

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

Mitsubishi Gas Chemical Company, Inc. (the Company) and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18, May 17, 2006) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for by the Equity Method” (ASBJ PITF No. 24, March 10, 2008) require that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards (IFRS) or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that profit (loss) is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and 71 subsidiaries (71 in 2022). The Company and its consolidated subsidiaries are collectively referred to as “MGC.”

All significant intercompany accounts and transactions have been eliminated in consolidation.

KOREA POLYACETAL CO., LTD. was included in the scope of consolidation due to their significance during the year ended March 31, 2023.

J-Chemical Inc. was excluded from the scope of consolidation because it was eliminated in an absorption-type merger with Yutaka Chemical Corporation as the company surviving absorption-type merger. In addition, Yutaka Chemical Corporation changed its trade name to MGC Woodchem Corporation at the time of the merger.

Investments in 16 affiliates (15 in 2022) are accounted for by the equity method.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments.

The unallocated portion of the difference, which is recognized as goodwill, is being amortized using the straight-line method over an expected benefit period by each investment within 20 years.

The fiscal year-ends of 30 consolidated subsidiaries (30 in 2022) are December 31. For consolidation purposes, the Company uses their financial statements as of December 31 with necessary consolidation adjustments made to reflect any significant transactions which occurred between January 1 and March 31.

(c) Cash and Cash Equivalents

For the purpose of the statement of cash flows, MGC considers all highly liquid investments with insignificant risk of changes in value, which have maturities of generally three months or less when purchased, to be cash equivalents.

(d) Securities and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories – “trading securities,” “held-to-maturity securities,” “investments in entities” and “other securities.” Securities classified as “trading securities” are stated at fair value and unrealized gains or losses are recorded in the consolidated statement of income. Securities classified as “held-to-maturity securities” are stated at amortized cost. Securities classified as “other securities” except for equity securities without market price are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and reported as accumulated other comprehensive income in the consolidated balance sheet. Debt classified as “other securities” for which fair value is not available are stated at the amortized cost. Equity securities classified as “other securities” without market price is not available are stated at the moving-average cost. Realized gains and losses on the other securities are computed using the moving-average cost. Securities held by the Company are classified as held-to-maturity securities, investments in entities and other securities.

(e) Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method.

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. Depreciation of the property, plant and equipment is provided principally by the straight-line method based on the estimated useful lives.

The estimated useful lives are as follows:

Buildings and structures	7-50 years
Machinery, equipment and vehicles	8-15 years

(g) Intangible Assets

Intangible assets are carried at cost less accumulated amortization. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (5 years). Intangible assets other than software are deferred and amortized by the straight-line method at rates based on the estimated useful lives of the respective assets.

(h) Impairment of Long-lived Assets

The standard for the impairment of long-lived assets requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Recognized impairment losses, except for those to be deducted directly from acquisition costs of corresponding fixed assets, are included in accumulated depreciation on the consolidated balance sheet.

(i) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(j) Retirement Benefits

In calculating retirement benefit obligation, the benefit formula basis is used for the method of attributing expected retirement benefits to the periods up to the end of the current fiscal year.

Past service costs are amortized by the straight-line method over a certain period within the average remaining years of service of the eligible employees (10 years) when such past service costs occur.

Actuarial gains and losses are amortized by the declining-balance method over a certain period within the average remaining years of service of the eligible employees (10 years) from the year following the year in which the gains or losses occur.

The Company and certain subsidiaries have unfunded defined benefit pension plans for directors, corporate auditors and executive officers. The provision for the plans has been made in the accompanying consolidated financial statements for the vested benefits to which directors, corporate auditors and executive officers are entitled if they were to retire or sever immediately at the balance sheet dates (See note 8).

(k) Leases

All finance lease transactions are capitalized. Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line method, with the lease periods as their useful lives and no residual value.

(l) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction dates, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet dates, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date, and revenues and expenses of them are translated into yen using the average rate in the year, and a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" and "Non-controlling interests" in a component of net assets.

(m) Recognition of Significant Revenues and Expenses

MGC is primarily engaged in business activities related to manufacturing and sales of products in the "Basic Chemicals Business Sector" and "Specialty Chemicals Business Sector." For the sale of these products, revenue is recognized upon delivery of the products since MGC determines that the customer obtains control of the products and the performance obligations are satisfied at the time of delivery. For transactions in which MGC acts as an agent in sales of products to customers, revenue is recognized at net amount after deducting the amount paid to the supplier from the total amount of considerations received from the customer.

(n) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(o) Asset Retirement Obligations

The Company recognized an asset retirement obligation which is statutory or similar obligation with regard to the removal of assets as a liability. An asset retirement obligation is recognized as a liability at the time that the asset is incurred by its acquisition, construction, development or ordinary use. When an asset retirement obligation is recognized as a liability, the asset retirement cost corresponding to it is included in the cost of the relevant asset by the same amount.

(p) Provision for business restructuring

The Company provides a reasonably estimated amount of structural reform costs for its businesses.

(q) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2023.

(r) Significant Accounting Estimates

Impairment of fixed assets

(i) Amount recorded on the consolidated financial statements for the year ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Property, plant and equipment	¥ 313,767	¥ 276,384	\$ 2,349,787
Intangible assets	11,980	11,290	89,718
Impairment loss	1,128	7,059	8,448

(ii) Information on the nature of significant accounting estimates for identified items

The fixed assets held by the Company and its consolidated subsidiaries are accounted for in accordance with the accounting standards for impairment of fixed assets. In calculating the recoverable amount used to measure the impairment loss, certain assumptions are made regarding the economic remaining useful life, future cash flows, discount rate, etc.

Although these assumptions are determined based on management's best estimates, they may be affected by the results of changes in uncertain economic conditions in the future. If a revision is needed, the amount to be recognized in the consolidated financial statements for the following fiscal year may be affected.

(iii) Test for impairment at MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD.

MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS (SHANGHAI) CO., LTD. is engaged in manufacturing and sales of polycarbonates and has adopted IFRS. MGCEPS's business plan was reviewed considering sluggish demand in China and its sales results in the face of downturns in polycarbonates market prices especially in this fiscal year, in addition to the spread between prices of polycarbonates and its raw material, bisphenol A, has been low for a few years. As a result of the review, the recoverable amounts of property, plant and equipment and intangible assets fell below their carrying amounts, and an impairment loss of ¥699 million (\$5,235 thousand) was recognized for the year ended March 31, 2023. The balance of property, plant and equipment and intangible assets related to MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS(SHANGHAI)CO., LTD. at the March 31, 2023 was ¥941 million (\$7,047 thousand) and ¥1,517 million (\$11,361 thousand), respectively.

The recoverable amount is calculated based on discounted future cash flows. In calculating the cash flows, assumptions regarding sales volume, sales prices, marginal profit ratio, discount rates, and other items have been made based on trends from prior years, market data for polycarbonates and bisphenol A, and the cost of capital of other companies in the same industry.

(s) Changes in Accounting Policies

(i) Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Fair Value Measurement Guidance") from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance

in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This change has no impact on the consolidated financial statements for the current fiscal year.

(ii) Application of Accounting Standards Update (ASU) 2016-02, Leases

Overseas consolidated subsidiaries that apply the USGAAP have applied the Accounting Standards Update (ASU) 2016-02, Leases from the beginning of the current fiscal year, and, in principle, all leases as lessee are now recorded as assets and liabilities on the consolidated balance sheets. In applying such accounting standards update, the cumulative effect of applying such accounting standards update, which is permitted as a transitional measure, is recognized at the start date of application. This change has only minor impact on the consolidated financial statements for the current fiscal year.

(t) Accounting Pronouncements Not Yet Adopted

“Practical Solution on the Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” (Practical Solution No. 43, issued on August 26, 2022)

(1) Overview

The Financial Instruments and Exchange Act was amended in line with establishment of the Act for the Partial Revision of the Payment Services Act to Address the Diversification of Financial Transactions based on Advances in Information Technology (Act No. 28 of 2019) in May 2019. An ICO, an activity to raise funds from the public using a digital token issued by a company or an individual, became subject to regulations under the Financial Instruments and Exchange Act. As a result, the ASBJ issued to clarify Practical Solution on the Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights on the Cabinet Office Order on Financial Instruments Business.

(2) Scheduled date of adoption

This guidance will be adopted effective from the beginning of the fiscal year ending March 31, 2024.

(3) Impact of the adoption of the accounting standards

Impact of the adoption of the “Practical Solution on the Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” on the consolidated financial statements is currently under evaluation.

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These accounting standards and guidance establish the accounting classification for corporate taxes resulting from other comprehensive that is subject to taxation, as well as the treatment of tax effects related to the sale of shares in subsidiaries when group taxation regime is applied.

(2) Scheduled date of adoption

These accounting standards and guidance will be adopted effective from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of the adoption of the accounting standards

Impact of the adoption of the “Accounting Standard for Current Income Taxes” on the consolidated financial statements are currently under evaluation.

(u) Additional Information

Assumptions regarding impact of novel coronavirus (COVID-19) in making accounting estimate

Although there are concerns about a decrease in demand, etc. due to the impact of the COVID-19, the Company believes that the impact on the accounting estimates for impairment of fixed assets, etc. will be immaterial.

2. Financial Statement Translation

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate as of March 31, 2023, which was ¥133.53 to U.S. \$1. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Cash and Cash Equivalents

Reconciliation between “Cash and deposits” in the consolidated balance sheet and “Cash and cash equivalents” in the consolidated statement of cash flows as of March 31, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and deposits	¥ 108,378	¥ 102,049	\$ 811,638
Time deposits with maturities of over three months	(7,286)	(9,797)	(54,565)
Securities	93	6	696
Cash and cash equivalents	¥ 101,185	¥ 92,257	\$ 757,770

4. Securities and Investments in Securities

Balance sheet amount, acquisition cost, and gross unrealized gain and loss of other securities with fair value as of March 31, 2023 and 2022 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2023				
Equity securities	¥ 26,697	¥ 13,552	¥ (292)	¥ 13,436
Bonds	1,563	0	—	1,563
Other securities	93	—	—	93
	¥ 28,354	¥ 13,552	¥ (292)	¥ 15,094
March 31, 2022				
Equity securities	¥ 31,798	¥ 17,148	¥ (497)	¥ 15,146
Bonds	1,737	—	(0)	1,737
Other securities	104	55	—	48
	¥ 33,639	¥ 17,204	¥ (497)	¥ 16,932

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2023				
Equity securities	\$ 199,933	\$ 101,490	\$ (2,187)	\$ 100,622
Bonds	11,705	0	—	11,705
Other securities	696	—	—	696
	\$ 212,342	\$ 101,490	\$ (2,187)	\$ 113,038

Securities classified as other securities without market price are unlisted equity securities amounting to ¥3,074 million (\$23,021 thousand) and ¥3,843 million as of March 31, 2023 and 2022, respectively.

For the years ended March 31, 2023 and 2022, proceeds from the sale of other securities are ¥5,739 million (\$42,979 thousand) and ¥ 5,724 million, respectively. Gross realized gains are ¥ 3,980 million (\$29,806 thousand) and ¥ 3,041 million for the years ended March 31, 2023 and 2022, respectively.

The Company recognized impairment losses on securities of ¥850 million (\$6,366 thousand) and ¥ 332 million for the years ended March 31, 2023 and 2022, respectively.

The Company recognizes impairment losses on securities with market price when the fair value declines by more than 50 percent. When the fair value declines by more than 30 percent but less than 50 percent, the Company recognizes necessary impairment losses as a result of considering the possibility of recovery. The Company recognizes impairment losses on securities without market price when the value declines significantly due to an issuer's financial condition.

5. Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2023 and 2022 are ¥170,128 million (\$1,274,081 thousand) and ¥ 135,489 million, respectively.

6. Short-term and Long-term Borrowings

Short-term borrowings are represented by bank loans which are due within one year. The weighted average interest rate of short-term borrowings is 1.4% and 1.7% as of March 31, 2023 and 2022, respectively.

Long-term borrowings as of March 31, 2023 and 2022 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Loans, principally from banks, maturing in installments through 2037 with weighted average interest of 0.55% as of March 31, 2023, partially secured by mortgage of property, plant and equipment and securities	¥ 115,109	¥ —	\$ 862,046
Loans, principally from banks, maturing in installments through 2035 with weighted average interest of 0.99% as of March 31, 2022, partially secured by mortgage of property, plant and equipment and securities	—	63,753	—
Lease obligations maturing in installments through 2056 as of March 31, 2023	4,351	—	32,584
Lease obligations maturing in installments through 2056 as of March 31, 2022	—	2,102	—
Unsecured bonds, due 2030 with interest of 0.340%	10,000	10,000	74,890
Unsecured bonds, due 2025 with interest of 0.170%	10,000	10,000	74,890
	<u>139,460</u>	<u>85,855</u>	<u>1,044,409</u>
Less current installments:			
Loans	36,651	8,092	274,478
Lease obligations	1,074	565	8,043
	<u>¥ 101,735</u>	<u>¥ 77,198</u>	<u>\$ 761,889</u>

Note: The weighted average interest rates on lease obligations as of March 31, 2023 and 2022 are omitted because lease obligations were recorded in the consolidated balance sheet based on the total lease payment which includes assumed interests portion.

The aggregate annual maturities of loans after March 31, 2024, are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. dollars
2025	¥ 7,057	\$ 52,850
2026	6,717	50,303
2027	11,076	82,948
2028	5,842	43,750

The aggregate annual maturities of bonds after March 31, 2024, are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. dollars
2025	¥ —	\$ —
2026	10,000	74,890
2027	—	—
2028	—	—

Property, plant and equipment and Securities with a book value as of March 31, 2023 of ¥12,149 million (\$90,983 thousand) were mortgaged to secure certain debts.

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations due the banks.

7. Asset Retirement Obligations

(a) Asset retirement obligations recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities except for mentioned below (b) according to law and land lease contracts. The **asset retirement obligations are based** on estimated future cash flows for the restorations. The obligations are calculated by using the estimated mine lives of 18 to 76 years and discounted rate of 0.828% to 2.385%.

Asbestos are used in part of fixed assets held by the Company and certain consolidated subsidiaries. The Company is obliged to conduct a special treatment when asbestos are removed. The **asset retirement obligations are based** on estimated

future cash flows for the treatment. The obligations are calculated by using the estimated useful lives of the fixed assets mainly of 8 years and discounted rate mainly of 1.035%.

The following table provides a total asset retirement obligation for the years ended March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥ 5,334	¥ 5,113	\$ 39,946
Liabilities incurred due to the acquisition	1	1	7
Accretion expenses	43	43	322
Liabilities settled	(81)	(85)	(607)
Other	13	261	97
Balance at end of year	¥ 5,312	¥ 5,334	\$ 39,781

(b) Asset retirement obligations not recognized on the consolidated balance sheet

The Company is obliged to restore its natural gas mining facilities according to law and land lease contracts, and the Company plans to use part of the facilities as storage facilities after mining continuingly. The Company and certain consolidated subsidiaries are obliged to restore their piers and pipelines according to law and lease contracts, and the piers and pipelines can be used for a substantial long-term with appropriate repair. Asset retirement obligations relating to these assets are not recognized because it is extremely difficult to estimate the time of fulfilling the obligations reasonably.

8. Retirement Benefits

MGC has defined retirement benefit plans such as lump-sum retirement benefit plans and defined benefit corporate pension plans, besides defined contribution pension plans.

In addition, the Company has also set up retirement benefit trusts.

Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum retirement benefit plans.

In the year ended March 31, 2023, Mitsubishi Gas Chemical Trading Inc., a consolidated subsidiary of the Company, integrated retirement benefit plans of the former TOKYO SHOKAI, LTD., the former RYOYO TRADING CO., LTD. and the former RYOKO CHEMICAL CO., LTD. into a new retirement benefit plan. In line with this integration, the method of calculating retirement benefit obligations was also unified to the principle method.

Defined benefit plans

(a) Reconciliation between retirement benefit obligations at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligation at beginning of year	¥ 43,076	¥ 42,555	\$ 322,594
Service costs	2,177	2,190	16,303
Interest costs	382	379	2,861
Actuarial gains and losses arising during year	(607)	(36)	(4,546)
Retirement benefits paid	(3,109)	(2,492)	(23,283)
Effect of change in retirement benefit plan at subsidiary	—	424	—
Other	91	54	681
Retirement benefit obligation at end of year	¥ 42,010	¥ 43,076	\$ 314,611

(b) Reconciliation between plan assets at beginning of year and end of year (excluding plans applying the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Plan assets at beginning of year	¥ 40,800	¥ 39,548	\$ 305,549
Expected return on plan assets	528	527	3,954
Actuarial gains and losses arising during year	704	1,106	5,272
Contribution from employer	1,288	1,133	9,646
Retirement benefits paid	(1,907)	(1,688)	(14,281)
Effect of change in retirement benefit plan at subsidiary	—	160	—
Other	57	12	427
Plan assets at end of year	¥ 41,472	¥ 40,800	\$ 310,582

(c) Reconciliation between retirement benefit liabilities of plans applying the simplified method at beginning of year and end of year:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit liability at beginning of year	¥ 2,750	¥ 2,746	\$ 20,595
Retirement benefit expenses	11	295	82
Retirement benefits paid	(70)	(133)	(524)
Contribution to plans	(92)	(7)	(689)
Increase due to change in scope of consolidation	—	254	—
Effect of change in retirement benefit plan at subsidiary	(98)	(397)	(734)
Other	28	(6)	210
Retirement benefit liability at end of year	¥ 2,529	¥ 2,750	\$ 18,940

(d) Reconciliation between retirement benefit obligations and plan assets at end of year and net defined benefit asset and defined benefit liability on the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligation	¥ 42,647	¥ 43,097	\$ 319,381
Plan assets	(44,443)	(42,997)	(332,832)
	(1,796)	99	(13,450)
Unfunded retirement benefit obligation	4,862	4,926	36,411
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 3,066	¥ 5,025	\$ 22,961
Retirement benefit asset	¥ (1,387)	¥ (1,226)	\$ (10,387)
Retirement benefit liability	4,453	6,252	33,348
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 3,066	¥ 5,025	\$ 22,961

(e) Retirement benefit expenses and components thereof:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service costs	¥ 2,177	¥ 2,190	\$ 16,303
Interest costs	382	379	2,861
Expected return on plan assets	(528)	(527)	(3,954)
Amortization of actuarial gains and losses	(425)	(209)	(3,183)
Amortization of past service costs	(25)	(13)	(187)
Retirement benefit expenses applying the simplified method	11	295	82
Loss (gain) on change in retirement benefit plan at subsidiary	(98)	109	(734)
Other	6	29	45
Retirement benefit expenses under defined benefit plans	¥ 1,499	¥ 2,253	\$ 11,226

(f) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Past service costs	¥ 4	¥ 223	\$ 30
Actuarial gains and losses	844	780	6,321
Total	¥ 849	¥ 1,004	\$ 6,358

(g) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized past service costs	¥ (265)	¥ (261)	\$ (1,985)
Unrecognized actuarial gains and losses	(2,725)	(1,871)	(20,407)
Total	¥ (2,991)	¥ (2,132)	\$ (22,399)

(h) Plan assets

(i) Components of plan assets

Percentages to total plan assets by major category are as follows:

	<u>2023</u>	<u>2022</u>
Debt securities	20%	30%
Equity securities	44	36
Cash and deposits	13	12
Other	23	22
Total	<u>100%</u>	<u>100%</u>

(ii) Determination of expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is determined considering current and expected allocation of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(i) Actuarial assumptions

	<u>2023</u>	<u>2022</u>
Discount rate	Mainly 0.8%	Mainly 0.8%
Expected long-term rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

Defined contribution plans

The required contribution of MGC to the defined contribution plans amounted to ¥903 million (\$6,763 thousand) and ¥816 million as of March 31, 2023 and 2022, respectively.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 30.6% in 2023 and 2022.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of profit before income taxes for the years ended March 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Statutory tax rate	30.6%	30.6%
Share of profit of entities accounted for using equity method	(8.9)	(6.5)
Dividend income eliminated in consolidation	12.4	5.7
Valuation allowance	3.2	3.5
Income not credited for tax purposes	(8.7)	(6.2)
Foreign taxes	0.3	0.7
Other	(6.9)	(3.3)
Effective tax rate	<u>22.0%</u>	<u>24.6%</u>

Significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Tax loss carryforward	¥ 8,108	¥ 6,092	\$ 60,720
Retirement benefit liability	7,281	7,178	54,527
Loss on valuation of investments in securities	1,600	1,249	11,982
Provision for bonuses	1,684	1,684	12,611
Intercompany profits	2,888	2,921	21,628
Depreciation	469	445	3,512
Impairment loss	2,855	3,120	21,381
Asset retirement obligations	1,672	1,676	12,522
Other	5,171	4,724	38,725
	<u>31,732</u>	<u>29,093</u>	<u>237,639</u>
Valuation allowance for tax loss carryforward	(6,772)	(4,756)	(50,715)
Valuation allowance for the total amount of deductible temporary differences	(14,011)	(14,269)	(104,928)
	<u>(20,783)</u>	<u>(19,025)</u>	<u>(155,643)</u>
	<u>10,949</u>	<u>10,067</u>	<u>81,997</u>
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(3,865)	(4,992)	(28,945)
Gain by contributing the assets to the trust	(1,255)	(1,255)	(9,399)
Tax purpose reserves etc. regulated by Japanese tax law	(2,070)	(2,189)	(15,502)
Asset retirement cost	(121)	(132)	(906)
Retained earnings of overseas consolidated subsidiaries and others	(7,211)	(5,174)	(54,003)
Other	(5,075)	(4,287)	(38,006)
	<u>(19,600)</u>	<u>(18,032)</u>	<u>(146,783)</u>
Net deferred tax assets (liabilities)	<u>¥ (8,651)</u>	<u>¥ (7,964)</u>	<u>\$ (64,787)</u>

Notes 1: The change in valuation allowance is mainly due to an increase of valuation allowance for tax loss carryforward.

2: The expiration of tax loss carryforward and the resulting net deferred tax assets as of March 31, 2023 and 2022 were as follows:

March 31, 2023

	Millions of yen						
	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	Total
Tax loss carryforward*	¥ 151	¥ 763	¥ 1,506	¥ 1,003	¥ 1,002	¥ 3,681	¥ 8,108
Valuation allowance	(52)	—	(1,276)	(997)	(1,002)	(3,443)	(6,772)
Deferred tax assets	98	763	229	6	—	237	1,336

March 31, 2022

	Millions of yen						
	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	Total
Tax loss carryforward*	¥ 825	¥ 279	¥ 1,116	¥ 1,097	¥ 717	¥ 2,056	¥ 6,092
Valuation allowance	(42)	(55)	(1,097)	(1,091)	(654)	(1,814)	(4,756)
Deferred tax assets	782	223	19	5	63	242	1,336

March 31, 2023

	Thousands of U.S. dollars						
	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	Total
Tax loss carryforward*	\$ 1,131	\$ 5,714	\$ 11,278	\$ 7,511	\$ 7,504	\$ 27,567	\$ 60,720
Valuation allowance	(389)	—	(9,556)	(7,466)	(7,504)	(25,784)	(50,715)
Deferred tax assets	734	5,714	1,715	45	—	1,775	10,005

* Tax loss carryforward was calculated by multiplying the statutory tax rate.

10. Common Stock

Under the Companies Act, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

11. Retained Earnings and Dividends

The Companies Act provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Companies Act also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheet.

Cash dividends charged to retained earnings for the years ended March 31, 2023 and 2022 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Companies Act.

(a) Dividends paid during the year ended March 31, 2022

The following was approved by the Board of Directors held on May 26, 2021

(i) Total dividends	¥7,280 million
(ii) Cash dividends per common share	¥35
(iii) Record date	March 31, 2021
(iv) Effective date	June 7, 2021

The following was approved by the Board of Directors held on November 5, 2021

(i) Total dividends	¥9,362 million
(ii) Cash dividends per common share	¥45
(iii) Record date	September 30, 2021
(iv) Effective date	December 6, 2021

(b) Dividends paid during the year ended March 31, 2023

The following was approved by the Board of Directors held on May 26, 2022

(i) Total dividends	¥7,281 million (\$54,527 thousand)
(ii) Cash dividends per common share	¥35 (\$0.26)
(iii) Record date	March 31, 2022
(iv) Effective date	May 26, 2022

The following was approved by the Board of Directors held on November 8, 2022

(i) Total dividends	¥8,183 million (\$61,282 thousand)
(ii) Cash dividends per common share	¥40 (\$0.30)
(iii) Record date	September 30, 2022
(iv) Effective date	December 6, 2022

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2023

The following was approved by the Board of Directors held on May 26, 2023.

(i) Total dividends	¥8,183 million (\$61,282 thousand)
(ii) Dividend source	Retained earnings
(iii) Cash dividends per common share	¥40 (\$0.30)
(iv) Record date	March 31, 2023
(v) Effective date	June 8, 2023

12. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Freight	¥ 30,964	¥ 27,713	\$ 231,888
Stevedoring and warehouse fee	4,537	3,811	33,977
Salaries	21,402	19,842	160,279
Employees' bonuses	6,023	5,785	45,106
Pension cost	1,129	1,118	8,455
Welfare	5,348	5,045	40,051
Transportation	1,772	847	13,270
Depreciation	7,069	5,906	52,939

13. Research and Development Costs

Research and development costs charged to following items for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Research and development costs which were included in selling, general and administrative expenses	¥ 22,264	¥ 19,755	\$ 166,734
Research and development costs which were included in general and administrative expenses and manufacturing costs	23,512	21,093	176,080

14. Impairment Loss

MGC reviewed its long-lived assets for impairment and, as a result, recognized an impairment loss for the years ended March 31, 2023 and 2022 as follows:

Location	Usage	Classification	Millions of yen		Thousands of U.S. dollars
			2023	2022	2023
Shanghai City, China	Manufacturing facilities for synthetic resins	Buildings, machinery and equipment, etc.	¥ 699	¥ 3,736	\$ 5,235
Yokkaichi-shi Mie Pref. Japan	Storage facilities	Structures, etc.	210	—	1,573
State of Michigan, U.S.A	Manufacturing facilities	Machinery and equipment	115	—	861
Shirakawa-shi Fukushima Pref. Japan	Facilities for rent	Buildings, machinery and equipment, etc.	—	1,194	—
Yokkaichi-shi Mie Pref. Japan	Manufacturing facilities for synthetic resins	Machinery and equipment, etc.	—	769	—
Niigata-shi Niigata Pref. Japan	Manufacturing facilities for organic chemicals	Machinery and equipment, etc.	—	611	—
Maebashi-shi Gunma Pref. Japan	Manufacturing facilities	Buildings, machinery and equipment, etc.	—	177	—
Kurashiki-shi Okayama Pref. Japan	Manufacturing facilities for aromatic chemicals	Machinery and equipment	—	147	—
Ishikari-shi Hokkaido Pref. Japan	Manufacturing facilities	Buildings, machinery and equipment, etc.	—	117	—

The long-lived assets that are used for business are grouped according to the classification which is used for monitoring the profit and loss continuously under the management accounting system, and the idle assets are grouped individually by each item.

The carrying amounts of manufacturing facilities owned by the Company and its consolidated subsidiaries, and of facilities for rent owned by the Company were written down to their recoverable amounts because the carrying amounts fell below the recoverable amounts.

The recoverable amounts were measured using the net selling value or value in use per each asset group, and evaluated based on reasonable estimation by cost approach or based on memorandum value due to negative future cash flow.

Impairment loss on the asset groups consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Buildings and structures	¥ 386	¥ 2,084	\$ 2,891
Machinery, equipment and vehicles	551	4,243	4,126
Intangible assets	—	55	—
Other	87	373	652
Total	¥ 386	¥ 6,756	\$ 7,684

15. Other Comprehensive Income

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Arising during the year	¥ 202	¥ (1,433)	\$ 1,513
Reclassification adjustment	(3,732)	(2,974)	(27,949)
Before tax amount	(3,529)	(4,407)	(26,429)
Tax benefit (expense)	1,098	1,289	8,223
Net-of-tax amount	(2,430)	(3,118)	(18,198)
Deferred losses on hedges:			
Arising during the year	73	(20)	547
Reclassification adjustment	—	—	—
Before tax amount	73	(20)	547
Tax benefit (expense)	(22)	6	(165)
Net-of-tax amount	51	(14)	382
Foreign currency translation adjustments:			
Arising during the year	9,408	9,330	70,456
Net-of-tax amount	9,408	9,330	70,456
Remeasurements of defined benefit plans:			
Arising during the year	1,349	1,313	10,103
Reclassification adjustment	(499)	(309)	(3,737)
Before tax amount	849	1,004	6,358
Tax benefit (expense)	52	28	389
Net-of-tax amount	901	1,032	6,748
Share of other comprehensive income of entities accounted for by the equity method:			
Arising during the year	7,033	6,471	52,670
Reclassification adjustment	—	—	—
Net-of-tax amount	7,033	6,471	52,670
Total other comprehensive income	¥ 14,963	¥ 13,701	\$ 112,057

16. Per Share Information

(a) Earnings per share

Earnings per share, and reconciliation of the numbers and the amounts used in the earnings per share computations for the years ended March 31, 2023 and 2022 are as follows:

	Yen		U.S. dollars
	2023	2022	2023
Earnings per share	¥ 239.08	¥ 232.15	\$ 1.79
	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Profit attributable to owners of parent	¥ 49,085	¥ 48,295	\$ 367,595
Profit not applicable to common stockholders	—	—	—
Profit attributable to common stockholders of parent	¥ 49,085	¥ 48,295	\$ 367,595
	Number of shares		
	2023	2022	
Weighted average number of shares outstanding on which earnings per share is calculated	205,305,427	208,036,405	

The diluted earnings per share for the years ended March 31, 2023 and 2022 are not presented because there are no dilutive potential shares as of March 31, 2023 and 2022.

(b) Net assets per share

Net assets per share as of March 31, 2023 and 2022 are as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share	¥ 2,970.07	¥ 2,733.86	\$ 22.24

17. Leases

Operating lease

Future minimum lease payments required under non-cancellable operating leases as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Within one year	¥ 444	¥ 754	\$ 3,325
Over one year	1,583	2,470	11,855
	¥ 2,027	¥ 3,224	\$ 15,180

18. Balances and Transactions with Related Party

The information for the year ended March 31, 2023 is not presented since their balance is immaterial.

	Millions of yen
	2022
Balances:	
Accounts receivable - trade	¥ 9,509
Transactions:	
Sales	39,252

The Company has a 50% equity ownership in BRUNEI METHANOL COMPANY SDN. BHD. as of March 31, 2022.

As of March 31, 2022, the Company has guaranteed ¥1,235 million of the company's loans to financial institutions.

The affiliated company of the Company has a 35% equity ownership in CARIBBEAN GAS CHEMICAL LTD. as of March 31, 2022.

As of March 31, 2022, the Company has guaranteed ¥27,612 million of the company's loans to financial institutions.

The condensed financial information of all of 15 affiliates accounted for by the equity method, including the significant affiliate, Japan Saudi Arabia Methanol Company, Inc., are as follows:

	Millions of yen
	2022
Total current assets	¥ 252,314
Total non-current assets	421,830
Total current liabilities	169,348
Total non-current liabilities	205,190
Total net assets	299,706
Sales	410,666
Profit before income taxes	56,274
Profit	35,856

19. Commitments and Contingencies

The Company guarantees certain obligations of its associated companies and employees, etc. As of March 31, 2023 and 2022, guarantees for affiliates and employees, etc. loans amounted to ¥8,355 million (\$62,570 thousand) and ¥35,809 million, respectively.

20. Financial Instruments

Conditions of financial instruments

(a) Management policy

MGC raises necessary funds through bank borrowings and issue of bonds in accordance with a funds management plan. Surplus funds are invested in highly safe financial instruments. MGC raises funds through bank borrowings for short-term operating fund. MGC uses derivatives to avoid risks mentioned below and does not enter into derivatives for speculative purposes.

(b) Financial instruments and risks

Trade notes and accounts receivable are exposed to customer's credit risk. Maturities of trade notes and accounts payable are mostly within one year. Part of trade receivables and payables is denominated in foreign currency and is exposed to fluctuation risk of foreign exchange rates. MGC uses foreign exchange contracts to hedge the net position.

Securities and investments in securities are mainly equity securities held for business relations and are exposed to market fluctuation risk.

Borrowings, bonds and lease obligations for finance leases are mainly for financing of funds for capital expenditure and operating. Part of the liabilities is with variable interest rate and thus is exposed to interest rate fluctuation risk. MGC uses interest rate swaps to hedge the risk.

MGC uses foreign exchange contracts to hedge future fluctuation of foreign exchange rates of operating receivables and payables and forecasted transactions denominated in foreign currencies, interest rate swaps and currency swaps to hedge future fluctuation of interest rates and foreign exchange rates of borrowings.

Hedge accounting is applied for certain derivative transactions. MGC applies the deferral hedge accounting method for hedge accounting. MGC has entered into forward exchange contracts for receivables and payables and forecasted transactions denominated in foreign currencies, and interest rate swap agreements to manage interest rate exposures on certain borrowings. Hedges for fluctuation risk of foreign exchange rates that meet certain criteria are accounted for using the allocation method. If interest rate swap agreements are used as hedges and meet certain hedging criteria, the difference in amounts to be paid or received on the interest rate swap agreements is recognized over the life of the agreements as an adjustment to interest expense. MGC employs derivative transactions within actual demand and does not hold or issue derivative financial instruments for speculative purposes. The hedge effectiveness is assessed based on the fluctuation ratio of hedged items and hedging instruments by comparing the cumulative market fluctuations or cash flow fluctuations of hedged items and those of related hedging instruments. The Company omits to assess hedge effectiveness of interest rate swaps which qualify for hedge accounting and meet certain criteria.

(c) Financial instruments risk management

(i) Credit risk

To mitigate and quickly capture the collectability issues, sales administration divisions regularly monitor major customers' credit status, and perform due date controls and balance controls for each customer in accordance with trade receivables and credit control rules. Held-to-maturity securities are debt securities readily convertible into cash which are invested in accordance with investment of surplus funds rules.

Maximum risk as of March 31, 2023 and 2022 is represented by the carrying amount of financial assets exposed to credit risk.

(ii) Market risk

The finance departments have executed the transactions with market risk with the director's approval in accordance with the finance rules and the derivatives control rules.

To mitigate the foreign currency fluctuation risk recognized by currency and month, MGC enters into a forward exchange contract for hedging the cash flow fluctuation risk associated with operating receivables and payables and forecasted transactions denominated in foreign currencies and surplus funds. To mitigate the foreign currency and interest rate fluctuation risk, MGC enters into an interest rate swap and a currency swap for hedging the cash flow fluctuation risk associated with borrowings.

MGC regularly monitors a price and an issuer's financial condition, and continuously considers whether MGC holds the securities or the investments in securities except for held-to-maturity bond.

(iii) Liquidity risk

To mitigate the liquidity risk, a finance department prepares and updates a funds management plan as necessary, and maintains an appropriate level of liquidity.

(d) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is determined based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in **Fair value of financial instruments** does not represent the market risk of the derivative transactions.

Fair value of financial instruments

Balance sheet amount, fair value, and differences as of March 31, 2023 and 2022 are as follows.

March 31, 2023	Millions of yen			Thousands of U.S. dollars		
	Balance sheet amount	Fair value	Differences	Balance sheet amount	Fair value	Differences
Assets:						
(1) Securities and investments in securities	¥ 28,354	¥ 28,354	¥ —	\$ 212,342	\$ 212,342	\$ —
Total assets	¥ 28,354	¥ 28,354	¥ —	\$ 212,342	\$ 212,342	\$ —
Liabilities:						
(1) Bonds	¥ 20,000	¥ 19,649	¥ (350)	\$ 149,779	\$ 147,150	\$ (2,621)
(2) Long-term borrowings	¥ 74,680	¥ 73,214	¥ (1,465)	\$ 559,275	\$ 548,296	\$ (10,971)
Total liabilities	¥ 94,680	¥ 92,864	¥ (1,815)	\$ 709,054	\$ 695,447	\$ (13,592)
Derivative transactions (*4):						
Hedge accounting not applied:	¥ (295)	¥ (295)	¥ —	\$ (2,209)	\$ (2,209)	\$ —
Hedge accounting applied:	¥ 25	¥ 25	¥ —	\$ 187	\$ 187	\$ —
Total derivative transactions	¥ (270)	¥ (270)	¥ —	\$ (2,022)	\$ (2,022)	\$ —

March 31, 2022	Millions of yen		
	Balance sheet amount	Fair value	Differences
Assets:			
(1) Securities and investments in securities	¥ 33,636	¥ 33,636	¥ —
Total assets	¥ 33,636	¥ 33,636	¥ —
Liabilities:			
(1) Bonds	¥ 20,000	¥ 19,866	¥ (133)
(2) Long-term borrowings	¥ 46,621	¥ 47,465	¥ 843
Total liabilities	¥ 66,621	¥ 67,332	¥ 710
Derivative transactions (*4):			
Hedge accounting not applied:	¥ (456)	¥ (456)	¥ —
Hedge accounting applied:	¥ (48)	¥ (48)	¥ —
Total derivative transactions	¥ (504)	¥ (504)	¥ —

*1. Disclosure of notes on Cash is omitted. Disclosure of notes on Deposits, Notes and accounts receivable - trade, and contract assets, Notes and accounts payable - trade, Short-term borrowings, Accrued expenses and Income taxes payable is omitted since their carrying amounts approximate their fair values because of the short maturity of these instruments.

*2. Equity securities without market price are not included in "Assets (1) Securities and investments in securities." The balance

sheet amount of these instruments is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unlisted equity securities	¥ 171,572	¥ 137,531	\$ 1,284,895

*3. Investment in partnerships is not included in “Assets (1) Securities and investments in securities” as the Company has applied the accounting treatment prescribed in Paragraph 27 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The balance sheet amount of these instruments is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Investment in partnerships	¥ 268	¥ 284	\$ 2,007

*4. Derivative receivables and payables are on net basis. Items that are net payables are shown in parenthesis.

<1> Projected future redemption of monetary claim and securities with maturities as of March 31, 2023 and 2022 are as follows.

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2023				
(1) Cash and deposits	¥ 108,378	¥ —	¥ —	¥ —
(2) Notes and accounts receivable - trade, and contract assets	176,489	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity:				
Bonds	—	—	—	1,563
Other	—	—	—	—
Total	¥ 284,867	¥ —	¥ —	¥ 1,563

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2022				
(1) Cash and deposits	¥ 102,049	¥ —	¥ —	¥ —
(2) Notes and accounts receivable - trade, and contract assets	175,993	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity:				
Bonds	—	—	—	1,737
Other	—	—	—	100
Total	¥ 278,042	¥ —	¥ —	¥ 1,837

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2023				
(1) Cash and deposits	\$ 811,638	\$ —	\$ —	\$ —
(2) Notes and accounts receivable - trade, and contract assets	1,321,718	—	—	—
(3) Securities and investments in securities:				
Held-to-maturity securities:				
Government bonds	—	—	—	—
Certificates of deposit	—	—	—	—
Other securities with maturity:				
Bonds	—	—	—	11,705
Other	—	—	—	—
Total	\$ 2,133,356	\$ —	\$ —	\$ 11,705

<2> The annual maturities of the bonds and long-term borrowings as of March 31, 2023 and 2022 are as follows.

		Millions of yen										
March 31, 2023		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					
Bonds	¥	—	¥	—	¥	10,000	¥	—	¥	—	¥	10,000
Long-term borrowings		12,542		7,057		6,717		11,076		5,842		43,987

		Millions of yen										
March 31, 2022		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					
Bonds	¥	—	¥	—	¥	—	¥	10,000	¥	—	¥	10,000
Long-term borrowings		8,092		17,028		5,142		4,104		1,868		18,477

		Thousands of U.S. dollars										
March 31, 2023		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					
Bonds	\$	—	\$	—	\$	74,890	\$	—	\$	—	\$	74,890
Long-term borrowings		93,926		52,850		50,303		82,948		43,750		329,417

Breakdown by level of fair value of financial instruments

Fair value of financial instruments is categorized into following three levels depending on observability and materiality of inputs used for the measurement of fair values.

Level 1: Fair value determined based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value determined based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value determined based on significant unobservable inputs for the asset or liability.

If multiple inputs that have significant impact on the fair value measurement are used, the fair value is categorized in the level of the lowest level input used in the fair value measurement.

(i) Financial instruments whose fair value is presented as carrying amount in the balance sheet

		Millions of yen				
		2023				
		Fair value				
		Level 1	Level 2	Level 3	Total	
Securities and investments in securities:						
Other securities:						
Equity securities	¥	26,697	¥	—	¥	26,697
Bonds		—	1,563	—	1,563	
Other		93	—	—	93	
Total assets	¥	26,791	¥	1,563	¥	28,354
Derivative transactions (*):						
Hedge accounting not applied:						
Forward exchange contracts and currency swap agreements	¥	—	¥	(420)	¥	(420)
Interest rate swap agreements		—	125	—	125	
Hedge accounting applied:						
Forward exchange contracts		—	25	—	25	
Total derivative transactions	¥	—	¥	(270)	¥	(270)

		Millions of yen				
		2022				
		Fair value				
		Level 1	Level 2	Level 3	Total	
Securities and investments in securities:						
Other securities:						
Equity securities	¥	31,795	¥	—	¥	31,795
Bonds		—	1,737	—	1,737	
Other		104	—	—	104	
Total assets	¥	31,899	¥	1,737	¥	33,636
Derivative transactions (*):						
Hedge accounting not applied:						
Forward exchange contracts and currency swap agreements	¥	—	¥	(498)	¥	(498)
Interest rate swap agreements		—	42	—	42	
Hedge accounting applied:						
Forward exchange contracts		—	(48)	—	(48)	
Total derivative transactions	¥	—	¥	(504)	¥	(504)

		Thousands of U.S. dollars				
		2023				
		Fair value				
		Level 1	Level 2	Level 3	Total	
Securities and investments in securities:						
Other securities:						
Equity securities	\$	199,933	\$	—	\$	199,933
Bonds		—	11,705	—	11,705	
Other		696	—	—	696	
Total assets	\$	200,637	\$	11,705	\$	212,342
Derivative transactions (*):						
Hedge accounting not applied:						
Forward exchange contracts and currency swap agreements	\$	—	\$	(3,145)	\$	(3,145)
Interest rate swap agreements		—	936	—	936	
Hedge accounting applied:						
Forward exchange contracts		—	187	—	187	
Total derivative transactions	\$	—	\$	(2,022)	\$	(2,022)

* Derivative receivables and payables are on net basis. Items that are net payables are shown in parenthesis.

(ii) Financial instruments whose carrying amount in the balance sheet is not based on fair value

		Millions of yen			
		2023			
		Fair value			
		Level 1	Level 2	Level 3	Total
Bonds	¥	19,649	¥ —	¥ —	¥ 19,649
Long-term borrowings		—	73,214	—	73,214
Total liabilities	¥	19,649	¥ 73,214	¥ —	¥ 92,864

		Millions of yen			
		2022			
		Fair value			
		Level 1	Level 2	Level 3	Total
Bonds	¥	19,866	¥ —	¥ —	¥ 19,866
Long-term borrowings		—	47,465	—	47,465
Total liabilities	¥	19,866	¥ 47,465	¥ —	¥ 67,332

		Thousands of U.S. dollars			
		2023			
		Fair value			
		Level 1	Level 2	Level 3	Total
Bonds	\$	147,150	\$ —	\$ —	\$ 147,150
Long-term borrowings		—	548,296	—	548,296
Total liabilities	\$	147,150	\$ 548,296	\$ —	\$ 695,454

Note: Explanation on techniques and inputs used for fair value measurement

Securities and investments in securities:

Equity securities are valued using quoted market prices. The fair value of equity securities is categorized in Level 1 as they are traded in active markets. The fair value of bonds is categorized in Level 2 since it is not considered a quoted price in an active market as bonds they are not frequently traded in the market.

Derivative transactions:

The fair value of derivatives is determined based on prices obtained from counterparty financial institutions and categorized in Level 2.

Bonds:

The fair value of bonds issued by the Company is determined based on market prices and categorized in Level 1.

Long-term borrowings:

The fair value of long-term borrowings is determined by the present value based on the total principal and interest discounted by the interest rates assumed for similar new loans, and categorized in Level 2.

21. Derivative Financial Instruments

The contract or notional amounts and fair value of derivative financial instruments held as of March 31, 2023 and 2022 are summarized as follows:

Derivative financial instruments to which hedge accounting is not applied are summarized as follows:

(a) Forward exchange contracts and currency swap agreements

		Millions of yen		
		Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2023				
Forward exchange contracts:				
To sell foreign currency:				
U.S. dollar	¥	30,055	¥ (4)	¥ (4)
Euro		4,843	(5)	(5)
New Taiwan dollar		784	29	29
Chinese Yuan		3,404	(3)	(3)
To buy foreign currency:				
U.S. dollar		265	2	2
Currency swap agreements:				
Receive/U.S. dollar, Pay/Japanese Yen		907	21	21
Receive/U.S. dollar, Pay/Thai Baht		597	(35)	(35)
Receive/Japanese Yen, Pay/Chinese Yuan		1,942	(424)	(424)
	¥	<u>42,800</u>	¥ <u>(420)</u>	¥ <u>(420)</u>

		Millions of yen		
		Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2022				
Forward exchange contracts:				
To sell foreign currency:				
U.S. dollar	¥	15,953	¥ (123)	¥ (123)
Euro		3,387	(6)	(6)
Thai Baht		230	(0)	(0)
New Taiwan dollar		604	(21)	(21)
Chinese Yuan		2,254	(0)	(0)
To buy foreign currency:				
U.S. dollar		189	2	2
New Taiwan dollar		2	(0)	(0)
Currency swap agreements:				
Receive/U.S. dollar, Pay/Japanese Yen		802	43	43
Receive/U.S. dollar, Pay/Thai Baht		575	9	9
Receive/Japanese Yen, Pay/Chinese Yuan		1,926	(402)	(402)
	¥	<u>25,926</u>	¥ <u>(498)</u>	¥ <u>(498)</u>

		Thousands of U.S. dollars		
		Contract or notional amounts	Fair value	Valuation gain (loss)
March 31, 2023				
Forward exchange contracts:				
To sell foreign currency:				
U.S. dollar	\$	225,081	\$ (30)	\$ (30)
Euro		36,269	(37)	(37)
New Taiwan dollar		5,871	217	217
Chinese Yuan		25,492	(22)	(22)
To buy foreign currency:				
U.S. dollar		1,985	15	15
Currency swap agreements:				
Receive/U.S. dollar, Pay/Japanese Yen		6,792	157	157
Receive/U.S. dollar, Pay/Thai Baht		4,471	(262)	(262)
Receive/Japanese Yen, Pay/Chinese Yuan		14,544	(3,175)	(3,175)
	\$	<u>320,527</u>	\$ <u>(3,145)</u>	\$ <u>(3,145)</u>

(b) Interest rate swap agreements

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
<u>March 31, 2023</u>			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 3,259	¥ 125	¥ 125

	Millions of yen		
	Contract or notional amounts	Fair value	Valuation gain (loss)
<u>March 31, 2022</u>			
Interest rate swap agreements:			
Receive/floating and pay/fixed	¥ 3,606	¥ 42	¥ 42

	Thousands of U.S. dollars		
	Contract or notional amounts	Fair value	Valuation gain (loss)
<u>March 31, 2023</u>			
Interest rate swap agreements:			
Receive/floating and pay/fixed	\$ 24,407	\$ 936	\$ 936

Derivative financial instruments to which hedge accounting is applied are summarized as follows:

Forward exchange contracts

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2023			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable - trade	¥ 1,841	¥ 23
U.S. dollar			
To buy foreign currency:	Accounts payable - trade	68	1
U.S. dollar			
To sell foreign currency:	Forecasted transactions	1,523	24
U.S. dollar			
To buy foreign currency:	Forecasted transactions	68	1
U.S. dollar			
		¥ 3,501	¥ 50

	Hedged items	Millions of yen	
		Contract or notional amounts	Fair value
March 31, 2022			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable - trade	¥ 1,579	¥ (79)
U.S. dollar			
To buy foreign currency:	Accounts payable - trade	245	11
U.S. dollar			
To sell foreign currency:	Forecasted transactions	1,101	(48)
U.S. dollar			
To buy foreign currency:	Forecasted transactions	90	0
U.S. dollar			
		¥ 3,017	¥ (116)

	Hedged items	Thousands of U.S. dollars	
		Contract or notional amounts	Fair value
March 31, 2023			
Forward exchange contracts:			
To sell foreign currency:	Accounts receivable - trade	\$ 13,787	\$ 172
U.S. dollar			
To buy foreign currency:	Accounts payable - trade	509	7
U.S. dollar			
To sell foreign currency:	Forecasted transactions	11,406	180
U.S. dollar			
To buy foreign currency:	Forecasted transactions	509	7
U.S. dollar			
		\$ 26,219	\$ 374

22. Investment and Rental Property

The Company and certain consolidated subsidiaries own land and buildings for rent in Tokyo and other areas (hereafter "rental property").

The amounts recognized in the consolidated balance sheet and fair values related to the rental property for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Consolidated balance sheet amount:			
Balance at beginning of the year	¥ 6,314	¥ 10,200	\$ 47,285
Increase/(decrease)	202	(3,886)	1,513
Balance at end of the year	¥ 6,516	¥ 6,314	\$ 48,798
Fair value	¥ 8,883	¥ 9,448	\$ 66,524

- Notes:
1. Consolidated balance sheet amount is its cost minus accumulated depreciation and accumulated impairment loss.
 2. Increase for the year ended March 31, 2023 was mainly due to new rents executed by the Company of ¥469 million (\$3,512 thousand). Decrease for the year ended March 31, 2022 was mainly due to exclusion of ¥3,755 million on changes in the scope of consolidation.
 3. Fair value is based on roadside value, etc.

Rent income from the rental property is ¥137 million (\$1,026 thousand) and ¥230 million for the years ended March 31, 2023 and 2022, respectively.

Loss on sale from the rental property is ¥124 million (\$929 thousand) for the years ended March 31, 2023.

23. Business Combination

Transactions under common control

Acquisition of additional shares of a subsidiary

(a) Summary of the Transactions

(i) Name of the entity and description of the business involved in the business combination

Name: JAPAN U-PICA COMPANY, LTD.

Business: Manufacture and sale of unsaturated polyester resins, coating resins, and methacrylic acid esters

(ii) Date of the business combination

March 31, 2023

(iii) Legal form of the business combination

Acquisition of shares from a non-controlling shareholder

(iv) Name of company after the business combination

No change

(v) Other matters regarding overview of the business combination

Ratio of voting rights acquired is 30%

The objective is maximization of the value as a group as strengthen current and new business development, and communicate with MGC.

(b) Outline of accounting treatment

This business combination was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(c) Matters to be described in the case of acquisition of additional shares of a subsidiary

Undisclosed due to duty of confidentiality

(d) Matters on changes in the Company's ownership interest in subsidiaries due to transactions with non-controlling shareholder

(i) Major factor of change in additional paid-in capital

Acquisition of additional shares of a subsidiary

(ii) Amount of additional paid-in capital increased by transactions with non-controlling shareholder

¥378 million (\$2,831 thousand)

24. Revenue Recognition

(a) Breakdown of revenue from contracts with customers for the year ended March 31, 2023 and 2022

Millions of yen					
2023					
Reported segment					
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other (note)	Adjustments	Total
Japan	¥ 236,568	¥ 86,085	¥ 65	¥ —	¥ 322,720
Asia (China)	36,209	60,950	—	—	97,160
Asia (Other)	87,836	112,329	—	—	200,166
America	41,287	27,568	—	—	68,856
Other	70,265	21,969	2	—	92,237
Revenue from contracts with customers	¥ 472,167	¥ 308,904	¥ 68	¥ —	¥ 781,141
Other revenue	¥ —	¥ —	¥ 69	¥ —	¥ 69
Sales to third parties	¥ 472,167	¥ 308,904	¥ 138	¥ —	¥ 781,211

Millions of yen					
2022					
Reported segment					
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other (note)	Adjustments	Total
Japan	¥ 199,830	¥ 112,327	¥ 75	¥ —	¥ 312,233
Asia (China)	39,500	52,706	—	—	92,207
Asia (Other)	90,022	86,258	0	—	176,280
America	30,331	21,812	0	—	52,143
Other	60,275	12,314	1	(0)	72,591
Revenue from contracts with customers	¥ 419,959	¥ 285,419	¥ 76	¥ (0)	¥ 705,456
Other revenue	¥ —	¥ —	¥ 200	¥ —	¥ 200
Sales to third parties	¥ 419,959	¥ 285,419	¥ 277	¥ (0)	¥ 705,656

Thousands of U.S. dollars					
2023					
Reported segment					
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other (note)	Adjustments	Total
Japan	\$ 1,771,647	\$ 644,687	\$ 487	\$ —	\$ 2,416,835
Asia (China)	271,168	456,452	—	—	727,627
Asia (Other)	657,800	841,227	—	—	1,499,034
America	309,196	206,455	—	—	515,659
Other	526,211	164,525	15	—	690,759
Revenue from contracts with customers	\$ 3,536,037	\$ 2,313,368	\$ 509	\$ —	\$ 5,849,929
Other revenue	\$ —	\$ —	\$ 517	\$ —	\$ 517
Sales to third parties	\$ 3,536,037	\$ 2,313,368	\$ 1,033	\$ —	\$ 5,850,453

Note: 1. Other includes real estate business which is not included in reported segments.
2. The information of breakdown of revenue from contracts with customers has been changed from product segmentation to geographic segmentation from the year ended March 31, 2023

(b) Basic information to understand the revenue from contracts with customers

Based on the following five-step approach, MGC recognizes revenue at the time of the transfer of promised goods or services to customers in the amount that reflects the consideration to which MGC expects to be entitled in exchange for those goods or services.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

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

MGC is primarily engaged in business activities related to manufacturing and sales of products in the “Basic Chemicals Business Sector” and “Specialty Chemicals Business Sector.” For the sale of these products, revenue is recognized upon delivery of the products since MGC determines that the customer obtains control of the products and the performance obligations are satisfied at the time of delivery.

Revenue is measured at the amount of consideration promised in a contract with a customer, excluding discounts, rebates, returns, etc. For transactions in which MGC acts as an agent in sales of products to customers, revenue is recognized at net amount after deducting the amount paid to the supplier from the total amount of considerations received from the customer.

Consideration in sales contracts for goods and products is principally received within one year from the time control of the goods and services are transferred to the customer and does not include any significant financing component.

(c) Information to understand amounts of revenue for the year ended March 31, 2023 and the year ending March 31, 2024 onward

(i) Balance of contract assets and contract liabilities

The MGC’s contract assets and contract liabilities are not presented since their balance is immaterial and there is no significant fluctuation. Revenue recognized in the year ended March 31, 2023 from performance obligations that were satisfied (or partially satisfied) in prior periods is not material.

(ii) Transaction price allocated to the remaining performance obligations

MGC has applied a practical expedient and does not provide information on the transaction price allocated to the remaining performance obligations since there is no significant contract that has an original expected duration of one year or more, excluding the sales-based or usage-based royalty. In addition, there is no significant amount not included in the transaction price among considerations arising from contracts with customers.

(d) Notes and accounts receivable - trade, and contract assets from contracts with customers is as follows

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Notes receivable- trade	¥ 18,479	¥ 18,675	\$ 138,388
Accounts receivable- trade	158,010	(157,317)	(1,183,330)
Contract assets	¥ 137	¥ 562	\$ 1,026

(e) The amount of contract liabilities from contracts with customers is as follows

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Contract liabilities	¥ 700	¥ 124	\$ 5,242

25. Segment Information

The MGC’s reported segments consist of “Basic Chemicals Business Sector” and “Specialty Chemicals Business Sector” for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

“Basic Chemicals Business Sector” mainly produces and sells methanol, chemical products for methanol and ammonia, life science products, general aromatic products, specialty aromatic products, foaming plastics and electric power.

“Specialty Chemicals Business Sector” mainly produces and sells inorganic chemicals, plastic lens monomer, engineering plastics, electronic materials and oxygen absorbers.

Segment sales, profit, assets, liabilities and others are calculated by accounting methods similar to those employed to prepare the accompanying consolidated financial statements. Segment profit are calculated based on “Keijo-rieki” disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 25). Intersegment revenue and transfer are based on arm’s-length transactions.

The MGC's reported segment information for the years ended March 31, 2023 and 2022 is summarized as follows:

		Millions of yen				
		2023				
		Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:						
Sales to third parties	¥	472,167	¥ 308,904	¥ 138	¥ —	¥ 781,211
Inter-segment sales		6,806	129	7	(6,943)	—
	¥	<u>478,974</u>	<u>¥ 309,034</u>	<u>¥ 145</u>	<u>¥ (6,943)</u>	<u>¥ 781,211</u>
Segment profit	¥	<u>30,558</u>	<u>¥ 38,745</u>	<u>¥ (13)</u>	<u>¥ 474</u>	<u>¥ 69,764</u>
Segment assets	¥	<u>531,556</u>	<u>¥ 457,916</u>	<u>¥ 26,447</u>	<u>¥ 13,396</u>	<u>¥ 1,029,317</u>
Others:						
Depreciation and amortization	¥	17,971	¥ 13,774	¥ 17	¥ 1,802	¥ 33,565
Amortization of goodwill		405	—	—	—	405
Interest income		658	531	0	(33)	1,157
Interest expenses		501	1,593	0	(350)	1,745
Share of profit (loss) of entities accounted for using equity method		11,418	6,137	—	(8)	17,546
Investments in entities accounted for by the equity method		95,370	56,116	—	(31)	151,455
Capital expenditures		32,051	28,658	1	3,940	64,650
		Millions of yen				
		2022				
		Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:						
Sales to third parties	¥	419,959	¥ 285,419	¥ 277	¥ (0)	¥ 705,656
Inter-segment sales		5,383	98	16	(5,499)	—
	¥	<u>425,343</u>	<u>¥ 285,518</u>	<u>¥ 294</u>	<u>¥ (5,499)</u>	<u>¥ 705,656</u>
Segment profit	¥	<u>30,083</u>	<u>¥ 45,433</u>	<u>¥ 22</u>	<u>¥ (1,387)</u>	<u>¥ 74,152</u>
Segment assets	¥	<u>481,866</u>	<u>¥ 405,824</u>	<u>¥ 26,971</u>	<u>¥ 13,988</u>	<u>¥ 928,651</u>
Others:						
Depreciation and amortization	¥	17,165	¥ 13,083	¥ 18	¥ 1,732	¥ 31,999
Amortization of goodwill		393	—	3	—	396
Interest income		268	140	0	(62)	346
Interest expenses		411	687	0	(240)	858
Share of profit (loss) of entities accounted for using equity method		5,136	9,747	—	0	14,883
Investments in entities accounted for by the equity method		86,149	39,434	—	(40)	125,543
Capital expenditures		19,256	32,623	1	2,911	54,793

Thousands of U.S. dollars

	2023				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Sales:					
Sales to third parties	\$ 3,536,037	\$ 2,313,368	\$ 1,033	\$ —	\$ 5,850,453
Inter-segment sales	50,970	966	52	(51,996)	—
	<u>\$ 3,587,014</u>	<u>\$ 2,314,341</u>	<u>\$ 1,086</u>	<u>\$ (51,996)</u>	<u>\$ 5,850,453</u>
Segment profit	\$ 228,847	\$ 290,160	\$ (97)	\$ 3,550	\$ 522,459
Segment assets	\$ 3,980,798	\$ 3,429,312	\$ 198,060	\$ 100,322	\$ 7,708,507
Others:					
Depreciation and amortization	\$ 134,584	\$ 103,153	\$ 127	\$ 13,495	\$ 251,367
Amortization of goodwill	3,033	—	—	—	3,033
Interest income	4,928	3,977	0	(247)	8,665
Interest expenses	3,752	11,930	0	(2,621)	13,068
Share of profit (loss) of entities accounted for using equity method	85,509	45,960	—	(60)	131,401
Investments in entities accounted for by the equity method	714,222	420,250	—	(232)	1,134,239
Capital expenditures	240,028	214,618	7	29,506	484,161

Notes: 1. Other includes real estate business which is not included in reported segments.

2. Adjustments in the above tables are made for the followings:

(1) Adjustments in segment profit

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Elimination of intersegment transactions	¥ 121	¥ (109)	\$ 906
Unallocated company-wide expenses	353	(1,278)	2,644
	<u>¥ 474</u>	<u>¥ (1,387)</u>	<u>\$ 3,550</u>

* Company-wide expenses are administrative expenses, financial income and expenses and other income and expenses which are not allocated to reported segments.

(2) Adjustments in segment assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Elimination of intersegment balances	¥ (76,969)	¥ (63,025)	\$ (576,417)
Unallocated company-wide assets	90,366	77,013	676,747
	<u>¥ 13,396</u>	<u>¥ 13,988</u>	<u>\$ 100,322</u>

* Company-wide assets include cash and deposits which are not allocated to reported segments.

(3) "Adjustments in depreciation and amortization" of ¥1,802 million (\$13,495 thousand) and ¥1,732 million are depreciation and amortization of company-wide assets which are not allocated to reported segments for the years ended March 31, 2023 and 2022, respectively.

(4) "Adjustments in interest income" of ¥(33) million (\$247 thousand) and ¥(62) million are mainly elimination of intersegment transactions for the years ended March 31, 2023 and 2022, respectively.

(5) "Adjustments in interest expenses" of ¥(350) million (\$2,621 thousand) and ¥(240) million are mainly elimination of intersegment transactions for the years ended March 31, 2023 and 2022, respectively.

(6) "Adjustments in investments in entities accounted for by the equity method" of ¥(31) million (\$232 thousand) and ¥(40) million are mainly investments which are not allocated to reported segments for the years ended March 31, 2023 and 2022, respectively.

(7) "Adjustments in capital expenditures" of ¥3,940 million (\$29,506 thousand) and ¥2,911 million are related to company-wide assets which are not allocated to reported segments for the years ended March 31, 2023 and 2022, respectively.

3. **Segment profit is adjusted** with "Keijo-rieki" disclosed in the consolidated statement of income under accounting principles generally accepted in Japan (See note 25).

Related information

1. Information by products and services

Disclosures are omitted because the classification of products and services are same as the classification of the reported segments.

2. Geographical information

(1) Sales

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japan	¥ 322,789	¥ 312,433	\$ 2,417,352
Asia:			
China	97,160	92,207	727,627
Other	200,166	176,280	1,499,034
U.S.A.	68,856	52,143	515,659
Other	92,237	72,591	690,759
Total	¥ 781,211	¥ 705,656	\$ 5,850,453

Note: Geographical sales are classified by customer's location.

(2) Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japan	¥ 199,735	¥ 189,484	\$ 1,495,806
Asia	64,338	50,331	481,824
U.S.A.	37,750	29,557	282,708
Other	11,942	7,010	89,433
Total	¥ 313,767	¥ 276,384	\$ 2,349,787

3. Information by major customers

Disclosures are omitted because no particular customer whose sales are over 10% of sales in the consolidated statement of income exists.

Information of impairment loss on fixed assets by reported segments

	Millions of yen				
	2023				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	¥ 358	¥ 770	¥ —	¥ —	¥ 1,128
	Millions of yen				
	2022				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	¥ 1,160	¥ 4,694	¥ 10	¥ 1,194	¥ 7,059
	Thousands of U.S. dollars				
	2023				
	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Impairment loss	\$ 2,681	\$ 5,766	\$ —	\$ —	\$ 8,448

Note: Adjustments for the year ended March 31, 2023 are impairment loss on company-wide assets which are not allocated to reported segments.

Information of balance of goodwill by reported segments

		Millions of yen				
		2023				
		Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	¥	4,425	—	—	—	4,425

		Millions of yen				
		2022				
		Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	¥	4,811	—	—	—	4,811

		Thousands of U.S. dollars				
		2023				
		Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Adjustments	Consolidated
Goodwill	\$	33,139	—	—	—	33,139

Information of negative goodwill by reported segments

No negative goodwill was recognized for the years ended March 31, 2023 and 2022.

26. The Statement of Income Disclosure under Accounting Principles Generally Accepted in Japan

Under accounting principles generally accepted in Japan, an ordinary profit, "Keijo-rieki" should be disclosed in the statement of income. The ordinary profit is an income figure with certain adjustments made to profit before income taxes.

Followings are the summary information of the statement of income under accounting principles generally accepted in Japan.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net sales	¥ 781,211	¥ 705,656	\$ 5,850,453
Gross profit	168,179	162,586	1,259,485
Operating profit	49,030	55,360	367,183
Ordinary profit	69,764	74,152	522,459
Profit before income taxes	70,239	69,628	526,017
Profit	54,788	52,530	410,305