

## LETTER TO STAKEHOLDERS

### Overview of Business Performance

During the consolidated fiscal year ended March 31, 2019, Japanese economy was on a moderate recovery track, with the employment situation continuing to improve, although corporate earnings and capital investment remained sluggish.

The global economy remained uncertain due to the impact of trade friction between the United States and China and problems such as the UK's negotiations to secede from the EU.

Regarding the domestic textile business, companies continued to shift their production sites to outside Japan. The business environment remained severe due to the suspension of production of unprofitable products by our major customers and a decrease in sales volume as a result of their business restructuring.

Overseas, Chinese textile industry continued slowing down the aggressive capital investments. Although the suspension of operations due to environmental measures for certain industries

that occurred in some regions in the previous consolidated fiscal year were almost completed, there were signs of a shakeout within each industry.

As for the domestic non-textile business, sales of automobile-related products in Japan increased slightly due to the recovery in sales of minicars, while those of construction-related products recovered in line with the rush to construct facilities related to the Tokyo Olympics.

Overseas, new vehicle sales were declining in the United States and China, and global growth in new vehicle sales was leveling off.

Under these circumstances, our group focused on the development of high-quality, price-competitive products and the rapid development of products that meet market needs. In Japan, we flexibly responded to the overseas relocation of our customers' production bases. Overseas, we focused on expanding sales not only in our mainstay China market but also in other

regions.

As a result, net sales increased to ¥32,803 million (up by 2.1% on a year-on-year basis), operating income decreased to ¥5,255 million (down by 0.6%), ordinary income increased to ¥6,397 million (up by 9.8%), and net income attributable to owners of parent increased to ¥4,534 million (up by 18.4%).

## **Overview of Performance by Business Segment**

### **Japan Segment**

Segment sales increased to ¥32,071 million (up by 2.4%) and segment income (operating income) decreased to ¥5,228 million (down by 0.2%)

For the anionic surfactant field, amid a shrinking trend among domestic textile manufacturers, the nonwoven fabric sector, which had steadily increased production, was stagnating.

Overseas, sales of chemical fiber oils and industrial activators were sluggish. Overall, the sales of the anionic surfactant decreased to ¥3,063 million (down by 4.2%).

In the non-ionic surfactant field, sales in Japan recovered due to an increase in the production of differentiated products in the apparel industry, while sales in the industrial materials field stagnated due to production adjustments by customers.

In the non-textile industry, sales of automotive chemicals and toiletries were strong, exceeding those of the previous fiscal year.

Overseas, sales increased in the industrial textiles and high-performance textiles sectors.

As a result, the sales of the nonionic surfactant increased to ¥18,894 million (up by 3.6%).

Regarding the cationic and amphoteric ionic surfactant, our domestic business with the textile industry showed a modest

decline. As for non-textile fields, domestic sales decreased because certain unprofitable amphoteric ionic surfactant product lines discontinued. However, due to strong demand for synthetic fiber oil in overseas market, the total sales of the cationic and amphoteric ionic surfactant increased to ¥ 905 million (up by 1.6%).

In the polymer and inorganic products sector, because domestic production of clothing in the textile industry was sluggish, sales resulted in a year-on-year decline. In the non-textile industry, sales of construction-related materials were sluggish, but sales of automotive-related products were higher than in the same period of the previous year thanks to strong demand from overseas. Sales of materials related to capital investment were lower than in the same period of the previous fiscal year due to the strong slowdown in the semiconductor market. In total, the sales of the high polymer and inorganic chemicals increased to ¥9,208 million (up by 2.3%).

## Indonesia Segment

Segment sales decreased to ¥731 million (down by 6.3%), and segment income (operating income) fell to ¥21 million (down by 51.9%).

In the field of nonionic surfactants, shipments of warp oil for spun textiles were flat compared with the same period of the previous year, while sales of polyester spinning and corning oil were steady. As a result, the sales increased to ¥399 million (up by 1.6%).

For the high polymer and inorganic chemicals, As a result of stricter wastewater regulations at domestic plants, the production volume at dyeing plants declined, resulting in a decrease in sales volume. The unit selling price also declined due to intensified market competition. Then, the sales fell to ¥320 million (down by 14.1%).

As for the anionic, the cationic and amphoteric surfactants,

There was no significant progress in both sales volume and sales amount. Their respective sales decreased to ¥6 million (down by 15.0%) and ¥6 million (down by 27.0%).

### **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.

Over the past few years, we have been making efforts to increase the capacity of our facilities to meet the needs of the new era.

We will continue to make effective use of our facilities and review the facilities of our head factory.

As always, we very much appreciate your continued support.

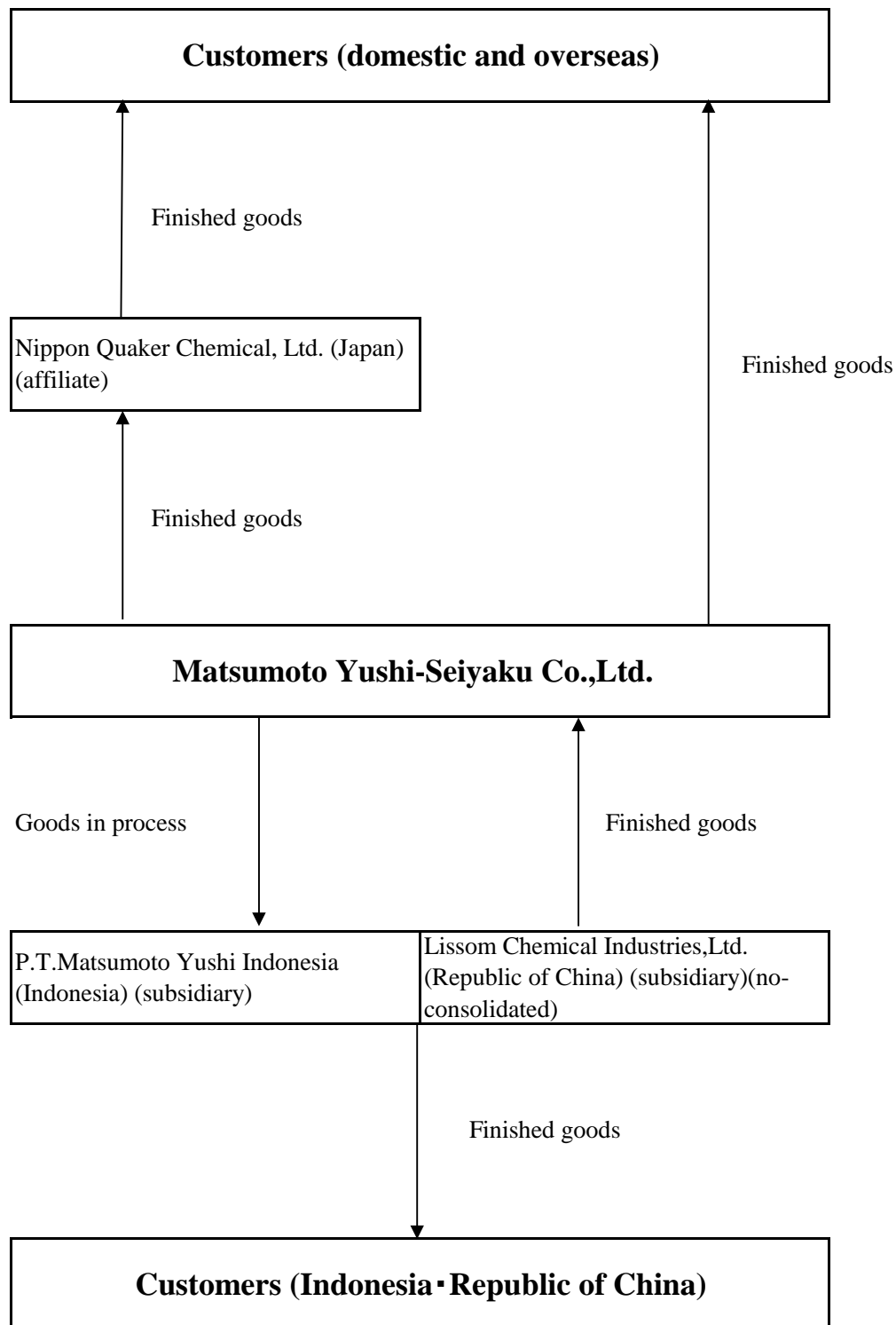
Sincerely,

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Results for the year (millions of Yen):</b>					
Net Sales	32,803	32,113	31,377	32,343	32,128
Cost of sales	23,625	22,874	22,534	22,978	23,516
Gross profit	9,178	9,239	8,842	9,365	8,612
Selling, general and administrative expenses	3,923	3,952	4,034	4,028	3,953
Operating income	5,255	5,287	4,808	5,337	4,659
Other income(expenses)	1,156	119	884	(640)	1,869
Income before income taxes and non-controlling interests	6,411	5,405	5,692	4,697	6,528
Income taxes					
current	1,799	1,709	1,809	1,521	2,441
deferred	75	(143)	(97)	(52)	70
Net income	4,538	3,839	3,981	3,229	4,017
Net income attributable to :					
non controlling interests in subsidiary owners of parent	(3)	(9)	20	37	23
	4,535	3,830	3,961	3,192	3,994
Acquisition of property, plant and equipment	1,036	976	693	787	397
Depreciation and amortization	610	584	582	655	668
<b>Per share of common stock(Yen):</b>					
Net income attributable to owners of parent	1,401.19	1,183.38	1,213.38	920.44	1,088.97
Cash dividends	350.00	300.00	350.00	300.00	250.00
<b>Year-end financial position(millions of Yen):</b>					
Total current assets	49,690	46,879	44,378	41,194	42,572
Total property, plant and equipment	5,208	4,605	4,135	4,181	4,010
Total investments and other assets	8,172	8,609	8,641	7,572	9,969
Total current liabilities	9,078	8,694	8,526	7,805	9,294
Total long-term liabilities	1,125	1,722	1,593	1,052	1,270
Non-controlling interests	146	154	162	157	157
Foreign currency translation adjustments	(168)	(116)	(128)	(117)	(77)
Total net assets	52,867	49,677	47,036	44,090	45,988
<b>Other year-end data:</b>					
Number of shares issued(thousands)	4,513	4,513	4,513	4,513	4,513
Number of shareholders	640	638	688	597	611

**MATSUMOTO YUSHI-SEIYAKU CO.,LTD. AND A SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2019 and 2018**

ASSETS	Millions of yen		Thousands of U.S.dollars (Note 1)	
	2019	2018	2019	2018
Current assets:				
Cash and cash equivalents(Note 5)	¥ 36,814	¥ 33,501	\$ 331,660	\$ 301,809
Short-term investments (Note 5,6)	510	510	4,595	4,595
Notes and accounts receivable(Note 5):				
Trade	6,586	6,905	59,335	62,208
Associates	2,078	1,960	18,724	17,659
Other	40	75	363	680
Allowance for doubtful accounts	(3)	(2)	(25)	(20)
	8,702	8,938	78,397	80,526
Inventories (Note 7)	3,596	3,624	32,399	32,648
Deferred income taxes (Note 14)	—	240	—	2,164
Other current assets	67	65	607	590
Total current assets	49,690	46,879	447,657	422,332
Property, plant and equipment(Note 9) :				
Land	529	531	4,769	4,783
Building and structures	7,204	7,098	64,904	63,948
Machinery and equipment	13,517	13,445	121,777	121,128
Construction in progress	899	56	8,095	508
	22,150	21,131	199,545	190,367
Accumulated depreciation Total property, plant and equipment	(16,941)	(16,526)	(152,624)	(148,882)
	5,208	4,605	46,921	41,485
Investments and other assets:				
Investments in affiliates(Note 8)	1,236	1,162	11,134	10,466
Investments in securities (Note 5,6)	5,877	6,398	52,949	57,640
Long-term loans(Note 5)	193	202	1,739	1,822
Deferred income taxes(Note 14)	8	11	72	100
Other	866	844	7,799	7,607
Allowance for doubtful accounts	(8)	(8)	(71)	(72)
Total investments and other assets	8,172	8,609	73,621	77,562
Total assets	¥ 63,070	¥ 60,093	\$ 568,200	\$ 541,379

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	2018
Current liabilities:				
Accounts payable(Note 5):				
Trade	¥ 5,525	¥ 5,739	\$ 49,778	\$ 51,701
Associates	699	755	6,302	6,802
Other	1,472	1,070	13,260	9,641
Accrued income taxes	1,002	791	9,026	7,130
Accrued bonuses to employees	296	295	2,671	2,658
Other current liabilities	83	43	749	389
Total current liabilities	9,078	8,694	81,786	78,321
Long-term liabilities				
Net defined benefit liabilities(Note 10)	933	922	8,406	8,308
Asset retirement obligations(Note 19)	108	107	973	961
Reserve for loss on dissolution of employees' pension fund	—	288	—	2,597
Deferred income taxes (Note 14)	16	333	143	3,001
Other liabilities	68	72	612	646
Total long-term liabilities	1,125	1,722	10,134	15,513
Total liabilities	10,203	10,416	91,920	93,834
Net assets:				
Shareholders' equity				
Common stock				
Authorized 16,000,000 shares				
Issued 2019- 4,512,651 shares (Note 11)	6,090	6,090	54,865	54,865
Capital surplus	6,518	6,519	58,723	58,731
Retained earnings	46,311	42,747	417,216	385,110
Less, treasury stock, at cost: (Note 11)	(7,320)	(7,318)	(65,949)	(65,928)
Total Shareholders' equity	51,599	48,038	464,855	432,778
Accumulated other comprehensive income				
Unrealized gain (loss) on available-for-sale securities	1,297	1,639	11,683	14,768
Foreign currency translation adjustments	(168)	(116)	(1,513)	(1,041)
Remeasurements of defined benefit plans	(7)	(38)	(60)	(343)
Total accumulated other comprehensive income	1,122	1,485	10,110	13,383
Non-controlling interests	146	154	1,316	1,384
Total net assets	52,867	49,677	476,280	447,545
Total liabilities and net assets	¥ 63,070	¥ 60,093	\$ 568,200	\$ 541,379

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, 2019 and 2018**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	2018
Net sales(Note 16,17)	¥ 32,803	¥ 32,113	\$ 295,524	\$ 289,306
Cost of sales(Note 16,17)	23,625	22,874	212,840	206,076
Gross profit	9,178	9,239	82,684	83,230
Selling, general and administrative expenses (Note 12)	3,923	3,952	35,340	35,603
Operating income	5,255	5,287	47,344	47,627
Other income (expenses):				
Interest and dividend income	187	193	1,680	1,742
Interest expenses	(0)	(0)	(1)	(1)
Investment profit (Loss) on equity method	109	157	984	1,416
Foreign exchange profit (Loss)	741	59	6,678	529
Gain (Loss) on disposal of property and equipment	—	—	—	—
Gain (Loss) on sale of investment securities	2	722	21	6,506
Gain (Loss) on sale of securities	13	(712)	119	(6,416)
Amortization of past service cost	—	(429)	—	(3,861)
Other, net	104	128	936	1,154
Income before income taxes and non-controlling interests	6,411	5,405	57,761	48,696
Income taxes (Note 14):				
Current	1,799	1,709	16,204	15,393
Deferred	75	(143)	676	(1,284)
	1,874	1,566	16,880	14,109
Net income	4,538	3,839	40,881	34,587
Net income attributable to :				
Non-controlling interests in subsidiary	(3)	(9)	(29)	(82)
Owners of parent	¥ 4,535	¥ 3,830	\$ 40,852	\$ 34,505

	Yen		U.S. dollars (Note 1)	
	2019	2018	2019	2018
Net income per share:				
Basic(Note 18)	¥ 1,401.19	¥ 1,183.38	\$ 12.623	\$ 10.661
Cash dividends per share(Note 11)	350.00	300.00	3.153	2.703

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, 2019 and 2018**

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2019	2018	2019	2018
Income before income taxes and non-controlling interests	¥ 4,538	¥ 3,839	\$ 40,881	\$ 34,587
Other comprehensive income(Note 15):				
Unrealized gains (losses) on available-for-sale securities	(342)	(148)	(3,085)	(1,329)
Foreign currency translation adjustments	(37)	(17)	(330)	(149)
Remeasurement of defined benefit plans	1	118	6	1,062
Share of other comprehensive income of associates accounted for using equity method	0	(1)	2	(13)
Total other comprehensive income ( loss )	(378)	(48)	(3,408)	(428)
Comprehensive income	<u>¥ 4,159</u>	<u>¥ 3,792</u>	<u>\$ 37,473</u>	<u>\$ 34,159</u>
Comprehensive income attributable to:				
Owners of the parent company	4,169	3,788	37,560	34,129
Minority interests	(10)	3	(87)	30

**MATSUMOTO YUSHI-SEIYAKU CO.,LTD  
AND A SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED MARCH 31, 2019 and 2018**

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Number of shares issued (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 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
Cash dividends				(971)		(971)						(971)
Net income attributable to owners of parent				4,535		4,535						4,535
Purchase of treasury stock					(2)	(2)						(2)
Sales of treasury stock					0	0						0
Net change of items other than shareholders' equity			(1)			(1)	(342)	(52)	31	(363)	(8)	(372)
Balance at March 31, 2019	4,513	¥ 6,090	¥ 6,518	¥ 46,311	¥ (7,320)	¥ 51,598	¥ 1,297	¥ (168)	¥ (7)	¥ 1,122	¥ 146	¥ 52,866

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Number of shares issued (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2017	4,513	\$ 54,865	\$ 58,723	\$ 360,810	\$ (65,869)	\$ 408,530	\$ 16,096	\$ (1,154)	(1,184)	\$ 13,758	\$ 1,460	\$ 423,748
Cash dividends				(10,206)		(10,206)						(10,206)
Net income attributable to owners of parent				34,505		34,505						34,505
Purchase of treasury stock					(59)	(59)						(59)
Net change of items other than shareholders' equity							(1,328)	112	841	(376)	(76)	(452)
Balance at March 31, 2018	4,513	\$ 54,865	\$ 58,724	\$ 385,109	\$ (65,927)	\$ 432,771	\$ 14,768	\$ (1,041)	(343)	\$ 13,383	\$ 1,384	\$ 447,537
Cash dividends				(8,747)		(8,747)						(8,747)
Net income attributable to owners of parent				40,852		40,852						40,852
Purchase of treasury stock					(21)	(21)						(21)
Sales of treasury stock					0	0						0
Net change of items other than shareholders' equity							(3,085)	(471)	283	(3,273)	(69)	(3,349)
Balance at March 31, 2019	4,513	\$ 54,865	\$ 58,716	\$ 417,214	\$ (65,948)	\$ 464,847	\$ 11,683	\$ (1,513)	\$ (60)	\$ 10,110	\$ 1,316	\$ 476,273

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, 2019 and 2018**

	Millions of yen		Thousands of U.S. dollars	
			(Note 1)	
	2019	2018	2019	2018
Cash flows from operating activities:				
Income before income taxes and non-controlling interests	¥ 6,411	¥ 5,405	\$ 57,761	\$ 48,696
Adjustments for:				
Depreciation and amortization	610	584	5,497	5,261
Loss (gain) on sales and disposal of property,	20	2	182	15
Loss (gain) on sale of investment securities	(2)	(722)	(21)	(6,506)
Allowance for doubtful accounts	1	1	7	10
Investment (profit) loss on equity method	(111)	(156)	(1,001)	(1,409)
Accrued severance indemnities	19	498	170	4,489
Reserve for loss on dissolution of employees pension fund	(288)	—	(2,597)	—
Accrued bonuses to employees	1	14	13	122
Interest and dividend income	(187)	(193)	(1,680)	(1,742)
Interest expenses	0	0	1	1
Foreign exchange (profit) loss	(719)	(60)	(6,477)	(537)
Decrease (Increase) in notes and accounts receivable	182	(310)	1,637	(2,796)
Decrease (Increase) in inventories	3	(265)	26	(2,387)
Decrease (Increase) in refund of income taxes	0	99	4	891
Increase (Decrease) in accounts payable	(255)	471	(2,293)	4,243
Increase (Decrease) in accrued consumption tax	69	(104)	620	(940)
Other, net	235	55	2,121	499
Sub total	5,991	5,318	53,970	47,910
Interest and dividend income received	224	231	2,015	2,084
Interest expenses paid	(0)	(0)	(1)	(1)
Income taxes paid	(1,605)	(2,102)	(14,463)	(18,939)
Net cash provided by operating activities	4,609	3,447	41,522	31,055
Cash flows from investing activities:				
Repayment of maturity of time deposits	(1,020)	(1,020)	(9,189)	(9,189)
Proceeds from maturity of time deposits	1,020	1,020	9,189	9,189
Receipt from redemption of investment securities	—	1	—	5
Payments for purchase of property, plant and equipment	(1,036)	(976)	(9,335)	(8,794)
Receipt from sale of investments in securities	18	888	164	7,996
Payments for purchase of investments in securities	(215)	(214)	(1,939)	(1,927)
Decrease (Increase) of loans receivable	—	0	—	1
Other, net	(29)	22	(258)	198
Net cash provided by (used in) investing activities	(1,262)	(280)	(11,367)	(2,520)
Cash flows from financing activities:				
Cash dividends paid	(971)	(1,132)	(8,748)	(10,199)
Cash dividends paid to non-controlling shareholders	—	(12)	—	(104)
Purchase of treasury stock	(2)	(7)	(21)	(59)
Net cash used in financing activities	(973)	(1,150)	(8,769)	(10,362)
Effect of exchange rate changes on cash and cash equivalents	940	(48)	8,465	(435)
Net increase (decrease) in cash and cash equivalents	3,313	1,969	29,851	17,737
Cash and cash equivalents at beginning of year	33,501	31,532	301,808	284,071
Cash and cash equivalents at end of year (Note.5)	¥ 36,814	¥ 33,501	\$ 331,659	\$ 301,808

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, 2019 and 2018**

### **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 re-arrangements 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, 2019, which was ¥111 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 3,236 thousand and 3,237 thousand for the periods ended March 31, 2019 and 2018, 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.Changes In Presentation**

(Changes in Accordance with Application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

Effective from the beginning of the fiscal year under review, the Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (hereinafter "Partial Amendments to Tax Effect Accounting Standard" Accounting Standards Board of Japan (ASBJ) Statement No. 28, issued on February 16, 2018). In addition to having reclassified deferred tax assets in the investment and other assets section of the Company's balance sheet, and having changed to the method by which deferred tax liabilities are included in the non-current liabilities section, changes have been made to the notes relating to tax effect accounting.

As a result, in the consolidated balance sheet for the previous consolidated fiscal year, the deferred tax assets of ¥240 million under current assets and the deferred tax assets of ¥2 million under investments and other assets, are offset by the deferred tax liabilities under non-current liabilities.

## 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, 2019 and 2018 consisted of the following:

	millions of yen		
	2019		
	Book Value	Fair Value	Differences
Cash and cash equivalents	¥ 36,814	¥ 36,814	¥ -
Notes and accounts receivable	8,702	8,702	-
Short-term investments and investments in securities	6,387	6,387	-
Long-term loans	193	193	-
Total assets	¥ 52,097	¥ 52,097	¥ -
Accounts payable	7,697	7,697	-
Total liabilities	¥ 7,697	¥ 7,697	¥ -

	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	¥ -

	thousands of U.S.dollars(Note 1)		
	2019		
	Book Value	Fair Value	Differences
Cash and cash equivalents	\$ 331,660	\$ 331,660	\$ -
Notes and accounts receivable	78,397	78,397	-
Short-term investments and investments in securities	57,543	57,543	-
Long-term loans	1,739	1,739	-
Total assets	<u>\$ 469,338</u>	<u>\$ 469,338</u>	<u>\$ -</u>
Accounts payable	69,340	69,340	-
Total liabilities	<u>\$ 69,340</u>	<u>\$ 69,340</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			
	2019			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	¥ 36,814	¥ -	¥ -	¥ -
Notes and accounts receivable	8,702	-	-	-
Short-term investments and investments in securities				
Other	-	88	167	-
Total assets	<u>¥ 45,516</u>	<u>¥ 88</u>	<u>¥ 167</u>	<u>¥ -</u>

	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	-	-	202	-
Total assets	<u>¥ 42,439</u>	<u>¥ -</u>	<u>¥ 202</u>	<u>¥ -</u>

	thousands of U.S.dollars(Note 1)			
	2019			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and cash equivalents	\$ 331,660	\$ -	\$ -	\$ -
Notes and accounts receivable	78,397	-	-	-
Short-term investments and investments in securities				
Other	-	788	1,502	-
Total assets	<u>\$ 410,057</u>	<u>\$ 788</u>	<u>\$ 1,502</u>	<u>\$ -</u>

## 6. Short-term Investments and Investments in Securities

Short-term investments at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Bonds and debentures	¥ -	¥ -	\$ -
Time deposits	510	510	4,595
Other	0	0	1
	<u>¥ 510</u>	<u>¥ 510</u>	<u>\$ 4,595</u>

The following is a summary of investments in securities at March 31, 2019 and 2018 respectively:

	Millions of yen				
	March 31, 2019				
	Other securities				
Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)		
Equity securities	¥ 2,351	¥ 1,709	¥ (194)	¥ 3,867	
Other	1,137	363	(8)	1,492	
	<u>¥ 3,488</u>	<u>¥ 2,073</u>	<u>¥ (202)</u>	<u>¥ 5,359</u>	
Add: Securities without readily determinable fair value				519	
				<u>¥ 5,877</u>	

	Millions of yen				
	March 31, 2018				
	Other securities				
Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)		
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>	

	Thousands of U.S.dollars(Note 1)				
	March 31, 2019				
	Other securities				
Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)		
Equity securities	\$ 21,184	\$ 15,399	\$ (1,748)	\$ 34,835	
Other	10,242	3,274	(74)	13,442	
	<u>\$ 31,426</u>	<u>\$ 18,672</u>	<u>\$ (1,822)</u>	<u>\$ 48,277</u>	
Add: Securities without readily determinable fair value				4,671	
				<u>\$ 52,949</u>	



## 7. Inventories

Inventories at March 31, 2019 and 2018 comprise the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Finished goods	¥ 2,033	¥ 2,035	\$ 18,315
Work in process	497	429	4,476
Raw materials and supplies	1,067	1,160	9,608
	<u>¥ 3,596</u>	<u>¥ 3,624</u>	<u>\$ 32,399</u>

Revaluation loss on inventories of ¥15 million (U.S.\$136 thousand) and ¥14 million based on the lower of cost or market method was deducted from the carrying amounts of inventories at March 31,2019 and 2018 , respectively.

## 8. Investments in Affiliates

Investments in affiliates as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Investments in securities (Stocks)	¥ 1,236	¥ 1,162	\$ 11,134

## 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.\$324 thousand) and ¥36 million at March 31,2019 and 2018 , 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, 2019 and 2018 respectively:

### (1) Changes in Benefit Obligations

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Beginning balance of benefit obligations	¥ 1,930	¥ 1,552	\$ 17,389
Service costs	134	136	1,204
Interest costs	21	21	189
Actuarial differences arising during the year	7	(135)	66
Retirement benefits paid	(120)	(72)	(1,078)
Past service costs	1	429	6
Ending balance of benefit obligations	<u>¥ 1,973</u>	<u>¥ 1,930</u>	<u>\$ 17,776</u>

### (2) Changes in Pension Assets

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Beginning balance of pension assets	¥ 1,008	¥ 958	\$ 9,080
Expected return on pension assets	24	31	218
Actuarial differences arising during the year	10	(3)	92
Contributions made by the Company and consolidated subsidiary	57	54	512
Retirement benefits paid	(59)	(31)	(533)
Ending balance of pension assets	<u>¥ 1,040</u>	<u>¥ 1,008</u>	<u>\$ 9,370</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)
	2019	2018	2019
Funded benefit obligations	¥ 1,973	¥ 1,930	\$ 17,776
Pension assets	(1,040)	(1,008)	(9,370)
Net amount of liability and asset on Consolidated Balance Sheets	<u>¥ 933</u>	<u>¥ 922</u>	<u>\$ 8,406</u>

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Net defined benefit asset	¥ -	¥ -	\$ -
Net defined benefit liability	933	922	8,406
Net amount of liability and asset on Consolidated Balance Sheets	<u>¥ 933</u>	<u>¥ 922</u>	<u>\$ 8,406</u>

#### (4) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Service costs	¥ 134	¥ 136	\$ 1,204
Interest costs	21	21	189
Expected return on pension assets	(24)	(31)	(218)
Amortization of actuarial differences	5	39	46
Amortization of past service cost	1	429	6
Retirement benefit expenses for defined benefit pension plans	<u>¥ 136</u>	<u>¥ 594</u>	<u>\$ 1,227</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)
	2019	2018	2019
Actuarial differences, etc.	¥ 0	¥ 171	\$ 3
Total	<u>¥ 0</u>	<u>¥ 171</u>	<u>\$ 3</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)
	2019	2018	2019
Unrecognized actuarial differences, etc.	¥ (8)	¥ (9)	\$ (73)
Total	<u>¥ (8)</u>	<u>¥ (9)</u>	<u>\$ (73)</u>

#### (7) Pension Assets Breakdown

	2019	2018
Bonds	15.9%	15.9%
Stocks	28.5%	28.1%
General account	46.9%	46.9%
Other	8.7%	9.1%
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

	2019	2018
Discount rate	1.0%	1.0%
Expected rate of return on pension assets	2.4%	3.2%

## 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, 2019			
	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	-	1,277

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

**(b)Dividends**

## (1)Dividends paid to shareholders

Year ended March 31,2019								
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 28, 2018	Annual general meeting of shareholders	Common stock	¥971	\$8,747	¥300	\$2.70	March 31, 2018	June 29, 2018

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

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

Year ended March 31,2019									
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 27, 2019	Annual general meeting of shareholders	Common stock	Retained earnings	¥1,133	\$10,204	¥350	3.15	March 31, 2019	June 28, 2019

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
				(Millions of yen)	(U.S.dollars)	(Yen)	(U.S.dollars)		
June 28, 2018	Annual general meeting of shareholders	Common stock	Retained earnings	¥971		¥300		March 31, 2018	June 29, 2018

## 12. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S.
	2019	2018	dollars(Note 1)
Packing and haulage expenses	¥ 909	¥ 873	\$ 8,192
Employees' salaries and Bonuses	535	509	4,822
Provision for bonuses	132	127	1,186
Provision of allowance for doubtful accounts	0	0	1
Retirement benefit expenses	39	45	349
Research and development expenses	770	809	6,938

## 13. Research and Development Expenses

Research and development expenditure charged to income was ¥770 million(U.S.\$6,938 thousand) and ¥809 million for the year ended March 31, 2019 and 2018, 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 30.62% and 30.86% for the years ended March 31, 2019 and 2018.

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

The effective rate for the two years ended March 31, 2019 and 2018 differs from the Company's statutory tax rate for the following reasons:

	2019	2018
Statutory tax rate	30.62	30.86
Permanently nondeductible expenses	0.13	0.18
Permanently nontaxable dividends received	(0.25)	(0.29)
Per capital levy of residents tax	0.20	0.24
Reserve for special depreciation	(0.95)	(1.24)
Difference of tax rates of overseas subsidiary	0.00	0.03
Elimination of intercompany dividend income	(0.03)	(0.16)
Other	(0.50)	(0.65)
Effective tax rate	<u>29.22</u>	<u>28.97</u>

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2019 and 2018 are presented below:

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Deferred tax assets:			
Net defined benefit liability	¥ 285	¥ 281	\$ 2,564
Net unrealized holding losses on securities	62	130	562
Reserve for loss on dissolution of employees pension fund	-	88	-
Accrued employee bonuses	91	90	818
Accrued enterprise tax payable	59	49	528
Loss on valuation of golf club membership	40	40	364
Depreciation	26	26	235
Loss on valuation of investment securities	21	21	188
Unrealized losses on inventories	6	6	54
Other	37	39	334
Gross deferred tax assets	<u>627</u>	<u>771</u>	<u>5,647</u>
Valuation allowance	-	-	-
Total deferred tax assets	<u>627</u>	<u>771</u>	<u>5,647</u>
Deferred tax liabilities:			
Net unrealized holding profits on securities	(635)	(853)	(5,718)
Total deferred tax liabilities	<u>(635)</u>	<u>(853)</u>	<u>(5,718)</u>
Net deferred tax liabilities	<u>(8)</u>	<u>(82)</u>	<u>(71)</u>

## 15. Comprehensive Income

Reclassification adjustments and income tax effects attributable to other comprehensive income for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S dollars
	2019	2018	2019
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥ (478)	¥ (210)	\$ (4,307)
Reclassification adjustments	(16)	(2)	(140)
Before income tax effects	(494)	(213)	(4,446)
Income tax effects	(151)	(65)	(1,361)
Total	(342)	(148)	(3,085)
Foreign currency translation adjustments:			
Adjustments arising during the year	(37)	(17)	(330)
Reclassification adjustments	-	-	-
Before income tax effects	(37)	(17)	(330)
Income tax effects	-	-	-
Total	(37)	(17)	(330)
Remeasurements of defined benefit plans:			
Adjustments arising during the year	(4)	131	(38)
Reclassification adjustments	5	39	46
Before income tax effects	1	171	8
Income tax effects	0	(53)	(2)
Total	1	118	6
Share of other comprehensive income of entities accounted for using equity method:			
Adjustments arising during the year	(40)	(31)	(361)
Reclassification adjustments	53	19	477
Before income tax effects	13	(12)	115
Income tax effects	(13)	11	(114)
Total	0	(1)	2
Total other comprehensive income	¥ (378)	¥ (48)	\$ (3,407)



## 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, 2019 and 2018 consisted of the following respectively:

	Millions of yen		
	2019		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 32,071	¥ 732	¥ 32,803
Inter-segment	272	23	294
Total sales	<u>¥ 32,343</u>	<u>¥ 755</u>	<u>¥ 33,097</u>
Segment income	<u>5,229</u>	<u>21</u>	<u>5,250</u>
Total assets	<u>61,804</u>	<u>589</u>	<u>62,393</u>
Total liabilities	<u>10,194</u>	<u>173</u>	<u>10,368</u>
Other			
Depreciation	<u>¥ 605</u>	<u>¥ 5</u>	<u>¥ 610</u>
Capital expenditure	<u>1,248</u>	<u>0</u>	<u>1,248</u>
	Millions of yen		
	2018		
	Japan	Indonesia	Total segments
Sales			
External customers	¥ 31,332	¥ 781	¥ 32,113
Inter-segment	314	42	356
Total sales	<u>¥ 31,646</u>	<u>¥ 823</u>	<u>¥ 32,469</u>
Segment income	<u>5,241</u>	<u>44</u>	<u>5,285</u>
Total assets	<u>58,786</u>	<u>662</u>	<u>59,448</u>
Total liabilities	<u>10,313</u>	<u>222</u>	<u>10,535</u>
Other			
Depreciation	<u>¥ 577</u>	<u>¥ 7</u>	<u>¥ 584</u>
Capital expenditure	<u>1,043</u>	<u>16</u>	<u>1,059</u>

	Thousands of U.S.dollars		
	2019		
	Japan	Indonesia	Total segments
Sales			
External customers	\$ 288,931	\$ 6,593	\$ 295,524
Inter-segment	2,446	204	2,650
Total sales	<u>\$ 291,377</u>	<u>\$ 6,797</u>	<u>\$ 298,175</u>
Segment income	<u>47,108</u>	<u>193</u>	<u>47,300</u>
Total assets	<u>556,795</u>	<u>5,308</u>	<u>562,103</u>
Total liabilities	<u>91,839</u>	<u>1,562</u>	<u>93,401</u>
Other			
Depreciation	\$ 5,452	\$ 44	\$ 5,497
Capital expenditure	<u>11,243</u>	<u>3</u>	<u>11,246</u>

**(2) Adjustments and eliminations**

<b>Reconciliation of sales</b>	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Segment sales	¥ 33,097	¥ 32,469	\$ 298,175
Inter-segment transactions (elimination)	(294)	(356)	(2,650)
Group sales	<u>¥ 32,803</u>	<u>¥ 32,113</u>	<u>\$ 295,524</u>

<b>Reconciliation of income</b>	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Segment income	¥ 5,250	¥ 5,285	\$ 47,300
Adjustment of inventory	5	1	44
Group operating income	<u>¥ 5,255</u>	<u>¥ 5,287</u>	<u>\$ 47,344</u>

<b>Reconciliation of assets</b>	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Segment operating assets	¥ 62,393	¥ 59,448	\$ 562,103
Inter-segment transactions (elimination)	(155)	(129)	(1,394)
Adjustment of inventory	(7)	(9)	(60)
Other adjustments	838	783	7,551
Group assets	<u>¥ 63,070</u>	<u>¥ 60,093</u>	<u>\$ 568,200</u>

<b>Reconciliation of liabilities</b>	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Segment operating liabilities	¥ 10,368	¥ 10,535	\$ 93,401
Inter-segment transactions (elimination)	(155)	(129)	(1,394)
Other adjustments	(10)	9	(87)
Group liabilities	<u>¥ 10,203</u>	<u>¥ 10,416</u>	<u>\$ 91,920</u>

### (3) Related information

<b>Products and Services information</b>	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Sales to external customers			
Surfactant	¥ 23,275	¥ 22,736	\$ 209,685
High polymer and inorganic chemicals	8,848	8,721	79,711
Other	680	656	6,129
Total	<u>¥ 32,803</u>	<u>¥ 32,113</u>	<u>\$ 295,524</u>

<b>Geographic information</b>	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Sales to external customers			
Japan	¥ 14,768	¥ 14,547	\$ 133,045
Asia	15,496	15,430	139,601
Other	2,540	2,137	22,879
Total	<u>¥ 32,803</u>	<u>¥ 32,113</u>	<u>\$ 295,524</u>

<b>Main customers information</b>	Millions of yen		Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Sales			
Marubeni Chemix Corporation	¥ 7,498	¥ 7,059	\$ 67,550
Nippon Quaker Chemical,Ltd.	4,900	4,624	44,145

## 17. Related Party Transactions

Principal transactions between the Company and its affiliate for the years ended March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2019	2018	2019
Sales(Nippon Quaker Chemical,Ltd.)	¥ 4,900	¥ 4,624	\$ 44,145
Purchase(Nippon Quaker Chemical,Ltd.)	1,600	1,503	14,414

## 18. Per Share Data

	yen		U.S.dollars
	2019	2018	2019
Net income per share	¥ 1,401.19	¥ 1,183.38	\$ 12.623
Net assets per share	¥ 16,291.48	¥ 15,302.55	\$ 146.770

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

	Millions of yen		Thousands of U.S dollars
	2019	2018	2019
Profit attributable to owners of parent available for distribution to common shareholders	¥ 4,535	¥ 3,830	\$ 40,852
	Shares		
	2019	2018	
Weighted average number of shares for net income	3,236,228	3,236,558	

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

	Millions of yen		Thousands of U.S dollars
	2019	2018	2019
Total net assets	¥ 52,867	¥ 49,677	\$ 476,280
Amounts deducted from total net assets			
Noncontrolling interests	(146)	(154)	(1,316)
Net assets attributable to shares of common stock	52,721	49,524	474,964
	Shares		
	2019	2018	
Number of shares of common stock used in the calculation of net assets per share	3,236,111	3,236,311	

## 19. Asset Retirement Obligations

Asset retirement obligations for the year ended March 31, 2019 and 2018 consisted of the following respectively:

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
	2019	2018	2019
Balance at beginning of year	¥ 107	¥ 105	\$ 961
Payments for purchase of property, plant and equipment	0	0	1
Interest cost	1	1	11
Balance at end of year	¥ 108	¥ 107	\$ 973

## 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