

LETTER TO STAKEHOLDERS

Overview of Business Performance

During the consolidated fiscal year ended March 31, 2018, the world economy is recovering moderately despite concerns about the influence of the US tariff policy and uncertainties about prospects for the economy of China and developing countries in Asia.

Also in Japan, while the economy is moderately recovering owing to improvement of corporate performances and employment conditions, consumer spending remains sluggish, and the stronger Japanese yen and the rising price of crude oil is adversely affecting corporate performances.

Regarding the domestic textile business, which is our primary market, companies continue to shift their production sites to outside Japan. Furthermore, our primary local corporate customers shut down unprofitable operations leading to a

decrease in our sales. Thus the local business environment is yet to improve.

Overseas, while Chinese textile industry slows down their aggressive capital investments, Operations which have been shut down due to the implementation of environmental measures are resuming.

As for the domestic non-textile business, both the automotive and the construction industries are recovering. Overseas, while the U.S. automotive industry slows down, the Chinese automotive market, by far the biggest of all, grows mainly due to increased sales of electric vehicles and further growth in the Indian Market is expected.

Under these circumstances, our company group continued focusing on the development of high-quality and lower-priced products as well as items meeting to market needs. Also, we managed to correspond to the overseas transfer of our clients' production

sites. Moreover, we expanded our offshores sales activities.

All in all, net sales increased to ¥32,113 million (up by 2.3% on a year-on-year basis), operating income increased to ¥5,287 million (up by 10.0%), and net income attributable to owners of parent decreased to ¥3,830 million (down by 3.3%).

Overview of Performance by Business Segment

Japan Segment

Segment sales increased to ¥31,332 million (up by 2.7%) and segment income (operating income) increased to ¥5,241 million (up by 10.8%)

For the anionic surfactant field, while domestic textile manufacturers reduced output, sales for nonwovens increased, and those for others remained stable. Export sales to Chinese synthetic fiber producers decreased. Overall, the sales of the

anionic surfactant decreased to ¥3,197 million (down by 3.9%).

The nonionic surfactant continued to suffer output decline in the domestic textile field due to consumption slump and price deterioration. On the other hand, Demand for industrial materials remained relatively constant. Export sales of materials material for automotive industry increase while those of material for apparel industry decreased. As a result, the sales of the nonionic surfactant increased to ¥18,239 million (up by 2.6%).

Regarding the cationic and amphoteric surfactant, our business with the textile industry showed a modest decline. As for non-textile fields, sales of for amphoteric surfactant decreased because certain unprofitable product lines discontinued. The sales of the cationic and amphoteric surfactant decreased to ¥ 890 million (down by 8.3%).

The sales of the high polymer and inorganic chemicals for the textile industry increased. As for non-textile domain, cosmetics material business slowed down and the sales of materials for the automotive sector increased. Purchases of materials for equipment investment increased due to the robust semiconductor industry. In total, the sales of the high polymer and inorganic chemicals increased to ¥9,004 million (up by 6.8%).

Indonesia Segment

Segment sales decreased to ¥781 million (down by 10.4%), and segment income (operating income) fell to ¥44 million (down by 44.2%).

Regarding the nonionic surfactant business, the sales decreased to ¥393 million (down by 14.6%).

For the high polymer and inorganic chemicals, while the sales volume increased, the sale price decreased due to competition.

Then, the sales fell to ¥372 million (down by 5.7%).

As for the anionic, the cationic and amphoteric surfactants, their presence remained minor in the market. Their respective sales decreased to ¥7 million (down by 6.7%) and ¥8 million (down by 6.1%).

A Message from the Management

We now expect that our business environment has been harsh and will remain so for some foreseeable future, with multiple challenges including energy cost hikes and price fluctuations over raw materials.

We will sincerely reinforce the established principles of competitive products development, further expansion of the sales network, and the rationalization of our systems and organization, hence advancing corporate growth and profitability.

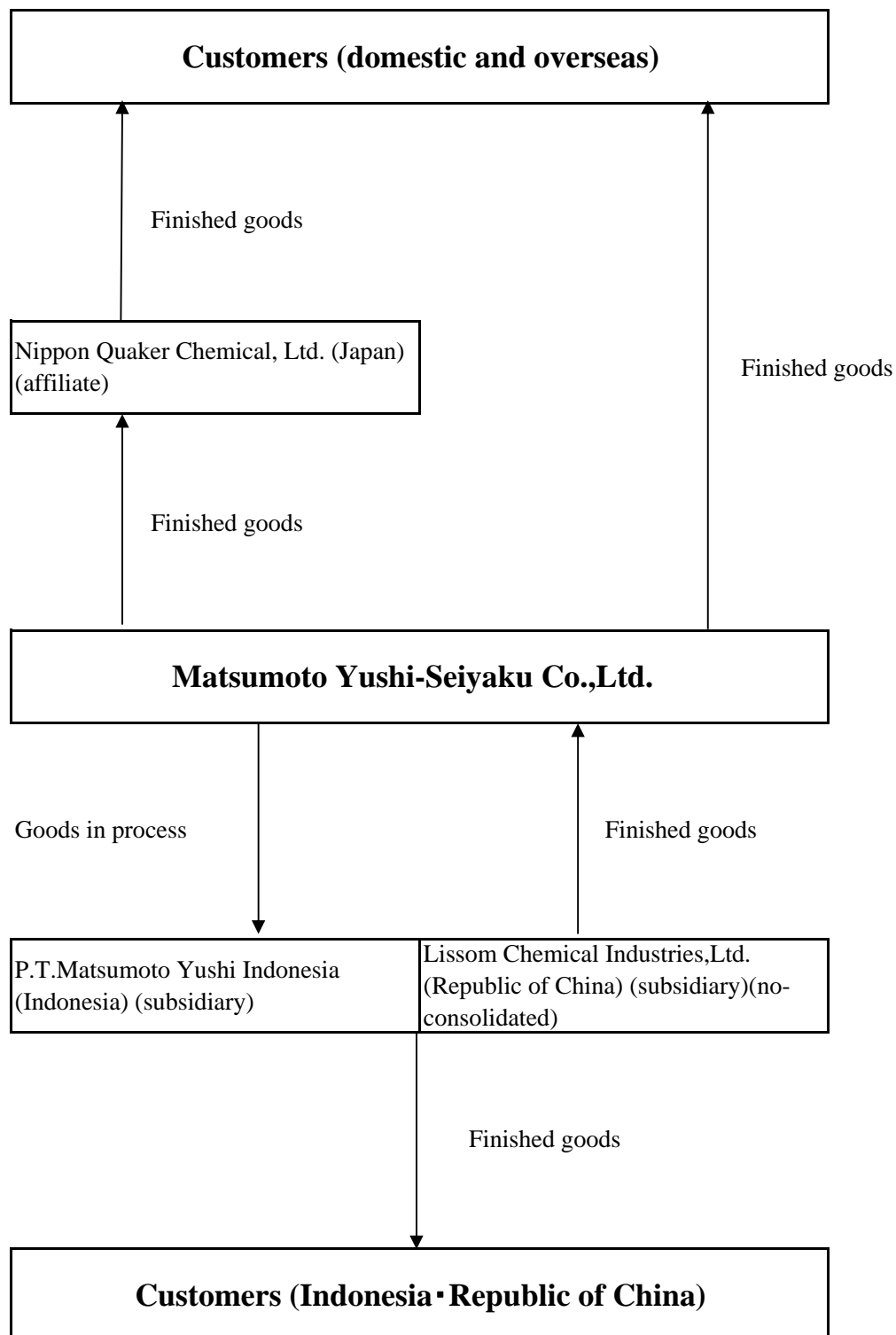
As always, we very much appreciate your continued support.

Sincerely,

NAOKI KIMURA

President and CEO

Holding Company Configuration and Highlights of Business



CORPORATE GOVERNANCE

We are working to achieve a highly transparent and sound system of corporate governance which enables us to realize stable and continuous improvement of enterprise value.

In addition to the regular monthly meetings of the Board of Directors, extraordinary meetings are held when necessary to make a decision promptly. Directors, Statutory Auditors and the Chiefs of Department have a joint meeting once a week. They ensure legal compliance and the legitimate execution of business. As flexible responses to the changing business environment are required, the term of each Director is set to be one year.

The Board of Statutory Auditors consists of one full-time Internal Director and three Outside Directors, all of whom are independent officers. They also attend the director meetings and join other significant discussions to observe the

appropriateness of managerial business execution.

As for internal auditing, the Internal Auditing Department is working on the promotion and improvement of internal control and maintaining close coordination with the Board of Statutory Auditors and Accounting Auditor.

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

Selected Financial Data

Years ended March 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Results for the year (millions of Yen):					
Net Sales	32,113	31,377	32,343	32,128	30,129
Cost of sales	22,874	22,534	22,978	23,516	22,186
Gross profit	9,239	8,842	9,365	8,612	7,944
Selling, general and administrative expenses	3,952	4,034	4,028	3,953	3,858
Operating income	5,287	4,808	5,337	4,659	4,085
Other income(expenses)	119	884	(640)	1,869	1,513
Income before income taxes and non-controlling interests	5,405	5,692	4,697	6,528	5,599
Income taxes					
current	1,709	1,809	1,521	2,441	1,895
deferred	(143)	(97)	(52)	70	189
Net income	3,839	3,981	3,229	4,017	3,515
Net income attributable to :					
non controlling interests in subsidiary owners of parent	(9)	20	37	23	25
	3,830	3,961	3,192	3,994	3,490
Acquisition of property, plant and equipment	976	693	787	397	438
Depreciation and amortization	584	582	655	668	693
Per share of common stock(Yen):					
Net income attributable to owners of parent	1,183.38	1,213.38	920.44	1,088.97	951.32
Cash dividends	300.00	350.00	300.00	250.00	100.00
Year-end financial position(millions of Yen):					
Total current assets	46,879	44,378	41,194	42,572	37,967
Total property, plant and equipment	4,605	4,135	4,181	4,010	4,222
Total investments and other assets	8,609	8,641	7,572	9,969	9,627
Total current liabilities	8,694	8,526	7,805	9,294	9,367
Total long-term liabilities	1,722	1,593	1,052	1,270	990
Non-controlling interests	154	162	157	157	218
Foreign currency translation adjustments	(116)	(128)	(117)	(77)	(206)
Total net assets	49,677	47,036	44,090	45,988	41,459
Other year-end data:					
Number of shares issued(thousands)	4,513	4,513	4,513	4,513	11,282
Number of shareholders	638	688	597	611	603

MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2018 and 2017

ASSETS	Millions of yen		Thousands of U.S.dollars (Note 1)	
	2018	2017	2018	2017
Current assets:				
Cash and cash equivalents(Note 5)	¥ 33,501	¥ 31,532	\$ 316,045	\$ 297,472
Short-term investments (Note 5,6)	510	510	4,811	4,811
Notes and accounts receivable(Note 5):				
Trade	6,905	6,605	65,142	62,312
Associates	1,960	1,953	18,492	18,429
Other	75	17	712	164
Allowance for doubtful accounts	(2)	(2)	(21)	(17)
	8,938	8,574	84,324	80,888
Inventories (Note 7)	3,624	3,370	34,188	31,793
Deferred income taxes (Note 14)	240	223	2,266	2,107
Other current assets	65	169	618	1,592
Total current assets	46,879	44,378	442,253	418,663
Property, plant and equipment(Note 9) :				
Land	531	532	5,009	5,015
Building and structures	7,098	6,850	66,964	64,623
Machinery and equipment	13,445	12,817	126,842	120,912
Construction in progress	56	122	532	1,152
	21,131	20,320	199,347	191,702
Accumulated depreciation total property, plant and equipment	(16,526)	(16,185)	(155,905)	(152,692)
	4,605	4,135	43,442	39,010
Investments and other assets:				
Investments in affiliates(Note 8)	1,162	1,045	10,960	9,860
Investments in securities (Note 5,6)	6,398	6,521	60,359	61,517
Long-term loans(Note 5)	202	186	1,908	1,752
Deferred income taxes(Note 14)	11	63	104	597
Other	844	834	7,966	7,867
Allowance for doubtful accounts	(8)	(7)	(75)	(69)
Total investments and other assets	8,609	8,641	81,221	81,523
Total assets	¥ 60,093	¥ 57,155	\$ 566,916	\$ 539,197

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2018	2017	2018	2017
Current liabilities:				
Accounts payable(Note 5):				
Trade	¥ 5,739	¥ 5,273	\$ 54,140	\$ 49,744
Associates	755	756	7,123	7,136
Other	1,070	929	10,096	8,762
Accrued income taxes	791	1,249	7,466	11,780
Accrued bonuses to employees	295	281	2,783	2,655
Other current liabilities	43	38	407	356
Total current liabilities	8,694	8,526	82,015	80,433
Long-term liabilities				
Net defined benefit liabilities(Note 10)	922	595	8,700	5,613
Asset retirement obligations(Note 19)	107	105	1,007	995
Reserve for loss on dissolution of employees' pension fund	288	288	2,719	2,719
Deferred income taxes (Note 14)	333	523	3,143	4,937
Other liabilities	72	81	676	763
Total long-term liabilities	1,722	1,593	16,245	15,027
Total liabilities	10,416	10,119	98,261	95,460
Net assets:				
Shareholders' equity				
Common stock				
Authorized 16,000,000 shares				
Issued 2018- 4,512,651 shares (Note 11)	6,090	6,090	57,453	57,453
Capital surplus	6,519	6,518	61,501	61,493
Retained earnings	42,747	40,050	403,276	377,830
Less, treasury stock, at cost: (Note 11)	(7,318)	(7,311)	(69,038)	(68,976)
Total Shareholders' equity	48,038	45,347	453,193	427,801
Accumulated other comprehensive income				
Unrealized gain (loss) on available-for-sale securities	1,639	1,787	15,464	16,855
Foreign currency translation adjustments	(116)	(128)	(1,091)	(1,208)
Remeasurements of defined benefit plans	(38)	(131)	(360)	(1,240)
Total accumulated other comprehensive income	1,485	1,527	14,014	14,407
Non-controlling interests	154	162	1,450	1,529
Total net assets	49,677	47,036	468,655	443,737
Total liabilities and net assets	¥ 60,093	¥ 57,155	\$ 566,916	\$ 539,197

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2018	2017	2018	2017
Net sales(Note 16,17)	¥ 32,113	¥ 31,377	\$ 302,952	\$ 296,006
Cost of sales(Note 16,17)	22,874	22,534	215,796	212,589
Gross profit	9,239	8,842	87,156	83,416
Selling, general and administrative expenses (Note 12)	3,952	4,034	37,282	38,058
Operating income	5,287	4,808	49,873	45,358
Other income (expenses):				
Interest and dividend income	193	177	1,824	1,670
Interest expenses	(0)	(0)	(1)	(4)
Investment profit (Loss) on equity method	157	163	1,483	1,536
Foreign exchange profit (Loss)	59	665	554	6,278
Gain (Loss) on disposal of property and equipment	—	(3)	—	(29)
Gain (Loss) on sale of investment securities	722	49	6,813	461
Gain (Loss) on sale of securities	(712)	—	(6,718)	—
Gain (Loss) on redemption of investment securities	—	25	—	238
Provision of reserve for loss on dissolution of employees pension fund	—	(288)	—	(2,719)
Amortization of past service cost	(429)	—	(4,043)	—
Other, net	128	96	1,208	908
Income before income taxes and non-controlling interests	5,405	5,692	50,993	53,697
Income taxes (Note 14):				
Current	1,709	1,809	16,119	17,061
Deferred	(143)	(97)	(1,345)	(919)
	1,566	1,711	14,774	16,142
Net income	3,839	3,981	36,219	37,555
Net income attributable to :				
Non-controlling interests in subsidiary	(9)	20	(86)	185
Owners of parent	¥ 3,830	¥ 3,961	\$ 36,133	\$ 37,370

	Yen		U.S. dollars (Note 1)	
	2018	2017	2018	2017
Net income per share:				
Basic(Note 18)	¥ 1,183.38	¥ 1,213.38	\$ 11.164	\$ 11.447
Cash dividends per share(Note 11)	300.00	350.00	2.830	3.302

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2018	2017	2018	2017
Income before income taxes and non-controlling interests	¥ 3,839	¥ 3,981	\$ 36,219	\$ 37,555
Other comprehensive income(Note 15):				
Unrealized gains (losses) on available-for-sale securities	(148)	336	(1,392)	3,172
Foreign currency translation adjustments	(17)	(7)	(156)	(71)
Remeasurement of defined benefit plans	118	(57)	1,113	(540)
Share of other comprehensive income of associates accounted for using equity method	(1)	(10)	(13)	(90)
Total other comprehensive income (loss)	(48)	262	(448)	2,471
Comprehensive income	¥ 3,792	¥ 4,243	\$ 35,770	\$ 40,026
Comprehensive income attributable to:				
Owners of the parent company	3,788	4,226	35,739	39,866
Minority interests	3	17	31	160

**MATSUMOTO YUSHI-SEIYAKU CO.,LTD
AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2018 and 2017**

	Millions of yen												
	Number of shares issued (thousands)	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income			
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	
Cash dividends				(1,133)		(1,133)						(1,133)	
Net income attributable to owners of parent				3,830		3,830						3,830	
Purchase of treasury stock					(7)	(7)						(7)	
Sales of treasury stock			0		0	0						0	
Net change of items other than shareholders' equity							(147)	12	93	(42)	(8)	(50)	
Balance at March 31, 2018	4,513	¥ 6,090	¥ 6,518	¥ 42,747	¥ (7,318)	¥ 48,038	¥ 1,639	¥ (116)	¥ (38)	¥ 1,485	¥ 154	¥ 49,677	

	Thousands of U.S. dollars (Note 1)												
	Number of shares issued (thousands)	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income			
Balance at March 31, 2016	4,513	\$ 57,453	\$ 61,493	\$ 349,706	\$ (66,119)	\$ 402,533	\$ 13,683	\$ (1,102)	(656)	\$ 11,926	\$ 1,484	\$ 415,942	
Cash dividends				(9,247)		(9,247)						(9,247)	
Net income attributable to owners of parent				37,370		37,370						37,370	
Purchase of treasury stock					(2,856)	(2,856)						(2,856)	
Net change of items other than shareholders' equity							3,172	(106)	(584)	2,482	45	2,526	
Balance at March 31, 2017	4,513	\$ 57,453	\$ 61,493	\$ 377,829	\$ (68,976)	\$ 427,800	\$ 16,855	\$ (1,208)	(1,240)	\$ 14,407	\$ 1,529	\$ 443,736	
Cash dividends				(10,688)		(10,688)						(10,688)	
Net income attributable to owners of parent				36,133		36,133						36,133	
Purchase of treasury stock					(62)	(62)						(62)	
Sales of treasury stock			0		0	1						1	
Net change of items other than shareholders' equity							(1,391)	117	880	(393)	(80)	(473)	
Balance at March 31, 2018	4,513	\$ 57,453	\$ 61,494	\$ 403,274	\$ (69,037)	\$ 453,184	\$ 15,464	\$ (1,091)	\$ (360)	\$ 14,014	\$ 1,450	\$ 468,647	

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars	
			(Note 1)	
	2018	2017	2018	2017
Cash flows from operating activities:				
Income before income taxes and non-controlling interests	¥ 5,405	¥ 5,692	\$ 50,993	\$ 53,697
Adjustments for:				
Depreciation and amortization	584	582	5,509	5,490
Gain (Loss) on redemption of investment securities	—	(25)	—	(238)
Loss (gain) on sales and disposal of property,	2	1	16	14
Loss (gain) on sale of investment securities	(722)	31	(6,813)	289
Allowance for doubtful accounts	1	(0)	10	(2)
Investment (profit) loss on equity method	(156)	(165)	(1,476)	(1,560)
Accrued severance indemnities	498	15	4,700	145
Reserve for loss on dissolution of employees pension fund	—	288	—	2,719
Accrued bonuses to employees	14	6	128	53
Interest and dividend income	(193)	(177)	(1,824)	(1,670)
Interest expenses	0	0	1	4
Foreign exchange (profit) loss	(60)	(484)	(562)	(4,568)
Decrease (Increase) in notes and accounts receivable	(310)	(192)	(2,928)	(1,813)
Decrease (Increase) in inventories	(265)	173	(2,499)	1,631
Decrease (Increase) in refund of income taxes	99	(99)	933	(938)
Increase (Decrease) in accounts payable	471	39	4,443	373
Increase (Decrease) in accrued consumption tax	(104)	48	(985)	451
Other, net	55	(28)	523	(262)
Sub total	5,318	5,704	50,170	53,813
Interest and dividend income received	231	209	2,182	1,968
Interest expenses paid	(0)	(0)	(1)	(3)
Income taxes paid	(2,102)	(997)	(19,832)	(9,405)
Net cash provided by operating activities	3,447	4,916	32,519	46,374
Cash flows from investing activities:				
Repayment of maturity of time deposits	(1,020)	(1,220)	(9,623)	(11,509)
Proceeds from maturity of time deposits	1,020	1,430	9,623	13,491
Receipt from redemption of investment securities	1	945	5	8,918
Payments for purchase of property, plant and equipment	(976)	(693)	(9,208)	(6,541)
Receipt from sale of investments in securities	888	102	8,373	962
Payments for purchase of investments in securities	(214)	(603)	(2,018)	(5,688)
Decrease (Increase) of loans receivable	0	(185)	1	(1,746)
Other, net	22	528	207	4,976
Net cash provided by (used in) investing activities	(280)	303	(2,639)	2,863
Cash flows from financing activities:				
Cash dividends paid	(1,132)	(980)	(10,680)	(9,244)
Cash dividends paid to non-controlling shareholders	(12)	(11)	(109)	(107)
Purchase of treasury stock	(7)	(303)	(62)	(2,856)
Net cash used in financing activities	(1,150)	(1,294)	(10,851)	(12,208)
Effect of exchange rate changes on cash and cash equivalents	(48)	293	(456)	2,769
Net increase (decrease) in cash and cash equivalents	1,969	4,219	18,573	39,797
Cash and cash equivalents at beginning of year	31,532	27,313	297,471	257,674
Cash and cash equivalents at end of year (Note.5)	¥ 33,501	¥ 31,532	\$ 316,045	\$ 297,471

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, 2018 and 2017

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, 2018, which was ¥106 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. Unapplied Accounting Standards

- Accounting standard for Revenue Recognition (ASBJ Statement No.29, issued by the Accounting Standards Board of Japan on March 30, 2018)
- Implementation Guidance on Accounting Standards for Revenue Recognition (ASBJ Guidance No.30 issued by the Accounting Standards Board of Japan on March 30, 2018)

(1) Summary

These standards are comprehensive accounting standards for Revenue Recognition.

- step1: Distinguish the contract with the customer.
- step2: Distinguish the performance obligation in the contract.
- step3: Calculating trade prices
- step4: Allocating trade prices to the performance obligation in the contract.
- step5: Recognize revenue when the performance obligation is filled or as the performance obligation is filled.

(2) Planned Application

To be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of Accounting Standard Application

The Company is currently assessing the effects on the consolidated financial statements resulting from the application of this accounting standard for revenue.

4.Additional Information

Not applicable.

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, 2018 and 2017 consisted of the following:

	millions of yen		
	2018		
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 33,501	¥ 33,501	¥ -
Notes and accounts receivable	8,938	8,938	-
Short-term investments and investments in securities	6,908	6,908	-
Long-term loans	202	202	-
Total assets	¥ 49,549	¥ 49,549	¥ -
Accounts payable	7,564	7,564	-
Total liabilities	¥ 7,564	¥ 7,564	¥ -
	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	¥ -

	thousands of U.S.dollars(Note 1)		
	2018		
	Book Value	Fair Value	Differences
Cash and cash equivalents	\$ 316,045	\$ 316,045	\$ -
Notes and accounts receivable	84,324	84,324	-
Short-term investments and investments in securities	65,170	65,170	-
Long-term loans	1,908	1,908	-
Total assets	<u>\$ 467,447</u>	<u>\$ 467,447</u>	<u>\$ -</u>
Accounts payable	71,359	71,359	-
Total liabilities	<u>\$ 71,359</u>	<u>\$ 71,359</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			
	2018			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	¥ 33,501	¥ -	¥ -	¥ -
Notes and accounts receivable	8,938	-	-	-
Short-term investments and investments in securities				
Other	-	-	-	-
Long-term loans	-	-	202	-
Total assets	<u>¥ 42,439</u>	<u>¥ -</u>	<u>¥ 202</u>	<u>¥ -</u>

	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>

	thousands of U.S.dollars(Note 1)			
	2018			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	\$ 316,045	\$ -	\$ -	\$ -
Notes and accounts receivable	84,324	-	-	-
Short-term investments and investments in securities				
Other	-	-	-	-
Long-term loans	-	-	1,908	-
Total assets	<u>\$ 400,368</u>	<u>\$ -</u>	<u>\$ 1,908</u>	<u>\$ -</u>

6. Short-term Investments and Investments in Securities

Short-term investments at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Bonds and debentures	¥ -	¥ -	\$ -
Time deposits	510	510	4,811
Other	0	0	1
	<u>¥ 510</u>	<u>¥ 510</u>	<u>\$ 4,811</u>

The following is a summary of investments in securities at March 31, 2018 and 2017 respectively:

	Millions of yen			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2018				
Other securities				
Equity securities	¥ 2,216	¥ 2,464	¥ (159)	¥ 4,521
Other	1,140	322	(51)	1,411
	<u>¥ 3,357</u>	<u>¥ 2,785</u>	<u>¥ (209)</u>	<u>¥ 5,933</u>
Add: Securities without readily determinable fair value				465
				<u>¥ 6,398</u>

	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>

	Thousands of U.S.dollars(Note 1)			Book Value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
March 31, 2018				
Other securities				
Equity securities	\$ 20,909	\$ 23,247	\$ (1,496)	\$ 42,660
Other	10,757	3,034	(479)	13,311
	<u>\$ 31,665</u>	<u>\$ 26,281</u>	<u>\$ (1,975)</u>	<u>\$ 55,971</u>
Add: Securities without readily determinable fair value				4,387
				<u>\$ 60,359</u>

7. Inventories

Inventories at March 31, 2018 and 2017 comprise the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Finished goods	¥ 2,035	¥ 1,839	\$ 19,195
Work in process	429	411	4,050
Raw materials and supplies	1,160	1,121	10,941
	<u>¥ 3,624</u>	<u>¥ 3,370</u>	<u>\$ 34,188</u>

Revaluation loss on inventories of ¥14 million (U.S.\$128 thousand) and ¥22 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31,2018 and 2017 , respectively.

8. Investments in Affiliates

Investments in affiliates as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Investments in securities (Stocks)	¥ 1,162	¥ 1,045	\$ 10,960

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.\$340 thousand) and ¥36 million at March 31,2018 and 2017 , 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, 2018 and 2017 respectively:

(1) Changes in Benefit Obligations

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Beginning balance of benefit obligations	¥ 1,552	¥ 1,401	\$ 14,646
Service costs	136	108	1,283
Interest costs	21	16	194
Actuarial differences arising during the year	(135)	86	(1,273)
Retirement benefits paid	(72)	(58)	(684)
Past service costs	429	-	4,043
Ending balance of benefit obligations	¥ 1,930	¥ 1,552	\$ 18,209

(2) Changes in Pension Assets

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Beginning balance of pension assets	¥ 958	¥ 902	\$ 9,033
Expected return on pension assets	31	32	289
Actuarial differences arising during the year	(3)	(27)	(33)
Contributions made by the Company and consolidated subsidiary	54	83	508
Retirement benefits paid	(31)	(33)	(288)
Ending balance of pension assets	¥ 1,008	¥ 958	\$ 9,509

(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)
	2018	2017	2018
Funded benefit obligations	¥ 1,930	¥ 1,552	\$ 18,209
Pension assets	(1,008)	(958)	(9,509)
Net amount of liability and asset on Consolidated Balance Sheets	¥ 922	¥ 595	\$ 8,700

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Net defined benefit asset	¥ -	¥ -	\$ -
Net defined benefit liability	922	595	8,700
Net amount of liability and asset on Consolidated Balance Sheets	¥ 922	¥ 595	\$ 8,700

(4) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Service costs	¥ 136	¥ 110	\$ 1,283
Interest costs	21	16	194
Expected return on pension assets	(31)	(32)	(289)
Amortization of actuarial differences	39	31	373
Amortization of past service cost	429	-	4,043
Retirement benefit expenses for defined benefit pension plans	<u>¥ 594</u>	<u>¥ 125</u>	<u>\$ 5,604</u>

We amount collective amortization of past service cost accrued by revising our regulation of payment as retirement benefit cost in fiscal year 2018.

(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)
	2018	2017	2018
Actuarial differences, etc.	¥ 171	¥ (80)	\$ 1,609
Total	<u>¥ 171</u>	<u>¥ (80)</u>	<u>\$ 1,609</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)
	2018	2017	2018
Unrecognized actuarial differences, etc.	¥ (9)	¥ (180)	\$ (85)
Total	<u>¥ (9)</u>	<u>¥ (180)</u>	<u>\$ (85)</u>

(7) Pension Assets Breakdown

	2018	2017
	Bonds	15.9%
Stocks	28.1%	28.7%
General account	46.9%	47.5%
Other	9.1%	9.0%
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

	2018	2017
Discount rate	1.0%	1.0%
Expected rate of return on pension assets	3.2%	3.5%

(9) Defined contribution pension plan

The contributions to multi-employer plan, which are accounted for using the same method as a defined contribution plan, were ¥159 million(\$1,417 thousand) as of March 31, 2017.

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) for the year ended March 31, 2017, which are utilized for such amortization, were expensed in the consolidated statement of income of the Group.

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, 2018			
	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	1,276	0	-	1,276

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

(b)Dividends

(1)Dividends paid to shareholders

Year ended March 31,2018								
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, 2017	Annual general meeting of shareholders	Common stock	¥1,133	\$10,688	¥350	\$3.30	March 31, 2017	June 30, 2017

Year ended March 31,2017								
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 29, 2016	Annual general meeting of shareholders	Common stock	¥980		¥300		March 31, 2016	June 30, 2016

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

Year ended March 31,2018									
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 28, 2018	Annual general meeting of shareholder	Common stock	Retained earnings	¥971	\$9,159	¥300	2.83	March 31, 2018	June 29, 2018

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
				(Millions of yen)	(U.S.dollars)	(Yen)	(U.S.dollars)		
June 29, 2017	Annual general meeting of shareholder	Common stock	Retained earnings	¥1,132		¥350		March 31, 2017	June 30, 2017

12. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S.
	2018	2017	dollars(Note 1)
Packing and haulage expenses	¥ 873	¥ 871	\$ 8,237
Employees' salaries and Bonuses	509	519	4,800
Provision for bonuses	127	124	1,197
Provision of allowance for doubtful accounts	0	(1)	0
Retirement benefit expenses	45	37	422
Research and development expenses	809	824	7,636

13. Research and Development Expenses

Research and development expenditure charged to income was ¥809 million(U.S.\$7,636 thousand) and ¥824 million for the year ended March 31, 2018 and 2017, 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% for the years ended March 31, 2018 and 2017.

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

The effective rate for the two years ended March 31, 2018 and 2017 differs from the Company's statutory tax rate for the following reasons:

	2018	2017
Statutory tax rate	30.86	30.86
Permanently nondeductible expenses	0.18	0.2
Permanently nontaxable dividends received	(0.29)	(0.2)
Per capital levy of residents tax	0.24	0.3
Reserve for special depreciation	(1.24)	(1.2)
Additional tax on retained earnings	-	2.5
Difference of tax rates of overseas subsidiary	0.03	0.0
Elimination of intercompany dividend income	(0.16)	(0.1)
Refund of income taxes for prior periods	-	(1.7)
Other	(0.65)	(0.6)
Effective tax rate	<u>28.97</u>	<u>30.06</u>

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2018 and 2017 are presented below:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Deferred tax assets:			
Net defined benefit liability	¥ 281	¥ 182	\$ 2,652
Net unrealized holding losses on securities	130	110	1,223
Reserve for loss on dissolution of employees pension fund	88	88	833
Accrued employee bonuses	90	87	852
Accrued enterprise tax payable	49	61	463
Loss on valuation of golf club membership	40	40	381
Depreciation	26	26	248
Loss on valuation of investment securities	21	21	197
Unrealized losses on inventories	6	9	60
Other	39	38	367
Gross deferred tax assets	<u>771</u>	<u>662</u>	<u>7,275</u>
Valuation allowance	-	-	-
Total deferred tax assets	<u>771</u>	<u>662</u>	<u>7,275</u>
Deferred tax liabilities:			
Net unrealized holding profits on securities	<u>(853)</u>	<u>(898)</u>	<u>(8,047)</u>
Total deferred tax liabilities	<u>(853)</u>	<u>(898)</u>	<u>(8,047)</u>
Net deferred tax liabilities	<u>(82)</u>	<u>(237)</u>	<u>(772)</u>

15. Comprehensive Income

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of
	2018	2017	U.S dollars
			2018
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥ (210)	¥ 559	\$ (1,983)
Reclassification adjustments	(2)	(64)	(23)
Before income tax effects	(213)	495	(2,006)
Income tax effects	(65)	158	(614)
Total	(148)	336	(1,392)
Foreign currency translation adjustments:			
Adjustments arising during the year	(17)	(7)	(156)
Reclassification adjustments	-	-	-
Before income tax effects	(17)	(7)	(156)
Income tax effects	-	-	-
Total	(17)	(7)	(156)
Remeasurements of defined benefit plans:			
Adjustments arising during the year	131	(111)	1,237
Reclassification adjustments	39	31	373
Before income tax effects	171	(80)	1,609
Income tax effects	(53)	22	(497)
Total	118	(57)	1,113
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	(31)	(16)	(292)
Reclassification adjustments	19	5	178
Before income tax effects	(12)	(11)	(114)
Income tax effects	11	2	101
Total	(1)	(10)	(13)
Total other comprehensive income	¥ (48)	¥ 262	\$ (448)

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, 2018 and 2017 consisted of the following respectively:

	Millions of yen		
	2018		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 31,332	¥ 781	¥ 32,113
Inter-segment	314	42	356
Total sales	¥ 31,646	¥ 823	¥ 32,469
Segment income	5,241	44	5,285
Total assets	58,786	662	59,448
Total liabilities	10,313	222	10,535
Other			
Depreciation	¥ 577	¥ 7	¥ 584
Capital expenditure	1,043	16	1,059
	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

	Thousands of U.S.dollars		
	2018		
	Japan	Indonesia	Total segments
Sales			
External customers	\$ 295,581	\$ 7,371	\$ 302,952
Inter-segment	2,963	394	3,357
Total sales	<u>\$ 298,544</u>	<u>\$ 7,765</u>	<u>\$ 306,309</u>
Segment income	49,443	419	49,862
Total assets	554,581	6,246	560,828
Total liabilities	97,293	2,096	99,390
Other			
Depreciation	\$ 5,443	\$ 67	\$ 5,509
Capital expenditure	9,838	151	9,988

(2) Adjustments and eliminations

Reconciliation of sales	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Segment sales	¥ 32,469	¥ 31,740	\$ 306,309
Inter-segment transactions (elimination)	(356)	(364)	(3,357)
Group sales	<u>¥ 32,113</u>	<u>¥ 31,377</u>	<u>\$ 302,952</u>

Reconciliation of income	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Segment income	¥ 5,285	¥ 4,808	\$ 49,862
Adjustment of inventory	1	(0)	11
Group operating income	<u>¥ 5,287</u>	<u>¥ 4,808</u>	<u>\$ 49,873</u>

Reconciliation of assets	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Segment operating assets	¥ 59,448	¥ 56,713	\$ 560,828
Inter-segment transactions (elimination)	(129)	(142)	(1,214)
Adjustment of inventory	(9)	(10)	(82)
Other adjustments	783	595	7,384
Group assets	<u>¥ 60,093</u>	<u>¥ 57,155</u>	<u>\$ 566,916</u>

Reconciliation of liabilities	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Segment operating liabilities	¥ 10,535	¥ 10,082	\$ 99,390
Inter-segment transactions (elimination)	(129)	(142)	(1,214)
Other adjustments	9	180	85
Group liabilities	<u>¥ 10,416</u>	<u>¥ 10,119</u>	<u>\$ 98,261</u>

(3) Related information

Products and Services information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Sales to external customers			
Surfactant	¥ 22,736	¥ 22,549	\$ 214,492
High polymer and inorganic chemicals	8,721	8,147	82,274
Other	656	681	6,187
Total	<u>¥ 32,113</u>	<u>¥ 31,377</u>	<u>\$ 302,952</u>

Geographic information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Sales to external customers			
Japan	¥ 14,547	¥ 14,661	\$ 137,232
Asia	15,430	14,953	145,561
Other	2,137	1,763	20,159
Total	<u>¥ 32,113</u>	<u>¥ 31,377</u>	<u>\$ 302,952</u>

Main customers information	Millions of yen		Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Sales			
Marubeni Chemix Corporation	¥ 7,059	¥ 5,610	\$ 66,591
Nippon Quaker Chemical,Ltd.	4,624	4,619	43,620

17. Related Party Transactions

Principal transactions between the Company and its affiliate for the years ended March 31, 2018 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2018	2017	2018
Sales(Nippon Quaker Chemical,Ltd.)	¥ 4,624	¥ 4,619	\$ 43,620
Purchase(Nippon Quaker Chemical,Ltd.)	1,503	1,608	14,175

18. Per Share Data

	yen		U.S.dollars
	2018	2017	2018
Net income per share	¥ 1,183.38	¥ 1,213.38	\$ 11.164
Net assets per share	¥ 15,302.55	¥ 14,481.23	\$ 144.364

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

	Millions of yen		Thousands of U.S dollars
	2018	2017	2018
Profit attributable to owners of parent available for distribution to common shareholders	¥ 3,830	¥ 3,961	\$ 36,133

	Shares	
	2018	2017
Weighted average number of shares for net income	3,236,558	3,264,592

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

	Millions of yen		Thousands of U.S dollars
	2018	2017	2018
Total net assets	¥ 49,677	¥ 47,036	\$ 468,655
Amounts deducted from total net assets			
Noncontrolling interests	(154)	(162)	(1,450)
Net assets attributable to shares of common stock	49,524	46,874	467,206

	Shares	
	2018	2017
Number of shares of common stock used in the calculation of net assets per share	3,236,311	3,236,881

19. Asset Retirement Obligations

Asset retirement obligations for the year ended March 31, 2018 and 2017 consisted of the following respectively:

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
	2018	2017	2018
Balance at beginning of year	¥ 105	¥ 104	\$ 995
Payments for purchase of property, plant and equipment	0	-	1
Interest cost	1	2	11
Balance at end of year	¥ 107	¥ 105	\$ 1,007

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

With regard to Reserve for loss on dissolution of employees' pension fund

The amount of actuarial liability of Japan Surface Active Agent Industry Pension Fund (Dissolved on January 27, 2017) and the additional contribution amount the Company should bear were finalized. Then, we received a payment notice from the Japan Pension Service and made the payment on May 31, 2018.

The payment amount was 269 million(U.S.\$2,539 thousand) while the amount of Reserve for loss on dissolution recorded among liabilities on the consolidated balance sheet was 288 million (U.S.\$2,719 thousand). Thus, 19 million (U.S.\$180 thousand) is expected to be recorded as an extraordinary profit, and the amount of income before income taxes and others is expected to increase by 19 million in the consolidated income statements for the fiscal year ending March 31, 2019.