Financial Data 2013

Sumikin Bussan Corporation

Contents

Consolidated Balance Sheet

March 31, 2013

ASSETS	Millions of Yen 2013	2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ **11,195**	¥ 10,395	$ **119,032**
Marketable securities	**14**	-	**148**
Receivables (Notes 12 and 13):			
Trade notes (Note 13)	**51,481**	48,454	**547,379**
Trade accounts (Note 12)	**156,288**	173,875	**1,661,754**
Unconsolidated subsidiaries and associated companies	**9,189**	9,116	**97,671**
Other	**116**	180	**1,275**
Allowance for doubtful receivables	**(1,905)**	(1,608)	**(20,255)**
Inventories (Note 4)	**53,359**	61,704	**567,347**
Advances to suppliers	**2,256**	2,301	**23,987**
Deferred tax assets (Note 11)	**1,692**	1,805	**17,990**
Prepaid expenses and other current assets	**2,005**	2,617	**21,318**
Total current assets	**285,694**	308,842	**3,037,682**
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 7):			
Land	**17,265**	17,257	**183,572**
Buildings and structures	**20,670**	19,772	**219,776**
Machinery and equipment	**15,359**	12,800	**163,306**
Furniture and fixtures	**5,919**	5,765	**62,934**
Lease assets	**215**	197	**2,286**
Construction in progress	**771**	711	**8,197**
Total	**60,201**	56,503	**640,095**
Accumulated depreciation	**(25,720)**	(24,174)	**(273,471)**
Net property, plant and equipment	**34,481**	32,329	**366,624**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 7 and 12)	**14,744**	11,580	**156,767**
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 12)	**15,934**	10,787	**169,420**
Long-term loans	**373**	760	**3,965**
Goodwill (Note 6)	**266**	444	**2,828**
Deferred tax assets (Note 11)	**975**	1,184	**10,366**
Other assets	**7,451**	7,847	**79,223**
Allowance for doubtful receivables	**(3,180)**	(3,508)	**(33,811)**
Total investments and other assets	**36,565**	29,096	**388,782**
TOTAL	¥ **356,741**	¥ 370,268	$ **3,793,099**

Consolidated Balance Sheet

March 31, 2013

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7, 12 and 13)	¥ **75,182**	¥ 71,965	$ **799,383**
Current portion of long-term debt (Notes 7, 12 and 13)	**3,653**	6,245	**38,841**
Payables (Notes 12 and 13):			
Trade notes	**51,974**	54,696	**552,620**
Trade accounts (Note 14)	**113,305**	137,224	**1,204,731**
Unconsolidated subsidiaries and associated companies	**814**	738	**8,654**
Other	**558**	698	**5,933**
Advances from customers	**2,088**	2,719	**22,200**
Income taxes payable (Note 11)	**2,692**	3,768	**28,623**
Accrued expenses	**3,988**	3,886	**42,402**
Asset retirement obligations (Note 9)	**1**	43	**10**
Deferred tax liabilities (Note 11)	**5**	9	**53**
Other	**3,511**	2,784	**37,331**
Total current liabilities	**257,776**	284,781	**2,740,839**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 12 and 13)	**16,298**	15,068	**173,290**
Liability for retirement benefits (Note 8)	**2,335**	2,720	**24,827**
Provision for loss on liquidation of an associated company	**-**	4	**-**
Asset retirement obligations (Note 9)	**139**	96	**1,477**
Deferred tax liabilities (Note 11)	**935**	864	**9,941**
Other	**1,121**	1,241	**11,919**
Total long-term liabilities	**20,830**	19,995	**221,477**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Notes 10 and 16):			
Common stock-authorized, 400,000,000 shares; issued, 164,534,094 shares in 2013 and 164,534,094 shares in 2012	**12,335**	12,335	**131,153**
Capital surplus	**7,084**	7,084	**75,321**
Retained earnings	**54,576**	45,673	**580,287**
Treasury stock, at cost, 2,691,986 shares in 2013 and 2,676,083 shares in 2012	**(583)**	(579)	**(6,198)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities (Note 3)	**2,695**	1,376	**28,654**
Deferred gain on derivatives under hedge accounting	**14**	85	**148**
Foreign currency translation adjustments	**(1,375)**	(3,457)	**(14,619)**
Total	**74,746**	62,517	**794,747**
Minority interests	**3,387**	2,973	**36,012**
Total equity	**78,134**	65,491	**830,770**
TOTAL	¥ **356,741**	¥ 370,268	$ **3,793,099**

See notes to consolidated financial statements.

SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Income

Year Ended March 31, 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	**2013**
NET SALES (Note 14)	**¥ 788,776**	¥ 807,245	¥ 790,900	**$ 8,386,772**
COST OF SALES (Notes 4 and 14)	**724,168**	744,905	732,314	**7,699,819**
Gross profit	**64,607**	62,340	58,585	**686,943**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6 and 8)	**49,610**	48,810	48,328	**527,485**
Operating income	**14,997**	13,529	10,257	**159,457**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**651**	659	604	**6,921**
Interest expense	**(1,415)**	(1,439)	(1,436)	**(15,045)**
Gain on sales of securities-net (Note 3)	**1**	83	36	**10**
Loss on disposal of property, plant and equipment	**-**	-	(269)	**-**
Gain on sales of property, plant and equipment	**73**	119	2	**776**
Loss on sales of property, plant and equipment	**(332)**	(38)	(11)	**(3,530)**
Loss on devaluation of investment securities (Note 3)	**(60)**	(68)	(1,087)	**(637)**
Impairment losses of fixed assets (Note 5)	**(43)**	(425)	(277)	**(457)**
Losses form a natural disaster	**-**	-	(582)	**-**
Provision for loss on liquidation of an associated company	**-**	-	(44)	**-**
Loss on adjustment for changes in accounting standard for asset retirement obligations	**-**	-	(161)	**-**
Equity in earnings (losses) of an unconsolidated subsidiary and associated companies	**1,389**	(703)	1,493	**14,768**
Gain on negative goodwill	**13**	537	-	**138**
Gain on liquidation of subsidiaries and affiliates	**-**	357	-	**-**
Loss on change in equity	**(42)**	(172)	(34)	**(446)**
Other-net	**1,104**	543	589	**11,738**
Other income (expenses)-net	**1,340**	(546)	(1,177)	**14,247**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**16,337**	12,982	9,079	**173,705**
INCOME TAXES (Note 11):				
Current	**5,617**	5,456	3,245	**59,723**
Deferred	**56**	369	53	**595**
Total income taxes	**5,673**	5,825	3,298	**60,318**
NET INCOME BEFORE MINORITY INTERESTS	**10,664**	7,157	5,781	**113,386**
MINORITY INTERESTS IN NET INCOME (LOSS)	**312**	(42)	32	**3,317**
NET INCOME	**¥ 10,351**	¥ 7,199	¥ 5,748	**$ 110,058**

PER SHARE OF COMMON STOCK (Note 2.t):	Yen			U.S. Dollars (Note 1)
Basic net income	**¥ 63.9**	¥ 44.3	¥ 35.0	**$ 0.67**
Cash dividends applicable to the year	**12.0**	8.0	6.0	**0.13**

See notes to consolidated financial statements.

SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	**2013**
NET INCOME BEFORE MINORITY INTERESTS	**¥ 10,664**	¥ 7,157	¥ 5,781	**$ 113,386**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):				
Unrealized gain (loss) on available-for-sale securities	**1,322**	527	(36)	**14,056**
Deferred (loss) gain on derivatives under hedge accounting	**(71)**	228	(21)	**(754)**
Foreign currency translation adjustments	**1,071**	(220)	(689)	**11,387**
Share of other comprehensive income (loss) in an unconsolidated subsidiary and associated companies	**1,133**	(526)	(432)	**12,046**
Total other comprehensive income (loss)	**¥ 3,455**	¥ 9	¥ (1,179)	**$ 36,735**
COMPREHENSIVE INCOME (Note 16)	**¥ 14,119**	¥ 7,166	¥ 4,602	**$ 150,122**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):				
Owners of the parent	**13,682**	7,203	4,657	**145,475**
Minority interests	**436**	(37)	(55)	**4,635**

See notes to consolidated financial statements.

SUMIKIN BUSSAN CORPORATION and its Consolidated Subsidiaries

Consolidated Statement of Changes in Equity

Year Ended March 31, 2013

	Thousands	Millions of Yen		
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings
BALANCE, APRIL 1, 2010	163,979	¥ 12,335	¥ 7,084	¥ 34,439
Net income				5,748
Cash dividends, ¥ 6 per share				(819)
Effect of change in ownership ratio of an associated company				0
Effect of change in scope of consolidated subsidiaries				76
Reversal of land revaluation surplus				76
Change in scope of equity method				10
Purchase of treasury stock	(116)			
Disposal of treasury stock	2		0	
Net change in the year				
BALANCE, MARCH 31, 2011	163,865	12,335	7,084	39,532
Net income				7,199
Cash dividends, ¥ 8 per share				(1,059)
Effect of change in ownership ratio of an associated company				0
Purchase of treasury stock	(2,010)			
Disposal of treasury stock	2		(0)	
Net change in the year				
BALANCE, MARCH 31, 2012	161,858	12,335	7,084	45,673
Net income				10,351
Cash dividends, ¥ 12 per share				(1,456)
Effect of change in ownership ratio of an associated company				7
Purchase of treasury stock	(16)			
Disposal of treasury stock	0		(0)	
Net change in the year				
BALANCE, MARCH 31, 2013	161,842	¥ 12,335	¥ 7,084	¥ 54,576

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, MARCH 31, 2012	$ 131,153	$ 75,321	$ 485,624
Net income			110,058
Cash dividends, $ 0.106 per share			(15,481)
Effect of change in ownership ratio of an associated company			74
Purchase of treasury stock			
Disposal of treasury stock		(0)	
Net change in the year			
BALANCE, MARCH 31, 2013	$ 131,153	$ 75,321	$ 580,287

See notes to consolidated financial statements.

Millions of Yen

Treasury Stock	Accumulated other comprehensive income: Unrealized Gain (Loss) on Available-for-Sale Securities	Accumulated other comprehensive income: Deferred Gain (Loss) on Derivatives under Hedge Accounting	Accumulated other comprehensive income: Land Revaluation Surplus	Accumulated other comprehensive income: Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
¥ (184)	¥ 889	¥ (121)	¥ 76	¥ (1,630)	¥ 52,888	¥ 1,779	¥ 54,668
					5,748		5,748
					(819)		(819)
					0		0
					76		76
					76		76
					10		10
(20)					(20)		(20)
0					0		0
	(13)	(21)	(76)	(1,102)	(1,214)	863	(350)
(204)	875	(143)		(2,733)	56,747	2,643	59,390
					7,199		7,199
					(1,059)		(1,059)
					0		0
(375)					(375)		(375)
0					0		0
	500	228		(724)	4	330	355
(579)	1,376	85		(3,457)	62,517	2,973	65,491
					10,351		10,351
					(1,456)		(1,456)
					7		7
(3)					(3)		(3)
0					0		0
	1,319	(71)		2,082	3,330	413	3,744
¥ (583)	¥ 2,695	¥ 14		¥ (1,375)	¥ 74,746	¥ 3,387	¥ 78,134

Thousands of U.S. Dollars (Note 1)

Treasury Stock	Accumulated other comprehensive income: Unrealized Gain on Available- for-Sale Securities	Accumulated other comprehensive income: Deferred Gain (Loss) on Derivatives under Hedge Accounting	Accumulated other comprehensive income: Land Revaluation Surplus	Accumulated other comprehensive income: Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
$ (6,156)	$ 14,630	$ 903		$ (36,757)	$ 664,720	$ 31,610	$ 696,342
					110,058		110,058
					(15,481)		(15,481)
					74		74
(31)					(31)		(31)
0					0		0
	14,024	(754)		22,137	35,406	4,391	39,808
$ (6,198)	$ 28,654	$ 148		$ (14,619)	$ 794,747	$ 36,012	$ 830,770

Consolidated Statement of Cash Flows

Year Ended March 31, 2013

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2013	2012	2011	**2013**
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 16,337**	¥ 12,982	¥ 9,079	**$ 173,705**
Adjustments for:				
Income taxes-paid	**(6,715)**	(3,030)	(3,061)	**(71,398)**
Depreciation and amortization	**2,247**	2,194	2,223	**23,891**
Equity in (earnings) losses of an unconsolidated subsidiary and associated companies	**(1,389)**	703	(1,493)	**(14,768)**
Loss on adjustment for changes in accounting standard for asset retirement obligations	**-**	-	161	**-**
Reversal of provision for doubtful receivables	**(46)**	(529)	(821)	**(489)**
Loss on disposal of property, plant and equipmet	**-**	-	269	**-**
Losses from a natural disaster	**-**	-	582	**-**
Impairment losses on fixed assets	**43**	425	277	**457**
Gain on sales of securities-net	**(1)**	(83)	(36)	**(10)**
Loss on devaluation of investment securities	**60**	68	1,087	**637**
(Gain) loss on sales of property, plant and equipment-net	**258**	(81)	9	**2,743**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries				
Decrease (increase) in receivables	**15,386**	(19,174)	(779)	**163,593**
Decrease (increase) in inventories	**9,424**	(8,467)	(7,511)	**100,202**
(Decrease) increase in payables	**(27,607)**	19,346	(1,063)	**(293,535)**
Decrease in liability for retirement benefits	**(386)**	(295)	(224)	**(4,104)**
Other-net	**1,818**	1,303	722	**19,330**
Total adjustments	**(6,909)**	(7,620)	(9,658)	**(73,460)**
Net cash provided by (used in) operating activities	**9,428**	5,362	(578)	**100,244**
INVESTING ACTIVITIES:				
Increase (decrease) in time deposit	**175**	(13)	(9)	**1,860**
Purchases of property, plant and equipment	**(3,695)**	(3,109)	(3,729)	**(39,287)**
Proceeds from sales of property, plant and equipment	**407**	924	371	**4,327**
Purchases of intangible assets	**(20)**	(183)	(249)	**(212)**
Purchases of investment securities	**(4,061)**	(2,037)	(2,428)	**(43,179)**
Proceeds from sales of investment securities	**28**	200	208	**297**
Purchases of the shares of companies previously unconsolidated	**(37)**	(246)	(288)	**(393)**
Sales of the shares of companies previously consolidated	**-**	8	62	**-**
Decrease (increase) in short-term loans receivable	**136**	97	(525)	**1,446**
Payments of long-term loans receivable	**(747)**	(349)	(1,504)	**(7,942)**
Proceeds from long-term loans receivable	**562**	96	1,269	**5,975**
Other-net	**14**	158	190	**148**
Net cash used in investing activities	**(7,236)**	(4,454)	(6,631)	**(76,937)**
FINANCING ACTIVITIES:				
Increase in short-term borrowings-net	**1,160**	1,148	8,388	**12,333**
Proceeds from long-term debt	**5,046**	5,507	4,146	**53,652**
Repayments of long-term debt	**(6,594)**	(5,162)	(5,698)	**(70,111)**
Purchase of treasury stock	**(3)**	(376)	-	**(31)**
Dividends paid	**(1,455)**	(1,061)	(824)	**(15,470)**
Dividends paid to minority shareholders	**(84)**	(46)	(27)	**(893)**
Proceeds from funds paid by minority shareholders	**163**	26	1	**1,733**
Other-net	**(71)**	(149)	(131)	**(754)**
Net cash (used in) provided by financing activities	**(1,839)**	(113)	5,855	**(19,553)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**447**	(110)	(304)	**4,752**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**800**	684	(1,659)	**8,506**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**-**	-	155	**-**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**10,395**	9,711	11,214	**110,526**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 11,195**	¥ 10,395	¥ 9,711	**$ 119,032**

See notes to consolidated financial statements.

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 2011 and 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥ 94.05 to $ 1, the rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its 57 significant (53 in 2012 and 50 in 2011) subsidiaries (collectively, 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 1 (1 in 2012 and 1 in 2011) unconsolidated subsidiary and 15 (13 in 2012 and 11 in 2011) 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 Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

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

d. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of 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. Textiles are stated at cost determined by the first-in, first-out method or by the specific identification method. Food items are stated at cost determined by the specific identification method. Other inventories are stated at cost determined by the moving-average method or by the specific identification method. (See Note 4.)

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

1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings; 2) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity, are reported at amortized cost; and 3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

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

h. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its 35 (31 in 2012 and 29 in 2011) 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 22 (22 in 2012 and 21 in 2011) 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, 37.5% of buildings and structures, 18.0% of machinery and equipment, and 70.6% of furniture and fixtures are depreciated by the declining-balance method. The range of useful lives is principally from 2 to 50 years for buildings and structures, and from 2 to 20 years for machinery and equipment.

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

Change of accounting policy which is not easily distinguished from change of accounting estimate
Effective April 1, 2012, as a result of the revision of Japanese corporate tax law, certain domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012, to the method stipulated under the revised corporate tax law.

The effect of this change was immaterial.

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 member.

l. Asset Retirement Obligations - In March 2008, the ASBJ published ASBJ Statement No.18, “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21, “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation (ARO) is defined as a legal obligation imposed by either law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The ARO is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the ARO cannot be made in the period the ARO is incurred, the liability should be recognized when a reasonable estimate of the ARO can be made. Upon initial recognition of a liability for an ARO, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

m. Losses from a Natural Disaster - The provision is provided for the restoration of the property struck by the Higashi-Nihon Earthquake based on estimated amounts of possible loss at the end of the reporting period.

n. Provision for Loss on Liquidation of an Associated Company - The provision is provided for loss on the business liquidation of an associated company based on the estimated amounts of possible loss.

o. 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. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

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 note 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 which 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 which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

p. 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 tax laws to the temporary differences.

q. 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.

r. 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.

s. 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 and interest rate swaps, which 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:
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. The 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.

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.

t. 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 161,851 thousand shares for 2013, 162,344 thousand shares for 2012 and 163,934 thousand shares for 2011.

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 years including dividends to be paid after the end of the year.

u. Accounting Changes and Error Corrections - In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies-When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation-When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates-A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors-When an error in prior-period financial statements is discovered, those statements are restated.

v. New Accounting Pronouncements

Accounting Standard for Retirement Benefits - On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009. Major changes are as follows:

1) Treatment in the balance sheet

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

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

liability (liability for retirement benefits) or asset (asset for retirement benefits).
2) Treatment in the statement of income and the statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.
3) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

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

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

The Company expects to apply the revised accounting standard for (1) and (2) above from the end of the annual period beginning on April 1, 2013, and for (3) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Current:			
Government and corporate bonds	**¥ 14**		**$ 148**
Non-current:			
Marketable equity securities	**¥ 8,092**	¥ 6,437	**$ 86,039**
Government and corporate bonds		14	
Other	**6,637**	5,128	**70,568**
Total	**¥ 14,744**	¥ 11,580	**$ 156,767**

The costs and aggregate fair values of marketable and investment securities at March 31, 2013 and 2012, were as follows:

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

March 31, 2012	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 3,865	¥ 2,762	¥ 191	¥ 6,437
Debt securities	14	0		14

March 31, 2013	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 46,135**	**$ 40,584**	**$ 680**	**$ 86,039**
Debt securities	**148**	**0**		**148**

The information for available-for-sale securities which were sold during the years ended March 31, 2013 and 2012, is as follows:

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

	Millions of Yen		
March 31, 2012	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	¥ 195	¥ 83	¥ 9
Other	22	8	
Total	¥ 217	¥ 92	¥ 9

	Thousands of U.S. Dollars		
March 31, 2013	Proceeds	Realized Gains	Realized Loss
Available-for-sale:			
Marketable equity securities	**$ 297**	**$ 85**	**$ 0**
Other	**148**		**(74)**
Total	**$ 457**	**$ 85**	**$ (74)**

The impairment losses on available-for-sale marketable equity securities for the years ended March 31, 2013 and 2012, were ¥ 0 million ($ 0 thousand).

The impairment losses on other available-for-sale equity securities for the years ended March 31, 2013 and 2012, were ¥ 60 million ($ 637 thousand) and ¥ 76 million, respectively.

4. INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Merchandise and finished products	**¥ 44,247**	¥ 51,694	**$ 470,462**
Work in process	**1,783**	1,284	**18,958**
Raw materials and supplies	**7,328**	8,725	**77,916**
Total	**¥ 53,359**	¥ 61,704	**$ 567,347**

5. LONG-LIVED ASSETS

The Group recognized impairment losses of ¥ 43 million ($ 457 thousand) for stores and other operating assets for the year ended March 31, 2013, and ¥ 425 million for processing facilities and other operating assets for the year ended March 31, 2012.

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

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

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

In the case of use value, the relevant assets are evaluated based on expected future cash flows discounted at 5.62% for the year ended March 31, 2013, and 5.13% for the year ended March 31, 2012.

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

6. GOODWILL

Goodwill as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Consolidation goodwill	**¥ 266**	¥ 396	**$ 2,828**
Acquisition goodwill	**0**	48	**0**
Total	**¥ 266**	¥ 444	**$ 2,828**

Amortization charged to selling, general and administrative expenses for the years ended March 31, 2013 and 2012, was ¥ 219 million ($ 2,328 thousand) and ¥ 222 million, respectively.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loans, primarily from banks with interest principally at 0.310% to 5.040% in 2013 and 0.255% to 6.100% in 2012	**¥ 75,182**	¥ 71,965	**$ 799,383**

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loans, primarily from banks and insurance companies with interest principally at 0.050% to 4.020% in 2013, 0.050% to 4.020% in 2012, due serially through 2015:			
Collateralized	**¥ 280**	¥ 548	**$ 2,977**
Unsecured	**19,531**	20,616	**207,666**
Obligations under finance leases	**140**	148	**1,488**
Total	**19,951**	21,314	**212,131**
Less current portion	**(3,653)**	(6,245)	**(38,841)**
Long-term debt, less current portion	**¥ 16,298**	¥ 15,068	**$ 173,290**

The annual maturities of long-term debt excluding finance leases as of March 31, 2013, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 3,594	$ 38,213
2015	4,469	47,517
2016	3,437	36,544
2017	6,345	67,464
2018	1,863	19,808
Total	¥ 19,709	$ 209,558

The carrying amounts of assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investment securities	¥ 438	$ 4,657
Land	961	10,217
Machinery and equipment	3	31
Buildings and structures	1,176	12,503

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 employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ 10,250**	¥ 10,476	**$ 108,984**
Fair value of plan assets	**(7,011)**	(6,367)	**(74,545)**
Unrecognized actuarial difference	**(1,311)**	(1,828)	**(13,939)**
Unrecognized prior service cost	**75**	116	**797**
Prepaid pension expenses	**32**	16	**340**
Net liability	**¥ 2,035**	¥ 2,413	**$ 21,637**

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Service cost	**¥ 428**	¥ 431	**$ 4,550**
Interest cost	**85**	159	**903**
Expected return on plan assets	**(113)**	(112)	**(1,201)**
Recognized actuarial difference	**110**	288	**1,169**
Amortization of prior service cost	**(41)**	(41)	**(435)**
Others	**320**	348	**3,402**
Net periodic benefit costs	**¥ 790**	¥ 1,074	**$ 8,399**

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	**1.0%**	1.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Recognition period of actuarial gain/loss	**9 years, generally**	9 years, generally
Amortization period of prior service cost	**9 years**	9 years

The liability for retirement benefits for directors and audit & supervisory board members in certain consolidated subsidiaries at March 31, 2013 and 2012, are ¥ 299 million ($ 3,179 thousand) and ¥ 307 million, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Balance at beginning of year	**¥ 140**	¥ 142	**$ 1,488**
Additional provisions associated with the acquisition of property, plant and equipment	**4**	3	**42**
Reconciliation associated with passage of time	**1**	1	**10**
Reduction associated with settlement of asset retirement obligations	**(4)**	(6)	**(42)**
Balance at end of year	**¥ 140**	¥ 140	**$ 1,488**

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

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

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

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

(3) Treasury stock and treasury stock acquisition rights

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

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

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

11. 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 37.99% and 40.67% for the years ended March 31, 2013 and 2012, 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 loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred Tax Assets:			
Inventories	**¥ 1,363**	¥ 1,467	**$ 14,492**
Provision for doubtful receivables	**1,357**	1,273	**14,428**
Excess depreciation	**777**	533	**8,261**
Loss on devaluation of investment securities	**274**	270	**2,913**
Loss on devaluation of stock and investments in associated companies	**863**	913	**9,175**
Accrued bonuses to employees	**512**	463	**5,443**
Pension and severance costs	**732**	873	**7,783**
Tax effects attributable to investment in a subsidiary in the course of liquidation	**503**	144	**5,348**
Tax loss carryforwards	**1,536**	1,697	**16,331**
Other	**1,566**	1,816	**16,650**
Less valuation allowance	**(5,053)**	(5,142)	**(53,726)**
Total	**¥ 4,436**	¥ 4,313	**$ 47,166**
Deferred Tax Liabilities:			
Net unrealized gain on available-for-sale securities	**¥ 1,270**	¥ 857	**$ 13,503**
Unrealized gains on assets and liabilities of consolidated subsidiaries	**598**	630	**6,358**
Reserve for advanced depreciation of non-current assets	**337**	372	**3,583**
Other	**502**	335	**5,337**
Total	**¥ 2,709**	¥ 2,196	**$ 28,803**
Net deferred tax assets	**¥ 1,726**	¥ 2,116	**$ 18,351**

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 years ended March 31, 2013 and 2012, is as follows:

	2013	2012
Normal effective statutory tax rate	**37.99%**	40.67%
Effect of taxation on dividends eliminated in consolidation	**4.00**	4.87
Non-taxable gain	**(3.72)**	(4.38)
Non-deductible expenses	**1.30**	1.19
Gain and loss on investments from equity method	**(3.25)**	2.20
Tax effects attributable to investment in a subsidiary in the course of liquidation	**(1.75)**	(1.14)
Effect of tax rate reduction		1.37
Other-net	**0.16**	0.09
Actual effective tax rate	**34.73%**	44.87%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012, through March 31, 2015, and to 36% afterwards. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012, by ¥ 55 million ($ 669 thousand) and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥ 300 million ($ 3,650 thousand).

At March 31, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥ 4,513 million ($ 47,964 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:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 781	$ 8,304
2019	1,221	12,982
2020	729	7,751
2021	820	8,718
2022	960	10,207
Total	¥ 4,513	$ 47,985

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group utilizes indirect and direct financing, such as bank loans and liquidation of receivables for working capital including inventory funds and funds of capital investments, positions to secure mobility, reduction of costs and stable procuration as the basic funding policy. In addition, the Group does not invest for speculation because it basically does not have cash surplus, and uses minimum necessary imprest funds as short-term deposits. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. 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 forward foreign currency contracts.

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 are 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 and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 13 for more details of derivatives.

(3) Risk management for financial instruments

(i) Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Company manages its credit risk on the basis of credit management guidelines, which include assessing customers quantitatively and qualitatively by the Credit Control Department to set credit limits. The credit limits are periodically reviewed. The consolidated subsidiaries manage credit risk under similar credit management guidelines.

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

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

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

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

Marketable and investment securities are managed by monitoring market values and the financial position of issuers periodically, and the Company continuously reviews the status of holding securities by considering the relationship to customers and suppliers of the Group. The loans in foreign currency 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 Corporate Treasury Department under the limits of transactions which are approved in 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 Corporate Planning Department. In addition, the consolidated subsidiaries manage derivative transactions based on the Company's internal guidelines. The transaction data has been reported in the Board of Directors meeting on a regular basis.

(iii) Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by the Group's treasury management from Cash Management System, diversification of financing measures, loans from several financial institutions, and the adjustment for the length of financing from Asset Liability Management. In addition, the Corporate Treasury 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, 2013 and 2012, are as follows: financial instruments whose fair value cannot be reliably determined are not included in the following information. Also please see Note 13 for the detail of fair value for derivatives.

(i) Fair value of financial instruments.

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

March 31, 2012	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	¥ 10,395	¥ 10,395	
Receivables	231,627		
Allowance for doubtful receivables	(1,608)		
Receivables-net	230,019	230,019	
Investment securities	6,452	6,452	
Investments in and advances to unconsolidated subsidiaries and associated companies	2,117	4,112	¥ 1,995
Total	¥ 248,983	¥ 250,979	¥ 1,995
Short-term borrowings	¥ 71,965	¥ 71,965	
Current portion of long-term debt	6,245	6,245	
Payables	193,358	193,358	
Long-term debt	15,068	15,100	¥ 31
Total	¥ 286,637	¥ 286,669	¥ 31

March 31, 2013	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain /Loss
Cash and cash equivalents	**$ 119,032**	**$ 119,032**	
Receivables	**2,308,091**		
Allowance for doubtful receivables	**(20,255)**		
Receivables-net	**2,287,836**	**2,287,836**	
Investment securities	**86,039**	**86,039**	
Investments in and advances to unconsolidated subsidiaries and associated companies	**46,964**	**133,035**	**$ 86,071**
Total	**$ 2,539,883**	**$ 2,625,964**	**$ 86,071**
Short-term borrowings	**$ 799,383**	**$ 799,383**	
Current portion of long-term debt	**38,841**	**38,841**	
Payables	**1,771,951**	**1,771,951**	
Long-term debt	**173,290**	**173,524**	**$ 223**
Total	**$ 2,783,487**	**$ 2,783,710**	**$ 223**

Assets

(a) Cash and cash equivalents

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

(b) Receivables

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

(c) Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair values for marketable and investment securities by classification is included in Note 3.

Liabilities

(a) Payables, 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 13.

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

	Carrying Amount		
March 31, 2013	**2013, Millions of Yen**	2012, Millions of Yen	**2013, Thousands of U.S.Dollars**
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 6,652**	¥ 5,107	**$ 70,728**
Investments in and advances to unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	**10,607**	8,084	**112,780**
Investments in debt instruments that do not have a quoted market price in an active market		21	

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

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

March 31, 2012	Millions of Yen 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	¥ 10,395			
Receivables	231,627			
Investment securities:				
Available-for-sale securities with contractual maturities		¥ 15		
Total	¥ 242,023	¥ 15		

March 31, 2013	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**$ 119,032**			
Receivables	**2,308,091**			
Investment securities:				
Available-for-sale securities with contractual maturities	**159**			
Total	**$ 2,427,283**			

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

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

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

Derivative transactions to which hedge accounting is not applied

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

	Millions of Yen			
March 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
USD	¥ 174		¥ (3)	¥ (3)
Buying:				
USD	1,382		26	26
JPY	44		0	0
Currency swaps	934	¥ 934	(6)	(6)
Total	¥ 2,535	¥ 934	¥ 16	¥ 16
Interest rate swaps (fixed-rate payment and floating-rate receipt)	¥ 367		¥ (0)	¥ (0)

	Thousands of U.S. Dollars			
March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling:				
USD	**$ 2,009**		**$ (0)**	**$ (0)**
JPY	**159**		**0**	**0**
Buying:				
USD	**14,130**		**(148)**	**(148)**
JPY	**148**		**(10)**	**(10)**
EUR	**329**		**0**	**0**
Currency swaps	**10,462**	**$ 10,462**	**(265)**	**(265)**
Total	**$ 27,272**	**$ 10,462**	**$ (446)**	**$ (446)**
Interest rate swaps (fixed-rate payment and floating-rate receipt)	**$ 1,382**	**$ 1,382**	**$ (10)**	**$ (10)**

Derivative transactions to which hedge accounting is applied

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

		Millions of Yen		
March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		¥ 1,777		¥ (31)
JPY		245		(3)
EUR		148		(2)
GBP		1		(0)
HKD		0		0
Buying:	Payables			
USD		55,423	¥ 12,670	476
THB		115		5
EUR		112		3
GBP		58	1	0
AUD		55		2
Currency swap:	Long-term debt			
USD		4,000	4,000	
Currency options:	Payables			
USD		8		(2)
AUD		1		0
Total		¥ 61,949	¥ 16,671	¥ 447
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and Long-term debt	¥ 20,943	¥ 12,595	¥ (411)

March 31, 2013	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:	Receivables			
USD		$ 36,119		$ (1,828)
JPY		4,922		233
EUR		1,392		(95)
Buying:	Payables			
USD		642,679	$ 155,757	6,953
THB		4,465		
EUR		1,371		(0)
GBP		733		10
HKD		0		
AUD		329		21
Currency swap:	Long-term debt			
USD		42,530	42,530	
Currency options:	Payables			
USD		574		(21)
AUD		0		0
Total		$ 735,172	$ 198,288	$ 5,284
Interest rate swaps (fixed-rate payment and floating-rate receipt)	Short-term borrowings and Long-term debt	$ 243,870	$ 204,582	$ (2,998)

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.

14. RELATED PARTY DISCLOSURES

At March 31, 2013, 39% 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, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
	NSSMC	SMI	NSSMC
Sales	**¥ 9,038**	¥ 12,413	**$ 96,097**
Purchases	**146,920**	148,482	**1,562,147**

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
	NSSMC	SMI	NSSMC
Trade receivables	**¥ 2,426**	¥ 2,238	**$ 25,794**
Trade payables	**28,199**	41,312	**299,829**

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

15. CONTINGENT LIABILITIES

At March 31, 2013, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	**¥ 4,094**	**$ 43,530**
Trade notes endorsed	**120**	**1,275**
Guarantees for loans	**1,730**	**18,394**
Maximum amount of obligations to		
repurchase transferred receivables under certain conditions	**1,124**	**11,951**
Total	**¥ 7,068**	**$ 75,151**

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2013, were as follows:

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2013	2012	**2013**
Unrealized gain on available-for-sale securities			
Gains arising during the year	**¥ 1,765**	¥ 615	**$ 18,766**
Reclassification adjustments to profit or loss	**(0)**	(32)	**(0)**
Amount before income tax effect	**1,764**	583	**18,755**
Income tax effect	**(442)**	(55)	**(4,699)**
Total	**¥ 1,322**	¥ 527	**$ 14,056**
Deferred (loss) gain on derivatives under hedge accounting			
(Losses) gains arising during the year	**¥ (340)**	¥ 130	**$ (3,615)**
Reclassification adjustments to profit or loss	**233**	249	**2,477**
Amount before income tax effect	**(107)**	380	**(1,137)**
Income tax effect	**36**	(151)	**382**
Total	**¥ (71)**	¥ 228	**$ (754)**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥ 1,154**	¥ (231)	**$ 12,270**
Reclassification adjustments to profit or loss	**(155)**		**(1,648)**
Amount before income tax effect	**998**	(231)	**10,611**
Income tax effect	**72**	10	**765**
Total	**¥ 1,071**	¥ (220)	**$ 11,387**
Share of other comprehensive income (loss) in an unconsolidated subsidiary and associated companies			
Gains (losses) arising during the year	**¥ 1,112**	¥ (614)	**$ 11,823**
Reclassification adjustments to profit or loss	**20**	88	**212**
Total	**¥ 1,133**	¥ (526)	**$ 12,046**
Total other comprehensive income	**¥ 3,455**	¥ 9	**$ 36,735**

17. SUBSEQUENT EVENT

(1) The Company and Nippon Steel Trading Co., Ltd. (collectively, the "Companies") reached a final agreement to integrate their businesses on October 1 of this year and executed a merger agreement (the "Merger Agreement") after approval at a meeting of the Board of Directors of each company held in April 2013. The merger mentioned above was approved at the annual shareholders' meeting to be held by each company, scheduled on June 21 of this year.

(i) Objectives of the Integration

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

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

(ii) Outline of Nippon Steel Trading Co., Ltd.

Name	Nippon Steel Trading Co., Ltd.
Address	2-1, Otemachi 2-chome, Chiyoda-ku, Tokyo
Title and name of the representative	Kenji Hiwatari, President
Description of business activities	Steel products, Raw materials and Machinery
Capital	8.8 billion yen
Consolidated net assets (FY 2012)	62,848 million yen
Consolidated total assets (FY 2012)	262,171 million yen
Consolidated sales (FY 2012)	1,026,354 million yen
Consolidated net income (FY 2012)	6,138 million yen

(iii) Schedule of the Integration

April 26, 2013	Date of resolution regarding the Integration at the Board of Directors' meeting (Companies)
April 26, 2013	Execution date of the Merger Agreement (Companies)
June 21, 2013	Annual shareholders' meeting to approve the Merger Agreement (Companies)
September 25, 2013 (planned)	Last trading date (Sumikin Bussan)
September 26, 2013 (planned)	Date of Delisting (Sumikin Bussan)
October 1, 2013 (planned)	Effective Date of the Merger

(iv) Method of Integration

The Companies will implement the Integration by absorption-type merger (the "Merger"). Taking into account various factors so that the Merger serves the interests of shareholders, with respect to the Merger procedures, Nippon Steel Trading will be the company surviving the absorption-type merger, and Sumikin Bussan will be the company absorbed in the absorption-type merger.

(v) Allotment of shares under the Merger

	Nippon Steel Trading (company surviving the absorption-type merger)	Sumikin Bussan (company absorbed in the absorption-type merger)
Allotment of shares under the Merger	1	1.08

(Note 1) The number of shares of Nippon Steel Trading to be delivered under the Merger: 174,789,476 common shares (planned) (The number of shares of Nippon Steel Trading to be delivered under the Merger could be modified because of the change of the number of treasury shares of Sumikin Bussan, etc.)

(Note 2) Nippon Steel Trading shares will be delivered by allotment in the ratio of 1.08 Nippon Steel Trading shares to one Sumikin Bussan share. However, no shares will be allotted as a result of the Merger with respect to 2,691,986 treasury shares (as of March 31, 2013) held by Sumikin Bussan.

(Note 3) Handling of shares, which constitute less than one shares unit

As a result of the Merger, those shareholders of Sumikin Bussan who are to hold shares, which constitute less than one shares unit (less than 1,000 shares), may demand the following related to common shares of Nippon Steel Trading. Shareholders will not be able to sell shares, which constitute less than one shares unit at a securities exchange.

(i)Demand purchase of shares which constitute less than one shares unit (selling shares, which constitute less than 1,000 shares)

Pursuant to Article 192 paragraph 1 of the Companies Act, those shareholders of Nippon Steel Trading who hold shares, which constitute less than one shares unit may demand that Nippon Steel Trading purchase such shares, which constitute less than one shares unit.

(ii)Demand sale to holders of shares which constitute less than one shares unit (buying shares up to 1,000 shares)

Pursuant to Article 194 paragraph 1 of the Companies Act and the provisions in the Articles of Incorporation of Nippon Steel Trading, those shareholders of Nippon Steel Trading who hold shares, which constitute less than one shares unit may demand that Nippon Steel Trading sell to holders of shares, which constitute less than one shares unit such number of shares, which together with the number of shares less than one shares unit held by such holders, will constitute one shares unit (1,000 shares).

At present, although Nippon Steel Trading does not have provisions related to a demand for sale to holders of shares, which constitute less than one shares unit in its articles of incorporation, Nippon Steel Trading will include such provision in its articles of incorporation, subject to approval of the shareholders at the shareholders' meeting to be held on June 21, 2013.

(Note 4) To those shareholders of Sumikin Bussan who are to receive, as a result of the Merger, an allotment of a fraction of less than one share of Nippon Steel Trading, the amount equivalent to the value of such fraction will be paid in cash, pursuant to the provisions of Article 234 of the Companies Act and other applicable laws and regulations.

(vi) Status after Integration

	Company Surviving the Absorption-Type Merger
Name	NIPPON STEEL & SUMIKIN BUSSAN CORPORATION
Address	5-27, Akasaka 8-chome, Minato-ku, Tokyo
Title and name of the representative	Representative Director, President, Ichiro Miyasaka
Description of business activities	Steel, textiles, foodstuffs, raw materials, machinery, infrastructure, etc.
Capital	12,335 million yen

(2) The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders' meeting held on June 21, 2013

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥ 8.0 ($ 0.08) per share	**¥ 1,294**	**$ 13,758**

18. SEGMENT INFORMATION

Under the ASBJ Statement No.17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures", an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the Steel, Industrial Supply and Infrastructure, Textiles and Foodstuffs segments. Steel consists of various steel products, construction materials and raw materials. Industrial Supply and Infrastructure consists of nonferrous metals, machinery 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, liabilities 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, liabilities and other items

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

	Millions of Yen						
	2012						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 432,278	¥ 101,028	¥ 168,147	¥ 104,427	¥ 1,363		¥ 807,245
Intersegment sales or transfers	2,141	2,298	0		168	¥ (4,610)	
Total	¥ 434,420	¥ 103,327	¥ 168,148	¥ 104,427	¥ 1,532	¥ (4,610)	¥ 807,245
Segment profit (losses)	¥ 3,862	¥ 376	¥ 4,798	¥ 3,203	¥ 176	¥ (8)	¥ 12,408
Segment assets	188,455	55,883	84,271	30,292	7,803	3,561	370,268
Other:							
Depreciation	1,433	164	369	192	33		2,194
Amortization of goodwill	155		67				222
Interest income	142	34	39	21	9		248
Interest expense	741	110	356	153	77		1,439
Equity in earnings (losses) of an unconsolidated subsidiary and associated companies	201	(937)	31				(703)
Investments under the equity method	2,884	5,019	396				8,300
Increase in property, plant and equipment and intangible assets	2,420	250	290	240	7		3,210

	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Consolidated
	Thousands of U.S. Dollars						
	2013						
Sales:							
Sales to external customers	$4,401,446	$ 922,169	$1,854,109	$1,194,587	$ 14,439		$8,386,772
Intersegment sales or transfers	9,452	20,520	21		1,403	$ (31,419)	
Total	$4,410,909	$ 942,700	$1,854,130	$1,194,587	$ 15,842	$ (31,419)	$8,386,772
Segment profit (losses)	$ 52,908	$ 29,112	$ 63,710	$ 32,716	$ (680)	$ 85	$ 177,873
Segment assets	1,908,835	534,673	926,273	311,504	59,840	51,951	$3,793,099
Other:							
Depreciation	16,820	935	4,157	1,786	159		23,891
Amortization of goodwill	1,562	10	754				2,328
Interest income	1,392	276	446	255	95		2,488
Interest expense	8,474	680	4,274	1,073	520		15,045
Equity in earnings of an unconsolidated subsidiary and associated companies	1,945	12,323	489				14,768
Investments under the equity method	33,907	92,620	4,635				131,174
Increase in property, plant and equipment and intangible assets	30,143	935	5,847	2,137	265		39,351

Notes for the year ended March 31, 2013

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

(b) The reconciliation in segment profit or loss of ¥ 8 million ($ 85 thousand) represents the elimination of intersegment trades.

(c) The reconciliation in segment assets of ¥ 4,886 million ($ 51,951 thousand) represents the result of elimination of intersegment trades ¥ 575 million ($ 6,113 thousand) and the Group's assets ¥ 5,461 million ($ 58,064 thousand) which 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 are mainly the following:

- ¥ 332 million ($ 3,530 thousand) of impairment losses of fixed assets, which is included in other income (expenses)
- ¥ 73 million ($ 776 thousand) of gain on sales of property, plant and equipment, which is included in other income (expenses)
- ¥ 60 million ($ 637 thousand) of loss on devaluation of investment securities, which is included in other income (expenses)

Notes for the year ended March 31, 2012

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

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

(c) The reconciliation in segment assets of ¥ 3,561 million represents the result of elimination of intersegment trades ¥ 1,217 million and the Group's assets ¥ 4,778 million which 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 reporting segments and others, and income before income taxes and minority interests in the consolidated financial statements are mainly the following:

- ¥ 8 million of reconciliations
- ¥ 537 million of gain on negative goodwill, which is included in other income (expenses)
- ¥ 425 million of impairment losses of fixed assets, which is included in other income (expenses)
- ¥ 357 million of gain of liquidation of subsidiaries and affiliates, 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			
2013			
Japan	Asia	Others	Total
¥ 687,266	**¥ 81,914**	**¥ 19,595**	**¥ 788,776**

Millions of Yen			
2012			
Japan	Asia	Others	Total
¥ 715,058	¥ 75,944	¥ 16,243	¥ 807,245

Millions of U.S. Dollars			
2013			
Japan	Asia	Others	Total
$ 7,307,453	**$ 870,962**	**$ 208,346**	**$ 8,386,772**

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

(ii) Property, plant and equipment

Millions of Yen			
2013			
Japan	Asia	Others	Total
¥ 26,972	**¥ 4,724**	**¥ 2,784**	**¥ 34,481**

Millions of Yen			
2012			
Japan	Asia	Others	Total
¥ 27,010	¥ 3,239	¥ 2,079	¥ 32,329

Millions of U.S. Dollars			
2013			
Japan	Asia	Others	Total
$ 286,783	**$ 50,228**	**$ 29,601**	**$ 366,624**

(6) Information about major customers

Information about major customers is not disclosed because there was no single external customer amounting to 10% or more of the Group's revenues for the years ended March 31, 2013 and 2012.

(7) Impairment losses of assets are as follows:

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

	Millions of Yen						
	2012						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets		¥ 159	¥ 174	¥ 91			¥ 425

	Millions of U.S. Dollars						
	2013						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Impairment losses of assets			**$ 31**	**$ 414**			**$ 457**

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

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

	Millions of Yen						
	2012						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	¥ 155		¥ 67				¥ 222
Goodwill	337		107				444

	Millions of U.S. Dollars						
	2013						
	Steel	Industrial Supply and Infrastructure	Textiles	Foodstuffs	Others	Reconciliations	Total
Amortization of goodwill	**$ 1,562**	**$ 10**	**$ 754**				**$ 2,328**
Goodwill	**2,317**		**499**				**2,828**

(9) Information about negative goodwill by segment

¥ 13 million ($ 138 thousand) of amortization of negative goodwill for the year ended March 31, 2013, is recognized within the “Textiles” segment. Additional acquisition of subsidiary shares affected this.

¥ 250 million ($ 3,041 thousand) of amortization of negative goodwill for the year ended March 31, 2012, is recognized within the “Steel” segment. A newly consolidated subsidiary and additional acquisition of subsidiary shares affected this.

¥ 286 million ($ 3,479 thousand) of amortization of negative goodwill for the year ended March 31, 2012, is recognized within the “Textiles” segment. A newly consolidated subsidiary affected this.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SUMIKIN BUSSAN CORPORATION:

We have audited the accompanying consolidated balance sheet of SUMIKIN BUSSAN CORPORATION and its consolidated subsidiaries as of March 31, 2013, 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 SUMIKIN BUSSAN CORPORATION and its consolidated subsidiaries as of March 31, 2013, 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.

Emphasis of Matter

As mentioned in the "Subsequent events," SUMIKIN BUSSAN CORPORATION and NIPPON STEEL TRADING CO., LTD. reached a final agreement to integrate their businesses on October 1 of this year and executed a merger agreement after approval at a meeting of the Board of Directors held in April 2013. The merger mentioned above was approved at the annual shareholders' meeting held on June 21 of this year. Our opinion is not qualified in respect of this matter.

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 21, 2013

Corporate Data
(As of March 31, 2013)

Date of Establishment
April 12, 1941

Osaka Head Office
10-9, Shinmachi 1-chome, Nishi-ku, Osaka 550-8662
TEL: 81-6-7634-8001
FAX: 81-6-7634-8009

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
1,134

Number of Subsidiaries and Associated Companies
91 and 27

Sumikin Bussan Corporation