INVESTORS' GUIDE
2015

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										
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Statements of Income Data	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total revenues	2.1	316,969	335,567	319,245	312,017	298,594	285,480	277,557	273,889	259,218	247,461	233,982
Total revenues increase(%)	–	△ 5.5	5.1	2.3	4.5	4.6	2.9	1.3	5.7	4.8	5.8	7.4
Cost of sales	1.5	207,222	223,185	211,149	205,609	200,896	192,797	188,043	186,491	175,596	167,191	157,107
Selling, general, and administrative expenses	3.8	93,638	92,134	88,917	86,181	81,829	77,611	74,798	71,808	68,102	65,645	63,369
Operating income	1.3	16,108	20,246	19,178	20,226	15,869	15,072	14,716	15,591	15,520	14,624	13,506
Operating income increase (%)	–	△ 20.4	5.6	△ 5.2	27.5	5.3	2.4	△ 5.6	0.5	6.1	8.3	5.0
Income before income taxes and minority interests	△ 0.7	12,049	18,027	17,183	18,820	10,347	12,474	11,495	14,431	15,466	13,731	12,438
Net income	2.1	7,171	10,573	10,000	9,687	5,698	6,460	6,421	8,293	9,257	8,706	7,899
Net income increase(%)	–	△ 32.2	5.7	3.2	70.0	△ 11.8	0.6	△ 22.6	△ 10.4	6.3	10.2	10.1
Earnings per share	2.3	141.44	208.22	196.94	190.78	111.86	126.39	124.27	157.19	175.02	163.56	148.35
Earnings per share increase(%)	–	△ 32.1	5.7	3.2	70.6	△ 11.50	1.7	△ 20.9	△ 10.2	10.3	10.3	8.4
Weighted average number of shares outstanding (thousand)	△ 0.2	50,704	50,784	50,779	50,777	50,942	51,113	51,672	52,890	52,890	52,889	52,892
Gross margin-% of revenues	–	34.6	33.5	33.9	34.1	32.7	32.5	32.3	31.9	32.3	32.4	32.9
SG&A expenses-% of revenues	–	29.5	27.5	27.9	27.6	27.4	27.2	26.9	26.2	26.3	26.5	27.1
Operating margin-% of revenues	–	5.1	6.0	6.0	6.5	5.3	5.3	5.3	5.7	6.0	5.9	5.8
Net interest expense-% of revenues	–	0.1	0.2	0.2	0.2	0.3	0.4	0.5	0.2	0.2	0.1	0.2
Income before income taxes-% of revenues	–	3.8	5.4	5.4	6.0	3.5	4.4	4.1	6.0	6.0	5.5	5.3
Net income-% of revenues	–	2.3	3.2	3.1	3.1	1.9	2.3	2.3	3.0	3.6	3.5	3.4
Balance Sheet Data and Financial Ratios	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total assets	4.7	301,128	296,811	272,073	257,609	247,689	239,832	242,290	229,783	219,178	201,084	188,855
Merchandise inventories	4.4	103,736	98,944	91,649	88,231	79,724	83,755	80,070	76,074	75,222	65,364	58,809
Net property and equipment	3.7	167,280	163,540	158,544	149,196	121,793	139,266	124,286	113,518	104,958	96,436	90,895
Long-term liabilities	23.8	54,984	43,934	35,370	26,409	28,577	18,935	23,516	18,897	23,758	22,517	23,554
Shareholders' equity	5.7	138,793	133,668	124,912	116,739	108,498	105,129	100,792	97,541	93,671	86,326	79,015
Book value per share (yen)	5.9	2,746.5	2,631.9	2,467.8	2,300.0	2,136.7	2,058.1	1,967.0	1,880.0	1,771.0	1,631.0	1,493.0
Long-term liabilities to equity (%)	–	39.5	32.9	28.3	22.6	26.3	18.0	23.3	19.4	25.4	26.1	29.8
Current ratio	–	1.25:1	1.12:1	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
Equity ratio(%)	–	46.1	45.0	46.1	45.3	43.8	43.8	41.6	42.5	42.7	42.9	41.8
Inventory turnover (month)	–	3.1	3.5	3.5	3.7	3.7	3.5	3.5	3.3	3.3	3.0	2.9
Return on equity (%)	–	5.3	8.2	8.3	8.6	5.3	6.3	6.5	8.7	10.3	10.5	10.4
Return on assets (%)	–	2.4	3.7	3.7	3.8	6.3	2.7	2.7	3.7	4.4	4.5	4.3
Statement of Cash Flows Data	%	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Depreciation and amortization	1.2	12,123	11,840	11,778	12,065	11,487	11,408	11,176	7,714	7,117	6,659	6,653
Operational cash flow	△ 5.6	14,900	22,293	17,511	17,620	20,535	19,928	13,131	15,067	10,658	12,436	12,360
Investment cash flow	15.5	△ 17,088	△ 18,149	△ 17,913	△ 17,480	△ 9,975	△ 8,317	△ 14,529	△ 15,702	△ 13,957	△ 11,445	△ 8335
Financial cash flow	–	△ 1,539	5,543	△ 544	△ 6,306	△ 7,829	△ 12,239	△ 252	560	3,309	△ 2,108	△ 987
Cash dividends per share (yen)	1.1	36.0	36.0	36.0	34.0	34.0	34.0	34.0	34.0	34.0	32.0	28.0
Store Data	%											
Number of stores (actual);	3.5	1,169	1,150	1,126	1,089	1,047	986	949	921	843	763	708
Komeri Power	–	38	28	25	21	18	12					
Komeri Home Center	3.0	147	145	140	132	126	127	139	138	137	88	87
Komeri Hard & Green	2.7	970	962	945	919	885	847	810	783	706	628	575
Athena	–	14	15	16	17	18						
Stores operated by HC subsidiaries	–	0	0	0	0	0	0	14	14	14	47	46
Weighted average selling space (square meters)	6.0	1,958,232	1,858,724	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
Weighted average number of employees(actual)	3.6	9,354	9,340	8,985	8,625	8,164	7,856	7,414	7,180	6,969	6,782	6,510
Sales per employee(thousands of yen)	△ 1.4	33,886	35,928	35,531	36,176	36,574	36,339	37,437	37,788	37,196	36,488	35,942
Comparable store sales increase (%)	–	△ 8.5	1.6	△ 1.1	1.4	2.5	0.8	△ 3.3	0.9	△ 0.3	1.6	1.3

1. Analysis of operating results and financial position

(1) Analysis of operating results

1) Overview of operating results for the year ended March 31, 2015

Consolidated operating results

	Year ended March 31, 2014	Year ended March 31, 2015	Year-on-year comparison (%)
Operating revenue (Millions of yen)	335,567	316,969	94.5
Operating income (Millions of yen)	20,246	16,108	79.6
Ordinary profit (Millions of yen)	19,626	15,515	79.1
Net income (Millions of yen)	10,573	7,171	67.8

Non-consolidated operating results

	Year ended March 31, 2014	Year ended March 31, 2015	Year-on-year comparison (%)
Operating revenue (Millions of yen)	321,136	303,061	94.4
Operating income (Millions of yen)	15,601	11,630	74.5
Ordinary profit (Millions of yen)	15,789	11,950	75.7
Net income (Millions of yen)	8,481	5,164	60.9

In the Japanese economy during the fiscal year under review, there was a moderate tone of recovery centered on export-oriented companies against the background of economic stimulus measures by the government and monetary easing by the Bank of Japan. On the other hand, stagnation in personal consumption continued for longer than expected, mainly reflecting a lull in demand following a last-minute demand rise ahead of a consumption tax hike and pressure on household incomes due to a rise in consumer prices.

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

Home Center business

In the operating results of the Home Center business, sales of household goods, particularly daily consumables, agricultural goods such as fertilizers and agrichemicals, and renovation construction and household equipment, among others, fared poorly due to the lull in demand following the last-minute demand rise ahead of the consumption tax hike. In addition, owing to discounts of kerosene unit prices in line with a fall in crude oil prices, net sales of kerosene were down considerably year on year. Furthermore, sales of seasonal products also fared poorly due to the impact of unseasonable weather. These included shading devices and electric fans for the summer in addition to space heaters and fan heaters for the winter.

On the other hand, as a first step toward building a full-scale presence in Hokkaido, the Group opened a large Power store (PW store) in Tomakomai City in December and in Sunagawa City in March. Both stores found approval with customers in their respective regions and got off to steady starts.

In addition, KOMERI Card, which consolidated subsidiary KOMERI CAPITAL CO., LTD. started operating and issuing on its own in April 2010, broke past the level of 1,000,000 card members in January

2015, and the card is making contributions including enhancing customer convenience and providing information useful for merchandise assortments at stores.

Furthermore, the Group started a product reserving service through which customers can collect products they have ordered over the internet at their preferred stores, and worked to foster integration between physical stores and the internet.

These achievements in expanding the store network, increasing card members and making sales over the internet will contribute to the construction of a more sophisticated omnichannel retailing structure going forward.

Stores

The total number of new store openings was 28: 8 Power stores (PW stores), which is the largest number of PW store openings in a year so far; the 2 above-mentioned Hokkaido stores and 1 in each of Aomori Prefecture, Niigata Prefecture, Toyama Prefecture, Ibaraki Prefecture, Nara Prefecture and Wakayama Prefecture, 4 home centers (HC stores); 1 in each of Yamagata Prefecture, Ibaraki Prefecture, Shiga Prefecture and Fukuoka Prefecture, 15 Hard & Green Stores (H&G stores) in 11 prefectures, and 1 ATHENA store (AT store) in Gunma Prefecture. Additionally, 7 H&G stores and 2 AT stores were closed, 2 HC stores (Akita Prefecture and Mie Prefecture) were converted into PW stores. As a result, the number of stores at the end of the fiscal year under review stood at 1,169 stores, consisting of 38 PW stores, 147 HC stores, 970 H&G stores, and 14 AT stores.

Consolidated operating results

	Year ended March 31, 2014	Year ended March 31, 2015	Year-on-year comparison (%)
Net sales (Millions of yen)	318,708	300,361	94.2
Number of stores	1,150	1,169	–
Number of stores newly opened	28	28	–

Operating results of Home Center line (by product line)

- Hardware, general materials and building materials

  Although sales of renovation construction and household equipment fared poorly due to the lull in demand following the last-minute demand rise ahead of the consumption tax hike, sales of products including building materials and work clothes and work gear started to show firmness. As a result, sales in this product line fell 4.0% year on year to 97,879 million yen.
- Gardening and agricultural goods

  Although fertilizers and agrichemicals were affected by lulls in demand following last-minute rises, gardening goods, particularly private brand merchandise, sold firmly. As a result, sales in this product line fell 3.9% to 69,378 million yen.
- Household goods

  Household goods continued to be affected by lulls in demand following last-minute rises, particularly daily consumables and electrical appliances. As a result, sales in this product line fell 6.8% to 74,516 million yen.
- Office and leisure goods

  Sales of furniture and storage cabinets, and bicycles, among others, fared poorly. As a result, sales in this product line fell 3.1% to 42,649 million yen.
- Kerosene and other

  Regarding net sales of kerosene, unit selling prices were discounted due to a fall in crude oil prices from December, which is the demand season. In addition, temperatures were high from January, leading to stagnation in sales volume. As a result, sales in this product line fell 22.5% to 15,938 million yen. On the other hand, the gross profit margin of kerosene improved significantly year on year.

Trend by product line

Product line	Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)		Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)		Year-on-year comparison (%)
	Net sales (Millions of yen)	Percentage (%)	Net sales (Millions of yen)	Percentage (%)	
Hardware, general materials and building materials	101,939	32.0	97,879	32.6	96.0
Gardening and agricultural goods	72,196	22.6	69,378	23.1	96.1
Household goods	79,985	25.1	74,516	24.8	93.2
Office and leisure goods	44,023	13.8	42,649	14.2	96.9
Kerosene and other	20,564	6.5	15,938	5.3	77.5
Home Center line total	318,708	100.0	300,361	100.0	94.2

Operating results of Other lines

- Logistics

HOKUSEI SANGYO CO., LTD. operates distribution centers which function as the logistics bases of the Group. In October, in anticipation of expansion of the store network into Hokkaido, the Hokkaido Distribution Center was put into operation in Tomakomai City, Hokkaido Prefecture, becoming the Group's 10th distribution center in Japan. HOKUSEI SANGYO CO., LTD.'s operating revenue fell 0.8% year on year to 13,499 million yen.

- Information technology

BIT-A CO., LTD. performs various information processing and computer software development, and its operating revenue rose 0.5% to 8,275 million yen.

- Credit cards

KOMERI CAPITAL CO., LTD. performs credit card business, other contingent business and insurance agent business. As stated on a previous page, the number of KOMERI Card members has now exceeded 1,000,000 members. Owing to this increase in members and other factors, KOMERI CAPITAL CO., LTD.'s operating revenue rose 17.6% to 2,825 million yen.

Other businesses

LIFE KOMERI CO., LTD. sells liquefied petroleum gas, gasoline, kerosene, and related equipment. With Niigata Prefecture as its base, this company has expanded its network of sales offices into Nagano Prefecture.

MOVIE TIME CO., LTD. sells books, etc.

As a result of the above, operating revenue in the fiscal year under review fell 5.5% on a consolidated basis from the previous fiscal year to 316,969 million yen, operating income fell 20.4% to 16,108 million yen and ordinary profit fell 20.9% to 15,515 million yen. Net income fell 32.2% to 7,171 million yen, due partly to loss on impairment of fixed assets and adjustment of income taxes due to tax reform.

2) Outlook for the year ending March 31, 2016

Consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	167,000	102.9%	328,000	103.5%
Operating income (Millions of yen)	11,400	113.6%	17,500	108.6%
Ordinary profit (Millions of yen)	11,150	114.4%	17,000	109.6%
Net income (Millions of yen)	6,950	115.4%	8,000	111.6%

Non-consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	161,000	103.7%	314,000	103.6%
Operating income (Millions of yen)	9,050	115.4%	12,750	109.6%
Ordinary profit (Millions of yen)	9,300	116.5%	13,150	110.0%
Net income (Millions of yen)	5,900	117.1%	5,850	113.3%

Looking at the outlook for the Japanese economy, although there are signs of moderate recovery, there are lingering reasons for concern with potential impacts on the Japanese economy including falls in the economic growth rates of emerging countries and uncertain situations in various regions around the world.

In the retail industry, although the impact following the consumption tax hike is expected to gradually lessen, a full-scale recovery in personal consumption is forecast to take further time. There are also concerns about the impact on profits from costs associated with rising prices of imported raw materials due to the impact from yen depreciation, and increases in personnel expenses and other costs.

Facing these circumstances, the Group will return to the basic focus of its business, which is to provide customers with good products at lower prices, and concentrate efforts into further enhancing the merchandise assortment and realizing prices that customers are happy to pay, centering on the mainstay categories of (a) hardware, general materials and building materials and (b) gardening and agricultural goods. The Group will also work to strengthen its product knowledge and sales structure in order to meet the needs of a wide variety of customers, from professionals to general customers.

The Group plans to open a total of 30 new stores: 5 PW stores, 5 HC stores, and 20 H&G stores.

Taking the above-mentioned circumstances into consideration, for the year ending March 31, 2016, on a consolidated basis, the Group expects operating revenue to rise 3.5% year on year to 328,000 million yen, operating income to rise 8.6% to 17,500 million yen, ordinary profit to rise 9.6% to 17,000 million yen and net income to rise 11.6% to 8,000 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 4,316 million yen from the previous fiscal year-end to 301,128 million yen. This was mainly due to increases in merchandise of 4,791 million yen, property, plant and equipment of 2,899 million yen although there was a decrease in cash and deposits of 3,719 million yen.

Liabilities decreased by 998 million yen from the previous fiscal year-end to 161,990 million yen. This was mainly due to decreases in trade notes and accounts payable of 4,890 million yen and short-term bank loans of 10,650 million yen although there was an increase in long-term debt including current portion of 13,688 million yen.

Net assets increased by 5,315 million yen from the previous fiscal year-end to 139,137 million yen. This was mainly due to an increase in retained earnings.

2) Consolidated cash flows

	Year ended March 31, 2014	Year ended March 31, 2015	Year-on-year comparison
Net cash provided by operating activities (Millions of yen)	22,293	14,900	(7,393)
Net cash used in investing activities (Millions of yen)	(18,149)	(17,088)	1,060
Net cash provided by (used in) financing activities (Millions of yen)	5,543	(1,539)	(7,082)
Increase (decrease) in cash and cash equivalents (Millions of yen)	9,688	(3,719)	(13,407)
Cash and cash equivalents, end of year (Millions of yen)	12,715	8,996	(3,719)

Cash and cash equivalents (“cash”) at the end of the fiscal year under review totaled 8,996 million yen. Factors affecting cash flows include the followings:

(Net cash provided by operating activities)

Net cash provided by operating activities decreased by 33.2% from the previous fiscal year to 14,900 million yen. The main sources of cash provided were income before income taxes and minority interests of 12,049 million yen in addition to adjustments for depreciation of 12,123 million yen. The main reasons for cash usage were an increase in inventories of 4,800 million yen and a decrease in trade notes and accounts payable of 4,890 million yen.

(Net cash used in investing activities)

Net cash used in investing activities decreased 5.8% from the previous fiscal year to 17,088 million yen. The main reason for cash usage was the purchases of property, plant and equipment.

(Net cash used in financing activities)

Net cash used in financing activities was 1,539 million yen, compared with 5,543 million yen provided by the previous fiscal year. The main source of cash provided was proceeds from long-term debt of 21,000 million yen and the main reasons for cash usage were decreases in short-term bank loans of 10,650 million yen, 7,311 million yen used for repayments of long-term debt and dividends paid of 1,826 million yen.

Trends in cash flow indices

	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Equity ratio (%)	43.8	45.3	46.1	45.0	46.1
Equity ratio based on market prices (%)	43.4	46.5	51.8	48.0	47.6
Years required to redeem liabilities (years)	3.4	3.8	4.0	3.5	5.5
Interest coverage ratio (times)	24.6	26.4	29.3	42.4	32.8

(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.

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 30, 2014. 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 5.2%.

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

The environment surrounding the Group is forecast to become increasingly difficult, characterized by declines in the population and the number of households and sales competition going beyond the conventional boundaries of business fields and business formats.

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.

In order to realize the Group's growth strategy, it is essential to further advance our systems for the collection and analysis of information and establish a broad information backbone including information provision and merchandise sales via the Internet and the operation of a customer reward program 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 25 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 19,000 Group's employees have worked on over 9,500 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 602 agreements mainly with local governments and associations in 46 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.

3. Basic rationale for selecting the accounting standard

As the Company is currently engaged in business within Japan, among other reasons, the Company’s policy in the immediate term is to prepare its consolidated financial statements on the basis of Japanese GAAP.

The Company intends to examine the application of International Financial Reporting Standards (IFRS) in consideration of such factors as future business development and trends in Japan and overseas.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2015, 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, 2015, 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, 2015, 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.

Deloitte Touche Tohmatsu LLC

June 15, 2015

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2015

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 8,996	¥ 12,716	$ 74,799
Marketable securities (Notes 4 and 14)	4	11	35
Short-term investments (Notes 3 and 14)	314	314	2,614
Receivables (Notes 14 and 20):			
Trade notes and accounts	13,948	14,515	115,975
Allowance for doubtful receivables	(200)	(212)	(1,661)
Inventories (Note 5)	103,909	99,109	863,968
Deferred tax assets (Note 12)	1,650	1,276	13,718
Prepaid expenses and other current assets (Note 20)	5,226	5,542	43,444
Total current assets	133,847	133,271	1,112,892
PROPERTY, PLANT, AND EQUIPMENT (Notes 6 and 7):			
Land	29,197	28,885	242,759
Buildings and structures	194,412	185,378	1,616,464
Machinery and equipment	12,466	11,903	103,654
Lease assets (Note 13)	12,208	13,360	101,501
Construction in progress	1,672	1,771	13,899
Other	12,495	12,165	103,896
Total	262,450	253,462	2,182,173
Accumulated depreciation	(119,580)	(113,493)	(994,267)
Net property, plant, and equipment	142,870	139,969	1,187,906
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	498	415	4,143
Investments in unconsolidated subsidiaries	315	315	2,623
Intangible assets	7,085	7,248	58,909
Leasehold deposits	9,142	8,208	76,012
Deferred tax assets (Note 12)	5,875	5,923	48,853
Other assets	1,496	1,462	12,432
Total investments and other assets	24,411	23,571	202,972
TOTAL	¥ 301,128	¥ 296,811	$ 2,503,770

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 14)	¥ 29,700	¥ 40,350	$ 246,944
Current portion of long-term debt (Notes 7 and 14)	10,766	8,845	89,515
Payables (Notes 14 and 15):			
Trade notes and accounts	45,849	50,740	381,219
Construction and other	12,118	10,759	100,758
Income taxes payable (Note 14)	2,243	3,730	18,652
Accrued expenses	2,222	2,321	18,473
Liability for obligations to customers	779	474	6,480
Allowance for losses from a natural disaster	1	9	9
Provision for directors' retirement benefits (Note 8)	1,301		10,820
Other current liabilities	2,027	1,827	16,849
Total current liabilities	107,006	119,055	889,719
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	40,759	29,548	338,898
Liability for retirement benefits (Note 8)	7,618	7,336	63,338
Retirement benefits for directors and Audit & Supervisory Board members (Note 8)	180	962	1,498
Asset retirement obligations (Note 9)	4,288	3,926	35,650
Lease deposits from lessees	1,677	1,714	13,948
Deferred tax liabilities (Note 12)	173	222	1,442
Other long-term liabilities	289	226	2,398
Total long-term liabilities	54,984	43,934	457,172
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 2015 and 2014	18,802	18,802	156,333
Capital surplus	25,260	25,260	210,030
Stock acquisition rights (Note 11)	209	163	1,741
Retained earnings	104,025	98,405	864,930
Treasury stock—at cost, 3,826,072 shares in 2015 and 3,625,547 shares in 2014	(9,293)	(8,799)	(77,277)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	127	73	1,052
Deferred gain on derivatives under hedge accounting	336	268	2,800
Defined retirement benefit plans	(328)	(350)	(2,730)
Total equity	139,138	133,822	1,156,879
TOTAL	¥ 301,128	¥ 296,811	$ 2,503,770

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
REVENUES:			
Net sales (Note 20)	¥306,370	¥325,222	$2,547,355
Other operating revenues	10,599	10,345	88,125
Total revenues	316,969	335,567	2,635,480
COST OF SALES	207,222	223,186	1,722,974
Gross profit	109,747	112,381	912,506
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 20)	93,639	92,135	778,566
Operating income	16,108	20,246	133,940
OTHER INCOME (EXPENSES):			
Interest and dividend income	40	43	329
Interest expense	(457)	(525)	(3,801)
Loss on disposal of property, plant, and equipment	(519)	(267)	(4,312)
Loss on impairment of long-lived assets (Note 6)	(2,749)	(1,332)	(22,855)
Expenses for director's retirement benefits	(520)		(4,324)
Other—net	146	(138)	1,210
Other expenses—net	(4,059)	(2,219)	(33,753)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	12,049	18,027	100,187
INCOME TAXES (Note 12):			
Current	5,479	7,082	45,559
Deferred	(601)	372	(5,001)
Total income taxes	4,878	7,454	40,558
NET INCOME BEFORE MINORITY INTERESTS	7,171	10,573	59,629
NET INCOME	¥ 7,171	¥ 10,573	$ 59,629
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.p and 17):			
Basic net income	¥141.44	¥208.22	$1.18
Diluted net income	141.18	207.92	1.17
Cash dividends applicable to the year	36.00	36.00	0.30

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥7,171	¥10,573	$59,629
OTHER COMPREHENSIVE INCOME (Note 16):			
Unrealized gain on available-for-sale securities	54	5	449
Deferred gain (loss) on derivatives under hedge accounting	68	(68)	573
Defined retirement benefit plans	22		175
Total other comprehensive income	144	(63)	1,197
COMPREHENSIVE INCOME	¥7,315	¥10,510	$60,826
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥7,315	¥10,510	$60,826
Minority interests			

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2015

		Millions of Yen								
							Accumulated Other Comprehensive Income (Loss)			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2013	50,778,858	¥18,802	¥25,260	¥116	¥ 89,661	¥(8,811)	¥ 68	¥336		¥125,432
Net income					10,573					10,573
Cash dividends, ¥36 per share					(1,828)					(1,828)
Purchase of treasury stock	(537)					(1)				(1)
Disposal of treasury stock	5,300				(1)	13				12
Issuance of stock acquisition rights				47						47
Net change in the year							5	(68)	¥(350)	(413)
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	50,783,621	18,802	25,260	163	98,405	(8,799)	73	268	(350)	133,822
Cumulative effect of accounting change					277					277
BALANCE, APRIL 1, 2014 (as restated)	50,783,621	18,802	25,260	163	98,682	(8,799)	73	268	(350)	134,099
Net income					7,171					7,171
Cash dividends, ¥36 per share					(1,828)					(1,828)
Purchase of treasury stock	(200,600)					(495)				(495)
Disposal of treasury stock	75					1				1
Issuance of stock acquisition rights				46						46
Net change in the year							54	68	22	144
BALANCE, MARCH 31, 2015	50,583,096	¥18,802	¥25,260	¥209	¥104,025	¥(9,293)	¥127	¥336	¥(328)	¥139,138

(Continued)

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2015

	Thousands of U.S. Dollars (Note 1)								
						Accumulated Other Comprehensive Income (Loss)			
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$156,333	$210,030	$1,361	$818,197	$(73,161)	$ 603	$2,227	$(2,905)	$1,112,685
Cumulative effect of accounting change				2,305					2,305
BALANCE, APRIL 1, 2014 (as restated)	156,333	210,030	1,361	820,502	(73,161)	603	2,227	(2,905)	1,114,990
Net income				59,629					59,629
Cash dividends, $0.30 per share				(15,201)					(15,201)
Purchase of treasury stock					(4,118)				(4,118)
Disposal of treasury stock					2				2
Issuance of stock acquisition rights			380						380
Net change in the year						449	573	175	1,197
BALANCE, MARCH 31, 2015	$156,333	$210,030	$1,741	$864,930	$(77,277)	$1,052	$2,800	$(2,730)	$1,156,879

See notes to consolidated financial statements.

(Concluded)

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥12,049	¥18,027	$100,187
Adjustments for:			
Income taxes—paid	(6,953)	(6,349)	(57,815)
Depreciation	12,123	11,840	100,800
Loss on impairment of long-lived assets	2,749	1,332	22,855
Loss on disposal of property, plant, and equipment	519	267	4,312
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	478	(3,404)	3,978
Decrease in provision for loss from disaster	(8)	(25)	(67)
Increase in inventories	(4,800)	(7,289)	(39,914)
(Decrease) increase in trade notes and accounts payable	(4,891)	6,607	(40,665)
Increase in liability for retirement benefits	766	810	6,369
Increase (decrease) in retirement benefits for directors and Audit & Supervisory Board members	520	(62)	4,324
Increase (decrease) in accrued consumption taxes	1,618	(257)	13,453
Other—net	730	796	6,072
Total adjustments	2,851	4,266	23,702
Net cash provided by operating activities	14,900	22,293	123,889
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(15,310)	(16,769)	(127,296)
Purchase of intangible assets	(754)	(1,345)	(6,266)
Other—net	(1,024)	(34)	(8,520)
Net cash used in investing activities	(17,088)	(18,148)	(142,082)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	(10,650)	2,630	(88,551)
Proceeds from long-term debt	21,000	14,000	174,607
Repayments of long-term debt	(9,569)	(9,258)	(79,552)
Repurchase of treasury stock	(495)	(1)	(4,118)
Dividends paid	(1,826)	(1,827)	(15,186)
Disposal of treasury stock	1		2
Net cash (used in) provided by financing activities	(1,539)	5,544	(12,798)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	7		65
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (3,720)	¥ 9,689	$ (30,926)

(Continued)

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥(3,720)	¥ 9,689	$(30,926)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,716	3,027	105,725
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 8,996	¥12,716	$ 74,799

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in 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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120 to $1, the approximate rate of exchange at March 31, 2015. 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, 2015, include the accounts of the Company and its five significant (five in 2014) subsidiaries (together, the "Group").

Under the control and influence concepts, 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 six (six in 2014) 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.

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 that 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.

Nonmarketable 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.

During the year ended March 31, 2015, the Company recorded an extraordinary loss of ¥520 million ($4,324 thousand) as provision for director's retirement benefits for the chairman of the Board of Directors.

In May 2012, the Accounting Standards Board of Japan ("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 an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period 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 are 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 are treated as reclassification adjustments (see Note 16).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, 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, all 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 applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period that approximates the expected average remaining service period to using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment and the method of estimating expected future salary increases from salary increases "expected to be certain" to salary increases "expected," and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, decreased by ¥429 million ($3,567 thousand), and retained earnings as of April 1, 2014, increased by ¥277 million ($2,305 thousand), while the effects on the profit and loss for the fiscal year ended March 31, 2015, are minimal. In addition, book-value per share for the year ended March 31, 2015, increased by ¥5 ($0), respectively, and the effects on basic and diluted net income per share ("EPS") for the year ended March 31, 2015, are minimal.

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 preregistered customers acquire service points in proportion to their actual purchases.

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 ASBJ issued 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 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 the 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 newly granted on and 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 nonemployees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights 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.

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 amount of 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 that do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the amount of 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 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 rates to the temporary differences.

n. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated 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.

o. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments ("derivatives") to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts and currency swaps (which substantially function as foreign exchange forward contracts) are utilized by the Group to reduce foreign currency exchange 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.

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

Diluted EPS reflects the potential dilution that could occur if stock options were exercised.

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.

q. ***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.

r. ***Changes in Presentation***—Prior to April 1, 2014, increase (decrease) in accrued consumption taxes was included in "other" among the operating activities section of the consolidated statement of cash flows. The amount included in "other" for the year ended March 31, 2014, was ¥(257) million. Since the monetary significance has increased, the amount is disclosed separately in the operating activities section of the consolidated statement of cash flows for the year ended March 31, 2015.

3. SHORT-TERM INVESTMENTS

Short-term investments as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Time deposits	¥314	¥314	$2,614
Total	¥314	¥314	$2,614

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Current—Trust fund investments and other	¥ 4	¥ 11	$ 35
Total	¥ 4	¥ 11	$ 35
Noncurrent:			
Equity securities	¥484	¥411	$4,027
Trust fund investments and other	14	4	116
Total	¥498	¥415	$4,143

The costs and aggregate fair values of marketable and investment securities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥280	¥163		¥443
Trust fund investments	12	2		14
March 31, 2014				
Securities classified as available-for-sale:				
Equity securities	¥280	¥95	¥6	¥369
Trust fund investments	12		1	11

March 31, 2015	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$2,330	$1,356		$3,686
Trust fund investments	101	15		116

5. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Merchandise	¥103,736	¥98,945	$862,529
Supplies	173	164	1,439
Total	¥103,909	¥99,109	$863,968

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2015. As a result, the Group recognized an impairment loss of ¥2,749 million ($22,855 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 composed of ¥2,460 million ($20,455 thousand) for buildings and structures and ¥289 million ($2,400 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, 2015 and 2014, consisted of notes to banks. The annual weighted-average interest rate applicable to the short-term bank loans was 0.36% and 0.35% at March 31, 2015 and 2014, respectively.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars 2015
Loans from banks and other financial institutions, due serially through 2020 with weighted-average interest rates of 0.25% (2015) and 0.29% (2014)—Unsecured	¥45,056	¥31,367	$374,623
Obligations under finance leases	6,469	7,026	53,790
Total	51,525	38,393	428,413
Less current portion	(10,766)	(8,845)	(89,515)
Long-term debt, less current portion	¥40,759	¥29,548	$338,898

Annual maturities of long-term debt at March 31, 2015, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥10,766	$ 89,515
2017	7,456	61,997
2018	3,438	28,582
2019	22,780	189,407
2020	5,428	45,134
2021 and thereafter	1,657	13,778
Total	¥51,525	$428,413

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥116 million ($964 thousand) at March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant, and equipment—net of accumulated depreciation	¥154	$1,283

As is customary in Japan, the Company maintains substantial deposit balances with banks which it has borrowings. Such deposit balances are not legally or contractually restricted 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, 2015, for directors and Audit & Supervisory Board members was ¥1,481 million ($12,318 thousand). The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders or Board of Directors.

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥7,336	¥6,691	$60,996
Cumulative effect of accounting change	(429)		(3,567)
Balance at beginning of year (as restated)	6,907	6,691	57,429
Current service cost	783	698	6,511
Interest cost	85	83	709
Actuarial losses	170	56	1,410
Benefits paid	(327)	(192)	(2,721)
Balance at end of year	¥7,618	¥7,336	$63,338

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unfunded defined benefit obligation	¥7,618	¥7,336	$63,338
Net liability for defined benefit obligation	¥7,618	¥7,336	$63,338

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥7,618	¥7,336	$63,338
Net liability for defined benefit obligation	¥7,618	¥7,336	$63,338

(3) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 783	¥ 699	$6,511
Interest cost	85	83	709
Recognized actuarial losses	225	221	1,870
Net periodic benefit costs	¥1,093	¥1,003	$9,090

(4) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized actuarial losses	¥485	¥541	$4,036
Total	¥485	¥541	$4,036

(5) Assumptions used for the years ended March 31, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	1.3%	1.3%
Expected rate of increase in salary	2.3	2.9

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥3,945	¥3,552	$32,800
Additional provisions associated with the acquisition of property, plant, and equipment	274	312	2,279
Reconciliation associated with passage of time	87	81	723
Balance at end of year	¥4,306	¥3,945	$35,802

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 including (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 being prescribed as one year rather than the normal two-year 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 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 within equity under certain conditions upon resolution by 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, 2015, 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 12, 2041
2012 Stock Option	8 directors	24,800 shares	July 11, 2012	¥1 ($0)	From July 12, 2012 to July 11, 2042
2013 Stock Option	7 directors	19,200 shares	July 10, 2013	¥1 ($0)	From July 11, 2013 to July 10, 2043
2014 Stock Option	9 directors	18,100 shares	July 15, 2014	¥1 ($0)	From July 16, 2014 to July 15, 2044

The stock option activity is as follows:

	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option
		(Shares)		
Year Ended March 31, 2014				
Nonvested				
April 1, 2013—Outstanding	42,000	24,800		
Granted			19,200	
Canceled				
Vested	(3,600)	(1,700)		
March 31, 2014—Outstanding	38,400	23,100	19,200	
Vested				
April 1, 2013—Outstanding				
Vested	3,600	1,700		
Exercised	(3,600)	(1,700)		
Canceled				
March 31, 2014—Outstanding				
Year Ended March 31, 2015				
Nonvested				
March 31, 2014—Outstanding	38,400	23,100	19,200	
Granted				18,100
Canceled				
Vested	(38,400)	(23,100)	(19,200)	
March 31, 2015—Outstanding				18,100
Vested				
March 31, 2014—Outstanding				
Vested	38,400	23,100	19,200	
Exercised				
Canceled				
March 31, 2015—Outstanding	38,400	23,100	19,200	
Exercise price	¥1 ($0)	¥1 ($0)	¥1 ($0)	¥1 ($0)
Average stock price at exercise				
Fair value price at grant date	¥2,155 ($17.9)	¥1,998 ($16.6)	¥2,422 ($20.1)	¥2,507 ($20.8)

The Assumptions Used to Measure the Fair Value of the 2014 Stock Option

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	24.8%
Estimated remaining outstanding period:	1.00 years
Estimated dividend:	¥36 per share
Risk-free interest rate:	0.058%

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of approximately 35% and 38% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Loss on impairment	¥3,452	¥3,142	$28,702
Accrued enterprise taxes	198	267	1,649
Accrued bonuses	638	717	5,305
Liabilities for retirement benefits	2,449	2,596	20,365
Retirement benefits for directors and Audit & Supervisory Board members	485	340	4,031
Asset retirement obligation	1,381	1,395	11,484
Tax loss carryforwards	409	477	3,402
Other	1,176	1,170	9,772
Less valuation allowance	(720)	(1,090)	(5,989)
Total	9,468	9,014	78,721
Deferred tax liabilities:			
Property and equipment	(1,029)	(929)	(8,556)
Expense from asset retirement obligation	(733)	(779)	(6,092)
Other	(354)	(329)	(2,944)
Total	(2,116)	(2,037)	(17,592)
Net deferred tax assets	¥7,352	¥6,977	$61,129

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014 is as follows:

	2015	2014
Normal effective statutory tax rate	35%	38%
Per capita portion	4	3
Valuation allowance	(3)	0
Effect of tax rate reduction	6	0
Effect of reduction of income tax rates on deferred tax assets	(2)	
Other—net	1	0
Actual effective tax rate	41%	41%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33% and for the fiscal year beginning on or after April 1, 2016, to approximately 32%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities in the consolidated balance sheet as of March 31, 2015, by ¥695 million ($5,781 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥698 million ($5,809 thousand).

At March 31, 2015, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,266 million ($10,530 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
2018	¥ 26	$ 218
2019	16	136
2020	836	6,948
2021	371	3,089
2022	17	139
Total	¥1,266	$10,530

13. LEASES

The Group leases certain store fixtures, computer equipment, store space, and other assets.

Total rental expense including lease payments for the years ended March 31, 2015 and 2014, was ¥13,227 million ($109,979 thousand) and ¥12,856 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥ 806	¥ 820	$ 6,706
Due after one year	2,424	2,377	20,149
Total	¥3,230	¥3,197	$26,855

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 20 years after the balance sheet date. The purpose of bank loans and lease obligations is the financing of capital investments.

Derivatives mainly include forward foreign currency contracts and currency swaps which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables. 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 terms 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, 2015.

Market risk management

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 at 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 is 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, through adequate financial planning by the corporate treasury department.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. See Note 15 for the details of fair value of derivatives.

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

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 8,996	¥ 8,996	
Short-term investments	314	314	
Receivables	13,748	13,748	
Marketable and investment securities	457	457	
Total	¥ 23,515	¥ 23,515	
Short-term bank loans	¥ 29,700	¥ 29,700	
Payables	57,967	57,967	
Income taxes payable	2,243	2,243	
Long-term debt	51,525	51,535	¥10
Total	¥141,435	¥141,445	¥10
March 31, 2014			
Cash and cash equivalents	¥ 12,716	¥ 12,716	
Short-term investments	314	314	
Receivables	14,303	14,303	
Marketable and investment securities	379	379	
Total	¥ 27,712	¥ 27,712	
Short-term bank loans	¥ 40,350	¥ 40,350	
Payables	61,499	61,499	
Income taxes payable	3,730	3,730	
Long-term debt	38,393	38,396	¥ 3
Total	¥143,972	¥143,975	¥ 3

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 74,799	$ 74,799	
Short-term investments	2,614	2,614	
Receivables	114,314	114,314	
Marketable and investment securities	3,801	3,801	
Total	$ 195,528	$ 195,528	
Short-term bank loans	$ 246,944	$ 246,944	
Payables	481,977	481,977	
Income taxes payable	18,652	18,652	
Long-term debt	428,413	428,497	$84
Total	$1,175,986	$1,176,070	$84

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.

Marketable and Investment Securities

The fair values of marketable and 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. Fair value information for marketable and investment securities by classification is included in Note 4.

Short-Term Bank Loans, Payables, and Income Taxes Payable

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

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

Fair value information for 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
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥93	¥94	$776

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

	Millions of Yen			
March 31, 2015	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	¥ 5,294			
Short-term investments	314			
Receivables	13,748			
Investment securities—available-for-sale securities with contractual maturities		¥14		
Total	¥19,356	¥14		

	Thousands of U.S. Dollars			
March 31, 2015	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	$ 44,019			
Short-term investments	2,614			
Receivables	114,314			
Investment securities—available-for-sale securities with contractual maturities		$116		
Total	$160,947	$116		

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

15. DERIVATIVES

The Group enters into derivative transactions, including foreign currency forward contracts and currency swaps, to hedge foreign exchange risk associated with a portion of imported goods.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to the derivatives are limited to major 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, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign exchange forward contracts	Payables	¥ 694	¥ 254	¥ 96
Currency swaps	Payables	7,716	4,043	404
March 31, 2014				
Foreign exchange forward contracts	Payables	¥1,724	¥ 693	¥273
Currency swaps	Payables	4,367	2,218	141

		Thousands of U.S. Dollars		
March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign exchange forward contracts	Payables	$ 5,766	$ 2,108	$ 799
Currency swaps	Payables	64,158	33,617	3,355

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

The contract or notional amounts of derivatives that 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. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains (losses) arising during the year	¥ 77	¥ (18)	$ 644
Reclassification adjustments to profit or loss			
Amount before income tax effect	77	(18)	644
Income tax effect	(23)	23	(195)
Total	¥ 54	¥ 5	$ 449
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	¥ (46)	¥(334)	$ (381)
Reclassification adjustments to profit or loss	130	209	1,087
Amount before income tax effect	84	(125)	706
Income tax effect	(16)	57	(133)
Total	¥ 68	¥ (68)	$ 573
Defined retirement benefit plans:			
Adjustments arising during the year	¥(169)		$(1,410)
Reclassification adjustments to profit or loss	225		1,870
Amount before income tax effect	56		460
Income tax effect	(34)		(285)
Total	¥ 22		$ 175
Total other comprehensive income	¥ 144	¥ (63)	$ 1,197

17. EPS

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2015	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥7,171	50,705	¥141.44	$1.18
Effect of dilutive securities—Stock option rights		90		
Diluted EPS—Net income for computation	¥7,171	50,795	¥141.18	$1.17

Year Ended March 31, 2014	Millions of Yen Net Income	Thousands of Shares Weighted-Average Shares	Yen EPS
Basic EPS—Net income available to common shareholders	¥10,573	50,782	¥208.22
Effect of dilutive securities—Stock option rights		74	
Diluted EPS—Net income for computation	¥10,573	50,856	¥207.92

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Board of Directors' meeting held on May 19, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥18 ($0.15) per share	¥910	$7,570

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.

(1) *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 segments is not shown since the Company only has one reportable segment, which is the business to sell hardware, gardening tools, etc.

(2) ***Information about Impairment Losses of Assets***

	Millions of Yen				
	2015				
	Reportable Segment				
	The Business to Sell Hardware, Gardening Tools, Etc.	Other	Total	Reconcil-iations	Consol-idated
Impairment losses of assets	¥2,739	¥10	¥2,749		¥2,749

	Millions of Yen				
	2014				
	Reportable Segment				
	The Business to Sell Hardware, Gardening Tools, Etc.	Other	Total	Reconcil-iations	Consol-idated
Impairment losses of assets	¥1,315	¥17	¥1,332		¥1,332

	Thousands of U.S. Dollars				
	2015				
	Reportable Segment				
	The Business to Sell Hardware, Gardening Tools, Etc.	Other	Total	Reconcil-iations	Consol-idated
Impairment losses of assets	$22,774	$81	$22,855		$22,855

20. RELATED-PARTY DISCLOSURES

Transactions of the Company with directors for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales	¥47	¥26	$388
Rental expense	34	28	280

The balances due to or from directors at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Accounts receivable	¥9	¥3	$73
Prepaid expense	3	2	21
Leasehold deposits	9		76

* * * * * *