

LETTER TO STAKEHOLDERS

The Japanese economy for the current period initially showed signs of recovery thanks to such growing demands from emerging markets of newly industrialized countries such as China and India. However, the Japanese economy is getting uncertain because of the challenges of stronger yen, stagnant stock market, price hikes on raw materials, together with the Great East Japan Earthquake and Fukushima Dai-ichi nuclear disaster.

The selection of the domestic textile industries relating to our major customers are carried out by the discontinuance of the domestic production replaced with offshore production enhancement and domestic streamlining production. Our business with the overseas textile industries has achieved good sales growth due to the growing demand in China and India and other Asian markets.

For the non-textile industries, the domestic auto industry registered moderate recovery. The housing and construction material markets have shown stronger demand since last autumn. Overseas, China and the other Asian markets are active, especially in the auto industries.

Stronger demands in the developing markets, however, challenge us with price hikes on raw materials.

In our consolidated attempt to secure as much sales and profit as might be warranted by the pressing circumstances, we made pointed emphases on development of quality and competitive price products plus timely introduction of merchandise meeting the market demand.

Our consolidated sales for the current year stood at ¥26,557 million (U.S.\$319,958 thousand) (112.8% of last period), operating income at ¥1,170 million (U.S.\$14,097 thousand) (118.4%), and net income at ¥714 million (U.S.\$8,605 thousand) (101.0%), respectively.

Geographically, Japan represented sales of ¥25,969 million (U.S.\$312,877 thousand) (113.4%) and operating income at ¥1,133 million (U.S.\$13,652 thousand) (129.3%).

The anionic surfactant segment sold more than last year to the domestic synthetic fiber manufacturers. We also had good business with the synthetic manufacturers in China. Our segment sales stood at ¥2,957 million (U.S.\$35,632 thousand) (109.5%).

The nonionic surfactant segment, including finish used in the carbon fiber production, were domestically recovered and sold more. Positive domestic investments in China helped improve our performance. All in all, we sold ¥15,348 million (U.S.\$184,916 thousand) (117.4%).

For the cationic and amphotenic surfactant segment, our sales decline to the textile business hit the bottom. The chemical industry offers more active business with us while the continued challenge is to cope with the price raise on the raw materials. Our sales stood at ¥796 million (U.S.\$9,589 thousand) (100.8%).

The high polymer and inorganic chemicals segment, collectively sold as much as ¥6,867 million (U.S.\$82,740 thousand)(108.4%).

The Indonesian segment registered sales of ¥588 million (U.S.\$7,082 thousand) (90.8%) with operating income of ¥54 million (U.S.\$653 thousand) (54.2%).

The textile industry temporarily suffered a serious setback due to thread price hikes but began to recover toward end of the period.

The nonionic surfactant enjoyed relatively good business but was negatively influenced by the foreign exchange rates, ending with sales of ¥270 million (U.S.\$3,249 thousand) (93.5%).

The high polymer and inorganic chemicals segment was exposed to negative exchange rates and sold as much as ¥309 million (U.S.\$3,727 thousand) (88.1%).

With the domestic economy yet to cope with the ensuing impacts of the Great East Japan Earthquake and raw materials price hikes, our business environment will remain tough for a foreseeable future. Good news is that the earthquake did not seriously hit our group companies.

We are determined to further promote competitive products development, sales channels, and rationalization of our systems and organization.

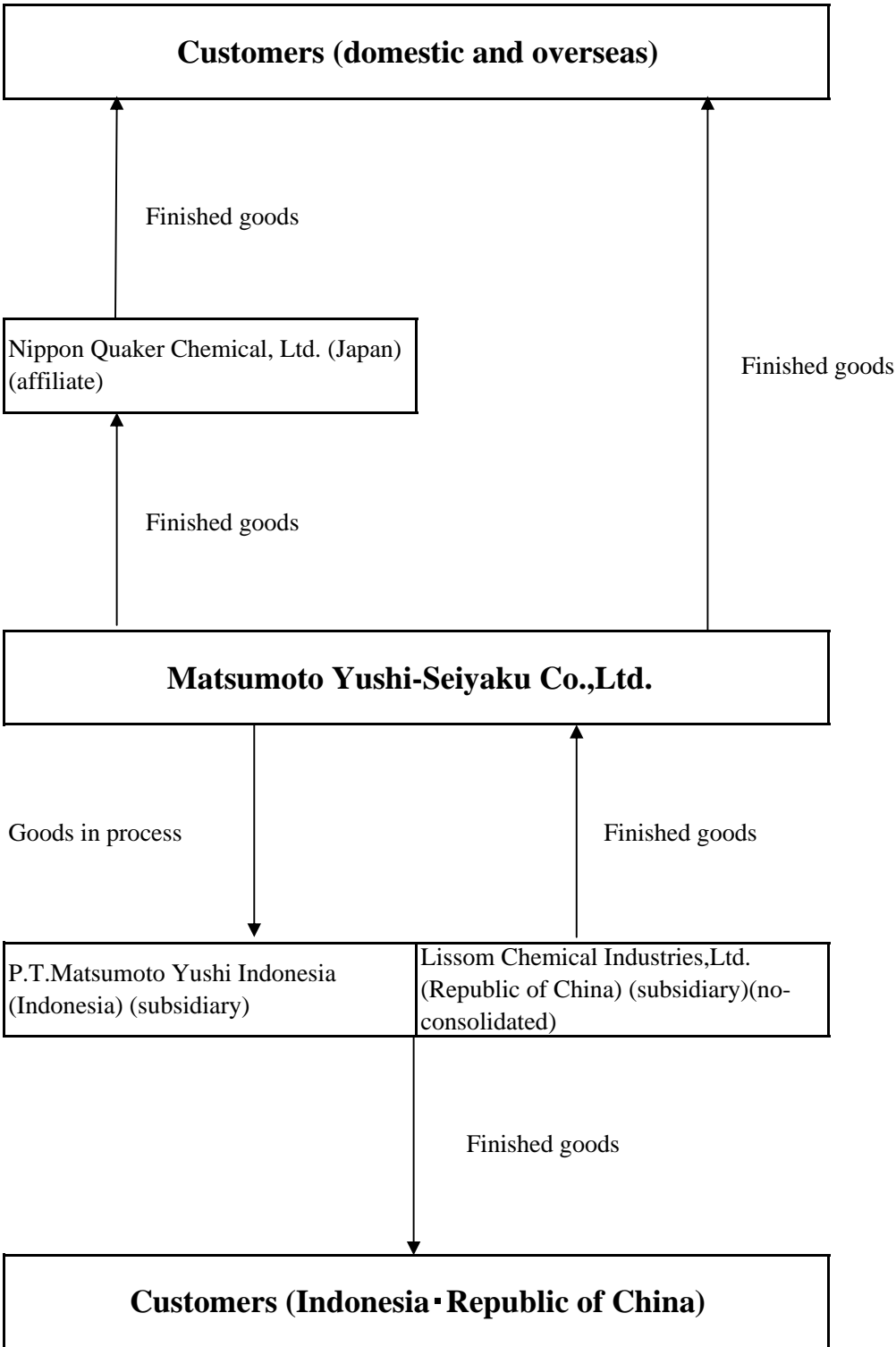
Further to a major renovation at the Shizuoka plant and investment in the new Osaka plant, we will endeavour to keep our facilities proactive to the changing environment.

As always, we will very much appreciate your continued support.

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 board of directors meets once a month regularly and also on ad-hoc basis to stand ready for timely corporate decision making. Directors, statutory auditors and the chiefs of department have a joint meeting once in a week. They insure legal compliance and the legitimate execution of business.

The board of statutory auditors deliberates and decides on substantive issues relative to auditing. They also attend the director meetings and other major discussions to watch appropriateness of 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 views and opinions.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Results for the year (millions of Yen):					
Net Sales	26,557	23,552	24,359	27,326	25,339
Cost of sales	21,510	18,692	19,888	21,330	18,695
Gross profit	5,046	4,859	4,470	5,996	6,645
Selling, general and administrative expenses	3,876	3,871	4,099	4,613	4,565
Operating income	1,170	988	371	1,383	2,080
Other income(expenses)	(52)	103	39	815	874
Income before income taxes and minority interests	1,118	1,091	410	2,198	2,954
Income taxes					
current	343	640	43	788	1,165
deferred	47	(287)	173	(3)	15
Minority interests in subsidiary	14	31	52	44	23
Net income	714	707	142	1,369	1,751
Acquisition of property, plant and equipment	406	370	2,958	1,144	903
Depreciation and amortization	830	846	845	661	520
Per share of common stock(Yen):					
Net income	70.17	69.46	13.29	122.41	156.59
Cash dividends	50.00	50.00	50.00	60.00	55.00
Year-end financial position(millions of Yen):					
Total current assets	30,660	28,946	26,813	34,058	32,988
Total property, plant and equipment	5,250	5,681	6,146	4,063	3,600
Total investments and other assets	10,591	11,028	10,676	11,361	13,560
Total current liabilities	8,357	7,393	5,886	9,075	8,403
Total long-term liabilities	418	350	315	316	1,244
Minority interests	186	200	155	187	164
Foreign currency translation adjustments	205	188	209	102	95
Total net assets	37,726	37,913	37,435	40,092	40,501
Other year-end data:					
Number of shares issued(thousands)	11,282	11,282	11,282	11,282	11,282
Number of shareholders	437	437	457	608	600

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2011 and 2010

ASSETS	Millions of yen		Thousands of U.S.dollars (Note 1)	
	2011	2010	2011	2010
Current assets:				
Cash and cash equivalents(Note 3)	¥ 17,195	¥ 16,391	\$ 207,168	\$ 197,477
Short-term investments (Note 3,4)	910	1,840	10,964	22,169
Notes and accounts receivable(Note 3):				
Trade	5,796	5,170	69,837	62,287
Associates	1,818	1,693	21,909	20,393
Other	6	6	70	78
Allowance for doubtful accounts	(5)	(4)	(55)	(50)
	<u>7,616</u>	<u>6,865</u>	<u>91,761</u>	<u>82,709</u>
Inventories (Note 5)	3,305	3,065	39,815	36,931
Deferred income taxes (Note 10)	526	521	6,342	6,279
Other current assets (Note 3)	1,108	265	13,350	3,187
Total current assets	<u>30,660</u>	<u>28,946</u>	<u>369,400</u>	<u>348,752</u>
Property, plant and equipment :				
Land	531	532	6,396	6,414
Building and structures	6,213	6,169	74,851	74,330
Machinery and equipment	11,322	11,249	136,406	135,535
Construction in progress	58	3	697	34
	<u>18,123</u>	<u>17,954</u>	<u>218,351</u>	<u>216,313</u>
Accumulated depreciation	(12,873)	(12,273)	(155,101)	(147,862)
	<u>5,250</u>	<u>5,681</u>	<u>63,250</u>	<u>68,451</u>
Investments and other assets:				
Investments in affiliates (Note 13)	464	452	5,593	5,442
Investments in securities (Note 3,4)	8,861	9,561	106,758	115,188
Long-term loans(Note 3), net of allowance for doubtful accounts	186	90	2,245	1,080
Deferred income taxes(Note 10)	503	311	6,066	3,749
Other (Note 9)	576	615	6,942	7,411
	<u>10,591</u>	<u>11,028</u>	<u>127,604</u>	<u>132,869</u>
	<u>¥ 46,501</u>	<u>¥ 45,656</u>	<u>\$ 560,254</u>	<u>\$ 550,072</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2011	2010	2011	2010
Current liabilities:				
Short-term bank loans (Note 3,6)	¥ 800	¥ 700	\$ 9,639	\$ 8,434
Accounts payable(Note 3):				
Trade	7,598	4,340	91,545	52,294
Associates	(1,140)	867	(13,730)	10,441
Other	748	623	9,014	7,508
Accrued income taxes	47	548	564	6,597
Accrued bonuses to employees	271	285	3,265	3,432
Other current liabilities(Note 3)	32	31	391	369
Total current liabilities	<u>8,357</u>	<u>7,393</u>	<u>100,688</u>	<u>89,075</u>
Long-term liabilities				
Allowance for retirement benefits(Note 7)	235	262	2,836	3,153
Asset retirement obligations(Note 16)	92	—	1,110	—
Other liabilities	91	88	1,092	1,061
Total long-term liabilities	<u>418</u>	<u>350</u>	<u>5,038</u>	<u>4,213</u>
Total liabilities	<u>8,775</u>	<u>7,743</u>	<u>105,726</u>	<u>93,288</u>
Contingencies (Note 8)				
Net assets:				
Shareholders' equity				
Common stock				
Authorized 40,000,000 shares				
Issued 2011- 11,281,629 shares	6,090	6,090	73,374	73,374
Capital surplus	6,518	6,518	78,527	78,527
Retained earnings	27,567	27,362	332,138	329,666
Less, treasury stock, at cost:	(1,745)	(1,742)	(21,019)	(20,985)
Total Shareholders' equity	<u>38,431</u>	<u>38,228</u>	<u>463,020</u>	<u>460,581</u>
Valuation and translation adjustments				
Unrealized gain (loss) on available-for-sale securities	(686)	(327)	(8,260)	(3,941)
Foreign currency translation adjustments	(205)	(188)	(2,469)	(2,262)
Total Valuation and translation adjustments	<u>(891)</u>	<u>(515)</u>	<u>(10,729)</u>	<u>(6,203)</u>
Minority interests	186	200	2,237	2,405
Total net assets	<u>37,726</u>	<u>37,913</u>	<u>454,528</u>	<u>456,784</u>
	<u>¥ 46,501</u>	<u>¥ 45,656</u>	<u>\$ 560,254</u>	<u>\$ 550,072</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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2011	2010	2011	2010
Net sales(Note 11,12)	¥ 26,557	¥ 23,552	\$ 319,958	\$ 283,757
Cost of sales	21,510	18,692	259,159	225,210
Gross profit	5,046	4,859	60,799	58,547
Selling, general and administrative expenses	3,876	3,871	46,702	46,642
Operating income	1,170	988	14,097	11,905
Other income (expenses):				
Interest and dividend income	266	371	3,204	4,465
Interest expenses	(8)	(9)	(95)	(107)
Investment profit (loss) on equity method	42	29	500	346
Foreign exchange profit (loss)	(181)	(110)	(2,175)	(1,327)
Profit (loss) on disposal of property and equipment	(7)	(5)	(87)	(55)
Profit (Loss) on securities sold	26	4	314	52
Loss from revaluation of securities	(37)	(453)	(450)	(5)
Advanced depreciation deduction of property and Other, net	(32)	—	(0)	
	(120)	276	(1,452)	3,327
Income before income taxes and minority interests	1,118	1,091	13,469	13,142
Income taxes (Note 10):				
Current	343	640	4,134	7,711
Deferred	47	(287)	562	(3,461)
	390	353	4,697	4,250
Income before minority interests	728	738	8,773	8,892
Minority interests in subsidiary	(14)	(31)	(168)	(373)
Net income	¥ 714	¥ 707	\$ 8,605	\$ 8,519

	Yen		U.S. dollars (Note 1)	
	2011	2010	2011	2010
Net income per share:				
Basic	¥ 70.17	¥ 69.46	\$ 0.845	\$ 0.837
Cash dividends per share	50.00	50.00	0.602	0.602

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2011	2010	2011	2010
Income before minority interests	¥ 728	¥ 738	\$ 8,773	\$ 8,892
Other comprehensive income				
Unrealized gains (losses) on available-for-sale securities	(358)	218	(4,319)	2,621
Foreign currency translation adjustments	(31)	48	(374)	578
Share of other comprehensive income of associates accounted for using equity method	(2)	(3)	(24)	(31)
Total other comprehensive income (loss)	(392)	263	(4,717)	3,169
Comprehensive income	<u>¥ 337</u>	<u>¥ 1,001</u>	<u>\$ 4,056</u>	<u>\$ 12,061</u>
Comprehensive income attributable to:				
Owners of the parent company	339	946	4,079	11,393
Minority interests	(2)	55	(23)	667

**MATSUMOTO YUSHI-SEIYAKU CO.,LTD
AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2011 and 2010**

	Millions of yen										
	Number of shares issued (thousands)	Shareholders' equity					Accumulated other comprehensive income			Minority interests	Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total Accumulator other comprehensive income		
Balance at March 31, 2009	11,282	6,090	6,518	27,164	(1,742)	38,030	(545)	(209)	(753)	155	37,432
Cash dividends				(509)		(509)					(509)
Net income for the year				707		707					707
Purchase of treasury stock					(3)	(3)					(3)
Net change of items other than shareholders' equity							218	21	239	45	283
	11,282	6,090	6,518	27,362	(1,742)	38,228	(327)	(188)	(515)	200	37,913
Cash dividends				(509)		(509)					(509)
Net income for the year				714		714					714
Purchase of treasury stock					(3)	(3)					(3)
Net change of items other than shareholders' equity							(358)	(17)	(376)	(14)	(390)
	<u>11,282</u>	<u>¥ 6,090</u>	<u>¥ 6,518</u>	<u>¥ 27,568</u>	<u>¥ (1,745)</u>	<u>¥ 38,430</u>	<u>¥ (686)</u>	<u>¥ (205)</u>	<u>¥ (891)</u>	<u>¥ 186</u>	<u>¥ 37,726</u>

	Thousands of U.S. dollars (Note 1)										
	Number of shares issued (thousands)	Shareholders' equity					Accumulated other comprehensive income			Minority interests	Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total Accumulator other comprehensive income		
Balance at March 31, 2009	11,282	\$ 73,374	\$ 78,527	\$ 327,280	\$ (20,985)	\$ 458,195	\$ (6,562)	\$ (2,515)	\$ (9,077)	\$ 1,864	\$ 450,983
Cash dividends				(6,133)		(6,133)					(6,133)
Net income for the year				8,519		8,519					8,519
Purchase of treasury stock					(37)	(37)					(37)
Net change of items other than shareholders' equity							2,621	253	2,874	540	3,414
	11,282	\$ 73,374	\$ 78,527	\$ 329,666	\$ (20,985)	\$ 460,582	\$ (3,941)	\$ (2,262)	\$ (6,203)	\$ 2,405	\$ 456,784
Cash dividends				(6,133)		(6,133)					(6,133)
Net income for the year				8,605		8,605					8,605
Purchase of treasury stock					(37)	(37)					(37)
Net change of items other than shareholders' equity							(4,319)	(207)	(4,526)	(168)	(4,695)
	<u>11,282</u>	<u>\$ 73,374</u>	<u>\$ 78,527</u>	<u>\$ 332,139</u>	<u>\$ (21,019)</u>	<u>\$ 463,018</u>	<u>\$ (8,260)</u>	<u>\$ (2,469)</u>	<u>\$ (10,729)</u>	<u>\$ 2,237</u>	<u>\$ 454,526</u>

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars	
			(Note 1)	
	2011	2010	2011	2010
Cash flows from operating activities:				
Net income before income taxes and minority interests	¥ 1,118	¥ 1,091	\$ 13,469	\$ 13,142
Adjustments for:				
Depreciation and amortization	830	846	10,004	10,192
Loss (gain) on sales and disposal of property,	7	5	87	55
Loss (gain) on evaluation of securities	37	453	450	5,463
Loss (gain) on sale of securities	(26)	(4)	(314)	(52)
Allowance for doubtful accounts	(6)	(10)	(75)	(115)
Investment (profit) loss on equity method	(42)	(29)	(500)	(346)
Accrued severance indemnities	(29)	16	(345)	190
Accrued bonuses to employees	(14)	(30)	(167)	(363)
Interest and dividend income	(266)	(371)	(3,204)	(4,465)
Interest expenses	8	9	95	107
Foreign exchange (profit) loss	96	169	1,156	2,032
Influence of applying the Accounting Standard for Asset Retirement Obligations	23	—	277	—
Decrease (Increase) in notes and accounts receivable	(760)	(1,202)	(9,160)	(14,477)
Decrease (Increase) in inventories	(252)	256	(3,036)	3,087
Increase (Decrease) in accounts payable	1,257	1,427	15,144	17,197
Increase (Decrease) in accrued consumption tax	(50)	79	(604)	957
Other, net	446	2,372	5,372	28,576
Sub total	2,378	5,078	28,650	61,180
Interest and dividend income received	271	375	3,260	4,520
Interest expenses paid	(7)	(9)	(88)	(107)
Income taxes paid	(843)	(142)	(10,151)	(1,712)
Net cash provided by operating activities	1,799	5,302	21,671	63,882
Cash flows from investing activities:				
Repayment of maturity of time deposits	(1,400)	—	(16,867)	—
Proceeds from maturity of time deposits	1,330	200	16,024	2,410
Receipt from sale of short-term investments	1,000	93	12,048	1,121
Payments for purchase of property, plant and equipment	(406)	(370)	(4,890)	(4,456)
Receipt from sale of investments in securities	480	69	5,785	828
Payments for purchase of investments in securities	(447)	(1,434)	(5,384)	(17,276)
Decrease (Increase) of loans receivable	8	45	91	545
Decrease (Increase) of deposit for investment	(896)	—	(10,797)	—
Other, net	32	(34)	386	(406)
Net cash provided by (used in) investing activities	(299)	(1,430)	(3,604)	(17,235)
Cash flows from financing activities:				
Increase (Decrease) in short-term bank loans, net	100	—	1,205	—
Cash dividends paid	(509)	(520)	(6,133)	(6,261)
Cash dividends paid to minority shareholders	(12)	(11)	(145)	(127)
Purchase of treasury stock	(3)	(3)	(34)	(37)
Net cash used in financing activities	(424)	(523)	(5,107)	(6,297)
Effect of exchange rate changes on cash and cash equivalents	(271)	(247)	(3,268)	(2,976)
Net increase (decrease) in cash and cash equivalents	804	3,102	9,691	37,374
Cash and cash equivalents at beginning of year	16,391	13,288	197,477	160,102
Cash and cash equivalents at end of year	¥ 17,195	¥ 16,391	\$ 207,168	\$ 197,477

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, 2011 and 2010

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 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 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 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, 2011, which was ¥83 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 affiliate and subsidiary(non-consolidated) 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 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.

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 realized value method) by the weighted average method. 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.

(f) 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 based on the estimated useful lives of the respective assets same as determined by Japanese Income Tax Law
	ii Buildings acquired after April 1, 1998 Straight-line method based on the estimated useful lives of the respective assets same as determined by Japanese Income Tax Law
Structures	Declining-balance method based on the estimated useful lives of the respective assets same as determined by Japanese Income Tax Law
Machinery	Straight-line method based on the estimated useful lives of the respective assets same as determined by Japanese Income Tax Law
Equipment	Declining-balance method based on the estimated useful lives of the respective assets same as determined by Japanese Income Tax Law

(g) Intangible Assets

Amortization of intangible assets is computed by the straight-line method. Computer software is recorded as intangible assets as per the Financial Instruments and Exchange Act 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 10,178 thousand and 10,180 thousand for the periods ended March 31, 2011 and 2010, respectively.

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

(o)Change in accounting policy

Effective April 1, 2010, the Company applies Accounting Standard of Asset Retirement Obligations and Guideline of Asset Retirement Obligations.

As a result, gross profit decreases ¥10 million(U.S.\$129 thousand), operating income decreases ¥11 million(U.S.\$133 thousand) and income before income tax decreases ¥34 million(U.S.\$410 thousand) respectively.

(p)Additional Information

Effective April 1, 2010, the Company applies Accounting Standard of Disclosure of the Statement of Comprehensive Income.

3. Financial Instrument

Financial instruments at March 31, 2011 and 2010 consisted of the following:

	millions of yen		
	2011		
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 17,195	¥ 17,195	¥ -
Notes and accounts receivable	7,616	7,616	-
Short-term investments and investments in securities	910	910	-
Long-term loans	186	178	8
Total assets	¥ 25,907	¥ 25,899	¥ 8
Accounts payable	7,207	7,207	-
Short-term bank loans	800	800	-
Total liabilities	¥ 8,007	¥ 8,007	¥ -

	millions of yen		
	2010		
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 16,391	¥ 16,391	¥ -
Notes and accounts receivable	6,865	6,865	-
Other current assets	265	265	-
Short-term investments and investments in securities	1,840	1,840	-
Long-term loans	90	86	4
Total assets	¥ 25,450	¥ 25,446	¥ 4
Accounts payable	5,830	5,830	-
Other current liabilities	31	31	-
Short-term bank loans	700	700	-
Total liabilities	¥ 6,561	¥ 6,561	¥ -

	thousands of U.S.dollars(Note 1)		
	2011		
	Book Value	Fair Value	Differences
Cash and cash equivalents	\$ 207,168	\$ 207,168	\$ -
Notes and accounts receivable	91,761	91,761	-
Short-term investments and investments in securities	10,964	10,964	-
Long-term loans	2,245	2,148	97
Total assets	\$ 312,138	\$ 312,041	\$ 97
Accounts payable	86,829	86,829	-
Short-term bank loans	9,639	9,639	-
Total liabilities	\$ 96,467	\$ 96,467	\$ -

4. Short-term Investments and Investments in Securities

Short-term investment at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Other securities:			
Bonds and debentures	¥ -	¥ -	\$ -
Time deposits	910	1,840	10,964
	<u>¥ 910</u>	<u>¥ 1,840</u>	<u>\$ 10,964</u>

The following is a summary of investments in securities at March 31, 2011 and 2010 respectively:

	Millions of yen			
	March 31, 2011			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Equity securities	¥ 1,751	¥ 702	¥ (147)	¥ 2,306
Bonds and debentures	1,829	-	(554)	1,275
Other	2,863	151	(431)	2,583
	<u>¥ 6,443</u>	<u>¥ 853</u>	<u>¥ (1,132)</u>	<u>¥ 6,165</u>
Add: Securities without readily determinable fair value				2,696
				<u>¥ 8,861</u>

	Millions of yen			
	March 31, 2010			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Equity securities	¥ 1,801	¥ 892	¥ (176)	¥ 2,517
Bonds and debentures	829	-	(259)	570
Other	2,421	101	(419)	2,103
	<u>¥ 5,051</u>	<u>¥ 993</u>	<u>¥ (854)</u>	<u>¥ 5,190</u>
Add: Securities without readily determinable fair value				4,371
				<u>¥ 9,561</u>

	Thousands of U.S.dollars(Note 1)			
	March 31, 2011			
	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Equity securities	\$ 21,096	\$ 8,464	\$ (1,774)	\$ 27,786
Debt securities	22,033	-	(6,672)	15,361
Other	34,495	1,818	(5,189)	31,124
	<u>\$ 77,624</u>	<u>\$ 10,282</u>	<u>\$ (13,634)</u>	<u>\$ 74,271</u>
Add: Securities without readily determinable fair value				32,486
				<u>\$ 106,758</u>

5. Inventories

Inventories at March 31, 2011 and 2010 comprise the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Finished goods	¥ 1,865	¥ 1,670	\$ 22,472
Work in process	395	382	4,756
Raw materials and supplies	1,045	1,014	12,587
	<u>¥ 3,305</u>	<u>¥ 3,065</u>	<u>\$ 39,815</u>

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

The annual average interest rates applicable to short-term bank loans at March 31, 2011 is 0.96 %

Short-term Bank Loans and Long-term debt at March 31, 2011 and 2010 consisted of the following respectively:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Loans from banks:			
Less: current portion	(800)	(700)	(9,639)
Long-term debt, less current portion	<u>¥ -</u>	<u>¥ -</u>	<u>\$ -</u>

7. Allowance for retirement benefits

The following tables set forth the changes in benefit obligation, and plan assets of the Company at March 31, 2011 and 2010 respectively:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Benefit obligation at end of years	¥ (1,196)	¥ (1,344)	\$ (14,411)
Fair value of plan assets at end of years	872	997	10,505
Benefit obligation in excess of plan assets	(324)	(347)	(3,907)
Unrecognized actuarial loss	89	85	1,071
Allowance for retirement benefits	<u>¥ (235)</u>	<u>¥ (262)</u>	<u>\$ (2,836)</u>

Benefit expenses of the Company included the following components for the year ended March 31, 2011 and 2010 respectively:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Service cost	¥ 63	¥ 80	\$ 759
Interest cost	22	28	265
Expected return on plan assets	(18)	(16)	(205)
Amortization: Actuarial losses	16	49	193
Benefit expenses	<u>¥ 84</u>	<u>¥ 141</u>	<u>\$ 1,012</u>

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2011 and 2010 is as follows:

	2011	2010
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	1.8%	1.5%
Amortization period for actuarial losses	5years	5years

8. Contingencies

The Group was contingently liable as guarantor of indebtedness of affiliates for ¥315 million (U.S.\$3,795thousand) and ¥270 million (U.S.\$3,253thousand) at March 31, 2011 and 2010 respectively.

9. Research and Development and Computer Software

Research and development expenditure charged to income was ¥915 million(U.S.\$11,024 thousand) and ¥968 million (U.S.\$11,663thousand) for the year ended March 31, 2011 and 2010, respectively.

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

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Balance of beginning of year	¥ 14	¥ 21	\$ 169
Additions	1	-	12
Amortization	(6)	(7)	(72)
Balance at end of year	<u>¥ 9</u>	<u>¥ 14</u>	<u>\$ 108</u>

10. 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, 2011 and 2010. Foreign subsidiary is subject to income taxes of the country in which it operates.

The effective rate for the two years ended March 31, 2011 and 2010 differs from the Company's statutory tax rate for the following reasons:

	2011	2010
Statutory tax rate	40.7	40.7
Permanently nondeductible expenses	2.3	2.6
Permanently nontaxable dividends received	(1.9)	(0.9)
Per capital levy of residents tax	1.5	1.5
Reserve for special depreciation	(7.0)	(7.7)
Effect due to consolidation	0.0	(1.3)
Difference of tax rate of overseas subsidiary	(0.2)	(1.2)
Other	(0.5)	(1.4)
Effective tax rate	<u>34.9</u>	<u>32.3</u>

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2011 and 2010 are presented below:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Gross deferred tax assets:			
Accrued severance indemnities	¥ 93	¥ 104	\$ 1,126
Accrued employee bonuses	110	116	1,329
Unrealized gains on inventories	18	15	220
Net unrealized holding losses on securities	699	516	8,418
Other	341	378	4,107
Total gross deferred tax assets	1,262	1,129	15,200
Gross deferred tax liabilities:			
Net unrealized holding profits on securities	(228)	(291)	(2,749)
Reserve for special depreciation	(4)	(5)	(43)
Total gross deferred tax liabilities	(232)	(297)	(2,792)
Net deferred tax assets(liabilities)	1,030	832	12,408

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.

11. Segment Information

Our Group consists of two geographic segments, namely, Japan and Indonesia, each comprising manufacturing and selling functions. Each reported segment majors in the anionic surfactant, together with other sundry items.

Matsumoto Yushi-Seiyaku Co., Ltd. For Japan segment, and P.T. Matsumoto Yushi Indonesia for Indonesian segment, respectively, functions 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, 2011 and 2010 consisted of the following respectively:

	Millions of yen		
	2011		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 25,969	¥ 588	¥ 26,557
Inter-segment	234	46	280
Total sales	¥ 26,202	¥ 634	¥ 26,836
Segment profit	1,133	54	1,187
Operating assets	46,064	503	46,567
Operating liabilities	8,703	176	8,880
Other			
Depreciation	¥ 822	¥ 8	¥ 830
Capital expenditure	398	8	406

	Millions of yen		
	2010		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 22,904	¥ 648	¥ 23,552
Inter-segment	139	43	182
Total sales	<u>¥ 23,043</u>	<u>¥ 690</u>	<u>¥ 23,733</u>
Segment profit	876	100	976
Operating assets	45,229	483	45,712
Operating liabilities	7,695	128	7,823
Other			
Depreciation	¥ 836	¥ 10	¥ 846
Capital expenditure	<u>364</u>	<u>6</u>	<u>370</u>

	Thousands of U.S.dollars		
	2011		
	Japan	Indonesia	Total segments
Sales			
External customers	\$ 312,877	\$ 7,082	\$ 319,958
Inter-segment	2,815	556	3,371
Total sales	<u>\$ 315,692</u>	<u>\$ 7,638</u>	<u>\$ 323,330</u>
Segment profit	13,652	653	14,305
Operating assets	554,987	6,057	561,044
Operating liabilities	104,860	2,125	106,985
Other			
Depreciation	\$ 9,903	\$ 100	\$ 10,004
Capital expenditure	<u>4,795</u>	<u>101</u>	<u>4,896</u>

(2) Adjustments and eliminations

Reconciliation of sales	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Segment sales	¥ 26,836	¥ 23,733	\$ 323,330
Inter-segment transactions (elimination)	(280)	(182)	(3,371)
Group sales	<u>¥ 26,557</u>	<u>¥ 23,552</u>	<u>\$ 319,958</u>

Reconciliation of profit	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Segment profit	¥ 1,187	¥ 976	\$ 14,305
Inter-segment transactions (elimination)	(9)	(5)	(111)
Adjustment of inventory	(8)	17	(97)
Group profit	<u>¥ 1,170</u>	<u>¥ 988</u>	<u>\$ 14,097</u>

Reconciliation of assets	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Segment operating assets	¥ 46,567	¥ 45,712	\$ 561,044
Inter-segment transactions (elimination)	(104)	(80)	(1,259)
Adjustment of inventory	(5)	(4)	(63)
Other adjustments	44	29	531
Group operating assets	<u>¥ 46,501</u>	<u>¥ 45,656</u>	<u>\$ 560,254</u>

Reconciliation of liabilities	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
Segment operating liabilities	¥ 8,880	¥ 7,823	\$ 106,985

Inter-segment transactions (elimination)	(104)	(80)	(1,259)
Group operating liabilities	<u>¥ 8,775</u>	<u>¥ 7,743</u>	<u>\$ 105,726</u>

(3) Related information

Products and Services information	Millions of yen	Thousands of U.S. dollars(Note 1)
Sales to external customers	<u>2011</u>	<u>2011</u>
Surfactant	¥ 19,380	\$ 233,491
Other	7,177	86,467
Total	<u>¥ 26,557</u>	<u>\$ 319,958</u>

Geographic information	Millions of yen	Thousands of U.S. dollars(Note 1)
Sales to external customers	<u>2011</u>	<u>2011</u>
Japan	¥ 14,174	\$ 170,768
Asia	11,185	134,764
Other	1,197	14,427
Total	<u>¥ 26,557</u>	<u>\$ 319,958</u>

Main customers information	Millions of yen	Thousands of U.S. dollars(Note 1)
Sales	<u>2011</u>	<u>2011</u>
Nippon Quaker Chemical,Ltd.	¥ 4,274	\$ 51,492
Marubeni Chemix Corporation	3,335	40,184

12. Related Party Transactions

Principal transactions between the Company and its affiliate for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Sales(Nippon Quaker Chemical,Ltd.)	¥ 4,274	¥ 3,719	\$ 51,492
Purchase(Nippon Quaker Chemical,Ltd.)	2,236	1,904	26,947

13. Subsidiaries

The Company's subsidiaries are as follows:

Name	Ownership Interest	Country of Incorporation
P.T.Matsumoto-Yushi Indonesia	49%	Indonesia
Lissom Chemical Industries.,Ltd (not consolidated)	50%	Republic of China

14. Subsequent Event

The following appropriations of the Company's retained earnings in respect of the year ended March 31, 2011 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2011:

Appropriations	Millions of yen	Thousands of U.S.dollars
Cash dividends (¥50.0per share)	¥ 509	\$ 6,133
Total appropriations	¥ 509	\$ 6,133

15. Net income Per Share

	Millions of yen		Thousands of U.S.dollars
	2011	2010	2011
Net income	¥ 714	¥ 707	\$ 8,605
Net income available to common shareholders	714	707	8,605

	Thousand Shares	
	2011	2010
The weighted average number of shares of common stock outstanding	10,179	10,181

	yen		U.S.dollars
	2011	2010	2011
Net income per share	¥ 70.17	¥ 69.46	\$ 0.845