

LETTER TO STAKEHOLDERS

For the reported period ended March 31, 2015, the Japanese economy enjoyed favorable turns over the foreign exchange and the stock market, suffered less negative impacts of the consumption tax hike, and overall managed to remain in a moderately upward turn.

However, the domestic economic outlook still remains obscure due, among others, to the continuing price hikes of energy and raw materials. Further, the military retaliations against the Islamic State terrorism in the Middle East, and the weakening crude oil market may adversely affect the Russian and the U.S. economies, thereby threatening recovery of the world economy.

As for the domestic textile industry, among our major customers, they further shifted to offshore production while big companies shut down unprofitable operations, with medium/small ones being forced out of business, thus leaving the situation as critical as ever. Overseas, the climate remains sort of spotted with the U.S. market being active while the European counterpart except for Germany remains dormant, and China stagnant.

Thanks in part to a softening yen trend, we sold more than last year in volume and yen amount.

Regarding the non-textile field, the automotive segment suffered setbacks while the housing-related market showed a favorable performance for the first half of the year but curtailed production for the second half. Overseas, the automotive-related merchandise continues to sell well.

Under the circumstances, we as always endeavored to keep up our sales and profit by developing high-quality and low-priced goods coupled with quick response to the market.

All in all, our consolidated sales stood at ¥32,128 million (\$267,731 thousand)(106.6% of last year on yen basis), operating income at ¥4,659 million(\$38,824 thousand)(114.0%), and net income at ¥3,994 million(\$33,285 thousand)(114.5%), respectively.

Geographically, Japan represented consolidated sales of ¥31,288 million (\$260,733 thousand) (106.4%) and operating income of ¥4,625 million (\$38,545 thousand) (115%).

For the anionic surfactant field, we locally managed to achieve a fair performance despite a sluggish local market. Overseas, a continued emphasis was placed on the synthetic fiber manufacturers in China. As a result, we achieved improved sales to reach ¥3,444 million (\$28,700 thousand) (109.1%).

The nonionic surfactant locally suffered output decline in the textile market due to poor consumption and price deterioration. Marginal producers have been forced out of market, with the average industry rate of operation gradually improving. Overseas, demand is weak in Europe but the industrial textile and others registered increased sales. Sales stood at ¥18,630 million (\$155,250 thousand) (106.0%).

Regarding the cationic and amphoteric surfactant, business declined for the textile industry market. For the non-textile market, price hikes on the raw materials led to decreased sales volume. Total sales for the group ended up with ¥1,044 million (\$8,700 thousand) (95.6%).

The high polymer and inorganic chemicals group registered a better performance this year on textile-related market. As for non-textile fields, the market gradually improved with fair capital investments and steady cosmetics business. Sales amounted to ¥8,169 million (\$68,075 thousand) (107.6%).

Indonesia represents another business segment with consolidated sales of ¥840 million (\$6,998 thousand) (118.2%), and operating income of ¥74 million (\$620 thousand) (95.2%). The weaker local currency contributed to modest sales increase despite decreased sales volume.

The nonionic surfactant business performed fairly well achieving sales of ¥411 million (\$3,425 thousand) (120.9%).

For the high polymer and inorganic chemicals, local sales declined in both volume and value because of unit sale price deterioration due to market

competition. However, the weaker local currency contributed to push up the sales to ¥412 million (\$3,433 thousand) (114.2%).

Regarding the anionic, the cationic and amphoteric surfactants, no remarkable sales growth was observed in either volume or value. Sales stood at ¥6 million (\$50 thousand) (111.5%) and ¥9 million (\$75 thousand)(302.7%), respectively.

Our business environment remains ever tough with challenges of price hikes on energy and raw materials, to name but a few. Here again, we commit ourselves to our established principles to enhance competitive products development, further expansion of sales network, and rational-ization of our own systems and organization, hence furthering corporate growth and profitability.

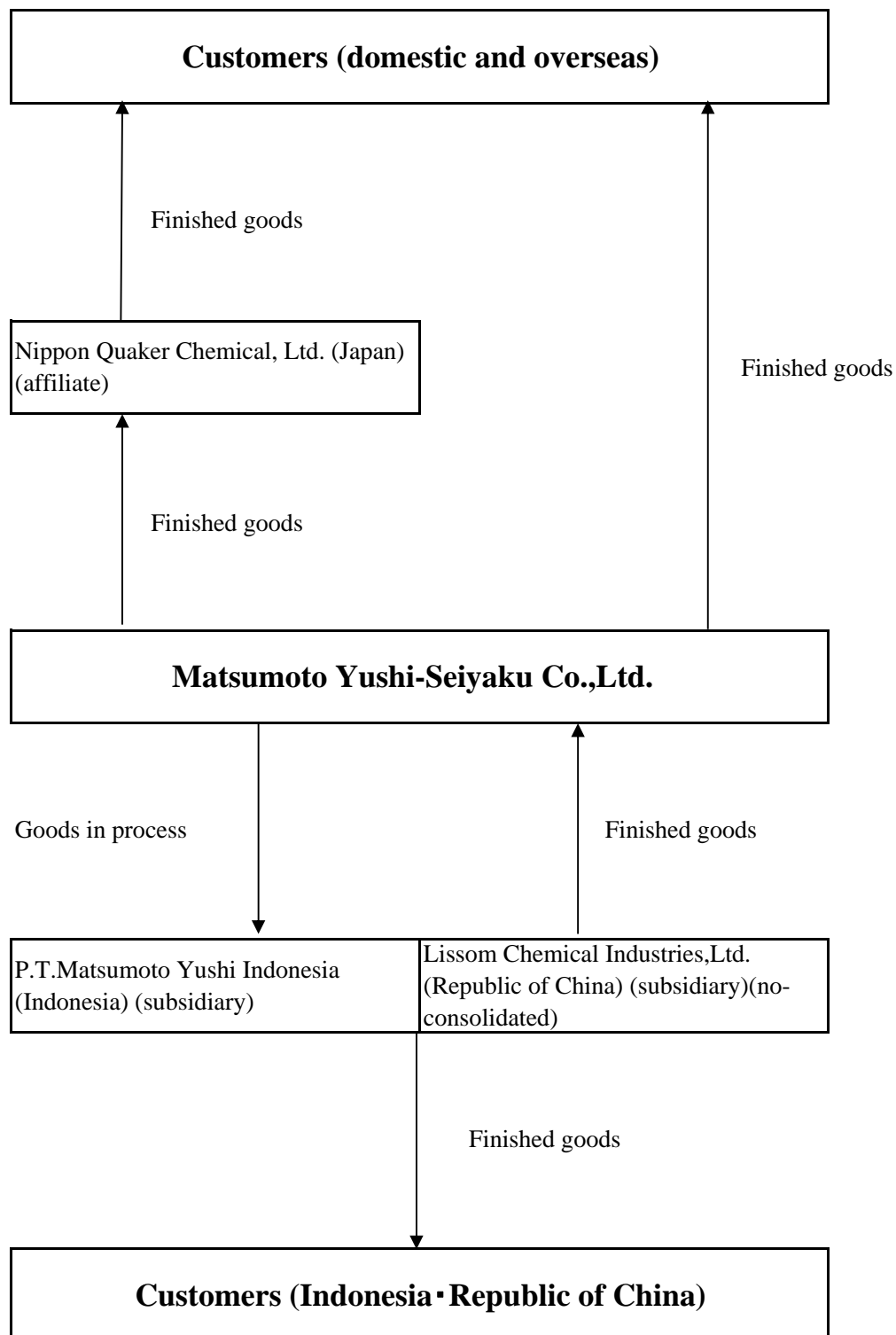
We very much appreciate your continued support as always.

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. In order to further strengthen the function of corporate management, we named on board an experienced business executive from outside. 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 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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Results for the year (millions of Yen):					
Net Sales	32,128	30,129	27,284	27,038	26,557
Cost of sales	23,516	22,186	21,062	21,902	21,510
Gross profit	8,612	7,944	6,222	5,136	5,046
Selling, general and administrative expenses	3,953	3,858	3,831	3,816	3,876
Operating income	4,659	4,085	2,391	1,321	1,170
Other income(expenses)	1,869	1,513	141	(178)	(52)
Income before income taxes and minority interests	6,528	5,599	2,531	1,142	1,118
Income taxes					
current	2,441	1,895	1,019	417	343
deferred	70	189	(137)	92	47
Minority interests in subsidiary	23	25	48	7	14
Net income	3,994	3,490	1,602	626	714
Acquisition of property, plant and equipment	397	438	393	303	406
Depreciation and amortization	668	693	705	790	830
Per share of common stock(Yen):					
Net income	1,088.97	951.32	161.39	61.52	70.17
Cash dividends	250.00	100.00	60.00	50.00	50.00
Year-end financial position(millions of Yen):					
Total current assets	42,572	37,967	33,257	32,713	30,660
Total property, plant and equipment	4,010	4,222	4,519	4,761	5,250
Total investments and other assets	9,969	9,627	9,185	8,665	10,591
Total current liabilities	9,294	9,367	8,141	7,647	8,357
Total long-term liabilities	1,270	990	587	438	418
Minority interests	157	218	227	173	186
Foreign currency translation adjustments	77	206	216	217	205
Total net assets	45,988	41,459	38,233	38,055	37,726
Other year-end data:					
Number of shares issued(thousands)	4,513	11,282	11,282	11,282	11,282
Number of shareholders	611	603	612	617	628

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S.dollars (Note 1)		LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2015	2014	2015	2014		2015	2014	2015	2014
Current assets:					Current liabilities:				
Cash and cash equivalents(Note 3)	¥ 26,909	¥ 22,841	\$ 224,244	\$ 190,338	Short-term bank loans (Note 3,6)	¥ —	¥ 700	\$ —	\$ 5,833
Short-term investments (Note 3,4)	2,798	2,920	23,320	24,333	Accounts payable(Note 3):				
Notes and accounts receivable(Note 3):					Trade	5,653	5,326	47,107	44,384
Trade	6,970	6,536	58,082	54,463	Associates	745	711	6,206	5,923
Associates	2,120	1,946	17,665	16,219	Other	1,058	899	8,816	7,493
Other	20	29	165	242	Accrued income taxes	1,542	1,422	12,851	11,848
Allowance for doubtful accounts	(1)	(2)	(7)	(19)	Accrued bonuses to employees	269	275	2,246	2,295
	9,109	8,509	75,905	70,906	Other current liabilities	27	33	223	278
Inventories (Note 5)	3,494	3,327	29,113	27,727	Total current liabilities	9,294	9,367	77,449	78,055
Deferred income taxes (Note 10)	200	318	1,667	2,646					
Other current assets	63	53	522	441	Long-term liabilities				
Total current assets	42,572	37,967	354,770	316,391	Net defined benefit liabilities(Note 7)	200	270	1,666	2,253
					Asset retirement obligations(Note 16)	102	100	850	834
Property, plant and equipment :					Deferred income taxes (Note 10)	868	524	7,230	4,367
Land	534	531	4,448	4,428	Other liabilities	101	96	839	798
Building and structures	6,699	6,629	55,821	55,242	Total long-term liabilities	1,270	990	10,585	8,251
Machinery and equipment	11,865	11,755	98,877	97,961	Total liabilities	10,564	10,357	88,034	86,305
Construction in progress	240	28	1,998	230	Contingencies (Note 8)				
	19,337	18,943	161,145	157,861	Net assets:				
Accumulated depreciation	(15,327)	(14,722)	(127,727)	(122,680)	Shareholders' equity				
	4,010	4,222	33,418	35,181	Common stock				
					Authorized 16,000,000 shares				
Investments and other assets:					Issued 2015- 4,512,651 shares	6,090	6,090	50,750	50,750
Investments in affiliates	825	726	6,875	6,049	Capital surplus	6,518	6,518	54,318	54,318
Investments in securities (Note 3,4)	8,350	8,205	69,583	68,379	Retained earnings	34,794	31,717	289,954	264,310
Long-term loans(Note 3)	0	2	3	15	Less, treasury stock, at cost:	(3,604)	(3,600)	(30,033)	(30,003)
Deferred income taxes(Note 10)	15	3	126	22	Total Shareholders' equity	43,799	40,725	364,990	339,375
Other (Note 9)	783	696	6,526	5,804	Valuation and translation adjustments				
Allowance for doubtful accounts	(4)	(6)	(36)	(47)	Unrealized gain (loss) on available-for-sale securities	2,129	719	17,745	5,990
	9,969	9,627	83,077	80,222	Foreign currency translation adjustments	(77)	(206)	(644)	(1,718)
	¥ 56,552	¥ 51,815	\$ 471,265	\$ 431,794	Remeasurements of defined benefit plans	(20)	3	(164)	28
					Total Valuation and translation adjustments	2,032	516	16,937	4,301
					Minority interests	157	218	1,305	1,813
					Total net assets	45,988	41,459	383,231	345,489
						¥ 56,552	¥ 51,815	\$ 471,265	\$ 431,794

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, 2015 and 2014**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2015	2014	2015	2014
Net sales(Note 11,12)	¥ 32,128	¥ 30,129	\$ 267,731	\$ 251,077
Cost of sales(Note 11)	23,516	22,186	195,964	184,880
Gross profit	8,612	7,944	71,767	66,197
Selling, general and administrative expenses (Note 11)	3,953	3,858	32,943	32,153
Operating income	4,659	4,085	38,824	34,043
Other income (expenses):				
Interest and dividend income	206	161	1,719	1,344
Interest expenses	(4)	(5)	(33)	(43)
Investment profit (Loss) on equity method	127	149	1,062	1,245
Foreign exchange profit (Loss)	1,411	840	11,761	6,999
Gain (Loss) on disposal of property and equipment	(0)	(1)	(4)	(9)
Gain (Loss) on sale of securities	52	238	429	1,981
Loss on revaluation of membership rights of golf-club	(0)	—	(0)	—
Other, net	77	131	643	1,094
Income before income taxes and minority interests	6,528	5,599	54,399	46,654
Income taxes (Note 10):				
Current	2,441	1,895	20,344	15,790
Deferred	70	189	580	1,574
	2,511	2,084	20,924	17,365
Income before minority interests	4,017	3,515	33,475	29,290
Minority interests in subsidiary	(23)	(25)	(190)	(210)
Net income	¥ 3,994	¥ 3,490	\$ 33,285	\$ 29,080

	Yen		U.S. dollars (Note 1)	
	2015	2014	2015	2014
Net income per share:				
Basic(Note 15)	¥ 1,088.97	¥ 951.32	\$ 9.075	\$ 7.928
Cash dividends per share(Note 14)	250.00	100.00	2.083	0.833

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2015	2014	2015	2014
Income before minority interests	¥ 4,017	¥ 3,515	\$ 33,475	\$ 29,290
Other comprehensive income				
Unrealized gains (losses) on available-for-sale securities	1,411	284	11,755	2,366
Foreign currency translation adjustments	239	(19)	1,990	(160)
Remeasurement of defined benefit plans	(23)	—	(193)	—
Share of other comprehensive income of associates accounted for using equity method	2	19	20	162
Total other comprehensive income (loss) (Note)	1,629	284	13,573	2,369
Comprehensive income	<u>¥ 5,646</u>	<u>¥ 3,799</u>	<u>\$ 47,048</u>	<u>\$ 31,658</u>
Comprehensive income attributable to:				
Owners of the parent company	5,511	3,784	45,922	31,530
Minority interests	135	15	1,127	128

**MATSUMOTO YUSHI-SEIYAKU CO.,LTD
AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2015 and 2014**

	Millions of yen											
	Shareholders' equity						Accumulated other comprehensive income					Total net assets
	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	Minority interests	
Balance at March 31, 2013	11,282	6,090	6,518	28,778	(3,599)	37,787	434	(216)	-	219	227	
Cash dividends				(550)		(550)						(550)
Net income for the year				3,490		3,490						3,490
Purchase of treasury stock			0		(2)	(1)						(1)
Net change of items other than shareholders' equity							285	9	3	297	(10)	288
Balance at March 31, 2014	11,282	6,090	6,518	31,717	(3,600)	40,725	719	(206)	3	516	218	41,459
Cash dividends				(917)		(917)						(917)
Net income for the year				3,994		3,994						3,994
Purchase of treasury stock					(4)	(4)						(4)
Net change of items other than shareholders' equity	(6,768)						1,411	129	(23)	1,516	(61)	1,455
Balance at March 31, 2015	<u>4,513</u>	<u>¥ 6,090</u>	<u>¥ 6,518</u>	<u>¥ 34,794</u>	<u>¥ (3,604)</u>	<u>¥ 43,799</u>	<u>¥ 2,129</u>	<u>¥ (77)</u>	<u>¥ (20)</u>	<u>¥ 2,032</u>	<u>¥ 157</u>	<u>¥ 45,988</u>

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	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	Minority interests	
Balance at March 31, 2013	11,282	\$ 50,750	\$ 54,318	\$ 239,812	\$ (29,992)	\$ 314,890	\$ 3,617	\$ (1,800)	-	\$ 1,825	\$ 1,892	\$ 318,608
Cash dividends				(4,583)		(4,583)						(4,583)
Net income for the year				29,083		29,083						29,083
Purchase of treasury stock					(13)	(13)						(13)
Net change of items other than shareholders' equity							2,375	82	28	2,475	(79)	2,396
Balance at March 31, 2014	11,282	\$ 50,750	\$ 54,318	\$ 264,310	\$ (30,003)	\$ 339,375	\$ 5,990	\$ (1,718)	28	\$ 4,301	\$ 1,813	\$ 345,489
Cash dividends				(7,642)		(7,642)						(7,642)
Net income for the year				33,285		33,285						33,285
Purchase of treasury stock					(30)	(30)						(30)
Net change of items other than shareholders' equity	(6,768)						11,755	1,074	(192)	12,636	(507)	12,129
Balance at March 31, 2015	<u>4,513</u>	<u>\$ 50,750</u>	<u>\$ 54,318</u>	<u>\$ 289,954</u>	<u>\$ 30,033</u>	<u>\$ 364,990</u>	<u>\$ 17,745</u>	<u>\$ (644)</u>	<u>\$ (164)</u>	<u>\$ 16,937</u>	<u>\$ 1,305</u>	<u>\$ 383,231</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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars	
			(Note 1)	
	2015	2014	2015	2014
Cash flows from operating activities:				
Net income before income taxes and minority interests	¥ 6,528	¥ 5,599	\$ 54,399	\$ 46,654
Adjustments for:				
Depreciation and amortization	668	693	5,563	5,777
Depreciation of goodwill	36	—	300	—
Loss (gain) on sales and disposal of property,	0	(19)	3	(155)
Loss (gain) on sale of securities	(52)	(238)	(429)	(1,981)
Allowance for doubtful accounts	(3)	0	(22)	2
Investment (profit) loss on equity method	(120)	(148)	(997)	(1,234)
Accrued severance indemnities	(108)	(14)	(896)	(120)
Accrued bonuses to employees	(6)	2	(50)	13
Interest and dividend income	(206)	(161)	(1,719)	(1,344)
Interest expenses	4	5	33	43
Foreign exchange (profit) loss	(1,423)	(829)	(11,856)	(6,906)
Decrease (Increase) in notes and accounts receivable	(579)	(625)	(4,823)	(5,212)
Decrease (Increase) in inventories	(131)	23	(1,088)	189
Increase (Decrease) in accounts payable	337	725	2,808	6,041
Increase (Decrease) in accrued consumption tax	27	12	228	97
Other, net	132	(95)	1,097	(788)
Sub total	5,106	4,929	42,551	41,077
Interest and dividend income received	229	183	1,910	1,523
Interest expenses paid	(2)	(3)	(19)	(28)
Income taxes paid	(2,324)	(1,299)	(19,369)	(10,829)
Net cash provided by operating activities	3,009	3,809	25,073	31,742
Cash flows from investing activities:				
Repayment of maturity of time deposits	(4,640)	(6,540)	(38,667)	(54,500)
Proceeds from maturity of time deposits	5,840	7,140	48,667	59,500
Receipt from sale of short-term investments	3,000	—	25,000	—
Receipt from sale of affiliates stocks	(94)	—	(780)	—
Payments for purchase of property, plant and equipment	(397)	(438)	(3,305)	(3,650)
Receipt from sale of investments in securities	403	1,105	3,356	9,205
Payments for purchase of investments in securities	(3,101)	(620)	(25,844)	(5,169)
Decrease (Increase) of loans receivable	2	(1)	13	(5)
Other, net	(89)	(79)	(738)	(656)
Net cash provided by (used in) investing activities	924	567	7,703	4,726
Cash flows from financing activities:				
Increase (Decrease) in short-term bank loans, net	(700)	—	(5,833)	—
Cash dividends paid	(917)	(550)	(7,642)	(4,587)
Cash dividends paid to minority shareholders	(27)	(25)	(227)	(208)
Purchase of treasury stock	(4)	(1)	(30)	(10)
Net cash used in financing activities	(1,648)	(577)	(13,732)	(4,804)
Effect of exchange rate changes on cash and cash equivalents	1,783	942	14,862	7,854
Net increase (decrease) in cash and cash equivalents	4,069	4,742	33,905	39,518
Cash and cash equivalents at beginning of year	22,841	18,098	190,338	150,821
Cash and cash equivalents at end of year (Note.3)	¥ 26,909	¥ 22,841	\$ 224,244	\$ 190,338

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, 2015 and 2014

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, 2015, which was ¥120 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, depos-

its 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

For Accounting Standards Board of Japan (ASBJ) Statement No.26 Accounting Standard for Retirement Benefits (17th May,2012) and ASBJ Guidance No.25 Guidance on Accounting Standard for Retirement Benefits (26th March,2015 hereinafter "Guidance on Retirement Benefits"), the Company has additionally applied the provisions set forth in the main clause of paragraph 35 of the Accounting Standard for Retirement benefits and the main clause of paragraph 67 of the Guidance on Retirement Benefits from the fiscal year ended 31 March 2015 and reviewed the determination of retirement benefit obligations and current service cost. In addition, the Company changed the method for calculating the discount rate to the single weighted average rate.

The effect this change has no influence.

(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 3,668 thousand and 3,668 thousand for the periods ended March 31, 2015 and 2014, respectively.

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

The one for two point five share consolidation of common stocks was effective 1st October, 2014. Net income per share assuming that consolidation of shares had been carried out at the beginning of the fiscal year ended 31st March, 2014.

(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.

3.Financial Instruments

Financial instruments at March 31, 2015 and 2014 consisted of the following:

	millions of yen		
	2015		
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 26,909	¥ 26,909	¥ -
Notes and accounts receivable	9,109	9,109	-
Short-term investments and investments in securities	11,148	11,148	-
Long-term loans	0	0	-
Total assets	<u>¥ 47,167</u>	<u>¥ 47,167</u>	<u>¥ -</u>
Accounts payable	7,455	7,455	-
Short-term bank loans	-	-	-
Total liabilities	<u>¥ 7,455</u>	<u>¥ 7,455</u>	<u>¥ -</u>

	millions of yen		
	2014		
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 22,841	¥ 22,841	¥ -
Notes and accounts receivable	8,509	8,509	-
Short-term investments and investments in securities	11,125	11,125	-
Long-term loans	2	1	△0
Total assets	<u>¥ 42,477</u>	<u>¥ 42,476</u>	<u>¥ △0</u>
Accounts payable	6,936	6,936	-
Short-term bank loans	700	700	-
Total liabilities	<u>¥ 7,636</u>	<u>¥ 7,636</u>	<u>¥ -</u>

	thousands of U.S.dollars(Note 1)		
	2015		
	Book Value	Fair Value	Differences
Cash and cash equivalents	\$ 224,244	\$ 224,244	\$ -
Notes and accounts receivable	75,905	75,905	-
Short-term investments and investments in securities	92,903	92,903	-
Long-term loans	3	3	-
Total assets	<u>\$ 393,055</u>	<u>\$ 393,055</u>	<u>\$ -</u>
Accounts payable	62,129	62,129	-
Short-term bank loans	-	-	-
Total liabilities	<u>\$ 62,129</u>	<u>\$ 62,129</u>	<u>\$ -</u>

4. Short-term Investments and Investments in Securities

Short-term investment at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Other securities:			
Bonds and debentures	¥ 1,078	¥ -	\$ 8,987
Time deposits	1,720	2,920	14,333
	<u>¥ 2,798</u>	<u>¥ 2,920</u>	<u>\$ 23,321</u>

The following is a summary of investments in securities at March 31, 2015 and 2014 respectively:

	Millions of yen			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2015				
Other securities				
Equity securities	¥ 2,442	¥ 2,652	¥ (189)	¥ 4,905
Bonds and debentures	1,000	92	-	1,092
Other	986	489	-	1,475
	<u>¥ 4,427</u>	<u>¥ 3,234</u>	<u>¥ (189)</u>	<u>¥ 7,472</u>
Add: Securities without readily determinable fair value				878
				<u>¥ 8,350</u>

	Millions of yen			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2014				
Other securities				
Equity securities	¥ 1,596	¥ 1,705	¥ (7)	¥ 3,294
Bonds and debentures	1,299	21	(64)	1,255
Other	1,842	300	(403)	1,739
	<u>¥ 4,737</u>	<u>¥ 2,026</u>	<u>¥ (474)</u>	<u>¥ 6,288</u>
Add: Securities without readily determinable fair value				1,917
				<u>¥ 8,205</u>

	Thousands of U.S.dollars(Note 1)			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2015				
Other securities				
Equity securities	\$ 20,347	\$ 22,103	\$ (1,577)	\$ 40,872
Debt securities	8,333	770	-	9,104
Other	8,214	4,077	-	12,291
	<u>\$ 36,895</u>	<u>\$ 26,950</u>	<u>\$ (1,577)</u>	<u>\$ 62,268</u>
Add: Securities without readily determinable fair value				7,315
				<u>\$ 69,583</u>

5. Inventories

Inventories at March 31, 2015 and 2014 comprise the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Finished goods	¥ 1,982	¥ 1,818	\$ 16,516
Work in process	416	453	3,465
Raw materials and supplies	1,096	1,057	9,132
	<u>¥ 3,494</u>	<u>¥ 3,327</u>	<u>\$ 29,113</u>

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

Short-term Bank Loans and Long-term debt at March 31, 2015 and 2014 consisted of the following respectively:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Loans from banks:			
Unsecured loans, maturing in 2015	¥ -	¥ (700)	\$ -
Total	-	(700)	-
Less: current portion	-	(700)	-
Long-term debt, less current portion	<u>¥ -</u>	<u>¥ -</u>	<u>\$ -</u>

7. Retirement And Pension Plans

The following tables set forth the changes in benefit obligation, and plan assets of the Company at March 31, 2015 and 2014 respectively:

(1) Changes in Benefit Obligations

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Beginning balance of benefit obligations	¥ 1,123	¥ 1,218	\$ 9,355
Service costs	65	70	542
Interest costs	19	19	158
Actuarial differences arising during the year	106	(14)	883
Retirement benefits paid	(214)	(171)	(1,784)
Ending balance of benefit obligations	<u>¥ 1,098</u>	<u>¥ 1,123</u>	<u>\$ 9,154</u>

(2) Changes in Pension Assets

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Beginning balance of pension assets	¥ 852	¥ 828	\$ 7,102
Expected return on pension assets	21	17	178
Actuarial differences arising during the year	76	59	632
Contributions made by the Company and consolidated subsidiary	111	82	926
Retirement benefits paid	(162)	(134)	(1,350)
Ending balance of pension assets	<u>¥ 899</u>	<u>¥ 852</u>	<u>\$ 7,488</u>

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

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2014
Funded benefit obligations	¥ 1,098	¥ 1,123	\$ 9,154
Pension assets	(899)	(852)	(7,488)
Net amount of liability and asset on Consolidated Balance Sheets	<u>¥ 200</u>	<u>¥ 270</u>	<u>\$ 1,666</u>

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2014
Net defined benefit asset	¥ -	¥ -	\$ -
Net defined benefit liability	200	270	1,666
Net amount of liability and asset on Consolidated Balance Sheets	<u>¥ 200</u>	<u>¥ 270</u>	<u>\$ 1,666</u>

(4) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Service costs	¥ 65	¥ 70	\$ 542
Interest costs	19	19	158
Expected return on pension assets	(21)	(17)	(178)
Amortization of actuarial differences	(7)	32	(59)
Retirement benefit expenses for defined benefit pension plans	<u>¥ 56</u>	<u>¥ 105</u>	<u>\$ 464</u>

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

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Actuarial differences, etc	¥ (35)	¥ -	\$ (288)
Total	¥ (35)	¥ -	\$ (288)

**(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)
	2015	2014	2015
Unrecognized actuarial differences, etc	¥ (28)	¥ 7	\$ (232)
Total	¥ (28)	¥ 7	\$ (232)

**(7)Pension Assets
Breakdown**

	2015	2014
Bonds	18.1%	22.8%
Stocks	33.2%	30.9%
Other	48.7%	46.3%
Total	100.0%	100.0%

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

	2015	2014
Discount rate	1.0%	1.8%
Expected rate of return on pension assets	2.5%	2.1%

8. Contingencies

(1)Guarantee obligation

The Group was contingently liable as guarantor of indebtedness of affiliates for ¥38million (U.S.\$ 320 thousand) and ¥101 million (U.S.\$ 982 thousand) at March 31, 2015 and 2014 respectively.

(2)Dissolution of the Company's employees pension fund

The Company has associated with employees pension fund in surface active agent industry. The board of representatives held in February 2015 decided that the fund would be dissolved in the near future. Relating expenses ,which will be incurred for its dissolution,could not be adequately accrued due to substantial uncertainties in this fiscal year.

9. Research and Development and Computer Software

Research and development expenditure charged to income was ¥750 million(U.S.\$6,253 thousand) and ¥816 million (U.S.\$7,922thousand) for the year ended March 31, 2015 and 2014, respectively.

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

	Millions of yen		Thousands of U.S.
	2015	2014	dollars(Note 1)
Balance of beginning of year	¥ 6	¥ 9	\$ 49
Additions	2	-	17
Amortization	2	(3)	17
Balance at end of year	¥ 6	¥ 6	\$ 48

10. Income taxes

The Company is subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014. Foreign subsidiary is subject to income taxes of the country in which it operates.

The effective rate for the two years ended March 31, 2015 and 2014 differs from the Company's statutory tax rate for the following reasons:

	2015	2014
Statutory tax rate	35.6	38.0
Permanently nondeductible expenses	0.2	0.3
Permanently nontaxable dividends received	(0.4)	(0.4)
Per capital levy of residents tax	0.2	0.3
Reserve for special depreciation	(1.0)	(1.2)
Additional tax on retained earnings	2.7	1.2
Adjustment on deferred tax assets due to change in income tax-rate	0.4	0.3
Effect due to consolidation	0.0	0.0
Difference of tax rates of overseas subsidiary	(0.2)	(0.1)
Elimination of intercompany dividend income	(0.1)	(0.2)
Valuation allowance	0.0	(0.1)
Other	1.1	(0.9)
Effective tax rate	38.5	37.2

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2015 and 2014 are presented below:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liability	¥ 63	¥ 94	\$ 525
Accrued employee bonuses	89	98	742
Unrealized losses on inventories	12	9	100
Net unrealized holding losses on securities	67	255	559
Other	257	262	2,142
Gross deferred tax assets	488	718	4,069
Valuation allowance	(66)	(192)	(549)
Total deferred tax assets	422	527	3,519
Deferred tax liabilities:			
Net unrealized holding profits on securities	(1,075)	(730)	(8,957)
Total deferred tax liabilities	(1,075)	(730)	(8,957)
Net deferred tax assets	(652)	(204)	(5,437)

11. Segment Information

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, 2015 and 2014 consisted of the following respectively:

	Millions of yen		
	2015		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 31,288	¥ 840	¥ 32,128
Inter-segment	322	48	370
Total sales	¥ 31,610	¥ 888	¥ 32,498
Segment income	4,625	74	4,700
Total assets	55,679	674	56,353
Total liabilities	10,431	225	10,656
Other			
Depreciation	¥ 662	¥ 5	¥ 668
Capital expenditure	444	8	452
	Millions of yen		
	2014		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 29,419	¥ 710	¥ 30,129
Inter-segment	260	44	303
Total sales	¥ 29,679	¥ 754	¥ 30,433
Segment income	4,023	78	4,101
Total assets	50,908	581	51,489
Total liabilities	10,270	193	10,463
Other			
Depreciation	¥ 688	¥ 5	¥ 693
Capital expenditure	398	—	398

	Thousands of U.S.dollars		
	2015		
	Japan	Indonesia	Total segments
Sales			
External customers	\$ 260,733	\$ 6,998	\$ 267,731
Inter-segment	2,680	403	3,082
Total sales	<u>\$ 263,413</u>	<u>\$ 7,401</u>	<u>\$ 270,813</u>
Segment income	38,545	620	39,165
Total assets	463,989	5,619	469,609
Total liabilities	86,929	1,872	88,801
Other			
Depreciation	\$ 5,520	\$ 43	\$ 5,563
Capital expenditure	3,702	65	3,768

(2) Adjustments and eliminations

Reconciliation of sales	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Segment sales	¥ 32,498	¥ 30,433	\$ 270,813
Inter-segment transactions (elimination)	(370)	(303)	(3,082)
Group sales	<u>¥ 32,128</u>	<u>¥ 30,129</u>	<u>\$ 267,731</u>

Reconciliation of income	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Segment income	¥ 4,700	¥ 4,101	\$ 39,165
Inter-segment transactions (elimination)	6	(14)	50
Amortization of goodwill	(36)	—	(300)
Adjustment of inventory	(11)	(2)	(90)
Group operating income	<u>¥ 4,659</u>	<u>¥ 4,085</u>	<u>\$ 38,824</u>

Reconciliation of assets	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Segment operating assets	¥ 56,353	¥ 51,489	\$ 469,609
Inter-segment transactions (elimination)	(120)	(99)	(1,000)
Adjustment of inventory	(8)	(6)	(68)
Other adjustments	327	432	2,724
Group assets	<u>¥ 56,552</u>	<u>¥ 51,815</u>	<u>\$ 471,265</u>

Reconciliation of liabilities	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Segment operating liabilities	¥ 10,656	¥ 10,463	\$ 88,801
Inter-segment transactions (elimination)	(120)	(99)	(1,000)
Other adjustments	28	(7)	232
Group liabilities	<u>¥ 10,564</u>	<u>¥ 10,357</u>	<u>\$ 88,034</u>

(3) Related information

Products and Services information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Sales to external customers			
Surfactant	¥ 23,546	¥ 22,173	\$ 196,217
Other	8,582	7,956	71,514
Total	<u>¥ 32,128</u>	<u>¥ 30,129</u>	<u>\$ 267,731</u>

Geographic information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Sales to external customers			
Japan	¥ 15,281	¥ 14,811	\$ 127,346
Asia	15,505	13,968	129,210
Other	1,341	1,350	11,175
Total	<u>¥ 32,128</u>	<u>¥ 30,129</u>	<u>\$ 267,731</u>

Main customers information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Sales			
Nippon Quaker Chemical,Ltd.	¥ 4,877	¥ 4,546	\$ 40,638
Marubeni Chemix Corporation	5,604	4,710	46,696

12. Related Party Transactions

Principal transactions between the Company and its affiliate for the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2015	2014	2015
Sales(Nippon Quaker Chemical,Ltd.)	¥ 4,877	¥ 4,546	\$ 40,638
Purchase(Nippon Quaker Chemical,Ltd.)	1,839	1,725	15,329

13. Subsidiaries

The Company's subsidiaries are as follows:

Name	Ownership Interest	Country of Incorporation
P.T.Matsumoto-Yushi Indonesia	65%	Indonesia

14. Subsequent Event

The following appropriations of the Company's retained earnings in respect of the yearended March 31, 2015 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 26, 2015:

Appropriations	Millions of yen	Thousands of U.S.dollars
Cash dividends (¥250.0per share)	¥ 917	\$ 7,642

15. Net income Per Share

	Millions of yen		Thousands of U.S dollars
	2015	2014	2015
Net income	¥ 3,994	¥ 3,490	\$ 33,285
Net income available to common shareholders	3,994	3,490	33,285
	Thousand Shares		
	2015	2014	
The weighted average number of shares of common stock outstanding	3,667	3,668	
	yen		U.S.dollars
	2015	2014	2015
Net income per share	¥ 1,088.97	¥ 951.32	\$ 9.075

16. Asset Retirement Obligations

Asset retirement obligations for the year ended March 31, 2015 and 2014 consisted of the following respectively:

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Balance at beginning of year	¥ 100	¥ 97	\$ 832
Payments for purchase of property, plant and equipment	0	1	3
Interest cost	2	2	15
Balance at end of year	¥ 102	¥ 100	\$ 850