 (100%) | | |
| | | Compensation Committee meetings | | |
| | | 11/11 (100%) | | |
| | Present 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 | International Integrated Reporting Council (currently Value Reporting Foundation) Ambassador (until June 2022) | |
| 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) | | Outside Director of Mitsubishi Chemical Holdings Corporation (to present) | |
| Jan. 2012 | Board Member of KPMG AZSA LLC (until June 2015) | Jun. 2020 | | |
| [Significant concurrent positions] | | | | |
| Certified Public Accountant, Specially appointed professor of Faculty of Commerce, Chuo University, Outside Director of NOMURA Co., Ltd. (Scheduled to be appointed as Outside Director of Nippon Yusen Kabushiki Kaisha on June 21, 2023) | | | | |
| [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 MCG 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. | | | | |

Notes:

1. There are no special interests between each candidate and MCG.
2. Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, and Tatsumi Yamada are candidates for Outside Directors. The Company has designated Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, and Tatsumi Yamada 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, and Tatsumi Yamada are inaugurated as Outside Directors, they are expected to continue serving as independent officers. Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, and Tatsumi Yamada all meet the “Standards for Independence of Outside Directors” (on following page) stipulated by the Company.
3. For Takayuki Hashimoto, Honorary Executive Advisor of IBM Japan, Ltd., with which the MCG Group had a very small amount of business transactions in fiscal 2022, no more than 1% of its consolidated net sales or MCG’s consolidated net sales, the Company sees no issue with his independence. For Kiyomi Kikuchi, a lawyer with TMI Associates, with which the MCG Group had a very small amount of business transactions in fiscal 2022, no more than 1% of the firm’s revenue or MCG’s consolidated net sales, the Company sees no issue with her independence.
4. The Company has concluded with Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, and Tatsumi Yamada 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, and Tatsumi Yamada.
5. 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.
6. Takayuki Hashimoto had 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.
7. Takayuki Hashimoto has been serving as Outside Director of Chubu Electric Power Co., Inc. since June 2016. A Surcharge Payment Order was issued against Chubu Electric Power on March 30, 2023, in violation of the Anti-Monopoly Act regarding supplies of extra-high voltage and high voltage power in the Chubu and other areas. He has been making recommendations from the standpoint of internal control system development and operation status, auditing, and group governance at meetings of the Board of Directors and on other occasions. In addition, he carries out his assigned duties in terms of confirming, providing advice on, and other assistance in initiatives to ensure a further strengthened compliance framework.
8. If this proposal is approved, the Company plans to set up each committee as follows:
Nominating Committee: Takayuki Hashimoto, Chikatomo Hodo, Kiyomi Kikuchi, Ken Fujiwara
Audit Committee: Tatsumi Yamada, Kiyomi Kikuchi, Nobuo Fukuda
Compensation Committee: Chikatomo Hodo, Takayuki Hashimoto, Tatsumi Yamada

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 MCG 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 MCG Group in the past 10 years
2. Major shareholder

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

Accounting Auditor of the MCG 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 MCG and major subsidiaries of the MCG Group
6. Donation

A person who receives a donation or financial assistance of 10 million yen or more per year from any of MCG and major subsidiaries of the MCG 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 MCG and major subsidiaries of the MCG 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 MCG 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 MCG 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 MCG and major subsidiaries of the MCG 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 MCG.
- *2 If MCG and major subsidiaries of the MCG Group receive from the said business partner an amount equivalent to 2% or more of MCG’s annual consolidated net sales in the latest fiscal year or the said business partner loans to the MCG Group an amount equivalent to 2% or more of MCG’s total consolidated assets, the said business partner shall be considered as a major business partner of MCG.
- *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.

Business Report

(From April 1, 2022 to March 31, 2023)

1. Group Overview of Operation

(1) Business Development and Performance

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

In the business environment surrounding the Group, the global economy overall continued to modestly trend upward, as socioeconomic activities return to normal. However, the risk of economic slowdown increased due to rising raw material and fuel prices, supply chain disruptions, and monetary tightening in various countries to control inflation.

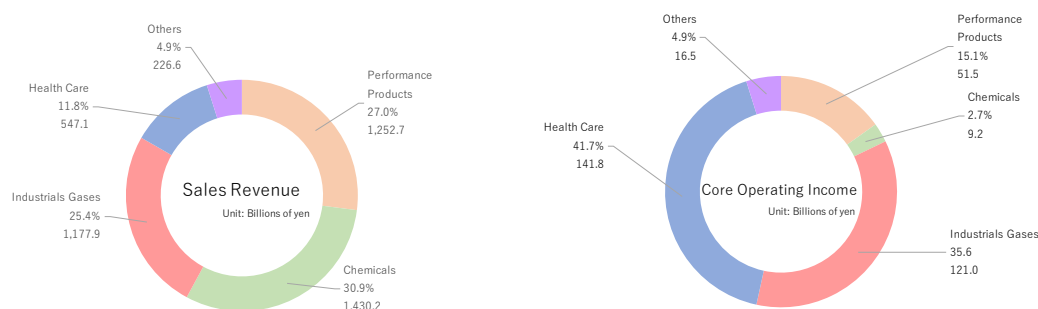
In these circumstances, sales revenue for fiscal 2022 was ¥4,634.5 billion, up ¥657.6 billion compared with a year earlier. Core operating income* increased 53.3 billion year on year to 325.6 billion and operating income was 182.7 billion, a year-on-year down of 120.5 billion due to impairment loss for non-recurring items related to Chemicals and Health Care segments.

Net income attributable to owners of parent was 96.1 billion, down 81.1 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. 22 to P. 23

Performance Overview by Segment



Note:

1. MCG Group adopted International Financial Reporting Standard (“IFRS”).
2. Core operating income by segment does not include company-wide expenses not allocated to each segment and inter-segment eliminations.

Performance Products Domain

Performance Products Segment

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

Sales revenue for the segment totaled ¥1,252.7 billion, up ¥116.4 billion year on year, while core operating income was ¥51.5 billion, down ¥27.2 billion year on year.

In Polymers & Compounds, despite a decrease in sales volume, mainly for automobile applications, sales revenue increased, mainly due to the effect of higher raw material prices, which were passed on to selling prices, as well as the impact of favorable foreign exchange rates.

In Films & Molding Materials, despite the transfer of the crystalline alumina fiber business in March 2022 and a decline due to a sharp drop in demand for display applications, sales revenue increased due to selling price revisions in response to higher raw material prices and the impact of favorable foreign exchange rates.

In Advanced Solutions, despite a decrease in sales volume mainly for display applications, net sales revenue increased due to selling price revisions following the rise in raw material prices and the impact of favorable foreign exchange rates.

Core operating income in this segment decreased due to a general decline in demand, including for display applications, and an increase in expenses against the backdrop of inflation, despite efforts to promote price pass-through in the face of rising raw material prices and other factors.

Industrial Materials Domain

Chemicals Segment

Principal Businesses: MMA, petrochemicals, carbon

Sales revenue for the segment totaled ¥1,430.2 billion, up ¥142.3 billion year on year, while core operating income was ¥9.2 billion, down ¥93.0 billion year on year.

Sales revenue of MMA decreased due to lower sales volumes resulting from declining demand and lower market prices for MMA monomer and other products, despite an increase due to the impact of foreign exchange rates and other factors.

In petrochemicals, sales revenue was up. Although sales volumes contracted due to an increased impact from a slowdown in demand and scheduled maintenance and repairs at the ethylene production facility, selling prices rose mainly in tandem with an uptick in raw material and fuels costs and other factors.

In carbon products, sales revenue expanded. Although sales volumes were lower due to a

slowdown in demand, there was a climb in selling prices for cokes primarily in line with a rise in raw material and fuel costs.

Core operating income in this segment decreased due to lower sales volumes, mainly due to declining demand, as well as generally narrower price differentials between raw materials and finished products, and a reduction in inventory valuation gains.

Industrial Materials Domain

Industrial Gases Segment

Principal Businesses: Industrial Gases

Sales revenue in this segment increased by ¥227.8 billion year on year to ¥1,177.9 billion, and core operating income amounted to ¥121.0 billion, up ¥22.1 billion year on year.

In industrial gases, both sales revenue and core operating income increased due to strong domestic and overseas demand, as well as higher fuel prices, which led to higher selling prices, and the impact of favorable foreign exchange rates.

Health Care Domain

Health Care Segment

Principal Businesses: Pharmaceuticals and Life Science

Sales revenue in this segment increased by ¥143.5 billion year on year to ¥547.1 billion, and core operating income amounted to ¥141.8 billion, up ¥148.8 billion year on year.

In pharmaceuticals, sales revenue and core operating income rose. Although there was negative impact mainly from National Health Insurance drug price revisions in the domestic ethical pharmaceuticals business, this was primarily offset by a growth in sales volumes for priority products and steady sales of RADICAVA ORS for the treatment of patients with amyotrophic lateral sclerosis (ALS) which had been released in the United States and royalty revenue from Novartis Pharma AG for Gilenya, a treatment agent for multiple sclerosis.

Some royalty revenue of Gilenya has not been recognized as sales revenue in accordance with IFRS 15 due to the start of arbitration proceedings since February 2019. In February 2023, however, the arbitral tribunal ruled that all the provisions of the agreement were valid. As a result, the Company recognized ¥125.9 billion of sales revenue in the fiscal year under review.

Others

Principal Businesses: Engineering, logistics

Sales revenue in “Others” increased by ¥27.6 billion to ¥226.6 billion, and core operating income grew by ¥1.5 billion to ¥16.5 billion.

(2) Outstanding Issues

Through the “Forging the future” medium-term management policy, the MCG Group formulated a specific action plan for growth and profit margin expansion and updated its FY2025 financial targets. The progress and challenges in the policy’s five key pillars are as follows.

-Growth, performance, sustainability

The Group has selected its focus businesses based on three criteria: market growth potential, competitive strengths, and the ability to reach carbon neutrality.

In Performance Products, the Group is shifting to a market-oriented organization and making the entire portfolio available globally. Structural reforms are underway in Health Care, as the Industrial Gases and MMA businesses further strengthen their competitiveness in the existing global business platforms. Through these measures, the Group aims to improve EBITDA¹ by 700 oku-yen in FY2025 compared to FY2021.

-Strategic cost transformation

Steady progress is being made in restructuring the business, including the withdrawal of Medicago's operations, optimizing procurement, and integrating sites, to achieve an annual cost reduction of 1,350 oku-yen in FY2025 compared to FY2021. Of this, the Group will reach 800 oku-yen cost reductions during the current financial year (FY2023).

-Business to exit

Discussions and negotiations are underway for the restructuring of the Petrochemicals business and the divestiture of the Carbon business.

-Leaner, digital, empowered

The Group is increasingly operating as "One Company, One Team" and is continuing to simplify the organization. It is working on the development and unification of complex and integrated business processes, while also optimizing the organizational environment to ensure that employees not only reach their full potential, but truly thrive.

-Strategic capital allocation

While reducing debt and improving the Net D/E ratio², the Group strives to increase shareholder returns and achieve a dividend payout ratio of 35% in FY2025. It will use most of the strategic capital facility, approximately 2,500 oku-yen, to increase corporate value, considering options such as M&As and share buybacks.

¹ EBITDA: Core operating income - equity in earnings of affiliates included in core operating income + depreciation and amortization

² Net D/E ratio: {Interest-bearing debt - (Cash and cash equivalents + Cash on hand)} / Equity attributable to owners of the parent

While the economy is expected to rebound as society begins to normalize coexisting with Covid-19, there are concerns about the risk of an economic slowdown due to geopolitical risks and fluctuations in financial and capital markets, particularly in Europe and the US. In this environment, the Group is committed to realizing this management policy, improving profitability, achieving business growth, and transforming into a specialty materials company. The company will also continue to strengthen group governance by ensuring safety management and compliance while also building internal control and risk management systems, the basis for sustainable corporate growth.

In January 2023, the MCG Group established its new Group Concept (Purpose, Slogan and Our Way). This Group Concept showcases what the MCG Group aims for and why it exists. In keeping with this new Group Concept, it is through better Science the Group provides Value to all stakeholders and contributes to healthy living and the sustainable Life of people and the planet.

Reference

For an update on future action plans and progressive financial targets in relation to the management policy 'Forging the future', please refer to:

<https://www.mcgc.com/ir/01165.html>

Reference

For information on the Group Concept, see.

<https://www.mcgc.com/group/philosophy.html>

(3) Capital Expenditures

The MCG Group's aggregate capital expenditures for the fiscal year under review stood at ¥282.2 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 | 82.0 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 | 65.4 billion yen | Mitsubishi Chemical Corporation Facility to enhance shipment capabilities for coke exports | — |
| Industrial Gases | 96.6 billion yen | — | — |
| Health Care | 29.6 billion yen | — | — |

Note:

Other than the above, there were capital expenditures of ¥8.6 billion in “Others” and “Company-wide (Common).”

(4) Fund Procurement

| Item | Balance at April 1, 2022 | Balance at March 31, 2023 | Change |
|--------------------------------------|--------------------------|---------------------------|-----------------------|
| Borrowings | 1,476.3 billion yen | 1,465.6 billion yen | Down 10.7 billion yen |
| Corporate bonds and commercial paper | 683.6 billion yen | 778.1 billion yen | Up 94.5 billion yen |
| Total | 2,160.0 billion yen | 2,243.7 billion yen | Up 83.8 billion yen |

(5) Principal Lenders (as of March 31, 2023)

| Lenders | Amount Borrowed |
|-------------------|-------------------|
| Mizuho Bank, Ltd. | 446.3 billion yen |
| MUFG Bank, Ltd. | 219.4 billion yen |

(6) Significant Business Realignment

- In December 2022, Life Science Institute, Inc. transferred all shares of its subsidiary API Corporation to UBE Corporation.

(Health Care Segment)

(7) Employees of the MCG Group (as of March 31, 2023)

(a) Status of Employees of the MCG Group

| Segment | No. of Employees | Year-on-year Increase/Decrease |
|-----------------------|------------------|--------------------------------|
| Performance Products | 26,385 | Down 103 |
| Chemicals | 7,436 | Down 269 |
| Industrial Gases | 19,586 | Up 188 |
| Health Care | 6,468 | Down 797 |
| Others | 7,538 | Down 330 |
| Company-wide (Common) | 1,226 | Up 166 |
| Total | 68,639 | Down 1,145 |

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 MCG Group are not included.
4. A decrease in the number of employees in Health Care segment is attributed mainly to the transfer of all of shares of API Corporation and exclusion from the scope of consolidation in December 2022.
5. An increase in the number of employees in Company-wide (Common) is attributed mainly to changes in a business management structure within the MCG Group.

(b) Status of Employees of MCG

| No. of Employees (Year-on-year Change) | Average Age | Average Years of Service |
|---|-----------------------|--------------------------|
| 430 (Up 207) | 46 years and 6 months | 19 years and 0 months |

Notes:

1. The employees are seconded mainly from MCG'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 MCG Group.

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

| Category | 15th Term (Fiscal 2019) | 16th Term (Fiscal 2020) | 17th Term (Fiscal 2021) | 18th Term (Year under review, Fiscal 2022) |
|--|----------------------------|----------------------------|----------------------------|--|
| Sales revenue (in billion yen) | 3,580.5 | 3,257.5 | 3,976.9 | 4,634.5 |
| Core operating income (in billion yen) | 194.8 | 174.7 | 272.3 | 325.6 |
| ROS (%) | 5.4 | 5.4 | 6.8 | 7.0 |
| Net income attributable to owners of parent (in billion yen) | 54.1 | (7.6) | 177.2 | 96.1 |
| Basic earnings per share (in yen) | 38.08 | (5.32) | 124.68 | 67.57 |
| ROE (%) | 4.2 | (0.6) | 13.2 | 6.4 |
| Total equity (in billion yen) | 1,450.8 | 1,571.1 | 1,844.3 | 1,988.1 |
| Equity attributable to owners of parent per share (in yen) | 824.07 | 870.40 | 1,026.03 | 1,100.04 |
| Total assets (in billion yen) | 5,132.1 | 5,287.2 | 5,573.9 | 5,773.9 |

Notes:

1. MCG 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 MCG, Major Subsidiaries and Affiliates (as of March 31, 2023)

(a) MCG

| | |
|-------------|---|
| Head Office | 1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo |
|-------------|---|

(b) Major Subsidiaries

[Direct Investees]

| Company Name | Capital | Equity Investment Ratio of the Company (%) | 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 |
| | Mitsubishi Chemical Aqua Solutions, Co., Ltd. | 400 million yen | 100.0 | Manufacture and sale of water treatment equipment and various chemicals for water treatment | Tokyo |
| | Mitsubishi Chemical Infratec Co., Ltd. | 400 million 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 |
| | RHOMBIC Corporation | 300 million yen | 100.0 | Manufacture and sale of compound products, etc. | Mie |
| | 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 |

| Segment | Company Name | Capital | Equity Investment Ratio of the Company (%) | Principal Business | Location |
|------------------|---|-----------------------------|--|---|----------|
| 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 SANSO 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 |

Effective April 1, 2023, Mitsubishi Tanabe Pharma Holdings America was merged into Mitsubishi Tanabe Pharma America.

(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 MCG |
|---|--|--|
| 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 MCG's balance sheet as of the end of the fiscal year under review is ¥2,012,340 million.

(10) Other Significant Matters Related to the Present State of the MCG Group

Based on the management policy, we have been promoting the shift to a "One Company, One Team" flat organizational structure since April 1, 2022. To represent our new organizational structure, which will execute in a unified manner across the Group, we have decided to change our trade name from "Mitsubishi Chemical Holdings Corporation" to "Mitsubishi Chemical Group Corporation" on July 1, 2022.

2. Matters Related to Corporate Stocks (as of March 31, 2023)

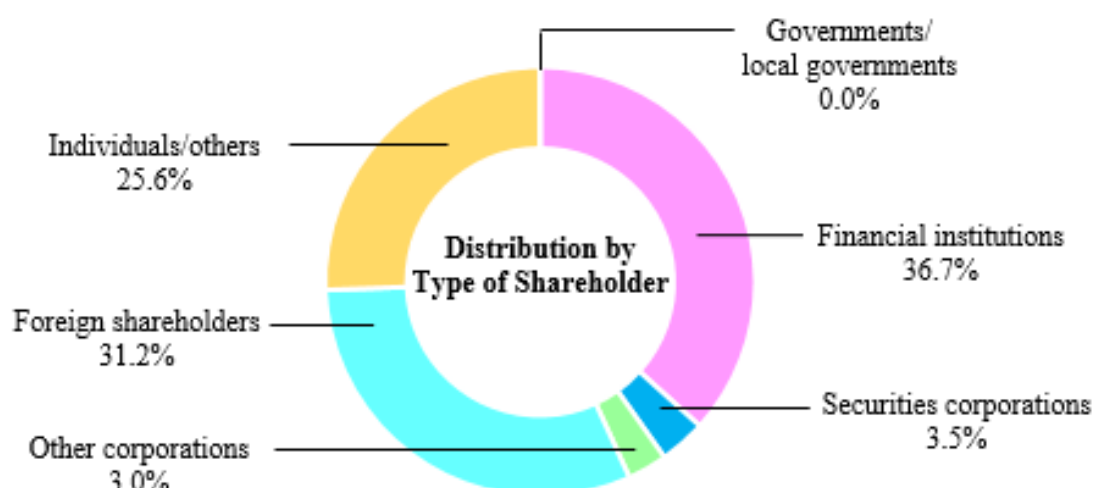
(1) Number of Authorized Shares: 6,000 million

(2) Number of Issued and Outstanding Shares:

1,506.288 million (representing no changes from the previous fiscal year)

(3) Aggregate Number of Shareholders:

283,641 (representing a year-on-year increase of 9,272 shareholders)



(4) Major Shareholders

| Name of Shareholders | Equity Investments in MCG | |
|--|----------------------------------|--------------------------------|
| | No. of Shares Held (thousand) | Equity Investment Ratio (%) |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 224,331 | 15.7 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 148,370 | 10.4 |
| Custody Bank of Japan, Ltd. (Trust Account) | 94,350 | 6.6 |
| Meiji Yasuda Life Insurance Company | 64,389 | 4.5 |
| Nippon Life Insurance Company | 42,509 | 3.0 |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | 22,631 | 1.6 |
| Custody Bank of Japan, Ltd. (Trust Account 4) | 21,671 | 1.5 |
| TAIYO LIFE INSURANCE COMPANY | 18,838 | 1.3 |
| JP MORGAN CHASE BANK 385781 | 17,034 | 1.2 |
| The Norinchukin Bank | 13,497 | 0.9 |

Notes:

- In addition to the above, MCG holds 81.777 million shares as treasury stocks, but these shares are non-voting pursuant to the provisions of Article 308, paragraph (2) of the Companies Act.
- Equity investment ratios are calculated to the exclusion of the treasury stock (81.777 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 333,265 | 11 |

3. Matters Related to the Company's Officers

(1) Details of Directors (as of March 31, 2023)

| 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 KAITEKI Institute, Inc. |
| Ken Fujiwara | Director of the Board Member of the Nominating Committee Executive Vice President | Director of the Board of Mitsubishi Chemical Corporation Director of Mitsubishi Tanabe Pharma Corporation |
| Glenn H. Fredrickson | Director of the Board | Distinguished Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara |
| Hiroshi Katayama | Director of the Board Member of the Audit Committee | |
| 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 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 Outside Director of Konica Minolta, Inc. Outside Director of Mynavi Corporation Outside Director of Sumitomo Mitsui DS Asset Management Company, Limited |
| Kiyomi Kikuchi | Outside Director of the Board Member of the Nominating Committee Member of the Audit Committee | Lawyer of TMI Associates Outside Corporate Auditor, GECOSS CORPORATION External Auditor, Nissay Asset Management Corporation |
| Tatsumi Yamada | Outside Director of the Board Member of the Audit Committee (Chairperson) Member of the Compensation Committee | Certified Public Accountant Specially appointed professor of Faculty of Commerce, Chuo University Outside Director of NOMURA Co., Ltd. |
| Takako Masai | Outside Director of the Board Member of the Nominating Committee Member of the Audit Committee | Director, Chairperson 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. Director Takako Masai has considerable knowledge of finance and accounting due to her experience working at various banks and as a Member of the Policy Board of the Bank of Japan.
3. There is no special relationship between other corporations, where the Company's Outside Directors hold concurrent positions and the Company.
4. Director Hiroshi Katayama is the full-time member 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.
5. 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.
6. 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.
7. 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.
8. The KAITEKI Institute, Inc. was merged into the Company on April 1, 2023.

(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 the Board of Directors meetings, he speaks on global management, portfolio management, and other issues. In addition, as the leader of the Independent Outside Directors, he engages in dialogue with institutional investors. 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. 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 a performance remuneration for Corporate Executive Officers and remuneration systems for Outside Directors.</p> | <p>Board of Directors meetings 7/7 (100%) Nominating Committee meetings 13/13 (100%) Compensation Committee meetings 10/11 (91%)</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. Furthermore, 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. In the Compensation Committee, the main agenda item during the fiscal year under review was the consideration of a performance remuneration for Corporate Executive Officers and remuneration systems for Outside Directors, and as Chairperson of the Compensation Committee, he fulfilled his duties by playing a leading role in making highly impartial and transparent decisions.</p> | <p>Board of Directors meetings 7/7 (100%) Nominating Committee meetings 13/13 (100%) Compensation Committee meetings 11/11 (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. 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, based on audit plans, she appropriately fulfilled her responsibilities as an outside Audit Committee member by conducting audits on the priority audit items for the fiscal year under review, including the development and operation of the internal control system, and the reinforcement of the management base, progress in business strategies and other execution in accordance with the management policy "Forging the future" (hereinafter referred to as the "Management Policy").</p> | <p>Board of Directors meetings 7/7 (100%) Nominating Committee meetings 13/13 (100%) Audit Committee meetings 15/15 (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. At the Audit Committee, based on the audit plan, he appropriately fulfilled his responsibilities as an outside Audit Committee member by playing a leading role in ensuring the transparency and fairness of audits as chairman of the Audit Committee and by conducting audits on the priority audit items for the fiscal year under review, including the development and operation of the internal control system, and the reinforcement of the management base, progress in business strategies and other execution relating to the Management Policy. 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 a performance remuneration for Corporate Executive Officers and remuneration systems for Outside Directors.</p> | <p>Board of Directors meetings 7/7 (100%) Audit Committee meetings 15/15 (100%) Compensation Committee meetings 11/11 (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, based on the audit plan, she appropriately fulfilled her responsibilities as an outside Audit Committee member by conducting audits on the priority audit items for the fiscal year under review, including the development and operation of the internal control system, and the reinforcement of the management base, progress in business strategies and other execution in accordance with the Management Policy.</p> | <p>Board of Directors meetings 7/7 (100%) Nominating Committee meetings 13/13 (100%) Audit Committee meetings 15/15 (100%)</p> |

(3) Details of Corporate Executive Officers (as of March 31, 2023)

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

Notes:

1. Corporate Executive Officers Jean-Marc Gilson and Ken Fujiwara also serve as Directors as of March 31, 2023.
2. Nobuo Fukuda, Johei Takimoto, Yoshihiro Ikegawa and Hiroaki Ueno retired as Corporate Executive Officers on April 1, 2023.
3. The KAITEKI Institute, Inc. was merged into the Company on April 1, 2023.

[For reference] Details of Corporate Executive Officers (as of April 1, 2023)

| Name | Position | Responsibility at the Company | Significant concurrent positions |
|--------------------------------|---|---|--|
| Jean-Marc Gilson | Representative Corporate Executive Officer President and CEO | | |
| Kouji Eguchi | Representative Corporate Executive Officer and Senior Vice President Chief Supply Chain Officer | | Representative Director, Director of the Board of Mitsubishi Chemical Corporation |
| Yuko Nakahira | Executive Vice President Chief Financial Officer | Finance, Communications, IR | |
| Ken Fujiwara | Executive Vice President Chief Compliance Officer General Counsel | Legal, Internal Control, Administration, Public Relation and Corporate Secretary | Director of the Board of Mitsubishi Chemical Corporation Director of Mitsubishi Tanabe Pharma Corporation |
| Frank Randall (Randy) Queen | Executive Vice President | Specialty Materials | Director of the Board, Vice President, Mitsubishi Chemical America, Inc. |
| Hitoshi Sasaki | Executive Vice President | Polymers & Compounds, MMA | CEO of Mitsubishi Chemical Methacrylates Ltd. (UK) |
| Manabu Chikumoto | Executive Vice President | Basic Materials | Director of the Board of Mitsubishi Chemical Corporation Member of the Board of Chairperson of SPDC Ltd. Managing Director, Asahi Kasei Mitsubishi Chemical Ethylene Corporation |
| Akihiro Tsujimura | Executive Vice President | Pharma | Representative Director of Mitsubishi Tanabe Pharma Corporation |
| Larry Meixner | Senior Vice President Chief Technology Officer | | |
| Jin Iida | Senior Vice President | Audit | |
| Yuji Ichimura | Senior Vice President Chief Digital Officer | | |
| Shigeki Habuka | Senior Vice President | Public Relation | Outside Director of Rakuten Group, Inc. |
| Tomoyo Hiraoka | Senior Vice President Chief Human Resource Officer | | |

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

i. Aggregate amount of remuneration of officers for the fiscal 2022

| 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 |
| | | Annual bonus | Stock remuneration | | | |
| Directors (inside) | 102 (99) | — | — | — | 102 (99) | 5 |
| Directors (outside) | 91 | — | — | — | 91 | 5 |
| Corporate Executive Officers | 603 (603) | 383 (324) | 153 (110) | 313 (313) | 1,451 (1,349) | 13 |
| Sum Total | 795 (792) | 383 (324) | 153 (110) | 313 (313) | 1,643 (1,539) | 23 |

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. MCG 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, MCG bears expenses of 36 million yen for housing allowances, medical insurance etc. as fringe benefits, i.e., non-monetary remuneration, in addition to the above remuneration.
5. Annual bonus for Corporate Executive Officers includes the amount paid in June 2022 to a Corporate Executive Officer who retired at the end of March 2022. In the meantime, the amount of basic remuneration, etc., paid to a Corporate Executive Officer who concurrently had served as a Director after he retired as a Corporate Executive Officer at the end of March 2022 for the duration up to June 2022 when he retired as a Director is classified as remuneration for Directors (internal).
6. The amounts of stock remuneration presented above are the sum of the those recorded as expenses in fiscal 2022 (expenses connected with the performance share units (PSU, see p. 53-54) introduced in fiscal 2021 and expenses connected with stock remuneration involving the BIP trust at subsidiaries of the Company).
7. The amount of shares with restriction of transfer presented above is the sum of those recorded as expenses in fiscal 2022 (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

a. Annual bonus

Annual bonus paid to Corporate Executive Officers in the fiscal year under review was 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 MCG Group values: sustainability axis (Management of Sustainability: MOS); innovation axis (Management of Technology: MOT); and economic efficiency axis (Management of Economics: MOE)) and also individual appraisal (on the achievement of initiative targets under the medium and long-term management plan, leadership status, etc.). The amounts paid were between 137.5% and 150% of the base amount.

$$\begin{array}{ccccccc}
 \text{Individual} & & & & & & \\
 \text{bonus amount} & = & \text{Base amount by} & \times & \text{KAITEKI Value} & \times & \text{Final} \\
 & & \text{title} & & \text{evaluation} & & \text{evaluation} \\
 & & & & \text{+Individual appraisal} & & \text{adjustment} \\
 & & & & (0-200\%) & & (80-120\%)
 \end{array}$$

Listed below are major indicators, reason of selection, results of evaluation, etc., for the KAITEKI Value evaluation for the fiscal 2021 (from April 1, 2021 to March 31, 2022).

| Major indicators | | Reason of selection | % of evaluation |
|--|--|--|-----------------|
| MOS | Safety Indicators | To ensure the safety of employees and other stakeholders | 20% |
| | Indicators for reduction of environmental impact | To achieve carbon neutrality | |
| | Employee Engagement Indicators | To promote creation of society and workplace where diverse people can work enthusiastically and actively | |
| MOT | New Product/Service Contribution | To measure the ability to create business through innovation | 10% |
| | Patent competitiveness | To enhance technological edge | |
| | Digital Maturity | To promote digital transformation (DX) | |
| MOE | Core operating income | To boost earning power in principal business | 70% |
| | ROE | To aim for sustainable improvement in corporate value | |
| | ROIC | To increase efficiency with the aim of improving core business profits relative to invested capital | |
| Results of KAITEKI Value evaluation for fiscal 2021 (percentage of payment) | | | S (150%) |

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).

b. Performance share unit (PSU)

Under the Company’s PSU system, common stock of the Company is issued in the number calculated in proportion to growth in the Company’s share price (TSR: total shareholder return) during a period of three years. Since this plan was introduced in 2021 and the first TSR evaluation period is for the three-year period from 2021 to 2023, the results of the evaluation and the number of shares to be delivered have not been determined as of the end of fiscal year 2022.

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

The Compensation Committee held 11 meetings between April 2022 and March 2023 to decide remuneration, etc., for Directors and Corporate Executive Officers. 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 2021 and determined the amount of performance-linked remuneration to be paid for the fiscal year 2022.
- The Committee discussed and determined the remuneration base amount and performance targets for performance-linked remuneration for the fiscal year under review including those for newly elected Corporate Executive Officers. For the evaluation indicators for annual bonuses, we selected those that Corporate Executive Officers should particularly focus on in the KAITEKI value assessment, including ESG-related initiatives (reduction of greenhouse gas emissions, etc., improvement of employee engagement, etc.).
- The number of shares to be delivered to each Corporate Executive Officer was determined in accordance with the share delivery rules concerning shares with restriction of transfer.
- Based on the Compensation Committee's resolution regarding PSUs, the number of base shares for each position under the 2022 Plan was determined.
- Regarding remuneration systems and levels for Directors and Corporate Executive Officers, the Committee compared and reviewed 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 2022 were appropriate. Meanwhile, as Outside Directors are expected to fulfill a greater role, considering increases in remuneration levels seen among other companies, the Company decided to introduce a restricted share remuneration plan that is not linked to performance for Outside Directors beginning in FY2023 for the purpose of improving commitment to enhancing corporate and shareholder value over the medium to long term now more than ever.
- 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 2023 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.

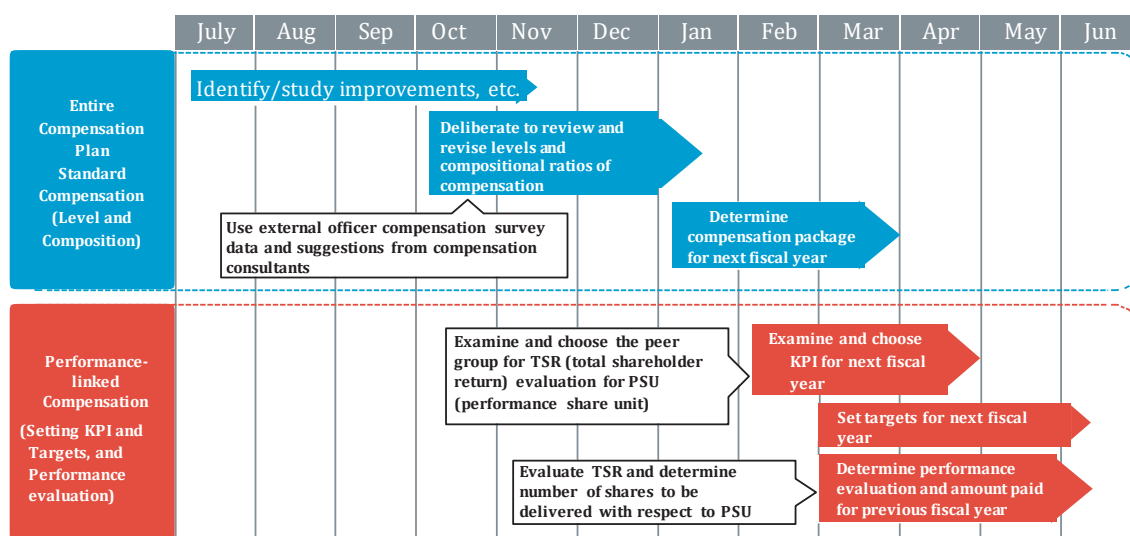
In an effort to carry out this accountability appropriately, the Committee had repeated discussions by reference to objective, expert, and adequate information and in line with the “Policy on Deciding Remuneration for Directors and Corporate Executive Officers,” before concluding that the details of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

The Company, in line with its new management structure “One Company, One Team,” which was introduced in 2022, established its new Group Concept (Purpose, Slogan and Our Way) in January 2023. In the context of this, the Compensation Committee discussed how the remuneration plan should be in order to realize the Purpose. Through these discussions, the Committee determined it is appropriate to introduce a stock remuneration plan that is not linked to performance for Outside Directors who are expected to fulfill a vital role in further enhancing corporate governance, including the effectiveness of the Board of Directors, and promoting sustainable corporate and shareholder value. Consequently, it decided to start delivering restricted shares to Outside Directors in FY2023.

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

| | |
|--------------|---|
| Constitution | Chairperson (Outside Director): Chikatomo Hodo Member (Outside Director): Takayuki Hashimoto, Tatsumi Yamada |
| 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 three (3) Outside Directors as of March 31, 2023. |

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 2023

As described in “(4) (iii) Activities by the Compensation Committee during the fiscal year under review” (see page 45), the Company decided to grant shares with restriction of transfer (RS) to Outside Directors beginning in 2023 in order to further promote sustainable corporate and shareholder value. The amount of additional RS to be granted will be determined by taking into consideration the expected role of Outside Directors and trends at other companies (RS for the fiscal 2023 will be approximately 10% or less of the amount of basic remuneration). There are no other significant changes with respect to the policy on determining remuneration for Directors and Corporate Executive Officers for the fiscal 2023.

ii. Policy on Deciding Remuneration for Directors and Corporate Executive Officers for the fiscal 2023

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 mainly consist of basic remuneration (fixed remuneration). Outside Directors, who are expected to supervise and provide advice on management from the viewpoint of shareholders and investors in order to enhance corporate and shareholder value, shall be paid Stock remuneration not linked to performance in addition to basic remuneration.
- 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 (MOS/MOT/MOE) for realizing the MCG Group's Purpose.
- 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 MCG 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 internal 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.

Remuneration for Outside Directors shall be consist of basic remuneration (fixed remuneration) and Stock remuneration (shares with restriction of transfer).

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"> Each fiscal year, monetary remuneration is paid based on company-wide performance evaluations (evaluations of the three axes for realizing the Company's Purpose) and individual appraisal (on the achievement of initiative targets under the medium and long-term management plan, leadership status, etc.). |
| | 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 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 capitalization, roles and functions expected of each Director (the leader of the Independent Outside Directors and Member/Chairperson of the Nominating/Compensation/Audit Committees), and hours required to execute their duties (full-time/part-time classification).

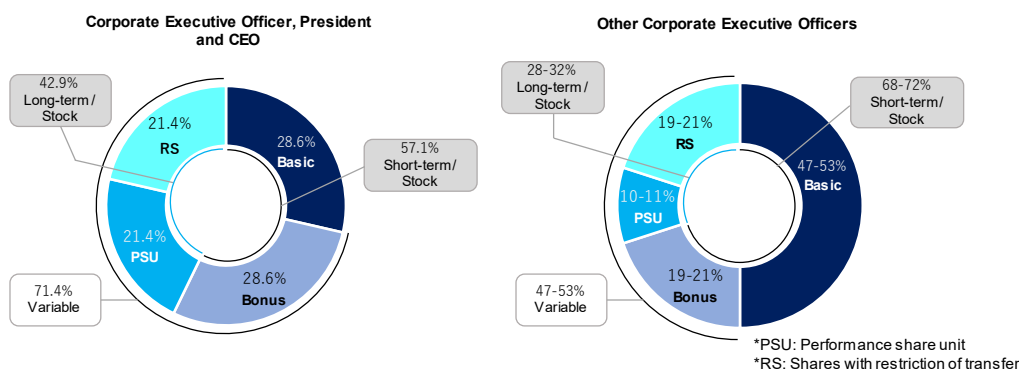
The ratio of Stock remuneration to Outside Directors will be set in consideration of the roles of Outside Directors and trends at other companies, The ratio of Stock remuneration to basic remuneration in fiscal 2023 will be approximately 10% or less.

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 capitalization.

FY2023 Composition of Standard Remuneration for Corporate Executive Officers (Illustration)

[Basic remuneration : bonus : stock remuneration] ratios for FY2023 are set at [1 : 1 : 1.5] for Corporate Executive Officer, President and CEO and [1 : 0.35-0.45 : 0.53-0.68] for other Corporate Executive Officers, for the higher title to earn the greater ratio of variable remuneration.



d. Annual bonus

The amount of individual bonus for Corporate Executive Officers is determined based on company-wide performance evaluation (on the achievement of annual targets in the three axes for achieving the Group’s Purpose) and individual appraisal (on the achievement of initiative targets set individually under the medium and long-term management plan, leadership status, etc.).

$$\text{Individual bonus amount} = \text{Base amount by title} \times \frac{\text{Company-wide performance evaluation} + \text{Individual appraisal}}{(0-200\%)} \times \text{Final evaluation adjustment} \quad (80-120\%)$$

Company-wide performance evaluation

Management indicators in each of the three axes (MOS, MOT, MOE) for the realization of the Group’s Purpose will be used as direct metrics of bonus evaluation. Specific evaluation metrics are selected every fiscal year, primarily from the following:

| Three key elements of Purpose realization | Major management indicator for each axis | % of evaluation |
|---|--|-----------------|
| MOS | Indicators defined as those related to the prevention of lost time injuries and security incidents, etc., reduction of greenhouse gas emissions, and improvement of employee engagement. | 20% |
| MOT | Indicators related to R&D, IP activities, DX, and other efforts to realize the management plan | 10% |
| MOE | Indicators related to core operating income, ROE, ROIC, free 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)

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 FY2023 Plan will be from FY2023 to FY2025.

| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|-------------|-----------------------|-----------------------|-----------------------|----------------|----------------|----------------|
| FY 2023 PSU | TSR Evaluation Period | | | Stock issuance | | |
| FY 2024 PSU | | TSR Evaluation Period | | | Stock issuance | |
| FY 2025 PSU | | | TSR Evaluation Period | | | Stock issuance |

[TSR Evaluation Category]

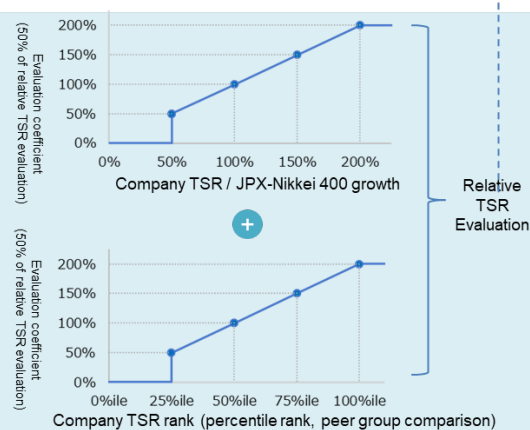
The Company TSR is compared to the index growth and the peer group TSR.

| 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)

Each year, the Company shall deliver shares of the Company's common stock equivalent to the base amount determined by position or office in accordance with the share delivery rules concerning Stock remuneration with restriction of transfer to the Director or Corporate Executive Officer. In order to share shareholder value and increase the share price over the medium to long term, the restricted transfer period shall be the period from the date of delivery of shares to the date of retirement as the Director or Corporate Executive Officer

of the Company.

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 2023, 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 MCG to the Accounting Auditor | 123 |
| (ii) Sum total of money and other financial benefits to be paid by MCG and its subsidiaries to the Accounting Auditor | 927 |

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 MCG 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), MCG asks the Accounting Auditor to advise on internal controls over financial reporting and prepare a letter of comfort for issuance of bonds.

(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, MCG 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 MCG's Subsidiaries by Certified Public Accountants or Audit Corporations other than the Accounting Auditor

Of MCG'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

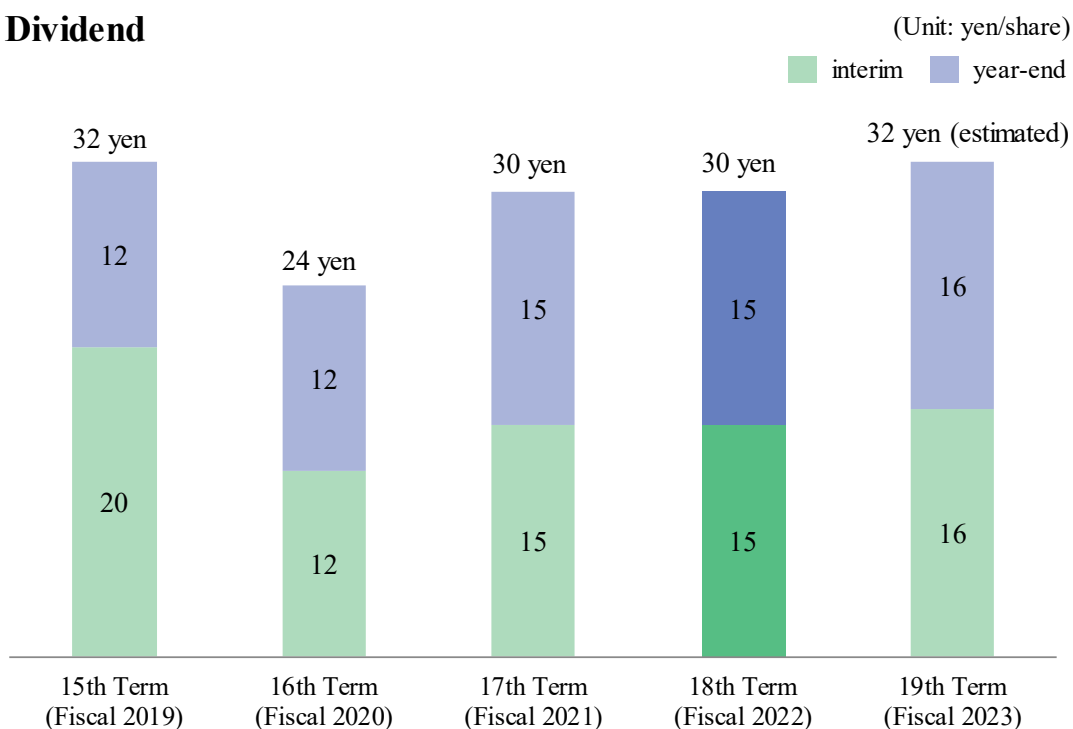
MCG's basic policy for shareholder returns is to enhance its shareholder value by increasing corporate value. While keeping an eye to increasing retained earnings that will fund its future business activities, MCG will aim for year-over-year dividend growth and payout ratio 35% in FY2025 in the action plan based on the management policy "Forging the future" for the period to FY2025.

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

After comprehensively considering the policy in (1) above as well as net income attributable to owners of parent and business development going forward, the Company decided to pay the year-end dividend of ¥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, and the consolidated dividend payout ratio for the fiscal year under review will be 44.4%.

Dividend



Matters Related to Stock Acquisition Rights

(1) Overview of Stock Acquisition Rights Held by MCG's Officers (as of March 31, 2023)

| Date of resolution for issue | Amount Paid in per Stock Acquisition Right | Exercise Period | Status of Stock Acquisition Rights Held by Officers | Type and number of stock as objects |
|------------------------------|--|-------------------------------------|---|-------------------------------------|
| July 9, 2018 | ¥41,700 | From July 25, 2018 to July 24, 2038 | 2 persons 288 units | 14,400 shares of MCG's common stock |

Notes:

- The number of stocks as object of the aforementioned stock acquisition rights is 50 per stock acquisition right. However, if MCG's common stocks are split, the number of stocks per stock acquisition right will be adjusted.
- The value of assets to be invested on the occasion of exercise of the aforementioned stock acquisition rights would be ¥1 per share.
- 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 MCG and its subsidiaries during the respective Exercise Periods.
- MCG does not issue any stock acquisition rights to its Outside Director in compensation for performance of their duties.
- The table provided above does not include stock acquisition rights received by MCG's officers who have received such rights as Executive Officers of MCG, or Directors, Corporate Auditors or Executive Officers of MCG'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, 2023)

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 | MCG'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 | ¥1,171.4 |
| 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 MCG 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, 2023)

The aggregate number of stock acquisition rights issued by MCG 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 MCG:

| | | |
|-------------------------------------|--------------------|----------------|
| Aggregate number | 8,833 units | |
| Type and number of stock as objects | MCG's common stock | 441,650 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 | MCG's common stock | 64,020,000 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 MCG and a corporate group with MCG as a parent company under the Companies Act ("MCG Group") (including any fact or fraudulent act that might do material harm to MCG 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 MCG 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 MCG.
- 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 MCG 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 MCG Group's decisions and execution

of business are made properly and efficiently by setting a rule that the MCG 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 MCG Group shall treat the Group Charter of Corporate Behavior as the basic regulations on compliance matters within the MCG 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 MCG 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 MCG 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 MCG 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 MCG Group (management of business objectives, reporting and approval of important matters and the Group's internal audits, etc.) and ensure operational legitimacy within the MCG Group by sharing the Group's internal control policies and systems covering compliance and risk management within the MCG 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.

– 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 representative and officers of MCG's operating companies.

– The Audit Committee hotline system which is independent from execution line is operated as contact points. The management has stipulated rules that prohibit any Director, Corporate Executive Officer, Corporate Auditor, or employee of the MCG Group who reports an incident to the Audit Committee, including reporting an incident through the hotline system,

from being treated unfavorably for making such a report.

- The Audit Committee endeavors to strengthen cooperation with the Internal Auditing Division, Internal Control Division, and Accounting Auditor in an effort to enhance the effectiveness of audits through exchanging information with Corporate Auditors of the MCG group companies.
- The system is enhanced to six dedicated employees who have been assigned to the Office of Audit Committee to assist duties of the Audit Committee with a prior consent of the Audit Committee.

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 Group management are discussed and decided at the Corporate Executive Officers Committee Meetings.
- In order to maximize corporate value, the detailed action plan and the updated financial and non-financial goals for 2025, based on the management policy “Forging the future” that focuses on market growth, was formulated and announced.
- In order to achieve one of the strategic priorities of the management policy, reform of the cost structure in the entire MCG Group, the Company established and promoted an implementation system.
- As a specialty material company, the Company started working on the detailed plan for the separation and reorganization of our petrochemical and carbon businesses to be an independent entity, to accelerate the implementation of carbon neutral and to focus on specific business.
- Disseminated information on business conditions, management messages and ideas in a timely and appropriate manner by posting articles on Intranet and hosting company townhall meetings. Through these measures, the Company promoted mutual understandings between management and employees, and shared and put into practice the direction the Company was aiming for.

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 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.

- The status of compliance and other matters are reported regularly at Board meetings and the Compliance Promotion Council meetings so that the status is grasped in a flexible manner.
- The status of compliance and other matters are reported regularly to the Corporate Executive Officer, President and CEO and Chief Compliance Officer (CCO) so that the status is grasped in a flexible manner.
- The Company established a global compliance promotion system and a compliance promotion committee comprised of Corporate Executive Officers, and structured a common compliance promotion program globally and continues awareness surveys for monitoring purposes.
- 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, structure and systems for managing risks of loss

- Introduced a group-wide ERM (Enterprise Risk Management) for the MCG Group, and established a new risk management system and started its operation.
- Established the ERM Committee chaired by the Corporate Executive Officer, President and CEO, and composed of the Corporate Executive Officers to establish the basic regulations and guidelines, and picked up serious risks and identified matters that need to be addressed with high priority.
- Of these serious risks, geopolitical risks and related risks are to be addressed and monitored on a Company-wide basis, and responsible departments were designated to develop risk scenarios, that started examining measurements against them.
- In serious emergency situations that could affect the entire MCG Group, the Company developed the disaster response headquarter system in an effort to prevent the spread of the impact and to ensure prompt recovery.
- Started working on developing policy related to securing safety of the employees in emergency situations.

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

- The results of the matters discussed at the Board Meetings and the Corporate Executive Officers meetings are communicated swiftly through database etc.
- Appropriate operation and management of information assets is implemented based on the

information assets management-related regulations etc., including the information assets guidelines.

- Regarding information security education, a group-wide education system has been developed, and training is carried out.
- Information Security Execution Committee was established to examine and implement measures for the entire MCG Group. Information system security officers were assigned in each region to establish a global security promotion system.
- As a security measure, the Company established monitoring system for new threats including detecting signs of possible attacks against the Company. Regarding cloud usage, network storage services for which no application was submitted were discontinued. IT security maturity monitoring survey (self check) was conducted to monitor the compliance status of the information system security-related regulations of the Group companies, and feedback was provided to each company on the result of the analysis.

6) System for assuring operational legitimacy within the corporate group

- Based on the management policy and management system, a new Group mission (Purpose, Slogan, Our Way) was formulated. In line with this, the Company is developing activities to disseminate the concept both internally and externally, and is working to grow the MCG Group and enhance the corporate value.
- The MCG Group's overall and each business group's annual profit target management based on management policy, follow-up of its progress, capital allocations during the period of the mid-term management plan were formulated.
- Monitored working capital and efforts were made to promote its reduction.
- Re-established the checking system for the consolidated tax payment in an effort to further improve the tax compliance of the MCG Group companies.
- Promoted consolidation and elimination of hub companies in each region and appointed regional coordinators in an effort to establish the management system.
- Continued to implement CSA (self-evaluation) to monitor overall status of the MCG Group's internal control.
- Re-established and reconfirmed the reporting system to CCO in the event of compliance violation incidents.
- Regarding the internal whistle-blowing system, the Company established a centralized system across the MCG Group including Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, and Life Science Institute, Inc., and responded to the revision of the Whistleblower System.

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 MCG 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 MCG's shares that might harm the MCG Group's corporate value or undermine the common interests of our shareholders.

MITSUBISHI CHEMICAL GROUP CORPORATION

Consolidated Statement of Profit or Loss

18th Fiscal Year (Year ended March 31, 2023)

Unit: Millions of yen

| | |
|--|-----------------------|
| Sales revenue | 4,634,532 |
| Cost of sales | (3,395,045) |
| Gross profit | <u>1,239,487</u> |
| Selling, general and administrative expenses | (922,650) |
| Other income | 31,893 |
| Other expenses | (177,755) |
| Equity income | 11,743 |
| Operating income | <u>182,718</u> |
| Financial income | 16,636 |
| Financial expenses | (31,390) |
| Earnings before taxes | <u>167,964</u> |
| Income taxes | (32,814) |
| Net income | <u><u>135,150</u></u> |
| Net income attributable to | |
| Owners of the parent | 96,066 |
| Non-controlling interests | 39,084 |

MITSUBISHI CHEMICAL GROUP CORPORATION
Consolidated Statement of Financial Position
18th Fiscal Year (As of March 31, 2023)

Unit: Millions of yen

| Assets | |
|---|-----------|
| Current assets: | |
| Cash and cash equivalents | 297,224 |
| Trade receivables | 808,787 |
| Inventories | 797,877 |
| Other financial assets | 74,469 |
| Other current assets | 141,020 |
| Subtotal | 2,119,377 |
| Assets held for sales | 30,241 |
| Total current assets | 2,149,618 |
| | |
| Non-current assets | |
| Property, plant and equipment | 1,907,898 |
| Goodwill | 727,655 |
| Intangible assets | 459,213 |
| Investments accounted for using the equity method | 170,736 |
| Other financial assets | 203,270 |
| Other non-current assets | 61,425 |
| Deferred tax assets | 94,088 |
| Total non-current assets | 3,624,285 |
| Total assets | 5,773,903 |

MITSUBISHI CHEMICAL GROUP CORPORATION
Consolidated Statement of Financial Position (continued)
18th Fiscal Year (As of March 31, 2023)

Unit: Millions of yen

Liabilities and Equity

Liabilities

Current liabilities:

| | |
|-----------------------------|---------|
| Trade payables | 476,311 |
| Bonds and borrowings | 601,443 |
| Income tax payable | 29,127 |
| Other financial liabilities | 316,379 |
| Provisions | 47,274 |
| Other current liabilities | 184,272 |

| | |
|----------|-----------|
| Subtotal | 1,654,806 |
|----------|-----------|

| | |
|--|-------|
| Liabilities directly associated with assets held for sales | 9,024 |
|--|-------|

| | |
|---------------------------|-----------|
| Total current liabilities | 1,663,830 |
|---------------------------|-----------|

Non-current liabilities

| | |
|--------------------------------|-----------|
| Bonds and borrowings | 1,642,325 |
| Other financial liabilities | 118,527 |
| Retirement benefit liabilities | 102,292 |
| Provisions | 39,476 |
| Other non-current liabilities | 39,936 |
| Deferred tax liabilities | 179,380 |

| | |
|-------------------------------|-----------|
| Total non-current liabilities | 2,121,936 |
|-------------------------------|-----------|

| | |
|-------------------|-----------|
| Total liabilities | 3,785,766 |
|-------------------|-----------|

Equity

| | |
|----------------------------|-----------|
| Common stock | 50,000 |
| Additional paid-in capital | 167,917 |
| Treasury stock | (62,231) |
| Retained earnings | 1,270,245 |
| Other components of equity | 138,435 |

| | |
|---|-----------|
| Equity attributable to owners of the parent | 1,564,366 |
|---|-----------|

| | |
|---------------------------|---------|
| Non-controlling interests | 423,771 |
|---------------------------|---------|

| | |
|--------------|-----------|
| Total equity | 1,988,137 |
|--------------|-----------|

| | |
|------------------------------|-----------|
| Total liabilities and equity | 5,773,903 |
|------------------------------|-----------|

Consolidated Statement of Changes in Equity
18th Fiscal Year (Year ended March 31, 2023)

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

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

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 “MCG 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: 425

The number above includes three (3) jointly-operating companies.

Names of major consolidated subsidiaries:

Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., Nippon Sanso Holdings Corporation

Number of associated companies accounted for by the equity method: 131

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

Mitsubishi Engineering-Plastics Corporation, LOTTE MCC Corp.

3. Accounting Policies

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

(i) Initial recognition and measurement

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

When the MCG 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 MCG Group recognizes retained interests in the financial assets and a liability that the MCG Group may be required to pay in association therewith, to the extent of the Group's continuing involvement.

(iv) Impairment

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

The MCG 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 MCG 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

The MCG 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 MCG Group are presented in Japanese yen, which is the functional currency of the Company. Each company in the MCG 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 MCG Group that is classified as an asset held for sale and represents one line of the MCG Group's business, which is recognized when the Company has a plan to dispose of such a business line.

(Treatment of corporate income tax under the global minimum tax rules)

In the FY2023 Tax Reform, a corporation income tax corresponding to the global minimum tax was established. Provisions related to this matter (hereinafter referred to as the “Global Minimum Tax Rules”) were included in the Tax Reform Act (Act for Partial Revision of the Income Tax Act and Other Acts (Act No. 3 of 2023) (hereinafter referred to as the “revised Corporation Tax Act”), which was enacted on March 28, 2023.

International Accounting Standards (“IAS”) 12 does not provide specific guidance applicable to the income tax treatment of the Global Minimum Tax Rules. As referred to in the International Accounting Standards Board Exposure Draft, “International Tax Reform—Pillar Two Model Rules (Proposed Amendments to IAS 12 Income Taxes)” (hereinafter referred to as the “IASB’s Exposure Draft”), it is unclear whether the Pillar Two model rules (equivalent to the Global Minimum Tax Rules under the revised Corporation Tax Act) would create additional temporary differences, whether deferred taxes should be remeasured under such a rule, and what tax rate should be used to measure deferred taxes. In addition, the tax rate to be multiplied by the excess earnings of an entity in future periods depends on many factors. It is thus difficult to predict reliably, if not impossible to calculate.

Exercising its judgment in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the MCG Group has therefore concluded that not accounting for deferred taxes with respect to income taxes under the Global Minimum Tax Rules would provide the most fit-for-purpose and reliable information. This accounting policy results in accounting treatment consistent with the proposals in the IASB’s Exposure Draft.

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

The MCG Group recorded property, plant and equipment of ¥1,907,898 million, goodwill of ¥727,655 million, and intangible assets of ¥459,213 million (including intangible assets with indefinite useful lives and intangible assets that are not yet available for use of ¥63,127 million) in the consolidated statement of financial position.

For the fiscal year under review, an impairment loss of ¥96,782 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 for periods longer than five years 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 in the business plan for a period of up to 5 years in principle, discount rate, and long-term growth rates for periods longer than five years. 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): ¥94,088 million

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

(i) Calculation method

The MCG 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 assumption in the future business plan that forms the basis for future taxable income is projected sales.

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

MCG 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: ¥102,292 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): ¥96,727 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 MCG 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 Russia-Ukraine situation)

Although the Russia-Ukraine situation appears to be protracted, the direct impact on our business is insignificant at this time. The accounting estimates at the close of the fiscal year under review assume that there will be no material impact on the MCG Group's performance.

Notes to consolidated statement of profit or loss

Other operating expenses

The main breakdown of other operating expenses of ¥177,755 million is as follows:

(i) Impairment loss on Methyl Methacrylate (MMA) manufacturing equipment at Mitsubishi Chemical UK's Cassel Site, etc.

A comprehensive review was undertaken which concluded that MCG does not believe that the manufacturing operation of methacrylates at Mitsubishi Chemical UK (United Kingdom) Cassel Site can be economically sustainable for the foreseeable future. MCG therefore decided to cease the production of methacrylates at the site. Consequently, since the investment has become unrecoverable, the carrying amount of the manufacturing equipment at the site was reduced to the recoverable amount, and an impairment loss of ¥39,251 million was recorded.

Further, the recoverable amount is measured at fair value less cost of disposal. Fair value less cost of disposal is estimated to be the amount expected to be sold, or zero for those that are not readily available for sale. The fair value hierarchy is Level 3.

Also, a provision for loss on plant closure of ¥26,726 million, special retirement expenses of ¥1,999 million and other expense of ¥720 million were recorded.

(ii) Impairment loss on Medicago's vaccine manufacturing equipment and goodwill related to its business and operations, etc.

Medicago Inc. (Canada) is a biopharmaceutical company specializing in the research and development of new vaccines using plant-based virus-like particles (hereinafter, "VLP") technology. Medicago's VLP vaccine for the prevention of COVID-19 was approved in Canada in February 2022 and the company has since been preparing for the transition to commercial scale production.

However, in light of significant changes to the COVID-19 vaccine landscape since the approval of the VLP vaccine, and after a comprehensive review of the current global demand and market environment for COVID-19 vaccines and Medicago's challenges in transitioning to commercial-scale production, MCG has determined that it will not pursue the commercialization of the VLP vaccine. In addition, MCG judged that it was not viable to continue to make further investment in the commercialization of Medicago's development products, and decided to cease all of its operations at Medicago and proceed with an orderly wind up of its business and operations. Consequently, since the investment has become unrecoverable, the carrying amount of Medicago's vaccine manufacturing equipment and goodwill related to its business and operations was reduced to the recoverable amount, and an impairment loss of ¥47,358 million was recorded.

Further, the recoverable amount is measured at fair value less cost of disposal. Fair value less cost of disposal is estimated to be the amount expected to be sold, or zero for those that are not readily available for sale. The fair value hierarchy is Level 3.

Also, a provision for loss on business liquidation of ¥4,495 million, special retirement expenses of ¥3,805 million and loss on business liquidation of ¥1,776 million were recorded.

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 ¥23,157 million
 - Other ¥1,834 million
 - Debt obligations covered by collateral ¥5,571 million
2. Allowance for Doubtful Accounts Directly Deducted From Assets
 - Trade receivables ¥10,674 million
 - Other non-current assets ¥1,718 million
3. Accumulated Depreciation and Accumulated Impairment Loss on Total Property, Plant and Equipment
¥3,991,097 million
4. Contingent Liabilities
 - Guarantee of loans from financial institutions
 - Guarantees ¥2,997 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, 2022 | Common stock | ¥21,359 million | ¥15 | March 31, 2022 | June 3, 2022 |
| Board of Directors meeting November 8, 2022 | Common stock | ¥21,366 million | ¥15 | September 30, 2022 | December 2, 2022 |

Note: The aggregate amounts of dividends resolved at the Board of Directors meeting on May 19, 2022 and November 8, 2022 include ¥39 million and ¥35 million of cash dividends paid to the MCG 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, 2023.

| Resolution | Share Class | Aggregate Amount of Dividends | Source of Dividend | Dividend per share | Entitlement Date | Effective Date |
|---|--------------|-------------------------------|--------------------|--------------------|------------------|----------------|
| Board of Directors meeting May 19, 2023 | Common stock | ¥21,368 million | Retained earnings | ¥15 | March 31, 2023 | June 6, 2023 |

Note: The aggregate amounts of dividend include ¥35 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 354 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 64,462 thousand shares

Notes on Revenue Recognition

1. Revenue decomposition

The MCG 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, 2022 to March 31, 2023)

Unit: Millions of yen

| | Japan | Asia and Oceania | | North America | Europe | Other | Total |
|----------------------|-----------|------------------|-------------------|---------------|---------|--------|-----------|
| | | | (of which, China) | | | | |
| Performance Products | 532,300 | 231,590 | (106,366) | 253,841 | 215,924 | 19,040 | 1,252,695 |
| Chemicals | 886,966 | 313,240 | (101,332) | 99,837 | 96,925 | 33,188 | 1,430,156 |
| Industrial Gases | 420,693 | 179,330 | (39,698) | 294,653 | 282,564 | 694 | 1,177,934 |
| Health Care | 327,203 | 32,968 | (9,328) | 53,201 | 133,495 | 282 | 547,149 |
| Other | 152,045 | 53,480 | (44,040) | 6,298 | 14,455 | 320 | 226,598 |
| Total | 2,319,207 | 810,608 | (300,764) | 707,830 | 743,363 | 53,524 | 4,634,532 |

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 MCG 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, 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 asserted that part of the provisions in the licensing agreement executed with MTPC in 1997 (hereinafter, "the Agreement") were invalid and that it had no obligation to pay a portion of royalties to MTPC. MTPC asserted that it had rights to receive the total amount of royalties that should be paid by Novartis in accordance with the Agreement and it appropriately pursued these rights at arbitration. In association with entering into such arbitration procedures, a portion of royalties was not recognized as sales revenue in accordance with IFRS 15 and was recorded as other non-current liabilities. Given all the provisions in the licensing agreement were judged to be effective in February 2023, the MCG Group recognized sales revenue of ¥ 125,883 million in the fiscal year under review.

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, 2022 | Balance at March 31, 2023 |
| Claims arising from contracts with customers | 835,419 | 819,461 |
| Contract assets | 16,312 | 22,315 |
| Contract liabilities | 42,266 | 31,283 |

The MCG 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, 2022 was ¥15,813 million. In addition, for the fiscal year under review, the amount of recognized revenue from the satisfaction of performance obligations in previous periods is ¥139,487 million.

The significant change in contract liabilities in the fiscal year under review was due to a reclassification of a portion of advances of ¥14,784 million received at the end of the previous fiscal year related to product supply in the Health Care Segment. Since the requirements to recognize such advances as contract liabilities were no longer met, this portion of advances was reclassified from contract liabilities in other liabilities to other line item of liabilities in the same account.

There is no significant movement in the balance of contract assets.

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 contact 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, 2023 |
| Within 1 year | 69,830 |
| Longer than 1 year | 32,135 |
| Total | 101,965 |

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 MCG 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.

As of June 30, 2022, some of our investment portfolio companies listed on TOKYO PRO Market, so we transferred the shares that we hold in them from Level 3 to Level 2. Since the prices are not considered quoted prices in active markets due to the infrequency of transactions in said market, they are classified as Level 2.

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, 2023 | Unit: Millions of yen | | | |
|--|-----------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Equity securities and investments | 65,822 | 370 | 96,727 | 162,919 |
| Equity securities and investments held for sales | 7,238 | – | 16 | 7,254 |
| Financial assets concerning contingent consideration arrangement | – | – | 2,570 | 2,570 |
| Derivative assets | – | 5,678 | – | 5,678 |
| Total | 73,060 | 6,048 | 99,313 | 178,421 |
| Liabilities | | | | |
| Derivative liabilities | – | 460 | – | 460 |
| Total | – | 460 | – | 460 |

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 quoted prices for identical or similar assets or liabilities in markets that are not active.

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, 2023 |
| Balance as of April 1, 2021 | 112,005 |
| Other comprehensive income | (10,887) |
| Purchase | 4,181 |
| Sales and redemption | (3,996) |
| Transfers from Level 3 (Note) | (370) |
| Other changes | (1,620) |
| Balance as of March 31, 2022 | 99,313 |

(Note) Due to the listing of some investment portfolio companies on stock exchanges.

(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, 2023 | | Unit: Millions of yen | | | |
|----------------------|-----------------|-----------------------|-----------|---------|-----------|
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Liabilities | | | | | |
| Long-term borrowings | 1,214,054 | – | 1,203,530 | – | 1,203,530 |
| Bonds payable | 702,124 | – | 681,898 | – | 681,898 |
| Total | 1,916,178 | – | 1,885,428 | – | 1,885,428 |

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 | ¥1,100.04 |
| Basic earnings per share | ¥67.57 |

MITSUBISHI CHEMICAL GROUP CORPORATION

Non-consolidated Balance Sheet

(As of March 31, 2023)

Unit: Millions of yen

Assets

Current assets:

| | |
|--|---------|
| Cash and deposits | 46,284 |
| Income taxes refund receivable | 21,392 |
| Short-term loans receivable from subsidiaries and affiliates | 437,415 |
| Others | 25,634 |
| Total current assets | 530,725 |

Fixed assets:

Property, plant and equipment

| | |
|-------------------------------------|-------|
| Buildings | 1,938 |
| Structures | 17 |
| Tools, furniture and fixtures | 664 |
| Construction in progress | 1 |
| Total property, plant and equipment | 2,620 |

Intangible fixed assets:

| | |
|-------------------------------|-----|
| Software | 176 |
| Other | 138 |
| Total intangible fixed assets | 313 |

Investments and other assets:

| | |
|---|-----------|
| Investment securities | 1,791 |
| Stocks of subsidiaries and affiliates | 1,304,348 |
| Investments in affiliated companies | 159 |
| Long-term loans receivable from subsidiaries and affiliates | 169,051 |
| Deferred tax assets | 411 |
| Other | 2,922 |
| Total investments and other assets | 1,478,682 |
| Total fixed assets | 1,481,615 |
| Total assets | 2,012,340 |

MITSUBISHI CHEMICAL GROUP CORPORATION

Non-consolidated Balance Sheet (continued)

(As of March 31, 2023)

Unit: Millions of yen

Liabilities

Current liabilities:

| | |
|--|---------|
| Short-term borrowings | 97,557 |
| Short-term borrowings to subsidiaries and affiliates | 426,406 |
| Current portion of long-term borrowings | 61,298 |
| Commercial papers | 50,000 |
| Current portion of bonds payable | 99,767 |
| Accounts payables | 16,025 |
| Accrued expenses | 1,154 |
| Accrued income taxes | 60 |
| Accrued bonuses | 969 |
| Provision for bonuses for directors (and other officers) | 256 |
| Other | 1,533 |
| Total current liabilities | 755,027 |

Long-term liabilities:

| | |
|------------------------------|-----------|
| Bonds payable | 405,000 |
| Long-term borrowings | 376,070 |
| Provision for stock benefits | 47 |
| Other | 4,800 |
| Total long-term liabilities | 785,917 |
| Total liabilities | 1,540,944 |

Net Assets

Shareholders' equity:

| | |
|-----------------------------------|----------|
| Common stock | 50,000 |
| Additional paid-in capital | 264,758 |
| Legal capital surplus | 12,500 |
| Other capital surplus | 252,258 |
| Retained earnings | 225,736 |
| Other retained earnings | 225,736 |
| Retained earnings brought forward | 225,736 |
| Less, Treasury stock at cost | (71,754) |
| Total shareholders' equity | 468,741 |

Valuation and translation adjustments:

| | |
|---|-----|
| Net unrealized holding gain on other securities | 268 |
| Total valuation and translation adjustments | 268 |

Stock award rights

| | |
|--|-----|
| | 112 |
|--|-----|

| | |
|--------------------------------|-------|
| Stock acquisition right | 2,275 |
|--------------------------------|-------|

| | |
|----------------------------------|-----------|
| Total net assets | 471,397 |
| Total liabilities and net assets | 2,012,340 |

MITSUBISHI CHEMICAL GROUP CORPORATION

Non-consolidated Statement of Income

(Year ended March 31, 2023)

Unit: Millions of yen

| | |
|--|---------|
| Operating revenue | |
| Dividends from subsidiaries and affiliates | 106,331 |
| Operating costs receipts | 19,007 |
| Total operating revenue | 125,338 |
| General and administrative expenses | 19,366 |
| Operating income | 105,972 |
| Other income | |
| Interest income | 3,786 |
| Other | 970 |
| Total other income | 4,756 |
| Other expenses | |
| Interest expenses | 4,580 |
| Interest on bonds | 2,640 |
| Bond issuance cost | 228 |
| Other | 217 |
| Total other expenses | 7,665 |
| Ordinary income | 103,063 |
| Extraordinary income | |
| Gain on extinguishment of tie-in shares | 888 |
| Total extraordinary income | 888 |
| Income before income taxes | 103,951 |
| Current income taxes | (632) |
| Deferred income taxes | 63 |
| Total income taxes | (570) |
| Profit | 104,520 |

MITSUBISHI CHEMICAL GROUP CORPORATION
Non-consolidated Statement of Changes in Net Assets
(Year ended March 31, 2023)

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 Retained earnings brought forward | Total retained earnings |
| Balance at April 1, 2022 | 50,000 | 12,500 | 252,292 | 264,792 | 164,189 | 164,189 |
| Changes during the fiscal year | | | | | | |
| Cash dividends | - | - | - | - | (42,725) | (42,725) |
| Profit | - | - | - | - | 104,520 | 104,520 |
| Purchase of treasury stock | - | - | - | - | - | - |
| Disposal of treasury stock | - | - | (89) | (89) | - | - |
| Share-based payment transactions | - | - | 56 | 56 | - | - |
| Decrease by corporate split | - | - | - | - | (248) | (248) |
| Net change in items other than those in shareholders' equity | - | - | - | - | - | - |
| Total changes during the fiscal year | - | - | (34) | (34) | 61,547 | 61,547 |
| Balance at March 31, 2023 | 50,000 | 12,500 | 252,258 | 264,758 | 225,736 | 225,736 |

| | 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, 2022 | (72,679) | 406,302 | 900 | 900 | 42 | 2,443 | 409,687 |
| Changes during the fiscal year | | | | | | | |
| Cash dividends | - | (42,725) | - | - | - | - | (42,725) |
| Profit | - | 104,520 | - | - | - | - | 104,520 |
| Purchase of treasury stock | (21) | (21) | - | - | - | - | (21) |
| Disposal of treasury stock | 947 | 858 | - | - | - | - | 858 |
| Share-based payment transaction | - | 56 | - | - | - | - | 56 |
| Decrease by corporate division | - | (248) | - | - | - | - | (248) |
| Net change in items other than those in shareholders' equity | - | - | (632) | (632) | 70 | (168) | (729) |
| Total changes during the fiscal year | 925 | 62,439 | (632) | (632) | 70 | (168) | 61,709 |
| Balance at March 31, 2023 | (71,754) | 468,741 | 268 | 268 | 112 | 2,275 | 471,397 |

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 MCG 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 or contract, 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.

MCG mainly formulates the MCG 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 MCG Group's comprehensive brand value and collective capabilities. We identify the provision to

subsidiaries of management guidance and benefits that rely on the MCG 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. MCG 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.

Notes to the Non-consolidated Balance Sheets

| | | |
|----|---|------------------|
| 1. | Accumulated Depreciation of Total Property, Plant and Equipment | ¥2,811 million |
| 2. | Monetary Claims and Liabilities Against Subsidiaries and Affiliates (excluding those sectionally indicated) | |
| | Short-term monetary claim | ¥25,172 million |
| | Short-term monetary liabilities | ¥14,282 million |
| 3. | Contingent Liabilities | |
| | Liabilities on guarantee | |
| | Liabilities on guarantee for bank borrowings | ¥170,364 million |
| | Liabilities similar to guarantee liabilities | |
| | Balance of debt subject to the Keep Well Agreement | ¥21,441 million |
| | (This relates to cash pooling among Group companies in Europe). | |

Notes to the Non-consolidated Statements of Income

| | | |
|----|--|------------------|
| 1. | Gain on Extinguishment of Tie-in Shares | |
| | Effective June 1, 2022, MCG merged with Mitsubishi Chemical Holdings Corporate Staff, Inc., which was a subsidiary of MCG. | |
| 2. | Transactions with Subsidiaries and Affiliates | |
| | Operating revenue | ¥125,338 million |
| | General and administrative expenses | ¥4,842 million |
| | Transactions except for operational transactions | ¥5,277 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 | 84,190 thousand shares |
|--------------|------------------------|

Note: The number of shares of treasury stock at the end of the fiscal year under review includes 2,413 thousand shares of MCG held by the board incentive plan (BIP) trust.

Notes on Tax Effect Accounting

1. 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.

2. Accounting Treatment of Corporation Income Tax, Local Tax, and Tax Effect Accounting Related to These Taxes

MCG has applied a group tax sharing system from the fiscal year under review.

In addition, MCG has adhered to the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021) in its accounting for and presentation of corporation income tax, local tax, and tax-effect accounting when applying the group tax sharing system.

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 Corporation | Direct 100% | Interlocking of officers, lending of funds and management guidance | Fund lending (Note 1) | 94,588 | Short-term loans receivable from subsidiaries and affiliates | 347,009 |
| | | | | | | Long-term loans receivable from subsidiaries and affiliates | 133,600 |
| | | | | Receipts of interest (Note 1) | 2,568 | Current assets and others | 7 |
| | | | | Operating fee income (Note 2) | 14,217 | Current assets and others | 9,585 |
| Subsidiary | Mitsubishi Tanabe Pharma Corporation | Direct 100% | Interlocking of officers and borrowing of funds | Repayment of funds (Note 3) | 8,874 | Short-term borrowings to subsidiaries and affiliates | 372,358 |
| | | | | Payment of interest (Note 3) | 630 | – | – |
| Subsidiary | Qualicaps Co., Ltd. | Indirect 100% | Lending of funds | Fund lending (Note 1) | 975 | Short-term loans receivable from subsidiaries and affiliates | 15,646 |
| | | | | | | Long-term loans receivable from subsidiaries and affiliates | 6,331 |
| | | | | Receipts of interest (Note 1) | 501 | Current assets and others | 32 |

| 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, lending of funds and borrowing of funds | Fund lending (Note 1) | 30,039 | – | – |
| | | | | Receipts of interest (Note 1) | 265 | – | – |
| | | | | Fund borrowing (Note 3) | 11,335 | – | – |
| | | | | Payment of interest (Note 3) | 12 | – | – |
| Subsidiary | Japan Polypropylene Corporation | Indirect 65% | Interlocking of officers and lending of funds | Fund lending (Note 1) | 11,166 | Short-term loans receivable from subsidiaries and affiliates | 21,660 |
| | | | | | | Long-term loans receivable from subsidiaries and affiliates | 5,825 |
| | | | | Receipts of interest (Note 1) | 86 | Current assets and others | 4 |
| Subsidiary | Mitsubishi Chemical America, Inc. | Indirect 100% | Debt guarantee | Debt guarantee (Note 4) | 68,571 | – | – |
| | | | | Receipts of guarantee commission (Note 4,6) | 186 | – | – |
| Subsidiary | Mitsubishi Chemical Europe GmbH | Indirect 100% | Debt guarantee and liabilities similar to guarantee liabilities | Debt guarantee (Note 4) | 45,457 | – | – |
| | | | | Liabilities similar to guarantee liabilities (Note 5) | 21,441 | – | – |
| | | | | Receipts of guarantee commission (Note 4,5,6) | 74 | Current assets and others | 40 |
| Affiliate | The Saudi Methacrylates Company | Indirect 50% | Debt guarantee | Debt guarantee (Note 4) | 22,051 | – | – |
| | | | | Receipts of guarantee commission (Note 4) | 69 | – | – |

- Trading amount above does not include consumption taxes. The balance at year-end includes consumption taxes.
- Mitsubishi Chemical Holdings Corporate Staff, Inc., which conducted the MCG Group's group financing operations in Japan and Asia, was dissolved in an absorption-type merger with MCG on June 1, 2022. Since the date of the merger, MCG has conducted its group financing operations.

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. Operating fee income is as described in “Matters Concerning Significant Accounting Policies, 5. Basis of revenue recognition.”
3. Interests rates are reasonably decided reflecting market interest rates.
Transactions relating to borrowings and repayments are presented in net amounts.
4. 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.
5. 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.
6. The MCG Group’s overseas regional headquarters in North America and Europe were integrated on October 1, 2022, with North America being integrated into Mitsubishi Chemical America, Inc. and Europe being integrated into Mitsubishi Chemical Europe GmbH. As a result, Mitsubishi Chemical Holdings America, Inc. and Mitsubishi Chemical Holdings Europe GmbH were dissolved through mergers. Guarantee commission is presented inclusive of the transactions with each dissolved company in the merger.

Notes on Per Share Information

| | |
|----------------------|---------|
| Net assets per share | ¥329.80 |
| Earnings per share | ¥73.51 |

(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, 2023

The Board of Directors
Mitsubishi Chemical Group 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 Group Corporation (the “Company”), which comprise the consolidated statement of profit or loss for the fiscal year from April 1, 2022 to March 31, 2023, the consolidated statement of financial position as of March 31, 2023, the consolidated statement of changes in equity for the fiscal year from April 1, 2022 to March 31, 2023, 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, 2023 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, 2023

The Board of Directors
Mitsubishi Chemical Group 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 Group Corporation (the “Company”), which comprise the balance sheet as of March 31, 2023, and the statement of income and the statement of changes in net assets for the 18th fiscal year from April 1, 2022 to March 31, 2023, 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, 2023, 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 18th business year from April 1, 2022 to March 31, 2023, 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, 2023

The Audit Committee of
Mitsubishi Chemical Group Corporation

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|---|------------------|
| Member of the Audit Committee (chairperson) | Tatsumi Yamada |
| 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.