

CHEMISTRY FOR A SUSTAINABLE WORLD

MITSUI CHEMICALS REPORT 2021

Megatrends and social challenges we recognize

As the challenges faced by society become increasingly serious, and new issues such as cyber-attacks and COVID-19 emerge, various industries are undergoing what has been referred to as a once-in-a-century revolution.

To survive and provide new value in this era of huge and unprecedented change, we must continue to refine our capacity to quickly recognize social changes and take on challenges.

An era of drastic change

The face of global society is changing dramatically, with trade friction between the United States and China, rising protectionism in various countries and regions, and increasing bipolarization of the world economy. In an environment in which country risk is increasing in this way, it is essential to develop business from a glocal perspective.



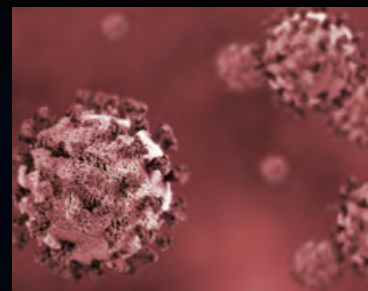
Emergence of new trends

Emerging megatrends include worsening social challenges such as the problems of climate change and marine plastic waste, the rapid progress of digital transformation (DX), and the spread of new business models such as a circular economy. While these are risks, they are also significant business opportunities that make corporate sustainability management increasingly important.



During/after COVID-19

Our society has changed considerably following the spread of COVID-19. New ways of living are becoming more prevalent, including the need for hygienic environments, contactless and other non-face-to-face interactions, work style reform, and diversification of communications becoming the norm. Moreover, there is a need to restructure and improve global supply chain management from the perspective of a business continuity plan. Meanwhile, trends such as a green recovery have already emerged with a focus on economic recovery after the pandemic.



Chemistry for a Sustainable World

A global solutions company that leads change and
contributes to a sustainable future

Mitsui Chemicals will achieve sustainable growth by returning to
our core purpose of solving challenges faced by society
and by transforming our business model and business portfolio,
while also creating new value for future society
through the power of chemistry.

MAKE IT HAPPEN

Businesses based on a social issue perspective

Examples such as chemical production that effectively utilized byproducts generated by the coke manufacturing process, and the increase in chemical fertilizer production in response to the post-war food crisis, show that businesses based on a social issue perspective are part of the Mitsui Chemicals DNA that has been passed down for more than a hundred years. Mitsui Chemicals will explore social challenges from a broader perspective, and move away from relying only on ourselves to proactively collaborating with outside partners to provide solutions with high added value.



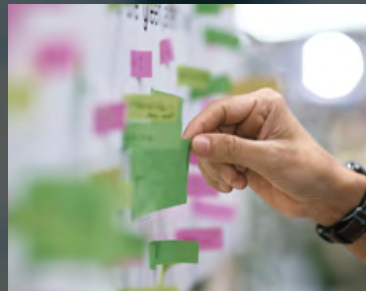
Circular economy-based business

As the way we handle the global environment becomes an urgent issue, Mitsui Chemicals has declared our intention to become carbon neutral by 2050. This requires us to move away from the energy-intensive business of the past. We will add new value to our business through efforts such as recycling and switching to green materials. Meanwhile, we will also strengthen Group-wide support for a circular economy and convert to a sustainable business model that considers the happiness of future generations.



Solutions-based business

As social challenges grow more serious and diverse, Mitsui Chemicals is expanding a business model that does not stop at the provision of materials but entails providing solutions that may also include a combination of elements such as services. We will strengthen our design capabilities for this type of business, and go beyond potential customer needs, to propose solutions which deliver value that contributes to solving social challenges.



Digital transformation (DX)

Digital technology is an important driver for solving social challenges. This is evident through things such as the “Society 5.0” proposal by the Japanese government, that would see “a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space.” Mitsui Chemicals will deploy DX throughout the Group, change the company itself by achieving corporate transformation (CX), and use the powerful tool of business model transformation to contribute to the realization of a sustainable society.



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Scope and Principles

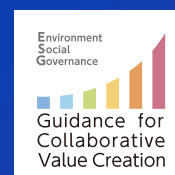
- Period: April 1, 2020 to March 31, 2021 (FY2020). Please note some data may postdate April 2021.
- Scope: Mitsui Chemicals, Inc. and the Mitsui Chemicals Group (Other entities, if included, are identified in the text.)
- Accounting principles: International Financial Reporting Standards (IFRS)

Editorial Policy

In compiling this Mitsui Chemicals Report 2021, we sought to present a comprehensive overview of our various strategies and performance from both the financial and non-financial perspectives with the ultimate goal of creating a platform for meaningful dialogue with all stakeholders. While we have drawn on the International Integrated Reporting Framework issued by the Value Reporting Foundation (VRF) and the Ministry of the Economy, Trade and Industry's Guidance for Collaborative Value Creation, we have tried to avoid a rigid format. Our goal has been to provide a useful document that allows readers to gain a deeper understanding of our efforts toward the creation of value through innovation over the medium- to long-term.

Forward-Looking Statements

This report contains forward-looking statements about future plans and strategies as well as forecasts and expectations regarding the performance of the Mitsui Chemicals Group. Actual results may differ materially from those projected due to a variety of factors, and the Mitsui Chemicals Group cannot guarantee that any forward-looking statements herein are accurate or that targets will be achieved.



Inclusion in ESG investment indices (as of September 2021)



2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



External Assessments

<https://jp.mitsuichemicals.com/en/sustainability/evaluation/index.htm>

About publication of Mitsui Chemicals Report 2021

Aiming to improve engagement with stakeholders

In response to the significant changes in the internal and external business environments, including the spread of COVID-19, the Mitsui Chemicals Group conducted a review of VISION 2025, our long-term business plan, in fiscal 2020, and has established a new VISION 2030 long-term business plan. At the same time, we redefined our Corporate Target and ideal future society as well as revised our material topics in order to realize them.

Mitsui Chemicals Report 2021 provides a reflection on VISION 2025 and an explanation of the ideal society the Group aims to achieve under VISION 2030 and the path to get there. We sought to make this report easy for all stakeholders to understand from an integrated perspective, touching on both financial and non-financial considerations, including the strategies of each current business segment and our sustainability strategy as well as our R&D and human resources strategies and corporate governance that provide the foundation for them.

In preparing and editing this report, we have drawn on the International Integrated Reporting Framework issued by the Value Reporting Foundation (VRF) and the Ministry of the Economy, Trade and Industry's Guidance for Collaborative Value Creation. The process involved cooperation among the Corporate Communications Division and other divisions across the Group. I have confirmed that the process of preparing the report was appropriate and that the content is valid.

Using this report as an engagement tool to deepen dialogue with stakeholders, we will continue working to enhance sustainable corporate value.

HASHIMOTO Osamu

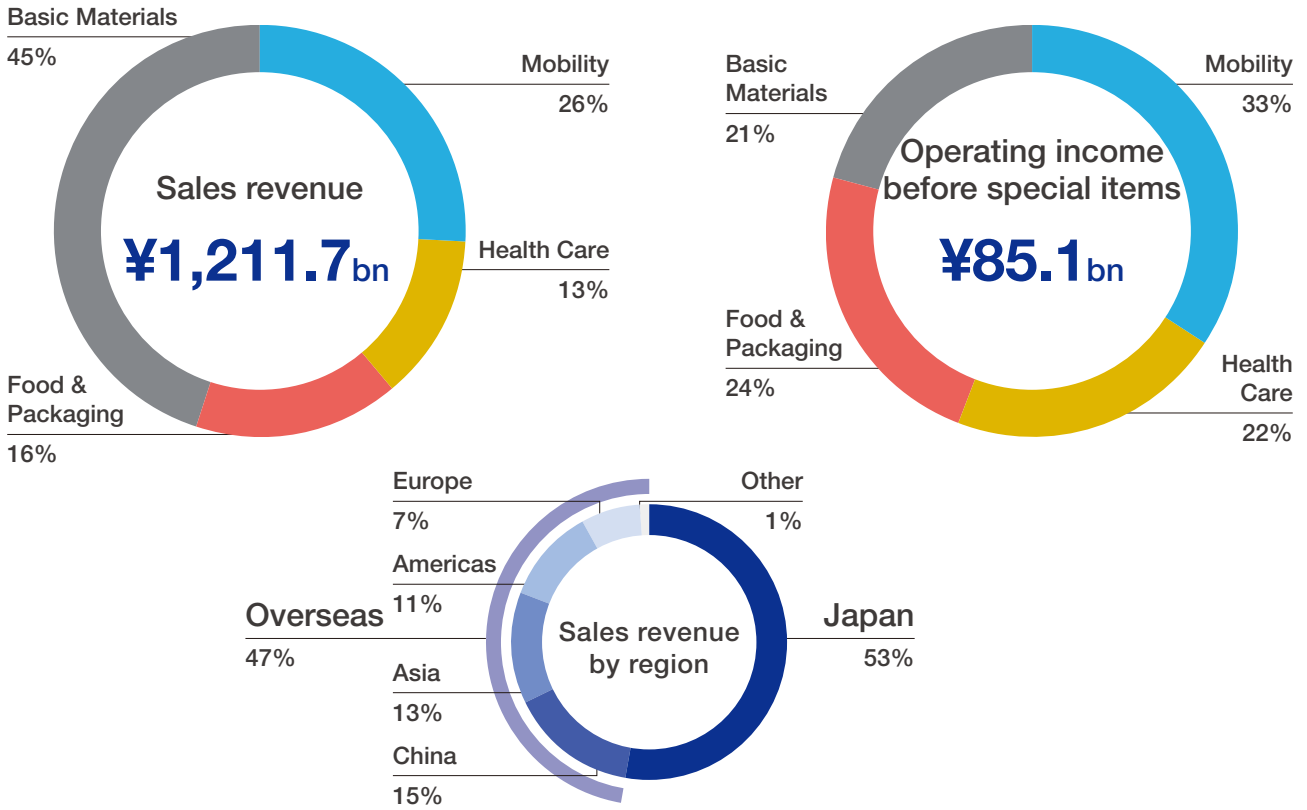
Representative Director
President & CEO

At a Glance

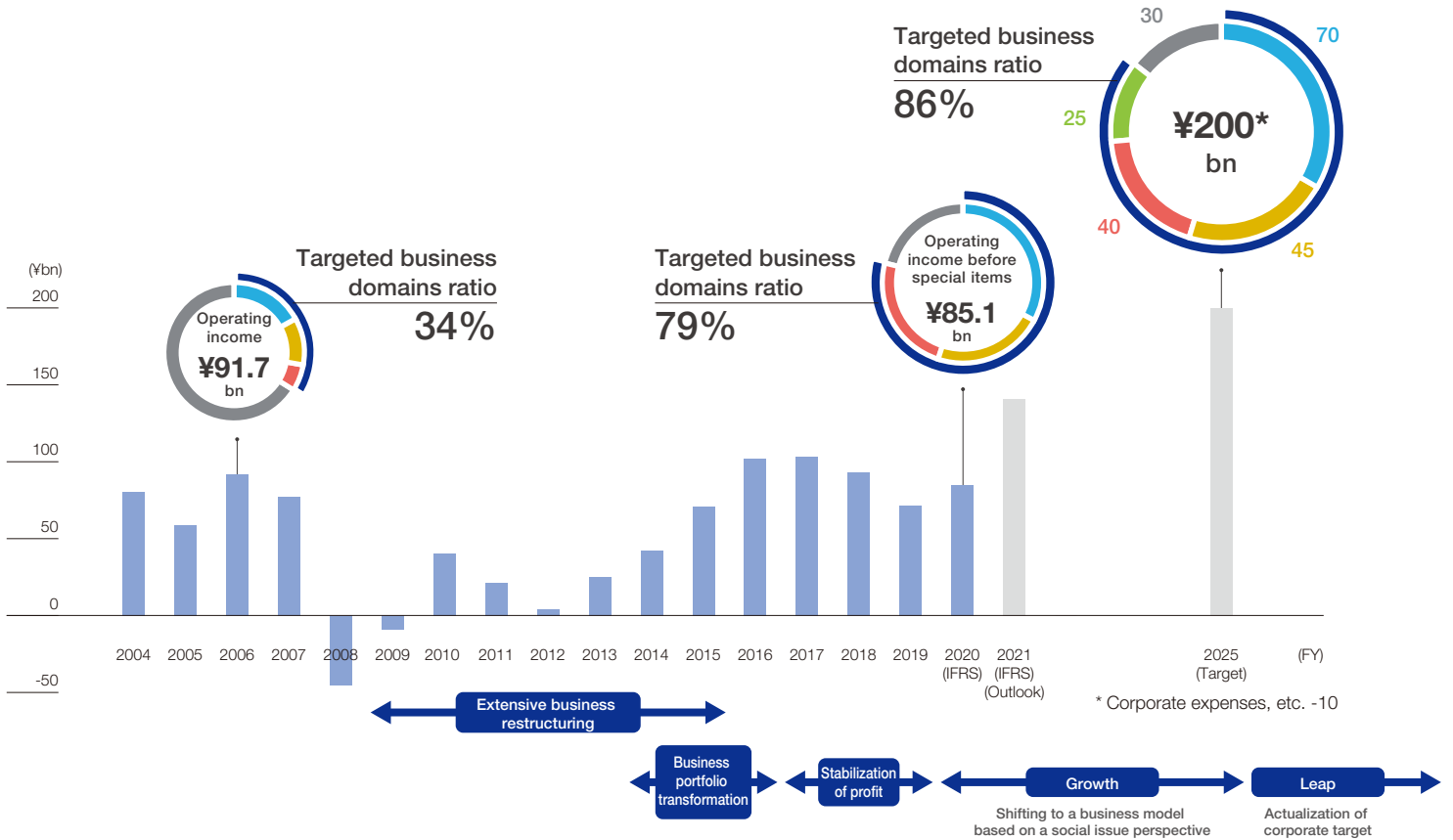
Chemicals play a prominent role in supporting industrial development and enriching people's lives. Throughout our more than 100 years of history, the Mitsui Chemicals Group has contributed to the development of society through the power of chemistry, by accumulating technology and knowledge in fields such as precision synthesis technologies and polymer science to create products that meet the needs of the times. We will continue to provide solutions through innovative technologies and products to address everything from global challenges to everyday needs.

 <p>Greater freedom of movement for all people and things</p>	<div style="background-color: #0099cc; color: white; padding: 10px;">  <h2 style="margin: 0;">Mobility</h2> <div style="background-color: white; color: #0099cc; border-radius: 15px; padding: 5px; margin: 5px 0;"> Subsegments <ul style="list-style-type: none"> Elastomers Performance compounds Overseas PP compounds Performance polymers </div> <div style="background-color: white; color: #0099cc; border-radius: 15px; padding: 5px; margin: 5px 0;"> Main applications <p>Auto bumper and instrument panel materials, smartphone camera lens materials, ICT materials, and others</p> </div> </div>
 <p>Improving QOL in the age of the 100-year life</p>	<div style="background-color: #ffcc00; color: white; padding: 10px;">  <h2 style="margin: 0;">Health Care</h2> <div style="background-color: white; color: #ffcc00; border-radius: 15px; padding: 5px; margin: 5px 0;"> Subsegments <ul style="list-style-type: none"> Vision care materials Nonwovens Personal care materials Dental materials </div> <div style="background-color: white; color: #ffcc00; border-radius: 15px; padding: 5px; margin: 5px 0;"> Main applications <p>Plastic ophthalmic lens materials, materials for disposable diapers, masks, and medical gowns, dental materials, and others</p> </div> </div>
 <p>Ensuring safe food for all people</p>	<div style="background-color: #ff6666; color: white; padding: 10px;">  <h2 style="margin: 0;">Food & Packaging</h2> <div style="background-color: white; color: #ff6666; border-radius: 15px; padding: 5px; margin: 5px 0;"> Subsegments <ul style="list-style-type: none"> Coating & engineering materials Performance films & sheets Agrochemicals </div> <div style="background-color: white; color: #ff6666; border-radius: 15px; padding: 5px; margin: 5px 0;"> Main applications <p>High-performance packaging materials, packaging films, industrial films and sheets, semiconductor manufacturing process tapes, insecticides, fungicides, and others</p> </div> </div>
 <p>Creating the basis of society and industry</p>	<div style="background-color: #666666; color: white; padding: 10px;">  <h2 style="margin: 0;">Basic Materials</h2> <div style="background-color: white; color: #666666; border-radius: 15px; padding: 5px; margin: 5px 0;"> Subsegments <ul style="list-style-type: none"> Petrochemicals Basic chemicals Polyurethane raw materials </div> <div style="background-color: white; color: #666666; border-radius: 15px; padding: 5px; margin: 5px 0;"> Main applications <p>Engineering plastics for automotive, aircraft, consumer electronics, and other applications, cushion materials, and others</p> </div> </div>
 <p>Using our knowledge to create the future</p>	<div style="background-color: #66cc66; color: white; padding: 10px;">  <h2 style="margin: 0;">New Business</h2> <div style="background-color: white; color: #66cc66; border-radius: 15px; padding: 5px; margin: 5px 0;"> Main businesses <ul style="list-style-type: none"> <li style="width: 50%;">ICT materials business <li style="width: 50%;">Robot materials business <li style="width: 50%;">Energy solutions <li style="width: 50%;">Open innovation </div> </div>

Segment data



Operating income before special items and business portfolio transformation



Our Values



Mitsui Chemicals Group's Future Vision
<https://jp.mitsuichemicals.com/en/corporate/management/>

Corporate Mission

Contribute broadly to society by providing high-quality products and services to customers through innovation and the creation of materials, while keeping in harmony with the global environment



Corporate Target

Revised in 2021

To be a corporate group that continues to grow by solving social challenges and creating diverse value with the power of chemistry

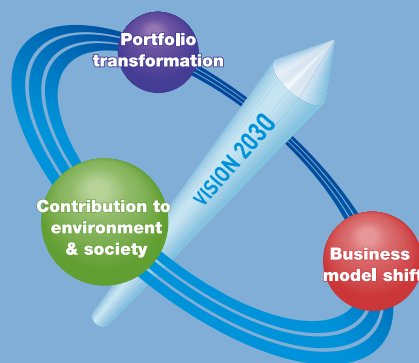
When establishing our new Long-Term Business Plan, VISION 2030, we revised our Corporate Target for the next 15 to 20 years. With this revision, we return once again to our purpose of solving challenges faced by society, and redefine our direction going forward.

Tackling a wide range of social challenges arising from accelerating environmental changes, the Mitsui Chemicals Group will continuously provide solutions making full use of the power of chemistry—the very thing that allows us to create diverse value.

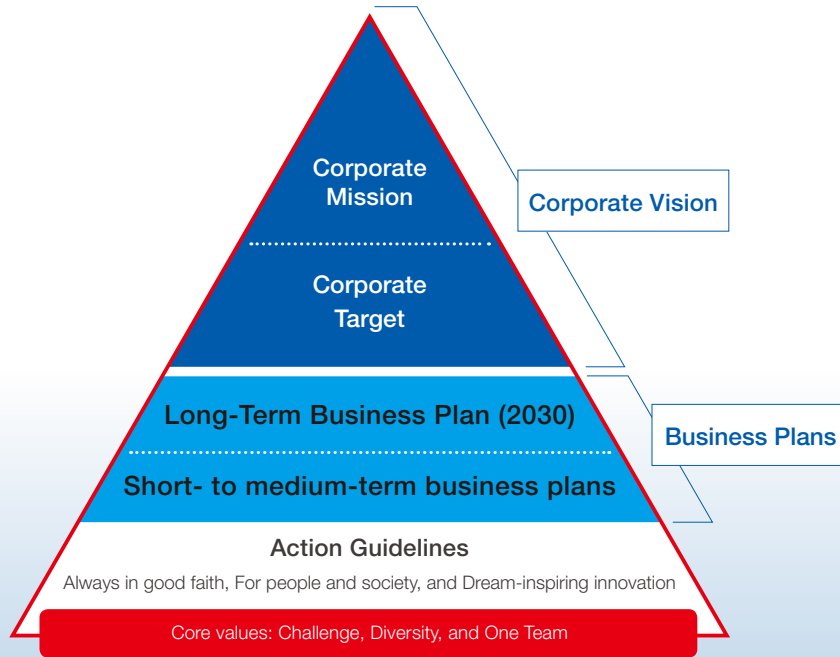
Our Ideal Vision for 2030

Chemistry for a Sustainable World

A global solutions company that leads change and contributes to a sustainable future
Mitsui Chemicals

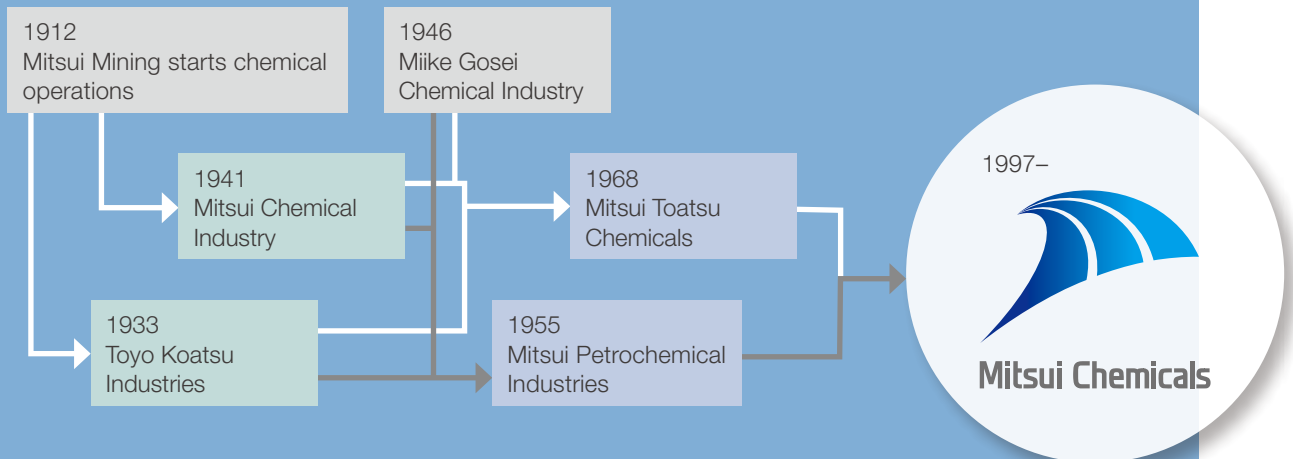


Future Vision



Mitsui Chemicals core values etched in history

The core values of the Mitsui Chemicals of today were shaped by our history going back to the coal chemical business of Mitsui Mining in 1912 with multiple companies joining forces to pursue solutions to social challenges through various chemicals businesses.



The Strengths of the Mitsui Chemicals Group

Ever since we started up our coal chemical business in 1912 in Omuta (Fukuoka), the Mitsui Chemicals Group has continued to produce numerous different products. And after operations at Japan's first ethylene plant came online in 1958, we started to accumulate state-of-the-art technologies in the petrochemicals field. Since the establishment of Mitsui Chemicals in 1997, we have built a global customer and human resource base and are striving to reach further heights.

100 years of technological prowess

Over the course of our history, we have built our competitive advantage on the pillars of precision synthesis technology and polymer science as well as the manufacturing process technology that underpins both. These technologies continue to be the driving force behind our broad lineup of products to this day.



Our History

<https://jp.mitsuichemicals.com/en/corporate/history/index.htm>

Precision synthesis technology

derived from coal chemicals

Making fertilizer from exhaust gas produced as a byproduct of the coal business was our starting point. Since then, we have honed our precision synthesis technology in the course of creating various products.

- **1912**
Started operations at Mitsui Mining's Omuta Works
- **1915** **First in Japan**
Industrialized synthetic dye alizarin
- **1932**
Started production of synthetic dye indigo
- **1963**
Polyurethane material TDI
- **1987**
TREBON™ MR™
- **2001**
STARKLE™

Polymer science

to meet varied customer needs

We have cultivated our polymer science by developing resins to meet various needs, mainly with our cutting-edge polyolefin technology.

- **1958** **First in Japan**
Ethylene plant operations came online (Japan's first petrochemical complex)
- **1975**
TAFMER™
- **1986**
Established Advanced Composites, Inc.
- **1987**
ICROS™ Tape
- **1995**
APEL™
- **1998** **World's first**
EVOLUE™

Manufacturing process technology

The bedrock of our strong competitive advantage

Through a process of developing and improving various methods over the course of our long history, we have continued to raise the level of our technology so that we can stably manufacture high-quality products at low cost.



Global platform & diverse human resources

We are continuing to actively expand our global operations—overseas sales revenue currently accounts for 47% of total sales revenue. Globalization of our business is accelerating with more than 40% of employees now based overseas.

Global operations

31 countries

Employees

18,051

Percentage of overseas employees

41%

Consolidated companies

154

Overseas sales revenue ratio

47%

Diverse range of products & services

Backed by the technology honed over our 100-year history, we develop a diverse range of competitive and high-value-added products and services.



Robust customer base

Our products are rated highly by industry-leading companies, so much so that we boast a number one or number two share in certain global markets.

Precision synthesis technology



Health Care

Main products

MR™
(ophthalmic lens materials)

Main applications

Plastic ophthalmic lens materials

Market share

Global
No.1
(Share: 45%)



Food & Packaging

TREBON™
(etofenprox)
STARKLE™
(dinotefuran)

Insecticide

Japan
No.2

Polymer science



Mobility

Main products

Polypropylene compounds

Main applications

Auto bumper and instrument panel materials

Market share

Global **No.2** Asia **No.1**
(Share: Approx. 20%)

TAFMER™
(alpha-olefin copolymer)

Auto bumper and instrument panel materials

Global **No.2** Asia **No.1**

APEL™
(cyclic olefin copolymer)

Smartphone camera lens materials

Global **No.1**
(Share: >50%)



Food & Packaging

ICROS™ Tape

Semiconductor manufacturing process tapes

Global **No.1**



Basic Materials

EVOLUE™
(metallocene linear low density polyethylene)

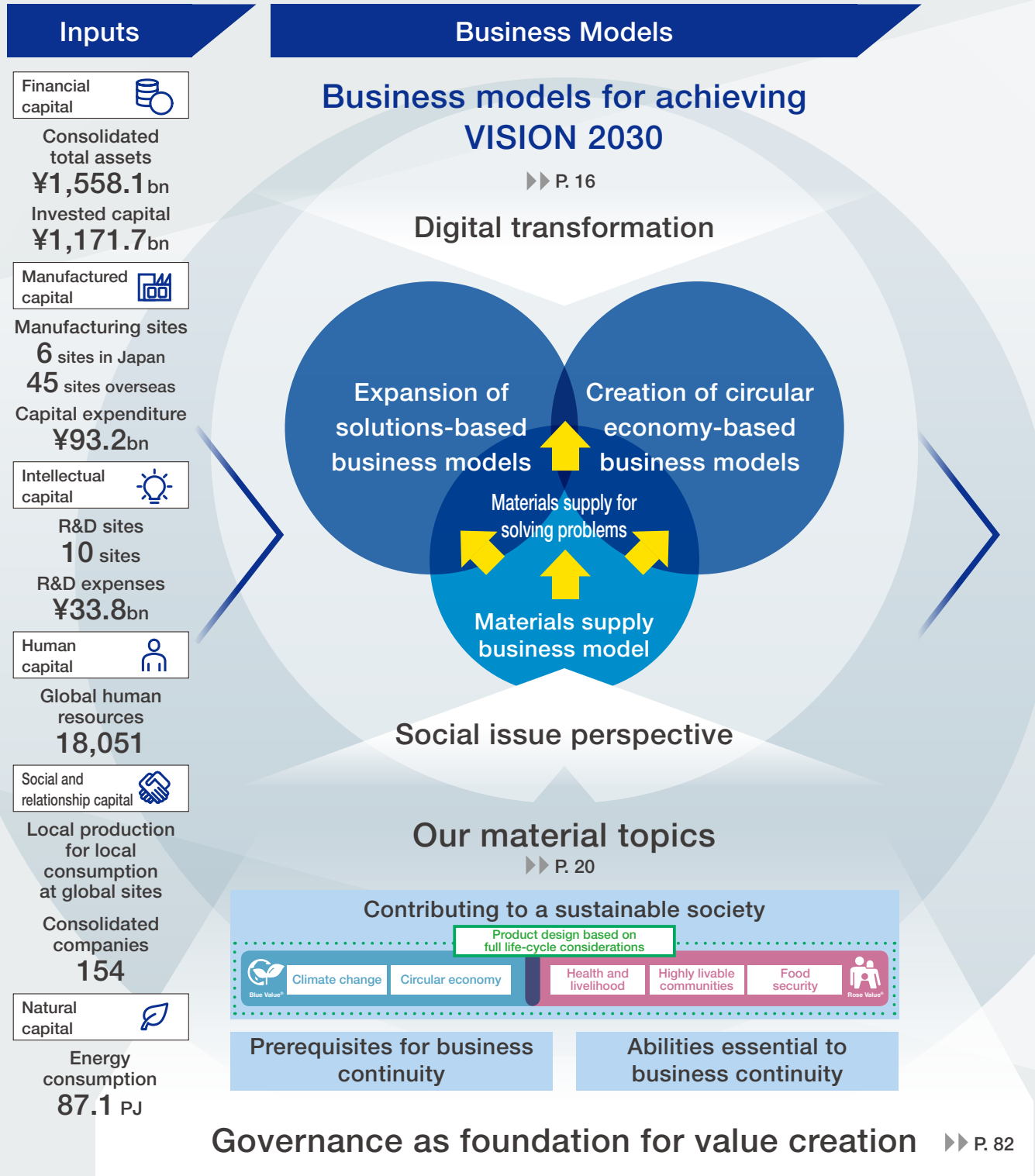
High-performance packaging materials

Asia **No.1**

Manufacturing process technology

Value Creation Process

In light of changes in the internal and external environments and demands from our stakeholders, the Mitsui Chemicals Group aims to realize a circular society in harmony with the environment, an inclusive society creating diverse value, and a comfortable society in which people can enjoy healthy lives and well-being, as our ideal future society. We draw on six types of capital, the strengths arising from our 100-year history, and other foundations to engage in business activities and create new customer value. Through the materials, services, and solutions created in our various business activities, we will continue to help solve social challenges and build a sustainable future society.



Outputs

Current business portfolio

Mobility >> P. 48



Health Care >> P. 52



Food & Packaging >> P. 56



Basic Materials >> P. 60



New Business >> P. 63



New business portfolio

Life & Healthcare Solutions

Mobility Solutions

ICT Solutions

Basic & Green Materials

Outcomes

Changing people's lives and society through solutions-based businesses and circular economy-based businesses



SUSTAINABLE DEVELOPMENT GOALS

Outline and Review of VISION 2025

In VISION 2025, we defined the ideal future society we at the Mitsui Chemicals Group aimed to realize, as a cohesive society in harmony with the environment, health and well-being in an aging society, and industrial platforms in harmony with local communities. In pursuit of this ideal, we established respective targets for economy, environment, and society, the three axes of our management approach. Drawing on the strengths we have accumulated over our 100-year history, we have taken on the challenge of achieving these goals in the aim of becoming a highly profitable, growing, and sustainable company that contributes to society.

2025 Long-Term Business Plan Targets and KPIs			FY2020 Results	FY2021 Targets		
Economy	Accelerating our business portfolio transformation (shifting to a customer-driven business model) <ul style="list-style-type: none"> Expand three target domains Develop next generation businesses Strengthen competitiveness of the Basic Materials domain 	Operating income/ Operating income before special items	¥200bn	¥85.1bn	Operating income before special items	¥141bn
		Net sales/ Sales revenue	¥2,000bn	¥1,211.7bn	Sales revenue	¥1,490bn
		ROS	10%	7.0%	ROS	9.5%
		ROE	10% or more	10.2%	ROE*1	12.5%
		ROIC	8% or more	5.0%	ROIC*1	6.7%
		Net D/E	0.8 or less	0.60	Net D/E*1	0.61
	Enhancing cash generation capabilities <ul style="list-style-type: none"> Conduct active investments while maintaining fiscal discipline Improve capital efficiency 	Shareholder returns	Total return ratio of 30% or more	Dividends ¥100/share (Total return ratio 33.9%)	Dividends ¥110/share (Total return ratio 31.8%*2)	
		Growth investment	¥1,000bn incl. strategic investments ¥400bn (total amount for 10 years, excl. maintenance investments)	Investments ¥77.5bn	Investments ¥134bn	
	Boosting shareholder returns <ul style="list-style-type: none"> Stable and continuous dividend payment Flexible acquisition of treasury stock 	R&D expenses	¥70bn	¥33.8bn	¥39bn	

*1 As of announcement on May 13, 2021 *2 Including ¥10bn in treasury stock acquired

Environment and Society	Maximize products and services to achieve a low-carbon, recycling-oriented, and cohesive society in harmony with the environment	Blue Value™ products sales revenue ratio: 30% or more	• 15%	• New Blue Value™ and Rose Value™ certifications: 15 or more • Pre-launch Blue Value™ and Rose Value™ product candidates: Identify 15 or more
		GHG emissions reduction rate*1: 25.4% or more compared with FY2005 (FY2030)	• 29.0%	• GHG emissions reduction: 20 thousand tons or more compared with the previous fiscal year
		Energy intensity reduction*2: Continue at 1% or above (5-year annual reduction rate)	• -0.7%	• Energy intensity reduction: 1% or more (5-year annual reduction rate), or 1% or more (annual reduction rate with FY2009 as base year)
	Maximize products and services to achieve better quality of life (QOL) and a smart society	Rose Value™ products sales revenue ratio: 30% or more	• 19%	• New Blue Value™ and Rose Value™ certifications: 15 or more • Pre-launch Blue Value™ and Rose Value™ product candidates: Identify 15 or more
		Pursue thorough safety, high quality, and fairness across the entire supply chain	Incidence of major accidents: Continue at zero	• 0
	Significant occupational injury frequency: Continue at or below 0.15		• 0.22	• 0.15 or less
	Incidence of customer non-conformance: 10 ppm or less		• 24% reduction (compared with FY2017)	• Number of complaints (Company-responsible)*2: Reduce by 10% or more (compared with the previous fiscal year)
	Product risk assessment implementation rate*2: 99% or more (FY2020)		• 99% or more	• 99% or more; formulate new assessment indicators
	Provision of latest product safety information*2: Continue at 100%		• 100%	• 100%
	Incidence of major legal and regulatory violations: Continue at zero		• 1	• 0
Supplier sustainability assessments and improvement support (sustainable procurement ratio): 70% or more	• 45%*2		• Conduct, analyze, and provide feedback on FY2021 sustainable procurement survey	
Ratio of women in management positions (manager-level or above)*3: 10% or more	• 4%		• 5%	
Increase employee engagement	• Action plan registration rate 96%	• Engagement score of 36% or higher (FY2018: 31%)		

*1 Mitsui Chemicals, Inc. and consolidated subsidiaries in Japan *2 Mitsui Chemicals, Inc. only *3 Mitsui Chemicals, Inc. registered employees

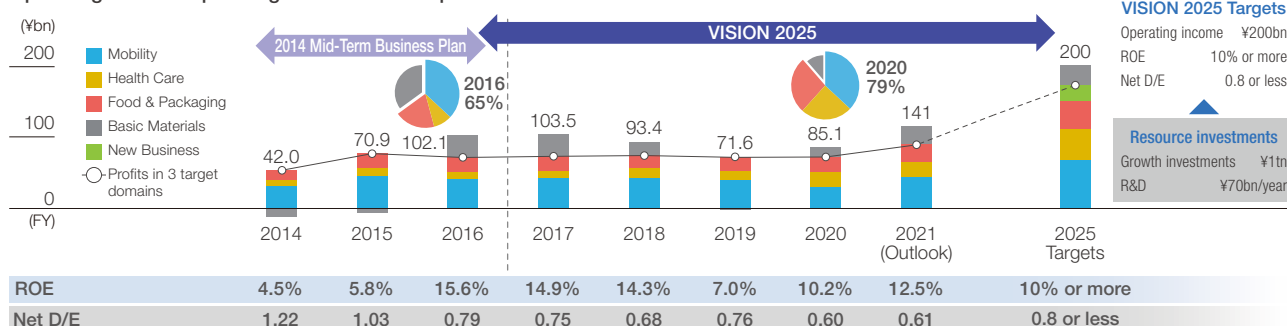
Review of VISION 2025

Economy

In fiscal 2017, the Group achieved a record-high profit of ¥103.5 billion, but growth has since leveled off due to the subsequent recession and the impact of COVID-19. Although the percentage of operating income before

special items in the three target domains of Mobility, Health Care, and Food & Packaging has increased compared to fiscal 2016, the level has remained mostly flat. As such, more work is required in terms of portfolio reform.

Operating income/Operating income before special items



VISION 2025 Targets

Operating income ¥200bn
ROE 10% or more
Net D/E 0.8 or less

Resource investments

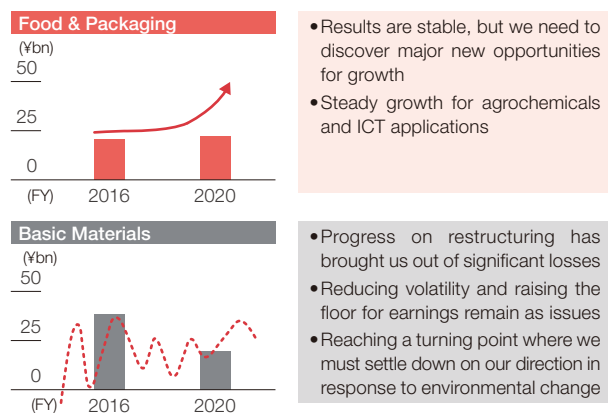
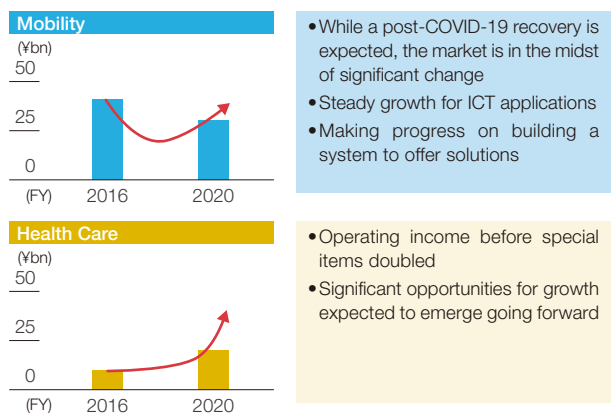
Growth investments ¥1tn
R&D ¥70bn/year

* Mitsui Chemicals has voluntarily adopted International Financial Reporting Standards (IFRS) from FY2020. Figures for FY2019 and before are reported under Japanese Generally Accepted Accounting Principles (J-GAAP), while figures for FY2020 and later are reported under IFRS.

By segment

Under VISION 2025, we have been promoting initiatives based on the three basic strategies of pursuing innovation, accelerating global expansion, and strengthening the competitiveness of existing businesses. Below are a comparison

of operating income by segment in fiscal 2016 prior to VISION 2025 and fiscal 2020 as well as the results and issues for each segment.



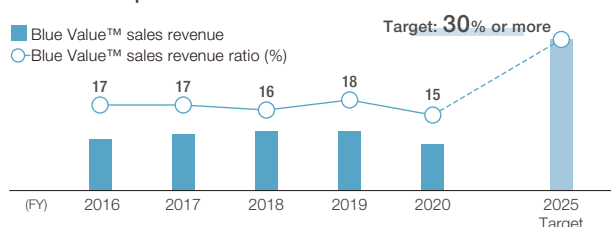
As a result of the above, we identified five focal points relating to our internal environment: (1) breaking down barriers to growth and accelerating the creation of new businesses and new products; (2) accelerating the transition to business models based on a social issue perspective that sees issues in their broader context; (3) the ability to

overcome and deal with the changing business environment and improving our ability to plan, act, and benefit, and making this process part of our culture; (4) bolstering and ensuring safety at all of our bases around the world; and (5) ensuring governance and thorough compliance at all of our bases around the world.

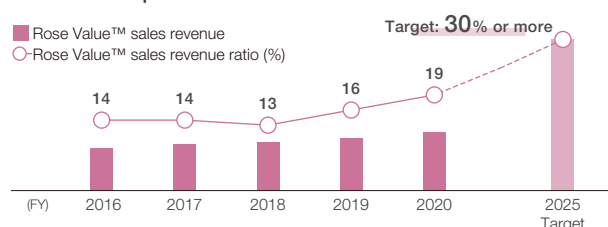
Environment and society

We strengthened our efforts to expand Blue Value™ and Rose Value™ products and were particularly successful with Rose Value™ products.

Blue Value™ products sales revenue ratio



Rose Value™ products sales revenue ratio



Long-Term Business Plan VISION 2030

Having reached the halfway mark of VISION 2025, the Mitsui Chemicals Group formulated a new Long-Term Business Plan for 2030 in light of the significant changes that have occurred in the external environment and the limitations of the growth strategy that have become apparent in the internal environment since VISION 2025 was drawn up.

Outline of VISION 2030



* We will provide further details on the growth strategies for each business portfolio and the management planning system integrating financial and non-financial metrics around November of 2021.

Corporate Vision

As our Corporate Mission, we at the Mitsui Chemicals Group aim to contribute broadly to society by providing high-quality products and services to customers through innovation and the creation of materials, while keeping in harmony with the global environment. We are also implementing a triple bottom line management approach based on economic, environmental, and social considerations, and working to solve social challenges through our business activities.

In formulating VISION 2030, we have revised our Corporate Target, which is focused on where we want to be in 15–20 years. Our new Corporate Target is to be a corporate group that continues to grow by solving social challenges and creating diverse value with the power of chemistry. Returning once again to our purpose of solving challenges faced by society, the Mitsui Chemicals Group

will make full use of the power of chemistry—the very thing that allows us to create diverse value—to tackle a wide range of social challenges that arise in the face of accelerating environmental change. Aiming to become a corporate group that continuously provides solutions to these challenges, we will endeavor to make Group-wide efforts.

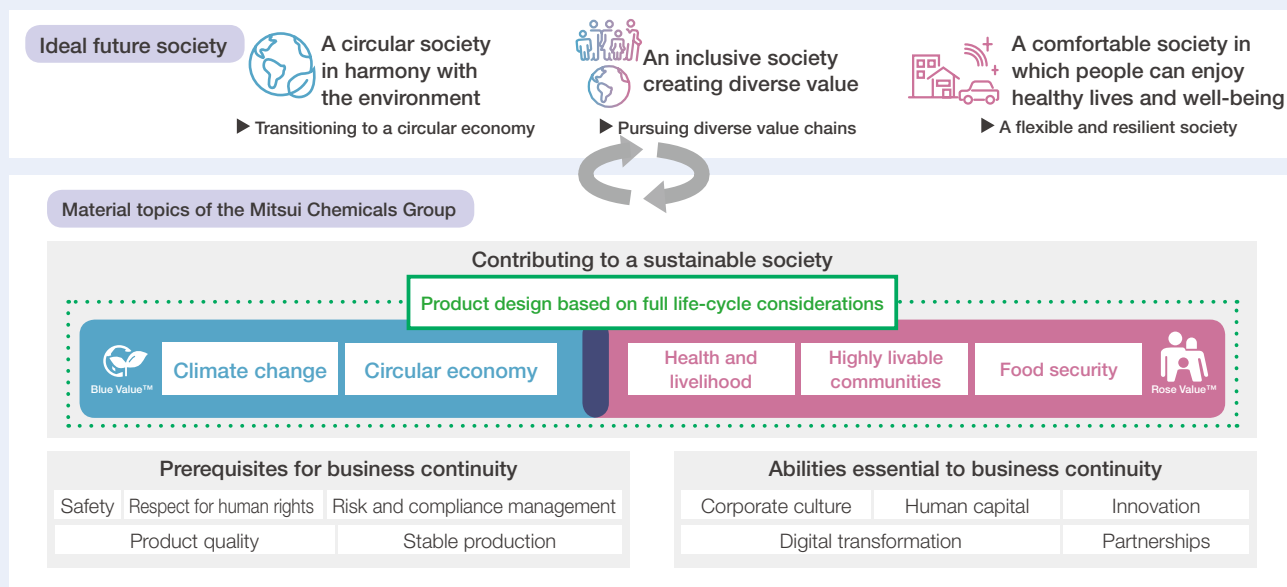


Material topics

In light of megatrends as well as the internal and external environments we face, we have defined our ideal future society—a vision of society the Mitsui Chemicals Group aims to realize by contributing to solving potential environmental and social challenges that could arise going forward—as below.

To bring about the sort of future society mentioned

above, we have identified a number of areas in which the Mitsui Chemicals Group should contribute, as well as prerequisites and essential abilities needed to make these contributions, as our revised material topics. These material topics will be embedded in our Long-Term Business Plan, including in the plan's Basic Strategy, as we endeavor to achieve our goals here.

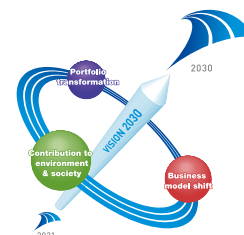


Our ideal vision for 2030

As we head toward 2030—a checkpoint for our Corporate Target—we are looking to confront the rapidly changing social environment and social challenges before us in a head-on manner. To this end, we have created a vision for realizing our new growth strategies based on the transformation we are pursuing as a company, with the ideal vision we have for the Mitsui Chemicals Group in 2030 defined as shown on the right.

Chemistry for a Sustainable World

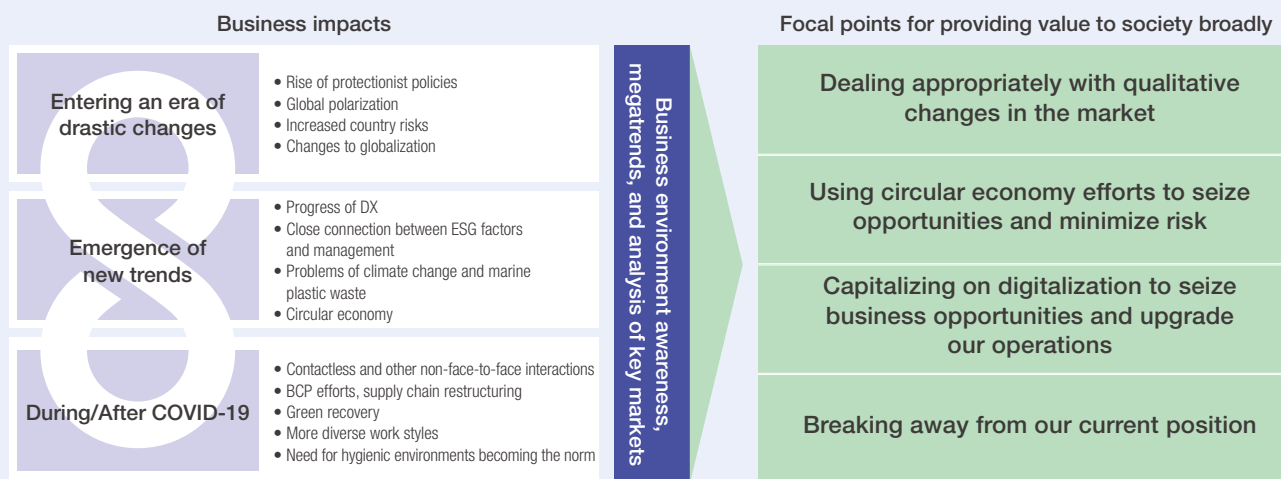
A global solutions company that leads change and contributes to a sustainable future
Mitsui Chemicals



Basic Strategy

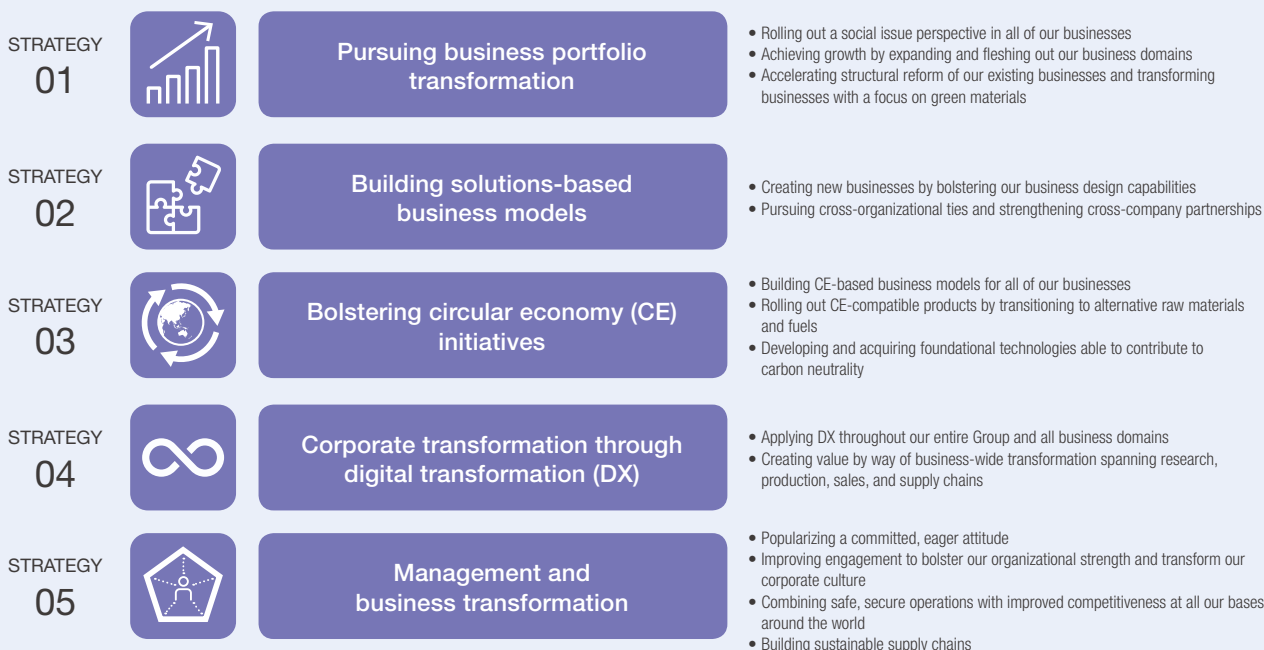
(1) Analysis of external environment

We have identified the following focal points by analyzing the external environment.



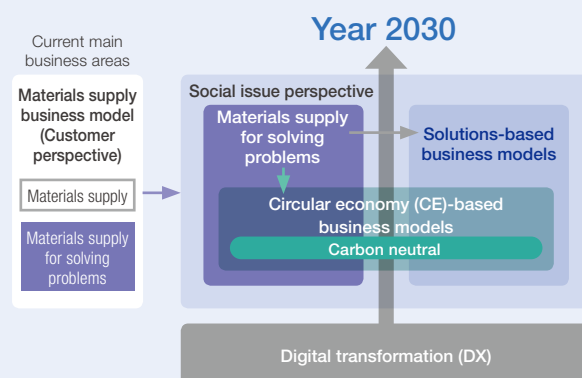
(2) Basic Strategy

To achieve our Corporate Target, the Mitsui Chemicals Group will, on a Group-wide level, pursue the VISION 2030 Basic Strategy, which we have developed based on the analysis of the internal and external environments and material topics.



Business model transformation

If we are to help solve social challenges—and use our efforts toward this as a driver of sustainable growth—we will need to move away from our historical business focus on materials supply, instead getting our entire Group and all of our businesses to base themselves on a social issue perspective, solutions-based business models, circular economy-based business models, and digital transformation. Rather than simply resting on our laurels with the business model and approach that has brought us success in the past, we will work hard on carrying out this business model transformation, looking here to better create the value sought by society, consumers, and customers.



(1) Social issue perspective

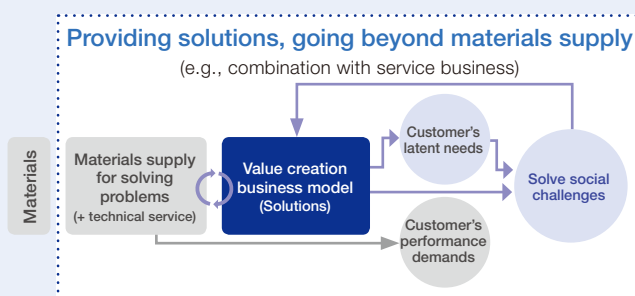
We will look to roll out a social issue perspective across all of our companies and businesses. This will allow us to get closer to society, consumers, and customers; capture latent needs and pain points in an advanced and precise manner; and tie this into product and service development,

performance testing, and other such efforts.

Based on this approach, we aim to further grow and flesh out all of our businesses, and to actively pursue open innovation, tie-ups with external partners and so on as necessary means toward solving social challenges.

(2) Solutions-based business models

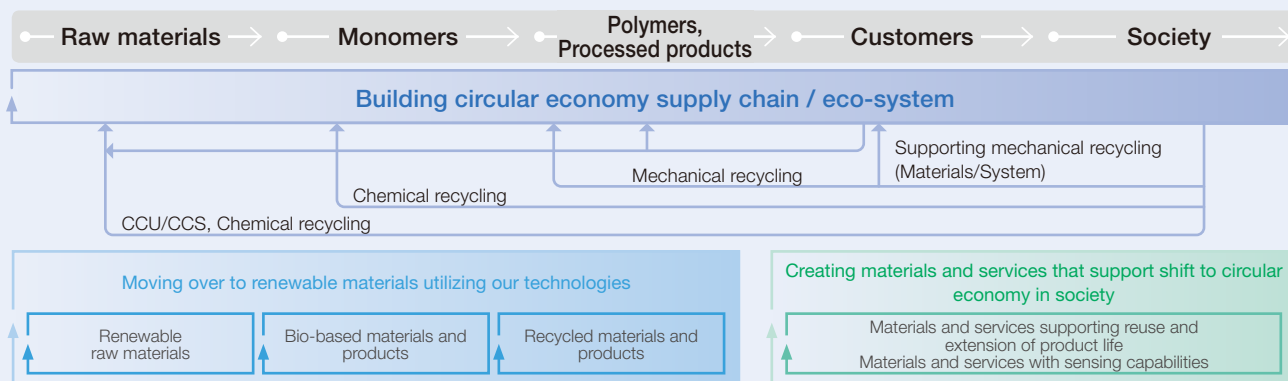
With the demands of society continuing to give rise to increasingly complex needs, we intend to create high-added-value offerings that better fit these needs. To this end, we will scale up our solutions-based business models, through which we will combine conventional materials supply with services and more to deliver solutions.



(3) Circular economy-based business models

Having reached the conclusion that it will be difficult to maintain businesses with high energy consumption going forward, we will look to launch circular economy-based business models. This will see circular economy efforts—

which are becoming increasingly important—pursued Group-wide and will also involve reforming our business structure by such means as moving over to greener materials.

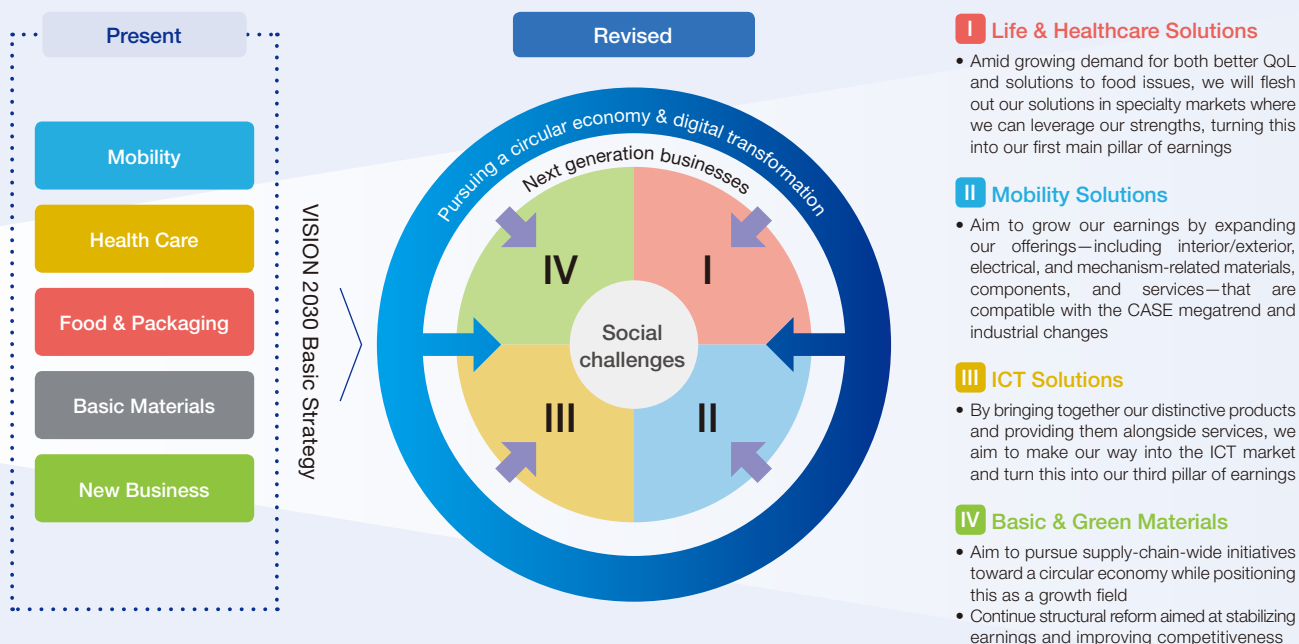


(4) Digital transformation

By rolling out Group-wide digital transformation efforts, we aim to further improve our various business models, operational processes, organizational capabilities and more, thereby realizing corporate transformation (CX).

Revision of business portfolio

We have decided to revise our business portfolio to help carry out our basic strategies for creating value. The new four-part portfolio will consist of Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, and Basic & Green Materials.



Business targets

Through strategic investments looking ahead to 2030, we will steadily grow our business in the aim of achieving the following targets of VISION 2030.

Financial metrics	Operating income before special items ¥250_{bn}	Net income attributable to owners of the parent ¥140_{bn}	
	ROIC 8.0% or more	Net D/E 0.8 or less	ROE 10% or more
Non-financial metrics	Blue Value™ products sales revenue ratio 40% or more	Rose Value™ products sales revenue ratio 40% or more	GHG emissions reduction rate (vs. FY2013) 40%
Shareholder returns	DOE: 3.0% or more ; Total return ratio: 30% or more		

Investment plan

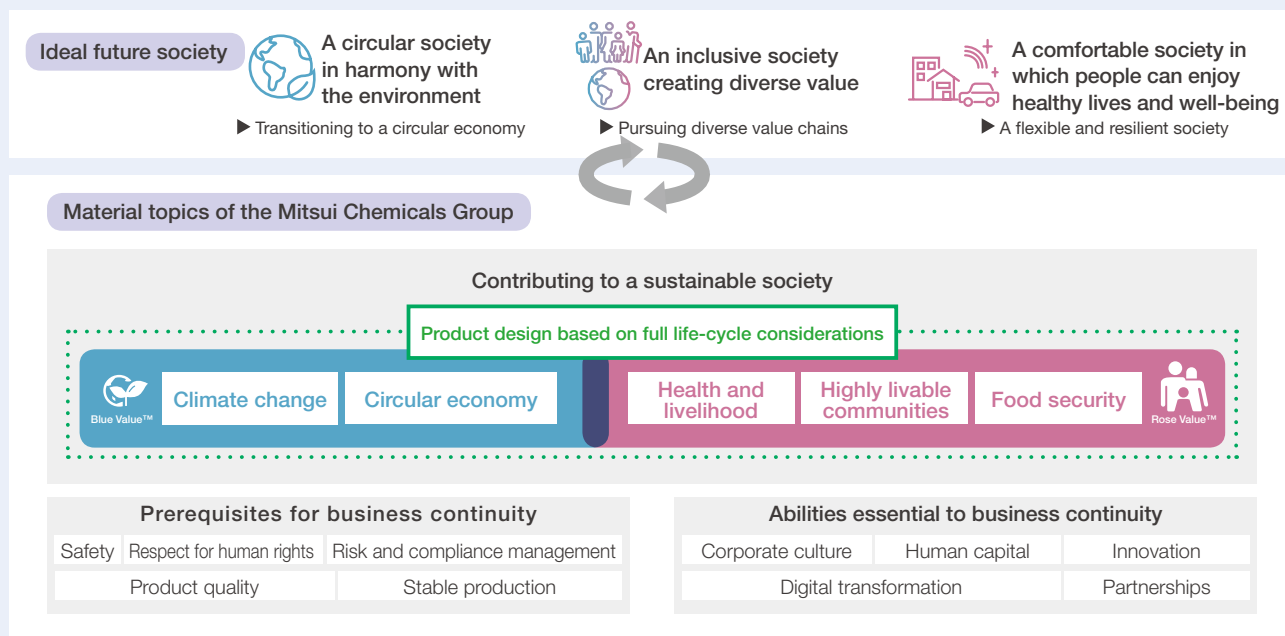
To help achieve the above business targets, we will move to invest **1.8** trillion yen toward growth (**900** billion yen in strategic investments and **900** billion yen in internal growth investments) over fiscal 2021–2030.

Our Material Topics

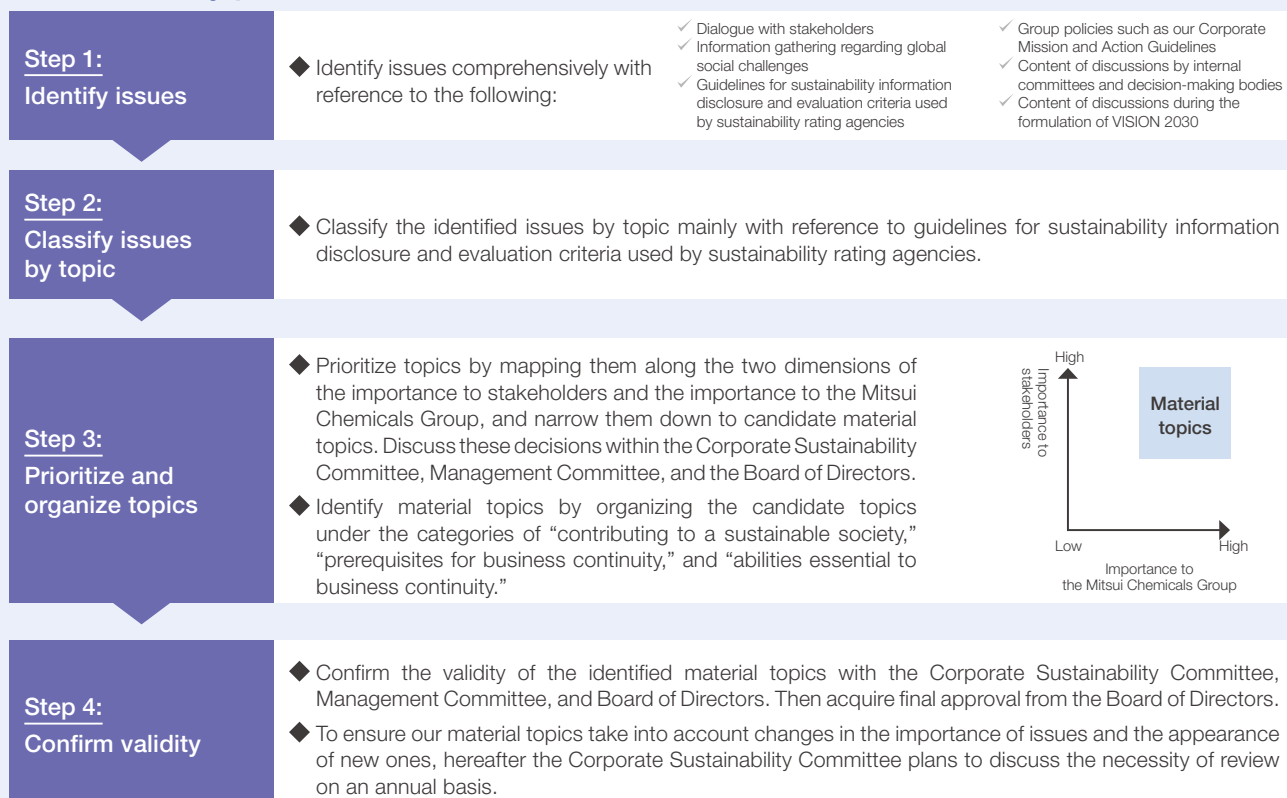


Key Issues (Materiality)
https://jp.mitsuichemicals.com/en/sustainability/mci_sustainability/materiality/index.htm

The Mitsui Chemicals Group has reviewed its material topics in the course of formulating VISION 2030. In VISION 2030, we redefined our ideal future society from the standpoints of transitioning to a circular economy, pursuing diverse value chains, and a flexible and resilient society. And in order to achieve this, we identified the topics material to our business. The identified material topics are the premise of our Basic Strategy for VISION 2030. In addition, we use key performance indicators (KPIs) derived from our material topics as non-financial metrics of VISION 2030. These include our Blue Value™ and Rose Value™ products sales revenue ratios, and greenhouse gas (GHG) emissions reduction rate.



Our materiality process



Material topics (Contributing to a sustainable society)

Our material topics are structured such that topics that are directly connected to the creation of both social value and corporate value are grouped under the category of “contributing to a sustainable society,” which in turn is underpinned by the categories of “prerequisites for business

continuity” and “abilities essential to business continuity.” The process for selecting each of the topics included in “contributing to a sustainable society”—which lies at the center of our material topics—entailed analysis of opportunities and risks as detailed below.

Product design based on full life-cycle considerations	The intricately intertwined nature of social challenges requires a big-picture approach in tackling them. That is why business activities need to take into account the environment and society throughout the entire product life cycle. Amid advances in digitalization and the growing calls for a circular economy, new business opportunities will arise by taking on these perspectives.
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	○ Opportunities ● Risks (Examples)
Climate change	<ul style="list-style-type: none"> ○ ● Shift to EVs, renewable energies becoming mainstream ○ ● Transition to renewable raw materials ○ Increasing demand for non-petrochemical products and technologies ○ Increased demand for products that support disaster prevention/mitigation, and infection control <ul style="list-style-type: none"> ● Tightening regulations such as restrictions on GHG emissions and carbon taxes ● Decreasing demand for petrochemical products ● Damage to production sites from storms and flooding ● Supply chain interruptions
Circular economy	<ul style="list-style-type: none"> ○ Increasing opportunities for solutions business that take an ecosystem perspective ○ Heightened demand for environmentally compliant design ○ Increased importance of traceability through digital transformation <ul style="list-style-type: none"> ● Reduced demand for plastics due to the problem of plastic waste ● Tightening of regulations such as extended producer responsibility ● Diminished standing of plastic products derived from fossil resources due to the rise of recycling platformers

KPIs: Blue Value™ products sales revenue ratio, Rose Value™ products sales revenue ratio, GHG emissions reduction rate

Relevant SDGs

	○ Opportunities ● Risks (Examples)
Health and livelihood	<ul style="list-style-type: none"> ○ Increased demand for products in mobility, medical equipment, pharmaceutical packaging materials, and ICT fields, in line with societal efforts to ensure that everyone can receive high-quality medical care and nursing care when they need it ○ Increased demand for products and services that help elderly and disabled individuals to participate in society <ul style="list-style-type: none"> ○ Growing need for comfortable and safe lifestyles and support for pre-symptomatic illness in addition to measures concerning illness and health ○ Increased demand for products that improve hygiene and prevent the occurrence and spread of infectious diseases ● Uncertainty about future lifestyles ● Product liability claims and lack of regulatory compliance by healthcare-related products and services
Highly livable communities	<ul style="list-style-type: none"> ○ Increased demand for smart and resilient community development in accordance with population size (community ICT/infrastructure improvements) ○ Increased demand for products that support disaster prevention/mitigation <ul style="list-style-type: none"> ● Securing and training advanced ICT personnel ● Increased cost of information security countermeasures
Food security	<ul style="list-style-type: none"> ○ Stable food production and supply ○ Increase in cooperative industry platforms with other types of business toward the goal of safe and secure food distribution ○ Reducing food loss and food waste <ul style="list-style-type: none"> ● Tightening restrictions on agrochemicals and food packaging materials ● Improvement of other food preservation/distribution technologies (cold supply chains, etc.)

KPI: Rose Value™ products sales revenue ratio

Relevant SDGs

CEO Message

We aim to be a corporate group that continues to grow by solving social challenges and creating diverse value with the power of chemistry.



HASHIMOTO Osamu

Representative Director
President & CEO

Looking back over fiscal 2020

Overcoming the difficult business environment to put our business back on a growth path.

In fiscal 2020, which saw the spread of COVID-19, the Mitsui Chemicals Group's business was impacted by the decrease in automobile production and lockdowns in various countries and regions, particularly during the first quarter. However, demand from major industries gradually recovered from the second quarter onward, and we were able to secure an increase in operating income before special items compared to the previous year.

In responding to the COVID-19 pandemic, we promoted remote work and implemented thorough countermeasures to prevent infection in our plants, and responded rapidly to the heightened demand for our products,

such as materials for medical gowns, masks, and other essential-use products.

In fiscal 2021, we expect to boost earnings mainly through sales growth driven by demand recovery from the effects of COVID-19 as well as by our past facility expansions. In fact, we aim to achieve our highest profits to date. At the same time, we will forge ahead with revising our strategy and steer our course toward active investment aimed at putting our company back on a path of growth by transforming our business model and expanding our three target domains.

Reflecting on our 2025 Long-Term Business Plan VISION 2025

A greatly altered external environment and the challenges that have become apparent.

In addition to COVID-19, we now face issues such as the rise of protectionist trade policies between countries. Moreover, amidst the rapid pace of digital transformation (DX), advancement of biotechnology, and crescendo of social issues such as the environment, new currents are emerging which call for businesses to work toward carbon neutrality and a circular economy, and which see sustainability management as increasingly important.

These kinds of changes in the business environment were not anticipated when VISION 2025 was formulated in 2016. So in 2020—the midpoint year for VISION 2025—we began to review our long-term business plan.

Under VISION 2025, we have been pursuing a triple bottom line management approach based on the three axes of economy, environment, and society. And while our efforts toward the goals of VISION 2025, including the top priority issue of business portfolio transformation, have met with some success, they have not been satisfactory on the whole.

To begin with, on the economic axis, the plan was to try to reach an operating income of 200 billion yen by the final year of fiscal 2025. We planned to achieve this through active growth investment focusing on the three target domains of Health Care, Mobility, and Food & Packaging, and by securing profits in the Basic Materials segment through lowering its volatility and strengthening its competitiveness.

However, while we did find some success in expanding the profit share of our three target domains, the implementation of growth investments was insufficient to deliver the contribution to profits that we had hoped for. Consequently, profit levels peaked in fiscal 2017 and leveled off after that. In addition, there is still room for improving the volatility of the Basic Materials segment, and the creation of new products and businesses is not progressing according to plan.

Next, on the environmental and society axes, we have introduced Blue Value™ (environmental contribution value) and Rose Value™ (QOL improvement contribution value) as means to help visualize our Group's contributions to solving social challenges. This initiative has been a success as it has facilitated dialogue with stakeholders. However, we will need to further accelerate our efforts in order to increase sales revenue of Blue Value™ and Rose Value™ products.

Also, we are not meeting our targets for the key performance indicators (KPIs) we have set for safety and compliance. It is urgently necessary to strengthen Group-wide efforts in these areas, as the globalization of our business continues to drive diversification of people, equipment, and technology.

Direction of our 2030 Long-Term Business Plan VISION 2030

Evolving into a chemical company that leads change in an era of turbulence and helps realize a sustainable future society.

Based on our review of VISION 2025, we revisited the purpose of the Mitsui Chemicals Group and discussed the direction we aim to take.

Looking back over our history, it is evident that ours has been a company that has continued to solve the challenges of society through the power of chemistry since its beginnings over a hundred years ago. One example is how we supported the reconstruction of the Japanese economy by increasing chemical fertilizer production in response to the food crisis following the Second World War. The power of chemistry has enormous potential to help solve today's global challenges of climate change and food loss as well.

From this starting point, we have redefined our Corporate Target—which will provide direction for the next 15 to 20 years—as becoming a corporate group that continues to grow by solving social challenges and creating diverse value with the power of chemistry. And the next 10 years until the culmination of VISION 2030 will be the critical period that will determine the future of our Group in confronting the changing business environment. Recognizing this, we have defined the ideal vision for the Mitsui Chemicals Group in 2030 as a global solutions company that leads change and contributes to a sustainable future.

In addition to redefining our direction, we have outlined the ideal future society that we aim to bring about, taking into account internal and external environmental changes and demands from stakeholders, as “a circular society in harmony with the environment,” “an inclusive society creating diverse value,” and “a comfortable society in which people can enjoy healthy lives and well-being.”

This has allowed us to employ backcasting from this vision of future society to revise our material topics.

I believe that addressing the issues most material to our business is pivotal for the company to achieve sustainable growth. However, while our previous material topics have been comprehensive, insufficient prioritization among those topics, unclear relationship to our long-term business plan, and lack of reflection in our business strategies have meant that they have not permeated the company well. In light of these reflections, we have formulated our new material topics through engagement with various stakeholders and deliberations by the Corporate Sustainability Committee including senior management, followed by discussion by the Board of Directors. These discussions have focused on linking material topics to issues identified by individual divisions within the company, and ensuring consistency with our business strategy.

Our revised material topics position the categories “prerequisites for business continuity” and “abilities essential to business continuity” as in support of “contributing to a sustainable society,” which is central to value creation. In the category “contributing to a sustainable society,” we emphasize “product design based on full life-cycle considerations,” and clearly express our commitment to expanding our Blue Value™ and Rose Value™ products.

Based on these updated material topics, we have developed a Basic Strategy to realize our ideal vision for 2030. And the most important pillars of this strategy are to transform our business model and reform the business portfolio of our Group.



VISION 2030 Basic Strategy

Promoting a drastic transformation of our business model through business design capabilities and pursuit of a social issue perspective.

We have once again focused our attention on a social issue perspective in order to implement our business model transformation.

Our historical business focus on materials supply involved capturing the needs of our customers and applying the assets of our Group to provide them with materials. Of course, this has also included offering added value through technical services and the like. But simply repeating this approach will naturally lead to a plateau in the value we can deliver.

What we need is the unique perspective of a chemical company toward identifying the social challenges that lie beyond our customers' needs. We should not stop at providing products according to customer specifications, but go beyond to consider new approaches in view of what challenges society may face in the future. In this way, we can work out possible ways to provide more sustainable products that deliver greater value.

This is close to the customer-driven business model we laid out in VISION 2025, but there were challenges with implementing that on an operational level. So, going forward, we will place greater emphasis on execution.

We will take this kind of social issue perspective and bolster our business design capabilities to shift our business models to those focused on solutions-based business and circular economy-based business. This will be the cornerstone of our new basic strategies.

As I mentioned, the solutions-based business model looks beyond the needs recognized by customers to find latent needs starting from a social issue perspective. This means not stopping at merely providing materials, but to propose solutions as chemicals experts which combine products and services that help to solve their challenges. To accomplish this, it will be vital to combine and leverage assets from both inside and outside our Group, and design our business itself.

In contrast to the conventional, linear business approach, in which a product is created then delivered to the customer, the circular economy-based business calls for considering a product's entire life cycle through to collection

and reuse after the customer and end consumer are finished using it when designing the product. This includes taking into account development of the ecosystem needed for this to take place. We are also considering combining services with product renewals that take place every few years, or providing technical services themselves.

Business design capabilities mean being able to implement such ideas and framework-building from the product development and business startup stages. By strengthening these capacities, we can expect to create new businesses.

So, we have decided to revamp our business portfolio in order to push forward with this kind of business model shift as well as expand our business domains and explore growth opportunities in these areas. Our new four-part portfolio will include ICT Solutions, which brings together the resources scattered throughout the Group, and Basic & Green Materials, which positions a circular economy as an opportunity for growth and seeks to add value to the current Basic Materials business.

We will also promote digital transformation (DX) as one of our basic strategies, which we see as an essential driver for our business model transformation. Our R&D and manufacturing divisions have already successfully leveraged DX for objectives such as accelerating research and development, and preventative maintenance in plants. Systematizing the vast amounts of tangible and intangible data that the Group has accumulated in relation to research and development and sales activities, then making this available through a database, will result in a useful tool that could lead to the creation of new businesses to meet customer needs and solve social challenges.

The new Digital Transformation Division that we set up in 2021 not only takes on efforts like these, but has begun launching initiatives that will impact the company's business plan and the very way our business operates, leading to so-called corporate transformation (CX). I want to raise DX literacy throughout our Group, and transform our very own organization in a way that will allow us to adapt to the new era and environment.

2050 Carbon Neutrality Declaration

Cooperating with all stakeholders to address global challenges.

In response to worsening environmental problems and growing calls for global decarbonization, the Mitsui Chemicals Group pledged in November 2020 to become carbon neutral by 2050. To achieve this goal, we have drawn up a roadmap in which we will pursue the two pillars of reducing our own greenhouse gas (GHG) emissions, and contributing to customers and society through the expansion of our Blue Value™ products.

As this will be an effort that spans our entire value chain, it will be essential to strengthen coordination not only across departments within our Group, but with various external partners as well. The agreement with Neste Corporation and Toyota Tsusho Corporation for procurement of bio-based hydrocarbons, which we announced in May of 2021, and the collaboration on chemical recycling with BASF Japan Ltd. that we announced in June, are among the experimental initiatives we are pursuing in order to implement this roadmap. This approach seems promising, as we have already received some inquiries.

One thing I would like to reiterate, is that we cannot

just conduct business in line with customer needs as we have in the past. Instead, it is vital that we make proposals as experts that are looking further ahead, and contribute to our customers and society on a higher level. Parts of this may run counter to short-term economic rationale. However, making the most of our unique resources with these efforts will enable us to make a significant contribution toward solving the challenges of society. At the same time, they hold great potential to provide big opportunities for our business in the long run.

We have a distinct advantage as a chemicals manufacturer in that we own our own naphtha crackers, which reside high upstream in the manufacturing chain. Up until now, it has been said to be difficult to add value to products from these upstream operations. But initiatives like the introduction of bio-based hydrocarbons are realizing the potential to add new value through transition to alternative raw materials and fuels. In this way, we intend to fully harness the resources our Group holds, and give birth to a variety of opportunities as we move forward.



**By making the most of
our unique resources
we can make a significant
contribution toward solving
the challenges of society.**

Fostering the organizational culture for achieving VISION 2030

Cultivating a challenge-oriented mindset toward solving social challenges by creating the necessary organizational culture through reforming employee evaluations.

In fiscal 2020 we enacted work style reforms in the interest of improving ways of working during and after the COVID-19 pandemic. These included setting up an environment conducive toward remote work, liberalizing our dress code, and developing regulations for side jobs. Our dress code liberalization initiative, in particular, came about after being put forward by employees. I want to emphasize the substance and results of work rather than its form, and hope that this will invigorate people within our company.

We also need to foment a challenge-oriented mindset for coming up with new ideas and seeing them through. Each and every employee on the frontlines of our business should continually ask themselves whether their current methods are really the best way to do things.

To this end, we are considering an evaluation system which would establish KPIs to enable accurate business evaluation and make it possible to see how far the business model transformation we are pursuing through VISION 2030 has progressed. These would then be consistently

applied to individual employee performance evaluations, so that we can evaluate higher value-added proposals which are not merely an extension of what has come before. In addition, we are moving to establish a new commendation system that positively evaluates the act of taking on challenging goals itself—even if they fail.

Likewise, our carbon neutrality declaration is directed not merely for the public, but is also meant to express my commitment to those within the Group. More than 10 years ago, our Group was working on developing technologies to help the environment, including carrying out demonstration tests of carbon capture and utilization (CCU) technology at a pilot facility. However, due in part to the fact that there was not yet a market for such products, it did not achieve significant results. I want to demonstrate once again my level of commitment to employees who have experience working on these projects, and encourage them to be willing to take on challenges with high motivation and a flexible mindset.

Example of work style reform Employee initiative bringing about dress code liberalization

In August 2020, we revised our dress code for employees at our head and branch offices with the goal of clarifying a location-independent dress code during work at places such as the office or when teleworking. The purpose of this revision is to ensure safety, suitability for work, and hygiene, and to allow employees themselves to determine the appropriate clothing to wear in accordance with time, place, and occasion. We aim to increase engagement and productivity by creating an environment in which each employee is empowered to work while more independently consider the way they work.



To our stakeholders

Continuing to transform our Group by leveraging its strengths while preserving the essence that has remained unchanged for 100 years.

I believe that, fundamentally, the chief aim of the Mitsui Chemicals Group, both now and in the past, has been to solve the challenges faced by society. And the best way to meet stakeholder expectations and grow our company in a sustainable way, is by contributing to the realization of our ideal future society as a chemical company.

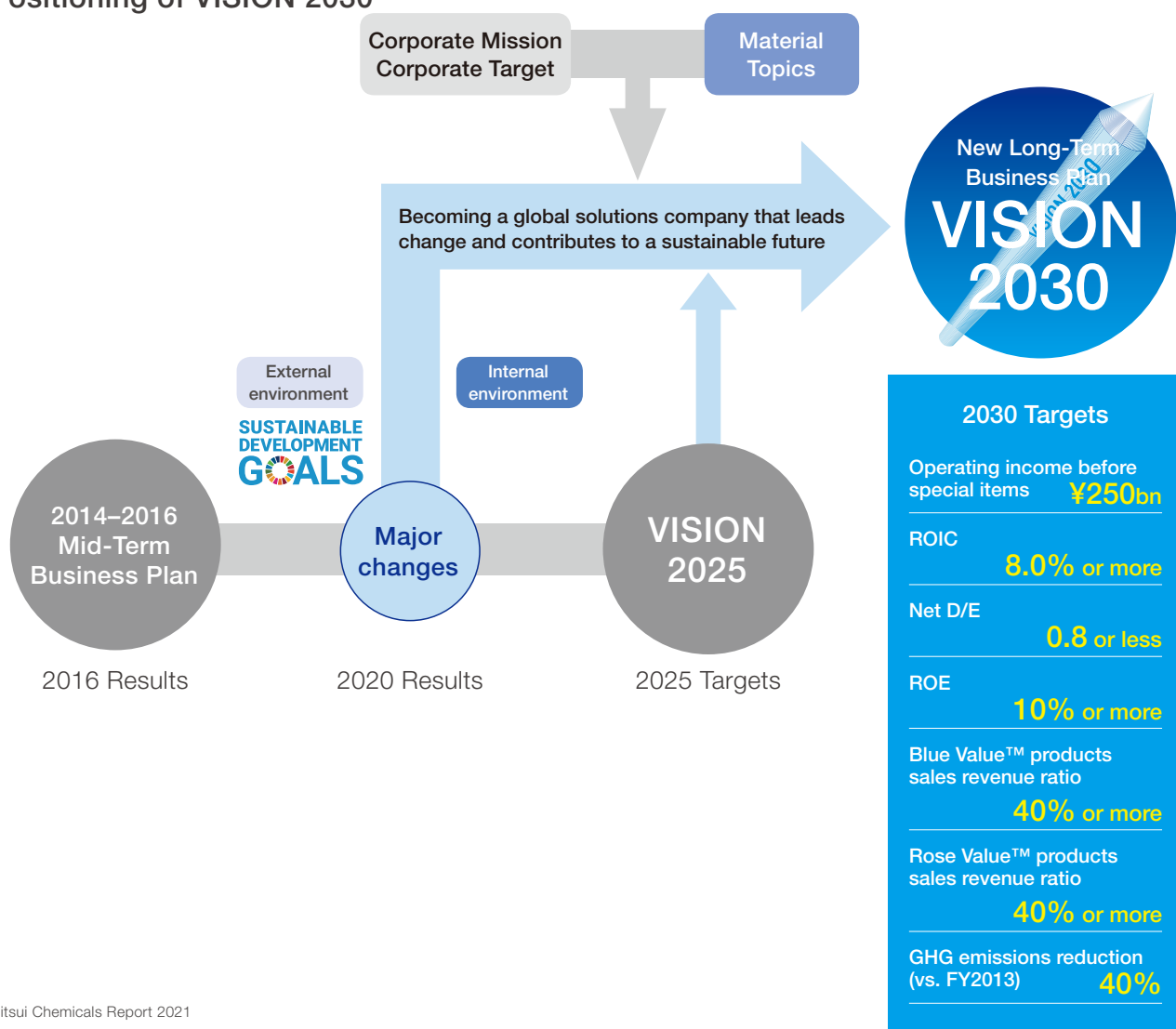
Right now, VISION 2030 has just been announced as a concept. The important thing will be how we are able to get it accomplished. At present, we are conducting detailed discussions on individual strategies for each business domain as well as functional strategies. We are also establishing medium-term KPIs toward achievement of VISION 2030, as well as reviewing a management system for tracking our progress, and we plan to make

an announcement this fiscal year.

In VISION 2030, we have set a target of 250 billion yen in operating income before special items. But we have not forgotten the goal of 200 billion yen set in VISION 2025, and believe it is still achievable with the concerted efforts of the entire Group going forward.

I am confident that, under our VISION 2030 Basic Strategy, we will be able to greatly expand the business opportunities of the Mitsui Chemicals Group by utilizing the wealth of resources at our disposal, from upstream raw materials to diverse downstream products. I hope you will join me in looking forward to the great things that lie in store for our Group in 2030 and beyond.

Positioning of VISION 2030



Value creation strategy

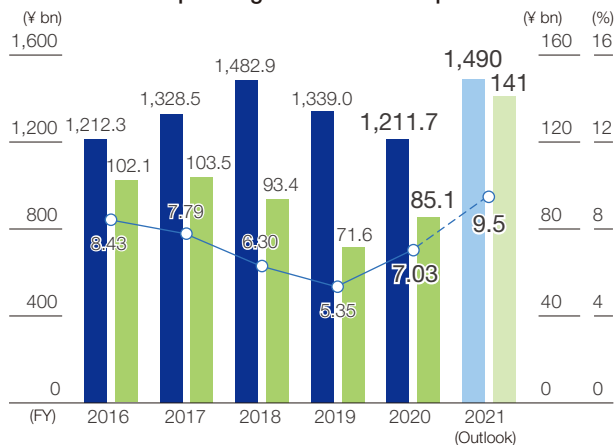
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Financial / Non-Financial Highlights

Financial highlights

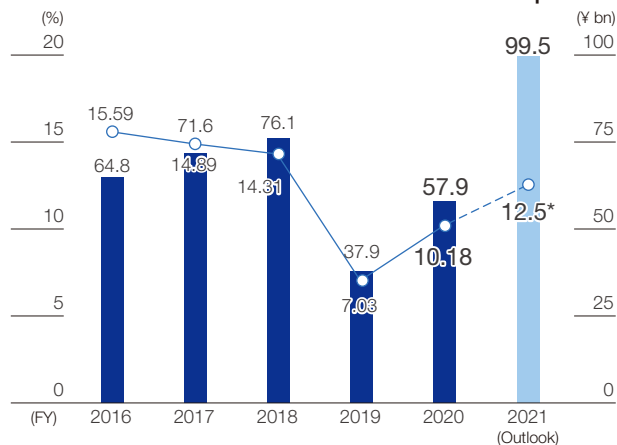
Mitsui Chemicals has voluntarily adopted International Financial Reporting Standards (IFRS) from fiscal 2020. Figures for fiscal 2019 and before are under Japanese Generally Accepted Accounting Principles (J-GAAP) and figures for fiscal 2020 and outlook figures for fiscal 2021 and later are under IFRS.

Sales revenue/Operating income before special items/ROS



■ Sales revenue/Net sales (J-GAAP) (left scale)
 ■ Operating income before special items/Operating income (J-GAAP) (right scale)
 ○ ROS: return on sales (right scale)

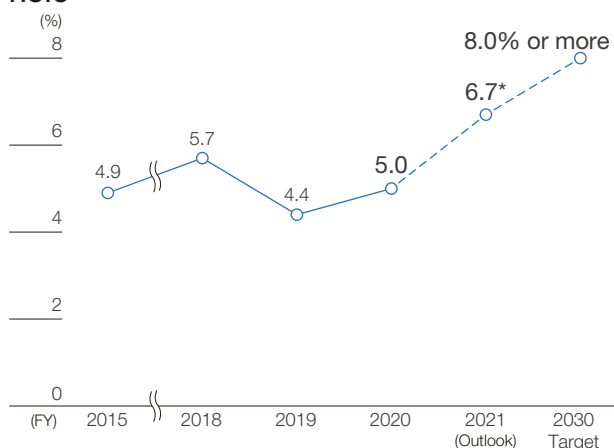
ROE/Net income attributable to owners of the parent



■ Net income attributable to owners of the parent/Profit attributable to owners of parent (J-GAAP) (right scale)
 ○ ROE: Return on equity (left scale)

* Outlook figures as of May 13, 2021

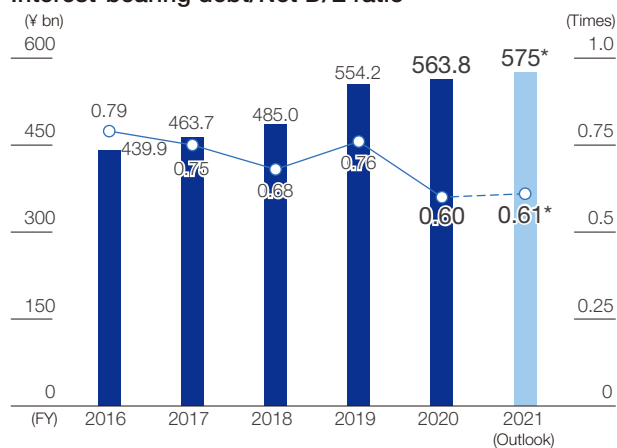
ROIC



* ROIC: Return on invested capital=NOPAT/Invested capital

* Outlook figures as of May 13, 2021

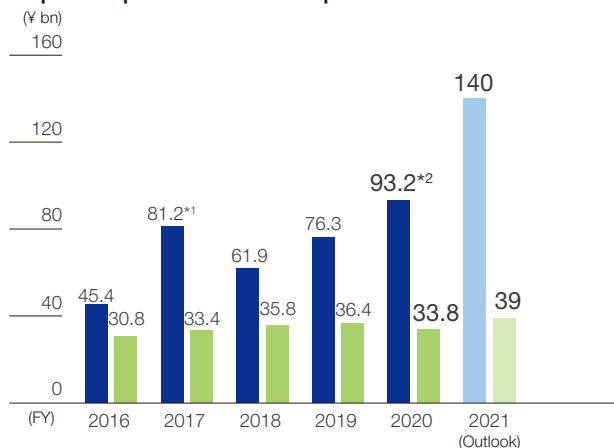
Interest-bearing debt/Net D/E ratio



■ Interest-bearing debt (left scale) ○ Net D/E ratio (right scale)

* Outlook figures as of May 13, 2021

Capital expenditure/R&D expenses

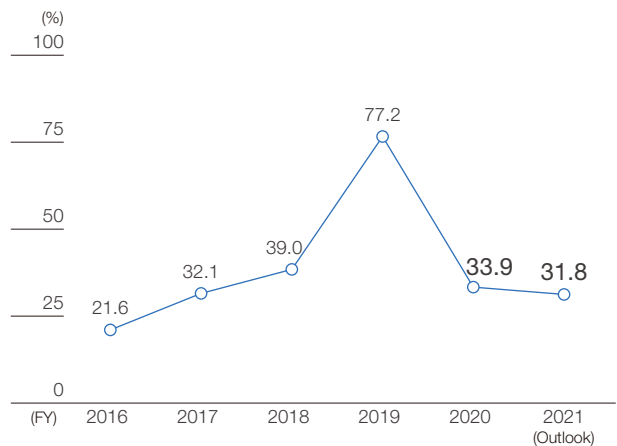


■ Capital expenditure ■ R&D expenses

*1 Includes acquisition of shares of ARKK Corporation of ¥23.9 billion

*2 Includes increase from the recognition of regular maintenance and repair costs, etc., under IFRS

Total return ratio

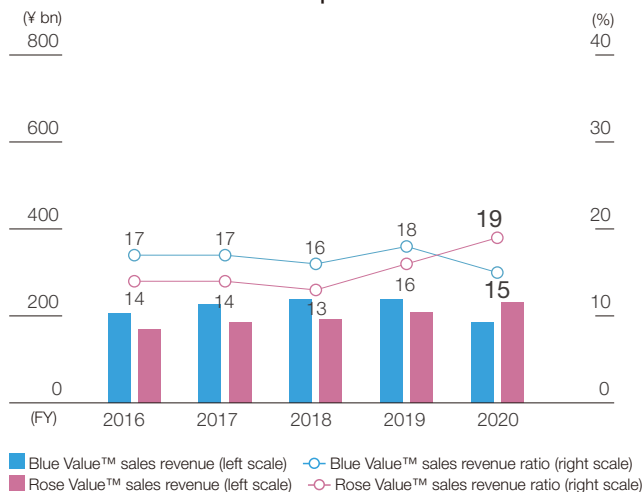


Fact Book

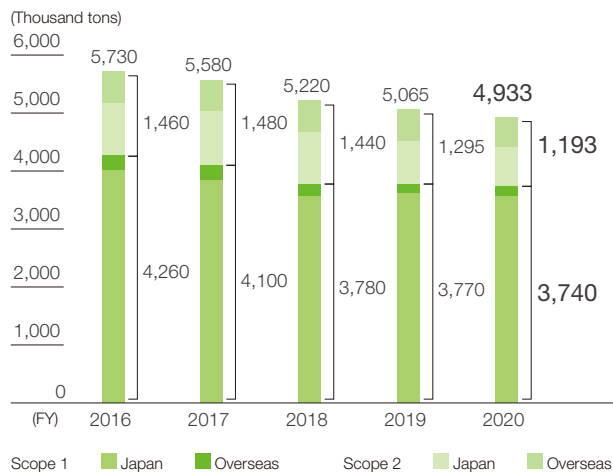
https://jp.mitsuichemicals.com/en/ir/fact_book/index.htm

Non-financial highlights

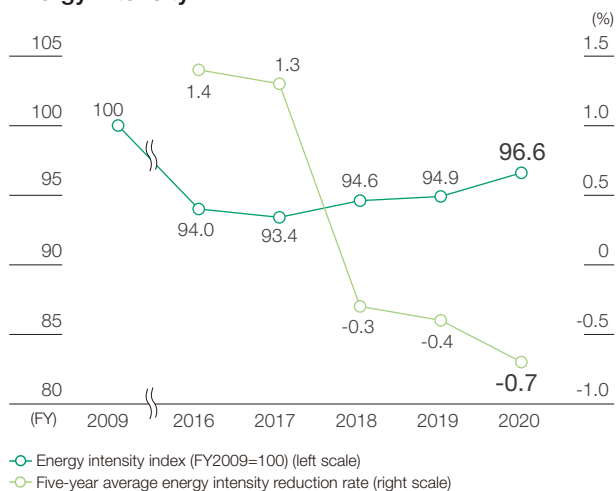
Blue Value™ and Rose Value™ products sales revenue ratios



GHG emissions

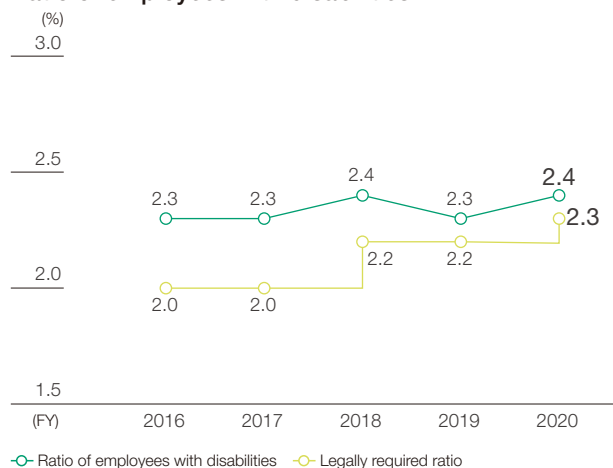


Energy intensity



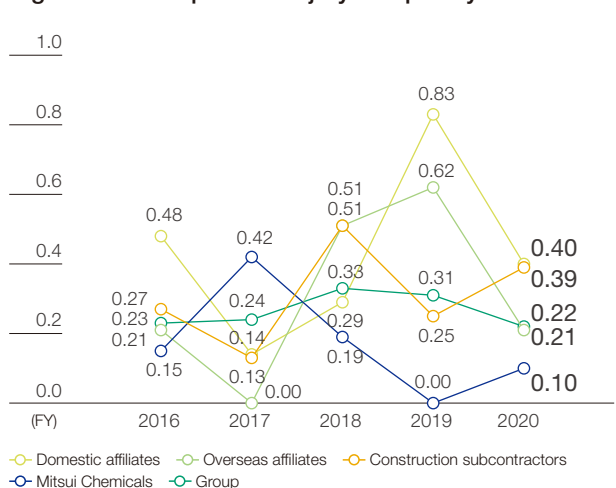
* Mitsui Chemicals, Inc.

Ratio of employees with disabilities



* Mitsui Chemicals, Inc. registered employees

Significant occupational injury* frequency



* Significant Occupational Injuries (SOIs) refer to occupational injuries that resulted in absence from work or death. SOIs also include lighter occupational injuries that, due to the potential danger in the cause of the injury, could have led to absence from work or death. SOIs do not include those injuries that are not directly related to operations.

Ratio of female employees



* Mitsui Chemicals, Inc. registered employees

Financial Strategy: CFO Message

Launch of VISION 2030

We aim to maximize corporate value by improving capital efficiency and contributing to solving social challenges through business portfolio reform leveraging our strengths and optimal capital allocation.

NAKAJIMA Hajime

Member of the Board,
Managing Executive Officer & CFO

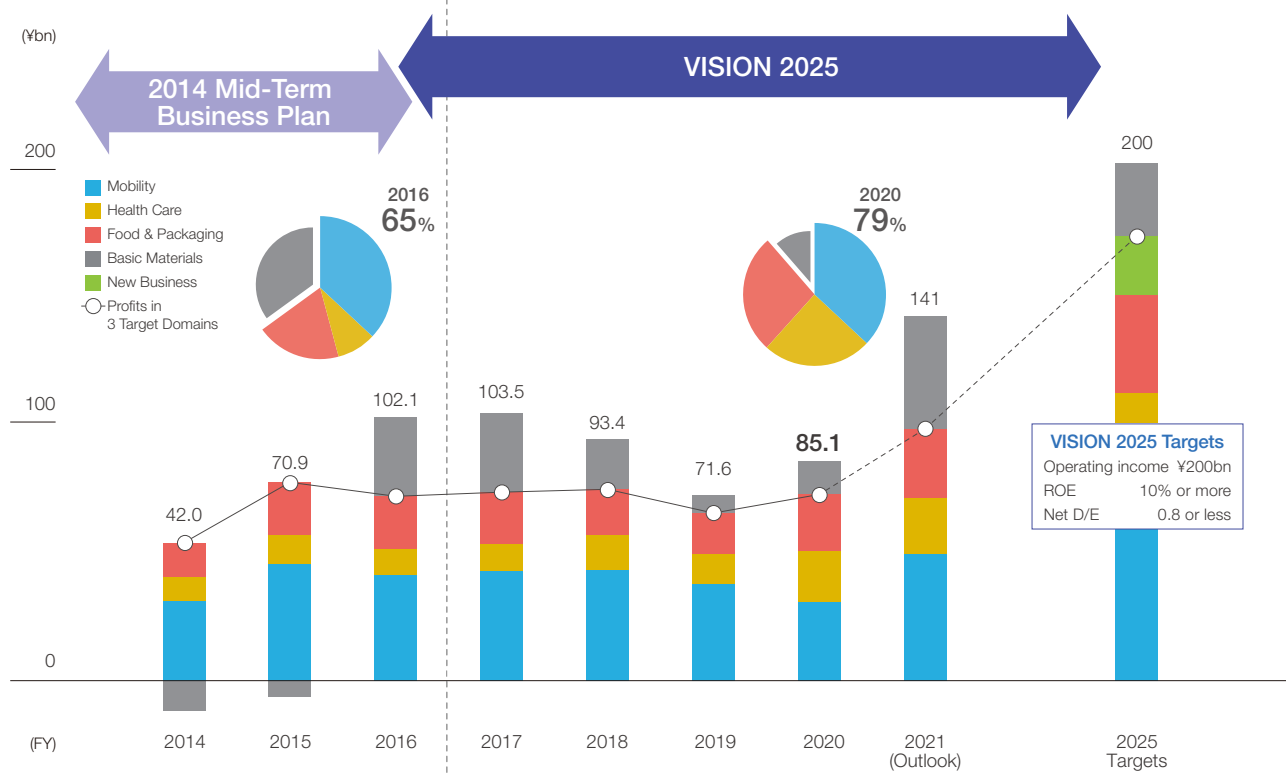


Aiming for record-high profits in fiscal 2021

In fiscal 2020, there was a significant decrease in profit in the first half due to COVID-19, but full-year operating income before special items was up year on year to 85.1 billion yen owing to a recovery in demand and favorable market conditions overseas in the second half. In addition, Group-wide efforts to thoroughly manage inventories and accounts receivable in preparation for downside risks and to keep expenses and investments down resulted in free cash flow of 96.8 billion yen and a net D/E ratio of 0.6. Despite the impact of the COVID-19 pandemic, we were able to maintain and improve upon our stable financial position.

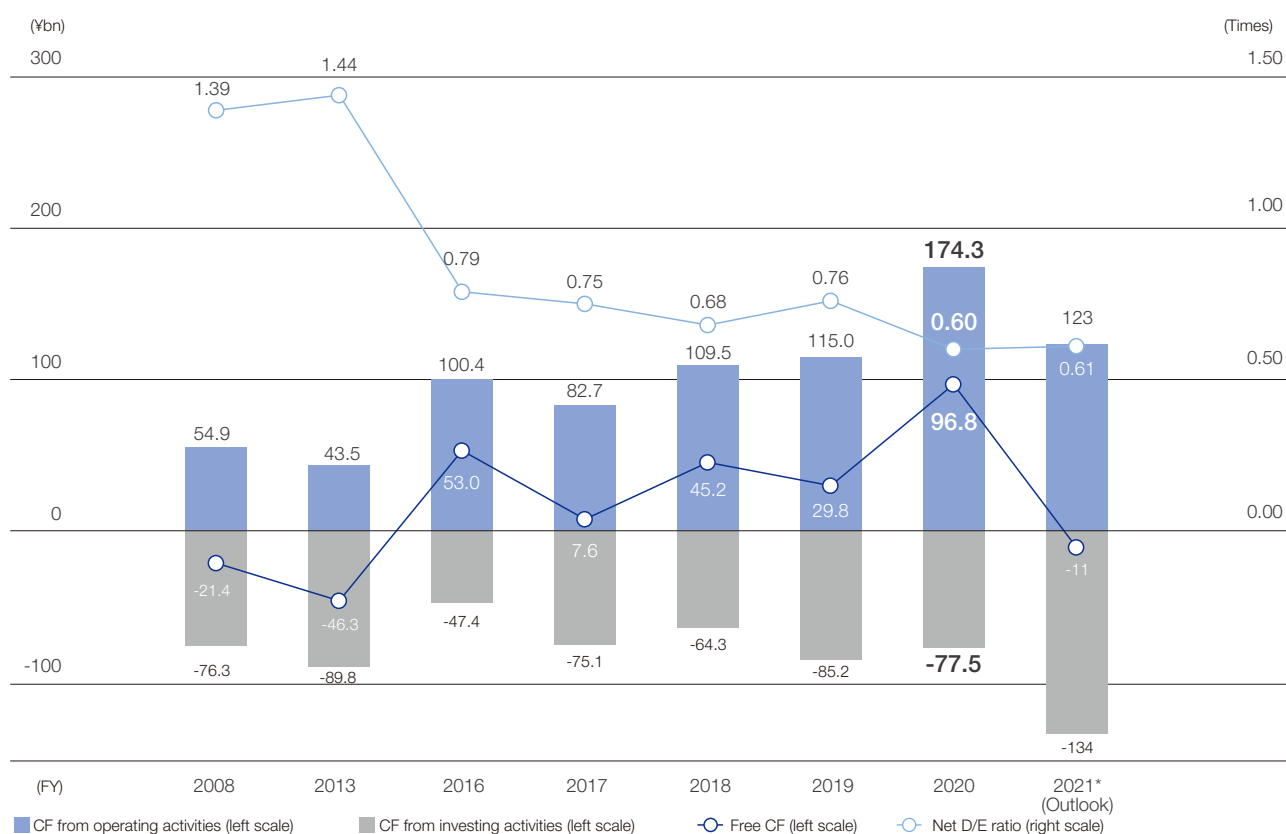
In fiscal 2021, we target a record-high operating income before special items of 141 billion yen and also aim to achieve record-high profits in each of our three target domains. At the same time, by investing in growth businesses that had slowed due to COVID-19 and investing actively in R&D for creating new businesses to further expand our targeted business domains, we will accelerate the transformation of our business portfolio.

Operating income/Operating income before special items



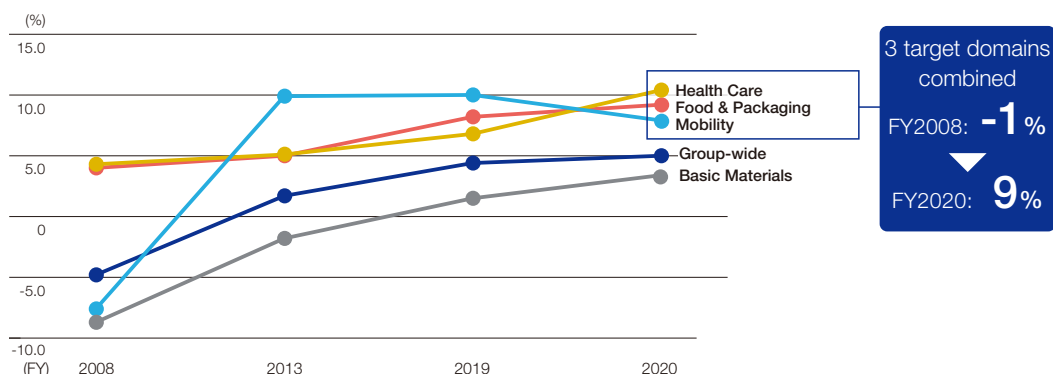
* Mitsui Chemicals has voluntarily adopted International Financial Reporting Standards (IFRS) from FY2020. Figures for FY2019 and before are reported under Japanese Generally Accepted Accounting Principles (J-GAAP), while figures for FY2020 and later are reported under IFRS.

Cash flows and net D/E ratio

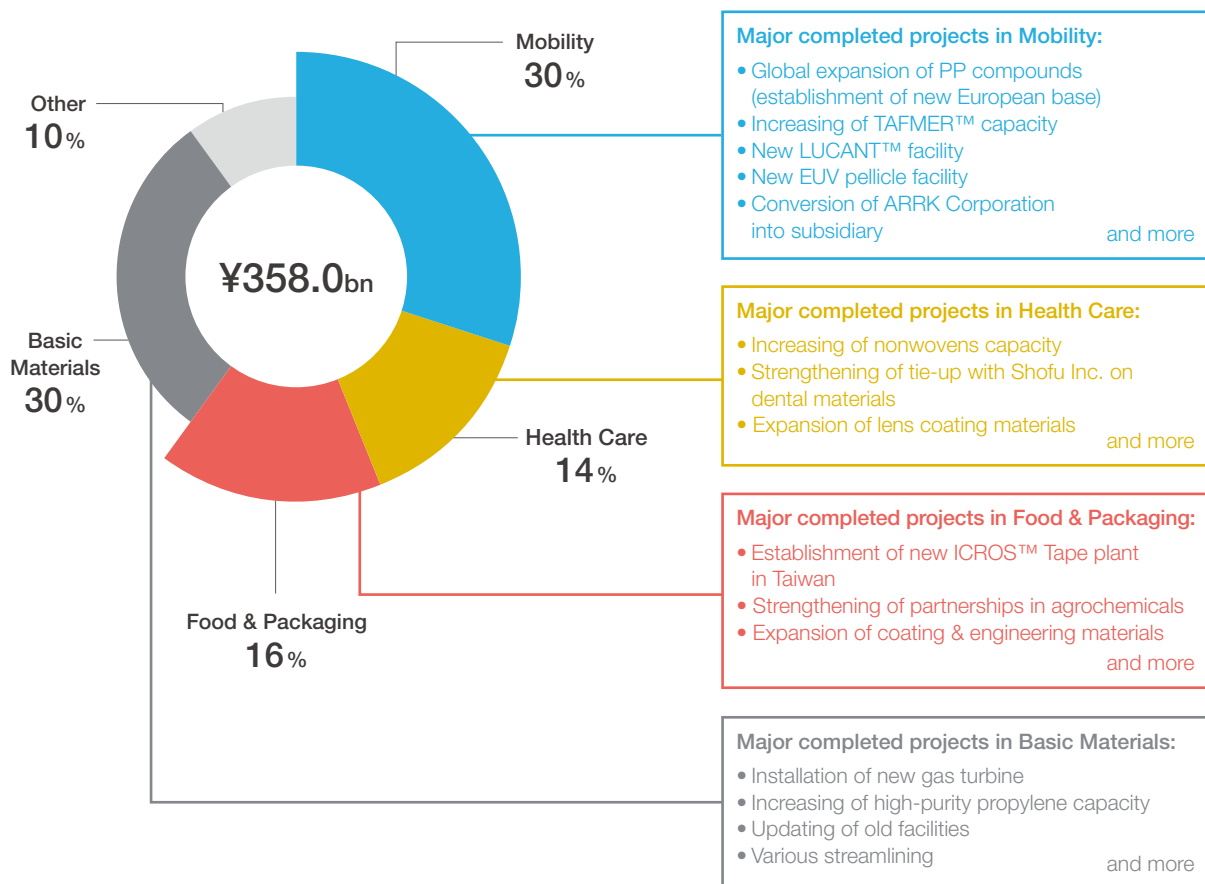


* As of announcement on May 13, 2021

ROIC



Total investments from FY2016 to FY2020



Status of major future investments

Major investment projects			Capacity (KTA)	Schedule for launch of commercial operation		
				2021	2022	2023 and later
Mobility	Performance polymers for ICT applications	Increasing of APEL™ capacity (Japan)	+50%	[Progress bar]		
Health Care	Expansion of high refractive index ophthalmic lens materials	Increasing of MR™ capacity (Japan)	-	[Progress bar]		
Food & Packaging	Expansion of semiconductor manufacturing process tapes	Increasing of ICROS™ Tape capacity (Taiwan)	3,800,000m ²	[Progress bar]		
Basic Materials	Bolstering/expansion of downstream businesses	Takeover bid for Honshu Chemical Industry Co., Ltd.	-	[Progress bar]		
		Increasing of MDI capacity at Kumho Mitsui Chemicals (South Korea)	200	[Progress bar]		
		Establishment of new high-performance PP plant (Japan)	200	[Progress bar]		

Launch of VISION 2030

Aiming to contribute to solving social challenges and achieve growth of the Group

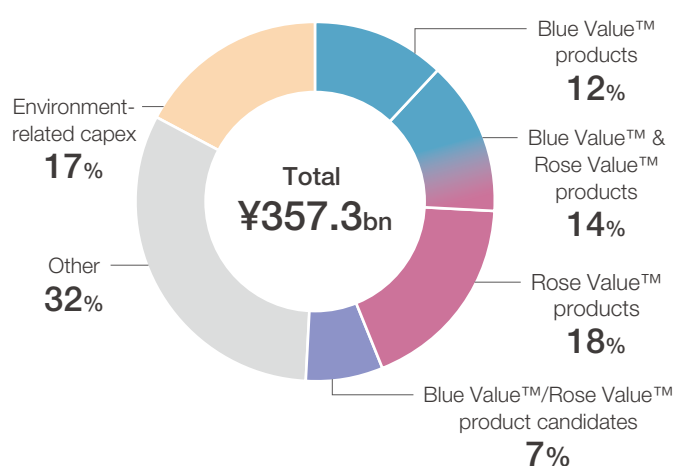
The Mitsui Chemicals Group has formulated VISION 2030, which is based on our review of VISION 2025 and addresses new changes in the external environment, such as rising calls for reducing greenhouse gas (GHG) emissions, moving to a circular economy, and developments in digital transformation (DX). VISION 2030 sets out the following business targets for fiscal 2030: operating income before special items of 250 billion yen, ROIC of 8.0% or higher, net D/E ratio of 0.8 or lower, and ROE of 10% or higher. We have begun working toward achieving these targets from fiscal 2021.

Going forward, it will be increasingly important for us to enhance corporate value by contributing to solving social challenges as a chemical company, rather than focusing on economic value alone. We will need to gain recognition from not only our customers and markets but society as a whole concerning the value of the Group's efforts such as seizing opportunities arising from transition to a circular economy, rolling out DX, and shifting to solutions-based business models. For example, as Blue Value™ and Rose

Value™ products can both expand profits and help solve social challenges in the medium- to long-term, we will expand these products to enact business portfolio reform and improve corporate value.

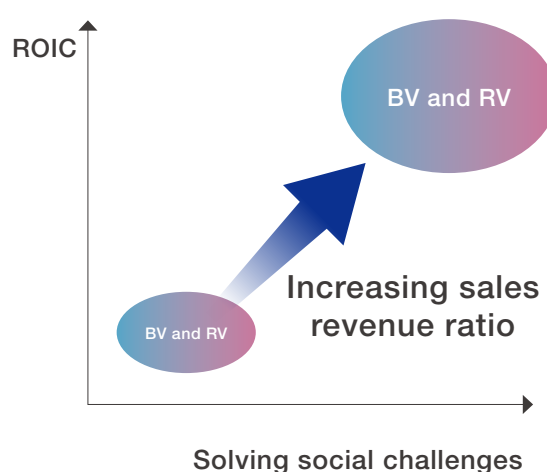
To support this, we will set aside a total of 1.8 trillion yen for growth investments consisting of internal growth and strategic investments, and will pursue sustainable growth and business portfolio reform. When executing these investments, we will pay attention to the cost of capital and determine whether they are designed in such a way as to generate sufficient returns as a business. This includes leveraging our value chain, which is one of the Group's strengths. In addition, we will promote our strategy and work on further improving capital efficiency by reducing assets that are not expected to contribute to sustainable growth based on the ROIC for each business and product, and through asset efficiency metric monitoring which includes cash conversion cycle (CCC) as well as adjusting and verifying the rationale behind our cross-shareholdings.

FY2021 large-scale investments*



* Not including alliances, M&A, financial assistance, etc.
For FY2021–2023.

Improving ROIC by expanding sales revenue from Blue Value™ and Rose Value™ products



Strengthening our capital policy and financial management structure to support the implementation of VISION 2030

The basic order of priority in our capital policy is 1) investment for the continuation and growth of business, 2) shareholder returns, and 3) reduction in interest-bearing debt. In addition, we consider the Group's financial conditions, cash flows, future earnings prospects, and other factors in a comprehensive manner.

In regard to financing, our basic approach is to use operating cash flows and short-term liquidity to cover the investments required for business growth. We may also choose to raise funds from financial and capital markets for investments that are larger in scope. In this way, we are working continuously to achieve stable and flexible financing. At the same time, as we step up the

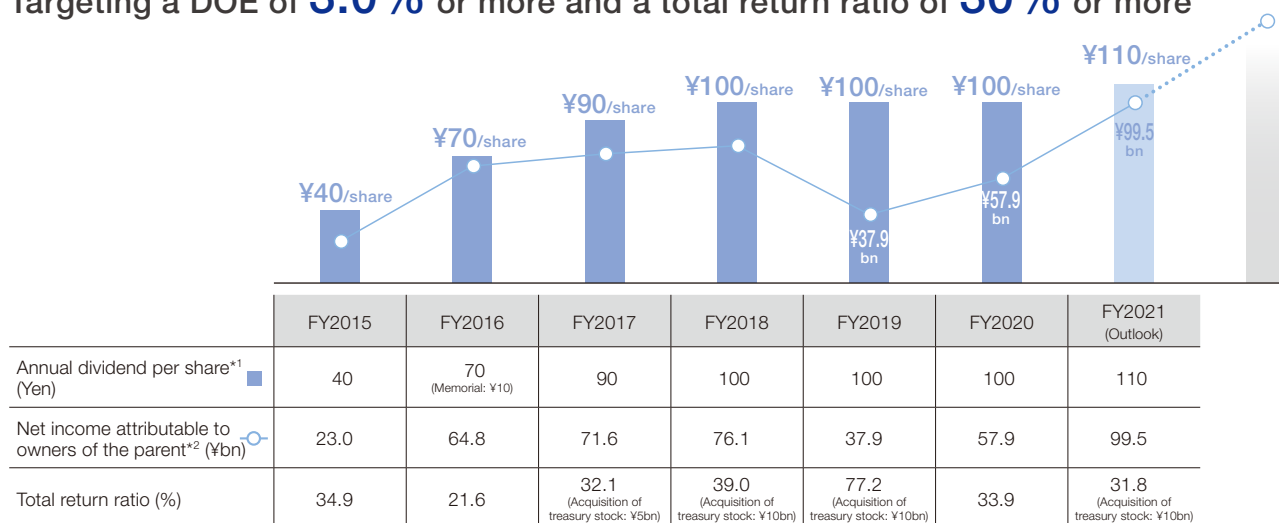
pace of investments under VISION 2030, there may be times when the net D/E ratio temporarily exceeds 1x as interest-bearing debt increases. However, in the medium term, our target will be to keep the net D/E ratio at or below 0.8x and our credit ratings at current levels as we aim to balance financial soundness with minimizing cost of capital.

We recognize the continued importance of shareholder returns as a key management priority, and by combining stable and continuous dividends with flexible acquisition of treasury stock, we aim to achieve a DOE* of 3.0% or more and a total return ratio of 30% or more.

* DOE: Dividends on equity

Enhancing shareholder returns through stable and continuous dividend payment and flexible acquisition of treasury stock

Targeting a DOE of **3.0%** or more and a total return ratio of **30%** or more



*1 Mitsui Chemicals conducted a 5-to-1 share consolidation on October 1, 2017. Annual dividends per share have been adjusted retrospectively to reflect the share consolidation for all periods presented.

*2 Mitsui Chemicals has voluntarily adopted International Financial Reporting Standards (IFRS) from FY2020. Figures for FY2019 and before are profit attributable to owners of parent under Japanese Generally Accepted Accounting Principles (J-GAAP).

As we aim to expand our business globally, financial functions are playing an increasingly important role in the reduction and avoidance of financial risks and achievement of effective corporate governance.

In fiscal 2020, we completed the switch of accounting standards to International Financial Reporting Standards

(IFRS) to support our globalization efforts.

In regard to financing, we will also work on new frameworks such as investments for the purpose of contributing to SDGs and ESG financing for our business activities. In addition, to address risks related to fluctuations in interest rates and exchange rates, we will further develop

and strengthen an efficient hedging structure by such means as enhancing Group-wide monitoring functions and promoting netting between Group companies.

At the same time, one of the important roles of a company in global business activities is to observe the tax

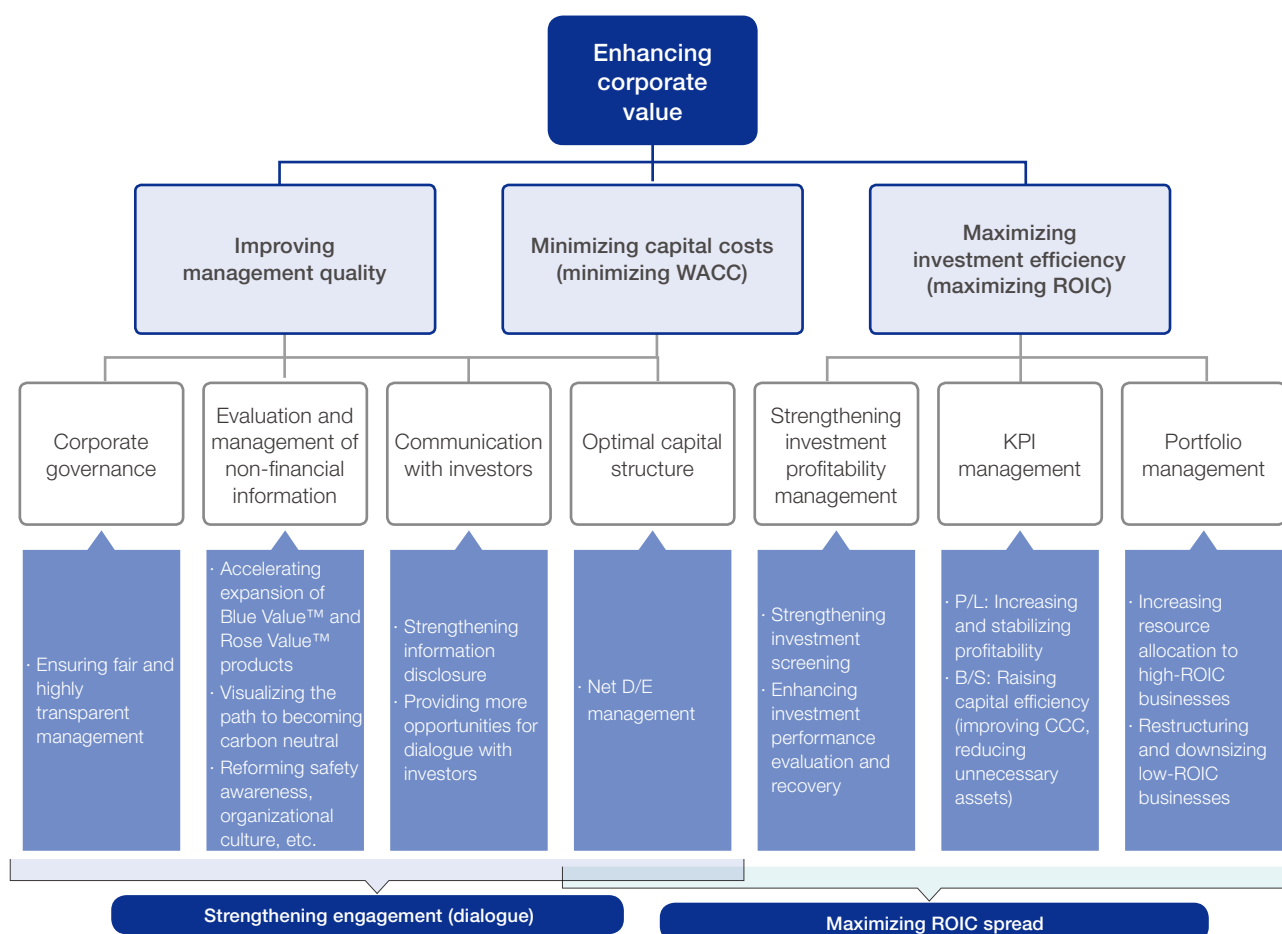
systems of each country and region. The Mitsui Chemicals Group has established a tax policy to properly fulfill this role and will promote a tax strategy based on fair and appropriate tax planning reflecting our business activities.

Enhancing corporate value through dialogue with stakeholders

When establishing individual business strategies for growth, we will work on balancing the short-term view of securing immediate profits with the long-term view of investing strategically for sustainable growth in part to ensure achievement of VISION 2030. We will also incorporate non-financial metrics into our management planning system and respond appropriately to various environmental changes as we aim to realize the ideal vision of the Group.

We believe that dialogue with stakeholders is exceedingly useful from the standpoints of gaining stakeholder

understanding of Group efforts and improving the quality of management based on stakeholder feedback. In addition to sharing the details among the Board of Directors and management, we will continue to improve opportunities for dialogue by having management engage in direct dialogue with stakeholders and providing feedback to each department. We will work to maximize corporate value by boldly promoting reform of the Group's business portfolio, securing a solid financial foundation, improving capital efficiency, and contributing to solving social challenges.



Sustainability Strategy



Sustainability Management
https://jp.mitsuichemicals.com/en/sustainability/mci_sustainability/management/index.htm

Sustainability Management



Sustainability management requires companies to generate both social value and corporate value.

The Mitsui Chemicals Group aims to create these two critical values through dialogue with our stakeholders, and by incorporating ESG elements into our management/strategies.

HIRAHARA Akio

Managing Executive Officer

The Mitsui Chemicals Group has steered its course toward sustainability management with ESG at its core. During discussions to formulate VISION 2030, we reviewed our ideal future society and material topics in an effort to synchronize our materiality within VISION 2030 and thus embed ESG elements within our management/strategies. It goes without saying that expansion of Blue Value™ and Rose Value™ products—which serves as a pillar of our strategy for climate change mitigation and adaptation—and our efforts toward reaching carbon neutrality are key to achieving the goals we outlined in VISION 2030. And we are taking a variety of measures in our management to help realize a circular economy. These kinds of initiatives are meant to strategically prepare ourselves for the future, and will ultimately lead to the transformation of our business portfolio.

Incorporation of ESG elements into management/strategies

- FY2019: Built a mechanism for reflecting social issue perspectives, such as SDGs, in our investment decisions
- FY2020: Adopted sales revenue of Blue Value™ and Rose Value™ products into budgeting as a management indicator for business divisions

The key performance indicators (KPIs) we set in VISION 2025 are carried over to VISION 2030 as well. Thus, we have set target sales revenue ratios for both Blue Value™ and Rose Value™ products—our non-financial indicators—at 30% or more in 2025, and 40% or more in 2030. Incorporating these elements into our management system has boosted the awareness of all employees, allowing us to review product value from Blue Value™ and Rose Value™ perspectives. It has also fostered eagerness to develop new applications for Blue Value™ and Rose Value™ certifications and pursue the development of new products and businesses. Moreover, it has deepened our discussions about what kind of contribution value we can provide to society.

Measures towards achieving carbon neutrality by 2050

- FY2019: Utilized internal carbon pricing (ICP) of ¥3,000/tCO₂e when making decisions about large-scale investments
- FY2020: Required all divisions in their budgeting to identify short- and medium-to-long-term issues as well as consider and implement countermeasures based on our climate change policy

With regard to our ICP, we are engaging in ongoing discussions concerning its standards and management, including its revision. Also, the issues identified by individual divisions are reflected in our carbon neutral strategy and scenario analysis according to the TCFD recommendations. In addition, we have launched a range of development projects based on the recognition that climate change response and solving the problems with plastics are inseparable from each other. To this end, we are carrying out Group-wide discussions from a medium- to long-term perspective regarding their implementation plans and resource allocation, and making management decisions.

We believe that contributions from chemistry are essential to reducing GHG emissions throughout the entire value chain. So, in November 2020, the Mitsui Chemicals Group announced to achieve carbon neutrality by 2050. Sustainability management requires timely understanding of the fast-changing environment and swiftly reflecting that awareness in management. In order to broadly implement our new initiatives throughout society, we must hypothesize, test, and aggressively take on challenges through trial and error. We will continue to promote sustainability management based on the fundamental belief that incorporation of ESG elements into management/strategies will lead to enhanced corporate value.

Blue Value™ and Rose Value™ – Visualizing Contributions to the Environment and Society

Our Blue Value™ and Rose Value™ help visualize the contributions our products and services make to the environment and society and enable us to share those values with stakeholders so we can realize our ideal future society—a circular society in harmony with the environment and a comfortable society in which people can enjoy healthy lives and well-being. To this end, we have established the Blue Value™ and Rose Value™ Indices, our distinctive yardsticks for assessing environmental contributions and quality-of-life (QOL) improvements. We use these indices to evaluate our products and services according to application. Those that make significant contributions to the environment or improvements to QOL are respectively certified as Blue Value™ and

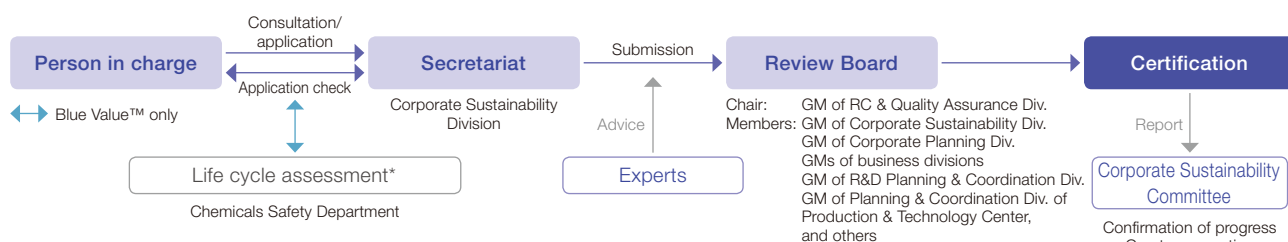
Rose Value™ products.

VISION 2030 adopts the sales revenue ratios of Blue Value™ and Rose Value™ products as non-financial metrics, with their targets both set at 40% or more. Growth in the sales revenue ratios for these certified products demonstrates that we are making steady progress toward achieving our ideal future society. We also believe Blue Value™ and Rose Value™ inform our efforts toward addressing the following material topics of our Group: climate change, a circular economy, health and livelihood, highly livable communities, food security, and product design based on full life-cycle considerations.

Screening and certification process

The person in charge of sales and marketing first assesses the product or service slated for application for Blue Value™ or Rose Value™ certification in accordance with the aforementioned indices, and then consults with and submits an application to the secretariat. The review board deliberates on the supporting evidence and certifies the product or service if it satisfies the criteria. These deliberations focus on whether the product's concept and selling point are

consistent with the area in which it offers contributions, as well as check the level of those contributions. In order to certify products and services with an emphasis on appropriateness and objectivity, our assessment methods and screening criteria have been designed based on the advice of external experts. We also ask these experts to present their opinions prior to the review board regarding the requested product's level of contribution.



* Life cycle assessment (LCA): A technique to quantitatively assess environmental impacts associated with all the stages of a product's life, from raw materials, to manufacture, processing, use, and disposal.

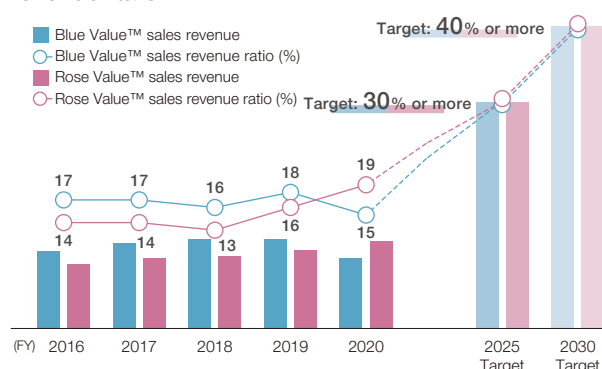
Strategy for expanding Blue Value™ and Rose Value™ products

In order to encourage proactive investment that will lead to the growth of Blue Value™ and Rose Value™ product sales, we have created a mechanism for reflecting ESG elements in investment decisions. Since fiscal 2019 we have mandated that the application format for large-scale investments include description of the opportunities and risks the project entails from the perspective of social challenges, such as by indicating the project's Blue Value™ and Rose Value™ contributions. Since fiscal 2020, we have set annual targets for the expansion measures and sales revenue of certified products in each business division, and worked to incorporate them into their business strategies.

Moreover, we believe that the incorporation of life cycle assessment/life cycle thinking, environmentally compliant design of products and services, and the management of chemical substances, are important for sustainably producing products and services that address climate change and help to achieve carbon neutrality and a circular economy. Therefore, starting from the initial stages of research and development, we perform simple checks from the points of view of Blue Value™ and Rose Value™. We also conduct preliminary examinations of Blue Value™ and Rose Value™ product candidates before they go to market, to make clear the performance and value requirements for

contributing to the environment and society. And we use the results of these preliminary examinations to forecast the progress of sales revenue ratio targets and to consider and execute expansion measures. Hereafter, we will build a framework for incorporating the Blue Value™ and Rose Value™ viewpoints into product design and application development from the research and development stage. We will continue to strengthen our sustainability assessment efforts, including life cycle assessment.

Blue Value™ and Rose Value™ products sales revenue ratio



Blue Value™

Environmental contribution value

Earth blue Instead of green, which is associated with nature and ecology, blue represents something much bigger—the earth. It is also our corporate color and signifies harmony with the global environment and our contributions to society.



We use the Blue Value™ Index—our own LCA-based environmental impact assessment index—to evaluate products and services depending on their application and certify them as Blue Value™ products if they significantly contribute to protecting the environment in the following three categories: (1) reducing CO₂; (2) conserving resources; and (3) coexisting with nature.

We carry out comparative assessments against market-standard products and our existing product lineup

because a requirement for Blue Value™ certification is that not only must the product have a higher score in either of the evaluation categories, it must not be inferior in all categories for each stage of its life cycle. Moreover, the use of qualitative and semi-quantitative assessments means products can be easily evaluated, but whenever required, the department responsible for life cycle assessment can technically and quantitatively assess the superiority of a product's environmental contributions.

Contributions	Blue Value™ Index	
	Evaluation categories	Related assessment items
Reducing CO₂ 	Reduction of GHG emissions · Reduce GHG emissions at the raw materials acquisition, manufacturing/processing, and end products use/disposal stages	<ul style="list-style-type: none"> • Weight and volume reduction • Long service life • Natural energy sources • Non-fossil raw materials • Environmental cleanup The above items are assessed for their contributions to any of the evaluation categories.
	Saving of energy, electricity, and fuel · Reduce energy such as electricity and fuel at the raw materials acquisition, manufacturing/processing, and end products use/disposal stages · Use of end products in the energy conservation field	
Conserving resources 	3Rs, ease of sorting, conservation of resources · Use reusable/recyclable materials at the manufacturing/processing stages for products, processed items, and end products as well as reduce material usage · Products, processed items, and end products based on reuse/recycling · Possible separation at the time of disposal	
	Coexisting with nature 	
Prevention of environmental contamination · Reduce the impact on the global environment excluding people/living organisms from environmental pollutants across product life cycles; specifically, reduce the addition of environment pollutants harmful to ecosystems, curb their formation, and use substances that do not pollute the environment		

* GHG emission-related global warming substances, chemical substances harmful to ecosystems, and environmental pollutants are all substances for which characterization factors have been calculated in LIME2.

Message

Expectations from external expert (Blue Value™ advisor)

Decarbonization and a circular economy are central to solving the world's problems, as well as to corporate growth strategies, and businesses need to promote cross-industry eco-innovation. Blue Value™ helps visualize the reduction in environmental impact of products from a product life cycle perspective. This is extremely important information for quickly achieving a carbon neutral and recycling-oriented society. Mitsui Chemicals has adopted the sales revenue ratio of Blue Value™ products as a key performance indicator for its long-term business plan targets, which contributes to the rapid spread of eco-products. So, I strongly support its activities.



Dr. ITSUBO Norihiro

Professor, Faculty of Environmental Studies
 Dean, Graduate School of Environmental and Information Studies, Tokyo City University



Blue Value™/Rose Value™
https://jp.mitsuichemicals.com/en/sustainability/mci_sustainability/contribution_value/index.htm

Rose Value™

La Vie en rose Days brimming with happiness and hope for people from all walks of life.

QOL improvement contribution value



We use the Rose Value™ Index—our own QOL improvement assessment index developed in accordance with the targets of the SDGs and other needs of society—to evaluate products and services in consideration of sustainable procurement and certify them as Rose Value™ products if they significantly contribute to improving QOL in the following three categories: (1) enriching life and society; (2) extending healthy life-span; and (3) protecting food.

We use qualitative and easy-to-understand evaluation criteria incorporating mainly universal design and amenity, resilient and smart city, universal health coverage, and food security perspectives to carefully examine whether the value of the functions and concept of a potential Rose Value™ product or service contributes to improving QOL in the evaluation categories.

Contributions	Rose Value™ Index evaluation categories	
Enriching life and society 	Improving comfort in people's lives	Provide products, buildings and spaces that take into consideration the needs of a variety of people
	Enhancing nursing care	Specialized nursing and caregiving is a component of "improving comfort in people's lives"
	Ensuring the sustainability of communities	Promote disaster prevention/mitigation measures, longer service life of infrastructure, and shift to ICT in communities
Extending healthy life-span 	Supporting physical well-being	Assist, improve, and heighten functions throughout the body, either directly or indirectly
	Advancing medical care and pharmaceuticals	Raise the level of medical technology and service in every phase of health, from pre-symptomatic disease to illness. Or improve aspects of medicine functionality, quality, and production
	Preventing and taking action against infectious diseases	Prevent or take action against infectious diseases
	Improving accessibility to nutrition and water	Simplify and/or improve production and/or the delivery of nutrition and water
Protecting food 	Improving food productivity	Raise food yields as well as work efficiency; improve related equipment capabilities
	Guaranteeing safe and stable food distribution	Secure and raise the level of safety and stability in food distribution
	Reducing food loss and food waste	Reduce waste from the perspectives of maintaining food freshness, extending "best-before date," packaging for contents separation and compartmentalization, loss when shipping, and other factors

Message

Expectations from external expert (Rose Value™ advisor)

Since fiscal 2019, "Ensuring the sustainability of communities" has been added as a new evaluation category in the Rose Value™ Index. It includes perspectives such as disaster prevention/mitigation measures, longer service life of infrastructure, and shift to ICT in communities. This agrees with the Mitsui Chemicals Group's pledge under VISION 2030 to roll out a social issue perspective across all of its companies and businesses, and to move away from its historical business focus on materials supply to those based on a social issue perspective. It has also set a Rose Value™ products sales revenue ratio of 40% or more as a key performance indicator in its long-term business plan targets. This is an era in which employees having excellent sensitivity to the needs and challenges of society deliver a competitive edge to a business. I believe that the Rose Value™ Index is a potent opportunity to gain such a perspective.



Mr. ADACHI Eiichiro

Senior Counselor,
 Japan Research Institute,
 Limited

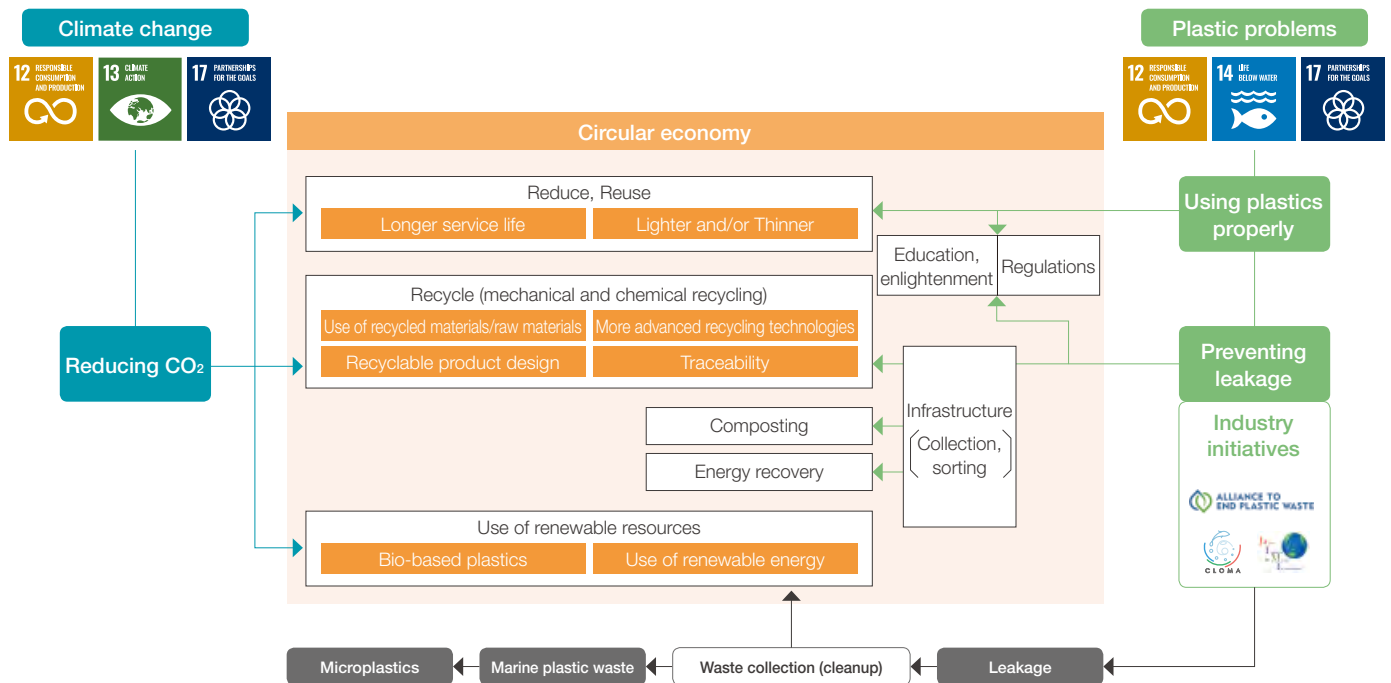


Climate Change and Problems with Plastic

Through the supply of chemicals and highly functional plastic products, the Mitsui Chemicals Group has contributed to improving convenience in people's lives and helped to solve challenges in society by, for example, reducing food loss and improving energy efficiency. At the same time, our business activities require the substantial use of fossil resources and energy, which emits large volumes of greenhouse gases (GHGs). Also, in recent years there is growing concern over environmental pollution caused by plastic waste that has leaked into the oceans. We see these problems pertaining to climate

change and plastics as serious challenges for society that must be earnestly addressed.

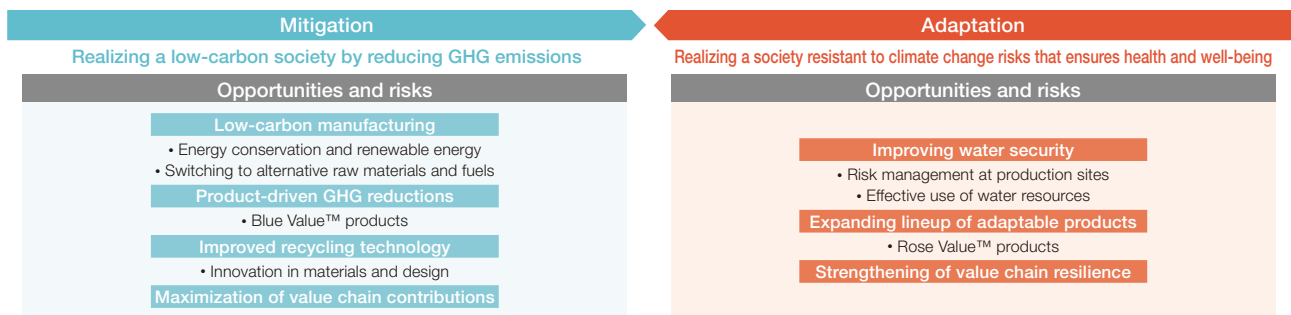
To resolve these challenges, we believe that a transition is needed from a so-called linear economy of consuming resources and disposing of products, to a circular economy in which renewable resources are used and other resources are utilized efficiently as well as collected for reuse to prevent waste. Adopting a life cycle assessment (LCA) approach, we are striving to bring about a circular economy through efforts focused on both climate change and problems with plastic.



Climate change policy

The Mitsui Chemicals Group takes into account foreseeable opportunities and risks from a long-term perspective with a view to the year 2050 and tackles climate change issues with two approaches: mitigation and adaptation.

With this in mind, we have formulated a policy on addressing climate change that covers the entire global value chain.



Carbon neutral strategy CN

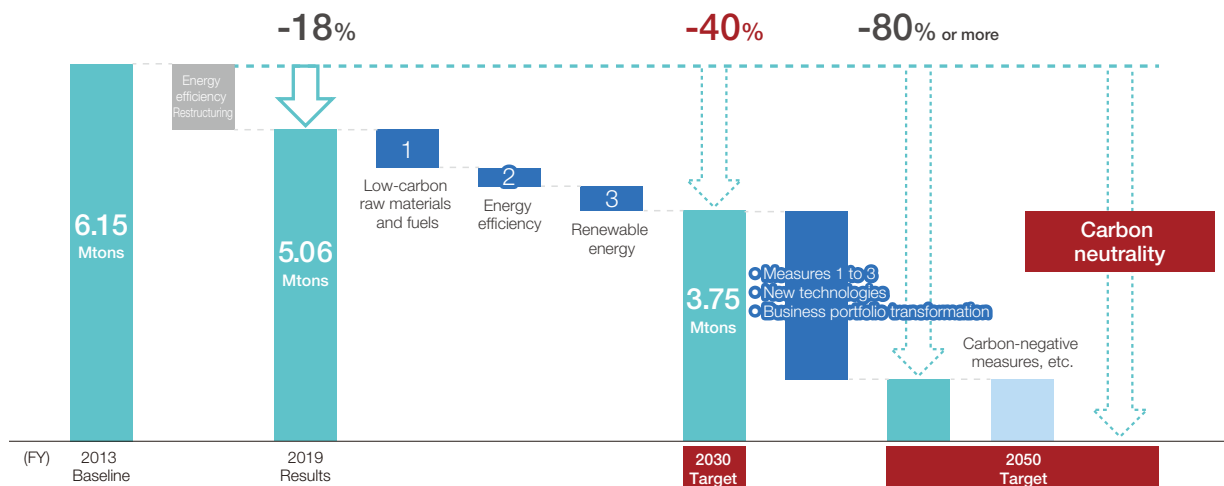
The Mitsui Chemicals Group believes that as a chemicals company we have an important role to play in helping to build a sustainable society that can limit the average global temperature rise to 1.5 degrees Celsius. Therefore, in November 2020, we declared our commitment to become carbon neutral by 2050. Our carbon neutral

strategy is centered around the two pillars of (1) reducing our own greenhouse gas (GHG) emissions (Scopes 1 and 2), and (2) maximizing the avoided emissions of our products over their entire life cycle. We are starting off with the purpose of contributing greatly to the transformation of society.

Reducing GHG emissions of the Mitsui Chemicals Group (Scopes 1 and 2)

We plan to focus our efforts to reduce GHG emissions (Scopes 1 and 2) on production sites with greater emissions volumes. Specifically, we aim to reduce our GHG emissions by 40% by fiscal 2030 compared to fiscal 2013 through transitioning to low-carbon raw materials and fuels, conserving energy by installing highly energy-efficient equipment and the like, and adopting renewable energy. We have set this as one of our non-financial targets in VISION 2030. In order to reach carbon neutrality by

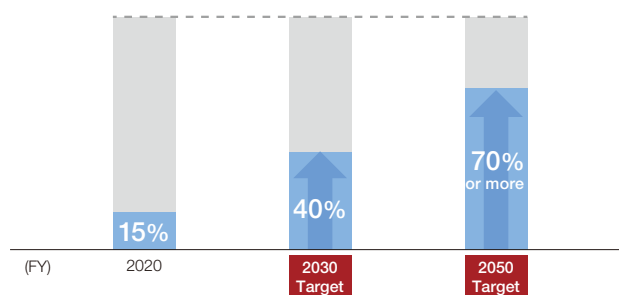
2050, in addition to the aforementioned measures, we intend to achieve 80% or more of these reductions mainly through development of new technologies and the transition of our business portfolio—though this presupposes external factors concerning markets and customers falling into place. We also plan to pursue policies which include the development and implementation of carbon-negative technologies, such as carbon capture, utilization, and storage (CCUS), to handle the remaining 20%.



Maximizing avoided GHG emissions through provision of our products

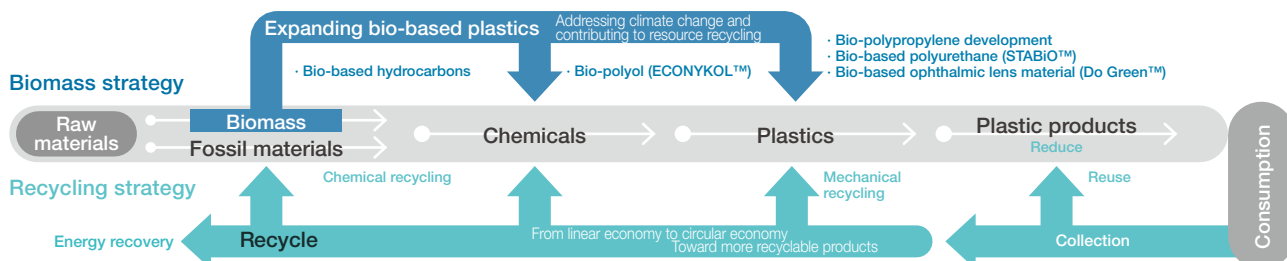
Many of the chemical products we provide go through various life stages in the hands of our customers, including processing, use, and disposal. Through our supply of Blue Value™ products with environmental contribution value, we aim to maximize avoided GHG emissions over the entire product life cycle. In this way, we intend to help all of society achieve carbon neutrality. In order to reach carbon neutrality by 2050, we have set a 40% or greater Blue Value™ products sales revenue ratio as one of our non-financial targets in VISION 2030. As part of our carbon neutral strategy, hereafter, we plan to incorporate measures to expand the lineup of and increase sales revenue ratio of Blue Value™ products into the individual strategies of each business domain.

Blue Value™ products sales revenue ratio



Plastics strategies

On the issue of plastics—which are mainstay products of the Mitsui Chemicals Group—we are focusing on the following two strategies that cover the entire supply chain. By implementing these strategies and addressing the problem of marine plastic waste, we aim to close the plastic loop and help achieve a circular economy.



Biomass strategy Expanding lineup of bio-based plastic products

Bio-based plastics made from plants—which grow by absorbing carbon dioxide—are attracting much attention as a possible substitute for conventional petroleum-derived plastics. As we believe that a shift to biomass feedstock encourages the recycling of

resources, curbs the use of new fossil fuels, and therefore helps mitigate climate change, we aim to expand our lineup of bio-based plastic products.

Recycling strategy Promoting plastic recycling

In the near future, policy incentives for products that contain recycled plastic and changing consumer attitudes may reduce demand for virgin plastic. To adapt to these changes in social needs, we will incorporate recycled materials as well as recycled

raw materials into our business. We are exploring a broad range of possibilities, including chemical and mechanical recycling of waste plastic, development of mono-material packaging, and support for startup businesses.

Problem of marine plastic waste

The problem of marine plastic waste owes to plastics that have escaped from the process for recycling resources and ended up in marine environments due to inappropriate waste management. Preventing plastic waste from leaking into rivers and the sea is of utmost importance, and requires a united effort by companies in the entire plastics supply chain. We are tackling this problem by

participating in global alliances such as the Alliance to End Plastic Waste (AEPW) as well as domestic alliances such as the Japan Clean Ocean Material Alliance (CLOMA) and the Japan Initiative for Marine Environment (JaIME).



Group-wide structure to promote plastics strategies and climate change measures

We have formed a sub-committee within the Corporate Sustainability Committee to discuss plastics strategies and climate change measures in detail. This sub-committee has a Group-wide structure comprised of a working group and a steering committee. Under this structure, the working group gathers candidate projects that align with our policies and strategies from across the Group, and works on firming up the details and proposes them to the steering committee. If some of the candidate projects would be difficult for one division to implement alone, the working group handles internal coordination between related divisions. The steering committee reaches swift decisions by selecting projects from among those proposed by the working group, deciding on resource allocation, and approving the projects.



Circular economy initiatives by the Mitsui Chemicals Group : Carbon neutral strategy : Biomass strategy : Recycling strategy

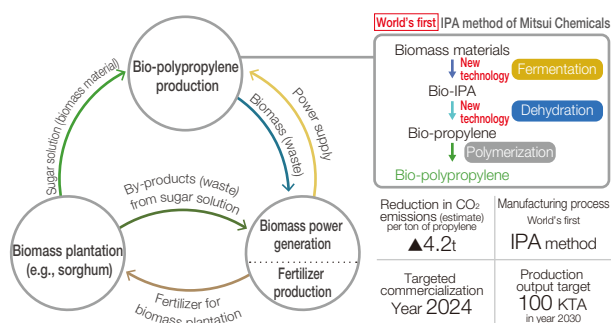
Starting production of Japan's first renewable plastics from 100% bio-based hydrocarbons

Starting in 2021, we will introduce bio-based hydrocarbons produced by Finland-based Neste Corporation from renewable raw materials, such as bio-based waste and residue oils, as feedstock for our crackers at Osaka Works. We will start producing and marketing renewable chemicals (such as phenol) and renewable plastics (such as polyolefin) under the mass balance approach, which allows for the allocation of bio-based content to specific products.

▶▶ Basic Materials P.60

Sights set on world's first bio-polypropylene commercial application

There are significant hurdles associated with manufacturing polypropylene from biomass materials and the technology has yet to be demonstrated on an industrial level. We are taking on the challenge of conducting world-first bio-polypropylene manufacturing trials by harnessing our new proprietary technology in which fermentation is a key reaction. By mainly using non-edible plants as the biomass raw material and converting the raw material residue to electricity, we aim to establish a sustainable technology that can be put to effective use.



Study launched with BASF to support chemical recycling in Japan

Chemicals borne out of chemical recycling can be used in the production of new materials such as plastics, without compromising on quality in even the most sensitive applications. This fact makes it a promising complementary solution for recycling plastic waste that is not suitable for mechanical recycling. To address the plastic waste issue in Japan, we have partnered with BASF with a view to commercializing chemical recycling

in Japan through cooperation across the value chain. The collaboration will combine BASF's technologies and know-how accumulated through its ChemCycling™ project with our assets such as technologies and ethylene crackers. Together, the Mitsui Chemicals Group and BASF will evaluate collaborative business models and various options.

Joint Research with Nagaoka University of Technology to Propel Plastic Waste Recycling

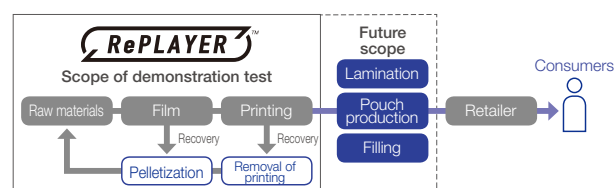
Plastic waste often includes varying states of the material. This results in regenerated plastic obtained from mechanical recycling being unable to maintain a consistent level of fluidity or quality, which limits its range of possible applications. In a joint development project with

Nagaoka University of Technology, we are working to develop technology that will facilitate in-line measurement and control for melted plastic's fluidity, which will in turn help to stabilize the quality of the regenerated plastic.

Launching demonstration facilities for mechanical recycling of flexible packaging materials in fiscal 2021

The Mitsui Chemicals Group is working to cut down on the amount of plastic waste generated in the flexible packaging materials sector, which is the largest application for our strong business in polyolefin resins and films. We have been running demonstration tests aimed at recycling waste plastics, which were created from film production and printing processes, into new film to be used as a flexible packaging material. As part of our project, we have also introduced new facilities that facilitate the removal of printing from printed film. We plan to start demonstration testing using these facilities before

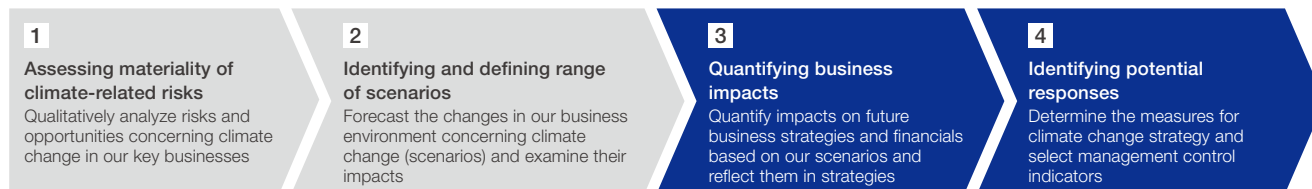
the end of fiscal 2021. Going forward, we will consider expanding the scope of our project to also include waste plastics from lamination through to pouch production, filling, and consumption.



Implementing the recommendations of the TCFD



In January 2019, the Mitsui Chemicals Group announced its support of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In line with these recommendations, the Group is taking the following approach.

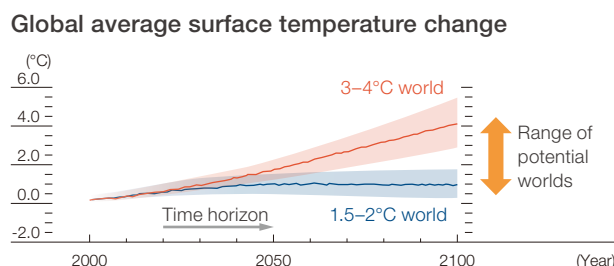


1 Assessing materiality of climate-related risks

We selected key business areas in the Group susceptible to the impacts of climate change, and assessed those impacts on them.

2 Identifying and defining range of scenarios

Based on our materiality assessment, we selected a “3–4°C world” scenario and a “1.5–2°C world” scenario. We amended our previous scenarios when we made our Carbon Neutral Declaration in November 2020.

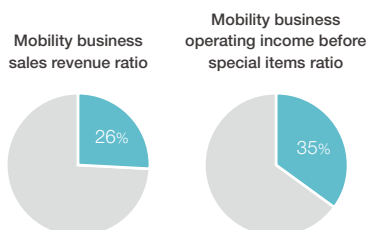


Scope of scenario analysis

Business areas All business areas (priority on the following areas due to significant impact on finances and GHG emissions)

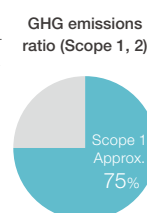
Mobility business

- ✓ Significant contribution to future sales revenue and operating income before special items
- ✓ Significant impact on climate change throughout product life cycles



Petrochemicals business

- ✓ Related to fossil fuel and energy (electric power) which is essential for manufacturing products
- ✓ In-house energy production and product manufacturing account for approximately 75% of our GHG emissions



Time horizon Present day to 2050 (references data through 2100 on physical risks and opportunities)

* External data used
 Data on transition to low-carbon economy: IEA SDS, 2DS, B2DS, NZE2050, The Future of Petrochemicals
 Data on physical aspects: IPCC RCP2.6, RCP8.5

Potential worlds

3–4°C world	1.5–2°C world
<p>Negative on decarbonization due to prioritizing of economic activity</p> <ul style="list-style-type: none"> ◆ Implementation of current climate change policies only <ul style="list-style-type: none"> · Introduction of carbon tax ◆ Catastrophic worsening of natural disasters caused by abnormal weather ◆ Expansion in demand for fossil energy and raw materials <ul style="list-style-type: none"> · Rise in prices of coal, gas, and oil · Rise in the price of fossil-fuel generated electric power ◆ GHG emissions to rise around 1.3 times (2050) 	<p>Realization of carbon-free society being the top priority</p> <ul style="list-style-type: none"> ◆ Implementation of ambitious climate change policies <ul style="list-style-type: none"> · Large increase in carbon tax · ICE sales suspended, switch to EVs ◆ Gradual worsening of natural disasters ◆ Shift to carbon-free energy and raw materials <ul style="list-style-type: none"> · Renewable energies become mainstream · Cut backs on chemical usage due to recycling · Production of chemicals from bio-based and CO₂ raw materials ◆ Carbon neutrality achieved (2050)

3 Quantifying business impacts

We conducted an impact assessment on events related to risks and opportunities under the selected scenarios (the “3–4°C world” and “1.5–2°C world” scenarios), and identified large business impacts for the Group.

Identified business impacts

(● denotes risks; ● denotes opportunities)

Scenarios	Events	Business impacts
3–4°C world	Catastrophic worsening of natural disasters	● Increased damage to production sites due to flooding along coasts and rivers (property damage, decreased operating rate, supply chain disruptions)
	Increased demand for products to adapt to global warming	● Increased sales revenue of Rose Value™ products (contribute to disaster prevention/mitigation measures and prevention of infectious disease)
1.5–2°C world	Strengthened regulations to stimulate transition to a carbon-free society	● Increased manufacturing costs and deteriorating profits due to taxes placed on fossil fuels by the introduction of a carbon tax
		● Avoiding deterioration in earnings by taking steps to prepare for a possible carbon tax and other regulations, and increasing sales revenue of products that comply with regulations
	Market changes brought about by decarbonization	● Increased raw materials costs due to decreased naphtha production volume driven by decreased consumption of fossil fuels
		● Increased sales revenue of Blue Value™ products, which contribute to GHG emissions reduction across the value chain, arising from the use of biomass materials, non-fossil fuels, and renewable energy
Accelerating growth of the circular economy	● Creation of new business opportunities by introducing the recycling (mechanical and chemical recycling) and CCUS technology that stakeholders are calling for	
Responding to demands from stakeholders		● Declining valuation and reduced opportunities to secure investment due to insufficient response to demands by customers and investors to reduce GHG emissions
		● Increasing corporate value and growing opportunities to secure investment due to proactive disclosure of information about how we are addressing climate change (strategy/progress)

4 Identifying potential responses

Considering the results of impact assessments under the selected scenarios, we have incorporated our carbon neutral strategy into VISION 2030. In our carbon neutral strategy, we have formulated a roadmap for reducing our Group’s Scope 1 and Scope 2 GHG emissions to achieve carbon neutrality by 2050. We have also set GHG emissions reduction targets for 2030. Going forward, we plan to incorporate our carbon neutral strategy into the individual strategies of each business domain, and consider concrete action plans, key performance indicators, and the like.

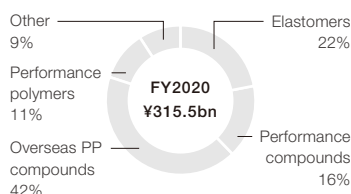
▶▶ Carbon neutral strategy P.43

Strategy by Business Segment

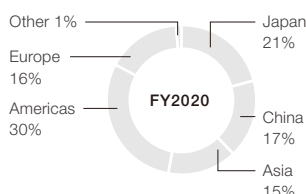


MOBILITY

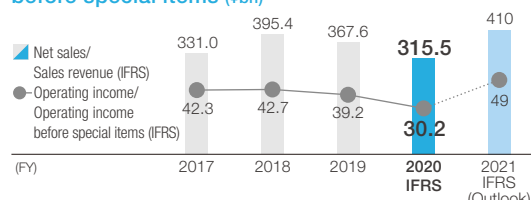
Sales revenue by product



Sales revenue by region



Trends in sales revenue and operating income before special items (¥bn)



Challenges and needs of society

Against a backdrop of growing global environmental awareness and calls for corporate social responsibility, it is increasingly important to reduce environmental impacts through efforts including electrification. The effects of this are also starting to be seen in the mobility sector materials industry, with further lightweighting and utilization of recycled and bio-based raw materials. Coupled with changes in the way cars are used as mobile spaces, this is also giving rise to diverse new needs such as improving comfort and transitioning to electrical components. Meanwhile, present concerns include the semiconductor supply shortage, which may pose a potential risk to the anticipated recovery in automotive demand and production.

Issues

- ▶ Insufficient spare production capacity to quickly respond to increased demand or rapid recovery

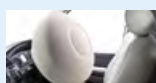
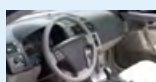
Risks and opportunities

- ▶ Delayed recovery of automotive demand and production due to renewed spread of COVID-19 and semiconductor supply shortages
- ▶ Changes in the important players and development cycle of automotive-related components
- ▶ Expanding need for materials development associated with lightweighting, increased comfort, and electrification of automobiles
- ▶ Expanding utilization of recycled and bio-based raw materials in the context of accelerating efforts to reduce environmental impact

Competitive advantages

- ▶ Extensive lineup of materials
- ▶ Advanced technological capabilities
- ▶ Customer base
- ▶ Technical support
- ▶ Ability to propose total solutions across the value chain

Main products



Elastomers

Ethylene-Propylene Terpolymer (Mitsui EPT™), Alpha-olefin copolymer (TAFMER™), Liquid polyolefinic oligomer (LUCANT™)

Performance compounds

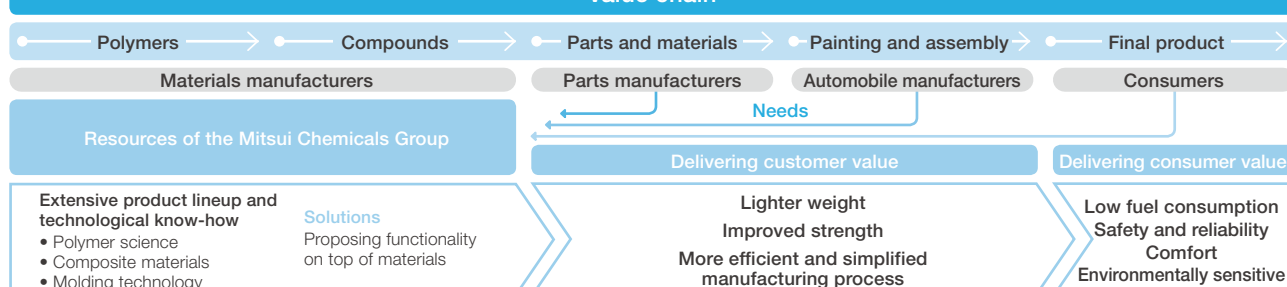
Adhesive polyolefin (ADMER™), Thermoplastic olefinic elastomer (MILASTOMER™), Engineering plastics (ARLEN™)

Overseas PP compounds

Performance polymers

Specialty polyolefins (TPX™, APEL™, HI-ZEX MILLION™, MIPELON™, LUBMER™), Semiconductor manufacturing material (Mitsui PELLICLE™, RAYPROM™)

Value chain



We aim to deliver customer and consumer value by harnessing the Group's various materials, components, molding technology, and development support capabilities to provide real and tangible solutions.

Message from the Mobility Business Sector President

Looking back on VISION 2025

Our growth policy for the Mobility Business Sector laid out in VISION 2025 was to “provide solutions that make full use of our comprehensive strengths.” The main gist of our strategy was to increase production capacity in existing businesses in a timely manner, accelerate expansion of our business overseas, and work to acquire new capabilities and strengthen our portfolio of products and technologies in order to strengthen our ability to propose solutions. In accordance with this strategy, we have promoted multiple initiatives to reinforce production capacities for highly competitive products. This includes global capacity expansion of PP compounds which contribute to automotive lightweighting, building new plants for LUCANT™ which helps reduce fuel consumption and for APEL™ which is a high-performance lens material. In addition, we acquired ARRK Corporation, which is involved in supporting customer development efforts through design, analysis, prototyping and the like, and began production and sales of our cutting-edge technology, EUV pellicle. Hereafter, we will strive to expand our business even further by fully leveraging our expanded and strengthened production capacity, functions, and products to enhance our provision of solutions.

Status of current efforts

Automotive demand and production declined in 2020 due to the spread of COVID-19, but the qualitative changes in vehicles expressed by the acronym CASE (Connected, Autonomous, Shared, and Electric) are only accelerating. In addition, with society demanding that industry meets its social responsibility to reduce CO₂ emissions, various areas of development are gaining significance in service of energy conservation and vehicle electrification. As the challenges that need to be solved in the mobility domain increase in number and importance, we aim to further enhance our contribution to solving the challenges that will face the even more transformed world of 2030. To this end, we will formulate a new mobility business strategy and work to transition to a solutions-based business.

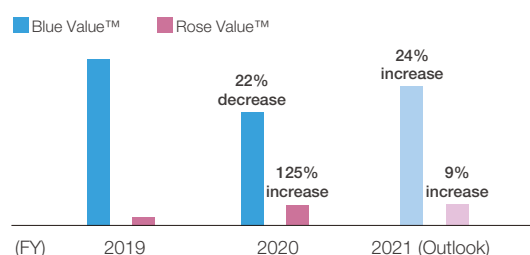
KOMORIYA Atsushi
Managing Executive Officer,
Business Sector President,
Mobility Business Sector



The status of Blue Value™ and Rose Value™ products


We are continuing to develop products in the Mobility business sector that are linked to development trends in our value chain in line with the growing global environmental awareness, and that contribute to improved performance in automotive lightweighting, energy conservation, ease of recycling, and renewable energy applications. As a result, the sales revenue ratio of Blue Value™ products in this sector reached 40% in fiscal 2020. As we further enhance the performance and quality of Blue Value™ products going forward, we will expand sales revenue while also increasing the contribution these products make.

Blue Value™ and Rose Value™ products sales revenue



* Shows the percent change of sales revenue from the previous year for Blue Value™ products and Rose Value™ products.

**Bumper and instrument panel materials
PP compounds**



Reduce GHG emissions by roughly 13% by not requiring painting process.

Reduces CO₂ Conserves resources


**Concrete surface reinforcement agent
Toughness Coat™**



Resin film formed on the surface of concrete structures gives greater durability and impact resistance, extending the life of infrastructural systems and preventing and reducing the effects of disasters.

Enriches life and society

**Adhesive polyolefin for plastic fuel tanks
ADMER™**



Lightens fuel tanks by 10–30% with the use of plastics instead of metal.

Reduces CO₂

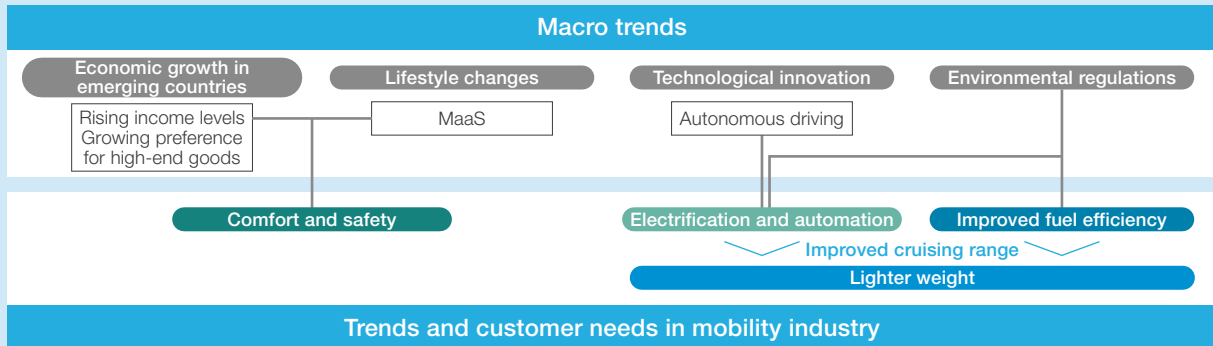
**Lubricant additive for automobiles
LUCANT™**



Improves fuel efficiency by reducing temperature dependence of lubricant's viscosity and maintaining appropriate viscosity.

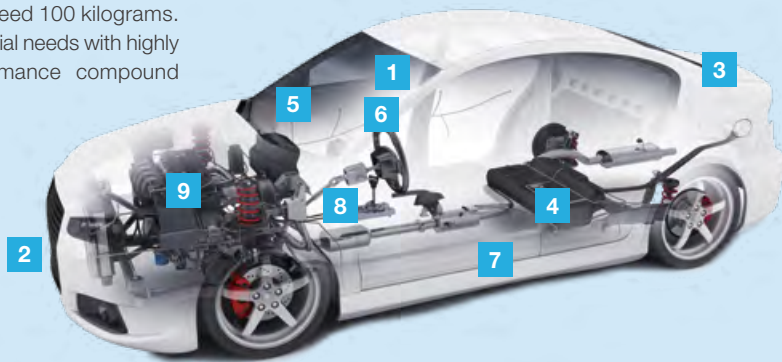
Reduces CO₂

Customer needs identified from market trends



Function-specific lineup of strategic products

Automobiles are made up of roughly 30,000 parts, and the total weight of plastic materials used is said to exceed 100 kilograms. The Mitsui Chemicals Group meets various social needs with highly functional polymeric materials and performance compound products—areas that we excel in.



1 In-vehicle camera lenses

APEL™

- Compact
- Safe and reliable
- Lightweight

Electrification and automation | Lighter weight

2 Bumpers

Global **No.2**
Asia **No.1**

PP compounds PRIME POLYPRO™ TAFMER™

- Lightweight
- Impact resistant
- Designable

Lighter weight

3 Exterior materials

Glass fiber-reinforced plastic materials/carbon fiber-reinforced plastic materials, etc. MOSDIO™*

- Lightweight
- Improved fuel efficiency

Lighter weight

4 Fuel tanks

Global **No.1**

Adhesive polyolefin ADMER™

- Lightweight
- Higher degree of freedom in design

Lighter weight | Comfort and safety

5 Metal/resin integral molding parts

POLYMETAC™

- Lightweight and compact
- Fewer production processes and lower assembly costs
- Improved design

Lighter weight | Comfort and safety

6 Interior surfaces

Global **No.3**
Asia **No.2**

Thermoplastic elastomers MILASTOMER™

- Low density, lightweight
- Designable
- Recyclable

Lighter weight | Comfort and safety

7 Door sealing

Asia **No.2**

Ethylene-Propylene Terpolymer Mitsui EPT™

- Good processability
- Good weatherability and heat resistance
- Good sound absorption/insulation

Comfort and safety

8 Gear lubricant oil additives

Liquid polyolefin oligomer LUCANT™

- Improved fuel efficiency
- Longer service life

Improved fuel efficiency

9 Parts around engine

ARLEN™

- Heat resistance
- Improved fuel efficiency

Improved fuel efficiency

* Can be used for rear-door and hood interior panels.

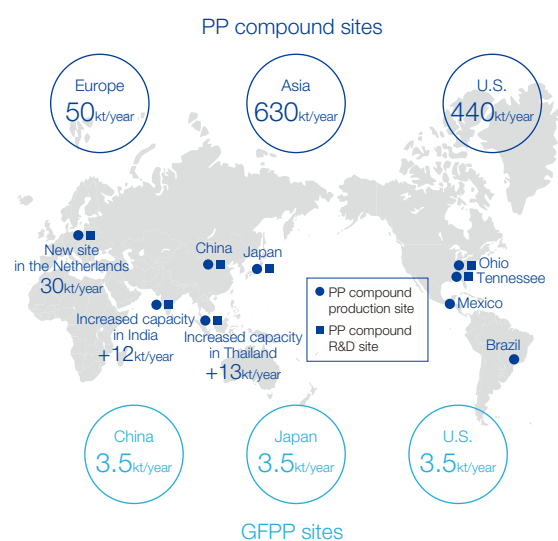
Challenges of automotive industry, lighter vehicle bodies, and growth in polypropylene (PP) compounds and other automotive parts

Initiatives toward the global establishment of local production for local consumption systems and the progress of the transition to electric vehicles

The Group's automotive material PP compound business boasts the second-highest market share globally and the top share in Asia. We also maintain a leading share among Japanese automakers, while in North America we already hold a share of roughly 30%, having received a high evaluation and built a solid track record supplying compounds to US auto manufacturers. PP compounds are materials that enhance impact resistance and rigidity because other polymers and additional agents, such as elastomers and talc, are added to polypropylene, which has superior moldability. Currently, around 50–60 kilograms of PP compounds per car are used to make components such as bumpers and instrument panels.

Our superior proprietary compound recipes and the know-how to design the resins, or in other words the raw materials, have enabled the Group to provide high-quality products meeting various customer needs. And that is why we have been rated very favorably. With the launch of our European site in June 2020, we have built a system capable of quickly accommodating the global strategies of automobile manufacturers, by maintaining nine production sites and seven R&D sites in key regions around the world. In addition to PP compounds, recent years have seen the increasing adoption of plastic materials such as our glass fiber-reinforced polypropylene (GFPP) in places such as rear doors and sliding doors as a replacement for metal. Hereafter, we will capitalize on the technological superiority and supply capabilities of the Group to solve social challenges and contribute to further light-weighting of electric vehicles. At the same time, we will strive

to further strengthen our business by accurately identifying growth markets to meet demand growth and increased market share.

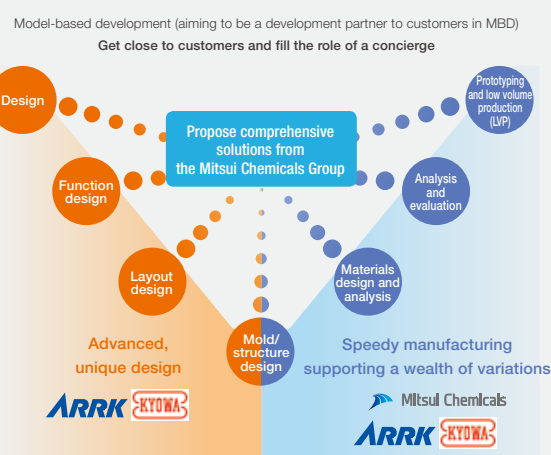


PP compounds	Share	
	Global	No.2 (Approx. 20%)
	Asia	No.1
	Japan	No.1

Topics Progress of Center of Excellence (CoE) System

Automotive manufacturing is undergoing massive transformation as represented by CASE and MaaS. Moreover, customers are also reshaping the details of development with shorter development periods, utilization of outside sources, incorporation of carbon neutrality into manufacturing, and the like. In response to these changes, we aim to propose solutions which make the most of the resources of the Mitsui Chemicals Group as a whole. Specifically, we are working to win trust and acquire projects at an early stage by not stopping at simply offering materials, but proposing solutions that get to the core of the customer's development areas through design, analysis, molding, prototyping, evaluation and more. Toward this goal, we have built an in-house CoE system, and are using it to discover optimal solutions that utilize resources from across the Group. It also serves as a central point of contact for cooperation on medium- to long-term themes with customers. We are currently pursuing joint development with multiple customers aimed at making interior and exterior components from plastics, and intend to strengthen our partnerships and business design capabilities through cooperation both inside and outside the Group, thus bringing about innovation together with customers.

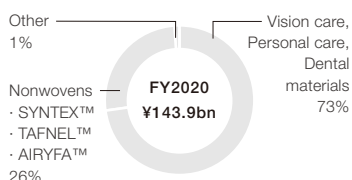
Proposing solutions toward cooperation with customers



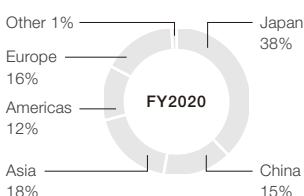


HEALTH CARE

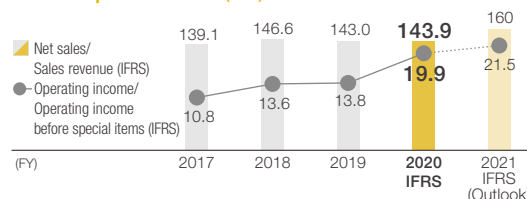
Sales revenue by product



Sales revenue by region



Trends in sales revenue and operating income before special items (¥bn)



Challenges and needs of society

Interest in health is growing due to factors such as the declining birth rate and aging population in developed countries, economic growth in emerging countries, and the ongoing fight against the COVID-19 pandemic. Customer values have diversified and individual preferences and needs are expanding, so customers now look for care that fits with their lifestyles.

Competitive advantages

Vision care materials

- ▶ Broad product lineup

Nonwovens

- ▶ Consistent technological capabilities, from base resins to processing

Dental materials

- ▶ Global brand power
- ▶ R&D capabilities ranging from raw materials to dental materials

Risks and opportunities

Vision care materials

- ▶ Global market growth

Nonwovens

- ▶ Slowing exports of baby diapers but stable growth in the domestic adult diaper market
- ▶ Intensifying competition in East and Southeast Asia

Dental materials

- ▶ Rapid changes in trends (shift towards smaller instruments) and expansion in the digital dental technology market

Issues

Vision care materials

- ▶ Resilience of global supply chains and distribution networks


Nonwovens

- ▶ Cost competitiveness in the mature hygiene materials (disposable diapers) market
- ▶ Uneven portfolio in the hygiene materials and industrial materials businesses


Dental materials

- ▶ Inferior presence in the Americas compared to Europe and other regions


Main products




Vision care materials
Ophthalmic lens materials (MR™, RAV7™), Photochromic lens materials (SunSensors™)



Personal care materials
Medical materials (taurine, serine, PLGA™), Antibacterial and anti-mold agents (YOHTOL™ DP95, YOHTOL™ DP-CD), Acrylamide, Methacrylamide, DMI™



Nonwovens
Nonwovens (SYNTEX™, TAFNEL™, AIRYFA™), Shape holding material (TEKNOROTE™), Breathable films (ESPOIR™), Polyolefin synthetic pulp (SWP™, KEMIBESTO™)



Dental materials
Restoratives (Charisma™, Venus™), Adhesives (Super-Bond™, iBOND™), Artificial teeth, Denture materials (PALA™), Impression (Flexitime™), Digital equipment/materials (cara™, DIMA™)

Market growth rate for key products

Vision care materials	Ophthalmic lens materials (MR™ series, RAV7™ series)*1	3%
Nonwovens	SYNTEX™ (spunbonded nonwoven hygiene materials)*2	5%

*1 FY2014–2021 (including impact from COVID-19) *2 FY2013–2020

Message from the Health Care Business Sector President

Looking back on VISION 2025

We have been striving to strengthen existing businesses and create new products and businesses toward achieving our vision of establishing new growth platforms for the Mitsui Chemicals Group by leveraging chemical innovation to create and provide products and services which help improve quality of life (QOL). Our measures with regards to existing businesses have been coming along well. This includes expanding sales of lens materials and reinforcing coating materials in vision care materials, expanding sales of high-performance nonwovens and broadening applications for industrial materials in nonwovens, and accelerating efforts to tap digitalization needs in dental materials. Meanwhile, we have also worked on measures related to new products and businesses, such as bringing AIRYFA™ and TouchFocus™ to market. However, we need to advance these even more as we go forward. We believe our future challenges lie in accurately identifying the needs of an increasingly diversified market in a timely manner, and in creating and providing new products and services that increase QOL. As we do this, we will also actively utilize methods such as mergers and acquisitions (M&A) and alliances, without being bound to our existing business models.

Strategy for the next fiscal year

In vision care materials we are working on expanding and strengthening our business platform. This entails steadily implementing the facility expansion plan we have already decided on, and capturing the long-term growth in demand anticipated from factors such as the growing consumer segment looking for high-performance products in Asia and the switchover from polycarbonate materials in North America. We will also work to enhance our solutions-based business by attempting to expand peripheral materials such as coatings. In nonwovens, we will promote the transformation of our business portfolio by optimizing production at our two production sites in Japan and Thailand, expanding sales of the high-performance nonwovens AIRYFA™ and SYNTEX™ Nano, and accelerating development of new applications. And, just as we did last fiscal year, we will contribute to society through the stable supply of component materials like nonwovens for domestic mask production to prevent the spread of COVID-19. Finally, in the dental materials business, we will endeavor to strengthen our foundation for growth by developing new products that support digitalization, tapping into new markets, and accommodate local needs.

TANAKA Hisayoshi

Managing Executive Officer,
Business Sector President,
Health Care Business Sector



The status of Blue Value™ and Rose Value™ products

Vision care materials

During fiscal 2020, our business took a hit from the COVID-19 pandemic, but from fiscal 2021 onward we expect to return to our pre-pandemic growth path. We are working to develop products not limited to vision aids, but which aim to deliver further value.

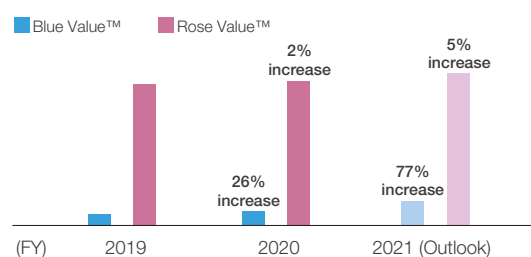
Nonwovens

Sales of AIRYFA™ dipped slightly in fiscal 2020 because we prioritized supply of general nonwovens due to the effects of COVID-19. But in fiscal 2021 we are strengthening its expansion as an environmentally friendly product. Meanwhile, we achieved sales of ESPOIR™ in line with our fiscal 2020 plans. And we expect to match those of the previous year in fiscal 2021. We are bolstering the production and supply of SYNTEX™ MB and TEKNOROTE™ in order to handle the social challenge of increased demand for masks during the COVID-19 pandemic. We project sales of SWP™ in fiscal 2021 will match those of the previous year.

Dental materials

Our dental material products are all certified as Rose Value™ products, and are contributing to improved quality of life for people. In fiscal 2020 the impact of COVID-19 caused sales to fall compared to the previous year. However, demand is recovering due to the reopening of dental offices and the like. Hereafter, we will leverage our developmental prowess from raw materials to dental materials, and develop and launch new products that support digitalization in dental care in particular to expand sales.

Blue Value™ and Rose Value™ products sales revenue



* Shows the percent change of sales revenue from the previous year for Blue Value™ products and Rose Value™ products.

<p>Ophthalmic lens materials MR™</p> <p>Contributes to vision correction, eye health, and comfort.</p> <p>Extends healthy life-span</p>	<p>Nonwoven fabric for disposable diapers AIRYFA™</p> <p>Reduces amount of waste by using a hollow fiber structure. Disposable diapers support comfortable living for babies and their carers.</p> <p>Reduces CO₂ Conserves resources Enriches life and society</p>
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Vision care materials

A world leader in ophthalmic lens materials

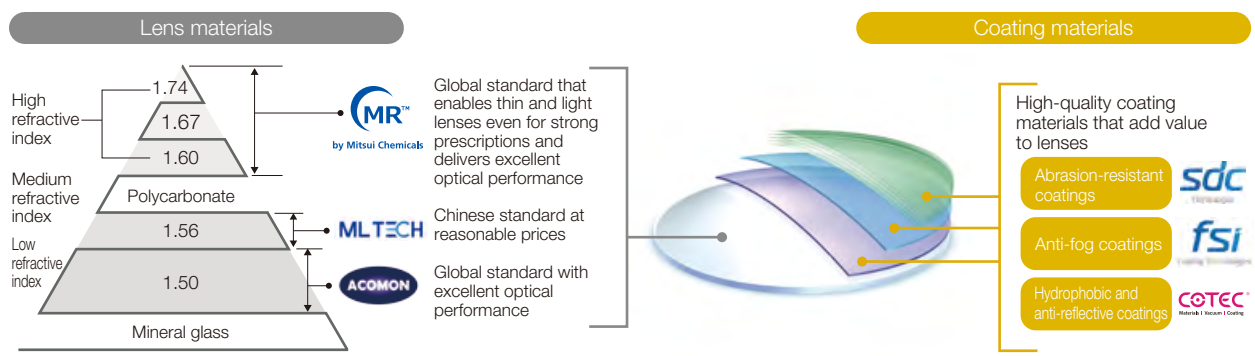
The Mitsui Chemicals Group develops plastic ophthalmic lens materials, ranging from low refractive to high refractive indices. In particular, our MR™ brand of high refractive index lens material is rated highly as a lens brand of its own that underpins the superb quality of the world's top brand lenses. We also aspire to enhance the coating solutions we offer. So, in 2020, we acquired COTEC GmbH, a manufacturer of hydrophobic and anti-reflective coatings, to join our affiliates SDC Technologies, Inc., which deals in high-quality abrasion-resistant coatings, and FSI Coating Technologies, Inc., which

excels in anti-fog coatings.

Hereafter, we will strive to develop products which deliver the best Quality of View (QOV*) to all people who need eyewear, through innovative lens materials, coating materials, and new technologies.

* Quality of View is a scale for measuring a person's quality of life and level of satisfaction regarding their eyes, such as optimization of vision, vision comfort, eye health management, and disease prevention.

Expanding market share with a broad product lineup



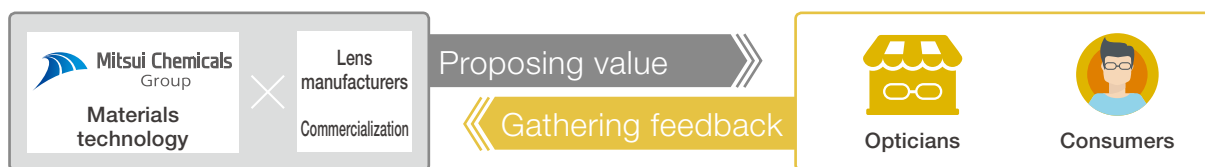
Global market share **45%**

Developing new technologies that capture the trends of aging, eye health awareness, needs for more comfortable eyewear, and more

- UV400cut**: Specific light wavelength control technology that cuts harmful ultraviolet light and some high-energy visible light
- NeoContrast**: Light wavelength control technology that protects eyes from glare, improves contrast, and helps with distinguishing shape, color, tone, and motion
- Varifocals**: Photochromic technology that protects the eyes from glare by adjusting the color depending on the amount of ultraviolet light

Value chain

Creating new businesses to deliver Quality of View



Topics MR™ high refractive index ophthalmic lens material picked up by Costco Wholesale Corporation as standard option for glasses

Costco Wholesale Corporation, a major glasses retailer in the United States, has previously mainly offered polycarbonate ophthalmic lenses, which are the standard in the US market. But the company sees the characteristics of MR™—which is used in various countries and regions around the world as the most reliable high refractive index ophthalmic lens materials—as an ideal fit for its concept of providing customers with high-performance products from excellent brands. And in October 2020, they began transitioning to lenses using MR™.



Mitsui Chemicals Vision Care Materials
<https://jp.mitsuichemicals.com/en/special/visioncare/>



Nonwovens

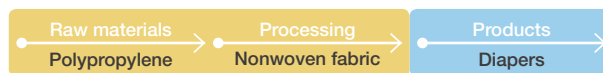
Expanding sales of high-performance nonwovens for hygiene materials, and accelerating shift toward industrial materials

In East and Southeast Asia, the use of disposable diapers has become more widespread, and high-quality, high-performance premium disposable diapers are growing in popularity. With the expansion of disposable diapers for the elderly, consumers now demand a higher level of functionality, including comfort and a snug fit. The Group has applied its technology to satisfy these consumer needs by developing highly acclaimed nonwoven fabric that demonstrates excellent softness and stretchability. Moreover, we aim to maintain and enlarge our top-level share in the Asian high-performance nonwoven fabrics market by striving to expand our new product AIRYFA™, which employs our proprietary technology to produce a hollow and thin fiber structure.

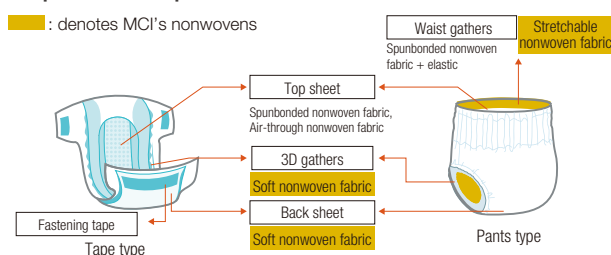
In the industrial materials business, we supply high-quality nonwovens including for car seats (product name: TAFNEL™), masks (product name: SYNTEX™), and agricultural sheets (product name: SYNTEX™). In addition, during the COVID-19 pandemic, we increased production to respond to the demand for masks, and also supplied materials for isolation gowns. To accommodate robust demand in the semiconductor market, we have expanded production facilities for meltblown nonwovens, increasing our production capacity by 50 percent. Our nano brand of microfiber meltblown nonwovens (peak fiber diameter of several hundred nanometers) has much finer fiber diameters, and is being developed for applications such as filters used in the semiconductor

manufacturing process. To deftly respond to looming demand from applications such as 5G, we aim to further strengthen and expand our nonwovens business.

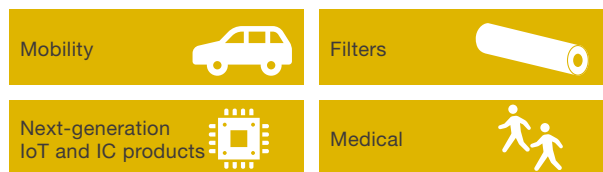
Value chain and market structure



Application of nonwoven fabric in super premium disposable diapers



Advancing the development and adoption of new themes



Dental materials

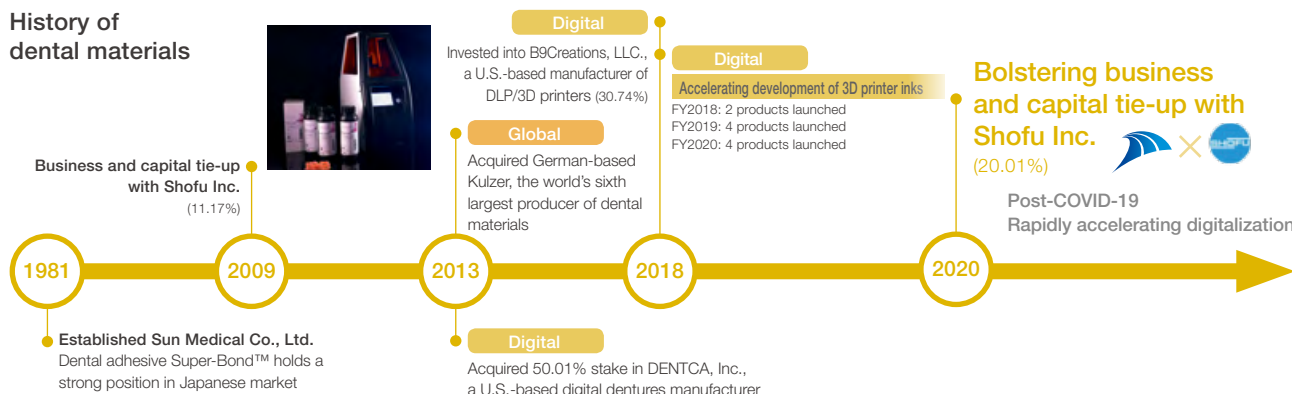
Accelerating our contribution to digitalization in dental care

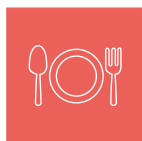
Dental materials are increasingly being made out of plastics rather than metal. By bringing to bear our development capabilities in materials, we aim to contribute to improved quality of life in the field of dental care with innovative products and services needed by dental surgeons and laboratories alike.

Workflow digitalization in dental care is advancing, driven by the use of equipment such as 3D printers. It is important to have a lineup of inks that can be used in various applications for the effective use of 3D printers. In addition to our own polymer science technology, the Group has thus far accumulated assets

in this business through acquisitions and investments—we gained a global business platform from Kulzer and acquired digital technology platforms from DENTCA, Inc. and B9Creations, LLC. In addition, through bolstering our business and capital tie-up with Shofu Inc., we will continue to (1) expand our presence in the Japanese and Asian markets, (2) respond to digitalization, and (3) speed up development of new products that utilize the technologies of both companies. We intend to bring together all of these capabilities within the Group in an effort to expand our global dental materials business.

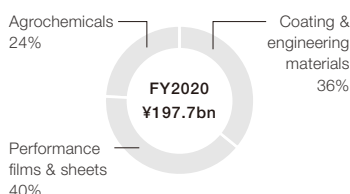
History of dental materials



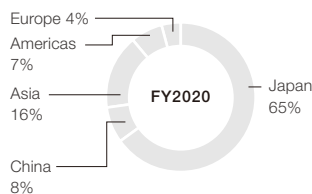


FOOD & PACKAGING

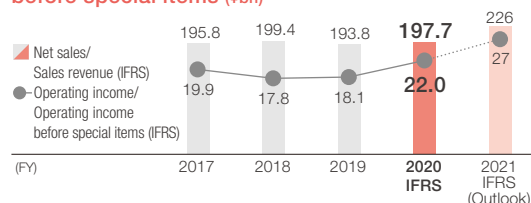
Sales revenue by product



Sales revenue by region



Trends in sales revenue and operating income before special items (¥bn)



Challenges and needs of society

The serious global issues of population growth and climate change call for measures to stabilize agricultural production and improve crop yields as well as to reduce food loss and waste. Moreover, addressing problems with plastics and moving toward a circular economy are now a matter of urgency for society.

Competitive advantages

- ▶ Broad product lineup
- ▶ Proprietary R&D and production technology
- ▶ Overseas expansion, particularly in Asia
- ▶ Customer base built on providing a swift response

Risks and opportunities

- ▶ Impact on existing businesses by environmental laws and regulations
- ▶ Rising need to reduce food loss and plastic waste
- ▶ Growing agrochemicals markets in Asia and South America, growth in the market for agrochemical-related products (disease prevention fields)
- ▶ Growing Asian market and sluggish domestic market for packaging materials
- ▶ Growth in ICT markets such as for 5G, high-performance displays, and CASE demand
- ▶ Uncertainty surrounding China and emerging economies
- ▶ Impact on development and procurement by the renewed spread of COVID-19

Issues

- ▶ Low growth of domestic business

Main products		Coating & engineering materials Polyurethane resins, Polyolefin resins, Packaging adhesives (TAKENATE™, TAKELAC™), Coating resins, Sealants for displays
		Performance films & sheets (Packaging films) Biaxially oriented polypropylene films, Cast polypropylene films, Linear low density polyethylene film (T.U.X™)
		Performance films & sheets (Industrial films and sheets) Semiconductor and electronic components manufacturing process films (ICROS™ Tape), Manufacturing process films for multi-layer ceramic capacitors (SP-PET™), Foam sheets, Encapsulant sheets for solar cells (SOLAR ASCE™), Heat-resistant release films (Opulent™)
		Agrochemicals Insecticides, Fungicides, Herbicides, Non-crop specialty chemicals, Pet medication ingredients

Market share and market growth rate of key products (FY2020)

	Share	Market growth rate
Agrochemicals	Global	—
	Asia	—
	Japan	10%
TAKELAC™ / TAKENATE™ packaging adhesives	Japan	29% (No. 2)
	ASEAN	26% (No. 1)
T.U.X™ high-performance sealant film	Japan	34% (No. 1)

* FY2018–2023

Message from the Food & Packaging Business Sector President

Looking back on VISION 2025

Since this business sector was established in 2016, we have spent time building a foundation for growth. At first, we were unable to achieve the growth we had initially anticipated. But in fiscal 2020, our measures taken to date bore fruit and we posted our highest profits ever. Agrochemicals and semiconductor manufacturing process tapes (ICROS™ Tape), which are drivers of growth, have been able to put us on track for even greater future growth as we also expand overseas. Meanwhile, coating and engineering materials, which show their strength in diverse product categories and a wide array of applications, have begun to contribute to revenue through product lines for lithium-ion batteries, and we expect to capture growing demand from electric vehicles.

In addition, while development to support a circular economy has not yet led to large business profits, we will thoroughly ascertain rapidly growing market needs and partner with customers for development in order to accelerate the deployment of this business and contribute to solving social challenges such as the reduction of greenhouse gas (GHG) emissions.

Strategy for the next fiscal year

In the field of coating & engineering materials, we will capture demand-led growth in environmentally friendly materials and ICT, with a focus on adhesives, heat-sealant and barrier coating materials, and specialty isocyanates.

In the field of packaging films, we recognize the rapid growth of needs to address environmental issues as a business opportunity, and will promote the development of low environmental impact products such as bio-based plastic products. We will also promote sales expansion and global deployment centered around high-performance sealant films.

In the industrial films and sheets field, we aim to increase the capacity of our new plant in Taiwan, which began operation from January 2020, to build a stable supply system for responding to the growing demand for semiconductors and expand our business domain.

In the field of agrochemicals, we will continue to expand sales of mainstay active ingredients such as dinotefuran, while also pursuing full-scale expansion of next generation active ingredients such as TENEBENAL™ and CYRA™. We will also continue to work to strengthen the supply system for our products.

Toward the goal of further medium- to long-term growth, we are advancing development of new businesses that contribute to solving social challenges through Group-wide collaboration enabled by the Center of Excellence (CoE) system we launched in 2020.

YANASE Koichi




Executive Officer,
Business Sector
President,
Food & Packaging
Business Sector



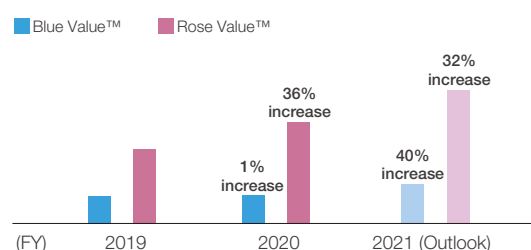
The status of Blue Value™ and Rose Value™ products

Sales revenue of Rose Value™ products accounts for the greater part of total sales revenue in this business sector. We are contributing greatly to protecting food and enriching people's lives through agrochemicals that improve crop yields, packaging materials that reduce food loss during the food transport and distribution process and help to extend the shelf life by improving barrier properties, and film used in semiconductor manufacturing processes which contributes to the miniaturization and increased functionality of smartphones.

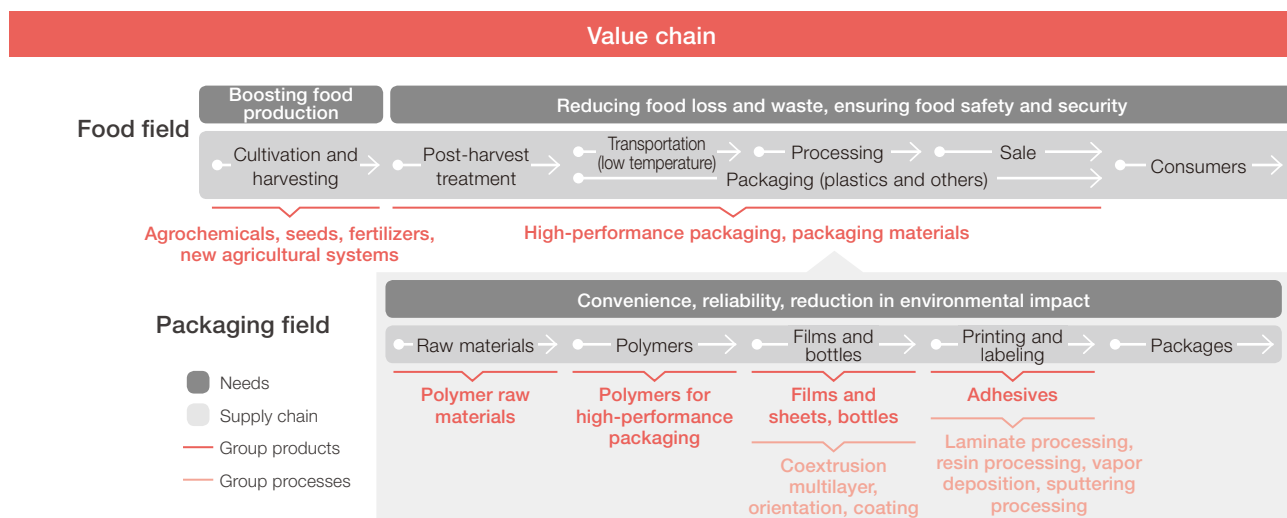
Our Blue Value™ products include packaging materials which help to conserve energy during the production stage by lowering heat seal temperatures, shortening curing times through high reactivity, and similar contributions. They also include water-based coating materials and adhesive tape products which help to reduce the use of volatile organic compounds by eliminating the use of solvents. In the future we plan to accelerate the provision of products and services compatible with a circular society, which includes further expanding our lineup of bio-based plastic products and recycling efforts.

<p>Heat-sealing material for paper CHEMPEARL™</p>  <p>Reduces the volume of resin used because it can form an even thinner film than that on polyethylene (PE) laminated paper. Paper coated with it is easily turned into a recycled pulp slurry, improving recyclability.</p> <p>Reduces CO₂ Conserves resources</p>	<p>Sealant film T.U.X™</p>  <p>Saves energy by using a lower heat seal temperature, while its improved film strength means less resin is used. Its excellent sealing performance and impact resistance reduces the amount of food wasted in food production and distribution.</p> <p>Reduces CO₂ Conserves resources Protects food</p>	<p>Insecticide STARKLE™</p>  <p>Helps to boost food production and stabilize agricultural production in rice paddies, farms, and orchards through its insecticidal effect against a variety of pests.</p> <p>Protects food</p>
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Blue Value™ and Rose Value™ products sales revenue



* Shows the percent change of sales revenue from the previous year for Blue Value™ products and Rose Value™ products.

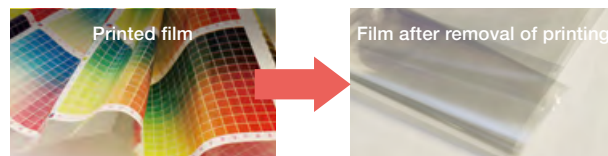


Performance films & sheets (Packaging films field)

Developing environmentally friendly and highly functional solutions for packaging

Our Center of Excellence (CoE), which was launched in 2020, is leading the way in cross-organizational and global information gathering, strategy formulation, and business development. In order to respond to environmentally conscious global trends, regulations and legislation, as well as to contribute to the reduction of food loss through products that confer functions such as barrier properties, we are accelerating the development and proposal of wide-ranging solutions that utilize the Group’s lineup of products which comprehensively cover the packaging value chain. With our response to environmental challenges in particular, we are steadily engaging with business opportunities spawned by the large medium- to long-term changes these challenges will bring about. These include efforts toward mechanical recycling of printed films,

ADMER™ and TAFMER™ as compatibilizers and modifiers for recycling, mono-material packaging which makes recycling easier, paper packaging that utilizes coating materials such as CHEMIPEARL™ and TAKELAC™, and adhesives such as TAKENATE™, TAKELAC™ and the adhesive polyolefin ADMER™ EF which incorporate bio-based raw materials.



Introducing technology for the roll-to-roll cleaning and print removal of printed film

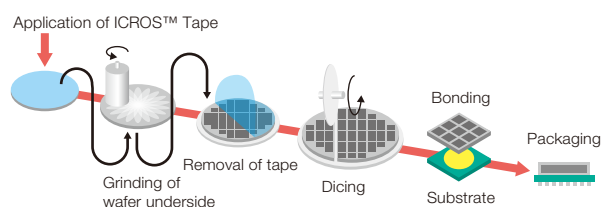
Performance films & sheets (Industrial films and sheets field)

Extending business to a wide range of industrial fields, and expanding business in the ICT field with ICROS™ Tape and SP-PET™

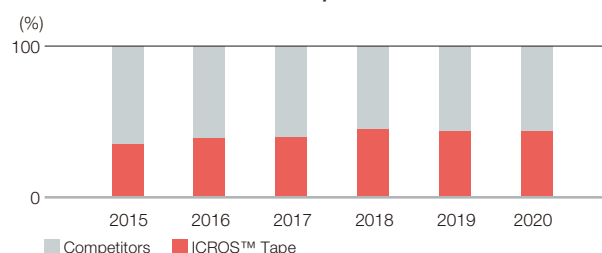
The technology in our performance films & sheets business supports a wide range of industrial fields from electronic materials to solar cells, construction, and logistics.

Especially in the case of ICROS™ Tape, a surface protection tape used during the semiconductor manufacturing process, we are the only company that manufactures and processes resins among the major competitive manufacturers of this kind of tape. Accordingly, we possess the largest share of the global market because we differentiate ourselves with resin design, film forming technologies, and adhesive design. Through the supply of ICROS™ Tape and SP-PET™, which is used in the manufacturing process for multi-layer ceramic capacitors, we are working to expand our business by responding to demand from the ICT market, which is experiencing remarkable growth centered around trends such as the movement of smartphones to 5G, and of automobiles to implement CASE.

What is ICROS™ Tape?



Global share of ICROS™ Tape



Agrochemicals

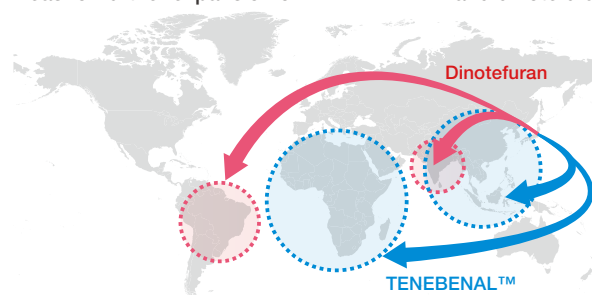
Helping to ensure a stable food supply and global expansion of agrochemicals

Agricultural production will likely continue to expand over the medium- to long-term against a background of global increase in population and economic development in emerging countries. Mitsui Chemicals Agro, Inc. possesses advanced agrochemical discovery technologies based on many years of experience in molecular design, organic synthesis, and biological evaluation, and is carrying out invention of highly unique next generation active ingredients and the development of agrochemical products. The company is strengthening its business foundation overseas in order to contribute globally to improved crop yields, longer healthy life expectancy by preventing infectious diseases, and greater comfort in people's lives through improved home environments.

In addition, through close cooperation with global and local partners, Mitsui Chemicals Agro, Inc. develops products based on market needs and is accelerating their registration and market launch in more countries. Our product, dinotefuran, offers excellent insecticidal effect against major pests and is

highly anticipated by agricultural producers in its largest market, Brazil, where we are earnestly expanding sales. Likewise, we are expanding registration of products containing TENEBENAL™ as the active ingredient to more countries. Moreover, we are contributing to improved quality of life through the expansion of our vector solutions business in emerging countries.

Areas for further expansion of TENEBENAL™ and dinotefuran



Coating & engineering materials

Environmentally friendly packaging materials and expansion of business in the ICT market

To better meet the varied needs of consumers, we are expanding our lineup of coating and engineering materials and developing a wide range of applications for these products. This lineup includes TAKENATE™, TAKELAC™, and CHEMIPEARL™, all of which are used in applications such as paints for cars and plastics and in packaging materials. In packaging materials, to respond to growing worldwide needs to address environmental issues such as development of mono-material and paper packaging, we are actively pursuing global expansion of water-based heat-sealant materials and barrier coating materials. In addition, we are earnestly engaged in growth markets such as ICT through our lineup of products such as FORTIMO™ and STABIO™, novel isocyanates which we were the first in the world to develop, and XDI, a specialty isocyanate which enjoys wide market recognition as

a high-performance product. All of our products create new customer value and are expected to help strengthen and expand the coating & engineering materials business.

Coatings

Example: Car paint



• STABIO™ • U-VAN™

Adhesives

Example: Packaging materials



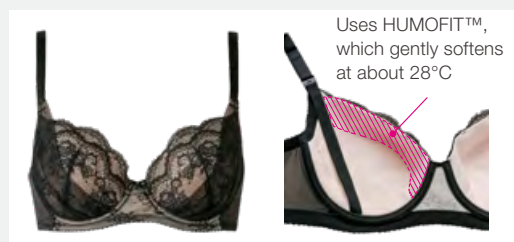
• TAKENATE™/TAKELAC™
• CHEMIPEARL™
• UNISTOLE™

Topics

HUMOFIT™, a new material sheet that adapts to the body, has been chosen by Wacoal Corp. for use in a maternity bra

Our new sheet material HUMOFIT™, which detects body temperature and gently embraces the wearer, has been adopted by Wacoal Corp. for use in a new maternity bra. HUMOFIT™ is used in the upper part of each cup, and has a glass transition temperature of 28°C (the temperature at which polymers undergo dramatic softening) which sits between room temperature and human body temperature. This allows it to respond to body heat and swiftly conform to the wearer's body. Its temperature dependence means that HUMOFIT™ becomes soft when warmed but firm when cooled, and its shape-memory properties enable it to gradually return to its original form even after being stretched. This has allowed Wacoal to create a bra with a perfect fit at all times after childbirth, accommodating the substantial changes in bust size that take place after breastfeeding.

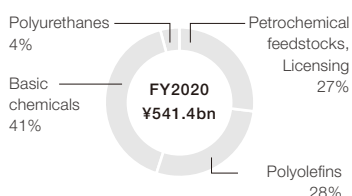
The unique properties of HUMOFIT™ have earned the material high praise in a variety of fields, including medical and nursing care, sport, and apparel.



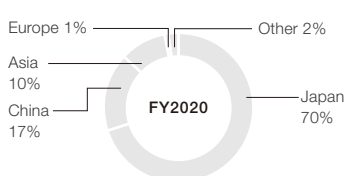


BASIC MATERIALS

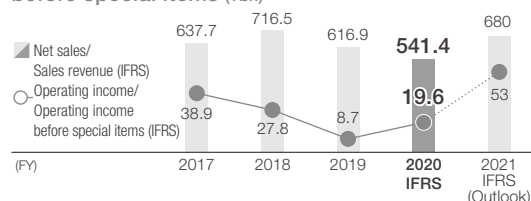
Sales revenue by product



Sales revenue by region



Trends in sales revenue and operating income before special items (¥bn)



Challenges and needs of society

Starting with petrochemicals and basic chemicals, we provide materials required by a wide range of fields in this business, such as automotive, housing, consumer electronics, infrastructure, and food packaging. Each of these fields demands the stable, inexpensive supply of high-value-added products. As environmental problems such as climate change and plastic waste become tangible on a global scale, there is a growing need to reduce greenhouse gas (GHG) emissions and reduce and reuse plastic waste through energy conservation and the use of bio-based raw materials. We recognize that with our production technology and infrastructure for broad supply of materials, the Mitsui Chemicals Group has a responsibility to contribute towards solving these urgent issues.

Competitive advantages

- ▶ Globally competitive naphtha crackers
- ▶ Metallocene and other polyolefin catalytic technologies
- ▶ Distinctive differentiated products and derivatives
- ▶ Global expansion of polyurethane system house business based on high-performance polyols

Risks and opportunities

- ▶ Shift to the high-performance packaging domain/market
- ▶ Influx of US shale and polyolefins
- ▶ Economic slowdown and volatility owing to US-China trade friction and the pandemic
- ▶ Crude oil and bulk product price volatility in Asia
- ▶ Influx of imported products and worsening export terms of trade due to the strong yen
- ▶ Shrinking domestic demand and changes in the Asian economy
- ▶ Growing needs to address environmental issues such as climate change and plastic waste
- ▶ Developments in digital technology and biotechnology

Issues

- ▶ Further reducing volatility
- ▶ Strengthening and expanding high-performance products
- ▶ Reducing GHG emissions
- ▶ Bolstering efforts toward a circular economy

Main products



Petrochemicals

Ethylene, Propylene, High density polyethylene, Metallocene linear low density polyethylene (EVOLUE™), Linear low density polyethylene, Polypropylene, Olefin polymerization catalysts



Basic chemicals

Phenol, Bisphenol A, Acetone, Isopropyl alcohol, Methyl isobutyl ketone, Purified terephthalic acid, PET resin, Ethylene oxide, Ethylene glycol, Hydroquinone, Meta/Para-cresol, Ammonia, Urea, Melamine, Semiconductor gas



Polyurethane raw materials

TDI (COSMONATE™), MDI (COSMONATE™), PPG (ACTCOL™, ECONYKOL™)



Message from the Basic Materials Business Sector President

Looking back on VISION 2025

We have been carrying out structural reforms with a focus on three products* which had a high export ratio in the past, in order to build a stable earnings base. These include local production for local consumption and thorough cost reductions, as well as downsizing which has included plant closures, and the introduction of pricing formulas that correspond to raw materials prices. As a result of these measures, the weighting of local production for local consumption for the three aforementioned products has now reached more than 80%, while the price formula ratio of mainstay products together with domestic polyolefins now stands at more than 70%, and almost all plants are operating at full capacity. Moreover, earnings volatility and profitability have been improving, and we continue to generate a stable cash flow.

However, we do not think that we have completed our structural reforms, or that we are finished. We must evolve to respond to an internal and external environment that changes moment to moment due to things such as the current COVID-19 pandemic. In this sense, we can say that structural reform is a never-ending challenge for us.

* Phenols, purified terephthalic acid (PTA), and polyurethane raw materials

Strategy for the next fiscal year

The structural reforms taken to date have reliably reduced volatility. However, from here on we aim to create a business structure that is even more resilient by pursuing business transformation from the point of view of solving social challenges such as changes in the internal and external environment, carbon neutrality, and a circular economy. Specifically, we plan to improve profit levels through restructuring, inventory compression, brand curtailment, pricing strategy review, and enhancement of our downstream business through chain expansion of high-performance products and niche product lines.

Our top priority challenge is to support and make a contribution towards a circular economy and carbon neutrality. At the same time, we recognize that this is our duty as a chemical materials manufacturer with the ability to accomplish this goal through the production technology we have built up thus far, our supply chains, and our relationship of trust and cooperation with customers and consumers. We have already begun to consider recycling and CO₂ reduction in a variety of fields, and expect to make progress on each in turn. In particular, we are actively examining how we can help achieve a circular economy. To this end, we are expanding chemical products such as polyolefin made from bio-based raw materials, developing materials that can reduce usage volumes, developing conditioning agents to promote recycling, and reusing materials such as waste plastic.

YOSHINO Tadashi

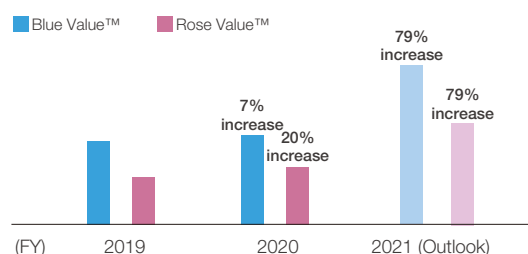
Member of the Board,
Senior Managing
Executive Officer
Business Sector
President,
Basic Materials
Business Sector



The status of Blue Value™ and Rose Value™ products

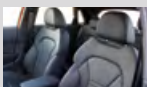
We have been expanding our range of Blue Value™ and Rose Value™ products, which includes EVOLVE™ and Nextyol™, by capitalizing on the catalyst and resin design technology that has characterized our business to date. In fiscal 2020, we newly registered two products as Rose Value™ products: HI-ZEX™ and ACTCOL™. Hereafter, we aim to reduce greenhouse gas emissions by transitioning to bio-based raw materials, and obtaining Blue Value™ certification, for the many petrochemical and basic chemical products derived from fossil materials.

Blue Value™ and Rose Value™ products sales revenue



* Shows the percent change of sales revenue from the previous year for Blue Value™ products and Rose Value™ products.


Seat cushion materials
Nextyol™



Improved automotive fuel economy delivered from lighter weight and drastic reduction in VOCs and odor contribute to mitigating climate change and to creating a comfortable living environment.

- Reduces CO₂
- Coexists with nature
- Enriches life and society
- Extends healthy life-span

Exhaust gas reduction agent
AdBlue™*



Reduces NOx emissions. Contributes to fuel efficiency.

* AdBlue is a trademark of the VDA (Verband der Automobilindustrie).

- Reduces CO₂
- Coexists with nature

Implementing product portfolio reform / Bolstering and expanding downstream businesses

We aim to reform our portfolio by increasing profit levels and enhancing our downstream businesses, and are striving to strengthen our high-performance and niche product lines.

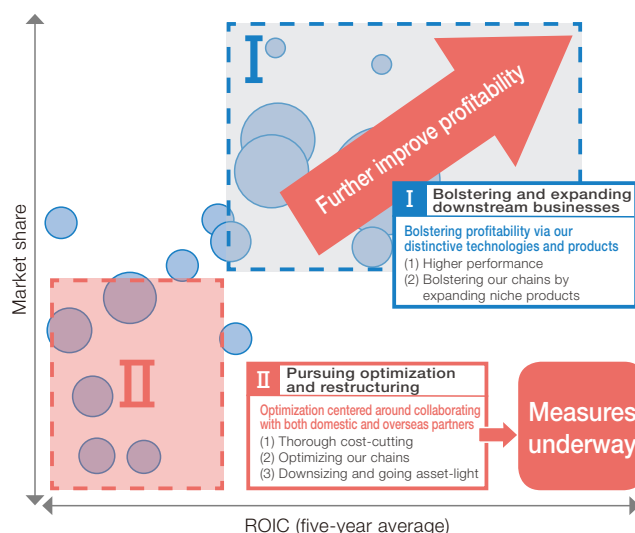
In Japan, we will construct a new plant for high-performance polypropylene. This will allow us to supply highly rigid and thinner materials that enable lightweighting of automobiles, helping to increase driving range. We also expect to contribute to easier recycling with these thinner materials. In conjunction with building the highly efficient new plant, we will suspend our existing plant (scrap and build) to achieve substantial streamlining and energy efficiency that will eliminate 70 thousand tons/year of GHG emissions.

In high-performance MDI, we will increase production capacity at Kumho Mitsui Chemicals (South Korea) by 200 thousand tons/year. With this, we will be able to intensify our expansion into noise and vibration control material applications in order to handle the issues that arise in electric vehicles as the need for comfort in automobiles increases. As part of this plan, we will also introduce a newly developed technology for recycling byproducts and wastewater. With this technology, we look to reduce GHG emissions intensity by 23% (a 130 thousand tons/year reduction in emissions) and address climate change.

We decided to make these two investments because they will not only contribute to structural reform of the Basic Materials business, but help to solve the challenges faced by society.

With regards to basic chemicals, we have acquired Honshu Chemical Industry Co., Ltd. as a consolidated subsidiary, strengthening our capabilities in cresol derivatives, biphenol, and specialty bisphenol. Hereafter, we plan to expand business by broadening our range of products for the high-performance monomers market for which demand from engineering plastics and ICT-related business is increasing.

Reforming product portfolio



Efforts towards a circular economy

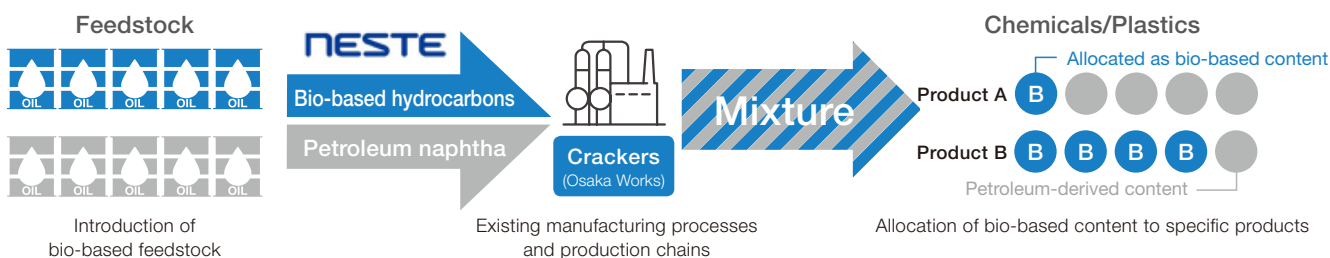
We contribute broadly to society by supplying a wide range of plastic materials that are essential to people's everyday lives, including polyethylene, polypropylene, PET resin, and polyurethane materials. Meanwhile, we have established the Green Sustainable Chemicals Department within the Basic Materials Business Sector in order to seize the opportunities being rapidly magnified by the needs of a circular economy and efforts to reduce environmental impacts, and engage with them from the upstream operations that support industrial infrastructure. With this, we aim to construct a new business model that creates a circular flow of resources through the application of mechanical recycling and chemical recycling to what has so far been a one-way product chain.

In addition, the Group is also actively working to use

bio-based raw materials to contribute to the reduction of GHG emissions. In 2021, we will introduce bio-based hydrocarbons procured from Neste Corporation in Finland as feedstock for our crackers at Osaka Works, and produce and supply bio-based derivatives.

By employing a mass balance method, we can allocate bio-based content to specific products in accordance with customer needs for a wide variety of products such as polyolefins and phenols. Therefore, we expect to be able to develop businesses based on bio-based versions of products that have traditionally been seen as too difficult to produce from bio-based raw materials. And we are aiming for further expansion and production increases as the bio-based products we supply gain broad recognition and appreciation.

Production of bio-based products under the mass balance method





NEW BUSINESS

Message from the General Manager of the New Business Incubation Center

Looking back on VISION 2025 and our strategy for the next fiscal year

Our center reviews the Mitsui Chemicals Group's assets and searches for market sectors where they can be used in order to discover new business opportunities. It then works together with numerous startups, academic institutions, and large companies to implement them in society. We first start from understanding the entire value chain in target markets, then uncover each customer's pain points through collaboration with partners, consider how our Group might contribute to solutions resolving these points, and finally verify our concepts. This verification has steadily advanced despite the COVID-19 pandemic. In fact, by confirming the validity of our business hypotheses, it is expanding sales and serving as a starting gun for our Group's solutions-based business model.

Moreover, as web conferencing has become the global standard, opportunities to interact with businesses around the world have increased at every level, and this has broadened the pipeline for joint ventures and investment in startups. Henceforth, we plan to develop products and services which can provide new value around these seeds, as we endeavor to transform our Group's portfolio.

ZENKOH Hirofumi

General Manager,
New Business
Incubation Center



New Business Incubation Center Organization



Principal responsibilities of the New Business Incubation Center

- (1) Exploring and creating new businesses
- (2) Exploration of new business ideas and early-stage development in all fields, including our four business domains
- (3) Timely gathering of information on market and technological trends through venture investment and external information networks, and dissemination of this information to relevant departments

Robot materials business — Joint research into methods for designing new collaborative robots

Since April 2020 we have been pursuing joint research with Mamezou Co., Ltd. and Nidec-Shimpo Corporation into robots that are able to work collaboratively with humans. Through this, we have developed Beans2, a 10-kilogram-portable seven-axes collaborative robot prototype. We designed this robot around the concepts of lightness and softness, endeavoring to give it a plastic arm chassis and a reverse-drive capable speed reducer. We plan to offer it to robotics manufacturers as a new design method, and we will help to further reduce weight and improve safety for collaborative robots.



External view of the collaborative robot prototype (Beans2) (for illustration purposes)

ICT materials business — Vigilant sensing system for nursing beds employing PIEZOLA™ piezoelectric sensors

In October 2020, Z-Works Inc. adopted the high-sensitivity PIEZOLA™ sensors developed by our Group for use in its LiveConnect™ system for nursing care beds, and began full-scale rollout of the system to nursing care facilities. This system has also been certified by the Tokyo Innovative Recognition and Trial Purchase Program for 2020 COVID-19 Emergency Countermeasures. The increased use of this system to detect vital signs (pulse rate, respiratory rate) and body movements in individuals who require nursing care, should help decrease the workload on nursing personnel and help to ensure their safety during the pandemic.



PIEZOLA™

Close up

Mitsui Chemicals Group ICT Strategy

Positioning ICT materials that contribute to digitalization as our next target domain

Smartphones and social media have become a part of daily life for people throughout the world, regardless of age or gender. And a new trend known as CASE is bringing technological innovation to the automotive industry. On top of this, the volume of data handled by humanity is expanding rapidly as displays increase in resolution to 4K and 8K, transmission speeds accelerate with the implementation of 5G and 6G networks, and big data accompanying the spread of IoT, AI, and quantum computers is utilized. Therefore the semiconductors, sensors, displays, and electronic components that process this information have become indispensable items for our society. Our Group holds many of the functional materials used in the production of these products, and we are strengthening existing production facilities and establishing new production sites in order to meet the growing demand for them from customers.

In order to create functions that increase performance and meet customer requirements, we will work to enhance our research and development

capabilities by marshalling the capabilities of the Group and our affiliate companies in areas such as precision organic synthesis, polymerization, coating and film application, analysis and physical properties evaluation, process compliance evaluation, and clean technology. This alongside pursuing a synergy between ICT-related departments and affiliate companies and promoting open innovation together with startups and academia will allow us to create new products. Through achieving market penetration of these products, we will strengthen this business as the third pillar of income in our VISION 2030 strategy.

MATSUO Hideki

Representative Director,
Member of the Board,
Executive Vice President
& CTO



	Mobility	Health Care	F&P	Basic Materials	New Business Incubation Center	
ICT-related materials in the Mitsui Chemicals Group	Semiconductors	MITSUI PELLICLE™ (ArF, EUV)	SYNTEX™ Nano Filters, etc.	ICROS™ Tape Process tape for semiconductors	Special gases Silane, disilane, etc. *Photoresist raw materials*	PIVAR™: Soluble polyimide varnish Semiconductor testing process
	Displays & Imaging	TPX™ Reflective film PROVEST™ Reflective parts for LEDs	TouchFocus™ Next-gen. eyewear	STRUCTBOND™ Sealing material for LCDs and OLEDs	Optical polycarbonate raw materials*	Display process ECRIOS™: transparent polyimide varnish Imaging process
	Sensing	APEL™ Lens material	Functional dyes Color filters Luminous sensitivity adjustment filters			Sensors & Solutions μFLEX™, PIEZOLA™ Piezoelectric materials
	Electronic materials	ARLEN™ Modified polyamide 6T Gigafreq™ High-frequency PCB materials		SP-PET™ Film for MLCC Opulent™ Heat-resistant release film	LCP raw materials*	Packaging process for electronic devices With Elephantech Inc., CONNECTEC JAPAN Corporation

* Products of consolidated subsidiary Honshu Chemical Industry Co., Ltd.

Increasing ICROS™ Tape capacity in Taiwan

ICROS™ Tape is a surface protection tape used during silicon wafer backgrinding in the manufacturing process for semiconductors that boasts the top market share in the world.

Societal changes brought about by COVID-19, such as changes to our lifestyles and the full-scale progress of digital transformation (DX), have recently brought about increased demand in the semiconductor market from the likes of PCs and data centers. And with the spread of 5G expected to boost demand for things like base stations and portable devices, overall semiconductor demand should continue to grow at a high pitch going forward.

In order to meet this rise in semiconductor demand, we

have decided to increase the production capacity for ICROS™ Tape at our Taiwanese plant, which began operations in January 2020 (after capacity increase: 7.6 million m²/year; planned launch of commercial operations: October 2023). With this increase, we aim to build a stable supply structure and further expand our areas of business.



Aerial view of Taiwan Tohcello
(Taiwan Tohcello Functional Sheet, Inc.)

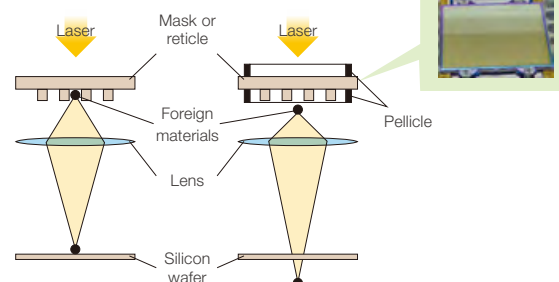


ICROS™ Tape

Achieving a business lead in EUV pellicles

The super high-speed data transmission made possible by the introduction of 5G is bringing about greater functionality in smartphones and higher performance in the semiconductors which make this possible. The chips used in cutting-edge devices must now have a line width of 7 nanometers or less—driving a real increase in the uptake of EUV lithography technology, which offers an ultrashort wavelength. EUV pellicles prevent dust from contaminating the photomasks used in the lithography process. And, in April 2021, the Mitsui Chemicals Group received an exclusive license agreement from ASML Holding N.V., the global No. 1 company in the field of semiconductor lithography systems, and began the only commercial production of EUV pellicles in the world. We plan to help solve social challenges by continuing to innovate and improve on this technology in accordance with demands for technological innovation, such as by making contributions to the continued refinement of semiconductors.

Basic pellicle principle

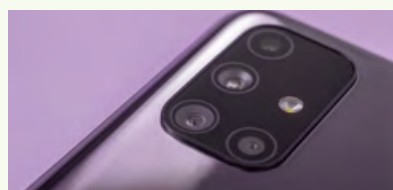


* Foreign materials on the pellicle will not be transcribed onto the wafer.

Increasing applications for the cyclic olefin copolymer APEL™

APEL™ is our proprietary cyclic olefin copolymer (COC) which combines the performance characteristics of polyolefin resins and amorphous resins. With the highest refractive index among the amorphous polyolefins, it is low in optical anisotropy and essentially low in birefringence. These superior optical properties make it ideal for high-transparency optical lenses and optical components. Consequently, it has been well received, and sales are currently expanding for the main application of smartphone camera lenses. There has recently been a rapid increase in demand for APEL™ on the back of continued growth in the number of cameras in smartphones. In addition, APEL™ is used in a broad range of applications, including automotive camera lenses (used in sensing cameras, surround view cameras, dashboard cameras, and rear-view monitors, etc.), lenses for XR devices (AR/VR, etc.),

head-up display components (such as condensing lenses and combiners), and optical components in AR/VR devices, and we are working to expand its applications even more. In these ways, we aim to grow this business by steadily creating a supply system that can handle increasingly diverse applications and rapidly expanding market needs. We are planning a new plant to this end which will be completed in March 2022.



Topics Gigafreq™ development: supporting next-generation high-speed, high-capacity communications in the near future at the materials level

Gigafreq™ is a newly designed cyclic olefin copolymer (COC), like our product APEL™, which we have started to develop as a heat-resistant COC. It is a resin with sufficient heat-resistance to withstand the heat of soldering (288°C lead-free), without compromising the superior low dielectric properties, low water absorption, and transparency that are characteristic of existing COCs.

Our goal is for it to be utilized in various components and applications to support forthcoming next-generation, high-speed, high-capacity communications standards targeting the 50 GHz and higher millimeter wave region. As a fundamental infrastructural material, it is helping to make autonomous driving common in society, and contributing to the realization of Society 5.0.

Automotive sensing system which utilizes millimeter-wave radar



R&D and Intellectual Property Strategy



R&D and Technology
<https://jp.mitsuichemicals.com/en/techno/index.htm>

R&D Strategy

At the base of the Mitsui Chemicals Group R&D strategy are five key components: Functions, Organizations, Technologies, the Human Resources who connect them, and our individual R&D projects. As we enhance and expand each of these parts, at the same time we are also attempting to create Materials & Substances Innovation that contributes to solving social challenges. We are doing

so through a combination of our Communication Strategy, which seeks to anticipate social changes and link that to R&D activities; our Open Innovation Strategy, which accelerates the pace of technological development itself; a fusion with information technology, and our Design Strategy, which seeks to deliver the products and services that customers desire as soon as possible.



Achieve a circular society in harmony with the environment and a comfortable society in which people can enjoy healthy lives and well-being

Review of VISION 2025 and approach to Vision 2030

Under VISION 2025 we formulated Communication Strategy, Open Innovation Strategy, and Design Strategy through which to promote research and development activities to create Materials & Substances Innovation conducive to solving social challenges. In order to conduct customer-driven, solutions-based research and development, we have taken steps which include establishing our Mobility Development Center, acquiring 3D printing technology, and carrying out a dialogue with customers based on affective technology. Moreover, we have actively engaged in initiatives such as participating in national projects promoted by the Ministry of Economy, Trade and Industry and the Ministry of the Environment*1, human resources exchange with the CHITOSE Group*2 and Microwave Chemical Co., Ltd.*3, and industry-academia joint research together with the Nagaoka University of Technology*4.

Under VISION 2030, we will strive from fiscal 2021 to create new innovations from a social issue perspective in all areas of our new business portfolio, including Life & Healthcare Solutions, Mobility Solutions, ICT Solutions, and Basic & Green Materials.

*1 https://jp.mitsuichemicals.com/en/release/2019/2019_0926.htm



*2 https://jp.mitsuichemicals.com/en/release/2018/2018_1029.htm

*3 <https://jp.mitsuichemicals.com/en/release/2017/170914.htm>



*4 https://jp.mitsuichemicals.com/en/release/2020/2020_0915.htm



Topics Open Innovation Strategy: participation in “Green Composite Hills by hide k 1896”

Mitsui Chemicals is participating in the “Green Composite Hills by hide k 1896” project, which is sponsored by hide kasuga 1896 (HK1896) and aims to construct a circular economy that links materials, products, markets, recycling technology, and education. We are building a circular economy based on materials that will lead to reduced environmental impacts, and expanding its implementation in society by combining HK1896’s abilities in branding and the applied development of materials, with our research and development capabilities in materials and recycling technology. Through this project, we will also contribute to the expansion of human resources to support the next-generation circular economy by creating a human resources development and training curriculum that links industry and academia.



From left: KASUGA Hideyuki, hide kasuga 1896 President, and SHIBATA Shingo, Center Executive, R&D Center, Mitsui Chemicals

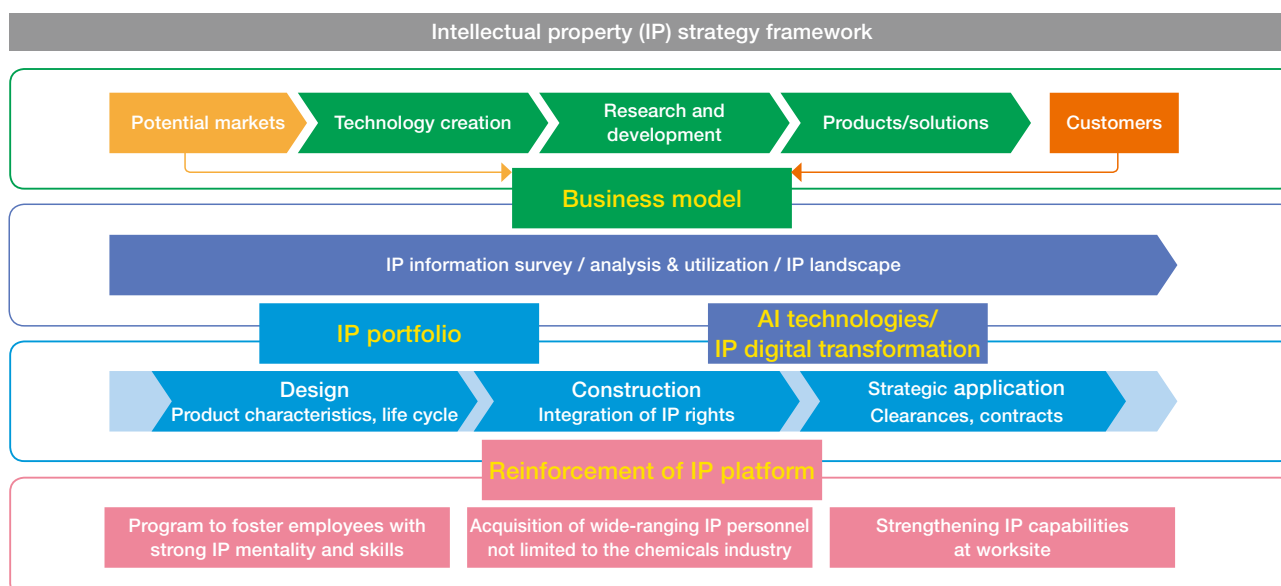


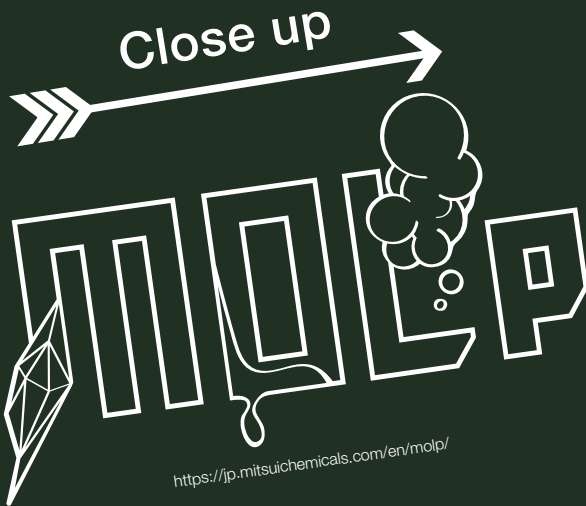
Intellectual Property Strategy
<https://jp.mitsuichemicals.com/en/techno/ip/index.htm>

Intellectual Property Strategy

The Mitsui Chemicals Group recognizes intellectual property to be the intangible assets that contribute to business, which broadly include patents, confidential know-how, utility models, designs, brands (trademarks), copyrights, as well as rights under contract, trade secrets, and the like. We believe that strategically designing and utilizing the best mix of our intellectual property is key to accomplishing a sustained competitive advantage. At the same time, we respect the legitimate intellectual property rights of other companies and ensure compliance by taking appropriate responses and actions wherever necessary.

Under the basic strategy of VISION 2025, we intend to review our policies on acquiring and utilizing intellectual property, adequately focusing on each business, its products and related technologies, in close collaboration with business divisions, R&D divisions, and production/technology divisions. We will also utilize the results of research and analysis obtained from information collected through various sources outside the Group. By constructing business-specific intellectual property portfolios, the so-called IP landscape, we aim to maximize the business opportunities afforded by intellectual property and minimize any business risks associated with intellectual property.





The Mitsui Chemicals Material Oriented Laboratory — MOLp™ — A Laboratory for the Fusion of Intuition and Science

The Mitsui Chemicals Group open laboratory project, MOLp™, held a five-day independent exhibition “MOLpCafé2021” from July 13 to 17, 2021. For the second iteration of this exhibition, which was first held in 2018, the theme was “NeoPLASTICism — From Renouncing Plastics to Reforming Plastics —.” This exhibition asked how materials can contribute to society against a background of rapid social change, and explored their possibilities through exhibits based on the two keywords of “Beyond (moving beyond the image of plastics to discover their inherent value)” and “Survive (delivering value that plastics are uniquely suited to provide).”

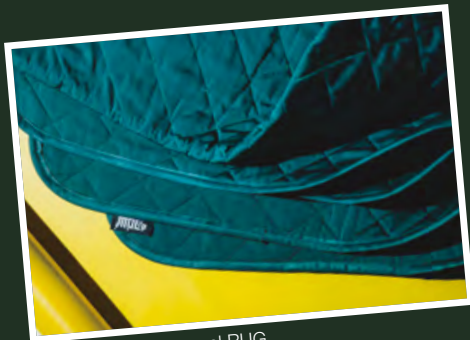
MOLp™ will continue to blaze a trail for the future of materials by rediscovering the functional value and hidden enchantment of materials and technologies and sharing these with society through communication.

RePLAYER™: an upcycling project undertaken by materials manufacturers

This project upcycles large flexible conveyor bags, which have been used for 15 years to hold the pellets which are the raw materials for plastic products, into fashionable bags. We have adopted blockchain-based traceability using non-fungible tokens (NFTs) to allow buyers to keep track of bag information over time. And we are proposing a new form of value trading that promotes a longer service life for plastic materials by encouraging users to appreciate and use them longer. We also propose upcycling other materials through our upcycling project, such as eyeglass lenses and plastic bags.



Upcycled bags



Mono-Material Thermal RUG

Proposal for easily recyclable product MonoMaterial Thermalism

One of the keywords for achieving a circular economy is “mono-materials.” TPX™ olefin polymers are original materials developed by the Group that exhibit features such as light weight, excellent heat resistance, and release property. We have discovered that TPX™ can be quite warm when spun into thread. Experiments to capitalize on the features of TPX™ and discover how much can be accomplished with a single material, yielded a light, warm rug made solely out of TPX™ that could be easily washed clean and dried in a short amount of time. It presents new possibilities for use in situations like camping or in disaster areas.

My thoughts on MOLp™

Bakelite, the world’s first artificial synthetic plastic, was invented in 1907. Since then, humanity’s association with plastics has lasted a mere 114 years. This is an extremely short length of time compared to that with wood, stone, metal, and glass. In that sense, I think that plastic is a material that we have yet to grow accustomed to. In addition, materials, combined with human ingenuity including the technology for processing them, have always functioned as a motive force driving the creation of new eras. When a new era dawns, the need invariably arises for materials and human ingenuity. Precisely because humanity is not yet used to plastics, I believe that we need to take a more human-inclusive approach. So, MOLp™ is working toward the goal of more broadly sharing ideas and possibilities, and fostering greater discussion between the diverse array of stakeholders.



MATSUNAGA Yuuri
Climate Change/Plastics Strategy Department, Corporate Sustainability Division

Human Resources Strategy

Reflecting on VISION 2025 and looking ahead to VISION 2030

The Mitsui Chemicals Group has been promoting business strategies to transform its business portfolio and further its global expansion based on VISION 2025. As a result, the Group's consolidated companies have grown in number to a total of 154, and our consolidated employees (as of March 31, 2021, excluding contract employees) have increased to 18,051 persons. The overseas sales revenue ratio has expanded to 47%. The rate of increase in the number of employees at overseas sites has been remarkable due to the M&As in Europe and other areas in recent years. I feel that building a human resources management and governance structure with an awareness of the Group and global level has grown all the more important.

In the human resources strategy linked to VISION 2025, we identified the direction we should work toward with greater effort as (1) securing the human resources necessary for global business expansion, operation, and support and (2) pursuing the optimal organization for balancing growth and efficiency at the Group and global level. We established five major issues and worked on coming up with and implementing various measures after laying out the differences between the current and ideal situations. In particular, five years have passed since introducing the core measure of Key Talent Management. That concept has taken root as a common term in the Group and global management, and it is now possible to strategically provide the experience necessary for managers to future executives with great potential.

ANDOU Yoshinori
Senior Managing
Executive Officer



Direction to work toward with greater effort	Major issues	Measure	2016	2017	2018	2019	2020	
Securing the human resources necessary for global business expansion, operation, and support	Supporting the substantial increase in necessary talents at the global level	Workforce planning	<ul style="list-style-type: none"> Understanding of business growth plan and establishment of workforce planning 		<ul style="list-style-type: none"> Consolidation and analysis of affiliate human resources databases using Global HRIS*1 (including RPA*2) 			
		Talent acquisition	<ul style="list-style-type: none"> Enhancement of employer brand (development of website, social media, etc.) Enhancement of hiring for external professionals 			<ul style="list-style-type: none"> Enhancement of executive hiring for critical positions 		
	Securing and developing human resources capable of handling changes in the business model	HRIS	<ul style="list-style-type: none"> Global HRIS (Success Factors) (Key Talent Management, individual development plans, goal setting / performance evaluation, workforce analytics) 					
		System development	<ul style="list-style-type: none"> 2013- Establishment of global compensation, performance management, and assignment guidelines 			<ul style="list-style-type: none"> Review of global compensation, performance management, and assignment policy 		
		Talent management	<ul style="list-style-type: none"> Introduction of Key Talent Management 		<ul style="list-style-type: none"> Establishment of critical/development positions and succession plan 			
Human resources development	<ul style="list-style-type: none"> 2012- Continuation of Global Leadership Program (GLP) 				<ul style="list-style-type: none"> Consideration of moving GLP online Pilot implementation of LinkedIn Learning Introduction of career development program for future executives 			
Pursuing the optimal organization for balancing growth and efficiency at the Group and global level	Building a system for improving the M&A success rate	Governance	<ul style="list-style-type: none"> 2014- Continuation of HRDAC*3 		<ul style="list-style-type: none"> Development and enhancement of human resources governance (appointment/dismissal, evaluation, determination of compensation) 	<ul style="list-style-type: none"> Establishment of Global Human Resources Division 		
	Accelerating the launch of new companies, which are growing in number, and ensuring governance thereof				<ul style="list-style-type: none"> Enhancement of regional headquarters and global CoE functions Establishment of global position management policy 			
	Increasing the efficiency of operations at affiliates, which are growing in number, and ensuring governance thereof	Engagement			<ul style="list-style-type: none"> Introduction of employee engagement survey 			

*1 HRIS: Human Resources Information System *2 RPA: Robotics Process Automation *3 HRDAC: HR Development Advisory Committee

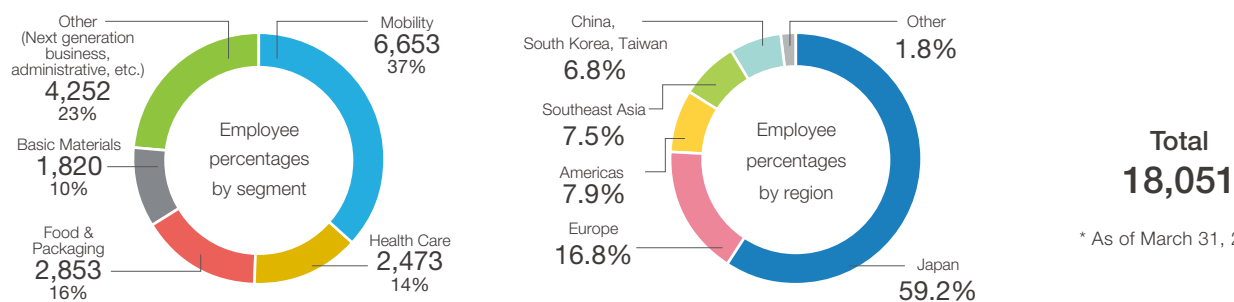
In order to realize new basic strategies such as further pursuit of business portfolio transformation based on VISION 2030, which was established in fiscal 2021, it will be necessary to quickly perceive changes in the internal and external environments (digitalization, low birth rate/aging society, changes in individual career-consciousness, new work styles, disclosure of information on human capital, etc.) that may impact the organization and human resources. On top of that, we will continue to position acquiring, developing, and retaining talents, increasing employee engagement, and enhancing the Group and global corporate governance, which we poured effort into under VISION 2025, as priority issues. Furthermore, we will accelerate the realization of various measures at the Group and global level based on nine policies to be implemented.

Going forward, we will accelerate the development of an environment to support the autonomous career development of each talent of the Group based on their diverse potential while continuing to respond to changes in the internal and external environments with agility. In addition, by drawing out the full potential of individuals in the aim of further improving engagement among all Group employees, I hope to achieve an organization that continues to transform itself by taking up challenges and learning from them.

Priority issues and policies to implement for the human resources strategy

Priority issues	Policies to implement		
1. Acquire, develop, and retain talents	Disclosure of career opportunities within the Group	Provision of developing opportunities	Establishment of competitive compensation levels
2. Increase employee engagement	Sharing of mission, vision, and values	Fostering of awareness of autonomous career development	Enhancement of dialogue between the organization and employees
3. Enhance the Group and global corporate governance	Optimal workforce planning	Enhancement of HR support system for M&A	Enhancement of dialogue with employees and investors

Overview of human capital



Priority issue 1 **Acquiring, developing, and retaining talents**
Key Talent Management –Acquiring and developing future executives–

We believe that acquiring, developing, and retaining talents capable of realizing the pursuit of business portfolio transformation and pathfinders to develop solutions-based business models is an urgent priority issue for our human resources strategy. Since fiscal 2016, the Group has introduced and implemented Key Talent Management as a Group and global-level system to address this issue.

Under this initiative, Corporate and Sector Key Talent Management Committees hold annual meetings for the Group as a whole to select future executives and key talents at the Group and global level, establish individual development plans for each candidate, create opportunities for development, and implement strategic transfers and assignments.

In addition, the Corporate Committee has recognized critical positions for executing Group-wide strategies and development positions for strategic development of future executives. Succession plans have been prepared for

these positions. Currently, there are around 120 critical and development positions at the Group and global level, and talent is appointed from inside and outside the Company according to the requirements of the job. In particular, the successor coverage rate* for critical positions has been established as a management indicator by which to evaluate the effectiveness of succession planning over time.

Within the Corporate Governance Guidelines, the status of initiatives related to Key Talent Management and succession planning for critical positions is a matter to be reported to the Board of Directors every fiscal year, and the effectiveness of these measures is maintained based on feedback from inside and outside directors.

* Successor coverage rate: Number of successor candidates for critical positions / Number of critical positions

Overview of Key Talent Management

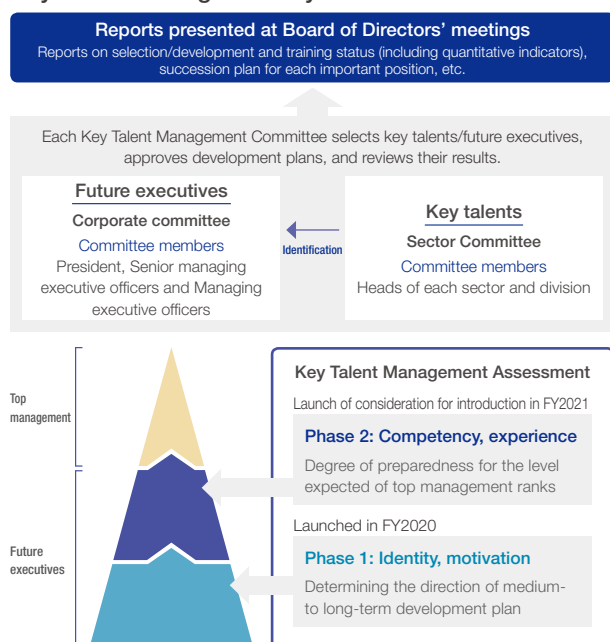
(1) Key talents and future executives

Among the Group’s worldwide talents, those who consistently demonstrate a high level of performance and competence, potential, and enthusiasm are identified as key talents. Among such key talents, those who have the potential to become future leaders are selected as future executives.

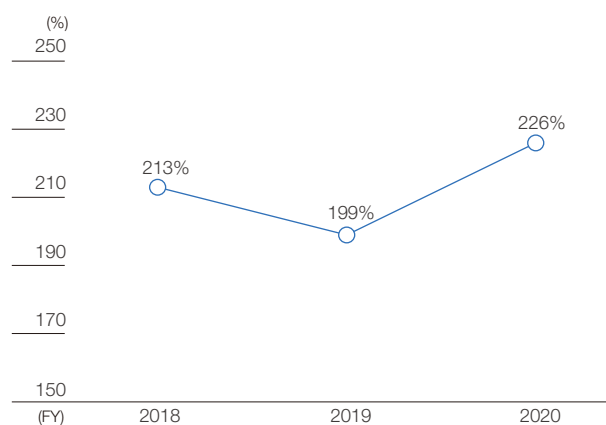
(2) Key Talent Management Committees

The Key Talent Management Committees have been established as a body to select key talents/future executives, approve development plans, and review their results. The Committees review the work experience of selected talents, and determine where they should be assigned based on five perspectives: managerial viewpoint, business restructuring, new business development, Company-wide projects, and the operations of overseas subsidiaries and affiliates.

Key Talent Management System



Successor coverage rate for critical positions



Progress in fiscal 2020

- The general managers of each division, including the officers in charge, participated in meetings of Sector Committees (total of eight times). Selected key talents from across the Group and formulated individual development plans (placement and training) for those talents.
- Held meetings of the Corporate Committee, in which the officers in charge, including the company president, participated. Identified future executives, who might join the top management in the future, from among the key talents selected by Sector Committees, and confirmed and approved the individual development plans (placement and training) for these candidates. Also confirmed the direction of development and placement of other key talents. Confirmed and approved the revised draft of critical positions based on the fiscal 2020 business strategy.
- As part of efforts to strengthen organizational diversity, created individual development plans for potential female line managers who had been selected as talents with high potential.
- Introduced and implemented a career development program to determine the direction of medium- to long-term development of future executives as Phase 1 of the Key Talent Management Assessment.

Fiscal 2021 plan

- Will plan to define the position profile for top management ranks (linked to VISION 2030). Will clarify the accountability, capability including competencies and experience, and identity required for each position and will aim to improve the effectiveness of succession planning.
- Will establish a new implementation planning committee for the purpose of accelerating the realization of individual development plans for future executives selected by the Corporate Committee.
- Will establish new Sector Committees to strengthen the specialized talent pipeline.

Position management – Acceleration of efforts to put the right people in the right places –

We are rolling out a global position management policy to serve as the framework for transfers between countries and companies (talent mobility) as the foundation necessary for accelerating talent management.

The Mitsui Chemicals Group currently has approximately 18,000 positions, of which close to 40% are based overseas. Going forward, as we build a new business portfolio, we will make properly designing organizations and the positions comprising those organizations in conjunction with VISION 2030 an important issue throughout the entire Group.

We set forth the basic principles, systems, decision-making authority, and processes related to the creation and phasing out of positions within the Group in the Global Policy, which we began rolling out to the Group in 2020. In rolling out the policy, Mitsui Chemicals established a global grade structure linked to the job evaluation system introduced in 2004 for management-level employees to delineate positions within the Group.

We believe that having various positions delineated within the Group will foster awareness of autonomous career development among employees and, as a result, will lead to improved engagement among individual employees.

Employee voice

With the accelerating global expansion of Mitsui Chemicals, employees will get more and more opportunities to move within the organization and to take on new responsibilities in different countries. In 2013, I was recruited by Mitsui Chemicals at its first overseas R&D site in Singapore, and I was in charge of some of the customer-oriented R&D activities, as well as some of the technical assistance to our local affiliates. During these five rewarding years, I worked in a stimulating environment consisting of co-workers from many different cultural backgrounds and it has proven to be the most invaluable experience in my life. In 2018, I joined a team of world-leading researchers on the vision care materials to create new products and services for our customers. I am now glad in having great careers in Japan. That said, I could always count on the advice from my managers, and the support from the HR Division to tackle any difficulties with this move. I am confident global mobility will follow suit together with the global presence of the Mitsui Chemicals Group.



Nigel Ribeiro
Optical Function
Design Department,
Synthetic Chemicals
Laboratory,
R&D Center

**Priority issue
2**

**Increasing employee engagement
Engagement survey and organizational development**

In 2018, we conducted the 1st Global Employee Engagement Survey, administering it to all Group and global employees around the world to measure individual engagement levels and identify the underlying causes and effects. The response rate among Group employees was 87%. Based on the results, we were able to clarify unique strengths of the Group, such as the emphasis on “culture of safety,” “autonomy,” and “delegation of authority.” At the same time, however, issues also emerged, including “learning and self-development” and “dialogue with management.”

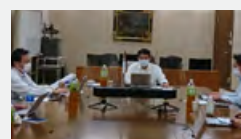
Efforts to address these issues include trying out LinkedIn Learning, an online learning platform, with

around 1,000 Group and global employees around the world starting in 2020. We have also rolled out various post-survey actions at the business sector, division, and company level, including creating opportunities for dialogue, rolling out off-site activities, and establishing human resources developing and rotation policies after identifying problems specific to each organization and establishing priority issues at more than 90% of organizations since the survey.

In fiscal 2021, we will conduct the 2nd Global Employee Engagement Survey. We aim to engage in effective action, conducting this survey every two or three years.

Topics Dialogue with management – Roundtable discussions with the president –

In fiscal 2020, we held online roundtable discussions for employees to engage in straight-forward dialogue with the president. The roundtables were held six times on different topics, and a total of 61 employees from 11 work sites (including overseas) participated. Vigorous discussion took place at each of the roundtables. At the roundtable held on the topic of “Voice of the Plants,” employees said they thought that rotation of human resources should be promoted more at plants. The president said, “All companies have developed stronger vertical links for more effective governance and more transparent earnings management. On the other hand, in the business of diversified chemicals, it is important to strengthen horizontal coordination and organize various resources and ideas within those relationships. We need to incorporate that perspective and redesign our long-term plans.”



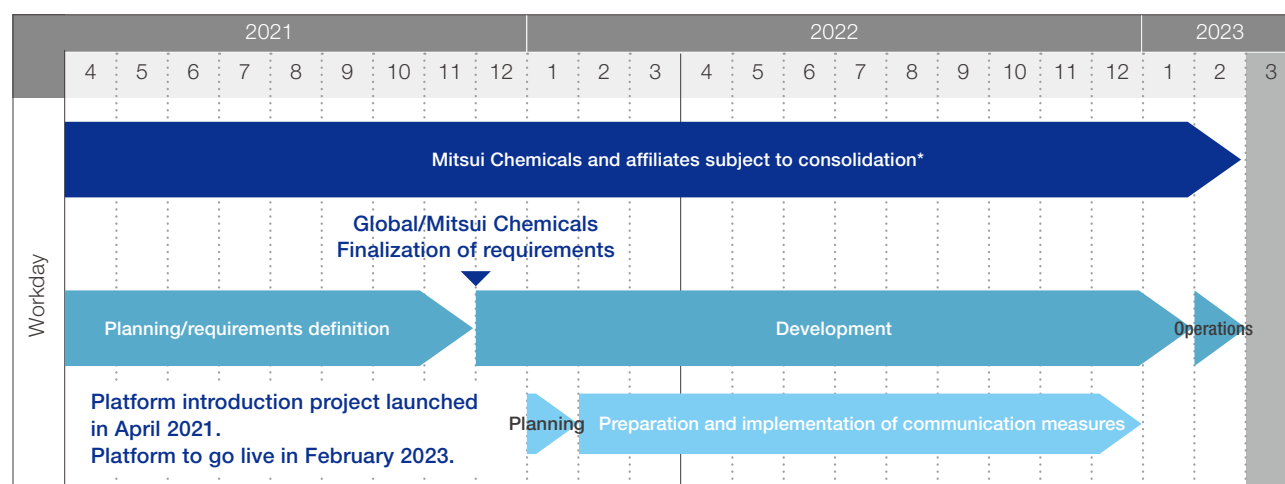
Priority issue 3 Enhancing the Group and global corporate governance Looking ahead

It is essential to build an integrated Group human resources platform in order to develop and manage various measures linked to the human resources strategy at the Group and global level more effectively. As a part of developing this platform, in April 2021, we launched a project to introduce Workday Human Capital Management (HCM) provided by US-based Workday, Inc. at Mitsui Chemicals and all consolidated affiliates of the Group simultaneously worldwide.

We plan to go live with the platform around 2023 and believe it can be tied into strengthening governance and improving its effectiveness in our existing integrated human resources management processes such as Key Talent Management and position management.

In addition, we believe that further visualizing information on the organization (job descriptions, job requirements, compensation, etc.) and human capital (professional

skills/motivation for innovation, experience, diversity, development investments, etc.) and actively disclosing information on human capital to stakeholders inside and outside the Company will allow them to appropriately evaluate the Group's medium- to long-term corporate value.



* Kulzer Group and others scheduled for December 2023.

Advantages of developing an integrated Group human resources platform

- (1) Leveraging Workday HCM's digital technology, we can provide each Group employee with the most suitable content in a timely manner via an appropriate communication style.
- (2) By centrally managing the Group's organizational and human capital information, we can establish strategic workforce plans with an eye to transformation of our business portfolio and strengthen and promote our HR/people analytics.
- (3) We can actively promote disclosure of information on our organization and human capital.

Diversity and inclusion

To reach out to markets closer to consumers in conjunction with the shift in our business model, we must understand diverse values and tastes. Creating a culture that values diversity and inclusion so that our people can feel comfortable bringing their unique perspectives to work and make the most of their potential is one of the Group's management issues. We consider empowerment of women to be the issue of greatest importance, so we are working to hire and develop women and to raise awareness among management. These efforts have also been recognized by external organizations, including the Company being selected as a Nadeshiko Brand enterprise and as part of the MSCI Japan Empowering Women Index (WIN). As KPIs to measure the empowerment of women in the workplace, we track the ratio of women in management positions (manager-level or above) and the percentage of women among regular hires. We were able to achieve the fiscal 2020 target ratio of women in management positions of 4%. We will engage in even more active developing and promotion of women in fiscal 2021 to

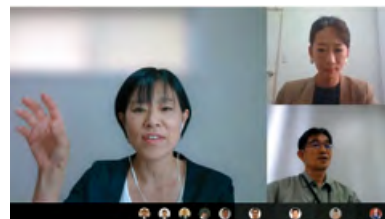
achieve the new target of 5%.

As for the ratio of female hires, in recent years, we have consistently hired women for around 50% of career-track administrative positions. As a result, we have recently been developing more female managers in business divisions, and the range of occupations in which women can play an active role is expanding. We did not reach our target with respect to women in technical positions. However, in fiscal 2021, we have been actively working to hire women in technical positions, including having senior female employees participate in events for job seekers, which provided a point of contact with students and women working in technical positions, and preparing event information specifically for female students.



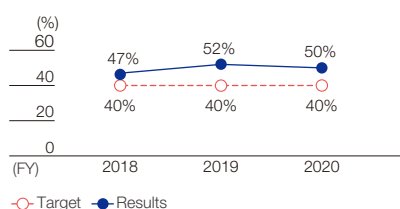
Unconscious bias training for general managers

In fiscal 2020 and fiscal 2021, we have been putting effort into training for general managers. Specifically, we have had general managers participate in e-Learning on unconscious biases, and based on an analysis of the results by division, we have held meetings to explain the biases in each division and the characteristics of actions that management tends to take. Feedback from participants included that they saw the importance of checking individual intent through communication rather than simply passing judgment.

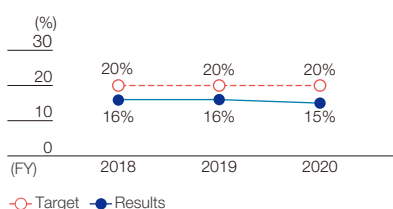


Percentage of women among regular hires

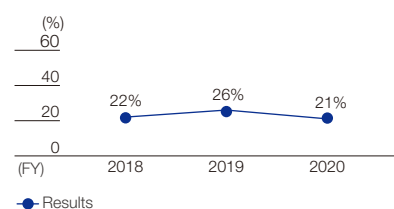
Career-track administrative positions



Career-track technical positions



Total career-track positions



Panel Session

A Human Resources Strategy for Overcoming Drastic Changes and Making Our Vision a Reality



ONO Shingo

General Manager,
Global Human
Resources Division

Christina L. Ahmadjian

Professor,
Graduate School of
Business Administration,
Department of Business
Administration,
Hitotsubashi University

KINOSHITA Masayuki

Executive Officer
General Manager,
Human Resources Division

A human resources strategy to support our long-term business plan

Kinoshita: Under our recently announced VISION 2030, we are moving to transform our business model from four perspectives: social issues, solutions-based business models, circular economy-based business models, and digital transformation (DX). By adding solutions to our existing materials supply business model, we can construct a business conducive to solving the social challenges. At the same time, we will strive to transform our conventional linear supply chain into a circular economy supply chain by focusing on the recyclability of raw materials and products,

and will drive these forward through DX. This is our framework.

Ahmadjian: I think it is excellent that you are taking the attitude of tackling social challenges head on. Nonetheless, it is easy to talk about providing solutions, but this is going to be a huge change from your existing business model and stance. Making this a reality will likely require, transforming the mindset of your employees and adopting a new human resources strategy.

Kinoshita: I agree. I feel it will require ample explanation and dialogue from here on to instill a solutions-based perspective not only in our head office, but in manufacturing, research, branch offices, and

affiliate companies both in Japan and overseas.

Ono: Since 2019 we have positioned our human resources strategy alongside our business strategy, R&D strategy, and production technology strategy as one of the basic strategies supporting the long-term business plan of our Group. Taking into account the direction and vision for our businesses, we are examining the hiring, developing, and retention of talented people as a strategy for making these a reality. As we just mentioned, VISION 2030 calls for a large transformation in our business model. From the perspective of our human resources strategy, we have defined three key points for accomplishing



Christina L. Ahmadjian

is a professor at Hitotsubashi University in Tokyo, having previously served as an associate professor at Columbia Business School. Her research interests include comparative corporate governance, globalization, capitalist systems, business groups, and Japanese business and management. She received her BA from Harvard University, her MBA from Stanford Business School, and her PhD from the University of California, Berkeley, Haas School of Business in organizational behavior and labor management relations. She has experience working at two private enterprises, and currently serves as an outside director for major manufacturers.

this. The first is defining the organizational capabilities necessary for implementing this strategy, and securing, developing, and retaining the necessary people in the face of competition for human resources. The second is to strive to become an even more attractive company for employees and maximize employee engagement as a result. And the third is to strengthen group management to handle future mergers and acquisitions, and capital tie-ups. Important measures to this end will include building shared platforms, sharing information, and securing the understanding of our employees.

Ahmadjian: There are probably still not many companies out there who are thinking about human resources management from a business strategy level. But increasing employee engagement is not that straightforward. The role of managers and supervisors who are more involved in the workplace will be essential for sharing the direction of the company with each employee.

Kinoshita: We recognize that maintaining a shared standard of value as the Group strategy shifts drastically is not something that the Human Resources Division can do on its own. The leadership of each line manager is critical. And developing leaders for this purpose is one of the big challenges we face going forward.

Ono: We have been carrying out Key Talent Management as part of our Group leadership development and training since fiscal 2016. We identify employees from all of our Group companies, including domestic and international affiliates, who demonstrate high performance and potential as key talent. And then we formulate an individual development plan for each of them. In addition, our officers participate in the Corporate Key Talent Management Committee to select people from this pool of key talent who could become future executives, and discuss how to efficiently implement their development plans. In order to maintain objectivity and transparency, the content of these discussions is reported to the Board of Directors (including outside directors) and the feedback obtained is applied to the next fiscal year.

Ahmadjian: The succession plans required from the perspective of corporate governance are transparent and clear, and I think the system is very well put together. However, when considering the potential of human resources during these discussions, it is important to be careful not to allow unconscious bias to hinder diversity. Bosses have a tendency to select people who resemble themselves. A different variety of talent, in other words diversity, is essential to transforming an organization or business, including its mindset.



KINOSHITA Masayuki

joined Mitsui Toatsu Chemicals, Inc. (now Mitsui Chemicals) in 1984. Since joining the company, his career has spanned a wide range of fields in addition to the Human Resources Division, including production management in plants, and as manager of resin materials, industrial chemicals, and phenols businesses. His vast international business experience includes plant construction, establishment of joint ventures with Chinese state-owned companies, and projects in Algeria. He moved into his current position in 2019, after serving as president of regional headquarters of the Asian region.

Aiming to be a global group in which a variety of talented people can flourish

Ono: We are bringing in discussion and assessment by multiple people, and are taking various operational measures from the perspective of diversity, such as making a conscious effort to draw from the pool of female talent. However, as you have pointed out, we understand that eliminating bias is an important subject that requires careful handling.

Kinoshita: Diversity is included among the core values of our Group. We have made various efforts up to this point to promote it, starting with hiring female plant operators in the 1990s, and including the establishment of the Promotion and Development of Women Team in 2006. Of course, we do not stop at female workers' participation, but also conduct LGBT training and more. Things like mergers and acquisitions are also promoting the acceptance of greater diversity. However, I believe there is still a lot of room for improvement if we are going to keep up with the speed of change throughout the world.

Ahmadjian: Even more important than diversity based on employee profile, is to respect each person's individuality. I believe the essential quality required of future managers, is not the conventional top-down style of leadership, but the ability to create an environment in which people with a variety of personalities can flourish through two-way communication.

Kinoshita: As a chemical company, we are always exposed to changes, such as a fluctuation in the price of crude oil. I believe we need people who actively perceive change and take action, even if it leads to mistakes. What do you think we need to do in order to attract these kinds of outstanding people?

Ahmadjian: Having listened to you thus far, I feel that there is a clear distinction between the image people might have of a long-established chemical company, and the advanced structure and corporate culture of Mitsui Chemicals. I think you can attract outstanding people by emphasizing the story of your history thus far, and the vision of the future that Mitsui Chemicals wants to achieve as laid out in VISION 2030, and sharing this more broadly outside the company.

Ono: Thank you. Lastly, what role do you think the Human Resources Division should play in our human resources strategy as we move forward?

Ahmadjian: Training employees in line with your business strategy is certainly important, but from now on, it will be increasingly important to also keep an eye on employee well-being. You should think about the mental and physical health and happiness of each employee with a frame of mind of having been entrusted with their lives.

Kinoshita: It has long been said of Mitsui Chemicals that, "Mitsui is people." Building upon this history, I would like to use what we have talked about today as a touchstone for considering our future human resources strategy.



ONO Shingo

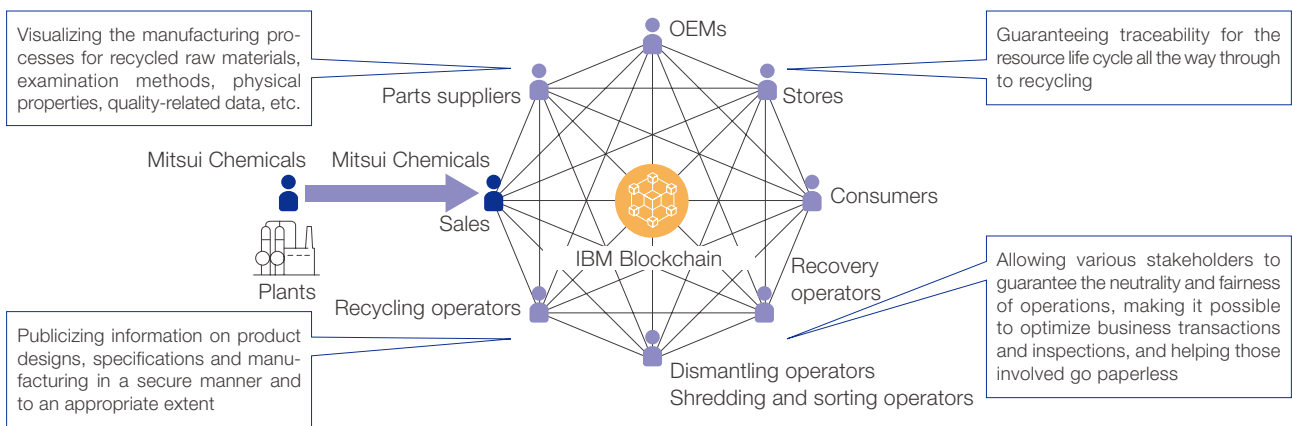
joined Mitsui Chemicals in 2000. He moved to the Human Resources Division after gaining experience in overseas sales and marketing in ICT-related business, and as a project manager (strategy formulation, business management, investment, etc.). He has experience working with unions, system revision, being responsible for hiring and human resources for domestic and international mergers and acquisitions, HR business partner, and in recent years has worked on global talent management, systems for succession planning, HRIS, and the introduction of various global policies. He moved into his current position in 2021.

DX Strategy

Message from officer in charge of DX

To date, the Mitsui Chemicals Group has deployed digital transformation (DX) initiatives primarily in the areas of research and development, production technology, and various back-office work. And this has borne fruits which include the development of new materials using material informatics, the construction of safe and stable advanced operating platforms through the application of AI and sensors, and operational efficiency through the introduction of robotic process automation.

In addition to these, we founded the Digital Transformation Division in April 2021 to accelerate Group-wide DX initiatives from here on out, improve the digital literacy of all employees, and swiftly achieve objectives such as deployment of DX throughout each business sector and corporate division. We will also utilize digital technology to add new elements which transform our processes in businesses which have traditionally been our forte, such as chemicals and monomers, polymers, composite materials and compounds, and processed goods. And we will lead the transformation of companies and industries by creating innovative products, services, and business models.



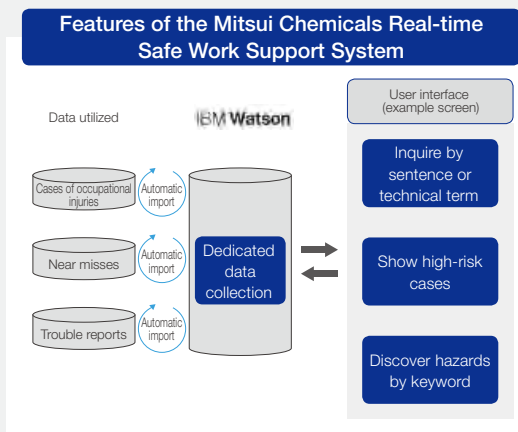
We have begun cooperating with IBM Japan, Ltd. toward building a resource circulation platform that enables traceability of plastic materials. We aim to make our supply chains more transparent by adopting IBM's blockchain technology, while also leveraging the expertise our Group has accumulated thus far with regards to monomers and polymers, as well as the environmental technologies and expertise including the mechanical/chemical recycling we are developing. Through this, we will contribute to the realization of a circular economy.

SAMBE Masao
Executive Officer
in charge of the Digital
Transformation Div. and
Information System Div.



Topics Beginning operation of an occupational injury hazard detection AI

In April 2021, we began operation of an occupational injury hazard detection AI at our Osaka Works, with the goal of creating a safe and secure working environment. We compiled the paper-based information we have accumulated thus far about past cases of occupational injuries, near misses, and trouble reports into a digital database which can be accessed from computer terminals in our plants. Users can search for keywords such as the location or content of the work or type of occupational injuries (for instance, burn or fall), making it possible to quickly look up past cases from the database that are highly relevant. By using this system, we hope to eliminate reliance on individual expertise, transmit skills and know-how, and speed up investigations into the causes of accidents.



Foundations for value creation

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Board of Directors and Board of Corporate Auditors

(As of the end of June 2021)

Board of Directors



1 TANNOWA Tsutomu

Representative Director,
Member of the Board, Chairman

Board of Directors Meetings
Attended/Held
12/12

Term of office **9 years**

Apr. 1976 Joined Mitsui Toatsu Chemicals, Inc.
Apr. 2007 Executive Officer of the Company
General Manager, Human Resources &
Employee Relations Div.
Apr. 2010 Managing Executive Officer of the
Company
Business Sector President, Basic
Chemicals Business Sector
Jun. 2012 Member of the Board, Managing
Executive Officer of the Company
Apr. 2013 Member of the Board, Senior
Managing Executive Officer of the
Company
Apr. 2014 Representative Director, Member of
the Board, President & CEO of the
Company
Apr. 2020 Representative Director, Member of
the Board, Chairman of the Company
(to present)

4 YOSHINO Tadashi

Member of the Board,
Senior Managing Executive Officer

Newly appointed

Apr. 1987 Joined Mitsui Toatsu Chemicals, Inc.
Nov. 2012 General Manager, Industrial Chemicals
Div., Basic Chemicals Business Sector
of the Company
Apr. 2014 Senior Director of the Company
General Manager, Industrial Chemicals
Div., Basic Chemicals Business Sector
Apr. 2016 Executive Officer of the Company
Business Sector Vice President, Basic
Materials Business Sector
Apr. 2018 Managing Executive Officer of
the Company
Business Sector President,
Basic Materials Business Sector
Jul. 2018 Chairman of Shanghai Sinopec Mitsui
Chemicals, Co., Ltd. (to present)
Apr. 2020 Senior Managing Executive Officer of
the Company
Business Sector President,
Basic Materials Business Sector
Jun. 2021 Member of the Board,
Senior Managing Executive Officer of
the Company
Business Sector President,
Basic Materials Business Sector
(to present)



2 HASHIMOTO Osamu

Representative Director, Member of
the Board, President & CEO

Board of Directors Meetings
Attended/Held
12/12

Term of office **3 years**

Apr. 1987 Joined the Company
Apr. 2015 Executive Officer of the Company
General Manager, Corporate Planning
Div.
Apr. 2017 Managing Executive Officer of
the Company
Business Sector President, Health Care
Business Sector, and General Manager,
New Health Care Business
Development Div.
Sep. 2017 Managing Executive Officer of
the Company,
Business Sector President,
Health Care Business Sector
Jun. 2018 Member of the Board, Managing
Executive Officer of the Company,
Business Sector President,
Health Care Business Sector
Apr. 2019 Member of the Board, Senior
Managing Executive Officer of the
Company, Business Sector President,
Health Care Business Sector
Apr. 2020 Representative Director, Member of
the Board, President & CEO of
the Company (to present)

5 NAKAJIMA Hajime

Member of the Board,
Managing Executive Officer & CFO

Board of Directors Meetings
Attended/Held
10/10

Term of office **1 year**

Apr. 1984 Joined Mitsui Toatsu Chemicals, Inc.
Apr. 2013 General Manager, Performance
Management Div. of the Company
Apr. 2015 Senior Director of the Company
General Manager, Finance &
Accounting Div.
Apr. 2017 Executive Officer of the Company
General Manager, Finance &
Accounting Div.
Apr. 2020 Managing Executive Officer of
the Company
Jun. 2020 Member of the Board,
Managing Executive Officer of
the Company (to present)



3 MATSUO Hideki

Representative Director, Member of
the Board, Executive Vice President

Board of Directors Meetings
Attended/Held
12/12

Term of office **5 years**

Apr. 1982 Joined Mitsui Toatsu Chemicals, Inc.
Apr. 2013 Executive Officer of the Company
Center Executive, Production &
Technology Center
Apr. 2014 Managing Executive Officer of
the Company
Center Executive, Production &
Technology Center
Jun. 2016 Member of the Board, Managing
Executive Officer of the Company
Center Executive, Production &
Technology Center
Apr. 2017 Member of the Board, Senior
Managing Executive Officer of
the Company
Center Executive, Production &
Technology Center
Apr. 2018 Representative Director, Member of
the Board, Senior Managing Executive
Officer of the Company
Apr. 2020 Representative Director,
Member of the Board, Executive Vice
President of the Company
(to present)

Board of Directors

(Independent Outside Directors)



6 BADA Hajime

Member of the Board,
Outside Director

Board of Directors Meetings
Attended/Held
12/12

Term of office **5 years**

Apr. 1973 Joined Kawasaki Steel Corporation
(currently JFE Steel Corporation)
Jun. 2000 Director of Kawasaki Steel Corporation
Apr. 2003 Senior Vice President of
JFE Steel Corporation
Apr. 2005 Representative Director, President and
CEO of JFE Steel Corporation
Chairman of The Japan Iron and
Steel Federation
Apr. 2010 Representative Director, President and
CEO of JFE Holdings, Inc.
Apr. 2015 Director of JFE Holdings, Inc.
Jun. 2015 Advisor of JFE Holdings, Inc.
Jun. 2016 Member of the Board of the Company
(to present)
Outside Corporate Auditor of
ASAGAMI CORPORATION (to present)
Jun. 2018 Outside Director of NSK Ltd. (to present)
Jun. 2019 Honorary Advisor of JFE Holdings, Inc.
(to present)

Major activities

Mr. BADA Hajime primarily speaks about sound and efficient corporate management from the point of view of one concerned with the validity of business execution and the intrinsic nature of the Mitsui Chemicals Group based on his extensive experience as a corporate manager and president of an industry organization.

8 MABUCHI Akira

Member of the Board,
Outside Director

Newly appointed

Apr. 1979 Joined Fuji Heavy Industries Ltd.
(currently SUBARU CORPORATION)
Apr. 2005 Executive Officer of Fuji Heavy
Industries Ltd.
Jun. 2007 Senior Vice President of Fuji Heavy
Industries Ltd.
Jun. 2010 Director of the Board, Executive Vice
President of Fuji Heavy Industries Ltd.
Jun. 2015 Corporate Auditor of Fuji Heavy
Industries Ltd.
Jun. 2021 Member of the Board of the Company
(to present)



7 YOSHIMARU Yukiko

Member of the Board,
Outside Director

Board of Directors Meetings
Attended/Held
12/12

Term of office **2 years**

- Apr. 1982 Joined Oki Electric Industry Co., Ltd.
- Apr. 1998 Director of Oki America Inc., and Head of New York Office of Oki Electric Industry Co., Ltd.
- Oct. 2004 General Manager of Diversity Development Office of NISSAN MOTOR CO., LTD.
- Apr. 2008 Joined Nifco Inc.
- Jun. 2011 Executive Officer of Nifco Inc.
- Apr. 2018 Outside Director of Sekisui House, Ltd. (to present)
- Jun. 2019 Member of the Board of the Company (to present)
- Jun. 2021 Outside Director of Daiwabo Holdings Co., Ltd. (to present)

Major activities

Ms. YOSHIMARU Yukiko primarily speaks about sound and efficient corporate management from the point of view of one concerned with the validity of business execution and globalization based on her experience as an executive at other companies in areas such as diversity promotion and her extensive international experience.

Reasons for nomination

Mr. MABUCHI Akira has extensive experience as a corporate manager, and in-depth knowledge of the mobility field. We expect that he will provide advice on overall management and also contribute to ensuring the transparency and suitability of the nomination and compensation system of management as a member of the Human Resource Advisory Committee and the Executive Compensation Advisory Committee.

Board of Corporate Auditors



9 ISAYAMA Shigeru

Full-time Corporate Auditor

Board of Directors Meetings
Attended/Held
12/12

Board of Corporate Auditors Meetings
Attended/Held
16/16

Term of office **3 years**

- Apr. 1980 Joined the Company
- Apr. 2007 Executive Officer of the Company, General Manager, Information & Electronics Materials Div., Performance Materials Business Sector
- Apr. 2009 Executive Officer of the Company, General Manager, Business Planning & Development Div., Performance Materials Business Sector
- Jun. 2009 Member of the Board of the Company, Business Sector Vice President, Performance Materials Business Sector, and General Manager, Business Planning & Development Div., Performance Materials Business Sector
- Jun. 2011 Assistant to the President of the Company
Representative in the Americas, and General Manager, Mitsui Chemicals America, Inc.
- Apr. 2013 Managing Executive Officer of the Company
- Jun. 2013 Member of the Board, Managing Executive Officer of the Company
- Apr. 2016 Representative Director, Member of the Board, Senior Managing Executive Officer of the Company
- Apr. 2018 Member of the Board of the Company
- Jun. 2018 Full-time Corporate Auditor of the Company (to present)
- Jun. 2019 Outside Director of Fukui Chemical Industry Co., Ltd. (to present)

10 KUBO Masaharu

Full-time Corporate Auditor

Board of Directors Meetings
Attended/Held
10/10

Board of Corporate Auditors Meetings
Attended/Held
13/13

Term of office **1 year**

- Apr. 1980 Joined the Company
- Apr. 2010 Executive Officer of the Company
General Manager, Corporate Administration Div.
- Apr. 2013 Managing Executive Officer of the Company
- Jun. 2013 Member of the Board, Managing Executive Officer of the Company
- Apr. 2014 Member of the Board, Senior Managing Executive Officer of the Company
- Apr. 2016 Representative Director, Member of the Board, Senior Managing Executive Officer of the Company
- Apr. 2017 Representative Director, Member of the Board, Executive Vice President of the Company
- Apr. 2020 Member of the Board of the Company
- Jun. 2020 Full-time Corporate Auditor of the Company (to present)

Board of Corporate Auditors (Independent Outside Corporate Auditors)



11 SHINBO Katsuyoshi

Outside Corporate Auditor

Board of Directors Meetings
Attended/Held
12/12

Board of Corporate Auditors Meetings
Attended/Held
16/16

Term of office **4 years**

- Apr. 1984 Registered as an attorney
- Nov. 1999 Attorney at Shinbo Law Office (to present)
- Jun. 2015 Outside Corporate Auditor of Sumitomo Mitsui Banking Corporation
- Jun. 2017 Corporate Auditor of the Company (to present)
Outside Director of Sumitomo Mitsui Financial Group, Inc. (to present)
- Jun. 2021 Outside Director of Yakult Honsha Co., Ltd. (to present)

Major activities

Mr. SHINBO Katsuyoshi primarily speaks about sound and efficient corporate management from the perspectives of ensuring appropriate business execution of the Company and reinforcing management oversight functions of the Board of Directors based on his specialist knowledge and extensive experience not only as a long-standing lawyer but also as an outside officer of other companies.

13 FUJITSUKA Mikio

Outside Corporate Auditor

Board of Directors Meetings
Attended/Held
12/12

Board of Corporate Auditors Meetings
Attended/Held
16/16

Term of office **2 years**

- Apr. 1977 Joined Komatsu Ltd.
- Apr. 2005 Executive Officer of Komatsu Ltd.
- Apr. 2010 Senior Executive Officer (Jomu) of Komatsu Ltd.
- Apr. 2011 Senior Executive Officer (Jomu) and CFO of Komatsu Ltd.
- Jun. 2011 Director, Senior Executive Officer (Jomu) and CFO of Komatsu Ltd.
- Apr. 2013 Director, Senior Executive Officer (Senmu) and CFO of Komatsu Ltd.
- Apr. 2016 Representative Director, Executive Vice President and CFO of Komatsu Ltd.
- Apr. 2018 Representative Director and Executive Vice President of Komatsu Ltd.
- Apr. 2019 Director of Komatsu Ltd.
- Jun. 2019 Adviser of Komatsu Ltd. (to present)
Outside Director of Yamaha Corporation (to present)
Corporate Auditor of the Company (to present)



12 TOKUDA Shozo

Outside Corporate Auditor

Board of Directors Meetings
Attended/Held
12/12

Board of Corporate Auditors Meetings
Attended/Held
16/16

Term of office **4 years**

- Nov. 1981 Joined Asahi Accounting Company (currently KPMG AZSA LLC)
- Aug. 1985 Registered as a certified public accountant
- Jul. 2002 Representative Partner of Asahi & Co. (currently KPMG AZSA LLC)
- Jun. 2006 Board Member of KPMG AZSA & Co. (currently KPMG AZSA LLC)
- Jun. 2010 Senior Board Member of KPMG AZSA & Co. (currently KPMG AZSA LLC)
- Jul. 2015 Senior Partner of KPMG AZSA LLC
- Jun. 2017 Outside Audit & Supervisory Board Member of ITOCHU ENEX CO., LTD. (to present)
Corporate Auditor of the Company (to present)

Major activities

Mr. TOKUDA Shozo primarily speaks about sound and efficient corporate management from the perspectives of ensuring appropriate business execution of the Company and reinforcing management oversight functions of the Board of Directors based on his specialist knowledge and extensive experience not only as a long-standing certified public accountant but also as an outside officer of other companies.

Corporate Governance



Corporate Governance
<https://jp.mitsuichemicals.com/en/corporate/governance.htm>



Corporate Governance Guidelines
https://jp.mitsuichemicals.com/pdf/en/corporate/governance/governance_guide_e.pdf

Basic philosophy

The Mitsui Chemicals Group is constantly engaged in business activities to realize its Corporate Vision, which comprises a Corporate Mission and a Corporate Target. We recognize that efforts to achieve effective corporate governance as part of that process will allow us to:

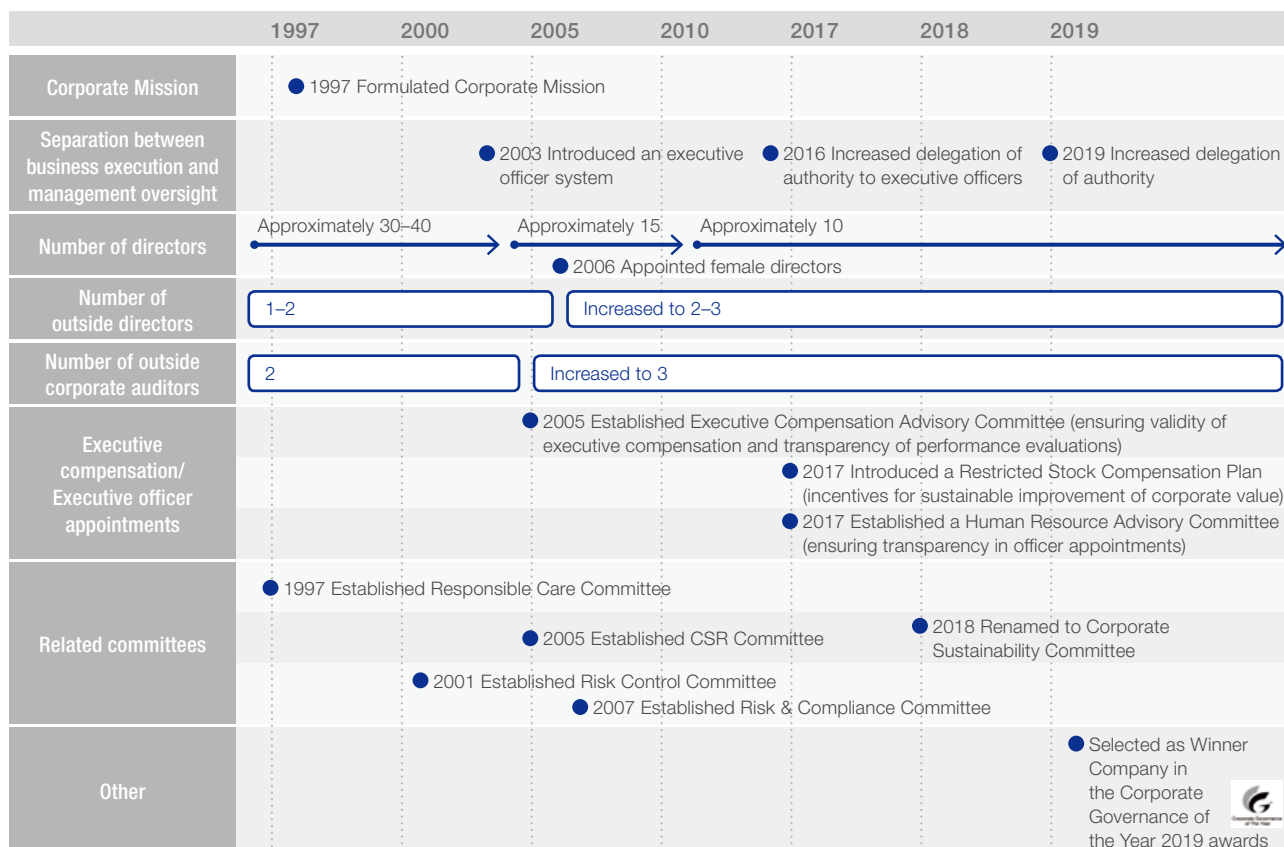
- (1) maintain and strengthen trusting relationships with shareholders and various other stakeholders of the Group, and
- (2) create a framework that can execute transparent, fair, timely, and decisive decision making.

Through these means, the Group can achieve sustainable growth and increased corporate value over the medium to long term.

Corporate governance reforms

Since the founding of Mitsui Chemicals in 1997, we have continued to carry out reforms with the aim of realizing more effective corporate governance.

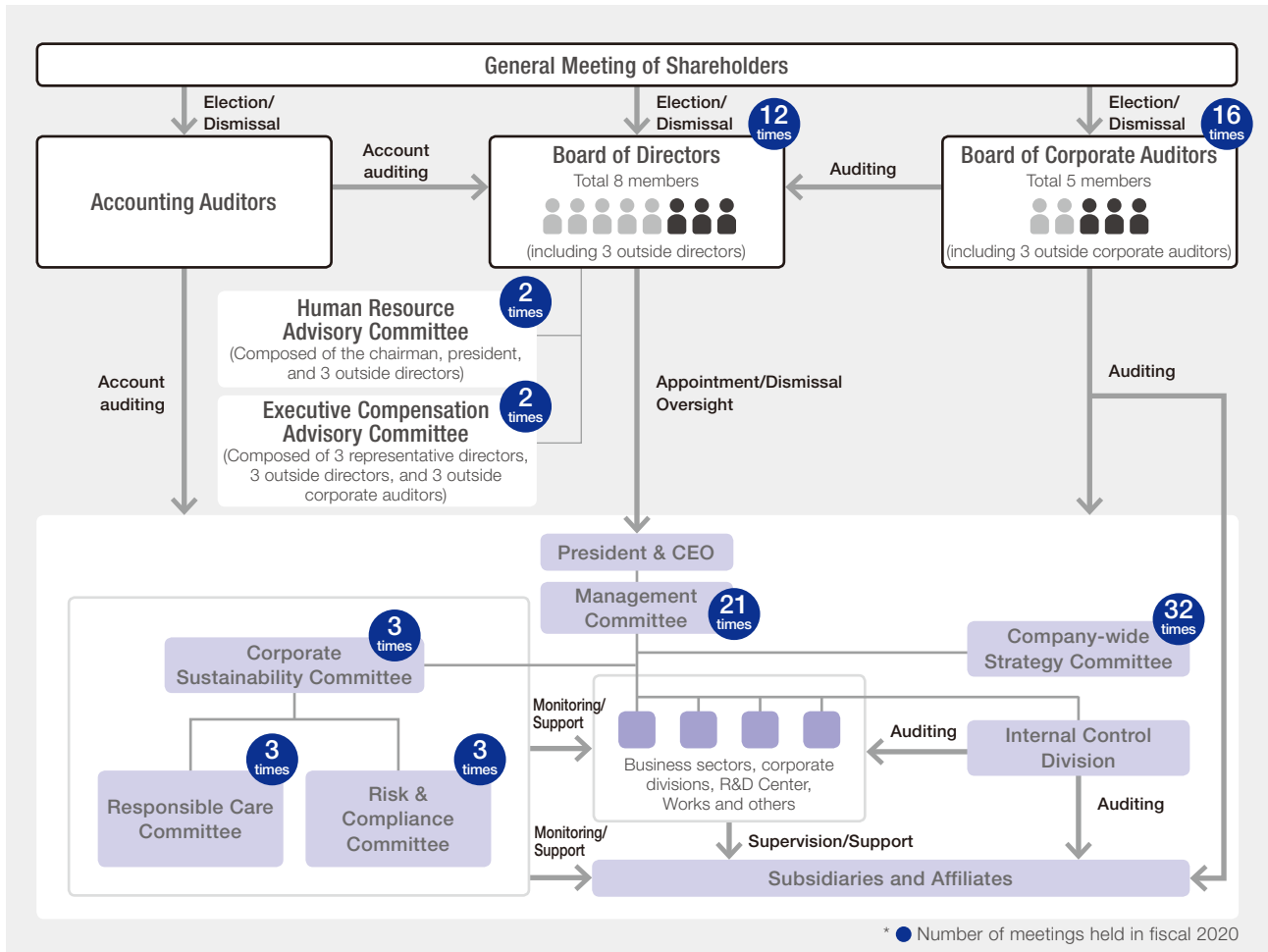
These efforts were recognized, and we were selected as a Winner Company in the Corporate Governance of the Year 2019 awards organized by the Japan Association of Corporate Directors.



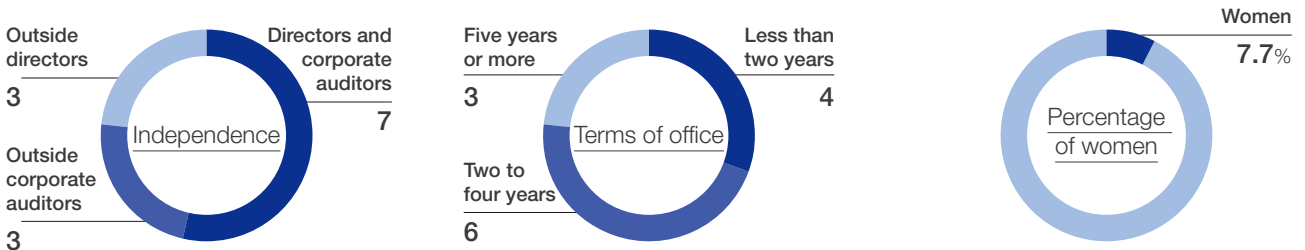
Corporate governance framework

The Board of Directors of the Company, which is presided over by the chairman who is independent of the business execution, makes key management decisions and oversees the operations of each individual director. As a company with a Board of Corporate Auditors, the status of each director's performance of his or her duties is audited by the corporate auditors and the Board of Corporate Auditors independently from the Board of Directors. In accordance with such organizational design, the Company aims to realize smooth and efficient management through initiatives such as to clarify official authority and decision-making rules based on company

rules, clarify the division of responsibilities between management oversight and business execution by introducing an executive officer system, deliberate on important matters at the Management Committee, and deliberate on strategies from a company-wide perspective at the Company-wide Strategy Committee. In addition, the Company strives to ensure soundness and appropriateness through an internal control system based on serious regard for the roles of corporate auditors, auditing of appropriateness of business operations and sound risk management by the Internal Control Division.



Composition of directors and corporate auditors



Status of Board of Directors operations

The Board of Directors (chaired by the chairman) is comprised of eight directors (including three independent outside directors who satisfy the independence standards). In fiscal 2020, the Board of Directors met 12 times.

In addition to making decisions on important matters such as management strategy, business plans, and other management issues, the Board of Directors supervises the overall management of the Group by reporting on the status of business execution by each director, execution of important operations by affiliates, the status of compliance and risk management operations at the Company and affiliates, and more. With the aim of strengthening management oversight functions, the Board of Directors discusses important policies related to corporate

management from an intermediate stage and provides advice to executive directors.

Main themes covered by the Board of Directors in fiscal 2020

- Review of Long-Term Business Plan looking ahead to 2030
- Results of evaluation of effectiveness of the Board of Directors
- Cross-shareholdings (ownership and sale)
- Climate change action
- Fiscal 2020 Key Talent Management report

Status of Human Resource Advisory Committee and Executive Compensation Advisory Committee operations

Human Resource Advisory Committee

The Human Resource Advisory Committee (chaired by the president) is comprised of the chairman, president, and three outside directors satisfying the independence standards. In fiscal 2020, the committee met twice.

To ensure the suitability and transparency in the election of directors and corporate auditors, the Company has established this committee as an advisory body to the Board of Directors, and introduced a mechanism to decide on the list of candidates for directors and corporate auditors.

Executive Compensation Advisory Committee

The Executive Compensation Advisory Committee (chaired by the chairman) is comprised of three representative directors, including the chairman, as well as three outside directors and three outside corporate auditors, all of whom satisfy the independence standards. In fiscal 2020, the committee met twice.

To ensure the fairness of compensation levels and the transparency of performance evaluations, the Company has established this committee as an advisory body to the Board of Directors, and introduced a mechanism to evaluate the performance of directors and determine the executive compensation system.

Election and dismissal of senior management and nomination of candidates for directors and corporate auditors

The Company has a Human Resource Advisory Committee that functions as an advisory body to the Board of Directors in order to ensure suitability and transparency in the election of directors and corporate auditors. The Committee deliberates the proposed list of candidates for directors and corporate auditors based on their election standards and reports the results to the Board of Directors. The Board of Directors decides upon the final list of candidates for directors

and corporate auditors by giving the fullest possible consideration to the results report from the Human Resource Advisory Committee. The president formulates a proposal on candidates for corporate auditors in consultation with the full-time corporate auditors in advance, and following the above deliberations, the Board of Directors resolves the proposal with the consent of the Board of Corporate Auditors.

Dismissal of the CEO or others in key positions

The Human Resource Advisory Committee deliberates on the dismissal of the CEO or others in key positions in cases where it is deemed that the individual has not adequately carried out his or her role in light of business performance or other factors, or where there has been a serious compliance

violation. If the Board of Directors receives findings from the Human Resource Advisory Committee constituting grounds for dismissal of a representative director, CEO, or others in key positions, the Board of Directors shall make a decision on dismissal after examining the results report.

Succession planning for the CEO and others in key positions

The Board of Directors continually and systematically oversees succession planning for the CEO and others in key positions in light of the Corporate Vision and long-term business plan and by consulting with the Human Resource Advisory Committee. We have positioned our Key Talent Management system as a framework for succession planning encompassing the senior management ranks. It clearly specifies the attributes required of management executives,

fast tracks candidates for filling future senior management roles, and strategically trains candidates.

Every year sector and corporate committees select candidates and contribute to their development by establishing customized training plans for each candidate, performing assessments, and implementing training. In addition, every year the Board of Directors receives reports on the status of such initiatives and provides appropriate oversight.

▶▶ See Human Resources Strategy on page 69.

Support systems for outside directors and outside corporate auditors

1. Support provided to outside directors

The secretariat provides the outside directors in advance explanations of the content of agenda items to be discussed at the meeting of the Board of Directors.

They are also provided with opportunities to inspect domestic and overseas sites, meet with the Accounting Auditors (twice a year), talk with the full-time corporate auditors, and participate in executive training.

Through such initiatives, the outside directors deepen their understanding of the Company's business and identify the issues and risks, thereby enabling them to better furnish commentary at meetings of the Board of Directors.

2. Support provided to outside corporate auditors

At meetings of the Board of Corporate Auditors, the full-time corporate auditors provide and share with the outside corporate auditors information they have obtained through their routine audits, including details from important internal meetings such as those of the Management Committee, and the results of external visiting audits. In addition, when meetings of the Board of Directors are held, the outside corporate auditors are provided with reference materials in advance, and the secretariat and full-time corporate auditors provide explanations of the content of agenda items to be discussed by the Board of Directors ahead of time. They also take part in audits of domestic and overseas sites conducted by the corporate auditors as necessary. Quarterly

meetings are held with both the Accounting Auditors and the Internal Control Division at which the outside corporate auditors receive reports on audit plan progress and results.

Through such initiatives, the outside corporate auditors contribute to proper audits.

Capabilities of the Board of Directors as a whole and views on diversity

As stipulated in the Articles of Incorporation, the Company shall have no more than 12 directors. The appropriate number within that range is decided at each opportunity in consideration of the status of authorities delegated to executive officers and the need to streamline decision making in response to business expansion. In principle, the Company appoints multiple independent outside directors in order to reflect in our management policies the opinions of individuals from outside the Company that hold extensive experience and insight, such as corporate

On top of this, an annual meeting of only the outside directors and outside corporate auditors is held at which they exchange information and share observations from an independent and objective perspective.

managers, academics, and legal professionals. This also increases the effectiveness of overseeing director operations. The Company appoints executive directors in consideration of the specific characteristics of our businesses irrespective of gender, race, nationality, or other factors so that the executive directors as a whole possess balanced business experience in areas such as corporate planning, business operations, production and technology, research and development, accounting and finance, and general, personnel, and legal affairs.

Main specialties and fields of experience of directors and corporate auditors

	Independence	Specialties and experience						
		Corporate management and planning	Production and technology/R&D	Global business	Marketing	HR/labor management	Finance/accounting	Legal/risk management
TANNOVA Tsutomu		●		●	●	●		
HASHIMOTO Osamu		●		●	●	●		
MATSUO Hideki		●	●	●				
NAKAJIMA Hajime		●					●	
YOSHINO Tadashi		●	●	●	●			
BADA Hajime	●	●	●	●				●
YOSHIMARU Yukiko	●	●		●		●		●
MABUCHI Akira	●	●	●	●				●
ISAYAMA Shigeru		●	●	●	●			
KUBO Masaharu		●					●	●
SHINBO Katsuyoshi	●			●				●
TOKUDA Shozo	●			●			●	●
FUJITSUKA Mikio	●	●		●			●	●

* The above is not intended to represent the entire knowledge of the directors and corporate auditors.

Policy on cross-shareholdings

The Company acquires and holds the shares of customers and suppliers in cases where we deem that such holdings can contribute to the medium- to long-term enhancement of our corporate value from the perspective of establishing and strengthening relationships and forming business partnerships with them. Meanwhile, the Company maintains a basic policy of promptly disposing of or reducing the amount of shares it considers no longer worth holding, and on an annual basis, has the Board of Directors examine whether or not it would be appropriate to continue holding such shares in view of the respective business alliance, status

of business transactions, capital costs, and other factors.

During fiscal 2020, this was examined at a Board of Directors meeting in March 2021 and some shares were sold, as shown in the table below.

Sales of cross-shareholdings

		FY2019	FY2020
Listed and non-listed shares	No. of issues	17	2
	Total sales value	¥7,190 million	¥334 million

* Including some of the shares which have been sold.

Strengthening of the Group's governance

The Company sets a division in charge of each of its subsidiaries regarding their operational management. In order to maintain appropriate management of the subsidiary, the division in charge ensures thorough awareness of the Company's management policies and strategies and monitors the status of management at the subsidiary. In addition, the division in charge provides guidance so that the subsidiary

can properly implement decision-making procedures, including for those matters requiring prior approval of the Company, based on the Regulations on Management of Subsidiaries and Affiliates and other Company regulations.

The Mitsui Chemicals Global Policy Platform (M-GRIP) was established and put into operation in fiscal 2020.

▶▶ See M-GRIP on page 91.

Executive compensation system

Basic policy

The Company's executive compensation system is designed and implemented based on the following basic policy: (1) to be commensurate with management delegation and conducive to the Group's growth and earnings improvement; (2) to reflect both corporate performance and the performance of the individual officer; (3) for officers in

higher positions, to more strongly reflect their contributions to medium- to long-term corporate growth and deepen shared value with shareholders; and (4) to fully ensure accountability to shareholders and other related parties and guarantee transparency.

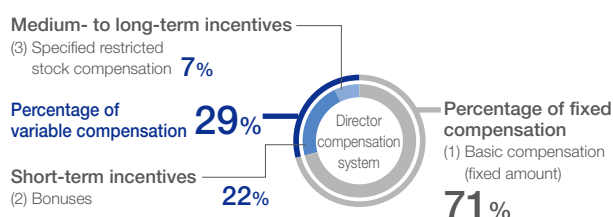
Process for determining executive compensation

Executive compensation is determined each business year by resolution of the Board of Directors following deliberations and reports by the Executive Compensation Advisory Committee, which is a voluntary advisory body

to the Board of Directors established to ensure the fairness of compensation levels and the transparency of performance evaluations.

Composition and overview of executive compensation

Compensation for the Company's directors (excluding outside directors) comprises (1) basic compensation (fixed amount), (2) bonuses, and (3) stock compensation. The Company increases the proportion of (2) bonuses and (3) stock compensation in accordance with improvement in business performance.



* Composition of compensation for directors (excluding outside directors) in FY2020

	Fixed compensation	Variable compensation	
	(1) Basic compensation (fixed amount)	(2) Bonuses	(3) Specified restricted stock compensation
Position	Fixed compensation	Short-term incentive compensation	Medium- to long-term incentive compensation
Recipient	Directors Corporate auditors	Directors (excluding outside directors)	Directors (excluding outside directors)
Payment format	Cash	Cash	Stock (stock with transfer restrictions)
Payment details	Monthly fixed compensation	<ul style="list-style-type: none"> • Paid out in line with business performance for the current fiscal year • Benchmarked mainly to operating income 	<ul style="list-style-type: none"> • To contribute to sustained improvement in medium- to long-term corporate value • To promote greater shared value with shareholders • Transfer restriction period of three to five years
Calculation formula, etc.	—	<p>a) Formula for base bonus amount Operating income × Coefficient × Director-title-specific index</p> <p>b) Determination of bonus amount for each individual The amount of bonus depends on the extent to which earnings targets were achieved based on the amount calculated with the above formula.</p> <p>c) Target and performance of main benchmark for performance-based compensation Target: Operating income before special items ¥35bn* Performance: Operating income before special items ¥85.1bn</p>	<p>The total level of compensation including (1) basic compensation (fixed amount) and (2) bonuses is set to be equivalent to that at other companies (particularly manufacturers of similar type and size).</p> <p>* Stock compensation will be reduced or otherwise unpaid in the event of a serious compliance violation, major accident, or other such incident that would adversely affect the Company and its operations.</p>

* This target is the earnings forecast for fiscal 2020 established at the beginning of the year when the impact of COVID-19 was uncertain.

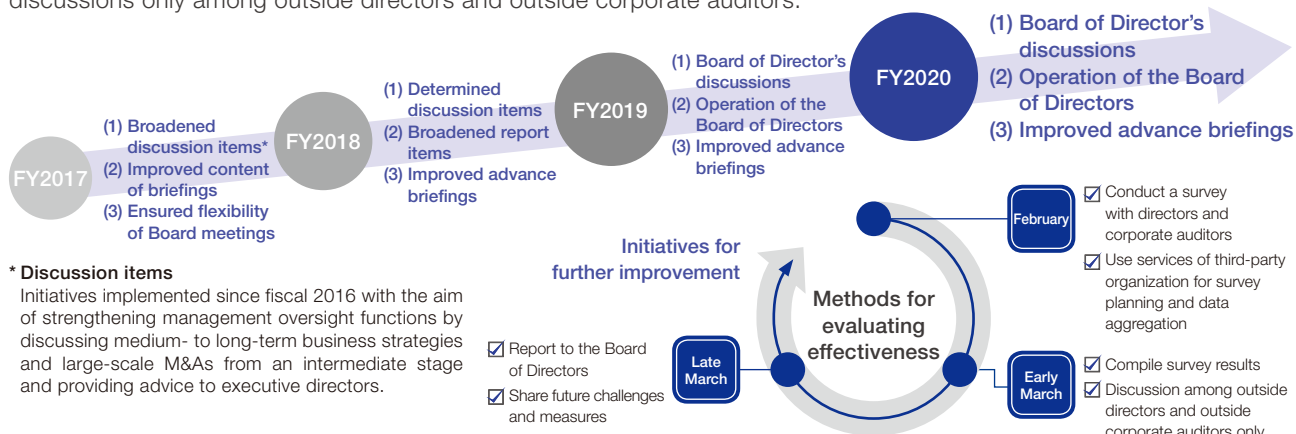
Total compensation for directors and corporate auditors in fiscal 2020

Classification	Number of recipients	Total compensation (millions of yen)	Total compensation		
			Basic compensation	Bonuses	Stock compensation
Directors (of which outside directors)	9 (3)	404 (40)	300 (40)	79 (-)	25 (-)
HASHIMOTO Osamu	-	(102)	(71)	(23)	(8)
Corporate auditors (of which outside corporate auditors)	6 (3)	103 (40)	103 (40)	- (-)	- (-)
Total (of which outside directors and outside corporate auditors)	15 (6)	507 (79)	403 (79)	79 (-)	25 (-)

* The figures in the table above include amounts paid to one director and one corporate auditor who retired as of the close of the Annual General Meeting of Shareholders for the Company's 23rd Business Term held on June 24, 2020, covering the period from April 1, 2020 through to the date of retirement.

Evaluation of the effectiveness of the Board of Directors

The Company's Board of Directors strives to improve its meetings by analyzing and evaluating the effectiveness of the Board as a whole every year using such methods as self-evaluations performed by directors and corporate auditors, and discussions only among outside directors and outside corporate auditors.



Measures taken in fiscal 2020

(1) Board of Directors' discussions

We increased the number of discussions on basic concepts of the Corporate Vision and medium- to long-term business plans and on other important policies related to the Group's management. We carried out in-depth discussions centered on review of the Long-Term Business Plan looking ahead to 2030. Opinions were also shared with outside directors on the Long-Term Business Plan outside of the meetings of the Board of Directors.

(2) Operation of the Board of Directors

In order to deepen discussion on the duties of each director, we reviewed the operation of the status report on the execution of duties and increased the frequency as well as the time allotted to each person providing a report. We also provided feedback from dialogue with investors to incorporate into future management of the Company.

(3) Improved advance briefings

We reviewed the advance provision of materials to outside directors and began providing them at an earlier timing than in the past.

Evaluation results and future initiatives

The results of directors' and corporate auditors' self-evaluations in fiscal 2020 were generally in line with last year. The Company has also confirmed that the Board of Directors has been improved and invigorated by implementing

measures to enhance its oversight functions and concludes that its effectiveness is fully sufficient, as was the case in the previous fiscal year.

Future challenges

(1) Further enhancement of discussions on medium- to long-term business strategies

(2) Operational improvements to deepen discussions on the day of the Board of Directors meeting

(3) Review of the number of meetings

The Company strives to review and implement necessary measures as appropriate to enhance the oversight functions of the Board of Directors in light of the results of the annual effectiveness evaluations.



Initiatives for further improvement Opinions of outside directors and outside corporate auditors

- Skipping the explanations provided at meetings of the Board of Directors when an advance briefing has been provided will allow better use of time for discussion.
- It would be good to have regular reports on management issues from the CEO at the beginning of meetings of the Board of Directors.
- There are more discussions on the future direction than before, but it is still insufficient.

- There are also more proposals and discussions related to medium- to long-term topics as well as more opportunities to receive useful advice from outside directors on meeting operations. There are individuals with experience serving as the CEO, CFO, etc., of other companies, so it would be good to have more lively discussions on the essence of corporate management.
- I feel that there is insufficient discussion of potential risks facing the Group as a whole.

Messages from Outside Director and Corporate Auditor

A fertile ground for accepting diversity is the driving force for change.

Since becoming an independent outside director of Mitsui Chemicals in June 2019, I have attempted to actively speak up as the voice of stakeholders based on my experience in manufacturing and my fundamental knowledge from specializing in applied chemistry.

At meetings of the Board of Directors, the basic question of whether a given decision will contribute to sustainable growth of the Company and society and whether it will lead to solutions for social challenges is always kept in mind as we engage in discussions. I also participated in the recent discussions on the establishment of VISION 2030 from an early stage with this question in mind.

The Human Resource Advisory Committee consists of the chairman, the president, and three outside directors, including me, while the Executive Compensation Advisory Committee consists of three representative directors and six outside directors and outside corporate auditors. As the pace of change in the business environment increases, the Human Resource Advisory Committee is monitoring the training and selection of candidates while focusing on diversity of human resources in particular. In regard to executive compensation, the current executive compensation system is balanced, consisting of fixed compensation and variable compensation. However, to engage in more aggressive risk taking in response to accelerating environmental changes, I believe the ratio of variable compensation to fixed compensation needs to be increased. Furthermore, demand for ESG considerations has been increasing in recent years, and to implement solutions to social challenges, which is the starting point of Mitsui Chemicals, at a higher level, we are also considering adding the perspective of an ESG-related assessment to variable compensation.

Mitsui Chemicals is at a major turning point for achieving sustainable growth over the next 50 years. Going forward, while taking advantage of its 100 years of technological prowess and its global platform and diverse human resources, the Company will not be able to rest on tradition. Instead, it will have to engage in swift reform ahead of changes in the world, maintain flexibility, and allow and learn from mistakes while taking up big challenges. The instrument for that will be diversity and inclusion. I believe that diversity is the source of innovation. I have long been involved in this theme at multiple companies and on award judging committees, so I am painfully aware of the difficulty in sharing that objective with each individual in the organization and the importance of accelerating the implementation and increasing the effectiveness thereof. Currently, initiatives such as activities to promote the advancement of women and work style reform are in the spotlight, but these are nothing more than means. Raising the priority of diversity and inclusion as a corporate strategy to achieve sustainable growth and development of global businesses in the midst of rapid environmental change and engaging in repeated and persistent communication to raise awareness is what will lead to innovation, which is the fruit of diversity.

Mitsui Chemicals has fertile ground for accepting diversity that has been cultivated through multiple business combinations since its founding. It has also made diversity one of the three elements of its core values along with taking up challenges and has given it importance as something that supports sustainable development. I am confident that the Company will achieve sustainable development and become a major contributor to solutions to social challenges while leveraging this strength and incorporating further diversity from both inside and outside its organization.

YOSHIMARU Yukiko

Member of the Board, Outside Director

Profile

- Apr. 1982 Joined Oki Electric Industry Co., Ltd.
- Apr. 1998 Director of Oki America Inc., and Head of New York Office of Oki Electric Industry Co., Ltd.
- Oct. 2004 General Manager of Diversity Development Office of NISSAN MOTOR CO., LTD.
- Apr. 2008 Joined Nifco Inc.
- Jun. 2011 Executive Officer of Nifco Inc.
- Apr. 2018 Outside Director of Sekisui House, Ltd. (to present)
- Jun. 2019 Member of the Board of the Company (to present)
- Jun. 2021 Outside Director of Daiwabo Holdings Co., Ltd. (to present)

Significant concurrent positions

- Outside Director of Sekisui House, Ltd.
- Outside Director of Daiwabo Holdings Co., Ltd.



FUJITSUKA Mikio

Outside Corporate Auditor

Profile

Apr. 1977 Joined Komatsu Ltd.
 Apr. 2005 Executive Officer of Komatsu Ltd.
 Apr. 2010 Senior Executive Officer (Jomu) of Komatsu Ltd.
 Apr. 2011 Senior Executive Officer (Jomu) and CFO of Komatsu Ltd.
 Jun. 2011 Director, Senior Executive Officer (Jomu) and CFO of Komatsu Ltd.
 Apr. 2013 Director, Senior Executive Officer (Senmu) and CFO of Komatsu Ltd.
 Apr. 2016 Representative Director, Executive Vice President and CFO of Komatsu Ltd.
 Apr. 2018 Representative Director and Executive Vice President of Komatsu Ltd.
 Apr. 2019 Director of Komatsu Ltd.
 Jun. 2019 Adviser of Komatsu Ltd. (to present)
 Outside Director of Yamaha Corporation (to present)
 Corporate Auditor of the Company (to present)

Significant concurrent positions

Outside Director of Yamaha Corporation



The sources of Mitsui Chemicals' competitiveness are its points of contact with customers and the manufacturing sites themselves.

Key to the evolution of corporate governance is the idea that there is no such thing as perfection and that there is always a goal ahead. A company must always seek things to improve and head in that direction. Such an attitude is indispensable. As an outside corporate auditor, when I attend meetings of the Board of Directors and the Board of Corporate Auditors, I focus on the validity of management decisions and follow-up in the course of execution. Having experience in various accounting positions, I also place importance on the perspectives of appropriate risk hedging and risk-based decision-making. That said, if you only look at the risks, the business will never move forward. While taking into account the balance between risk and return and the feasibility thereof, I attempt to provide suggestions and advice from an outside viewpoint so that the common sense inside the Company is not outside the bounds of common sense outside the Company. Material related to the agenda is shared several days ahead of meetings of the Board of Directors, and the atmosphere is conducive to speaking freely regardless of term of service, so officers with various backgrounds provide their honest opinions, which allows for fruitful discussions in the limited time available. I have served for just over two years, and I see Mitsui Chemicals as having room for growth because I have gotten a solid sense that the Company is making gradual improvements by reflecting the opinions of outside directors and outside corporate auditors and past experience as it implements a PDCA cycle.

As can also be said from the standpoint of ESG, corporate value is the sum of a company's credibility with society and all its stakeholders. When establishing its business plans, the Company has long incorporated discussions not only on economic elements such as sales but also social elements such as environmental and safety factors. Its commitment to making products that hold significance in creating a better society and fulfilling its responsibility as a member of society rather than simply selling products and making a profit is also evident in its original Blue Value™ and Rose Value™ indices.

Before the COVID-19 pandemic, I was impressed by the fact that the workers at the production sites gave enthusiastic explanations when I visited the plants on multiple occasions. I have personally been involved in manufacturing for many years, and I feel that a big strength of Mitsui Chemicals is that each employee has a pure sense of mission to contribute to the world through manufacturing. The key to future growth will be how well the Company is able to build on its two major sources of competitiveness, namely its points of contact with customers and its manufacturing sites, and how well it is able to increase efficiency and allocate investments in the necessary fields to make that possible.

Risk and Compliance Management



Risk and Compliance Management
https://jp.mitsuichemicals.com/en/sustainability/risk_compliance/management/index.htm

Risk and compliance management structure

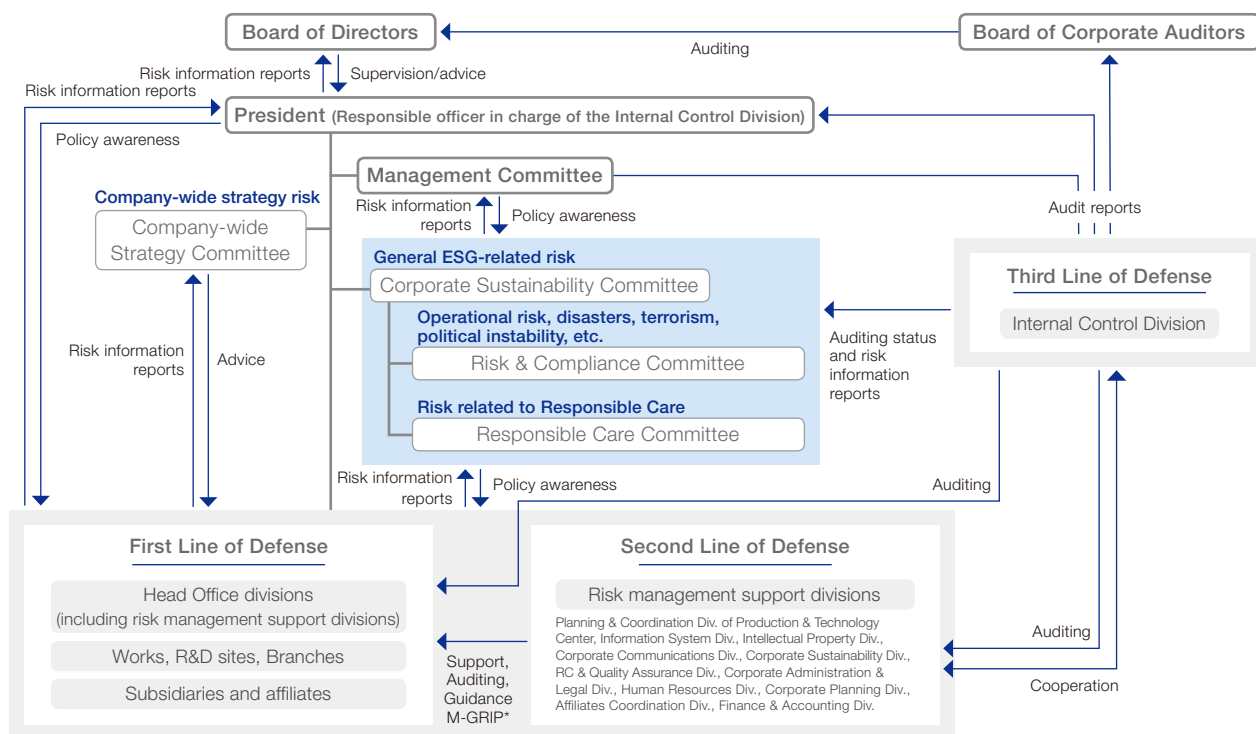
At the Mitsui Chemicals Group, the Company-wide Strategy Committee manages company-wide strategic risks. The committee identifies new risks arising from changes in the business portfolio, business expansion, and changes in the external environment and works to prevent the manifestation of those risks. In addition, the Corporate Sustainability Committee manages general ESG-related risks, the Risk & Compliance Committee manages operational risks, and the Responsible Care Committee manages risks related to Responsible Care. Drawing on the respective expertise of these committees, we are promoting thorough risk management. The Board of Directors is responsible for overall risk management at the Group.

The main external risks that the Risk & Compliance Committee focuses on include natural disasters, terrorism, violent demonstrations, and political instability. The main internal risks include legal and regulatory violations, loss of

credibility of financial reporting, environmental pollution, accidents at plants, serious occupational injuries, product liability lawsuits, concern about credit standing of business partners, mental health issues, deterioration of labor-management relations, information leaks, disruption of information and communication systems, and other operational risks. To address these risks, the committee gathers and evaluates information, provides instruction to the related divisions for taking action, establishes company-wide risk management policies, reviews measures for individual risks, and manages a risk hotline.

In fiscal 2020, there was one incidence of major legal and regulatory violation at a subsidiary of the Company. We take this incident very seriously and will strengthen legal compliance throughout the Group, implement improvement plans related to our internal management systems, and work thoroughly to prevent recurrence.

Risk Management Structure



* See page 91 for details of M-GRIP.

First and Second Lines of Defense

In the first line of defense, each division conducts annual risk assessments, and designs and implements organizational controls to address the identified risks. The officer in charge of each division is responsible for identifying and managing risks.

In the second line of defense, to ensure risk management in each division, risk management support divisions with expert knowledge provide support to all parts of the organization, and, where necessary, auditing and guidance.

Each division reports risk information to the Company-wide Strategy Committee and other committees according to the type and severity of the risk. The Management Committee receives risk information from across the company as input for making management decisions, and discusses and decides on action plans.

Third Line of Defense

The Internal Control Division conducts auditing on operations and Responsible Care from an independent perspective, and aims to maintain and strengthen internal control standards throughout the Group and also make sure current operational risk is kept within tolerance. At the same time, it works to ensure appropriate and efficient execution of operations by continually checking and assessing the status of preparation and implementation of internal controls related to Group-wide financial reporting as required by the Financial Instruments and Exchange Act through J-SOX assessments, which are a part of legal auditing.

M-GRIP: Strengthening the Group’s global business governance

With the goals of reducing the risks that have grown as globalization accelerates and of further transforming and expanding its business, since fiscal 2020, the Mitsui Chemicals Group has begun deploying the “Mitsui Chemicals Global Policy Platform” (M-GRIP*), which is a shared indirect operations platform for the Group.

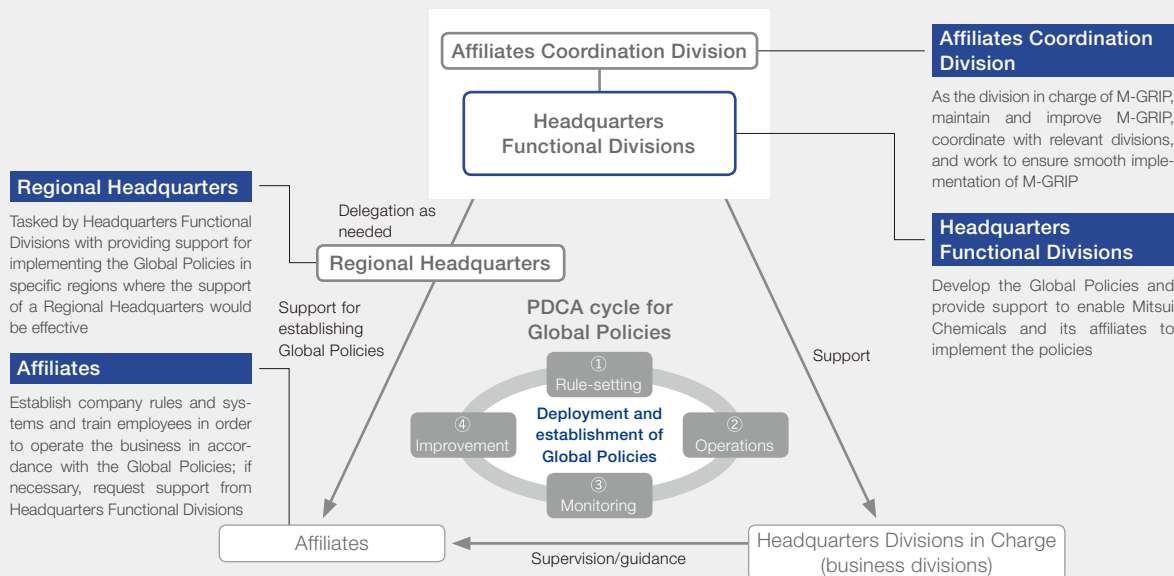
M-GRIP is the mechanism that lays out a “Global Policy” comprising measures that are common to the entire Group regarding indirect operations such as human resources, accounting, and logistics. By ensuring that each company within the Group implements those measures, it allows the execution of proper business operations and ongoing improvements. In fiscal 2020, amid the ongoing COVID-19 pandemic, we explained the details of this mechanism to all Group companies via individual online meetings. Through

dialogue, we sought to promote understanding of M-GRIP and firmly establish it within the Group. In addition, we established a total of nine Global Policies on matters such as anti-monopoly laws and information security, and they are beginning to be implemented worldwide. Over the next several years, we will prepare and deploy the necessary Global Policies. By fostering a common awareness throughout the Group and promoting sustainability management and thorough compliance, which helps improve corporate value, we are working to reduce and avoid risk and improve business efficiency, thereby supporting the realization of a corporate group that enjoys sustainable growth.

* M-GRIP: The abbreviation of “Mitsui Chemicals – Global Risk Management & Business Support Improvement Platform”

M-GRIP Deployment Chart

The Headquarters Functional Divisions, the Regional Headquarters, the affiliates, and the Affiliates Coordination Division are working together, each playing its respective role.



Thoughts on deployment

Just over a year has passed since the launch of this initiative, which took two years to prepare. We have enacted nine Global Policies out of a planned total of 30 or so.

Top priority will be given to getting the purpose across to everyone rather than the speed of enactment. We will take our time to ensure that everyone thinks of the Global Policies as their own issue.



TAKEMURA Yasuo
M-GRIP Office
Deputy General Manager,
Affiliates Coordination
Division



SATAKE Tomoko
Administrative Div.
Hokkaido Mitsui
Chemicals, Inc.

Message from an affiliate

When we began preparing our own company rules based on the Global Policies, I was under the impression that we were already operating in accordance with the rules of Mitsui Chemicals. However, during this process, I was able to discover deficiencies in our draft. Moreover, by coordinating with the Headquarters Functional Divisions, we also were able to resolve issues we had had trouble finding solutions to.

It is encouraging to have an environment in place where we can look to for advice going forward.

Responsible Care Safety Initiatives



Responsible Care

<https://jp.mitsuichemicals.com/en/sustainability/rc/index.htm>



Safety and Prevention

https://jp.mitsuichemicals.com/en/sustainability/rc/safety_prevention/index.htm

Safety is the foundation of management at the Mitsui Chemicals Group, and we recognize it to be an essential prerequisite for our Group's sustainable growth. Safety is the cornerstone of the trust placed in us by society, and at the same time, ensuring safety increases our manufacturing quality, leading to improvement of corporate value from the financial viewpoint. With this approach, based on the management policy that states "Safety is our top priority," our Responsible Care Policy declares that "We pledge that safety is our top priority and will focus on

achieving zero accidents and occupational injuries." Top management repeats this to all Group employees on many occasions, such as in opening addresses, plant visits, Safety Day messages, and in the President's message within Company newsletters.

Each and every employee of the Group, including our business partners, maintains a constant awareness that "safety is for ourselves, our families, our colleagues, and society," and we are steadily working to foster a culture of safety.

Topics Mitsui Chemicals Plant Operation Technology Training Center

The Group established the Mitsui Chemicals Plant Operation Technology Training Center in Mobara in 2006 and in Nagoya in 2007 for the purpose of training production site operators. In Mobara, the training is primarily for chemical operators, and in Nagoya, it is primarily for processing operators. Through hands-on and experience-based training, we are working to develop human resources that are experts at operations and equipment with a focus on safety. The training is not only for employees at the Mitsui Chemicals' plants but also those in our research and administrative divisions and those of Group affiliates in Japan and other countries. In fiscal 2018, we rolled out the training globally, and utilizing the technology training center of the Siam Group in Thailand (Operation Excellence Training Center [OETC]), we are carrying out training in Thai and English as well.

Starting in fiscal 2020, we developed and launched new online training consisting of hybrid (lectures, demonstration videos, and recorded videos) and interactive (questions and group discussions) simulated training as an alternative to hands-on and experience-based training in order to provide educational opportunities to those who cannot come in person due to the COVID-19 pandemic to the extent possible.

Progress of the Plant Operation Technology Training Center — Gradual expansion and enhancement of scope of participants, content of training, and training methods



Financial and company data

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11-Year Overview of Major Financial and Non-Financial Indicators

For the Fiscal Year	2010	2011	2012	2013	2014	2015	2016	
J-GAAP								
Financial Data								
Operating Results (for the year)								
Net sales	¥1,391,713	¥1,454,024	¥1,406,220	¥1,566,046	¥1,550,076	¥1,343,898	¥1,212,282	
Operating income (loss)	40,548	21,564	4,290	24,899	42,040	70,926	102,149	
Profit (loss) before income taxes	44,958	16,353	(796)	(10,538)	35,840	41,302	85,772	
Profit (loss) attributable to owners of parent	24,854	(1,007)	(8,149)	(25,138)	17,261	22,963	64,839	
Net cash provided by operating activities	73,196	43,302	18,512	43,476	58,287	145,913	100,440	
Net cash used in investing activities	(43,204)	(42,452)	(58,136)	(89,781)	(35,036)	(36,365)	(47,395)	
Free cash flows	29,992	850	(39,624)	(46,305)	23,251	109,548	53,045	
Financial Position (at year-end)								
Total current assets	¥ 665,976	¥ 661,311	¥ 715,396	¥ 777,015	¥ 731,708	¥ 628,210	¥ 678,938	
Property, plant and equipment, net	467,735	430,629	446,637	425,840	433,629	413,402	409,429	
Total intangible assets, investments and other assets	161,916	164,363	175,962	229,307	246,453	217,336	237,158	
Total assets	1,295,627	1,256,303	1,337,995	1,432,162	1,411,790	1,258,948	1,325,525	
Total current liabilities	442,298	451,507	493,908	507,056	448,499	364,259	392,783	
Total non-current liabilities	422,228	389,025	415,173	515,459	491,992	451,452	418,107	
Total shareholders' equity & Total accumulated other comprehensive income (loss)	383,740	367,436	376,779	352,843	406,235	381,971	449,692	
Interest-bearing debt	480,701	464,773	507,183	581,260	548,713	472,986	439,868	
Other								
Depreciation and amortization	¥ 69,237	¥ 62,749	¥ 43,864	¥ 48,143	¥ 48,251	¥ 48,640	¥ 44,057	
Capital expenditures	45,137	44,814	56,649	113,200	47,531	43,405	45,383	
R&D expenses	36,166	33,176	31,997	33,569	32,473	31,493	30,777	
Per Share Data*2								
Net income (loss) per share (basic)	¥ 124.00	¥ (5.05)	¥ (40.70)	¥ (125.50)	¥ 86.20	¥ 114.75	¥ 324.05	
Cash dividends per share	30.00	30.00	30.00	15.00	25.00	40.00	70.00	
Ratios								
Return on sales	2.91	1.48	0.31	1.59	2.71	5.28	8.43	
Return on equity	6.53	—	—	—	4.55	5.83	15.59	
Return (Operating income (loss)) on assets	3.20	1.69	0.33	1.80	2.96	5.31	7.90	
Net D/E ratio	1.04	1.12	1.22	1.44	1.22	1.03	0.79	
For the Fiscal Year	2010	2011	2012	2013	2014	2015	2016	
Non-Financial Data								
Social and Environmental*3 Data								
Employees	Consolidated	12,782	12,868	12,846	14,271	14,363	13,447	13,423
	Mitsui Chemicals, Inc.	7,878	7,633	7,266	7,129	6,931	6,733	6,516
Percentage of women	Mitsui Chemicals, Inc.	11	11	12	12	12	12	12
SOI*4 frequency*5	Consolidated	0.28	0.22	0.49	0.24	0.18	0.30	0.23
GHG emissions (Scope 1, 2)*6	Consolidated*7	583	561	546	520	501	5,780	5,730
Energy consumption	Consolidated	103	99	94	89	86	95	97
Industrial waste	Landfill disposal volume (Consolidated)	18.1	1.1	1.2	0.6	0.7	1.0	0.9
	Landfill rate (Consolidated)	5.4	0.4	0.4	0.2	0.2	0.4	0.4

*1 The Mitsui Chemicals Group adopted IFRS for the first time in the fiscal year that commenced on April 1, 2020, and so the annual consolidated financial statements for the fiscal year ended March 31, 2021 and also for the fiscal year ending March 31, 2020 as comparative period are prepared in compliance with IFRS.

*2 On October 1, 2017, Mitsui Chemicals conducted a 5-to-1 share consolidation. Net income (loss) per share is calculated as if the consolidation had been conducted at the start of fiscal 2016. The figures listed for cash dividends per share have also been retroactively adjusted to account for the impact of the consolidation.

*3 Due to changes in aggregation methods and legal revisions, only data that complies with such methods and laws is presented.

*4 "Significant Occupational Injuries (SOIs)" refer to occupational injuries that resulted in absence from work or death. SOIs also include lighter occupational injuries that, due to the potential danger in the cause of the injury, could have led to absence from work or death. SOIs do not include those injuries that are not directly related to operations.

2017	2018	2019
¥1,328,526	¥1,482,909	¥1,338,987
103,491	93,427	71,636
94,208	105,297	68,460
71,585	76,115	37,944
82,660	109,492	114,974
(75,041)	(64,255)	(85,168)
7,619	45,237	29,806
¥ 731,326	¥ 786,677	¥ 781,347
432,908	443,063	485,531
267,075	271,334	213,189
1,431,309	1,501,074	1,480,067
443,105	458,758	478,498
400,982	410,577	393,548
511,586	551,915	527,589
463,658	485,043	554,243
¥ 45,654	¥ 49,504	¥ 52,106
81,248	61,924	76,294
33,377	35,796	36,368
¥ 358.38	¥ 385.60	¥ 194.94
90.00	100.00	100.00
7.79	6.30	5.35
14.89	14.31	7.03
7.51	6.37	4.81
0.75	0.68	0.76

2017	2018	2019	2020	
17,277	17,743	17,979	18,051	Persons
6,541	6,670	6,770	6,809	Persons
13	13	13	13	%
0.24	0.33	0.31	0.22	
5,580	5,220	5,065	4,933	Thousand tons
95	93	89.3	87.1	PJ
0.7	0.7	0.8	0.7	Thousand tons
0.3	0.3	0.4	0.3	%

*5 SOI frequency: The number of deaths or SOIs per million hours worked.

*6 We had disclosed our GHG emissions as a combination of both Scope 1 and Scope 2 less the amount of electricity and steam sold up to 2014, but after 2015 we have been disclosing the sum of Scope 1 and Scope 2.

*7 GHG emissions for overseas consolidated subsidiaries are calculated in accordance with Japan's Law Concerning the Promotion of Measures to Cope with Global Warming based on energy consumption figures. (CO₂ emission factors from electricity generation were retroactively changed to the International Energy Agency (IEA) emission factors for each country.) Data reflect the total of domestic and overseas consolidated subsidiaries.

For the Fiscal Year	IFRS*1	
	2019	2020
Financial Data		
Operating Results (for the year) (Millions of yen)		
Sales revenue	¥1,349,522	¥1,211,725
Operating income before special items	72,330	85,140
Income before income taxes	60,824	74,243
Net income attributable to owners of the parent	33,970	57,873
Net cash provided by operating activities	142,232	174,323
Net cash used in investing activities	(109,112)	(77,555)
Free cash flows	33,120	96,768
Financial Position (at year-end) (Millions of yen)		
Total current assets	¥ 781,834	¥ 787,572
Property, plant and equipment and Right-of-use assets, net	499,650	501,960
Total investments and other non-current assets	249,031	268,593
Total assets	1,530,515	1,558,125
Total current liabilities	485,674	466,305
Total non-current liabilities	435,134	409,663
Total equity attributable to owners of the parent	529,220	607,921
Interest-bearing debt	599,388	563,791
Other (Millions of yen)		
Depreciation and amortization	¥ 76,009	¥ 76,621
Capital expenditures	106,539	93,170
R&D expenses	36,081	33,802
Per Share Data (Yen)		
Net income per share (basic)	¥ 174.52	¥ 298.00
Cash dividends per share	100.00	100.00
Ratios		
Return on sales	5.36	7.03 %
Return on equity	6.43	10.18 %
Return (Operating income before special items) on assets	4.81	5.51 %
Net D/E ratio	0.81	0.60 Times
Return on invested capital	4.4	5.0 %

Management's Discussion and Analysis

Overview

In the fiscal period under review (the twelve-month period from April 1, 2020 to March 31, 2021, hereinafter the "fiscal 2020"), the global economy remained extremely harsh due to various restrictions imposed to stem the spread of coronavirus. Although the economy has shown signs of recovery after restrictions were lifted, some countries and regions have repeatedly imposed restrictions due to continued outbreaks.

In Japan as well, the manufacturing sector has shown signs of recovery but the outlook remains uncertain as the government has made several emergency declarations due to continued outbreaks.

On the other hand in the domestic chemical industry, the situation was temporarily harsh because of the pandemic but utilization of naphtha crackers is headed toward a recovery as the economy begins to recover.

Under these circumstances, the Mitsui Chemicals Group (hereafter "the Group") worked for business expansion and growth in three business domains—Mobility, Health Care, and Food & Packaging—while also creating and developing Next Generation Business and further enhancing competitiveness in the area of Basic Materials.

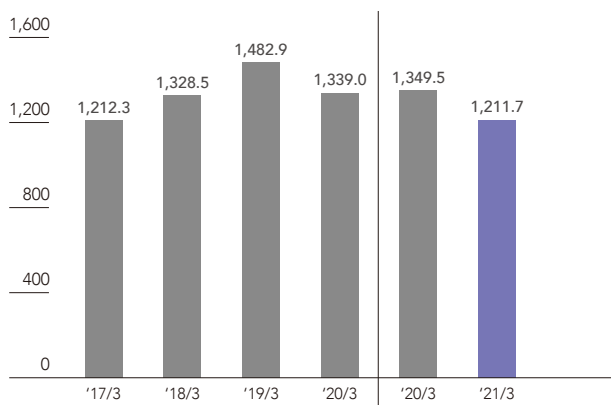
In Mobility, there has been diversified needs for lighter, more comfortable vehicles in the automotive industry in addition to a shift toward electric cars and needs for improved fuel economy. Regarding polypropylene compounds, which are contributing for lighter vehicles, our first production base in Europe began commercial operations. In addition, aiming to seize growing demand in Asia, we expanded the production facilities of our base in Thailand. As for our gear oil additive LUCANT™, which helps improve the fuel economy and longevity of automobiles, we completed construction of a new plant in Ichihara Works to meet expanding global demand. And regarding APEL™, which is mainly used in smartphone camera lenses in the information communication technology (ICT) industry, we began construction of a new plant in Osaka Works to meet a rapid increase in demand.

In Health Care, in addition to declining birthrates and aging populations in advanced countries and growing economies in emerging markets, health consciousness is rising due in part to current measures to address the pandemic. In non-woven fabric, to meet the robust demand for masks and medical staff support in light of the pandemic, our subsidiary Sunrex Industry Co., Ltd. established a production system for non-woven fabric for medical gowns and expanded production facilities for TEKNOROTE™ mask nose clamps. Regarding our ophthalmic lens materials boasting the world-leading market share, we expanded our product lineup by purchasing COTEC GmbH to manufacture, market, and research water-repellent and anti-refractive coating materials. In addition, as for dental materials, we concluded a capital business alliance agreement with SHOFU INC., which is a manufacturer of dental materials and equipment, with the aim of enhancing corporate value and raising our presence in the market.

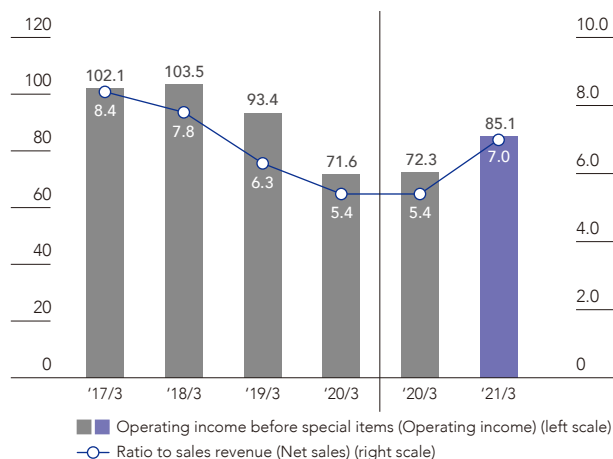
In Food & Packaging, food security is becoming a major social issue amid global population growth and climate change. With standards of living in Asia rising, the packaging field is seeing growing needs for more highly functional products with a smaller environmental footprint. In performance films and sheets, we decided to expand production facilities for ICROS™ Tape, which commands the largest share of the global market for protective tape used in semiconductor manufacturing processes. In agrochemicals, the Group acquired registration in Japan for its insecticide BROFREYA™ SC, which utilizes the new agent TENEBENAL™ as the active ingredient. Pesticide-resistant pests have become a major problem in crop production and we will continue to help combat the issue.

In Basic Materials, which is centered on petrochemicals and basic chemicals, the Group provides materials to various manufacturing fields, including automobiles, residences, consumer electronics, infrastructure and packaging. As a strategic foundation, we have moved

Sales revenue (Net sales) (Billions of yen)



Operating income before special items (Operating income)/ Ratio to sales revenue (Net sales) (Billions of yen, %)



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forward to enhance, expand, optimize and reconstruct downstream products in order to strengthen competitiveness. We strove to further rationalize our crackers, such as by reducing and stabilizing costs through raw material diversification and improving energy efficiency through the installation of a new gas turbine. In order to enhance downstream products, the Group has resolved Honshu Chemical Industry Co., Ltd., which possesses high level of technology in the area of performance polymers relating to ICT, Mobility and Health Care, to become a subsidiary through a tender offer.

Moreover, the Group continues to minimize negative impact on profit or loss by shrinking inventory and reducing fixed costs.

Concept for Selection of Accounting Standard

Based on the Group's development of global business activities, the Group voluntarily adopted IFRS from the first quarter of fiscal 2020 for the purpose of improving international comparability of financial information in capital markets and enhancing its business management by unifying accounting standards across the Group.

In addition, the Group uses operating income before special items as a management indicator, which is operating income excluding non-recurring items.

Operating Results

Sales revenue

Sales revenue decreased 137.8 billion yen, or 10.2%, compared with the previous fiscal year to 1,211.7 billion yen. This was mainly attributable to decrease in sales prices due to the fall in naphtha and other raw materials and fuel prices, in addition to decrease in sales resulting from the spread of coronavirus.

Operating income before special items

Operating income before special items was 85.1 billion yen, an increase of 12.8 billion yen or 17.7% year on year. This result was due to favorable terms of trade and reduction of fixed costs, despite of decrease in sales resulting from the spread of coronavirus.

Operating income

Operating income was 78.1 billion yen, increased 13.5 billion yen or 20.9% year on year. This result was mainly due to increase of operating income before special items.

Financial income/expenses

Financial income/expenses worsened 0.1 billion yen year on year to 3.9 billion yen loss, due to a decline of dividend income received.

Income before income taxes

As a result of the aforementioned factors, income before income taxes amounted to 74.2 billion yen, an increase of 13.4 billion yen or 22.1% year on year.

Net income attributable to owners of the parent

Net income attributable to owners of the parent after accounting for income taxes and non-controlling interests was 57.9 billion yen, an increase of 23.9 billion yen or 70.4% compared with the previous fiscal year. Basic earnings per share for the period were 298.00 yen.

Segment information

Results by Business Segment

The status of each segment during fiscal 2020 is as follows.

Mobility

Sales revenue decreased 52.4 billion yen compared with the previous fiscal year to 315.5 billion yen and comprised 26% of total sales. Operating income before special items decreased 12.9 billion yen to 30.2 billion yen year on year. The decrease in income was due to slowing demand for automobile.

In elastomers, performance compounds, overseas polypropylene compound, and solution business, sales decreased due to the impact of coronavirus.

In performance polymers, the Group captured demand and sales remained healthy for ICT-related products.

Millions of yen

Mobility	2021/3	2020/3	Change (%)
Sales revenue	¥315,480	¥367,910	(14.3)
Operating income before special items	30,177	43,104	(30.0)
Total assets	346,837	367,094	(5.5)
Depreciation and amortization	17,463	17,919	(2.5)
Capital expenditures	21,136	33,501	(36.9)

Health Care

Sales revenue increased 0.7 billion yen year on year to 143.9 billion yen and comprised 12% of total sales. Operating income before special items increased 6.7 billion yen to 19.9 billion yen, mainly due to healthy sales in nonwoven fabrics.

In vision care materials, sales of ophthalmic lens materials stayed firm.

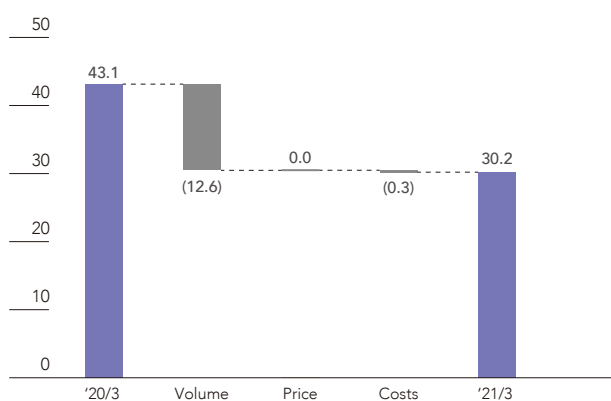
In nonwoven fabrics, sales of masks, medical gowns and disposable diapers stayed healthy.

In dental materials, sales decreased due to the impact of coronavirus.

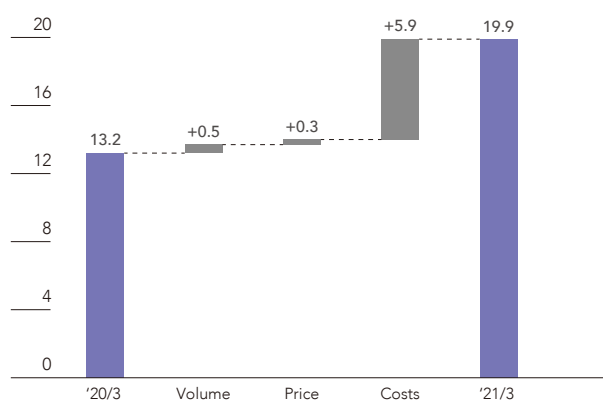
Millions of yen

Health Care	2021/3	2020/3	Change (%)
Sales revenue	¥143,933	¥143,147	0.5
Operating income before special items	19,852	13,233	50.0
Total assets	199,251	195,956	1.7
Depreciation and amortization	10,991	11,865	(7.4)
Capital expenditures	9,582	11,271	(15.0)

Mobility (Change in operating income before special items)
(Billions of yen)



Health Care (Change in operating income before special items)
(Billions of yen)



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Food & Packaging

Sales revenue decreased 3.6 billion yen compared with the previous fiscal year to 197.7 billion yen and comprised 16% of total sales. On the other hand, operating income before special items increased 5.0 billion yen to 22.0 billion yen year on year, due to healthy sales in agrochemicals and industrial films and sheets.

In coatings & engineering materials, sales decreased due to the impact of coronavirus.

In performance films and sheets, sales were firm mainly in industrial films and sheets.

In agrochemicals, overseas sales were healthy.

Millions of yen

Food & Packaging	2021/3	2020/3	Change (%)
Sales revenue	¥197,700	¥201,309	(1.8)
Operating income before special items	21,989	17,003	29.3
Total assets	253,218	242,414	4.5
Depreciation and amortization	10,419	9,705	7.4
Capital expenditures	13,485	16,586	(18.7)

Basic Materials

Sales revenue decreased 78.1 billion yen compared with the previous fiscal year to 541.4 billion yen and accounted for 45% of total sales. On the other hand, operating income before special items increased 10.2 billion yen to 19.6 billion yen, due to improved overseas market.

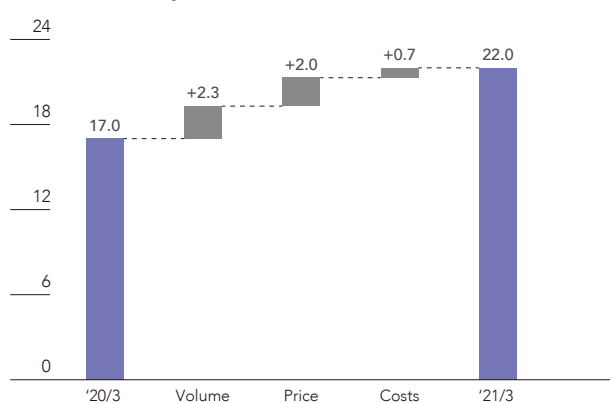
Naphtha cracker operating rates were lower than the previous fiscal year due to decreased demand of downstream products, which was impacted by coronavirus. Performances of polypropylene was affected by slowing demand for automotive products.

For Bisphenol A and Acetone, overseas market was at higher level than the previous fiscal year.

Millions of yen

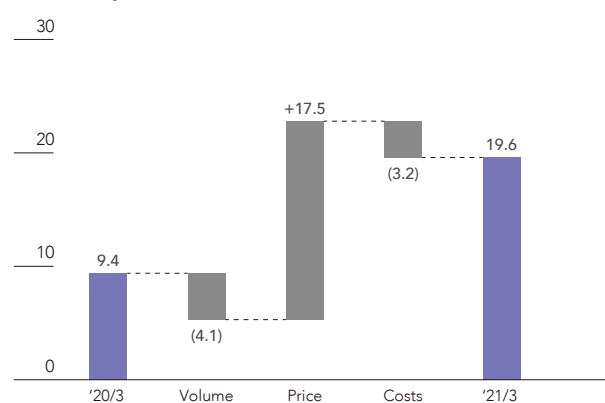
Basic Materials	2021/3	2020/3	Change (%)
Sales revenue	¥541,382	¥619,520	(12.6)
Operating income before special items	19,642	9,396	109.0
Total assets	606,146	597,162	1.5
Depreciation and amortization	32,245	30,476	5.8
Capital expenditures	39,376	38,247	3.0

Food & Packaging (Change in operating income before special items) (Billions of yen)



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Basic Materials (Change in operating income before special items) (Billions of yen)



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Others

Sales revenue decreased 4.4 billion yen to 13.2 billion yen, comprised 1% of total sales. On the other hand, operating loss before special items was 1.1 billion yen, a decrease of 1.8 billion yen compared to the previous year.

Millions of yen

Others	2021/3	2020/3	Change (%)
Sales revenue	¥13,230	¥17,636	(25.0)
Operating loss before special items	(1,045)	(2,981)	(64.9)
Total assets	80,790	66,993	20.6
Depreciation and amortization	4,862	5,311	(8.5)
Capital expenditures	9,156	6,433	42.3

Sales revenue

Billions of yen

	2021/3	2020/3	Increase (Decrease)		
			Total	Volume contribution	Price contribution
Mobility	¥ 315.5	¥ 367.9	¥ (52.4)	¥(43.1)	¥ (9.3)
Health Care	143.9	143.2	0.7	0.2	0.5
Food & Packaging	197.7	201.3	(3.6)	5.3	(8.9)
Basic Materials	541.4	619.5	(78.1)	(4.2)	(73.9)
Others	13.2	17.6	(4.4)	—	(4.4)
Total	¥1,211.7	¥1,349.5	¥(137.8)	¥(41.8)	¥(96.0)

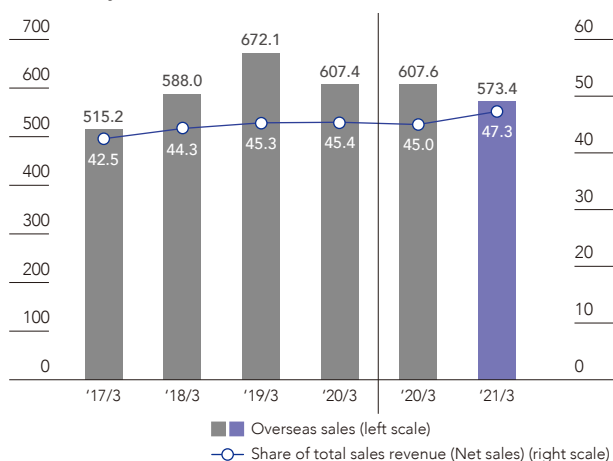
Operating income before special items

Billions of yen

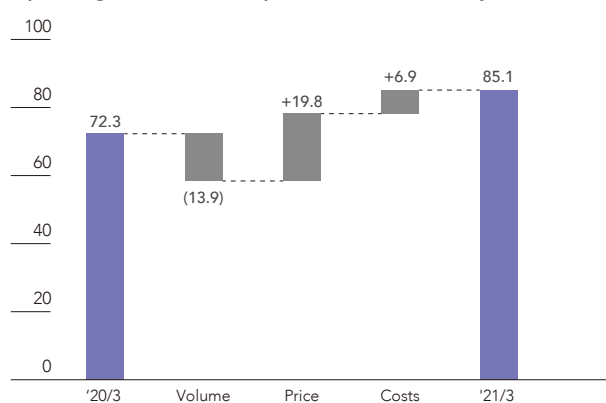
	2021/3	2020/3	Increase (Decrease)			
			Total	Volume contribution	Price*	Fixed and other cost differential
Mobility	¥30.2	¥43.1	¥(12.9)	¥(12.6)	¥ 0.0	¥(0.3)
Health Care	19.9	13.2	6.7	0.5	0.3	5.9
Food & Packaging	22.0	17.0	5.0	2.3	2.0	0.7
Basic Materials	19.6	9.4	10.2	(4.1)	17.5	(3.2)
Others	(1.1)	(2.9)	1.8	—	—	1.8
Adjustments	(5.5)	(7.5)	2.0	—	—	2.0
Total	¥85.1	¥72.3	¥ 12.8	¥(13.9)	¥19.8	¥ 6.9

*Price = Price contribution + Variable cost differential

Overseas sales/Share of total sales revenue (Net sales)
(Billions of yen, %)



Operating income before special items (Billions of yen)



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Financial Position

Assets

Total assets at the end of fiscal year stood at 1,558.1 billion yen, an increase of 27.6 billion yen compared with the end of the previous fiscal year.

Liabilities

Total liabilities at the end of fiscal year decreased 44.8 billion yen compared with the previous fiscal year-end to 876.0 billion yen. Interest-bearing debt amounted to 563.8 billion yen, a decrease of 35.6 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 36.2%, a decrease of 3.0 percentage points.

Net Assets

Total equity was 682.1 billion yen, an increase of 72.4 billion yen compared with the previous fiscal year-end. The ratio of equity attributable to owners of the parent was 39.0%, an increase of 4.4 percentage points.

Accounting for the aforementioned factors, the net debt-equity ratio stood at 0.60 at the end of the fiscal year, 0.21 point decrease from the previous fiscal year-end.

Capital Resources and Liquidity

Cash Flow

Cash and cash equivalents (hereafter called "net cash") at the end of the fiscal year increased 31.4 billion yen to 196.0 billion yen compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities increased 32.1 billion yen to 174.3 billion yen due to increase of income before income taxes and decrease of income taxes paid.

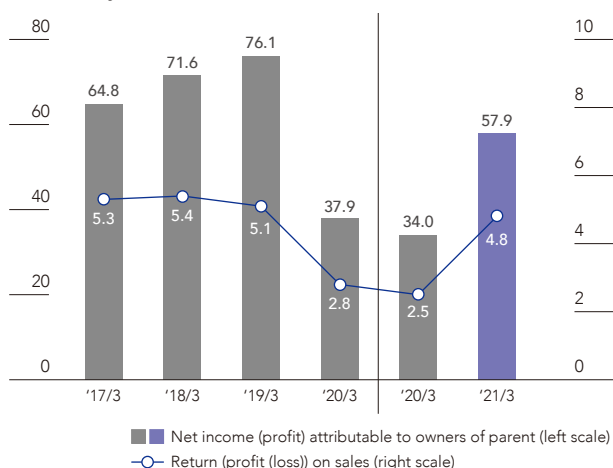
Cash Flows from Investing Activities

Net cash used in investing activities decreased 31.6 billion yen compared with the previous fiscal year to 77.5 billion yen, mainly due to decrease of cash outflows from capital expenditure.

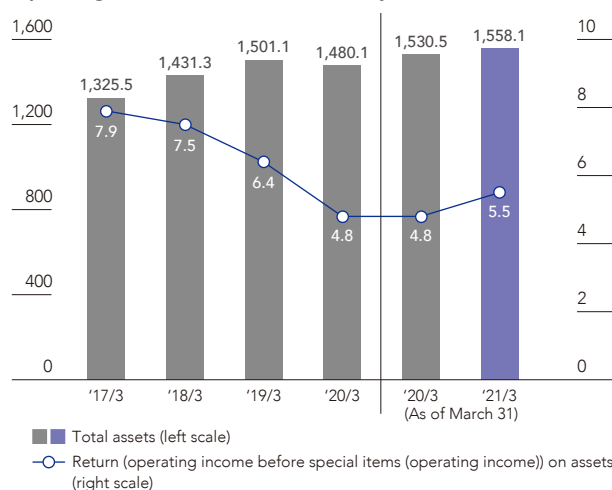
Cash Flows from Financing Activities

Net cash used in financing activities increased 62.6 billion yen compared with the previous fiscal year to 69.0 billion yen due primarily to increase of repayments of interest-bearing debt.

Net income (profit) attributable to owners of parent
(Billions of yen, %)



Total assets/Return (operating income before special items (operating income)) on assets
(Billions of yen, %)



Cash Flows-Related Performance Indicators

	2021/3 (As of March 31, 2021)	2020/3 (As of March 31, 2020)	2019/3 (As of March 31, 2019)	2018/3 (As of March 31, 2018)	2017/3 (As of March 31, 2017)
Shareholders' Equity Ratio (%)	39.0	34.6	36.8	35.7	33.9
Shareholders' Equity Ratio on a Market Value Basis (%)	44.0	25.6	34.7	46.6	41.5
Ratio of Interest-bearing Debt to Cash Flows	3.2	4.2	4.4	5.6	4.4
Interest Coverage Ratio (Times)	37.1	25.5	19.9	14.8	17.3

Notes: - Shareholders' Equity Ratio: Shareholders' equity to total assets.
 - Shareholders' Equity Ratio on a Market Value Basis: Market capitalization to total assets.
 - Ratio of Interest-bearing Debt to Cash Flows: Interest-bearing debt to cash flows.
 - Interest Coverage Ratio: Cash flows to interest paid.
 - Each of the indicators was calculated using consolidated financial figures.
 - The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
 - Operating cash flow figures have been used for cash flow calculations.
 - Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid. Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.
 - Figures before FY2018 are based on Japanese GAAP.

Fund Procurement

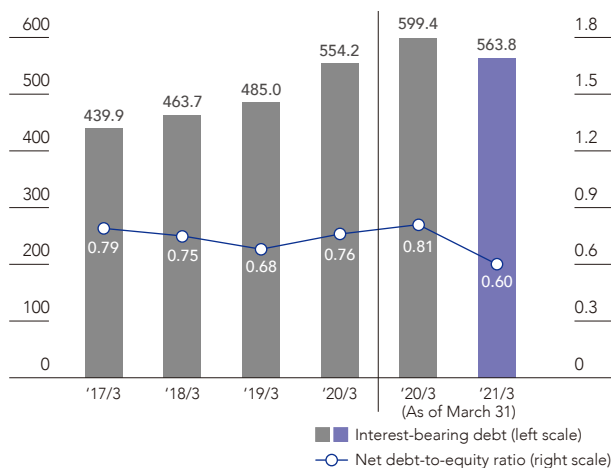
In connection with its fund procurement activities, the Group adopts the following basic policies.

1. Maintain a high credit rating so that low-cost funds can be procured, mainly through bonds, loans, and commercial paper whenever necessary.
2. Utilize a certain level of indirect financing to preserve the stability of fund procurement activities.
3. Employ securitization and other schemes to liquidate assets in an effort to diversify fund procurement means.

Financial Liquidity

With regard to asset efficiency, the Group will ensure sufficient levels of liquidity in hand while at the same time securing alternative sources of fund procurement, including credit and overdraft facilities.3. Outlook for Fiscal 2021 (Year Ending March 31, 2022)

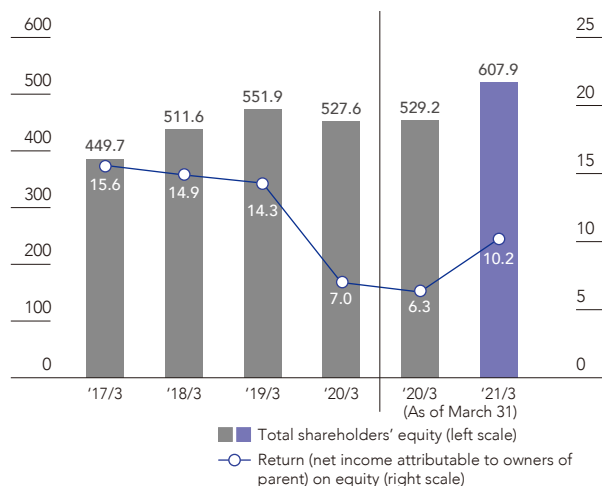
Interest-bearing debt/Net debt-to-equity ratio (Billions of yen, %)



J-GAAP

IFRS

Total shareholders' equity/Return (net income attributable to owners of parent) on equity (Billions of yen, %)



J-GAAP

IFRS

Capital Expenditures (Summary)

The Company and its consolidated subsidiaries undertook capital expenditures totaling 93.2 billion yen in fiscal 2020. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.

Expenditures by business segment were as follows.

Mobility

The Company carried out construction to install new production facilities for Lucant® at its Ichihara Plant.

The Company carried out construction to install new production facilities for APEL® at its Osaka Plant.

The total amount of capital expenditures in the Mobility segment was 21.1 billion yen.

Health Care

The total amount of capital expenditures in the Health Care segment was 9.6 billion yen.

Food & Packaging

The total amount of capital expenditures in the Food & Packaging segment was 13.5 billion yen.

Basic Materials

The total amount of capital expenditures in the Basic Materials segment was 39.4 billion yen.

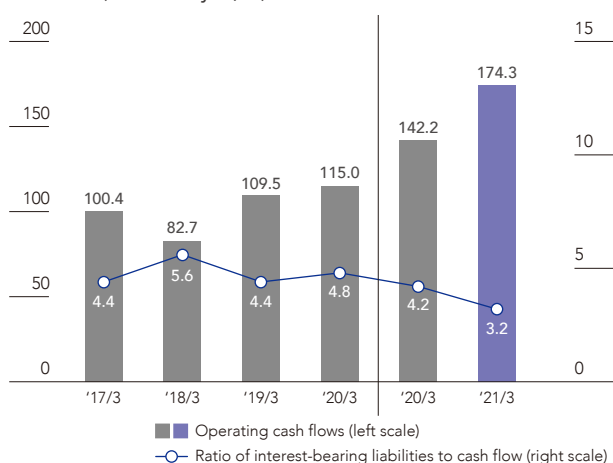
Others

The total amount of capital expenditures in the Others segment was 9.2 billion yen.

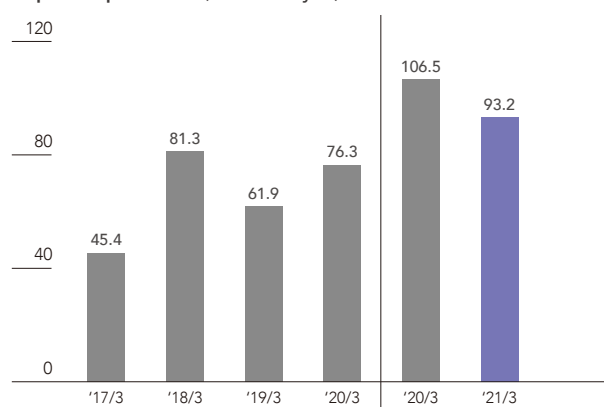
Corporate Expenses

The total amount of capital expenditures recorded under corporate expenses was 0.4 billion yen and was related to the development of new businesses.

Operating cash flows/Ratio of interest-bearing liabilities to cash flow (Billions of yen, %)



Capital expenditure (Billions of yen)



J-GAAP

IFRS

J-GAAP

IFRS

Research and Development

Research and development at Mitsui Chemicals, Inc. and its consolidated subsidiaries is conducted by their research and development divisions. The research and development expenses in fiscal 2020 amounted to 33.8 billion yen. The Group's research and development organizations are as listed as below:

- R&D Planning & Coordination Division
- Mitsui Chemicals Singapore R&D Center Pte. Ltd.
- Synthetic Chemicals Laboratory
- Polymeric Materials Laboratory
- Functional Materials Laboratory
- Process Technology Center
- Mobility Development Center

Major research and development issues confronting corporate research, development for new businesses and each business sector, and their research and development expenses for fiscal 2020 are briefly stated as follows.

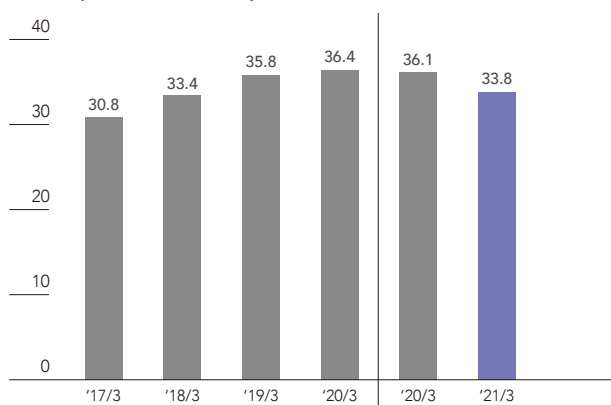
Mobility

The Company engages in the development of elastomers, performance compounds, and performance polymer resins in the Mobility domain. In fiscal 2020, the Company placed considerable weight on development activities encompassing new elastomers and performance compounds for automotive materials, and new performance polymer resins for ICT and optical materials. Research and development expenses related to this segment were 8.6 billion yen for the fiscal year.

Health Care

The Company engages in development in the Health Care domain in such areas as vision-care materials, personal-care materials, and highly functional non-woven fabrics. Kulzer GmbH and Sun Medical Co., Ltd. engage in the product development of oral-care materials, both in conjunction with the Company and separately. In fiscal 2020, efforts were mainly directed toward dental materials, non-woven fabrics for hygiene applications, and biocatalysts. Research and development expenses related to this segment were 3.7 billion yen for the fiscal year.

R&D expenses (Billions of yen)



J-GAAP

IFRS

Food & Packaging

The Company engages in the development of packaging materials and of coatings and adhesives for ICT applications in the Food & Packaging domain. Mitsui Chemicals Tohcello, Inc. develops films and sheets for packaging, while also working with the Company on developing functional products for ICT fields. In addition, Mitsui Chemicals Agro, Inc. develops products for agriculture and disease prevention applications. In fiscal 2020, priority was placed on recycling technology for packaging materials, new products in the ICT field, and development of new bulk agrochemicals. Research and development expenses related to this segment were 9.4 billion yen.

Basic Materials

The Company continues to develop streamlined processes for phenol and its derivative products, industrial chemicals such as hydroquinone, purified terephthalic acid (PTA), and PET resin for strengthening its business in the Basic Materials domain. In addition, the Company is developing high-performance polymerization catalysts that strengthen the competitiveness of its polyolefin resin, and together with Prime Polymer Co., Ltd. is developing new brands and products for polyolefin resins and PP compounds. Mitsui Chemicals & SKC Polyurethanes Inc. is active in the development of polyurethane foam materials. Research and development expenses related to this segment were 4.9 billion yen.

Development for New Businesses

The Company is engaged in research and development activities with the aim of creating "new business centered on proprietary materials that contribute to solving social issues." A particular focus is on ICT and robot materials and energy solutions businesses, as well as the promotion of the open innovation needed to spearhead these efforts. In addition, Mitsui Chemicals Singapore R&D Centre Pte Ltd. conducts research and development with a view to formulating new businesses originating in the Asia/Pacific region. Moreover, in fiscal 2020, the Company worked on fiber-reinforced composite materials and composite materials using metal and resin injection assembly technology, as well as the development of lighter automotive components.

Research and development expenses related to new businesses creation amounted to 2.9 billion yen. These are presented in corporate expenses and other segments.

Corporate Research

The Company plays a central role in the development of fundamental technology and innovative new technology needed to maintain, strengthen, and expand the products and services of each business segment. In recent years, it has particularly worked on cutting-edge fundamental technologies in the fields of materials informatics and sensitivity evaluation technology, and actively acquired new technology through open innovation. Moreover, in terms of initiatives to address recent environmental issues and calls for carbon neutrality the Company is focusing on research and development related to chemical and materials recycling, the switch to biomass raw materials, and carbon capture usage (CCU).

Research and development expenses relating to corporate research amounted to 4.3 billion yen and were allocated among all reportable segments.

Business Risks

The Group recognizes that management activities may be threatened by a wide range of implicit and explicit risks. For this reason, the Group is dedicated to crafting initiatives to prevent or mitigate the escalation of these risks.

The items detailed below represent some of the risks that could potentially and adversely impact the Group's future operating performance and financial position. Readers are cautioned that this partial list does not constitute all of the risks faced by the Group.

Please note that the risks discussed below were those deemed relevant as of March 31, 2021.

(1) External operating environment

The Group's business may be influenced by certain elements of the operating environment outside of the Group, including customer, market, alliance partner trends and the business operations of rival firms as well as changes in legal systems. In the event that actual circumstances upon which the Group's business strategies basis are changed as a result of these environmental influences, the Group's ability to implement these strategies on schedule could be impaired, and anticipated results may not materialize. With respect to products, a variety of risks could conceivably result in a decline in profitability. These include, but are not limited to, an erosion of market demand, loss of customers, a deterioration in market conditions or decline in sales volume significantly exceeding forecasts caused by oversupply due to increased production capacity at rival firms or the market entry of low-priced products, and the emergence of alternative products. Profitability may also decline due to drastic changes in the cost of raw materials, as well as the impact of supply stoppages due to accidents or bankruptcies at raw material manufacturers. In readiness for such changes due to the external environment, constant vigilance is maintained within each business division, while the most important issues are discussed by the Company-wide Strategy Committee and the conclusions are reflected in the yearly strategy review for each business. The occurrence of any or all of these risks could adversely impact the Group's business development as well as operating performance and financial position. However, it is not possible to efficiently estimate the probability of these risks materializing or their concrete impacts, etc.

The course of the COVID-19 pandemic remains unpredictable, and there is a possibility of further reductions in sales demand and production or stoppages at the Group's production facilities due to the enactment of public health restrictions on activity, or other negative impacts on the Group. The Company has made an energetic response to these risks with measures that emphasize cash flow, including strict control of inventories and related items, restriction of non-essential and non-urgent expenditures, increased borrowing limits and securing of cash reserves, while at the same time keeping a close watch on demand trends and taking action to secure the supply chain. Meanwhile, on March 4, 2020, Mitsui Chemicals set up a COVID-19 Infection Response Division, presided over by the officer responsible for the Risk Compliance Committee. The new division is gathering information on the impact on each of the Group's domestic and overseas bases and related matters and formulating the necessary measures to reduce personnel infection risk (teleworking, staggered work hours, etc.). The division reports to the Board of Directors on the information gathered from the Company's bases and the response measures taken. At the same time, the Company continues to explore sustainable new ways of working based on the themes of infection prevention, operational efficiencies, and effective communication.

(2) Overseas activities (Country risk)

The Group is involved in a wide range of activities outside of Japan, from the export of products to production at overseas bases. These activities overseas are subject to various risks, including difficulties in securing personnel, deterioration in political and economic conditions, regulations regarding imports and foreign capital, deterioration in public safety and security, labor unrest, and the outbreak of terrorism or warfare. Through the regional headquarters located in each of its main overseas regions (Asia Pacific, China, Americas, and Europe), the Company's constantly gathers information from its affiliates in the regions and countries where they operate, and additionally appoints a Regional Safety Officer in the main countries where they are located who works to ensure stable business continuity in the event of changes in public safety or health. In the event of a risk materializing, the safety officer liaises with Tokyo Head Office and responds accordingly. It is not possible to efficiently estimate the probability of such risks materializing or their concrete impacts, etc. The occurrence of such risks could impair the Group's business activities overseas, which may adversely impact operating performance.

(3) Causes of changes in segment operating performance

The Group engages in the manufacture and sale of a wide array of products led by mobility, health care, food & packaging and basic materials. In fiscal 2020, the mobility segment was particularly hard hit by the COVID-19 pandemic, but the segment has been on a recovery trend after bottoming out in the first quarter. Meanwhile, in the health care and food & packaging segments, sales remained brisk in the areas of nonwoven fabrics for face masks and industrial films. Although the pandemic has yet to show signs of abating, the Group expects demand in fiscal 2021 to grow, buoyed by moves toward an economic turnaround, chiefly in the manufacturing sector, as well as ongoing firm conditions in overseas markets. Other assumed risks for each key business are as set out below.

The Company carries out an annual strategy review for each business following discussion at the Company-wide Strategy Committee to take account of changes in the internal and external environment, business risks, and other factors. In this way, the Group does its utmost to prevent risk from materializing and to minimize its impact if it does.

i. Mobility

Mobility segment products are primarily produced from ethylene, propylene, and other naphtha derivatives. Segment product earnings could be adversely impacted by temporary delays in passing higher raw material prices on to product prices in the event of a sharp increase in naphtha supply prices caused by circumstances in the Middle East or global economic conditions. Specific risks and opportunities recognized in this business division are as follows:

- Downward pressure on automotive demand due to resurgence of COVID-19 and the semiconductor supply shortage.
- Delayed recovery in manufacturing operations.
- Shifts in the development cycles of automotive products and the emergence of new key players.
- Moves toward weight reduction in automobiles.
- Growing demand for materials development to address needs for improved comfort and electrification.
- Calls for greater use of recycled materials and biomaterials in light of mounting efforts to reduce environmental load.

ii. Health Care

Health care segment product earnings could be adversely impacted by price competition caused by the business expansion of rivals. Specific risks and opportunities recognized in this business division are as follows:

Vision care materials

- Global market expansion.

Nonwovens

- Slowing exports of children's disposable diapers.
- Steady domestic growth of adult disposable diapers.
- Intensified competition in East and Southeast Asia.

Dental materials

- Rapidly changing trends in the digital technology market and market expansion.

iii. Food & Packaging

Coating/functional materials and performance films and sheets are primarily produced from polyethylene, polypropylene and other naphtha derivatives handled by the Basic Materials segment. Earnings from these products could be adversely impacted by delays in passing higher raw material prices on to product prices in the event of a sharp swing in naphtha supply prices caused by circumstances in the Middle East or global economic conditions.

Agrochemicals earnings could be adversely affected by such factors as changing global weather patterns, the appearance of harmful insects, and fluctuations in the cost of tests required for the development and registration of new products.

Specific risks and opportunities recognized in this business division are as follows:

- Impact on existing businesses from changes in environmental laws and regulations.
- Calls to reduce food loss and waste plastic.
- Agrochemicals: market expansion in Asia and South America, expansion of agrochemical peripherals market (epidemic prevention).
- Packaging materials: market expansion in Asia, market stagnation in Japan.
- ICT: market expansion in 5G, high-function displays, CASE demand, etc.
- China and emerging economies: future development uncertain.
- COVID-19 impact on development and procurement.

iv. Basic Materials

Petrochemicals products are primarily produced from naphtha. Naphtha supply volume and prices could fluctuate sharply due to circumstances in the Middle East or global economic conditions. In the event of a sharp increase or decrease in naphtha prices, segment product earnings could be adversely impacted by delays in passing such fluctuations on to product prices, the emergence of inventory valuation losses, or other factors.

Basic chemicals products could be adversely impacted by a rapid deterioration in market conditions caused by an oversupply, as these products are vulnerable to fluctuations in this overcrowded market.

More specific risks and opportunities recognized in this business division are as follows:

- Shift to high-performance packaging.
- Advances in digital technology and biotechnology.
- Influx of US shale-derived polyolefin naphtha.
- Economic slowdowns and turbulence due to US-China trade friction and COVID-19.
- Turbulence in Asian markets for crude oil and big-market products.
- Aggressive imports and worsening export conditions due to a strong yen.
- Shrinking domestic demand, slowing growth in the Chinese economy.
- Expansion of demand in environmental response field.

Business Risks

(4) Financial risks

Major financial risks faced by the Group are increased concerns about customer confidence due to deteriorating economic conditions, currency exchange losses due to dramatic fluctuations in exchange rates, and rising interest rates and a reluctance to lend by financial institutions with respect to fund procurement. The occurrence of any one of these risks could adversely impact the Group's financial position.

(5) Accidents and disasters

As part of its committed efforts to "Safety is our top priority," the Group pursues a policy of safety as the top priority and vigorously promotes OHSAS 18001 certification of the occupational health and safety management systems used in its production activities at works. Business continuity plans have also been formulated to quickly reestablish the business chain of command in the event that head office functions are affected by a major earthquake in the Tokyo metropolitan area. These include the establishment of a Company-wide Response Headquarters at the Osaka Works. Nevertheless, the Group faces risks from a variety of unforeseen events, including damage to production facilities caused by natural disasters such as major earthquakes and typhoons, plant accidents, and accidents during the course of product transport or storage at warehousing facilities outside the Group. It is not possible to efficiently estimate the probability of such risks materializing or their impacts, etc., but their occurrence might not only impede plant operations or the supply of products to customers, thereby adversely impacting the Group's operating performance and financial position, but could also potentially undermine the social standing of the Group.

(6) Quality

To uphold its quality assurance system, the Group vigorously promotes efforts to obtain ISO 9001 certification of the quality management systems at each of its plants. Nevertheless, the Group faces risks from the discovery of unforeseen quality defects in its products and product liability lawsuits. Because many of the Group's products are used as raw materials in finished consumer goods, the appearance of large-scale customer recalls due to product defects could potentially result in massive damages. It is not possible to efficiently estimate the probability of such risks materializing or their impacts, etc., but their occurrence might not only adversely impact the Group's operating performance and financial position, but could also potentially undermine the social standing of the Group.

(7) Intellectual property

Possessing a significant array of proprietary technologies and expertise, the Group manages information in accordance with strict rules. Nevertheless, information leaks could potentially occur due to unforeseen circumstances. In addition, the Group could potentially be subject to unfavorable court judgement in the event of a future legal dispute concerning intellectual property. To date, the Company has not experienced a serious leak of intellectual property or a serious dispute involving intellectual property, and it is difficult to efficiently estimate the probability of such eventualities or their impacts, but their occurrence could adversely impact the Group's operating performance and financial position.

(8) Climate change

As negative effects attributed to climate change become increasingly severe worldwide, as exemplified in the SDGs, climate change has come to be recognized as an issue that must be solved collectively by international society, and one requiring urgent action. The process of manufacturing chemicals emits large amounts of greenhouse gases (GHGs), a cause of climate change. Accordingly, physical risks associated with climate change and risks pertaining to the transition to a low-carbon society have the potential to adversely affect the Group's business results and financial position. How to respond to climate change is a key issue of the Group.

In terms of physical risks, if extreme weather events such as typhoons and floods become more serious, these could lower production capacity at the Group's manufacturing bases and trigger an increase in costs from damages. Moreover, in regions where there is a heightened water risk owing to fluctuations in rainfall, production activity at our manufacturing bases may be limited by restrictions on water use as a result of drought.

As for risks pertaining to the transition to a low-carbon society, in the event that GHGs emission restrictions are introduced, for example, a carbon tax or an emissions trading scheme, prices for raw materials and fuel will likely increase, as would the cost of electricity. This could drive up the Group's manufacturing costs and dent earnings. In the drive to transition to a low-carbon society, if stakeholders increasingly call for products that help reduce GHGs emissions, in order to respond, the Group could incur greater R&D expenses and capital expenditures associated with the implementation of new technologies, leading to a decline in the Group earnings.

The Group considers climate change to be not only a risk, but also an opportunity, and is committed to solving social issues related to climate change through its business activities. To make clear our commitment to assessing climate change-related risks, opportunities, and impacts, the Group also supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and continues to take action to assess climate change impacts and disclose information. The Group has declared its intention to achieve carbon neutrality by 2050. Recognizing its duty as a chemical company to make a substantial contribution to social change, the Group is reinforcing and accelerating its efforts to address climate change, aiming to achieve the greatest possible reduction in GHGs emissions, both by moving forward with efforts to reduce GHGs emissions internally and by working with its customers to bring products to market that also contribute to GHGs reductions.

(9) Plastic pollution

Plastic is a material that brings convenience and benefits and also helps solve challenges in society by, for example, reducing food waste and improving energy efficiency thanks to its advanced functionality. At the same time, reflecting in various national policies and the growing focus on ESG issues in recent years, the problem of several million tons of plastic waste flowing into the ocean due to improper disposal is also drawing attention and giving impetus to actions around the world to find a solution.

Against this background, many countries are discussing a range of potential regulations, with some governments and corporations urging the use of recycled plastics, enacting self-imposed bans on single-use plastics, and seeking alternative materials. In Europe in particular, the movement toward realizing a circular economy is gaining momentum, with companies throughout the supply chain exploring measures related to plastic recovery and recycling from the perspective of maximizing the use of resources. Because the Group manufactures and sells petroleum-derived plastics, these trends could negatively affect the Group's business results and financial position.

The Group recognizes that environmental problems surrounding plastic are a key issue which the chemicals industry needs to take the lead in addressing. The Group is taking initiatives to address plastic-related risks, working together with other corporations and industry bodies in the plastics field, including being an active member of the Alliance to End Plastic Waste (a movement supported by the funding and participation of corporations in the global plastic value-chain), the Clean Ocean Material Alliance, and the Japan Initiative for Marine Environment (JaIME). Through such activities we are working to help solve environmental problems by taking an active role in, for example, waste management infrastructure development, the promotion of innovation, education and awareness activities, and clean-up campaigns.

The Group also views growing calls to address these issues as presenting new business opportunities. We are exploring possibilities across a wide range of areas aiming to help resolve issues related to plastic, including the use of recycled raw materials, the development of chemical-based and other advanced recycling technology to convert plastic waste to usable plastic, proposing recycling-friendly product designs such as the use of single-material packaging, and the construction of traceability systems for plastic materials using blockchain technology.

As a manufacturer and provider of plastic materials that have thus far solved various challenges in society, the Group will continue to proactively address the problem of plastic in the environment.

Consolidated Statements of Financial Position

As of March 31, 2021, 2020 and Transition Date

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
ASSETS				
Current assets				
Cash and cash equivalents (Note 7)	¥ 195,987	¥ 164,571	¥ 139,489	\$ 1,770,274
Trade receivables (Note 8)	285,846	273,894	313,953	2,581,935
Inventories (Note 9)	258,814	284,306	299,621	2,337,765
Other financial assets (Notes 10 and 36)	27,176	36,805	34,174	245,470
Other current assets (Note 11)	15,230	22,258	16,718	137,567
Total	783,053	781,834	803,955	7,073,011
Assets held for sale (Note 12)	4,519	—	—	40,818
Total current assets	787,572	781,834	803,955	7,113,829
Non-current assets				
Property, plant and equipment (Note 13)	455,749	453,188	437,991	4,116,602
Right-of-use assets (Note 14)	46,211	46,462	48,823	417,406
Goodwill (Note 15)	1,123	1,476	1,483	10,144
Intangible assets (Note 15)	19,678	24,759	24,390	177,744
Investment property (Note 16)	23,222	23,250	22,406	209,755
Investments accounted for using equity method (Note 18)	97,509	87,620	87,623	880,761
Other financial assets (Notes 10 and 36)	57,463	62,882	108,536	519,041
Retirement benefit assets (Note 23)	55,059	33,939	40,459	497,326
Deferred tax assets (Note 34)	9,333	9,097	8,450	84,301
Other non-current assets (Note 11)	5,206	6,008	6,786	47,023
Total non-current assets	770,553	748,681	786,947	6,960,103
Total assets	¥1,558,125	¥1,530,515	¥1,590,902	\$14,073,932

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

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Trade payables (Note 19)	¥ 119,712	¥ 121,011	¥ 155,947	\$ 1,081,312
Bonds and borrowings (Note 20)	216,721	232,793	191,575	1,957,556
Income taxes payable	6,195	4,518	7,510	55,957
Other financial liabilities (Notes 21 and 36)	84,242	90,007	108,879	760,925
Provisions (Note 24)	1,157	1,828	1,176	10,451
Other current liabilities (Note 25)	37,736	35,517	34,264	340,853
Total	465,763	485,674	499,351	4,207,054
Liabilities directly associated with assets held for sale (Note 12)	542	—	—	4,896
Total current liabilities	466,305	485,674	499,351	4,211,950
Non-current liabilities				
Bonds and borrowings (Note 20)	293,495	313,237	322,749	2,651,025
Other financial liabilities (Notes 21 and 36)	67,722	69,003	60,862	611,706
Retirement benefit liabilities (Note 23)	16,384	25,146	55,662	147,990
Provisions (Note 24)	3,698	4,294	4,291	33,403
Deferred tax liabilities (Note 34)	27,834	23,017	16,286	251,414
Other non-current liabilities (Note 25)	530	437	638	4,787
Total non-current liabilities	409,663	435,134	460,488	3,700,325
Total liabilities	875,968	920,808	959,839	7,912,275
Equity				
Share capital (Note 26)	125,331	125,298	125,205	1,132,066
Capital surplus (Note 26)	74,009	79,320	79,256	668,494
Treasury stock (Note 26)	(24,900)	(39,254)	(29,869)	(224,912)
Retained earnings (Note 26)	424,084	359,794	350,695	3,830,584
Other components of equity (Note 26)	9,397	4,062	26,495	84,880
Total equity attributable to owners of the parent	607,921	529,220	551,782	5,491,112
Non-controlling interests	74,236	80,487	79,281	670,545
Total equity	682,157	609,707	631,063	6,161,657
Total liabilities and equity	¥1,558,125	¥1,530,515	¥1,590,902	\$14,073,932

Consolidated Statements of Income

For the year ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Sales revenue (Note 28)	¥1,211,725	¥ 1,349,522	\$10,945,037
Cost of sales	(917,883)	(1,051,139)	(8,290,877)
Gross profit	293,842	298,383	2,654,160
Selling, general and administrative expenses (Notes 29 and 31)	(211,980)	(226,592)	(1,914,732)
Other operating income (Note 32)	4,406	8,823	39,798
Other operating expenses (Note 32)	(14,183)	(20,557)	(128,110)
Share of profit of investments accounted for using equity method (Note 18)	5,989	4,512	54,096
Operating income	78,074	64,569	705,212
Financial income (Note 33)	4,297	5,406	38,813
Financial expenses (Note 33)	(8,128)	(9,151)	(73,417)
Income before income taxes	74,243	60,824	670,608
Income tax expense (Note 34)	(10,024)	(18,205)	(90,543)
Net income	64,219	42,619	580,065
Net income attributable to:			
Owners of the parent	57,873	33,970	522,744
Non-controlling interests	6,346	8,649	57,321
Net income	¥ 64,219	¥ 42,619	\$ 580,065
		Yen	U.S. dollars
Earnings per share			
Basic earnings per share (Yen) (Note 35)	¥298.00	¥174.52	\$2.692
Diluted earnings per share (Yen) (Note 35)	—	—	—

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

Consolidated Statements of Comprehensive Income

For the year ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income	¥64,219	¥ 42,619	\$580,065
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income (Note 26)	670	(15,162)	6,052
Remeasurements of defined benefit plans (Note 26)	24,605	(6,834)	222,247
Share of other comprehensive income of investments accounted for using equity method (Notes 18 and 26)	263	36	2,376
Total of items that will not be reclassified to profit or loss	25,538	(21,960)	230,675
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 26)	5,816	(5,582)	52,534
Effective portion of net change in fair value of cash flow hedges (Note 26)	579	788	5,230
Share of other comprehensive income of investments accounted for using equity method (Notes 18 and 26)	(280)	(1,834)	(2,530)
Total of items that may be reclassified to profit or loss	6,115	(6,628)	55,234
Total other comprehensive income, net of tax	31,653	(28,588)	285,909
Comprehensive income	¥95,872	¥ 14,031	\$865,974
Comprehensive income attributable to:			
Owners of the parent	88,974	6,174	803,667
Non-controlling interests	6,898	7,857	62,307
Comprehensive income	¥95,872	¥14,031	\$865,974

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

Consolidated Statements of Changes in Equity

For the year ended March 31, 2021

	Millions of yen													
	Equity attributable to owners of the parent				Other components of equity							Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total					
Balance as of April 1, 2020	¥125,298	¥79,320	¥(39,254)	¥359,794	¥11,894	¥ —	¥(6,591)	¥(1,241)	¥ 4,062	¥529,220	¥ 80,487	¥609,707		
Net income	—	—	—	57,873	—	—	—	—	—	57,873	6,346	64,219		
Other comprehensive income	—	—	—	—	814	24,664	5,094	529	31,101	31,101	552	31,653		
Total comprehensive income	—	—	—	57,873	814	24,664	5,094	529	31,101	88,974	6,898	95,872		
Purchase of treasury stock (Note 26)	—	—	(691)	—	—	—	—	—	—	(691)	—	(691)		
Disposal of treasury stock (Note 26)	—	—	3	—	—	—	—	—	—	3	—	3		
Dividends (Note 27)	—	—	—	(19,349)	—	—	—	—	—	(19,349)	(6,266)	(25,615)		
Share-based payment transactions (Note 30)	33	33	—	—	—	—	—	—	—	66	—	66		
Transactions with non-controlling interests (Note 37)	—	(5,344)	15,042	—	—	—	—	—	—	9,698	(6,883)	2,815		
Transfer from other components of equity to retained earnings	—	—	—	25,766	(1,102)	(24,664)	—	—	(25,766)	—	—	—		
Total transactions with owners	33	(5,311)	14,354	6,417	(1,102)	(24,664)	—	—	(25,766)	(10,273)	(13,149)	(23,422)		
Balance as of March 31, 2021	¥125,331	¥74,009	¥(24,900)	¥424,084	¥11,606	¥ —	¥(1,497)	¥ (712)	¥ 9,397	¥607,921	¥ 74,236	¥682,157		

	Thousands of U.S. dollars													
	Equity attributable to owners of the parent				Other components of equity							Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total					
Balance as of April 1, 2020	\$1,131,768	\$716,466	\$(354,566)	\$3,249,878	\$107,434	\$ —	\$(59,534)	\$(11,209)	\$ 36,691	\$4,780,237	\$ 727,007	\$5,507,244		
Net income	—	—	—	522,744	—	—	—	—	—	522,744	57,321	580,065		
Other comprehensive income	—	—	—	—	7,353	222,780	46,012	4,778	280,923	280,923	4,986	285,909		
Total comprehensive income	—	—	—	522,744	7,353	222,780	46,012	4,778	280,923	803,667	62,307	865,974		
Purchase of treasury stock (Note 26)	—	—	(6,242)	—	—	—	—	—	—	(6,242)	—	(6,242)		
Disposal of treasury stock (Note 26)	—	—	27	—	—	—	—	—	—	27	—	27		
Dividends (Note 27)	—	—	—	(174,772)	—	—	—	—	—	(174,772)	(56,598)	(231,370)		
Share-based payment transactions (Note 30)	298	298	—	—	—	—	—	—	—	596	—	596		
Transactions with non-controlling interests (Note 37)	—	(48,270)	135,869	—	—	—	—	—	—	87,599	(62,171)	25,428		
Transfer from other components of equity to retained earnings	—	—	—	232,734	(9,954)	(222,780)	—	—	(232,734)	—	—	—		
Total transactions with owners	298	(47,972)	129,654	57,962	(9,954)	(222,780)	—	—	(232,734)	(92,792)	(118,769)	(211,561)		
Balance as of March 31, 2021	\$1,132,066	\$668,494	\$(224,912)	\$3,830,584	\$104,833	\$ —	\$(13,522)	\$(6,431)	\$ 84,880	\$5,491,112	\$ 670,545	\$6,161,657		

For the year ended March 31, 2020

	Millions of yen													
	Equity attributable to owners of the parent				Other components of equity							Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total					
Balance as of April 1, 2019	¥125,205	¥79,256	¥(29,869)	¥350,695	¥ 28,519	¥ —	¥ —	¥(2,024)	¥ 26,495	¥551,782	¥79,281	¥631,063		
Net income	—	—	—	33,970	—	—	—	—	—	33,970	8,649	42,619		
Other comprehensive income	—	—	—	—	(15,170)	(6,818)	(6,591)	783	(27,796)	(27,796)	(792)	(28,588)		
Total comprehensive income	—	—	—	33,970	(15,170)	(6,818)	(6,591)	783	(27,796)	6,174	7,857	14,031		
Purchase of treasury stock (Note 26)	—	—	(9,389)	—	—	—	—	—	—	(9,389)	—	(9,389)		
Disposal of treasury stock (Note 26)	—	—	4	—	—	—	—	—	—	4	—	4		
Dividends (Note 27)	—	—	—	(19,509)	—	—	—	—	—	(19,509)	(6,700)	(26,209)		
Share-based payment transactions (Note 30)	92	92	—	—	—	—	—	—	—	185	—	185		
Transactions with non-controlling interests	—	(27)	—	—	—	—	—	—	—	(27)	49	22		
Transfer from other components of equity to retained earnings	—	—	—	(5,363)	(1,455)	6,818	—	—	5,363	—	—	—		
Total transactions with owners	92	65	(9,385)	(24,872)	(1,455)	6,818	—	—	5,363	(28,736)	(6,651)	(35,387)		
Balance as of March 31, 2020	¥125,298	¥79,320	¥(39,254)	¥359,794	¥ 11,894	¥ —	¥(6,591)	¥(1,241)	¥ 4,062	¥529,220	¥80,487	¥609,707		

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

Consolidated Statements of Cash Flows

For the year ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities			
Income before income taxes	¥ 74,243	¥ 60,824	\$ 670,608
Depreciation and amortization	76,621	76,009	692,087
Impairment loss (Note 17)	8,050	6,389	72,712
Insurance income	(1,761)	(5,174)	(15,906)
Interest and dividend income	(2,152)	(4,827)	(19,438)
Interest expenses	4,634	5,542	41,857
Share of loss (profit) of investments accounted for using equity method	(5,989)	(4,512)	(54,096)
Decrease (increase) in trade receivables	(7,113)	35,027	(64,249)
Decrease (increase) in inventories	27,360	12,673	247,132
Increase (decrease) in trade payables	(5,420)	(31,551)	(48,957)
Others	10,312	2,405	93,145
Subtotal	178,785	152,805	1,614,895
Interest and dividends received	6,246	9,054	56,418
Proceeds from insurance income	1,761	5,174	15,906
Interest paid	(4,705)	(5,589)	(42,498)
Income taxes paid	(7,764)	(19,212)	(70,129)
Net cash provided by (used in) operating activities	174,323	142,322	1,574,592
Cash flows from investing activities			
Purchase of marketable securities	—	(5,000)	—
Proceeds from sale and redemption of marketable securities	5,000	1	45,163
Purchase of property, plant and equipment	(74,904)	(95,116)	(676,578)
Proceeds from sale of property, plant and equipment	591	1,140	5,338
Purchase of intangible assets	(1,677)	(4,655)	(15,148)
Proceeds from sale of intangible assets	84	376	759
Purchase of investment securities	(877)	(1,230)	(7,922)
Proceeds from sale and redemption of investment securities	161	357	1,454
Purchase of subsidiaries	(1,722)	—	(15,554)
Purchase of equity accounted investments	(4,460)	—	(40,285)
Proceeds from equity accounted investments	99	—	894
Others	150	(4,985)	1,355
Net cash provided by (used in) investing activities	(77,555)	(109,112)	(700,524)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings (Note 22)	(8,498)	(647)	(76,759)
Increase (decrease) in commercial papers (Note 22)	(10,000)	50,000	(90,326)
Proceeds from long-term borrowings (Note 22)	19,542	26,327	176,515
Repayments of long-term borrowings (Note 22)	(42,963)	(58,759)	(388,068)
Proceeds from issuance of bonds (Note 22)	15,000	20,000	135,489
Redemption of bonds (Note 22)	(10,426)	(426)	(94,174)
Repayments of lease liabilities (Note 22)	(8,108)	(7,282)	(73,236)
Proceeds from sale of treasury stock	3	20	27
Purchase of treasury stock	(691)	(9,389)	(6,242)
Dividends paid (Note 27)	(19,349)	(19,509)	(174,772)
Dividends paid to non-controlling interests	(6,266)	(6,700)	(56,598)
Proceeds from sale of interests in subsidiaries to non-controlling interests	2,800	—	25,292
Net cash provided by (used in) financing activities	(68,956)	(6,365)	(622,852)
Effect of exchange rate changes on cash and cash equivalents	3,604	(1,673)	32,552
Net increase (decrease) in cash and cash equivalents	31,416	25,082	283,768
Cash and cash equivalents at the beginning of period (Note 7)	164,571	139,489	1,486,505
Cash and cash equivalents at end of period (Note 7)	¥195,987	¥164,571	\$1,770,274

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

Notes to Consolidated Financial Statements

1. Reporting Entity

Mitsui Chemicals, Inc. (hereinafter the "Company") is a company incorporated in Japan and is listed on the First Section of the Tokyo Stock Exchange. The address of its registered head office is disclosed on the Company's website (<https://jp.mitsuicheicals.com/en/>).

The consolidated financial statements of the Company and its subsidiaries (hereinafter collectively the "Group") with a closing date as of March 31 comprise the Group and the Group's interests in associates and joint arrangements.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Mobility, Health Care, Food & Packaging, and Basic Materials segments.

The details of businesses and principal business activities of the Group are stated in Note 6 "Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS and its first-time adoption

The consolidated financial statements of the Group have been prepared in compliance with IFRS published by the International Accounting Standards Board. In addition, since the Company qualifies as a "specified company complying with designated international accounting standards" prescribed in Article 1-2 of the Regulation on Consolidated Financial Statements, the provisions of Article 93 of that Regulation are applied.

The Group adopted IFRS for the first time in the fiscal year that commenced on April 1, 2020, and so the annual consolidated financial statements for the fiscal year ended March 31, 2021 are the first ones prepared in compliance with IFRS. The date of transition to IFRS (hereinafter the "Transition Date") is April 1, 2019. The impact of the transition to IFRS on the financial position, operating results and cash flows of the Group on the Transition Date and in the comparative year is provided in Note 42 "First-Time Adoption of IFRS."

The Group's consolidated financial statements were approved on June 25, 2021 by Osamu Hashimoto, Representative Director, Member of the Board, President & CEO, and Hajime Nakajima, Member of the Board, Managing Executive Officer & CFO.

(2) Basis of measurement

The consolidated financial statements of the Group are prepared on a historical cost basis except for financial instruments, etc. measured at fair value as described in Note 3 "Significant Accounting Policies."

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, and figures are rounded to the nearest million yen. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥110.71=US\$1.00, the approximate rate of exchange in effect on March 31, 2021. The translation should not be construed as a representation that yen amounts have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities that are controlled by the Group. Control is deemed to be achieved when the Group is exposed or has rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control is obtained until the date when it is lost.

If any accounting policies applied by a subsidiary differ from those applied by the Company, adjustments are made to the subsidiary's financial statements where needed.

Subsidiaries whose fiscal year-end is different from the Group's consolidated fiscal year-end are consolidated based on their provisional financial statements as of the consolidated fiscal year-end.

All intergroup balances of receivables and payables and other internal transactions within the Group, as well as unrealized gains and losses arising from internal transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of the parent. Upon loss of control over a subsidiary, the Group remeasures any retained investment in the subsidiary at fair value at the date of loss of control and recognizes gains or losses resulting from the loss of control in profit or loss.

(ii) Associates and joint arrangements

Associates are entities in which the Group has significant influence over the financial and operating policies but does not have control or jointly control. The Group is presumed to have significant influence over another entity when it holds at least 20% but 50% or less of the voting rights of the entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and equity interests in joint ventures are initially recognized at acquisition cost, and subsequently accounted for using the equity method. Investments in associates and joint ventures include goodwill identified on acquisition.

If the Group has an interest in a joint operation, the Group only recognizes an amount equivalent to its share of the assets, liabilities, revenues and expenses generated from the joint operation.

If any accounting policies applied by an associate, a joint venture or a joint operation differ from those applied by the Group, adjustments are made to their financial statements where needed.

When it is impracticable to unify the fiscal year-end of associates, joint ventures and joint operations due to certain reasons such as relationships with other shareholders, significant transactions or events between the fiscal year-end of the Group and that of the said entities' financial statements are reflected in the consolidated financial statements.

Unrealized gains or losses arising from transactions between the Group and its associates or joint ventures are adjusted in the Group's consolidated financial statements. The balances of receivables and payables and transactions among the Group and its joint operations, as well as unrealized gains or losses arising from these transactions are eliminated in preparing the consolidated financial statements.

When an entity ceases to be an associate or joint venture and is no longer accounted for using the equity method, the Group remeasures any retained investment in the entity at fair value at the date of discontinuing the use of the equity method and recognizes gains or losses resulting from the discontinued use of the equity method in profit or loss, except when the entity becomes a consolidated subsidiary.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities assumed of an acquiree are, in principle, measured at their acquisition-date fair value.

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree; over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. Conversely, any bargain purchase is immediately recognized in profit or loss.

The consideration transferred is measured as the sum of the fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

The Group elects to measure non-controlling interest in the acquiree for each business combination at either fair value or at the proportionate share of the recognized amounts of identifiable net assets.

Acquisition-related costs incurred for business combinations, such as agent commissions, legal fees and due diligence costs, are expensed as incurred.

If initial accounting for a business combination is incomplete by the end of the period in which the combination occurs, the items for which the accounting is incomplete are measured at provisional amounts. Those provisional amounts recognized at the acquisition date are retrospectively adjusted if new information obtained within one year from the acquisition date, i.e., measurement period, would have affected the measurement of the amounts recognized at the acquisition date.

If a business combination is achieved in stages, the Group remeasures its previously held equity interests in the acquiree at its acquisition-date fair value, and recognizes the resulting gains or losses, if any, in profit or loss or other comprehensive income.

Additional acquisition of non-controlling interests is accounted for as an equity transaction, and therefore goodwill is not recognized with respect to such a transaction.

(3) Foreign currency translation**(i) Foreign currency transactions**

Foreign currency transactions are translated into respective functional currencies of the Company and its subsidiaries at the spot exchange rate at the date of the transaction or at the exchange rate that approximates the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the fiscal year-end are translated into each functional currency at the exchange rate at the fiscal year-end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currencies at the exchange rate prevailing at the date that the fair value was determined.

Exchange differences arising from such translations and settlements are recognized in profit or loss. However, exchange differences arising from equity instruments measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

(ii) Translation of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen at the prevailing exchange rate at the fiscal year-end. Revenues and expenses are translated into Japanese yen at the average exchange rate during the period, except when the exchange rate fluctuates significantly. Exchange differences arising from such translations are recognized in other comprehensive income.

On the disposal of the entire interest in a foreign operation, or on the partial disposal of an interest in a foreign operation that involves the loss of control of a subsidiary or loss of significant influence over an associate, the cumulative amount of the exchange differences relating to that foreign operation is recognized in profit or loss at the time of disposal.

(4) Financial instruments

(i) Financial assets (excluding derivatives)

i) Initial recognition and measurement

Under IFRS 15 "Revenue from Contracts with Customers," the Group initially recognizes trade receivables when it satisfies its performance obligations and acquires unconditional rights to consideration. All other financial assets are initially recognized on the transaction date when the Group becomes a party to the contractual provisions of the assets.

At initial recognition, the Group classifies financial assets into those measured at amortized cost, those measured at fair value through profit or loss and those measured at fair value through comprehensive income.

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

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

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

- the financial assets are held based on a business model whose objective is achieved by both collecting contractual cash flows and selling assets and;
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments, excluding those held for trading purposes, are classified as financial assets measured at fair value through profit or loss. However, except for those held for trading purpose, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through comprehensive income. Such designations are applied consistently.

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the financial assets. However, transaction costs attributable to financial assets measured at fair value through profit or loss are recognized in profit or loss as incurred.

ii) Subsequent measurement

After their initial recognition, financial assets are measured according to their classification as follows:

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

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

For equity instruments that are designated as measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and reclassified to retained earnings in case of derecognition or significant decrease in fair value.

iii) Derecognition

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

iv) Impairment

At each fiscal year-end, the Group assesses whether the credit risk on a financial asset measured at amortized cost or a financial guarantee contract has increased significantly since initial recognition.

The Group measures allowance for doubtful accounts for financial assets at an amount equal to the lifetime expected credit losses if the credit risk on those financial assets has increased significantly since initial recognition.

If the credit risk on the financial assets has not significantly increased since its initial recognition, the Group measures allowance for doubtful accounts for financial assets at an amount equal to 12-month expected credit losses.

However, the Group always measures allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade receivables and lease receivables.

When determining whether the credit risk of a financial asset has increased significantly since its initial recognition, the Group evaluates by comparing the risk of a default occurring on the financial assets at each fiscal year-end with the risk of a default occurring on the financial assets at the date of initial recognition. The Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that are available without excessive cost or effort (e.g., internal credit rating, external credit rating, etc.), as well as past due information.

Any financial assets are treated as credit-impaired financial assets if there is a request for changing terms and conditions for repayment from a debtor, serious financial difficulties of the debtor, or commencement of legal liquidation procedures due to bankruptcy and others of the debtor, etc. For any amount that cannot reasonably be expected to be recovered in the future, the carrying amount of financial assets is directly reduced, and the amount of corresponding allowance for doubtful accounts is also reduced.

Expected credit losses on financial instruments are measured as the present value of the difference between the contractual cash flows that are due to the Group and the cash flows that the Group expects to receive, and are recognized in profit or loss.

(ii) Financial liabilities (excluding derivatives)

i) Initial recognition and measurement

At initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss. All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at fair value less directly attributable transaction costs.

ii) Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

(a) Financial liabilities measured at amortized cost

After their initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses arising in the case of derecognition are recognized in profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value, and any changes in fair value are recognized in profit or loss.

iii) Derecognition

The Group derecognizes financial liabilities when they are extinguished; i.e., when the contractual obligation is performed or when the obligation specified in the contract is discharged, canceled or expires.

(iii) Derivatives and hedge accounting

The Group uses derivatives such as forward exchange contracts, currency swaps and interest rate swaps to hedge foreign exchange fluctuation risk and interest rate fluctuation risk. These derivatives are initially measured at fair value at the date the contracts are entered into and are subsequently remeasured at fair value.

Changes in fair value of derivatives are recognized in profit or loss. However, the effective portion of cash flow hedge is recognized in other comprehensive income in the consolidated statements of comprehensive income.

At the inception of the hedge, the Group formally designates and documents hedging relationships to which hedge accounting applies and the risk management objectives and strategies for undertaking the hedges. The documentation includes identifying hedging instruments, the hedged items or transactions, the nature of the risk being hedged, and the methods of assessing the effectiveness of changes in fair value of the hedging instruments (including methods for analyzing the causes of ineffective hedging and determining the hedge ratio) in offsetting the exposures to the changes in fair value or cash flows of hedged items attributable to hedged risks.

At the inception of the hedge and on an ongoing basis, the Group assesses whether a derivative used in the hedge transaction is effective in offsetting changes in fair value or cash flows of hedged items.

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows.

i) Fair value hedges

Changes in fair value of hedging instruments are recognized in profit or loss. Changes in fair value of hedged items attributable to the hedged risks are recognized in profit or loss, adjusting the carrying amount of the hedged item.

ii) Cash flow hedges

The effective portion of changes in fair value of hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss.

The amounts associated with the hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the hedged transactions affect profit or loss. If a hedged item results in the recognition of a non-financial asset or a non-financial liability, the associated amount recognized in other comprehensive income is reclassified as adjustment to the initial carrying amount of the non-financial asset or the non-financial liability.

Hedge accounting is discontinued when a forecast transaction is no longer deemed to have a high probability of occurring. Furthermore, when a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss.

(iv) Offsetting of financial assets and financial liabilities

The Group offsets financial assets and financial liabilities and presents them as a net amount only when it currently holds a legally enforceable right to offset the amounts recognized as assets and liabilities and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(5) Cash and cash equivalents

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

(6) Inventories

Inventories are recognized at the lower of cost and net realizable value. The cost of inventories is determined mainly by using the weighted-average cost formula and comprises costs of purchase, costs of conversion and all costs incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

(7) Non-current assets or disposal groups classified as held for sale

The Group classifies non-current assets (or disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The conditions for classifying non-current assets (or disposal groups) as held for sale are that they must be available for immediate sale in their present condition and the sale must be highly probable. The classification is also limited to when management of the Group is committed to executing the sale plan and the sale is expected to complete within one year.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated or amortized after they are classified as held for sale.

(8) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured using the cost model and stated at cost less any accumulated depreciation and any accumulated impairment loss.

The acquisition cost includes costs directly attributable to the acquisition of the asset and initially estimated costs of dismantling, removing and restoration of the asset. In addition, borrowing costs that are directly attributable to the acquisition and construction of assets and meet certain criteria for asset recognition are recognized as part of the acquisition cost.

(ii) Depreciation

Property, plant and equipment (excluding land and other non-depreciable assets) are depreciated on a straight-line basis over their respective estimated useful lives.

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

- Buildings and structures: 2 to 75 years
- Machinery and vehicles: 2 to 40 years

The depreciation method, estimated useful lives and residual values are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(9) Leases**Lessees**

The Group determines that a contract is a lease or contains a lease at the time of entering into the contract. If the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration, the contract is determined to be a lease or contain a lease. When a contract is determined to be a lease or contain a lease, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

At the commencement date, lease liabilities are measured at the present value of the lease payments that are not paid at that date. Right-of-use assets are initially measured at the amount of the initial measurement of lease liabilities, adjusted mainly by any initial direct costs and any prepaid lease payments, plus costs including obligations for restoration under the lease contract.

Lease payments are apportioned between financial expenses and reduction of the lease liability based on the interest method, and the financial expenses are recognized in profit or loss.

After initial recognition, depreciation is carried out on a straight-line basis over the shorter of its estimated useful life and the lease term. Regarding the lease term, in addition to the non-cancellable period of the lease, it includes both the period covered by an option to extend the lease when the lessee is reasonably certain to exercise that option and the period covered by an option to cancel the lease if the lessee is reasonably certain not to exercise that option.

The Group recognizes lease payments related to short-term leases whose lease term is 12 months or less and leases for which the underlying asset is of low value as expenses on a straight-line basis over the lease terms.

Lessor

Leases are classified as either operating leases or finance leases. If the bulk of the risks and economic value associated with the ownership of the underlying asset is transferred, the lease is classified as a finance lease, and if such risks and value are not transferred, it is classified as an operating lease. Whether the lease is a finance lease or an operating lease is determined according to the substance of the transaction, not the form of the contract.

When classifying subleases, the intermediate lessor is classified by reference to the right-of-use asset arising from the head lease.

(10) Goodwill and intangible assets**(i) Goodwill**

Initial recognition and measurement of goodwill arising from the acquisition of a business are as stated in “(2) Business combinations.”

Goodwill is stated at cost less any accumulated impairment loss. Goodwill is not amortized and is tested for impairment annually, or whenever there is an indication of impairment. Impairment loss on goodwill is recognized in the consolidated statements of income and no subsequent reversal is made.

(ii) Intangible assets

Intangible assets are measured using the cost model and stated at cost less any accumulated amortization and any accumulated impairment loss.

Separately acquired intangible assets are initially recognized at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures on internally generated intangible assets are all recognized as expenses in the period when incurred, except for development expenses that satisfy the criteria for capitalization.

Intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives and are tested for impairment whenever there is an indication of impairment.

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

- Software: 2 to 15 years
- Patents and technology license: 2 to 15 years
- Customer value: 2 to 21 years
- Trademarks: 2 to 15 years

The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or whenever there is an indication of impairment.

(11) Investment property

Investment properties are properties held to earn rentals or for capital gains or both. They do not include properties held for sale in the ordinary course of business, for use in the production or sale of goods or services or for administrative purposes.

Investment properties are measured using the cost model. Investment properties, excluding land and other non-depreciable assets, are depreciated on a straight-line basis over their estimated useful lives, using the same estimated useful lives and depreciation method as those for property, plant and equipment.

(12) Impairment of non-financial assets

The Group assesses whether there is any indication that non-financial assets (excluding inventories, deferred tax assets, retirement benefit assets and non-current assets held for sale) may be impaired at the end of each fiscal year. If there is an indication of impairment, the Group estimates the recoverable amount of the asset or cash-generating unit (CGU) to which the asset belongs.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, regardless of whether or not there is an indication of impairment.

The recoverable amount of the asset or CGU to which it belongs is the higher of its fair value less costs of disposal and its value in use.

The value in use is determined by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of each CGU to which the asset belongs.

On or after the acquisition date, goodwill is allocated to a CGU or group of CGUs that is expected to benefit from the synergies of the business combination.

Since the Group's corporate assets do not generate independent cash inflows, the recoverable amounts are determined for the CGU or group of CGUs to which the corporate assets belong if there is any indication of impairment of the corporate assets.

Impairment loss is recognized in profit or loss when the recoverable amount of a CGU (or group of CGUs) is less than its carrying amount.

Impairment loss recognized for the CGU (or group of CGUs) is first allocated to extinguish the carrying amount of any goodwill allocated to the unit (or group), and subsequently to reduce the carrying amount of other assets in the unit on a pro-rata basis.

No reversal is made for impairment losses related to goodwill.

Impairment loss recognized in prior years for assets other than goodwill is assessed as to whether there is any indication that the losses may no longer exist or may have decreased. If any such an indication exists, the Group estimates the recoverable amount of the asset or the CGU.

If the recoverable amount exceeds the carrying amount of the asset or CGU, the impairment loss is reversed up to the carrying amount less depreciation or amortization that would have been determined had no impairment loss been recognized.

(13) Employee benefits

(i) Post-employment benefits

The Group adopts defined benefit plans and defined contribution plans as post-employment benefit plans for its employees.

i) Defined benefit plans

Net defined benefit liabilities or assets are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. The Group uses the projected unit credit method to determine the present value of the defined benefit obligations, the related current service cost and the past service cost. The discount rate is determined by reference to market yield on high-quality corporate bonds having maturity terms that approximate to the estimated term of the related benefit obligations at the end of the reporting period.

Service costs and net interest on the net defined benefit liabilities or assets are recognized in profit or loss. The past service costs are recognized immediately in profit or loss. Remeasurements of net defined liabilities or assets, including actuarial gains and losses, are recognized in other comprehensive income in the period incurred and immediately reclassified from other components of equity to retained earnings.

ii) Defined contribution plans

Contributions to defined contribution plans are recognized as expenses over the period in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis, and are recognized as expenses when employees render the related service.

Bonuses and paid leave expenses are recognized as a liability in the amount estimated to be paid if the Group has a legal or constructive obligation to pay such employees and the obligation can be reliably estimated.

(14) Provisions

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

If the effect of the time value of money is significant, provisions are determined by discounting the expenditures expected to be required to settle the obligation to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability.

(15) Equity**(i) Common stock**

The proceeds from issuance of common stock issued by the Company are recorded in share capital and capital surplus, and costs directly attributable to the issuance (after tax effect adjustments) are recognized as a deduction from equity.

(ii) Treasury stock

When treasury stock is acquired, the acquisition costs, including costs directly attributable to the acquisition (after tax effect adjustments), are recognized as a deduction from equity.

When treasury stock is sold, the difference between the carrying amount and the consideration on sales is recognized in capital surplus.

(16) Revenue

The Group recognizes revenue in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of goods and services to customers, based on the following five-step approach.

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 individual performance obligations in the contract.

Step 5: Recognize revenue when (or as) the performance obligations are satisfied.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Mobility, Health Care, Food & Packaging and Basic Materials segments. In the sale of these products, revenue is recognized upon delivery or at the time of shipment of the products depending on when the customer obtains control of the products and the performance obligations are satisfied.

In addition, revenue is determined at the amount of consideration promised in the contract with the customer less returns, discounts, rebates and others. The amount of sales revenue including variable consideration is included in transaction prices only to the extent that a significant reversal of accumulated revenue recognized is very unlikely to occur when uncertainties over the variable consideration is later dispelled.

Considerations in product sales contracts are generally collected within one year after control of the product has transferred to the customer, and do not include a significant financing component.

(17) Share-based payment

The Company has adopted a restricted stock compensation plan as an equity-settled share-based payment for directors and executive officers.

The consideration for services received is measured at fair value of the Company's shares at the grant date and is recognized as expenses in profit or loss together with a corresponding increase in equity.

(18) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group will comply with the attached conditions and receive the grants.

Government grants related to revenue are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

The amount of government grants related to assets is deducted from the acquisition cost of the assets.

(19) Income taxes

Income taxes consist of current taxes and deferred taxes, and are recognized in profit or loss, except for taxes arising from business combinations, as well as taxes incurred from items directly recognized in other comprehensive income or equity.

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities for accounting purposes and their value for tax purposes at the end of reporting period, as well as tax loss carryforward and tax credit carryforward.

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, tax loss carryforward and tax credit carryforward to the extent that it is probable that taxable profit will be available. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- temporary differences arising on initial recognition of goodwill;
- temporary differences arising on initial recognition of an asset or liability in a transaction that is not business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- deductible temporary differences arising from investments in subsidiaries and associates, and interest in joint arrangements to the extent that it is not probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized; and
- taxable temporary differences arising from investments in subsidiaries and associates, and interest in joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to be applied in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

The Company and part of its consolidated subsidiaries have adopted the consolidated taxation system.

(20) Earnings per share

Basic earnings per share are determined by dividing net income attributable to common shareholders of the parent by the weighted average number of shares of common stock outstanding during the period, adjusted for treasury stock held. Diluted earnings per share are not determined as there are no potential dilutive shares.

(21) Changes in accounting policies

Not applicable

4. Significant Accounting Estimates and Judgments

In order to prepare the consolidated financial statements, the Group is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual operating results may differ from these accounting estimates and their underlying assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the reporting period in which the changes are made and in future periods.

Although as of yet there are no clear signs of the COVID-19 pandemic subsiding, for the fiscal year ending March 31, 2022, the Group expects expanding demand in line with economic recovery trends chiefly in the manufacturing sector, as well as continuing firmness in overseas markets. However, the effects of the pandemic are difficult to fully predict and, depending on its course, the pandemic could have a significant impact on the consolidated financial statements for the following fiscal year.

Accounting judgments, estimates and assumptions that could materially affect the Group's consolidated financial statements are as follows:

- Valuation of inventories (see Note 9 "Inventories" below)
- Impairment of non-financial assets (see Note 17 "Impairment of Non-financial Assets" below)
- Measurement of defined benefit obligations (see Note 23 "Employee Benefits" below)
- Recoverability of deferred tax assets (see Note 34 "Income Taxes" below)
- Impairment of financial assets measured at amortized cost (see Note 36 "Financial Instruments" below)

5. Accounting Standards or Interpretations Issued Not Yet Applied

None of the major IFRS standards and interpretations newly issued or amended by the date of approval of the Group's consolidated financial statements has a significant impact on the statements.

6. Segment Information

(1) Overview of reportable segments

The Group's business segments are components of the Group for which separate financial information is available and that are regularly reviewed by the Board of Directors (chief operating decision maker) to make decisions about management resources to be allocated to the segments and assess their performance.

The Group positions business sector distinguished by their products and services within its headquarters. Each business sector proposes comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

Comprehensively considering similarities such as the details of products and services and target markets, the four reportable segments (distinguished by products and services) that comprise the Group's operations without aggregating the business segments are: Mobility, Health Care, Food & Packaging, and Basic Materials. Business segments, which are not included in the reportable segments, are classified into "Others."

Major products manufactured and sold by business segments are as follows:

Segments		Major products
Reportable segments	Mobility	Elastomers, performance compounds, functional polymers, polypropylene compounds, and comprehensive services regarding the development of automotive and industrial products (Solution business)
	Health Care	Vision care materials, nonwoven fabrics, dental materials, and personal care materials
	Food & Packaging	Coating & engineering materials, performance films and sheets, and agrochemical products
	Basic Materials	Ethylene, propylene, polyethylene, polypropylene, catalysts, phenols, purified terephthalic acid, PET resin, polyurethane materials, and industrial chemical products
Others	Others	Other related businesses, etc.

(2) Methods to determine sales revenue, profit or loss, assets, and other items by reportable segment

The accounting methods by reportable business segment herein are generally the same as those described under Note 3 "Significant Accounting Policies."

Reportable segment income is presented in operating income before special items which stands for operating income or loss excluding non-recurring items (e.g., losses resulting from withdrawing from and downsizing businesses).

Intersegment transaction pricing and transfer pricing are negotiated and determined based on prevailing market prices.

(3) Information on sales revenue, profit or loss, assets, and other items by reportable segment

FY2020 (April 1, 2020 to March 31, 2021)

Year ended March 31, 2021

	Millions of yen								
	Reportable Segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Mobility	Healthcare	Food & Packaging	Basic Materials	Subtotal				
Sales revenue									
Sales revenue from external customers	¥315,480	¥143,933	¥197,700	¥541,382	¥1,198,495	¥13,230	¥1,211,725	¥ —	¥1,211,725
Intersegment sales revenue	9,104	2,496	2,224	54,061	67,885	51,785	119,670	(119,670)	—
Total	¥324,584	¥146,429	¥199,924	¥595,443	¥1,266,380	¥65,015	¥1,331,395	¥(119,670)	¥1,211,725
Segment income									
(Operating income before special items)	¥ 30,177	¥ 19,852	¥ 21,989	¥ 19,642	¥ 91,660	¥ (1,045)	¥ 90,615	¥ (5,475)	¥ 85,140
Segment assets	¥346,837	¥199,251	¥253,218	¥606,146	¥1,405,452	¥80,790	¥1,486,242	¥ 71,883	¥1,558,125
Other items									
Depreciation and amortization	¥ 17,463	¥ 10,991	¥ 10,419	¥ 32,245	¥ 71,118	¥ 4,862	¥ 75,980	¥ 641	¥ 76,621
Share of profit of investments accounted for using equity method	1,999	(175)	272	3,482	5,578	—	5,578	411	5,989
Impairment loss	5,486	153	182	2,112	7,933	—	7,933	117	8,050
Investments accounted for using equity method	20,845	11,349	1,987	60,535	94,716	2,793	97,509	—	97,509
Capital expenditures (Note 3)	21,136	9,582	13,485	39,376	83,579	9,156	92,735	435	93,170

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars								
	Reportable Segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Mobility	Healthcare	Food & Packaging	Basic Materials	Subtotal				
Sales revenue									
Sales revenue from external customers	\$2,849,607	\$1,300,090	\$1,785,747	\$4,890,091	\$10,825,535	\$119,502	\$10,945,037	\$ —	\$10,945,037
Intersegment sales revenue	82,233	22,546	20,088	488,312	613,179	467,753	1,080,932	(1,080,932)	—
Total	\$2,931,840	\$1,322,636	\$1,805,835	\$5,378,403	\$11,438,714	\$587,255	\$12,025,969	\$(1,080,932)	\$10,945,037
Segment income									
(Operating income before special items)	\$ 272,577	\$ 179,315	\$ 198,618	\$ 177,419	\$ 827,929	\$ (9,439)	\$ 818,490	\$ (49,454)	\$ 769,036
Segment assets	\$3,132,843	\$1,799,756	\$2,287,219	\$5,475,079	\$12,694,897	\$729,744	\$13,424,641	\$ 649,291	\$14,073,932
Other items									
Depreciation and amortization	\$ 157,736	\$ 99,277	\$ 94,111	\$ 291,257	\$ 642,381	\$ 43,917	\$ 686,298	\$ 5,789	\$ 692,087
Share of profit of investments accounted for using equity method	18,056	(1,581)	2,457	31,452	50,384	—	50,384	3,712	54,096
Impairment loss	49,553	1,382	1,644	19,077	71,656	—	71,656	1,056	72,712
Investments accounted for using equity method	188,285	102,511	17,948	546,788	855,532	25,229	880,761	0	880,761
Capital expenditures (Note 3)	190,913	86,550	121,805	355,668	754,936	82,703	837,639	3,929	841,568

Notes:

- "Others" encompasses business segments not included in the reportable segments and includes other related businesses, etc.
- The adjustment of negative ¥5,475 million for segment income includes corporate costs of negative ¥5,506 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of ¥31 million. Corporate costs mainly comprise general and administrative expenses and research and development expenses for new businesses, which are not usually attributed to the reportable segments. In addition, the adjustment of ¥71,883 million for segment assets includes corporate assets of ¥230,719 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of negative ¥158,836 million. Corporate assets mainly comprise the Company's surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets, and assets of administrative departments.
- Capital expenditures are related to property, plant and equipment, intangible assets, investment real estate, etc.

FY2019 (April 1, 2019 to March 31, 2020)

Year ended March 31, 2020

	Millions of yen								
	Reportable Segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Mobility	Healthcare	Food & Packaging	Basic Materials	Subtotal				
Sales revenue									
Sales revenue from external customers	¥367,910	¥143,147	¥201,309	¥619,520	¥1,331,886	¥17,636	¥1,349,522	¥ —	¥1,349,522
Intersegment sales revenue	11,446	3,183	1,708	66,681	83,018	59,894	142,912	(142,912)	—
Total	¥379,356	¥146,330	¥203,017	¥686,201	¥1,414,904	¥77,530	¥1,492,434	¥(142,912)	¥1,349,522
Segment income									
(Operating income before special items)	¥ 43,104	¥ 13,233	¥ 17,003	¥ 9,396	¥ 82,736	¥ (2,981)	¥ 79,755	¥ (7,425)	¥ 72,330
Segment assets	¥367,094	¥195,956	¥242,414	¥597,162	¥1,402,626	¥66,993	¥1,469,619	¥ 60,896	¥1,530,515
Other items									
Depreciation and amortization	¥ 17,919	¥ 11,865	¥ 9,705	¥ 30,476	¥ 69,965	¥ 5,432	¥ 75,397	¥ 733	¥ 76,130
Share of profit of investments accounted for using equity method	2,808	242	72	564	3,686	—	3,686	826	4,512
Impairment loss	670	5,137	222	210	6,239	—	6,239	150	6,389
Investments accounted for using equity method	21,884	4,270	1,081	56,180	83,415	4,205	87,620	—	87,620
Capital expenditures (Note 3)	33,501	11,271	16,586	38,247	99,605	6,433	106,038	501	106,539

Notes:

- "Others" encompasses business segments not included in the reportable segments and includes other related businesses, etc.
- The adjustment of negative ¥7,425 million for segment income includes corporate costs of negative ¥7,975 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of ¥550 million. Corporate costs mainly comprise general and administrative expenses and research and development expenses for new businesses, which are not usually attributed to the reportable segments. In addition, the adjustment of ¥60,896 million for segment assets includes corporate assets of ¥197,416 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of negative ¥136,520 million. Corporate assets mainly comprise the Company's surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets, and assets of administrative departments.
- Capital expenditures are related to property, plant and equipment, intangible assets, investment real estate, etc.

Transition Date (April 1, 2019)

	Millions of yen								
	Reportable Segment					Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
	Mobility	Healthcare	Food & Packaging	Basic Materials	Subtotal				
Segment assets	¥363,340	¥199,451	¥245,895	¥655,876	¥1,464,562	¥73,531	¥1,538,093	¥52,809	¥1,590,902
Other items									
Investments accounted for using equity method	22,419	2,748	2,313	57,585	85,065	2,558	87,623	—	87,623

Notes:

- "Others" encompasses business segments not included in the reportable segments and includes other related businesses, etc.
- The adjustment of ¥52,809 million for segment assets includes corporate assets of ¥213,842 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of negative ¥161,033 million. Corporate assets mainly comprise the Company's surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets, and assets of administrative departments.

Notes to Consolidated Financial Statements

Adjustments from segment income to income before income taxes are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Segment income	¥85,140	¥72,330	\$769,036
Impairment losses	(8,050)	(6,389)	(72,712)
Loss on disposal of non current asset	(698)	(165)	(6,305)
Loss on related businesses	(3)	(2,287)	(27)
Others	1,685	1,080	15,220
Operating income	78,074	64,569	705,212
Financial income	4,297	5,406	38,813
Financial expenses	(8,128)	(9,151)	(73,417)
Income before income taxes	¥74,243	¥60,824	\$670,608

(4) Geographical information

(i) Sales revenue

Sales revenue by region is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Japan	¥ 638,288	¥ 741,882	\$ 5,765,405
China	187,167	168,532	1,690,606
Asia	161,714	171,438	1,460,699
Americas	128,656	163,673	1,162,099
Europe	88,621	96,372	800,479
Other regions	7,279	7,625	65,749
Total	¥1,211,725	¥1,349,522	\$10,945,037

Notes:

- Sales revenue is classified by country or region based on the locations of customers.
- Major countries and regions located in areas other than Japan and China are as follows:
 - Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
 - Americas: The United States, Mexico
 - Europe: Germany, France
 - Other regions: Oceania, Africa

(ii) Non-current assets

Components of non-current assets by region (excluding financial instruments, deferred tax assets, retirement benefit assets, etc.) are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Japan	¥430,276	¥428,146	¥412,411	\$3,886,514
Singapore	45,574	45,833	49,405	411,652
Asia	26,981	31,940	31,273	243,709
Other regions	48,358	49,224	48,791	436,799
Total	¥551,189	¥555,143	¥541,879	\$4,978,674

Notes:

- Major countries and regions located in areas other than Japan and Singapore are as follows:
 - Asia: China, Taiwan, South Korea, Thailand, Malaysia, India
 - Other regions: North America, Europe
- Non-current assets are classified by country or region based on asset location.

(5) Information about main customer

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Name	Mitsui & Co., Ltd.	Mitsui & Co., Ltd.	Mitsui & Co., Ltd.
Sales revenue	¥229,470	¥225,225	\$2,072,712
Related segments	Mobility, Health Care, Food & Packaging, Basic Materials, Others	Mobility, Health Care, Food & Packaging, Basic Materials, Others	Mobility, Health Care, Food & Packaging, Basic Materials, Others

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Cash and deposits	¥193,585	¥163,983	¥139,095	\$1,748,577
Short-term investments	2,402	588	394	21,697
Total	¥195,987	¥164,571	¥139,489	\$1,770,274

The balance of cash and cash equivalents in the consolidated statements of financial position matches the balance of cash and cash equivalents in the consolidated statements of cash flows.

8. Trade Receivables

The breakdown of trade receivables is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Notes receivable—trade	¥ 10,944	¥ 12,397	¥ 14,906	\$ 98,853
Accounts receivable—trade	276,360	265,121	299,875	2,496,251
Allowance for doubtful accounts	(1,458)	(3,624)	(828)	(13,169)
Total	¥285,846	¥273,894	¥313,953	\$2,581,935

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

9. Inventories

The breakdown of inventories is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Merchandise and finished goods	¥168,510	¥195,325	¥208,746	\$1,522,085
Work in process	7,483	8,492	7,563	67,590
Raw materials and supplies	82,821	80,489	83,312	748,090
Total	¥258,814	¥284,306	¥299,621	\$2,337,765

Inventories are recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Inventories held by the Group tend to be affected by the economic environment, which is characterized by significant price fluctuations. As a result, losses may occur if the market environment deteriorates more than expected and the net realizable value drops significantly.

Write-downs of inventories recognized as expenses for the fiscal years ended March 31, 2021 and March 31, 2020 were ¥13,389 million and ¥12,588 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(1) Breakdown

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Financial assets measured at amortized cost				
Accounts receivable—other	¥27,705	¥31,740	¥ 32,380	\$250,248
Bonds	9,561	9,398	9,596	86,361
Lease receivables	2,812	3,166	3,569	25,400
Loans receivable	3,597	3,820	1,528	32,490
Others	8,678	14,465	8,513	78,385
Allowance for doubtful accounts	(5,260)	(2,808)	(2,448)	(47,512)
Financial assets measured at fair value through profit or loss				
Shares and investments	2,368	2,451	1,815	21,389
Derivative assets	170	71	1,361	1,536
Equity instruments measured at fair value through other comprehensive income				
Shares and investments	35,008	37,384	86,396	316,214
Total	84,639	99,687	142,710	764,511
Current assets	27,176	36,805	34,174	245,470
Non-current assets	57,463	62,882	108,536	519,041
Total	¥84,639	¥99,687	¥142,710	\$764,511

(2) Equity instruments measured at fair value through other comprehensive income

The Company designates shares held for the main purpose of maintaining and strengthening transactions or business relationships as equity instruments measured at fair value through other comprehensive income.

(i) Major equity instruments at fair value

Fair values by major issues are as follows:

As of March 31, 2021

Issue name	Millions of yen	Thousands of U.S. dollars
Iharabras, S.A	¥4,341	\$39,211
Japan Saudi Arabia Methanol Company	3,534	31,921

As of March 31, 2020

Issue name	Millions of yen
Iharabras, S.A	¥4,191
Japan Saudi Arabia Methanol Company	3,380
SHOFU INC.	3,170

Transition Date (April 1, 2019)

Issue name	Millions of yen
NGHISON REFINERY & PETROCHEMICAL	¥7,924
Mitsui & Co., Ltd.	6,173
Idemitsu Kosan Co., Ltd.	6,070
Iharabras, S.A.	5,020
SUZUKI MOTOR CORPORATION	3,922
MORIROKU HOLDINGS COMPANY, LTD.	3,690
Japan Saudi Arabia Methanol Company	3,520

(ii) Derecognition of equity instruments measured at fair value through other comprehensive income

The Company sold and derecognized a part of equity instruments measured at fair value through other comprehensive income, primarily to increase asset efficiency and make more effective use of its assets. The Company also derecognized a portion of its equity instruments measured at fair value through other comprehensive income by setting up a retirement benefit trust to enhance financial soundness of its retirement benefit plans and improve asset efficiency.

Fair value and cumulative gains or losses (before income taxes) when such equity instruments were sold and the retirement benefit trust was set up are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Fair value	¥433	¥33,627	\$3,911
Cumulative gains or losses	¥ 92	¥19,430	\$ 831

Cumulative gains or losses (after income taxes) recognized in other components of equity were transferred to retained earnings when such equity instruments were sold and the retirement benefit trust was set up.

(iii) Dividend income

Dividend income recognized from equity instruments measured at fair value through other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Derecognized investments during the reporting period	¥ 3	¥ 878	\$ 27
Investments held at year-end	885	1,635	7,994
Total	¥888	¥2,513	\$8,021

11. Other Assets

The breakdown of other assets are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Current assets				
Prepaid expenses	¥ 5,041	¥ 4,395	¥ 4,261	\$ 45,533
Consumption taxes receivable	2,306	4,704	3,966	20,829
Income taxes receivable	2,786	6,394	3,317	25,165
Others	5,097	6,765	5,174	46,040
Total	¥15,230	¥22,258	¥16,718	\$137,567
Non-current assets				
Prepaid employee benefits	3,269	3,789	4,309	29,528
Long-term prepaid expenses	848	980	1,104	7,660
Others	1,089	1,239	1,373	9,835
Total	¥ 5,206	¥ 6,008	¥ 6,786	\$ 47,023

12. Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Assets held for sale				
Trade and other receivables	¥ 120	¥—	¥—	\$ 1,084
Inventories	896	—	—	8,093
Property, plant and equipment	2,735	—	—	24,704
Others	768	—	—	6,937
Total	¥4,519	¥—	¥—	\$40,818
Liabilities directly associated with non-current assets held for sale				
Trade and other payables	65	—	—	587
Others	477	—	—	4,309
Total	¥ 542	¥—	¥—	\$ 4,896

As announced on March 2, 2021, the Company entered into a contract to transfer its 100% interest in Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd. (MCNT), a manufacturer and distributor of non-woven fabrics for protective materials based in China, to a third party.

As a result, as of the end of the fiscal year ended March 31, 2021, assets and liabilities related to MCNT were reclassified into assets held for sale and liabilities directly associated with assets held for sale, and the transfer was carried out in May 2021.

Assets held for sale are measured at fair value less the cost of sale. Fair value is calculated based on price negotiations with the buyer, among other factors, and the fair value measurement is categorized within Level 3 of the fair value hierarchy. The fair value hierarchy is described in Note 36 "Financial Instruments (7) Fair value of financial instruments."

13. Property, Plant and Equipment

(1) Schedule of changes

The acquisition cost, changes in accumulated depreciation and impairment, and carrying amount of property, plant and equipment are as follows:

(i) Acquisition cost

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	¥150,111	¥361,319	¥1,102,955	¥75,643	¥19,578	¥1,709,606
Acquisition	158	967	5,616	1,281	53,244	61,266
Sale or disposal	(168)	(4,056)	(34,493)	(6,573)	(684)	(45,974)
Transfer	(461)	18,397	46,841	4,319	(69,160)	(64)
Exchange differences on translation of foreign operations	(1)	(916)	(3,961)	(396)	(278)	(5,552)
Others	(34)	362	4,844	(5)	29,027	34,194
Balance as of March 31, 2020	¥149,605	¥376,073	¥1,121,802	¥74,269	¥31,727	¥1,753,476
Acquisition	34	304	1,455	516	68,244	70,553
Acquisition through business combinations	167	44	243	6	9	469
Sale or disposal	(11)	(3,285)	(30,215)	(3,147)	(274)	(36,932)
Transfer	79	7,762	45,298	3,523	(60,222)	(3,560)
Exchange differences on translation of foreign operations	11	1,359	4,029	573	193	6,165
Others	(1)	102	1,244	(44)	(1,614)	(313)
Balance as of March 31, 2021	¥149,884	¥382,359	¥1,143,856	¥75,696	¥38,063	¥1,789,858

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2020	\$1,351,323	\$3,396,920	\$10,132,797	\$670,843	\$286,578	\$15,838,461
Acquisition	307	2,746	13,142	4,661	616,422	637,278
Acquisition through business combinations	1,508	397	2,195	54	82	4,236
Sale or disposal	(99)	(29,672)	(272,920)	(28,426)	(2,475)	(333,592)
Transfer	714	70,111	409,159	31,822	(543,962)	(32,156)
Exchange differences on translation of foreign operations	99	12,275	36,392	5,176	1,744	55,686
Others	(8)	921	11,238	(398)	(14,581)	(2,828)
Balance as of March 31, 2021	\$1,353,844	\$3,453,698	\$10,332,003	\$683,732	\$343,808	\$16,167,085

(ii) Accumulated depreciation and impairment

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	¥13,352	¥256,561	¥938,900	¥62,802	¥—	¥1,271,615
Depreciation and amortization	—	8,799	51,153	4,183	—	64,135
Impairment losses	—	758	5,362	42	—	6,162
Sale or disposal	—	(3,778)	(33,250)	(6,458)	—	(43,486)
Transfer	253	(41)	88	9	—	309
Exchange differences on translation of foreign operations	—	(457)	(2,965)	(244)	—	(3,666)
Other	—	610	4,525	84	—	5,219
Balance as of March 31, 2020	¥13,605	¥262,452	¥963,813	¥60,418	¥—	¥1,300,288
Depreciation and amortization	—	9,223	50,220	4,434	—	63,877
Impairment losses	273	589	2,172	68	—	3,102
Sale or disposal	—	(2,802)	(28,892)	(3,080)	—	(34,774)
Transfer	—	(655)	(2,434)	(71)	—	(3,160)
Exchange differences on translation of foreign operations	—	620	3,076	342	—	4,038
Other	—	(28)	867	(101)	—	738
Balance as of March 31, 2021	¥13,878	¥269,399	¥988,822	¥62,010	¥—	¥1,334,109

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2020	\$122,889	\$2,370,626	\$8,705,745	\$545,731	\$—	\$11,744,991
Depreciation and amortization	—	83,308	453,618	40,050	—	576,976
Impairment losses	2,466	5,320	19,619	614	—	28,019
Sale or disposal	—	(25,309)	(260,970)	(27,821)	—	(314,100)
Transfer	—	(5,916)	(21,985)	(642)	—	(28,543)
Exchange differences on translation of foreign operations	—	5,600	27,784	3,090	—	36,474
Other	—	(254)	7,830	(910)	—	6,666
Balance as of March 31, 2021	\$125,355	\$2,433,375	\$8,931,641	\$560,112	\$—	\$12,050,483

(iii) Carrying amount

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	¥136,759	¥104,758	¥164,055	¥12,841	¥19,578	¥437,991
Balance as of March 31, 2020	136,000	113,621	157,989	13,851	31,727	453,188
Balance as of March 31, 2021	¥136,006	¥112,960	¥155,034	¥13,686	¥38,063	¥455,749

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2021	\$1,228,489	\$1,020,323	\$1,400,362	\$123,620	\$343,808	\$4,116,602

Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

Expenditures incurred for property, plant and equipment under construction are stated as construction in progress.

(2) Borrowing costs

There were no borrowing costs included in the acquisition cost of property, plant and equipment for the fiscal years ended March 31, 2020 and March 31, 2021.

14. Leases

Lessees

The Group has entered into lease agreements as a lessee for land, buildings and other properties to use them mainly as an office and a site for a factory.

The Group does not enter into a lease agreement that has a material purchase option, escalation clauses, restrictions placed by the lease agreement (e.g., dividends, additional borrowings, restrictions on additional leases, etc.), variable lease payments, a termination option, and a residual value guarantee, or no lease transaction or sale and leaseback transaction has been started yet although the Group has entered into such lease agreement.

(1) Income or expenses and cash outflows associated with lease transactions

Income or expenses and cash outflows associated with lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Depreciation of right-of-use assets			
Land	¥ 788	¥ 776	\$ 7,118
Buildings and structures	6,660	6,227	60,157
Machinery and vehicles	1,124	675	10,153
Tools, furniture and fixtures	85	63	767
Total	8,657	7,741	78,195
Interest expense on the lease liabilities	799	851	7,217
Expenses incurred for short-term leases and leases of low value	1,192	1,637	10,767
Total expenses associated with leases, net	1,991	2,488	17,984
Total of cash outflows associated with leases	¥10,083	¥9,841	\$91,076

(2) Right-of-use assets

The breakdown of the carrying amounts of right-of-use assets is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Right-of-use assets				
Land	¥ 6,534	¥ 6,895	¥ 7,881	\$ 59,019
Buildings and structures	31,746	34,556	38,548	286,749
Machinery and vehicles	7,735	4,801	2,219	69,867
Tools, furniture and fixtures	196	210	175	1,771
Total	¥46,211	¥46,462	¥48,823	\$417,406

Increases in right-of-use assets for the fiscal years ended March 31, 2020 and March 31, 2021 were ¥8,412 million and ¥11,987 million, respectively.

The maturity analysis of lease liabilities is described in Note 36 "Financial Instruments."

(3) Extension options

The Group's lease agreements primary for land and buildings have extension options with which the lessee can extend a lease term.

The Group exercises the extension option as considering it necessary to do so by taking into overall account the profitability of relevant assets in the agreement, changes in neighboring market environments, conditions to exercise the option, and other factors, and only when such exercise is reasonably certain, the Group includes such extended period in the lease term and includes lease payments for the lease term in the measurement of lease liabilities.

The extendible period when the option is exercised and lease payments for the extendible period are generally same as or similar to the original contract term and lease payments.

The Group reviews the possibility of exercising the option to extend the lease every reporting period. The financial impact of this review for the fiscal years ended March 31, 2020 and March 31, 2021 is immaterial.

Lessors

The Group provides rental housing as a part of its benefits package for employees, and the transactions involved correspond to a sublease. Since the lease terms of the subleases and the lease terms of the head leases are deemed to be the same, such subleases are classified as finance leases. The total amount of uncollected lease investments is insignificant.

15. Goodwill and Intangible Assets**(1) Schedule of changes**

The acquisition cost, changes in accumulated amortization and impairment, and carrying amount of goodwill and intangible assets are as follows:

Notes to Consolidated Financial Statements

(i) Acquisition cost

	Millions of yen						
	Intangible assets						
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2019	¥25,864	¥46,146	¥14,623	¥15,814	¥10,047	¥6,216	¥92,846
Acquisition	2	3,112	1,458	—	4	220	4,794
Decrease due to deconsolidation	—	—	—	—	—	(69)	(69)
Sale or disposal	—	(1,076)	(399)	(278)	—	(61)	(1,814)
Exchange differences on translation of foreign operations	(1,121)	(176)	(254)	(407)	(391)	(80)	(1,308)
Others	37	654	(173)	11	33	161	686
Balance as of March 31, 2020	¥24,782	¥48,660	¥15,255	¥15,140	¥ 9,693	¥6,387	¥95,135
Acquisition	—	1,501	6	—	—	170	1,677
Acquisitions through business combinations	523	—	223	83	43	—	349
Sale or disposal	—	(1,268)	(101)	(51)	—	(111)	(1,531)
Exchange differences on translation of foreign operations	1,880	208	399	633	682	32	1,954
Others	(1,006)	(82)	(18)	(9)	19	9	(81)
Balance as of March 31, 2021	¥26,179	¥49,019	¥15,764	¥15,796	¥10,437	¥6,487	¥97,503

	Thousands of U.S. dollars						
	Intangible assets						
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2020	\$223,846	\$439,527	\$137,792	\$136,754	\$87,553	\$57,691	\$859,317
Acquisition	—	13,558	54	—	—	1,536	15,148
Acquisitions through business combinations	4,724	—	2,014	750	388	—	3,152
Sale or disposal	—	(11,453)	(912)	(461)	—	(1,003)	(13,829)
Exchange differences on translation of foreign operations	16,981	1,879	3,604	5,718	6,160	289	17,650
Others	(9,086)	(741)	(161)	(82)	173	80	(731)
Balance as of March 31, 2021	\$236,465	\$442,770	\$142,391	\$142,679	\$94,274	\$58,593	\$880,707

(ii) Accumulated amortization and impairment loss

	Millions of yen						
	Intangible assets						
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2019	¥24,381	¥39,122	¥10,332	¥10,033	¥4,306	¥4,662	¥68,455
Amortization	—	2,163	344	169	2	171	2,849
Impairment loss	—	71	—	—	—	—	71
Sale or disposal	—	(878)	(139)	(221)	—	(17)	(1,255)
Exchange differences on translation of foreign operations	(1,111)	(148)	(118)	(359)	(192)	(62)	(879)
Others	36	297	168	268	182	220	1,135
Balance as of March 31, 2020	¥23,306	¥40,627	¥10,587	¥ 9,890	¥4,298	¥4,974	¥70,376
Amortization	—	2,444	287	145	5	143	3,024
Impairment loss	1,006	47	—	3,675	—	147	3,869
Sale or disposal	—	(1,215)	(100)	(51)	—	(18)	(1,384)
Exchange differences on translation of foreign operations	1,857	187	205	596	338	25	1,351
Others	(1,113)	(268)	169	256	380	52	589
Balance as of March 31, 2021	¥25,056	¥41,822	¥11,148	¥14,511	¥5,021	¥5,323	¥77,825

	Thousands of U.S. dollars						
	Intangible assets						
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2020	\$210,514	\$366,968	\$ 95,628	\$ 89,332	\$38,822	\$44,929	\$635,679
Acquisition	—	22,076	2,592	1,310	45	1,292	27,315
Acquisitions through business combinations	9,087	425	—	33,195	—	1,327	34,947
Sale or disposal	—	(10,975)	(903)	(461)	—	(162)	(12,501)
Exchange differences on translation of foreign operations	16,774	1,689	1,852	5,383	3,053	226	12,203
Others	(10,054)	(2,421)	1,527	2,313	3,433	468	5,320
Balance as of March 31, 2021	\$226,321	\$377,762	\$100,696	\$131,072	\$45,353	\$48,080	\$702,963

(iii) Carrying amount

	Millions of yen						
	Intangible assets						
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2019	¥1,483	¥7,024	¥4,291	¥5,781	¥5,741	¥1,553	¥24,390
Balance as of March 31, 2020	1,476	8,033	4,668	5,250	5,395	1,413	24,759
Balance as of March 31, 2021	¥1,123	¥7,197	¥4,616	¥1,285	¥5,416	¥1,164	¥19,678

	Thousands of U.S. dollars						
	Intangible assets						
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2021	\$10,144	\$65,008	\$41,695	\$11,607	\$48,921	\$10,513	\$177,744

Amortization is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

There are no significant internally generated intangible assets for each reporting period.

The carrying amounts of intangible assets with indefinite useful lives as of the Transition Date and March 31, 2020 and March 31, 2021 were ¥453 million, ¥636 million, and ¥689 million, respectively.

Among those, major intangible assets are the trademarks of SDC Technologies, Inc. belonging to the Health Care business segment. As these trademarks basically exist as long as the entity's business continues, the Group determined that their useful lives are indefinite.

The impairment tests for these assets are described in Note 17 "Impairment of Non-financial Assets."

16. Investment Property

The carrying amount and fair value of investment property are as follows::

(1) Carrying amount

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
	Balance at beginning of period	¥23,250	¥22,406
Acquisition	53	860	479
Sale or disposal	(81)	(16)	(732)
Balance at end of period	¥23,222	¥23,250	209,755
Accumulated depreciation	—	—	—
Acquisition cost	¥23,222	¥23,250	\$209,755

(2) Fair value

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Fair value	¥23,895	¥24,871	¥22,236	\$215,834

The Group does not have contractual obligations to purchase, construct or develop investment property or those for repairs, maintenance or enhancements.

The fair value of investment property is mainly based on the valuation presented by an independent real estate appraiser using the discounted cash flow method or on the market transaction price of a similar asset. The fair value is categorized within Level 3 of the fair value hierarchy because it includes significant unobservable inputs. The fair value hierarchy is described in Note 36 "Financial Instruments (7) Fair value of financial instruments."

(3) Profit or loss of investment property

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Rental income	¥619	¥610	\$5,591
Direct operating expenses arising from investment property that generated rental income	(149)	(135)	(1,346)

17. Impairment of Non-financial Assets

The Group examines whether there are any indicators of impairment of non-financial assets (excluding inventories, deferred tax assets, assets related to retirement benefits, and assets held for sale) at the end of each fiscal year. If there are indicators of impairment, the Group estimates the recoverable amount of the asset or the cash-generating unit (CGU) to which the asset belongs. Assets provided for business use are categorized by entity, business sector, or similar unit. Of these, assets to be disposed of due to business withdrawal or other reason are assessed on an individual basis. Idle properties and properties not in use are also assessed on an individual basis.

The recoverable amount of the asset or CGU to which the asset belongs is the higher of the fair value after deducting the cost of disposal and the value in use.

The value in use is calculated by discounting the estimated future cash flow to the present value using the time value of money and the pre-tax discount rate that reflects the risks inherent in the asset. If it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is estimated for each CGU to which the asset belongs.

In calculating the value in use, certain assumptions are made regarding the useful life of the asset, future cash flow discount rate, growth rate, and other factors.

These assumptions are determined by management's best estimates and judgments, but changes in uncertain future economic conditions, such as the impact of the COVID-19 pandemic on production activities and capital spending among customers may affect these assumptions. If such assumptions have to be revised, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

Impairment loss for the fiscal years ended March 31, 2020 and March 31, 2021 was as follows. Impairment loss is included in "Other operating expenses" in the consolidated statements of profit or loss.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Property, plant and equipment			
Buildings and structures	¥ 589	¥ 758	\$ 5,320
Machinery and vehicles	2,172	5,362	19,619
Tools, furniture and fixtures	68	42	614
Land	273	—	2,466
Construction in progress	17	97	154
Right-of-use assets	55	59	497
Goodwill and Intangible assets	4,876	71	44,042
Total impairment losses	¥8,050	¥6,389	\$72,712

Major assets for which an impairment loss was recognized are as follows:

For the year ended March 31, 2021

Use	Location	Asset category	Reportable segment	Millions of yen	Thousands of U.S. dollars
Goodwill and Intangible assets	—	Goodwill and Intangible assets	Mobility	¥4,868	\$43,971
Production facilities	Iwakuni City, Yamaguchi Prefecture, Japan	Machinery and vehicles	Basic Materials	1,954	17,650
			Others	1,228	11,091
			Total	¥8,050	\$72,712

Breakdown of impairment loss

- ARRK Group goodwill and intangible assets

The Group impaired the goodwill and intangible assets related to ARRK Group by reducing the carrying amount to the recoverable amount, because of the deterioration of profitability due to a decrease in the number of development projects amid weak corporate earnings in the automotive industry and the manufacturing industry in general. The recoverable amount was measured at the value in use calculated by discounting the future cash flows with a weighted average cost of capital before tax of 14.1%.

Cash flow used to calculate value in use is calculated on the basis of the Company's five-year business plan leading up to the fiscal year ending March 31, 2026, which includes the expansion of market share by means of a reinforced management system, development of human resources, and new processing technology achieved through research and development on new materials processing, and is estimated based on terminal value in the fiscal year ending March 31, 2027 and after. The business plan includes major assumptions by management, such as prospects for the recovery of existing businesses and for the acquisition of new development projects, based on factors such as the development budgets of automobile and home appliance manufacturers, demand forecasts based on model change cycles, and other factors. These assumptions may be affected by changes in uncertain economic conditions, including the impact of the COVID-19 pandemic.

- Production facilities in Iwakuni City, Yamaguchi Prefecture, Japan

The Group impaired these business assets by reducing the carrying amount to the recoverable amount because the profitability of these assets significantly became lower due to the deteriorating market environment and they could no longer expect the return. The recoverable amount was assessed at zero, given that future cash flows will be negative.

Individually immaterial impairment loss other than those above is mainly on property, plant and equipment, such as buildings and structures, machinery and equipment, and intangible assets for business activities. The Group recorded such impairment loss because the recoverable amount became lower than the carrying amount as the expected return became low.

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For the year ended March 31, 2020

Use	Location	Asset category	Reportable segment	Millions of yen
Production facilities	Nagoya City, Aichi Prefecture, Japan	Machinery and vehicles	Health Care	¥3,822
Production facilities	Tianjin City, China	Machinery and vehicles	Health Care	1,185
			Others	1,382
			Total	¥6,389

Breakdown of impairment loss

- Production facilities in Nagoya City, Aichi Prefecture, Japan

The Group impaired these business assets by reducing the carrying amount to the recoverable amount because the profitability of these assets significantly became lower due to the deteriorating market environment and they could no longer achieve the return. The recoverable amount was measured at the value in use calculated by discounting the future cash flows with a weighted average cost of capital before tax of 9.7%.

- Production facilities in Tianjin City, China

The Group impaired these business assets by reducing the carrying amount to the recoverable amount because the profitability of these assets significantly became lower due to the deteriorating market environment and they can no longer achieve the return. The recoverable amount was measured at the value in use calculated by discounting the future cash flows with a weighted average cost of capital before tax of 11.0%.

The carrying amounts of goodwill to cash-generating units (groups of cash-generating units) are as follows. Because the balance of intangible assets with indefinite useful lives is not significant, it is omitted.

Goodwill

Reportable segment	Cash-generating units (Groups of cash-generating units)	Millions of yen			Thousands of U.S. dollars
		As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Mobility	ARRK Group	¥ —	¥1,025	¥1,026	\$ —
—	Others	1,123	451	457	10,144
	Total	¥1,123	¥1,476	¥1,483	\$10,144

The recoverable amounts of goodwill and intangible assets with indefinite useful lives allocated to groups of cash-generating units were measured at the value in use.

The value in use reflects past experience and external sources of information, and is based on the five-year medium-term business plan approved by management. As for after the five-year plan, the Group takes into account uncertainties in the future and assumes that the value in use will change in line with cash flows in the fifth year of the plan based on the assumption that the main growth rate is 1.4% to 1.8%. The growth rate is assumed given the average growth rate in a long term in the industry or country to which cash-generating units belong.

If some or all of the carrying amount of goodwill is allocated across multiple CGU (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill, such carrying amount is aggregated in "Others."

Discount rates (weighted average cost of capital before tax) used to calculate the recoverable amounts are as follows:

		Millions of yen		
		As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)
Reportable segment	Cash-generating units (Groups of cash-generating units)			
Mobility	ARRK Group	14.1%	14.8%	14.1%

As a result of an impairment test, goodwill and intangible assets with indefinite useful lives associated with ARRK Group were recorded as an impairment loss because the recoverable amount was lower than the carrying amount on the Transition Date. For the fiscal year ended March 31, 2020, if the discount rate had increased by 0.1%, the recoverable amount could have fallen below the carrying amount. For the fiscal year ended March 31, 2021, because the recoverable amount was lower than the carrying amount, an impairment loss was recorded.

For goodwill and intangible assets with indefinite useful lives associated with other cash-generating units, the Group determined that any material impairment would be unlikely to occur in the cash-generating units even if the growth rate and discount rate used for the impairment tests changed within a reasonably foreseeable range.

18. Investments Accounted for Using the Equity Method

(1) Investments in associates

The carrying amount of investments in individually immaterial associates accounted for using the equity method are as follows:

		Millions of yen			Thousands of U.S. dollars
		As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Carrying amount of investments		¥30,782	¥24,714	¥23,554	\$278,042

The aggregate amounts of the Group's share of comprehensive income of investments in associates accounted for using the equity method are as follows:

		Millions of yen		Thousands of U.S. dollars
		Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income		¥2,460	¥3,888	\$22,220
Other comprehensive income		(45)	86	(406)
Comprehensive income		¥2,415	¥3,974	\$21,814

(2) Investments in joint ventures

(i) Material joint ventures

A material joint venture for the Group is as follows:

			Percentage of interests		
Name	Major business	Location	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)
Mitsui Chemicals & SKC Polyurethanes Inc.	Development of urethane foam materials	South Korea	50%	50%	50%

Notes to Consolidated Financial Statements

Reconciliations between the summarized financial statements of the entity above and the carrying amounts of investments are as follows. These summarized financial statements were prepared by adding reconciliations in line with the Group's accounting policies.

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Current assets	¥44,986	¥47,166	¥54,515	\$406,341
Non-current assets	82,151	79,516	77,353	742,038
Current liabilities	31,799	33,608	36,889	287,228
Non-current liabilities	12,409	9,483	7,567	112,086
Equity	82,929	83,591	87,412	749,065
Carrying amount of investments*	38,760	38,826	39,650	350,104
Material accounts included in above				
Cash and cash equivalents	6,291	5,510	9,596	56,824
Financial liabilities included in current liabilities	30,587	32,714	33,465	276,280
Financial liabilities included in non-current liabilities	¥ 9,121	¥ 6,256	¥ 4,226	\$ 82,386

* The preferred stock of Mitsui Chemicals & SKC Polyurethanes Inc. held by the Company are also accounted for using the equity method, and included in the carrying amount of the Company's investments.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Sales revenue	¥88,941	¥101,508	\$803,369
Net income (loss)	(134)	(1,360)	(1,210)
Other comprehensive income	(148)	(2,993)	(1,337)
Comprehensive income	(282)	(4,353)	(2,547)
Material accounts included in above			
Depreciation and amortization	(2,419)	(2,397)	(21,850)
Interest income	54	22	488
Interest expenses	(432)	(481)	(3,902)
Income tax expense	583	(707)	5,266
Dividends received by the Group	¥ —	¥ 320	\$ —

The Group does not have unrecognized commitments relating to each joint venture, which may result in the outflow of economic resources in the future.

(ii) Individually immaterial joint ventures

The carrying amount of investments in individually immaterial joint ventures are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Carrying amount of investments	¥27,967	¥24,079	¥24,419	\$252,615

The amount of equity shares on comprehensive income of investments in individually immaterial joint ventures is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income	¥3,459	¥931	\$31,244
Other comprehensive income	183	(387)	1,653
Comprehensive income	¥3,642	¥544	\$32,897

19. Trade Payables

The breakdown of trade payables is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Notes payable—trade	¥ 897	¥ 1,331	¥ 1,382	\$ 8,102
Accounts payable—trade	116,853	116,589	151,914	1,055,487
Contract liabilities	1,962	3,091	2,651	17,723
Total	¥119,712	¥121,011	¥155,947	\$1,081,312

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

20. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen				Thousands of U.S. dollars
	As of March 31, 2021	Average interest rate (%)	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Short-term borrowings	¥112,182	0.23%	¥119,829	¥122,037	\$1,013,296
Commercial papers	50,000	0.01%	60,000	10,000	451,630
Current portion of bonds payable	10,432	1.31%	10,426	426	94,228
Current portion of long-term borrowings	44,106	1.05%	42,538	59,112	398,392
Bonds payable	80,580	0.40%	76,012	66,438	727,848
Long-term borrowings (Note 3)	212,916	0.75%	237,226	256,311	1,923,187
Total	¥510,216	—	¥546,031	¥514,324	\$4,608,581
Current liabilities	216,721	—	232,793	191,575	1,957,556
Non-current liabilities	293,495	—	313,237	322,749	2,651,025
Total	¥510,216	—	¥546,031	¥514,324	\$4,608,581

Notes:

1. Bonds and borrowings are categorized as financial liabilities measured at amortized cost.
2. The weighted average interest rate on the outstanding balance as of March 31, 2021 is stated for the average interest rate.
3. Long-term borrowings will be due in 2022 through 2030.

Notes to Consolidated Financial Statements

The contractual terms of bonds are as follows:

Company name	Issue name	Date of issue	Millions of yen			Thousands of	Interest rate (%)	Collateral	Date of maturity	
			As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	U.S. dollars As of March 31, 2021				
Mitsui Chemicals Inc.	The 41st Unsecured Corporate Bond	October 22, 2010	¥ —	¥ 10,000 ¥(10,000)	¥10,000	\$ —	1.246 / year	N/A	October 22, 2020	
	The 42nd Unsecured Corporate Bond	July 28, 2011	10,000 (10,000)	10,000	10,000	90,326	1.354 / year	N/A	July 28, 2021	
	The 45th Unsecured Corporate Bond	July 24, 2017	5,000	5,000	5,000	45,163	0.26 / year	N/A	July 24, 2024	
	The 46th Unsecured Corporate Bond	July 24, 2017	5,000	5,000	5,000	45,163	0.37 / year	N/A	July 23, 2027	
	The 47th Unsecured Corporate Bond	June 19, 2018	10,000	10,000	10,000	90,326	0.26 / year	N/A	June 19, 2025	
	The 48th Unsecured Corporate Bond	June 19, 2018	15,000	15,000	15,000	135,489	0.39 / year	N/A	June 19, 2028	
	The 49th Unsecured Corporate Bond	June 19, 2018	10,000	10,000	10,000	90,326	0.9 / year	N/A	June 19, 2038	
	The 50th Unsecured Corporate Bond	December 5, 2019	10,000	10,000	—	90,326	0.27 / year	N/A	December 5, 2029	
	The 51st Unsecured Corporate Bond	December 5, 2019	10,000	10,000	—	90,326	0.68 / year	N/A	December 5, 2039	
	The 52nd Unsecured Corporate Bond	December 2, 2020	15,000	—	—	135,489	0.13 / year	N/A	December 2, 2025	
	Mitsui Chemicals Tohcello, Inc.	The 7th Unsecured Straight Bond	October 24, 2014	148 (148)	290 (142)	432 (142)	1,337 (1,337)	0.49 / year	N/A	October 22, 2021
	ARRK CORPORATION	The 1st Unsecured Corporate Bond	March 30, 2017	220 (70)	290 (70)	360 (70)	1,987 (632)	0.07 / year	N/A	March 29, 2024
The 2nd Unsecured Corporate Bond		March 30, 2017	212 (72)	284 (72)	356 (72)	1,915 (650)	0.31 / year	N/A	March 29, 2024	
The 3rd Unsecured Corporate Bond		March 30, 2017	220 (70)	290 (70)	360 (70)	1,987 (632)	0.07 / year	N/A	March 29, 2024	
The 4th Unsecured Corporate Bond		March 30, 2017	212 (72)	284 (72)	356 (72)	1,915 (650)	0.31 / year	N/A	March 29, 2024	
Total	—	—	91,012 ¥(10,432)	86,438 ¥(10,426)	66,864 ¥ (426)	822,076 \$ (94,228)	—	—	—	

Note: The figures in brackets represent the current portion.

Assets pledged as collateral and secured debt are as follows:

Assets pledged as collateral

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Inventories	¥ 44	¥ 57	¥ 50	\$ 397
Property, plant and equipment	1,204	1,953	2,087	10,875
Other financial assets	105	97	8,021	949
Total	¥1,353	¥2,107	¥10,158	\$12,221

Secured debt

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Bonds and borrowings (current)	¥ 848	¥1,346	¥ 778	\$ 7,660
Other financial liabilities	16	38	37	144
Bonds and borrowings (non-current)	1,602	2,024	26,314	14,470
Total	¥2,466	¥3,408	¥27,129	\$22,274

21. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Financial liabilities measured at amortized cost				
Accounts payable—other	¥ 74,272	¥ 81,139	¥ 86,613	\$ 670,870
Others	8,611	8,590	9,847	77,780
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	988	1,728	2,465	8,924
Lease liabilities	53,575	53,357	56,699	483,922
Others (Note)	14,518	14,196	14,117	131,135
Total	151,964	159,010	169,741	1,372,631
Current liabilities	84,242	90,007	108,879	760,925
Non-current liabilities	67,722	69,003	60,862	611,706
Total	¥151,964	¥159,010	¥169,741	\$1,372,631

Note: Others refer to financial liabilities primarily arising from written put options granted to non-controlling shareholders of subsidiaries, and are described in Note 36 "Financial Instruments."

22. Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the fiscal years ended March 31, 2020 and March 31, 2021 are as follows:

(i) For the year ended March 31, 2021

	Millions of yen					
	Balance as of April 1, 2020	Cash flow	Non-cash transactions			Balance as of March 31, 2021
			Business combinations	New leases	Foreign currency translation, etc.	
Bonds payable (Note)	¥ 86,438	¥ 4,574	¥ —	¥ —	¥ —	¥ 91,012
Commercial papers	60,000	(10,000)	—	—	—	50,000
Short-term borrowings	119,829	(8,498)	—	—	851	112,182
Long-term borrowings (Note)	279,764	(23,421)	—	—	679	257,022
Lease liabilities	53,357	(8,108)	283	12,222	(4,179)	53,575
Total	¥599,388	¥(45,453)	¥283	¥12,222	¥(2,649)	¥563,791

	Thousands of U.S. dollars					
	Balance as of April 1, 2020	Cash flow	Non-cash transactions			Balance as of March 31, 2021
			Business combinations	New leases	Foreign currency translation, etc.	
Bonds payable (Note)	\$ 780,761	\$41,315	\$ —	\$ —	\$ —	\$ 822,076
Commercial papers	541,956	(90,326)	—	—	—	451,630
Short-term borrowings	1,082,368	(76,759)	—	—	7,687	1,013,296
Long-term borrowings (Note)	2,526,989	(211,553)	—	—	6,143	2,321,579
Lease liabilities	481,954	(73,236)	2,556	110,397	(37,749)	483,922
Total	\$5,414,028	\$(410,559)	\$2,556	\$110,397	\$(23,919)	\$5,092,503

Note: Current portions are included.

(ii) For the year ended March 31, 2020

	Millions of yen					
	Balance as of April 1, 2019	Cash flow	Non-cash transactions			Balance as of March 31, 2020
			Business combinations	New leases	Foreign currency translation, etc.	
Bonds payable (Note)	¥ 66,864	¥ 19,574	¥ —	¥ —	¥ —	¥ 86,438
Commercial papers	10,000	50,000	—	—	—	60,000
Short-term borrowings	122,037	(647)	(61)	—	(1,500)	119,829
Long-term borrowings (Note)	315,423	(32,432)	—	—	(3,227)	279,764
Lease liabilities	56,699	(7,282)	—	7,940	(4,000)	53,357
Total	¥571,023	29,213	¥(61)	¥7,940	¥(8,727)	¥599,388

23. Employee Benefits

The Company and its major Japanese consolidated subsidiaries have established and maintained contract-type corporate pension plans and lump-sum retirement benefit plans as defined benefit plans. Some of its foreign consolidated subsidiaries also have established and maintained defined benefit plans. In addition, the Company and some of its Japanese consolidated subsidiaries have established and maintained defined contribution plans.

(1) Defined benefit plans

A retirement benefit trust has been set up for the plan assets of funded retirement benefit plans.

In contract-type corporate pension plans, the amount of benefits is calculated by the accumulated points mainly based on an occupational ability-based grading system and other similar systems.

In accordance with the Defined-benefit Corporate Pension Act, the Company has an obligation to make contributions to the Corporate Pension Fund (hereinafter the "Fund") that manages corporate pension plans.

A trustee manages plan assets in accordance with contract terms specified based on a management policy that resolved by the Board of Directors of the Company. The Fund developed a basic policy on the management of plan assets, developed management guidelines in line with the basic policy, and issued these documents to the trustee. This helps the trustee to fulfill its obligation to manage plan assets safely and efficiently.

The Company has an obligation to make contributions at the amount set by the Fund over the future years. The amount of contributions is regularly reviewed to the extent permitted by laws and regulations.

In addition to the pension plans above, employees are qualified for receiving a lump-sum retirement payment when leaving the Company for reasons other than dismissals. The amount of payment is calculated based on factors such as the accumulated points based on occupational ability-based grading system and other similar system at the time of retirement as well as a payment rate based on the number of years of service. If the reason to leave the Company is an involuntary termination or death, the amount of payment exceeds the one in case of voluntary termination.

Additionally, the Company may provide increased retirement payments to its employees when they retire.

The Group's major plans are exposed to actuarial risks such as investment risk, interest rate risk, and longevity risk.

(i) Assets and liabilities recognized in the consolidated statements of financial position

The amounts of assets and liabilities recorded in the consolidated statements of financial position for the defined benefit plans are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Present value of defined benefit obligations	¥ 170,289	¥ 171,355	¥ 177,318	\$ 1,538,154
Fair value of plan assets	(208,964)	(180,148)	(162,115)	(1,887,490)
Total	(38,675)	(8,793)	15,203	(349,336)
Amounts presented in the consolidated statements of financial position				
Retirement benefit liability	16,384	25,146	55,662	147,990
Retirement benefit asset	(55,059)	(33,939)	(40,459)	(497,326)
Net defined benefit liability/asset	¥ (38,675)	¥ (8,793)	¥ 15,203	\$ (349,336)

(ii) Present value of defined benefit obligations

Changes in present value of defined benefit obligations are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of period	¥171,355	¥177,318	\$1,547,782
Current service cost	5,076	5,414	45,850
Interest expenses	1,019	892	9,204
Remeasurements of defined benefit plans			
Actuarial gains and losses arising from changes in demographic assumptions	267	36	2,412
Actuarial gains and losses arising from changes in financial assumptions	638	3,002	5,763
Actuarial gains and losses arising from experience adjustment	789	(5,072)	7,127
Payment of benefits	(9,636)	(9,925)	(87,038)
Others	781	(310)	7,054
Balance at end of period	¥170,289	¥171,355	\$1,538,154

The weighted average duration of defined benefit obligations of the Company and its major consolidated subsidiaries at the Transition Date and March 31, 2020 and March 31, 2021 are 15 years, 13 years, and 15 years, respectively.

Defined benefit obligations and service costs are calculated based on actuarial assumptions such as discount rates and mortality rates. Making such assumptions necessitates estimates and judgments. The discount rate is based on the market yield on high-quality corporate bonds, and the mortality rate used is the latest mortality rate released by the Ministry of Health, Labour and Welfare.

Notes to Consolidated Financial Statements

Actuarial assumptions are determined by management's best estimates and judgments, but may be affected by changes in uncertain economic conditions. If such assumptions have to be revised, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The significant actuarial assumptions used in determining the present value of defined benefit obligations are as follows:

	As of March 31, 2021	As of March 31, 2020
Discount rate	0.6%	0.5%

If actuarial assumptions change significantly, the impact on the present value of defined benefit obligations is as follows. Negative values indicate a decrease in defined benefit obligations, and positive values indicate an increase in defined benefit obligations:

Assumptions	Changes in assumptions	Impact on defined benefit obligations		
		Millions of yen		Thousands of U.S. dollars
		As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Discount rate	0.5 percentage point increase	¥(8,504)	¥(8,335)	\$(76,813)
	0.5 percentage point decrease	9,399	9,206	84,897

The above analysis shows the impact on the defined benefit obligations when one of the significant actuarial assumptions changes to the extent reasonable with the assumption that all the rest of the actuarial assumptions are constant, however, another actuarial assumption change may impact the defined benefit obligations as well.

(iii) Fair value of plan assets

The Company developed a basic policy on the management of plan assets and continues to monitor compliance with and appropriateness of the policy to ensure adequate plan assets to provide pension benefits to pensioners in the future. Given the risk of plan assets, the Company also developed a standard portfolio to achieve expected returns. Based on the standard portfolio, the Company manages plan assets by making investments in shares and bonds. The Company examines every year a range of gaps between long-term expected returns on plan assets and actual returns in order to determine whether or not the Company needs to revise the standard portfolio. The Company reviews the standard portfolio as necessary to achieve the expected returns on plan assets.

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Balance at beginning of period	¥180,148	¥162,115	\$1,627,206
Interest income	1,039	934	9,385
Remeasurements of defined benefit plans			
Return on plan assets	34,197	(9,059)	308,888
Contributions by the employer	405	392	3,658
Benefits	(7,061)	(7,173)	(63,779)
Setup of retirement benefit trust	—	33,231	—
Others	236	(292)	2,132
Balance at end of period	¥208,964	¥180,148	\$1,887,490

The Group plans to make contributions of ¥4,913 million in the fiscal year ending March 31, 2022.

The fair value of plan assets by asset category is as follows:

	Millions of yen									Thousands of U.S. dollars		
	As of March 31, 2021			As of March 31, 2020			As of April 1, 2019 (Transition Date)			As of March 31, 2021		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	¥ 6,105	¥ —	¥ 6,105	¥ 5,724	¥ —	¥ 5,724	¥ 1,398	¥ —	¥ 1,398	\$ 55,144	\$ —	\$ 55,144
Equity instruments												
Shares issued by Japanese companies	69,980	—	69,980	51,916	—	51,916	33,697	58	33,755	632,102	—	632,102
Shares issued by foreign companies	41,197	—	41,197	33,239	—	33,239	39,541	—	39,541	372,116	—	372,116
Debt instruments												
Bonds issued by Japanese companies	2,845	—	2,845	13,010	—	13,010	12,571	—	12,571	25,698	—	25,698
Bonds issued by foreign companies	57,916	—	57,916	45,171	—	45,171	43,717	—	43,717	523,133	—	523,133
Others (Note 1)	217	30,704	30,921	68	31,020	31,088	117	31,016	31,133	1,960	277,337	279,297
Total	¥178,260	¥30,704	¥208,964	¥149,128	¥31,020	¥180,148	¥131,041	¥31,074	¥162,115	\$1,610,153	\$277,337	\$1,887,490

Note: 1. "Others" mainly includes investments of fund of funds and equity long-short hedge funds.

(2) Defined contribution plans and public plans

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Expenses in defined contribution plans	¥838	¥858	\$7,569
Expenses in public plans	114	119	1,030

(3) Employee benefits expenses

The total amounts of employee benefits expenses (excluding ones for employees who are engaged on research and development) included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income for the fiscal years ended March 31, 2020 and March 31, 2021 were ¥155,502 million and ¥150,848 million, respectively.

24. Provisions

The breakdown of changes in provisions for the fiscal year ended March 31, 2021 is as follows:

	Millions of yen			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2020	¥3,166	¥ 412	¥2,544	¥ 6,122
Increase during period	184	1	709	894
Decrease during period (utilization)	(642)	(118)	(833)	(1,593)
Decrease during period (reversal)	(37)	—	(150)	(187)
Interest expense by discounting	82	—	—	82
Others	(75)	—	(388)	(463)
Balance as of March 31, 2021	2,678	295	1,882	4,855
Current liabilities	—	—	1,157	1,157
Non-current liabilities	2,678	295	725	3,698
Total	¥2,678	¥ 295	¥1,882	¥ 4,855

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2020	\$28,597	\$ 3,721	\$22,980	\$ 55,298
Increase during period	1,662	9	6,404	8,075
Decrease during period (utilization)	(5,799)	(1,065)	(7,525)	(14,389)
Decrease during period (reversal)	(334)	—	(1,355)	(1,689)
Interest expense by discounting	741	—	—	741
Others	(678)	—	(3,504)	(4,182)
Balance as of March 31, 2021	24,189	2,665	17,000	43,854
Current liabilities	—	—	10,451	10,451
Non-current liabilities	24,189	2,665	6,549	33,403
Total	\$24,189	\$ 2,665	\$17,000	\$ 43,854

The breakdown of changes in provisions for the fiscal year ended March 31, 2020 is as follows:

	Millions of yen			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2019	¥3,208	¥ 551	¥1,708	¥5,467
Increase during period	26	3	1,744	1,773
Decrease during period (utilization)	(39)	(142)	(511)	(692)
Decrease during period (reversal)	(45)	—	(268)	(313)
Interest expense by discounting	81	—	—	81
Others	(65)	—	(129)	(194)
Balance as of March 31, 2020	¥3,166	¥412	¥2,544	¥6,122
Current liabilities	—	—	1,828	1,828
Non-current liabilities	3,166	412	716	4,294
Total	¥3,166	¥ 412	¥2,544	¥6,122

Asset retirement obligations

Provisions for asset retirement obligations are mainly for dismantling and removal costs of plant facilities and offices held on land leased out to the Group overseas, to fulfill the obligation to restore the property to its original state. These expenses are mainly expected to be incurred after one year or longer from the lease; however, they are subject to the influence of a business plan or other aspects in the future.

Provision for environmental measures

The provision for environmental measures is an estimate of the total costs of equipment maintenance and treatment work related to measures to address soil pollution detected at the Company's manufacturing sites. Most of these costs are expected to be paid after a year or more, but this will be affected by future business plans.

25. Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Accrued bonuses	¥15,076	¥15,039	¥16,077	\$136,176
Accrued paid leave	8,177	7,160	6,982	73,860
Accrued expenses	7,366	6,735	6,273	66,534
Consumption taxes payable	3,733	3,262	1,564	33,719
Advances received	1,858	1,698	1,580	16,783
Others	2,056	2,060	2,426	18,568
Total	38,266	35,954	34,902	345,640
Current liabilities	37,736	35,517	34,264	340,853
Non-current liabilities	530	437	638	4,787
Total	¥38,266	¥35,954	¥34,902	\$345,640

26. Equity

(1) Share capital and treasury stock

The total number of shares authorized and the number of shares issued are as follows:

	Shares	
	Year ended March 31, 2021	Year ended March 31, 2020
The total number of shares authorized to be issued	600,000,000	600,000,000
The number of shares issued		
Balance at beginning of period	204,580,115	204,510,215
Changes during the period	28,500	69,900
Balance at end of period	204,608,615	204,580,115

All the shares the Company issued are no-par value common stock and are fully paid.

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

	Shares	
	Year ended March 31, 2021	Year ended March 31, 2020
At the beginning of the period	13,557,163	9,452,793
Increase (Note 1)	343,073	4,105,501
Decrease (Note 2)	5,235,846	1,131
At the end of the period	8,664,390	13,557,163

Notes:

- The increase in the number of shares of treasury stock for the fiscal year ended March 31, 2020 is due to the purchase of 11,301 shares less than one unit and the acquisition of 4,094,200 shares through a resolution of the Board of Directors. The increase in the number of shares of treasury stock for the fiscal year ended March 31, 2021 is due to the purchase of 17,673 shares less than one unit and the acquisition of 325,400 shares through a resolution of the Board of Directors.
- The decrease in the number of shares of treasury stock for the fiscal year ended March 31, 2020 is due to the sale of shares less than one unit. The decrease in the number of shares of treasury stock for the fiscal year ended March 31, 2021 is due to the sale of 1,089 shares less than one unit and the transfer of 5,234,757 shares due to the share exchange with ARRK CORPORATION for the purpose of making ARRK CORPORATION a wholly owned subsidiary of the Group.

(2) Capital surplus and retained earnings

The capital surplus account is composed of amounts arising from equity transactions that are not included in share capital. Major components of the capital surplus account are legal capital surplus and other capital surplus. The retained earnings account is composed of legal retained earnings and other retained earnings.

The Companies Act of Japan requires that at least 50% of the contribution for share issue be appropriated as share capital and the rest be appropriated as legal capital surplus. The Companies Act of Japan also requires that 10% of surplus appropriated for dividends be reserved either as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches 25% of the amount of share capital. Legal capital surplus and legal retained earnings cannot be the source of dividends, however, these can be transferred to capital surplus, other surplus or share capital upon approval at the General Meeting of Shareholders.

Notes to Consolidated Financial Statements

In addition, acquired treasury stock must be excluded in calculating the amount available for distribution. Acquired treasury stock of ¥29,869 million, ¥39,895 million, and ¥24,900 million at the Transition Date and March 31, 2020 and March 31, 2021, respectively, was excluded in calculating the amount available for distribution.

(3) Other components of equity

Other components of equity are as follows:

Financial assets measured at fair value through other comprehensive income

It is valuation difference on financial assets measured at fair value through other comprehensive income.

Remeasurement of defined benefit plans

Remeasurement of defined benefit plans represents the effect of gaps between actuarial assumptions at the beginning of the year and actual results as well as the effect of changes in actuarial assumptions. These effects were recognized in other comprehensive income when incurred and were immediately transferred from other components of equity to retained earnings.

Exchange differences on translation of foreign operations

These exchange differences occurred when foreign operations' financial statements prepared in foreign currencies were consolidated.

Effective portion of net changes in fair value of cash flow hedges

It is the amount of accumulated effective portion of gains or losses arising from changes in the fair value of hedging instruments for cash flow hedges.

The breakdown of each item of other comprehensive income and related amount of tax effects (including non-controlling interests) are as follows:

For the year ended March 31, 2021

	Millions of yen				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	¥ 156	¥ —	¥ 156	¥ 514	¥ 670
Remeasurements of defined benefit plans	32,533	—	32,533	(7,928)	24,605
Share of other comprehensive income of investments accounted for using equity method	263	—	263	—	263
Total of items that will not be reclassified to profit or loss	32,952	—	32,952	(7,414)	25,538
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	6,201	(385)	5,816	—	5,816
Effective portion of net change in fair value of cash flow hedges	52	589	641	(62)	579
Share of other comprehensive income of investments accounted for using equity method	(280)	—	(280)	—	(280)
Total of items that may be reclassified to profit or loss	5,973	204	6,177	(62)	6,115
Total	¥38,925	¥204	¥39,129	¥(7,476)	¥31,653

	Thousands of U.S. dollars				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	\$ 1,409	\$ —	\$ 1,409	\$ 4,643	\$ 6,052
Remeasurements of defined benefit plans	293,858	—	293,858	(71,611)	222,247
Share of other comprehensive income of investments accounted for using equity method	2,376	—	2,376	—	2,376
Total of items that will not be reclassified to profit or loss	297,643	—	297,643	(66,968)	230,675
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	56,011	(3,477)	52,534	—	52,534
Effective portion of net change in fair value of cash flow hedges	470	5,320	5,790	(560)	5,230
Share of other comprehensive income of investments accounted for using equity method	(2,530)	—	(2,530)	—	(2,530)
Total of items that may be reclassified to profit or loss	53,951	1,843	55,794	(560)	55,234
Total	\$351,594	\$1,843	\$353,437	\$(67,528)	\$285,909

For the year ended March 31, 2020

	Millions of yen				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	¥(14,893)	¥ —	¥(14,893)	¥(269)	¥(15,162)
Remeasurements of defined benefit plans	(6,935)	—	(6,935)	101	(6,834)
Share of other comprehensive income of investments accounted for using equity method	36	—	36	—	36
Total of items that will not be reclassified to profit or loss	(21,792)	—	(21,792)	(168)	(21,960)
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(5,955)	373	(5,582)	—	(5,582)
Effective portion of net change in fair value of cash flow hedges	(704)	1,593	889	(101)	788
Share of other comprehensive income of investments accounted for using equity method	(1,834)	—	(1,834)	—	(1,834)
Total of items that may be reclassified to profit or loss	(8,493)	1,966	(6,527)	(101)	(6,628)
Total	¥(30,285)	¥1,966	¥(28,319)	¥(269)	¥(28,588)

27. Dividends

For the year ended March 31, 2021

i) Dividends paid

Dividends paid are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2020	Common stock	¥9,551	Retained earnings	¥50.00	March 31, 2020	June 25, 2020
Board of Directors' meeting held on November 11, 2020	Common stock	9,798	Retained earnings	¥50.00	September 30, 2020	December 2, 2020

Notes to Consolidated Financial Statements

Resolution	Type of shares	Total cash dividends paid (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2020	Common stock	\$86,270	Retained earnings	\$0.452	March 31, 2020	June 25, 2020
Board of Directors' meeting held on November 11, 2020	Common stock	88,502	Retained earnings	0.452	September 30, 2020	December 2, 2020

ii) Dividends whose record date is within the fiscal year ended March 31, 2021, however, whose effective date is in the fiscal year ending March 31, 2022

Dividends whose record date is within the fiscal year ended March 31, 2021, however, whose effective date is in the fiscal year ending March 31, 2022 are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2021	Common stock	¥9,797	Retained earnings	¥50.00	March 31, 2021	June 28, 2021

Resolution	Type of shares	Total cash dividends paid (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2021	Common stock	\$88,492	Retained earnings	\$0.452	March 31, 2021	June 28, 2021

For the year ended March 31, 2020

i) Dividends paid

Dividends paid are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2019	Common stock	¥9,753	Retained earnings	¥50.00	March 31, 2019	June 26, 2019
Board of Directors' meeting held on November 6, 2019	Common stock	9,756	Retained earnings	¥50.00	September 30, 2019	December 3, 2019

ii) Dividends whose record date is within the fiscal year ended March 31, 2020, however, whose effective date is in the fiscal year ended March 31, 2021

Dividends whose record date is within the fiscal year ended March 31, 2020, however, whose effective date is in the fiscal year ended March 31, 2021 are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2020	Common stock	¥9,551	Retained earnings	¥50.00	March 31, 2020	June 25, 2020

28. Sales Revenue

(1) Disaggregation of revenue

The Group is composed of the following business segments: Mobility, Health Care, Food & Packaging, Basic Materials, and Others, whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about management resource allocation and assess their performance. Therefore, turnover recognized from these businesses is presented as sales revenue. The Group further disaggregates revenue from contracts with customers into the sale of products and merchandise, license income, and other based on the contracts with customers.

The relationship between these disaggregated sales revenue and sales revenue of each reportable segment is as follows:

For the year ended March 31, 2021

	Millions of yen						Total
	Mobility	Health Care	Food & Packaging	Basic Materials	Total of reportable segments	Others	
Sale of products and merchandise	¥315,309	¥143,780	¥197,498	¥540,606	¥1,197,193	¥10,076	¥1,207,269
License income	171	153	202	776	1,302	2	1,304
Others	—	—	—	—	—	3,152	3,152
Total	¥315,480	¥143,933	¥197,700	¥541,382	¥1,198,495	¥13,230	¥1,211,725

	Thousands of U.S. dollars						Total
	Mobility	Health Care	Food & Packaging	Basic Materials	Total of reportable segments	Others	
Sale of products and merchandise	\$2,848,063	\$1,298,708	\$1,783,922	\$4,883,082	\$10,813,775	\$91,012	\$10,904,787
License income	1,544	1,382	1,825	7,009	11,760	19	11,779
Others	—	—	—	—	—	28,471	28,471
Total	\$2,849,607	\$1,300,090	\$1,785,747	\$4,890,091	\$10,825,535	\$119,502	\$10,945,037

Notes:

1. The above amounts are net of internal transactions between Group companies.
2. Most of the Group's sales revenue is recognized from contracts with customers. Revenue recognized from other sources is immaterial.

For the year ended March 31, 2020

	Millions of yen						Total
	Mobility	Health Care	Food & Packaging	Basic Materials	Total of reportable segments	Others	
Sale of products and merchandise	¥367,714	¥142,965	¥201,170	¥616,606	¥1,328,455	¥14,003	¥1,342,458
License income	196	182	139	2,914	3,431	2	3,433
Other	—	—	—	—	—	3,631	3,631
Total	¥367,910	¥143,147	¥201,309	¥619,520	¥1,331,886	¥17,636	¥1,349,522

Notes:

1. The above amounts are net of internal transactions between Group companies.
2. Most of the Group's sales revenue is recognized from contracts with customers. Revenue recognized from other sources is immaterial.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Mobility, Healthcare, Food & Packaging, and Basic Materials segments. Revenue from these businesses is measured based on the consideration clearly stated in contracts with customers, and excludes amounts collected for third parties. The amount of sales revenue including variable consideration is included in transaction prices only to the extent that a significant reversal of accumulated revenue recognized is very unlikely to occur when uncertainties over the variable consideration are later dispelled.

The Group recognizes revenue from the manufacture and sale of products upon the delivery of the products because it is when the Group deems that customers have obtained control of the products and performance obligations have been satisfied. The consideration of a transaction is generally received within one year after the performance obligation is satisfied. The contract for the transaction does not include a significant financing component.

Notes to Consolidated Financial Statements

Of license income, the Group records revenue from patent license agreements at the time the assignment or provision agreement takes effect. The Group also recognizes revenue from net sales-based royalties promised in exchange for the license of intellectual property at the time either of the following occurs, whichever is later:

- Subsequent sales or use occurs, or
- The performance obligation to which some or all net sales-based or usage-based royalties are allocated is satisfied (or partially satisfied).

(2) Contract balances

Information on receivables from contracts with customers and contract liabilities is as follows:

In the consolidated statements, receivables from contracts with customers are included in "Trade receivables," and contract liabilities are included in "Trade payables" and "Other non-current liabilities."

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Receivables from contracts with customers	¥285,846	¥273,894	¥313,953	\$2,581,935
Contract liabilities	1,962	3,280	2,852	17,722

Contract liabilities are mainly related to advance consideration received from customers.

Of revenue recognized for the fiscal years ended March 31, 2020 and March 31, 2021, amounts included in the beginning balance of contract liabilities were ¥1,878 million and ¥2,159 million, respectively.

There were no contract assets as of the Transition Date or March 31, 2020 or March 31, 2021.

(3) Transaction price allocated to the remaining performance obligations

The Company does not enter into a significant transaction whose expected individual contract term exceeds one year. Descriptions of transactions whose expected individual contract term is less than one year are not presented due to practical expedients. Of consideration from contracts with customers, the amounts not included in transaction prices are immaterial.

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

There were no costs to obtain or fulfill contracts with customers for the fiscal years ended March 31, 2020 or March 31, 2021.

29. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Personnel expenses	¥ 57,427	¥ 59,774	\$ 518,716
Research and development expenses	33,802	36,081	305,320
Transportation and storage fees	58,164	58,407	525,373
Depreciation and amortization	12,498	12,075	112,890
Others	50,089	60,255	452,433
Total	¥211,980	¥226,592	\$1,914,732

30. Share-Based Payment

(1) Overview of restricted stock compensation plan

The Company has introduced a restricted stock compensation plan (hereinafter the "Plan") for directors (excluding outside directors), executive officers, and chief senior directors (hereinafter collectively "Eligible Directors, etc.") for the purposes of granting Eligible Directors, etc. incentives for sustainable improvement of corporate value of the Company and promoting greater shared value with shareholders, and accounts for as equity-settled payments. In the Plan, shares are issued on a grant date, and a period over which shares are subject to a restriction on transfer lasts three to five years from the grant date.

The Plan does not contain vesting conditions, and vesting will be on the grant date.

(2) The number of shares of the Company granted during the period based on the restricted stock compensation plan, and the weighted-average fair value

The number of shares of the Company granted during the period and the weighted-average fair value per share are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
The number of shares granted during the year	28,500 shares		69,900 shares
The weighted-average fair value per share	¥2,328	¥2,650	\$21,028

The fair value of share-based payment is measured with reference to the share price on the grant date.

(3) Expenses for share-based payment

The total amount of expenses recognized under the restricted stock compensation plan is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Equity-settled payment	¥66	¥185	\$596

The expenses above were recorded in "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

31. Research and Development Expenses

Research and development expenses recognized as expenses for the fiscal years ended March 31, 2020 and March 31, 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Research and development expenses	¥33,802	¥36,081	\$305,320

32. Other Operating Income and Other Operating Expenses

The breakdown of other operating income and other operating expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Gain on sale of fixed assets	¥ 249	¥ 495	\$ 2,249
Insurance income	2,361	5,174	21,326
Rental income	353	359	3,189
Others	1,443	2,795	13,034
Total of other operating income	4,406	8,823	39,798
Loss on sale and retirement of fixed assets	3,641	4,226	32,888
Impairment losses	8,050	6,389	72,712
Loss on related businesses	3	2,287	27
Loss on disaster	515	1,873	4,652
Others	1,974	5,782	17,831
Total of other operating expenses	¥14,183	¥20,557	\$128,110

33. Financial Income and Financial Expenses

(1) Financial income

The breakdown of financial income is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Dividend income	¥ 888	¥2,513	\$ 8,021
Interest income	1,264	2,313	11,417
Others	2,145	580	19,375
Total	¥4,297	¥5,406	\$38,813

(2) Financial expenses

The breakdown of financial expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Interest expenses			
Financial liabilities measured at amortized cost	¥4,012	¥4,851	\$36,103
Lease obligations	799	851	7,217
Accrual of allowance for doubtful accounts	2,565	2,703	23,169
Others	752	746	6,928
Total	¥8,128	¥9,151	\$73,417

34. Income Taxes

(1) Deferred tax

(i) The breakdown of deferred tax assets and liabilities, and the details of changes

The details of deferred tax assets and liabilities by major reasons and movements are as follows:

i) For the year ended March 31, 2021

	Millions of yen				
	April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2021
Deferred tax assets					
Accrued bonuses	¥ 4,258	¥ (13)	¥ —	¥ (2)	¥ 4,243
Retirement benefit liability	11,882	(12)	(3)	97	11,964
Tax loss carryforward	641	800	—	8	1,449
Excess depreciation	6,309	(546)	—	(18)	5,745
Inventories	1,396	105	—	44	1,545
Others	14,247	(455)	(92)	238	13,938
Total deferred tax assets	¥38,733	¥ (121)	¥ (95)	¥367	¥38,884
Deferred tax liabilities					
Retirement benefit asset	12,155	(852)	8,037	—	19,340
Gain on contribution of securities to retirement benefit trust	8,690	—	(340)	—	8,350
Financial assets measured at fair value through other comprehensive income	5,244	—	(277)	—	4,967
Retained earnings of subsidiaries, associates, etc.	6,567	535	—	—	7,102
Property, plant and equipment	7,743	(1,723)	—	83	6,103
Valuation difference	4,779	—	(1,058)	—	3,721
Others	7,475	(508)	2	833	7,802
Total deferred tax liabilities	¥52,653	¥(2,548)	¥ 6,364	¥916	¥57,385

	Thousands of U.S. dollars				March 31, 2021
	April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Other (Note)	
Deferred tax assets					
Accrued bonuses	\$ 38,461	\$ (117)	\$ —	\$ (19)	\$ 38,325
Retirement benefit liability	107,325	(108)	(27)	876	108,066
Tax loss carryforward	5,790	7,226	—	72	13,088
Excess depreciation	56,987	(4,932)	—	(163)	51,892
Inventories	12,610	948	—	397	13,955
Others	128,687	(4,110)	(831)	2,151	125,897
Total deferred tax assets	\$349,860	\$(1,093)	\$(858)	\$3,314	\$351,223
Deferred tax liabilities					
Retirement benefit asset	109,791	(7,696)	72,596	—	174,691
Gain on contribution of securities to retirement benefit trust	78,493	—	(3,071)	—	75,422
Financial assets measured at fair value through other comprehensive income	47,367	—	(2,502)	—	44,865
Retained earnings of subsidiaries, associates, etc.	59,317	4,833	—	—	64,150
Property, plant and equipment	69,939	(15,563)	—	750	55,126
Valuation difference	43,167	—	(9,557)	—	33,610
Others	67,520	(4,589)	18	7,523	70,472
Total deferred tax liabilities	\$475,594	\$(23,015)	\$57,484	\$8,273	\$518,336

ii) For the year ended March 31, 2020

	Millions of yen				March 31, 2020
	April 1, 2019	Recognized through profit or loss	Recognized in other comprehensive income	Others (Note)	
Deferred tax assets					
Accrued bonuses	¥ 4,328	¥ (86)	¥ —	¥ 16	¥ 4,258
Retirement benefit liability	11,095	765	39	(17)	11,882
Tax loss carryforward	8,550	(7,905)	—	(4)	641
Excess depreciation	5,817	519	—	(27)	6,309
Inventories	1,304	89	—	3	1,396
Others	14,164	239	(97)	(59)	14,247
Total deferred tax assets	¥45,258	¥(6,379)	¥ (58)	¥ (88)	¥38,733
Deferred tax liabilities					
Retirement benefit asset	12,530	(375)	—	—	12,155
Gain on contribution of securities to retirement benefit trust	3,146	1	5,543	—	8,690
Financial assets measured at fair value through other comprehensive income	10,796	—	(5,889)	337	5,244
Retained earnings of subsidiaries, associates, etc.	6,369	198	—	—	6,567
Property, plant and equipment	7,495	294	—	(46)	7,743
Valuation difference	5,107	—	(328)	—	4,779
Others	7,651	(568)	5	387	7,475
Total deferred tax liabilities	¥53,094	¥ (450)	¥ (669)	¥678	¥52,653

Note: "Others" includes exchange differences on translation of foreign operations.

Notes to Consolidated Financial Statements

In recognizing deferred tax assets, the Group considers the extent to which it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards can be utilized.

The recoverability of deferred tax assets is determined based on the sufficiency of taxable income based on profitability in the consolidated tax group with the Company as consolidated parent, tax planning opportunities, and the sufficiency of taxable temporary differences. Estimates of future taxable income based on profitability are based on Group's business plan, which includes growth and expansion through the investment of resources into three growth areas to strengthen the foundation of Group global management. The business plan includes major assumptions made by management, such as forecasts for sales revenue, raw material and fuel price trends, and foreign exchange market trends.

These assumptions may be affected by changes in uncertain economic conditions, including the impact of the COVID-19 pandemic. If future taxable income results differ from initial estimates, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The bulk of the balance of deferred tax assets of the Group is related to the consolidated tax group with the Company as consolidated parent, and the Company records most of them on its books.

For some subsidiaries that posted a net loss for whom the recoverability of deferred tax assets depends on their future taxable income, the Group recognized deferred tax assets of ¥389 million at the Transition Date, ¥915 million at March 31, 2020, and ¥864 million at March 31, 2021. The future taxable income used by these companies in recognizing deferred tax assets is based on the assumptions of a business plan approved by management and deemed to be highly feasible based on past plans and performance trends. Therefore, the recoverability of the deferred tax assets is considered unproblematic.

(ii) Deductible temporary differences and tax loss carryforward for which no deferred tax assets are recognized

The amounts of deductible temporary differences and tax loss carryforward for unrecognized deferred tax assets as well as the expiration year of such tax loss carryforward and tax credit carryforward are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Tax loss carryforward	¥ 60,227	¥198,288	¥194,977	\$ 544,007
Due within one year	8,447	121,131	83,405	76,298
Due after one year through five years	34,063	49,870	73,845	307,678
Due after five years	17,717	27,287	37,727	160,031
Deductible temporary differences	157,971	196,023	236,480	1,426,890
Total	¥218,198	¥394,311	¥431,457	\$1,970,897

The Group in Japan has adopted the consolidated taxation system.

Deferred tax assets related to local taxes (resident tax and business tax), which are not applicable under the consolidated taxation system in Japan, are included in "Deductible temporary differences and tax loss carryforward for which no deferred tax assets are recognized" above.

(iii) Taxable temporary differences on investments in subsidiaries and other entities that do not recognize deferred tax liabilities

The total amount of taxable temporary differences on investments in subsidiaries and other entities that do not recognize deferred tax liabilities was ¥3,373 million, ¥3,185 million, and ¥1,946 million at the Transition Date and March 31, 2020 and March 31, 2021, respectively. The Group does not recognize deferred tax liabilities if it can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

(2) Income tax expense**(i) Breakdown of income tax expense**

The breakdown of income taxes is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Current tax expenses	¥13,436	¥12,288	\$121,362
Prior period restatement	204	26	1,843
Deferred tax expenses			
Origination and reversal of temporary differences	(3,422)	4,420	(30,910)
Revision to and reversal of deferred tax assets	(194)	1,471	(1,752)
Total of deferred tax expenses	(3,616)	5,891	(32,662)
Total income tax expense	¥10,024	¥18,205	\$ 90,543

(ii) Reconciliation of applicable tax rate

The Company is subject to income tax, corporate inhabitant tax, and corporate enterprise tax. The effective statutory tax rates used to calculate these taxes for the fiscal years ended March 31, 2020 and March 31, 2021 were 30.6% for both years. For its foreign subsidiaries, they are subject to income taxes in their locations.

The breakdown of major reconciling items between the effective statutory tax rate and the average actual tax rate is as follows:

	Year ended March 31, 2021	Year ended March 31, 2020
Effective statutory tax rate	30.6%	30.6%
Expenses not subject to deduction, such as entertainment expenses	1.4	2.8
Income not subject to tax, such as dividend income	0.5	(0.6)
Differences in tax rates of consolidated foreign subsidiaries	(10.8)	(4.6)
Changes in unrecognized deferred tax assets	(8.9)	0.9
Others	0.7	0.8
Average actual tax rate	13.5%	29.9%

35. Per Share Information

The basis for calculation of basic earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income attributable to common shareholders of the parent	¥57,873	¥33,970	\$522,744
	Shares		
	Year ended March 31, 2021	Year ended March 31, 2020	
The average number of common shares during the period	194,202,034	194,648,574	
	Yen		U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Basic earnings per share	¥298.00	¥174.52	\$2.69

Note: Diluted earnings per share are not stated as potential dilutive shares do not exist.

36. Financial Instruments

(1) Capital management

While the Company's top priority is the enhancement of corporate value through business growth and expansion, the Company also sees the return of profit to its shareholders as a key management priority.

To this end, the Company uses operating income before special items, sales revenue, ROS (return on sales), ROE (return on equity), net debt to equity, and (ROIC) return on invested capital as key indicators for capital management with a basic policy of ensuring financial soundness and optimizing the capital efficiency of business activities.

The details of these indicators for this reporting period are as stated in "11-Year Overview of Major Financial and Non-Financial Indicators."

The Company is not subject to any material capital restrictions.

(2) Financial risk management policy

The Company is exposed to various financial risks (credit risk, liquidity risk and market risk) in the course of performing business activities and performs risk management in accordance with relevant policies to avoid or mitigate these risks.

The Company uses derivatives to avoid the risks explained below and does not engage in speculative transactions. The finance division executes and manages the Company's derivative transactions upon approval of the officer in charge. The finance division reports the results of such transactions to the Management Committee every six months. The Company's consolidated subsidiaries also execute and manage derivative transactions in accordance with their management standards.

(3) Credit risk management

Notes and accounts receivable—trade, i.e., trade receivables, and receivables other than trade receivables are exposed to credit risks of customers. Trade receivables denominated in foreign currencies arising from doing business overseas are exposed to foreign exchange fluctuation risk, and a certain amount of such receivables is hedged using forward exchange contracts and other instruments, except for those within outstanding balance of accounts payable—trade denominated in the same foreign currencies.

In accordance with the internal credit management rules, the Company regularly monitors the status of trade receivables of counterparties and manages due dates and balances for each business partner, while working to early identify and mitigate any concerns about collections due to deterioration in their financial position and other factors. The Company's consolidated subsidiaries also manage credit risk in the same manner in accordance with the Company's credit management rules.

The Company and its consolidated subsidiaries engage in derivative transactions with creditworthy financial institutions and therefore believe that it is exposed to minimal credit risk arising from default of counterparties.

The maximum exposure to the credit risk as of the end of the fiscal year is the carrying amount of financial assets less allowance for doubtful accounts stated in the consolidated statements of financial position. The maximum exposure to the credit risk associated with debt guarantees is the amount of guaranteed liabilities stated in Note 40 "Contingent Liabilities."

The Company does not hold any properties as collateral and other credit enhancements in connection with these credit risk exposures. The Company has neither significant exposure to credit risk related to particular counterparties nor excessive concentration of credit risk that requires special attention.

The amount of allowance for doubtful accounts is calculated as follows:

- Trade receivables

The allowance is calculated by multiplying the carrying amount of receivables by the provision rate calculated by considering future prospects of economic conditions and relevant factors in addition to the historical rate of credit losses. Provided, however, that if the asset meets criteria for credit-impaired financial assets, the amount of allowance is calculated on an individual basis by considering future prospects of economic conditions and other factors in addition to the financial conditions of counterparty.

- Receivables other than trade receivables

For assets for which credit risk is not considered to have increased significantly, the amount of allowance is calculated by multiplying the carrying amount by the provision rate that is determined by considering future prospects of economic conditions and other factors in addition to the historical rate of credit losses of similar assets.

For financial assets and credit-impaired financial assets whose credit risk is considered to have increased significantly from the time of initial recognition, anticipated credit losses over a 12-month period or for the entire period are estimated. Such estimates are based on numerous assumptions and estimates, including the possibility of default, timing of credit recovery, forecasts regarding the future amount of loss incurred, discount rates, and the impact of the COVID-19 pandemic. Management of the Group determines that actual losses may be more or less than expected losses. If underlying assumptions change, initial estimates and assumptions may differ significantly from the actual amount of impairment loss on financial assets measured at amortized cost, which could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The allowance for doubtful accounts for financial assets is included in "Trade receivables" and "Other financial assets" in the consolidated statements of financial position.

Changes in allowance for doubtful accounts are as follows:

Year ended March 31, 2021

	Millions of yen				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	¥ 3,624	¥11	¥1,215	¥1,582	¥ 6,432
Increase during period	481	—	2,767	85	3,333
Decrease during period (utilization)	(250)	—	—	—	(250)
Decrease during period (reversal)	(2,630)	—	(322)	(78)	(3,030)
Others	233	—	—	—	233
Balance at end of period	¥1,458	¥11	¥3,660	¥1,589	¥ 6,718

	Thousands of U.S. dollars				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	\$ 32,734	\$99	\$10,975	\$14,290	\$ 58,098
Increase during period	4,345	—	24,993	768	30,106
Decrease during period (utilization)	(2,258)	—	—	—	(2,258)
Decrease during period (reversal)	(23,756)	—	(2,909)	(704)	(27,369)
Others	2,104	—	—	—	2,104
Balance at end of period	\$ 13,169	\$99	\$33,059	\$14,354	\$ 60,681

Year ended March 31, 2020

	Millions of yen				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	¥ 828	¥12	¥ 850	¥1,586	¥3,276
Increase during period	3,103	8	429	78	3,618
Decrease during period (utilization)	(17)	—	—	—	(17)
Decrease during period (reversal)	(286)	(8)	(64)	(82)	(440)
Others	(4)	(1)	—	—	(5)
Balance at end of period	¥3,624	¥11	¥1,215	¥1,582	¥6,432

(4) Liquidity risk management

Liquidity risk is the risk that the Group is unable to perform its repayment obligations of financial liabilities on the due date. The Company manages liquidity risk by having the finance division prepare and update a cash flow management plan in a timely manner based on cash flow schedules of respective departments taking capital efficiency into account, as well as by preparing for alternative means of financing such as commitment line and overdraft facility.

The balances of major financial liabilities (including derivative financial instruments) by due date at the Transition Date and March 31, 2020 and March 31, 2021 are as follows:

Notes to Consolidated Financial Statements

(i) As of March 31, 2021

	Millions of yen							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	¥119,712	¥119,712	¥119,712	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	112,182	112,182	112,182	—	—	—	—	—
Commercial papers	50,000	50,000	50,000	—	—	—	—	—
Long-term borrowings	257,022	262,723	45,916	50,033	43,628	29,102	3,978	90,066
Bonds payable	91,012	94,942	10,751	606	617	5,314	25,295	52,359
Lease liabilities	53,575	57,965	8,727	8,453	6,742	5,791	5,131	23,121
Others	83,543	83,541	75,940	305	—	—	—	7,296
Derivative financial liabilities								
Currency-related	19	19	19	—	—	—	—	—
Interest rate-related	969	969	30	191	496	252	—	—
Total	¥768,034	¥782,053	¥423,277	¥59,588	¥51,483	¥40,459	¥34,404	¥172,842

	Thousands of U.S. dollars							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	\$1,081,312	\$1,081,312	\$1,081,312	\$ —	\$ —	\$ —	\$ —	\$ —
Short-term borrowings	1,013,296	1,013,296	1,013,296	—	—	—	—	—
Commercial papers	451,630	451,630	451,630	—	—	—	—	—
Long-term borrowings	2,321,579	2,373,074	414,741	451,928	394,075	262,867	35,932	813,531
Bonds payable	822,076	857,574	97,110	5,474	5,573	47,999	228,480	472,938
Lease liabilities	483,922	523,575	78,828	76,353	60,898	52,308	46,346	208,842
Others	754,611	754,593	685,936	2,754	—	—	—	65,903
Derivative financial liabilities								
Currency-related	171	171	171	—	—	—	—	—
Interest rate-related	8,753	8,753	271	1,726	4,480	2,276	—	—
Total	\$6,937,350	\$7,063,978	\$3,823,295	\$538,235	\$465,026	\$365,450	\$310,758	\$1,561,214

(ii) As of March 31, 2020

	Millions of yen							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	¥121,011	¥121,011	¥121,011	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	119,829	119,829	119,829	—	—	—	—	—
Commercial papers	60,000	60,000	60,000	—	—	—	—	—
Long-term borrowings	279,764	287,710	44,977	46,137	49,884	43,522	22,988	80,202
Bonds payable	86,438	90,905	10,990	10,803	586	598	5,295	62,633
Lease liabilities	53,357	57,934	8,745	7,958	7,360	5,854	5,168	22,849
Others	90,225	90,225	82,274	248	59	—	—	7,644
Derivative financial liabilities								
Currency-related	162	162	4	—	158	—	—	—
Interest rate-related	1,566	1,566	159	63	288	715	341	—
Total	¥812,352	¥829,342	¥447,989	¥65,209	¥58,335	¥50,689	¥33,792	¥173,328

(iii) Transition Date (April 1, 2019)

	Millions of yen								
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Non-derivative financial liabilities									
Trade payables	¥155,947	¥155,947	¥155,947	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	122,037	122,037	122,037	—	—	—	—	—	—
Commercial papers	10,000	10,000	10,000	—	—	—	—	—	—
Long-term borrowings	315,423	315,423	59,112	42,662	44,011	47,807	41,929	79,902	
Bonds payable	66,864	66,864	426	10,426	10,432	284	296	45,000	
Lease liabilities	56,699	57,001	7,838	7,458	7,136	6,400	4,951	23,218	
Others	110,577	110,577	100,842	1,313	912	82	—	7,428	
Derivative financial liabilities									
Currency-related	31	31	3	—	—	28	—	—	—
Interest rate-related	2,434	2,434	197	334	101	411	957	434	
Total	¥840,012	¥840,314	¥456,402	¥62,193	¥62,592	¥55,012	¥48,133	¥155,982	

Financial guarantee contracts are not included in the tables above. The obligation to pay under financial guarantee contracts arises upon request. The details of financial guarantee contracts are stated in Note 40 "Contingent Liabilities."

(5) Market risk management

(i) Foreign currency risk

Receivables and payables denominated in foreign currencies arising from the Group's global business development are exposed to foreign exchange fluctuation risk. The Group enters into forward exchange contracts and currency swap contracts to hedge foreign exchange fluctuation risk identified by currency for certain trade receivables and payables and borrowings denominated in foreign currencies.

Foreign exchange sensitivity analysis

For the financial instruments denominated in foreign currencies held by the Group at the end of each reporting period, the impact of a 1% appreciation of Japanese yen against US dollar, Euro and Chinese yuan as of the end of period on income before income taxes in the consolidated statements of income is as follows.

This analysis does not include the impact of translating financial instruments denominated in the functional currency and translating assets, liabilities, revenue and expenses of foreign operations into Japanese yen. The analysis is based on the assumption that all other variables (balance, interest rate, etc.) are constant.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
US dollar	¥(355)	¥(253)	\$(3,207)
Euro	(103)	(20)	(930)
Chinese yuan	(16)	(6)	(145)

(ii) Interest rate risk

Borrowings issued by the Group are mainly for the purpose of raising funds for capital investment. A portion of the Group's borrowings are floating-rate instruments and therefore exposed to interest rate fluctuation risk. The Group hedges the risk of interest rate hikes by using interest rate swap contracts to mitigate the interest rate fluctuation risk related to borrowings.

Sensitivity analysis of interest rate fluctuation risk

For financial instruments held by the Group at the end of each reporting period, the impact of a 100-basis point increase in interest rates on income before income taxes in the consolidated statements of income is as follows.

Notes to Consolidated Financial Statements

This analysis is limited to financial instruments affected by interest rate fluctuations and is based on the assumption that all other variables (balance, exchange rate, etc.) are constant.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Income before income taxes	¥(918)	¥(1,052)	\$(8,292)

(iii) Market price fluctuation risk

Marketable securities and investment securities held by the Group are primarily shares in companies with which the Group has business relationships and are exposed to market price fluctuation risk. With regard to marketable securities and investment securities, the Group regularly assesses fair value and financial conditions of issuers (business partners), and constantly reviews the holding of such securities other than held-to-maturity debt securities, taking market conditions into account and the Group's relationships with the business partners. The Company's consolidated subsidiaries also manage market price fluctuation risk in the same manner.

(6) Derivatives and hedge accounting

As of March 31, 2021, the periods when cash flows from hedging instruments are expected to occur and when they are expected to affect profit or loss are, at maximum of, 1 years from March 31, 2021 for foreign currency risk and 4 years from March 31, 2021 for interest rate risk.

The principal rates on forward exchange contracts and currency swap contracts, and principal interest rates on interest rate swap contracts and other swap contracts are as follows:

	Yen		
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)
Cash flow hedges			
Foreign currency risk			
Forward exchange contracts			
US dollar	¥105–¥108	¥108–¥109	¥109–¥111
Euro	—	—	¥128
Interest rate risk			
Interest rate swap contracts			
Pay fixed rate, receive floating rate	1.02%–1.07%	1.06%–1.26%	0.73%–1.07%
Interest rate currency swap contracts			
Pay fixed rate, receive floating rate	(0.08%)–0.11%	(0.08%)–0.11%	(0.08%)–0.62%

Amounts of items designated as hedging instruments are as follows:

As of March 31, 2021

	Millions of yen				Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year
	Contract amount	Carrying amount		Items in the consolidated statements of financial position	
		Assets	Liabilities		
Cash flow hedges					
Foreign currency risks					
Foreign exchange derivatives	¥ 357	¥ —	¥ 2	Other financial liabilities	¥—
Interest rate risk					
Interest rate derivatives	60,654	170	986	Other financial assets Other financial liabilities	—

	Thousands of U.S. dollars					Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year
	Contract amount	Carrying amount		Items in the consolidated statements of financial position		
		Assets	Liabilities			
Cash flow hedges						
Foreign currency risks						
Foreign exchange derivatives	\$ 3,225	\$ —	\$ 18	Other financial liabilities		\$—
Interest rate risk						
Interest rate derivatives	547,864	1,536	8,906	Other financial assets Other financial liabilities		—

As of March 31, 2020

	Millions of yen					Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year
	Contract amount	Carrying amount		Items in the consolidated statements of financial position		
		Assets	Liabilities			
Cash flow hedges						
Foreign currency risks						
Foreign exchange derivatives	¥ 513	¥—	¥ 1	Other financial assets		¥—
Interest rate risk						
Interest rate derivatives	79,433	71	1,727	Other financial assets Other financial liabilities		—

Transition Date (April 1, 2019)

	Millions of yen					Items in the consolidated statements of financial position
	Contract amount	Carrying amount				
		Assets	Liabilities			
Cash flow hedges						
Foreign currency risks						
Foreign exchange derivatives	¥ 326	¥ —	¥ 2	Other financial liabilities		
Interest rate risk						
Interest rate derivatives	126,888	1,361	2,396	Other financial assets Other financial liabilities		
Others						
Others	¥ 199	¥ —	¥ 67	Other financial liabilities		

Amounts of items designated as hedged items are as follows:

	Millions of yen					Thousands of U.S. dollars	
	As of March 31, 2021		As of March 31, 2020		As of April 1, 2019 (Transition Date)	As of March 31, 2021	
	Cash flow hedge reserve	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year	Cash flow hedge reserve	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year	Cash flow hedge reserve	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year	Cash flow hedge reserve
Cash flow hedges							
Foreign currency risk							
Forecast purchases	¥—	¥ 3	¥—	¥ 6	¥ —	\$—	\$ 27
Payables denominated in foreign currencies	—	—	—	—	(2)	—	—
Interest rate risk							
Interest on borrowings	—	(715)	—	(1,247)	(2,022)	—	(6,458)

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The details of cash flow hedges are as follows:

Year ended March 31, 2021

	Millions of yen				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign currency risk					
Forward exchange contracts	¥ (5)	¥—	¥—	¥ —	—
Interest rate risk					
Interest rate swap contracts	572	—	—	754	Financial expenses
Interest rate currency swap contracts	74	—	—	(165)	Financial income

	Thousands of U.S. dollars				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign currency risk					
Forward exchange contracts	\$ (45)	\$—	\$—	\$ —	—
Interest rate risk					
Interest rate swap contracts	5,167	—	—	6,811	Financial expenses
Interest rate currency swap contracts	668	—	—	(1,490)	Financial income

Year ended March 31, 2020

	Millions of yen				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign currency risk					
Forward exchange contracts	¥ 14	¥—	¥—	¥ —	—
Interest rate risk					
Interest rate swap contracts	790	—	—	771	Financial expenses
Interest rate currency swap contracts	85	—	—	822	Financial expenses

(7) Fair value of financial instruments

The fair value hierarchy of financial instruments is categorized as follows, according to the external observability of the inputs used in the fair value measurement.

- Level 1: Fair value measured at the unadjusted quoted price in an active market for the same asset or liability.
- Level 2: Fair value calculated directly or indirectly using observable prices other than Level 1
- Level 3: Fair value calculated from valuation techniques, including inputs that are not based on significant observable market data.

There was not significant transfer of financial instruments among levels for the fiscal years ended March 31, 2020 and March 31, 2021.

The level in the fair value measurement hierarchy to measure the fair value of each financial instrument is based on the lowest level input that is significant to the entire fair value measurement.

The breakdowns of financial instruments measured at fair value as of the Transition Date and March 31, 2020 and March 31, 2021 are as follows:

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

i) As of March 31, 2021

	Millions of yen			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	¥ 4	¥479	¥ 1,885	¥ 2,368
Derivative assets	—	170	—	170
Financial assets measured at fair value through other comprehensive income				
Shares and investments	7,233	—	27,775	35,008
Total	7,237	649	29,660	37,546
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	2	986	—	988
Total	¥ 2	¥986	¥ —	¥ 988

	Thousands of U.S. dollars			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	\$ 36	\$4,327	\$ 17,026	\$ 21,389
Derivative assets	—	1,535	—	1,535
Financial assets measured at fair value through other comprehensive income				
Shares and investments	65,333	—	250,881	316,214
Total	65,369	5,862	267,907	339,138
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	18	8,906	—	8,924
Total	\$ 18	\$8,906	\$ —	\$ 8,924

ii) As of March 31, 2020

	Millions of yen			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	¥ —	¥ 410	¥ 2,041	¥ 2,451
Derivative assets	—	71	—	71
Financial assets measured at fair value through other comprehensive income				
Shares and investments	9,487	—	27,897	37,384
Total	9,487	481	29,938	39,906
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1,728	—	1,728
Total	¥ —	¥1,728	¥ —	¥ 1,728

Notes to Consolidated Financial Statements

iii) Transition Date (April 1, 2019)

	Millions of yen			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	¥ —	¥ 390	¥ 1,425	¥ 1,815
Derivative assets	—	1,361	—	1,361
Financial assets measured at fair value through other comprehensive income				
Shares and investments	49,035	—	37,361	86,396
Total	49,035	1,751	38,786	89,572
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	2,465	—	2,465
Total	¥ —	¥2,465	¥ —	¥ 2,465

Shares and investments

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

The fair value of Level 3 unlisted shares and investments for which quoted prices in an active market is unavailable is calculated by using comparable company comparisons or valuation techniques based on net asset value. In measuring such fair value, the Group uses unobservable inputs such as discount rates and valuation multiples and takes certain liability discount into account as needed.

Derivative assets and derivative liabilities

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

The fair value of Level 3 financial instruments is calculated by valuation specialists determining valuation methods for each relevant financial instrument in accordance with valuation policies and procedures that include valuation methods for fair value measurement approved by appropriately authorized person. The results are reviewed and approved by suitably authorized personnel.

The breakdowns of changes in financial instruments measured at fair value on a recurring basis that are classified as Level 3 of the fair value measurement hierarchy for the fiscal years ended March 31, 2020 and March 31, 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of period	¥29,938	¥38,786	\$270,418
Total gains or losses	(227)	(8,443)	(2,050)
Profit or loss	(85)	275	(768)
Other comprehensive income (Note)	(142)	(8,718)	(1,282)
Purchases	806	1,217	7,280
Sales	(433)	(14)	(3,911)
Others	(424)	(1,608)	(3,830)
Balance at end of period	¥29,660	¥29,938	\$267,907

Note: Gains and losses recognized in other comprehensive income are included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

The Company has granted written put options to non-controlling interests of its subsidiaries. The Company transferred non-controlling interests subject to the put options to financial liabilities arising from the put options, and treated the difference between non-controlling interests and financial liabilities as a decrease in capital surplus. The financial liabilities were measured at the present value of the amount that may be required to be paid to the contracting party, and were ¥13,478 million at the Transition Date, ¥13,640 million at March 31, 2020, and ¥13,646 million at March 31, 2021.

The fair value of the financial liabilities was determined by discounting the future cash flows to the present value. Changes in the fair value are recognized as an increase or decrease in capital surplus, which gives IFRS10 precedent.

The fair value of the financial liabilities is categorized within Level 3 of the fair value hierarchy.
These financial liabilities are not included in the table above.

(ii) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows:

i) As of March 31, 2021

	Millions of yen				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	¥ 9,561	¥—	¥ —	¥9,561	¥ 9,561
Total	9,561	—	—	9,561	9,561
Financial liabilities:					
Bonds and borrowings					
Bonds payable	91,012	—	90,707	—	90,707
Long-term borrowings	257,022	—	261,802	—	261,802
Total	¥348,034	¥—	¥352,509	¥ —	¥352,509

	Thousands of U.S. dollars				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	\$ 86,361	\$—	\$ —	\$86,361	\$ 86,361
Total	86,361	—	—	86,361	86,361
Financial liabilities:					
Bonds and borrowings					
Bonds payable	822,076	—	819,321	—	819,321
Long-term borrowings	2,321,579	—	2,364,755	—	2,364,755
Total	\$3,143,655	\$—	\$3,184,076	\$ —	\$3,184,076

ii) As of March 31, 2020

	Millions of yen				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	¥ 9,398	¥—	¥ —	¥9,398	¥ 9,398
Total	9,398	—	—	9,398	9,398
Financial liabilities:					
Bonds and borrowings					
Bonds payable	86,438	—	86,410	—	86,410
Long-term borrowings	279,764	—	286,677	—	286,677
Total	¥366,202	¥—	¥373,087	¥ —	¥373,087

Notes to Consolidated Financial Statements

iii) Transition Date (April 1, 2019)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	¥ 9,596	¥—	¥ —	¥9,596	¥ 9,596
Total	9,596	—	—	9,596	9,596
Financial liabilities:					
Bonds and borrowings					
Bonds payable	66,864	—	67,363	—	67,363
Long-term borrowings	315,423	—	321,828	—	321,828
Total	¥382,287	¥—	¥389,191	¥ —	¥389,191

Public and corporate bonds, etc.

The fair value of Level 3 public and corporate bonds, etc. is calculated with reference to prices provided by financial institutions.

Bonds payable

The fair value of Level 2 bonds payable is calculated based on quoted prices when quoted prices are readily available, and the fair value of those without quoted prices is measured at the present value calculated by discounting the combined total of principal and interest at a rate taking the remaining period and credit risk of the bonds payable into account.

Long-term borrowings

The fair value of Level 2 long-term borrowings is calculated by discounting to the present value of the combined total of principal and interest at a rate assumed to be applied if the same borrowings were newly executed.

For other financial assets and liabilities other than above, relevant notes are omitted as they are mainly settled for a short period of time and the fair value approximates the carrying amount.

37. Major Subsidiaries

Major subsidiaries as of March 31, 2020 and 2021 are as follows:

(1) Consolidated subsidiaries with material non-controlling interests

The summarized financial information of consolidated subsidiaries that the Company recognizes their material non-controlling interests is as follows. The summarized financial information shows amounts before transactions within the Group are eliminated.

Prime Polymer Co., Ltd.

(i) Percentage of non-controlling interests and accumulated non-controlling interests

Name of Subsidiary	Percentage of non-controlling interests (%)		
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)
Prime Polymer Co., Ltd.	35%	35%	35%

Name of Subsidiary	Accumulated non-controlling interests			Thousands of U.S. dollars
	Millions of yen			
As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021	
Prime Polymer Co., Ltd.	¥38,188	¥38,483	¥36,445	\$344,937

(ii) Profit or loss attributed to non-controlling interests and dividends paid to non-controlling interests

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Profit or loss attributed to non-controlling interests	¥1,211	¥2,656	\$10,938
Comprehensive income allocated to non-controlling interests	1,275	2,690	11,517
Dividends paid to non-controlling interests	1,571	1,153	14,190

(iii) Summarized financial information

i) Summarized statements of financial position

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Current assets	¥131,155	¥133,845	¥155,599	\$1,184,672
Non-current assets	29,535	31,569	27,812	266,778
Total assets	160,690	165,414	183,411	1,451,450
Current liabilities	56,991	59,177	84,121	514,777
Non-current liabilities	7,084	8,786	6,114	63,988
Total liabilities	64,075	67,963	90,235	578,765
Total equity	96,615	97,451	93,176	872,685
Total liabilities and equity	¥160,690	¥165,414	¥183,411	\$1,451,450

ii) Summarized statements of profit or loss and comprehensive income

Summarized statements of profit or loss

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Sales revenue	¥193,413	¥228,838	\$1,747,024
Net income	3,433	7,499	31,009

Summarized statements of comprehensive income

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Other comprehensive income	¥ 221	¥ 70	\$ 1,996
Comprehensive income	3,654	7,569	33,005

iii) Summarized statements of cash flows

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities	¥24,067	¥7,299	\$217,388
Cash flows from investing activities	(3,857)	(7,634)	(34,839)
Cash flows from financing activities	(4,631)	(4,985)	(41,830)
Net increase (decrease) in cash and cash equivalents	¥15,579	¥ (5,320)	\$140,719

(2) Changes in ownership interests in subsidiaries that do not result in loss of control

The Group additionally acquired 25.6% of the total number of issued shares of ARRK CORPORATION in a share exchange on August 1, 2020.

As a result, the Group's percentage of ownership in ARRK CORPORATION became 100%.

The overview of transactions with non-controlling interests associated with the additional share acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2021
The carrying amount of non-controlling interests acquired	¥ 8,183	\$ 73,914
Consideration paid to non-controlling shareholders	15,042	135,868
Changes in the Company's ownership interests	¥ (6,859)	\$(61,955)

38. Related Parties**(1) Transactions with associates and joint ventures**

There are no material transactions to disclose.

(2) Remuneration for key management personnel

Remuneration for key management personnel of the Company is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Remuneration and bonuses	¥482	¥446	\$4,354
Share-based payment	25	65	226
Total	¥507	¥511	\$4,580

39. Commitments

Commitments related to expenditures on and after the closing date are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Purchase of property, plant and equipment and intangible assets	¥53,421	¥38,027	¥33,413	\$482,531

40. Contingent Liabilities**Debt guarantees**

The Group has guaranteed and made guarantee commitments for companies outside the Group for loans from financial institutions and entities. In case of default by the entities for which the Company conducts debt guarantees, the Company will need to bear repayments that such entities have failed to make, as well as related losses.

The status of debt guarantees at the Transition Date and March 31, 2020, and March 31, 2021 is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Nghi Son Refinery & Petrochemical LLC	¥20,545	¥22,111	¥23,344	\$185,575
Solar and wind power generation cooperative in Tahara (Note 1)	9,310	10,890	12,470	84,094
Shanghai Sinopec Mitsui Elastomers, Co., Ltd.	6,399	6,782	9,882	57,800
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	—	5,740	8,123	—
Others (Note 2)	625	1,582	1,041	5,645
Total	¥36,879	¥47,105	¥54,860	\$333,114

(i) April 1, 2019

Notes:

1. Of which, the amount of ¥8,105 million has been re-guaranteed by Mitsui & Co., Ltd.
2. Of which, the amount of ¥375 million has been re-guaranteed by another entity.

(ii) As of March 31, 2020

Notes:

1. Of which, the amount of ¥7,079 million has been re-guaranteed by Mitsui & Co., Ltd.
2. Of which, the amount of ¥979 million has been re-guaranteed by another entity.

(iii) As of March 31, 2021

Notes:

3. Of which, the amount of ¥5,121 million has been re-guaranteed by Mitsui & Co., Ltd.
4. Of which, the amount of ¥292 million has been re-guaranteed by another entity.

41. Subsequent Events

Tender Offer for Shares of Honshu Chemical Industry Co., Ltd.

On November 11, 2020, the Company and Mitsui & Co., Ltd. ("Mitsui & Co.") decided to make a tender offer for shares of the common stock of Honshu Chemical Industry Co., Ltd. ("Honshu Chemical"). The actual tender offer commenced on May 17, 2021, and was completed on June 11, 2021.

After the series of transactions for the tender offer are completed, the Company's Interest in Honshu Chemical will be 51%, and Honshu Chemical is expected to become a consolidated subsidiary of the Company. However, as of the release date of this report, the series of transactions for the tender offer has not been completed, and Honshu Chemical is not a consolidated subsidiary of the Company.

New polypropylene manufacturing facility

Prime Polymer Co., Ltd., a consolidated subsidiary of the Company, decided on May 27, 2021 to establish a new polypropylene (PP) production facility as part of its build-and-scrap approach to overhauling its production system.

The new production facility will enable the Company to produce high-performance PP that would not have been possible at a conventional facility, which will enable the Company to meet needs for weight reduction and thinning in automotive materials. It will also better position the Company to promote materials recycling efforts, such as by providing more easily recyclable materials.

By overhauling the production system, the Company expects to reduce GHGs emissions by approximately 70,000 tons/year (compared to 2013 levels), and more effectively address the transition to a circular economy by providing materials that use biomass raw materials.

Construction is slated to begin in August 2021, with commercial operations starting in November 2024. To maintain production capacity in line with market demand, when the new facility is up and running the existing production facility will be shut down.

42. First-Time Adoption of IFRS

The Group has disclosed its consolidated financial statements prepared in accordance with IFRS since the first quarter of the fiscal year commenced on April 1, 2020. The most recent consolidated financial statements prepared in compliance with Japanese generally accepted accounting principles (hereinafter "Japanese GAAP") are those for the fiscal year ended March 31, 2020. The date of transition to IFRS is April 1, 2019.

(1) Exemptions under IFRS 1

In principle, an entity that applies IFRS for the first time (hereinafter "first-time adopter") is required to retrospectively apply IFRS. However, IFRS 1 First-time Adoption of International Financial Reporting Standards (hereinafter "IFRS 1") sets out certain IFRS requirements subject to mandatory exemption and those subject to optional exemption.

In transitioning from Japanese GAAP to IFRS, the Group applied the following exemptions:

(i) Business combinations

A first-time adopter may elect not to retrospectively apply IFRS 3 Business Combinations (hereinafter "IFRS 3") to business combinations effected before the Transition Date. The Group applied the exemption and elected not to retrospectively apply IFRS 3 to business combinations effected before the Transition Date. The Group performed an impairment test on goodwill at the Transition Date regardless of whether there was any indication that the goodwill may be impaired.

Notes to Consolidated Financial Statements

(ii) Translation differences for foreign operations

A first-time adopter may deem cumulative translation differences for all foreign operations to be zero at the IFRS Transition Date. The Group elected to deem cumulative translation differences to be zero at the Transition Date.

(iii) Designation of financial instruments recognized before the Transition Date

A first-time adopter may designate changes in fair value of equity instruments as financial assets measured at fair value through other comprehensive income on the basis of the facts and circumstances that exist at the Transition Date. The Group makes judgments on the basis of the facts and circumstances that exist at the Transition Date, and thus, designated equity instruments with some exceptions as financial assets measured through other comprehensive income.

(iv) Leases as lessee

A first-time adopter that is a lessee may measure a lease liability and a right-of-use asset for all leases at the Transition Date when it recognizes its lease liability and right-of-use asset. The Group measures a lease liability at the Transition Date at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the Transition Date. The Group also measures a right-of-use asset at the Transition Date at an amount equal to the lease liability. For leases for which the lease term ends within 12 months of the Transition Date or for which the underlying asset is of low value, the Group recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(2) Reconciliations from Japanese GAAP to IFRS

The tables below are reconciliations required to be disclosed by a first-time adopter.

The "Reclassification" column in the tables is for the figures of items that do not affect retained earnings or comprehensive income. The "Difference in recognition and measurement" column is for the figures of items that affect retained earnings or comprehensive income.

(i) Reconciliation of equity at the Transition Date (April 1, 2019)

Line item under Japanese GAAP	Millions of yen				Note	Line item under IFRS
	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS		
Assets						
Assets						
Current assets						
Current assets						
Cash and deposits	¥ 111,056	¥(1,217)	¥29,650	¥ 139,489	2	Cash and cash equivalents
Notes and accounts receivable—trade	310,591	(718)	4,080	313,953		Trade receivables
Allowance for doubtful accounts	(718)	718	—	—		
Inventories	301,890	—	(2,269)	299,621		Inventories
Accounts receivable—other	55,288	(55,288)	—	—		
Others	—	49,655	(15,481)	34,174	1, 4	Other financial assets
Others	8,570	6,850	1,298	16,718	4	Other current assets
Total current assets	786,677	—	17,278	803,955		Total current assets
Non-current assets						
Non-current assets						
Property, plant and equipment	443,063	(2,704)	(2,368)	437,991	3	Property, plant and equipment
	—	2,704	46,119	48,823	4	Right-of-use assets
Intangible assets						
Goodwill	5,061	—	(3,578)	1,483	5	Goodwill
Others	24,324	—	66	24,390		Intangible assets
	—	—	22,406	22,406	3	Investment property
Investments and other assets						
Investment securities	151,847	(60,382)	(3,842)	87,623		Investments accounted for using equity method
	—	94,057	14,479	108,536	4, 6	Other financial assets
Net defined benefit assets	42,653	—	(2,194)	40,459		Retirement benefit asset
Deferred tax assets	11,386	—	(2,936)	8,450		Deferred tax assets
Others	38,511	(36,123)	4,398	6,786	4	Other non-current assets
Allowance for doubtful accounts	(2,448)	2,448	—	—		
Total non-current assets	714,397	—	72,550	786,947		Total non-current assets
Total assets	¥1,501,074	¥ —	¥89,828	¥1,590,902		Total assets

Millions of yen						
Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
Liabilities and equity						
Liabilities						
Current liabilities						
Notes and accounts payable—trade	¥ 163,908	¥ 2,649	¥(10,610)	¥ 155,947	2	Trade payables
Short-term loans payable	92,733	67,997	30,845	191,575		Bonds and borrowings
Current portion of long-term loans payable	57,571	(57,571)	—	—		
Commercial papers	10,000	(10,000)	—	—		
Current portion of bonds payable	426	(426)	—	—		
Income taxes payable	9,372	(1,916)	54	7,510		Income taxes payable
Accounts payable—other	79,245	(79,245)	—	—		
	—	82,286	26,593	108,879	4, 7	Other financial liabilities
Provisions	13,269	954	(13,047)	1,176	3	Provisions
Others	32,234	(4,728)	6,758	34,264	8	Other current liabilities
Total current liabilities	458,758	—	40,593	499,351		Total current liabilities
Non-current liabilities						
Bonds payable	66,438	254,850	1,461	322,749		Bonds and borrowings
Long-term loans payable	254,850	(254,850)	—	—		
	—	13,714	47,148	60,862	4	Other financial liabilities
Net defined benefit liability	56,428	—	(766)	55,662		Retirement benefit liability
Provisions	6,679	360	(2,748)	4,291	3	Provisions
Deferred tax liabilities	11,471	—	4,815	16,286		Deferred tax liabilities
Others	14,711	(14,074)	1	638		Other non-current liabilities
Total non-current liabilities	410,577	—	49,911	460,488		Total non-current liabilities
Total liabilities	869,335	—	90,504	959,839		Total liabilities
Net assets						
Equity						
Shareholders' equity						
Capital stock	125,205	—	—	125,205		Share capital
Capital surplus	89,406	—	(10,150)	79,256	7	Capital surplus
Treasury stock	(29,869)	—	—	(29,869)		Treasury stock
Retained earnings	348,202	—	2,493	350,695	9	Retained earnings
Total accumulated other comprehensive income	18,971	—	7,524	26,495	6, 10	Other components of equity
	—	—	—	551,782		Total equity attributable to owners of the parent
Non-controlling interests	79,824	—	(543)	79,281	7	Non-controlling interests
Total net assets	631,739	—	(676)	631,063		Total equity
Total liabilities and net assets	¥1,501,074	¥ —	¥ 89,828	¥1,590,902		Total liabilities and equity

Notes to Consolidated Financial Statements

(ii) Reconciliation of equity at the end of previous reporting period (March 31, 2020)

Line item under Japanese GAAP	Millions of yen				Note	Line item under IFRS
	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS		
Assets						
Current assets						
Cash and deposits	¥ 149,348	¥ (2,076)	¥ 17,299	¥ 164,571	2	Cash and cash equivalents
Notes and accounts receivable—trade	275,332	(3,509)	2,071	273,894		Trade receivables
Allowance for doubtful accounts	(3,509)	3,509	—	—		
Inventories	288,006	—	(3,700)	284,306		Inventories
Accounts receivable—other	55,959	(55,959)	—	—		
	—	52,604	(15,799)	36,805	1, 4	Other financial assets
Others	16,211	5,431	616	22,258	4	Other non-current assets
Total current assets	781,347	—	487	781,834		Total current assets
Non-current assets						
Property, plant and equipment	485,531	(25,719)	(6,624)	453,188	3	Property, plant and equipment
	—	25,719	20,743	46,462	4	Right-of-use assets
Intangible assets						
Goodwill	4,412	—	(2,936)	1,476	5	Goodwill
Others	24,529	—	230	24,759		Intangible assets
	—	—	23,250	23,250	3	Investment property
Investments and other assets						
Investment securities	110,340	(21,702)	(1,018)	87,620		Investments accounted for using equity method
	—	45,480	17,402	62,882	4, 6	Other financial assets
Net defined benefit asset	36,084	—	(2,145)	33,939		Retirement benefit asset
Deferred tax assets	11,610	—	(2,513)	9,097		Deferred tax assets
Others	29,022	(26,586)	3,572	6,008	4	Other non-current assets
Allowance for doubtful accounts	(2,808)	2,808	—	—		
Total non-current assets	698,720	—	49,961	748,681		Total non-current assets
Total assets	¥1,480,067	¥ —	¥ 50,448	¥1,530,515		Total assets

Line item under Japanese GAAP	Millions of yen				Note	Line item under IFRS
	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS		
						Liabilities and equity
						Liabilities
						Current liabilities
Notes and accounts payable—trade	¥ 128,458	¥ 3,091	¥(10,538)	¥ 121,011	2	Trade payables
Short-term loans payable	106,040	112,612	14,141	232,793		Bonds and borrowings
Current portion of long-term loans payable	42,186	(42,186)	—	—		
Commercial papers	60,000	(60,000)	—	—		
Current portion of bonds payable	10,426	(10,426)	—	—		
Income taxes payable	5,383	(902)	37	4,518		Income taxes payable
Accounts payable—other	78,165	(78,165)	—	—		
	—	82,550	7,457	90,007	4, 7	Other financial liabilities
Provisions	10,907	1,680	(10,759)	1,828	3	Provisions
Others	36,933	(8,254)	6,838	35,517	8	Other current liabilities
Total current liabilities	478,498	—	7,176	485,674		Total current liabilities
						Non-current liabilities
Bonds payable	76,012	233,775	3,450	313,237		Bonds and borrowings
Long-term loans payable	233,775	(233,775)	—	—		
	—	32,618	36,385	69,003	4, 7	Other financial liabilities
Net defined benefit liability	26,350	—	(1,204)	25,146		Retirement benefit liability
Provisions	9,463	340	(5,509)	4,294	3	Provisions
Deferred tax liabilities	14,553	—	8,464	23,017		Deferred tax liabilities
Others	33,395	(32,958)	—	437		Other non-current liabilities
Total non-current liabilities	393,548	—	41,586	435,134		Total non-current liabilities
Total liabilities	872,046	—	48,762	920,808		Total liabilities
						Equity
						Shareholders' equity
Capital stock	125,298	—	—	125,298		Share capital
Capital surplus	89,514	—	(10,194)	79,320	7	Capital surplus
Treasury stock	(39,254)	—	—	(39,254)		Treasury stock
Retained earnings	366,330	—	(6,536)	359,794	9	Retained earnings
Total accumulated other comprehensive income	(14,299)	—	18,361	4,062	6, 10	Other components of equity
	—	—	—	529,220		Total equity attributable to owners of the parent
Non-controlling interests	80,432	—	55	80,487	7	Non-controlling interests
Total net assets	608,021	—	1,686	609,707		Total equity
Total liabilities and net assets	¥1,480,067	¥ —	¥ 50,448	¥1,530,515		Total liabilities and equity

Notes on reconciliation of equity

Major items of reconciliation of equity between Japanese GAAP and IFRS are as follows.

1) Changes in scope of consolidation

The scope of application of the equity method was changed upon the adoption of IFRS. Specifically, companies that were accounted for using the equity method under Japanese GAAP are recognized as either joint operations or consolidated subsidiaries under IFRS.

Those recognized as joint operations are CHIBA CHEMICALS MANUFACTURING LLP, TOKUYAMA POLYPROPYLENE CO., LTD., LOTTE MITSUI CHEMICALS, INC. and NIPPON EPOXY RESIN MANUFACTURING CO., LTD.; whereas those recognized as consolidated subsidiaries are KYOWA INDUSTRIAL CO., LTD., U.S.A., KOC (DANYANG) OPTICAL TRADING Co., Ltd., TOYO KOSAN Co., Ltd. and five other companies. As a result, the balance of "Other financial assets" (current) decreased by ¥17,068 million at the Transition Date.

2) Cash and cash equivalents, bonds and borrowings (current liabilities)

Relating to fund management of the Group, both figures are presented for financial assets and financial liabilities which do not meet the offsetting criteria under IFRS. As a result, the balances of "Cash and cash equivalents" and "Bonds and borrowings" (current) both increased by ¥26,020 million at the Transition Date and ¥13,252 million as of the end of the previous reporting period.

Notes to Consolidated Financial Statements

3) Property, plant and equipment, investment property, provisions (current and non-current liabilities)

A provision for large-scale scheduled repairs under Japanese GAAP is reversed since it does not meet the recognition criteria for provisions under IFRS. Expenses incurred under and subject to continued operation are recognized as part of the carrying amount of property, plant and equipment and deemed depreciable under IFRS. As a result, the balance of "Property, plant and equipment" increased and at the same time the balance of "Provisions" (current and non-current liabilities) decreased accordingly.

The Group elected to recognize certain land as investment property upon the adoption of IFRS and now presents the land as "Investment property."

Note that the balance of "Property, plant and equipment" decreased as a result of reviewing the residual value of certain items of property, plant and equipment.

4) Right-of-use assets, other financial assets (current and non-current assets), other current assets, other non-current assets, other financial liabilities (current and non-current liabilities)

For lease contracts recognized as operating leases under Japanese GAAP, the leased assets are now recognized as right-of-use assets under IFRS. As a result, the balance of the following items increased respectively at the Transition Date: "Right-of-use assets" by ¥53,670 million, "Other financial liabilities" (current liabilities) by ¥7,558 million, and "Other financial liabilities" (non-current liabilities) by ¥46,112 million.

Right-of-use assets relating to subleasing arrangements are derecognized and transferred to "Other financial assets" (current and non-current assets), "Other current assets" and "Other non-current assets."

5) Goodwill

Impairment of goodwill measured in two steps under Japanese GAAP, i.e., the recognition using undiscounted future cash flows and then the measurement using the recoverable amount, is now judged by comparing the amount impaired with the recoverable amount under IFRS. Note that the Mobility segment recognized impairment loss of ¥3,580 million at the Transition Date.

6) Other financial assets (non-current assets), other components of equity

Under Japanese GAAP, unlisted securities were stated at cost determined primarily by the moving-average method. Under IFRS, these are measured at fair value with any differences being recognized as "Other financial assets" (non-current assets) and "Other components of equity."

7) Other financial liabilities (current and non-current liabilities), capital surplus, non-controlling interests

Financial contracts with non-controlling shareholders are recognized upon the adoption of IFRS. As a result, "Other financial liabilities" (current and non-current liabilities) increased, and "Capital surplus" and "Non-controlling interests" decreased respectively, depending on the remaining period of the contracts.

"Other financial liabilities" (current liabilities) increased since IFRS requires an entity to recognize levies as liabilities while Japanese GAAP does not.

8) Other current liabilities

"Other current liabilities" increased since IFRS requires an entity to recognize unused paid leaves of employees as liabilities, while Japanese GAAP does not.

9) Retained earnings

The impacts of reconciliations upon the adoption of IFRS on retained earnings are as follows. The amounts in the list are after adjustment of related non-controlling interests.

Item	Millions of yen	
	Transition Date (April 1, 2019)	FY2019 (March 31, 2020)
i) Adjustments related to property, plant and equipment	¥23,834	¥20,771
ii) Adjustments related to employee benefits	(13,927)	(20,600)
iii) Adjustments related to goodwill	(3,580)	(1,485)
iv) Recognition of levies	(3,571)	(3,564)
v) Adjustments related to exchange differences on translation of foreign operations	1,817	1,817
vi) Adjustments related to tax expenses	(2,407)	(3,979)
vii) Adjustments related to equity transactions	606	606
viii) Other	(279)	(102)
Total adjustments to retained earnings	¥2,493	¥(6,536)

10) Other components of equity

The Group elected to use the exemptions set forth in IFRS 1 and transferred the total amount of cumulative exchange differences on translation of foreign operations to retained earnings at the Transition Date.

Based on IAS 19 Employee Benefits, the Group also recognized the effect of remeasurements of defined benefit plans in other components of equity and transferred the total amount to retained earnings.

11) Reclassification

In addition to the above, the Group conducted item reclassification to conform with the requirements under IFRS and the major reclassified items are as follows.

- Time deposits with maturities exceeding three months included in "Cash and deposits" under Japanese GAAP are reclassified and presented as "Other financial assets" (current assets) under IFRS. "Securities," which is the line item representing short-term investments with maturities of three months or less from the acquisition date presented separately under Japanese GAAP, is reclassified and presented as "Cash and cash equivalents" under IFRS.
- The line item presented as "Accounts receivable—other" under Japanese GAAP is reclassified and presented as "Other financial assets" (current) under IFRS.
- Some contributions included in "Other" in investments and other assets under Japanese GAAP are reclassified and presented as "Investment accounted for using equity method" under IFRS.
- The line item presented as "Accounts payable—other" under Japanese GAAP is reclassified and presented as "Other financial liabilities" (current) under IFRS.
- The line items "Other financial assets" and "Other financial liabilities" are presented separately based on the presentation requirements of IFRS.

(iii) Reconciliation of profit or loss and comprehensive income for previous reporting period (April 1, 2019 to March 31, 2020)

Consolidated statements of profit or loss

Line item under Japanese GAAP	Millions of yen				Note	Line item under IFRS
	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS		
Net sales	¥ 1,338,987	¥ —	¥ 10,535	¥ 1,349,522		Sales revenue
Cost of sales	(1,041,840)	(2,820)	(6,479)	(1,051,139)		Cost of sales
Gross profit	297,147	(2,820)	4,056	298,383		Gross profit
Selling, general and administrative expenses	(225,511)	(231)	(850)	(226,592)	2	Selling, general and administrative expenses
	—	9,953	(1,130)	8,823		Other operating income
	—	(16,862)	(3,695)	(20,557)		Other operating expenses
	—	3,165	1,347	4,512	2	Share of profit of investments accounted for using equity method
Operating income	71,636	(6,795)	(272)	64,569		Operating income
Non-operating income	12,274	(12,274)	—	—		
Non-operating expenses	(18,393)	18,393	—	—		
Extraordinary income	24,804	(24,804)	—	—		
Extraordinary losses	(21,861)	21,861	—	—		
	—	24,325	(18,919)	5,406	3	Financial income
	—	(20,706)	11,555	(9,151)	3	Financial expenses
Profit before income taxes	68,460	—	(7,636)	60,824		Income before income taxes
Total income taxes	(22,171)	—	3,966	(18,205)	3	Income tax expense
Profit	¥ 46,289	¥ —	¥ (3,670)	¥ 42,619		Net income

Notes to Consolidated Financial Statements

Consolidated statements of comprehensive income

Line item under Japanese GAAP	Millions of yen				Note	Line item under IFRS
	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS		
Profit	¥ 46,289	¥—	¥ (3,670)	¥ 42,619		Net income
Other comprehensive income					4	Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(19,991)	—	4,829	(15,162)		Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	(7,034)	—	200	(6,834)		Remeasurements of defined benefit plans
Share of other comprehensive income of entities accounted for using equity method	(1,707)	—	1,743	36		Share of other comprehensive income of investments accounted for using equity method
				(21,960)		Total of items that will not be reclassified to profit or loss
						Total of items that may be reclassified to profit or loss
Foreign currency translation adjustment	(5,622)	—	40	(5,582)		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	11	—	777	788		Effective portion of net change in fair value of cash flow hedges
	—	—	(1,834)	(1,834)		Share of other comprehensive income of investments accounted for using equity method
				(6,628)		Total of items that may be reclassified to profit or loss
Total other comprehensive income	(34,343)	—	5,755	(28,588)		Other comprehensive income (after tax effect adjustments)
Comprehensive income	¥ 11,946	¥—	¥ 2,085	¥ 14,031		Comprehensive income

Notes on reconciliation of profit or loss and comprehensive income

1) Changes in scope of consolidation

Certain subsidiaries accounted for using the equity method because they are deemed immaterial under Japanese GAAP are now included in the scope of consolidation under IFRS. Four companies including CHIBA CHEMICALS MANUFACTURING LLP treated applied the equity method under Japanese GAAP are now recognized as joint operations under IFRS.

2) Selling, general and administrative expenses, and share of profit of investments accounted for using equity method

Goodwill was amortized over certain periods under Japanese GAAP, however, it is not subject to amortization under IFRS. As a result, "Selling, general and administrative expenses" decreased and "Share of profit of investments accounted for using equity method" increased accordingly.

3) Financial income, financial expenses and income tax expense

Under Japanese GAAP, gain or loss on sale and impairment loss of equity instruments were recognized in profit or loss. Under IFRS, for equity instruments designated as financial assets measured at fair value through other comprehensive income, the change in fair value is recognized in other comprehensive income and directly transferred to retained earnings upon sale.

4) Other comprehensive income

Under Japanese GAAP, gain or loss on sale and impairment loss of certain equity instruments as well as income taxes associated with such gain or loss were recognized in profit or loss. Under IFRS, certain equity instruments are designated as financial assets measured at fair value through other comprehensive income and the change in fair value is recognized in other comprehensive income instead of profit or loss.

Under Japanese GAAP, actuarial gains and losses were recognized in other comprehensive income as incurred and recognized in profit or loss through amortization by the straight-line method over a period within the average remaining service years of employees. Under IFRS, these are recognized in other comprehensive income as incurred instead of being recognized in profit or loss through amortization.

5) Reclassification

For line items presented in "Non-operating income," "Non-operating expenses," "Extraordinary income" and "Extraordinary losses" under Japanese GAAP, items related to financial transactions are presented as "Financial income" and "Financial expenses" under IFRS. Items other than the above are classified based on functionality and presented in "Other operating income," "Other operating expenses" or "Share of profit of investments accounted for using equity method" under IFRS.

(iv) Reconciliation of cash flows for the first quarter of previous reporting period (April 1, 2019 to June 30, 2019) and previous reporting period (April 1, 2019 to March 31, 2020)

Major differences between the consolidated statements of cash flows under Japanese GAAP and those under IFRS arise from the following reasons: Expenses for large-scale scheduled repairs included in cash flows from operating activities under Japanese GAAP are included in cash flows from investing activities under IFRS. Lease payments for operating leases included in cash flows from operating activities under Japanese GAAP are included in cash flows from financing activities under IFRS.

(2) Others

Quarterly information for the fiscal year ended March 31, 2021

(Cumulative period)	Millions of yen			
	First three months	First six months	First nine months	FY2020
Sales revenue	¥254,484	¥536,979	¥857,428	¥1,211,725
Income (loss) before income taxes	(546)	15,746	46,685	74,243
Net income (loss) attributable to owners of the parent	(2,318)	9,602	33,001	57,873
Basic earnings (loss) per share	(12.16)	49.89	170.44	298.00

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	¥(12.16)	¥61.38	¥119.41	¥126.93

(Cumulative period)	Thousands of U.S. dollars			
	First three months	First six months	First nine months	FY2020
Sales revenue	\$2,298,654	\$4,850,321	\$7,744,811	\$10,945,037
Income (loss) before income taxes	(4,932)	142,227	421,687	670,608
Net income (loss) attributable to owners of the parent	(20,938)	86,731	298,085	522,744
Basic earnings (loss) per share	(0.110)	0.451	1.540	2.692

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Dollar)	\$(0.110)	\$0.554	\$1.079	\$1.147

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Mitsui Chemicals, Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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



Valuation of goodwill and intangible assets related to ARRK CORPORATION group	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 17, "Impairment of Non-Financial Assets" in the Notes to Consolidated Financial Statements, Mitsui Chemicals, Inc. (the "Company") recorded impairment loss of ¥4,868 million on goodwill and intangible assets related to ARRK CORPORATION ("ARRK") group in the Mobility Segment during the fiscal year ended March 31, 2021.</p> <p>The Company performs an impairment test for intangible assets with finite useful lives when an indication of impairment is identified, and, furthermore, the Company performs an impairment test of goodwill and intangible assets with indefinite useful lives annually and any time there is an indication of impairment.</p> <p>In the impairment test of intangible assets and goodwill allocated to the cash-generating unit ("CGU") to which ARRK group belongs, the present value of future cash flows expected to be generated by the CGU is calculated to determine whether the recoverable amount is less than the carrying amount of the CGU, including goodwill. Accordingly, the Company then recorded the amount of the difference in the above as impairment loss.</p> <p>The present value of future cash flows arising from the continued use of the CGU to which ARRK group belongs is measured at value in use discounted using the weighted average cost of capital before tax based on a five-year business plan up to the fiscal year ending March 31, 2026 and terminal value from the fiscal year ending March 31, 2027 and thereafter.</p> <p>The business plan, which is the basis for determining estimated future cash flows, includes key assumptions as determined by management such as recovery outlook in the existing business and the expected acquisition of new development projects based</p>	<p>In considering the Company's valuation of goodwill and intangible assets related to ARRK CORPORATION ("ARRK") group, we performed following audit procedures, among others.</p> <ul style="list-style-type: none"> · We had discussions with both management of the Company and ARRK respectively regarding ARRK group's future business plan, particular areas of management focus and the business plan outlook, including the impact from the COVID-19 pandemic to assess management assumptions, by analyzing recovery outlook of existing business and expected acquisition of new development projects. · In assessing business plan estimates, we had discussions with the related department at the Company regarding the key assumptions such as recovery outlook of existing business and the expected acquisition of new development projects and evaluated the consistency with relevant data to assess the evaluation of uncertainty determined by management incorporated in the five-year business plan up to the fiscal year ending March 31, 2026 approved by management, and the terminal value from the fiscal year ending March 31, 2027 and thereafter. In addition, we also assessed the accuracy of estimates by comparing prior business plans and the actual results. · We compared five-year future cash flows for calculating value in use with the future business plans approved by management.



Valuation of goodwill and intangible assets related to ARRK CORPORATION group	
Description of Key Audit Matter	Auditor's Response
<p>on demand forecasts derived from the development budgets and model change cycles in the manufacturing industry, such as automobile and home appliance manufacturers.</p> <p>These assumptions are affected by the development budgets and model change cycles and delays in the development of new products by customers and potential suspension of business activities due to the COVID-19 pandemic and therefore involve uncertainty, thus management's judgment will have a significant impact on the corresponding estimated future cash flows.</p> <p>Further, the weighted average cost of capital before tax is applied in determining the discount rate used in calculating the present value of future cash flows, and the determination of input data involves management's judgment, and thus there may be a significant impact on the estimated present value of future cash flows.</p> <p>The estimates of the present value of future cash flows derived from the continued use of the CGU to which ARRK group belongs involve uncertainty and management's judgment. Therefore, we determined it to be a key audit matter.</p>	<p>In assessing the calculation model of ARRK group's future cash flows based on the five-year business plan up to the fiscal year ending March 31, 2026, terminal value from the fiscal year ending March 31, 2027 and thereafter and input data used in calculating the weighted average cost of capital before tax, we involved valuation specialists from our network firm and assessed by comparing with publicly available data.</p>



Recoverability of deferred tax assets	
Description of Key Audit Matter	Auditor's Response
<p>Deferred tax assets of ¥9,333 million were recorded in the Company's consolidated statement of financial position as of March 31, 2021. As described in Note 34, "Income Taxes" in the Notes to Consolidated Financial Statements, the amount of deferred tax assets before offsetting deferred tax liabilities was ¥38,844 million, and, of this amount, deferred tax assets of ¥1,449 million related to unused tax loss carryforwards were included.</p> <p>Deferred tax assets on the Company's consolidated statement of financial position primarily represent those of the consolidated tax filing group with the Company as the consolidated parent and are mostly related to the Company's own deferred tax assets related to the deductible temporary differences and unused tax loss carryforwards.</p> <p>A deferred tax asset is recognized for all deductible temporary differences to the extent it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards can be utilized, considering the sufficiency of taxable income based on profitability in the consolidated tax group with the Company as the consolidated parent, tax planning opportunities and the sufficiency of taxable temporary differences.</p> <p>The taxable income based on profitability is estimated based on the Group's business plan which includes growth and expansion through the investment of resources into three growth areas to strengthen the foundation of the Group global management. However, the business plan incorporates key assumptions such as forecasts of sales revenue, raw material and fuel price trends, and foreign exchange market trends.</p> <p>The assessment of recoverability of deferred tax assets is based primarily on estimates of</p>	<p>In considering the recoverability of deferred tax assets of the Company's consolidated tax filing group, we performed the following audit procedures, among others.</p> <ul style="list-style-type: none"> We assessed the Company's estimate of future taxable income by evaluating the consistency with the business plan approved by management, as the deferred tax assets of the Company's consolidated tax filing group primarily represent the Company's deferred tax assets related to the deductible temporary differences and unused tax loss carryforwards. We assessed the accuracy of the estimation process of taxable income by analyzing business plans used for estimated taxable income in prior years and actual results. We had discussions with management regarding key assumptions such as sales revenue growth prospects, raw material market price trend prospects, and foreign exchange market trend prospects, taking into account anticipated future economic conditions, crude oil price trends, potential decreases in sales demand due to spread of the COVID-19 pandemic and production suspensions. In addition, we evaluated the key assumptions used in the business plan by analyzing industry trends and publicly available data. In assessing the balance of temporary differences and unused tax loss carryforwards based on the consolidated tax filing, we involved tax specialists from our network firm and assessed the schedule for the temporary differences expected to be reversed.



Recoverability of deferred tax assets	
Description of Key Audit Matter	Auditor's Response
<p>future taxable income. The future business plans on which the valuation is based are subject to uncertainty and affected by future economic conditions, crude oil price trends, potential decreases in sales demand and production suspension due to the spread of the COVID-19 pandemic. Management's judgment is required with respect to these assumptions that are subject to uncertainty and may affect the amount of deferred tax assets recognized. Therefore, we determined it to be a key audit matter.</p>	

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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



Convenience Translation


The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2021

由良 知久 

Tomohisa Yura
Designated Engagement Partner
Certified Public Accountant

狩野 茂行 

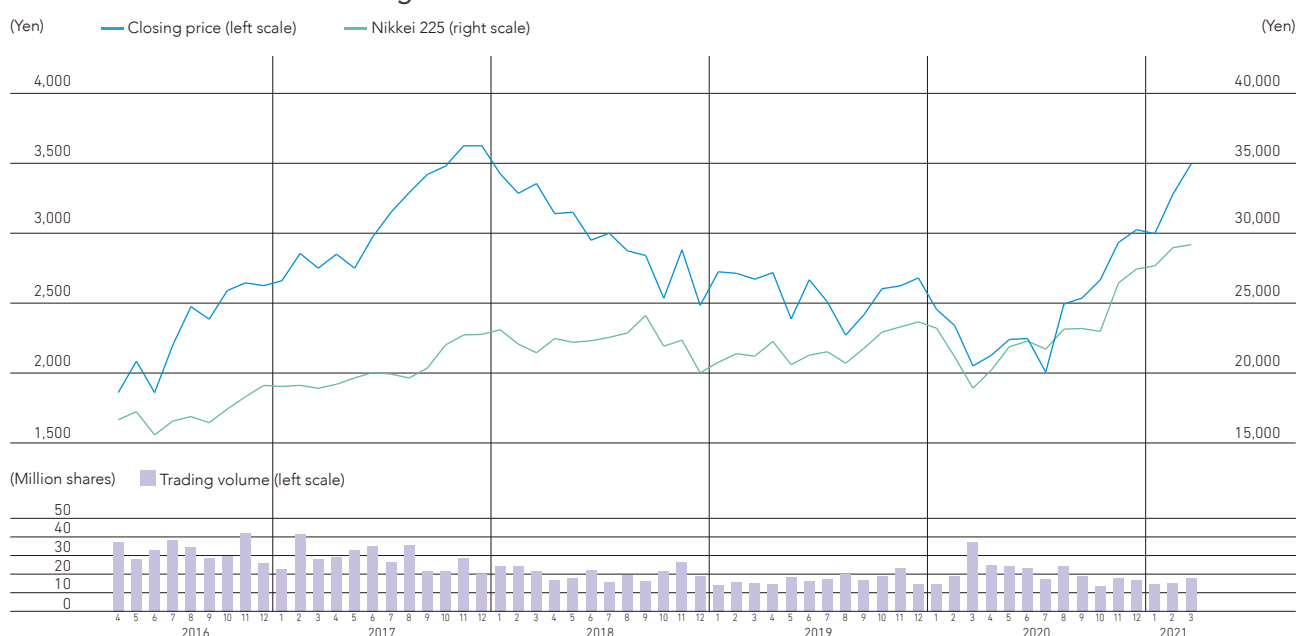
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金澤 聡 

Satoshi Kanazawa
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Certified Public Accountant

Stock Information

Common Stock Price and Trading Volume



Total shareholder return (TSR)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Year-end stock price (yen)	1,875	2,750	3,355	2,671	2,051	3,495
Dividend per share (yen)		70	90	100	100	100
Cumulative dividends per share (yen)		70	160	260	360	460
TSR		150.4%	187.5%	156.3%	128.6%	210.9%
TOPIX Total Return		114.7%	132.9%	126.2%	114.2%	162.3%

* Total shareholder return is the value as of the end of the year in fiscal 2016 and thereafter assuming investment at the closing price at the end of fiscal 2015.

Credit Ratings (As of March 31, 2021)

Rating Agencies	Rating
Japan Credit Rating Agency, Ltd. (JCR)	A+
Rating and Investment Information, Inc. (R&I)	A

Corporate Information

(As of March 31, 2021)

Date of Establishment	October 1, 1997
Paid-in Capital	125,331 million yen
Number of Employees	18,051 (Consolidated)
Subsidiaries and Affiliates	154 (Domestic 49, Overseas 105)
Shares of Common Stock Issued and Outstanding	204,608,615
Number of Shareholders	67,423
Stock Exchange Listing	1st Section, Tokyo Stock Exchange (Code: 4183)
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited

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