

The way of mutual progress

ANNUAL REVIEW 2020

For the Year Ended March 31, 2020

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 started to slow down as the impact from the novel coronavirus (COVID-19) spread from China to North America, Europe and Asia amid an increasingly uncertain outlook due to an economic slowdown in China caused by trade friction between the United States and China as well as the impact from Britain's withdrawal from the EU. Japan's economy was further dampened by the impact from the trade friction between the United States and China as well as COVID-19, despite expectations of a recovery from the effects of the consumption tax hike and typhoons, etc. from the beginning of 2020.

Under these circumstances, net sales increased 6.0% from the previous fiscal year to ¥37,274 million, partly due to the effect of the U.S. company QualiChem, Inc. that joined the Group in August 2018. Operating income increased 6.6% from the previous fiscal year to ¥2,213 million, ordinary income increased 3.2% from the previous fiscal year to ¥2,718 million, and net income attributable to owners of parent increased 10.9% from the previous fiscal year to ¥1,913 million.

The economic outlook going forward is expected to remain severe due to COVID-19, and there are concerns over risks that the spread of the virus could put further downward pressure on the global economy.

Under these circumstances, it is difficult to reasonably calculate forecasts of business results at this time. Therefore, the forecast of consolidated business results remains pending. Going forward, the forecast of consolidated business results will be promptly disclosed once such disclosure becomes possible.

Business segment	Previous Fiscal Year (April 1, 2018 through March 31, 2019)		Current Fiscal Year (April 1, 2019 through March 31, 2020)		Increase/ Decrease %
	Million yen	%	Million yen	%	
Japan	17,965	51.1	17,078	45.8	95.1
North and South America	7,537	21.4	11,280	30.3	149.7
China	4,880	13.9	4,340	11.6	88.9
Southeast Asia / India	4,787	13.6	4,575	12.3	95.6
Total	35,170	100.0	37,274	100.0	106.0

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

With regard to the new Medium-term Plan covering the three years from fiscal 2020 to fiscal 2023, there are many uncertainties currently affecting the Group's business results due to the spread of COVID-19, making it difficult to make reasonable calculations. The new Medium-term Plan will therefore be announced upon careful examination of the future economic situation.

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
	2020	2019	2020
Net sales	¥ 37,274	¥ 35,170	\$ 342,499
Operating income	2,213	2,076	20,343
Net income	1,913	1,724	17,579
Total assets	47,320	48,958	434,815
Net assets	31,867	31,791	292,822
Per Share Amounts	Yen		U.S. dollars
Net income per share	¥ 140.91	¥ 127.03	\$ 1.29
Cash dividends per share	48.00	45.00	0.44
Net assets per share	2,194.75	2,199.96	20.16

Notes : 1. U.S. dollar amounts, converted at the rate of ¥108.83 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

Domestic automobile production volume remains in an extremely severe situation, and exports of automotive parts to the United States and China are also decreasing. As a result, segment net sales fell 4.9% from the previous fiscal year to ¥17,078 million. Segment income decreased 8.7% from the previous fiscal year to ¥759 million.

North and South America

Net sales at the existing subsidiaries in the United States fell below the previous fiscal year due to impacts from reduced production by Japanese automobile manufacturers. In addition, despite increased sales at the subsidiary in Brazil on a local currency basis as the result of product price revisions and steady domestic automobile production volume, net sales decreased on a yen basis due to the effect of exchange rates. However, although the volume of automobile production at the subsidiary in Mexico decreased, segment net sales increased significantly, rising 49.7% over the previous fiscal year to ¥11,280 million due to an increase in sales thanks to an expanded market share among existing customers and the business results of QualiChem, Inc., which became part of the Group in August 2018. Segment income also increased 148.8% over the previous fiscal year to ¥985 million due to the profit contribution by QualiChem, Inc. and the profit posted by the subsidiary in Brazil following the loss recorded in the previous fiscal year.

China

The volume of automobile production decreased due to the trade friction between the United States and China, as a result of which segment net sales decreased 11.1% from the previous fiscal year to ¥4,340 million.

Segment income fell 34.9% from the previous fiscal year to ¥287 million due to an upsurge in prices of raw materials and continued increases in expenses for personnel.

Southeast Asia/India

Sales at subsidiaries in Thailand and Malaysia decreased, partly due to the reduction in automobile production volume caused by the trade friction between the United States and China, and the slump in exports of automotive parts. In addition, sales at the subsidiary in India decreased due to the impact from COVID-19. However, sales at the subsidiary in Indonesia increased as the result of an expanded market share among existing customers, despite a reduction in domestic automobile production volume. As a result, segment net sales fell 4.4% from the previous fiscal year to ¥4,575 million.

Segment income increased 10.9% over the previous fiscal year to ¥593 million partly due to cost reductions at the subsidiary in Thailand, despite the impact from lower sales.

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"

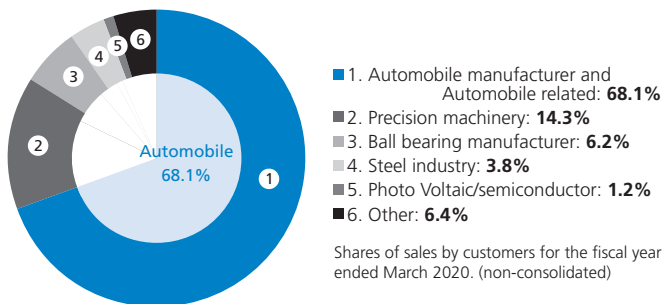
- Fluids used for processing steel and other metals into specific shapes.
- Important areas of fluid performance include lubricity, cooling ability, etc.
- Mainly used in the automotive, precision processing and semiconductor processing industries.

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, 2020 and 2019

Assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2020	2019	2020
Current assets:			
Cash and time deposits	¥ 7,160	¥ 7,145	\$ 65,794
Notes and accounts receivable–trade	6,636	7,196	60,978
Inventories	4,333	4,540	39,820
Other current assets	486	420	4,469
Allowance for doubtful accounts	(13)	(23)	(122)
Total current assets	18,603	19,279	170,939
Fixed assets:			
Buildings and structures	4,760	4,856	43,742
Machinery, equipment and vehicle	1,489	1,363	13,689
Tools, furnitures and fixtures	482	396	4,429
Land	5,162	5,150	47,437
Lease assets	89	50	825
Construction in progress	101	51	933
(Total property, plant and equipment)	12,086	11,869	111,058
Goodwill	2,167	2,421	19,912
Customer relationship	1,962	2,094	18,030
Technical assets	647	704	5,952
Trademark right	568	617	5,225
Other intangible fixed assets	608	565	5,592
(Total intangible fixed assets)	5,954	6,403	54,713
Investment in securities	3,141	4,310	28,867
Investments in subsidiaries and affiliates	6,426	6,409	59,048
Savings premium	656	472	6,035
Long-term time deposits	1	2	17
Deferred tax assets	151	12	1,390
Other assets	314	220	2,888
Allowance for doubtful accounts	(15)	(22)	(145)
(Total investments and other assets)	10,676	11,406	98,103
Total fixed assets	28,717	29,678	263,875
Total assets	¥ 47,320	¥ 48,958	\$ 434,815

Liabilities and net assets	Millions of yen		U.S. dollars in thousands (Note 5)
	2020	2019	2020
Current liabilities:			
Notes and accounts payable–trade	¥ 3,705	¥ 4,351	\$ 34,051
Short–term borrowings	2,344	2,343	21,543
Accounts payable–other	888	839	8,167
Accrued corporate taxes	251	197	2,306
Accrued bonuses	396	396	3,647
Other current liabilities	1,306	1,390	12,005
Total current liabilities	8,893	9,519	81,721
Long-term liabilities:			
Long-term debt	3,646	4,422	33,509
Net defined benefit liability	1,221	1,180	11,221
Accrued retirement allowances for directors	147	124	1,354
Deferred tax liabilities	1,166	1,487	10,715
Other long-term liabilities	377	431	3,469
Total long-term liabilities	6,559	7,646	60,271
Total liabilities	15,453	17,166	141,993
Net assets:			
Common stock	4,249	4,249	39,046
Capital surplus	4,014	4,014	36,885
Retained earnings	24,577	23,275	225,837
Treasury stock	(427)	(426)	(3,923)
Shareholders' equity	32,414	31,112	297,845
Net unrealized gains on securities	731	1,661	6,723
Currency translation adjustments	(3,261)	(2,880)	(29,964)
Remeasurements of defined benefit plans	(86)	(23)	(794)
Accumulated other comprehensive income	(2,615)	(1,242)	(24,035)
(Total minority interests)	2,069	1,922	19,013
Total net assets	31,867	31,791	292,822
Total liabilities and net assets	¥ 47,320	¥ 48,958	\$ 434,815

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)
For the Years Ended March 31, 2020 and 2019

	Millions of yen		U.S. dollars in thousands (Note 5)
	2020	2019	2020
Net sales	¥ 37,274	¥ 35,170	\$ 342,499
Cost of sales	25,504	24,576	234,352
Gross profit	11,769	10,594	108,147
Selling, general and administrative expenses	9,555	8,518	87,803
Operating income	2,213	2,076	20,343
Non-operating income (expenses):			
Interest and dividend income	183	143	1,682
Equity in earnings of associated companies	382	442	3,518
Other income	89	113	825
Interest expenses	(47)	(47)	(435)
Other expenses	(104)	(93)	(959)
Sub-total	504	557	4,631
Ordinary income	2,718	2,634	24,974
Extraordinary profit (losses)			
Gain on sales of fixed assets	18	–	169
Loss on disposal of fixed assets	–	(18)	–
Loss on valuation of investment securities	(2)	–	(22)
Sub-total	16	(18)	147
Income before income taxes	2,734	2,616	25,122
Income taxes			
Current	667	606	6,130
Deferred	(62)	19	(572)
Total income taxes	604	626	5,558
Net income	2,129	1,989	19,563
Net income attributable to non-controlling interests	(215)	(264)	(1,983)
Net income attributable to owners of parent	¥ 1,913	¥ 1,724	\$ 17,579

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
For the Years Ended March 31, 2020 and 2019

	Millions of yen		U.S. dollars in thousands (Note 5)
	2020	2019	2020
Cash flows from operating activities:	¥ 2,829	¥ 2,121	\$ 25,994
Cash flows from investing activities:	(1,111)	(6,510)	(10,210)
Cash flows from financing activities:	(1,508)	3,500	(13,859)
Effect of exchange rate changes on cash and cash equivalents	(6)	(245)	(60)
Net increase (decrease) in cash and cash equivalents	202	(1,135)	1,864
Cash and cash equivalents at beginning of year	6,947	8,082	63,837
Cash and cash equivalents at end of year	¥ 7,150	¥ 6,947	\$ 65,701

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.

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, goodwill, customer relationship, technical assets, and trademark right are evenly amortized over 13 years, 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 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) 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, 2020, represent translation of Japanese yen at the rate of ¥108.83=US\$1.00.

FINANCIAL INDICATORS

Net Sales (yen in million)



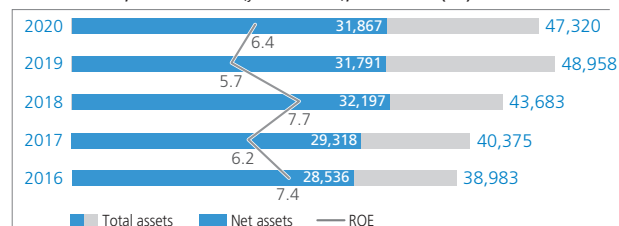
Operating Income (yen in million)



Net Income (yen in million)



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



CORPORATE DATA (as of March 31, 2020)

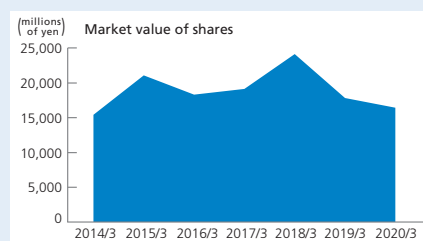
Head Office	34-16, 2-chome, Chidori, Ota-ku, Tokyo 146-8510, Japan Phone: (03) 3750-6761 Fax: (03) 3750-1146 URL: https://www.yushiro.co.jp
Capital	¥4,249 million
Employees	305
Established	July 24, 1944
Branch Offices	Tokyo, Nagoya and Osaka
Sales Offices	Hokkaido, Tohoku, Kitakanto, Hamamatsu, Fukuyama, Hiroshima and Kyushu

Directors and Auditors (as of June 24, 2020)

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

STOCK INFORMATION (as of March 31, 2020)

Number of shares issued	13,900,065
Trading unit	100
Total number of shareholders	4,126
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	2019/4	2019/5	2019/6	2019/7	2019/8	2019/9	2019/10	2019/11	2019/12	2020/1	2020/2	2020/3
High (Yen/share)	1,348	1,350	1,394	1,377	1,348	1,395	1,450	1,479	1,507	1,467	1,436	1,310
Low (Yen/share)	1,295	1,225	1,242	1,281	1,233	1,220	1,310	1,367	1,345	1,318	1,205	958
Trading volume (Hundred of shares)	159,500	252,700	202,700	194,800	183,300	242,900	340,300	392,600	439,900	188,600	195,300	483,800