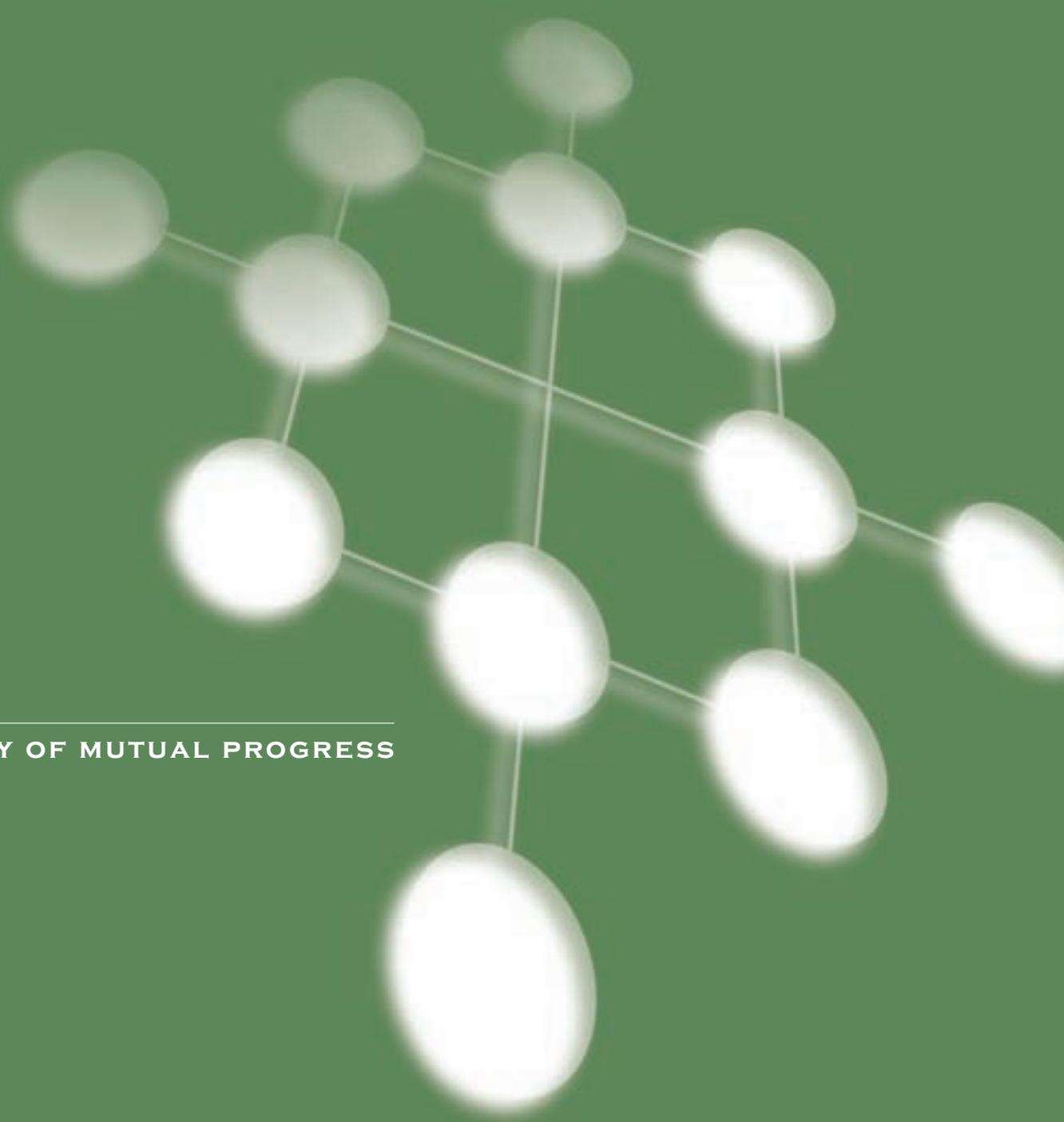


**ANNUAL REVIEW 2010**  
For the Year Ended March 31, 2010



**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

During this consolidated fiscal year, the global economy gradually began to recover from the economic downturn that followed in the wake of the financial crisis that erupted in the autumn of 2008. However, this recovery was due largely to the market stimulus measures taken by many countries including Japan, and demand trends remain uncertain even after the measures have been taken. Consequently, conditions remain challenging. Nonetheless, domestic demands in China and other emerging countries in Asia are recovering rapidly, with these economies now back on a growth track.

Under these circumstances, net sales recovered at overseas subsidiaries due to recovery in the automobile industry, which is a major consumer of our products. In Japan too, in addition to the recovering automobile industry, growth in cutting oils and fluids for photovoltaic cells from the second half of the year contributed greatly to net sales.

As a result, consolidated net sales were down 15.3% year over year, to ¥19,884 million.

In terms of profit, prices of materials began to rise from the second half of the year, leading to extremely difficult conditions. In order to secure income, we sought to further reduce fixed costs and implemented price revisions and cost cutting, resulting in a 91.1% year over year increase in consolidated operating income, to ¥987 million. Ordinary income rose 69.1% year over year, to ¥1,491 million due to increase in equity method derived income. Net income rose year over year by 41.4%, to ¥452 million.

Business segment	Previous Fiscal Year April 1, 2008, through March 31, 2009		Current Fiscal Year April 1, 2009, through March 31, 2010		Increase/ Decrease %
	Million yen	%	Million yen	%	
Metalworking oils and fluids business	20,009	85.2	16,929	85.1	84.6
Building maintenance chemicals business	1,684	7.2	1,524	7.7	90.5
Industrial waste processing-related business	1,779	7.6	1,429	7.2	80.4
Total	23,473	100.0	19,884	100.0	84.7

### Medium- and Long-Term Plan

This fiscal year was initially scheduled as the final year of the 15th Medium-Term Plan. In light of the harsh economic climate that followed the Lehman Shock in the latter half of 2008, however, we decided to suspend the 15th Medium-Term Plan and adopted a plan solely for the fiscal year ended March 2010.

Although the next fiscal year was to be the first year of the 16th Medium-Term Plan, given the need to respond to the ongoing changes in the business environment and the current paradigm shift, we have decided once again to adopt a plan solely for the next fiscal year. We have therefore positioned the fiscal year ending March 2011 as the “first year of a new Yushiro Global,” during which we will prepare for the 16th Medium-Term Plan.

In terms of concrete strategies, we will aggressively strengthen our overseas bases in order to open up emerging markets. In particular, we will respond to the growing markets of China, ASEAN and India. Furthermore, in order to secure new sources of income we plan to invest aggressively in the rapidly growing photovoltaic cell market. We have set a goal of consolidated net sales of ¥30,000 million for the final year of the 16th Medium-Term Plan.

### 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.

### 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.

Fiscal Years ended March 31,	Yen in millions		U.S. dollars in thousands
	2010	2009	2010
Net sales	¥ 19,884	¥ 23,473	\$ 213,720
Operating income	987	516	10,613
Net income	452	319	4,861
Total assets	28,685	26,587	308,309
Net assets	18,697	17,158	200,957
Per Share Amounts	Yen		U.S. dollars
Net income per share	¥ 35.31	¥ 22.57	\$ 0.37
Cash dividends per share	12.00	20	0.12
Net assets per share	1,381.56	1,272.04	14.84

Notes : 1. U.S. dollar amounts, converted at the rate of ¥93.04 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

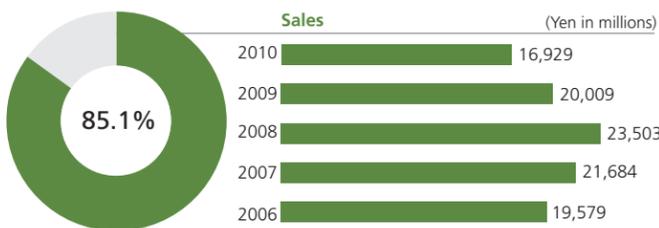
The Yushiro Group consists of Yushiro Chemical Industry Co., Ltd., two domestic subsidiaries, six overseas subsidiaries and four affiliates, and its major businesses are the production and sales of metalworking oils and fluids, chemicals for building maintenance and industrial waste processing. We have 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 weak sales primarily to automobile makers in the first half because of the considerable drop in production within the automobile industry, triggered by financial instability in the United States, following the previous year. In the second half the economy bottomed out, and overall conditions shifted toward a gentle recovery. In this environment, sales of cutting oils and fluids for photovoltaic cells, one of the products which we are focusing on selling have increased since late second half of the year, thanks to R&D and activities to increase sales of the oils and fluids for a new processing method.

As a result, net sales decreased 15.4% year over year, to ¥16,929 million.

With respect to profit, prices for raw materials including crude oil, naphtha, and natural fats increased substantially. However, as a result of efforts to reduce fixed costs, coupled with price revisions and cost cutting, operating income rose 94.1% year over year, to ¥965 million.



### Metalworking oils and fluids

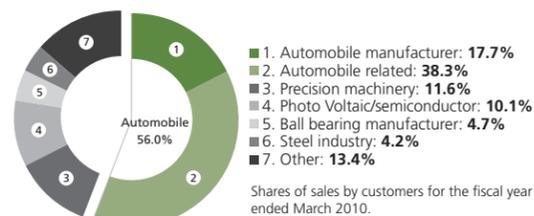
- Fluids used for processing steel and other metals into specific shapes.
- Important areas of fluid performance include lubricity, cooling ability, etc.
- Mainly used in the automotive, precision processing and semiconductor processing industries.

### Products

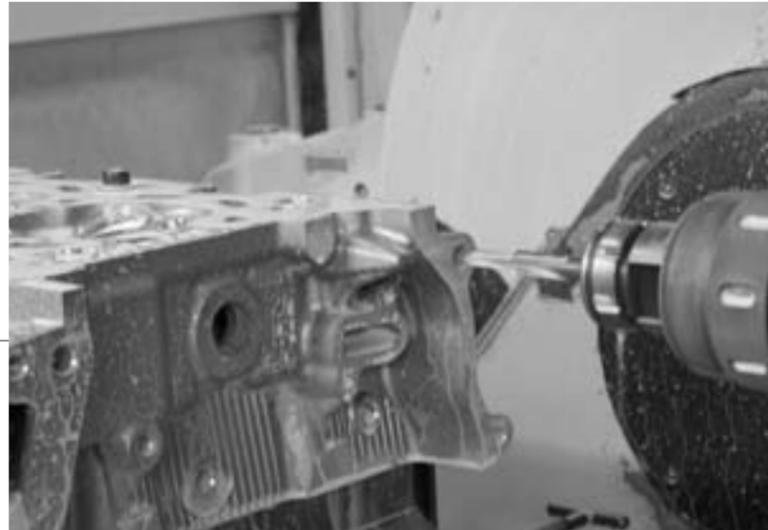
- Cutting and Grinding Oils and Fluids
- Aluminum Diecasting Lubricants
- Cutting Oils and Fluids for Advanced-Material
- Cleaners
- Rust Preventives
- Rolling Oils and Fluids
- Drawing Oils and Fluids
- Forming Oils and Fluids
- Quenching Agents
- Fire Resistant Hydraulic Lubricants
- Other Oils and 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., Shanghai Yushiro Chemical Industry Co., Ltd., and Guangzhou Yushiro Oil Industry Co., Ltd., in China; Yushiro-Jet Chemicals Sdn. Bhd., in Malaysia; Yushiro (Thailand) Co., Ltd., in Thailand; and Yushiro India Company Private Limited, in India; 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 market conditions of this business segment continue to be extremely difficult because of the ongoing economic downturn in Japan. As a result, the use of the maintenance equipment has continuously declined.

Facing this situation, we made an effort to increase sales mainly in rolling stock related segments including rolling stocks and station buildings, but customers were very committed to cost reductions in light of the impact of the economic slump, and we were unable to achieve growth in sales volume.

As a result, net sales were down 9.5% year over year, to ¥1,524 million, while this segment reported an operating income of ¥75 million. (An operating loss of ¥7 million was reported in the previous year.)



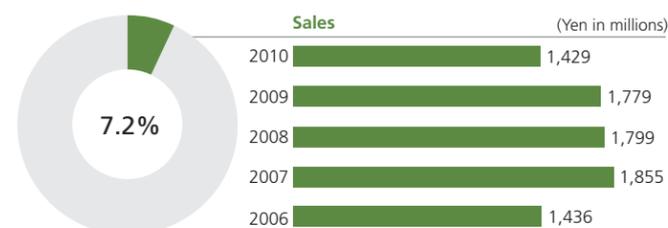
Note: Building maintenance chemicals business: Yushiro Chemical Industry Co., Ltd., manufactures and sells chemicals for building maintenance.

**INDUSTRIAL WASTE PROCESSING BUSINESS**

In the industrial waste processing business, lower waste from manufacturing industry, which is a major user of our products, as well as the operation of new combustion furnaces by our competitors led to steepened price competition, and major declines in processing prices and decrease of orders had a significant impact on results.

As a result, net sales were down 19.6% year over year, to ¥1,429 million, while operating loss amounted to ¥54 million. (An operating income of ¥25 million was reported in the previous year.)

Note: The Company sold all shares of NS. Yushiro Co., Ltd., a then-subsubsidiary of the Company, on May 12, 2010; therefore, NS. Yushiro Co., Ltd. does not fall within the definition of subsidiary.



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 18.9% year over year to ¥14,592 million, accounting for 73.4% of consolidated net sales.

An operating income of ¥216 million was reported. (An operating loss of ¥37 million was reported in the previous year.)

**2. United States**

Although sales to the automobile industry fell significantly as a result of the financial crisis, the so-called “Cash for Clunkers” vehicle exchange program provided a tailwind leading to rapid growth in the second half of the year. As a result, net sales were down 18.0% year over year, to ¥1,187 million.

Operating income was down 2.7% year over year, to ¥55 million thanks to efforts to cut costs and expenses.

**3. China**

Supported by robust domestic demand, sales to the automobile and steel industry were strong from the second half of the year. However, the global recession impacted export industries, leading to lower sales to the export-related machine parts processing industry.

As a result, net sales were down 4.4% year over year, to ¥1,895 million.

Operating income rose 27.8% year over year, to ¥296 million thanks to efforts to cut costs and expenses.

**4. Brazil**

Although exports to the United States and South American countries fell in the wake of the financial crisis, domestic private consumption recovered on the back of expanding domestic demand. Nevertheless, the increase in

imports from China led to the decrease in production by the motorcycle-related users, which resulted in a decline in sales.

As a result, sales were up 22.3% year over year, to ¥1,171 million.

Operating income increased 49.3% year over year, to ¥207 million thanks to upward price revisions and lower cost of imported materials resulting from appreciation of the Brazilian real.

**5. Malaysia**

Indonesia is a major export destination, and sales of motorcycles were weak in the first half in light of the global economic recession. There were, however, signs of a recovery in the second half, and hard disk base machining performed favorably.

As a result, net sales increased 3.6% year over year, to ¥608 million.

Operating income increased substantially, by ¥89 million year over year, to ¥95 million due to price revisions.

**6. Thailand**

Sales to the Japanese automobile industry, which is the primary client, continued to feel the effects of production declines from the second half of the previous fiscal year, and in the first half, sales were significantly lower than in the prior fiscal year on a local currency basis. Despite a gradual pick-up in production from the second half of the year, results for the entire year were slightly lower than in the prior fiscal year.

As a result, net sales declined 19.9% year over year, to ¥411 million, and operating income fell 28.5% year over year, to ¥80 million.

# CONSOLIDATED BALANCE SHEETS

(Unaudited)  
As of March 31, 2009 and 2008

Assets	Millions of yen		U.S. dollars in thousands (Note 8)
	2010	2009	2010
<b>Current assets:</b>			
Cash and time deposits	¥ 5,522	¥ 4,118	\$ 59,351
Notes and accounts receivable–trade	5,089	4,229	54,705
Marketable securities	390	190	4,197
Inventories	1,788	1,785	19,221
Consumption tax receivable	–	0	–
Income tax receivable	11	201	126
Deferred tax assets	226	166	2,432
Other current assets	342	274	3,676
Allowance for doubtful accounts	(53)	(62)	(574)
<b>Total current assets</b>	<b>13,317</b>	<b>10,905</b>	<b>143,136</b>
<b>Fixed assets:</b>			
Buildings and structures	3,369	3,569	36,215
Machinery, equipment and vehicle	1,408	1,777	15,140
Tools, furnitures and fixtures	224	315	2,411
Land	4,488	4,475	48,247
Lease assets	45	21	484
Construction in progress	65	59	701
(Total property, plant and equipment)	9,601	10,218	103,200
(Total intangible fixed assets)	169	149	1,817
Investment in securities	2,170	1,725	23,333
Investments in subsidiaries and affiliates	2,445	2,128	26,285
Long-term loans receivable	18	23	198
Savings premium	536	514	5,761
Deferred tax assets	36	520	396
Other assets	436	447	4,696
Allowance for doubtful accounts	(48)	(46)	(516)
(Total investments and other assets)	5,596	5,313	60,155
<b>Total fixed assets</b>	<b>15,367</b>	<b>15,681</b>	<b>165,173</b>
<b>Total assets</b>	<b>¥ 28,685</b>	<b>¥ 26,587</b>	<b>\$ 308,309</b>

Liabilities and net assets	Millions of yen		U.S. dollars in thousands (Note 8)
	2010	2009	2010
<b>Current liabilities:</b>			
Notes and accounts payable–trade	¥ 2,918	¥ 1,917	\$ 31,369
Short-term borrowings	1,339	1,372	14,399
Current portion of bonds payable	40	80	429
Accounts payable-other	552	483	5,933
Accrued corporate taxes	397	86	4,268
Accrued bonuses	473	431	5,087
Other current liabilities	653	635	7,021
<b>Total current liabilities</b>	<b>6,374</b>	<b>5,006</b>	<b>68,509</b>
<b>Long-term liabilities:</b>			
Corporate bonds	–	40	–
Long-term debt	2,005	2,745	21,556
Accrued retirement benefits for employees	1,050	1,043	11,286
Accrued retirement allowances for directors	212	216	2,278
Deferred tax liabilities	49	48	536
Other long-term liabilities	296	329	3,184
<b>Total long-term liabilities</b>	<b>3,613</b>	<b>4,422</b>	<b>38,842</b>
<b>Total liabilities</b>	<b>9,988</b>	<b>9,428</b>	<b>107,351</b>
<b>Net assets:</b>			
Common stock	4,249	4,249	45,672
Capital surplus	3,994	3,994	42,935
Retained earnings	14,974	14,650	160,950
Treasury stock	(2,579)	(2,579)	(27,724)
(Total shareholders' equity)	20,639	20,315	221,832
Net unrealized gains on securities	280	(298)	3,012
Currency translation adjustments	(3,218)	(3,718)	(34,592)
(Total valuation, translation adjustments and others)	(2,938)	(4,017)	(31,580)
(Total minority interests)	995	860	9,244
<b>Total net assets</b>	<b>18,697</b>	<b>17,158</b>	<b>200,957</b>
<b>Total liabilities and net assets</b>	<b>¥ 28,685</b>	<b>¥ 26,587</b>	<b>\$ 308,309</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)
	2010	2009	2010
Net sales	¥ 19,884	¥ 23,473	\$ 213,720
Cost of sales	13,733	17,391	147,609
Gross profit	6,150	6,081	66,111
Selling, general and administrative expenses	5,163	5,565	55,497
Operating income	987	516	10,613
Interest and dividend income	154	165	1,655
Equity in earnings of associated companies	295	104	1,124
Other income	171	179	1,846
Interest expenses	71	53	769
Other expenses	45	31	489
Ordinary income	1,491	882	16,027
Gain from sale of fixed assets	41	3	445
Other extraordinary income	133	110	1,434
Loss on disposal of fixed assets	5	24	64
Other extraordinary losses	491	194	5,279
Income before income taxes	1,168	777	12,563
Corporate, local income enterprise taxes	453	268	4,870
Deferred taxes	65	87	707
Minority interests	(197)	(101)	(2,124)
Net income	¥ 452	¥ 319	\$ 4,861

## 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)
	2010	2009	2010
Cash flows from operating activities:	¥ 2,426	¥ 1,075	\$ 26,077
Cash flows from investing activities:	(59)	(236)	(641)
Cash flows from financing activities:	(1,085)	(1,183)	(11,668)
Effect of exchange rate changes on cash and cash equivalents	322	(630)	3,471
Net increase (decrease) in cash and cash equivalents	1,604	(974)	17,239
Cash and cash equivalents at beginning of year	4,288	5,262	46,093
Cash and cash equivalents at end of year	¥ 5,892	¥ 4,288	\$ 63,333

## IMPORTANT POINTS FORMING THE BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Scope of Consolidation

The scope of consolidation includes all 10 consolidated subsidiaries: 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., Yushiro-Jet Chemicals Sdn., Guangzhou Yushiro Oil Industry Co., Ltd., and Yushiro India Company Private Limited.

### 2. Application of the Equity Method

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

Yushiro Buhmwoo (India) was excluded from application under the equity method because its impact on net income/loss and retained earnings was negligible and it was deemed insignificant to overall performance.

### 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.

##### 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.

#### Litigation Loss Reserves

In order to prepare for potential losses on litigation, we have estimated value of potential future losses and recorded the amount deemed necessary as litigation loss reserves.

#### (5) Other significant matters for the preparation of consolidated financial statements

##### 1. Standards for conversion of foreign currency denominated assets and liabilities to Japanese yen

Debts and credits denominated in foreign currencies are converted to yen at the actual market exchange rate on the closing date. The effect of exchange rate changes is recorded as a gain or loss.

##### 2. Accounting treatment of consumption tax, etc.

Consumption tax, etc. is recorded on tax exclusive basis.

#### 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.

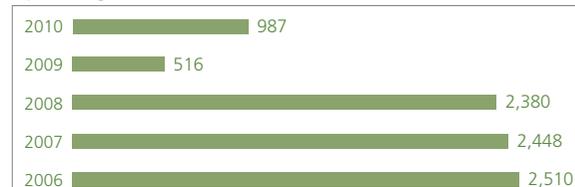
#### 8. The U.S. dollar amounts in the financial statements for the fiscal year ended March 31, 2010, represent translation of Japanese yen at the rate of ¥93.04=US\$1.00.

## FINANCIAL INDICATORS

### Net Sales (yen in million)



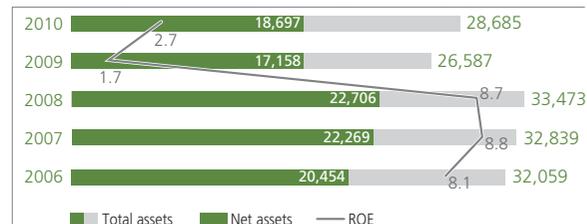
### Operating Income (yen in million)



### Net Income (yen in million)



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



## CORPORATE DATA (as of March 31, 2010)

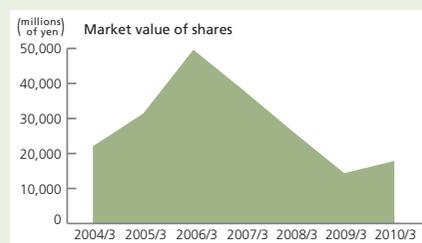
Head Office	34-16, 2-chome, Chidori, Ota-ku, Tokyo 146-8510, Japan Phone: (03) 3750-3100 Fax: (03) 3750-9915 URL: <a href="http://www.yushiro.co.jp">http://www.yushiro.co.jp</a>
Capital	¥4,249 million
Employees	336
Established	July 24, 1944
Branch Offices	Tokyo, Nagoya and Osaka
Sales Offices	Hokkaido, Tohoku, Kitakanto, Hamamatsu, Hokuriku, Fukuyama, Hiroshima and Kyushu

### Directors and Auditors (as of June 22, 2010)

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

## STOCK INFORMATION (as of March 31, 2010)

Number of shares issued	15,200,065
Trading unit	100
Total number of shareholders	5,601
Stock listing	First section, Tokyo Stock Exchange
Securities code	5013
Transfer agent for common stock	Mitsubishi UFJ Trust and Banking Corporation
Independent certified public accountants	Ernst & Young ShinNihon LLC
Main underwriter	Nomura Securities Co., Ltd.



### Stock prices

Term	2009.4	2009.5	2009.6	2009.7	2009.8	2009.9	2009.10	2009.11	2009.12	2010.1	2010.2	2010.3
High (Yen/share)	969	937	1,230	1,400	1,624	1,470	1,447	1,413	1,249	1,285	1,269	1,200
Low (Yen/share)	780	830	896	1,236	1,380	1,250	1,226	1,120	1,121	1,140	1,034	1,052
Trading volume (Hundred of shares)	1,518	1,624	6,295	4,622	3,763	5,049	2,503	2,738	2,795	2,728	2,664	2,230