



# ANNUAL REVIEW 2009

For the Year Ended March 31, 2009

The way of mutual progress

## PRESIDENT'S MESSAGE

Yushiro Chemical Industry Co., Ltd. has contributed to the progress and material development of Japan by supplying quality oil-fat-wax (yu-shi-ro) products. We have succeeded in developing and offering to virtually all industrial markets such auxiliary products as metalworking oils and fluids, polishing agents for building maintenance. To respond to the needs of the industry, every technology we have acquired will be fed back to our R&D process for the creation of newer technologies and products based on our corporate ideal of "the way of mutual progress."

長井 禧明

Yoshiaki Nagai  
PRESIDENT



### Business summary

This consolidated fiscal year faced various factors that included soaring prices for raw materials in conjunction with the high cost of crude oil, as well as a financial crisis in the United States spurred by the collapse of Lehman Brothers in September. All of these factors had a substantial impact on the real economy, including a rapid increase in the value of the yen and declining share prices, resulting in a sudden economic downturn.

The automobile industry, which is a major consumer of our products, also experienced a rapid decline for demand in Japan and overseas. The automobile industry in the United States and around the world was deeply impacted by the economic downturn, with automobile production plummeting since October 2008.

Despite these circumstances our subsidiaries in China and Brazil reported strong net sales, but the impact of the rising value of the yen was substantial; and as a result, net sales by overseas subsidiaries on a yen basis were down. In Japan, automobile companies greatly reduced production, and consolidated net sales were ¥23,473 million, down by 13.7% compared to the previous year.

In term of profit, there was a substantial impact from rising raw materials costs as a result of high crude oil prices, rising fixed costs in conjunction with declining sales volume, and the rapid appreciation of the yen. Despite responding with cost cutting and price revisions, consolidated operating income fell 78.3% year over year, to ¥516 million. The global recession caused our overseas subsidiaries' performance to slump, and the effects of a decrease in equity method derived income and exchange rates were considerable, resulting in a 69.4% year over year drop in ordinary income, to ¥882 million. Net income fell year over year by 83.0%, to ¥319 million.

Business segment	Previous Fiscal Year April 1, 2007, through March 31, 2008		Current Fiscal Year April 1, 2008, through March 31, 2009		Increase/ Decrease %
	Million yen	%	Million yen	%	
Metalworking oils and fluids business	23,503	86.4	20,009	85.2	85.1
Building maintenance chemicals business	1,891	7.0	1,684	7.2	89.1
Industrial waste processing-related business	1,799	6.6	1,779	7.6	98.9
Total	27,193	100.0	23,473	100.0	86.3

### Basic policy for profit distribution

The Company prioritizes shareholder returns and seeks to maintain a proper balance between returns through the dividends payments and investments for continued growth.

The current economic climate, however, is extremely challenging, and consequently we plan to set the year-end dividend for the fiscal year under review at ¥5 per share. This will result in total dividends for the year of ¥20 per share.

We will announce our plans concerning dividends in the coming fiscal year after a close examination of economic conditions.

### Medium- and Long-Term Plan

This fiscal year is the second year of our 15th Three-Year Medium-Term Plan. Under normal circumstances, we would discuss the goals for the final year of the plan, which the fiscal year ending March 2010, but under the current harsh economic climate, it will be extremely difficult to achieve those goals.

Consequently, we have decided to suspend the 15th Three-Year Medium-Term Plan, to adopt a plan solely for the fiscal year ending March 2010, and work towards achieving the new goals. Major aspects of the production plans of leading automobile makers remain undecided, however, so we will revise the plan as necessary. We intend to formulate our plan for the period beyond the fiscal year ending March 2010 while closely monitoring economic development and demand trends.

### Basic Strategies

- (1) Extension of our technological prowess in every business segment of the Company, thereby ensuring continued profitability.
- (2) Transformation into a global company by promoting a consolidated management structure.

### Financial Targets (For the year ending March 31, 2010)

Net sales:	¥19,470 million
Operating income:	¥ 340 million
Ordinary income:	¥ 500 million
Net income:	¥ (210)million

### Future Issues and Challenges

Based on the basic policies of extending our technological prowess in all of our business segments, and transforming into a global company by promoting a consolidated management structure, the Company is committed to achieving a long-term sustainable growth in profits. To realize this aim, it is vital to actively tackle the following issues:

1. Reinforce corporate governance as a corporate group.
2. Reinforce participation in management of group companies.
3. Create cost structures that can respond to changes in prices of materials.
4. Respond to the overseas expansion of the automobile industry, which is the major user of our products, and of related industries.
5. Reinforce ability to develop technologies to meet the global needs of the photovoltaic cell industry.

Fiscal Years ended March 31,	Yen in millions		U.S. dollars in thousands
	2009	2008	2009
Net sales	¥ 23,473	¥ 27,193	\$ 238,966
Operating income	516	2,380	5,259
Net income	319	1,884	3,257
Total assets	26,587	33,473	270,663
Net assets	17,158	22,706	174,675
Per Share Amounts	Yen		U.S. dollars
Net income per share	¥ 22.57	¥ 127.56	\$ 0.22
Cash dividends per share	20.00	47.00	0.20
Net assets per share	1,272.04	1,474.59	12.94

Notes : 1. U.S. dollar amounts, converted at the rate of ¥98.23 to US\$1.00, are for convenience only.  
2. Net income per share is based on the average number of shares outstanding at the end of each fiscal year.  
3. Japanese yen amounts of less than one million have been excluded.

## REVIEW OF OPERATIONS

The Yushiro Group consists of Yushiro Chemical Industry Co., Ltd., two domestic subsidiaries, six overseas subsidiaries and four affiliates, and its major businesses are the production and sales of metalworking oils and fluids, chemicals for building maintenance and industrial waste processing. We have also expanded our business to include the purchase and sale of products related to each business, logistics and other services.

### METALWORKING OILS AND FLUIDS BUSINESS

The metalworking oils and fluids business reported strong sales in the first half because of the relatively solid performance by leading customers in Japan and overseas, but in the second half the considerable drop in production within the automobile industry, triggered by financial instability in the United States, exerted a major impact, so that leading products such as cutting and grinding oils and fluids began to fall steeply in November. Nonetheless, sales of cutting oils and fluids for photovoltaic cells, a priority growth product field, were up significantly from the prior year. As a result, net sales were down 14.9% year over year, to ¥20,009 million.

With respect to profit, prices for raw materials including crude oil, naphtha, and natural fats increased substantially, particularly in the second half. The higher costs were repeatedly shifted to sales prices, but the effect from lower sales was considerable, with operating income down 77.7% year over year, to ¥497 million.



#### Metalworking oils and fluids

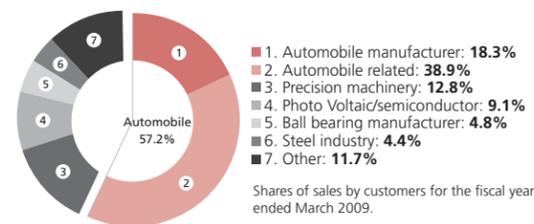
- Fluids used for processing steel and other metals into specific shapes.
- Important areas of fluid performance include lubricity, cooling ability, etc.
- Mainly used in the automotive, precision processing and semiconductor processing industries.

#### Products

- Cutting and Grinding Oils and Fluids
- Aluminum Diecasting Lubricants
- Cutting Oils and Fluids for Advanced-Material
- Cleaners
- Rust Preventives
- Rolling Oils and Fluids
- Drawing Oils and Fluids
- Forming Oils and Fluids
- Quenching Agents
- Fire Resistant Hydraulic Lubricants
- Other Oils and Fluids

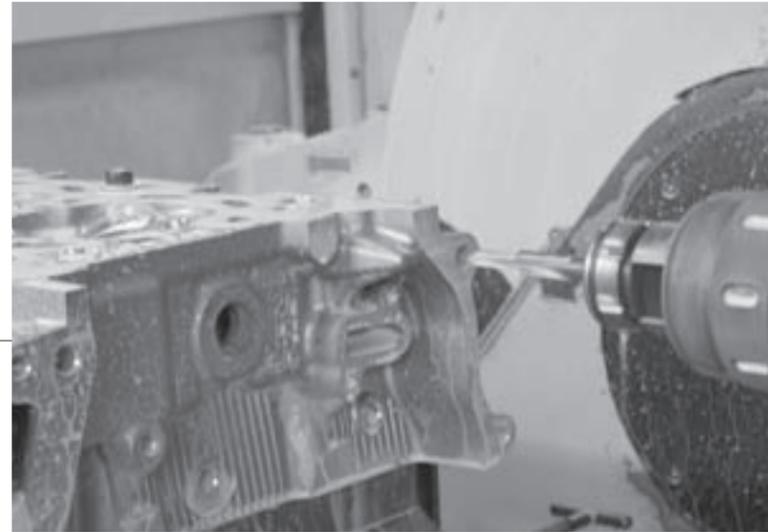
#### Customers

- Automobile companies
- Precision machine processing companies
- Steel companies
- Electric equipment companies
- Other machine processing companies



Note: Metalworking oils and fluids business: Metalworking oils and fluids are manufactured and sold by Yushiro Chemical Industry Co., Ltd.

In overseas markets, metalworking oils and fluids are manufactured and sold by the Company's subsidiaries: Yushiro Manufacturing America Inc. ("YUMA"), in the United States; Yushiro do Brasil Ind. Quimica Ltda., in Brazil; Qidong Yushiro Chemical Industry Co., Ltd., and Shanghai Yushiro Chemical Industry Co., Ltd., in China; Yushiro-Jet Chemicals Sdn. Bhd., in Malaysia; and Yushiro (Thailand) Co., Ltd., in Thailand; and our affiliates: Buhmwoo Chemical Industry Co., Ltd., and Buhmwoo Co., Ltd., in South Korea and San-I Chemical Co., Ltd., in Taiwan.



#### The Company's advantages in the field of Cutting and Grinding Oils and Fluids

- Our overwhelming share in the automobile industry; more than 60%

The Company features its production development capacities and quick response to changes in the automobile industry including rationalization, changes in materials and measures to address environmental issues.

- Our wide human network interacts with users in different industries at "The Society of Cutting Fluids & Cutting Technology"

#### About the Society

The society was launched in 1954 as an on-site research group made up of metal processing technology researchers, and has served as an office bridging academy and industry for 50 years.

Engineers with abundant on-site experience, beginning with those from our automotive manufacturing customers, as well as those from machine manufactures, tooling manufactures, etc., gather to exchange information and work together to develop higher technologies and further nurture their expertise. This group has served as a "training room" for these experts throughout the history of the industry. It is therefore no exaggeration to say that this group is a national asset supporting product development, or *monozukuri*.

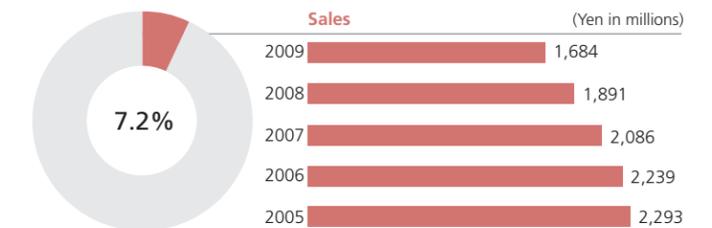
### BUILDING MAINTENANCE CHEMICALS BUSINESS



The building maintenance industry is a major user of our products, and this business segment continues to face extremely difficult conditions because of the economic downturn, including order cancellations and smaller orders. As a result, the use of the maintenance equipments that we handle has declined.

Facing this situation, we made an effort to increase sales of segments related to rolling stock, but it was not possible to make up for the impact of the economic slump.

As a result, net sales were down 10.9% year over year, to ¥1,684 million and this segment reported an operating loss of ¥7 million.



Note: Building maintenance chemicals business: Yushiro Chemical Industry Co., Ltd., manufactures and sells chemicals for building maintenance.

**INDUSTRIAL WASTE PROCESSING BUSINESS**

In the first quarter our combustion furnace operation was stable, thanks to a large volume of orders received from major customers, but the sudden economic downturn starting in August affected the industrial waste processing business and orders for solid building waste and liquid waste in particular were down sharply. As a result, net sales were down 1.1% year over year, to ¥1,779 million.

In term of profit, depreciation costs increased in conjunction with the constriction in the useful life of depreciable assets and repair reserves relating to statutory inspections increased. This caused a 69.4% year over year drop in operating income, to ¥25 million.



Note: The industrial waste processing business is conducted by a subsidiary, NS-Yushiro Co., Ltd.

**Subsidiaries and Associated Companies**

**Overseas Subsidiaries**

Yushiro Manufacturing America Inc. (YUMA)  
783 West Mausoleum Road, P.O. Box 217  
Shelbyville, Indiana 46176 U.S.A.  
Phone: (1) 317-398-9862 Fax: (1) 317-392-4818  
URL: <http://www.yushirousa.com>

Yushiro do Brasil Indústria Química Ltda.  
Av. Henry Néstle, 3100 Caçapava, CEP 12281-970  
São Paulo, Brazil  
Phone: (55) 12-3654-8100 Fax: (55) 12-3654-8101  
URL: <http://www.yushiro.com.br>

Qidong Yushiro Chemical Industry Co., Ltd.  
New Qidong Port North  
Qidong City, Jiangsu, Province, China  
Phone: (86) 513-836-99942 Fax: (86) 513-836-99943

Shanghai Yushiro Chemical Industry Co., Ltd.  
881 Fulian Road, Baoshan, Shanghai,  
P.R. China 201905  
Phone: (86) 21-3604-1188 Fax: (86) 21-3604-0916

Yushiro-Jet Chemicals Sdn. Bhd.  
14, Jalan Utama 2/28, Pusat Perindustrian Maju Jaya,  
47100 Puchong, Malaysia  
Phone: (60) 3-8061-9737 Fax: (60) 3-8062-2731

Yushiro (Thailand) Co., Ltd.  
AMATA Nakorn Industrial Estate 700/533 Moo7,  
Don Hua Roh, Muang, Chonburi 20000, Thailand  
Phone: (66) 38-454-873 Fax: (66) 38-454-879

**Overseas Associated Companies**

Buhmwoo Chemical Ind. Co., Ltd. & Buhmwoo Co., Ltd.  
70-3, Yangjae-Dong, Seocho-Ku, Seoul, Korea  
Phone: (82) 2-571-6321 Fax: (82) 2-571-6329  
URL: <http://www.buhmwoo.com>

San-I Chemical Co., Ltd.  
7th Fl. No.48 Ming Chuang W. Rd., Taipei, Taiwan R.O.C.  
Phone: (886) 2-2522-1313 Fax: (886) 2-2522-1363



Yushiro Manufacturing America Inc. (YUMA)



Yushiro do Brasil Indústria Química Ltda.



Shanghai Yushiro Chemical Industry Co., Ltd.



Yushiro-Jet Chemicals Sdn. Bhd.



Yushiro (Thailand) Co., Ltd.

**REVIEW OF OPERATIONS BY REGION**

**1. Japan**

Net sales in Japan fell 12.1% year over year to ¥17,985 million, accounting for 76.6% of consolidated net sales.

An operating loss of ¥37 million was reported.

**2. United States**

The automobile industry experience a rapid decline in the second half, and as a result net sales were down 23.4% year over year, to ¥1,448 million.

With respect to income, we revised product prices and took measures to reduce costs in response to the high cost of materials, but operating income was down 76.0% year over year, to ¥56 million.

**3. China**

In the first half, demand prior to the Olympics supported strong sales, but in the second half the global recession caused customers to adjust inventories and reduce production. As a result, net sales were down 1.9% year over year, to ¥1,981 million.

Materials costs were quite high and sales and administrative expenses increased, causing operating income to decline 3.1% year over year, to ¥232 million.

**4. Brazil**

Sales in automobile related industries were strong, and net sales were higher

on a local currency basis, but the rapid decline of the Brazilian real against the yen caused 38.3% year over year decline in net sales, to ¥957 million, and a 43.2% year over year drop in operating income, to ¥138 million.

**5. Malaysia**

Indonesia is a major export destination, and sales of motorcycles were strong, greatly surpassing sales in the prior year up to October, but rising freight costs and the exchange rate limited the beneficial impact on income. As a result, net sales increased 0.1% year over year, to ¥587 million, but operating income fell 83.8% year over year, to ¥6 million.

**6. Thailand**

Sales to the Japanese automobile industry, which is the primary client, remained strong through the first half, but the industry declined in the second half so sales were only slightly higher than in the prior fiscal year on a local currency basis. Rising costs for primary materials also led to lower operating income, which resulted in a substantial decline for the entire year. The increasing value of the yen was also a key factor, resulting in a 25.4% year over year decrease in net sales, to ¥513 million, and a 42.3% year over year decline in operating income, to ¥112 million.

# CONSOLIDATED BALANCE SHEETS

(Unaudited)  
As of March 31, 2009 and 2008

Assets	Millions of yen		U.S. dollars in thousands (Note 8)
	2009	2008	2009
<b>Current assets:</b>			
Cash and time deposits	¥ 4,118	¥ 5,143	\$ 41,926
Notes and accounts receivable–trade	4,229	6,330	43,059
Marketable securities	190	189	1,935
Inventories	1,785	2,376	18,181
Consumption tax receivable	0	–	8
Income tax receivable	201	–	2,051
Deferred tax assets	166	230	1,695
Other current assets	274	324	2,795
Allowance for doubtful accounts	(62)	(49)	(633)
<b>Total current assets</b>	<b>10,905</b>	<b>14,544</b>	<b>111,020</b>
<b>Fixed assets:</b>			
Buildings and structures	3,569	3,865	36,336
Machinery, equipment and vehicle	1,777	2,309	18,091
Tools, furnitures and fixtures	315	391	3,216
Land	4,475	4,497	45,561
Lease assets	21	–	217
Construction in progress	59	84	608
(Total property, plant and equipment)	10,218	11,147	104,031
(Total intangible fixed assets)	149	75	1,517
Investment in securities	1,725	2,455	17,562
Investments in subsidiaries and affiliates	2,128	3,352	21,668
Long-term loans receivable	23	27	242
Savings premium	514	458	5,237
Deferred tax assets	520	242	5,294
Other assets	447	1,214	4,555
Allowance for doubtful accounts	(46)	(44)	(468)
(Total investments and other assets)	5,313	7,705	54,093
<b>Total fixed assets</b>	<b>15,681</b>	<b>18,928</b>	<b>159,642</b>
<b>Total assets</b>	<b>¥ 26,587</b>	<b>¥ 33,473</b>	<b>\$ 270,663</b>

Liabilities and net assets	Millions of yen		U.S. dollars in thousands (Note 8)
	2009	2008	2009
<b>Current liabilities:</b>			
Notes and accounts payable–trade	¥ 1,917	¥ 4,312	\$ 19,523
Short-term borrowings	1,372	1,115	13,969
Current portion of bonds payable	80	80	814
Accounts payable–other	483	603	4,918
Accrued corporate taxes	86	329	875
Accrued bonuses	431	534	4,389
Deferred tax liabilities	–	6	–
Other current liabilities	635	674	6,471
<b>Total current liabilities</b>	<b>5,006</b>	<b>7,655</b>	<b>50,963</b>
<b>Long-term liabilities:</b>			
Corporate bonds	40	120	407
Long-term debt	2,745	1,267	27,947
Accrued retirement benefits for employees	1,043	1,079	10,619
Accrued retirement allowances for directors	216	243	2,203
Deferred tax liabilities	48	53	498
Other long-term liabilities	329	348	3,349
<b>Total long-term liabilities</b>	<b>4,422</b>	<b>3,111</b>	<b>45,024</b>
<b>Total liabilities</b>	<b>9,428</b>	<b>10,766</b>	<b>95,988</b>
<b>Net assets:</b>			
Common stock	4,249	4,249	43,259
Capital surplus	3,994	3,994	40,666
Retained earnings	14,650	14,938	149,145
Treasury stock	(2,579)	(298)	(26,257)
(Total shareholders' equity)	20,315	22,884	206,814
Net unrealized gains on securities	(298)	187	(3,041)
Currency translation adjustments	(3,718)	(1,289)	(37,853)
(Total valuation, translation adjustments and others)	(4,017)	(1,102)	(40,895)
(Total minority interests)	860	925	8,756
<b>Total net assets</b>	<b>17,158</b>	<b>22,706</b>	<b>174,675</b>
<b>Total liabilities and net assets</b>	<b>¥ 26,587</b>	<b>¥ 33,473</b>	<b>\$ 270,663</b>

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)  
For the Years Ended March 31, 2009 and 2009

	Millions of yen		U.S. dollars in thousands (Note 8)
	2009	2008	2009
Net sales	¥ 23,473	¥ 27,193	\$ 238,966
Cost of sales	17,391	18,439	177,052
Gross profit	6,081	8,754	61,913
Selling, general and administrative expenses	5,565	6,374	56,654
Operating income	516	2,380	5,259
Interest and dividend income	165	162	1,688
Equity in earnings of associated companies	104	300	1,064
Other income	179	215	1,830
Interest expenses	53	60	544
Other expenses	31	117	319
Ordinary income	882	2,880	8,979
Gain from sale of fixed assets	3	46	34
Other extraordinary income	110	29	1,129
Loss on disposal of fixed assets	24	8	247
Other extraordinary losses	194	82	1,982
Income before income taxes	777	2,864	7,913
Corporate, local income enterprise taxes	268	815	2,737
Deferred taxes	87	(3)	887
Minority interests	(101)	(168)	(1,031)
Net income	¥ 319	¥ 1,884	\$ 3,257

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
For the Years Ended March 31, 2009 and 2008

	Millions of yen		U.S. dollars in thousands (Note 8)
	2009	2008	2009
Cash flows from operating activities:	¥ 1,075	¥ 2,526	\$ 10,952
Cash flows from investing activities:	(236)	(1,314)	(2,406)
Cash flows from financing activities:	(1,183)	(1,179)	(12,045)
Effect of exchange rate changes on cash and cash equivalents	(630)	40	(6,418)
Net increase (decrease) in cash and cash equivalents	(974)	73	(9,918)
Cash and cash equivalents at beginning of year	5,262	5,189	53,576
Cash and cash equivalents at end of year	¥ 4,288	¥ 5,262	\$ 43,658

## IMPORTANT POINTS FORMING THE BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Scope of Consolidation

Consolidated subsidiaries include NS.Yushiro Co., Ltd., Yushiro Unso Co., Ltd., Yushiro Manufacturing America Co., Ltd., Yushiro do Brasil Industria Quimica Ltda., Yushiro (Thailand) Co., Ltd., Qidong Yushiro Chemical Industry Co., Ltd., Shanghai Yushiro Chemical Industry Co., Ltd., and Yushiro-Jet Chemicals Sdn., Guangzhou Yushiro Oil Industry Co., Ltd., Yushiro India Company Private Limited.

Guangzhou Yushiro Oil Industry Co., Ltd. and Yushiro India Company Private Limited., which were recently established, became consolidated subsidiaries this fiscal year.

### 2. Application of the Equity Method

Buhmwo Chemical Industry Co., Ltd., Buhmwo Co., Ltd. and San-I Chemical Co., Ltd., are included in the scope of application for the equity method.

Yushiro Buhmwo (India), which was an affiliate, implemented a third-party allocation of shares and our holdings fell below the level of significance; consequently, the company was excluded from application under the equity method, effective as of the fourth quarter of the current fiscal year.

### 3. Fiscal Years of the Consolidated Subsidiaries

The fiscal year-end of all eight overseas subsidiaries is December 31. In preparing the consolidated financial statements, results as of that date are used, provided that necessary adjustments are made regarding material transactions conducted between December 31 and the consolidation closing date.

### 4. Significant Accounting Policies

#### (1) Valuation standard and methods for securities

In other securities, quoted securities are stated at market value at the fiscal year-end. Unrealized gains are included in net assets, and the cost of securities sold is computed using the moving-average method.

Unquoted securities are accounted for on a cost basis using the moving-average method.

#### (2) Valuation standard and methods for inventories

The aggregate average cost method is adopted (i.e., the book value reduction method based on declines in profitability).

#### (3) Depreciation method used for major depreciable assets

##### 1. Tangible fixed assets (excluding leased assets)

The Company and its consolidated subsidiaries in Japan use the declining-balance method (however, the straight-line method is adopted for the Company's technical research center). However, the straight-line method is used for buildings acquired on or after April 1, 1998 (with the exception of annexed facilities). Overseas consolidated subsidiaries generally use the straight-line method. The main terms of useful service life are 3 to 50 years for buildings and structures and 2 to 20 years for other tangible fixed assets. Inexpensive tangible fixed assets costing ¥100,000 to ¥200,000 are equally amortized over 3 years on a straight-line basis.

##### (Additional Information)

The Company and its consolidated subsidiaries in Japan reviewed the useful service life of buildings and machinery in conjunction with the revision of the Corporation Tax Act in 2008, and have switched to statutory useful service lives effective this consolidated fiscal year. As a result of this change, operating income, ordinary income, and net income before taxes and adjustments are each ¥95 million lower than before.

##### 2. Intangible fixed assets (excluding leased assets)

The amortization of intangible fixed assets is computed by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years).

##### 3. Leased assets

Assets leased under finance lease transactions without a transfer of ownership

The straight-line method in which the lease term is determined by

the number of years of the useful life, with a zero residual value, is used.

Finance lease transactions without a transfer of ownership, with a lease that begins prior to the applicable initial year, continue to be handled according to the methods relating to conventional lease transactions.

#### (4) Reserves

##### Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible bad debt at the amount estimated based on the past bad debt experience for normal receivables, plus uncollectible amounts determined by reference to the collectibility of individual doubtful receivables.

##### Accrued bonuses

The Accrued bonuses is provided at an estimated amount based on the internal payment prediction standard.

##### Reserve for directors' bonuses

At our subsidiaries Qidong Yushiro Chemical Industry Co., Ltd. and Shanghai Yushiro Chemical Industry Co., Ltd., the reserve for bonuses to directors is provided at the amount estimated to be accrued for the consolidated balance sheet date to prepare for such payments.

##### Accrued retirement benefits for employees

The accrued retirement benefits for employees are provided for possible payment of employees' post-retirement benefits at the amount to be accrued at the balance sheet date, and are calculated based on the retirement benefit obligation and fair value of pension plan assets at the end of this fiscal year. The actuarial gain or loss is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining service years for employees at the time of recognition, from the following year of recognition.

##### Accrued retirement allowances for directors

In order prepare the reserve for retirement allowances for directors, the Company and its subsidiaries NS Yushiro Co., Ltd. and Yushiro Unso Co., Ltd., based on the internal regulations, utilize an accounting method calculated according to the estimated amount to be accrued by the consolidated balance sheet date.

##### Repair reserves

The affiliate NS Yushiro Co., Ltd. recorded an amount corresponding to expenses for this consolidated fiscal year from the anticipated reserve expenditures used for periodic repairs, in order to conduct the required inspections of machinery and equipment.

#### (5) Accounting for leases

Finance leases that do not transfer the ownership of leased property to the lessee are accounted for as operating leases.

#### (6) Other

Transactions subject to the consumption tax and the local consumption tax are accounted for using the tax exclusion method.

### 5. Matters related to the valuation of assets and liabilities of the Company's consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries are valued at their fair value.

### 6. Amortization of goodwill and negative goodwill

The amount of goodwill and negative goodwill is equally amortized over 5 years on a straight-line basis.

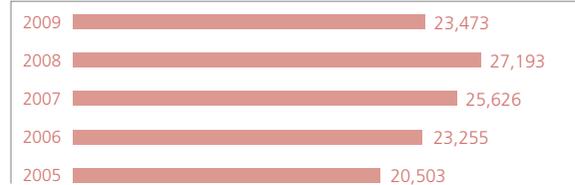
### 7. Consolidated Statement on Cash Flow

Consolidated Statement on Cash Flow (cash and cash equivalents) includes cash on hand, cash available for withdrawal, and cash invested in short-term, low risk accounts redeemable within three months of the date of deposit.

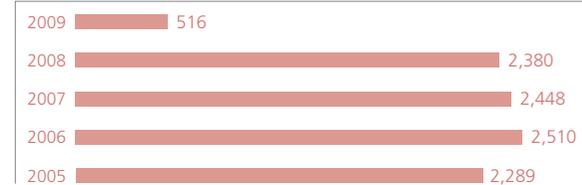
8. The U.S. dollar amounts in the financial statements for the fiscal year ended March 31, 2009, represent translation of Japanese yen at the rate of ¥98.23=US\$1.00.

## FINANCIAL INDICATORS

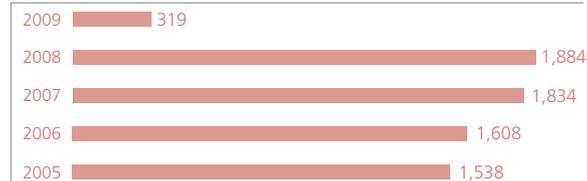
### Net Sales (yen in million)



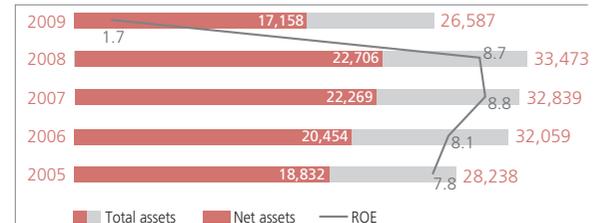
### Operating Income (yen in million)



### Net Income (yen in million)



### Total Assets, Net Assets (yen in million), and ROE(%)



## CORPORATE DATA (as of March 31, 2009)

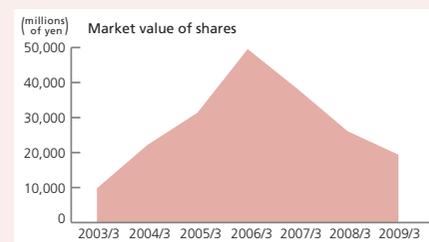
Head Office	34-16, 2-chome, Chidori, Ota-ku, Tokyo 146-8510, Japan Phone: (03) 3750-3100 Fax: (03) 3750-9915 URL: <a href="http://www.yushiro.co.jp">http://www.yushiro.co.jp</a>
Capital	¥4,249 million
Employees	349
Established	July 24, 1944
Branch Offices	Tokyo, Nagoya and Osaka
Sales Offices	Hokkaido, Tohoku, Kitakanto, Hamamatsu, Hokuriku, Fukuyama, Hiroshima and Kyushu

### Directors and Auditors (as of June 23, 2009)

President	Yoshiaki Nagai	Directors	Tatsuharu Hyakusoku
Managing Directors	Masahisa Hirobe		Yoshihiro Sakaguchi
Directors	Yukinao Namiki		Eiichi Ogo
	Ryuichiro Matsuno	Standing Auditors	Yasuo Chiba
	Yuji Kishi		Tsuneo Onda
	Haruo Okamoto		Yoshiaki Nakamura
		Auditor (CPA)	Akitaka Nozue

## STOCK INFORMATION (as of March 31, 2009)

Number of shares issued	15,200,065
Trading unit	100
Total number of shareholders	5,943
Stock listing	First section, Tokyo Stock Exchange
Securities code	5013
Transfer agent for common stock	Daiko Clearing Services Corporation
Independent certified public accountants	Ernst & Young ShinNihon LLC
Main underwriter	Nomura Securities Co., Ltd.
Stock prices	



Term	2008.4	2008.5	2008.6	2008.7	2008.8	2008.9	2008.10	2008.11	2008.12	2009.1	2009.2	2009.3
High (Yen/share)	1,830	1,945	1,950	1,949	1,798	1,830	1,750	1,630	1,527	1,243	960	994
Low (Yen/share)	1,700	1,744	1,826	1,728	1,634	1,670	1,050	1,420	1,074	924	750	794
Trading volume (Hundred of shares)	2,315	2,680	2,891	2,331	1,616	2,245	3,651	1,556	7,072	4,226	2,465	2,571