

# ANNUAL REVIEW 2016

For the Year Ended March 31, 2016

**The way of mutual progress**



YUSHIRO CHEMICAL INDUSTRY CO., LTD.

## 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 overseas economy continued in an expansionary trend, albeit still a moderate one. This was attributable to robust personal consumption in the United States backed by the improved employment situation, despite economies in emerging countries losing momentum, as evidenced by the slowing economic growth rate in China. The Japanese economy has yet to make a full recovery partly due to the sluggish growth of personal consumption, although corporate performance is in an improving trend.

Under these circumstances, net sales in Japan grew 5.6% over the previous fiscal year to ¥30,680 million as the result of the Company's increased market share among Japanese manufacturers of automobiles and components, our main customers, and the contribution from Japan Cee-Bee Chemical Co., Ltd., which was made a subsidiary from the current fiscal year. Additionally, operating income rose 38.2% over the previous fiscal year to ¥2,169 million. Ordinary income increased 16.9% to ¥2,947 million, and net income attributable to owners of parent grew 17.0% over the previous fiscal year to ¥1,993 million, partly thanks to the ¥541 million gain on negative goodwill booked as the result of the acquisition of Japan Cee-Bee Chemical Co., Ltd.

Business segment	Previous Fiscal Year (April 1, 2014 through March 31, 2015)		Current Fiscal Year (April 1, 2015 through March 31, 2016)		Increase/ Decrease %
	Million yen	%	Million yen	%	
Japan	16,327	56.2	16,742	54.6	102.5
North and South America	4,818	16.6	5,345	17.4	110.9
China	4,476	15.4	4,685	15.3	104.7
Southeast Asia / India	3,438	11.8	3,906	12.7	113.6
Total	29,061	100.0	30,680	100.0	105.6

### 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 for the Yushiro Group to achieve sustainable growth, we must expand our business performance in the growth regions of North and South America, China, and Southeast Asia/India and grow domestic business territories. We will therefore tackle the following issues.

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 and compliance for our group companies
5. Promotion of greater efficiency through selection and integration of existing businesses

## 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
	2016	2015	2016
Net sales	¥ 30,680	¥ 29,061	\$ 272,280
Operating income	2,169	1,569	19,253
Net income	1,993	1,703	17,690
Total assets	39,168	38,506	347,605
Net assets	28,536	29,015	253,256
Per Share Amounts			
	Yen		U.S. dollars
Net income per share	¥ 143.89	¥ 122.94	\$ 1.27
Cash dividends per share	40.00	38.00	0.35
Net assets per share	1,935.65	1,967.67	17.17

Notes : 1. U.S. dollar amounts, converted at the rate of ¥112.68 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.

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 are going to expand our business in growing areas globally as well as a domestic market continuously.

## REVIEW OF OPERATIONS

### Review of Operations by Region

#### 1. Japan

Segment net sales in Japan grew 2.5% over the previous fiscal year to ¥16,742 million as the result of the contribution from Japan Cee-Bee Chemical Co., Ltd. Segment income (operating income) rose 3.5% to ¥601 million, thanks to the impact from the drop in oil prices and efforts at cost reductions.

#### 2. North and South America

Net sales in the North America region (America and Mexico) exceeded those for the previous fiscal year, driven by robust automobile sales in the United States where a trend of moderate economic expansion continues. Net sales in Brazil fell below those for the previous fiscal year due to the deteriorating economy. As a result, segment net sales grew 10.9% over the previous fiscal year to ¥5,345 million.

Profits rose thanks to increased sales in the United States and a decrease in the price of raw materials, despite the lower profit posted by the subsidiary in Brazil and a continued deficit due to costs incurred for the startup of the new plant in Mexico. As a result, segment income grew 79.9% over the previous fiscal year to ¥312 million.

#### 3. China

Net sales in China fell from the previous fiscal year on a local currency basis due to the impact from the economic slowdown. Segment net sales, however, rose 4.7% over the previous fiscal year to ¥4,685 million due to the foreign exchange rate.

Segment income rose 18.9% to ¥756 million thanks to the effect from lower oil prices and reductions in the price of raw materials.

#### 4. Southeast Asia/India

In Thailand, the volume of automobile production remained almost unchanged from the previous fiscal year, while production volume in Indonesia, including motorcycles, fell short of the previous fiscal year. Sales, however, grew thanks to an increased market share among existing customers. In India, sales exceeded those of the previous fiscal year as the result of an increase in market share among existing customers and sales growth in the casting products. In Malaysia, sales decreased due to the impact from declining sales of cutting oil for solar batteries. As a result, segment net sales rose 13.6% over the previous fiscal year to ¥3,906 million.

Profits surpassed the previous fiscal year thanks to sales growth in Thailand and Indonesia, although profit in Malaysia decreased for the same reason that led to a drop in net sales. Meanwhile, in India, profit ratio improved and the deficit decreased sharply thanks to the complete transition to locally manufactured products, which had been underway since the start of production at the new plant in April 2014. As a result, segment income grew 153.6% over the previous fiscal year to ¥505 million.

#### 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 strengthening the Company's core business and to expand JCBC's business by leveraging the Company's overseas 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 do Brasil Indústria Química Ltda.  
Av. Henry Nestlé, 3100 Caçapava, CEP 12281-970,  
São Paulo, Brazil  
Phone: (55) 12-3654-8100 Fax: (55) 12-3654-8101

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

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"

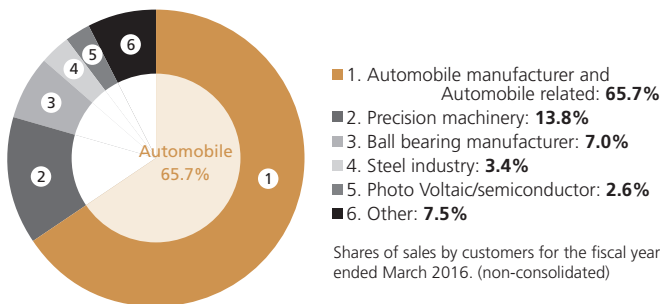
- Fluids used for processing steel and other metals into specific shapes.
- Important areas of fluid performance include lubricity, cooling ability, etc.
- Mainly used in the automotive, precision processing and semiconductor processing industries.

### 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



### 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., 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, 2016 and 2015

Assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2016	2015	2016
<b>Current assets:</b>			
Cash and time deposits	¥ 6,609	¥ 6,010	\$ 58,654
Notes and accounts receivable–trade	5,802	5,694	51,495
Marketable securities	340	340	3,025
Inventories	3,265	3,678	28,984
Deferred tax assets	189	192	1,684
Other current assets	379	477	3,368
Allowance for doubtful accounts	(22)	(51)	(199)
Total current assets	16,565	16,342	147,013
<b>Fixed assets:</b>			
Buildings and structures	4,158	4,230	36,905
Machinery, equipment and vehicle	1,270	1,506	11,271
Tools, furnitures and fixtures	250	270	2,220
Land	5,188	4,170	46,045
Lease assets	23	32	208
Construction in progress	781	613	6,931
(Total property, plant and equipment)	11,671	10,824	103,583
(Total intangible fixed assets)	695	820	6,170
Investment in securities	3,120	3,872	27,689
Investments in subsidiaries and affiliates	5,921	5,381	52,549
Long-term loans receivable	5	7	46
Savings premium	601	559	5,334
Long-term time deposits	239	461	2,126
Deferred tax assets	43	23	383
Other assets	326	228	2,898
Allowance for doubtful accounts	(21)	(15)	(190)
(Total investments and other assets)	10,235	10,518	90,837
Total fixed assets	22,602	22,163	200,591
<b>Total assets</b>	<b>¥ 39,168</b>	<b>¥ 38,506</b>	<b>\$ 347,605</b>

Liabilities and net assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2016	2015	2016
<b>Current liabilities:</b>			
Notes and accounts payable-trade	¥ 3,532	¥ 3,760	\$ 31,348
Short-term borrowings	1,714	1,773	15,214
Accounts payable-other	882	657	7,834
Accrued corporate taxes	241	174	2,141
Accrued bonuses	553	506	4,915
Deferred tax liabilities	7	5	68
Other current liabilities	771	845	6,846
Total current liabilities	7,703	7,723	68,369
<b>Long-term liabilities:</b>			
Long-term debt	787	120	6,990
Net defined benefit liability	1,346	852	11,946
Accrued retirement allowances for directors	134	114	1,195
Deferred tax liabilities	411	468	3,653
Other long-term liabilities	247	210	2,193
Total long-term liabilities	2,927	1,767	25,979
<b>Total liabilities</b>	<b>10,631</b>	<b>9,490</b>	<b>94,349</b>
<b>Net assets:</b>			
Shareholders' equity	27,824	26,300	246,937
Common stock	4,249	4,249	37,711
Capital surplus	4,052	3,994	35,960
Retained earnings	19,573	18,106	173,710
Treasury stock	(50)	(50)	(446)
Accumulated other comprehensive income	(1,009)	958	8,956
Net unrealized gains on securities	852	1,391	7,563
Currency translation adjustments	(1,774)	(328)	(15,743)
Remeasurements of defined benefit plans	(87)	(104)	(776)
(Total minority interests)	1,721	1,756	15,275
<b>Total net assets</b>	<b>28,536</b>	<b>29,015</b>	<b>253,256</b>
<b>Total liabilities and net assets</b>	<b>¥ 39,168</b>	<b>¥ 38,506</b>	<b>\$ 347,605</b>

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)  
For the Years Ended March 31, 2016 and 2015

	Millions of yen		U.S. dollars in thousands (Note 5)
	2016	2015	2016
<b>Net sales</b>	¥ 30,680	¥ 29,061	\$ 272,280
<b>Cost of sales</b>	21,390	20,934	189,833
Gross profit	9,290	8,127	82,446
<b>Selling, general and administrative expenses</b>	7,120	6,557	63,192
Operating income	2,169	1,569	19,253
Interest and dividend income	219	221	1,947
Equity in earnings of associated companies	604	602	5,369
Other income	132	199	1,178
Interest expenses	41	32	365
Other expenses	137	38	1,221
Ordinary income	2,947	2,521	26,161
Gain on bargain purchase	541	–	4,801
Gain from sale of fixed assets	–	70	–
Gain on sales of investment securities	35	136	314
Other extraordinary income	–	5	–
Loss on disposal of fixed assets	–	1	–
Loss on taxation of overseas subsidiary	201	–	1,788
Loss on revision of retirement benefit plan	345	–	3,069
Other extraordinary losses	–	0	–
Income before income taxes	2,976	2,731	26,419
Corporate, local income enterprise taxes	707	629	6,276
Deferred taxes	(84)	82	(750)
Total income taxes	622	711	5,525
Income before minority interests	2,354	2,020	20,893
Minority interests	(360)	(317)	(3,202)
<b>Net income</b>	¥ 1,993	¥ 1,703	\$ 17,690

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
For the Years Ended March 31, 2016 and 2015

	Millions of yen		U.S. dollars in thousands (Note 5)
	2016	2015	2016
<b>Cash flows from operating activities:</b>	¥ 2,928	¥ 1,525	\$ 25,992
<b>Cash flows from investing activities:</b>	(92)	(923)	(818)
<b>Cash flows from financing activities:</b>	(923)	(504)	(8,198)
Effect of exchange rate changes on cash and cash equivalents	(284)	246	(2,526)
Net increase (decrease) in cash and cash equivalents	1,628	343	14,448
Cash and cash equivalents at beginning of year	5,152	4,809	45,728
Cash and cash equivalents at end of year	¥ 6,780	¥ 5,152	\$ 60,176



# IMPORTANT POINTS FORMING THE BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

## 1. Scope of Consolidation

The scope of consolidation includes 13 consolidated subsidiaries: Yushiro Unso Co., Ltd., Yushiro General Service Co., Ltd., Japan Cee-Bee Chemical 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. Japan Cee-Bee Chemical Co., Ltd is included in the scope of consolidation since we acquired its shares in the current consolidated fiscal year.

## 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 accounting 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 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.

#### 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 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 Japan Cee-Bee Chemical Co., Ltd., 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 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.

### (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

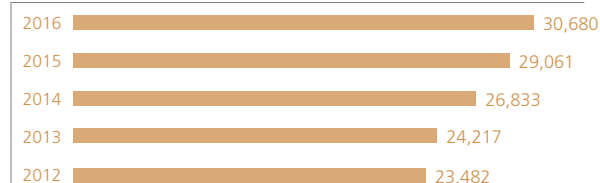
Accounting treatment of consumption tax, etc.

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

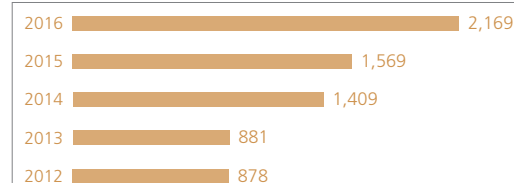
5. The U.S. dollar amounts in the financial statements for the fiscal year ended March 31, 2016, represent translation of Japanese yen at the rate of ¥112.68=US\$1.00.

## FINANCIAL INDICATORS

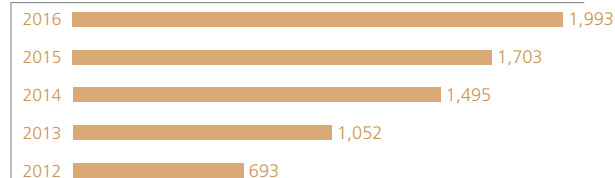
### Net Sales (yen in million)



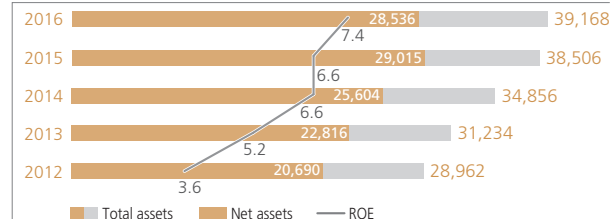
### Operating Income (yen in million)



### Net Income (yen in million)



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



## CORPORATE DATA (as of March 31, 2016)

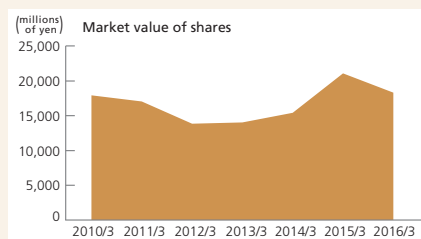
Head Office	34-16, 2-chome, Chidori, Ota-ku, Tokyo 146-8510, Japan Phone: (03) 3750-6761 Fax: (03) 3750-1146 URL: <a href="http://www.yushiro.co.jp">http://www.yushiro.co.jp</a>
Capital	¥4,249 million
Employees	314
Established	July 24, 1944
Branch Offices	Tokyo, Nagoya and Osaka
Sales Offices	Hokkaido, Tohoku, Kitakanto, Hamamatsu, Hokuriku, Fukuyama, Hiroshima and Kyushu

### Directors and Auditors (as of June 24, 2016)

President	Eiichi Ogo	Directors (Audit Committee Members)	Katsuko Iizuka
Managing Directors	Yuji Kishi Tatsuharu Hyakusoku		Akitaka Nozue Yutaka Yamaguchi
Directors	Shinji Hamamoto Masanori Arisaka Shingo Kikuchi Hisao Katayama		Toshio Yamazaki

## STOCK INFORMATION (as of March 31, 2016)

Number of shares issued	13,900,065
Trading unit	100
Total number of shareholders	5,483
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	2015.4	2015.5	2015.6	2015.7	2015.8	2015.9	2015.10	2015.11	2015.12	2016.1	2016.2	2016.3
High (Yen/share)	1,670	1,609	1,594	1,484	1,544	1,477	1,420	1,498	1,491	1,450	1,363	1,377
Low (Yen/share)	1,496	1,533	1,445	1,284	1,301	1,235	1,253	1,350	1,363	1,190	1,120	1,270
Trading volume (Hundred of shares)	13,885	4,891	7,161	6,959	9,183	5,671	4,022	5,244	7,078	3,250	4,726	2,642