Financial Data 2009

Sumikin Bussan Corporation

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SUMIKIN BUSSAN CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2009 and 2008

ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT ASSETS:			
Cash and cash equivalents	¥ **10,916**	¥ 8,430	$ **111,127**
Marketable Securities (Note 3)		16	
Receivables:			
Trade notes (Note 14)	**31,433**	36,689	**319,994**
Trade accounts (Note 13)	**186,192**	220,555	**1,895,470**
Unconsolidated subsidiaries and associated companies	**8,752**	10,938	**89,097**
Other	**39**	36	**397**
Allowance for doubtful receivables	**(2,581)**	(3,094)	**(26,275)**
Inventories (Note 4)	**60,550**	54,618	**616,410**
Advances to suppliers	**10,537**	7,932	**107,268**
Deferred tax assets (Note 10)	**2,436**	2,144	**24,799**
Prepaid expenses and other current assets	**2,363**	1,924	**24,056**
Total current assets	**310,637**	340,188	**3,162,343**
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 7):			
Land	**14,456**	14,153	**147,165**
Buildings and structures	**14,266**	14,280	**145,231**
Machinery and equipment	**12,044**	11,192	**122,610**
Furniture and fixtures	**5,172**	4,841	**52,652**
Leased assets	**13**		**132**
Construction in progress	**144**	569	**1,466**
Total	**46,095**	45,035	**469,256**
Accumulated depreciation	**(18,678)**	(18,045)	**(190,146)**
Net property, plant and equipment	**27,417**	26,990	**279,110**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 7)	**10,886**	13,278	**110,821**
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 3)	**9,522**	16,558	**96,936**
Long-term loans	**251**	281	**2,555**
Goodwill (Note 6)	**353**	445	**3,594**
Deferred tax assets (Note 10)	**1,269**	579	**12,919**
Other assets	**8,977**	9,403	**91,388**
Allowance for doubtful receivables	**(3,632)**	(5,675)	**(36,975)**
Allowance for investment losses	**(2)**		**(20)**
Total investments and other assets	**27,624**	34,869	**281,218**
TOTAL	¥ **365,678**	¥ 402,047	**$3,722,671**

See notes to consolidated financial statements.

SUMIKIN BUSSAN COPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2009 and 2008

LIABILITIES AND EQUITY	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	**¥ 69,431**	¥ 64,223	**$ 706,821**
Current portion of long-term debt (Note 7)	**4,118**	5,676	**41,922**
Payables:			
Trade notes	**59,669**	66,700	**607,442**
Trade accounts (Note 13)	**141,509**	173,650	**1,440,588**
Unconsolidated subsidiaries and associated companies	**826**	1,463	**8,409**
Other	**855**	972	**8,704**
Advances from customers	**9,846**	7,625	**100,234**
Income taxes payable (Note 10)	**2,730**	5,516	**27,792**
Accrued expenses	**4,034**	3,835	**41,067**
Deferred tax liabilities (Note 10)	**17**	3	**173**
Other	**1,995**	2,822	**20,309**
Total current liabilities	**295,030**	332,485	**3,003,461**
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	**15,148**	13,959	**154,209**
Liability for retirement benefits (Note 8)	**2,745**	3,040	**27,945**
Negative goodwill	**316**	434	**3,217**
Deferred tax liabilities (Note 10)	**639**	1,026	**6,505**
Other	**1,370**	1,272	**13,947**
Total long-term liabilities	**20,218**	19,731	**205,823**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 14)			
EQUITY (Notes 9 and 15):			
Common stock, authorized, 400,000,000 shares;			
Issued, 164,534,094 shares	**12,336**	12,336	**125,583**
Capital surplus	**7,086**	7,091	**72,137**
Retained earnings	**30,605**	26,607	**311,565**
Land revaluation surplus (Note 9)	**76**	77	**774**
Net unrealized gain on available-for-sale securities (Note 3)	**592**	2,126	**6,026**
Foreign currency translation adjustments	**(1,991)**	553	**(20,269)**
Deferred loss on derivatives under hedge accounting	**(53)**	(825)	**(540)**
Treasury stock, at cost, 543,715 shares in 2009 and 524,985 shares in 2008	**(184)**	(180)	**(1,873)**
Total	**48,467**	47,785	**493,403**
Minority interests	**1,963**	2,046	**19,984**
Total equity	**50,430**	49,831	**513,387**
TOTAL	**¥ 365,678**	¥ 402,047	**$3,722,671**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	**2009**
NET SALES (Note 13)	**¥1,291,174**	¥1,314,974	¥1,177,611	**$13,144,396**
COST OF SALES (Notes 8 and 13)	**1,223,893**	1,242,588	1,108,085	**12,459,463**
Gross profit	**67,281**	72,386	69,526	**684,933**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6, 8 and 11)	**49,774**	49,664	49,535	**506,709**
Operating income	**17,507**	22,722	19,991	**178,224**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**1,028**	1,482	1,511	**10,465**
Interest expense	**(3,006)**	(4,055)	(3,803)	**(30,602)**
Gain (loss) on sales of securities-net (Note 3)	**368**	(240)	(40)	**3,746**
Gain on sales of property, plant and equipment		20	491	
Loss on sales of property, plant and equipment	**(48)**		(92)	**(488)**
Loss on devaluation of investment securities (Note 3)	**(3,226)**	(242)	(47)	**(32,841)**
Impairment losses of fixed assets (Note 5)	**(226)**	(56)	(133)	**(2,301)**
Amortization of negative goodwill	**118**	90	38	**1,201**
Other-net	**(331)**	(43)	166	**(3,369)**
Other expenses-net	**(5,323)**	(3,044)	(1,909)	**(54,189)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**12,184**	19,678	18,082	**124,035**
INCOME TAXES (Note 10):				
Current	**6,861**	8,057	5,923	**69,846**
Deferred	**(1,014)**	397	2,572	**(10,323)**
Total income taxes	**5,847**	8,454	8,495	**59,523**
MINORITY INTERESTS IN NET INCOME	**70**	293	126	**713**
NET INCOME	**¥ 6,267**	¥ 10,931	¥ 9,461	**$ 63,799**

PER SHARE OF COMMON STOCK (Note 2.q):	Yen			U.S. Dollars (Note 1)
Basic net income	**¥ 38.2**	¥ 66.6	¥ 64.1	**$ 0.39**
Cash dividends applicable to the year	**8.0**	11.0	10.0	**0.08**

See notes to consolidated financial statements.

SUMIKIN BUSSAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended March 31, 2009, 2008 and 2007

	Thousands	Millions of Yen		
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2006	146,969	¥ 8,077	¥ 2,826	¥ 9,302
Reclassified balance as of March 31, 2006 (Note 2.k)				
Issuance of new shares	17,250	4,259	4,259	
Net income				9,461
Cash dividends				(1,175)
Bonuses to directors				(40)
Effect of change in scope of consolidated subsidiaries and associated companies				(45)
Land revaluation surplus				(3)
Purchase of treasury stock	(145)			
Disposal of treasury stock	13		3	
Net change in the year				
BALANCE, MARCH 31, 2007	164,087	¥ 12,336	¥ 7,088	¥ 17,500
Net income				10,931
Cash dividends				(1,805)
Effect of change in ownership ratio of an associated company				149
Effect of change in scope of an associated company				(168)
Purchase of treasury stock	(111)			
Disposal of treasury stock	33		3	
Net change in the year				
BALANCE, MARCH 31, 2008	164,009	¥ 12,336	¥ 7,091	¥ 26,607
Adjustment of retained earnings due to an adoption of PITF No.18 (Note 2.b)				31
Net income				6,267
Cash dividends				(1,886)
Effect of change in ownership ratio of an associated company				(414)
Purchase of treasury stock	(67)			
Disposal of treasury stock	48		(5)	
Net change in the year				
BALANCE, MARCH 31, 2009	163,990	¥ 12,336	¥ 7,086	¥ 30,605

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, MARCH 31, 2008	$ 125,583	$ 72,188	$ 270,864
Adjustment of retained earnings due to an adoption of PITF No.18 (Note 2.b)			316
Net income			63,799
Cash dividends			(19,200)
Effect of change in ownership ratio of an associated company			(4,214)
Purchase of treasury stock			
Disposal of treasury stock		(51)	
Net change in the year			
BALANCE, MARCH 31, 2009	$ 125,583	$ 72,137	$ 311,565

See notes to Consolidated Financial Statements.

Millions of Yen							
Land Revaluation Surplus	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
¥ 95	¥ 4,596	¥ 225		¥ (72)	¥ 25,049		¥ 25,049
						¥ 1,515	1,515
					8,518		8,518
					9,461		9,461
					(1,175)		(1,175)
					(40)		(40)
					(45)		(45)
(18)					(21)		(21)
				(68)	(68)		(68)
				3	6		6
	1,048	316	¥ 101		1,465	85	1,550
¥ 77	¥ 5,644	¥ 541	¥ 101	¥ (137)	¥ 43,150	¥ 1,600	¥ 44,750
					10,931		10,931
					(1,805)		(1,805)
					149		149
					(168)		(168)
				(54)	(54)		(54)
				11	14		14
	(3,518)	12	(926)		(4,432)	446	(3,986)
¥ 77	¥ 2,126	¥ 553	¥ (825)	¥ (180)	¥ 47,785	¥ 2,046	¥ 49,831
					31		31
					6,267		6,267
					(1,886)		(1,886)
					(414)		(414)
				(21)	(21)		(21)
				17	12		12
(1)	(1,534)	(2,544)	772		(3,307)	(83)	(3,390)
¥ 76	¥ 592	¥ (1,991)	¥ (53)	¥ (184)	¥ 48,467	¥ 1,963	¥ 50,430

Thousands of U.S. Dollars (Note 1)							
Land Revaluation Surplus	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Deferred Loss on Derivatives under Hedge Accounting	Treasury Stock	Total	Minority Interests	Total Equity
$ 784	$ 21,643	$ 5,629	$ (8,399)	$ (1,832)	$ 486,460	$ 20,829	$ 507,289
					316		316
					63,799		63,799
					(19,200)		(19,200)
					(4,214)		(4,214)
				(214)	(214)		(214)
				173	122		122
(10)	(15,617)	(25,898)	7,859		(33,666)	(845)	(34,511)
$ 774	$ 6,026	$ (20,269)	$ (540)	$ (1,873)	$ 493,403	$ 19,984	$ 513,387

SUMIKIN BUSSAN CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	**2009**
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 12,184**	¥ 19,678	¥ 18,082	**$ 124,035**
Adjustments for:				
Income taxes-paid	**(9,644)**	(7,572)	(2,152)	**(98,178)**
Depreciation and amortization	**1,776**	1,775	1,755	**18,080**
Reversal of provision for doubtful receivables	**(2,512)**	(1,679)	(1,332)	**(25,572)**
Impairment losses on fixed assets	**226**	56	133	**2,301**
(Gain) loss on sales of securities-net	**(368)**	240	40	**(3,746)**
Loss on devaluation of investment securities	**3,226**	242	47	**32,841**
Loss (gain) on sales of property, plant and equipment-net	**48**	(20)	(399)	**488**
Changes in assets and liabilities:				
Decrease (increase) in receivables	**38,903**	10,737	(24,286)	**396,040**
(Increase) decrease in inventories	**(7,059)**	(3,855)	1,574	**(71,862)**
(Decrease) increase in payables	**(38,724)**	(10,353)	12,969	**(394,217)**
Decrease in liability for retirement benefits	**(150)**	(347)	(235)	**(1,527)**
Other-net	**4,177**	(1,186)	803	**42,523**
Total adjustments	**(10,101)**	(11,962)	(11,083)	**(102,829)**
Net cash provided by operating activities	**2,083**	7,716	6,999	**21,206**
INVESTING ACTIVITIES:				
Increase (decrease) in time deposit	**70**	65	(3)	**713**
Purchases of property, plant and equipment	**(2,922)**	(2,961)	(3,509)	**(29,746)**
Proceeds from sales of property, plant and equipment	**196**	272	792	**1,995**
Purchases of intangible assets	**(33)**	(184)	(396)	**(336)**
Proceeds from sales of intangible assets	**19**	1	1	**193**
Purchases of investment securities	**(1,142)**	(7,771)	(563)	**(11,626)**
Proceeds from sales of investment securities	**652**	1,990	231	**6,638**
Purchases of the shares of companies previously unconsolidated	**160**	(774)	(1,152)	**1,629**
Sales of the shares of companies previously consolidated		558	(21)	
Decrease in short-term loan receivables	**63**	75	105	**641**
Decrease (increase) in long-term loan receivables	**69**	(608)	(151)	**702**
Proceed from sales of beneficiary rights of trust			8,075	
Other-net	**144**	(435)	563	**1,466**
Net cash provided by (used in) investing activities	**(2,724)**	(9,772)	3,972	**(27,731)**
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings-net	**5,698**	2,399	(13,384)	**58,007**
Proceeds from long-term debt	**5,561**	4,462	3,710	**56,612**
Repayments of long-term debt	**(5,693)**	(6,759)	(9,079)	**(57,956)**
Proceeds from issuance of new shares			8,464	
Cash dividends paid	**(1,885)**	(1,800)	(1,171)	**(19,190)**
Dividends paid to minority shareholders	**(72)**	(72)	(98)	**(733)**
Proceeds from funds paid by minority shareholders		126	101	
Other-net	**(12)**	(39)	(62)	**(122)**
Net cash used in financing activities	**3,597**	(1,683)	(11,519)	**36,618**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(470)**	28	83	**(4,785)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,486**	(3,711)	(465)	**25,308**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR			184	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**8,430**	12,141	12,422	**85,819**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 10,916**	¥ 8,430	¥ 12,141	**$ 111,127**

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SUMIKIN BUSSAN CORPORATION (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 ¥98.23 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 46 (44 in 2008 and 2007) significant subsidiaries (together, the "Group").

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

Investments in 2 (2 in 2008 and 2007) unconsolidated subsidiaries and 9 (9 in 2008 and 11 in 2007) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition or the excess fair value of the net assets of the acquired subsidiary over the cost of an acquisition is being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements - In May 2006, the Accounting Standards Board of Japan (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: 1) 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, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill
(2) Scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity
(3) Expensing capitalized development costs of R&D
(4) Cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting
(5) Recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and
(6) Exclusion of minority interests from net income, if contained.

PITF No.18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Company applied this accounting standard effective April 1, 2008. The effect of this change was not material. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. 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.

d. 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 the analysis of certain individual receivables.

e. Inventories - Inventories are principally stated as follows:
Steel products are stated at cost determined by the moving-average 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.

In July , 2006, the ASBJ issued ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories”, which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The Company and the consolidated subsidiaries adopted the new accounting standard for measurement of inventories in the year ended March 31, 2008. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥ 1,469 million.

f. Marketable and Investment Securities - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) trading securities, which are held for the purpose of earning capital gains in the short term are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains or losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and 28 (27 in 2008, 25 in 2007) 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 18 (17 in 2008, 19 in 2007) consolidated subsidiaries is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets. On the basis of acquisition cost, 29.0% of building and structures, 19.5% of machinery and equipment, 71.3% of furniture and fixtures are depreciated by the declining-balance method. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 12 years for machinery and equipment.

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

h. Long –lived assets - The Group reviews its long-lived assets for impairment whether events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be 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.

i. Goodwill and Negative Goodwill - Both goodwill and negative goodwill are amortized by on a straight-line basis over five years.

j. Retirement and Pension Plans - The Company and certain consolidated subsidiaries have non-contributory funded pension plans covering substantially all of their employees.

For the year ended 2008, retirement benefits to directors, executive officers and corporate auditors were provided at the amount that would be required if all directors, executive officers and corporate auditors retired at the balance sheet date in accordance with a Report of the Auditing and Assurance Practice Committee, "An Auditing Treatment for Retirement Benefits to Directors and Corporate Auditors", which was published by the Japanese Institute of Certified Public Accountants on April 13, 2007 and is effective for fiscal years beginning on or after April 1, 2007. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥ 277 million , which included a cumulative effect of ¥ 206 million at March 31, 2007. This cumulative effect was included in selling, general and administrative expenses in the 2008 consolidated statement of income

Effective June 24, 2008, the Company terminated its unfunded retirement benefits for all directors and executive officers. The outstanding balance of retirement benefits for directors and executive officers as of June 24, 2008 was reclassified to other long-term liabilities from liability for retirement benefits of ¥96 million ($977 thousand) in the year ended March 31, 2009.

k. Presentation of Equity - In December, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

l. 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 issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. There was no effect on operating income and income before income taxes from this change.
All other leases are accounted operating leases.

m. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 income taxes are measured by applying currently enacted tax laws to the temporary differences.

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

o. 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" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

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

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statements of income

b) for derivatives used for hedging purposes, if 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 long-term debt. These swaps which 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.

q. Per Share Information - Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock split. The weighted-average number of shares of common stock used in the computation was 163,996 thousand shares for 2009, 164,038 thousand shares for 2008 and 147,690 thousand shares for 2007.

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 statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. Bonuses for directors - For the year ended March 31, 2009, the Company amended the regulation of bonuses for directors. Under the previous regulation, bonuses for directors were accrued at the year end to which such bonuses were attributable. Under the amended regulation, bonuses for directors are combined with monthly remuneration and not accrued at the year end.

s. New Accounting Pronouncements

Business Combinations - On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method - The current accounting standard requires unification of accounting policies within the consolidation group. However, the current guidance allows application of the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), "Revised 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 adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States 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: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations - On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Current:			
Government and corporate bonds		¥ 16	
Total		¥ 16	
Non-current:			
Marketable equity securities	**¥ 6,647**	¥ 9,258	**$ 67,667**
Government and corporate bonds	**15**		**153**
Other	**4,224**	4,020	**43,001**
Total	**¥ 10,886**	¥ 13,278	**$ 110,821**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows:

March 31, 2009	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 5,044**	**¥ 2,392**	**¥ 789**	**¥ 6,647**
Debt securities	**15**	**0**		**15**

March 31, 2008	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 5,399	¥ 4,333	¥ 474	¥ 9,258
Debt securities	15	0		15

March 31, 2009	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 51,349**	**$ 24,351**	**$ 8,033**	**$ 67,667**
Debt securities	**153**	**0**		**153**

For the year ended March 31, 2009 and 2008, the impairment losses were recorded in the aggregate amount of ¥370 million ($3,767 thousand) and 68 million, respectively.
The Company recognizes on impairment loss when the fair value of marketable and investment securities is reduced to less than 50% of the acquisition cost at the end of period. In addition, a loss is also recognized when the fair market value declines more than 30% but less than 50%, if necessary, considering the possibility of market value recovery or other factors.

Proceed from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥652 million ($6,637 thousand) and ¥660 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥354 million ($3,604 thousand) and ¥30 million ($305 thousand) respectively, for the year ended March 31, 2009 and gross realized gains on these sales were ¥183 million, for the year ended March 31, 2008.

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Available-for-sale:			
Equity securities	**¥ 4,224**	¥ 4,020	**$ 43,001**
Debt securities		1	
Total	**¥ 4,224**	¥ 4,021	**$ 43,001**

For the year ended March 31, 2008, certain available-for-sale securities, which the Company acquired and for which the Company's ratio of shares held has increased, were changed to investment in and advances to an associated company.

The effect of this change was to decrease investment securities and net unrealized gain on available-for-sale securities, by ¥2,730 million and ¥1,388 million, respectively.

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Merchandise and finished products	**¥ 49,284**	¥ 46,406	**$ 501,720**
Work in process	**910**	901	**9,264**
Raw materials and supplies	**10,356**	7,311	**105,426**
Total	**¥ 60,550**	¥ 54,618	**$ 616,410**

5. LONG-LIVED ASSETS

The Group recognized impairment losses of ¥226 million ($2,301 thousand) in stores and other operating assets for the year ended March 31, 2009 and ¥56 million in stores for the year ended March 31, 2008, respectively.

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

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

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

In the case of use value, the relevant assets are evaluated based on expected future cash flows discounted at 6.29% for the year ended March 31, 2009 and mainly 6.74% for the year ended March 31, 2008.

In the case of net sale value, the relevant assets are evaluated based on publicly-assessed values for the year ended March 31, 2009.

6. GOODWILL AND NEGATIVE GOODWILL

Goodwill as of March 31, 2009 and 2008, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Consolidation goodwill	**¥ 148**	¥ 210	**$ 1,507**
Acquisition goodwill	**205**	235	**2,087**
Total	**¥ 353**	¥ 445	**$ 3,594**

Amortization charged to selling, general and administrative expenses for the years ended March 31, 2009 and 2008, was ¥200 million ($2,036 thousand) and ¥236 million, respectively.

The carrying amount of negative goodwill for the years ended March 31, 2009 and 2008 was provided in consolidation.

Amortization charged to other income for the years ended March 31, 2009 and 2008, was ¥118 million ($1,201 thousand) and ¥90 million, respectively.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Loans, primarily from banks with interest principally at 0.710% to 7.550% in 2009, 0.542% to 6.380% in 2008	**¥ 69,431**	¥ 64,223	**$ 706,821**

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Loans, primarily from banks and insurance companies with interest principally at 0.450% to 8.141% in 2009, 0.450% to 8.141% in 2008, due serially to 2016:			
Collateralized	**¥ 956**	¥ 1,415	**$ 9,732**
Unsecured	**18,299**	18,220	**186,287**
Obligations under finance leases	**11**		**112**
Total	**19,266**	19,635	**196,131**
Less current portion	**(4,118)**	(5,676)	**(41,922)**
Long-term debt, less current portion	**¥ 15,148**	¥ 13,959	**$ 154,209**

The annual maturities of long-term debt excluding finance leases (see Note 10) as of March 31, 2009 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 4,116	$ 41,901
2011	3,999	40,710
2012	3,267	33,259
2013	4,618	47,012
2014	3,201	32,587
2015 and thereafter	54	550
Total	¥ 19,255	$ 196,019

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investment securities	762	7,757
Land	590	6,006
Buildings and structures	327	3,329
Other	17	173

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 its certain consolidated subsidiaries have severance payment plans for employees.

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 or by death.

Prior to February, 2006, the Company had a defined benefit pension system which consisted of a funded pension plan and an unfunded lump-sum severance payment.

Effective in February, 2006, the Company revised its retirement and pension plans. A funded pension plan was modified to a cash-balance plan, which is a kind of defined benefit plan and a part of lump-sum severance payment was changed to a combined plan of a defined contribution plan and a prepaid retirement benefit plan, which can be selected by each employee.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Projected benefit obligation	**¥ 9,702**	¥ 9,987	**$ 98,768**
Fair value of plan assets	**(5,340)**	(6,905)	**(54,362)**
Unrecognized actuarial loss	**(2,227)**	(836)	**(22,671)**
Unrecognized prior service cost	**240**	275	**2,443**
Prepaid pension expenses	**3**		**30**
Net liability	**¥ 2,378**	¥ 2,521	**$ 24,208**

Assets necessary as at February 1, 2006 for the defined contribution pension plan and the prepaid retirement benefit plan were ¥1,131 million. The asset contribution will be completed in four years.

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Service cost	**¥ 409**	¥ 392	**$ 4,164**
Interest cost	**171**	173	**1,741**
Expected return on plan assets	**(127)**	(145)	**(1,293)**
Recognized actuarial loss	**210**	94	**2,138**
Amortization of prior service cost	**(35)**	(35)	**(356)**
Others	**270**	359	**2,748**
Net periodic benefit costs	**¥ 898**	¥ 838	**$ 9,142**

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Recognition period of actuarial gain / loss	**10 years, generally**	10 years, generally
Amortization period of prior service cost	**10 years**	10 years

The liability for retirement benefits for directors and corporate auditors in certain consolidated subsidiaries is ¥367 million ($3,737 thousand) at March 31,2009.

9. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1)having the Board of Directors, (2)having independent auditors (3)having the Board of Corporate Auditors, and (4)the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (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 also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decrease and transfer of common stock, reserve and surplus

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

(c) Treasury stock and treasury stock acquisition rights

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

Under the "Law of Land Revaluation", a company accounted for by the equity method elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of June 30, 2000.

The resulting land revaluation surplus represents unrealized appreciation of land and the Company's equity in unrealized appreciation is stated, net of income taxes, as a component of equity. There is no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the value of the decline should be removed from the land revaluation excess amount and deferred tax liabilities. The details of the one-time revaluation as of June 30, 2000 are as follows:

Land before revaluation —	¥ 1,097 million
Land after revaluation —	¥ 1,620 million
Deferred tax liabilities —	¥ 220 million
Land revaluation excess —	¥ 303 million

At March 31, 2009 and 2008, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥209 million ($2,128 thousand) and ¥207 million, respectively.

10. INCOME TAXES

The Company and its consolidated 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 40.67% for the years ended March 31, 2009 and 2008. The consolidated foreign subsidiaries are subject to a number of different taxes based on income at tax rates specific to the rates of each country.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred Tax Assets:			
Inventories	**¥ 2,584**	¥ 1,562	**$ 26,306**
Provision for doubtful receivables	**234**	279	**2,382**
Impairment losses on fixed assets	**325**	362	**3,308**
Excess depreciation	**300**	190	**3,054**
Loss on devaluation of stock and investments in affiliated companies	**1,219**	162	**12,410**
Accured enterprise taxes	**238**	427	**2,423**
Accured bonuses to employees	**600**	601	**6,108**
Pension and severance costs	**965**	1,102	**9,824**
Tax loss carryforwards	**714**	687	**7,269**
Other	**1,724**	2,003	**17,551**
Less valuation allowance	**(4,406)**	(3,223)	**(44,854)**
Total	**¥ 4,497**	¥ 4,152	**$ 45,781**
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 595**	¥ 1,482	**$ 6,057**
Other	**853**	976	**8,684**
Total	**¥ 1,448**	¥ 2,458	**$ 14,741**
Net deferred tax assets	**¥ 3,049**	¥ 1,694	**$ 31,040**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	**40.67%**	40.67%
Effect of taxation on dividends eliminated in the consolidation	**5.96**	2.65
Non-taxable gain	**(5.41)**	(2.18)
Elimination of allowance for doubtful accounts in consolidation subsidiary	**(1.81)**	
Non deductible expenses	**1.60**	
Accumulated earnings in foreign affiliated company	**(1.46)**	
Foreign tax credit	**(1.11)**	(1.55)
Increase of valuation allowance	**10.71**	5.91
Other-net	**(1.16)**	(2.54)
Actual effective tax rate	**47.99%**	42.96%

At March 31, 2009, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,841 million ($18,742 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
2012	¥ **9**	$ **92**
2013	**96**	**977**
2014	**64**	**652**
2015	**284**	**2,891**
2016 and thereafter	**1,388**	**14,130**
Total	¥ **1,841**	$ **18,742**

11. LEASES

Total lease expense under finance leases was ¥ 370 million ($3,767 thousand) and ¥ 449 million for the years ended March 31, 2009 and 2008, respectively.

As discussed in Note 2.l, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2009			2008			**2009**		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Buildings and structures	¥ **7**	¥ **4**	¥ **3**	¥ 7	¥ 3	¥ 4	$ **71**	$ **40**	$ **31**
Machinery and equipment	**952**	**598**	**354**	1,113	581	532	**9,692**	**6,088**	**3,604**
Furniture and fixtures	**453**	**274**	**179**	624	331	293	**4,611**	**2,789**	**1,822**
Other	**387**	**236**	**151**	461	221	240	**3,940**	**2,403**	**1,537**
Total	**¥ 1,799**	**¥ 1,112**	¥ **687**	¥ 2,205	¥ 1,136	¥ 1,069	**$18,314**	**$11,320**	**$ 6,994**

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed by the straight-line method and was ¥370 million ($3,767 thousand) and ¥449 million for the years ended March 31, 2009 and 2008, respectively.

Obligations under finance leases as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Due within one year	¥ **295**	¥ 375	$ **3,003**
Due after one year	**392**	694	**3,991**
Total	¥ **687**	¥ 1,069	$ **6,994**

The amount of obligations under finance leases includes the imputed interest expense portion.

The minimum rental commitments under non-cancelable operating leases as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Due within one year	¥ **27**	¥ 38	$ **275**
Due after one year	**103**	146	**1,048**
Total	¥ **130**	¥ 184	$ **1,323**

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.

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 the derivative instruments is basically offset by opposite movements in the value of the hedged assets or liabilities. Also because the counterparties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

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

Information regarding derivative contracts or notional amounts, market value and related unrealized gains or losses as of March 31, 2009 and 2008 are not stated because the Group utilizes hedge accounting for all its derivative transactions.

13. RELATED PARTY DISCLOSURES

At March 31, 2009, 38.50% of the Company's issued shares were owned by Sumitomo Metal Industries, Ltd. ("SMI"), which is principally engaged in manufacturing various kinds of steel products.

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

Related party transactions with SMI as of and for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Sales	**¥ 264,198**	¥ 263,778	**$ 2,689,586**
Purchases	**183,024**	175,397	**1,863,219**

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Trade receivables	**¥ 18,219**	¥ 19,623	**$ 185,473**
Trade payables	**30,712**	39,992	**312,654**

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	**¥ 3,367**	**$ 34,277**
Trade notes endorsed	**73**	**743**
Guarantees for loans	**1,429**	**14,547**
Total	**¥ 4,869**	**$ 49,567**

15. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2009 were approved at the Company's Shareholders' meeting held on June 24, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.025) per share	**¥ 410**	**$ 4,174**

16. SEGMENT INFORMATION

Operational information by industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2009 and 2008 is as follows:

(i) Industry Segments

Effective April 1, 2008, the Group changed its industry segmentation from Steel, Textiles, Foodstuffs, Raw Materials and Semi-finished Steel Products and Machinery Construction Nonferrous Metals and Others to Steel, Raw Materials and Semi-finished Steel Products, Machinery and Metals, Textiles, Foodstuffs and Others, because the Company established a system to collect and administrate information by its new industry segmentation from the year ended March 31, 2009.

Prior to April 1, 2008, the Company classified such information in consideration of similarities of product type.

Under the new industry segmentation, the Company classified such information based on the types of products by market and sales method, to appropriately present the business segments in line with similarities of the company system. The segment information for the year ended March 31, 2008 were prepared using the new segmentation.

	Millions of Yen							
	2009							
	Steel	Raw Materials and Semi-finished Steel Products	Machinery and Metals	Textiles	Foodstuffs	Others	Eliminations or Unallocated	Consolidated
Sales to customers	¥ 495,374	¥ 316,555	¥ 165,632	¥ 167,838	¥ 144,295	¥ 1,480		¥1,291,174
Intersegment sales	1,170	54	1,621	0		2,967	¥ (5,812)	
Total sales	496,544	316,609	167,253	167,838	144,295	4,447	(5,812)	1,291,174
Operating expenses	488,010	315,902	164,930	162,655	143,870	4,110	(5,810)	1,273,667
Operating income	¥ 8,534	¥ 707	¥ 2,323	¥ 5,183	¥ 425	¥ 337	¥ (2)	¥ 17,507
Assets	¥ 154,312	¥ 24,790	¥ 65,914	¥ 63,503	¥ 37,192	¥ 14,725	¥ 5,242	¥ 365,678
Depreciation	1,101	3	235	233	234		170	1,976
Impairment losses on fixed assets				37	189			226
Capital expenditures	1,669	9	299	356	448	316		3,097

	Thousands of U.S. Dollars							
	2009							
	Steel	Raw Materials and Semi-finished Steel Products	Machinery and Metals	Textiles	Foodstuffs	Others	Eliminations or Unallocated	Consolidated
Sales to customers	$ 5,043,001	$ 3,222,590	$ 1,686,165	$ 1,708,623	$ 1,468,950	$ 15,067		$13,144,396
Intersegment sales	11,911	549	16,502	0		30,205	$ (59,167)	
Total sales	5,054,912	3,223,139	1,702,667	1,708,623	1,468,950	45,272	(59,167)	13,144,396
Operating expenses	4,968,034	3,215,942	1,679,019	1,655,859	1,464,624	41,841	(59,147)	12,966,172
Operating income	$ 86,878	$ 7,197	$ 23,648	$ 52,764	$ 4,326	$ 3,431	$ (20)	$ 178,224
Assets	$ 1,570,925	$ 252,367	$ 671,017	$ 646,473	$ 378,622	$ 149,903	$ 53,364	$ 3,722,671
Depreciation	11,208	31	2,392	2,372	2,382		1,731	20,116
Impairment losses on fixed assets				377	1,924			2,301
Capital expenditures	16,991	91	3,044	3,624	4,561	3,217		31,528

	Millions of Yen						
	2008						
	Steel	Textiles	Foodstuffs	Raw Materials and Semi-finished Steel Products	Machinery, Construction, Nonferrous Metals and Others	Eliminations or Unallocated	Consolidated
Sales to customers	¥ 481,750	¥ 172,635	¥ 142,376	¥ 292,632	¥ 225,581		¥1,314,974
Intersegment sales	1,301	69			3,051	¥ (4,421)	
Total sales	483,051	172,704	142,376	292,632	228,632	(4,421)	1,314,974
Operating expenses	473,227	167,421	138,714	291,640	225,667	(4,417)	1,292,252
Operating income	¥ 9,824	¥ 5,283	¥ 3,662	¥ 992	¥ 2,965	¥ (4)	¥ 22,722
Assets	¥ 175,141	¥ 66,670	¥ 41,314	¥ 33,144	¥ 83,238	¥ 2,540	¥ 402,047
Depreciation	959	228	301	4	519		2,011
Impairment losses on fixed assets			56				56
Capital expenditures	1,312	297	306	1	1,199		3,115

If the segment information for the year ended March 31, 2008 were prepared using the new segmentation, such information would be as follows:

	Millions of Yen							
	2008							
	Steel	Raw Materials and Semi-finished Steel Products	Machinery and Metals	Textiles	Foodstuffs	Others	Eliminations or Unallocated	Consolidated
Sales to customers	¥ 496,742	¥ 292,631	¥ 208,980	¥ 172,567	¥ 142,376	¥ 1,678		¥1,314,974
Intersegment sales	1,484		1,948	15		2,775	¥ (6,222)	
Total sales	498,226	292,631	210,928	172,582	142,376	4,453	(6,222)	1,314,974
Operating expenses	488,689	291,639	207,533	167,328	138,714	4,566	(6,217)	1,292,252
Operating income	¥ 9,537	¥ 992	¥ 3,395	¥ 5,254	¥ 3,662	¥ (113)	¥ (5)	¥ 22,722
Assets	¥ 168,576	¥ 33,144	¥ 74,456	¥ 66,453	¥ 41,314	¥ 14,791	¥ 3,313	¥ 402,047
Depreciation	1,113	4	194	227	301		172	2,011
Impairment losses on fixed assets					56			56
Capital expenditures	1,773	1	374	297	306	363		3,115

Notes: (a)
- The steel segment consists of various steel products, construction materials and construction.
- The raw materials and semi-finished steel products segment consists of raw materials for blast and electric furnaces and semi-finished steel products.
- The machinery and metals segment consists of nonferrous metals, machinery metals and raw metals.
- The textiles segment consists of yarns and fabrics, clothing, bedding, interior items, uniforms and undergarments.
- The foodstuffs segment consists of beef, pork, mutton, chicken, and marine products.
- The others segment consists of real estate.

(b) For the years ended March 31, 2009 and 2008, eliminations or unallocated assets include ¥6,437 million ($65,530 thousand) and ¥4,201 million, respectively, of unallocable assets, which mainly consist of cash and cash equivalents of the Company.

(c) Amortization of Goodwill is included in Depreciation.

(d) As noted in Note2-e., effective April 1, 2007, the Company and consolidated subsidiaries early adopted Accounting Standard for Measurement of Inventories (ASBJ Statement No.9 issued by Accounting Standard Board of Japan on July 5,2006).

As a result, operating expenses in the Steel business increased by ¥267 million, Textiles business increased by ¥526 million, Foodstuffs business increased by ¥130 million, Machinery, Construction, Nonferrous Metals and Others business increased by ¥546 million, and operating income decreased by the same amounts each in the year ended March 31, 2008.

(e) As noted in Note2-j., effective April 1, 2007, the Company and consolidated subsidiaries changed accounting for retirement benefits for directors, executive officers and corporate auditors ("An Auditing Treatment for Retirement Benefits to Directors and Corporate Auditors", which was published by the Japanese Institute of Certified Public Accountants on April 13, 2007) .

As a result, operating expenses in the Steel business increased by ¥90 million, Textiles business increased by ¥106 million, Foodstuffs business increased by ¥35 million, Raw Materials and Semi-finished Steel Products business increased by ¥11 million, Machinery, Construction, Nonferrous Metals and Others business increased by ¥35 million and operating income decreased by the same amounts each in the year ended March 31, 2008.

(ii) Geographical segments

Geographical segment information is not disclosed because the Group's overseas operations are immaterial.

(iii) Sales to Foreign Customers

Information about sales to foreign customers is not disclosed because they are immaterial compared with consolidated net sales.

Deloitte.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SUMIKIN BUSSAN CORPORATION:

We have audited the accompanying consolidated balance sheets of SUMIKIN BUSSAN CORPORATION and consolidated subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SUMIKIN BUSSAN CORPORATION and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 24, 2009

Corporate Data

(As of March 31, 2009)

Date of Establishment

April 12, 1941

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Number of Employees

889

Number of Subsidiaries and Associated Companies

69 and 24

Sumikin Bussan Corporation