Financial Data 2014

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION

Contents

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2014

ASSETS	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 11)	¥ 26,027	¥ 11,195	$ 252,885
Marketable securities	-	14	-
Receivables:			
Trade notes (Note 12)	47,903	51,481	465,439
Trade accounts (Notes 11 and 13)	322,890	156,288	3,137,291
Unconsolidated subsidiaries and associated companies	15,855	9,189	154,051
Other	393	116	3,818
Allowance for doubtful receivables	(1,968)	(1,905)	(19,121)
Inventories (Note 4)	89,457	53,359	869,189
Advances to suppliers	3,712	2,256	36,066
Deferred tax assets (Note 10)	3,540	1,692	34,395
Prepaid expenses and other current assets	9,034	2,005	87,776
Total current assets	516,847	285,694	5,021,832
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 7):			
Land	22,659	17,265	220,161
Buildings and structures	36,184	20,670	351,574
Machinery and equipment	27,271	15,359	264,972
Furniture and fixtures	8,674	5,919	84,279
Lease assets	2,288	215	22,230
Construction in progress	2,215	771	21,521
Total	99,293	60,201	964,759
Accumulated depreciation	(42,990)	(25,720)	(417,703)
Net property, plant and equipment	56,303	34,481	547,055
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 7 and 11)	30,055	14,744	292,022
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 11)	27,897	15,934	271,055
Long-term loans	249	373	2,419
Goodwill (Note 6)	139	266	1,350
Deferred tax assets (Note 10)	553	975	5,373
Other assets	14,428	7,451	140,186
Allowance for doubtful receivables	(4,169)	(3,180)	(40,507)
Total investments and other assets	69,154	36,565	671,919
TOTAL	¥ 642,304	¥ 356,741	$ 6,240,808

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2014

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
CCURRENT LIABILITIES:			
Short-term borrowings (Notes 7, 11 and 12)	¥ **154,329**	¥ 75,182	$ **1,499,504**
Current portion of long-term debt (Notes 7, 11 and 12)	**12,495**	3,653	**121,404**
Payables:			
Trade notes (Note12)	**53,902**	51,974	**523,727**
Trade accounts (Notes 11 and 13)	**197,867**	113,305	**1,922,532**
Unconsolidated subsidiaries and associated companies	**2,249**	814	**21,851**
Other	**1,765**	558	**17,149**
Advances from customers	**4,490**	2,088	**43,626**
Income taxes payable (Note 10)	**5,210**	2,692	**50,621**
Accrued expenses	**8,668**	3,988	**84,220**
Asset retirement obligations	**2**	1	**19**
Deferred tax liabilities (Note 10)	**56**	5	**544**
Other	**8,753**	3,511	**85,046**
Total current liabilities	**449,790**	257,776	**4,370,287**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 11 and 12)	**23,723**	16,298	**230,499**
Liability for retirement benefits (Note 8)	**3,222**	2,335	**31,305**
Asset retirement obligations	**240**	139	**2,331**
Deferred tax liabilities (Note 10)	**2,836**	935	**27,555**
Other	**4,935**	1,121	**47,949**
Total long-term liabilities	**34,959**	20,830	**339,671**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Notes 9, 15 and 16):			
Common stock-authorized, 500,000,000 shares; issued, 309,578,001 shares in 2014 and 177,696,821 shares in 2013	**12,335**	12,335	**119,850**
Capital surplus	**50,644**	7,084	**492,071**
Retained earnings	**74,398**	54,576	**722,872**
Treasury stock - at cost, 377,290 shares in 2014 and 2,907,344 shares in 2013	**(95)**	(583)	**(923)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities (Note 3)	**2,572**	2,695	**24,990**
Deferred (loss) gain on derivatives under hedge accounting	**(428)**	14	**(4,158)**
Foreign currency translation adjustments	**3,472**	(1,375)	**33,734**
Defind retirement benefit plans	**(290)**	-	**(2,817)**
Total	**142,609**	74,746	**1,385,629**
Minority interests	**14,945**	3,387	**145,209**
Total equity	**157,554**	78,134	**1,530,839**
TOTAL	¥ **642,304**	¥ 356,741	$ **6,240,808**

See notes to consolidated financial statements.

*Shares have been restated using the merger conversion ratio established in the acquisition agreement to reflect the number of shares of the Company issued in the reverse acquisition.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Income

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES (Note 13)	¥ 1,443,843	¥ 788,776	$ 14,028,789
COST OF SALES (Notes 4 and 13)	1,349,555	724,168	13,112,660
Gross profit	94,287	64,607	916,119
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6 and 8)	73,326	49,610	712,456
Operating income	20,961	14,997	203,663
OTHER INCOME (EXPENSES):			
Interest and dividend income	935	651	9,084
Interest expense	(1,881)	(1,415)	(18,276)
Purchase discount	480	-	4,663
Gain on sales of securities-net (Note 3)	34	1	330
Gain on sales of property, plant and equipment	88	73	855
Loss on sales of property, plant and equipment	(7)	(332)	(68)
Loss on devaluation of investment securities (Note 3)	(397)	(60)	(3,857)
Impairment losses of fixed assets (Note 5)	(634)	(43)	(6,160)
Equity in earnings of an unconsolidated subsidiary and associated companies	755	1,389	7,335
Gain on change in equity	11	-	106
Gain on negative goodwill (Note16)	11,731	13	113,981
Loss on change in equity	(64)	(42)	(621)
Loss on liquidation of subsidiaries and affiliates	(342)	-	(3,322)
Office transfer expenses	(1,170)	-	(11,368)
Other-net	586	1,104	5,693
Other income - net	10,126	1,340	98,387
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	31,087	16,337	302,050
INCOME TAXES (Note 10):			
Current	8,010	5,617	77,827
Deferred	(333)	56	(3,235)
Total income taxes	7,677	5,673	74,591
NET INCOME BEFORE MINORITY INTERESTS	23,410	10,664	227,458
MINORITY INTERESTS IN NET INCOME	641	312	6,228
NET INCOME	¥ 22,768	¥ 10,351	$ 221,220
PER SHARE OF COMMON STOCK (Note 2.r):	Yen		U.S. Dollars (Note 1)
Basic net income	¥ 94.1	¥ 59.2	$ 0.91
Cash dividends applicable to the year	11.0	11.1	0.11

See notes to consolidated financial statements.

*Per share figures have been restated by adjusting for the merger conversion ratio to reflect the impact of the merger, and to provide data on a basis comparable to the year ended March 31, 2014.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
NET INCOME BEFORE MINORITY INTERESTS	**¥ 23,410**	¥ 10,664	**$ 227,458**
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized (loss) gain on available-for-sale securities	**(236)**	1,322	**(2,293)**
Deferred loss on derivatives under hedge accounting	**(442)**	(71)	**(4,294)**
Foreign currency translation adjustments	**3,475**	1,071	**33,764**
Share of other comprehensive income in an unconsolidated subsidiary and associated companies	**2,114**	1,133	**20,540**
Total other comprehensive income	**¥ 4,911**	¥ 3,455	**$ 47,716**
COMPREHENSIVE INCOME (Note 15)	**¥ 28,321**	¥ 14,119	**$ 275,174**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 15):			
Owners of the parent	**26,935**	13,682	**261,708**
Minority interests	**1,386**	436	**13,466**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2014

	Thousands	Millions of Yen		
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2012	174,806	¥ 12,335	¥ 7,084	¥ 45,673
Net income				10,351
Cash dividends, ¥ 11.1 per share				(1,456)
Effect of change in ownership ratio of an associated company				7
Purchase of treasury stock	(18)			
Disposal of treasury stock	0		(0)	
Net change in the year				
BALANCE, MARCH 31, 2013	174,789	12,335	7,084	54,576
Net income				22,768
Cash dividends, ¥ 18 per share				(2,938)
Effect of change in ownership ratio of an associated company				(8)
Purchase of treasury stock	(84)			
Disposal of treasury stock	5		0	
Change in equity in an associated company accounted for by equity method-treasury stock	8			
Increase by merger	134,481		43,559	
Net change in the year				
BALANCE, MARCH 31, 2014	309,200	¥ 12,335	¥ 50,644	¥ 74,398

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, MARCH 31, 2013	$ 119,850	$ 68,830	$ 530,275
Net income			221,220
Cash dividends, $ 0.174 per share			(28,546)
Effect of change in ownership ratio of an associated company			(77)
Purchase of treasury stock			
Disposal of treasury stock		0	
Change in equity in an associated company accounted for by equity method-treasury stock			
Increase by merger		423,231	
Net change in the year			
BALANCE, MARCH 31, 2014	$ 119,850	$ 492,071	$ 722,872

See notes to consolidated financial statements.

*Shares have been restated using the merger conversion ratio established in the acquisition agreement to reflect the number of shares of the Company issued in the reverse acquisition.

Millions of Yen

	Accumulated other comprehensive income						
Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
¥ (579)	¥ 1,376	¥ 85	¥ (3,457)		¥ 62,517	¥ 2,973	¥ 65,491
					10,351		10,351
					(1,456)		(1,456)
					7		7
(3)					(3)		(3)
0					0		0
	1,319	(71)	2,082		3,330	413	3,744
(583)	2,695	14	(1,375)		74,746	3,387	78,134
					22,768		22,768
					(2,938)		(2,938)
					(8)		(8)
(27)					(27)		(27)
1					1		1
1					1		1
512					44,072		44,072
	(122)	(442)	4,847	(290)	3,992	11,557	15,549
¥ (95)	¥ 2,572	¥ (428)	¥ 3,472	¥ (290)	¥ 142,609	¥ 14,945	¥ 157,554

Thousands of U.S. Dollars (Note 1)

	Accumulated other comprehensive income						
Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
$ (5,664)	$ 26,185	$ 136	$ (13,359)		$ 726,253	$ 32,909	$ 759,172
					221,220		221,220
					(28,546)		(28,546)
					(77)		(77)
(262)					(262)		(262)
9					9		9
9					9		9
4,974					428,216		428,216
	(1,185)	(4,294)	47,094	(2,817)	38,787	112,291	151,078
$ (923)	$ 24,990	$ (4,158)	$ 33,734	$ (2,817)	$ 1,385,629	$ 145,209	$ 1,530,839

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 31,087	¥ 16,337	$ 302,050
Adjustments for:			
Income taxes-paid	(7,177)	(6,715)	(69,733)
Depreciation and amortization	3,405	2,247	33,083
Equity in earnings of an unconsolidated subsidiary and associated companies	(755)	(1,389)	(7,335)
Gain on negative goodwill	(11,731)	(13)	(113,981)
Reversal of provision for doubtful receivables	(279)	(46)	(2,710)
Impairment losses on fixed assets	634	43	6,160
Gain on sales of securities-net	(34)	(1)	(330)
Loss on devaluation of investment securities	397	60	3,857
(Gain) loss on sales of property, plant and equipment-net	(80)	258	(777)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries			
(Increase) decrease in receivables	(12,201)	15,386	(118,548)
(Increase) decrease in inventories	(4,805)	9,424	(46,686)
(Decrease) increase in payables	(17,733)	(27,607)	(172,298)
Decrease in liability for retirement benefits	(318)	(386)	(3,089)
Other-net	4,130	1,831	40,128
Total adjustments	(46,549)	(6,909)	(452,283)
Net cash provided by (used in) operating activities	(15,463)	9,428	(150,242)
INVESTING ACTIVITIES:			
(Increase) decrease in time deposits	(164)	175	(1,593)
Purchases of property, plant and equipment	(6,641)	(3,695)	(64,525)
Proceeds from sales of property, plant and equipment	489	407	4,751
Purchases of intangible assets	(51)	(20)	(495)
Purchases of investment securities	(2,575)	(4,061)	(25,019)
Proceeds from sales of investment securities	300	28	2,914
Purchases of the shares of companies previously unconsolidated	159	(37)	1,544
(Increase) decrease in short-term loans receivable	(20)	136	(194)
Payments of long-term loans receivable	(114)	(747)	(1,107)
Proceeds from long-term loans receivable	165	562	1,603
Other-net	(634)	14	(6,160)
Net cash used in investing activities	(9,088)	(7,236)	(88,301)
FINANCING ACTIVITIES:			
Increase in short-term borrowings-net	21,309	1,160	207,044
Proceeds from long-term debt	3,839	5,046	37,300
Repayments of long-term debt	(3,736)	(6,594)	(36,300)
Dividends paid	(2,927)	(1,455)	(28,439)
Dividends paid to minority shareholders	(226)	(84)	(2,195)
Proceeds from funds paid by minority shareholders	553	163	5,373
Other-net	(161)	(75)	(1,564)
Net cash (used in) provided by financing activities	18,650	(1,839)	181,208
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,776	447	17,256
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,125)	800	(40,079)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,195	10,395	108,773
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER	18,958	-	184,201
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 26,027	¥ 11,195	$ 252,885

See notes to consolidated financial statements.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statement

1. BASIS OF PRESENTATION OF 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 ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

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 2013 consolidated financial statements to conform to the classifications used in 2014.

On October 1, 2013, NIPPON STEEL TRADING CO., LTD. (NIPPON STEEL TRADING), as the surviving company, merged with SUMIKIN BUSSAN CORPORATION (SUMIKIN BUSSAN), as the dissolved company, and changed its name to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION (the "Company"). The mereger qualified as a reverse acquisition with SUMIKIN BUSSAN as the acquiring company and NIPPON STEEL TRADING as the acquired company under the "Accounting Standard for Business Combinations" (Accounting Standards Board Japan (ASBJ) Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008), and was accounted for using the purchase method. Accordingly, the accompanying consolidated statement of operations for the year ended March 31, 2014, includes the consolidated results of operations of SUMIKIN BUSSAN for the period from April 1, 2013, to September 30, 2013, and those of the Company for the period from October 1, 2013, to March 31, 2014. The consolidated financial statements of SUMIKIN BUSSAN for the year ended March 31, 2013, are presented as comparative information.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which 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 ¥ 102.92 to $ 1, the rate of exchange at March 31, 2014. 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. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 96 significant (57 in 2013) subsidiaries (collectively, the "Group").
In 2014, the scope of consolidation expanded by 39 companies, comprising 38 by the merger of their parent company and four newly established or other companies. Three companies were eliminated from the scope of consolidation in 2014.

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

Investments in 1 (1 in 2013) unconsolidated subsidiary and 31 (15 in 2013) associated companies are accounted for by the equity method.
In 2014, 18 companies were added as equity-method affiliates and two companies were removed as equity-method affiliates. 17 equity-method affiliates were added as a result of the business integration with NIPPON STEEL TRADING on October 1, 2013.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the consolidation or 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. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements - In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method - In March 2008, the ASBJ issued ASBJ Statement No.16, “Accounting Standard for Equity Method of Accounting for Investments.” The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method, if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

d. 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, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

e. Allowance for Doubtful Receivables - The allowance for doubtful receivables is provided principally at an amount computed based on the actual ratio of bad debts in the past, plus the aggregate amount of estimated losses based on an analysis of certain individual receivables.

f. Inventories - Inventories are principally stated as follows:
Steel products are stated at cost determined by the moving-average method or by the specific identification method. Industrial machineries, nonferrous metals, cast and forged steel production and railway wheels are stated at cost determined by the moving-average method or by the specific identification method. Textiles are stated at cost determined by the first-in, first-out method or by the specific identification method. Food items are stated at cost determined by the specific identification method. Other inventories are stated at cost determined by the moving-average method or by the specific identification method. (See Note 4.)

g. 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, for which there is a 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.

h. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its 59 (35 in 2013) consolidated subsidiaries is computed by the straight-line method based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of 37 (22 in 2013) consolidated subsidiaries is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets.

Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

i. 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.

j. Goodwill - Goodwill is amortized on a straight-line basis over five years.

k. Retirement and Pension Plans - The Company and certain consolidated subsidiaries have non-contributory-funded pension plans covering substantially all of their employees. Certain consolidated subsidiaries have severance payment plans for directors and audit & supervisory board members.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with 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 shall be treated as reclassification adjustments (see Note 2.t).

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

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥ 290 million ($ 2,817 thousand).

l. 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 (ARO) is defined as a legal obligation imposed by either law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The ARO 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 ARO cannot be made in the period the ARO is incurred, the liability should be recognized when a reasonable estimate of the ARO can be made. Upon initial recognition of a liability for an ARO, 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.

m. 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 by recognizing lease assets and lease obligations in the balance sheet.

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

All other leases are accounted for as operating leases.

n. 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.

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

p. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income (loss) in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

q. Derivatives and Hedging Activities - The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Derivatives include foreign currency forward contracts, currency swaps, currency options, interest rate swaps and commodity swaps, which are utilized by the Group to reduce foreign currency exchange, interest rate risks and market price. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:
1) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.
2) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures for imports from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of short-term borrowings and long-term debt. Commodity swaps are utilized to manage the price fluctuation risk of merchandise. The swaps that qualify for hedge accounting are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

Short-term bank loans are used to fund the Group’s ongoing operations, and long-term debt including bank loans are utilized to fund capital investment. Although a portion of such bank loans with floating rates are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.
Derivatives mainly include foreign currency forward contracts, currency swaps, currency options and interest rate swaps. Foreign currency forward contracts, currency swaps and currency options are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables, payables and investment for securities in foreign currencies including foreign subsidiaries. Interest rate swaps are used to manage exposure to market risks from changes in interest rates of bank loans. Commodity swaps are used to manage exposure to market risks from fluctuations of price of merchandise.

r. Per Share Information - Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.
The weighted-average number of shares of common stock used in the computation was 241,996 thousand shares for 2014 and 174,798 thousand shares for 2013.

Diluted net income per share is not disclosed because no potentially dilutive securities have been issued. Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

On October 1, 2013, NIPPON STEEL TRADING merged with SUMIKIN BUSSAN. As "reverse acquisition" was applied to the merger as the accounting treatment for business combination, the weighted-average number of shares is adjusted for the merger conversion ratio of 1.08 shares of NIPPON STEEL TRADING's common stock for one share of the SUMIKIN BUSSAN. Prior share and per share figures also have been restated by adjusting for the merger conversion ratio to reflect the impact of the merger and to provide data on a basis comparable to the year ended March 31, 2014.

s. 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.

t. New Accounting Pronouncements

Accounting Standard for Retirement Benefits - On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with 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.

Major changes are as follows:

1) Treatment in the balance sheet

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

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

2) Treatment in the statement of income and the statement of comprehensive income

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

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

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

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (1) and (2) above effective March 31, 2014, and expects to apply (3) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (3) above in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Current:			
Government and corporate bonds		¥ 14	
Non-current:			
Marketable equity securities	**¥ 20,030**	¥ 8,092	**$ 194,617**
Other	**10,025**	6,652	**97,405**
Total	**¥ 30,055**	¥ 14,758	**$ 292,022**

The costs and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 16,791**	**¥ 5,154**	**¥ 1,915**	**¥ 20,030**

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 4,339	¥ 3,817	¥ 64	¥ 8,092
Debt securities	14	0		14

March 31, 2014	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 163,146**	**$ 50,077**	**$ 18,606**	**$ 194,617**

The information for available-for-sale securities which were sold during the years ended March 31, 2014 and 2013, is as follows:

March 31, 2014	Millions of Yen		
	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	**¥ 255**	**¥ 68**	**¥ 2**
Other	**0**	**0**	
Total	**¥ 256**	**¥ 68**	**¥ 2**

March 31, 2013	Millions of Yen		
	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	¥ 28	¥ 8	¥ 0
Other	14		7
Total	¥ 43	¥ 8	¥ 7

March 31, 2014	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	**$ 2,477**	**$ 660**	**$ 19**
Other	**0**	**0**	
Total	**$ 2,487**	**$ 660**	**$ 19**

The impairment losses on available-for-sale marketable equity securities for the years ended March 31, 2014 and 2013, were ¥ 0 million ($ 0 thousand).
The impairment losses on other available-for-sale equity securities for the years ended March 31, 2014 and 2013, were ¥ 75 million ($ 728 thousand) and ¥ 60 million, respectively.

4. INVENTORIES

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Merchandise and finished products	**¥ 72,544**	¥ 44,247	**$ 704,858**
Work in process	**2,094**	1,783	**20,345**
Raw materials and supplies	**14,818**	7,328	**143,975**
Total	**¥ 89,457**	¥ 53,359	**$ 869,189**

5. LONG-LIVED ASSETS

The Group recognized impairment losses of ¥ 634 million ($ 6,160 thousand) for operating assets for the year ended March 31, 2014, and ¥ 43 million for operating assets for the year ended March 31, 2013.

The Company and its consolidated subsidiaries classify fixed assets into groups, at the minimum cash-generating unit level, by the type of respective business. Certain consolidated subsidiaries classify groups by store. For idle assets, each property is considered to constitute a group.

Due to consecutive operating losses or a significant decrease in the market value of land, the book value of long-lived assets is reduced to the recoverable amounts and the amounts written down are recorded as impairment losses on fixed assets.

The recoverable amounts are calculated based on the higher of net sales value or use value.

In the case of use value, the relevant assets are evaluated based on expected future cash flows discounted at 4.06% for the year ended March 31, 2014, and 5.62% for the year ended March 31, 2013.

In the case of net sales value, the relevant assets are evaluated based on publicly assessed values.

6. GOODWILL

Goodwill as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Consolidation goodwill	**¥ 139**	¥ 266	**$ 1,350**
Acquisition goodwill	**0**	0	**0**
Total	**¥ 139**	¥ 266	**$ 1,350**

Amortization charged to selling, general and administrative expenses for the years ended March 31, 2014 and 2013, was ¥ 135 million ($ 1,311 thousand) and ¥ 219 million, respectively.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Loans, primarily from banks with interest principally at 0.150% to 12.672% in 2014 and 0.310% to 5.040% in 2013	¥ **154,329**	¥ 75,182	**$ 1,499,504**

Long-term debt at March 31,2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Loans, primarily from banks and insurance companies with interest principally at 0.288% to 5.843% in 2014, 0.050% to 4.020% in 2013, due serially through 2015:			
Collateralized	¥ **212**	¥ 280	**$ 2,059**
Unsecured	**34,961**	19,531	**339,691**
Obligations under finance leases	**1,046**	140	**10,163**
Total	**36,219**	19,951	**351,914**
Less current portion	**(12,495)**	(3,653)	**(121,404)**
Long-term debt, less current portion	¥ **23,723**	¥ 16,298	**$ 230,499**

The annual maturities of long-term debt excluding finance leases as of March 31, 2014, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 12,002	$ 116,614
2016	11,395	110,717
2017	6,440	62,572
2018	3,048	29,615
2019 and thereafter	2,285	22,201
Total	¥ 35,170	$ 341,721

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investment securities	¥ 642	$ 6,237
Land	961	9,337
Machinery and equipment	1	9
Buildings and structures	1,229	11,941

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

In addition, the bank borrowings are subject to agreements under which collateral must be given if requested by the lending banks, and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Company has never received any such request.

8. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, and certain consolidated subsidiaries have severance payment plans for 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 or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2014 and 2013, for directors and Audit & Supervisory Board members is ¥ 437 million ($ 4,246 thousand) and ¥ 299 million, respectively.

Year Ended March 31, 2014

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

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 10,250	$ 99,591
Current service cost	748	7,267
Interest cost	147	1,428
Actuarial difference	(51)	(495)
Benefits paid	(1,036)	(10,066)
Increase by the merger	9,141	88,816
Balance at end of year	¥ 19,200	$ 186,552

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 7,011	$ 68,120
Expected return on plan assets	284	2,759
Actuarial difference	620	6,024
Contributions from the employer	853	8,287
Benefits paid	(757)	(7,355)
Increase due to the merger	9,935	96,531
Balance at end of year	¥ 17,947	$ 174,378

(3) 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
Funded defined benefit obligation	¥ 17,620	$ 171,200
Plan assets	(17,947)	(174,378)
	(327)	(3,177)
Unfunded defined benefit obligation	1,579	15,342
Net liability arising from defined benefit obligation	¥ 1,252	$ 12,164

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 2,785	$ 27,059
Asset for retirement benefits	1,533	14,895
Net liability arising from defined benefit obligation	¥ 1,252	$ 12,164

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 462	$ 4,488
Interest cost	147	1,428
Expected return on plan assets	(284)	(2,759)
Amortization of prior service cost	(41)	(398)
Recognized actuarial difference	153	1,486
Pension expenses for which the simplified method is applied	286	2,778
Others	72	699
Net periodic benefit costs	¥ 795	$ 7,724

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ 34	$ 330
Unrecognized actuarial difference	(486)	(4,722)
Total	¥ (451)	$ (4,382)

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

Debt investments	51%
Equity investments	35
Others	14
Total	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.0-1.6%
Expected rate of return on plan assets	2.0%, generally

Year Ended March 31, 2013

The liability (asset) for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 10,250
Fair value of plan assets	(7,011)
Unrecognized prior service cost	75
Unrecognized actuarial difference	(1,311)
Prepaid pension expenses	32
Net liability	¥ 2,035

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

	Millions of Yen
Service cost	¥ 428
Interest cost	85
Expected return on plan assets	(113)
Amortization of prior service cost	(41)
Recognized actuarial difference	110
Others	320
Net periodic benefit costs	¥ 790

Assumptions used for the year ended March 31, 2013, are set forth as follows:

Discount rate	1.0%
Expected rate of return on plan assets	2.0%
Amortization period of prior service cost	9 years
Recognition period of actuarial gain/loss	9 years, generally

9. 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:

(1) 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, 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. However, the Company cannot do so because it does not meet all the above criteria.

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

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

(2) Increases/decrease 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 that was 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 under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of different taxes based on income, which, in the aggregate, resulted in an effective normal statutory tax rate of approximately 38% for the years ended March 31, 2014, and 2013. The consolidated foreign subsidiaries are subject to a number of different taxes based on income at tax rates specific to the rates of each country.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Deferred Tax Assets:			
Inventories	**¥ 1,308**	¥ 1,363	**$ 12,708**
Provision for doubtful receivables	**1,758**	1,357	**17,081**
Excess depreciation	**1,007**	777	**9,784**
Loss on devaluation of investment securities	**392**	274	**3,808**
Loss on devaluation of stock and investments in associated companies	**952**	863	**9,249**
Loss on devaluation of golf club membership	**328**		**3,186**
Business taxes payable	**404**		**3,925**
Accrued bonuses to employees	**1,051**	512	**10,211**
Pension and severance costs	**999**	732	**9,706**
Tax effects attributable to investment in a subsidiary in the course of liquidation		503	
Tax loss carryforwards	**1,245**	1,536	**12,096**
Elimination of unrealized gain on inventories	**426**		**4,139**
Elimination of unrealized gain on property, plant and equipment	**164**		**1,593**
Other	**2,185**	1,566	**21,230**
Less valuation allowance	**(5,142)**	(5,053)	**(49,961)**
Total	**¥ 7,083**	¥ 4,436	**$ 68,820**
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 3,506**	¥ 1,270	**$ 34,065**
Unrealized gains on assets and liabilities of consolidated subsidiaries	**598**	598	**5,810**
Undistributed earnings of foreign subsidiaries	**381**		**3,701**
Reserve for advanced depreciation of non-current assets	**353**	337	**3,429**
Other	**1,042**	502	**10,124**
Total	**¥ 5,882**	¥ 2,709	**$ 57,151**
Net deferred tax assets	**¥ 1,200**	¥ 1,726	**$ 11,659**

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, 2014, with the corresponding figures for 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	**38.0%**	38.0%
Effect of taxation on dividends eliminated in consolidation	**3.5**	4.0
Non-taxable gain	**(3.1)**	(3.7)
Non-deductible expenses	**1.0**	1.3
Gain and loss on investments from equity method	**(0.9)**	(3.3)
Tax effects attributable to investment in a subsidiary in the course of liquidation		(1.8)
Gain on negative goodwill	**(14.3)**	
Effect of tax rate reduction	**1.1**	
Other-net	**(0.6)**	0.2
Actual effective tax rate	**24.7%**	34.7%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38.0% to 35.6%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥ 353 million ($ 3,429 thousand) and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥ 353 million ($ 3,429 thousand).

At March 31, 2014, certain subsidiaries have tax loss carryforwards aggregating approximately ¥ 3,577 million ($ 34,755 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	**¥ 687**	**$ 6,675**
2017	**689**	**6,694**
2018	**583**	**5,664**
2019	**761**	**7,394**
2020	**330**	**3,206**
2021	**524**	**5,091**
Total	**¥ 3,577**	**$ 34,755**

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group utilizes indirect and direct financing, such as bank loans and liquidation of receivables for working capital including inventory funds and funds of capital investments, positions to secure mobility, reduction of costs and stable procuration as the basic funding policy. In addition, the Group does not invest for speculation because it basically does not have cash surplus, and uses minimum necessary imprest funds as 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 mostly less than one year. They are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables, is hedged by using foreign currency forward contracts.

Marketable and investment securities, mainly securities of financial institutions or customers and suppliers of the Group, are additionally exposed to the risk of market price fluctuations. Marketable and investment securities in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Payment terms of payables, such as trade notes and trade accounts, are mostly less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of receivables, is hedged by using foreign currency forward contracts. Although merchandise which is sold at fixed price is exposed to the risk of market price fluctuations, those risks are hedged by using commodity swaps.

Short-term borrowings are used for the Group's ongoing operations, and long-term debt, such as bank loans, is utilized to fund capital investment. Although a portion of such bank loans with floating rates is exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps. Although a portion of long-term debt in foreign currency is exposed to market risks of fluctuation in foreign currency exchange rate, those risks are mitigated by using derivatives of currency swaps. Derivatives include foreign currency forward contracts, currency swaps, currency options, interest rate swaps and commodity swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, from changes in interest rates of bank loans, and from fluctuations of price of merchandise. Please see Note 12 for more details of derivatives.

(3) Risk management for financial instruments

(i) 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 Company manages its credit risk on the basis of credit management guidelines, which include assessing customers quantitatively and qualitatively by the Credit Control Department to set credit limits. The credit limits are periodically reviewed. The consolidated subsidiaries manage credit risk under similar credit management guidelines.

With respect to derivative transactions, the Company manages its exposure to counterparty risk by limiting its transactions to high-credit rating financial institutions.

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

The Company and certain consolidated subsidiaries manage the market risk of fluctuation in foreign currency exchange rates of foreign currency trade receivables and payables principally by using foreign currency forward contracts. In addition, foreign exchange risk is hedged by foreign currency forward contracts when foreign currency trade receivables and payables are expected from forecasted transactions.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring market values and the financial position of issuers periodically, and the Company continuously reviews the status of holding securities by considering the relationship to customers and suppliers of the Group. The loans in foreign currencies are used to manage exposure to the market risk from fluctuation in foreign currency exchange rates of some investment securities in foreign currencies.

Derivative transactions are entered into by the Finance Department under the limits of transactions which are approved at the Board of Directors' meeting based on the internal guidelines which prescribe the limit for each transaction, and the balances of transactions with customers are verified by the Accounting Department. In addition, the consolidated subsidiaries manage derivative transactions based on the Company's internal guidelines.

(iii) 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 by the Group's treasury management from Cash Management System, diversification of financing measures, loans from several financial institutions, and the adjustment for the length of financing from Asset Liability Management. In addition, the Finance Department manages short-term liquidity daily by reviewing the funds, along with renewal of financial planning based on the reports from each section and the Company's subsidiaries.

(4) Fair values of financial instruments

Carrying amounts, fair values and unrealized gain or loss of financial instruments as of March 31, 2014 and 2013, are as follows: financial instruments whose fair value cannot be reliably determined are not included in the following information. Also please see Note 12 for the details of fair value for derivatives.

(i) Fair value of financial instruments.

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	**¥ 26,027**	**¥ 26,027**	
Receivables	**387,042**		
Allowance for doubtful receivables	**(1,968)**		
Receivables-net	**385,074**	**385,074**	
Investment securities	**20,030**	**20,030**	
Investments in and advances to unconsolidated subsidiaries and associated companies	**4,868**	**7,187**	**2,318**
Total	**¥ 436,001**	**¥ 438,320**	**¥ 2,318**
Short-term borrowings	**¥ 154,329**	**¥ 154,329**	
Current portion of long-term debt	**12,495**	**12,495**	
Payables	**255,784**	**255,784**	
Long-term debt	**23,723**	**23,874**	**¥ 150**
Total	**¥ 446,333**	**¥ 446,484**	**¥ 150**

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	¥ 11,195	¥ 11,195	
Receivables	217,076		
Allowance for doubtful receivables	(1,905)		
Receivables-net	215,171	215,171	
Investment securities	8,092	8,092	
Investments in and advances to unconsolidated subsidiaries and associated companies	4,417	12,512	¥ 8,095
Total	¥ 238,876	¥ 246,972	¥ 8,095
Short-term borrowings	¥ 75,182	¥ 75,182	
Current portion of long-term debt	3,653	3,653	
Payables	166,652	166,652	
Long-term debt	16,298	16,320	¥ 21
Total	¥ 261,787	¥ 261,808	¥ 21

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	**$ 252,885**	**$ 252,885**	
Receivables	**3,760,610**		
Allowance for doubtful receivables	**(19,121)**		
Receivables-net	**3,741,488**	**3,741,488**	
Investment securities	**194,617**	**194,617**	
Investments in and advances to unconsolidated subsidiaries and associated companies	**47,298**	**69,830**	**$ 22,522**
Total	**$ 4,236,309**	**$ 4,258,841**	**$ 22,522**
Short-term borrowings	**$ 1,499,504**	**$ 1,499,504**	
Current portion of long-term debt	**121,404**	**121,404**	
Payables	**2,485,270**	**2,485,270**	
Long-term debt	**230,499**	**231,966**	**$ 1,457**
Total	**$ 4,336,698**	**$ 4,338,165**	**$ 1,457**

Assets

(a) Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

(b) Receivables

The fair values of receivables are measured at the carrying values because the collection term is short. The allowance for doubtful receivables is computed based on the actual ratio of bad debt in the past, plus the aggregate amount of estimated losses based on the analysis of certain individual receivables with recoverable collateral and guarantees. Therefore, the fair values are measured at the quoted price because the fair values are approximately equal to the values, which are deducted from the current estimated bad debts from balance sheet accounts. In addition, a portion of receivables denominated in foreign currencies and hedged by foreign currency forward contracts is translated at the applicable contract rate.

(c) 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. The information of the fair values for marketable and investment securities by classification is included in Note 3.

Liabilities

(a) Payables and Short-term borrowings

The carrying values of payables and short-term borrowings approximate fair value because such balances are settled in the short term. In addition, a portion of payables denominated in foreign currencies and hedged by foreign currency forward contracts is translated at the applicable contract rate.

(b) Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the bank loans at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 12.

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

	Carrying Amount		
March 31, 2014	**2014, Millions of Yen**	2013, Millions of Yen	**2014, Thousands of U.S.Dollars**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 10,024**	¥ 6,652	**$ 97,396**
Investments in and advances to unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	**22,051**	10,607	**214,253**

(5) Maturity analysis for financial assets and securities with contractual maturities

		Millions of Yen		
March 31, 2014	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	**¥ 26,027**			
Receivables	**387,042**			
Investment securities:				
Available-for-sale securities with contractual maturities			**¥ 6**	
Total	**¥ 413,069**		**¥ 6**	

		Millions of Yen		
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 11,195			
Receivables	217,076			
Investment securities:				
Available-for-sale securities with contractual maturities	15			
Total	¥ 228,286			

		Thousands of U.S. Dollars		
March 31, 2014	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	**$ 252,885**			
Receivables	**3,760,610**			
Investment securities:				
Available-for-sale securities with contractual maturities			**$ 58**	
Total	**$ 4,013,495**		**$ 58**	

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

12. DERIVATIVES

The Group enters into foreign currency forward contracts in the normal course of business to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.
The Group enters into interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. Interest rate swaps effectively convert some floating rate debt to a fixed basis, or convert some fixed rate debt to a floating basis.
The Group enters into commodity swap agreements as a means of managing the price fluctuation risk of merchandise that is to be sold at fixed price. Commodity swaps effectively convert some quoted prices to fixed prices.

It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Since most of the Group's derivative transactions are related to qualified hedges of underlying business exposures, market gain or loss risk in derivative instruments is basically offset by opposite movements in the value of the hedged assets or liabilities. Also, because the counterparties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization and credit limit amount. The basic policies for the use of derivatives are approved by the Board of Directors and the execution and control of derivatives are made by the Finance Department and monitored by the Corporate Planning Section. Each derivative transaction is periodically reported to management, where evaluation and analysis of such derivatives are made.

Derivative transactions to which hedge accounting is not applied

March 31, 2014	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
USD	¥ 630		¥ (14)	¥ (14)
JPY	49		1	1
Buying:				
USD	3,205		85	85
JPY	158		(2)	(2)
EUR	32		0	0
Currency swaps	1,014	¥ 576	50	50
Total	¥ 5,091	¥ 576	¥ 121	¥ 121
Interest rate swaps (fixed-rate payment and floating-rate receipt)	¥ 411	¥ 411	¥ 1	¥ 1

March 31, 2013	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
USD	¥ 189		¥ (0)	¥ (0)
JPY	15		0	0
Buying:				
USD	1,329		(14)	(14)
JPY	14		(1)	(1)
EUR	31		(0)	(0)
Currency swaps	984	¥ 984	(25)	(25)
Total	¥ 2,565	¥ 984	¥ (42)	¥ 42
Interest rate swaps (fixed-rate payment and floating-rate receipt)	¥ 130	¥ 130	¥ (1)	¥ (1)

March 31, 2014	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
USD	$ 6,121		$ (136)	$ (136)
JPY	476		9	9
Buying:				
USD	31,140		825	825
JPY	1,535		(19)	(19)
EUR	310		0	0
Currency swaps	9,852	$ 5,596	485	485
Total	$ 49,465	$ 5,596	$ 1,175	$ 1,175
Interest rate swaps (fixed-rate payment and floating-rate receipt)	$ 3,993	$ 3,993	$ 9	$ 9

Derivative transactions to which hedge accounting is applied

		Millions of Yen		
March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		**¥ 11,688**		**¥ (32)**
EUR		**3,524**	**¥ 1,423**	**(239)**
JPY		**1,187**		**21**
RMB		**109**		**(11)**
THB		**5**		**(0)**
SGD		**3**		
HKD		**0**		**0**
Buying:	Payables			
USD		**68,537**	**18,253**	**125**
EUR		**217**	**4**	**4**
GBP		**183**		**(0)**
THB		**55**		**(0)**
AUD		**51**		**2**
RMB		**25**		**(0)**
Currency swap:	Long-term debt			
USD		**6,000**	**4,000**	
Currency options:	Payables			
USD		**28**		**(0)**
AUD		**1**		**0**
Total		**¥ 91,620**	**¥ 23,681**	**¥ (130)**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	**¥ 28,288**	**¥ 22,488**	**¥ (146)**
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	**¥ 401**		**¥ 47**

		Millions of Yen		
March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		¥ 3,397		¥ (172)
JPY		463		22
EUR		131		(9)
Buying:	Payables			
USD		60,444	¥ 14,649	654
THB		420		
EUR		129		(0)
GBP		69		1
HKD		0		
AUD		31		2
Currency swap:	Long-term debt			
USD		4,000	4,000	
Currency options:	Payables			
USD		54		(2)
AUD		0		0
Total		¥ 69,143	¥ 18,649	¥ 497
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	¥ 22,936	¥ 19,241	¥ (282)

March 31, 2014	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		**$ 113,563**		**$ (310)**
EUR		**34,240**	**$ 13,826**	**(2,322)**
JPY		**11,533**		**204**
RMB		**1,059**		**(106)**
THB		**48**		**(0)**
SGD		**29**		
HKD		**0**		**0**
Buying:	Payables			
USD		**665,924**	**$ 177,351**	**1,214**
EUR		**2,108**	**38**	**38**
GBP		**1,778**		**(0)**
THB		**534**		**(0)**
AUD		**495**		**19**
RMB		**242**		**(0)**
Currency swap:	Long-term debt			
USD		**58,297**	**38,865**	
Currency options:	Payables			
USD		**272**		**(0)**
AUD		**9**		**0**
Total		**$ 890,205**	**$ 230,091**	**$ (1,263)**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	**$ 274,854**	**$ 218,499**	**$ (1,418)**
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	**$ 3,896**		**$ 456**

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

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

13. RELATED PARTY DISCLOSURES

At March 31, 2014, 37.1% of the Company's issued shares were owned by Nippon Steel & Sumitomo Metal Corporation (NSSMC), which is principally engaged in manufacturing various kinds of steel products.

As a trading company, the Company purchases products from NSSMC and sells them to customers. The Company also sells certain materials to NSSMC.

Related party transactions with NSSMC as of and for the years ended March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
	NSSMC	NSSMC	**NSSMC**
Sales	**¥ 59,500**	¥ 9,038	**$ 578,118**
Purchases	**468,515**	146,920	**4,552,225**

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
	NSSMC	NSSMC	**NSSMC**
Trade receivables	**¥ 25,396**	¥ 2,426	**$ 246,754**
Trade payables	**24,985**	28,199	**242,761**

On October 1, 2012, Sumitomo Metal Industries, Ltd. (SMI) and Nippon Steel Corporation merged to become NSSMC. Accordingly, figures until the second quarter of the fiscal year 2012 indicate transaction amounts to SMI, and figures from the third quarter of the fiscal year indicate transaction amounts to NSSMC.

14. CONTINGENT LIABILITIES

At March 31, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	**¥ 12,564**	**$ 122,075**
Trade notes endorsed	**287**	**2,788**
Guarantees for loans	**5,403**	**52,497**
Maximum amount of obligations to		
repurchase transferred receivables under certain conditions	**13,876**	**134,823**
Total	**¥ 32,130**	**$ 312,184**

15. COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unrealized (loss) gain on available-for-sale securities			
(Losses) gains arising during the year	**¥ (308)**	¥ 1,765	**$ (2,992)**
Reclassification adjustments to profit or loss	**(47)**	(0)	**(456)**
Amount before income tax effect	**(355)**	1,764	**(3,449)**
Income tax effect	**119**	(442)	**1,156**
Total	**¥ (236)**	1,322	**$ (2,293)**
Deferred loss on derivatives under hedge accounting			
Losses arising during the year	**¥ (836)**	¥ (340)	**$ (8,122)**
Reclassification adjustments to profit or loss	**140**	233	**1,360**
Amount before income tax effect	**(695)**	(107)	**(6,752)**
Income tax effect	**253**	36	**2,458**
Total	**¥ (442)**	¥ (71)	**$ (4,294)**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥ 3,358**	¥ 1,154	**$ 32,627**
Reclassification adjustments to profit or loss	**117**	(155)	**1,136**
Amount before income tax effect	**3,476**	998	**33,773**
Income tax effect	**(0)**	72	**(0)**
Total	**¥ 3,475**	¥ 1,071	**$ 33,764**
Share of other comprehensive income in an unconsolidated subsidiary and associated companies			
Gains arising during the year	**¥ 2,153**	¥ 1,112	**$ 20,919**
Reclassification adjustments to profit or loss	**(39)**	20	**(378)**
Total	**¥ 2,114**	¥ 1,133	**$ 20,540**
Total other comprehensive income	**¥ 4,911**	¥ 3,455	**$ 47,716**

16. BUSINESS COMBINATION

On April 26, 2013, NIPPON STEEL TRADING executed a merger agreement with SUMIKIN BUSSAN after approval at a meeting of the Board of Directors held on the same day. The merger mentioned above was approved at NIPPON STEEL TRADING's 36th annual shareholders' meeting held in June 21, 2013, and SUMIKIN BUSSAN's 90th annual shareholders' meeting on the same day. NIPPON STEEL TRADING later merged with SUMIKIN BUSSAN on October 1, 2013.

(1) Outline of business combination

(i) Name and business lines of acquired entity

Name of acquired entity: NIPPON STEEL TRADING

Business lines of acquired entity: Steel products, Raw materials and Machinery

(ii) Main reasons for business combination

The external environment is rapidly changing in the respective business fields of NIPPON STEEL TRADING and SUMIKIN BUSSAN (the "Companies") including the businesses of steel, textiles, foodstuffs, raw materials and fuels, machinery, infrastructure, etc., and most significantly in the steel business field. Competition in these fields is expected to become increasingly intense in the future.

Under such conditions, the Companies have individually been searching for paths to further their growth and development, and have agreed that the Companies should aim toward achieving, thorough the integration, continual growth as a trading company, which develops and manages the above core business fields by combining the business resources that each company has developed and based on the Companies' backgrounds as members of the NSSMC Group. The new integrated company will join together to embrace a customer-oriented perspective, improve business efficiency through effective use of business resources, accelerate a global strategy that is in tune with customer and market needs, reinforce its sales power, and expand its customer and market base.

(iii) Date of business combination

October 1, 2013

(iV) Legal form of business combination

Absorption-type merger where NIPPON STEEL TRADING is the surviving company and SUMIKIN BUSSAN is the absorbed company

(V) Corporate name after the combination

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION

(Vi) Main grounds for determining acquiring entity

SUMIKIN BUSSAN was determined to be the acquiring entity based on the "Accounting Standard for Business Combinations"(ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures"(ASBJ Guidance No. 10, December 26, 2008).

(2) Period of business results of acquired entity included in consolidated financial statements

From October 1, 2013 to March 31, 2014

(3) Acquisition cost of acquired entity and breakdown

Consideration for acquisition	
Current market value of common stock of the SUMIKIN BUSSAN, etc.:	¥44,072 million
Costs incurred directly for acquisition	
Advisory fee, etc.:	¥114 million
Acquisition cost:	¥44,187 million

(4) Share exchange ratio by class of shares and method to calculate the ratios, and number of shares anticipated to be delivered

(i) Share exchange ratio by class of shares

	NIPPON STEEL TRADING (Surviving company in absorption-type merger)	SUMIKIN BUSSAN (Absorbed company in absorption-type merger)
Exchange ratio (Common stock)	1	1.08

(ii) Method to calculate share exchange ratio

[1] Basis of calculation

In order to support their respective efforts to ensure the fairness and appropriateness of the merger ratio used in the Merger ("Merger Ratio"), SUMIKIN BUSSAN and NIPPON STEEL TRADING respectively and separately requested third-party calculation agents independent of both companies to calculate the merger ratio and received merger ratio calculation papers. SUMIKIN BUSSAN appointed SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as its third-party calculation agent, and NIPPON STEEL TRADING appointed Nomura Securities Co., Ltd. ("Nomura Securities") as its third-party calculation agent.

[2] Process of calculation

SUMIKIN BUSSAN and NIPPON STEEL TRADING carefully negotiated and discussed with each other the merger ratio, taking into account such factors as the financial position, assets and future business and performance prospects of each company, with SUMIKIN BUSSAN referring to the merger ratio calculation papers received from SMBC Nikko Securities, and NIPPON STEEL TRADING referring to the merger ratio calculation papers received from Nomura Securities. As a result of the negotiations and discussions, SUMIKIN BUSSAN and NIPPON STEEL TRADING decided that the merger ratio described in 4. (1) above is appropriate and agreed to it.

(iii) Number of shares delivered

Common stock: 174,777,001 shares

(5) Amount and cause of gain on negative goodwill

(i) Amount of gain on negative goodwill

¥ 11,670 million

(ii) Cause of gain on negative goodwill

Gain on negative goodwill was recognized because the fair value of NIPPON STEEL TRADING's net assets at the time of business combination exceeded the acquisition cost.

(6) Amount and main breakdown of assets acquired and liabilities assumed as of the date of business combination

Current assets:	¥	212,702 million
Non-current assets:	¥	46,681 million
Total assets:	¥	259,383 million
Current liabilities:	¥	173,353 million
Long-term liabilities:	¥	19,311 million
Total liabilities:	¥	192,664 million

(7) Approximate amounts of impact of the business combination on the Company's consolidated statements of income for the fiscal year under review assuming the business combination was completed at the beginning of the fiscal year

If this business combination had been completed as of April 1, 2013, the beginning of the current fiscal year, the unaudited condensed pro forma consolidated statement of income for the year ended March 31, 2014, would be as follows:

Net sales:	¥	547,734 million
Operating income:	¥	5,329 million
Ordinary income:	¥	5,476 million
Income before income taxes and minority interests:	¥	4,959 million
Net income:	¥	2,902 million

17. 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. Therefore, the Group's reportable segments consist of the Steel, Industrial Supply and Infrastructure, Textiles and Foodstuffs segments. Steel consists of various steel products, construction materials, raw materials and machinery products. Industrial Supply and Infrastructure consists of industrial machineries, nonferrous metals, cast and forged steel production and railway wheels. An associated company operates development, sales of industrial park and generation of electric power. Textiles consists of yarns and fabrics, clothing, bedding, interior items, uniforms and undergarments. Foodstuffs consists of beef, pork, mutton, chicken and marine products.

(2) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies”.

(3) Information about sales, profit (loss), assets and other items

	Millions of Yen						
	2014						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	**¥ 1,033,444**	**¥ 98,816**	**¥ 183,873**	**¥ 126,325**	**¥ 1,383**		**¥1,443,843**
Intersegment sales or transfers	**872**	**1,898**	**1**		**171**	**¥ (2,943)**	
Total	**¥ 1,034,317**	**¥ 100,714**	**¥ 183,875**	**¥ 126,325**	**¥ 1,554**	**¥ (2,943)**	**¥1,443,843**
Segment profit (losses)	**¥ 12,394**	**¥ 2,494**	**¥ 4,206**	**¥ 2,752**	**¥ (23)**	**¥ 6**	**¥ 21,830**
Segment assets	**464,804**	**53,189**	**80,090**	**33,489**	**5,438**	**5,290**	**642,304**
Other:							
Depreciation	**2,439**	**116**	**639**	**191**	**17**		**3,405**
Amortization of goodwill	**59**	**54**	**21**				**135**
Interest income	**213**	**89**	**35**	**47**	**4**	**(24)**	**366**
Interest expense	**1,272**	**91**	**362**	**130**	**48**	**(24)**	**1,881**
Equity in earnings (losses) of an unconsolidated subsidiary and associated companies	**473**	**748**	**(465)**				**755**
Investments under the equity method	**12,354**	**10,570**	**279**				**23,203**
Increase in property, plant and equipment and intangible assets	**5,162**	**744**	**1,329**	**299**	**131**		**7,666**

	Millions of Yen						
	2013						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 413,956	¥ 86,730	¥ 174,379	¥ 112,351	¥ 1,358		¥ 788,776
Intersegment sales or transfers	889	1,930	2		132	¥ (2,955)	
Total	¥ 414,846	¥ 88,661	¥ 174,381	¥ 112,351	¥ 1,490	¥ (2,955)	¥ 788,776
Segment profit (losses)	¥ 4,976	¥ 2,738	¥ 5,992	¥ 3,077	¥ (64)	¥ 8	¥ 16,729
Segment assets	179,526	50,286	87,116	29,297	5,628	4,886	356,741
Other:							
Depreciation	1,582	88	391	168	15		2,247
Amortization of goodwill	147	1	71				219
Interest income	131	26	42	24	9		234
Interest expense	797	64	402	101	49		1,415
Equity in earnings of an unconsolidated subsidiary and associated companies	183	1,159	46				1,389
Investments under the equity method	3,189	8,711	436				12,337
Increase in property, plant and equipment and intangible assets	2,835	88	550	201	25		3,701

	Thousands of U.S. Dollars						
	2014						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	$10,041,235	$ 960,124	$1,786,562	$1,227,409	$ 13,437		$14,028,789
Intersegment sales or transfers	8,472	18,441	9		1,661	$ (28,595)	
Total	$10,049,718	$ 978,565	$1,786,581	$1,227,409	$ 15,099	$ (28,595)	$14,028,789
Segment profit (losses)	$ 120,423	$ 24,232	$ 40,866	$ 26,739	$ (223)	$ 58	$ 212,106
Segment assets	4,516,167	516,799	778,177	325,388	52,837	51,399	6,240,808
Other:							
Depreciation	23,698	1,127	6,208	1,855	165		33,083
Amortization of goodwill	573	524	204				1,311
Interest income	2,069	864	340	456	38	(233)	3,556
Interest expense	12,359	884	3,517	1,263	466	(233)	18,276
Equity in earnings (losses) of an unconsolidated subsidiary and associated companies	4,595	7,267	(4,518)				7,335
Investments under the equity method	120,034	102,701	2,710				225,446
Increase in property, plant and equipment and intangible assets	50,155	7,228	12,912	2,905	1,272		74,485

Notes for the year ended March 31, 2014

(a) "Other" represents operating segments that are not included in a reportable segment, consisting of real estate and other transactions.

(b) The reconciliation in segment profit or loss of ¥ 6 million ($ 58 thousand) represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥ 5,290 million ($51,399 thousand) represents the result of elimination of intersegment trades of ¥ 2,360 million ($ 22,930 thousand) and the Group's assets of ¥ 7,651 million ($ 74,339 thousand) that are not included in a reportable segment. The Group's assets mainly consist of cash and cash equivalents of the Company.

(d) Items causing the difference between the aggregated amounts of segment profit or loss of reportable segments and others, and income before income taxes and minority interests in the consolidated financial statements include mainly the following:

・¥ 11,731 million ($ 113,981 thousand) of gain on negative goodwill, which is included in other income (expenses)
・¥ 1,170 million ($ 11,368 thousand) of office transfer expenses, which is included in other income (expenses)
・¥ 634 million ($ 6,160 thousand) of impairment losses of fixed assets, which is included in other income (expenses)
・¥ 342 million ($ 3,322 thousand) of loss on liquidation of subsidiaries and affiliates, which is included in other income (expenses)
・¥ 397 million ($ 3,857 thousand) of loss on devaluation of investments securities, which is included in other income (expenses)

Notes for the year ended March 31, 2013

(a) "Other" represents operating segments that are not included in a reportable segment, consisting of real estate and other transactions.

(b) The reconciliation in segment profit or loss of ¥ 8 million represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥ 4,886 million represents the result of elimination of intersegment trades of ¥ 575 million and the Group's assets of ¥ 5,461 million that are not included in a reportable segment. The Group's assets mainly consist of cash and cash equivalents of the Company.

(d) Items causing the difference between the aggregated amounts of segment profit or loss of reportable segments and others, and income before income taxes and minority interests in the consolidated financial statements include mainly the following:

・¥ 332 million of loss on sales property, plant and equipment, which is included in other income (expenses)
・¥ 73 million of gain on sales of property, plant and equipment, which is included in other income (expenses)
・¥ 60 million of loss on devaluation of investment securities, which is included in other income (expenses)

(4) Information about products and services

See operating segments information above because the reportable segments are determined on the basis of products and services.

(5) Information about geographical areas

(i) Sales

Millions of Yen

2014			
Japan	Asia	Others	Total
¥ 1,147,395	**¥ 240,232**	**¥ 56,214**	**¥ 1,443,843**

Millions of Yen

2013			
Japan	Asia	Others	Total
¥ 687,266	¥ 81,914	¥ 19,595	¥ 788,776

Thousands of U.S. Dollars

2014			
Japan	Asia	Others	Total
$11,148,416	**$ 2,334,162**	**$ 546,191**	**$14,028,789**

Sales are classified in countries or regions based on location of customers.

(ii) Property, plant and equipment

Millions of Yen

2014			
Japan	Asia	Others	Total
¥ 37,874	**¥ 10,783**	**¥ 7,645**	**¥ 56,303**

Millions of Yen

2013			
Japan	Asia	Others	Total
¥ 26,972	¥ 4,724	¥ 2,784	¥ 34,481

Thousands of U.S. Dollars

2014			
Japan	Asia	Others	Total
$ 367,994	**$ 104,770**	**$ 74,280**	**$ 547,055**

(6) Information about major customers

Information about major customers is not disclosed because there was no single external customer amounting to 10% or more of the Group's revenues for the years ended March 31, 2014 and 2013.

(7) Impairment losses of assets are as follows:

	Millions of Yen						
	2014						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets		**¥ 112**		**¥ 522**			**¥ 634**

	Millions of Yen						
	2013						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets			¥ 3	¥ 39			¥ 43

	Thousands of U.S. Dollars						
	2014						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets		**$ 1,088**		**$ 5,071**			**$ 6,160**

(8) Amortization of goodwill and goodwill are as follows:

	Millions of Yen						
	2014						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**¥ 59**	**¥ 54**	**¥ 21**				**¥ 135**
Goodwill	**3**	**109**	**26**				**139**

	Millions of Yen						
	2013						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	¥ 147	¥ 1	¥ 71				¥ 219
Goodwill	218		47				266

	Thousands of U.S. Dollars						
	2014						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**$ 573**	**$ 524**	**$ 204**				**$ 1,311**
Goodwill	**29**	**1,059**	**252**				**1,350**

(9) Information about negative goodwill by segment

Gain on negative goodwill of ¥ 11,670 million ($ 113,389 thousand) arising from the merger for the year ended March 31, 2014, is not presented because it was not allocated to any reportable segments.

¥ 13 million of amortization of negative goodwill for the year ended March 31, 2013, is recognized within the “Textiles” segment. Additional acquisition of subsidiary shares affected this.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION:

We have audited the accompanying consolidated balance sheet of NIPPON STEEL & SUMIKIN BUSSAN CORPORATION (formerly, Nippon Steel Trading Co., Ltd.) and its consolidated subsidiaries as of March 31, 2014, 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 NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its consolidated subsidiaries as of March 31, 2014, 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 27, 2014

Corporate Data

(As of March 31, 2014)

Date of Establishment

August 2, 1977

Tokyo Head Office

5-27, Akasaka 8-chome, Minato-ku, Tokyo 107-8527

TEL: 81-3-5412-5001

FAX: 81-3-5412-5101

Number of Employees

1,509

Number of Subsidiaries and Associated Companies

135 and 52

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION