INVESTORS' GUIDE
2017

KOMERI

Ten-year consolidated financial and operating results of Komeri Co., Ltd.

(JPY in millions)

	Five-Year Compound Annual Growth Rate	Fiscal year (FY) starting April 1, ending March 31 next year										
		FY2016	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006
<Profit and loss data>	%											
Operating revenue	1.1	329,588	324,343	316,969	335,567	319,245	312,017	298,594	285,480	277,557	273,889	259,218
Revenue growth rate	–	1.6	2.3	△ 5.5	5.1	2.3	4.5	4.6	2.9	1.3	5.7	4.8
Cost of sales	1.1	217,208	212,497	207,222	223,185	211,149	205,609	200,896	192,797	188,043	186,491	175,596
Selling, general and administrative expenses	2.1	95,690	93,917	93,638	92,134	88,917	86,181	81,829	77,611	74,798	71,808	68,102
Operating profit	△ 3.8	16,689	17,928	16,108	20,246	19,178	20,226	15,869	15,072	14,716	15,591	15,520
Operating profit growth rate	–	△ 6.9	11.3	△ 20.4	5.6	△ 5.2	27.5	5.3	2.4	△ 5.6	0.5	6.1
Profit before income taxes	△ 3.0	16,129	15,229	12,049	18,027	17,183	18,820	10,347	12,474	11,495	14,431	15,466
Net income attributable to owners of the parent	2.6	11,017	9,585	7,171	10,573	10,000	9,687	5,698	6,460	6,421	8,293	9,257
Net income attributable to owners of the parent growth rate	–	14.9	33.7	△ 32.2	5.7	3.2	70.0	△ 11.8	0.6	△ 22.6	△ 10.4	6.3
Earnings per share	2.7	217.54	189.33	141.44	208.22	196.94	190.78	111.86	126.39	124.27	157.19	175.02
Earnings per share growth rate	–	14.9	33.9	△ 32.1	5.7	3.20	70.6	△ 11.5	1.7	△ 20.9	△ 10.2	10.3
Average number of shares issued during the period (thousand)	△ 0.1	50,644	50,630	50,704	50,784	50,779	50,777	50,942	51,113	51,672	52,890	52,890
Gross margin ratio	–	34.1	34.5	34.6	33.5	33.9	34.1	32.7	32.5	32.3	31.9	32.3
SG&A expenses to operating revenue	–	29.0	29.0	29.5	27.5	27.9	27.6	27.4	27.2	26.9	26.2	26.3
Operating profit ratio	–	5.1	5.5	5.1	6.0	6.0	6.5	5.3	5.3	5.3	5.7	6
Interest-bearing debt ratio	–	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.5	0.2	0.2
Pretax profit margin	–	4.9	4.7	3.8	5.4	5.4	6.0	3.5	4.4	4.1	6.0	6
Net income ratio	–	3.3	3.0	2.3	3.2	3.1	3.1	1.9	2.3	2.3	3.0	3.6
<Balance sheet data>	%											
Total assets	3.5	306,562	305,496	301,128	296,811	272,073	257,609	247,689	239,832	242,290	229,783	219,178
Inventory assets	3.8	106,243	106,660	103,736	98,944	91,649	88,231	79,724	83,755	80,070	76,074	75,222
Non-current assets	2.7	170,369	167,082	167,280	163,540	158,544	149,196	121,793	139,266	124,286	113,518	104,958
Non-current liabilities	21.3	69,229	65,040	54,984	43,934	35,370	26,409	28,577	18,935	23,516	18,897	23,758
Shareholders' equity	5.9	155,835	146,693	138,793	133,668	124,912	116,739	108,498	105,129	100,792	97,541	93,671
Net assets per share	5.9	3,063.0	2,873.0	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
Non-current liabilities ratio	–	44.4	44.3	39.6	32.9	28.3	22.6	26.3	18.0	23.3	19.4	25.4
Current ratio	–	1.66:1	1.46:1	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
Equity ratio	–	50.6	47.6	46.1	45.0	46.1	45.3	43.8	43.8	41.6	42.5	42.7
Inventory turnover ratio	–	3.1	3.1	3.1	3.5	3.5	3.7	3.7	3.5	3.5	3.3	3.3
Return on equity (ROE)	–	7.3	6.7	5.3	8.2	8.3	8.6	5.3	6.3	6.5	8.7	8.7
Return on assets (ROA)	–	3.6	3.1	2.4	3.7	3.7	3.8	2.3	2.7	2.7	3.7	3.7
<Cash flow data>	%											
Depreciation	△ 1.7	11,091	11,686	12,123	11,840	11,778	12,065	11,487	11,408	11,176	7,714	7,117
Cash flows from operating activities	8.7	26,719	21,834	14,900	22,293	17,511	17,620	20,535	19,928	13,131	15,067	10,658
Cash flows from investing activities	△ 4.4	△ 13,923	△ 12,875	△ 17,088	△ 18,149	△ 17,913	△ 17,480	△ 9,975	△ 8,317	△ 14,529	△ 15,702	△ 13957
Cash flows from financing activities	18.7	△ 14,854	△ 8,311	△ 1,539	5,543	△ 544	△ 6,306	△ 7,829	△ 12,239	△ 252	560	3,309
Cash dividends per share (yen)	2.2	38.0	36.0	36.0	36.0	36.0	34.0	34.0	34.0	34.0	34.0	34.0
<Store Data>	%											
Number of stores	1.7	1,182	1,178	1,169	1,150	1,126	1,089	1047	986	949	921	843
Number of Komeri Power stores	15.9	44	40	38	28	25	21	18	12			
Number of Komeri Home Center stores	3.5	157	150	147	145	140	132	126	127	139	138	137
Number of Komeri Hard & Green stores	1.0	968	975	970	962	945	919	885	847	810	783	706
Athena	△ 5.2	13	13	14	15	16	17	18				
Stores operated by subsidiaries	–	0	0	0	0	0	0	0	0	14	14	14
Sales floor space (square meters)	4.6	2,080,241	1,997,646	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
Average number of employees	1.8	9,450	9,402	9,354	9,340	8,985	8,625	8,164	7,856	7,414	7,180	6,969
Sales per employee(thousands of yen)	△ 0.7	34,877	34,497	33,886	35,928	35,531	36,176	36,574	36,339	37,437	37,788	37,196
Comparable store sales growth	–	△ 0.1	△ 0.3	△ 8.5	1.6	△ 1.1	1.4	2.5	0.8	△ 3.3	0.9	△ 0.3

1. Overview of operating results and others

(1) Overview of operating results for the year ended March 31, 2017

1) Operating results for the year ended March 31, 2017

Consolidated operating results

	Year ended March 31, 2016	Year ended March 31, 2017	Year-on-year comparison (%)
Operating revenue (Millions of yen)	324,343	329,588	101.6
Operating profit (Millions of yen)	17,928	16,689	93.1
Ordinary profit (Millions of yen)	17,409	16,811	96.6
Profit attributable to owners of the parent (Millions of yen)	9,585	11,017	114.9

Non-consolidated operating results

	Year ended March 31, 2016	Year ended March 31, 2017	Year-on-year comparison (%)
Operating revenue (Millions of yen)	310,667	316,444	101.9
Operating profit (Millions of yen)	12,667	11,308	89.3
Ordinary profit (Millions of yen)	13,036	12,418	95.3
Profit (Millions of yen)	6,974	8,339	119.6

The Japanese economy during the fiscal year under review maintained an element of instability amid uncertainties regarding the outlook of the global economy owing mainly to the political situation in the EU, and the policy trend of the new President in the United States, despite showing a moderate tone of recovery. The operating environment for the retail industry saw some improvements in areas of the employment and income environments but was left waiting a while longer for a full-scale recovery in personal consumption, given a lack of signs that overall consumption may be gaining momentum.

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 Home Center business during the fiscal year under review, as measures to realize improved net sales and optimized inventory levels, we constructed model stores for each of the store formats of Power stores (PW stores), home centers (HC stores), and Hard & Green stores (H&G stores), and started a horizontal roll-out of the model stores to new stores and existing stores. Our efforts in this regard allowed net sales at existing stores to remain about level year on year despite the difficult consumption environment, while inventory levels fell year on year. Nevertheless, a year-on-year fall in the gross profit margin of merchandise resulted in the year-on-year falls in operating profit and ordinary profit on a consolidated basis in the fiscal year under review. On the other hand, efforts to improve revenues, such as by renovating existing stores, led to a year-on-year decline in the amount of loss on impairment, and profit attributable to owners of the parent was the highest on record.

Stores

The new store openings were predominantly in the Hokkaido district which is positioned as the Group's new trading area. We have opened 4 PW stores; 2 in Hokkaido Prefecture and 1 in each of Hiroshima Prefecture and Kagoshima Prefecture, 5 HC stores; 1 in each of Hokkaido Prefecture, Gifu Prefecture, Fukuoka Prefecture, Oita Prefecture and Kumamoto Prefecture, and 8 H&G stores; 3 in Hokkaido Prefecture and 1 in each of Gunma Prefecture, Tochigi Prefecture, Tokyo, Shimane Prefecture and Fukuoka Prefecture. Additionally, 13 H&G stores were closed and 2 H&G stores were converted into HC stores. As a result, the number of stores at the end of the fiscal year under review stood at 1,182 stores, consisting of 44 PW stores, 157 HC stores, 968 H&G stores, and 13 Athena stores.

Consolidated operating results

	Year ended March 31, 2016	Year ended March 31, 2017	Year-on-year comparison (%)
Net sales (Millions of yen)	307,875	313,603	101.9
Number of stores	1,178	1,182	–
Number of stores newly opened	13	17	–

Operating results of Home Center line (by product line)

- Hardware, general materials and building materials

Sales of products, particularly plywood and other wood, general and building material consumables, were firm. Additionally, sales of household equipment and others relating to renovation construction were firm. As a result, net sales in this product line rose 1.1% year on year to 96,296 million yen.

- Gardening and agricultural goods

Sales of agricultural materials and agrichemicals for farmers were firm. In addition, sales of plants, particularly vegetable seedlings and cut flowers were also firm. As a result, sales in this product line rose 1.5% to 74,506 million yen.

- Household goods

Sales centered on daily consumables such as paper and detergent were firm. Moreover, sales of kerosene heaters were also firm on account of cooler temperatures compared with the previous fiscal year. As a result, sales in this product line rose 1.2% to 85,223 million yen.

- Office and leisure goods

Sales of pet goods, particularly cat food, were firm. As a result, sales in this product line rose 0.6% to 44,239 million yen.

- Kerosene and other

Regarding kerosene, sales greatly exceeded year-on-year results due to increased unit selling prices and sales volume from November, which is the demand season. As a result, sales in this product line rose 21.3% to 13,336 million yen.

Trend by product line

Product line	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)		Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)		Year-on-year comparison (%)
	Net sales (Millions of yen)	Percentage (%)	Net sales (Millions of yen)	Percentage (%)	
Hardware, general materials and building materials	95,283	30.9	96,296	30.7	101.1
Gardening and agricultural goods	73,431	23.9	74,506	23.7	101.5
Household goods	84,201	27.3	85,223	27.2	101.2
Office and leisure goods	43,960	14.3	44,239	14.1	100.6
Kerosene and other	10,998	3.6	13,336	4.3	121.3
Home Center line total	307,875	100.0	313,603	100.0	101.9

Operating results of Other lines

- Logistics

HOKUSEI SANGYO CO., LTD. operates distribution centers which function as the logistics bases of the Group, and its operating revenue rose 6.1% year on year to 14,824 million yen.

- Information technology

BIT-A CO., LTD. mainly performs planning and formulation of information systematization, planning and development of computer software, operation and maintenance of systems, and its operating revenue rose 3.9% to 8,565 million yen.

- Credit cards

KOMERI CAPITAL CO., LTD. performs credit card business, other contingent business and insurance agent business. The number of cardholders of the AQUA Card prepaid cards was about 1,100,000 members and in conjunction with the previously launched KOMERI Card, the total number of cardholders has now exceeded 2,300,000 members. As a result, KOMERI CAPITAL CO., LTD.'s operating revenue rose 20.7% to 3,913 million yen.

Other businesses

LIFE KOMERI CO., LTD. sells liquefied petroleum gas, gasoline, kerosene, and related equipment. This company secured top share in liquefied petroleum gas sales in Niigata Prefecture and 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 rose 1.6% on a consolidated basis from the previous fiscal year to 329,588 million yen. Operating profit fell 6.9% to 16,689 million yen and ordinary profit fell 3.4% to 16,811 million yen. However, profit attributable to owners of the parent rose 14.9% to a record high of 11,017 million yen, mainly due to a decrease in loss on impairment.

2) Outlook for the year ending March 31, 2018

Consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	179,000	104.9%	349,000	105.9%
Operating profit (Millions of yen)	11,300	104.6%	18,200	109.1%
Ordinary profit (Millions of yen)	11,300	105.9%	18,300	108.9%
Profit attributable to owners of the parent (Millions of yen)	7,500	108.5%	11,100	100.8%

Non-consolidated operating results

	6 months	Year-on-year comparison	Annual	Year-on-year comparison
Operating revenue (Millions of yen)	172,000	104.8%	335,000	105.9%
Operating profit (Millions of yen)	8,600	106.8%	12,800	113.2%
Ordinary profit (Millions of yen)	9,000	107.0%	13,800	111.1%
Profit (Millions of yen)	6,100	109.8%	8,350	100.1%

With respect to our outlook for the year ending March 31, 2018, Japan is expected to continue experiencing uncertainty in the economic outlook, and a full-scale recovery in personal consumption is forecast to take further time. In the home center industry, the operating environment is likely to become more difficult owing to Internet sales, sales competition going beyond the conventional boundaries of business fields, a deterioration in revenue due to rises in costs, and other factors.

Facing these circumstances, the Group celebrated the 40th anniversary of the launch of our Home Center business in April 2017. Sticking to the basic focus of its business, which is to provide customers with good products at lower prices, the Group will make efforts to further strengthen selling power and to develop global private brand merchandise to enhance product power.

As a major policy measure, the Group will concentrate on horizontally rolling-out of model stores and further pursuing a clustered store development strategy in the market to make its existing trading areas solid. In addition, the Group will focus on strengthening EDLP (everyday low price) merchandise through mass marketing and developing new merchandise.

The Group plans to open a total of 30 stores: 9 PW stores, 10 HC stores (including 3 stores with increased floor space), and 11 H&G stores, and expects the largest-ever increase in floor space.

Taking the above-mentioned circumstances into consideration, for the year ending March 31, 2018, on a consolidated basis, the Group expects operating revenue to rise 5.9% year on year to 349,000 million yen, operating profit to rise 9.1% to 18,200 million yen, ordinary profit to rise 8.9% to 18,300 million yen and profit attributable to owners of the parent to rise 0.8% to 11,100 million yen.

(2) Overview of financial position for the year ended March 31, 2017

1) Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased by 1,066 million yen from the previous fiscal year-end to 306,562 million yen. This was mainly due to a decrease in cash and deposits of 2,085 million yen although there was an increase in property, plant and equipment of 2,954 million yen.

Liabilities decreased by 8,575 million yen from the previous fiscal year-end to 151,321 million yen. This was mainly due to a decrease in short-term bank loans of 11,500 million yen, although there were increases in trade notes and accounts payable of 2,197 million yen and asset retirement obligations of 1,184 million yen.

Net assets increased by 9,641 million yen from the previous fiscal year-end to 155,241 million yen. This was mainly due to an increase in retained earnings.

2) Consolidated cash flows

	Year ended March 31, 2016	Year ended March 31, 2017	Year-on-year comparison
Net cash provided by operating activities (Millions of yen)	21,834	26,719	4,884
Net cash used in investing activities (Millions of yen)	(12,875)	(13,923)	(1,048)
Net cash used in financing activities (Millions of yen)	(8,311)	(14,854)	(6,542)
Increase (decrease) in cash and cash equivalents (Millions of yen)	632	(2,059)	(2,691)
Cash and cash equivalents, end of year (Millions of yen)	9,628	7,568	(2,059)

Cash and cash equivalents (“cash”) at the end of the fiscal year under review totaled 7,568 million yen. Factors affecting cash flows include the followings:

(Net cash provided by operating activities)

Net cash provided by operating activities increased by 22.4% from the previous fiscal year to 26,719 million yen. The main sources of cash provided were profit before income taxes of 16,129 million yen in addition to adjustments for depreciation of 11,091 million yen. The main reason for cash usage was an increase in trade notes and accounts receivable of 1,528 million yen.

(Net cash used in investing activities)

Net cash used in investing activities increased by 8.1% from the previous fiscal year to 13,923 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 increased by 78.7% from the previous fiscal year to 14,854 million yen. The main source of cash provided was proceeds from long-term debt of 8,000 million yen and the main reasons for cash usage were a decrease in short-term bank loans of 11,500 million yen, 7,510 million yen used for repayments of long-term debt and dividends paid of 1,872 million yen.

Trends in cash flow indices

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Equity ratio (%)	46.1	45.0	46.1	47.6	50.6
Equity ratio based on market prices (%)	51.8	48.0	47.6	38.1	45.5
Years required to redeem liabilities (years)	4.0	3.5	5.5	3.5	2.4
Interest coverage ratio (times)	29.3	42.4	32.8	53.9	81.7

(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 19 yen per share, as announced on April 26, 2016. As a result, the annual dividend will be 38 yen per share including an interim dividend of 19 yen per share.

For the next fiscal year, we plan to pay an annual dividend of 38 yen per share, consisting of an interim dividend of 19 yen per share and a year-end dividend of 19 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 leverages its strengths in business areas normally handled by home centers such as those involving building materials, hardware and agricultural materials, and is also working to modernize obsolete distribution systems in such areas of business.

(2) Target management indices

The Group is targeting the goals of achieving "33.3% labor's share, 10% ROA, and 10% ROE" and is striving to increase productivity of both our people and our capital.

As of the end of the fiscal year under review, ROA and ROE stood at 5.5% and 7.3%, respectively.

(3) The medium-to-long-term management strategy

Over the three years beginning with the fiscal year ended March 31, 2017, we have been working to heighten the productivity of both our people and our capital, and take steps to establish a business infrastructure geared to attaining further growth, as we aim to achieve the Group's target management indices of "33.3% labor's share, 10% ROA, and 10% ROE."

Concerning the status of progress toward achieving the "Komeri Group's Medium-Term Management Plan," which was announced on April 26, 2016, both operating revenue and operating profit ended below the plan targets in the fiscal year ended March 31, 2017, the initial year of the plan. In the next two years beginning from the fiscal year ending March 31, 2018, the Group will strive to grow sales and profit and improve business efficiency in order to make up for this shortfall.

(4) Issues to be addressed

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

Facing these circumstances, we in the Group will concentrate on "home" and "agriculture" and differentiate ourselves from our competitors by strengthening merchandise development and the marketing system to an even higher level.

Under our strategy for new store openings, we will work to establish geographic areas of market dominance by launching stores under a "clustered store development strategy" which hinges on store formats specifically tailored to conditions in regional markets where we launch new stores.

In addition, we aim 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.

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, 2017,
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, 2017, 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, 2017, 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 16, 2017

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2017

ASSETS	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 7,568	¥ 9,628	$ 67,455
Marketable securities (Notes 5 and 15)		3	
Short-term investments (Notes 4 and 15)	290	314	2,583
Receivables (Notes 15 and 21):			
Trade notes and accounts	17,954	15,616	160,017
Allowance for doubtful receivables	(225)	(216)	(2,008)
Inventories (Note 6)	106,428	106,848	948,553
Deferred tax assets (Note 13)	1,174	1,134	10,462
Prepaid expenses and other current assets (Note 21)	3,004	5,086	26,776
Total current assets	136,193	138,413	1,213,838
PROPERTY, PLANT, AND EQUIPMENT (Notes 7 and 8):			
Land	28,999	29,309	258,456
Buildings and structures	207,555	197,779	1,849,866
Machinery and equipment	13,595	13,063	121,170
Lease assets (Note 14)	10,182	11,231	90,747
Construction in progress	3,716	3,829	33,121
Other	13,218	12,889	117,812
Total	277,265	268,100	2,471,172
Accumulated depreciation	(133,199)	(126,987)	(1,187,155)
Net property, plant, and equipment	144,066	141,113	1,284,017
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 15)	1,364	1,221	12,158
Investments in unconsolidated subsidiaries	345	315	3,078
Intangible assets	7,432	7,140	66,240
Leasehold deposits (Note 21)	9,256	9,334	82,492
Deferred tax assets (Note 13)	6,578	6,673	58,633
Other assets	1,328	1,287	11,830
Total investments and other assets	26,303	25,970	234,431
TOTAL	¥ 306,562	¥ 305,496	$ 2,732,286

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 15)	¥ 7,200	¥ 18,700	$ 64,171
Current portion of long-term debt (Notes 8 and 15)	6,098	9,009	54,353
Payables (Notes 3,15 and 16):			
Trade notes and accounts	28,325	45,624	252,454
Electronically recorded obligations—operating	22,383	2,887	199,493
Construction and other	9,144	9,948	81,499
Income taxes payable (Note 15)	3,223	2,837	28,729
Accrued expenses	1,923	2,230	17,132
Liability for obligations to customers	581	462	5,181
Provision for losses from a natural disaster	1	1	10
Provision for directors' retirement benefits (Note 9)	54		480
Other current liabilities	3,159	3,158	28,149
Total current liabilities	82,091	94,856	731,651
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 15)	50,982	48,382	454,387
Liability for retirement benefits (Note 9)	10,266	9,582	91,496
Retirement benefits for directors and Audit & Supervisory Board members (Note 9)	125	179	1,112
Asset retirement obligations (Note 10)	5,711	4,526	50,896
Lease deposits from lessees	1,707	1,655	15,214
Deferred tax liabilities (Note 13)	76	123	681
Other long-term liabilities	363	594	3,236
Total long-term liabilities	69,230	65,041	617,022
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 15 and 16)			
EQUITY (Note 11):			
Common stock—authorized, 131,000,000 shares; issued, 54,409,168 shares in 2017 and 2016	18,802	18,802	167,577
Capital surplus	25,260	25,260	225,136
Stock acquisition rights (Note 12)	120	98	1,073
Retained earnings	120,920	111,776	1,077,716
Treasury stock—at cost, 3,765,404 shares in 2017 and 3,764,682 shares in 2016	(9,147)	(9,145)	(81,524)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	163	61	1,450
Deferred loss on derivatives under hedge accounting	(54)	(101)	(480)
Defined retirement benefit plans	(823)	(1,152)	(7,335)
Total equity	155,241	145,599	1,383,613
TOTAL	¥ 306,562	¥ 305,496	$ 2,732,286

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
REVENUES:			
Net sales (Note 21)	¥ 318,548	¥ 313,177	$ 2,839,108
Other operating revenues	11,040	11,167	98,397
Total revenues	329,588	324,344	2,937,505
COST OF SALES	217,209	212,498	1,935,906
Gross profit	112,379	111,846	1,001,599
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 21)	95,690	93,918	852,855
Operating income	16,689	17,928	148,744
OTHER INCOME (EXPENSES):			
Interest and dividend income	54	48	478
Interest expense	(328)	(406)	(2,922)
Loss on disposal of property, plant, and equipment	(410)	(174)	(3,659)
Loss on impairment of long-lived assets (Note 7)	(843)	(1,974)	(7,513)
Losses from a natural disaster	(433)	(388)	(3,856)
Other—net	1,400	195	12,487
Other expenses—net	(560)	(2,699)	(4,985)
INCOME BEFORE INCOME TAXES	16,129	15,229	143,759
INCOME TAXES (Note 13):			
Current	5,318	5,385	47,404
Deferred	(206)	259	(1,837)
Total income taxes	5,112	5,644	45,567
NET INCOME	11,017	9,585	98,192
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 11,017	¥ 9,585	$ 98,192

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.q and 18):			
Basic net income	¥ 217.54	¥ 189.33	$ 1.94
Diluted net income	217.32	189.11	1.94
Cash dividends applicable to the year	38.00	36.00	0.34

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET INCOME	¥ 11,017	¥ 9,585	$ 98,192
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	102	(66)	907
Deferred gain (loss) on derivatives under hedge accounting	47	(437)	418
Defined retirement benefit plans	329	(824)	2,934
Total other comprehensive income (loss)	478	(1,327)	4,259
COMPREHENSIVE INCOME	¥ 11,495	¥ 8,258	$ 102,451
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 11,495	¥ 8,258	$ 102,451
Noncontrolling interests			

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2017

		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	Total Equity
BALANCE, APRIL 1, 2015	50,583,096	¥ 18,802	¥ 25,260	¥ 209	¥ 104,025	¥ (9,293)	¥ 127	¥ 336	¥ (328)	¥ 135	¥ 139,138
Net income attributable to owners of the parent					9,585						9,585
Cash dividends, ¥36 per share					(1,822)						(1,822)
Purchase of treasury stock	(810)					(3)					(3)
Disposal of treasury stock	62,200				(12)	151					139
Exercise of stock acquisition rights				(111)							(111)
Net change in the year							(66)	(437)	(824)	(1,327)	(1,327)
BALANCE, MARCH 31, 2016	50,644,486	18,802	25,260	98	111,776	(9,145)	61	(101)	(1,152)	(1,192)	145,599
Net income attributable to owners of the parent					11,017						11,017
Cash dividends, ¥37 per share					(1,873)						(1,873)
Purchase of treasury stock	(736)					(2)					(2)
Disposal of treasury stock	14										
Issuance of stock acquisition rights				22							22
Net change in the year							102	47	329	478	478
BALANCE, MARCH 31, 2017	50,643,764	¥ 18,802	¥ 25,260	¥ 120	¥ 120,920	¥ (9,147)	¥ 163	¥ (54)	¥ (823)	¥ (714)	¥ 155,241

	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	Total Equity
BALANCE, MARCH 31, 2016	$ 167,577	$ 225,136	$ 873	$ 996,225	$ (81,507)	$ 543	$ (898)	$ (10,269)	$ (10,624)	$ 1,297,680
Net income attributable to owners of the parent				98,192						98,192
Cash dividends, $0.33 per share				(16,701)						(16,701)
Purchase of treasury stock					(17)					(17)
Issuance of stock acquisition rights			200							200
Net change in the year						907	418	2,934	4,259	4,259
BALANCE, MARCH 31, 2017	$ 167,577	$ 225,136	$ 1,073	$ 1,077,716	$ (81,524)	$ 1,450	$ (480)	$ (7,335)	$ (6,365)	$ 1,383,613

See notes to consolidated financial statements.

KOMERI Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥ 16,129	¥ 15,229	$ 143,759
Adjustments for:			
Income taxes—paid	(5,232)	(4,963)	(46,635)
Depreciation	11,092	11,687	98,855
Loss on impairment of long-lived assets	843	1,974	7,513
Loss (gain) on valuation of derivatives	(120)	301	(1,070)
Loss on disposal of property, plant, and equipment	410	172	3,659
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(1,528)	(1,644)	(13,620)
Decrease (increase) in inventories	263	(3,128)	2,349
Increase in trade notes and accounts payable	2,198	2,662	19,586
Increase in liability for retirement benefits	1,158	792	10,318
Decrease in retirement benefits for directors and Audit & Supervisory Board members		(1,303)	
Decrease in accrued consumption taxes	(814)	(564)	(7,255)
Other—net	2,320	619	20,679
Total adjustments	10,590	6,605	94,379
Net cash provided by operating activities	26,719	21,834	238,138
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(12,902)	(11,145)	(114,987)
Purchase of intangible assets	(1,347)	(612)	(12,007)
Purchase of investment securities		(823)	
Other—net	325	(295)	2,897
Net cash used in investing activities	(13,924)	(12,875)	(124,097)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	(11,500)	(11,000)	(102,496)
Proceeds from long-term debt	8,000	23,000	71,301
Repayments of long-term debt	(9,480)	(18,488)	(84,495)
Repurchase of treasury stock	(2)	(3)	(17)
Dividends paid	(1,873)	(1,821)	(16,689)
Net cash used in financing activities	(14,855)	(8,312)	(132,396)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS		(15)	(2)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (2,060)	¥ 632	$ (18,357)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,628	8,996	85,812
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,568	¥ 9,628	$ 67,455

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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112 to $1, the approximate rate of exchange at March 31, 2017. 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, 2017, include the accounts of the Company and its five significant (five in 2016) 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 seven (six in 2016) 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.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No.32, "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. As a result, operating income and income before income taxes for the year ended March 31, 2017, decreased by ¥281 million ($2,508 thousand).

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 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 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***—An asset retirement obligation is recorded for 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***—Stock options granted to non-employees are accounted for based on the fair value of either the stock options or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

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 permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee as operating lease transactions.

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.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

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 and interest rates. Foreign exchange forward contracts, currency swaps, currency options (which substantially function as foreign exchange forward contracts) and interest rate swaps 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.

p. ***Per Share Information***—Basic net income per share ("EPS") is computed by dividing net income attributable 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.

3. CHANGES IN PRESENTATION

Prior to April 1, 2016, the electronically recorded obligations—operating was included in the payables—trade notes and accounts among current liabilities section of the consolidated balance sheet. Since during this fiscal year ended March 31, 2017, the monetary significance has increased, such amount is disclosed separately in the current liabilities section of the consolidated balance sheet as of March 31, 2017. The amount included in the payables—trade notes and accounts as of March 31, 2016, was ¥2,887 million.

4. SHORT-TERM INVESTMENTS

Short-term investments as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Time deposits	¥ 290	¥ 314	$ 2,583
Total	¥ 290	¥ 314	$ 2,583

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current—Trust fund investments and other		¥ 3	
Total		¥ 3	
Non-current:			
Marketable equity securities	¥ 1,250	¥ 1,109	$ 11,143
Corporate bond	100	100	891
Trust fund investments and other	14	12	124
Total	¥ 1,364	¥ 1,221	$ 12,158

The costs and aggregate fair values of marketable and investment securities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,003	¥ 214		¥ 1,217
Trust fund investments	12	2		14
Held-to-maturity	100			100
March 31, 2016				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,004	¥ 123	¥ 59	¥ 1,068
Trust fund investments	12			12
Held-to-maturity	100			100

	Thousands of U.S. Dollars			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 8,944	$ 1,905		$ 10,849
Trust fund investments	109	15		124
Held-to-maturity	891			891

6. INVENTORIES

Inventories at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Merchandise	¥ 106,243	¥ 106,661	$ 946,908
Supplies	185	187	1,645
Total	¥ 106,428	¥ 106,848	$ 948,553

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2017. As a result, the Group recognized an impairment loss of ¥843 million ($7,513 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 ¥609 million ($5,429 thousand) for buildings and structures and ¥234 million ($2,084 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 3%.

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

Short-term bank loans at March 31, 2017 and 2016, consisted of notes to banks. The annual weighted-average interest rate applicable to the short-term bank loans was 0.25% and 0.29% at March 31, 2017 and 2016, respectively.

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Loans from banks and other financial institutions, due serially through 2021 with weighted-average interest rates of 0.24% (2017) and 0.26% (2016)— Unsecured	¥ 52,128	¥ 51,639	$ 464,607
Obligations under finance leases	4,952	5,752	44,133
Total	57,080	57,391	508,740
Less current portion	(6,098)	(9,009)	(54,353)
Long-term debt, less current portion	¥ 50,982	¥ 48,382	$ 454,387

Annual maturities of long-term debt at March 31, 2017, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 6,098	$ 54,353
2019	18,439	164,344
2020	13,089	116,655
2021	4,680	41,710
2022	3,360	29,948
2023 and thereafter	11,414	101,730
Total	¥ 57,080	$ 508,740

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥100 million ($891 thousand) at March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant, and equipment—net of accumulated depreciation	¥ 152	$ 1,352

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 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.

9. 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, 2017, for directors and Audit & Supervisory Board members was ¥178 million ($1,592 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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 9,582	¥ 7,618	$ 85,401
Current service cost	995	825	8,870
Interest cost	18	94	163
Actuarial losses (gains)	(34)	1,362	(308)
Benefits paid	(295)	(317)	(2,630)
Balance at end of year	¥ 10,266	¥ 9,582	$ 91,496

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

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unfunded defined benefit obligation	¥ 10,266	¥ 9,582	$ 91,496
Net liability for defined benefit obligation	¥ 10,266	¥ 9,582	$ 91,496

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits	¥ 10,266	¥ 9,582	$ 91,496
Net liability for defined benefit obligation	¥ 10,266	¥ 9,582	$ 91,496

(3) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥ 995	¥ 825	$ 8,870
Interest cost	18	94	163
Recognized actuarial losses	439	189	3,915
Net periodic benefit costs	¥ 1,452	¥ 1,108	$ 12,948

(4) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial losses	¥ 1,184	¥ 1,658	$ 10,557
Total	¥ 1,184	¥ 1,658	$ 10,557

(5) Assumptions used for the years ended March 31, 2017 and 2016, are set forth as follows:

	2017	2016
Discount rate	0.2 %	0.2 %
Expected rate of increase in salary	2.3	2.3

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 4,551	¥ 4,306	$ 40,564
Additional provisions associated with the acquisition of property, plant, and equipment	536	166	4,777
Reconciliation associated with passage of time	95	91	847
Reduction associated with settlement of asset retirement obligations	(42)	(12)	(378)
Other	581		5,180
Balance at end of year	¥ 5,721	¥ 4,551	$ 50,990

11. 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. Additionally, 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.

12. STOCK OPTIONS

The stock options outstanding as of March 31, 2017, 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
2015 Stock Option	7 directors	8,000 shares	July 14, 2015	¥1 ($0)	From July 15, 2015 to July 14, 2045
2016 Stock Option	7 directors	8,900 shares	July 12, 2016	¥1 ($0)	From July 13, 2016 to July 12, 2046

The stock option activity is as follows:

	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
			(Shares)			
Year Ended March 31, 2016						
Nonvested						
April 1, 2015—Outstanding				18,100		
Granted					8,000	
Canceled						
Vested				(18,100)	(8,000)	
March 31, 2016—Outstanding						
Vested						
April 1, 2015—Outstanding	38,400	23,100	19,200			
Vested				18,100	8,000	
Exercised	(25,300)	(14,300)	(12,000)	(10,600)		
Canceled						
March 31, 2016—Outstanding	13,100	8,800	7,200	7,500	8,000	
Year Ended March 31, 2017						
Nonvested						
March 31, 2016—Outstanding						
Granted						8,900
Canceled						
Vested						(8,900)
March 31, 2017—Outstanding						
Vested						
March 31, 2016—Outstanding	13,100	8,800	7,200	7,500	8,000	
Vested						8,900
Exercised						
Canceled						
March 31, 2017—Outstanding	13,100	8,800	7,200	7,500	8,000	8,900
Exercise price	¥1 ($0)	¥1 ($0)	¥1 ($0)	¥1 ($0)	¥1 ($0)	¥1 ($0)
Average stock price at exercise						
Fair value price at grant date	¥2,155 ($19.2)	¥1,998 ($17.8)	¥2,442 ($21.6)	¥2,507 ($22.3)	¥2,656 ($23.7)	¥2,563 ($22.8)

The Assumptions Used to Measure the Fair Value of the 2016 Stock Option

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	29.4%
Estimated remaining outstanding period:	0.96 years
Estimated dividend:	¥36 per share
Risk-free interest rate:	(0.352)%

13. 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 31% and 33% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Loss on impairment	¥ 3,348	¥ 3,525	$ 29,841
Accrued enterprise taxes	269	237	2,394
Accrued bonuses	513	592	4,571
Liabilities for retirement benefits	3,132	2,925	27,918
Retirement benefits for directors and Audit & Supervisory Board members	61	54	547
Asset retirement obligation	1,742	1,386	15,530
Tax loss carryforwards	169	286	1,502
Other	1,013	976	9,030
Less valuation allowance	(644)	(706)	(5,745)
Total	9,603	9,275	85,588
Deferred tax liabilities:			
Property and equipment	(748)	(729)	(6,669)
Expense from asset retirement obligation	(1,002)	(713)	(8,929)
Other	(177)	(149)	(1,576)
Total	(1,927)	(1,591)	(17,174)
Net deferred tax assets	¥ 7,676	¥ 7,684	$ 68,414

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, 2017, with the corresponding figures for 2016 is as follows:

	2017	2016
Normal effective statutory tax rate	31%	33%
Per capita portion	3	3
Valuation allowance	(0)	0
Effect of tax rate reduction		3
Effect of reduction of income tax rates on deferred tax assets	(2)	(2)
Other—net	0	0
Actual effective tax rate	32%	37%

At March 31, 2017, certain subsidiaries have tax loss carryforwards aggregating approximately ¥551 million ($4,914 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
2020	¥ 163	$ 1,454
2021	371	3,311
2022	17	149
Total	¥ 551	$ 4,914

14. 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, 2017 and 2016, was ¥13,465 million ($120,018 thousand) and ¥13,328 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Due within one year	¥ 779	¥ 802	$ 6,945
Due after one year	2,165	2,391	19,295
Total	¥ 2,944	¥ 3,193	$ 26,240

15. 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 not used 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 held-to-maturity securities and 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, and electronically recorded obligations—operating are less than one year.

Maturities of bank loans and lease obligations are less than 18 years after the consolidated balance sheet date. The purpose of bank loans and lease obligations is the financing of capital investments.

Derivatives mainly include forward foreign currency contracts, currency swaps, currency options and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, and from changes in interest rates of bank loans. See Note 16 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, 2017.

Market risk management

Marketable and investment securities are managed by monitoring market values and the 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 16 for the details of fair value of derivatives.

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

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 7,568	¥ 7,568	
Short-term investments	290	290	
Receivables	17,729	17,729	
Marketable and investment securities	1,331	1,331	
Total	¥ 26,918	¥ 26,918	
Short-term bank loans	¥ 7,200	¥ 7,200	
Payables	59,853	59,853	
Income taxes payable	3,223	3,223	
Long-term debt	57,080	56,984	¥ (96)
Total	¥ 127,356	¥ 127,260	¥ (96)
March 31, 2016			
Cash and cash equivalents	¥ 9,628	¥ 9,628	
Short-term investments	314	314	
Receivables	15,400	15,400	
Marketable and investment securities	1,180	1,180	
Total	¥ 26,522	¥ 26,522	
Short-term bank loans	¥ 18,700	¥ 18,700	
Payables	58,459	58,459	
Income taxes payable	2,837	2,837	
Long-term debt	57,391	57,514	¥ 123
Total	¥ 137,387	¥ 137,510	¥ 123

	Thousands of U.S. Dollars		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 67,455	$ 67,455	
Short-term investments	2,583	2,583	
Receivables	158,009	158,009	
Marketable and investment securities	11,865	11,865	
Total	$ 239,912	$ 239,912	
Short-term bank loans	$ 64,171	$ 64,171	
Payables	533,446	533,446	
Income taxes payable	28,729	28,729	
Long-term debt	508,740	507,879	$ (861)
Total	$ 1,135,086	$ 1,134,225	$ (861)

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 5.

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 16.

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

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investments in equity instruments that do not have a quoted market price in an active market	¥ 33	¥ 44	$ 293

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

	Millions of Yen			
March 31, 2017	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	¥ 7,568			
Short-term investments	290			
Receivables	17,729			
Investment securities				
Held-to-maturity securities			¥ 100	
Available-for-sale securities with contractual maturities		¥ 14		
Total	¥ 25,587	¥ 14	¥ 100	

March 31, 2017	Thousands of U.S. Dollars 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	$ 67,455			
Short-term investments	2,583			
Receivables	158,009			
Investment securities				
Held-to-maturity securities			$ 891	
Available-for-sale securities with contractual maturities		$ 124		
Total	$ 228,047	$ 124	$ 891	

Please see Note 8 for annual maturities of long-term debt.

16. DERIVATIVES

The Group enters into derivative transactions, including foreign currency forward contracts, currency swaps and currency options to hedge foreign exchange risk associated with a portion of imported goods. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and 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 Not Applied

March 31, 2017	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Currency options—selling U.S.$ (put), buying U.S.$ (call)	¥ 1,551	¥ 327	¥ (81)	¥ (81)
Interest rate swaps (fixed rate payment, floating rate receipt)	7,000	7,000	(100)	(100)

March 31, 2017	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Currency options—selling U.S.$ (put), buying U.S.$ (call)	$ 13,826	$ 2,913	$ (722)	$ (722)
Interest rate swaps (fixed rate payment, floating rate receipt)	62,389	62,389	(890)	(890)

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2017	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency options	Payables	¥ 2,785	¥ 137	¥ (78)
March 31, 2016				
Foreign exchange forward contracts	Payables	¥ 254	¥	¥ 27
Currency options	Payables	7,202	2,806	(172)

		Thousands of U.S. Dollars		
March 31, 2017	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency options	Payables	$ 24,826	$ 1,222	$ (692)

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.

17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 151	¥ (100)	$ 1,344
Reclassification adjustments to profit or loss			
Amount before income tax effect	151	(100)	1,344
Income tax effect	(49)	34	(437)
Total	¥ 102	¥ (66)	$ 907
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 108	¥ (777)	$ 966
Reclassification adjustments to profit or loss	(41)	133	(364)
Amount before income tax effect	67	(644)	602
Income tax effect	(20)	207	(184)
Total	¥ 47	¥ (437)	$ 418
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 35	¥ (1,362)	$ 308
Reclassification adjustments to profit or loss	439	189	3,915
Amount before income tax effect	474	(1,173)	4,223
Income tax effect	(145)	349	(1,289)
Total	¥ 329	¥ (824)	$ 2,934
Total other comprehensive income (loss)	¥ 478	¥ (1,327)	$ 4,259

18. EPS

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2017 and 2016, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2017	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 11,017	50,644	¥ 217.54	$ 1.94
Effect of dilutive securities—Stock option rights		51		
Diluted EPS—Net income for computation	¥ 11,017	50,695	¥ 217.32	$ 1.94
Year Ended March 31, 2016				
Basic EPS—Net income available to common shareholders	¥ 9,585	50,630	¥ 189.33	
Effect of dilutive securities—Stock option rights		57		
Diluted EPS—Net income for computation	¥ 9,585	50,687	¥ 189.11	

19. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2017, was approved at the Board of Directors' meeting held on May 16, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥19 ($0.17) per share	¥ 962	$ 8,576

20. 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				
	2017				
	Reportable Segment				
	The Business to Sell Hardware, Gardening Tools, Etc.	Other	Total	Reconcil-iations	Consol-idated
Impairment losses of assets	¥ 843		¥ 843		¥ 843

	Millions of Yen				
	2016				
	Reportable Segment				
	The Business to Sell Hardware, Gardening Tools, Etc.	Other	Total	Reconcil-iations	Consol-idated
Impairment losses of assets	¥ 1,974		¥ 1,974		¥ 1,974

	Thousands of U.S. Dollars				
	2017				
	Reportable Segment				
	The Business to Sell Hardware, Gardening Tools, Etc.	Other	Total	Reconcil-iations	Consol-idated
Impairment losses of assets	$ 7,513		$ 7,513		$ 7,513

21. RELATED-PARTY DISCLOSURES

Transactions of the Company with directors for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Sales	¥ 109	¥ 18	$ 974
Rental expense	34	32	306
Commission fee		11	

The balances due to or from directors at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Accounts receivable	¥ 22	¥ 1	$ 200
Prepaid expense	3	3	26
Leasehold deposits	10	9	91

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