

LETTER TO STAKEHOLDERS

Overview of Business Performance

In the global economy, consumption and investment expanded as governments took measures to prevent new coronavirus infections and economic activity became more compatible. On the other hand, the economy cooled as a result of cutbacks in automobile production due to semiconductor shortages, soaring commodity prices, financial instability in the U.S. and Europe, and soaring commodity prices, which prompted countries to raise interest rates. In addition, the invasion of the Republic of Ukraine by the Russian Federation shows no signs of abating.

In Japan, prices have risen sharply and foreign exchange rates have fluctuated wildly, further increasing the sense of uncertainty about the future.

In light of the unstable global economic environment and the prolonged risk of volatility, the Group continues to develop high-quality, price-competitive products and promote activities to cultivate new customers and applications to maintain and improve earnings.

As a result of the above, our group's performance in the current consolidated fiscal year was as follows: net sales were ¥ 39,628 million (up by 6.4% year-on-year basis) due to the effect of exchange conversion of foreign currency-denominated sales resulting from yen depreciation, and operating income was ¥ 7,777 million (up by 35.1%) due to increased sales despite soaring raw material prices and utilities costs. Ordinary income was ¥ 9,473 million (up by 22.4%) due to foreign exchange gains of ¥ 1,165 million yen resulting from the conversion of foreign currency denominated deposits, etc. into yen due to yen depreciation, and a gain on step acquisition of ¥ 578 million resulting from the acquisition of an affiliated company in Taiwan as a subsidiary. As a result, net income attributable to owners of the parent amounted to ¥ 7,247 million (up by 32.0%).

The ratio of operating income to net sales increased 4.1 percentage points from the previous fiscal year to 19.6% mainly due to the depreciation of the

yen.

The ratio of ordinary income to total assets increased 1.5 percentage points from the previous fiscal year to 12.2% due to the increase in operating income and an increase in foreign exchange gains.

Return on equity increased 2.3 percentage points to 11.3%.

As a result, net income per share was ¥ 2,259.37.

Overview of Performance by Business Segment

Japan Segment

Segment sales increased to ¥ 38,818 million (up by 6.0%) and segment income (operating income) increased to ¥ 7,871 million (up by 37.1 %).

In the field of non-ionic surfactants, sales of nonionic surfactants for sportswear in Japan remained strong, but those for casual wear were sluggish, and those for automotive applications were also weak due to production adjustments. In the non-textile industry, sales of products for the toiletries industry were strong, but those for the automobile industry were sluggish due to production adjustments. As a result, sales to outside customers were ¥ 23,703 million, up 5.2% from the same period of the previous year.

In the field of anionic surfactants, in the domestic textile industry, although the production volume of automobiles has recovered, the processing volume of interior materials remains sluggish, and that of apparel applications has bottomed out but has yet to fully recover. Overseas sales were generally firm, with sales to outside customers rising 17.9% year on year to ¥ 3,798 million.

In the field of cationic and amphoteric surfactants, sales of products for shampoos and household detergents in Japan were strong, but overseas sales were weak, resulting in sales to outside customers of ¥ 926 million(down 7.3% year-on-year).

In the polymer and inorganic product field, domestic production of apparel in the textile industry is recovering, but has not yet returned to the pre-Colona disaster levels. In the non-textile industry, domestic production was affected

by production adjustments by automobile manufacturers. As a result, sales to outside customers amounted to ¥ 10,389 million (up 5.1% year-on-year).

Asia Segment

Net sales to external customers for the fiscal year were ¥ 809 million (up by 32.2%) and segment profit (operating profit) was ¥ 67 million (up by 214.6%).

In the nonionic surfactants, sales of existing products continued to shrink, while sales of products newly adopted during the period more than compensated for the decline. As a result, sales to outside customers were ¥ 492 million (up by 22.4%).

In the polymer, inorganic products, we have succeeded in expanding sales channels within our own country despite the shrinking overseas market. As a result, sales to outside customers increased to ¥ 295 million (up by 49.2%).

In the field of anionic surfactants and cationic/amphoteric surfactants, there was no significant progress in terms of both sales volume and sales value. Sales to external customers were ¥ 12 million (up by 49.0%) and ¥ 8 million (up by 175.8%), respectively.

A Message from the Management

We focus on R & D, with 20% of our employees in the R & D division, supplying users in a variety of industries, especially the textile industry, with a wide range of products essential for improving quality and productivity. Our goal is to become a stronger, more profitable company that can respond to the global economy.

We have established its current position by continuing to develop unique technologies not only in the surfactant field but also in the polymer field. Our customer base spans a wide range of fields, and we are confident that by accurately grasping customer needs, we will be able to significantly expand our accumulated technological capabilities. In other words, we are deepening and expanding the chain of development from the development of oil for

fibers to Polymer Matsumoto Microsphere, oil for DI cans of metal processing oil, and magnetic fluid.

The global economic environment is expected to remain unpredictable due to instability and prolonged risk of volatility.

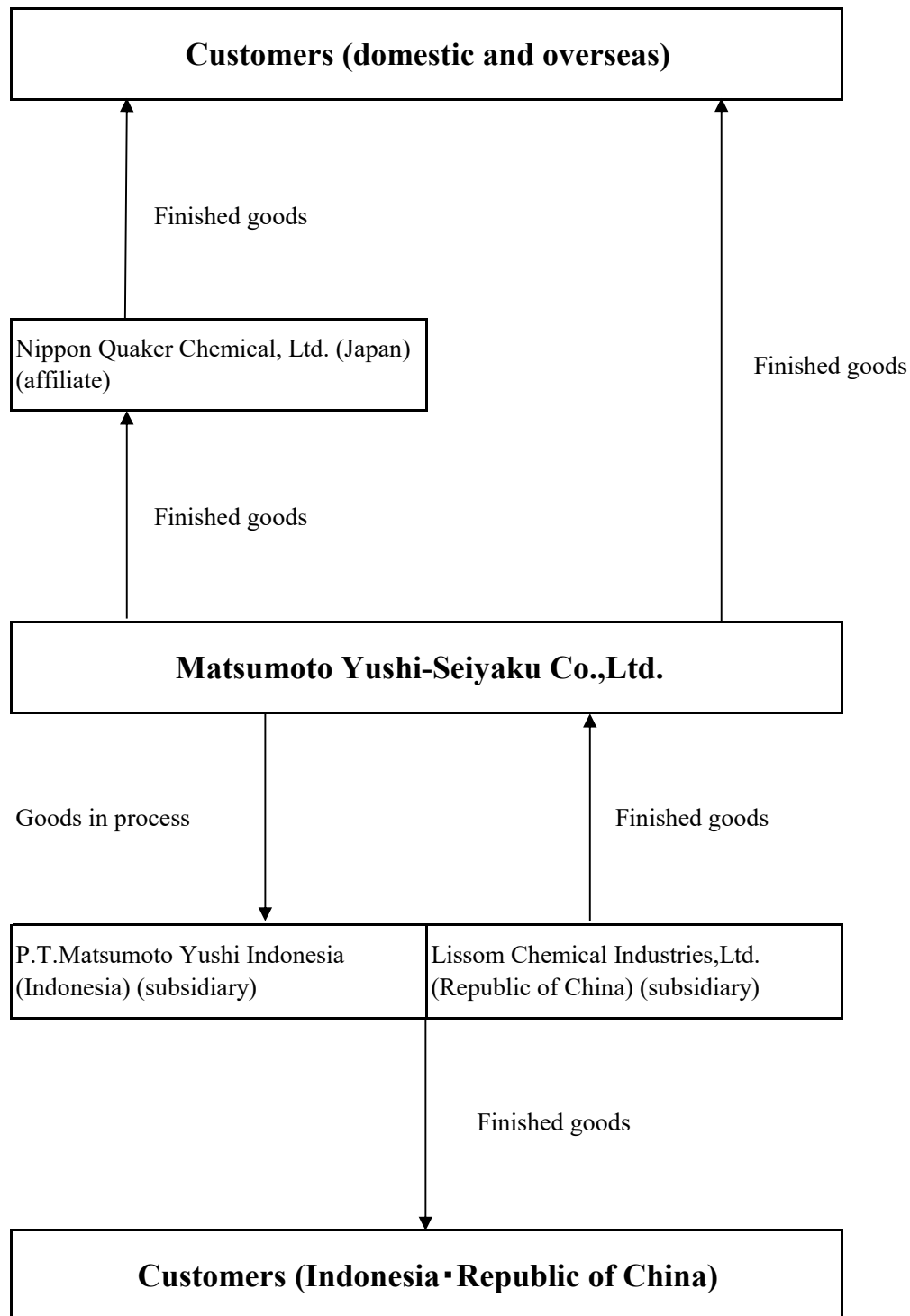
Under these circumstances, we will continue its efforts to strengthen our management foundation. In response to fluctuations in global demand in the textile and automotive industries, we will flexibly adjust production volumes, develop competitive new products, expand sales channels, maintain a stable product supply system, and rationalize our operations.

In addition, we have been working to strengthen our production facilities over the past few years, and we will continue to make effective use of these facilities.

In R&D, we are developing new materials and higher value-added applications, and we intend to continue to operate our business flexibly by putting the right people in the right jobs to respond to changing social conditions.

Sincerely,
NAOKI KIMURA
President and CEO

Holding Company Configuration and Highlights of Business



CORPORATE GOVERNANCE

We are working to achieve a highly transparent and sound system of corporate governance which enables us to realize stable and continuous improvement of enterprise value.

In addition to the regular monthly meetings of the board of directors, extraordinary meetings are held as necessary in order to make timely decisions. Directors, statutory auditors and the chiefs of department have a joint meeting once a week. They ensure legal compliance and the legitimate execution of business. The term of office of directors is one year in order to respond to the rapidly changing business environment.

We adopt a board of statutory auditor system. The board consists of four auditors, one of whom is a full-time auditor. They also attend the director meetings and join other significant discussions to observe the appropriateness of managerial business execution.

As for internal auditing, the Internal Auditing Department is working on the promotion and improvement of internal control and maintaining close coordination with the Board of Statutory Auditors and Accounting Auditor.

MATSUMOTO YUSHI-SEIYAKU CO., LTD. AND A SUBSIDIARY**Selected Financial Data****Years ended March 31**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Results for the year (millions of Yen):					
Net Sales	39,628	37,248	29,605	31,393	32,803
Cost of sales	27,613	27,439	21,991	22,775	23,625
Gross profit	12,015	9,809	7,614	8,618	9,178
Selling, general and administrative expenses	4,238	4,051	3,668	3,867	3,923
Operating income	7,777	5,759	3,946	4,751	5,255
Other income(expenses)	2,267	2,017	858	709	1,156
Income before income taxes and non-controlling interests	10,044	7,776	4,804	5,460	6,411
Income taxes					
current	2,782	2,319	1,380	1,579	1,799
deferred	1	(41)	(21)	(13)	75
Net income	7,262	5,498	3,445	3,893	4,538
Net income attributable to :					
non controlling interests in subsidiary	(15)	(6)	(12)	(5)	(3)
owners of parent	7,247	5,492	3,433	3,888	4,535
Acquisition of property, plant and equipment	435	462	792	2,729	1,036
Depreciation and amortization	935	929	931	654	610
Per share of common stock(Yen):					
Net income attributable to owners of parent	2,259.37	1,697.19	1,060.99	1,201.59	1,401.19
Cash dividends	350.00	350.00	300.00	300.00	350.00
Year-end financial position(millions of Yen):					
Total current assets	61,787	60,277	53,079	49,667	49,690
Total property, plant and equipment	7,160	6,153	6,747	7,410	5,208
Total investments and other assets	10,242	9,777	8,824	7,630	8,172
Total current liabilities	10,923	11,405	9,057	8,518	9,078
Total long-term liabilities	1,797	1,409	1,250	1,178	1,125
Non-controlling interests	1,777	155	143	154	146
Foreign currency translation adjustments	(195)	(47)	(165)	(154)	(168)
Total net assets	66,470	63,393	58,344	55,010	52,867
Other year-end data:					
Number of shares issued(thousands)	4,513	4,513	4,513	4,513	4,513
Number of shareholders	764	774	694	648	638

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023 and 2022

	Millions of yen		Thousands of U.S.dollars (Note 1)	
	2023	2022	2023	2022
ASSETS				
Current assets:				
Cash and cash equivalents(Note 7)	¥ 45,878	¥ 44,874	\$ 344,946	\$ 337,398
Short-term investments (Note 7,8)	510	510	3,835	3,835
Notes and accounts receivable(Note 7):				
Trade	7,121	7,847	53,542	59,000
Associates	2,065	2,252	15,528	16,936
Other	25	35	185	263
Electronically recorded monetary claims(Note 7):	249	260	1,872	1,958
Allowance for doubtful accounts	(17)	(6)	(130)	(41)
	9,443	10,389	70,997	78,116
Inventories (Note 9)	5,869	4,431	44,129	33,317
Other current assets	88	72	661	545
Total current assets	61,787	60,277	464,567	453,210
Property, plant and equipment(Note 11) :				
Land	1,620	530	12,179	3,987
Building and structures	8,890	8,468	66,840	63,667
Machinery and equipment	16,824	15,976	126,499	120,121
Construction in progress	97	5	730	38
	27,431	24,979	206,248	187,814
Accumulated depreciation	(20,271)	(18,826)	(152,411)	(141,549)
Total property, plant and equipment	7,160	6,153	53,837	46,265
Investments and other assets:				
Investments in affiliates(Note 10)	807	1,678	6,071	12,620
Investments in securities (Note 7,8)	8,472	7,160	63,700	53,837
Long-term loans(Note 7)	226	212	1,697	1,592
Deferred income taxes(Note 16)	9	10	69	76
Other	731	721	5,497	5,418
Allowance for doubtful accounts	(3)	(5)	(25)	(34)
Total investments and other assets	10,242	9,777	77,010	73,510
Total assets	¥ 79,190	¥ 76,207	\$ 595,414	\$ 572,985

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2023	2022	2023	2022
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable(Note 7):				
Trade	¥ 6,304	¥ 7,097	\$ 47,397	\$ 53,364
Associates	1,243	1,339	9,349	10,066
Other	1,175	827	8,834	6,219
Accrued income taxes	1,754	1,708	13,187	12,844
Accrued bonuses to employees	337	333	2,537	2,500
Other current liabilities	110	101	824	759
Total current liabilities	10,923	11,405	82,128	85,751
Long-term liabilities				
Retirement benefit liability(Note 12)	1,065	994	8,005	7,472
Asset retirement obligations(Note 21)	119	112	894	839
Deferred income taxes (Note 16)	531	231	3,992	1,740
Other liabilities	82	72	618	545
Total long-term liabilities	1,797	1,409	13,509	10,596
Total liabilities	12,720	12,814	95,637	96,348
Net assets:				
Shareholders' equity				
Common stock				
Authorized 16,000,000 shares				
Issued 2023- 4,512,651 shares (Note 13)	6,090	6,090	45,790	45,790
Capital surplus	6,518	6,518	49,009	49,009
Retained earnings	62,165	56,050	467,404	421,428
Less, treasury stock, at cost: (Note 13)	(12,126)	(7,326)	(91,173)	(55,084)
Total Shareholders' equity	62,647	61,332	471,030	461,144
Accumulated other comprehensive income				
Unrealized gain (loss) on available-for-sale securities	2,262	1,892	17,007	14,222
Foreign currency translation adjustments	(195)	(47)	(1,466)	(354)
Remeasurements of defined benefit plans	(20)	61	(151)	457
Total accumulated other comprehensive income	2,047	1,905	15,389	14,325
Non-controlling interests	1,777	155	13,359	1,169
Total net assets	66,470	63,393	499,778	476,637
Total liabilities and net assets	¥ 79,190	¥ 76,207	\$ 595,414	\$ 572,985

The accompanying notes are an integral part of these statements.

MATSUMOTO YUSHI-SEIYAKU CO.,LTD AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2023	2022	2023	2022
Net sales(Note 18,19,23)	¥ 39,628	¥ 37,248	\$ 297,951	\$ 280,060
Cost of sales(Note 18,19)	27,613	27,439	207,613	206,306
Gross profit	12,015	9,809	90,338	73,754
Selling, general and administrative expenses (Note 14)	4,238	4,051	31,862	30,457
Operating income	7,777	5,759	58,476	43,297
Other income (expenses):				
Interest and dividend income	168	142	1,263	1,066
Interest expenses	(0)	(0)	(0)	(0)
Investment profit (Loss) on equity method	86	130	645	975
Foreign exchange profit (Loss)	1,165	1,526	8,756	11,472
Governmental subsidy	—	—	—	—
Loss on tax purpose reduction entry of non-current assets	—	—	—	—
Other, net	849	182	6,381	1,366
Income before income taxes and non-controlling interests	10,044	7,776	75,522	58,466
Income taxes (Note 16):				
Current	2,782	2,319	20,914	17,436
Deferred	1	(41)	8	(308)
	2,783	2,278	20,922	17,128
Net income	7,262	5,498	54,600	41,338
Net income attributable to :				
Non-controlling interests in subsidiary	(15)	(6)	(110)	(47)
Owners of parent	¥ 7,247	¥ 5,492	\$ 54,490	\$ 41,290

	Yen		U.S. dollars (Note 1)	
	2023	2022	2023	2022
Net income per share:				
Basic(Note 20)	¥ 2,259.37	¥ 1,697.19	\$ 16.988	\$ 12.761
Cash dividends per share(Note 13)	350.00	350.00	2.632	2.632

The accompanying notes are an integral part of these statements.

MATSUMOTO YUSHI-SEIYAKU CO.,LTD AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2023	2022	2023	2022
Income before income taxes and non-controlling interests	¥ 7,262	¥ 5,498	\$ 54,600	\$ 41,337
Other comprehensive income(Note 17):				
Unrealized gains (losses) on available-for-sale securities	370	385	2,785	2,893
Foreign currency translation adjustments	22	37	164	276
Remeasurement of defined benefit plans	(78)	5	(583)	39
Share of other comprehensive income of associates accounted for using equity method	(167)	102	(1,252)	769
Total other comprehensive income (loss)	148	529	1,114	3,977
Comprehensive income	¥ 7,410	¥ 6,027	\$ 55,713	\$ 45,315
Comprehensive income attributable to:				
Owners of the parent company	7,388	6,008	55,546	45,172
Minority interests	22	19	167	142

MATSUMOTO YUSHI-SEIYAKU CO.,LTD
AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2023 and 2022

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Number of shares issued (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2021	4,513	6,090	6,518	51,529	(7,323)	56,815	1,507	(165)	44	1,386	143	58,344
Cash dividends				(971)		(971)						(971)
Net income attributable to owners of parent				5,492		5,492						5,492
Purchase of treasury stock					(3)	(3)						(3)
Net change of items other than shareholders' equity							385	117	16	519	13	531
Balance at March 31, 2022	4,513	¥ 6,090	¥ 6,518	¥ 56,050	¥ (7,326)	¥ 61,332	¥ 1,892	¥ (47)	¥ 61	¥ 1,905	¥ 155	¥ 63,393
Cash dividends				(1,132)		(1,132)						(1,132)
Net income attributable to owners of parent				7,247		7,247						7,247
Purchase of treasury stock					(4,800)	(4,800)						(4,800)
Net change of items other than shareholders' equity							370	(148)	(81)	142	1,621	1,763
Balance at March 31, 2023	4,513	¥ 6,090	¥ 6,518	¥ 62,165	¥ (12,126)	¥ 62,647	¥ 2,262	¥ (195)	¥ (20)	¥ 2,047	¥ 1,777	¥ 66,470

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Number of shares issued (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2021	4,513	\$ 45,790	\$ 49,009	\$ 387,437	\$ (55,059)	\$ 427,177	\$ 11,329	\$ (1,237)	333	\$ 10,425	\$ 1,075	\$ 438,676
Cash dividends				(7,299)		(7,299)						(7,299)
Net income attributable to owners of parent				41,290		41,290						41,290
Purchase of treasury stock					(24)	(24)						(24)
Net change of items other than shareholders' equity							2,893	883	124	3,900	94	3,994
Balance at March 31, 2022	4,513	\$ 45,790	\$ 49,009	\$ 421,428	\$ (55,084)	\$ 461,144	\$ 14,222	\$ (354)	\$ 457	\$ 14,325	\$ 1,169	\$ 476,637
Cash dividends				(8,515)		(8,515)						(8,515)
Net income attributable to owners of parent				54,490		54,490						54,490
Purchase of treasury stock					(36,089)	(36,089)						(36,089)
Net change of items other than shareholders' equity							2,784	(1,112)	(608)	1,064	12,190	13,254
Balance at March 31, 2023	4,513	\$ 45,790	\$ 49,009	\$ 467,404	\$ (91,173)	\$ 471,030	\$ 17,007	\$ (1,466)	\$ (151)	\$ 15,389	\$ 13,359	\$ 499,778

The accompanying notes are an integral part of these statements.

MATSUMOTO YUSHI-SEIYAKU CO.,LTD AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2023	2022	2023	2022
Cash flows from operating activities:				
Net income	¥ 10,044	¥ 7,776	\$ 75,522	\$ 58,465
Adjustments for:				
Depreciation and amortization	935	929	7,029	6,987
Depreciation of goodwill	141	—	1,057	—
Loss (gain) on sales and disposal of property,	10	1	78	8
Allowance for doubtful accounts	2	(1)	13	(5)
Investment (profit) loss on equity method	(78)	(124)	(585)	(929)
Increase (decrease) in retirement benefit liability	(41)	29	(306)	217
Increase (decrease) in provision for bonuses	5	11	37	80
Interest and dividend income	(168)	(142)	(1,263)	(1,066)
Interest expenses	0	0	0	0
Foreign exchange (profit) loss	(1,384)	(1,477)	(10,406)	(11,105)
Loss (gain) on step acquisitions	(578)	—	(4,348)	—
Decrease (Increase) in notes and accounts receivable	1,203	(1,821)	9,048	(13,691)
Decrease (Increase) in inventories	(1,106)	(1,099)	(8,313)	(8,265)
Increase (Decrease) in accounts payable	(981)	1,762	(7,379)	13,249
Increase (Decrease) in accrued consumption tax	214	(394)	1,606	(2,965)
Other, net	(188)	78	(1,414)	590
Sub total	8,030	5,529	60,378	41,569
Interest and dividend income received	172	181	1,293	1,363
Interest expenses paid	(0)	(0)	(0)	(0)
Income taxes paid	(2,783)	(1,374)	(20,925)	(10,333)
Net cash provided by operating activities	5,419	4,336	40,745	32,599
Cash flows from investing activities:				
Repayment of maturity of time deposits	(1,020)	(1,020)	(7,669)	(7,669)
Proceeds from maturity of time deposits	1,020	1,020	7,669	7,669
Receipt from redemption of investment securities	402	1	3,025	4
Payments for purchase of property, plant and equipment	(435)	(462)	(3,272)	(3,476)
Payments for purchase of investments in securities	(1,007)	(225)	(7,571)	(1,692)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,190	—	8,948	—
Other, net	(5)	1	(40)	9
Net cash provided by (used in) investing activities	145	(686)	1,089	(5,155)
Cash flows from financing activities:				
Cash dividends paid	(1,132)	(971)	(8,511)	(7,299)
Cash dividends paid to non-controlling shareholders	—	(8)	—	(58)
Purchase of treasury stock	(4,800)	(3)	(36,089)	(24)
Repayments of lease obligations	(2)	(2)	(16)	(16)
Net cash used in financing activities	(5,934)	(984)	(44,616)	(7,397)
Effect of exchange rate changes on cash and cash equivalents	1,374	1,526	10,329	11,473
Net increase (decrease) in cash and cash equivalents	1,004	4,192	7,548	31,520
Cash and cash equivalents at beginning of year	44,874	40,682	337,397	305,877
Cash and cash equivalents at end of year (Note 7)	¥ 45,878	¥ 44,874	\$ 344,945	\$ 337,397

The accompanying notes are an integral part of these statements.

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND SUBSIDIARIES

Notes to Financial Statements

Years Ended March 31, 2023 and 2022

Basis of Presenting Consolidated Financial Statements

Matsumoto Yushi-Seiyaku Co.,Ltd.(the "Company") maintains its accounts and records in accordance with the provisions set forth in the Company Code of Japan (the "Code") and the Financial Instruments and Exchange Act and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

The Company's overseas subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their countries of domicile.

The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and its subsidiaries (the "Group") which were filed with the Director of Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2023, which was ¥133 to U.S.\$1.00. These translations for convenience should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

1. Matters Concerning Scope of Consolidation and Application of Equity Method

•The Number of Consolidated Subsidiaries: 2 companies

P.T.Matsumoto Yushi Indonesia
Lissom Chemical Industry,Ltd.

Lissom Chemical Industries, Ltd. which was an affiliate becomes a subsidiary from this fiscal year, because the Company performs the additional acquisition of stocks of Lissom Chemical Industries, Ltd.,

•The Number of Affiliated Companies Accounted for Using The Equity Method:1company

Nippon Quaker Chemical.Ltd

2. Summary of Significant Accounting Policies

(1) Matters Concerning The Fiscal Year of Consolidated Subsidiaries

The balance sheet date of P.T. Matsumoto Yushi Indonesia and Lissom Chemical Industry. Ltd. is December 31. Their financial statements as of December 31 are used in preparation of the consolidated financial statements. Significant transactions, if any, in the period from January 1 to March 31, have been adjusted in the consolidated financial statements.

(2)Short-term Investments and Investments in Securities

In accordance with the Financial Instruments and Exchange Act, securities should be classified into four categories: trading securities, held-to-maturities securities, equity investments in an affiliate and other securities. Equity and debt securities are classified as other securities.

- Debt securities intended to be held to maturity: The amortized cost method using the straight-line method.

- Available-for-sale securities

Other than equity securities without marketable prices: The fair value method based on the market prices as of the balance sheets date.

(Unrealized gains on available-for-sale securities are included directly in the net assets and costs of selling available-for-sale securities is calculated by the total-average method)

Equity securities without market prices: The cost method using the total-average method.

(3)Inventories

Finished products, work in process, purchased merchandise and raw materials are stated at cost determined(net realized value method) by the weighted average method. Supplies and containers are stated at the most recent purchase prices.

(4)Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment are as follows:

Buildings	i Buildings acquired before March 31, 1998 Declining-balance method.
	ii Buildings acquired after April 1, 1998 Straight-line method.
Structures	i Structures acquired before March 31, 2016 Declining-balance method.
	ii Structures acquired after April 1, 2016 Straight-line method.
Machinery and Equipment	Declining-balance method.
Leased Assets	Straight-line method over the lease period assuming no residual value.

(5)Intangible Assets

Amortization of intangible assets is computed by the straight-line method.

(6)Accounting standards for significant allowances

- Allowance for doubtful accounts

Allowance for doubtful accounts is provided to reserve probable losses from bad debt. It consists of the estimated uncollectible amount of certain identified doubtful receivable and the amount estimated on the basis of the past default ratio for normal receivables.

- Accrued Bonuses to Employees

As a general practice in Japan, bonuses are normally payable to employees in early summer and early winter covering the first and second half of the year, respectively. The Company records such accrued bonus liabilities at March 31.

(7)Accrued Severance Indemnities

Accrued severance indemnities are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the period.

Employees' retirement benefits, covering employees of the Company, are provided through unfunded lump-sum benefit plans and funded noncontributory pension plans. Under the plans, eligible employees are entitled, under most circumstances, to severance payments based on compensation at the time of severance and year of service.

Actuarial losses will be amortized over five years beginning with the next year and past service cost will be expensed in the fiscal year collectively.

(8)Standards for Recognizing Revenues and Expenses

①Description of the performance obligations in the main business

The Group sells products related to the two divisions in the surfactant division and the polymer and inorganic products division.

②The normal point in time at which the entity fulfils the performance obligation (The normal point in time at which revenue is recognized)

Revenue from sales of products is recognized at the time of delivery of the products because the customer has gained control over the products and the performance obligations are satisfied at the time of delivery of the products. However, for domestic sales of goods or products, revenue is recognized at the time of shipment if the period between the time of shipment and the time when control of the goods or products is transferred to the customer is a normal period.

(9)Translation of Foreign Currencies

Foreign currency receivables and payables are translated into Japanese yen at the exchange rates in effect on the balance sheet date, and translation gains or losses are charged to income in the year incurred.

Assets, liabilities, revenue and expenses of overseas subsidiary are translated into Japanese yen at the exchange rates in effect on balance sheet date and shareholders' equity is translated into Japanese yen at historical rates. Differences arising from translation are presented as "Foreign currency translation adjustments" in the accompanying consolidated balance sheets.

(10)Amortization Method of Goodwill and Period Thereof

Goodwill is mainly amortized on a straight-line basis over a period when the effect lasts to. Immaterial goodwill is amortized in full in the same fiscal year in which it is incurred.

(11)Consolidated Statement of Cash Flows

For the purposes of cash flow statements, cash and cash equivalents comprise cash on hand, deposits held at call with banks, net of overdrafts and all highly liquid investments with maturities of three months or less.

3. Significant Accounting Estimates

Items whose amounts have been recorded in the consolidated financial statements for the current consolidated fiscal year based on accounting estimates that may have a material impact on the consolidated financial statements for the following consolidated fiscal year are as follows:

- Investment securities (unlisted stocks)

(1) Amounts in the Consolidated Statements

	Millions of Yen		Thousands of U.S dollars
	2023	2022	2023
Investment securities (unlisted stocks)	1,410	917	10,608

In the event that the real value of unlisted shares, whose market value is deemed extremely difficult to ascertain, declines significantly due to deterioration in the financial condition of the investee, it is determined whether to devalue the value following an assessment of the possibility of recovery,

If the performance of the investee declines significantly in the future and the appraised value of the investment securities is devalued, it may have a material impact on the business performance of our group in the following fiscal year and thereafter.

4.Changes In Accounting Policies

- Application of Implementation Guidance on Accounting Standards for Fair Value Measurement

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement"(ASBJ Guidance No.31, June 17, 2021; hereinafter the "Implementation Guidance on Fair Value Measurement Accounting Standard") from the beginning of the current consolidated fiscal year. Accordingly, the Group applies new accounting policies under the Implementation Guidance on Fair Value Measurement Accounting Standard prospectively in accordance with the transitional treatment set out in Paragraph 27-2 of the same Guidance.

This has no impact on the consolidated financial statements.

In addition, pursuant to Paragraph 27-3 of the Implementation Guidance on Fair Value Measurement Accounting Standard, explanatory notes regarding investment trusts in the fair value information on financial instruments by level of inputs in the notes of "Matters Related to Financial Instruments" for the consolidated fiscal year ended March 31, 2022 is not provided.

5.Unapplied Accounting Standard

Following accounting standards and guidance are those issued but not yet applied.

- 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)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022)

(1) Overview

These standards provide for the categories in which income taxes applicable to the taxation on other comprehensive income should be recorded, as well as tax effects associated with sales of shares of subsidiaries, etc. when the group taxation regime is applied.

(2)Planned Application

To be applied from the beginning of the fiscal year ending March 31, 2025.

(3)Effects of Accounting Standard Application

The Company is currently assessing the effects on the consolidated financial statements resulting from the application of these accounting standards for revenue.

- "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." (ASBJ PITF No.43. August 26, 2022)

(1) Overview

This Practical Solution provides for the accounting for and disclosure of the issuance or holding of "Electronically Recorded Transferable Right That Must be Indicated on Securities, etc." by a stock company, as defined in Article 1, Paragraph 4. Item 17 of the "Cabinet Office Order on Financial Instruments Business" (Cabinet Office Order No.52 of 2007).

(2)Planned Application

To be applied from the beginning of the fiscal year ending March 31, 2024.

(3)Effects of Accounting Standard Application

This has no impact on the consolidated financial statements.

6.Additional Information

- Accounting Estimates on the Effects of the Novel Coronavirus Infection and Other

Although the long-term impact of the novel coronavirus infection and the invasion of Ukraine by Russia has had a certain impact on the business activities of the Group, no significant impact has arisen. Therefore preparation of the consolidated financial statements for the current fiscal year, it is assumed that there will be no significant impact on accounting estimates.

Since there are many uncertain factors regarding the impact of the COVID-19, etc., there is a possibility that The Group's financial position and operating results will be affected if the actual changes differ from the projections.

7. Financial Instruments

(1) Circumstances on financial instruments

(a) Policy for financial instruments

The Company and its consolidated subsidiaries manage the temporary surplus funds by deposit and securities with banks that have a high level of safety.

The Board of Directors is required to approve derivative transactions, etc., if necessary.

(b) Details and risk of financial instruments and its risk management

Receivables such as notes and accounts receivable are exposed to customer's credit risk.

Receivables denominated in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

In order to reduce to the customer's credit risk, the Company monitors the dues and balances by customer.

Short-term investments and investments in securities are exposed to market fluctuation risk, but mainly consist of equity of the companies which conduct business with the Company. The Company periodically monitors the fair value of the security and the financial condition of the issuer.

Payables such as accounts payable are due within 6 months.

Payables denominated in foreign currency are exposed to the risk of fluctuation in foreign currency exchange rates.

(c) Supplemental information on fair values of financial instruments

Fair values of financial instruments include values based on market price and reasonably estimated values when market price is not available. Because variable factors are counted in the estimation, the estimated values may vary by adopting different assumptions.

(2) Fair value of financial instruments

Financial instruments at March 31, 2023 and 2022 consisted of the following:

millions of yen			
2023			
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 45,878	¥ 45,878	¥ -
Notes and accounts receivable	9,211	9,211	-
Electronically recorded monetary clims	249	249	-
Short-term investments and investments in securities	510	510	-
Total assets	¥ 55,848	¥ 55,848	¥ -
Accounts payable	8,722	8,722	-
Total liabilities	¥ 8,722	¥ 8,722	¥ -

millions of yen			
2022			
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 44,874	¥ 44,874	¥ -
Notes and accounts receivable	10,129	10,129	-
Electronically recorded monetary clims	260	260	-
Short-term investments and investments in securities	2,188	2,188	-
Total assets	¥ 57,452	¥ 57,452	¥ -
Accounts payable	9,263	9,263	-
Total liabilities	¥ 9,263	¥ 9,263	¥ -

	thousands of U.S.dollars(Note 1)		
	2022		
	Book Value	Fair Value	Differences
Cash and cash equivalents	\$ 344,946	\$ 344,946	\$ -
Notes and accounts receivable	69,255	69,255	-
Electronically recorded monetary claims	1,872	1,872	-
Short-term investments and investments in securities	3,835	3,835	-
Total assets	<u>\$ 419,908</u>	<u>\$ 419,908</u>	<u>\$ -</u>
Accounts payable	65,580	65,580	-
Total liabilities	<u>\$ 65,580</u>	<u>\$ 65,580</u>	<u>\$ -</u>

Repayment schedule of, cash and cash equivalents, notes and accounts receivable, short-term investments and investments in securities, long-term loans.

	millions of yen			
	2023			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	¥ 45,878	¥ -	¥ -	¥ -
Notes and accounts receivable	9,211	-	-	-
Electronically recorded monetary claims	249	-	-	-
Short-term investments and investments in securities	-	-	-	-
Other	-	79	86	-
Total assets	<u>¥ 55,338</u>	<u>¥ 79</u>	<u>¥ 86</u>	<u>¥ -</u>

	millions of yen			
	2022			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	¥ 44,874	¥ -	¥ -	¥ -
Notes and accounts receivable	10,129	-	-	-
Electronically recorded monetary claims	260	-	-	-
Short-term investments and investments in securities	-	-	-	-
Other	-	383	-	-
Total assets	<u>¥ 55,263</u>	<u>¥ 383</u>	<u>¥ -</u>	<u>¥ -</u>

	thousands of U.S.dollars(Note 1)			
	2023			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	\$ 344,946	\$ -	\$ -	\$ -
Notes and accounts receivable	69,255	-	-	-
Electronically recorded monetary claims	1,872	-	-	-
Short-term investments and investments in securities	-	-	-	-
Other	-	590	648	-
Total assets	<u>\$ 416,073</u>	<u>\$ 590</u>	<u>\$ 648</u>	<u>\$ -</u>

(3) Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using directly or indirectly observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

(a) Financial assets and financial liabilities measured at fair value in the consolidated balance sheet

Millions of yen				
2023				
Fair value				
Types of shares	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	5,668	-	-	5,668
Investment trust	-	1,301	-	1,301
Total assets	5,668	1,301	-	6,969

Millions of yen				
2022				
Fair value				
Types of shares	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	4,646	-	-	4,646
Total assets	4,646	-	-	4,646

Thousands of U.S.dollars(Note 1)				
2023				
Fair value				
Types of shares	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	42,613	-	-	isyam
Investment trust	-	9,782	-	9,782
Total assets	42,613	9,782	-	9,782

(b) Financial assets and financial liabilities not measured at fair value on the consolidated balance sheets

Millions of yen				
2023				
Fair value				
Types of shares	Level 1	Level 2	Level 3	Total
Investments in securities				
Held to maturity debt securities				
Commercial paper	-	19,997	-	19,997
Total assets	-	19,997	-	19,997

Thousands of U.S.dollars(Note 1)				
2023				
Fair value				
Types of shares	Level 1	Level 2	Level 3	Total
Investments in securities				
Held to maturity debt securities				
Commercial paper	-	150,354	-	150,354
Total assets	-	150,354	-	150,354

The fair values of investment trusts are not included in 2022.

(Note) Valuation techniques and inputs used in measuring fair value

Investments in securities

Listed securities are measured using quoted prices. Fair value of listed securities are classified as Level 1, because they are traded in active markets.

Investment trusts and commercial paper are valued using prices quoted by financial institutions.

Investment trusts and commercial paper are classified as Level 2 fair values because they are traded infrequently in the market and are not considered quoted prices in active markets.

8. Short-term Investments and Investments in Securities

Short-term investments at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Bonds and debentures	¥ -	¥ -	\$ -
Time deposits	510	510	3,835
Other	-	-	-
	<u>¥ 510</u>	<u>¥ 510</u>	<u>\$ 3,835</u>

The following is a summary of investments in securities at March 31, 2023 and 2022 respectively:

	Millions of yen			
	March 31, 2023			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Equity securities	¥ 3,594	¥ 2,966	¥ (95)	¥ 6,465
Other	910	506	(22)	1,394
	<u>¥ 4,504</u>	<u>¥ 3,472</u>	<u>¥ (117)</u>	<u>¥ 7,858</u>
Add: Securities without readily determinable fair value				614
				<u>¥ 8,472</u>

	Millions of yen			
	March 31, 2022			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Equity securities	¥ 2,606	¥ 2,451	¥ (70)	¥ 4,988
Other	1,256	340	-	1,597
	<u>¥ 3,863</u>	<u>¥ 2,792</u>	<u>¥ (70)</u>	<u>¥ 6,585</u>
Add: Securities without readily determinable fair value				576
				<u>¥ 7,160</u>

	Thousands of U.S.dollars(Note 1)			
	March 31, 2023			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Equity securities	\$ 27,024	\$ 22,300	\$ (717)	\$ 48,607
Other	6,843	3,802	(166)	10,479
	<u>\$ 33,866</u>	<u>\$ 26,102</u>	<u>\$ (883)</u>	<u>\$ 59,086</u>
Add: Securities without readily determinable fair value				4,614
				<u>\$ 63,700</u>

9. Inventories

Inventories at March 31, 2023 and 2022 comprise the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Finished goods	¥ 3,420	¥ 2,425	\$ 25,711
Work in process	723	612	5,437
Raw materials and supplies	1,727	1,394	12,982
	<u>¥ 5,869</u>	<u>¥ 4,431</u>	<u>\$ 44,129</u>

Revaluation loss on inventories of ¥7 million (U.S.\$51 thousand) and ¥10 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31,2023 and 2022 , respectively.

10. Investments in Affiliates

Investments in affiliates as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Investments in securities (Stocks)	¥ 807	¥ 1,678	\$ 6,071

11. Property, Plant and Equipment

Accumulated reduction entry of property , plant and equipment purchased using funds from a government subsidy amounted to ¥187 million (U.S.\$1,408 thousand) and ¥224 million at March 31,2023 and 2022 , respectively.

12. Retirement and Pension Plans

The following tables set forth the changes in benefit obligation, and plan assets of the Company at March 31, 2023 and 2022 respectively:

(1) Changes in Benefit Obligations

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Beginning balance of benefit obligations	¥ 2,256	¥ 2,162	\$ 16,963
Service costs	144	145	1,084
Interest costs	24	24	183
Actuarial differences arising during the year	(9)	(18)	(64)
Retirement benefits paid	(76)	(56)	(570)
Past service costs	(6)	-	(45)
Ending balance of benefit obligations	<u>¥ 2,334</u>	<u>¥ 2,256</u>	<u>\$ 17,551</u>

(2) Changes in Pension Assets

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Beginning balance of pension assets	¥ 1,262	¥ 1,188	\$ 9,491
Expected return on pension assets	43	29	323
Actuarial differences arising during the year	(77)	5	(577)
Contributions made by the Company and consolidated subsidiary	63	62	472
Retirement benefits paid	(22)	(22)	(163)
Ending balance of pension assets	<u>¥ 1,270</u>	<u>¥ 1,262</u>	<u>\$ 9,545</u>

(3) Reconciliation of benefit obligations and pension assets with net defined benefit liability and asset on the Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Funded benefit obligations	¥ 2,334	¥ 2,256	\$ 17,551
Pension assets	(1,270)	(1,262)	(9,545)
Net amount of liability and asset on Consolidated Balance Sheets	<u>¥ 1,065</u>	<u>¥ 994</u>	<u>\$ 8,005</u>

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Net defined benefit liability	¥ 1,065	¥ 994	\$ 8,005
Net amount of liability and asset on Consolidated Balance Sheets	<u>¥ 1,065</u>	<u>¥ 994</u>	<u>\$ 8,005</u>

(4) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Service costs	¥ 144	¥ 145	\$ 1,084
Interest costs	24	24	183
Expected return on pension assets	(43)	(29)	(323)
Amortization of actuarial differences	(38)	(15)	(284)
Amortization of past service cost	(6)	-	(45)
Retirement benefit expenses for defined benefit pension plans	<u>¥ 82</u>	<u>¥ 125</u>	<u>\$ 615</u>

**(5) Remeasurements of Defined Benefit Plans (Other Comprehensive Income)
Breakdown (before deduction of tax effects)**

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Actuarial differences, etc.	¥ (112)	¥ 8	\$ (840)
Total	<u>¥ (112)</u>	<u>¥ 8</u>	<u>\$ (840)</u>

**(6) Remeasurements of Defined Benefit Plans (Accumulated Other Comprehensive Income)
Breakdown (before deduction of tax effects)**

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Unrecognized actuarial differences, etc.	¥ (35)	¥ 77	\$ (261)
Total	<u>¥ (35)</u>	<u>¥ 77</u>	<u>\$ (261)</u>

**(7) Pension Assets
Breakdown**

	2023	2022
Bonds	17.1%	13.7%
Stocks	42.3%	42.4%
General account	7.7%	14.3%
Other	32.9%	29.6%
Total	<u>100.0%</u>	<u>100.0%</u>

Rate of expected return on pension assets

The expected return on pension assets is determined based on the current and estimated future rates of return on various pension assets.

(8) Basic Assumptions for Calculating Benefit Obligations

	2023	2022
Discount rate	1.0%	1.0%
Expected rate of return on pension assets	3.4%	2.4%
Expected rate of salary increase	2.5%	2.6%

13. Supplemental Information for Consolidated Statements of Changes in Net Assets

(a) Type and number of outstanding shares

Thousand of shares				
Year ended March 31, 2023				
Types of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at year end
Issued stock:				
Common stock	4,513	-	-	4,513
Treasury stock:				
Common stock	1,277	334	-	1,611

Thousand of shares				
Year ended March 31, 2022				
Types of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at year end
Issued stock:				
Common stock	4,513	-	-	4,513
Treasury stock:				
Common stock	1,277	0	-	1,277

(b)Dividends**(1)Dividends paid to shareholders**

Year ended March 31,2023								
Date of approval	Resolution approved by	Type of shares	Amount		Amount per share		Cut-off date	Effective date
			(Million s of yen)	(Thousand of U.S.dollars)	(Yen)	(U.S.dollars)		
June 29, 2022	Annual general meeting of shareholders	Common stock	¥1,132	\$8,515	¥350	\$2.63	March 31, 2022	June 30, 2022

Year ended March 31,2022								
Date of approval	Resolution approved by	Type of shares	Amount		Amount per share		Cut-off date	Effective date
			(Million s of yen)	(Thousand of U.S.dollars)	(Yen)	(U.S.dollars)		
June 29, 2021	Annual general meeting of shareholders	Common stock	¥971	\$7,956	¥300	\$2.46	March 31, 2021	June 30, 2021

(2)Dividends with a cut-off date during the fiscal year but an effective date subsequent to the fiscal year

Year ended March 31,2023									
Date of approval	Resolution approved by	Type of shares	Source of dividends	Amount		Amount per share		Cut-off date	Effective date
				(Million s of yen)	(Thousand of U.S.dollars)	(Yen)	(U.S.dollars)		
June 28, 2023	Annual general meeting of shareholders	Common stock	Retained earnings	¥1,016	\$7,636	¥350	2.63	March 31, 2023	June 29, 2023

Year ended March 31,2022									
Date of approval	Resolution approved by	Type of shares	Source of dividends	Amount		Amount per share		Cut-off date	Effective date
				(Million Yen)	(Thousand of U.S.dollars)	(Yen)	(U.S.dollars)		
June 29, 2022	Annual general meeting of shareholders	Common stock	Retained earnings	¥1,132	\$9,282	¥350	2.87	March 31, 2022	June 30, 2022

14. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2023 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Packing and haulage expenses	¥ 1,028	¥ 1,076	\$ 7,732
Employees' salaries and Bonuses	600	570	4,513
Provision for bonuses	135	134	1,017
Provision of allowance for doubtful accounts	-	0	-
Retirement benefit expenses	15	37	115
Research and development expenses	815	771	6,129

15. Research and Development Expenses

Research and development expenditure charged to income was ¥815 million(U.S.\$6,129 thousand) and ¥771 million for the year ended March 31, 2023 and 2022, respectively.

16. Income Taxes

The Company is subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 30.62% and 30.62% for the years ended March 31, 2023 and 2022.

Overseas subsidiary is subject to income taxes of the country in which it operates.

The effective rate for the two years ended March 31, 2023 and 2022 differs from the Company's statutory tax rate for the following reasons:

	2023	2022
Statutory tax rate	30.62	30.62
Permanently nondeductible expenses	0.06	0.06
Permanently nontaxable dividends received	(0.11)	(0.24)
Per capital levy of residents tax	0.12	0.15
Difference of tax rates of overseas subsidiary	(0.05)	0.00
Tax credit on research and development	(0.74)	(0.79)
Elimination of intercompany dividend income	(0.01)	(0.06)
Gain on step acquisitions	(5.76)	-
Amortization of goodwill	1.40	-
Reversal of foreign currency translation reserve	1.99	-
Other	0.18	(0.44)
Effective tax rate	27.70	29.30

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2023 and 2022 are presented below:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Deferred tax assets:			
Net defined benefit liability	¥ 325	¥ 302	\$ 2,445
Net unrealized holding losses on securities	65	64	488
Accrued employee bonuses	103	102	777
Accrued enterprise tax payable	93	92	696
Loss on valuation of golf club membership	29	29	218
Depreciation	26	26	195
Loss on valuation of investment securities	21	21	157
Unrealized losses on inventories	5	4	39
Other	47	38	350
Gross deferred tax assets	714	677	5,365
Valuation allowance	-	-	-
Total deferred tax assets	714	677	5,365
Deferred tax liabilities:			
Net unrealized holding profits on securities	(1,063)	(899)	(7,993)
Fair value of consolidated subsidiaries	(172)	-	(1,295)
Total deferred tax liabilities	(1,235)	(899)	(9,289)
Net deferred tax assets	9	10	69
Net deferred tax liabilities	(531)	(231)	(3,992)

17. Comprehensive Income

Reclassification adjustments and income tax effects attributable to 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:			
Gains (losses) arising during the year	¥ 534	¥ 593	\$ 4,013
Reclassification adjustments	-	(39)	-
Before income tax effects	534	555	4,013
Income tax effects	163	170	1,229
Total	370	385	2,785
Foreign currency translation adjustments:			
Adjustments arising during the year	22	37	164
Reclassification adjustments	-	-	-
Before income tax effects	22	37	164
Income tax effects	-	-	-
Total	22	37	164
Remeasurements of defined benefit plans:			
Adjustments arising during the year	(74)	22	(556)
Reclassification adjustments	(38)	(15)	(284)
Before income tax effects	(112)	8	(840)
Income tax effects	34	(2)	257
Total	(78)	5	(583)
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	35	106	264
Reclassification adjustments	(204)	0	(1,532)
Before income tax effects	(169)	106	(1,267)
Income tax effects	2	(4)	15
Total	(167)	102	(1,252)
Total other comprehensive income	¥ 148	¥ 529	\$ 1,114

18. Segment and Related Information

Matsumoto Yushi-Seiyaku Co., Ltd. For Japan segment, P.T. Matsumoto Yushi Indonesia for Asia segment, and Lissom Chemical Industry, Ltd. for Asia segment respectively, function as an independent business entity developing comprehensive strategies and promoting business operations.

The reported segments are individually accounted for, with separate financial data available, and are subject to periodical scrutiny by the Board of Directors for performance evaluation and resources assignment.

(1) Segment information

Segment information for the years ended March 31, 2023 and 2022 consisted of the following respectively:

Millions of yen			
2023			
	Japan	Asia	Total segments
Sales			
Anionic surfactants	¥ 3,799	¥ 13	¥ 3,811
Nonionic surfactants	23,704	493	24,196
Cationic and zwitterionic surfactants	926	9	935
High polymer and inorganic chemicals	10,390	295	10,685
Revenue from contracts with customers	38,818	809	39,628
Sales to external customers	38,818	809	39,628
Inter-segment	386	35	421
Total sales	¥ 39,204	¥ 844	¥ 40,048
Segment income	7,871	67	7,939
Total assets	75,049	3,499	78,548
Total liabilities	12,291	481	12,772
Other			
Depreciation	¥ 929	¥ 6	¥ 935
Capital expenditure	563	54	616

Millions of yen			
2022			
	Japan	Indonesia	Total segments
Sales			
Anionic surfactants	¥ 3,222	¥ 8	¥ 3,230
Nonionic surfactants	22,534	403	22,937
Cationic and zwitterionic surfactants	999	3	1,002
High polymer and inorganic chemicals	9,881	198	10,079
Revenue from contracts with customers	36,636	612	37,248
Sales to external customers	36,636	612	37,248
Inter-segment	332	41	373
Total sales	¥ 36,968	¥ 653	¥ 37,621
Segment income	5,742	21	5,763
Total assets	74,513	628	75,141
Total liabilities	12,907	185	13,092
Other			
Depreciation	¥ 921	¥ 8	¥ 929
Capital expenditure	321	0	321

Thousands of U.S.dollars			
2023			
	Japan	Asia	Total segments
Sales			
Anionic surfactants	\$ 28,564	\$ 98	\$ 28,662
Nonionic surfactants	178,226	3,707	181,933

Cationic and zwitterionic surfactants	6,962	68	7,030
High polymer and inorganic chemicals	78,120	2,218	80,338
Revenue from contracts with customers	291,865	6,083	297,948
Sales to external customers	291,865	6,083	297,948
Inter-segment	2,902	263	3,165
Total sales	\$ 294,767	\$ 6,346	\$ 301,113
Segment income	59,180	504	59,684
Total assets	564,278	26,308	590,586
Total liabilities	92,414	3,617	96,031
Other			
Depreciation	\$ 6,985	\$ 45	\$ 7,030
Capital expenditure	4,233	406	4,639

(2) Adjustments and eliminations

Reconciliation of sales	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Segment sales	¥ 40,048	¥ 37,621	\$ 328,264
Inter-segment transactions (elimination)	(421)	(373)	(3,448)
Group sales	¥ 39,628	¥ 37,248	\$ 324,816

Reconciliation of income	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Segment income	¥ 7,939	¥ 5,763	\$ 65,070
Adjustment of inventory	(20)	(5)	(165)
Amortization of goodwill	(141)	-	(1,157)
Group operating income	¥ 7,777	¥ 5,759	\$ 63,748

Reconciliation of assets	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Segment operating assets	¥ 78,548	¥ 75,141	\$ 643,833
Inter-segment transactions (elimination)	(226)	(210)	(1,851)
Adjustment of inventory	(14)	(5)	(118)
Other adjustments	883	1,272	7,236
Group assets	¥ 79,190	¥ 76,207	\$ 649,099

Reconciliation of liabilities

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Segment operating liabilities	¥ 12,772	¥ 13,092	\$ 104,689
Inter-segment transactions (elimination)	(226)	(210)	(1,851)
Other adjustments	173	(77)	1,422
Group liabilities	<u>¥ 12,720</u>	<u>¥ 12,814</u>	<u>\$ 104,260</u>

(3) Related information**Products and Services information**

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
Sales to external customers	2023	2022	2023
Surfactants	¥ 28,942	¥ 27,169	\$ 237,233
High polymer and inorganic chemicals	10,035	9,464	82,257
Other	650	615	5,325
Total	<u>¥ 39,628</u>	<u>¥ 37,248</u>	<u>\$ 324,816</u>

Geographic information

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
Sales to external customers	2023	2022	2023
Japan	¥ 12,688	¥ 12,163	\$ 104,001
Asia	23,257	21,344	190,634
Other	3,682	3,741	30,181
Total	<u>¥ 39,628</u>	<u>¥ 37,248</u>	<u>\$ 324,816</u>

Main customers information

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
Sales	2023	2022	2023
Marubeni Chemix Corporation	¥ 13,552	¥ 11,836	\$ 111,082
Nippon Quaker Chemical, Ltd.	4,292	4,727	35,179

19. Related Party Transactions

Principal transactions between the Company and its affiliate for the years ended March 31, 2023 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2023	2022	2023
Sales(Nippon Quaker Chemical, Ltd.)	¥ 4,292	¥ 4,727	\$ 32,270
Purchase(Nippon Quaker Chemical, Ltd.)	2,873	2,450	21,603

20. Per Share Data

	yen		U.S.dollars
	2023	2022	2023
Net income per share	¥ 2,259.37	¥ 1,697.19	\$ 16.988
Net assets per share	¥ 22,294.84	¥ 19,544.43	\$ 167.630

The bases for calculating net income per share are as follows:

	Millions of yen		Thousands of U.S dollars
	2023	2022	2023
Profit attributable to owners of parent available for distribution to common shareholders	¥ 7,247	¥ 5,492	\$ 54,490
	Shares		
	2023	2022	
Weighted average number of shares for net income	3,207,608	3,235,713	

The bases for calculating net assets per share are as follows:

	Millions of yen		Thousands of U.S dollars
	2023	2022	2023
Total net assets	¥ 66,470	¥ 63,393	\$ 499,778
Amounts deducted from total net assets			
Noncontrolling interests	(1,777)	(155)	(13,359)
Net assets attributable to shares of common stock	64,694	63,237	486,419
	Shares		
	2023	2022	
Number of shares of common stock used in the calculation of net assets per share	2,901,736	3,235,566	

21. Asset Retirement Obligations

Asset retirement obligations for the year ended March 31, 2023 and 2022 consisted of the following respectively:

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
	2023	2022	2023
Balance at beginning of year	¥ 112	¥ 110	\$ 839
Payments for purchase of property, plant and equipment	6	-	45
Interest cost	1	1	10
Balance at end of year	¥ 119	¥ 112	\$ 894

22. Subsidiaries

The Company's subsidiaries are as follows:

<u>Name</u>	<u>Ownership Interest</u>	<u>Country of Incorporation</u>
P.T.Matsumoto-Yushi Indonesia	65%	Indonesia
Lissom Chemical Industry, Ltd.	50%	Taiwan

23.Revenues from contracts with customers

(1)Disaggregation of revenue from customer contracts

The disaggregation of revenue from contracts with customers is as described in Notes18 (Segment and Related Information).

(2)Revenues from contracts with customers

Information for understanding revenues is provided in Note 2(i), “Summary of Significant Accounting Policies– Standards for Recognizing Revenues and Expenses”

(3)Revenue in the current and subsequent consolidated fiscal years

(a) Receivables from contracts with customers and contract liabilities

Contract liabilities relate mainly to advances received from customers from the obligation to transfer goods or products to customers.

They are included in “Other current liabilities” under current liabilities in the accompanying consolidated financial statements.

The contractual liability balances recorded at the beginning of the period are generally recognized as revenue within 1 year.

The balances of receivables from contracts with customers and contract liabilities were as follows.

	Millions of yen	Thousands of U.S. dollars(Note 1)
	2023	2023
Receivables from contracts with customers (opening balance)		
Notes and accounts receivable	¥ 9,989	\$ 81,879
Electronically recorded monetary claims	260	2,135
Total	¥ 10,250	\$ 84,014
Receivables from contracts with customers (closing balance)		
Notes and accounts receivable	¥ 9,070	\$ 74,344
Electronically recorded monetary claims	249	2,041
Total	¥ 9,319	\$ 76,385
Contract liabilities (opening balance)	¥ 72	\$ 591
Contract liabilities (closing balance)	¥ 75	\$ 615

	Millions of yen	Thousands of U.S. dollars(Note 1)
	2022	2022
Receivables from contracts with customers (opening balance)		
Notes and accounts receivable	¥ 8,214	\$ 67,331
Electronically recorded monetary claims	201	1,644
Total	¥ 8,415	\$ 68,974
Receivables from contracts with customers (closing balance)		
Notes and accounts receivable	¥ 9,989	\$ 81,879
Electronically recorded monetary claims	260	2,135
Total	¥ 10,250	\$ 84,014
Contract liabilities (opening balance)	¥ 42	\$ 344
Contract liabilities (closing balance)	¥ 72	\$ 591

(b)The transaction prices allocated to remaining performance obligations

The total amount of the transaction price allocated to the remaining performance obligation is 75 million yen, and expected to be recognized within 1 year.