



The way of mutual progress

## ANNUAL REVIEW 2019

For the Year Ended March 31, 2019



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 global economy maintained a moderate, yet expansionary trend. However, political and diplomatic issues, including conflicts between the United States and China, political conflicts within the United States, and Britain's withdrawal from the EU, are all having an effect on the global economy. The sense of uncertainty is further heightening as the economic slowdown in China gradually spreads to emerging nations. Similarly, although Japan's economy is maintaining steady growth, a sense of uncertainty is increasing due to slowing external demand.

Under these circumstances, net sales increased 11.4% from the previous fiscal year to ¥35,170 million, partly due to the effect of the U.S. company QualiChem, Inc. that joined the Group in August 2018 against a backdrop of robust production by Japanese automobile manufacturers. However, in terms of costs, the price of mineral oil, which is the main raw material of products for sale, and the prices of chemical products increased from the previous fiscal year at all our production bases, and the inability to pass these increases onto the sales price of products resulted in a major reduction in profits. As a result, operating income fell 17.0% from the previous fiscal year to ¥2,076 million, ordinary income decreased 18.8% from the previous fiscal year to ¥2,634 million, and net income attributable to owners of parent fell 22.6% from the previous fiscal year to ¥1,724 million.

With regard to the economic situation in fiscal 2019, although the outlook for the global economy is expected to remain uncertain due in part to economic friction between the United States and China as well as Britain's withdrawal from the European Union, Japan's economy has remained in a moderate recovery.

Under these circumstances, we will strongly promote collaboration with QualiChem, Inc., which we acquired in August 2018, 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 2019, we anticipate net sales of ¥41,000 million (up 16.6% year-on-year), operating income of ¥2,700 million (up 30.0% year-on-year), ordinary income of ¥3,200 million (up 21.5% year-on-year), and net income attributable to owners of parent of ¥2,200 million (up 27.6% year-on-year).

Business segment	Previous Fiscal Year (April 1, 2017 through March 31, 2018)		Current Fiscal Year (April 1, 2018 through March 31, 2019)		Increase/ Decrease %
	Million yen	%	Million yen	%	
Japan	16,868	53.4	17,965	51.1	106.5
North and South America	5,710	18.1	7,537	21.4	132.0
China	4,488	14.2	4,880	13.9	108.7
Southeast Asia / India	4,498	14.3	4,787	13.6	106.4
Total	31,565	100.0	35,170	100.0	111.4

### 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

## 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
	2019	2018	2019
Net sales	¥ 35,170	¥ 31,565	\$ 316,883
Operating income	2,076	2,502	18,709
Net income	1,724	2,228	15,539
Total assets	48,958	43,683	441,103
Net assets	31,791	32,197	286,439
Per Share Amounts	Yen		U.S. dollars
Net income per share	¥ 127.03	¥ 164.13	\$ 1.14
Cash dividends per share	45.00	45.00	0.40
Net assets per share	2,199.96	2,231.91	19.82

- Notes : 1. U.S. dollar amounts, converted at the rate of ¥110.99 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, thirteen 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

Due partly to increased sales to existing customers against a backdrop of robust domestic automobile production, segment net sales in Japan grew 6.5% over the previous fiscal year to ¥17,965 million. Segment income fell 10.8% over the previous fiscal year to ¥831 million due to the inability to pass higher raw material expenses onto the sales price of products.

#### 2. North and South America

Despite sales expansion efforts, net sales at the existing subsidiary in the United States remained unchanged from the previous fiscal year due to impacts from reduced production by Japanese automobile manufacturers. However, segment net sales increased significantly, rising 32.0% over the previous fiscal year to ¥7,537 million due to the business results of the U.S. company QualiChem, Inc., which became part of the Group in August 2018, and increased sales by subsidiaries in Mexico and Brazil. However, segment income fell 26.0% over the previous fiscal year to ¥396 million due to an upsurge in raw material prices caused by the depreciation of the Brazilian real and M&A-related expenses (¥159 million) for the United States subsidiary, despite the profit contribution by QualiChem, Inc.

#### 3. China

Although the volume of automobile production within China decreased in fiscal 2018, production by Japanese automobile manufacturers increased over the previous fiscal year thanks to continued steady production. This contributed to net sales rising 8.7% over the previous fiscal year to ¥4,880 million. Segment income fell 11.4% from the previous fiscal year to ¥441 million due to increases in expenses for raw materials and personnel.

#### 4. Southeast Asia/India

Business results at all production bases in this region steadily improved against a backdrop of increased production volumes by Japanese automobile manufacturers. As a result, segment net sales rose 6.4% over the previous fiscal year to ¥4,787 million. Segment income increased 1.4% from the previous fiscal year to ¥535 million, despite factors including an upsurge in raw material prices.

### 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/>

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/>

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.  
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/>

#### 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"

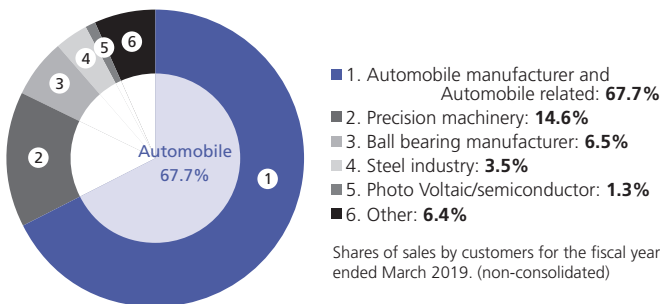
- Fluids used for processing steel and other metals into specific shapes.
- Important areas of fluid performance include lubricity, cooling ability, etc.
- Mainly used in the automotive, precision processing and semiconductor processing industries.

### 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, 2019 and 2018

Assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2019	2018	2019
<b>Current assets:</b>			
Cash and time deposits	¥ 7,145	¥ 8,439	\$ 64,378
Notes and accounts receivable–trade	7,196	6,598	64,841
Inventories	4,540	3,692	40,908
Other current assets	420	247	3,790
Allowance for doubtful accounts	(23)	(20)	(211)
Total current assets	19,279	18,957	173,705
<b>Fixed assets:</b>			
Buildings and structures	4,856	4,761	43,759
Machinery, equipment and vehicle	1,363	1,256	12,280
Tools, furnitures and fixtures	396	318	3,575
Land	5,150	5,111	46,408
Lease assets	50	15	453
Construction in progress	51	42	463
(Total property, plant and equipment)	11,869	11,505	106,941
Goodwill	2,421	5	21,818
Customer relationship	2,094	–	18,871
Technical assets	704	–	6,346
Trademark right	617	1	5,561
Other intangible fixed assets	565	700	5,092
(Total intangible fixed assets)	6,403	707	57,690
Investment in securities	4,310	4,989	38,837
Investments in subsidiaries and affiliates	6,409	6,452	57,752
Savings premium	472	622	4,254
Long-term time deposits	2	165	21
Deferred tax assets	12	6	116
Other assets	220	296	1,985
Allowance for doubtful accounts	(22)	(20)	(200)
(Total investments and other assets)	11,406	12,512	102,766
Total fixed assets	29,678	24,725	267,397
<b>Total assets</b>	<b>¥ 48,958</b>	<b>¥ 43,683</b>	<b>\$ 441,103</b>

Liabilities and net assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2019	2018	2019
<b>Current liabilities:</b>			
Notes and accounts payable–trade	¥ 4,351	¥ 3,767	\$ 39,207
Short–term borrowings	2,343	1,717	21,115
Accounts payable–other	839	816	7,560
Accrued corporate taxes	197	291	1,783
Accrued bonuses	396	506	3,570
Other current liabilities	1,390	1,232	12,529
Total current liabilities	9,519	8,331	85,767
<b>Long-term liabilities:</b>			
Long-term debt	4,422	511	39,845
Net defined benefit liability	1,180	1,247	10,638
Accrued retirement allowances for directors	124	98	1,118
Reserve for loss on dissolution of employees pension fund	–	275	–
Deferred tax liabilities	1,487	714	13,405
Other long-term liabilities	431	307	3,887
Total long-term liabilities	7,646	3,154	68,895
<b>Total liabilities</b>	<b>17,166</b>	<b>11,485</b>	<b>154,663</b>
<b>Net assets:</b>			
Common stock	4,249	4,249	38,286
Capital surplus	4,014	4,046	36,167
Retained earnings	23,275	22,229	209,709
Treasury stock	(426)	(426)	(3,846)
Shareholders' equity	31,112	30,098	280,317
Net unrealized gains on securities	1,661	2,146	14,968
Currency translation adjustments	(2,880)	(1,915)	(25,952)
Remeasurements of defined benefit plans	(23)	(25)	(213)
Accumulated other comprehensive income	(1,242)	205	(11,197)
(Total minority interests)	1,922	1,893	17,319
<b>Total net assets</b>	<b>31,791</b>	<b>32,197</b>	<b>286,439</b>
<b>Total liabilities and net assets</b>	<b>¥ 48,958</b>	<b>¥ 43,683</b>	<b>\$ 441,103</b>

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)  
For the Years Ended March 31, 2019 and 2018

	Millions of yen		U.S. dollars in thousands (Note 5)
	2019	2018	2019
Net sales	¥ 35,170	¥ 31,565	\$ 316,883
Cost of sales	24,576	21,473	221,426
Gross profit	10,594	10,092	95,456
Selling, general and administrative expenses	8,518	7,589	76,747
Operating income	2,076	2,502	18,709
<b>Non-operating income (expenses):</b>			
Interest and dividend income	143	158	1,291
Equity in earnings of associated companies	442	593	3,985
Other income	113	103	1,022
Interest expenses	(47)	(39)	(430)
Other expenses	(93)	(74)	(842)
Sub-total	557	741	5,026
Ordinary income	2,634	3,243	23,736
<b>Extraordinary losses:</b>			
Loss on disposal of fixed assets	18	10	165
Income before income taxes	2,616	3,232	23,571
<b>Income taxes</b>			
Current	606	732	5,467
Deferred	19	(8)	179
Total income taxes	626	723	5,647
Net income	1,989	2,508	17,923
Net income attributable to non-controlling interests	(264)	(280)	(2,383)
<b>Net income attributable to owners of parent</b>	<b>¥ 1,724</b>	<b>¥ 2,228</b>	<b>\$ 15,539</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
For the Years Ended March 31, 2019 and 2018

	Millions of yen		U.S. dollars in thousands (Note 5)
	2019	2018	2019
Cash flows from operating activities:	¥ 2,121	¥ 2,211	\$ 19,112
Cash flows from investing activities:	(6,510)	(1,241)	(58,661)
Cash flows from financing activities:	3,500	(975)	31,536
Effect of exchange rate changes on cash and cash equivalents	(245)	53	(2,214)
Net increase (decrease) in cash and cash equivalents	(1,135)	48	(10,227)
Cash and cash equivalents at beginning of year	8,082	8,034	72,822
Cash and cash equivalents at end of year	¥ 6,947	¥ 8,082	\$ 62,595



# IMPORTANT POINTS FORMING THE BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

## 1. Scope of Consolidation

The scope of consolidation includes 16 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., 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. QualiChem, Inc. was included in the scope of consolidation from this consolidated fiscal year due to the Company's acquisition of its shares.

## 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 oil 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 10 to 15 years, respectively.

#### 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.

### (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.

#### 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) 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

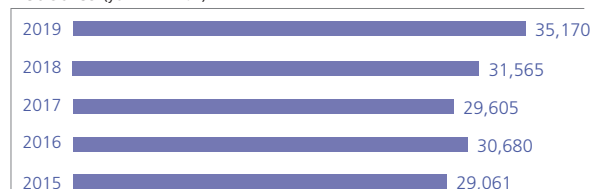
Accounting treatment of consumption tax, etc.

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

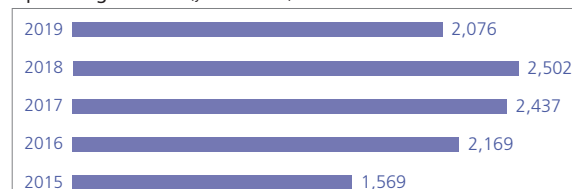
### 5. The U.S. dollar amounts in the financial statements for the fiscal year ended March 31, 2019, represent translation of Japanese yen at the rate of ¥110.99=US\$1.00.

## FINANCIAL INDICATORS

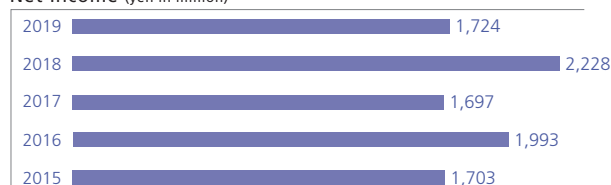
### Net Sales (yen in million)



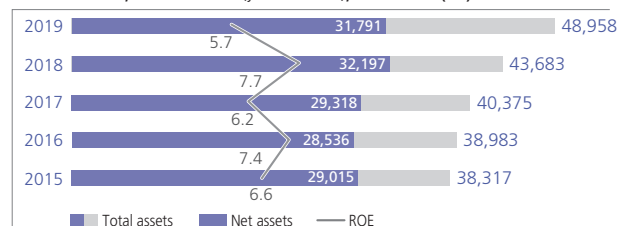
### Operating Income (yen in million)



### Net Income (yen in million)



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



## CORPORATE DATA (as of March 31, 2019)

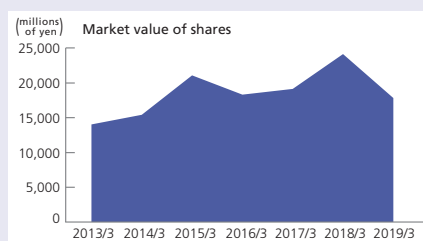
Head Office	34-16, 2-chome, Chidori, Ota-ku, Tokyo 146-8510, Japan Phone: (03) 3750-6761 Fax: (03) 3750-1146 URL: <a href="https://www.yushiro.co.jp">https://www.yushiro.co.jp</a>
Capital	¥4,249 million
Employees	311
Established	July 24, 1944
Branch Offices	Tokyo, Nagoya and Osaka
Sales Offices	Hokkaido, Tohoku, Kitakanto, Hamamatsu, Fukuyama, Hiroshima and Kyushu

### Directors and Auditors (as of June 25, 2019)

President	Eiichi Ogo	Directors (Audit Committee Members)	Katsuko Iizuka
Managing Directors	Masanori Arisaka Shingo Kikuchi		Yutaka Yamaguchi Miki Koshiba
Directors	Shinji Hamamoto Takuya Ishikawa Seiji Takahashi Masafumi Nakano		Toshio Yamazaki

## STOCK INFORMATION (as of March 31, 2019)

Number of shares issued	13,900,065
Trading unit	100
Total number of shareholders	4,306
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	2018/4	2018/5	2018/6	2018/7	2018/8	2018/9	2018/10	2018/11	2018/12	2019/1	2019/2	2019/3
High (Yen/share)	1,826	1,870	1,770	1,695	1,609	1,645	1,590	1,454	1,370	1,228	1,338	1,356
Low (Yen/share)	1,679	1,626	1,600	1,566	1,434	1,419	1,318	1,334	1,091	1,141	1,155	1,243
Trading volume (Hundred of shares)	206,000	260,500	311,800	239,300	278,700	275,300	462,200	324,600	497,500	241,500	246,100	265,700