

LETTER TO STAKEHOLDERS

For the reported accounting period ended March 31, 2017, the world economy witnessed a consistent U.S. economic recovery and the European counterpart in gradual convalescence despite the Brexit turmoil. China and the developing economies remain sluggish.

While its personal consumption is stagnant, the local economy continued to keep up moderate recovery due to improved corporate business performances and employment.

Regarding the domestic textile industry, admittedly among our major customers, they overall continued to shift to offshore production. Furthermore, big companies shut down unprofitable operations while introducing corporate restructuring, which led to reduced sales. Thus the local business climate is yet to improve.

Overseas, China textile industry began to relax their long-standing aggressive capital investments and turn to large-scale production curtailment.

As for the non-textile field, both the automotive and the construction industries remained dormant locally. Overseas, the U.S. automotive industry has been active and the Chinese automotive market, by far the biggest of all, shows signs of recovery.

Under the crucial circumstances, our unswerving endeavors continued to keep up our sales and profit through development of high-quality and lower-priced products as well as items for quick response to the market. We managed to sell as much in volume as last year but suffered decline in money amount due to foreign exchange fluctuations.

All in all, our consolidated sales stood at ¥31,377 million (97.0% of last year on yen basis), operating income at ¥4,808 million (90.1%), and net income attributable to owners of parent at

¥3,961 million (124.1%), respectively.

Geographically, Japan represented consolidated sales of ¥30,504 million (96.8%) and segment income (operating income) of ¥4,728 million (90.5%)

For the anionic surfactant field, local textile manufacturers are inclined to reduce output, but business was active for nonwovens and steady for others. Overseas, our major business dropped inactive with the synthetic fiber producers in China. Sales stood at ¥3,327 million (96.5%).

The nonionic surfactant locally continued to suffer output decline in the textile field due to poor consumption and price deterioration. Industrial materials registered steady performance. Overseas, automotive and housing fields saw improved business. We sold as much as ¥17,774 million (95.2%).

Regarding the cationic and amphoteric surfactant, our business with the textile industry showed a modest decline. As for non-textile fields, sales declined for amphoteric surfactant due to certain product numbers deleted from the production schedule. Sales declined and stood at ¥ 971 million (89.6%).

The high polymer and inorganic chemicals group sold less than last year with respect to the textile industry. As for non-textile domain, cosmetics material business improved and the automotive field advanced sales in volume. For the capital investments area, our performance remained about the same as last year. All in all, our sales reached ¥8,433 million (101.6%).

Indonesia represents another business segment with consolidated sales of ¥872 million (104.8%), segment income (operating income) of ¥80 million (86.2%).

Regarding the nonionic surfactant business, our entry in

certain segments of market favorably managed challenges by established competitors. Our sales rose to ¥461 million (113.1%).

For the high polymer and inorganic chemicals, local business secured as much sales in volume as last year but price deterioration continues due to competition. The automotive fields were negatively affected by stagnant local economy and our business with them declined accordingly. Exports fell short of the performance last year. Sales ended up at ¥395 million (96.2%).

As for the anionic, the cationic and amphoteric surfactants, their combined presence remained minor in volume and value. Their respective sales were ¥8 million (118.4%) and ¥9 million (109.4%).

We now reconfirm that our business environment has been tough and will remain so for some foreseeable future, with multiple challenges including energy cost hikes and price fluctuations over raw materials. We also reiterate our commitment to the established principles of competitive products development, further expansion of sales network, and rationalization of our systems and organization, hence advancing corporate growth and profitability.

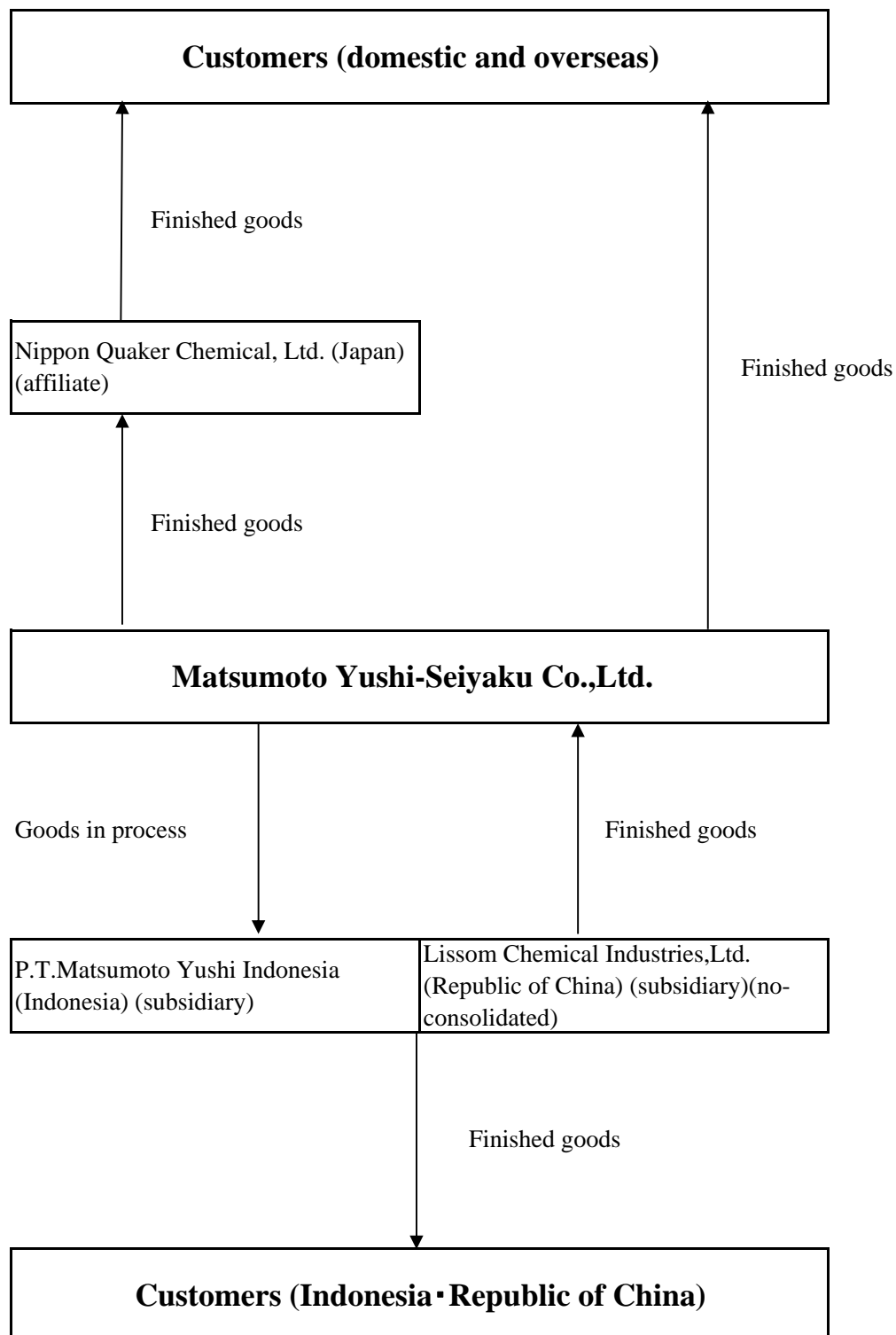
As always, we very much appreciate your continued support.

Sincerely,

NAOKI KIMURA

President and CEO

Holding Company Configuration and Highlights of Business



CORPORATE GOVERNANCE

Matsumoto Yushi-Seiyaku Co., Ltd. has been making every possible effort to realize stable and continuous improvement of enterprise value. The 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. Hence, 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. In order to further strengthen the function of corporate management, we keep on board a seasoned business executive from outside. Directors, statutory auditors and the chiefs of department have a joint meeting once a week. They insure legal compliance and the legitimate execution of business.

The board of statutory auditors comprising a majority of independent members from outside 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Results for the year (millions of Yen):					
Net Sales	31,377	32,343	32,128	30,129	27,284
Cost of sales	22,534	22,978	23,516	22,186	21,062
Gross profit	8,842	9,365	8,612	7,944	6,222
Selling, general and administrative expenses	4,034	4,028	3,953	3,858	3,831
Operating income	4,808	5,337	4,659	4,085	2,391
Other income(expenses)	884	(640)	1,869	1,513	141
Income before income taxes and non-controlling interests	5,692	4,697	6,528	5,599	2,531
Income taxes					
current	1,809	1,521	2,441	1,895	1,019
deferred	(97)	(52)	70	189	(137)
Net income	3,981	3,229	4,017	3,515	1,649
Net income attributable to :					
non controlling interests in subsidiary owners of parent	20	37	23	25	48
	3,961	3,192	3,994	3,490	1,602
Acquisition of property, plant and equipment	693	787	397	438	393
Depreciation and amortization	582	655	668	693	705
Per share of common stock(Yen):					
Net income attributable to owners of parent	1,213.38	920.44	1,088.97	951.32	161.39
Cash dividends	350.00	300.00	250.00	100.00	60.00
Year-end financial position(millions of Yen):					
Total current assets	44,378	41,194	42,572	37,967	33,257
Total property, plant and equipment	4,135	4,181	4,010	4,222	4,519
Total investments and other assets	8,641	7,572	9,969	9,627	9,185
Total current liabilities	8,526	7,805	9,294	9,367	8,141
Total long-term liabilities	1,593	1,052	1,270	990	587
Non-controlling interests	162	157	157	218	227
Foreign currency translation adjustments	(128)	(117)	(77)	(206)	(216)
Total net assets	47,036	44,090	45,988	41,459	38,233
Other year-end data:					
Number of shares issued(thousands)	4,513	4,513	4,513	11,282	11,282
Number of shareholders	688	597	611	603	612

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2017 and 2016

ASSETS	Millions of yen		Thousands of U.S.dollars (Note 1)	
	2017	2016	2017	2016
Current assets:				
Cash and cash equivalents(Note 5)	¥ 31,532	¥ 27,313	\$ 281,536	\$ 243,870
Short-term investments (Note 5,6)	510	1,748	4,554	15,604
Notes and accounts receivable(Note 5):				
Trade	6,605	6,369	58,974	56,866
Associates	1,953	2,012	17,442	17,962
Other	17	14	155	127
Allowance for doubtful accounts	(2)	(2)	(16)	(19)
	8,574	8,393	76,555	74,937
Inventories (Note 7)	3,370	3,546	30,090	31,664
Deferred income taxes (Note 14)	223	133	1,994	1,192
Other current assets	169	60	1,507	534
Total current assets	44,378	41,194	396,235	367,800
Property, plant and equipment(Note 9) :				
Land	532	532	4,746	4,748
Building and structures	6,850	6,774	61,161	60,483
Machinery and equipment	12,817	12,563	114,434	112,169
Construction in progress	122	98	1,090	871
	20,320	19,966	181,432	178,271
Accumulated depreciation total property, plant and equipment	(16,185)	(15,785)	(144,512)	(140,938)
	4,135	4,181	36,920	37,332
Investments and other assets:				
Investments in affiliates(Note 8)	1,045	921	9,331	8,223
Investments in securities (Note 5,6)	6,521	5,789	58,221	51,688
Long-term loans(Note 5)	186	0	1,658	4
Deferred income taxes(Note 14)	63	40	565	355
Other	834	829	7,445	7,399
Allowance for doubtful accounts	(7)	(7)	(65)	(64)
Total investments and other assets	8,641	7,572	77,156	67,604
Total assets	¥ 57,155	¥ 52,947	\$ 510,311	\$ 472,737

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2017	2016	2017	2016
Current liabilities:				
Accounts payable(Note 5):				
Trade	¥ 5,273	¥ 5,257	\$ 47,079	\$ 46,936
Associates	756	735	6,753	6,565
Other	929	1,115	8,293	9,952
Accrued income taxes	1,249	369	11,149	3,294
Accrued bonuses to employees	281	276	2,513	2,462
Other current liabilities	38	53	337	476
Total current liabilities	8,526	7,805	76,124	69,686
Long-term liabilities				
Net defined benefit liabilities(Note 10)	595	498	5,312	4,448
Asset retirement obligations(Note 19)	105	104	942	927
Reserve for loss on dissolution of employees' pension fund	288	—	2,573	—
Deferred income taxes (Note 14)	523	372	4,673	3,320
Other liabilities	81	78	722	695
Total long-term liabilities	1,593	1,052	14,222	9,389
Total liabilities	10,119	8,856	90,346	79,075
Net assets:				
Shareholders' equity				
Common stock				
Authorized 16,000,000 shares				
Issued 2017- 4,512,651 shares (Note 11)	6,090	6,090	54,375	54,375
Capital surplus	6,518	6,518	58,199	58,199
Retained earnings	40,050	37,069	357,591	330,973
Less, treasury stock, at cost: (Note 11)	(7,311)	(7,009)	(65,281)	(62,577)
Total Shareholders' equity	45,347	42,669	404,884	380,970
Accumulated other comprehensive income				
Unrealized gain (loss) on available-for-sale securities	1,787	1,450	15,952	12,951
Foreign currency translation adjustments	(128)	(117)	(1,143)	(1,043)
Remeasurements of defined benefit plans	(131)	(70)	(1,174)	(621)
Total accumulated other comprehensive income	1,527	1,264	13,635	11,287
Non-controlling interests	162	157	1,447	1,405
Total net assets	47,036	44,090	419,965	393,662
Total liabilities and net assets	¥ 57,155	¥ 52,947	\$ 510,311	\$ 472,737

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2017	2016	2017	2016
Net sales(Note 16,17)	¥ 31,377	¥ 32,343	\$ 280,148	\$ 288,781
Cost of sales(Note 16,17)	22,534	22,978	201,201	205,163
Gross profit	8,842	9,365	78,947	83,617
Selling, general and administrative expenses (Note 12)	4,034	4,028	36,019	35,965
Operating income	4,808	5,337	42,928	47,652
Other income (expenses):				
Interest and dividend income	177	264	1,581	2,353
Interest expenses	(0)	(1)	(4)	(5)
Investment profit (Loss) on equity method	163	141	1,453	1,258
Foreign exchange profit (Loss)	665	(836)	5,942	(7,463)
Gain (Loss) on disposal of property and equipment	(3)	(2)	(27)	(14)
Gain (Loss) on sale of investment securities	49	—	437	—
Gain (Loss) on redemption of investment securities	25	(17)	226	(153)
Provision of reserve for loss on dissolution of employees pension fund	(288)	—	(2,573)	—
Amortization of past service cost	—	(300)	—	(2,683)
Other, net	96	111	859	993
Income before income taxes and non-controlling interests	5,692	4,697	50,821	41,938
Income taxes (Note 14):				
Current	1,809	1,521	16,147	13,578
Deferred	(97)	(52)	(870)	(467)
Net income	3,981	3,229	35,543	28,827
Net income attributable to :				
Non-controlling interests in subsidiary	20	37	175	331
Owners of parent	¥ 3,961	¥ 3,192	\$ 35,368	\$ 28,496

	Yen		U.S. dollars (Note 1)	
	2017	2016	2017	2016
Net income per share:				
Basic(Note 18)	¥ 1,213.38	¥ 920.44	\$ 10.834	\$ 8.218
Cash dividends per share(Note 11)	350.00	300.00	3.125	2.679

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2017	2016	2017	2016
Income before income taxes and non-controlling interests	¥ 3,981	¥ 3,229	\$ 35,543	\$ 28,827
Other comprehensive income(Note 15):				
Unrealized gains (losses) on available-for-sale securities	336	(679)	3,002	(6,062)
Foreign currency translation adjustments	(7)	(45)	(67)	(401)
Remeasurement of defined benefit plans	(57)	(48)	(511)	(429)
Share of other comprehensive income of associates accounted for using equity method	(10)	(10)	(85)	(86)
Total other comprehensive income (loss)	262	(782)	2,339	(6,978)
Comprehensive income	¥ 4,243	¥ 2,447	\$ 37,882	\$ 21,849
Comprehensive income attributable to:				
Owners of the parent company	4,226	2,363	37,730	21,099
Minority interests	17	84	152	750

**MATSUMOTO YUSHI-SEIYAKU CO.,LTD
AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2017 and 2016**

	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, 2015	4,513	¥ 6,090	¥ 6,518	¥ 34,794	¥ (3,604)	¥ 43,799	¥ 2,129	¥ (77)	¥ (20)	¥ 2,032	¥ 157	¥ 45,988
Cash dividends				(917)		(917)						(917)
Net income attributable to owners of parent				3,192		3,192						3,192
Purchase of treasury stock					(3,405)	(3,405)						(3,405)
Sales of treasury stock			0		0	0						0
Net change of items other than shareholders' equity							(679)	(40)	(50)	(768)	1	(768)
Balance at March 31, 2016	4,513	6,090	6,518	37,069	(7,009)	42,668	1,450	(117)	(70)	1,264	157	44,090
Cash dividends				(980)		(980)						(980)
Net income attributable to owners of parent				3,961		3,961						3,961
Purchase of treasury stock					(303)	(303)						(303)
Sales of treasury stock			0		0	0						0
Net change of items other than shareholders' equity							336	(11)	(62)	263	5	268
Balance at March 31, 2017	4,513	¥ 6,090	¥ 6,518	¥ 40,050	¥ (7,311)	¥ 45,347	¥ 1,787	¥ (128)	¥ (131)	¥ 1,527	¥ 162	¥ 47,036

	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, 2015	4,513	\$ 54,375	\$ 58,198	\$ 310,664	\$ (32,178)	\$ 391,059	\$ 19,012	\$ (690)	(176)	\$ 18,147	\$ 1,399	\$ 410,605
Cash dividends				(8,188)		(8,188)						(8,188)
Net income attributable to owners of parent				28,496		28,496						28,496
Purchase of treasury stock					(30,400)	(30,400)						(30,400)
Net change of items other than shareholders' equity							(6,062)	(353)	(445)	(6,860)	6	(6,854)
Balance at March 31, 2016	4,513	\$ 54,375	\$ 58,199	\$ 330,972	\$ (62,577)	\$ 380,969	\$ 12,950	\$ (1,043)	(621)	\$ 11,287	\$ 1,405	\$ 393,659
Cash dividends				(8,751)		(8,751)						(8,751)
Net income attributable to owners of parent				35,368		35,368						35,368
Purchase of treasury stock					(2,703)	(2,703)						(2,703)
Sales of treasury stock			0		0	1						1
Net change of items other than shareholders' equity							3,002	(101)	(553)	2,349	42	2,391
Balance at March 31, 2017	4,513	\$ 54,375	\$ 58,199	\$ 357,589	\$ (65,280)	\$ 404,882	\$ 15,952	\$ (1,143)	(1,174)	\$ 13,635	\$ 1,447	\$ 419,964

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars	
			(Note 1)	
	2017	2016	2017	2016
Cash flows from operating activities:				
Income before income taxes and non-controlling interests	¥ 5,692	¥ 4,697	\$ 50,821	\$ 41,938
Adjustments for:				
Depreciation and amortization	582	655	5,196	5,851
Gain (Loss) on redemption of investment securities	(25)	—	(226)	—
Loss (gain) on sales and disposal of property,	1	(1)	13	(9)
Loss (gain) on sale of investment securities	31	—	273	—
Allowance for doubtful accounts	(0)	4	(2)	37
Investment (profit) loss on equity method	(165)	(132)	(1,476)	(1,174)
Accrued severance indemnities	15	226	137	2,019
Reserve for loss on dissolution of employees pension fund	288	—	2,573	—
Accrued bonuses to employees	6	6	50	56
Interest and dividend income	(177)	(264)	(1,581)	(2,353)
Interest expenses	0	1	4	5
Foreign exchange (profit) loss	(484)	769	(4,323)	6,863
Decrease (Increase) in notes and accounts receivable	(192)	702	(1,716)	6,269
Decrease (Increase) in inventories	173	(85)	1,543	(757)
Decrease (Increase) in refund of income taxes	(99)	—	(888)	—
Increase (Decrease) in accounts payable	39	(384)	353	(3,430)
Increase (Decrease) in accrued consumption tax	48	(14)	427	(123)
Other, net	(28)	70	(248)	622
Sub total	5,704	6,251	50,931	55,815
Interest and dividend income received	209	290	1,863	2,585
Interest expenses paid	(0)	(1)	(3)	(5)
Income taxes paid	(997)	(2,711)	(8,901)	(24,207)
Net cash provided by operating activities	4,916	3,829	43,889	34,188
Cash flows from investing activities:				
Repayment of maturity of time deposits	(1,220)	(5,440)	(10,893)	(48,571)
Proceeds from maturity of time deposits	1,430	6,440	12,768	57,500
Receipt from redemption of investment securities	945	2,169	8,441	19,367
Payments for purchase of property, plant and equipment	(693)	(787)	(6,191)	(7,027)
Receipt from sale of investments in securities	102	17	911	155
Payments for purchase of investments in securities	(603)	(605)	(5,383)	(5,400)
Decrease (Increase) of loans receivable	(185)	(0)	(1,653)	(1)
Other, net	528	(51)	4,710	(455)
Net cash provided by (used in) investing activities	303	1,744	2,710	15,567
Cash flows from financing activities:				
Cash dividends paid	(980)	(916)	(8,749)	(8,182)
Cash dividends paid to non-controlling shareholders	(11)	(21)	(101)	(191)
Purchase of treasury stock	(303)	(3,405)	(2,703)	(30,400)
Net cash used in financing activities	(1,294)	(4,343)	(11,554)	(38,772)
Effect of exchange rate changes on cash and cash equivalents	293	(826)	2,621	(7,375)
Net increase (decrease) in cash and cash equivalents	4,219	404	37,665	3,609
Cash and cash equivalents at beginning of year	27,313	26,909	243,870	240,261
Cash and cash equivalents at end of year (Note.5)	¥ 31,532	¥ 27,313	\$ 281,535	\$ 243,870

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, 2017 and 2016

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, 2017, which was ¥112 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 "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, purchased merchandise and raw materials 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.
	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	Straight-line method.

(g) Intangible Assets

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

(h) 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.

(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 collectability to bad debt.

(k) Consumption Tax

The consumption tax is imposed at the flat rate of 8% 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 at March 31.

(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 3,265 thousand and 3,467 thousand for the periods ended March 31, 2017 and 2016, respectively.

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

(o) 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.

(p) Reserve for loss on dissolution of employees' pension fund

In order to prepare for the loss occurring in connection with the dissolution of the employees' pension fund, the estimated amount of said obligation is provided.

3. Changes in Accounting Policies and Adoption of New Accounting Standards**Application of practical solution on a change in depreciation method due to Tax Reform 2016**

Pursuant to revisions to corporate tax law in Japan, effective March 31, 2017, the Company has applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32, issued on June 17, 2016) and changed the depreciation method of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effects of this change in depreciation method on profit and loss for the year ended March 31, 2017 were immaterial.

4. Additional Information**Application of the Implementation Guidance on Recoverability of Deferred Tax Assets**

Effective March 31, 2017, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 26, issued on March 28, 2016).

5. 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 Company and its consolidated subsidiaries raise funds for business operation with short-term bank loans.

(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, 2017 and 2016 consisted of the following:

	millions of yen		
	2017		
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 31,532	¥ 31,532	¥ -
Notes and accounts receivable	8,574	8,574	-
Short-term investments and investments in securities	7,031	7,031	-
Long-term loans	186	186	(0)
Total assets	¥ 47,323	¥ 47,323	¥ (0)
Accounts payable	6,958	6,958	-
Total liabilities	¥ 6,958	¥ 6,958	¥ -
	millions of yen		
	2016		
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 27,313	¥ 27,313	¥ -
Notes and accounts receivable	8,393	8,393	-
Short-term investments and investments in securities	7,537	7,537	-
Long-term loans	0	0	(0)
Total assets	¥ 43,243	¥ 43,243	¥ (0)
Accounts payable	7,107	7,107	-
Total liabilities	¥ 7,107	¥ 7,107	¥ -

	thousands of U.S.dollars(Note 1)		
	2017		
	Book Value	Fair Value	Differences
Cash and cash equivalents	\$ 281,535	\$ 281,535	\$ -
Notes and accounts receivable	76,555	76,555	-
Short-term investments and investments in securities	62,775	62,775	-
Long-term loans	1,658	1,658	(0)
Total assets	<u>\$ 422,523</u>	<u>\$ 422,523</u>	<u>\$ -</u>
Accounts payable	62,125	62,125	-
Total liabilities	<u>\$ 62,125</u>	<u>\$ 62,125</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			
	2017			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	¥ 31,532	¥ -	¥ -	¥ -
Notes and accounts receivable	8,574	-	-	-
Short-term investments and investments in securities				
Other	0	92	5	-
Long-term loans	0	186	-	-
Total assets	<u>¥ 40,106</u>	<u>¥ 278</u>	<u>¥ 5</u>	<u>¥ -</u>

	millions of yen			
	2016			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	¥ 27,313	¥ -	¥ -	¥ -
Notes and accounts receivable	8,393	-	-	-
Short-term investments and investments in securities				
Bonds and debentures	1,024	-	-	-
Other	3	96	-	-
Long-term loans	0	0	-	-
Total assets	<u>¥ 36,733</u>	<u>¥ 96</u>	<u>¥ -</u>	<u>¥ -</u>

	thousands of U.S.dollars(Note 1)			
	2017			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	\$ 281,535	\$ -	\$ -	\$ -
Notes and accounts receivable	76,555	-	-	-
Short-term investments and investments in securities				
Other	1	826	41	-
Long-term loans	1	1,657	-	-
Total assets	<u>\$ 358,092</u>	<u>\$ 2,483</u>	<u>\$ 41</u>	<u>\$ -</u>

6. Short-term Investments and Investments in Securities

Short-term investments at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Bonds and debentures	¥ -	¥ 1,024	\$ -
Time deposits	510	720	4,554
Other	0	3	1
	<u>¥ 510</u>	<u>¥ 1,748</u>	<u>\$ 4,554</u>

The following is a summary of investments in securities at March 31, 2017 and 2016 respectively:

	Millions of yen			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2017				
Other securities				
Equity securities	¥ 2,326	¥ 2,627	¥ (204)	¥ 4,749
Other	1,142	307	(32)	1,417
	<u>¥ 3,468</u>	<u>¥ 2,934</u>	<u>¥ (236)</u>	<u>¥ 6,166</u>
Add: Securities without readily determinable fair value				355
				<u>¥ 6,521</u>

	Millions of yen			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2016				
Other securities				
Equity securities	¥ 2,453	¥ 1,896	¥ (212)	¥ 4,137
Other	993	356	(47)	1,301
	<u>¥ 3,446</u>	<u>¥ 2,252</u>	<u>¥ (260)</u>	<u>¥ 5,438</u>
Add: Securities without readily determinable fair value				351
				<u>¥ 5,789</u>

	Thousands of U.S.dollars(Note 1)			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2017				
Other securities				
Equity securities	\$ 20,766	\$ 23,453	\$ (1,819)	\$ 42,399
Other	10,198	2,739	(285)	12,652
	<u>\$ 30,964</u>	<u>\$ 26,192</u>	<u>\$ (2,105)</u>	<u>\$ 55,051</u>
Add: Securities without readily determinable fair value				3,170
				<u>\$ 58,221</u>

7. Inventories

Inventories at March 31, 2017 and 2016 comprise the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Finished goods	¥ 1,839	¥ 1,886	\$ 16,420
Work in process	411	467	3,666
Raw materials and supplies	1,121	1,193	10,005
	<u>¥ 3,370</u>	<u>¥ 3,546</u>	<u>\$ 30,090</u>

Revaluation loss on inventories of ¥22 million (U.S.\$200 thousand) and ¥28 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31,2017 and 2016 , respectively.

8. Investments in Affiliates

Investments in affiliates as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Investments in securities (Stocks)	¥ 1,045	¥ 921	\$ 9,331

9. Property, Plant and Equipment

Accumulated reduction entry of property , plant and equipment purchased using funds from a government subsidy amounted to ¥36 million (U.S.\$321 thousand) and ¥36 million at March 31,2017 and 2016 , respectively.

10. Retirement and Pension Plans

The following tables set forth the changes in benefit obligation, and plan assets of the Company at March 31, 2017 and 2016 respectively:

(1) Changes in Benefit Obligations

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Beginning balance of benefit obligations	¥ 1,401	¥ 1,098	\$ 12,505
Service costs	108	68	965
Interest costs	16	11	142
Actuarial differences arising during the year	86	21	766
Retirement benefits paid	(58)	(98)	(516)
Past service costs	-	300	-
Ending balance of benefit obligations	¥ 1,552	¥ 1,401	\$ 13,861

(2) Changes in Pension Assets

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Beginning balance of pension assets	¥ 902	¥ 899	\$ 8,057
Expected return on pension assets	32	24	282
Actuarial differences arising during the year	(27)	(66)	(238)
Contributions made by the Company and consolidated subsidiary	83	113	740
Retirement benefits paid	(33)	(67)	(292)
Ending balance of pension assets	¥ 958	¥ 902	\$ 8,549

(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)
	2017	2016	2017
Funded benefit obligations	¥ 1,552	¥ 1,401	\$ 13,861
Pension assets	(958)	(902)	(8,549)
Net amount of liability and asset on Consolidated Balance Sheets	¥ 595	¥ 498	\$ 5,312

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Net defined benefit asset	¥ -	¥ -	\$ -
Net defined benefit liability	595	498	5,312
Net amount of liability and asset on Consolidated Balance Sheets	¥ 595	¥ 498	\$ 5,312

(4) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Service costs	¥ 110	¥ 68	\$ 981
Interest costs	16	11	142
Expected return on pension assets	(32)	(24)	(282)
Amortization of actuarial differences	31	15	277
Amortization of past service cost	-	300	-
Retirement benefit expenses for defined benefit pension plans	<u>¥ 125</u>	<u>¥ 370</u>	<u>\$ 1,118</u>

We amount collective amortization of past service cost accrued by revising our regulation of payment as retirement benefit cost in fiscal year 2016.

(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)
	2017	2016	2017
Actuarial differences, etc.	¥ (80)	¥ (72)	\$ (711)
Total	<u>¥ (80)</u>	<u>¥ (72)</u>	<u>\$ (711)</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)
	2017	2016	2017
Unrecognized actuarial differences, etc.	¥ (180)	¥ (100)	\$ (1,604)
Total	<u>¥ (180)</u>	<u>¥ (100)</u>	<u>\$ (1,604)</u>

(7) Pension Assets Breakdown

	2017	2016
	Bonds	14.8%
Stocks	28.7%	32.4%
General account	47.5%	48.3%
Other	9.0%	2.6%
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

	2017	2016
Discount rate	1.0%	1.0%
Expected rate of return on pension assets	3.5%	2.7%

(9)Defined contribution pension plan

In addition, the Company and its consolidated subsidiary participate in contributory multiemployer pension plans covering substantially all of their employees. Therefore, it is accounted for using the same method as a defined contribution plan. The contributions to such multi-employer plan, which are accounted for using the same method as a defined contribution plan, were ¥159 million(\$1,417 thousand) and ¥203 million as of March 31, 2017 and 2016.

The funded status of the multi-employer plan calculated as of March 31, 2015 , was as follows

	<u>Millions of yen</u> <u>2015</u>	<u>Thousands of U.S.</u> <u>dollars(Note 1)</u> <u>2015</u>
Plan assets	¥ 22,304	\$ 199,139
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	33,770	301,520
Net balance	<u>¥ (11,467)</u>	<u>\$ (102,382)</u>

The net balance above is mainly caused by past service cost of ¥8,025million (\$71,654thousand) and a deficiency brought forward of ¥3,447million (\$30,775thousand) and the surplus of this year of ¥5million (\$47thousand) for the fiscal years ended 31st March, 2015 , respectively.

Past service cost under the plan is amortized on a straight-line basis over 20 years, and the special contributions of ¥45 million (\$402 thousand) and ¥59 million for the year ended March 31, 2017 and 2016, which are utilized for such amortization, were expensed in the consolidated statement of income of the Group.

The contribution ratio of the Group in the multi-employer plan calculated as of March 31, 2016 , was as follows:

The contribution ratio of the Group in the multi-employer plan	<u>2016</u> 7.8%
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11. Supplemental Information for Consolidated Statements of Changes in Net Assets

(a) Type and number of outstanding shares

Types of shares	Thousand of shares			
	Year ended March 31, 2017			
	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	1,245	30	-	1,276

Types of shares	Thousand of shares			
	Year ended March 31, 2016			
	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	—	400	0	1,245

11. Supplemental Information for Consolidated Statements of Changes in Net Assets (continued)

(b) Dividends

(1) Dividends paid to shareholders

Year ended March 31, 2017								
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, 2016	Annual general meeting of shareholders	Common stock	¥980	\$8,750	¥300	\$2.68	March 31, 2016	June 30, 2016

Year ended March 31, 2016								
Date of approval	Resolution approved by	Type of shares	Amount		Amount per share		Cut-off date	Effective date
			(Millions of yen)	(U.S.dollars)	(Yen)	(U.S.dollars)		
June 26, 2015	Annual general meeting of shareholders	Common stock	¥916		¥250		March 31, 2015	June 29, 2015

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

Year ended March 31, 2017									
Date of approval	Resolution approved	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 29, 2017	Annual general meeting of shareholder	Common stock	Retained earnings	¥1,132	\$10,107	¥350	3.125	March 31, 2017	June 30, 2017

Year ended March 31, 2016									
Date of approval	Resolution approved	Type of shares	Source of dividends	Amount		Amount per share		Cut-off date	Effective date
				(Millions of yen)	(U.S.dollars)	(Yen)	(U.S.dollars)		
June 29, 2016	Annual general meeting of shareholder	Common stock	Retained earnings	¥980		¥300		March 31, 2016	June 30, 2016

12. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S.
	2017	2016	dollars(Note 1)
Packing and haulage expenses	¥ 871	¥ 898	\$ 7,780
Employees' salaries and Bonuses	519	563	4,630
Provision for bonuses	124	130	1,111
Provision of allowance for doubtful accounts	(1)	4	(6)
Retirement benefit expenses	37	24	329
Research and development expenses	824	807	7,360

13. Research and Development Expenses

Research and development expenditure charged to income was ¥824 million(U.S.\$7,360 thousand) and ¥807 million for the year ended March 31, 2017 and 2016, respectively.

14. Income Taxes

The Company is subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 30.86% and 33.06% for the years ended March 31, 2017 and 2016. Overseas subsidiary is subject to income taxes of the country in which it operates.

The effective rate for the two years ended March 31, 2017 and 2016 differs from the Company's statutory tax rate for the following reasons:

	2017	2016
Statutory tax rate	30.86	33.06
Permanently nondeductible expenses	0.2	0.2
Permanently nontaxable dividends received	(0.2)	(0.3)
Per capital levy of residents tax	0.3	0.2
Reserve for special depreciation	(1.2)	(1.4)
Additional tax on retained earnings	2.5	1.8
Adjustment on deferred tax assets due to change in income tax-rate	-	0.5
Tax deduction of Productivity improvement equipment	-	(0.6)
Difference of tax rates of overseas subsidiary	0.0	(0.4)
Elimination of intercompany dividend income	(0.1)	(0.3)
Valuation allowance	-	(1.3)
Refund of income taxes for prior periods	(1.7)	-
Other	(0.6)	(0.2)
Effective tax rate	<u>30.06</u>	<u>31.26</u>

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2017 and 2016 are presented below:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Deferred tax assets:			
Net defined benefit liability	¥ 182	¥ 153	\$ 1,619
Net unrealized holding losses on securities	110	79	980
Reserve for loss on dissolution of employees pension fund	88	-	788
Accrued employee bonuses	87	85	775
Accrued enterprise tax payable	61	34	548
Loss on valuation of golf club membership	40	40	360
Depreciation	26	50	229
Loss on valuation of investment securities	21	21	187
Unrealized losses on inventories	9	10	79
Other	38	39	341
Gross deferred tax assets	<u>662</u>	<u>511</u>	<u>5,907</u>
Valuation allowance	-	-	-
Total deferred tax assets	<u>662</u>	<u>511</u>	<u>5,907</u>
Deferred tax liabilities:			
Net unrealized holding profits on securities	<u>(898)</u>	<u>(709)</u>	<u>(8,020)</u>
Total deferred tax liabilities	<u>(898)</u>	<u>(709)</u>	<u>(8,020)</u>
Net deferred tax liabilities	<u>(237)</u>	<u>(199)</u>	<u>(2,114)</u>

15. Comprehensive Income

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of
	2017	2016	U.S dollars
			2017
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥ 559	¥ (1,073)	\$ 4,989
Reclassification adjustments	(64)	17	(573)
Before income tax effects	495	(1,057)	4,416
Income tax effects	158	(378)	1,414
Total	336	(679)	3,002
Foreign currency translation adjustments:			
Adjustments arising during the year	(7)	(45)	(67)
Reclassification adjustments	-	-	-
Before income tax effects	(7)	(45)	(67)
Income tax effects	-	-	-
Total	(7)	(45)	(67)
Remeasurements of defined benefit plans:			
Adjustments arising during the year	(111)	(87)	(988)
Reclassification adjustments	31	15	277
Before income tax effects	(80)	(72)	(711)
Income tax effects	22	24	200
Total	(57)	(48)	(511)
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	(16)	(9)	(143)
Reclassification adjustments	5	-	42
Before income tax effects	(11)	(9)	(101)
Income tax effects	2	(0)	16
Total	(10)	(10)	(85)
Total other comprehensive income	¥ 262	¥ (782)	\$ 2,339

16. Segment and Related Information

Matsumoto Yushi-Seiyaku Co., Ltd. For Japan segment, and P.T. Matsumoto Yushi Indonesia for Indonesian 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, 2017 and 2016 consisted of the following respectively:

	Millions of yen		
	2017		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 30,504	¥ 872	¥ 31,377
Inter-segment	328	36	364
Total sales	¥ 30,832	¥ 908	¥ 31,740
Segment income	4,728	80	4,808
Total assets	56,021	691	56,713
Total liabilities	9,853	228	10,082
Other			
Depreciation	¥ 575	¥ 7	¥ 582
Capital expenditure	522	22	544
	Millions of yen		
	2016		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 31,511	¥ 833	¥ 32,343
Inter-segment	376	64	440
Total sales	¥ 31,887	¥ 896	¥ 32,783
Segment income	5,222	93	5,315
Total assets	51,959	706	52,665
Total liabilities	8,660	257	8,917
Other			
Depreciation	¥ 650	¥ 6	¥ 655
Capital expenditure	837	7	844

	Thousands of U.S.dollars		
	2017		
	Japan	Indonesia	Total segments
Sales			
External customers	\$ 272,360	\$ 7,789	\$ 280,148
Inter-segment	2,927	322	3,248
Total sales	<u>\$ 275,286</u>	<u>\$ 8,110</u>	<u>\$ 283,396</u>
Segment income	42,218	712	42,930
Total assets	500,188	6,173	506,362
Total liabilities	87,976	2,038	90,014
Other			
Depreciation	\$ 5,130	\$ 65	\$ 5,196
Capital expenditure	4,660	198	4,858

(2) Adjustments and eliminations

Reconciliation of sales	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Segment sales	¥ 31,740	¥ 32,783	\$ 283,396
Inter-segment transactions (elimination)	(364)	(440)	(3,248)
Group sales	<u>¥ 31,377</u>	<u>¥ 32,343</u>	<u>\$ 280,148</u>

Reconciliation of income	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Segment income	¥ 4,808	¥ 5,315	\$ 42,930
Inter-segment transactions (elimination)	-	31	-
Adjustment of inventory	(0)	(9)	(3)
Group operating income	<u>¥ 4,808</u>	<u>¥ 5,337</u>	<u>\$ 42,928</u>

Reconciliation of assets	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Segment operating assets	¥ 56,713	¥ 52,665	\$ 506,362
Inter-segment transactions (elimination)	(142)	(160)	(1,271)
Adjustment of inventory	(10)	(8)	(90)
Other adjustments	595	450	5,310
Group assets	<u>¥ 57,155</u>	<u>¥ 52,947</u>	<u>\$ 510,311</u>

Reconciliation of liabilities	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Segment operating liabilities	¥ 10,082	¥ 8,917	\$ 90,014
Inter-segment transactions (elimination)	(142)	(160)	(1,271)
Other adjustments	180	100	1,604
Group liabilities	<u>¥ 10,119</u>	<u>¥ 8,856</u>	<u>\$ 90,346</u>

(3) Related information

Products and Services information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Sales to external customers			
Surfactant	¥ 22,549	¥ 23,630	\$ 201,331
High polymer and inorganic chemicals	8,147	7,964	72,740
Other	681	750	6,077
Total	<u>¥ 31,377</u>	<u>¥ 32,343</u>	<u>\$ 280,148</u>

Geographic information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Sales to external customers			
Japan	¥ 14,661	¥ 15,167	\$ 130,898
Asia	14,953	15,686	133,509
Other	1,763	1,490	15,742
Total	<u>¥ 31,377</u>	<u>¥ 32,343</u>	<u>\$ 280,148</u>

Main customers information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Sales			
Marubeni Chemix Corporation	¥ 5,610	¥ 5,597	\$ 50,090
Nippon Quaker Chemical,Ltd.	4,619	4,757	41,245

17. Related Party Transactions

Principal transactions between the Company and its affiliate for the years ended March 31, 2017 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2017	2016	2017
Sales(Nippon Quaker Chemical,Ltd.)	¥ 4,619	¥ 4,757	\$ 41,245
Purchase(Nippon Quaker Chemical,Ltd.)	1,608	1,626	14,358
Purchase of treasury stock(MATSUMOTO KOSAN Co.,Ltd.)	-	3,400	-

18. Per Share Data

	yen		U.S.dollars
	2017	2016	2017
Net income per share	¥ 1,213.38	¥ 920.44	\$ 10.834
Net assets per share	¥ 14,481.23	¥ 13,446.73	\$ 129.300

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

	Millions of yen		Thousands of U.S dollars
	2017	2016	2017
Profit attributable to owners of parent available for distribution to common shareholders	¥ 3,961	¥ 3,192	\$ 35,368
	Shares		
	2017	2016	
Weighted average number of shares for net income	3,264,592	3,467,400	

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

	Millions of yen		Thousands of U.S dollars
	2017	2016	2017
Total net assets	¥ 47,036	¥ 44,090	\$ 419,965
Amounts deducted from total net assets			
Noncontrolling interests	(162)	(157)	(1,447)
Net assets attributable to shares of common stock	46,874	43,933	418,518
	Shares		
	2017	2016	
Number of shares of common stock used in the calculation of net assets per share	3,236,881	3,267,170	

19. Asset Retirement Obligations

Asset retirement obligations for the year ended March 31, 2017 and 2016 consisted of the following respectively:

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
	2017	2016	2017
Balance at beginning of year	¥ 104	¥ 102	\$ 927
Payments for purchase of property, plant and equipment	-	-	-
Interest cost	2	2	14
Balance at end of year	¥ 105	¥ 104	\$ 942

20. 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

21. Significant Subsequent Events

Reduction in Amount of Capital Reserves

At the board of directors meeting held on May 22, 2017, we resolved to seek approval by the 79th shareholders meeting on June 29, 2017, for a reduction of capital reserves. The agenda was approved accordingly.

The particulars of resolution follow;

1.Reduction of capital reserves

In order that our capital policies may secure mobility and flexibility in the future, capital reserves are in part to be reduced for transfer to other capital surplus pursuant to article 448, paragraph(1) of the Company Act.

2.Reduction in amount of capital reserves

Account and amount of reserves to be reduced: capital surplus of ¥6,518million(U.S.\$58,194 thousand) to be reduced by ¥5,780million(U.S.\$51,609 thousand).

Account and amount of reserves to be increased: other capital surplus to be increased by ¥5,780million (U.S.\$51,609 thousand).

3.Time schedule for reduction of capital reserves:

Resolution by the board of directors meeting	May 22, 2017
Resolution by the shareholders meeting	June 29, 2017
Public notice to Creditors for claims filing	June 30, 2017
Deadline for Creditors claims filing	July 31, 2017
Effective date	August 1, 2017