INVESTORS' GUIDE
2013

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										
		2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Statements of Income Data	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total revenues	3.1	319,245	312,017	298,594	285,480	277,557	273,889	259,218	247,461	233,982	217,923	200,490
Total revenues increase(%)	–	2.3	4.5	4.6	2.9	1.3	5.7	4.8	5.8	7.4	8.7	17.7
Cost of sales	2.5	211,149	205,609	200,896	192,797	188,043	186,491	175,596	167,191	157,107	145,177	134,703
Selling, general, and administrative expenses	4.4	88,917	86,181	81,829	77,611	74,798	71,808	68,102	65,645	63,369	59,886	54,303
Operating income	4.2	19,178	20,226	15,869	15,072	14,716	15,591	15,520	14,624	13,506	12,860	11,484
Operating income increase (%)	–	△ 5.2	27.5	5.3	2.4	△ 6	1	6	8.3	5.0	12.0	5.2
Income before income taxes and minority interests	3.6	17,183	18,820	10,347	12,474	11,495	14,431	15,466	13,731	12,438	12,292	11,288
Net income	3.8	10,000	9,687	5,698	6,460	6,421	8,293	9,257	8,706	7,899	7,175	6,224
Net income increase(%)	–	3.2	70.0	△ 11.8	0.6	△ 23	△ 10	6	10.2	10.1	15.3	10.5
Earnings per share	4.6	196.94	190.78	111.86	126.39	124	157	175	163.56	148.35	136.88	118.68
Earnings per share increase(%)	–	3.2	70.6	△ 11.50	1.70	△ 21	△ 10	10	10.3	8.4	15.3	-3.7
Weighted average number of shares outstanding (thousand)	△0.8	50,779	50,777	50,942	51,113	51,672	52,890	52,890	52,889	52,892	52,061	51,959
Gross margin-% of revenues	–	33.9	34.1	32.7	32.5	32.3	31.9	32.3	32.4	32.9	33.4	32.8
SG&A expenses-% of revenues	–	27.9	27.6	27.4	27.2	26.9	26.2	26.3	26.5	27.1	27.5	27.1
Operating margin-% of revenues	–	6.0	6.5	5.3	5.3	5.3	5.7	6.0	5.9	5.8	5.9	5.7
Net interest expense-% of revenues	–	0.2	0.2	0.3	0.4	0.5	0.2	0.2	0.1	0.2	0.2	0.3
Income before income taxes-% of revenues	–	5.4	6.0	3.5	4.4	4.1	6.0	6.0	5.5	5.3	5.6	5.6
Net income-% of revenues	–	3.1	3.1	1.9	2.3	2.3	3.0	3.6	3.5	3.4	3.3	3.1
Balance Sheet Data and Financial Ratios	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total assets	3.4	272,073	257,609	247,689	239,832	242,290	229,783	219,178	201,084	188,855	180,887	167,460
Merchandise inventories	3.8	91,649	88,231	79,724	83,755	80,070	76,074	75,222	65,364	58,809	55,362	49,902
Net property and equipment	6.9	158,544	149,196	121,793	139,266	124,286	113,518	104,958	96,436	90,895	89,428	83,361
Long-term liabilities	13.4	35,370	26,409	28,577	18,935	23,516	18,897	23,758	22,517	23,554	26,773	30,344
Shareholders' equity	5.1	124,912	116,739	108,498	105,129	100,792	97,541	93,671	86,326	79,015	72,598	64,356
Book value per share (yen)	5.6	2,467.8	2,300.0	2,136.70	2,058.10	1,967	1,880	1,771	1,631	1,493	1,372	1,238
Long-term liabilities to equity (%)	–	28.3	22.6	26.3	18.0	23.3	19.4	25.4	26.1	29.8	36.9	47.2
Current ratio	–	1.02:1	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
Equity ratio(%)	–	46.1	45.3	43.8	43.8	41.6	42.5	42.7	42.9	41.8	38.4	38.4
Inventory turnover (month)	–	3.5	3.7	3.7	3.5	3.5	3.3	3.3	3.0	2.9	2.9	2.7
Return on equity (%)	–	8.3	8.6	5.3	6.3	6.5	8.7	10.3	10.5	10.4	10.5	10.0
Return on assets (%)	–	3.7	3.8	6.3	2.7	2.7	3.7	4.4	4.5	4.3	4.1	4.1
Statement of Cash Flows Data	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Depreciation and amortization	8.8	11,778	12,065	11,487	11,408	11,176	7,714	7,117	6,659	6,653	6,230	5,347
Operational cash flow	3.1	17,511	17,620	20,535	19,928	13,131	15,067	10,658	12,436	12,360	10,312	5,914
Investment cash flow	2.7	△ 17,913	△ 17,480	△ 9,975	△ 8,056	△ 14,529	△ 15,702	△ 13,957	△ 11,445	△ 8335	△ 14,739	△ 9,499
Financial cash flow	–	△ 544	△ 6,306	△ 7,829	△ 12,239	△ 252	560	3,309	△ 2,108	△ 987	4,146	1,393
Cash dividends per share (yen)	1.2	36.0	34.0	34.0	34.0	34.0	34.0	34.0	32.0	28.0	27	26
Store Data	%											
Number of stores (actual);	4.1	1,126	1,089	1,047	986	949	921	843	763	708	655	608
Komeri Power	–	25	21	18								
Komeri Home Center	0.3	140	132	126	139	139	138	137	88	87	85	80
Komeri Hard & Green	3.8	945	919	885	847	810	783	706	628	575	523	480
Athena	–	16	17	18								
Stores operated by HC subsidiaries	–	0	0	0	0	14	14	14	47	46	47	48
Weighted average selling space (square meters)	7.5	1,775,021	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)	4.6	8,985	8,625	8,164	7,856	7,414	7,180	6,969	6,782	6,510	6,255	–
Sales per employee(thousands of yen)	△ 1.2	35,531	36,176	36,574	36,339	37,437	37,788	37,196	36,488	35,942	34,840	–
Comparable store sales increase (%)	–	△ 1.1	1.4	2.5	0.8	△ 3.3	0.9	△ 0.3	1.6	1.3	△ 2.3	1.8

1. Analysis of operating results and financial position

(1) Analysis of operating results

1) Overview of operating results for the year ended March 31, 2013

Consolidated operating results

	Year ended March 31, 2012	Year ended March 31, 2013	Year-on-year comparison (%)
Operating revenue (Millions of yen)	312,017	319,245	102.3
Operating income (Millions of yen)	20,226	19,178	94.8
Ordinary profit (Millions of yen)	19,617	18,570	94.7
Net income (Millions of yen)	9,687	10,000	103.2

Non-consolidated operating results

	Year ended March 31, 2012	Year ended March 31, 2013	Year-on-year comparison (%)
Operating revenue (Millions of yen)	298,231	305,385	102.4
Operating income (Millions of yen)	16,267	15,065	92.6
Ordinary profit (Millions of yen)	16,436	15,283	93.0
Net income (Millions of yen)	8,131	8,293	102.0

In the Japanese economy during the fiscal year under review, the new administration inaugurated in December 2012 led to the reemergence of some bright signs, which reflected optimism about the prospects for yen depreciation on the back of monetary easing as well as economic stimulus measures. Nevertheless, these benefits seemed to still need time to ripple through to the real economy, while they failed to dispel the lingering sense of uncertainty surrounding personal consumption. As a result, the overall economic environment remained severe.

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 affected by delays in seasonal products at the beginning of spring as well as drops in sales of daily necessities, emergency supplies, energy-saving goods and others following sales growth in the previous fiscal year. Even so, net sales in the mainstay categories of “hardware, general materials and building materials” and “gardening and agricultural goods” remained robust.

Stores

The total number of new store openings was 39: 4 Power stores (PW stores); 1 in each of Aomori Prefecture, Niigata Prefecture, Fukuoka Prefecture and Kumamoto Prefecture, and 8 home centers (HC stores); 1 in each of Aomori Prefecture, Yamagata Prefecture, Toyama Prefecture, Gunma Prefecture, Ibaraki Prefecture, Ehime Prefecture, Kumamoto Prefecture and Miyazaki Prefecture, and 27 Hard & Green Stores (H&G stores) in 18 prefectures. Additionally, the HC Kitakata store (Fukushima Prefecture), the H&G

Marumori store (Miyagi Prefecture) and the H&G Oguni store (Yamagata Prefecture) were relocated to increase their floor space. Furthermore, the ATHENA Tokamachi store (Niigata Prefecture) was integrated into the HC Tokamachi store, and the H&G Kurobe store (Toyama Prefecture) was closed. As a result, the number of stores at the end of the fiscal year under review stood at 1,126 stores, consisting of 25 PW stores, 140 HC stores, and 945 H&G stores, as well as 16 ATHENA stores.

Consolidated operating results

	Year ended March 31, 2012	Year ended March 31, 2013	Year-on-year comparison (%)
Net sales (Millions of yen)	295,973	303,082	102.4
Number of stores	1,089	1,126	–
Number of stores newly opened	43	39	–

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, although sales of antenna parts, fire alarm boxes and others dropped following sales growth in the previous fiscal year, the effects were offset by robust sales of building materials, household equipment and others. As a result, sales in this product line rose 4.1% year on year to 94,847 million yen.

- Gardening and agricultural goods

In the “gardening and agricultural goods” product line, although there was an impact from price discounts and losses of plants resulting from delays in spring products and poor weather, there were solid sales of fertilizers and agrichemicals in particular. As a result, sales in this product line rose 6.8% to 68,815 million yen.

- Household goods

In the “household goods” product line, although sales of interior furnishings such as bamboo blinds and bedding were robust, overall sales were weak because sales of daily necessities, digital tuners and others dropped following sales growth in the previous fiscal year. As a result, sales in this product line fell 2.0% to 76,177 million yen.

- Office and leisure goods

In the “office and leisure goods” product line, sales were weak because of drops in furniture and storage cabinets following sales growth in the previous fiscal year and a tough situation for pet food. As a result, sales in this product line fell 0.3% to 42,874 million yen.

- Kerosene and other

In the “kerosene and other” product line, although kerosene sales volume declined, unit prices rose year on year. As a result, sales in this product line rose 3.1% to 20,367 million yen.

Trend by product line

Product line	Year ended March 31, 2012 (April 1, 2011 to March 31, 2012)		Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)		Year-on-year comparison (%)
	Net sales (Millions of yen)	Percentage (%)	Net sales (Millions of yen)	Percentage (%)	
Hardware, general materials and building materials	91,119	30.8	94,847	31.3	104.1
Gardening and agricultural goods	64,404	21.8	68,815	22.7	106.8
Household goods	77,700	26.2	76,177	25.1	98.0
Office and leisure goods	42,997	14.5	42,874	14.2	99.7
Kerosene and other	19,752	6.7	20,367	6.7	103.1
Home Center line total	295,973	100.0	303,082	100.0	102.4

Operating results of Other lines

- Logistics

HOKUSEI SANGYO CO., LTD. operates distribution centers, which function as the logistics bases of the Group. In January 2013, with the aim of streamlining logistics operations and expanding its store network into the eastern Kanto region, HOKUSEI SANGYO CO., LTD. began operations at the Ibaraki Distribution Center in Inashiki City, Ibaraki Prefecture, which is its 9th distribution center in Japan. Its operating revenue fell 0.4% year on year to 12,617 million yen.

- Information technology

BIT-A CO., LTD. performs various information processing and computer software development, and its operating revenue rose 8.9% to 7,724 million yen.

- Credit cards

KOMERI CAPITAL CO., LTD. operates the KOMERI Card business and performs insurance agent business. Its operating revenue rose 24.6% to 2,010 million yen.

Other businesses

LIFE KOMERI CO., LTD. sells liquefied petroleum gas, gasoline, kerosene, and related equipment.
MOVIE TIME CO., LTD. sells books and operates video rental services.

As a result of the above, operating revenue in the fiscal year under review rose 2.3% on a consolidated basis from the previous fiscal year to 319,245 million yen, operating income fell 5.2% to 19,178 million yen, ordinary profit fell 5.3% to 18,570 million yen and net income rose 3.2% to 10,000 million yen.

2) Outlook for the year ending March 31, 2014

Consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	169,000	104.2%	334,000	104.6%
Operating income (Millions of yen)	13,750	108.4%	21,000	109.5%
Ordinary profit (Millions of yen)	13,550	107.5%	20,500	110.4%
Net income (Millions of yen)	8,100	109.1%	11,100	111.0%

Non-consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	162,000	104.2%	319,000	104.5%
Operating income (Millions of yen)	11,500	111.1%	16,550	109.9%
Ordinary profit (Millions of yen)	11,650	109.0%	17,000	111.2%
Net income (Millions of yen)	7,100	111.2%	9,200	110.9%

Looking at the economic outlook for the next fiscal year, in Japan, although there are signs of recovery in operating results mainly for enterprises focused on external demand, many factors for uncertainty remain. These include the impact of financial instability in Europe and rising raw material prices due to resource price inflation. In the distribution-based retail industry, although there are expectations of economic recovery, a full-fledged recovery in consumption is thought to be a long way off mainly because of price hikes and weak growth in disposable incomes.

Facing these circumstances, with the aim of building a true home center industry, 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.

The Group plans to open a total of 45 new stores: 6 PW stores (including 1 relocation to increase floor space), 8 HC stores, and 31 H&G stores (including 3 relocations to increase floor space).

Taking the above-mentioned circumstances into consideration, for the year ending March 31, 2014, on a consolidated basis, the Group expects operating revenue to rise 4.6% year on year to 334,000 million yen, operating income to rise 9.5% to 21,000 million yen, ordinary profit to rise 10.4% to 20,500 million yen and net income to rise 11.0% to 11,100 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 14,464 million yen from the previous fiscal year-end to 272,073 million yen. This was mainly due to increases in merchandise of 3,418 million yen, property, plant and equipment of 7,795 million yen and investments and other assets of 1,325 million yen.

Liabilities increased by 5,819 million yen from the previous fiscal year-end to 146,641 million yen. This was mainly due to a decline in short-term bank loans of 7,120 million yen while there were increases in long-term debt including current portion of 10,989 million yen and notes payable-facilities of 2,226 million yen.

Net assets increased by 8,644 million yen from the previous fiscal year-end to 125,432 million yen. This was mainly due to an increase in retained earnings.

2) Consolidated cash flows

	Year ended March 31, 2012	Year ended March 31, 2013	Year-on-year comparison
Net cash provided by operating activities (Millions of yen)	17,620	17,511	(108)
Net cash used in investing activities (Millions of yen)	(17,480)	(17,913)	(433)
Net cash used in financing activities (Millions of yen)	(6,306)	(544)	5,761
Increase (decrease) in cash and cash equivalents (Millions of yen)	(6,166)	(947)	5,219
Cash and cash equivalents, end of year (Millions of yen)	3,974	3,027	(947)

Cash and cash equivalents (“cash”) at the end of the fiscal year under review totaled 3,027 million yen. Factors affecting cash flows include the followings:

(Net cash provided by operating activities)

Net cash provided by operating activities decreased by 0.6% from the previous fiscal year to 17,511 million yen. This was mainly due to income before income taxes and minority interests of 17,183 million yen in addition to adjustments for depreciation of 11,778 million yen while there were an increase in inventories of 3,423 million yen and adjustments for income taxes paid of 10,108 million yen.

(Net cash used in investing activities)

Net cash used in investing activities increased 2.4% from the previous fiscal year to 17,913 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 91.3% from the previous fiscal year to 544 million yen. This was primarily due to short-term bank loans decreasing by 7,120 million yen as well as 5,610 million yen used for repayments of long-term debt, while there were proceeds from long-term debt of 16,600 million yen.

Trends in cash flow indices

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Equity ratio (%)	41.6	43.8	43.8	45.3	46.1
Equity ratio based on market prices (%)	40.0	51.9	43.4	46.5	51.8
Years required to redeem liabilities (years)	6.2	3.7	3.4	3.8	4.0
Interest coverage ratio (times)	9.4	20.4	24.6	26.4	29.3

(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 April 26, 2012. As a result, the annual dividend will be 36 yen per share including an interim dividend of 18 yen per share.

For the next fiscal year, we plan to pay an annual dividend of 36 yen per share, consisting of an interim dividend of 18 yen per share and a year-end dividend of 18 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 home center 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 7.0%.

(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 activities in the reform market to form good quality housing stock. Additionally, with the fall in food self-sufficiency rate and Japan's participation in 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 the collection, analysis and use of information 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. Over the 23 years since the fund's establishment, the Group has been using 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) The Komeri Greenery Aid Foundation

Initially, the Group's greening activities primarily consisted of the provision of subsidies. As the Group has opened stores over a wider area every year, expectations regarding the Komeri Greenery Fund have changed with the times. In view of these changes, the Group established a new public interest incorporated foundation called the "Komeri Greenery Aid Foundation" in 2012 and the foundation started its activities in the same year.

Under the aim of bringing more abundant greenery to the areas in which we live, the Komeri Greenery Aid Foundation's activities consist of providing subsidies for local greening activities, helping to create a richer natural environment, supporting new technological development in the gardening and agricultural fields and supporting the development of human resources who underpin the future agricultural industry. The Group has also established the “Komeri Greenery Fund Volunteer” program, in which employees use their days off from work to participate and cooperate in regional greening activities carried out by kindergartens, childcare centers, elementary schools, junior high schools and others. To date, more than 15,000 Group’s employees have worked on over 8,000 greening activities with the people of local areas, helping to bring an abundance of flowers and greenery to these areas.

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 preparation for future natural disasters, the Group has entered into 431 agreements mainly with local governments and associations in 45 prefectures for the provision of materials in times of disaster. Furthermore, to strengthen cooperation with local governments, the Group participates in disaster response drills and other disaster training activities. The Group also plays an active part in exchanging information with local governments and associations by providing information through twice-yearly magazines and its website.

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, 2013, 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 its consolidated subsidiaries as of March 31, 2013, 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 accordance 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 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 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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 13, 2013

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2013

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 3,027	¥ 3,974	$ 32,207
Short-term investments (Notes 3 and 14)	304	263	3,237
Receivables (Notes 14 and 20):			
Trade notes and accounts	11,170	9,804	118,838
Allowance for doubtful receivables	(71)	(60)	(754)
Inventories (Note 5)	91,820	88,397	976,911
Deferred tax assets (Note 12)	1,322	1,596	14,068
Prepaid expenses and other current assets (Notes 15 and 20)	5,956	4,439	63,375
Total current assets	113,528	108,413	1,207,882
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):			
Land	27,860	27,862	296,411
Buildings and structures	177,509	164,327	1,888,593
Machinery and equipment	9,864	8,618	104,946
Lease assets (Note 13)	14,462	15,244	153,863
Construction in progress	1,111	953	11,819
Other	11,430	10,468	121,616
Total	242,236	227,472	2,577,248
Accumulated depreciation	(106,996)	(100,026)	(1,138,361)
Net property, plant and equipment	135,240	127,446	1,438,887
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	446	380	4,742
Investments in unconsolidated subsidiaries	295	295	3,143
Intangible assets	6,638	6,411	70,628
Leasehold deposits	8,252	7,498	87,800
Deferred tax assets (Note 12)	5,829	5,523	62,019
Other assets	1,845	1,644	19,608
Total investments and other assets	23,305	21,751	247,940
TOTAL	¥272,073	¥257,610	$2,894,709

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 14)	¥ 37,720	¥ 44,840	$ 401,319
Current portion of long-term debt (Notes 7 and 14)	9,071	6,573	96,510
Payables (Notes 14 and 15):			
Trade notes and accounts	44,133	43,299	469,547
Construction and other	12,982	9,868	138,118
Income taxes payable (Note 14)	2,988	5,741	31,789
Accrued expenses	2,394	2,342	25,474
Liability for obligations to customers	443	448	4,714
Allowance for losses from a natural disaster	34	34	367
Other current liabilities	1,506	1,268	16,022
Total current liabilities	111,271	114,413	1,183,860
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	22,849	15,000	243,100
Liability for retirement benefits (Note 8)	5,985	5,226	63,674
Retirement benefits for directors and Audit & Supervisory Board members (Note 8)	1,024	1,026	10,894
Asset retirement obligations (Note 9)	3,517	3,135	37,416
Lease deposits from lessees	1,729	1,794	18,394
Deferred tax liabilities (Note 12)	74	2	791
Other long-term liabilities	192	226	2,051
Total long-term liabilities	35,370	26,409	376,320
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 2013 and 2012	18,802	18,802	200,044
Capital surplus	25,260	25,260	268,755
Stock acquisition rights (Note 11)	116	32	1,233
Retained earnings	89,661	81,491	953,936
Treasury stock—at cost, 3,630,310 shares in 2013 and 3,631,286 shares in 2012	(8,811)	(8,813)	(93,739)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	68	25	726
Deferred gain (loss) on derivatives under hedge accounting	336	(9)	3,574
Total equity	125,432	116,788	1,334,529
TOTAL	¥272,073	¥257,610	$2,894,709

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2013

	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
REVENUES:			
Net sales (Note 20)	¥309,485	¥302,026	$3,292,746
Other operating revenues	9,760	9,992	103,848
Total revenues	319,245	312,018	3,396,594
COST OF SALES	211,149	205,610	2,246,514
Gross profit	108,096	106,408	1,150,080
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	88,918	86,182	946,026
Operating income	19,178	20,226	204,054
OTHER INCOME (EXPENSES):			
Interest and dividend income	48	53	514
Interest expense	(598)	(676)	(6,360)
Loss on disposal of property, plant and equipment	(351)	(324)	(3,737)
Loss on impairment of long-lived assets (Note 6)	(1,327)	(877)	(14,121)
Other—net	233	418	2,470
Other expenses—net	(1,995)	(1,406)	(21,234)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	17,183	18,820	182,820
INCOME TAXES (Note 12):			
Current	7,376	9,095	78,474
Deferred	(193)	38	(2,054)
Total income taxes	7,183	9,133	76,420
NET INCOME BEFORE MINORITY INTERESTS	10,000	9,687	106,400
NET INCOME	¥ 10,000	¥ 9,687	$ 106,400

	Yen 2013	Yen 2012	U.S. Dollars 2013
PER SHARE OF COMMON STOCK (Notes 2.q and 17):			
Basic net income	¥196.94	¥190.78	$2.10
Diluted net income	196.75	190.71	2.09
Cash dividends applicable to the year	36.00	34.00	0.37

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥10,000	¥9,687	$106,400
OTHER COMPREHENSIVE INCOME (Note 16):			
Unrealized gain on available-for-sale securities	43	31	462
Deferred gain on derivatives under hedge accounting	345	265	3,670
Total other comprehensive income	388	296	4,132
COMPREHENSIVE INCOME	¥10,388	¥9,983	$110,532
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥10,388	¥9,983	$110,532
Minority interests			

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2013

	Number of Shares of Common Stock Outstanding	Millions of Yen: Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss): Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Total Equity
BALANCE, APRIL 1, 2011	50,777,990	¥18,802	¥25,260		¥73,530	¥(8,813)	¥ (6)	¥(274)	¥108,499
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				¥ 32					32
Net change in the year							31	265	296
BALANCE, MARCH 31, 2012	50,777,882	18,802	25,260	32	81,491	(8,813)	25	(9)	116,788
Net income					10,000				10,000
Cash dividends, ¥34 per share	(355)				(1,828)				(1,828)
Purchase of treasury stock	1,331					(1)			(1)
Disposal of treasury stock					(2)	3			1
Issuance of stock acquisition rights				84					84
Net change in the year							43	345	388
BALANCE, MARCH 31, 2013	50,778,858	¥18,802	¥25,260	¥116	¥89,661	¥(8,811)	¥68	¥ 336	¥125,432

	Thousands of U.S. Dollars (Note 1): Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss): Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Total Equity
BALANCE, MARCH 31, 2012	$200,044	$268,755	$ 346	$867,004	$(93,764)	$264	$ (96)	$1,242,553
Net income				106,400				106,400
Cash dividends, $0.37 per share				(19,449)				(19,449)
Purchase of treasury stock					(9)			(9)
Disposal of treasury stock				(19)	34			15
Issuance of stock acquisition rights			887					887
Net change in the year						462	3,670	4,132
BALANCE, MARCH 31, 2013	$200,044	$268,755	$1,233	$953,936	$(93,739)	$726	$3,574	$1,334,529

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥17,183	¥18,820	$182,820
Adjustments for:			
Income taxes—paid	(10,108)	(6,982)	(107,548)
Depreciation	11,778	12,065	125,318
Loss on impairment of long-lived assets	1,327	877	14,121
Loss on disposal of property, plant and equipment	341	322	3,636
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(1,253)	(1,108)	(13,333)
Decrease in provision for loss from disaster		(350)	
Increase in inventories	(3,423)	(8,684)	(36,419)
Increase in trade notes and accounts payable	833	1,557	8,868
Increase in liability for retirement benefits	758	628	8,070
Decrease in retirement benefits for directors and Audit & Supervisory Board members	(1)	(1)	(18)
Other—net	76	476	797
Total adjustments	328	(1,200)	3,492
Net cash provided by operating activities	17,511	17,620	186,312
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(15,757)	(16,365)	(167,650)
Purchase of intangible assets	(916)	(906)	(9,747)
Other—net	(1,240)	(210)	(13,195)
Net cash used in investing activities	(17,913)	(17,481)	(190,592)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	(7,120)	1,910	(75,753)
Proceeds from long-term debt	16,600	2,000	176,615
Repayments of long-term debt	(8,197)	(8,489)	(87,200)
Repurchase of treasury stock	(1)		(9)
Dividends paid	(1,827)	(1,727)	(19,449)
Net cash used in financing activities	(545)	(6,306)	(5,796)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(947)	(6,167)	(10,076)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,974	10,141	42,283
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,027	¥ 3,974	$ 32,207

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 accordance 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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 financial statements to conform to the classifications used in 2013.

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 ¥93 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its six significant (seven in 2012) 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 2012) 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 five 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 also 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.

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 is 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 five years from the following fiscal year.

Effective June 29, 2010, the Company terminated its unfunded severance payment plan for all directors and Audit & Supervisory Board members. The accumulated retirement benefits of the plan will be paid as retirement benefits at the time each director or Audit & Supervisory Board member retires.

Retirement benefits to directors and Audit & Supervisory Board members 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 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense 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 or 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. 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 by recognizing lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the amount of obligation 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 amount of obligation under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

l. ***Bonuses to Directors and Audit & Supervisory Board Members***—Bonuses to directors and Audit & Supervisory Board members are accrued at the end of 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 income tax rules to the temporary differences.

n. ***Appropriations of Retained Earnings***—Appropriations of retained earnings are reflected in the consolidated 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.

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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the 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.

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, and 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 any resulting 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 does 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 have not yet been 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.

(*c*) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both 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 for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. SHORT-TERM INVESTMENTS

Short-term investments as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Time deposits	¥304	¥263	$3,237
Total	¥304	¥263	$3,237

4. MARKETABLE AND INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Non-current:			
Equity securities	¥431	¥365	$4,581
Trust fund investments and other	15	15	161
Total	¥446	¥380	$4,742

The costs and aggregate fair values of marketable investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥280	¥113	¥5	¥388
Trust fund investments	12		3	9
March 31, 2012				
Securities classified as available-for-sale:				
Equity securities	¥280	¥77	¥34	¥323
Trust fund investments	12		4	8

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$2,981	$1,207	$53	$4,135
Trust fund investments	130		32	98

5. INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Merchandise	¥91,650	¥88,231	$975,103
Supplies	170	166	1,808
Total	¥91,820	¥88,397	$976,911

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2013. As a result, the Group recognized an impairment loss of ¥1,327 million ($14,121 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 ¥891 million ($9,484 thousand) for buildings and structures and ¥436 million ($4,637 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 5%.

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

Short-term bank loans at March 31, 2013 and 2012, consisted of notes to banks. The annual weighted-average interest rate applicable to the short-term bank loans was 0.39% and 0.38% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loans from banks and other financial institutions, due serially through 2018 with weighted-average interest rates of 0.33% (2013) and 0.51% (2012):			
Collateralized	¥ 25	¥ 174	$ 266
Unsecured	24,206	13,067	257,538
Obligations under finance leases	7,689	8,332	81,806
Total	31,920	21,573	339,610
Less current portion	(9,071)	(6,573)	(96,510)
Long-term debt, less current portion	¥22,849	¥15,000	$243,100

Annual maturities of long-term debt at March 31, 2013, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 9,071	$ 96,510
2015	7,709	82,015
2016	7,676	81,672
2017	4,351	46,295
2018	2,066	21,979
2019 and thereafter	1,047	11,139
Total	¥31,920	$339,610

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥170 million ($1,809 thousand) and the above collateralized long-term debt at March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥1,815	$19,307

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 Audit & Supervisory Board members. 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, 2013, for directors and Audit & Supervisory Board members was ¥1,024 million ($10,894 thousand). The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥6,691	¥6,123	$71,185
Unrecognized actuarial gain	(706)	(897)	(7,511)
Net liability	¥5,985	¥5,226	$63,674

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥672	¥575	$ 7,145
Interest cost	76	95	807
Recognized actuarial loss	217	117	2,313
Net periodic benefit costs	¥965	¥787	$10,265

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	1.3%	1.3%
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, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥3,146	¥2,766	$33,472
Additional provisions associated with the acquisition of property, plant and equipment	333	319	3,541
Reconciliation associated with passage of time	73	67	783
Other		(6)	
Balance at end of year	¥3,552	¥3,146	$37,796

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 an Audit & Supervisory Board, 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 (noncash 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 must 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 a 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, 2013, 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
2012 Stock Option	8 directors	24,800 shares	June 11, 2012	¥1 ($0)	From June 12, 2012 to June 11, 2042

The stock option activity is as follows:

	2011 Stock Option	2012 Stock Option
	(Shares)	
Year Ended March 31, 2012		
Non-vested		
April 1, 2011—Outstanding		
Granted	43,300	
Canceled		
Vested		
March 31, 2012—Outstanding	43,300	
Vested		
April 1, 2011—Outstanding		
Vested		
Exercised		
Canceled		
March 31, 2012—Outstanding		

	2011 Stock Option	2012 Stock Option
	(Shares)	
Year Ended March 31, 2013		
Non-vested		
March 31, 2012—Outstanding	43,300	
Granted		24,800
Canceled		
Vested	(1,300)	
March 31, 2013—Outstanding	42,000	24,800
Vested		
March 31, 2012—Outstanding		
Vested	1,300	
Exercised	(1,300)	
Canceled		
March 31, 2013—Outstanding		
Exercise price	¥1 ($0)	¥1 ($0)
Average stock price at exercise	¥2,159 ($23.0)	
Fair value price at grant date	¥2,155 ($22.9)	¥1,998 ($21.3)

The Assumptions Used to Measure the Fair Value of the 2012 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	19.3%
Estimated remaining outstanding period:	0.96 years
Estimated dividend:	¥35 per share
Risk-free interest rate:	0.103%

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 38% for the year ended March 31, 2013, and 40% for the year ended March 31, 2012.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Loss on impairment	¥3,152	¥2,930	$33,532
Accrued enterprise taxes	271	420	2,878
Accrued bonuses	781	768	8,312
Liabilities for retirement benefits	2,126	1,860	22,617
Retirement benefits for directors and Audit & Supervisory Board members	362	363	3,853
Asset retirement obligation	1,257	528	13,377
Tax loss carryforwards	605	612	6,435
Other	931	787	9,912
Less valuation allowance	(1,073)	(765)	(11,420)
Total	8,412	7,503	89,496
Deferred tax liabilities:			
Property and equipment	(251)	(147)	(2,668)
Expense from asset retirement obligation	(725)	(50)	(7,716)
Other	(359)	(189)	(3,816)
Total	(1,335)	(386)	(14,200)
Net deferred tax assets	¥7,077	¥7,117	$75,296

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2013, with the corresponding figures for 2012 is as follows:

	2013	2012
Normal effective statutory tax rate	38%	40%
Per capita portion	3	3
Valuation allowance	1	(1)
Effect of tax rate reduction		5
Other—net		2
Actual effective tax rate	42%	49%

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.

At March 31, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,662 million ($17,687 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	$ 615
2017	16	175
2018	1,216	12,944
2019	372	3,953
Total	¥1,662	$17,687

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, 2013 and 2012, was ¥12,576 million ($133,801 thousand) and ¥12,419 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥ 848	¥ 876	$ 9,020
Due after one year	2,700	3,188	28,723
Total	¥3,548	¥4,064	$37,743

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 changes in interest rates of bank loans. See Note 15 for more details 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, 2013.

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.

The basic principles of derivative transactions are approved in management meetings 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 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*

March 31, 2013	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 3,027	¥ 3,027	
Short-term investments	304	304	
Receivables	11,099	11,099	
Investment securities	398	398	
Total	¥ 14,828	¥ 14,828	
Short-term bank loans	¥ 37,720	¥ 37,720	
Payables	57,115	57,115	
Income taxes payable	2,988	2,988	
Long-term debt	31,920	31,926	¥ 6
Total	¥129,743	¥129,749	¥ 6
March 31, 2012			
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, 2013	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 32,207	$ 32,207	
Short-term investments	3,237	3,237	
Receivables	118,084	118,084	
Investment securities	4,232	4,232	
Total	$ 157,760	$ 157,760	
Short-term bank loans	$ 401,319	$ 401,319	
Payables	607,665	607,665	
Income taxes payable	31,789	31,789	
Long-term debt	339,610	339,676	$66
Total	$1,380,383	$1,380,449	$66

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
	2013	2012	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥76	¥77	$807

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

	Millions of Yen			
March 31, 2013	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	¥ 3,027			
Short-term investments	304			
Receivables	11,099			
Investment securities—Available-for-sale securities with contractual maturities		¥9		
Total	¥14,430	¥9		

	Thousands of U.S. Dollars			
March 31, 2013	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	$ 32,207			
Short-term investments	3,237			
Receivables	118,084			
Investment securities—Available-for-sale securities with contractual maturities		$97		
Total	$153,528	$97		

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, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency swaps—Receive U.S.$/pay yen	Payables	¥4,073	¥1,496	¥539
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	25		
March 31, 2012				
Currency swaps—Receive U.S.$/pay yen	Payables	¥5,104	¥2,307	¥(15)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	125	25	

		Thousands of U.S. Dollars		
March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency swaps—Receive U.S.$/pay yen	Payables	$43,330	$15,914	$5,741
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	265		

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 years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 67	¥ 49	$ 715
Reclassification adjustments to profit or loss			
Amount before income tax effect	67	49	715
Income tax effect	(24)	(18)	(253)
Total	¥ 43	¥ 31	$ 462
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥534	¥478	$5,678
Reclassification adjustments to profit or loss	20	(32)	218
Amount before income tax effect	554	446	5,896
Income tax effect	(209)	(181)	(2,226)
Total	¥345	¥265	$3,670
Total other comprehensive income	¥388	¥296	$4,132

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2013	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥10,000	50,778	¥196.94	$2.10
Effect of dilutive securities—Stock option rights		50		
Diluted EPS—Net income for computation	¥10,000	50,828	¥196.75	$2.09
Year Ended March 31, 2012				
Basic EPS—Net income available to common shareholders	¥ 9,687	50,778	¥190.78	
Effect of dilutive securities—Stock option rights		17		
Diluted EPS—Net income for computation	¥ 9,687	50,795	¥190.71	

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders' meeting held on June 21, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥18 ($0.19) per share	¥914	$9,725

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.

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, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Sales	¥43	¥90	$460
Rental expense	28	24	307

The balances due to or from directors at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accounts receivable	¥2	¥2	$29
Prepaid expense	2	2	27

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