

LETTER TO STAKEHOLDERS

For the reported accounting period ended March 31, 2016, the Japanese economy proceeded favorably, due in part to “Abenomics” effect, through December, 2015. The turn of the new year, however, witnessed appreciation of the yen currency plus decline of the stock market, both threatening corporate income performance. Stagnant personal consumption is another element that renders the nation’s economic forecast more unforeseeable.

Regarding the world economy, the Middle East in chaos and the sluggish economies of China and other developing countries only add to the already tough situation.

As for the domestic textile industry being one of our major customers, they shifted further 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, some major customers in China began to count on reduced production.

With respect to the non-textile field, the automotive and the housing markets remained dormant. Overseas, the U.S. automotive segment expanded but the Chinese counterpart, by far the biggest market, tended to shrink.

Under the challenging circumstances, we further endeavored to secure our sales and profit by developing high-quality and lower-priced goods as well as items for quick response to the market.

All in all, our consolidated sales stood at ¥32,343 million(\$288,781 thousand)(100.7% of last year on yen basis), operating income at ¥5,337 million(\$47,652 thousand)(114.6%), and net income attributable to owners of parent at ¥3,192 million (\$28,496 thousand)(79.9%), respectively.

Geographically, Japan represented consolidated sales of ¥31,511 million (\$281,346 thousand)(100.7%) and segment income of ¥5,222million (\$46,628 thousand)(112.9%).

For the anionic surfactant field, local synthetic fiber manufacturers tend to decrease output while demand seems to grow for nonwovens-related applications. Overall, the local market remains steady. Overseas, our aggressive approach to the synthetic fiber producers in China resulted in increased sales volume. Sales stood at ¥3,448 million (\$30,786 thousand)(100.1%).

The nonionic surfactant locally continued to suffer output decline in the textile market because of poor consumption and price deterioration. Industrial materials registered steady performance. Overseas, automotive and housing related fields saw improved sales. We sold as much as ¥18,675 million (\$166,741 thousand)(100.2%).

Regarding the cationic and amphoteric surfactant, our business with the textile industry sold as much as last year. For the non-textile market, we managed to revise product prices coping with raw materials price hikes. Our sales reached ¥1,084 million (\$9,679 thousand)(103.8%).

The high polymer and inorganic chemicals group registered a steady business with the textile industry for the current period. As for non-textile fields, sales increased over capital investments while cosmetics materials business remained consistent. Our products find new applications with the construction and the automotive fields. We sold ¥8,302 million (\$74,125 thousand)(101.6%).

Indonesia represents another business segment with consolidated sales of ¥833 million (\$7,435 thousand)(99.2%), and segment income of ¥93 million (\$827 thousand)(124.3%). Sales volume declined due to stagnant local consumption, influx of low-priced Chinese products and sluggish export activities.

The nonionic surfactant business saw a spotty market of positive and negative trends, with sales of ¥407 million (\$3,634 thousand)(99.1%).

For the high polymer and inorganic chemicals, market competitions led to price deteriorations. Furthermore, the sluggish local economy reduced

automotive sales with less demand for our products. Sales stood at ¥410 million (\$3,661 thousand)(99.5%).

Regarding the anionic, the cationic and amphoteric surfactants, no remarkable sales growth was achieved in either volume or value. Sales stood at ¥6 million (\$54 thousand)(98.6%) and ¥8 million (\$71 thousand)(86.5%), respectively.

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. Under the circumstances, we reconfirm 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.

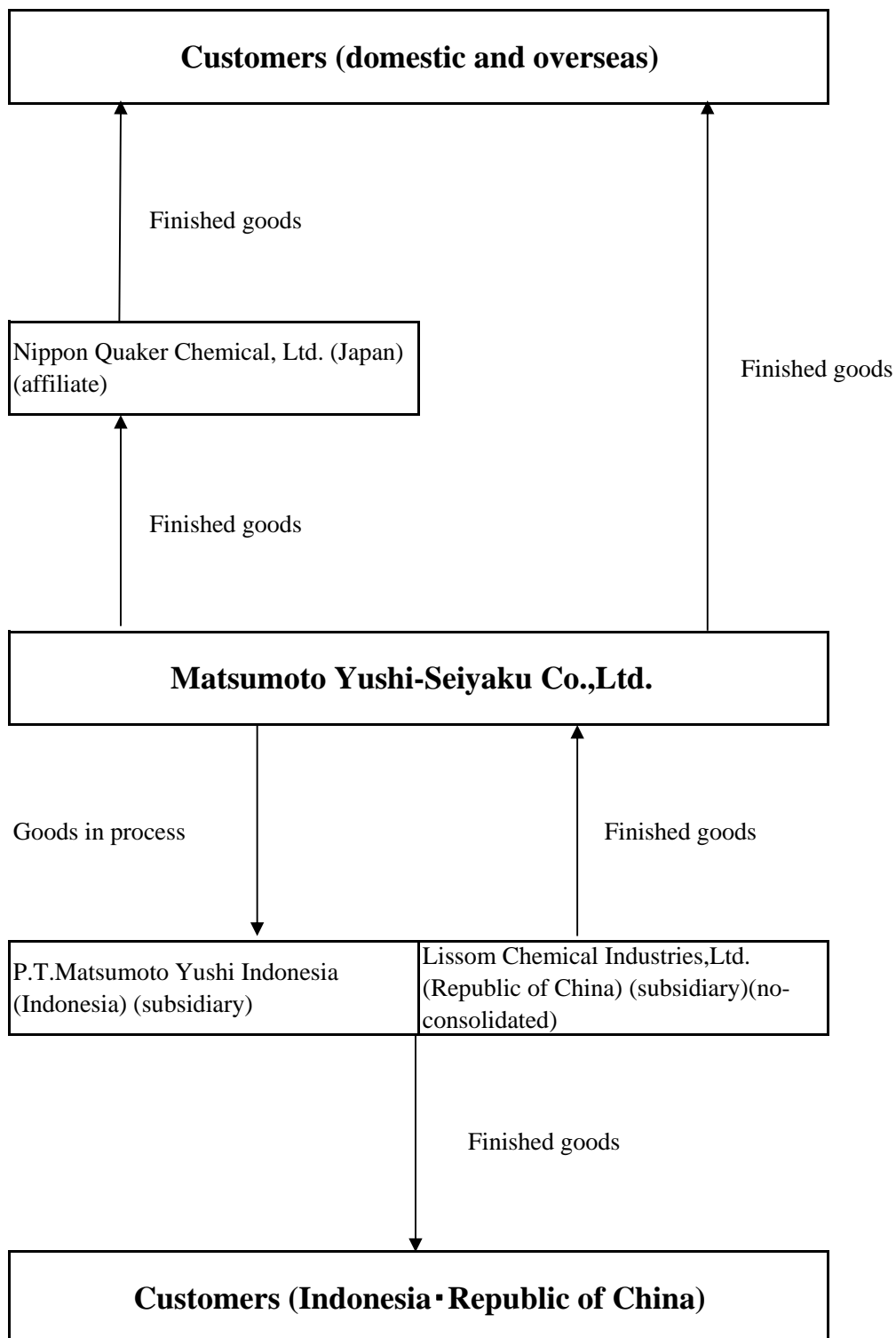
As always, we very much appreciate your continued support.

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 have 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Results for the year (millions of Yen):					
Net Sales	32,343	32,128	30,129	27,284	27,038
Cost of sales	22,978	23,516	22,186	21,062	21,902
Gross profit	9,365	8,612	7,944	6,222	5,136
Selling, general and administrative expenses	4,028	3,953	3,858	3,831	3,816
Operating income	5,337	4,659	4,085	2,391	1,321
Other income(expenses)	(640)	1,869	1,513	141	(178)
Income before income taxes and non-controlling interests	4,697	6,528	5,599	2,531	1,142
Income taxes					
current	1,521	2,441	1,895	1,019	417
deferred	(52)	70	189	(137)	92
Net income	3,229	4,017	3,515	1,649	633
Net income attributable to :					
non controlling interests in subsidiary owners of parent	37	23	25	48	7
	3,192	3,994	3,490	1,602	626
Acquisition of property, plant and equipment	787	397	438	393	303
Depreciation and amortization	655	668	693	705	790
Per share of common stock(Yen):					
Net income attributable to owners of parent	920.44	1,088.97	951.32	161.39	61.52
Cash dividends	300.00	250.00	100.00	60.00	50.00
Year-end financial position(millions of Yen):					
Total current assets	41,194	42,572	37,967	33,257	32,713
Total property, plant and equipment	4,181	4,010	4,222	4,519	4,761
Total investments and other assets	7,572	9,969	9,627	9,185	8,665
Total current liabilities	7,805	9,294	9,367	8,141	7,647
Total long-term liabilities	1,052	1,270	990	587	438
Non-controlling interests	157	157	218	227	173
Foreign currency translation adjustments	(117)	(77)	(206)	(216)	(217)
Total net assets	44,090	45,988	41,459	38,233	38,055
Other year-end data:					
Number of shares issued(thousands)	4,513	4,513	11,282	11,282	11,282
Number of shareholders	597	611	603	612	617

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2016 and 2015

ASSETS	Millions of yen		Thousands of U.S.dollars (Note 1)	
	2016	2015	2016	2015
Current assets:				
Cash and cash equivalents(Note 4)	¥ 27,313	¥ 26,909	\$ 243,870	\$ 240,261
Short-term investments (Note 4,5)	1,748	2,798	15,604	24,986
Notes and accounts receivable(Note 4):				
Trade	6,369	6,970	56,866	62,231
Associates	2,012	2,120	17,962	18,927
Other	14	20	127	177
Allowance for doubtful accounts	(2)	(1)	(19)	(8)
	<u>8,393</u>	<u>9,109</u>	<u>74,937</u>	<u>81,327</u>
Inventories (Note 6)	3,546	3,494	31,664	31,192
Deferred income taxes (Note 10)	133	200	1,192	1,786
Other current assets	60	63	534	559
Total current assets	<u>41,194</u>	<u>42,572</u>	<u>367,800</u>	<u>380,111</u>
Property, plant and equipment :				
Land	532	534	4,748	4,766
Building and structures	6,774	6,699	60,483	59,809
Machinery and equipment	12,563	11,865	112,169	105,939
Construction in progress	98	240	871	2,141
	<u>19,966</u>	<u>19,337</u>	<u>178,271</u>	<u>172,655</u>
Accumulated depreciation	(15,785)	(15,327)	(140,938)	(136,850)
Total property, plant and equipment	<u>4,181</u>	<u>4,010</u>	<u>37,332</u>	<u>35,805</u>
Investments and other assets:				
Investments in affiliates	921	825	8,223	7,366
Investments in securities (Note 4,5)	5,789	8,350	51,688	74,553
Long-term loans(Note 4)	0	0	4	3
Deferred income taxes(Note 10)	40	15	355	135
Other (Note 9)	829	783	7,399	6,993
Allowance for doubtful accounts	(7)	(4)	(64)	(39)
Total investments and other assets	<u>7,572</u>	<u>9,969</u>	<u>67,604</u>	<u>89,011</u>
Total assets	<u>¥ 52,947</u>	<u>¥ 56,552</u>	<u>\$ 472,737</u>	<u>\$ 504,927</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2016	2015	2016	2015
Current liabilities:				
Accounts payable(Note 4):				
Trade	¥ 5,257	¥ 5,653	\$ 46,936	\$ 50,472
Associates	735	745	6,565	6,649
Other	1,115	1,058	9,952	9,446
Accrued income taxes	369	1,542	3,294	13,769
Accrued bonuses to employees	276	269	2,462	2,406
Accrued bonuses to officers	—	—	—	—
Other current liabilities	53	27	476	239
Total current liabilities	<u>7,805</u>	<u>9,294</u>	<u>69,686</u>	<u>82,981</u>
Long-term liabilities				
Net defined benefit liabilities(Note 7)	498	200	4,448	1,785
Asset retirement obligations(Note 16)	104	102	927	913
Deferred income taxes (Note 10)	372	868	3,320	7,747
Other liabilities	78	101	695	899
Total long-term liabilities	<u>1,052</u>	<u>1,270</u>	<u>9,389</u>	<u>11,341</u>
Total liabilities	<u>8,856</u>	<u>10,564</u>	<u>79,075</u>	<u>94,322</u>
Contingencies (Note 8)				
Net assets:				
Shareholders' equity				
Common stock				
Authorized 16,000,000 shares				
Issued 2016- 4,512,651 shares	6,090	6,090	54,375	54,375
Capital surplus	6,518	6,518	58,199	58,198
Retained earnings	37,069	34,794	330,974	310,664
Less, treasury stock, at cost:	<u>(7,009)</u>	<u>(3,604)</u>	<u>(62,577)</u>	<u>(32,178)</u>
Total Shareholders' equity	42,669	43,799	380,971	391,059
Accumulated other comprehensive income				
Unrealized gain (loss) on available-for-sale securities	1,450	2,129	12,951	19,012
Foreign currency translation adjustments	(117)	(77)	(1,043)	(690)
Remeasurements of defined benefit plans	(70)	(20)	(621)	(176)
Total accumulated other comprehensive income	<u>1,264</u>	<u>2,032</u>	<u>11,287</u>	<u>18,147</u>
Non-controlling interests	157	157	1,405	1,399
Total net assets	<u>44,090</u>	<u>45,988</u>	<u>393,662</u>	<u>410,605</u>
Total liabilities and net assets	<u>¥ 52,947</u>	<u>¥ 56,552</u>	<u>\$ 472,737</u>	<u>\$ 504,927</u>

The accompanying notes are an integral part of these statements.

MATSUMOTO YUSHI-SEIYAKU CO.,LTD AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2016	2015	2016	2015
Net sales(Note 11,12)	¥ 32,343	¥ 32,128	\$ 288,781	\$ 286,855
Cost of sales(Note 11,12)	22,978	23,516	205,163	209,961
Gross profit	9,365	8,612	83,617	76,894
Selling, general and administrative expenses (Note 11)	4,028	3,953	35,965	35,296
Operating income	5,337	4,659	47,652	41,598
Other income (expenses):				
Interest and dividend income	264	206	2,353	1,842
Interest expenses	(1)	(4)	(5)	(36)
Investment profit (Loss) on equity method	141	127	1,258	1,138
Foreign exchange profit (Loss)	(836)	1,411	(7,463)	12,601
Gain (Loss) on disposal of property and equipment	(2)	(0)	(14)	(4)
Gain (Loss) on sale of securities	—	52	—	460
Gain (Loss) on redemption of investment securities	(17)	—	(153)	—
Loss on revaluation of membership rights of golf-club	—	(0)	—	—
Amortization of past service cost	(300)	—	—	—
Other, net	111	77	993	689
Income before income taxes and non-controlling interests	4,697	6,528	41,938	58,285
Income taxes (Note 10):				
Current	1,521	2,441	13,578	21,797
Deferred	(52)	70	(467)	622
	1,468	2,511	13,111	22,419
Net income	3,229	4,017	28,827	35,866
Net income attributable to :				
Non-controlling interests in subsidiary	37	23	331	203
Owners of parent	¥ 3,192	¥ 3,994	\$ 28,496	\$ 35,663

	Yen		U.S. dollars (Note 1)	
	2016	2015	2016	2015
Net income per share:				
Basic(Note 15)	¥ 920.44	¥ 1,088.97	\$ 8.218	\$ 9.723
Cash dividends per share(Note 14)	300.00	250.00	2.679	2.232

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2016	2015	2016	2015
Income before income taxes and non-controlling interests	¥ 3,229	¥ 4,017	\$ 28,827	\$ 35,866
Other comprehensive income:				
Unrealized gains (losses) on available-for-sale securities	(679)	1,411	(6,062)	12,595
Foreign currency translation adjustments	(45)	239	(401)	2,133
Remeasurement of defined benefit plans	(48)	(23)	(429)	—
Share of other comprehensive income of associates accounted for using equity method	(10)	2	(86)	22
Total other comprehensive income (loss)	(782)	1,629	(6,978)	14,543
Comprehensive income	<u>¥ 2,447</u>	<u>¥ 5,646</u>	<u>\$ 21,849</u>	<u>\$ 50,409</u>
Comprehensive income attributable to:				
Owners of the parent company	2,363	5,511	21,099	49,202
Minority interests	84	135	750	1,207

**MATSUMOTO YUSHI-SEIYAKU CO.,LTD
AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2016 and 2015**

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	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		
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 attributable to owners of parent				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	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

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	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		
Balance at March 31, 2014	11,282	\$ 54,375	\$ 58,198	\$ 283,189	\$ (32,146)	\$ 363,617	\$ 6,418	\$ (1,840)	30	\$ 4,608	\$ 1,942	\$ 370,167
Cash dividends				(8,188)		(8,188)						(8,188)
Net income attributable to owners of parent				35,663		35,663						35,663
Purchase of treasury stock					(32)	(32)						(32)
Net change of items other than shareholders' equity	(6,768)						12,595	1,151	(206)	13,539	(544)	12,995
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)
Sales of treasury stock					0	1						1
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	\$ 393,660

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars	
			(Note 1)	
	2016	2015	2016	2015
Cash flows from operating activities:				
Net income before income taxes and minority interests	¥ 4,697	¥ 6,528	\$ 41,938	\$ 58,285
Adjustments for:				
Depreciation and amortization	655	668	5,851	5,961
Depreciation of goodwill	—	36	—	322
Loss (gain) on sales and disposal of property,	(1)	0	(9)	3
Loss (gain) on sale of securities	—	(52)	—	(460)
Allowance for doubtful accounts	4	(3)	37	(24)
Investment (profit) loss on equity method	(132)	(120)	(1,174)	(1,069)
Accrued severance indemnities	226	(108)	2,019	(960)
Accrued bonuses to employees	6	(6)	56	(53)
Interest and dividend income	(264)	(206)	(2,353)	(1,842)
Interest expenses	1	4	5	36
Foreign exchange (profit) loss	769	(1,423)	6,863	(12,703)
Decrease (Increase) in notes and accounts receivable	702	(579)	6,269	(5,168)
Decrease (Increase) in inventories	(85)	(131)	(757)	(1,166)
Increase (Decrease) in accounts payable	(384)	337	(3,430)	3,009
Increase (Decrease) in accrued consumption tax	(14)	27	(123)	244
Other, net	70	132	622	1,175
Sub total	6,251	5,106	55,815	45,590
Interest and dividend income received	290	229	2,585	2,046
Interest expenses paid	(1)	(2)	(5)	(20)
Income taxes paid	(2,711)	(2,324)	(24,207)	(20,753)
Net cash provided by operating activities	3,829	3,009	34,188	26,864
Cash flows from investing activities:				
Repayment of maturity of time deposits	(5,440)	(4,640)	(48,571)	(41,429)
Proceeds from maturity of time deposits	6,440	5,840	57,500	52,143
Receipt from redemption of investment securities	2,169	3,000	19,367	26,786
Receipt from sale of affiliates stocks	—	(94)	—	(836)
Payments for purchase of property, plant and equipment	(787)	(397)	(7,027)	(3,541)
Receipt from sale of investments in securities	17	403	155	3,596
Payments for purchase of investments in securities	(605)	(3,101)	(5,400)	(27,690)
Decrease (Increase) of loans receivable	(0)	2	(1)	14
Other, net	(51)	(89)	(455)	(791)
Net cash provided by (used in) investing activities	1,744	924	15,567	8,253
Cash flows from financing activities:				
Increase (Decrease) in short-term bank loans, net	—	(700)	—	(6,250)
Cash dividends paid	(916)	(917)	(8,182)	(8,188)
Cash dividends paid to non-controlling shareholders	(21)	(27)	(191)	(244)
Purchase of treasury stock	(3,405)	(4)	(30,400)	(32)
Net cash used in financing activities	(4,343)	(1,648)	(38,772)	(14,713)
Effect of exchange rate changes on cash and cash equivalents	(826)	1,783	(7,375)	15,924
Net increase (decrease) in cash and cash equivalents	404	4,069	3,609	36,327
Cash and cash equivalents at beginning of year	26,909	22,841	240,261	203,934
Cash and cash equivalents at end of year (Note.4)	¥ 27,313	¥ 26,909	\$ 243,870	\$ 240,261

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, 2016 and 2015

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, 2016, 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 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.
	ii Buildings acquired after April 1, 1998 Straight-line method.
Structures	Declining-balance 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

Basic net income per share is computed by dividing net income attributable to owners of the parent available for distribution to common shareholders by the weighted average number of shares of common stock. The number of shares use in the computation was 3,467 thousand and 3,668 thousand for the periods ended March 31, 2016 and 2015, 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.

3. Changes in Accounting Policies and Adoption of New Accounting Standards

Accounting Standards for Business Combinations, etc.

Effective March 31, 2016, the Company has applied "Revised Accounting Standard for Business Combinations"(Accounting Standards Board of Japan ("ASBJ") Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements"(ASBJ Statement No.22), and "Revised Accounting Standard for Business Divestitures"(ASBJ Statement No.7). The presentation method of net income was amended and reference to "minority interests" was changed to "non-controlling interests" is also changed. Certain amounts in the prior year comparative information is reclassified to conform to such changes in the current year presentation.

4. Financial Instruments

Financial instruments at March 31, 2016 and 2015 consisted of the following:

	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	-
Total assets	¥ 43,243	¥ 43,243	¥ -
Accounts payable	7,107	7,107	-
Total liabilities	¥ 7,107	¥ 7,107	¥ -

	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	¥ 47,167	¥ 47,167	¥ -
Accounts payable	7,455	7,455	-
Total liabilities	¥ 7,455	¥ 7,455	¥ -

	thousands of U.S.dollars(Note 1)		
	2016		
	Book Value	Fair Value	Differences
Cash and cash equivalents	\$ 243,870	\$ 243,870	\$ -
Notes and accounts receivable	74,937	74,937	-
Short-term investments and investments in securities	67,292	67,292	-
Long-term loans	4	4	-
Total assets	\$ 386,102	\$ 386,102	\$ -
Accounts payable	63,453	63,453	-
Total liabilities	\$ 63,453	\$ 63,453	\$ -

5. Short-term Investments and Investments in Securities

Short-term investment at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Other securities:			
Bonds and debentures	¥ 1,028	¥ 1,078	\$ 9,175
Time deposits	720	1,720	6,429
	<u>¥ 1,748</u>	<u>¥ 2,798</u>	<u>\$ 15,604</u>

The following is a summary of investments in securities at March 31, 2016 and 2015 respectively:

	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>

	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>

	Thousands of U.S.dollars(Note 1)			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2016				
Other securities				
Equity securities	\$ 21,902	\$ 16,932	\$ (1,894)	\$ 36,940
Other	8,862	3,177	(424)	11,615
	<u>\$ 30,764</u>	<u>\$ 20,108</u>	<u>\$ (2,318)</u>	<u>\$ 48,555</u>
Add: Securities without readily determinable fair value				3,133
				<u>\$ 51,688</u>

6. Inventories

Inventories at March 31, 2016 and 2015 comprise the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Finished goods	¥ 1,886	¥ 1,982	\$ 16,844
Work in process	467	416	4,167
Raw materials and supplies	1,193	1,096	10,654
	<u>¥ 3,546</u>	<u>¥ 3,494</u>	<u>\$ 31,664</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, 2016 and 2015 respectively:

(1) Changes in Benefit Obligations

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Beginning balance of benefit obligations	¥ 1,098	¥ 1,123	\$ 9,808
Service costs	68	65	610
Interest costs	11	19	101
Actuarial differences arising during the year	21	106	188
Retirement benefits paid	(98)	(214)	(878)
Past service costs	300	-	2,675
Ending balance of benefit obligations	<u>¥ 1,401</u>	<u>¥ 1,098</u>	<u>\$ 12,505</u>

(2) Changes in Pension Assets

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Beginning balance of pension assets	¥ 899	¥ 852	\$ 8,023
Expected return on pension assets	24	21	217
Actuarial differences arising during the year	(66)	76	(590)
Contributions made by the Company and consolidated subsidiary	113	111	1,006
Retirement benefits paid	(67)	(162)	(598)
Ending balance of pension assets	<u>¥ 902</u>	<u>¥ 899</u>	<u>\$ 8,057</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)
	2016	2015	2016
Funded benefit obligations	¥ 1,401	¥ 1,098	\$ 12,505
Pension assets	(902)	(899)	(8,057)
Net amount of liability and asset on Consolidated Balance Sheets	<u>¥ 498</u>	<u>¥ 200</u>	<u>\$ 4,448</u>

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Net defined benefit asset	¥ -	¥ -	\$ -
Net defined benefit liability	498	200	4,448
Net amount of liability and asset on Consolidated Balance Sheets	<u>¥ 498</u>	<u>¥ 200</u>	<u>\$ 4,448</u>

(4) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Service costs	¥ 68	¥ 65	\$ 610
Interest costs	11	19	101
Expected return on pension assets	(24)	(21)	(217)
Amortization of actuarial differences	15	(7)	135
Amortization of past service cost	300	-	2,675
Retirement benefit expenses for defined benefit pension plans	<u>¥ 370</u>	<u>¥ 56</u>	<u>\$ 3,305</u>

We amount collective amortization of past service cost which accrued by revising our regulation of payment a retirement benefit cost.

(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)
	2016	2015	2016
Actuarial differences, etc.	¥ (72)	¥ (35)	\$ (643)
Total	<u>¥ (72)</u>	<u>¥ (35)</u>	<u>\$ (643)</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)
	2016	2015	2016
Unrecognized actuarial differences, etc.	¥ (100)	¥ (28)	\$ (892)
Total	<u>¥ (100)</u>	<u>¥ (28)</u>	<u>\$ (892)</u>

(7) Pension Assets Breakdown

	2016	2015
	Bonds	16.7%
Stocks	32.4%	33.2%
General account	48.3%	46.0%
Other	2.6%	2.7%
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

	2016	2015
Discount rate	1.0%	1.0%
Expected rate of return on pension assets	2.7%	2.5%
Expected rate of increase in salary	2.8%	2.6%

(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 ¥203million(\$1,815thousand) as of March 31, 2016.

The funded status of the multi-employer plan calculated as of March 31, 2015 and 2014, was as follows

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2015	2014	2015
Plan assets	¥ 22,304	¥ 20,715	\$ 199,139
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	33,770	32,467	301,520
Net balance	<u>¥ (11,467)</u>	<u>¥ (11,752)</u>	<u>\$ (102,382)</u>

The net balance above is mainly caused by past service cost of ¥△8,025million (\$△71,654thousand) and ¥△8,266million (\$△73,803thousand) and a deficiency brought forward of ¥△3,447million (\$△30,775thousand) and ¥△2,972million (\$△26,537thousand) for the fiscal years ended 31st March, 2015 and 2014, respectively. Past service cost under the plan is amortized on a straight-line basis over 20 years, and the special contributions of ¥59million (\$529thousand), 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 and 2015, was as follows:

The contribution ratio of the Group in the multi-employer plan	<u>2016</u> 7.8%	<u>2015</u> 6.8%
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8. Contingencies

(1) Guarantee obligation

The Group was contingently liable as guarantor of indebtedness of affiliates for ¥38million (U.S.\$ 339 thousand) at March 31, 2015.

(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 ¥807 million (U.S.\$7,202 thousand) and ¥750 million (U.S.\$6,696thousand) for the year ended March 31, 2016 and 2015, respectively.

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

	Millions of yen		Thousands of U.S.
	2016	2015	dollars (Note 1)
Balance of beginning of year	¥ 6	¥ 6	\$ 51
Additions	9	2	83
Amortization	3	2	31
Balance at end of year	¥ 12	¥ 6	\$ 103

10. Income taxes

The Company is subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 33.06% and 35.6% for the years ended March 31, 2016 and 2015.

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

The effective rate for the two years ended March 31, 2016 and 2015 differs from the Company's statutory tax rate for the following reasons:

	2016	2015
Statutory tax rate	33.06	35.6
Permanently nondeductible expenses	0.2	0.2
Permanently nontaxable dividends received	(0.3)	(0.4)
Per capital levy of residents tax	0.2	0.2
Reserve for special depreciation	(1.4)	(1.0)
Additional tax on retained earnings	1.8	2.7
Adjustment on deferred tax assets due to change in income tax-rate	0.5	0.4
Tax deduction of Productivity improvement equipment	(0.6)	0.0
Difference of tax rates of overseas subsidiary	(0.4)	(0.2)
Elimination of intercompany dividend income	(0.3)	(0.1)
Valuation allowance	(1.3)	0.0
Other	(0.2)	1.1
Effective tax rate	31.26	38.5

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2016 and 2015 are presented below:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥ 153	¥ 63	\$ 1,362
Accrued employee bonuses	85	89	760
Unrealized losses on inventories	10	12	87
Net unrealized holding losses on securities	79	67	706
Other	184	257	1,644
Gross deferred tax assets	511	488	4,559
Valuation allowance	-	(66)	-
Total deferred tax assets	511	422	4,559
Deferred tax liabilities:			
Net unrealized holding profits on securities	(709)	(1,075)	(6,332)
Total deferred tax liabilities	(709)	(1,075)	(6,332)
Net deferred tax liabilities	(199)	(652)	(1,773)

Influence from changes in corporation tax rate

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.13 of 2016) were promulgated on 29th March, 2016 and, the corporate tax rate etc. was reduced from the fiscal year after starting 1st April, 2016. As a result, the effective tax rate which the Company used for calculation of deferred tax assets and liabilities for this period has been changed from 33.06% for the previous fiscal year to 30.86% for those which are expected to be recovered or paid from 1st April, 2016 to 31st March, 2017 and to 30.51% for those which are expected to be recovered or paid from 1st April, 2017 to 31st March, 2018 and to 30.28% for those which are expected to be recovered or paid from 1st April, 2018, respectively.

As a result of this change, net deferred tax liabilities (after netting deferred tax assets) decreased by ¥16 million (\$143 thousand), valuation difference on available-for-sale securities increased by ¥41 million (\$368 thousand) and income taxes - deferred increased by ¥25 million (\$225 thousand) as of and for the fiscal year ended 31st March, 2016, respectively.

11. Segment 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, 2016 and 2015 consisted of the following respectively:

	Millions of yen		
	2016		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 31,511	¥ 833	¥ 32,343
Inter-segment	376	64	440
Total sales	<u>¥ 31,887</u>	<u>¥ 896</u>	<u>¥ 32,783</u>
Segment income	<u>5,222</u>	<u>93</u>	<u>5,315</u>
Total assets	<u>51,959</u>	<u>706</u>	<u>52,665</u>
Total liabilities	<u>8,660</u>	<u>257</u>	<u>8,917</u>
Other			
Depreciation	¥ 650	¥ 6	¥ 655
Capital expenditure	<u>837</u>	<u>7</u>	<u>844</u>
	Millions of yen		
	2015		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 31,288	¥ 840	¥ 32,128
Inter-segment	322	48	370
Total sales	<u>¥ 31,610</u>	<u>¥ 888</u>	<u>¥ 32,498</u>
Segment income	<u>4,625</u>	<u>74</u>	<u>4,700</u>
Total assets	<u>55,679</u>	<u>674</u>	<u>56,353</u>
Total liabilities	<u>10,431</u>	<u>225</u>	<u>10,656</u>
Other			
Depreciation	¥ 662	¥ 5	¥ 668
Capital expenditure	<u>444</u>	<u>8</u>	<u>452</u>

	Thousands of U.S.dollars		
	2016		
	Japan	Indonesia	Total segments
Sales			
External customers	\$ 281,346	\$ 7,435	\$ 288,781
Inter-segment	3,358	569	3,927
Total sales	<u>\$ 284,703</u>	<u>\$ 8,004</u>	<u>\$ 292,708</u>
Segment income	46,628	827	47,454
Total assets	463,919	6,300	470,219
Total liabilities	77,318	2,295	79,613
Other			
Depreciation	\$ 5,800	\$ 51	\$ 5,851
Capital expenditure	7,469	66	7,536

(2) Adjustments and eliminations

Reconciliation of sales	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Segment sales	¥ 32,783	¥ 32,498	\$ 292,708
Inter-segment transactions (elimination)	(440)	(370)	(3,927)
Group sales	<u>¥ 32,343</u>	<u>¥ 32,128</u>	<u>\$ 288,781</u>

Reconciliation of income	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Segment income	¥ 5,315	¥ 4,700	\$ 47,454
Inter-segment transactions (elimination)	31	6	278
Amortization of goodwill	-	(36)	-
Adjustment of inventory	(9)	(11)	(79)
Group operating income	<u>¥ 5,337</u>	<u>¥ 4,659</u>	<u>\$ 47,652</u>

Reconciliation of assets	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Segment operating assets	¥ 52,665	¥ 56,353	\$ 470,219
Inter-segment transactions (elimination)	(160)	(120)	(1,430)
Adjustment of inventory	(8)	(8)	(70)
Other adjustments	450	327	4,018
Group assets	<u>¥ 52,947</u>	<u>¥ 56,552</u>	<u>\$ 472,737</u>

Reconciliation of liabilities	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Segment operating liabilities	¥ 8,917	¥ 10,656	\$ 79,613
Inter-segment transactions (elimination)	(160)	(120)	(1,430)
Other adjustments	100	28	892
Group liabilities	<u>¥ 8,856</u>	<u>¥ 10,564</u>	<u>\$ 79,075</u>

(3) Related information

Products and Services information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Sales to external customers			
Surfactant	¥ 23,630	¥ 23,546	\$ 210,983
High polymer and inorganic chemicals	7,964	7,820	71,105
Other	750	761	6,693
Total	<u>¥ 32,343</u>	<u>¥ 32,128</u>	<u>\$ 288,781</u>

Geographic information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Sales to external customers			
Japan	¥ 15,167	¥ 15,281	\$ 135,416
Asia	15,686	15,505	140,058
Other	1,490	1,341	13,306
Total	<u>¥ 32,343</u>	<u>¥ 32,128</u>	<u>\$ 288,781</u>

Main customers information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Sales			
Nippon Quaker Chemical,Ltd.	¥ 4,757	¥ 4,877	\$ 42,472
Marubeni Chemix Corporation	5,597	5,604	49,971

12. Related Party Transactions

Principal transactions between the Company and its affiliate for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of
	2016	2015	U.S.dollars
Sales(Nippon Quaker Chemical,Ltd.)	¥ 4,757	¥ 4,877	\$ 42,472
Purchase(Nippon Quaker Chemical,Ltd.)	1,626	1,839	14,521
Purchase of treasury stock(MATSUMOTO KOSAN Co.,Ltd.)	3,400	-	30,358

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 year ended March 31, 2016 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2016:

Appropriations	Millions of yen	Thousands of U.S.dollars
Cash dividends (¥300.0 per share)	¥ 980	\$ 8,750

15. Net income Per Share

	Millions of yen		Thousands of U.S dollars
	2016	2015	2016
Net income attributable to owners of parent	¥ 3,192	¥ 3,994	\$ 28,496
Net income available to common shareholders	3,192	3,994	28,496
	Thousand Shares		
	2016	2015	
The weighted average number of shares of common stock outstanding	3,467	3,668	
	yen		U.S.dollars
	2016	2015	2016
Net income per share	¥ 920.44	¥ 1,088.97	\$ 8.218

16. Asset Retirement Obligations

Asset retirement obligations for the year ended March 31, 2016 and 2015 consisted of the following respectively:

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
	2016	2015	2016
Balance at beginning of year	¥ 102	¥ 100	\$ 911
Payments for purchase of property, plant and equipment	-	0	-
Interest cost	2	2	16
Balance at end of year	¥ 104	¥ 102	\$ 927