

LETTER TO SHAREHOLDERS

Triggered by the global financial crisis which, originated in America, gravely influenced the world economy, the nation's economy for the current accounting period ending March 31, 2009, has apparently plunged into an unprecedented recession with serious negative impacts on corporate activities across the board.

The textile industries, among our major sales fields, suffered stagnant production activities due, among others, to general-purpose products being transferred overseas, and inventories adjustments on automobile items like car sheets, seat belts, and air bags. China and the other Asian countries were compelled to cut down or even suspend productions.

The non-textile industries have bad news including substantial setback on automobile production and major falls on housing turnover.

Under the circumstances, our group endeavoured to enhance cost effectiveness and develop products meeting market requirements. However, abrupt loss of market plus advanced yen rate held our group performance below that of the preceding period.

For the current accounting period, the group sales stood at ¥24,359 million (89.1% of last period), operating income at ¥371 million (26.8%), and net income at ¥142 million (10.4%).

In terms of business categories, the surfactant division sold as much as ¥16,910 million (92.7%), with operating income of ¥220 million (25.4%). In the anionic surfactant segment, the local synthetic fiber manufacturers reduced productions, which held our sales at ¥2,807 million (93.2%). The nonionic surfactant achieved sales of ¥13,299 million (92.9%). In the cationic and amphoteric surfactant segment, substantial reduction in acrylic and wool production left sales at ¥804 million (88.2%).

The other divisions, comprising the high polymer and inorganic chemicals segment,

collectively sold as much as ¥7,448 million (82.0%) with the operating income at ¥150 million (29.3%).

Geographically, Japan represented sales of ¥24,039 million (89.8%) with operating income of ¥240 million (18.8%). Indonesian market accounted for the group sales of ¥555 million (64.4%) and operating income of ¥129 million (108.5%).

For a foreseeable future, the global recession will undoubtedly spell yet tougher business circumstances for our group activities.

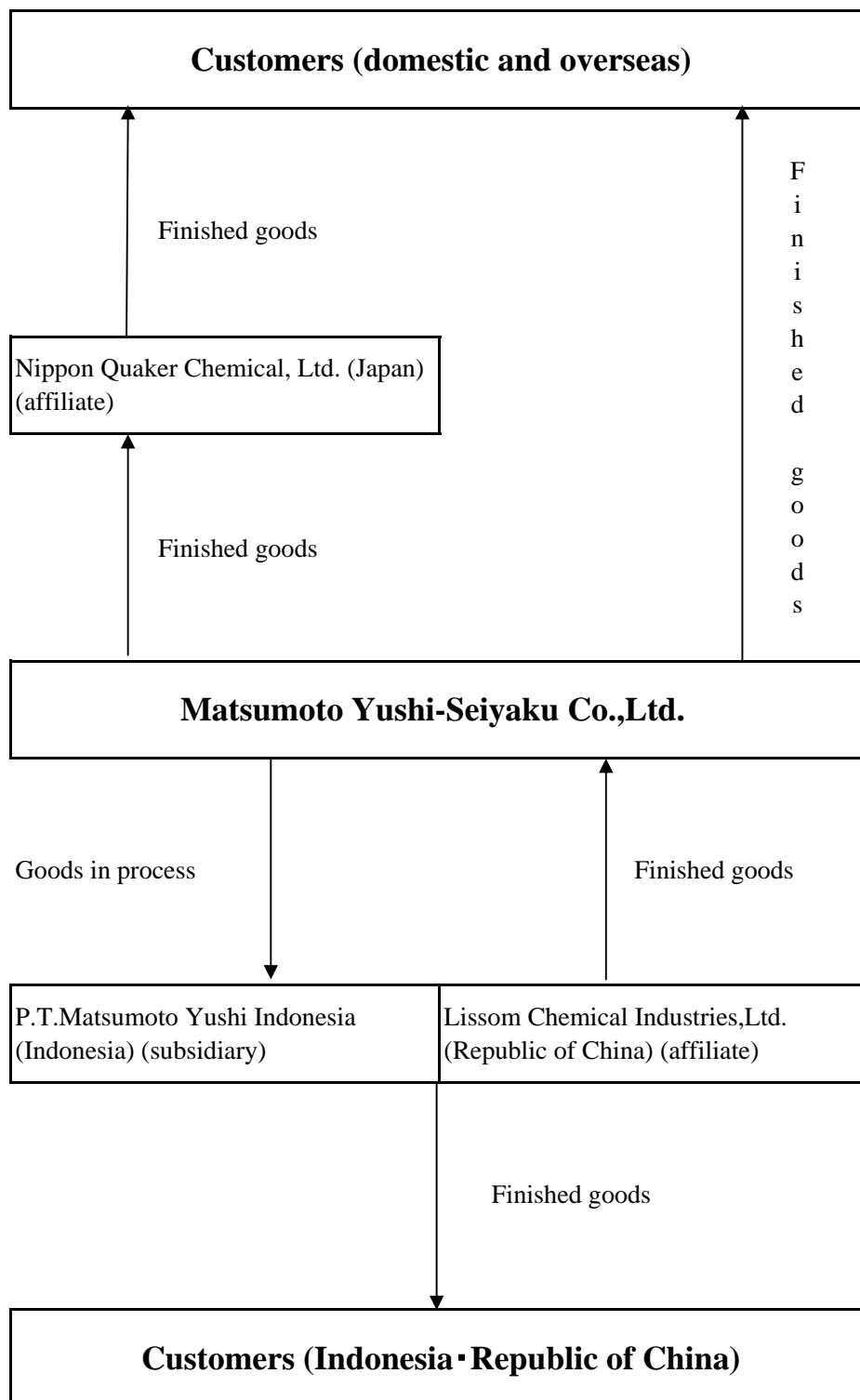
In order to cope with these challenges ahead, our group will remain united as strong as ever, develop new competitive products, tap on new markets, streamline our systems, and thus will endeavour to put our business back on a familiar track for further growth.

Your management will, as always, very much appreciate continued support on the part of our shareholders and stakeholders at large.

Sincerely,

NAOKI KIMURA
President and CEO

Holding Company Configuration and Highlights of Business



CORPORATE GOVERNANCE

Matsumoto Yushi-Seiyaku Co.,Ltd. has been making every effort to realize stable and continuous improvement of enterprise value. Directors who decide rules of finance and business well understand our management concept, various sources of enterprise value and mutually supportive relationship between Matsumoto Yushi-Seiyaku Co.,Ltd. and stakeholders, and are committed to jointly improving our enterprise value. Thus, we are firmly dedicated to long-term shareholders' interest.

The directors' regular meeting is held at least once a month to decide upon the basic policy and strategy of the Group. Directors, corporate auditors and the chiefs of department have a joint meeting once in a week. They confirm the legal compliance and the legitimate execution of business.

Comprising three statutory auditors, of whom two are outside auditors, they exchange views, deliberate, and decide on substantive issues relating to auditing. Besides the standing statutory auditor attends other important meetings and watch the managerial business execution.

Internal auditing is a corporate function. An ad-hoc staff team is organized to assist the internal auditing when necessary. The board of statutory auditors and the independent auditor may have meetings as need be to exchange opinions.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Results for the year (millions of Yen):					
Net Sales	24,359	27,326	25,339	23,493	22,892
Cost of sales	19,888	21,330	18,695	17,019	16,297
Gross profit	4,470	5,996	6,645	6,475	6,595
Selling, general and administrative expenses	4,099	4,613	4,565	4,574	4,613
Operating income	371	1,383	2,080	1,900	1,982
Other income(expenses)	39	815	874	1,053	518
Income before income taxes and minority interests	410	2,198	2,954	2,953	2,500
Income taxes					
current	43	788	1,165	1,157	902
deferred	173	(3)	15	(17)	57
Minority interests in subsidiary	52	44	23	60	1
Net income	142	1,369	1,751	1,753	1,540
Acquisition of property, plant and equipment	2,958	1,144	903	519	528
Depreciation and amortization	845	661	520	480	448
Per share of common stock(Yen):					
Net income	13.29	122.41	156.59	155.06	135.90
Cash dividends	50.00	60.00	55.00	50.00	45.00
Year-end financial position(millions of Yen):					
Total current assets	26,813	34,058	32,988	32,451	22,370
Total property, plant and equipment	6,146	4,063	3,600	3,214	3,203
Total investments and other assets	10,676	11,361	13,560	13,453	19,690
Total current liabilities	5,886	9,075	8,403	7,630	7,797
Total long-term liabilities	315	316	1,244	1,628	533
Minority interests	155	187	164	147	85
Foreign currency translation adjustments	209	102	95	168	184
Total net assets	37,435	40,092	40,501	39,713	36,848
Other year-end data:					
Number of shares issued(thousands)	11,282	11,282	11,282	11,282	11,282
Number of shareholders	457	608	600	594	610

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S.dollars (Note 1)	
	2009	2008	2009	2008
Current assets:				
Cash and cash equivalents	¥ 13,288	¥ 18,423	\$ 135,597	\$ 187,991
Short-term investments (Note 3)	1,138	3,840	11,615	39,184
Notes and accounts receivable:				
Trade	4,269	5,766	43,559	58,838
Associates	1,372	1,880	14,001	19,183
Other	3	6	28	65
Allowance for doubtful accounts	(3)	—	(29)	—
	<u>5,641</u>	<u>7,652</u>	<u>57,558</u>	<u>78,087</u>
Inventories (Note 4)	3,287	3,462	33,541	35,328
Deferred income taxes (Note 9)	385	481	3,932	4,913
Other current assets	3,073	199	31,359	2,033
Total current assets	<u>26,813</u>	<u>34,058</u>	<u>273,601</u>	<u>347,535</u>
Property, plant and equipment :				
Land	529	537	5,397	5,477
Building and structures	5,669	4,233	57,842	43,190
Machinery and equipment	10,687	9,616	109,049	98,124
Construction in progress	781	600	7,967	6,122
	<u>17,665</u>	<u>14,985</u>	<u>180,255</u>	<u>152,912</u>
Accumulated depreciation	(11,519)	(10,922)	(117,537)	(111,454)
	<u>6,146</u>	<u>4,063</u>	<u>62,718</u>	<u>41,458</u>
Investments and other assets:				
Investments in affiliates (Note 12)	363	401	3,699	4,092
Investments in securities (Note 3)	9,219	10,049	94,069	102,541
Long-term loans, net of allowance for doubtful accounts	205	290	2,089	2,958
Deferred income taxes	303	13	3,096	132
Other (Note 8)	587	608	5,990	6,209
	<u>10,676</u>	<u>11,361</u>	<u>108,942</u>	<u>115,932</u>
	<u>¥ 43,636</u>	<u>¥ 49,483</u>	<u>\$ 445,261</u>	<u>\$ 504,925</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	2009	2008
Current liabilities:				
Short-term bank loans (Note 5)	¥ 700	¥ 1,000	\$ 7,143	\$ 10,204
Accounts payable:				
Trade	3,303	5,757	33,709	58,749
Associates	459	795	4,679	8,113
Other	1,049	1,042	10,702	10,636
Accrued income taxes (Note 9)	26	99	266	1,015
Accrued bonuses to employees	315	347	3,214	3,537
Other current liabilities	34	34	346	346
Total current liabilities	<u>5,886</u>	<u>9,075</u>	<u>60,059</u>	<u>92,599</u>
Accrued severance indemnities (Note 6)	237	236	2,421	2,409
Other liabilities	78	80	794	812
Total long-term liabilities	<u>315</u>	<u>316</u>	<u>3,216</u>	<u>3,221</u>
Total liabilities	<u>6,201</u>	<u>9,390</u>	<u>63,274</u>	<u>95,820</u>
Contingencies (Note 7)				
Net assets (Note 2(p)):				
Shareholders' equity				
Common stock				
Authorized 40,000,000 shares				
Issued 2009- 11,281,629 shares	6,090	6,090	62,143	62,143
Capital surplus	6,518	6,518	66,507	66,507
Retained earnings	27,164	27,693	277,186	282,582
Less, treasury stock, at cost:	(1,739)	(283)	(17,742)	(2,889)
Total Shareholders' equity	<u>38,033</u>	<u>40,018</u>	<u>388,095</u>	<u>408,343</u>
Valuation and translation adjustments				
Unrealized gain (loss) on other securities	(545)	(10)	(5,558)	(101)
Foreign currency translation adjustments	(209)	(102)	(2,130)	(1,042)
Total Valuation and translation adjustments	<u>(753)</u>	<u>(112)</u>	<u>(7,687)</u>	<u>(1,143)</u>
Minority interests	155	187	1,579	1,905
Total net assets	<u>37,435</u>	<u>40,092</u>	<u>381,986</u>	<u>409,105</u>
	<u>¥ 43,636</u>	<u>¥ 49,483</u>	<u>\$ 445,261</u>	<u>\$ 504,925</u>

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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	2009	2008
Net sales(Note 10,11)	¥ 24,359	¥ 27,326	\$ 248,560	\$ 278,834
Cost of sales(Note 10)	19,888	21,330	202,943	217,648
Gross profit	4,470	5,996	45,616	61,186
Selling, general and administrative expenses (Note 10)	4,099	4,613	41,828	47,076
Operating income	371	1,383	3,788	14,111
Other income (expenses):				
Interest and dividend income	375	754	3,822	7,698
Interest expenses	(16)	(14)	(163)	(141)
Investment profit (loss) on equity method	(23)	(15)	(238)	(157)
Foreign exchange profit (loss)	(195)	(594)	(1,986)	(6,063)
Profit (loss) on disposal of property and equipment	(7)	(12)	(72)	(126)
Profit (Loss) on securities sold	0	379	1	3,865
Loss from revaluation of securities	(357)	(35)	(3,646)	(0)
Governmental subsidy	—	36	—	367
Advanced depreciation deduction of property and equipment	—	(36)	—	(367)
Other, net	262	353	2,675	3,599
Income before income taxes and minority interests	410	2,198	4,181	22,428
Income taxes (Note 9):				
Current	43	788	438	8,042
Deferred	173	(3)	1,762	(30)
	216	785	2,201	8,012
Income before minority interests	194	1,413	1,981	14,416
Minority interests in subsidiary	(52)	(44)	(532)	(452)
Net income	¥ 142	¥ 1,369	\$ 1,448	\$ 13,964

	Yen		U.S. dollars (Note 1)	
	2009	2008	2009	2008
Net income per share:				
Basic	¥ 13.29	¥ 122.41	\$ 0.136	\$ 1.249
Cash dividends per share	50.00	60.00	0.510	0.612

The accompanying notes are an integral part of these statements.

**MATSUMOTO YUSHI-SEIYAKU CO.,LTD
AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2009 and 2008**

Millions of yen

	Number of shares issued (thousands)	Shareholders' equity				Valuation and translation adjustments		Minority interests	Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on other securities	Foreign currency translation adjustments		
Balance at April 1, 2007	11,282	6,090	6,518	26,940	(278)	1,164	(95)	164	40,501
Cash dividends				(615)					(615)
Net income for the year				1,369					1,369
Bonuses to directors and corporate auditors				(0)	1				1
Purchase of treasury stock					(6)				(6)
Net change of items other than shareholders' equity						(1,174)	(7)	23	(1,158)
Balance at March 31, 2008	11,282	6,090	6,518	27,693	(283)	(10)	(102)	187	40,092
Cash dividends				(671)					(671)
Net income for the year				142					142
Value of shares retired				(0)	1				1
Purchase of treasury stock					(6)				(6)
Net change of items other than shareholders' equity					(1,450)	(535)	(107)	(32)	(2,124)
Balance at March 31, 2009	11,282	¥ 6,090	¥ 6,518	¥ 27,164	¥ (1,739)	¥ (545)	¥ (209)	¥ 155	¥ 37,435

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				Valuation and translation adjustments		Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on other securities	Foreign currency translation adjustments		
Balance at April 1, 2007	\$ 62,143	\$ 66,507	\$ 274,893	\$ (2,838)	\$ 11,876	\$ (974)	\$ 1,673	\$ 413,280
Cash dividends			(6,275)					(6,275)
Net income for the year			13,964					13,964
Bonuses to directors and corporate auditors			(0)	6				5
Purchase of treasury stock				(57)				(57)
Net change of items other than shareholders' equity					#####	(68)	233	(11,812)
Balance at March 31, 2008	\$ 62,143	\$ 66,507	\$ 282,582	\$ (2,889)	\$ (101)	\$ (1,042)	\$ 1,905	\$ 409,105
Cash dividends			(6,844)					(6,844)
Net income for the year			1,448					1,448
Purchase of treasury stock				(57)				(57)
Net change of items other than shareholders' equity				(14,801)	(5,457)	(1,088)	(326)	(21,671)
Balance at March 31, 2009	\$ 62,143	\$ 66,507	\$ 277,186	\$ (17,742)	\$ (5,558)	\$ (2,130)	\$ 1,579	\$ 381,986

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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars	
			(Note 1)	
	2009	2008	2009	2008
Cash flows from operating activities:				
Net income before income taxes and minority interests	¥ 410	¥ 2,198	\$ 4,181	\$ 22,428
Adjustments for:				
Depreciation and amortization	845	661	8,624	6,743
Loss (gain) on sales and disposal of property,	7	12	72	126
Loss (gain) on evaluation of securities				
and other assets	357	37	3,646	382
Loss (gain) on sale of securities				
and other assets	(0)	(379)	(1)	(3,865)
Allowance for doubtful accounts	8	11	82	110
Investment (profit) loss on equity method	23	15	238	157
Accrued severance indemnities	1	(66)	12	(672)
Accrued bonuses to employees	(32)	6	(323)	60
Accrued bonuses to officers	—	(21)	—	(214)
Interest and dividend income	(375)	(754)	(3,822)	(7,698)
Interest expenses	16	14	163	141
Foreign exchange (profit) loss	111	597	1,136	6,091
Decrease (Increase) in notes and accounts receivable	2,071	149	21,131	1,524
Decrease (Increase) in inventories	113	(494)	1,149	(5,042)
Increase (Decrease) in accounts payable	(2,750)	1,010	(28,058)	10,307
Increase (Decrease) in accrued consumption tax	(39)	(66)	(395)	(669)
Other, net	(2,448)	1	(24,984)	11
Sub total	(1,680)	2,932	(17,148)	29,918
Interest and dividend income received	380	773	3,876	7,887
Interest expenses paid	(16)	(14)	(162)	(141)
Income taxes paid	(489)	(1,203)	(4,989)	(12,280)
Net cash provided by operating activities	(1,805)	2,488	(18,423)	25,383
Cash flows from investing activities:				
Proceeds from maturity of time deposits	2,800	2,000	28,571	20,408
Payments for purchase of property, plant and equipment	(2,958)	(1,144)	(30,186)	(11,677)
Receipt from sale of investments in securities	153	4,328	1,564	44,166
Payments for purchase of investments in securities	(768)	(3,736)	(7,838)	(38,123)
Decrease (Increase) of long-term loans receivable	1	2	5	24
Other, net	18	(21)	180	(212)
Net cash provided by (used in) investing activities	(755)	1,429	(7,703)	14,586
Cash flows from financing activities:				
Increase (Decrease) in short-term bank loans, ne	(300)	—	(3,061)	—
Cash dividends paid	(671)	(615)	(6,844)	(6,275)
Purchase of treasury stock	(1,456)	(5)	(14,852)	(52)
Net cash used in financing activities	(2,426)	(620)	(24,758)	(6,327)
Effect of exchange rate changes on cash and cash equivalents	(148)	(535)	(1,510)	(5,456)
Net increase (decrease) in cash and cash equivalents	(5,135)	2,762	(52,394)	28,187
Cash and cash equivalents at beginning of year	18,423	15,661	187,991	159,804
Cash and cash equivalents at end of year	¥ 13,288	¥ 18,423	\$ 135,597	\$ 187,991

The accompanying notes are an integral part of these statements.

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY

Notes to Financial Statements Years Ended March 31, 2009 and 2008

1. 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 Securities and Exchange Law 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 subsidiary maintains its accounts and records in conformity with generally accepted accounting principles and practices prevailing in its country of domicile.

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

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, 2009, which was ¥98 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.

2. Summary of Significant Accounting Policies

(a) Consolidation Principles

The consolidated financial statements include the accounts of the Company's subsidiary. All significant inter-company transactions and accounts are eliminated.

Investments in affiliates are accounted for by the equity method whereby the Group includes in net income its share of income or losses of these companies, and records its investments at cost adjusted for its share of income, losses or dividends received.

Generally, companies that are owned more than 50% fall under the category of subsidiaries and companies that are owned 20% or more but not more than 50% fall under the category of affiliates, respectively.

However, companies that are owned 40% to 50% may also fall under the category of subsidiaries and companies that are owned 15% or more but not more than 20% may also fall under the category of affiliates, respectively, if the Company substantially controls the investees' management or has significant influence and relationship with the investees.

(b) 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 "Minority interests" and "Foreign currency translation adjustments" in the accompanying consolidated balance sheets.

(c) 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.

(d) Short-term Investments and Investments in Securities

In accordance with the Accounting Standards for Financial Instrument, securities should be classified into four categories: trading securities, held-to-maturities securities, equity investments in affiliates and other securities. Equity and debt securities are classified as other securities.

Marketable equity and debt securities are stated at fair value with unrealized gains and losses, net of applicable income taxes, reported as a separate component of shareholders' equity. Gains and losses are credited or charged to income when realized, with cost determined by the weighted average method.

However, if the fair value falls below 50% of cost and if there is no prospect of recovery, the unrealized losses have to be charged to income.

(e) Inventories

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

Change in accounting policy

Effective April 1, 2008, the Company applies Accounting Standard of Measurement of Inventories. As a result, gross profit, operating income and income before income tax decrease ¥17 million (U.S.\$173 thousand) respectively.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining-balance method based on the estimated useful lives of the respective assets same as determined by Japanese Income Tax Law.

Costs of maintenance, repairs and minor renewals are charged to expenses in the year incurred, although major renewals and improvements are capitalized.

Effective April 1, 1998, the Company adopted the straight line method of depreciation for buildings, which, previously, had been depreciated by the declining-balance method. This change was made owing to revision of Japanese Income Tax Law.

Additional information

Effective April 1, 2008, the Company depreciates the machinery and equipment for 8 years and reclassifies the category of property, plant and equipment.

This change was made owing to revision of Japanese Income Tax Law.

As a result, gross profit increased by ¥63 million (U.S.\$643 thousand) and was increased operating income and income before income tax by ¥64 million (U.S.\$653 thousand), respectively.

(g) Intangible Assets

Amortization of intangible assets is computed by the straight-line method. Computer software is recorded as intangible assets as per the Securities and Exchange Law in Japan.

(h)Accrued Severance Indemnities

In accordance with the Accounting Standards for Retirement Benefit, 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 shall be amortized over five years beginning with the next year.

(i)Research and Development and Computer Software

Research and development expenditure is charged to income when incurred.

Expenditure relating to computer software developed for internal use is charged to income when incurred. When it contributes to the generation of income or to future cost savings, such expenditure is capitalized as an asset and is amortized using the straight-line method over its estimated useful life, namely, 5 years.

(j)Allowance for Doubtful Accounts

In accordance with the Accounting Standards for Financial Instruments, allowance for doubtful accounts is provided by actual bad debt expense ratio to normal receivables and by specific examination of collectibility to bad debt.

(k)Consumption Tax

The consumption tax is imposed at the flat rate of 5% on the Company's sales to customers and purchases of goods and services. The consumption tax thus withheld on sales and paid on purchases by the Company is not included in the amounts of revenue and expense items. Under the consumption tax law, the tax paid on purchases can generally be deducted from the tax withheld.

(l)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 as at March 31. Yet its subsidiary does not record such accrued bonuses liabilities.

(m)Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial statements and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to be settled.

(n)Per Share Information

The computation of basic net income per share is based on net income available to common shareholders and the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation was 10,182 thousand and 11,181 thousand for the periods ended March 31, 2009 and 2008, respectively.

Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

3. Short-term Investments and Investments in Securities

Short-term investment at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2009	2008	2009
Other securities:			
Bonds and debentures	¥ -	¥ -	\$ -
Time deposits	1,138	3,840	11,615
	<u>¥ 1,138</u>	<u>¥ 3,840</u>	<u>\$ 11,615</u>

The following is a summary of investments in securities at March 31, 2009 and 2008 respectively:

	Millions of yen			Book Value (Estimated fair value)
	March 31, 2009			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	¥ 1,598	¥ 510	¥ (260)	¥ 1,848
Bonds and debentures	946	-	(291)	655
Other	2,133	-	(859)	1,274
	<u>¥ 4,677</u>	<u>¥ 510</u>	<u>¥ (1,410)</u>	<u>¥ 3,777</u>
Add: Securities without readily determinable fair value				5,442
				<u>¥ 9,219</u>

	Millions of yen			Book Value (Estimated fair value)
	March 31, 2008			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	¥ 1,423	¥ 1,185	¥ (285)	¥ 2,323
Bonds and debentures	947	-	(144)	803
Other	1,569	4	(142)	1,431
	<u>¥ 3,939</u>	<u>¥ 1,189</u>	<u>¥ (571)</u>	<u>¥ 4,557</u>
Add: Securities without readily determinable fair value				5,492
				<u>¥ 10,049</u>

	Thousands of U.S.dollars(Note 1)			Book Value (Estimated fair value)
	March 31, 2009			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	\$ 16,306	\$ 5,204	\$ (2,653)	\$ 18,857
Debt securities	9,653	-	(2,969)	6,684
Other	21,765	-	(8,765)	13,000
	<u>\$ 47,724</u>	<u>\$ 5,204</u>	<u>\$ (14,387)</u>	<u>\$ 38,541</u>
Add: Securities without readily determinable fair value				55,528
				<u>\$ 94,069</u>

4. Inventories

Inventories at March 31, 2009 and 2008 comprise the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2009	2008	2009
Finished goods	¥ 1,597	¥ 1,889	\$ 16,296
Work in process	463	365	4,724
Raw materials and supplies	1,227	1,208	12,521
	<u>¥ 3,287</u>	<u>¥ 3,462</u>	<u>\$ 33,541</u>

5. Short-term Bank Loans and Long-term Debt

The annual average interest rates applicable to short-term bank loans at March 31, 2009 is 1.20 %

Long-term debt at March 31, 2009 and 2008 consisted of the following respectively:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2009	2008	2009
Loans from banks:			
Unsecured loans, maturing in 2009	¥ (700)	¥ (1,000)	\$ (7,143)
Total	(700)	(1,000)	(7,143)
Less: current portion	(700)	(1,000)	(7,143)
Long-term debt, less current portion	<u>¥ -</u>	<u>¥ -</u>	<u>\$ -</u>

6. Accrued Severance Indemnities

The following tables set forth the changes in benefit obligation, and plan assets of the Company at March 31, 2009 and 2008 respectively:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2009	2008	2009
Benefit obligation at end of years	¥ (1,529)	¥ (1,623)	\$ (15,600)
Fair value of plan assets at end of years	1,067	1,278	10,885
Benefit obligation in excess of plan assets	(462)	(345)	(4,715)
Unrecognized actuarial loss	225	109	2,294
Accrued severance indemnities	<u>¥ (237)</u>	<u>¥ (236)</u>	<u>¥ (2,421)</u>

Benefit expenses of the Company included the following components for the year ended March 31, 2009 and 2008 respectively:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2009	2008	2009
Service cost	¥ 81	¥ 73	\$ 827
Interest cost	28	28	286
Expected return on plan assets	(38)	(51)	(388)
Amortization: Actuarial losses	7	(12)	71
Benefit expenses	<u>¥ 78</u>	<u>¥ 38</u>	<u>\$ 796</u>

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2009 and 2008 is as follows:

	2009	2008
Method of attributing benefit to periods of service	straight-line basis	straight-line basis
Discount rate	1.8%	1.8%
Long-term rate of return on fund assets	3.0%	3.5%
Amortization period for actuarial losses	5years	5years

7. Contingencies

The Group was contingently liable as guarantor of indebtedness of affiliates for ¥324 million (U.S.\$3,302,thousand) and ¥368 million (U.S.\$3,376thousand) at March 31, 2009 and 2008 respectively.

8. Research and Development and Computer Software

Research and development expenditure charged to income was ¥1,009 million(U.S.\$10,296 thousand) and ¥1,070 million(U.S.\$9,817thousand) for the year ended March 31, 2009 and 2008, respectively.

Capitalized expenditure for the development of computer software was as follows:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2009	2008	2009
Balance of beginning of year	¥ 13	¥ 16	\$ 133
Additions	12	2	122
Amortization	(4)	(5)	(41)
Balance at end of year	<u>¥ 21</u>	<u>¥ 13</u>	<u>\$ 214</u>

9. Income taxes

The Company is subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 40.7% for the years ended March 31, 2009 and 2008.

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

The effective rate for the two years ended March 31, 2009 and 2008 differs from the Company's statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate	40.7	40.7
Permanently nondeductible expenses	8.4	1.8
Permanently nontaxable dividends received	(3.7)	(1.1)
Per capital levy of residents tax	4.0	0.7
Reserve for special depreciation	-	(0.4)
Effect due to consolidation	9.9	-
Difference of tax rate of overseas subsidiary	(6.2)	(1.0)
Tax credit on research and development	-	(4.2)
Other	(0.5)	(0.8)
Effective tax rate	<u>52.6</u>	<u>35.7</u>

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2009 and 2008 are presented below:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2009	2008	2009
Gross deferred tax assets:			
Accrued severance indemnities	¥ 90	¥ 96	\$ 921
Accrued employee bonuses	128	141	1,308
Accrued enterprise tax payable	-	27	-
Unrealized gains on inventories	22	22	222
Net unrealized holding losses on securities	476	489	4,854
Other	107	99	1,095
Total gross deferred tax assets	823	874	8,400
Gross deferred tax liabilities:			
Net unrealized holding profits on securities	(102)	(371)	(1,040)
Accrued enterprise tax receivable	(27)	-	(279)
Reserve for special depreciation	(5)	(9)	(54)
Total gross deferred tax liabilities	(135)	(380)	(1,373)
Net deferred tax assets(liabilities)	689	(494)	7,028

The Company is positive on the realizability of deferred tax assets. However, the ultimate realization of deferred tax assets is entirely dependent upon the generation of future taxable income in specific tax jurisdictions during the period in which those temporary differences become deductible.

10. Segment Information

Information about operations in industry and geographic segments and sales to foreign customers of the Group for the years ended March 31, 2009 and 2008 is as follows respectively:

(1) Industry Segments

a. Sales and Operating Income

	Millions of yen				
	2009				
	Surfactant	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 16,910	¥ 7,448	¥ 24,358	¥ -	¥ 24,358
Intersegment	-	-	-	-	-
Total sales	16,910	7,448	24,358	-	24,358
Operating expenses	16,689	7,297	23,987	-	23,987
Operating income	¥ 220	¥ 150	¥ 371	¥ -	¥ 371

	Millions of yen				
	2008				
	Surfactant	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 18,243	¥ 9,083	¥ 27,326	¥ -	¥ 27,326
Intersegment	-	-	-	-	-
Total sales	18,243	9,083	27,326	-	27,326
Operating expenses	17,375	8,568	25,943	-	25,943
Operating income	¥ 868	¥ 515	¥ 1,383	¥ -	¥ 1,383

Thousands of U.S.dollars

2009					
	Surfactant	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	\$ 172,555	\$ 76,005	\$ 248,560	\$ -	\$ 248,560
Intersegment	-	-	-	-	-
Total sales	172,555	76,005	248,560	-	248,560
Operating expenses	170,305	74,466	244,771	-	244,771
Operating income	\$ 2,250	\$ 1,539	\$ 3,788	\$ -	\$ 3,788

b. Assets, Depreciation and Capital Expenditure

Millions of yen

2009					
	Surfactant	Other	Total	Eliminations/ Corporate	Consolidated
Assets	¥ 15,396	¥ 6,942	¥ 22,338	¥ 21,298	¥ 43,636
Depreciation	584	261	845	-	845
Capital expenditure	2,059	912	2,971	-	2,971

Millions of yen

2008					
	Surfactant	Other	Total	Eliminations/ Corporate	Consolidated
Assets	¥ 13,530	¥ 6,835	¥ 20,365	¥ 29,118	¥ 49,483
Depreciation	442	219	661	-	661
Capital expenditure	777	369	1,146	-	1,146

Thousands of U.S.dollars

2009					
	Surfactant	Other	Total	Eliminations/ Corporate	Consolidated
Assets	\$ 157,097	\$ 70,838	\$ 227,935	\$ 217,326	\$ 445,261
Depreciation	5,959	2,665	8,624	-	8,624
Capital expenditure	21,013	9,307	30,320	-	30,320

Notes: Surfactant consists of Spinning lubricants for artificial fibers, Sizing lubricants for spun yarn weaving, Antistatic agents for spinning and finishing. Other consists of Warp sizes for spun yarn weaving, Touch improvers.

(2)Geographic Segments

The domestic and foreign operations of the Group for the years ended March 31, 2009 and 2008 are summarized as follows:

Millions of yen

2009					
	Japan	Indonesia	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 23,863	¥ 495	¥ 24,359	¥ -	¥ 24,359
Intersegment	176	61	236	(236)	-
Total sales	24,039	556	24,595	(236)	24,359
Operating expenses	23,799	427	24,226	(239)	23,988
Operating income	¥ 240	¥ 129	¥ 369	¥ 2	¥ 371
Assets	¥ 22,007	¥ 382	¥ 22,389	¥ 21,246	¥ 43,636

Millions of yen					
2008					
	Japan	Indonesia	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 26,545	¥ 781	¥ 27,326	¥ -	¥ 27,326
Intersegment	233	83	316	(316)	-
Total sales	26,778	864	27,642	(316)	27,326
Operating expenses	25,506	745	26,251	(308)	25,943
Operating income	¥ 1,272	¥ 119	¥ 1,391	¥ (8)	¥ 1,383
Assets	¥ 19,926	¥ 524	¥ 20,450	¥ 29,033	¥ 49,483

Thousands of U.S.dollars					
2009					
	Japan	Indonesia	Total	Eliminations/ Corporate	Consolidated
Sales to customers	\$ 243,504	\$ 5,055	\$ 248,560	\$ -	\$ 248,560
Intersegment	1,792	618	2,411	(2,411)	-
Total sales	245,297	5,673	250,970	(2,411)	248,560
Operating expenses	242,851	4,355	247,206	(2,435)	244,771
Operating income	\$ 2,446	\$ 1,318	\$ 3,764	\$ 24	\$ 3,788
Assets	\$ 224,561	\$ 3,899	\$ 228,460	\$ 216,801	\$ 445,261

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2009 and 2008 are as follows:

Millions of yen			
2009			
	South-east Asia	Other	Total
Sales to foreign customers (A)	¥ 8,063	¥ 1,068	¥ 9,131
Total sales (B)	-	-	24,359
(A)/(B)	33.1%	4.4%	37.5%

Millions of yen			
2008			
	South-east Asia	Other	Total
Sales to foreign customers (A)	¥ 9,422	¥ 1,400	¥ 10,822
Total sales (B)	-	-	27,326
(A)/(B)	34.5%	5.1%	39.6%

Thousands of U.S.dollars			
2009			
	South-east Asia	Other	Total
Sales to foreign customers (A)	\$ 82,272	\$ 10,898	\$ 93,171
Total sales (B)	-	-	248,560
(A)/(B)	33.1%	4.4%	37.5%

11. Related Party Transactions

Principal transactions between the Company and its affiliates for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Sales(Nippon Quaker Chemical,Ltd.)	¥ 4,112	¥ 4,199	\$ 41,956

12. Subsidiary

The Company's subsidiary is as follows:

Name	Ownership Interest	Country of Incorporation
P.T.Matsumoto-Yushi Indonesia	49%	Indonesia

13. Subsequent Event

The following appropriations of the Company's retained earnings in respect of the year ended March 31, 2009 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 25, 2009:

Appropriations	Millions of yen	Thousands of U.S.dollars
Cash dividends (¥ 50.0per share)	¥ 564	\$ 5,756
Total appropriations	¥ 564	\$ 5,756

14. Net income Per Share

	Millions of yen		Thousands of U.S.dollars
	2009	2008	2009
Net income	¥ 142	¥ 1,369	\$ 1,448
Deduction			
Bonuses to directors and corporate auditors	-	-	-
Net income available to common shareholders	142	1,369	1,448
	Thousand Shares		
	2009	2008	
The weighted average number of shares of common stock outstanding	10,182	11,179	
	yen		U.S.dollars
	2009	2008	2009
Net income per share	¥ 13.29	¥ 122.41	\$ 0.14