INVESTORS' GUIDE
2012

KOMERI

10-year summary of financial and operating results

Komeri Co., Ltd. and subsidiaries

	5-Year Compound Annual Growth Rate	Years ended March 31										
amounts in millions, except where noted		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Statements of Income Data	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total revenues	3.8	312,017	298,594	285,480	277,557	273,889	259,218	247,461	233,982	217,923	200,490	170,367
Total revenues increase(%)	–	4.5	4.60	2.90	1.3	5.7	4.8	5.8	7.4	8.7	17.7	33.6
Cost of sales	3.2	205,609	200,896	192,797	188,043	186,491	175,596	167,191	157,107	145,177	134,703	114,130
Selling, general, and administrative expenses	4.8	86,181	81,829	77,611	74,798	71,808	68,102	65,645	63,369	59,886	54,303	45,316
Operating income	5.4	20,226	15,869	15,072	14,716	15,591	15,520	14,624	13,506	12,860	11,484	10,920
Operating income increase (%)	–	27.5	5.3	2.4	△ 6	1	6	8.3	5.0	12.0	5.2	35.2
Income before income taxes and minority interests	4.0	18,820	10,347	12,474	11,495	14,431	15,466	13,731	12,438	12,292	11,288	9,672
Net income	0.9	9,687	5,698	6,460	6,421	8,293	9,257	8,706	7,899	7,175	6,224	5,635
Net income increase(%)	–	70.0	△ 11.8	0.6	△ 23	△ 10	6	10.2	10.1	15.3	10.5	42.1
Earnings per share	1.7	190.78	111.86	126.39	124	157	175	163.56	148.35	136.88	118.68	123.18
Earnings per share increase(%)	–	70.6	△ 11.50	1.70	△ 21	△ 10	10	10.3	8.4	15.3	-3.7	39.7
Weighted average number of shares outstanding (thousand)	△0.8	50,777	50,942	51,113	51,672	52,890	52,890	52,889	52,892	52,061	51,959	45,748
Gross margin-% of revenues	–	34.1	32.7	32.5	32.3	31.9	32.3	32.4	32.9	33.4	32.8	33.0
SG&A expenses-% of revenues	–	27.6	27.4	27.2	26.9	26.2	26.3	26.5	27.1	27.5	27.1	26.6
Operating margin-% of revenues	–	6.5	5.3	5.3	5.3	5.7	6.0	5.9	5.8	5.9	5.7	6.4
Net interest expense-% of revenues	–	0.2	0.3	0.4	0.5	0.2	0.2	0.1	0.2	0.2	0.3	0.5
Income before income taxes-% of revenues	–	6.0	3.5	4.4	4.1	6.0	6.0	5.5	5.3	5.6	5.6	5.7
Net income-% of revenues	–	3.1	1.9	2.3	2.3	3.0	3.6	3.5	3.4	3.3	3.1	3.3
Balance Sheet Data and Financial Ratios	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total assets	3.3	257,609	247,689	239,832	242,290	229,783	219,178	201,084	188,855	180,887	167,460	135,431
Merchandise inventories	3.2	88,231	79,724	83,755	80,070	76,074	75,222	65,364	58,809	55,362	49,902	38,621
Net property and equipment	7.3	149,196	121,793	139,266	124,286	113,518	104,958	96,436	90,895	89,428	83,361	64,178
Long-term liabilities	2.1	26,409	28,577	18,935	23,516	18,897	23,758	22,517	23,554	26,773	30,344	20,640
Shareholders' equity	4.5	116,739	108,498	105,129	100,792	97,541	93,671	86,326	79,015	72,598	64,356	59,695
Book value per share (yen)	5.4	2,300.0	2,136.70	2,058.10	1,967	1,880	1,771	1,631	1,493	1,372	1,238	1,149
Long-term liabilities to equity (%)	–	127.8	132.3	151.2	134.9	158.7	150.7	140.4	134.6	132.6	136	142.9
Current ratio	–	0.95:1	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
Equity ratio(%)	–	45.3	43.8	43.8	41.6	42.5	42.7	42.9	41.8	38.4	38.4	44.1
Inventory turnover (month)	–	3.7	3.7	3.5	3.5	3.3	3.3	3.0	2.9	2.9	2.7	2.4
Return on equity (%)	–	8.6	5.3	6.3	6.5	8.7	10.3	10.5	10.4	10.5	10.0	11.2
Return on assets (%)	–	3.8	6.3	2.7	2.7	3.7	4.4	4.5	4.3	4.1	4.1	4.8
Statement of Cash Flows Data	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Depreciation and amortization	11.1	12,065	11,487	11,408	11,176	7,714	7,117	6,659	6,653	6,230	5,347	4,940
Operational cash flow	10.6	17,620	20,535	19,928	13,131	15,067	10,658	12,436	12,360	10,312	5,914	11,850
Investment cash flow	4.6	△ 17,480	△ 9,975	△ 8,056	△ 14,529	△ 15,702	△ 13,957	△ 11,445	△ 8335	△ 14,739	△ 9,499	△ 9,046
Financial cash flow	–	△ 6,306	△ 7,829	△ 12,239	△ 252	560	3,309	△ 2,108	△ 987	4,146	1,393	2,353
Cash dividends per share (yen)	0.0	34.0	34.0	34.0	34.0	34.0	34.0	32.0	28.0	27	26	26
Store Data	%											
Number of stores (actual);	5.3	1,089	1,047	986	949	921	843	763	708	655	608	540
Komeri Power	–	21	18									
Komeri Home Center	–	132	126	139	139	138	137	88	87	85	80	75
Komeri Hard & Green	7.1	919	885	847	810	783	706	628	575	523	480	440
Athena	–	17	18									
Stores operated by HC subsidiaries	–	0	0	0	14	14	14	47	46	47	48	25
Weighted average selling space (square meters)*	13.7	1,657,833	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)	4.4	8,625	8,164	7,856	7,414	7,180	6,969	6,782	6,510	6,255	–	–
Sales per employee(thousands of yen)	△0.4	36,176	36,574	36,339	37,437	37,788	37,196	36,488	35,942	34,840	–	–
Comparable store sales increase (%)*	–	1.4	2.5	0.8	△ 3.3	0.9	△ 0.3	1.6	1.3	△ 2.3	1.8	2.4

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, 2012

Consolidated operating results

	Year ended March 31, 2011	Year ended March 31, 2012	Year-on-year comparison (%)
Operating revenue (Millions of yen)	298,594	312,017	104.5
Operating income (Millions of yen)	15,869	20,226	127.5
Ordinary profit (Millions of yen)	15,350	19,617	127.8
Net income (Millions of yen)	5,698	9,687	170.0

Non-consolidated operating results

	Year ended March 31, 2011	Year ended March 31, 2012	Year-on-year comparison (%)
Operating revenue (Millions of yen)	286,368	298,231	104.1
Operating income (Millions of yen)	13,502	16,267	120.5
Ordinary profit (Millions of yen)	13,649	16,436	120.4
Net income (Millions of yen)	4,873	8,131	166.9

In the Japanese economy during the fiscal year under review, the business environment was severe, particularly for export-reliant companies. Factors for this included supply chain disruption from the impact of the Great East Japan Earthquake, concerns about electricity supply shortages, and the appreciation of the yen to historic levels against the dollar and the euro. On the other hand, regarding the environment for domestic consumption, consumer sentiment showed signs of recovery primarily in eastern Japan, due to reconstruction-related demand in the wake of the earthquake disaster. Even so, uncertainties towards the future remained.

Operating under these circumstances, the Group's operating results by business in the fiscal year under review were as follows.

Home Center business

The operating results of the Home Center business were strong, particularly in eastern Japan, as a result of the Group's efforts to fulfill its responsibility to supply merchandise in response to reconstruction-related demand in the wake of the earthquake disaster, as well as work to increase sales of energy-saving merchandise and the like in response to electricity supply shortages. The Group also expanded sales of its private brand merchandise by focusing on merchandise development, thus improving the gross profit margin of merchandise.

In its existing stores, the Group carried out full-scale refurbishment of 106 stores: 2 home centers (HC stores), and 104 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 1.4%, 0.1% and 1.3% year on year, respectively.

Stores

The total number of new store openings was 43: 3 Power stores (PW stores); 2 in Fukuoka Prefecture and 1 in Akita Prefecture, 5 HC stores; 2 in Kumamoto Prefecture and 1 in each of Okayama Prefecture, Yamaguchi Prefecture and Oita Prefecture, and 35 H&G stores in 25 prefectures. Additionally, the HC Kurobe store (Toyama Prefecture) and the H&G Nanao store (Ishikawa Prefecture) were relocated to increase their floor space, and the H&G Nanao store was converted into an HC store. Furthermore, the ATHENA Sanjyo-yokkamachi store (Niigata Prefecture) was integrated into the HC Sanjyo-yokkamachi store. As a result, the number of stores at the end of the fiscal year under review stood at 1,089 stores, consisting of 21 PW stores, 132 HC stores, and 919 H&G stores, as well as 17 ATHENA stores.

Consolidated operating results

	Year ended March 31, 2011	Year ended March 31, 2012	Year-on-year comparison (%)
Net sales (Millions of yen)	283,755	295,973	104.3
Number of stores	1,047	1,089	–
Number of stores newly opened	48	43	–

(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 were strong for merchandise such as tools, building materials and work goods, particularly in eastern Japan, due to demand related to recovery- and reconstruction in the wake of the earthquake disaster. As a result, sales in this product line rose 10.7% year on year to 91,112 million yen.

- Gardening and agricultural goods

In the "gardening and agricultural goods" product line, although sales of fertilizer and agrichemicals performed poorly, partly because of delays in gardening and agricultural goods due to the earthquake disaster, sales of plants including vegetable seedlings were strong. 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 3.9% to 64,404 million yen.

- Household goods

In the "household goods" product line, sales of daily necessities were strong, particularly in the areas affected by the earthquake disaster. Sales of energy-saving merchandise and heat alleviation merchandise such as shading devices and bamboo blinds also performed strongly. As a result, sales in this product line rose 2.5% to 77,754 million yen.

- Office and leisure goods

In the "office and leisure goods" product line, although sales of furniture and storage cabinets were strong, sales of pet goods and leisure goods fared poorly. As a result, sales in this product line rose 0.6% to 42,951 million yen.

- Kerosene and other

In the "kerosene and other" product line, sales fell 5.6% to 19,752 million yen, owing to the impact of a decline in kerosene sales volume.

Trend by product line

Product line	Year ended March 31, 2011 (April 1, 2010 to March 31, 2011)		Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)		Year-on-year comparison (%)
	Net sales (Millions of yen)	Percentage (%)	Net sales (Millions of yen)	Percentage (%)	
Hardware, general materials and building materials	82,270	29.0	91,112	30.8	110.7
Gardening and agricultural goods	62,006	21.9	64,404	21.7	103.9
Household goods	75,873	26.7	77,754	26.3	102.5
Office and leisure goods	42,675	15.0	42,951	14.5	100.6
Kerosene and other	20,929	7.4	19,752	6.7	94.4
Home Center line total	283,755	100.0	295,973	100.0	104.3

Operating results of Other lines

- Logistics

HOKUSEI SANGYO CO., LTD. operates 8 distribution centers spread across Japan, which function as the logistics bases of the Group. Regarding the Kyushu Distribution Center, the number of stores it covers in its area has been expanded and its operational efficiency has been improved substantially. Its operating revenue rose 10.1% year on year to 12,620 million yen.

- Information technology

BIT-A CO., LTD. performs various information processing and computer software development, and its operating revenue rose 15.4% to 7,089 million yen.

- Credit cards

KOMERI CAPITAL CO., LTD. operates the KOMERI Card business and performs insurance agent business. Its operating revenue rose 37.4% to 1,613 million yen.

Other businesses

LIFE KOMERI CO., LTD. sells liquefied petroleum gas, gasoline, kerosene, and related equipment. Its operating revenue was steady.

MOVIE TIME CO., LTD. sells books and operates video rental services. In the fiscal year under review, it opened a large book store in Niigata City, Niigata Prefecture.

As a result of the above, operating revenue in the fiscal year under review rose 4.5% on a consolidated basis from the previous fiscal year to 312,017 million yen, operating income rose 27.5% to 20,226 million yen, and ordinary profit rose 27.8% to 19,617 million yen.

Pursuant to the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake," which were promulgated on December 2, 2011, corporation tax rates for fiscal years beginning on or after April 1, 2012 have been changed. In line with this change, income taxes-deferred in the fiscal year under review increased by 845 million yen. As a result, net income increased 70.0% year on year to 9,687 million yen, while operating revenue, operating income, ordinary profit and net income all hit record highs.

2) Outlook for the year ending March 31, 2013

Consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	164,000	102.4%	324,000	103.8%
Operating income (Millions of yen)	13,900	103.5%	21,500	106.3%
Ordinary profit (Millions of yen)	13,800	104.4%	21,100	107.6%
Net income (Millions of yen)	8,100	109.2%	11,200	115.6%

Non-consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	157,000	102.5%	310,000	103.9%
Operating income (Millions of yen)	11,700	102.9%	17,500	107.6%
Ordinary profit (Millions of yen)	11,800	102.6%	17,900	108.9%
Net income (Millions of yen)	7,000	106.9%	9,600	118.1%

Looking at the economic outlook for Japan, although there are signs of recovery in operating results mainly in the manufacturing industry, many factors for uncertainty remain. These include financial instability caused by the debt crisis in Europe and rising raw material prices due to resource price inflation. In the distribution-based retail industry, while full-fledged reconstruction-related demand is expected to drive domestic demand, competition going beyond the conventional boundaries of business fields and business formats is expected to intensify even more.

Facing these circumstances, the Group will focus on the 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. In this way, the Group aims to fulfill its responsibility to supply merchandise in response to reconstruction-related demand.

Additionally, the Group plans to open a total of 45 new stores: 5 PW stores, 9 HC stores (including 1 relocation to increase floor space), and 31 H&G stores (including 2 relocations to increase floor space). Furthermore, the Komeri Group's 9th distribution center is scheduled to become operational in Inashiki

City, Ibaraki Prefecture, in November 2012. Through this, the Group is aiming for further efficiency in its distribution capabilities.

Taking the above-mentioned circumstances into consideration, for the year ending March 31, 2013, on a consolidated basis, the Group expects operating revenue to rise 3.8% year on year to 324,000 million yen, operating income to rise 6.3% to 21,500 million yen, ordinary profit to rise 7.6% to 21,100 million yen and net income to rise 15.6% to 11,200 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 9,921 million yen from the previous fiscal year-end to 257,609 million yen. This was mainly due to increases in merchandise of 8,619 million yen and property, plant and equipment of 5,653 million yen, while there was a decrease of 6,094 million yen in cash and deposits.

Liabilities increased by 1,631 million yen from the previous fiscal year-end to 140,822 million yen. This was mainly due to a decline in long-term debt including current portion of 3,640 million yen while there were increases in trade notes and accounts payable of 1,557 million yen, short-term bank loans of 1,910 million yen and income taxes payable of 1,885 million yen.

Net assets increased by 8,289 million yen from the previous fiscal year-end to 116,787 million yen. This was mainly due to an increase in retained earnings.

2) Consolidated cash flows

	Year ended March 31, 2011	Year ended March 31, 2012	Year-on-year comparison
Net cash provided by operating activities (Millions of yen)	20,535	17,620	(2,915)
Net cash used in investing activities (Millions of yen)	(9,975)	(17,480)	(7,505)
Net cash used in financing activities (Millions of yen)	(7,829)	(6,306)	1,523
Increase (decrease) in cash and cash equivalents (Millions of yen)	2,730	(6,166)	(8,897)
Cash and cash equivalents, end of year (Millions of yen)	10,141	3,974	(6,166)

Cash and cash equivalents ("cash") at the end of the fiscal year under review totaled 3,974 million yen. Factors affecting cash flows include the following:

(Net cash provided by operating activities)

Net cash provided by operating activities decreased by 14.2% from the previous fiscal year to 17,620 million yen. This was mainly due to income before income taxes and minority interests of 18,820 million yen in addition to adjustments for depreciation of 12,065 million yen while there were an increase in inventories of 8,684 million yen and adjustments for income taxes paid of 7,233 million yen.

(Net cash used in investing activities)

Net cash used in investing activities increased 75.2% from the previous fiscal year to 17,480 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 19.5% from the previous fiscal year to 6,306 million yen. This was primarily due to proceeds from short-term and long-term debt of 3,910 million yen, while 5,640 million yen was used for repayments of long-term debt and 2,848 million yen was used for repayments of lease obligations.

Trends in cash flow indices

	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012
Equity ratio (%)	42.5	41.6	43.8	43.8	45.3
Equity ratio based on market prices (%)	54.4	40.0	51.9	43.4	46.5
Years required to redeem liabilities (years)	4.2	6.2	3.7	3.4	3.8
Interest coverage ratio (times)	24.6	9.4	20.4	24.6	26.4

(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.

To show our gratitude to our shareholders, we will pay a year-end dividend of 18 yen per share, as announced on January 26, 2012. As a result, the annual dividend will be 35 yen per share including an interim dividend of 17 yen per share.

We celebrated the 60th anniversary of the Company's founding in April 2012. We would like to extend our sincere gratitude to our shareholders and other related parties as well as your support for making this achievement possible. With the aim of rewarding the support from our shareholders, we are planning to increase the interim dividend for the next fiscal year to 18 yen per share, by adding a 1-yen commemorative dividend for the 60th anniversary of the Company's founding to the ordinary dividend of 17 yen per share. Together with a year-end dividend of 18 yen per share, a total annual dividend is scheduled to be 36 yen per share.

2. 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 7.8%.

(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, 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

The Group established the Komeri Greenery Fund in 1990. With this fund, the Group uses 1% of each year's profit as funding to continue greening activities for the regions, the development of infrastructures for the stable supply of goods in the event of disasters, 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. In response to the Great East Japan Earthquake, the Group supplied 60 truckloads of materials to the affected areas by 10-ton truck in response to supply requests 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 Year Ended March 31, 2012, and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of KOMERI Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit 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.

June 12, 2012

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2012

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 3,974	¥ 10,141	$ 48,383
Short-term investments (Notes 3 and 14)	263	191	3,205
Receivables (Notes 14 and 20):			
Trade notes and accounts	9,804	8,908	119,357
Allowance for doubtful receivables	(60)	(37)	(726)
Inventories (Note 5)	88,397	79,724	1,076,173
Deferred tax assets (Note 12)	1,596	1,562	19,427
Prepaid expenses and other current assets (Notes 15 and 20)	4,439	3,690	54,036
Total current assets	108,413	104,179	1,319,855
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):			
Land	27,862	24,274	339,204
Buildings and structures	164,327	155,275	2,000,574
Machinery and equipment	8,618	8,118	104,913
Lease assets (Note 13)	15,244	15,943	185,585
Construction in progress	953	1,752	11,601
Other	10,468	9,814	127,450
Total	227,472	215,176	2,769,327
Accumulated depreciation	(100,026)	(93,383)	(1,217,757)
Net property, plant and equipment	127,446	121,793	1,551,570
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	380	332	4,622
Investments in unconsolidated subsidiaries	295	295	3,596
Intangible assets	6,411	6,151	78,052
Leasehold deposits	7,498	7,621	91,279
Deferred tax assets (Note 12)	5,523	5,792	67,245
Other assets	1,644	1,526	20,008
Total investments and other assets	21,751	21,717	264,802
TOTAL	¥257,610	¥247,689	$3,136,227

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 14)	¥ 44,840	¥ 42,930	$ 545,897
Current portion of long-term debt (Notes 7 and 14)	6,573	8,118	80,028
Payables (Notes 14 and 16):			
Trade notes and accounts	43,299	41,742	527,139
Construction and other	9,868	9,870	120,135
Income taxes payable (Note 14)	5,741	3,603	69,888
Accrued expenses	2,342	2,198	28,511
Liability for obligations to customers	448	382	5,454
Allowance for losses from a natural disaster	34	404	420
Other current liabilities	1,268	1,367	15,431
Total current liabilities	114,413	110,614	1,392,903
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	15,000	18,007	182,611
Liability for retirement benefits (Note 8)	5,226	4,598	63,626
Retirement benefits for directors and corporate auditors (Note 8)	1,026	1,027	12,485
Asset retirement obligations (Note 9)	3,135	2,745	38,165
Lease deposits from lessees	1,794	1,776	21,838
Deferred tax liabilities (Note 12)	2		28
Other long-term liabilities	226	424	2,759
Total long-term liabilities	26,409	28,577	321,512
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 14 and 15)			
EQUITY (Note 10):			
Common stock—authorized, 131,000,000 shares; issued, 54,409,168 shares in 2012 and 2011	18,802	18,802	228,904
Capital surplus	25,260	25,260	307,527
Stock acquisition rights (Note 11)	32		395
Retained earnings	81,491	73,529	992,085
Treasury stock—at cost, 3,631,286 shares in 2012 and 3,631,178 shares in 2011	(8,813)	(8,813)	(107,291)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	25	(6)	302
Deferred loss on derivatives under hedge accounting	(9)	(274)	(110)
Total equity	116,788	108,498	1,421,812
TOTAL	¥257,610	¥247,689	$3,136,227

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
REVENUES:			
Net sales (Note 20)	¥302,026	¥289,234	$3,676,968
Other operating revenues	9,992	9,360	121,644
Total revenues	312,018	298,594	3,798,612
COST OF SALES	205,610	200,896	2,503,161
Gross profit	106,408	97,698	1,295,451
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	86,182	81,829	1,049,207
Operating income	20,226	15,869	246,244
OTHER INCOME (EXPENSES):			
Interest and dividend income	53	60	641
Interest expense	(676)	(834)	(8,234)
Loss on disposal of property, plant and equipment	(324)	(215)	(3,942)
Loss on impairment of long-lived assets (Note 6)	(877)	(2,107)	(10,677)
Gain on compensation for expropriation		62	
Losses from a natural disaster		(1,693)	
Effect of asset retirement obligations		(1,054)	
Other—net	418	259	5,094
Other expenses—net	(1,406)	(5,522)	(17,118)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	18,820	10,347	229,126
INCOME TAXES (Note 12):			
Current	9,095	6,812	110,721
Deferred	38	(2,163)	468
Total income taxes	9,133	4,649	111,189
NET INCOME BEFORE MINORITY INTERESTS	9,687	5,698	117,937
NET INCOME	¥ 9,687	¥ 5,698	$ 117,937

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.q and 17):			
Basic net income	¥190.78	¥111.86	$2.32
Diluted net income	190.71		2.32
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, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	¥9,687	¥5,698	$117,937
OTHER COMPREHENSIVE INCOME (Note 16):			
Unrealized gain (loss) on available-for-sale securities	31	(20)	381
Deferred gain (loss) on derivatives under hedge accounting	265	(11)	3,226
Total other comprehensive income	296	(31)	3,607
COMPREHENSIVE INCOME	¥9,983	¥5,667	$121,544
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥9,983	¥5,667	$121,544
Minority interests			

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2012

	Thousands	Millions of Yen							
							Accumulated Other Comprehensive Income		
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Total Equity
BALANCE, APRIL 1, 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
Net income					9,687				9,687
Cash dividends, ¥34 per share					(1,726)				(1,726)
Purchase of treasury stock	(132)								
Disposal of treasury stock	24								
Issuance of stock acquisition rights				¥33					33
Net change in the year							31	265	296
BALANCE, MARCH 31, 2012	50,777,882	¥18,802	¥25,260	¥33	¥81,490	¥(8,813)	¥25	¥ (9)	¥116,788

	Thousands of U.S. Dollars (Note 1)							
						Accumulated Other Comprehensive Income		
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Total Equity
BALANCE, MARCH 31, 2011	$228,904	$307,527		$895,166	$(107,288)	$ (79)	$(3,336)	$1,320,894
Net income				117,937				117,937
Cash dividends, $0.37 per share				(21,018)				(21,018)
Purchase of treasury stock					(4)			(4)
Disposal of treasury stock					1			1
Issuance of stock acquisition rights			$402					402
Net change in the year						381	3,226	3,607
BALANCE, MARCH 31, 2012	$228,904	$307,527	$402	$992,085	$(107,291)	$302	$ (110)	$1,421,819

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥18,820	¥10,347	$229,126
Adjustments for:			
Income taxes—paid	(6,982)	(6,614)	(84,996)
Depreciation	12,065	11,486	146,885
Loss on impairment of long-lived assets	877	2,107	10,677
Losses from a natural disaster		1,693	
Effect of asset retirement obligations		1,054	
Loss on disposal of property, plant and equipment	322	214	3,926
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(1,108)	(2,739)	(13,493)
Decrease in provision for loss from disaster	(350)		(4,260)
(Increase) decrease in inventories	(8,684)	3,257	(105,728)
Increase in trade notes and accounts payable	1,557	660	18,958
Increase in liability for retirement benefits	628	624	7,647
(Decrease) increase in retirement benefits for directors and corporate auditors	(1)	6	(13)
Other—net	476	(1,560)	5,786
Total adjustments	(1,200)	10,188	(14,611)
Net cash provided by operating activities	17,620	20,535	214,515
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(16,365)	(8,759)	(199,233)
Purchase of intangible assets	(906)	(1,363)	(11,031)
Other—net	(210)	147	(2,550)
Net cash used in investing activities	(17,481)	(9,975)	(212,814)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	1,910	(11,280)	23,253
Proceeds from long-term debt	2,000	13,500	24,349
Repayments of long-term debt	(8,489)	(7,752)	(103,352)
Repurchase of treasury stock		(564)	(4)
Dividends paid	(1,727)	(1,734)	(21,025)
Net cash used in financing activities	(6,306)	(7,830)	(76,779)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,167)	2,730	(75,078)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,141	7,411	123,461
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,974	¥10,141	$ 48,383

See notes to consolidated financial statements.

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, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 2011 financial statements to conform to the classifications used in 2012.

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 ¥82 to $1, the approximate rate of exchange at March 31, 2012. 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, 2012, include the accounts of the Company and its seven significant (seven in 2011) 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 2011) 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 in a separate component of equity.

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

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 as 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 that 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 their 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.

j. *Stock Option*—The ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The Company has applied the accounting standard for stock options to those granted on and after May 1, 2006.

k. *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 that existed at the transition date and that 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 that 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.

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

m. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

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

o. ***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 statement of income to the extent that they are not hedged by forward exchange contracts.

p. ***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.

q. *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 reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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

r. *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, the 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 Presentations—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.

s. *New Accounting Pronouncements*

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(*a*) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(*b*) *Treatment in the statement of income and the statement of comprehensive income*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. SHORT-TERM INVESTMENTS

Short-term investments as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Time deposits	¥263	¥191	$3,205

4. MARKETABLE AND INVESTMENT SECURITIES

Investment securities as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Non-current:			
Equity securities	¥365	¥315	$4,442
Trust fund investments and other	15	17	180
Total	¥380	¥332	$4,622

The costs and aggregate fair values of marketable investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥280	¥77	¥34	¥323
Trust fund investments	12		4	8
March 31, 2011				
Securities classified as available-for-sale:				
Equity securities	¥280	¥35	¥42	¥273
Trust fund investments	12		4	8

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$3,411	$938	$417	$3,932
Trust fund investments	148		55	93

5. INVENTORIES

Inventories at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Merchandise	¥88,231	¥79,612	$1,074,157
Supplies	166	112	2,016
Total	¥88,397	¥79,724	$1,076,173

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2012. As a result, the Group recognized an impairment loss of ¥877 million ($10,677 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 ¥776 million ($9,449 thousand) for buildings and structures and ¥101 million ($1,228 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, 2012 and 2011 consisted of notes to banks. The annual weighted-average interest rate applicable to the short-term bank loans was 0.38% and 0.41% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans from banks and other financial institutions, due serially through 2017 with weighted-average interest rates of 0.51% (2012) and 1.14% (2011):			
Collateralized	¥ 174	¥ 360	$ 2,116
Unsecured	13,067	16,522	159,087
Obligations under finance leases	8,332	9,243	101,436
Total	21,573	26,125	262,639
Less current portion	(6,573)	(8,118)	(80,028)
Long-term debt, less current portion	¥15,000	¥18,007	$182,611

Annual maturities of long-term debt at March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 6,573	$ 80,028
2014	5,207	63,388
2015	3,873	47,155
2016	3,839	46,737
2017	738	8,981
2018 and thereafter	1,343	16,350
Total	¥21,573	$262,639

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥100 million ($1,217 thousand) and the above collateralized long-term debt at March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥2,627	$31,988

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, 2012 for directors and corporate auditors was ¥1,026 million ($12,485 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, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥6,123	¥5,040	$74,549
Unrecognized actuarial gain	(897)	(442)	(10,923)
Net liability	¥5,226	¥4,598	$63,626

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥575	¥546	$7,004
Interest cost	95	83	1,156
Recognized actuarial loss	117	94	1,425
Net periodic benefit costs	¥787	¥723	$9,585

Assumptions used for the years ended March 31, 2012 and 2011, are set forth as follows:

	2012	2011
Discount rate	1.3%	2.0%
Recognition period of actuarial gain/loss	5 years	5 years

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	¥2,766	¥2,489	$33,672
Additional provisions associated with the acquisition of property, plant and equipment	319	233	3,882
Reconciliation associated with passage of time	67	59	817
Other	(6)	(15)	(70)
Balance at end of year	¥3,146	¥2,766	$38,301

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. STOCK OPTIONS

The stock options outstanding as of March 31, 2012 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2011 Stock Option	7 directors	43,300 shares	August 12, 2011	¥1 ($0)	From August 13, 2011 to August 31, 2041

The stock option activity is as follows:

	2011 Stock Option (Shares)
Year Ended March 31, 2012	
Non-vested	
March 31, 2011—Outstanding	
Granted	43,300
Canceled	
Vested	
March 31, 2012—Outstanding	43,300
Vested	
March 31, 2011—Outstanding	
Vested	
Exercised	
Canceled	
March 31, 2012—Outstanding	
Exercise price	¥1 ($0)
Average stock price at exercise	
Fair value price at grant date	¥2,155 ($26.2)

The Assumptions Used to Measure the Fair Value of the 2011 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	23.5%
Estimated remaining outstanding period:	1.90 years
Estimated dividend:	¥34 per share
Risk-free interest rate:	0.142%

12. 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, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Loss on impairment	¥2,930	¥3,134	$35,668
Accrued enterprise taxes	420	286	5,112
Accrued bonuses	768	782	9,350
Liabilities for retirement benefits	1,860	1,858	22,650
Retirement benefits for directors and corporate auditors	363	415	4,416
Asset retirement obligation	528	1,117	6,429
Tax loss carryforwards	612	582	7,449
Other	787	1,013	9,576
Less valuation allowance	(765)	(897)	(9,310)
Total	7,503	8,290	91,340
Deferred tax liabilities:			
Property and equipment	(147)	(95)	(1,794)
Expense from asset retirement obligation	(50)	(648)	(603)
Other	(189)	(193)	(2,299)
Total	(386)	(936)	(4,696)
Net deferred tax assets	¥7,117	¥7,354	$86,644

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, 2012 and 2011 is as follows:

	2012	2011
Normal effective statutory tax rate	40%	40%
Per capita portion	3	4
Valuation allowance	(1)	1
Effect of tax rate reduction	5	
Other—net	2	
Actual effective tax rate	49%	45%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35% afterwards. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012 by ¥843 million ($10,262 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥845 million ($10,287 thousand).

At March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,435 million ($17,476 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	¥ 58	$ 704
2017	16	200
2018	1,361	16,572
Total	¥1,435	$17,476

13. 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, 2012 and 2011, was ¥12,419 million ($151,199 thousand) and ¥12,279 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 876	¥ 840	$10,668
Due after one year	3,188	3,381	38,808
Total	¥4,064	¥4,221	$49,476

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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 15 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, 2012.

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 15 for the detail of fair value of derivatives.

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

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 3,974	¥ 3,974	
Short-term investments	263	263	
Receivables	9,744	9,744	
Investment securities	331	331	
Total	¥ 14,312	¥ 14,312	
Short-term bank loans	¥ 44,840	¥ 44,840	
Payables	53,167	53,167	
Income taxes payable	5,741	5,741	
Long-term debt	21,573	21,535	¥ 38
Total	¥125,321	¥125,283	¥ 38
March 31, 2011			
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

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	$ 48,383	$ 48,383	
Short-term investments	3,205	3,205	
Receivables	118,631	118,631	
Investment securities	4,025	4,025	
Total	$ 174,244	$ 174,244	
Short-term bank loans	$ 545,897	$ 545,897	
Payables	647,274	647,274	
Income taxes payable	69,888	69,888	
Long-term debt	262,639	262,181	$458
Total	$1,525,698	$1,525,240	$458

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 15.

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥77	¥79	$938

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

	Millions of Yen			
March 31, 2012	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	¥ 3,974			
Short-term investments	263			
Receivables	9,744			
Investment securities—Available-for-sale securities with contractual maturities		¥8		
Total	¥13,981	¥8		
March 31, 2011				
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, 2012	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	$ 48,383			
Short-term investments	3,205			
Receivables	118,631			
Investment securities—Available-for-sale securities with contractual maturities		$100		
Total	$170,219	$100		

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

15. 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, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency swaps—Receive U.S.$/pay yen	Payables	¥5,104	¥2,307	¥(15)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	125	25	
March 31, 2011				
Currency swaps—Receive U.S.$/pay yen	Payables	¥4,298	¥1,670	¥(460)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	200	100	

		Thousands of U.S. Dollars		
March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency swaps—Receive U.S.$/pay yen	Payables	$62,134	$28,083	$(177)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	1,522	304	

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.

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 49	$ 598
Reclassification adjustments to profit or loss		
Amount before income tax effect	49	598
Income tax effect	(18)	(217)
Total	¥ 31	$ 381
Deferred gain (loss) on derivatives under hedge accounting:		
Gains arising during the year	¥478	$5,817
Reclassification adjustments to profit or loss	(32)	(396)
Amount before income tax effect	446	5,421
Income tax effect	(181)	(2,195)
Total	¥265	$3,226
Total other comprehensive income	¥296	$3,607

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2012 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥9,687	50,778	¥190.78	$2.32
Effect of dilutive securities—Stock option rights		17		
Diluted EPS—Net income for computation	¥9,687	50,795	¥190.71	$2.32

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's shareholders meeting held on June 22, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥18 ($0.20) per share	¥914	$11,127

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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.

The segment information for the year ended March 31, 2012 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.

20. RELATED-PARTY DISCLOSURES

Transactions of the Company with directors for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Sales	¥90	¥208	$1,100
Rental expense	24	12	299

The balances due to or from directors at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Accounts receivable	¥2	¥199	$30
Prepaid expense	2	1	27

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