

The way of mutual progress

ANNUAL REVIEW 2021

For the Year Ended March 31, 2021

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 financial year, the global economy stagnated during the period from April to June due to the impact from lockdowns resulting from the spread of the novel coronavirus (COVID-19), other than in China where the virus was swiftly contained, and measures implemented by each country to prevent the spread of COVID-19. Although the economy itself subsequently made a moderate recovery, partly as the result of prevention measures, there are still no signs of the virus being contained, and the future outlook remains uncertain. Although the Japanese economy gradually recovered after the state of emergency was lifted in May 2020, led by the manufacturing industry, the spread of COVID-19, which still shows no sign of coming to an end, as evidenced by the declaration of a third state of emergency in April 2021, is having an impact on economic recovery. Under such conditions, Japanese automobile manufacturers and automotive parts manufacturers, which are the Company's main customers, are being driven by the rapid recovery in China, despite concerns over the shortage of semiconductors, and are recovering although there are minor differences depending on the manufacturer and region.

Under these circumstances, net sales decreased 15.1% from the previous fiscal year to ¥31,661 million. Due to the drop in net sales, operating income fell 50.5% from the previous fiscal year to ¥1,095 million, ordinary income decreased 44.2% to ¥1,517 million, and net income attributable to owners of parent fell 48.9% to ¥978 million.

With regard to the economic situation in fiscal 2021, there is still no sign of the spread of COVID-19 being contained and the future outlook remains uncertain. In addition, the global volume of automobile production is expected to recover, despite the tightening supply and demand of semiconductors.

Under these circumstances, by further strengthening our collaboration with the U.S. company QualiChem, Inc. and by investing management resources in regions where we anticipate demand and in the development of new business fields, we will aim to strengthen our management base and improve our corporate value.

With regard to our consolidated business results for fiscal 2021, we anticipate net sales of ¥36,000 million (up 13.7% year-on-year), operating income of ¥1,800 million (up 64.3% year-on-year), ordinary income of ¥2,100 million (up 38.4% year-on-year), and net income attributable to owners of parent of ¥1,300 million (up 32.9% year-on-year).

Business segment	Previous Fiscal Year (April 1, 2019 through March 31, 2020)		Current Fiscal Year (April 1, 2020 through March 31, 2021)		Increase/ Decrease %
	Million yen	%	Million yen	%	
Japan	17,078	45.8	14,409	45.5	84.4
North and South America	11,280	30.3	9,381	29.6	83.2
China	4,340	11.6	4,466	14.1	102.9
Southeast Asia / India	4,575	12.3	3,403	10.8	74.4
Total	37,274	100.0	31,661	100.0	84.9

Medium-term Plan

The Yushiro Group has formulated a Medium-term Plan covering the three years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024 with the objective of becoming a company that continues to exist beyond its 100th year of founding.

1. Business environment and the Group's response

Although there is still no sign of the spread of COVID-19 being contained and the future outlook remains uncertain, the global economy is little by little heading toward recovery. In addition, the global volume of automobile production is expected to recover, despite the tightening supply and demand of semiconductors.

Under these circumstances, the Company has formulated the 19th Medium-term Plan, “RECOVER PLUS,” covering the three years from fiscal 2021 to fiscal 2023. Under the plan, utilizing the technological capabilities we have accumulated as a company with the top domestic market share in metalworking oils and fluids, our in-depth customer-first attitude, and our global expansion, we will recover to the level of our fiscal 2019 business results by fiscal 2022, and achieve the effects of the strategy we formulated by realizing record-high net sales and income in fiscal 2023.

2. Basic policy of the 19th Medium-term Plan, "RECOVER PLUS"

(a) Strengthen our management base

- Break away from our dependence on the automobile industry in the field of metalworking oils and fluids
- Restructure our business model

(b) Improve profitability

- Expand our entry into the aircraft parts and medical parts markets
- Streamline and improve the efficiency of operations through the use of ICT technology

(c) Promote ESG strategy

- Formulate environmental goals
- Further promote industry-academia collaboration
- Management with an awareness of capital efficiency

3. Management targets for the final fiscal year (fiscal 2023)(consolidated)

	Fiscal 2019 results	Fiscal 2020 results	Fiscal 2023 plan
Net sales	¥37.2 billion	¥31.6 billion	¥40.0 billion
Operating income	¥2.2 billion	¥1.0 billion	¥3.1 billion
Ordinary income	¥2.7 billion	¥1.5 billion	¥3.5 billion
Net income	¥1.9 billion	¥0.9 billion	¥2.3 billion

4. Financial strategy

The financial policy is to optimize the Group's funds, improve the liquidity of cash on hand, and maintain financial stability in order to improve the medium- to long-term corporate value, invest in the facilities, R&D and new businesses required for sustainable growth, and return profits to shareholders, and the goal is to achieve consolidated ROE of 8%.

5. Dividend policy

In addition to the idea that prioritizing investments that lead to improved corporate value and sustainable growth ultimately contributes to the common interests of stakeholders, the policy is to make the return of profits to shareholders an important management measure, and to pay stable and continuous dividends with a payout ratio of 30% or more.

Fiscal Years ended March 31,	Yen in millions		U.S. dollars in thousands
	2021	2020	2021
Net sales	¥ 31,661	¥ 37,274	\$ 285,982
Operating income	1,095	2,213	9,897
Net income	978	1,913	8,837
Total assets	48,369	47,320	436,906
Net assets	32,170	31,867	290,581
Per Share Amounts			
	Yen		U.S. dollars
Net income per share	¥ 72.03	¥ 140.91	\$ 0.65
Cash dividends per share	38.00	48.00	0.34
Net assets per share	2,217.95	2,194.75	20.03

Notes : 1. U.S. dollar amounts, converted at the rate of ¥110.71 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, fourteen overseas subsidiaries and three affiliates, and its major businesses are the production and sales of metalworking oils and fluids, chemicals for building maintenance. We are going to expand our business in growing areas globally as well as a domestic market continuously.

Review of Operations by Region

Japan

The operating rate by major customers has recovered considerably but the decrease in sales in the first quarter due to the spread of COVID-19 has had a significant impact. As a result, segment net sales fell 15.6% from the previous fiscal year to ¥14,409 million. Segment income decreased 95.8% from the previous fiscal year to ¥31 million, despite having posted losses for the first three quarters of the fiscal year.

North and South America

The recovery of the operating rate among main customers resulting from an increase in automobile production, and the U.S. company QualiChem, Inc.'s high number of customers in industries not easily affected by COVID-19 were not enough to offset the first half slump. As a result, segment net sales decreased 16.8% from the previous fiscal year to ¥9,381 million. Segment income fell 32.9% from the previous fiscal year to ¥661 million.

China

Business results slumped sharply in January and February due to the impact from the spread of COVID-19. However, partly as a result of the rapid recovery since April, segment net sales remained largely unchanged from the previous fiscal year at ¥4,466 million. Segment income increased 46.6% from the previous fiscal year to ¥421 million due to cost reductions.

Southeast Asia/India

Despite some variations among bases due to the degree of impact from the spread of COVID-19, the segment overall is in a recovery trend, partly as the result of the tax reduction effect when purchasing automobiles in Malaysia and Indonesia. As a result, segment net sales decreased 25.6% from the previous fiscal year to ¥3,403 million. Segment income fell 41.6% to ¥346 million.

Subsidiaries and Associated Companies

Domestic Subsidiaries

Yushiro Unso Co., Ltd.
1157-2 aza-Yubunepara, Yubune, Oyama-cho,
Sunto-gun, Shizuoka JAPAN
Phone: (0550)86-1112 Fax: (0550)76-1034

Yushiro General Service Company
1157-2 aza-Yubunepara, Yubune, Oyama-cho,
Sunto-gun, Shizuoka JAPAN
Phone: (0550)86-1113 Fax: (0550)76-1034

The Japan Cee-Bee Chemical Co., Ltd.
Omori Plaza Bldg.4F, 3-28-3 Minamioi, Shinagawa-ku, Tokyo JAPAN
Phone: (03)5767-6431 Fax: (03)5767-6437
URL: <http://www.jcbchem.co.jp/>

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: <https://www.yushirousa.com/>

QualiChem, Inc.
2003 Salem Industrial Dr, Salem, VA 24153, USA
Phone: (1) 540-375-6700 Fax: (1) 540-375-3880
URL: <https://www.qualichem.com/>

Yushiro do Brasil Indústria Química Ltda.
Av. Henry Néstle, 3100 Caçapava, CEP. 12286-140,
São Paulo, Brazil
Phone: (55) 12-3654-8100 Fax: (55) 12-3654-8101
URL: <http://www.yushiro.com.br/>

Yushiro Mexico S.A. de C.V.
Av. Mina de Guadalupe 478 Parque Industrial Santa Fe IV
Guanajuato Puerto Interior, CP 36275
Silao, Guanajuato, Mexico
Phone: (52)472-748-9208
URL: <http://yumex.mx/>

Shanghai Yushiro Chemical Industry Co., Ltd.
881 Fulian Road, Guncun Industrial Park,
Baoshan District, Shanghai, China
Phone: (86)21-3604-1188 Fax: (86)21-3604-0916
URL: <http://www.yushiro.com.cn/>

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

Yushiro Malaysia Sdn. Bhd.
7, Jalan TPP 3, Taman Perindustrian Putra, 47130 Puchong,
Selangor Darul Ehsan, Malaysia
Phone: (60) 3-8069-9390 Fax: (60) 3-8051-3946
URL: <http://www.yushiro.com.my/>

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

Siam Cee-Bee Chemical Co., Ltd.
700/936, Moo 5, Amatanakorn Industrial Estate,
T.Nongkhaka, A.Phanthong, Chonburi 20160 THAILAND
Phone: (66)038-210-772 Fax: (66)038-210-776

Yushiro India Company Private Limited
608. J. M. D. Pacific Square Sector-15, Part-II,
Gurgaon 122002, Haryana, India
Phone: (91)124-424-1650 Fax: (91)124-424-1652

PT. Yushiro Indonesia
Jl. Maligi 1, Blok B-2B, Kawasan Industri KIIC,
Karawang 41361-Java Barat, Indonesia
Phone: (62)21-8911-4271 Fax: (62)26-7845-7934
URL: <http://www.yushiro.co.id/>

Yushiro Vietnam Co., Ltd.
No.7, Ly Tu Trong Street, Ben Nghe Ward, District 1,
HoChiMinh City, Viet Nam
Phone: (84)0-28-22537355

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)2-2522-1313 Fax: (886)2-2522-1363
URL: <http://www.san-i.com.tw/>

Business on metalworking oils and fluids

What is "metalworking oils and fluids"

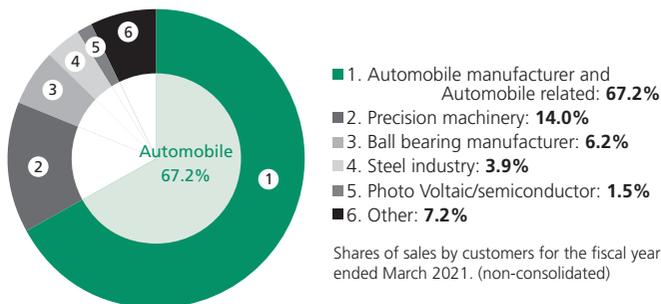
- Fluids used for processing steel and other metals into specific shapes.
- Important areas of fluid performance include lubricity, cooling ability, etc.
- Mainly used in the automotive, precision processing and semiconductor processing industries.

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



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 of Cutting Fluids & Cutting Technology

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 more than 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., QualiChem, 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;

P.T.Yushiro Indonesia in Indonesia;

and our affiliates;

Buhmwoo Chemical Industry Co., Ltd., and Buhmwoo Co., Ltd., in South Korea;

San-I Chemical Co., Ltd., in Taiwan.

CONSOLIDATED BALANCE SHEETS

(Unaudited)
As of March 31, 2021 and 2020

Assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2021	2020	2021
Current assets:			
Cash and time deposits	¥ 8,077	¥ 7,160	\$ 72,961
Notes and accounts receivable–trade	6,723	6,636	60,734
Inventories	4,072	4,333	36,781
Other current assets	471	486	4,256
Allowance for doubtful accounts	(14)	(13)	(128)
Total current assets	19,330	18,603	174,606
Fixed assets:			
Buildings and structures	4,308	4,760	38,915
Machinery, equipment and vehicle	1,391	1,489	12,569
Tools, furnitures and fixtures	378	482	3,419
Land	5,137	5,162	46,403
Lease assets	87	89	789
Construction in progress	22	101	205
(Total property, plant and equipment)	11,325	12,086	102,303
Goodwill	1,871	2,167	16,906
Customer relationship	1,754	1,962	15,847
Technical assets	567	647	5,123
Trademark right	497	568	4,493
Other intangible fixed assets	510	608	4,611
(Total intangible fixed assets)	5,201	5,954	46,982
Investment in securities	4,261	3,141	38,494
Investments in subsidiaries and affiliates	6,522	6,426	58,917
Long-term loans receivable	246	0	2,224
Savings premium	644	656	5,821
Long-term time deposits	11	1	106
Deferred tax assets	92	151	834
Other assets	747	314	6,752
Allowance for doubtful accounts	(15)	(15)	(139)
(Total investments and other assets)	12,511	10,676	113,013
Total fixed assets	29,039	28,717	262,299
Total assets	¥ 48,369	¥ 47,320	\$ 436,906

Liabilities and net assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2021	2020	2021
Current liabilities:			
Notes and accounts payable–trade	¥ 3,554	¥ 3,705	\$ 32,108
Short–term borrowings	3,411	2,344	30,815
Accounts payable–other	854	888	7,719
Accrued corporate taxes	117	251	1,061
Accrued bonuses	396	396	3,578
Other current liabilities	1,423	1,306	12,859
Total current liabilities	9,758	8,893	88,143
Long-term liabilities:			
Long-term debt	3,428	3,646	30,969
Net defined benefit liability	1,234	1,221	11,151
Accrued retirement allowances for directors	146	147	1,319
Deferred tax liabilities	1,316	1,166	11,892
Other long-term liabilities	315	377	2,847
Total long-term liabilities	6,441	6,559	58,180
Total liabilities	16,199	15,453	146,324
Net assets:			
Common stock	4,249	4,249	38,383
Capital surplus	4,014	4,014	36,258
Retained earnings	24,835	24,577	224,333
Treasury stock	(415)	(427)	(3,753)
Shareholders' equity	32,684	32,414	295,222
Net unrealized gains on securities	1,649	731	14,895
Currency translation adjustments	(4,129)	(3,261)	(37,302)
Remeasurements of defined benefit plans	(70)	(86)	(635)
Accumulated other comprehensive income	(2,550)	(2,615)	(23,041)
(Total minority interests)	2,037	2,069	18,401
Total net assets	32,170	31,867	290,581
Total liabilities and net assets	¥ 48,369	¥ 47,320	\$ 436,906

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)
For the Years Ended March 31, 2021 and 2020

	Millions of yen		U.S. dollars in thousands (Note 5)
	2021	2020	2021
Net sales	¥ 31,661	¥ 37,274	\$ 285,982
Cost of sales	21,809	25,504	196,996
Gross profit	9,851	11,769	88,986
Selling, general and administrative expenses	8,755	9,555	79,088
Operating income	1,095	2,213	9,897
Non-operating income (expenses):			
Interest and dividend income	124	183	1,125
Equity in earnings of associated companies	174	382	1,575
Subsidy income	175	–	1,586
Other income	88	89	800
Interest expenses	(46)	(47)	(424)
Other expenses	(94)	(104)	(854)
Sub-total	421	504	3,808
Ordinary income	1,517	2,718	13,705
Extraordinary profit (losses)			
Gain on sale of businesses	51	–	461
Gain on sales of fixed assets	–	18	–
Gain on sale of investment securities	55	–	497
Loss on valuation of investment securities	–	(2)	–
Loss on valuation of investments in capital of subsidiaries and associates	65	–	595
Sub-total	40	16	363
Income before income taxes	1,557	2,734	14,068
Income taxes			
Current	408	667	3,686
Deferred	(74)	(62)	(668)
Total income taxes	334	604	3,017
Net income	1,223	2,129	11,051
Net income attributable to non-controlling interests	(245)	(215)	(2,214)
Net income attributable to owners of parent	¥ 978	¥ 1,913	\$ 8,837

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
For the Years Ended March 31, 2021 and 2020

	Millions of yen		U.S. dollars in thousands (Note 5)
	2021	2020	2021
Cash flows from operating activities:	¥ 1,574	¥ 2,829	\$ 14,223
Cash flows from investing activities:	(555)	(1,111)	(5,015)
Cash flows from financing activities:	208	(1,508)	1,882
Effect of exchange rate changes on cash and cash equivalents	(251)	(6)	(2,270)
Net increase (decrease) in cash and cash equivalents	976	202	8,819
Cash and cash equivalents at beginning of year	7,150	6,947	64,586
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(59)	–	(534)
Cash and cash equivalents at end of year	¥ 8,067	¥ 7,150	\$ 72,871

IMPORTANT POINTS FORMING THE BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

The scope of consolidation includes 14 consolidated subsidiaries: Yushiro Unso Co., Ltd., Yushiro General Service Co., Ltd., Japan Cee-Bee Chemical Co., Ltd., Yushiro Manufacturing America Inc., QualiChem, 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., Yushiro Malaysia Sdn. Bhd., Yushiro (Thailand) Co., Ltd., Siam Cee-Bee Chemical 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. 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. However, the last purchase price method is used for fuel out of supplies.)

(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 the laboratory wing at the Kanagawa Technical Center, on which construction was completed in 1997, for buildings acquired on or after April 1, 1998 (with the exception of annexed facilities), and for annexed facilities and structures acquired on or after April 1, 2016). 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.

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). Additionally, customer relationship, technical assets, and trademark right are evenly amortized over 20 years, 15 years, and 15 years, respectively, for the period during which they are effective.

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 gain or loss. Assets and liabilities of overseas subsidiaries, etc. are converted to yen at the actual market

exchange rate on the consolidated closing date. Profit and expenses are converted to yen at the average market rate during the period, and the effect of exchange rate changes is included under currency translation adjustments and total minority interests in net assets.

(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 some subsidiaries, 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 cost

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

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 occurrence.

Unrecognized actuarial difference and unrecognized prior service cost are provided as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after adjusting for tax effects.

Adoption of simplified method for small-scale enterprises

Certain consolidated subsidiaries adopt a simplified method for calculating retirement benefit liabilities and retirement benefits whereby the Company's retirement benefit obligation is equal to the amount of retirement benefits payable assuming that all employees are voluntarily retired at the end of the fiscal year.

(7) Goodwill amortization method and amortization period

Goodwill is evenly amortized over the effective period (13 years).

(8) 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.

(9) 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.

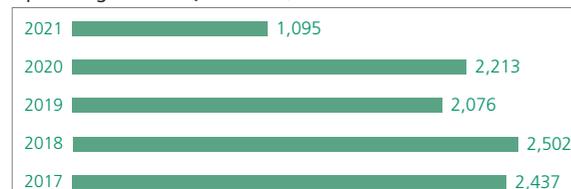
5. The U.S. dollar amounts in the financial statements for the fiscal year ended March 31, 2021, represent translation of Japanese yen at the rate of ¥110.71=US\$1.00.

FINANCIAL INDICATORS

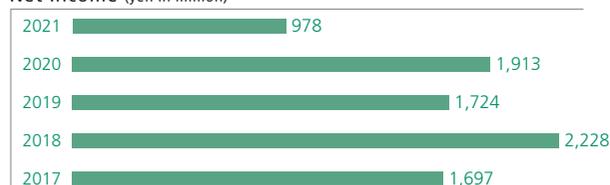
Net Sales (yen in million)



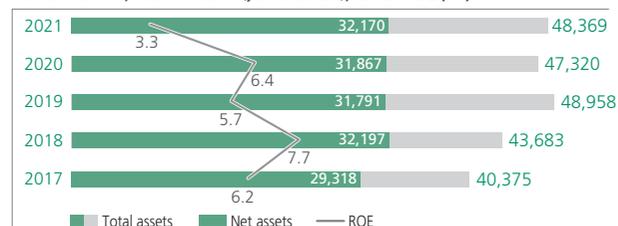
Operating Income (yen in million)



Net Income (yen in million)



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



CORPORATE DATA (as of March 31, 2021)

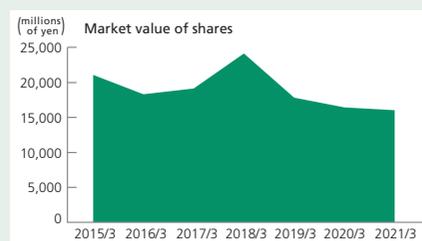
Head Office	34-16, 2-chome, Chidori, Ota-ku, Tokyo 146-8510, Japan Phone: (03) 3750-6761 Fax: (03) 3750-1146 URL: https://www.yushiro.co.jp
Capital	¥4,249 million
Employees	306
Established	July 24, 1944
Branch Offices	Tokyo, Nagoya and Osaka
Sales Offices	Hokkaido, Tohoku, Kitakanto, Hamamatsu, Fukuyama, Hiroshima and Kyushu

Directors and Auditors (as of June 24, 2021)

President	Eiichi Ogo	Directors (Audit Committee Members)	Katsuko Iizuka
Senior Managing Directors	Masanori Arisaka Shingo Kikuchi		Miki Koshiba Toshio Yamazaki
Directors	Seiji Takahashi Kazushige Kobayashi Masafumi Nakano		

STOCK INFORMATION (as of March 31, 2021)

Number of shares issued	13,900,065
Trading unit	100
Total number of shareholders	4,343
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.



Term	2020/4	2020/5	2020/6	2020/7	2020/8	2020/9	2020/10	2020/11	2020/12	2021/1	2021/2	2021/3
High (Yen/share)	1,184	1,300	1,379	1,370	1,355	1,425	1,408	1,363	1,223	1,176	1,180	1,237
Low (Yen/share)	1,066	1,115	1,233	1,236	1,219	1,242	1,290	1,164	1,078	1,053	1,061	1,081
Trading volume (Hundred of shares)	249,700	182,700	238,700	117,300	113,700	219,000	92,800	171,300	216,200	206,300	314,700	1,057,600