INVESTORS' GUIDE
2011

KOMERI

10-year summary of financial and operating results

Komeri Co., Ltd. and subsidiaries

amounts in millions, except where noted	5-Year Compound Annual Growth Rate	Years ended March 31										
		2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Statements of Income Data	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total revenues	3.8	298,594	285,480	277,557	273,889	259,218	247,461	233,982	217,923	200,490	170,367	127,508
Total revenues increase(%)	–	4.60	2.90	1.3	5.7	4.8	5.8	7.4	8.7	17.7	33.6	12.5
Cost of sales	3.7	200,896	192,797	188,043	186,491	175,596	167,191	157,107	145,177	134,703	114,130	85,175
Selling, general, and administrative expenses	4.5	81,829	77,611	74,798	71,808	68,102	65,645	63,369	59,886	54,303	45,316	34,255
Operating income	1.6	15,869	15,072	14,716	15,591	15,520	14,624	13,506	12,860	11,484	10,920	8,078
Operating income increase (%)	–	5.3	2.4	△ 6	1	6	8.3	5.0	12.0	5.2	35.2	12.0
Income before income taxes and minority interests	△ 5.5	10,347	12,474	11,495	14,431	15,466	13,731	12,438	12,292	11,288	9,672	7,186
Net income	△ 8.1	5,698	6,460	6,421	8,293	9,257	8,706	7,899	7,175	6,224	5,635	3,965
Net income increase(%)	–	△ 11.8	0.6	△ 23	△ 10	6	10.2	10.1	15.3	10.5	42.1	19.1
Earnings per share	△ 7.3	111.86	126.39	124	157	175	163.56	148.35	136.88	118.68	123.18	88.19
Earnings per share increase(%)	–	△ 11.50	1.70	△ 21	△ 10	10	10.3	8.4	15.3	-3.7	39.7	16.1
Weighted average number of shares outstanding (thousand)	–	50,942	51,113	51,672	52,890	52,890	52,889	52,892	52,061	51,959	45,748	44,962
Gross margin-% of revenues	–	32.7	32.5	32.3	31.9	32.3	32.4	32.9	33.4	32.8	33.0	33.2
SG&A expenses-% of revenues	–	27.4	27.2	26.9	26.2	26.3	26.5	27.1	27.5	27.1	26.6	26.9
Operating margin-% of revenues	–	5.3	5.3	5.3	5.7	6.0	5.9	5.8	5.9	5.7	6.4	6.3
Net interest expense-% of revenues	–	0.3	0.4	0.5	0.2	0.2	0.1	0.2	0.2	0.3	0.5	0.4
Income before income taxes-% of revenues	–	3.5	4.4	4.1	6.0	6.0	5.5	5.3	5.6	5.6	5.7	5.6
Net income-% of revenues	–	1.9	2.3	2.3	3.0	3.6	3.5	3.4	3.3	3.1	3.3	3.1
Balance Sheet Data and Financial Ratios	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total assets	4.3	247,689	239,832	242,290	229,783	219,178	201,084	188,855	180,887	167,460	135,431	101,227
Merchandise inventories	4.1	79,724	83,755	80,070	76,074	75,222	65,364	58,809	55,362	49,902	38,621	30,026
Net property and equipment	4.8	121,793	139,266	124,286	113,518	104,958	96,436	90,895	89,428	83,361	64,178	48,802
Long-term liabilities	4.9	28,577	18,935	23,516	18,897	23,758	22,517	23,554	26,773	30,344	20,640	20,812
Shareholders' equity	4.7	108,498	105,129	100,792	97,541	93,671	86,326	79,015	72,598	64,356	59,695	40,785
Book value per share (yen)	5.5	2,136.70	2,058.10	1,967	1,880	1,771	1,631	1,493	1,372	1,238	1,149	907
Long-term liabilities to equity (%)	–	132.3	151.2	134.9	158.7	150.7	140.4	134.6	132.6	136	142.9	132.5
Current ratio	–	0.94:1	0.87:1	0.83:0	0.85:1	0.93:1	0.92:1	0.91:1	0.88:1	0.95:1	1.03:1	1.00:1
Equity ratio(%)	–	43.8	43.8	41.6	42.5	42.7	42.9	41.8	38.4	38.4	44.1	40.3
Inventory turnover (month)	–	3.7	3.5	3.5	3.3	3.3	3.0	2.9	2.9	2.7	2.4	2.7
Return on equity (%)	–	5.3	6.3	6.5	8.7	10.3	10.5	10.4	10.5	10.0	11.2	10.1
Return on assets (%)	–	2.3	2.7	2.7	3.7	4.4	4.5	4.3	4.1	4.1	4.8	#REF!
Statement of Cash Flows Data	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Depreciation and amortization	11.5	11,487	11,408	11,176	7,714	7,117	6,659	6,653	6,230	5,347	4,940	3,597
Operational cash flow	10.6	20,535	19,928	13,131	15,067	10,658	12,436	12,360	10,312	5,914	11,850	7,999
Investment cash flow	△ 2.7	△ 9,975	△ 8,056	△ 14,529	△ 15,702	△ 13,957	△ 11,445	△ 8335	△ 14,739	△ 9,499	△ 9,046	△ 11,528
Financial cash flow	30.0	△ 7,829	△ 12,239	△ 252	560	3,309	△ 2,108	△ 987	4,146	1,393	2,353	3,542
Cash dividends per share (yen)	1.2	34.0	34.0	34.0	34.0	34.0	32.0	28.0	27	26	26	21
Store Data	%											
Number of stores (actual);	6.5	1,047	986	949	921	843	763	708	655	608	540	462
Komeri Home Center	10.4	144	139	139	138	137	88	87	85	80	75	72
Komeri Hard & Green	7.1	885	847	810	783	706	628	575	523	480	440	390
Stores operated by HC subsidiaries	—	0	0	14	14	14	47	46	47	48	25	—
Weighted average selling space (square meters)*	8.3	1,556,329	1,462,352	1,348,673	1,234,399	1,133,206	1,043,849	960,412	887,675	—	—	—
Weighted average number of employees(actual)	3.8	8,164	7,856	7,414	7,180	6,969	6,782	6,510	6,255	—	—	—
Sales per employee(thousands of yen)	0.0	36,574	36,339	37,437	37,788	37,196	36,488	35,942	34,840	—	—	—
Comparable store sales increase (%)*	—	2.7	0.8	△ 3.3	0.9	△ 0.3	1.6	1.3	△ 2.3	1.8	2.4	0.2

Note: Figures with asterisk(*) are total of Komeri and HC subsidiaries.

1. Operating results

(1) Analysis of operating results

1) Overview of operating results for the year ended March 31, 2011

Consolidated operating results

	Year ended March 31, 2010	Year ended March 31, 2011	Year-on-year comparison (%)
Operating revenue (Millions of yen)	285,479	298,594	104.6
Operating income (Millions of yen)	15,071	15,869	105.3
Ordinary profit (Millions of yen)	14,431	15,361	106.4
Net income (Millions of yen)	6,460	5,698	88.2

Non-consolidated operating results

	Year ended March 31, 2010	Year ended March 31, 2011	Year-on-year comparison (%)
Operating revenue (Millions of yen)	271,855	286,368	105.3
Operating income (Millions of yen)	11,804	13,502	114.4
Ordinary profit (Millions of yen)	11,887	13,660	114.9
Net income (Millions of yen)	5,628	4,873	86.6

In the fiscal year under review, the Japanese economy showed an upward trend from the middle of the year based around export-reliant companies, but due to the effects of the Great East Japan Earthquake, which occurred on March 11, 2011, uncertainties towards the future suddenly intensified. Moreover, the business environment in the distribution-based retail industry was severe on account of unseasonal weather, weak sales in a deflationary environment and intensifying competition that transgressed the conventional boundaries of business fields and business formats.

Home Center business

Operating under these circumstances, the Group's sales in the fiscal year under review were steady, particularly in building materials, thanks to signs of recovery in the construction market. Additionally, in merchandise development, the Group improved the mark-up ratio and expanded sales of its private brand merchandise by focusing on merchandising.

Moreover, in existing stores, the Group carried out full-scale refurbishment of 119 stores: 4 home centers (HC stores) and 115 Hard & Green Stores (H&G stores), to enhance the merchandise assortment. As a result of such efforts, sales, the number of customers, and average sales per customer for all existing stores were up 2.7%, 1.7% and 1.0% year on year, respectively.

Stores

In July, newly opened stores passed the 1,000 store milestone. By business format, 1 Power store (PW stores) was opened in Nagasaki Prefecture and Fukuoka Prefecture respectively, and 2 stores were opened in Fukui Prefecture, for a total of 4 stores. Two (2) HC stores were opened in Saga Prefecture, and 42 H&G stores were opened in 20 prefectures. Additionally, 2 HC stores were converted into PW stores.

In August, 1 H&G store was closed. Due to the effects of the Great East Japan Earthquake, the operations of 18 stores were temporarily suspended, and 1 HC store and 3 H&G stores were closed when it was determined that resuming their operations would be impracticable.

As a result of the above, the number of stores at the end of the fiscal year under review stood at 1,047 stores, consisting of 18 PW stores, 126 HC stores, and 885 H&G stores, as well as 18 ATHENA stores.

Consolidated operating results

	Year ended March 31, 2010	Year ended March 31, 2011	Year-on-year comparison (%)
Net sales (Millions of yen)	269,161	283,755	105.4
Number of stores	986	1,047	—
Number of stores newly opened	41	48	—

(Note) The number of stores is the total for all group companies.

Operating results of Home Center line (by product line)

- Hardware, general materials and building materials

In the "hardware, general materials and building materials" product line, sales of exterior materials such as cement and bricks faired poorly due to the effects of record-high temperatures during the summer. However, sales were firm, particularly in reform-related materials, which received a boost from the application of the eco-point system for housing. As a result, sales in this product line rose 6.7% year on year to 82,270 million yen.

- Gardening and agricultural goods

In the "gardening and agricultural goods" product line, although sales of fertilizer, agrichemicals and gardening goods performed poorly due to the effects of low temperatures in early spring and the record-high temperatures during the summer, sales of agricultural materials and green merchandise were firm. Additionally, the number of agricultural advisors was increased to strengthen the marketing system and the merchandise assortment was enhanced. As a result, sales in this product line rose 2.5% to 62,006 million yen.

- Household goods

In the "household goods" product line, sales were strong thanks to the success of enhancing the merchandise assortment, the "1,000th Store Celebration Sale" held in July and the "Year-End Sale" in December. Additionally, demand for disaster preparedness merchandise rose after the Great East Japan Earthquake. As a result, sales in this product line rose 7.3% to 75,873 million yen.

- Office and leisure goods

In the "office and leisure goods" product line, sluggish sales of pet goods, the major product category in this line, impacted the growth of sales in the entire product line. As a result, sales in this product line rose 0.8% to 42,675 million yen.

- Kerosene and other

In the "kerosene and other" product line, sales greatly exceeded year-on-year results, influenced by rising unit prices for kerosene. As a result, sales in this product line rose 13.1% to 20,929 million yen.

Trend by product line

Product line	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)		Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)		Year-on-year comparison (%)
	Net sales (Millions of yen)	Percentage (%)	Net sales (Millions of yen)	Percentage (%)	
Hardware, general materials and building materials	77,136	28.6	82,270	29.0	106.7
Gardening and agricultural goods	60,487	22.5	62,006	21.9	102.5
Household goods	70,701	26.3	75,873	26.7	107.3

Product line	Year ended March 31, 2010 (April 1, 2009 to March 31, 2010)		Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)		Year-on-year comparison (%)
	Net sales (Millions of yen)	Percentage (%)	Net sales (Millions of yen)	Percentage (%)	
Office and leisure goods	42,326	15.7	42,675	15.0	100.8
Kerosene and other	18,510	6.9	20,929	7.4	113.1
Home Center line total	269,161	100.0	283,755	100.0	105.4

Operating results of Other lines

HOKUSEI SANGYO CO., LTD. operates 8 distribution centers spread across Japan, which function as the logistics bases of the Group. The number of stores opened in Kyushu surpassed 100 stores, and the operational efficiency of the Kyushu Distribution Center has been improved. Its operating revenue rose 1.6% year on year to 11,462 million yen.

BIT-A CO., LTD. performs various information processing and computer software development, and its operating revenue rose 84.7% to 6,145 million yen.

KOMERI CAPITAL CO., LTD. operates the KOMERI Card business and performs insurance agent business. The start of new card business and credit card changeover expenses occurred during the fiscal year under review. Its operating revenue rose 38.4% to 1,159 million yen.

Other businesses

LIFE KOMERI CO., LTD. sells liquefied petroleum gas, gasoline, kerosene, and related equipment, and its sales were steady.

MOVIE TIME CO., LTD. sells books and operates video rental services. In the fiscal year under review, it focused on expanding its book sales.

As a result of the above, operating revenue in the fiscal year under review rose 4.6% on a consolidated basis from the previous fiscal year to 298,594 million yen, operating income rose 5.3% to 15,869 million yen, and ordinary profit rose 6.4% to 15,361 million yen. Note, from the first quarter of the fiscal year under review, the accounting standard for asset retirement obligations was adopted, and an extraordinary loss of 1,053 million yen was recorded. Furthermore, since 360 stores and the Hanamaki and Koriyama distribution centers incurred damage as a result of the Great East Japan Earthquake, an extraordinary loss of 1,693 million yen was recorded. As a result, net income decreased 11.8% to 5,698 million yen.

2) Outlook for the year ending March 31, 2012

Consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	154,000	102.8%	310,000	103.8%
Operating income (Millions of yen)	10,300	105.2%	17,500	110.3%
Ordinary profit (Millions of yen)	10,050	105.1%	17,000	110.7%
Net income (Millions of yen)	5,750	119.1%	8,050	141.3%

Non-consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	148,000	103.0%	296,000	103.4%
Operating income (Millions of yen)	8,900	108.1%	14,350	106.3%
Ordinary profit (Millions of yen)	8,900	107.1%	14,500	106.1%
Net income	5,100	120.9%	6,800	139.5%

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
(Millions of yen)				

Looking at the economic outlook for Japan, in the wake of the Great East Japan Earthquake, there are fears of reductions in production activities in manufacturing industries and a drop in consumer behavior brought on by cooling consumer sentiment. Additionally, with factors such as the Fukushima Daiichi Nuclear Power Station incident's impact on agricultural production, the future outlook grows still more uncertain, and the environment surrounding the Group is predicted to become more challenging.

Facing these circumstances, the Group will focus on our major product areas of (a) hardware, general materials and building materials and (b) gardening and agricultural goods and concentrate efforts into further enhancing the merchandise assortment and realizing prices that customers are happy to pay. Additionally, the Group aims to open a total of 45 new stores: 3 PW stores, 7 HC stores, and 35 H&G stores. Included in that number, the Group plans to open 2 PW stores, 3 HC stores, and 7 H&G stores in Kyushu and pursue further dominance in that region.

Taking the abovementioned into consideration, for the year ending March 31, 2012, on a consolidated basis, the Group expects operating revenue to rise 3.8% year on year to 310,000 million yen, operating income to rise 10.3% to 17,500 million yen, ordinary profit to rise 10.7% to 17,000 million yen and net income to rise 41.3% to 8,050 million yen.

(2) Analysis of financial position

1) Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased by 7,856 million yen from the previous fiscal year-end to 247,688 million yen. This is due to a decrease in merchandise of 4,055 million yen, while cash and deposits increased by 2,659 million yen. Also, related to the in-house operation of card business, there were increases in trade notes and accounts receivable of 2,724 million yen, deposits paid (other current assets) of 1,759 million yen, property, plant and equipment of 1,913 million yen, and investments and other assets of 1,593 million yen.

Liabilities increased by 4,487 million yen from the previous fiscal year-end to 139,190 million yen. This is due to a decrease in short-term bank loans of 11,280 million yen, while there were increases in long-term debt including current portion of 8,867 million yen, other accounts payable of 1,912 million yen, notes payable-facilities of 1,563 million yen, and asset retirement obligations of 2,744 million yen.

Net assets increased by 3,369 million yen from the previous fiscal year-end to 108,498 million yen. This was mainly due to an increase in retained earnings.

2) Consolidated cash flows

	Year ended March 31, 2010	Year ended March 31, 2011	Year-on-year comparison
Net cash provided by operating activities (Millions of yen)	19,928	20,535	606
Net cash used in investing activities (Millions of yen)	(8,317)	(9,975)	(1,657)
Net cash provided by (used in) financing activities (Millions of yen)	(12,238)	(7,829)	4,408
Increase (decrease) in cash and cash equivalents (Millions of yen)	(627)	2,730	3,358
Cash and cash equivalents, end of year (Millions of yen)	7,410	10,141	2,730

Cash and cash equivalents ("cash") at the end of the fiscal year under review totaled 10,141 million yen. Factors affecting cash flows include the following:

(Net cash provided by operating activities)

Net cash provided by operating activities increased by 3.0% from the previous fiscal year to 20,535 million yen. This was mainly due to income before income taxes and minority interests of 10,347 million yen, adjustments for depreciation of 11,486 million yen, and a decrease in inventories of 3,256 million yen, while adjustments for income taxes paid was 6,613 million yen.

(Net cash used in investing activities)

Net cash used in investing activities increased 19.9% from the previous fiscal year to 9,975 million yen. This was mainly due to the purchases of property, plant and equipment and intangible assets.

(Net cash used in financing activities)

Net cash used in financing activities decreased 36.0% from the previous fiscal year to 7,829 million yen. This was primarily due to proceeds from long-term debt of 13,500 million yen, while short-term bank loans decreased by 11,280 million yen, 4,632 million yen was used for repayments of long-term debt, and 3,119 million yen was used for repayments of lease obligations.

Trends in cash flow indices

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Equity ratio (%)	42.7	42.5	41.6	43.8	43.8
Equity ratio based on market prices (%)	91.5	54.4	40.0	51.9	43.4
Years required to redeem liabilities (years)	5.5	4.2	6.2	3.7	3.4
Interest-coverage ratio (times)	24.1	24.6	9.4	20.4	24.6

(Notes) 1. The calculation methods are as follows:
Equity ratio: shareholders' equity/total assets
Equity ratio based on market prices: market capitalization/total assets
Years required to redeem liabilities: interest-bearing liabilities/operating cash flow
Interest-coverage ratio: operating cash flow/interest payments
2. Each of the foregoing indices is calculated on the basis of consolidated financial data.
3. "Market capitalization" is calculated by multiplying the share price on the final day of the fiscal year by the number of issued shares on the same day (excluding treasury stock).
4. For "operating cash flow," we use the figure of "net cash provided by operating activities" in the consolidated statement of cash flows.
5. "Interest-bearing liabilities" refers to all liabilities on the consolidated balance sheet on which interest payments are made. For "interest payments," we use the figure of "interest expense" in the consolidated statement of cash flows.

(3) Basic policy on distribution of profits and dividends for the fiscal year under review and the next fiscal year

The Group places the highest priority on increasing returns to shareholders by constantly raising its corporate value. When distributing profits we aim to continuously provide stable dividends while strengthening the Group's operating base and financial structure, and fully consider our profitability and dividend payout ratio.

We strive to efficiently allocate funds in our internal reserves for investment in new stores as well as for expansions and renovations to further vitalize the existing stores, thereby achieving sales growth and a higher ROE. In this way, we aim to increase returns to shareholders from a comprehensive, long-term perspective.

In addition, while taking capital investment for long-term growth and the improvement of capital efficiency into consideration, we will also take a flexible approach towards the acquisition of treasury stock for our shareholder return policy.

To show our gratitude to our shareholders, we will pay a year-end dividend of 17 yen per share. As a result, the annual dividend will be 34 yen per share including an interim dividend of 17 yen per share.

For the next fiscal year, we plan to pay an annual dividend of 34 yen per share, which consists of an interim dividend of 17 yen per share and a year-end dividend of 17 yen per share.

2. Status of the corporate group

The Group is composed of the Company and 7 subsidiaries. Its business is operating businesses within the distribution chain focusing on the household area, with hardware merchandise including hardware, tools and building materials and green merchandise including gardening, plants and agricultural materials as its main merchandise groups. Additionally, the Group as a whole conducts procurement of related merchandise, logistics, and other services, etc.

The position and primary business of each company in the Group is as follows.

Name	Address	Capital stock (Millions of yen)	Description of business	Percentage of voting rights held by the Company (%)	Relationship to the Company
Consolidated subsidiaries					
LIFE KOMERI CO., LTD.	Sanjo City, Niigata Prefecture	30	Sale of liquefied petroleum gas, gasoline, kerosene, and related equipment	100	Purchase of fuel from said company Debt guarantees Concurrently serving officers
HOKUSEI SANGYO CO., LTD.	Minami-ku, Niigata City, Niigata Prefecture	336	Merchandise delivery management operations	100	Sorting operations of the Company's merchandise by store and delivery operations to each store Lending funds and debt guarantees Concurrently serving officers
MOVIE TIME CO., LTD.	Minami-ku, Niigata City, Niigata Prefecture	248	Sale of books and video rental services	100	Rents some real estate from the Company Lending funds Concurrently serving officers
BIT-A CO., LTD.	Minami-ku, Niigata City, Niigata Prefecture	50	Various information processing and computer software development	100	Entrustment of the Company's various information processing operations and provision of computer software to the Company Concurrently serving officers
KOMERI CAPITAL CO., LTD.	Minami-ku, Niigata City, Niigata Prefecture	450	Operation of the KOMERI Card business and insurance agent business	100	Entrustment of the operation of the Group's "KOMERI Card" Concurrently serving officers
2 other companies	—	—	—	—	

(Note) There are 5 non-consolidated subsidiaries: DALIAN KOMERI HAICHEN MARKET CO., LTD.; KOMERI MERCHANDISE DEVELOPMENT CORP.; SHANGHAI KOMERI TRADING CO., LTD.; AQUA CO., LTD.; and ATHENA CO., LTD.

3. Management policy

(1) Fundamental management policy

The Group's philosophy is based on the concept that "A company should serve the purpose of making people happy, and by making people happy, it will be supported by society, and thus remain a going concern." This has not changed since the Company was founded.

Based on the above management philosophy, the Group aims to establish a true chain store industry by reforming the old distribution structure for the construction and agricultural areas.

(2) Target management indices

The Group places emphasis on the effective management of invested capital, and strives to increase capital productivity and raise the ROE with the aim of achieving a ratio of ordinary profit to total assets of 10%.

As of the end of the fiscal year under review, the ratio of ordinary profit to total assets stood at 6.3%.

(3) The medium-to-long-term management strategy and issues to be addressed

The environment surrounding the Group is caught up in a whirlwind of change; while embracing globalization and a new information-based culture, it faces a declining birthrate and aging population. We expect these phenomena to have an influence on our lives in the years to come. In the environment surrounding the housing market as well, it is predicted that the makeup of the market will change with factors such as the aging population and the increase of single-person households. It is likely that going forward there will be greater activity in the reform market to form good quality housing stock. Additionally, with the fall in food self-sufficiency rate and the problems with the Trans-Pacific Strategic Economic Partnership (TPP), the environment surrounding agriculture is reaching a significant turning point.

Facing these circumstances, the Group will concentrate on “home” and “agriculture” and strive towards strengthening merchandise development and the marketing system to an even higher level.

The Group will continue to open PW stores, HC stores, and H&G stores under a “clustered store development strategy” according to the commercial area’s size and pursue greater expansion of the store network and dominance in the market.

To achieve the opening of many new stores in the future, it is essential to further advance our systems for information collection and analysis and establish a broad information backbone including the management of systems for store management, information provision and merchandise sales via the Internet and the provision of services based on a card system.

(4) Other significant matters related to management

Responsibilities as a corporate citizen

Through the Komeri Greenery Fund established in 1990, the Group uses 1% of each year’s profit as funding to continue greening activities and other social contribution programs aimed at cultural and social promotion.

1) Environmental efforts

In 1999, a “Greenery Fund Volunteer” program was established to participate in regional greening activities. Up until now, more than 10,000 Group employees have participated in greening activities alongside residents of the respective regions. In 1996, the Group established the “Greenery Aid Foundation,” which aims to support research and development activities in the area of gardening and agriculture.

2) Support activities in times of disaster

As a corporate group engaged in distribution, in response to the frequent natural disasters in recent years, the Group considers its role in such times to be “responsibility for the provision of materials,” and in 2005 the “Komeri Disaster Response Center NPO” was established as an infrastructure for emergency activities in the event of a disaster. During the recent Great East Japan Earthquake as well, we rapidly responded to requests for materials from various local governments and the Self-Defense Forces.

We have expanded its 1% social contribution activities from the initial greening program to those encompassing wider support to promote culture and society including research and development activities in the area of agriculture and providing materials in times of disaster.

Through these activities, the Group is fulfilling its social responsibilities as a corporate citizen.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements for the Years Ended March 31, 2011 and 2010, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KOMERI Co., Ltd.:

We have audited the accompanying consolidated balance sheets of KOMERI Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KOMERI Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.i to the consolidated financial statements, the Company applied the new accounting standard for asset retirement obligations effective April 1, 2010.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC
June 14, 2011

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2011 and 2010

ASSETS	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 10,141	¥ 7,411	$ 121,962
Short-term investments (Notes 3 and 13)	191	261	2,293
Receivables (Notes 13 and 18):			
Trade notes and accounts	8,908	6,182	107,131
Allowance for doubtful receivables	(37)	(30)	(441)
Inventories (Note 5)	79,724	83,755	958,802
Deferred tax assets (Note 11)	1,562	1,575	18,783
Prepaid expenses and other current assets (Notes 14 and 18)	3,690	1,412	44,373
Total current assets	104,179	100,566	1,252,903
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):			
Land	24,274	23,929	291,929
Buildings and structures	155,275	148,094	1,867,408
Machinery and equipment	8,118	7,686	97,638
Lease assets (Note 12)	15,943	15,231	191,734
Construction in progress	1,752	1,186	21,075
Other	9,814	9,182	118,024
Total	215,176	205,308	2,587,808
Accumulated depreciation	(93,383)	(85,428)	(1,123,071)
Net property, plant and equipment	121,793	119,880	1,464,737
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 13)	332	371	3,995
Investments in unconsolidated subsidiaries	295	295	3,553
Intangible assets	6,151	5,404	73,967
Leasehold deposits	7,621	7,949	91,648
Deferred tax assets (Note 11)	5,792	3,673	69,654
Other assets	1,526	1,694	18,360
Total investments and other assets	21,717	19,386	261,177
TOTAL	¥ 247,689	¥ 239,832	$ 2,978,817

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	¥ 42,930	¥ 54,210	$ 516,296
Current portion of long-term debt (Notes 7, 13 and 16)	8,118	7,106	97,632
Payables (Notes 13 and 15):			
Trade notes and accounts	41,742	41,082	502,008
Construction and other	9,870	6,332	118,704
Income taxes payable (Note 13)	3,603	3,303	43,337
Accrued expenses	2,198	2,029	26,431
Liability for obligations to customers	382	552	4,595
Allowance for losses from a natural disaster	404		4,852
Other current liabilities	1,367	1,154	16,440
Total current liabilities	110,614	115,768	1,330,295
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 13)	18,007	11,458	216,565
Liability for retirement benefits (Note 8)	4,598	3,974	55,299
Retirement benefits for directors and corporate auditors (Note 8)	1,027	1,021	12,346
Asset retirement obligations (Note 9)	2,745		33,006
Lease deposits from lessees	1,776	1,886	21,355
Deferred tax liabilities (Note 11)		80	
Other long-term liabilities	424	516	5,102
Total long-term liabilities	28,577	18,935	343,673
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 13 and 14)			
EQUITY (Note 10):			
Common stock—authorized, 131,000,000 shares; issued, 54,409,168 shares in 2011 and 2010	18,802	18,802	226,123
Capital surplus	25,260	25,260	303,792
Retained earnings	73,529	69,565	884,293
Treasury stock—at cost, 3,631,178 shares in 2011 and 3,328,752 shares in 2010	(8,813)	(8,249)	(105,985)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(6)	14	(78)
Deferred loss on derivatives under hedge accounting	(274)	(263)	(3,296)
Total equity	108,498	105,129	1,304,849
TOTAL	¥ 247,689	¥ 239,832	$ 2,978,817

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
REVENUES:			
Net sales (Note 18)	¥ 289,234	¥ 275,813	$ 3,478,462
Other operating revenues	9,360	9,667	112,575
Total revenues	298,594	285,480	3,591,037
COST OF SALES	200,896	192,797	2,416,067
Gross profit	97,698	92,683	1,174,970
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	81,829	77,611	984,117
Operating income	15,869	15,072	190,853
OTHER INCOME (EXPENSES):			
Interest and dividend income	60	63	722
Interest expense	(834)	(1,014)	(10,029)
Loss on disposal of property, plant and equipment	(215)	(196)	(2,581)
Loss on impairment of long-lived assets (Note 6)	(2,107)	(1,989)	(25,341)
Gain on compensation for expropriation	62	264	743
Losses from a natural disaster (Note 19)	(1,693)	(3)	(20,366)
Effect of asset retirement obligations	(1,054)		(12,673)
Other—net	259	277	3,110
Other expenses—net	(5,522)	(2,598)	(66,415)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	10,347	12,474	124,438
INCOME TAXES (Note 11):			
Current	6,812	6,081	81,926
Deferred	(2,163)	(67)	(26,016)
Total income taxes	4,649	6,014	55,910
NET INCOME BEFORE MINORITY INTERESTS	5,698		68,528
NET INCOME	¥ 5,698	¥ 6,460	$ 68,528

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income	¥ 111.86	¥ 126.39	$ 1.35
Cash dividends applicable to the year	34.00	34.00	0.41

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 5,698	$ 68,528
OTHER COMPREHENSIVE INCOME (Note 15):		
Unrealized loss on available-for-sale securities	(20)	(250)
Deferred loss on derivatives under hedge accounting	(11)	(126)
Total other comprehensive income	(31)	(376)
COMPREHENSIVE INCOME (Note 15)	¥ 5,667	$ 68,152
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 15):		
Owners of the parent	¥ 5,667	$ 68,152
Minority interests		

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen						
						Accumulated Other Comprehensive Income		
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Total Equity
BALANCE, APRIL 1, 2009	51,231,259	¥ 18,802	¥ 25,260	¥ 64,844	¥ (7,923)	¥ 18	¥ (209)	¥ 100,792
Net income				6,460				6,460
Cash dividends, ¥34 per share				(1,739)				(1,739)
Purchase of treasury stock	(150,843)				(326)			(326)
Net change in the year						(4)	(54)	(58)
BALANCE, MARCH 31, 2010	51,080,416	18,802	25,260	69,565	(8,249)	14	(263)	105,129
Net income				5,698				5,698
Cash dividends, ¥34 per share				(1,734)				(1,734)
Purchase of treasury stock	(302,485)				(564)			(564)
Disposal of treasury stock	59							
Net change in the year						(20)	(11)	(31)
BALANCE, MARCH 31, 2011	50,777,990	¥ 18,802	¥ 25,260	¥ 73,529	¥(8,813)	¥ (6)	¥ (274)	¥ 108,498

	Thousands of U.S. Dollars (Note 1)						
					Accumulated Other Comprehensive Income		
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Total Equity
BALANCE, MARCH 31, 2010	$ 226,123	$ 303,792	$ 836,621	$ (99,211)	$ 172	$ (3,170)	$ 1,264,327
Net income			68,528				68,528
Cash dividends, $0.37 per share			(20,856)				(20,856)
Purchase of treasury stock				(6,776)			(6,776)
Disposal of treasury stock				2			2
Net change in the year					(250)	(126)	(376)
BALANCE, MARCH 31, 2011	$ 226,123	$ 303,792	$ 884,293	$ (105,985)	$ (78)	$ (3,296)	$ 1,304,849

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 10,347	¥ 12,474	$ 124,438
Adjustments for:			
Income taxes—paid	(6,614)	(5,339)	(79,543)
Depreciation	11,486	11,408	138,143
Loss on impairment of long-lived assets	2,107	1,989	25,341
Losses from a natural disaster	1,693	3	20,366
Effect of asset retirement obligations	1,054		12,673
Loss on disposal of property, plant and equipment	214	196	2,575
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	(2,739)	502	(32,940)
Decrease (increase) in inventories	3,257	(3,686)	39,169
Increase in trade notes and accounts payable	660	923	7,937
Increase in liability for retirement benefits	624	460	7,500
Increase in retirement benefits for directors and corporate auditors	6	28	72
Other—net	(1,560)	971	(18,762)
Total adjustments	10,188	7,455	122,531
Net cash provided by operating activities	20,535	19,929	246,969
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(8,759)	(7,956)	(105,348)
Decrease in leasehold deposits	153	232	1,843
Increase in other assets	(1,369)	(594)	(16,463)
Net cash used in investing activities	(9,975)	(8,318)	(119,968)
FINANCING ACTIVITIES:			
Increase in short-term bank loans—net	(11,280)	(2,970)	(135,657)
Proceeds from long-term debt	13,500		162,357
Repayments of long-term debt	(7,752)	(7,203)	(93,233)
Purchase of treasury stock	(564)	(326)	(6,776)
Dividends paid	(1,734)	(1,740)	(20,856)
Net cash used in financing activities	(7,830)	(12,239)	(94,165)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,730	(628)	32,836
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,411	8,039	89,125
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 10,141	¥ 7,411	$ 121,961

(Continued)

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Initial recognition of asset retirement obligations	¥ 2,489		$ 29,929

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 15. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which KOMERI Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements as of March 31, 2011, include the accounts of the Company and its seven significant (seven in 2010) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in five (five in 2010) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, which mature or become due within three months of the date of acquisition.

c. ***Inventories***—Merchandise inventories in retail stores are stated at the lower of cost, as determined by the retail method as generally applied by the retail industry in Japan, or net selling value. Supplies are stated at the lower of cost, using the last purchase price method, or net selling value.

d. ***Marketable and Investment Securities***—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998. Lease assets are depreciated by the straight-line method over the respective lease periods. The range of useful lives is principally from 3 to 60 years for buildings and structures, and from 4 to 8 years for machinery and equipment.

f. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Retirement and Pension Plans***—The Company and some subsidiaries have an unfunded retirement benefit plan for employees covering substantially all employees.

The gain or loss component of net periodic pension cost (the difference between the actual return on plan assets and the expected return on plan assets, etc.) is amortized over 5 years from the following fiscal year.

Effective June 22, 2010, the Company terminated its unfunded severance payment plan for all directors and corporate auditors. The accumulated retirement benefits of the plan will be paid as retirement benefits at the time each director or statutory auditor retires.

Retirement benefits to directors and corporate auditors are recorded at the amount which would be required at the termination of the plan.

h. ***Liability for Obligations to Customers***—The Company and certain subsidiaries have adopted a point service plan for its registered customers. In the point service plan, the pre-registered customers acquire service points in proportion to their actual purchases. The acquired service points are accumulated up to a certain level and then may be exchanged for gift certificates.

The Company and certain subsidiaries recognize a liability for obligations to customers when customers acquire the service points in amounts considered to be appropriate based on past experience.

i. ***Asset Retirement Obligations*****—**In March 2008, the Accounting Standards Board of Japan (the "ASBJ") published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥123 million ($1,474 thousand) and income before income taxes and minority interests by ¥1,176 million ($14,147 thousand).

j. ***Leases*****—**In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

k. ***Bonuses to Directors and Corporate Auditors*****—**Bonuses to directors and corporate auditors are accrued in the year to which such bonuses are attributable.

l. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently-enacted tax laws to the temporary differences.

m. ***Appropriations of Retained Earnings*****—**Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

n. ***Foreign Currency Transactions*****—**All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

o. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments ("derivatives") to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps (which substantially function as foreign exchange forward contracts) and interest rate swaps (including rate floors) are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

The foreign exchange forward contracts are utilized to hedge foreign exchange exposures for import purchases. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Forward contracts applied for forecasted transactions are measured at the fair value and the unrealized gains or losses are deferred until the underlying transactions are completed.

The interest rate swaps are utilized to hedge interest rate exposures of long-term debt. Those swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

p. ***Per Share Information*****—**Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because there are no potentially dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

q. ***New Accounting Pronouncements***

Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) *Changes in accounting policies*

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) *Changes in presentation*

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) *Changes in accounting estimates*

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) *Corrections of prior period errors*

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. SHORT-TERM INVESTMENTS

Short-term investments as of March 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Time deposits	¥ 191	¥ 261	$ 2,293
Total	¥ 191	¥ 261	$ 2,293

4. MARKETABLE AND INVESTMENT SECURITIES

Investment securities as of March 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Non-current:			
Equity securities	¥ 315	¥ 348	$ 3,791
Trust fund investments and other	17	23	204
Total	¥ 332	¥ 371	$ 3,995

The costs and aggregate fair values of marketable investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 280	¥ 35	¥ 42	¥ 273
Trust fund investments	12		4	8
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	¥ 279	¥ 52	¥ 24	¥ 307
Trust fund investments	12		3	9

	Thousands of U.S. Dollars			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$ 3,370	$ 419	$ 502	$ 3,287
Trust fund investments	146		48	98

The impairment losses on available-for-sale equity securities for the year ended March 31, 2010 were ¥3 million.

5. INVENTORIES

Inventories at March 31, 2011 and 2010, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Merchandise	¥ 79,612	¥ 83,668	$ 957,452
Supplies	112	87	1,350
Total	¥ 79,724	¥ 83,755	$ 958,802

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2011. As a result, the Group recognized an impairment loss of ¥2,107 million ($25,341 thousand) as other expense for certain unprofitable stores due to continuous operating losses. The carrying amount of the assets of the relevant stores was written down to the recoverable amount, which is comprised of ¥1,953 million ($23,488 thousand) for buildings and structures and ¥154 million ($1,854 thousand) for other items. The recoverable amount of this asset group was measured at its value in use and the discount rate used for the computation of the present value of future cash flows was 6%.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2011 and 2010 consisted of notes to banks. The annual weighted average interest rate applicable to the short-term bank loans was 0.41% and 0.55% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans from banks and other financial institutions, due serially through 2016 with weighted average interest rates of 1.14% (2011) and 1.43% (2010):			
Collateralized	¥ 360	¥ 570	$ 4,325
Unsecured	16,522	7,445	198,708
Obligations under finance leases	9,243	10,549	111,164
Total	26,125	18,564	314,197
Less current portion	(8,118)	(7,106)	(97,632)
Long-term debt, less current portion	¥ 18,007	¥ 11,458	$ 216,565

Annual maturities of long-term debt at March 31, 2011 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 8,118	$ 97,632
2013	5,794	69,680
2014	4,458	53,615
2015	3,113	37,439
2016	3,080	37,038
2017 and thereafter	1,562	18,793
Total	¥ 26,125	$ 314,197

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥150 million ($1,804 thousand) and the above collateralized long-term debt at March 31, 2011, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥ 2,698	$ 32,451

As is customary in Japan, the Company maintains substantial deposit balances with banks from which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

8. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company and some consolidated subsidiaries. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or by death.

The liability for retirement benefits at March 31, 2011 for directors and corporate auditors was ¥1,027 million ($12,346 thousand). The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 5,040	¥ 4,362	$ 60,616
Unrecognized actuarial gain	(442)	(388)	(5,317)
Net liability	¥ 4,598	¥ 3,974	$ 55,299

The components of net periodic benefit costs for the years ended March 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 546	¥ 453	$ 6,564
Interest cost	83	68	998
Recognized actuarial loss	94	34	1,130
Net periodic benefit costs	¥ 723	¥ 555	$ 8,692

Assumptions used for the years ended March 31, 2011 and 2010, are set forth as follows:

	2011	2010
Discount rate	2.0%	2.0%
Recognition period of actuarial gain/loss	5 years	5 years

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the year ended March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Balance at beginning of year	¥ 2,489	$ 29,929
Additional provisions associated with the acquisition of property, plant and equipment	233	2,798
Reconciliation associated with passage of time	59	721
Other	(15)	(185)
Balance at end of year	¥ 2,766	$ 33,263

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Loss on impairment	¥ 3,134	¥ 2,457	$ 37,690
Accrued enterprise taxes	286	271	3,435
Accrued bonuses	782	711	9,402
Liabilities for retirement benefits	1,858	1,606	22,349
Retirement benefits for directors and corporate auditors	415	412	4,988
Asset retirement obligation	1,117		13,438
Tax loss carryforwards	582	32	7,004
Other	1,013	1,050	12,183
Less valuation allowance	(897)	(938)	(10,792)
Total	8,290	5,601	99,697
Deferred tax liabilities:			
Property and equipment	(95)	(126)	(1,143)
Expense from asset retirement obligation	(648)		(7,798)
Other	(193)	(306)	(2,319)
Total	(936)	(432)	(11,260)
Net deferred tax assets	¥ 7,354	¥ 5,169	$ 88,437

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 is as follows:

	2011	2010
Normal effective statutory tax rate	40%	40%
Per capita portion	4	3
Tax loss carryforwards		(1)
Valuation allowance	1	7
Other—net		(1)
Actual effective tax rate	45%	48%

At March 31, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,442 million ($17,337 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 64	$ 769
2017	17	197
2018	1,361	16,371
Total	¥ 1,442	$ 17,337

12. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expense including lease payments for the years ended March 31, 2011 and 2010, was ¥12,279 million ($147,678 thousand) and ¥12,248 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2011 and 2010, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 840	¥ 835	$ 10,098
Due after one year	3,381	3,670	40,667
Total	¥ 4,221	¥ 4,505	$ 50,765

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly long-term debt including bank loans and lease obligation, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets, mainly short-term deposits. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Marketable and investment securities, mainly equity instruments, are exposed to issuer credit risk and the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Maturities of bank loans and lease obligations are less than 16 years after the balance sheet date. Although a part of such bank loans and lease obligations are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest-rate swaps.

Derivatives mainly include forward foreign currency contracts, currency swaps, and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, and in interest rates of bank loans. See Note 14 for more detail about derivatives.

(3) ***Risk Management for Financial Instruments***

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers in the early stages.

With respect to derivatives, the Group manages its exposure to credit risk by limiting its counterparties to high credit rating financial institutions.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2011.

Market risk management (foreign exchange risk and interest rate risk)

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions are approved in management meeting based on the internal guidelines which prescribe the authority and the limit for each transaction by the corporate treasury department. Reconciliation of the transaction and balances with customers is made, and the transaction data are reported to the management on a quarterly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk sounds like it actually increases the liquidity risk, along with adequate financial planning by the corporate treasury department.

(4) ***Fair Values of Financial Instruments***

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. See Note 14 for the detail of fair value of derivatives.

(*a*) *Fair value of financial instruments*

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 10,141	¥ 10,141	
Short-term investments	191	191	
Receivables	8,871	8,871	
Investment securities	282	282	
Total	¥ 19,485	¥ 19,485	
Short-term bank loans	¥ 42,930	¥ 42,930	
Payables	51,612	51,612	
Income taxes payable	3,603	3,603	
Long-term debt	26,126	26,019	¥ 107
Total	¥ 124,271	¥ 124,164	¥ 107
March 31, 2010			
Cash and cash equivalents	¥ 7,411	¥ 7,411	
Short-term investments	261	261	
Receivables	6,152	6,152	
Investment securities	315	315	
Total	¥ 14,139	¥ 14,139	
Short-term bank loans	¥ 54,210	¥ 54,210	
Payables	47,414	47,414	
Income taxes payable	3,303	3,303	
Long-term debt	18,564	18,617	¥ 53
Total	¥ 123,491	¥ 123,544	¥ 53

	Thousands of U.S. Dollars		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 121,962	$ 121,962	
Short-term investments	2,293	2,293	
Receivables	106,690	106,690	
Investment securities	3,386	3,386	
Total	$ 234,331	$ 234,331	
Short-term bank loans	$ 516,296	$ 516,296	
Payables	620,712	620,712	
Income taxes payable	43,337	43,337	
Long-term debt	314,196	312,914	$ 1,282
Total	$ 1,494,541	$ 1,493,259	$ 1,282

Cash and Cash Equivalents, Short-Term Investments and Receivables

The carrying values of cash and cash equivalents, short-term investments and receivables approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair value of the marketable and investment securities by classification is included in Note 4.

Short-Term Bank Loans and Payables

The carrying values of short-term bank loans and payables approximate fair value because of their short maturities.

Income Taxes Payable

The carrying values of income taxes payable approximate fair value.

Long-Term Debt

The fair values of long-term bank loans are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate. The fair value of long-term debt with no interest is determined by discounting the cash flows related to the debt at a risk-free rate.

The carrying values of long-term lease obligations approximate fair value.

Derivatives

The information on the fair value of derivatives is included in Note 14.

(*b*) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Investments in equity instruments that do not have a quoted market price in an active market	¥ 79	¥ 84	$ 946

(5) ***Maturity Analysis for Financial Assets and Securities with Contractual Maturities***

	Millions of Yen			
March 31, 2011	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 10,141			
Short-term investments	191			
Receivables	8,871			
Investment securities—				
Available-for-sale securities with contractual maturities		¥8		
Total	¥ 19,203	¥8		

	Thousands of U.S. Dollars			
March 31, 2011	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 121,962			
Short-term investments	2,293			
Receivables	106,690			
Investment securities—				
Available-for-sale securities with contractual maturities		$ 98		
Total	$ 230,945	$ 98		

Please see Note 7 for annual maturities of long-term debt.

14. DERIVATIVES

The Group enters into derivative transactions, including foreign exchange forward contracts and currency swaps, to hedge foreign exchange risk associated with a portion of imported goods. The Group also enters into interest rate swap (including rate floor) agreements as a means of managing its interest rate exposures on certain liabilities.

Currency swaps are subject to foreign exchange risk. Interest rate swap (including rate floor) agreements are subject to interest rate exposures.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

The execution and control of derivatives are controlled by the Company's accounting department in accordance with its internal policies.

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency swaps—Receive U.S.$/pay yen	Payables	¥ 4,298	¥ 1,670	¥ (460)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	200	100	
March 31, 2010				
Currency swaps—Receive U.S.$/pay yen	Payables	¥ 5,189	¥ 1,981	¥ (442)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	300	200	

		Thousands of U.S. Dollars		
March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency swaps—Receive U.S.$/pay yen	Payables	$ 51,687	$ 20,079	$ (5,529)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	2,405	1,203	

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

15. COMPREHENSIVE INCOME

For the Year Ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ 6,402
Minority interests	
Total comprehensive income	¥ 6,402

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized loss on available-for-sale securities	¥ (4)
Deferred loss on derivatives under hedge accounting	(54)
Total other comprehensive income	¥ (58)

16. SUBSEQUENT EVENTS

(1) ***Appropriation of Retained Earnings***

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders meeting held on June 24, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥17 ($0.20) per share	¥ 863	$ 10,382

(2) ***Stock Option Plan***

At the general shareholders meeting held on June 24, 2011, the Company's shareholders approved the stock option plan for the Company's directors.

17. SEGMENT INFORMATION

For the Years Ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

Information about reportable segment is not shown, since the Company only has one reportable segment, which is the business to sell hardware, gardening tools, etc.

For the Year Ended March 31, 2010

(1) *Industry segments*

Information about industry segments is not shown, since substantially all consolidated net sales, operating income and identifiable assets for 2010 resulted from the primary business of the Group, which was to sell hardware, gardening tools, etc.

(2) *Geographical segments*

There are no consolidated subsidiaries located outside Japan.

(3) *Sales to foreign customers*

The Group operates only in Japan and does not have export sales.

18. RELATED PARTY DISCLOSURES

Transactions of the Company with directors for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Sales	¥ 208		$ 2,496
Rental expense	12		144

The balances due to or from directors at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Accounts receivable	¥ 199		$ 2,389
Prepaid expense	1		12

19. LOSSES FROM A NATURAL DISASTER

Losses from a natural disaster at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Loss from disposal of inventories	¥ 774	$ 9,310
Loss on retirement of fixed assets	368	4,420
Asset dismantlement, removal and restoration costs	551	6,636
Total	¥ 1,693	$ 20,366

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