Financial Data 2015

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION

Contents

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2015

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 11)	¥ 27,359	¥ 26,027	$ 227,669
Receivables (Note 11):			
Trade notes	49,387	47,903	410,976
Trade accounts (Notes 12 and 13)	335,224	322,890	2,789,581
Unconsolidated subsidiaries and associated companies	15,240	15,855	126,820
Other	148	393	1,231
Allowance for doubtful receivables	(1,654)	(1,968)	(13,763)
Inventories (Note 4)	106,275	89,457	884,372
Advances to suppliers	7,999	3,712	66,564
Deferred tax assets (Note 10)	3,837	3,540	31,929
Prepaid expenses and other current assets	6,935	9,034	57,709
Total current assets	550,754	516,847	4,583,123
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 7):			
Land	23,005	22,659	191,437
Buildings and structures	41,922	36,184	348,855
Machinery and equipment	33,739	27,271	280,760
Furniture and fixtures	9,177	8,674	76,366
Lease assets	2,810	2,288	23,383
Construction in progress	2,197	2,215	18,282
Total	112,852	99,293	939,102
Accumulated depreciation	(49,843)	(42,990)	(414,770)
Net property, plant and equipment	63,009	56,303	524,332
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 7 and 11)	35,388	30,055	294,482
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 11)	30,588	27,897	254,539
Long-term loans	156	249	1,298
Goodwill (Note 6)	189	139	1,572
Deferred tax assets (Note 10)	742	553	6,174
Other assets	16,600	14,428	138,137
Allowance for doubtful receivables	(4,529)	(4,169)	(37,688)
Total investments and other assets	79,135	69,154	658,525
TOTAL	¥ 692,899	¥ 642,304	$ 5,765,989

Consolidated Balance Sheet

March 31, 2015

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7, 11 and 12)	**¥ 159,943**	¥ 154,329	**$ 1,330,972**
Current portion of long-term debt (Notes 7, 11 and 12)	**13,110**	12,495	**109,095**
Payables (Note 11):			
Trade notes (Note12)	**52,412**	53,902	**436,148**
Trade accounts (Notes 12 and 13)	**193,689**	197,867	**1,611,791**
Unconsolidated subsidiaries and associated companies	**3,777**	2,249	**31,430**
Other	**1,529**	1,765	**12,723**
Advances from customers	**11,542**	4,490	**96,047**
Income taxes payable (Note 10)	**5,756**	5,210	**47,898**
Accrued expenses	**8,563**	8,668	**71,257**
Asset retirement obligations	**-**	2	**-**
Deferred tax liabilities (Note 10)	**60**	56	**499**
Other	**11,632**	8,753	**96,796**
Total current liabilities	**462,018**	449,790	**3,844,703**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 11 and 12)	**34,785**	23,723	**289,464**
Liability for retirement benefits (Note 8)	**2,163**	3,222	**17,999**
Asset retirement obligations	**434**	240	**3,611**
Deferred tax liabilities (Note 10)	**5,097**	2,836	**42,414**
Other	**4,706**	4,935	**39,161**
Total long-term liabilities	**47,187**	34,959	**392,668**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)			
EQUITY (Notes 9 and 15):			
Common stock-authorized, 500,000,000 shares; issued, 309,578,001 shares in 2015 and 309,578,001 shares in 2014	**12,335**	12,335	**102,646**
Capital surplus	**50,645**	50,644	**421,444**
Retained earnings	**88,668**	74,398	**737,854**
Treasury stock - at cost, 408,443 shares in 2015 and 377,290 shares in 2014	**(108)**	(95)	**(898)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities (Note 3)	**5,845**	2,572	**48,639**
Deferred loss on derivatives under hedge accounting	**(554)**	(428)	**(4,610)**
Foreign currency translation adjustments	**9,157**	3,472	**76,200**
Defined retirement benefit plans	**786**	(290)	**6,540**
Total	**166,774**	142,609	**1,387,817**
Minority interests	**16,918**	14,945	**140,783**
Total equity	**183,693**	157,554	**1,528,609**
TOTAL	**¥ 692,899**	¥ 642,304	**$ 5,765,989**

See notes to consolidated financial statements.

Consolidated Statement of Income

March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
NET SALES (Note 13)	**¥ 2,104,606**	¥ 1,443,843	**$ 17,513,572**
COST OF SALES (Notes 4 and 13)	**1,977,338**	1,349,555	**16,454,506**
Gross profit	**127,268**	94,287	**1,059,066**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6 and 8)	**98,598**	73,326	**820,487**
Operating income	**28,669**	20,961	**238,570**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,322**	935	**11,001**
Interest expense	**(2,630)**	(1,881)	**(21,885)**
Purchase discount	**773**	480	**6,432**
Gain on sales of investment securities-net (Note 3)	**70**	65	**582**
Loss on sales of investments in unconsolidated subsidiaries and associated companies	**(143)**	(32)	**(1,189)**
Loss on devaluation of investment securities (Note 3)	**(234)**	(397)	**(1,947)**
Impairment losses of fixed assets (Note 5)	**(1,709)**	(634)	**(14,221)**
Equity in earnings of an unconsolidated subsidiary and associated companies	**990**	755	**8,238**
Gain on change in equity	**98**	11	**815**
Gain on negative goodwill	**125**	11,731	**1,040**
Loss on change in equity	**-**	(64)	**-**
Loss on liquidation of subsidiaries and affiliates	**-**	(342)	**-**
Office transfer expenses	**-**	(1,170)	**-**
Other-net	**1,404**	669	**11,683**
Other income - net	**67**	10,126	**557**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**28,736**	31,087	**239,127**
INCOME TAXES (Note 10):			
Current	**10,411**	8,010	**86,635**
Deferred	**(121)**	(333)	**(1,006)**
Total income taxes	**10,290**	7,677	**85,628**
NET INCOME BEFORE MINORITY INTERESTS	**18,446**	23,410	**153,499**
MINORITY INTERESTS IN NET INCOME	**1,012**	641	**8,421**
NET INCOME	**¥ 17,434**	¥ 22,768	**$ 145,077**

PER SHARE OF COMMON STOCK (Note 2.r):	Yen		U.S. Dollars (Note 1)
Basic net income	**¥ 56.4**	¥ 94.1	**$ 0.47**
Cash dividends applicable to the year	**12.0**	11.0	**0.10**

See notes to consolidated financial statements.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
NET INCOME BEFORE MINORITY INTERESTS	**¥ 18,446**	¥ 23,410	**$ 153,499**
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized gain (loss) on available-for-sale securities	**3,260**	(236)	**27,128**
Deferred loss on derivatives under hedge accounting	**(123)**	(442)	**(1,023)**
Foreign currency translation adjustments	**5,029**	3,475	**41,849**
Defined retirement benefit plans	**1,076**	-	**8,953**
Share of other comprehensive income in an unconsolidated subsidiary and associated companies	**2,189**	2,114	**18,215**
Total other comprehensive income	**¥ 11,432**	¥ 4,911	**$ 95,131**
COMPREHENSIVE INCOME	**¥ 29,879**	¥ 28,321	**$ 248,639**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**27,336**	26,935	**227,477**
Minority interests	**2,542**	1,386	**21,153**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

March 31, 2015

	Thousands	Millions of Yen		
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2013	174,789	¥ 12,335	¥ 7,084	¥ 54,576
Net income				22,768
Cash dividends, ¥12 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 (APRIL 1, 2014, as previously reported)	309,200	12,335	50,644	74,398
Cumulative effect of accounting change				583
BALANCE, APRIL 1, 2014 (as restated)	309,200	12,335	50,644	74,982
Net income				17,434
Cash dividends, ¥12 per share				(3,710)
Effect of change in ownership ratio of an associated company				176
Effect of change in scope of consolidated subsidiaries				9
Change in scope of equity method				(223)
Purchase of treasury stock	(34)			
Disposal of treasury stock	3		0	
Net change in the year				
BALANCE, MARCH 31, 2015	309,169	¥ 12,335	¥ 50,645	¥ 88,668

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, MARCH 31, 2014 (APRIL 1, 2014 as previously reported)	$ 102,646	$ 421,436	$ 619,106
Cumulative effect of accounting change			4,851
BALANCE, APRIL 1, 2014 (as restated)	102,646	421,436	623,966
Net income			145,077
Cash dividends, $0.099 per share			(30,872)
Effect of change in ownership ratio of an associated company			1,464
Effect of change in scope of consolidated subsidiaries			74
Change in scope of equity method			(1,855)
Purchase of treasury stock			
Disposal of treasury stock		0	
Net change in the year			
BALANCE, MARCH 31, 2015	$ 102,646	$ 421,444	$ 737,854

See notes to consolidated financial statements.

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
¥ (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
					583		583
(95)	2,572	(428)	3,472	(290)	143,193	14,945	158,138
					17,434		17,434
					(3,710)		(3,710)
					176		176
					9		9
					(223)		(223)
(13)					(13)		(13)
0					1		1
	3,272	(126)	5,684	1,076	9,907	1,973	11,881
¥ (108)	¥ 5,845	¥ (554)	¥ 9,157	¥ 786	¥ 166,775	¥ 16,918	¥ 183,693

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
$ (790)	$ 21,403	$ (3,561)	$ 28,892	$ (2,413)	$ 1,186,727	$ 124,365	$ 1,311,092
					4,851		4,851
(790)	21,403	(3,561)	28,892	(2,413)	1,191,586	124,365	1,315,952
					145,077		145,077
					(30,872)		(30,872)
					1,464		1,464
					74		74
					(1,855)		(1,855)
(108)					(108)		(108)
0					8		8
	27,228	(1,048)	47,299	8,953	82,441	16,418	98,868
$ (898)	$ 48,639	$ (4,610)	$ 76,200	$ 6,540	$ 1,387,825	$ 140,783	$ 1,528,609

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Cash Flows

March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ **28,736**	¥ 31,087	$ **239,127**
Adjustments for:			
Income taxes-paid	**(10,111)**	(7,177)	**(84,139)**
Depreciation and amortization	**5,176**	3,405	**43,072**
Equity in earnings of an unconsolidated subsidiary and associated companies	**(990)**	(755)	**(8,238)**
Gain on negative goodwill	**(125)**	(11,731)	**(1,040)**
Reversal of provision for doubtful receivables	**(14)**	(279)	**(116)**
Impairment losses on fixed assets	**1,709**	634	**14,221**
Loss (gain) on sales of securities-net	**70**	(34)	**582**
Loss on devaluation of investment securities	**234**	397	**1,947**
Gain on sales of property, plant and equipment-net	**(36)**	(80)	**(299)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries			
Increase in receivables	**(7,494)**	(12,201)	**(62,361)**
Increase in inventories	**(11,958)**	(4,805)	**(99,509)**
Decrease in payables	**(8,365)**	(17,733)	**(69,609)**
Decrease in liability for retirement benefits	**(363)**	(318)	**(3,020)**
Other-net	**8,766**	4,130	**72,946**
Total adjustments	**(23,502)**	(46,549)	**(195,572)**
Net cash provided by (used in) operating activities	**5,234**	(15,463)	**43,554**
INVESTING ACTIVITIES:			
Increase in time deposits	**(602)**	(164)	**(5,009)**
Purchases of property, plant and equipment	**(6,534)**	(6,641)	**(54,372)**
Proceeds from sales of property, plant and equipment	**382**	489	**3,178**
Purchases of intangible assets	**(97)**	(51)	**(807)**
Purchases of investment securities	**(3,623)**	(2,575)	**(30,148)**
Proceeds from sales of investment securities	**317**	300	**2,637**
Purchases of the shares of companies previously unconsolidated	**(717)**	159	**(5,966)**
Sales of the shares of companies previously unconsolidated	**(11)**	-	**(91)**
Increase in short-term loans receivable	**(277)**	(20)	**(2,305)**
Payments of long-term loans receivable	**(411)**	(114)	**(3,420)**
Proceeds from long-term loans receivable	**203**	165	**1,689**
Other-net	**(196)**	(634)	**(1,631)**
Net cash used in investing activities	**(11,568)**	(9,088)	**(96,263)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings-net	**314**	21,309	**2,612**
Proceeds from long-term debt	**21,191**	3,839	**176,341**
Repayments of long-term debt	**(12,651)**	(3,736)	**(105,275)**
Dividends paid	**(3,709)**	(2,927)	**(30,864)**
Dividends paid to minority shareholders	**(397)**	(226)	**(3,303)**
Proceeds from funds paid by minority shareholders	**-**	553	**-**
Other-net	**(719)**	(161)	**(5,983)**
Net cash provided by financing activities	**4,027**	18,650	**33,510**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**2,552**	1,776	**21,236**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**245**	(4,125)	**2,038**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**1,086**	-	**9,037**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**26,027**	11,195	**216,584**
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER	**-**	18,958	**-**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ **27,359**	¥ 26,027	$ **227,669**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2015

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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 merger 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 consolidated statement of operations for the year ended March 31, 2014, as the comparative information, 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 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 ¥120.17 to $1, the rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. 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, 2015, include the accounts of the Company and its 95 significant (96 in 2014) subsidiaries (collectively, the "Group").
Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 0 (1 in 2014) unconsolidated subsidiary and 29 (31 in 2014) associated companies are accounted for by the equity method.

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 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model of 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of 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, certificates of deposit, 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 machinery, 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.

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 63 (59 in 2014) of its 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 33 (37 in 2014) of its 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 are treated as reclassification adjustments.

(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, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings.
The effect of this change is immaterial.

l. Asset Retirement Obligations - 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 in merchandise prices.

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 309,186 thousand shares for 2015 and 241,996 thousand shares for 2014.

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.

s. New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements - In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet - In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income - In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Non-current:			
Marketable equity securities	**¥ 23,834**	¥ 20,030	**$ 198,335**
Other	**11,554**	10,025	**96,197**
Total	**¥ 35,388**	¥ 30,055	**$ 294,482**

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

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 16,806**	**¥ 8,168**	**¥ 1,140**	**¥ 23,834**

	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

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 139,851**	**$ 67,970**	**$ 9,486**	**$ 198,335**

The information for available-for-sale securities which were sold during the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	**¥ 294**	**¥ 58**	
Other	**19**	**12**	
Total	**¥ 314**	**¥ 70**	

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

	Thousands of U.S. Dollars		
March 31, 2015	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	**$ 2,446**	**$ 482**	
Other	**158**	**99**	
Total	**$ 2,612**	**$ 582**	

The impairment losses on available-for-sale marketable equity securities for the years ended March 31, 2015 and 2014, were ¥0 million ($0 thousand).
The impairment losses on other available-for-sale equity securities for the years ended March 31, 2015 and 2014, were ¥0 million ($0 thousand) and ¥75 million, respectively.

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Merchandise and finished products	**¥ 82,151**	¥ 72,544	**$ 683,623**
Work in process	**3,507**	2,094	**29,183**
Raw materials and supplies	**20,616**	14,818	**171,556**
Total	**¥ 106,275**	¥ 89,457	**$ 884,372**

5. LONG-LIVED ASSETS

The Group recognized impairment losses of ¥1,709 million ($14,221 thousand) for operating assets for the year ended March 31, 2015, and ¥634 million for operating assets for the year ended March 31, 2014.

The Company and its consolidated subsidiaries classify fixed assets into groups, at the minimum cash-generating unit level, by the type of the 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 values of long-lived assets are 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 value in use.

In the case of value in use, the relevant assets are evaluated based on expected future cash flows discounted mainly at 4.70% for the year ended March 31, 2015, and 4.06% for the year ended March 31, 2014.

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

6. GOODWILL

Goodwill as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Consolidation goodwill	**¥ 189**	¥ 139	**$ 1,572**
Acquisition goodwill	**0**	0	**0**
Total	**¥ 189**	¥ 139	**$ 1,572**

Amortization charged to selling, general and administrative expenses for the years ended March 31, 2015 and 2014, was ¥206 million ($1,714 thousand) and ¥135 million, respectively.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Loans, primarily from banks with interest principally at 0.144% to 9.800% in 2015 and 0.150% to 12.672% in 2014:			
Collateralized	**¥ 3,180**	¥ 3,860	**$ 26,462**
Unsecured	**156,763**	150,469	**1,304,510**
Short-term borrowings	**¥ 159,943**	¥ 154,329	**$ 1,330,972**

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Loans, primarily from banks and insurance companies with interest principally at 0.330% to 2.740% in 2015, 0.288% to 5.843% in 2014, due serially through 2016:			
Collateralized	**¥ 136**	¥ 212	**$ 1,131**
Unsecured	**46,202**	34,961	**384,471**
Obligations under finance leases	**1,557**	1,046	**12,956**
Total	**47,895**	36,219	**398,560**
Less current portion	**(13,110)**	(12,495)	**(109,095)**
Long-term debt, less current portion	**¥ 34,785**	¥ 23,723	**$ 289,464**

The annual maturities of long-term debt excluding finance leases as of March 31, 2015, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 12,401	$ 103,195
2017	6,914	57,535
2018	3,366	28,010
2019	2,399	19,963
2020 and thereafter	21,256	176,882
Total	¥ 46,338	$ 385,603

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investment securities	¥ 817	$ 6,798
Land	961	7,997
Machinery and equipment	1	8
Buildings and structures	1,100	9,153

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, 2015 and 2014, for directors and Audit & Supervisory Board members is ¥442 million ($3,678 thousand) and ¥437 million, respectively.

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

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
Balance at beginning of year (as previously reported)	¥	**19,200**	¥	10,250	$	**159,773**
Cumulative effect of accounting change		**(906)**				**(7,539)**
Balance at beginning of year (as restated)		**18,293**		10,250		**152,226**
Current service cost		**1,019**		748		**8,479**
Interest cost		**135**		147		**1,123**
Actuarial difference		**(82)**		(51)		**(682)**
Benefits paid		**(1,363)**		(1,036)		**(11,342)**
Increase by the merger				9,141		
Balance at end of year	¥	**18,002**	¥	19,200	$	**149,804**

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
Balance at beginning of year	¥	**17,947**	¥	7,011	$	**149,346**
Expected return on plan assets		**445**		284		**3,703**
Actuarial difference		**1,149**		620		**9,561**
Contributions from the employer		**881**		853		**7,331**
Benefits paid		**(938)**		(757)		**(7,805)**
Increase due to the merger				9,935		
Net periodic benefit costs	¥	**19,485**	¥	17,947	$	**162,145**

(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	
	2015		2014		2015	
Funded defined benefit obligation	¥	**16,308**	¥	17,620	$	**135,707**
Plan assets		**(19,485)**		(17,947)		**(162,145)**
		(3,177)		(327)		**(26,437)**
Unfunded defined benefit obligation		**1,694**		1,579		**14,096**
Net (asset) liability arising from defined benefit obligation	¥	**(1,482)**	¥	1,252	$	**(12,332)**

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
Liability for retirement benefits	¥	**1,720**	¥	2,785	$	**14,313**
Asset for retirement benefits		**(3,203)**		(1,533)		**(26,653)**
Net (asset) liability arising from defined benefit obligation	¥	**(1,482)**	¥	1,252	$	**(12,332)**

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Service cost	**¥ 749**	¥ 462	**$ 6,232**
Interest cost	**135**	147	**1,123**
Expected return on plan assets	**(445)**	(284)	**(3,703)**
Amortization of prior service cost	**(34)**	(41)	**(282)**
Recognized actuarial difference	**100**	153	**832**
Pension expenses for which the simplified method is applied	**270**	286	**2,246**
Others	**12**	72	**99**
Net periodic benefit costs	**¥ 788**	¥ 795	**$ 6,557**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Prior service cost	**¥ (34)**		**$ (282)**
Actuarial difference	**1,647**		**13,705**
Total	**¥ 1,613**		**$ 13,422**

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrecognized prior service cost		¥ 34	
Unrecognized actuarial difference	**¥ (1,161)**	(486)	**$ (9,661)**
Total	**¥ (1,161)**	¥ (451)	**$ (9,661)**

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	**51%**	51%
Equity investments	**34**	35
Others	**15**	14
Total	**100%**	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.

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

	2015	2014
Discount rate	**0.6-1.2%**	1.0-1.6%
Expected rate of return on plan assets	**2.0%**	2.0%
	generally	generally
Expected rate of future salary increases	**4.1-6.5%**	4.2-6.5%

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/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution 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 a specific formula.

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

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

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 35% and 38% for the years ended March 31, 2015 and 2014, respectively. 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 tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred Tax Assets:			
Inventories	**¥ 1,385**	¥ 1,308	**$ 11,525**
Provision for doubtful receivables	**1,725**	1,758	**14,354**
Excess depreciation	**967**	1,007	**8,046**
Loss on devaluation of investment securities	**467**	392	**3,886**
Loss on devaluation of stock and investments in associated companies	**880**	952	**7,322**
Loss on devaluation of golf club membership	**305**	328	**2,538**
Business taxes payable	**448**	404	**3,728**
Accrued bonuses to employees	**1,080**	1,051	**8,987**
Liability for retirement benefits	**600**	999	**4,992**
Tax loss carryforwards	**1,784**	1,245	**14,845**
Elimination of unrealized gain on inventories	**478**	426	**3,977**
Elimination of unrealized gain on property, plant and equipment	**164**	164	**1,364**
Other	**2,115**	2,185	**17,600**
Less valuation allowance	**(5,354)**	(5,142)	**(44,553)**
Total	**¥ 7,049**	¥ 7,083	**$ 58,658**
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 4,613**	¥ 3,506	**$ 38,387**
Unrealized gains on assets and liabilities of consolidated subsidiaries	**552**	598	**4,593**
Undistributed earnings of foreign subsidiaries	**537**	381	**4,468**
Asset for retirement benefits	**830**	171	**6,906**
Other	**1,092**	1,224	**9,087**
Total	**¥ 7,627**	¥ 5,882	**$ 63,468**
Net deferred tax (liabilities) assets	**¥ (577)**	¥ 1,200	**$ (4,801)**

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

	2015	2014
Normal effective statutory tax rate	**35.6%**	38.0%
Effect of taxation on dividends eliminated in consolidation	**3.7**	3.5
Non-taxable gain	**(4.3)**	(3.1)
Non-deductible expenses	**0.7**	1.0
Gain and loss on investments from equity method	**(1.3)**	(0.9)
Gain on negative goodwill	**(0.2)**	(14.3)
Effect of tax rate reduction	**0.3**	1.1
Other-net	**1.2**	(0.6)
Actual effective tax rate	**35.8%**	24.7%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax liabilities, net of deferred tax assets, by ¥389 million ($3,237 thousand) and deferred gain on derivatives under hedge accounting by ¥21 million ($174 thousand), and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥465 million ($3,869 thousand), and defined retirement benefit plan by ¥38 million ($316 thousand), and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥92 million ($765 thousand).

At March 31, 2015, certain subsidiaries have tax loss carryforwards aggregating approximately ¥5,284 million ($43,971 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
2017	¥ **146**	$ **1,214**
2018	**722**	**6,008**
2019	**776**	**6,457**
2020	**349**	**2,904**
2021	**301**	**2,504**
2022	**359**	**2,987**
2023	**624**	**5,192**
2024	**2,003**	**16,668**
Total	¥ **5,284**	$ **43,971**

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 speculative purposes because it does not have cash surpluses, 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

Payment terms of 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 in merchandise prices. 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 its relationship with 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 through its 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, 2015 and 2014, are as follows. Financial instruments whose fair value cannot be reliably determined are not included below. Also, please see Note 12 for the details of fair value for derivatives.

(i) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	**¥ 27,359**	**¥ 27,359**	
Receivables	**400,001**		
Allowance for doubtful receivables	**(1,654)**		
Receivables-net	**398,347**	**398,347**	
Investment securities	**23,834**	**23,834**	
Investments in unconsolidated subsidiaries and associated companies	**8,574**	**12,841**	**¥ 4,267**
Total	**¥ 458,116**	**¥ 462,383**	**¥ 4,267**
Short-term borrowings	**¥ 159,943**	**¥ 159,943**	
Current portion of long-term debt	**13,110**	**13,110**	
Payables	**251,408**	**251,408**	
Long-term debt	**34,785**	**34,883**	**¥ (97)**
Total	**¥ 459,248**	**¥ 459,345**	**¥ (97)**

	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 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)

	Thousands of U.S. Dollars		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	**$ 227,669**	**$ 227,669**	
Receivables	**3,328,626**		
Allowance for doubtful receivables	**(13,763)**		
Receivables-net	**3,314,862**	**3,314,862**	
Investment securities	**198,335**	**198,335**	
Investments in unconsolidated subsidiaries and associated companies	**71,348**	**106,857**	**$ 35,508**
Total	**$ 3,812,232**	**$ 3,847,740**	**$ 35,508**
Short-term borrowings	**$ 1,330,972**	**$ 1,330,972**	
Current portion of long-term debt	**109,095**	**109,095**	
Payables	**2,092,102**	**2,092,102**	
Long-term debt	**289,464**	**290,280**	**$ (807)**
Total	**$ 3,821,652**	**$ 3,822,459**	**$ (807)**

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. Fair value information 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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 11,553**	¥ 10,024	**$ 96,138**
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	**21,412**	22,051	**178,180**

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

	Millions of Yen			
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 27,359**			
Receivables	**400,001**			
Total	**¥ 427,361**			

	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			
Total	¥ 413,069			

	Thousands of U.S. Dollars			
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 227,669**			
Receivables	**3,328,626**			
Total	**$ 3,556,303**			

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 performed 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 performed.

Derivative transactions to which hedge accounting is not applied

March 31, 2015	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value	 Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
USD	**¥ 421**		**¥ (4)**	**¥ (4)**
JPY	**39**		**1**	**1**
Buying:				
USD	**2,019**		**9**	**9**
JPY	**201**		**(12)**	**(12)**
EUR	**3**		**(0)**	**(0)**
Currency swaps	**705**	**¥ 705**	**30**	**30**
Total	**¥ 3,390**	**¥ 705**	**¥ 23**	**¥ 23**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	**¥ 440**	**¥ 440**	**¥ 0**	**¥ 0**

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, 2015	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value	 Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
USD	**$ 3,503**		**$ (33)**	**$ (33)**
JPY	**324**		**8**	**8**
Buying:				
USD	**16,801**		**74**	**74**
JPY	**1,672**		**(99)**	**(99)**
EUR	**24**		**(0)**	**(0)**
Currency swaps	**5,866**	**$ 5,866**	**249**	**249**
Total	**$ 28,210**	**$ 5,866**	**$ 191**	**$ 191**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	**$ 3,661**	**$ 3,661**	**$ 0**	**$ 0**

Derivative transactions to which hedge accounting is applied

March 31, 2015	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		**¥ 13,138**	**¥ 58**	**¥ (95)**
EUR		**2,270**	**45**	**40**
JPY		**1,307**	**2**	**0**
Buying:	Payables			
USD		**81,572**	**21,644**	**542**
EUR		**598**		**(14)**
GBP		**45**		**0**
THB		**56**		**0**
AUD		**136**		**(3)**
RMB		**96**		**1**
JPY		**1**		**(0)**
Currency swap:	Long-term debt			
USD		**4,000**	**2,000**	
Currency options:				
USD	Payables	**1,015**		**7**
Total		**¥ 104,241**	**¥ 23,750**	**¥ 478**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	**¥ 34,470**	**¥ 12,404**	**¥ (94)**
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	**¥ 1,798**	**¥ 646**	**¥ (363)**

March 31, 2014	Hedged Item	Millions of Yen Contract Amount	Millions of Yen Contract Amount Due after One Year	Millions of Yen 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:				
USD	Payables	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 swap: (fixed-price payment and quoted-price receipt)	Inventories	¥ 401		¥ 47

March 31, 2015	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		$ 109,328	$ 482	$ (790)
EUR		18,889	374	332
JPY		10,876	16	0
Buying:	Payables			
USD		678,805	180,111	4,510
EUR		4,976		(116)
GBP		374		0
THB		466		0
AUD		1,131		(24)
RMB		798		8
JPY		8		(0)
Currency swap:	Long-term debt			
USD		33,286	16,643	
Currency options:				
USD	Payables	8,446		58
Total		$ 867,446	$ 197,636	$ 3,977
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and long-term debt	$ 286,843	$ 103,220	$ (782)
Commodity swaps (fixed-price payment and quoted-price receipt)	Inventories	$ 14,962	$ 5,375	$ (3,020)

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, 2015, 36.9% 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, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales	¥ 104,004	¥ 59,500	$ 865,473
Purchases	782,463	468,515	6,511,300

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Trade receivables	¥ 21,573	¥ 25,396	$ 179,520
Trade payables	27,100	24,985	225,513

14. CONTINGENT LIABILITIES

At March 31, 2015, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 7,803	$ 64,933
Trade notes endorsed	167	1,389
Guarantees for loans	4,314	35,899
Maximum amount of obligations to repurchase transferred receivables under certain conditions	11,356	94,499
Total	¥ 23,641	$ 196,729

15. OTHER COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrealized gain (loss) on available-for-sale securities			
Gains (losses) arising during the year	¥ 4,647	¥ (308)	$ 38,670
Reclassification adjustments to profit or loss	(57)	(47)	(474)
Amount before income tax effect	4,589	(355)	38,187
Income tax effect	(1,328)	119	(11,051)
Total	¥ 3,260	¥ (236)	$ 27,128
Deferred loss on derivatives under hedge accounting			
Losses arising during the year	¥ (257)	¥ (836)	$ (2,138)
Reclassification adjustments to profit or loss	96	140	798
Amount before income tax effect	(160)	(695)	(1,331)
Income tax effect	36	253	299
Total	¥ (123)	¥ (442)	$ (1,023)
Foreign currency translation adjustments			
Adjustments arising during the year	¥ 5,019	¥ 3,358	$ 41,765
Reclassification adjustments to profit or loss		117	
Amount before income tax effect	5,019	3,476	41,765
Income tax effect	9	(0)	74
Total	¥ 5,029	¥ 3,475	$ 41,849
Defined retirement benefit plan(s)			
Adjustments arising during the year	¥ 1,547		$ 12,873
Reclassification adjustments to profit or loss	65		540
Amount before income tax effect	1,613		13,422
Income tax effect	(536)		(4,460)
Total	¥ 1,076		$ 8,953
Share of other comprehensive income in an unconsolidated subsidiary and associated companies			
Gains arising during the year	¥ 2,390	¥ 2,153	$ 19,888
Reclassification adjustments to profit or loss	(201)	(39)	(1,672)
Total	¥ 2,189	¥ 2,114	$ 18,215
Total other comprehensive income	¥ 11,432	¥ 4,911	$ 95,131

16. SEGMENT INFORMATION

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 machinery, 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						
	2015						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 1,679,687	¥ 92,498	¥ 178,174	¥ 152,946	¥ 1,298		¥ 2,104,606
Intersegment sales or transfers	703	2,382	3		250	¥ (3,341)	
Total	¥ 1,680,391	¥ 94,881	¥ 178,178	¥ 152,946	¥ 1,549	¥ (3,341)	¥ 2,104,606
Segment profit	¥ 20,672	¥ 3,112	¥ 3,672	¥ 2,976	¥ 135	¥ 4	¥ 30,573
Segment assets	499,678	54,687	85,935	39,763	5,299	7,535	692,899
Other:							
Depreciation	3,151	472	1,336	202	12		5,176
Amortization of goodwill	47	138	21				206
Interest income	358	41	34	32	1	(46)	422
Interest expense	2,093	109	321	113	32	(40)	2,630
Equity in earnings (losses) of an unconsolidated subsidiary and associated companies	839	931	(781)				990
Investments under the equity method	9,958	17,361	299				27,620
Increase in property, plant and equipment and intangible assets	5,139	565	1,216	279	17		7,218

Sales:	Millions of Yen 2014 Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
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 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

Sales:	Thousands of U.S. Dollars **2015** Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales to external customers	**$13,977,590**	**$ 769,726**	**$1,482,682**	**$1,272,746**	**$ 10,801**		**$17,513,572**
Intersegment sales or transfers	**5,850**	**19,821**	**24**		**2,080**	**$ (27,802)**	
Total	**$13,983,448**	**$ 789,556**	**$1,482,716**	**$1,272,746**	**$ 12,890**	**$ (27,802)**	**$17,513,572**
Segment profit	**$ 172,022**	**$ 25,896**	**$ 30,556**	**$ 24,764**	**$ 1,123**	**$ 33**	**$ 254,414**
Segment assets	**4,158,092**	**455,080**	**715,111**	**330,889**	**44,095**	**62,702**	**5,765,989**
Other:							
Depreciation	**26,221**	**3,927**	**11,117**	**1,680**	**99**		**43,072**
Amortization of goodwill	**391**	**1,148**	**174**				**1,714**
Interest income	**2,979**	**341**	**282**	**266**	**8**	**(382)**	**3,511**
Interest expense	**17,416**	**907**	**2,671**	**940**	**266**	**(332)**	**21,885**
Equity in earnings (losses) of an unconsolidated subsidiary and associated companies	**6,981**	**7,747**	**(6,499)**				**8,238**
Investments under the equity method	**82,865**	**144,470**	**2,488**				**229,841**
Increase in property, plant and equipment and intangible assets	**42,764**	**4,701**	**10,118**	**2,321**	**141**		**60,064**

Notes for the year ended March 31, 2015

(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 of ¥4 million ($33 thousand) represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥7,535 million ($62,702 thousand) represents the result of elimination of intersegment trades of ¥1,126 million ($9,370 thousand) and the Group's assets of ¥8,662 million ($72,081 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 of reportable segments and others, and income before income taxes and minority interests in the consolidated financial statements include mainly the following:

- ¥1,709 million ($14,221 thousand) of impairment losses of fixed assets, which is included in other income (expenses)
- ¥214 million ($1,780 thousand) of loss on valuation of investments in capital, which is included in other income (expenses)

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 represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥5,290 million represents the result of elimination of intersegment trades of ¥2,360 million and the Group's assets of ¥7,651 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:

- ¥11,731 million of gain on negative goodwill, which is included in other income (expenses)
- ¥1,170 million of office transfer expenses, which is included in other income (expenses)
- ¥634 million of impairment losses of fixed assets, which is included in other income (expenses)
- ¥342 million of loss on liquidation of subsidiaries and affiliates, which is included in other income (expenses)
- ¥397 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			
2015			
Japan	Asia	Others	Total
¥ 1,551,272	**¥ 463,267**	**¥ 90,066**	**¥ 2,104,606**

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

Thousands of U.S. Dollars			
2015			
Japan	Asia	Others	Total
$12,908,978	**$ 3,855,096**	**$ 749,488**	**$17,513,572**

Sales are classified by country or region based on the location of customers.

(ii) Property, plant and equipment

Millions of Yen			
2015			
Japan	Asia	Others	Total
¥ 39,235	**¥ 15,349**	**¥ 8,424**	**¥ 63,009**

Millions of Yen			
2014			
Japan	Asia	Others	Total
¥ 37,874	¥ 10,783	¥ 7,645	¥ 56,303

Thousands of U.S. Dollars			
2015			
Japan	Asia	Others	Total
$ 326,495	**$ 127,727**	**$ 70,100**	**$ 524,332**

(6) Information about major customers

Information about major customers is not disclosed because there was no single external customer who accounted for 10% or more of the Group’s revenues for the years ended March 31, 2015 and 2014.

(7) Impairment losses of assets are as follows:

	Millions of Yen						
	2015						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets	**¥ 1,529**	**¥ 1**	**¥ 173**	**¥ 4**			**¥ 1,709**

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

	Thousands of U.S. Dollars						
	2015						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets	**$ 12,723**	**$ 8**	**$ 1,439**	**$ 33**			**$ 14,221**

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

	Millions of Yen						
	2015						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**¥ 47**	**¥ 138**	**¥ 21**				**¥ 206**
Goodwill	**183**		**5**				**189**

	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

	Thousands of U.S. Dollars						
	2015						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**$ 391**	**$ 1,148**	**$ 174**				**$ 1,714**
Goodwill	**1,522**		**41**				**1,572**

(9) Information about negative goodwill by segment

Not applicable for the fiscal year ended March 31, 2015

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

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 and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2015

Corporate Data
(As of March 31, 2015)

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

1,479

Number of Subsidiaries and Associated Companies

129 and 48

NSSB NIPPON STEEL & SUMIKIN BUSSAN CORPORATION