

# ANNUAL REVIEW 2015

For the Year Ended March 31, 2015

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.”

大 須 栄 一

Eiichi Ogo  
PRESIDENT



### Business summary

During this consolidated fiscal year, the global economy overall experienced a continued moderate pace of recovery in the absence of any major negative factors. The economy in the United States, which supports the global economy, maintained a recovery trend driven by the expansion of private sector-led demand. The economy in Asia also continued to grow, although at a moderate pace due to the differing growth rates in each country. The Japanese economy witnessed a similar recovery trend. The economy in Europe, although picking up partly as a result of low oil prices in the Eurozone, nonetheless continued to experience a weak pace of recovery compared with other economic zones.

Under these circumstances, the volume of overseas production by domestic automobile manufacturers, our main customers, surpassed the preceding fiscal year, with seven companies recording all-time production highs. In contrast, despite expectations for the recovery of domestic production on the strength of yen depreciation, the volume of production remained below the preceding fiscal year due to sluggish domestic demand partly attributable to the impact of the consumption tax hike in April.

As a result, in terms of our Group's business results, net sales in Japan grew 8.3% over the previous fiscal year to ¥29,061 million, backed by increased sales posted by overseas subsidiaries, excluding Brazil where the economy was lackluster, and yen depreciation. In terms of profit, operating income rose 11.4% to ¥1,569 million thanks to increased sales and yen depreciation. Ordinary income increased 10.3% over the previous fiscal year to ¥2,521 million, and net income rose 13.9% to ¥1,703 million.

Business segment	Previous Fiscal Year (April 1, 2013 through March 31, 2014)		Current Fiscal Year (April 1, 2014 through March 31, 2015)		Increase/ Decrease %
	Million yen	%	Million yen	%	
Japan	16,189	60.3	16,327	56.2	100.8
North and South America	4,118	15.4	4,818	16.6	117.0
China	3,652	13.6	4,476	15.4	122.6
Southeast Asia / India	2,872	10.7	3,438	11.8	119.7
Total	26,833	100	29,061	100.0	108.3

### Medium and Long-Term Plan

In the automobile industry, which is the main customer of our products, manufacturers are shifting production sites offshore, and the domestic market is contracting. Meanwhile, production is forecast to trend upwards globally due to growth markets in China and emerging countries as well as recovery of the North American market. Net sales of metalworking oils and fluids, our key products, are highly reliant on the automobile industry, and going forward, we will actively invest management resources in regions with expanding markets to grow our business performance. In addition, we will build strategies and structures capable of continuously improving profit and profitability and boost our competitiveness amidst the sharp rise in the price of raw materials due to yen depreciation.

Based on this understanding, we are following the basic policies below in the 17th Medium-Term Plan that started in April 2014 and deploying business with a global viewpoint throughout the world in addition to Japan.

1. Start up new production bases in India and Mexico, and accelerate business expansion in the three segments of Southeast Asia/India, North and South America, and China. At the same time, reinforce the research and development structure in each segment, start up the ASEAN Technical Center in Thailand, expand research facilities in the United States, and actively develop and launch new products that support technology and local needs, including in Mexico.
2. Create an organization that integrates sales and technology, and improve customer satisfaction by speeding up customer service and product development. Also, reorganize the agency network to boost sales.
3. Leverage the Yushiro global network to improve profits in Japan and overseas through accurate assessment of raw material information, selection of best suppliers, and supply of all product categories from the best production base.
4. Investigate development and commercialization of chemical products with applications in civil engineering and infrastructure sectors as well as aim to enter new business sectors through adoption of technology, business alliances and M&As.

## Future Issues and Challenges

We believe that we will need to tackle the following issues in order to make effective use of our overseas sites in North and South America, China, and Southeast Asia/India and boost our earnings amidst the global expansion in automobile production.

1. Structures to support global expansion of our business (secure and train human resources, including staff in each region, strengthen coordination between Japan and overseas)
2. Development of products that are differentiated from those of our competitors and reinforcement of service systems
3. Creation of a purchasing network that can adjust to fluctuations in raw material prices
4. Strengthened corporate governance for overseas subsidiaries and affiliates

## Basic policy for profit distribution

The Company's basic policy for profit distribution is to provide shareholder returns in consideration of our global business expansion and consolidated business results. Shareholder returns are determined upon consideration of the capital investments that are required to improve corporate value.

Fiscal Years ended March 31,	Yen in millions		U.S. dollars in thousands
	2015	2014	2015
Net sales	¥ 29,061	¥ 26,833	\$ 241,836
Operating income	1,569	1,409	13,062
Net income	1,703	1,495	14,173
Total assets	38,506	34,856	320,435
Net assets	29,015	25,604	241,456
Per Share Amounts			
	Yen		U.S. dollars
Net income per share	¥ 122.94	¥ 107.97	\$ 1.02
Cash dividends per share	38.00	34.00	0.31
Net assets per share	1,967.67	1,743.00	16.37

Notes : 1. U.S. dollar amounts, converted at the rate of ¥120.17 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., three domestic subsidiaries, twelve overseas subsidiaries and three affiliates, and its major businesses are the production and sales of metalworking oils and fluids, chemicals for building maintenance. We have also expanded our business to include the purchase and sale of products related to each business, logistics and other services.

### Review of Operations by Region

#### 1. Japan

In the metalworking oils and fluids business, despite a difficult business environment evidenced by lackluster domestic automobile production due to a slump in domestic demand, net sales exceeded those of the previous fiscal year as a result of sales expansion. In the building maintenance chemicals business, net sales fell short of those of the previous fiscal year due to the impact of the consumption tax hike.

As a result, net sales in Japan increased 0.8% over the previous fiscal year to ¥16,327 million. Segment income (operating income) fell 1.6% to ¥581 million.

#### 2. North and South America

In North and South America, net sales and profit exceeded those for the previous fiscal year thanks in part to increased demand from Japanese automobile manufacturers, our main customers, and the acquisition of new customers among American automobile manufacturers in view of the robust domestic economy in the United States. Net sales in Mexico, where a new plant was established in July 2014, also exceeded those of the previous fiscal year for the same reasons as outlined for the United States. Profits, however, were below the previous fiscal year as a result of increased startup costs incurred on the new plant. Meanwhile, in Brazil, automobile production declined sharply from the previous fiscal year due to the double impact of an economic recession and high inflation, resulting in net sales and profit both falling below those of the previous fiscal year.

As a result, net sales rose 17.0% over the previous fiscal year to ¥4,818 million. Segment income (operating income) fell 16.8% from the previous fiscal year to ¥173 million.

#### 3. China

The automobile industry in China experienced a sharp slowdown in growth, although the volume of automobile production exceeded the previous fiscal year. Japanese automobile manufacturers in China saw their market share eroded by American and European automakers. In addition, the steel industry witnessed the reduced growth of steel production due to the real estate market entering an adjustment phase, mainly in the housing market.

As a result of these circumstances, net sales grew 22.6% over the previous fiscal year to ¥4,476 million, backed by expansion in sales of cutting oil, the main product. Segment income (operating income) increased 53.9% over the previous fiscal year to ¥636 million.

#### 4. Southeast Asia/India

In Thailand and India, the volume of automobile production fell short of the previous fiscal year, while production in Indonesia grew sluggishly. Net sales, however, surpassed those of the previous fiscal year as the result of expansion in sales to Japanese automobile manufacturers and the acquisition of new customers. In Malaysia, domestic business faced an uphill battle due to a downturn in automobile production. Net sales nonetheless exceeded those of the previous fiscal year, backed by increased exports to the Philippines and Vietnam. Meanwhile, ATC (ASEAN Technical Center) in Thailand, which started becoming fully operational in April 2014, embarked on the development of products meeting the needs of the local market and has achieved good results, albeit at a gradual pace.

As a result, net sales rose 19.7% over the previous fiscal year to ¥3,438 million. Segment income (operating income) fell 5.9% from the previous fiscal year to ¥199 million due to increased costs associated with the start of production at the plant in India, which became fully operational in April 2014.

#### New Subsidiary

The Company acquired Japan Cee-Bee Chemical Co., Ltd. (hereafter referred to as JCBC) and made it a subsidiary on April 13, 2015. The purposes of the acquisition and the synergies to be gained include supplementing the Company's core business and to expand JCBC's business by leveraging the Company's overseas production bases.

### Subsidiaries and Associated Companies

#### Overseas Subsidiaries

Yushiro Manufacturing America Inc.  
783 West Mausoleum Road, P.O. Box 217  
Shelbyville, Indiana 46176-9720 U.S.A.  
Phone: (1) 317-398-9862 Fax: (1) 317-392-4818  
URL: <http://www.yushirousa.com/>

Yushiro Mexico S.A. de C.V.  
Plaza de la No.100 Interior 115 Edificio Puerto Interior Pisa 1  
Colonia Puerto Interior. CP 36275 Silao. Guanajuato. Mexico  
Phone: (52)-449-9123-133 ext.2

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

Shanghai Yushiro Chemical Industry Co., Ltd.  
881 Fulian Road, Baoshan District,  
Shanghai City, P.R. China 201906  
Phone: (86) 21-3604-1188 Fax: (86) 21-3604-0666  
URL: <http://www.yushiro.com.cn/>

Qidong Yushiro Chemical Industry Co., Ltd.  
New Qidong Port North  
Qidong City, Jiangsu, Province, P.R. China 226264  
Phone: (86) 513-8369-9942 Fax: (86) 513-8369-9943  
URL: <http://www.yushiro.com.cn/>

Yushiro Malaysia Sdn. Bhd.  
14, Jalan Utama 2/28, Pusat Perindustrian Maju Jaya,  
47100 Puchong, Selangor Darul Ehsan, Malaysia  
Phone: (60) 3-8061-9737 Fax: (60) 3-8062-2731  
URL: <http://www.yushiro.com.my/>

Yushiro (Thailand) Co., Ltd.  
AMATA Nakorn Industrial Estate 700/533 Moo7,  
Don Hua Roh, Muang, Chonburi 20000, Thailand  
Phone: (66) 3845-4873 Fax: (66) 3845-4879

Yushiro India Company Private Limited  
201, JMD Regent Square, M.G.Road,  
Gurgaon-122002 (Haryana), India  
Phone: (91)124-424-1650 Fax: (91)124-424-1652

PT. Yushiro Indonesia  
Jl. Maligi, Blok B-2B, Kawasan Industry KIIC,  
Karawang 41361-West Java, Indonesia  
Phone: (62)21-8911-4271 Fax: (62)26-7845-7934

#### Overseas Associated Companies

Buhmwoo Chemical Ind. Co., Ltd. & Buhmwoo Co., Ltd.  
70-3, Yangjae-Dong, Seocho-gu, 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)-02-2522-1313 Fax: (886)-02-2522-1363  
URL: <http://www.san-i.com.tw/>

## Business on metalworking oils and fluids

### What is "metalworking oils and fluids"

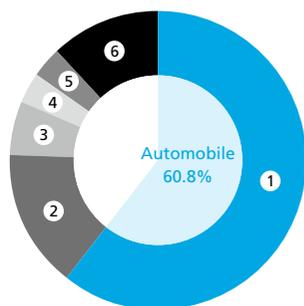
- Fluids used for processing steel and other metals into specific shapes.
- Important areas of fluid performance include lubricity, cooling ability, etc.
- Mainly used in the automotive, precision processing and semiconductor processing industries.

### 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



- 1. Automobile manufacturer and Automobile related: **60.8%**
- 2. Precision machinery: **15.0%**
- 3. Ball bearing manufacturer: **5.6%**
- 4. Steel industry: **3.5%**
- 5. Photo Voltaic/semiconductor: **3.4%**
- 6. Other: **11.7%**

Shares of sales by customers for the fiscal year ended March 2015.

### 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 60 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*.

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., in the United States; Yushiro do Brasil Ind. Quimica Ltda., in Brazil; Yushiro Mexico S.A. de C.V. in Mexico; Shanghai Yushiro Chemical Industry Co., Ltd., Qidong Yushiro Chemical Industry Co., Ltd., and Guangzhou Yushiro Oil & Fluids Co., Ltd., in China; Yushiro Malaysia Sdn. Bhd., in Malaysia; Yushiro (Thailand) Co., Ltd., in Thailand; Yushiro India Company Private Limited, in India; and P.T.Yushiro Indonesia in Indonesia; and our affiliates: Buhmwoo Chemical Industry Co., Ltd., and Buhmwoo Co., Ltd., in South Korea and San-I Chemical Co., Ltd., in Taiwan.

# CONSOLIDATED BALANCE SHEETS

(Unaudited)  
As of March 31, 2015 and 2014

Assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2015	2014	2015
<b>Current assets:</b>			
Cash and time deposits	¥ 6,010	¥ 5,462	\$ 50,018
Notes and accounts receivable–trade	5,694	5,581	47,387
Marketable securities	340	340	2,835
Inventories	3,678	3,121	30,613
Deferred tax assets	192	195	1,601
Other current assets	477	396	3,969
Allowance for doubtful accounts	(51)	(70)	(426)
Total current assets	16,342	15,026	135,998
<b>Fixed assets:</b>			
Buildings and structures	4,230	3,199	35,204
Machinery, equipment and vehicle	1,506	895	12,537
Tools, furnitures and fixtures	270	243	2,253
Land	4,170	4,252	34,705
Lease assets	32	21	271
Construction in progress	613	1,421	5,104
(Total property, plant and equipment)	10,824	10,033	90,076
(Total intangible fixed assets)	820	859	6,826
Investment in securities	3,872	3,175	32,227
Investments in subsidiaries and affiliates	5,381	4,528	44,782
Long-term loans receivable	7	5	59
Savings premium	559	530	4,657
Long-term time deposits	461	506	3,839
Deferred tax assets	23	24	197
Other assets	228	182	1,897
Allowance for doubtful accounts	(15)	(15)	(128)
(Total investments and other assets)	10,518	8,936	87,533
Total fixed assets	22,163	19,829	184,436
<b>Total assets</b>	<b>¥ 38,506</b>	<b>¥ 34,856</b>	<b>\$ 320,435</b>

Liabilities and net assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2015	2014	2015
<b>Current liabilities:</b>			
Notes and accounts payable–trade	¥ 3,760	¥ 3,768	\$ 31,290
Short–term borrowings	1,773	1,422	14,762
Accounts payable–other	657	689	5,475
Accrued corporate taxes	174	192	1,449
Accrued bonuses	506	452	4,212
Deferred tax liabilities	5	9	46
Other current liabilities	845	773	7,037
Total current liabilities	7,723	7,308	64,272
<b>Long-term liabilities:</b>			
Long-term debt	120	240	1,006
Accrued retirement allowances for directors	114	267	950
Net defined benefit liability	852	1,065	7,096
Deferred tax liabilities	468	184	3,898
Other long-term liabilities	210	183	1,754
Total long-term liabilities	1,767	1,943	14,706
<b>Total liabilities</b>	<b>9,490</b>	<b>9,251</b>	<b>78,978</b>
<b>Net assets:</b>			
Shareholders' equity	26,300	25,036	218,861
Common stock	4,249	4,249	35,361
Capital surplus	3,994	4,058	33,241
Retained earnings	18,106	18,183	150,676
Treasury stock	(50)	(1,454)	(417)
Accumulated other comprehensive income	958	(889)	7,977
Net unrealized gains on securities	1,391	875	11,577
Currency translation adjustments	(328)	(1,635)	(2,733)
Remeasurements of defined benefit plans	(104)	(129)	(866)
(Total minority interests)	1,756	1,457	14,616
<b>Total net assets</b>	<b>29,015</b>	<b>25,604</b>	<b>241,456</b>
<b>Total liabilities and net assets</b>	<b>¥ 38,506</b>	<b>¥ 34,856</b>	<b>\$ 320,435</b>

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)  
For the Years Ended March 31, 2015 and 2014

	Millions of yen		U.S. dollars in thousands (Note 5)
	2015	2014	2015
<b>Net sales</b>	¥ 29,061	¥ 26,833	\$ 241,836
<b>Cost of sales</b>	20,934	19,416	174,206
Gross profit	8,127	7,416	67,630
<b>Selling, general and administrative expenses</b>	6,557	6,006	54,567
Operating income	1,569	1,409	13,062
Interest and dividend income	221	178	1,846
Equity in earnings of associated companies	602	619	5,012
Other income	199	166	1,660
Interest expenses	32	20	274
Other expenses	38	68	321
Ordinary income	2,521	2,285	20,986
Gain from sale of fixed assets	70	4	582
Gain on sales of investment securities	136	–	1,138
Other extraordinary income	5	3	43
Loss on disposal of fixed assets	1	10	14
Other extraordinary losses	0	10	4
Income before income taxes	2,731	2,272	22,733
Corporate, local income enterprise taxes	629	544	5,234
Deferred taxes	82	6	684
Total income taxes	711	551	5,919
Income before minority interests	2,020	1,721	16,813
Minority interests	(317)	(225)	(2,639)
<b>Net income</b>	¥ 1,703	¥ 1,495	\$ 14,173

Note: Amendments have been made to the categorization of some items recorded under Cost of sales, and Selling, general and administrative expenses in order to more accurately reflect our business results starting from the current fiscal year. The comparison with the current fiscal year indicates post-amendment figures.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
For the Years Ended March 31, 2015 and 2014

	Millions of yen		U.S. dollars in thousands (Note 5)
	2015	2014	2015
<b>Cash flows from operating activities:</b>	¥ 1,525	¥ 1,981	\$ 12,692
<b>Cash flows from investing activities:</b>	(923)	(2,756)	(7,687)
<b>Cash flows from financing activities:</b>	(504)	(509)	(4,198)
Effect of exchange rate changes on cash and cash equivalents	246	252	2,051
Net increase (decrease) in cash and cash equivalents	343	(1,032)	2,857
Cash and cash equivalents at beginning of year	4,809	5,841	40,020
Cash and cash equivalents at end of year	¥ 5,152	¥ 4,809	\$ 42,878

# IMPORTANT POINTS FORMING THE BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

## 1. Scope of Consolidation

The scope of consolidation includes all 12 consolidated subsidiaries: Yushiro Unso Co., Ltd., Yushiro General Service Co., Ltd., Yushiro Manufacturing America Inc., Yushiro do Brasil Indústria Química Ltda., Yushiro Mexico S.A. de C.V., Shanghai Yushiro Chemical Industry Co., Ltd., Qidong Yushiro Chemical Industry Co., Ltd., Guangzhou Yushiro Oil & Fluids Co., Ltd., Yushiro Malaysia Sdn. Bhd., Yushiro (Thailand) Co., Ltd., Yushiro India Company Private Limited, and P.T. Yushiro Indonesia.

## 2. Application of the Equity Method

The three 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.

## 3. Fiscal Years of the Consolidated Subsidiaries

The fiscal year-end of the overseas subsidiaries, with the exception of Yushiro India Company Private Limited, is December 31. The fiscal year-end of Yushiro India Company Private Limited is March 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 January 1 and March 31, 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/losses 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 cost method by the aggregate monthly average 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 domestic subsidiaries use the declining-balance method (however, the straight-line method is adopted for laboratory test building at the Company's technical research center, on which construction was completed in 1997 and 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 depreciable 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 conducted 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 deemed as the useful life, with a zero residual value, is used.

#### 4. Long-term prepaid expenses

The straight-line method is adopted.

### (4) 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.

### (5) Reserves

#### 1. Allowance for doubtful accounts

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

#### 2. Accrued bonuses

The accrued bonuses are provided at an estimated amount in order to recognize expenses for bonuses paid to employees over the corresponding period.

#### 3. Reserve for directors' bonuses

At our subsidiaries Shanghai Yushiro Chemical Industry Co., Ltd. and Qidong 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.

#### 4. Accrued retirement allowances for directors

In order to prepare the reserve for retirement allowances for directors, the Company and its subsidiaries Yushiro Unso, Ltd. and Yushiro General Service Co., Ltd. recognized the retirement allowances for directors at the estimated amount on the consolidated balance sheet date based on the internal regulations.

### (6) Accounting treatment for employees' retirement benefits

Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, the benefit formula method is the method used for attributing expected retirement benefits to periods up to the end of the consolidated fiscal year under review.

Treatment of actuarial difference and prior service costs

Prior service cost is posted as expenses on a straight-line basis over a certain period (10 years) within the average remaining service years of employees as of the time of accrual.

For actuarial differences, the amount divided by a straight-line basis over a certain period (10 years) within the remaining service years of employees as of the time of accrual during each consolidated fiscal year is posted as expenses from the consolidated fiscal year following the fiscal year of accrual.

### (7) Scope of funds contained within the consolidated statements of cash flows

The funds (cash and cash equivalents) included in the consolidated statements of cash flows consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with maturities within three months from the acquisition date that can be easily liquidated and are exposed to only a minimal value fluctuation risk.

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

Accounting treatment of consumption tax, etc.

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

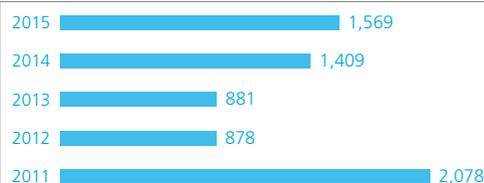
## 5. The U.S. dollar amounts in the financial statements for the fiscal year ended March 31, 2015, represent translation of Japanese yen at the rate of ¥120.17=US\$1.00.

## FINANCIAL INDICATORS

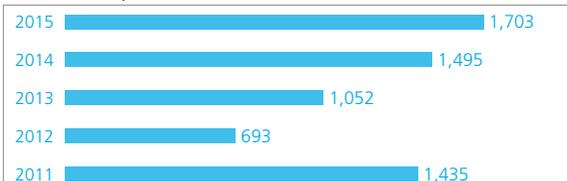
### Net Sales (yen in million)



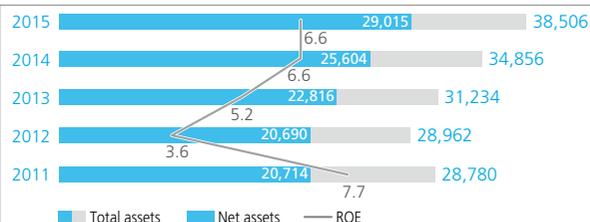
### Operating Income (yen in million)



### Net Income (yen in million)



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



## CORPORATE DATA (as of March 31, 2015)

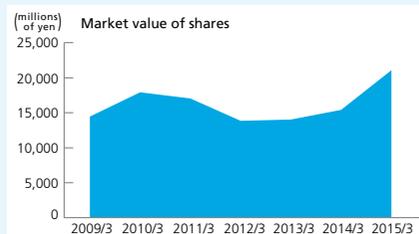
Head Office	34-16, 2-chome, Chidori, Ota-ku, Tokyo 146-8510, Japan Phone: (03) 3750-6761 Fax: (03) 3750-1146 URL: <a href="http://www.yushiro.co.jp">http://www.yushiro.co.jp</a>
Capital	¥4,249 million
Employees	321
Established	July 24, 1944
Branch Offices	Tokyo, Nagoya and Osaka
Sales Offices	Hokkaido, Tohoku, Kitakanto, Hamamatsu, Hokuriku, Fukuyama, Hiroshima and Kyushu

### Directors and Auditors (as of June 24, 2015)

President	Eiichi Ogo	Standing Auditors	Satoshi Sasaki
Managing Directors	Yuji Kishi Tatsuharu Hyakusoku	Auditor (CPA)	Yoshihiro Sakaguchi Akitaka Nozue
Directors	Shinji Hamamoto Masanori Arisaka Hisao Katayama		

## STOCK INFORMATION (as of March 31, 2015)

Number of shares issued	13,900,065
Trading unit	100
Total number of shareholders	5,538
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	2014.4	2014.5	2014.6	2014.7	2014.8	2014.9	2014.10	2014.11	2014.12	2015.1	2015.2	2015.3
High (Yen/share)	1,049	1,231	1,313	1,392	1,320	1,576	1,530	1,505	1,876	1,909	1,878	1,626
Low (Yen/share)	964	1,012	1,201	1,230	1,235	1,284	1,317	1,381	1,450	1,683	1,517	1,501
Trading volume (Hundred of shares)	2,448	5,734	12,004	9,275	5,532	9,771	8,115	6,245	13,317	9,079	17,119	13,517