



# ANNUAL REVIEW 2017

For the Year Ended March 31, 2017

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 Japanese economy experienced a moderate recovery of exports, mainly to the United States and China, as well as an improvement in personal consumption attributable to robust employment and income situations. The global economy also remained firm, despite uncertainty over the policy trends of the new administration in the United States.

In this environment, net sales decreased 3.5% from the previous fiscal year to ¥29,605 million. Additionally, operating income rose 12.3% over the previous fiscal year to ¥2,437 million. Ordinary income increased 2.4% to ¥3,017 million, and net income attributable to owners of parent fell 14.8% from the previous fiscal year to ¥1,697 million due to the ¥541 million gain on bargain purchase booked as the result of the acquisition of Japan Cee-Bee Chemical Co., Ltd. to a subsidiary in the previous fiscal year.

Business segment	Previous Fiscal Year (April 1, 2015 through March 31, 2016)		Current Fiscal Year (April 1, 2016 through March 31, 2017)		Increase/ Decrease %
	Million yen	%	Million yen	%	
Japan	16,742	54.6	15,993	54.0	95.5
North and South America	5,345	17.4	5,273	17.8	98.7
China	4,685	15.3	4,273	14.5	91.2
Southeast Asia / India	3,906	12.7	4,065	13.7	104.1
Total	30,680	100.0	29,605	100.0	96.5

### Medium and Long-Term Plan

The Yushiro Group has formulated a Medium-term Plan covering the three years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2020 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

The domestic market for the automobile industry to which our main customers belong, remains peaked out due to the aging population, young people turning away from automobiles, and the continuing offshore relocation of production site to overseas. Meanwhile, the overseas market is in an expansionary trend, and the Group has worked to strengthen and expand its business through initiatives such as starting up plants in India and Mexico in the fiscal year ended March 31, 2015, which was the first year of our 17th Medium-term Plan, as well as adding Japan Cee-Bee Chemical Co., Ltd. to its group companies in 2015, the second year of the Plan.

Under the 18th Medium-term Plan, we will continue to actively invest management resources in regions with expanding markets and strive to reinforce the overall strengths of the Group by strengthening our global sales and technological capabilities and making strategic investments in order to achieve sustainable growth.

#### 2. Basic Policy

##### 1) Strengthen our global sales capabilities

We will strengthen our sales capabilities by reinforcing personnel in order to respond to expanding overseas markets and by building sales networks at domestic and overseas bases in order to accelerate business expansion.

2) Strengthen competitiveness in our core business

We will further strengthen our technological proposal capabilities in the metal processing sector and work to increase both customer satisfaction and added value in order to expand profitable business. Additionally, we will reinforce our business through strategic investment.

3) Establish a structure that maximizes synergy among Group companies

We will create a structure that maximizes synergy among Group companies by utilizing the information held by the Group to improve management efficiency and accelerate management decision-making.

3. Basic Strategies

1) Overseas business strategy

- Reinforce sales capabilities by increasing sales staff and upgrading our dealership and agency networks
- Improve business efficiency by actively utilizing information among companies, including domestic companies
- Expand sales bases mainly in the United States, China and Southeast Asia

2) Domestic business strategy

- Reinforce sales channels
- Expand sales in the plasticity fluids and casting fluids business
- Establish global production lines aimed at strengthening cost competitiveness
- Promote collaboration with manufacturers of tools and machinery, and joint research with universities

3) Strategic investment

- Undertake business reinforcement and expansion through alliances and M&As mainly in Japan and North America

4) New business strategy

- Commercialize self-healing polymer
- Foster admixture for concrete

### 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
	2017	2016	2017
Net sales	¥ 29,605	¥ 30,680	\$ 263,891
Operating income	2,437	2,169	21,725
Net income	1,697	1,993	15,131
Total assets	40,560	39,168	361,530
Net assets	29,318	28,536	261,328
Per Share Amounts			
	Yen		U.S. dollars
Net income per share	¥ 124.37	¥ 143.89	\$ 1.10
Cash dividends per share	40.00	40.00	0.35
Net assets per share	2,028.73	1,935.65	18.08

Notes : 1. U.S. dollar amounts, converted at the rate of ¥112.19 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 are going to expand our business in growing areas globally as well as a domestic market continuously.

### Review of Operations by Region

#### 1. Japan

Although net sales in Japan surpassed those of the previous fiscal year on a quantitative basis as the result of sales expansion efforts, segment net sales decreased 4.5% to ¥15,993 million due to the impact of price revisions. Segment income (operating income) rose 25.3% over the previous fiscal year to ¥754 million, partly as the result of efforts at cost reductions.

#### 2. North and South America

Although net sales in the North America region exceeded those for the previous fiscal year on a local currency basis driven by robust automobile production, segment net sales fell 1.3% from the previous fiscal year to ¥5,273 million due to the impact of the foreign exchange rate. Segment income grew 52.4% over the previous fiscal year to ¥476 million due to a decrease in the prices of raw materials and the positive turnaround of the subsidiary in Mexico.

#### 3. China

Net sales in China surpassed those of the previous fiscal year on a local currency basis as the strength of automobile-related sales offset the decrease in steel-related sales. However, segment net sales fell 8.8% from the previous fiscal year to ¥4,273 million due to the impact of the foreign exchange rate.

Segment income also fell 7.2% to ¥701 million due to the foreign exchange rate.

#### 4. Southeast Asia/India

Segment net sales rose 4.1% over the previous fiscal year to ¥4,065 million due to an increased market share among existing customers in each country in the region. Segment income fell 1.2% from the previous fiscal year to ¥498 million due to the deficit of the subsidiary in India, despite significant profit growth at the subsidiaries in Malaysia and Indonesia.

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

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

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/>

Taixing Cee-Bee Chemical Co., Ltd.  
No.8, Bin Jiang S.Road, Taixing Economic Development  
Zone, Taixing of Jiangsu Province, China  
Phone: (86)0523-87607898 Fax: (86)0523-87607897

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.  
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/>

#### 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/>

### 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: <http://www.yushirousa.com/>

## Business on metalworking oils and fluids

### What is "metalworking oils and fluids"

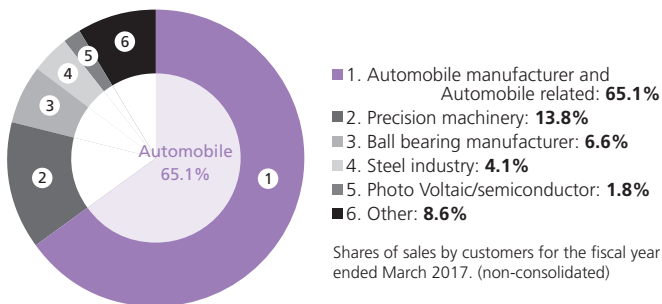
- Fluids used for processing steel and other metals into specific shapes.
- Important areas of fluid performance include lubricity, cooling ability, etc.
- Mainly used in the automotive, precision processing and semiconductor processing industries.

### 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, 2017 and 2016

Assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2017	2016	2017
<b>Current assets:</b>			
Cash and time deposits	¥ 8,177	¥ 6,609	\$ 72,888
Notes and accounts receivable–trade	6,021	5,802	53,676
Marketable securities	–	340	–
Inventories	3,220	3,265	28,708
Deferred tax assets	198	189	1,765
Other current assets	315	379	2,814
Allowance for doubtful accounts	(20)	(22)	(180)
Total current assets	17,913	16,565	159,672
<b>Fixed assets:</b>			
Buildings and structures	3,867	4,158	34,474
Machinery, equipment and vehicle	1,131	1,270	10,085
Tools, furnitures and fixtures	238	250	2,126
Land	5,106	5,188	45,519
Lease assets	15	23	137
Construction in progress	862	781	7,686
(Total property, plant and equipment)	11,222	11,671	100,029
(Total intangible fixed assets)	551	695	4,918
Investment in securities	4,175	3,120	37,218
Investments in subsidiaries and affiliates	5,561	5,921	49,568
Long-term loans receivable	2	5	20
Savings premium	578	601	5,160
Long-term time deposits	338	239	3,016
Deferred tax assets	2	43	18
Other assets	233	326	2,081
Allowance for doubtful accounts	(19)	(21)	(176)
(Total investments and other assets)	10,872	10,235	96,908
Total fixed assets	22,646	22,602	201,857
<b>Total assets</b>	<b>¥ 40,560</b>	<b>¥ 39,168</b>	<b>\$ 361,530</b>

Liabilities and net assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2017	2016	2017
<b>Current liabilities:</b>			
Notes and accounts payable–trade	¥ 3,464	¥ 3,532	\$ 30,882
Short–term borrowings	1,703	1,714	15,183
Accounts payable–other	830	882	7,402
Accrued corporate taxes	374	241	3,333
Accrued bonuses	505	553	4,506
Deferred tax liabilities	0	7	0
Other current liabilities	965	771	8,606
<b>Total current liabilities</b>	<b>7,843</b>	<b>7,703</b>	<b>69,915</b>
<b>Long-term liabilities:</b>			
Long-term debt	660	787	5,884
Net defined benefit liability	1,293	1,346	11,532
Accrued retirement allowances for directors	151	134	1,352
Reserve for loss on dissolution of employees pension fund	294	–	2,628
Deferred tax liabilities	667	411	5,948
Other long-term liabilities	329	247	2,939
<b>Total long-term liabilities</b>	<b>3,397</b>	<b>2,927</b>	<b>30,286</b>
<b>Total liabilities</b>	<b>11,241</b>	<b>10,631</b>	<b>100,201</b>
<b>Net assets:</b>			
Shareholders' equity	28,413	27,824	253,264
Common stock	4,249	4,249	37,876
Capital surplus	4,046	4,052	36,063
Retained earnings	20,544	19,573	183,120
Treasury stock	(426)	(50)	(3,797)
Accumulated other comprehensive income	(867)	(1,009)	(7,734)
Net unrealized gains on securities	1,594	852	14,211
Currency translation adjustments	(2,417)	(1,774)	(21,550)
Remeasurements of defined benefit plans	(44)	(87)	(394)
(Total minority interests)	1,772	1,721	15,799
<b>Total net assets</b>	<b>29,318</b>	<b>28,536</b>	<b>261,328</b>
<b>Total liabilities and net assets</b>	<b>¥ 40,560</b>	<b>¥ 39,168</b>	<b>\$ 361,530</b>

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)  
For the Years Ended March 31, 2017 and 2016

	Millions of yen		U.S. dollars in thousands (Note 5)
	2017	2016	2017
<b>Net sales</b>	¥ 29,605	¥ 30,680	\$ 263,891
<b>Cost of sales</b>	19,939	21,390	177,728
Gross profit	9,666	9,290	86,162
<b>Selling, general and administrative expenses</b>	7,229	7,120	64,436
Operating income	2,437	2,169	21,725
Interest and dividend income	177	219	1,580
Equity in earnings of associated companies	495	604	4,414
Other income	91	132	813
Interest expenses	27	41	244
Other expenses	156	137	1,393
Ordinary income	3,017	2,947	26,897
Gain on bargain purchase	–	541	–
Gain from sale of fixed assets	254	–	2,266
Gain on sales of investment securities	78	35	697
Loss on disposal of fixed assets	33	–	296
Loss on taxation of overseas subsidiary	–	201	–
Loss on revision of retirement benefit plan	–	345	–
Impairment loss	126	–	1,125
Provision of reserve for loss on dissolution of employees pension fund	294	–	2,628
Income before income taxes	2,895	2,976	25,810
Corporate, local income enterprise taxes	757	707	6,748
Deferred taxes	(18)	(84)	(166)
Total income taxes	738	622	6,581
Income before minority interests	2,157	2,354	19,228
Minority interests	(459)	(360)	(4,096)
<b>Net income</b>	¥ 1,697	¥ 1,993	\$ 15,131

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
For the Years Ended March 31, 2017 and 2016

	Millions of yen		U.S. dollars in thousands (Note 5)
	2017	2016	2017
<b>Cash flows from operating activities:</b>	¥ 2,800	¥ 2,928	\$ 24,961
<b>Cash flows from investing activities:</b>	(46)	(92)	(412)
<b>Cash flows from financing activities:</b>	(1,496)	(923)	(13,336)
Effect of exchange rate changes on cash and cash equivalents	(259)	(284)	(2,312)
Net increase (decrease) in cash and cash equivalents	998	1,628	8,899
Cash and cash equivalents at beginning of year	6,780	5,152	60,439
Increase in cash and cash equivalents from newly consolidated subsidiary and other	255	–	2,273
Cash and cash equivalents at end of year	¥ 8,034	¥ 6,780	\$ 71,612



# IMPORTANT POINTS FORMING THE BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

## 1. Scope of Consolidation

The scope of consolidation includes 15 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., Taixing Cee-Bee Chemical 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. Taixing Cee-Bee Chemical Co., Ltd. and Siam Cee-Bee Chemical Co., Ltd., which were non-consolidated subsidiaries until the previous consolidated financial year, have been included in the scope of consolidation due to their increased importance to overall performance.

## 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).

#### 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 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.

#### 5. Reserve for loss on dissolution of employees' pension fund

In order to prepare for the loss occurring in connection with the dissolution of the employees' pension fund, the estimated amount of said obligation is provided.

### (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.

### (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

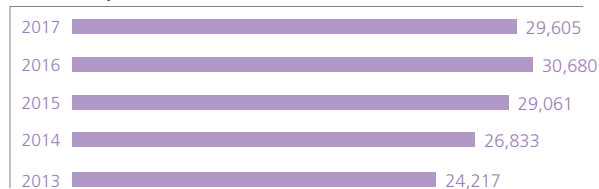
Accounting treatment of consumption tax, etc.

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

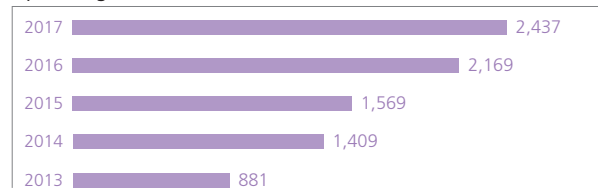
## 5. The U.S. dollar amounts in the financial statements for the fiscal year ended March 31, 2017, represent translation of Japanese yen at the rate of ¥112.19=US\$1.00.

## FINANCIAL INDICATORS

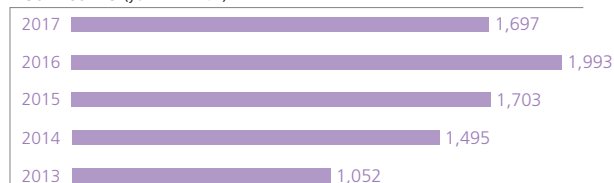
Net Sales (yen in million)



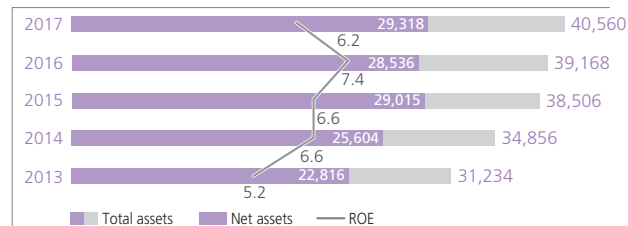
Operating Income (yen in million)



Net Income (yen in million)



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



## CORPORATE DATA (as of March 31, 2017)

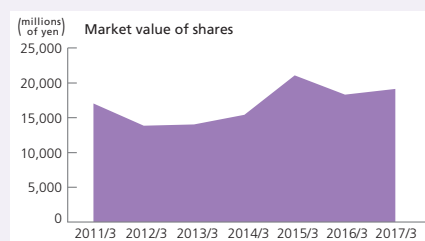
Head Office	34-16, 2-chome, Chidori, Ota-ku, Tokyo 146-8510, Japan Phone: (03) 3750-6761 Fax: (03) 3750-1146 URL: <a href="http://www.yushiro.co.jp">http://www.yushiro.co.jp</a>
Capital	¥4,249 million
Employees	304
Established	July 24, 1944
Branch Offices	Tokyo, Nagoya and Osaka
Sales Offices	Hokkaido, Tohoku, Kitakanto, Hamamatsu, Fukuyama, Hiroshima and Kyushu

### Directors and Auditors (as of June 27, 2017)

President	Eiichi Ogo	Directors (Audit Committee Members)	Katsuko Iizuka
Managing Directors	Masanori Arisaka		Akitaka Nozue
Directors	Shinji Hamamoto		Yutaka Yamaguchi
	Shingo Kikuchi		Toshio Yamazaki
	Takuya Ishikawa		
	Seiji Takahashi		
	Hisao Katayama		

## STOCK INFORMATION (as of March 31, 2017)

Number of shares issued	13,900,065
Trading unit	100
Total number of shareholders	4,841
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	2016/4	2016/5	2016/6	2016/7	2016/8	2016/9	2016/10	2016/11	2016/12	2017/1	2017/2	2017/3
High (Yen/share)	1,321	1,345	1,418	1,429	1,426	1,455	1,454	1,456	1,490	1,489	1,486	1,486
Low (Yen/share)	1,196	1,201	1,223	1,291	1,303	1,360	1,387	1,275	1,386	1,431	1,390	1,370
Trading volume (Hundred of shares)	3,025	2,694	4,180	2,808	2,163	2,019	1,776	2,278	2,279	1,736	1,962	2,536