FP CORPORATION and Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2013, and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of FP CORPORATION:

We have audited the accompanying consolidated balance sheet of FP CORPORATION (the "Company") and its 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 the Company and its 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.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2013

Consolidated Balance Sheet
FP CORPORATION and Subsidiaries
March 31, 2013

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	¥ 14,060	¥ 13,910	$ 149,499
Receivables (Note 16):			
Trade notes	13,937	14,402	148,182
Trade accounts	22,090	22,483	234,875
Associated companies	424	444	4,513
Other	2,268	2,341	24,112
Lease investment assets (Notes 14 and 16)	19	19	200
Allowance for doubtful accounts	(31)	(69)	(328)
Inventories (Note 5)	19,522	16,979	207,572
Deferred tax assets (Note 13)	1,144	1,397	12,166
Prepaid expenses and other current assets	411	404	4,365
Total current assets	73,844	72,310	785,156
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):			
Land	27,805	26,767	295,643
Buildings and structures	78,269	72,708	832,204
Machinery and equipment	31,166	28,870	331,380
Tools, furniture and fixtures	18,118	18,479	192,644
Lease assets (Note 14)	18,933	15,928	201,311
Construction in progress	1,766	3,789	18,773
Total	176,057	166,541	1,871,955
Accumulated depreciation	(85,410)	(80,743)	(908,136)
Net property, plant and equipment	90,647	85,798	963,819
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 16)	3,320	2,934	35,300
Investments in and advances to associated companies	68	68	723
Long-term loans	42	86	450
Goodwill	1,128	1,672	11,989
Software	764	804	8,127
Deferred tax assets (Note 13)	1,101	1,020	11,704
Other assets	1,411	1,370	15,000
Allowance for doubtful accounts	(65)	(97)	(689)
Total investments and other assets	7,769	7,857	82,604
TOTAL	¥ 172,260	¥ 165,965	$1,831,579

(Continued)

Consolidated Balance Sheet
FP CORPORATION and Subsidiaries
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2013	2012	2013
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 16)	¥ 6,800	¥ 5,500	$ 72,302
Current portion of long-term debt (Notes 8 and 16)	8,266	11,205	87,893
Commercial paper (Note 16)	15,000	15,000	159,490
Payables (Note 16):			
Trade accounts	21,046	21,560	223,775
Associated companies	5	5	58
Other	4,557	7,153	48,458
Current portion of long-term lease obligations (Notes 14 and 16)	2,695	2,197	28,656
Accrued income taxes (Note 16)	2,693	4,032	28,629
Accrued expenses	3,182	3,667	33,831
Other current liabilities	256	232	2,708
Total current liabilities	64,500	70,551	685,800
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 16)	19,729	15,603	209,771
Long-term lease obligations (Notes 14 and 16)	7,931	6,403	84,331
Liability for employees' retirement benefits (Note 9)	2,135	1,972	22,698
Retirement allowances for directors and Audit & Supervisory Board members (Note 10)	1,136	1,099	12,075
Other long-term liabilities (Note 13)	147	134	1,572
Total long-term liabilities	31,078	25,211	330,447
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)			
EQUITY (Note 11):			
Common stock—authorized, 60,000,000 shares; issued, 22,142,106 shares in 2013 and 2012	13,151	13,151	139,826
Capital surplus	15,843	15,843	168,458
Retained earnings	52,062	45,785	553,558
Treasury stock—at cost, 1,444,164 shares in 2013 and 1,444,024 shares in 2012	(4,939)	(4,938)	(52,514)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	546	330	5,806
Total	76,663	70,171	815,134
Minority interests	19	32	198
Total equity	76,682	70,203	815,332
TOTAL	¥ 172,260	¥ 165,965	$ 1,831,579

See notes to consolidated financial statements.
(Concluded)

Consolidated Statement of Income
FP CORPORATION and Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	¥ 158,192	¥ 155,682	$ 1,682,003
COST OF SALES (Notes 3 and 12)	109,511	108,062	1,164,391
Gross profit	48,681	47,620	517,612
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 12)	34,117	32,772	362,755
Operating income	14,564	14,848	154,857
OTHER INCOME (EXPENSES):			
Interest and dividend income	61	76	649
Interest expense	(347)	(411)	(3,693)
Losses from a natural disaster		(242)	
Development expenses received	320		3,397
Other—net	197	299	2,098
Other income—net	231	(278)	2,451
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	14,795	14,570	157,308
INCOME TAXES (Note 13):			
Current	5,799	6,491	61,655
Deferred	148	(18)	1,576
Total income taxes	5,947	6,473	63,231
NET INCOME BEFORE MINORITY INTERESTS	8,848	8,097	94,077
MINORITY INTERESTS IN NET INCOME	1	3	15
NET INCOME	¥ 8,847	¥ 8,094	$ 94,062

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income	¥ 427.41	¥ 391.03	$ 4.54
Cash dividends applicable to the year	129.00	118.00	1.37

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
FP CORPORATION and Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥ 8,848	¥ 8,097	$ 94,077
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain on available-for-sale securities	216	74	2,294
Total other comprehensive income	216	74	2,294
COMPREHENSIVE INCOME	¥ 9,064	¥ 8,171	$ 96,371
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent	¥ 9,063	¥ 8,168	$ 96,356
Minority interests	1	3	15

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
FP CORPORATION and Subsidiaries
Year Ended March 31, 2013

	Shares/Millions of Yen								
						Accumulated Other Comprehensive Income			
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Total	Minority Interests	Total Equity
BALANCE AT APRIL 1, 2011	22,142,106	¥13,151	¥15,843	¥ 40,092	¥(4,937)	¥256	¥64,405	¥36	¥64,441
Net income				8,093			8,093		8,093
Cash dividends, ¥116.00 per share				(2,400)			(2,400)		(2,400)
Purchase of treasury stock					(1)		(1)		(1)
Disposal of treasury stock			0		0		0		0
Net change in the year						74	74	(4)	70
BALANCE AT MARCH 31, 2012	22,142,106	13,151	15,843	45,785	(4,938)	330	70,171	32	70,203
Net income				8,847			8,847		8,847
Cash dividends, ¥124.00 per share				(2,567)			(2,567)		(2,567)
Purchase of treasury stock					(1)		(1)		(1)
Decrease resulting from exclusion of subsidiaries from consolidation				(3)			(3)		(3)
Net change in the year						216	216	(13)	203
BALANCE AT MARCH 31, 2013	22,142,106	¥13,151	¥15,843	¥52,062	¥(4,939)	¥546	¥76,663	¥19	¥76,682

	Thousands of U.S. Dollars (Note 1)							
					Accumulated Other Comprehensive Income			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Total	Minority Interests	Total Equity
BALANCE AT MARCH 31, 2012	$ 139,826	$ 168,458	$ 486,813	$ (52,506)	$ 3,512	$ 746,103	$ 335	$ 746,438
Net income			94,062			94,062		94,062
Cash dividends, $1.31 per share			(27,290)			(27,290)		(27,290)
Purchase of treasury stock				(8)		(8)		(8)
Decrease resulting from exclusion of subsidiaries from consolidation			(27)			(27)		(27)
Net change in the year					2,294	2,294	(137)	2,157
BALANCE AT MARCH 31, 2013	$ 139,826	$ 168,458	$ 553,558	$ (52,514)	$ 5,806	$ 815,134	$ 198	$ 815,332

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

FP CORPORATION and Subsidiaries

Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 14,795	¥ 14,570	$ 157,308
Adjustments for:			
Income taxes—paid	(7,138)	(4,943)	(75,891)
Depreciation and amortization	9,747	9,729	103,635
(Decrease) increase in allowance for doubtful accounts	(70)	17	(740)
Increase in provision for retirement benefits	166	134	1,763
Increase in retirement allowances for directors and Audit & Supervisory Board members	53	51	560
Loss on disposal or sale of property, plant and equipment	278	30	2,952
Losses from a natural disaster		242	
Changes in operating assets and liabilities, net of effects:			
Decrease (increase) in trade receivables	790	(5,786)	8,403
Increase in inventories	(2,582)	(2,298)	(27,453)
Decrease (increase) in other accounts receivables	51	(98)	545
(Decrease) increase in trade payables	(478)	2,663	(5,081)
Receipt of insurance income		500	
Payment of losses from a natural disaster		(526)	
Other—net	195	1,955	2,064
Total adjustments	1,012	1,670	10,757
Net cash provided by operating activities	15,807	16,240	168,065
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(12,830)	(9,241)	(136,415)
Purchases of intangible assets	(331)	(308)	(3,524)
Proceeds from sale of investment securities	68	9	720
Purchases of investment securities	(202)	(80)	(2,152)
Payments for long-term loans	(25)	(30)	(270)
Proceeds from collection of long-term loans	81	95	868
Other—net	162	47	1,734
Net cash used in investing activities	(13,077)	(9,508)	(139,039)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	1,380	(1,100)	14,673
Proceeds from long-term debt	13,010	13,700	138,331
Repayments of long-term debt	(11,814)	(13,678)	(125,614)
Purchase of treasury stock	(1)	(1)	(8)
Dividends paid	(2,571)	(2,398)	(27,339)
Repayments of lease obligations	(2,576)	(2,612)	(27,390)
Other—net	(8)	(6)	(75)
Net cash used in financing activities	(2,580)	(6,095)	(27,422)
NET INCREASE IN CASH AND CASH EQUIVALENTS	150	637	1,604
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,910	13,273	147,895
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 14,060	¥ 13,910	$ 149,499

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements as of March 31, 2013 include the accounts of the Company and all subsidiaries (31 in 2013 and 34 in 2012) (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.

Investments in associated companies are stated at cost. If the equity method of accounting had been applied to the investments in those companies, the effect on the accompanying consolidated financial statements would not be material.

The significant excess of the Company's investments in consolidated subsidiaries over its equity in the net assets at the respective dates of acquisition is being amortized over five years. The insignificant excess of cost over net assets of subsidiaries acquired is charged to income when incurred.

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

(b) Cash Equivalents

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

Cash equivalents include time deposits, which mature or become due within three months of the date of acquisition.

(c) Inventories

Inventories are stated at lower of cost or net selling value. The cost is determined by the following methods:

- The monthly average method for merchandise, finished products, semifinished products, work in process, and raw materials
- The specific identification for real estate for sale
- The last purchased cost method for supplies

(d) Investment Securities

All investment securities are classified as available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation is computed substantially by the declining-balance method over the estimated useful lives of the assets. Additionally, equipment of certain consolidated subsidiaries is depreciated by the straight-line method. Machinery and equipment held for lease are depreciated by the straight-line method over the respective lease periods.

The range of useful lives is mainly as follows:

Buildings and structures ······························ 15 to 35 years
Machinery and equipment (excluding leases) ······ 4 to 8 years

(f) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(g) Other Assets

Intangible assets are carried at cost, less accumulated amortization, which is calculated by the straight-line method principally over five years.

(h) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate, based on the Group’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(i) Liability for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have noncontributory funded pension plans covering substantially all of their employees.

The Group accounts for the liability for retirement benefits, based on projected benefit obligation and plan assets at the balance sheet date in accordance with the accounting standard for employees' retirement benefits.

(j) Retirement Allowances for Directors and Audit & Supervisory Board Members

Retirement allowances for directors and Audit & Supervisory Board members of the Company and certain consolidated subsidiaries are also provided under the internal guidelines.

(k) Asset Retirement Obligations

In accordance with the real estate lease contracts, the Group owes the obligations to restore the rental properties for Tokyo office and Osaka office in leaving from the properties. Asset retirement obligations are accounted for the above obligations and the Group measures the amounts by estimating the total nonrefundable deposits based on the lease contracts.

(l) Research and Development Costs

Research and development costs are charged to income as incurred.

(m) Leases

The Group leases certain equipment as a lessee.

All finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

(n) Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board Members are accrued at the year end to which such bonuses are attributable.

(o) 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.

(p) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share was not presented because there were no dilutive securities for the years ended March 31, 2013 and 2012.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(q) Accounting Changes and Error Corrections

In December 2009, Accounting Standards Board of Japan (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 standards, 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.

(r) 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 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:

(a) 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, are 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).

(b) 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 to 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.

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

The Company expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013 and for (c) 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. ACCOUNTING CHANGE

Prior to April 1, 2012, a Group subsidy that funds the employment of people with disabilities in the recycling business was recognized as "other income" in the consolidated statement of income. Effective April 1, 2012, however, the Group changed the account treatment to deduct the subsidy from cost of sales.
The Group decided to enter the PET recycling business in full-scale with the Chubu Recycling plant beginning full operation during the year ended March 31, 2013, and it was expected that this change would lead to an increase in the employment of disabled people and the amount of the subsidy received.
In order to manage the PET recycling business and reflect the profitability in the consolidated financial statements appropriately, the Group made this accounting change for the subsidy.

This accounting policy change was applied retrospectively and the consolidated financial statements for the year ended March 31, 2012, were restated.

The effects of this accounting policy change for 2012 were as follows: the consolidated statement of income for the year ended of March 31, 2012—"cost of sales" decreased by ¥626 million ($6,656 thousand), and "gross profit" and "operating income" increased by the same amount.

4. INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Noncurrent:			
Marketable equity securities	¥ 2,732	¥ 2,498	$ 29,050
Nonmarketable equity securities	530	382	5,632
Trust fund investment and other	58	54	618
Total	¥ 3,320	¥ 2,934	$ 35,300

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

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,991	¥ 758	¥ (17)	¥ 2,732
Trust fund investments	43	15		58

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,970	¥ 594	¥ (66)	¥ 2,498
Trust fund investments	48	6	(0)	54

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 21,173	$ 8,063	$ (186)	$ 29,050
Trust fund investments	458	160		618

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		
March 31, 2013	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 67	¥ 31	
Total	¥ 67	¥ 31	

	Millions of Yen		
March 31, 2012	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 9		(1)
Total	¥ 9		(1)

	Thousands of U.S. Dollars		
March 31, 2013	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	$ 717	$ 332	
Total	$ 717	$ 332	

The impairment losses on available-for-sale equity securities for the years ended March 31, 2013 and 2012 were ¥2 million ($21 thousand) and ¥89 million, respectively.

5. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Real estate for sale	¥ 13	¥ 13	$ 132
Merchandise and finished products	16,585	14,650	176,347
Work in process	117	132	1,241
Raw materials and supplies	2,807	2,184	29,852
Total	¥ 19,522	¥ 16,979	$ 207,572

6. PROPERTY, PLANT AND EQUIPMENT

Under certain conditions, such as receipt of government subsidy for specific fixed assets, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section.

The reduced-value entry, which is directly deducted from machinery and equipment, amounted to ¥339 million ($3,604 thousand) and ¥335 million for the years ended March 31, 2013 and 2012, respectively. The reduced-value entry is applied due to government subsidies.

Depreciation expenses for the years ended March 31, 2013 and 2012, were ¥9,747 million ($103,635 thousand) and ¥9,729 million, respectively.

7. INVESTMENT PROPERTY

The Group owns certain rental properties such as warehouses and land in Fukuyama and other areas. The net of rental income and operating expenses for those rental properties was ¥39 million ($414 thousand) and ¥29 million for the fiscal years ended March 31, 2013 and 2012, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2012	Increase/Decrease	March 31, 2013	March 31, 2013
¥ 2,260	¥ 155	¥ 2,415	¥ 2,777

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2011	Increase/Decrease	March 31, 2012	March 31, 2012
¥ 2,321	¥ (61)	¥ 2,260	¥ 2,696

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2012	Increase/Decrease	March 31, 2013	March 31, 2013
$ 24,032	$ 1,649	$ 25,681	$ 29,532

Notes:
1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2) Increase during the fiscal year ended March 31, 2013, is caused mainly due to the exclusion of a consolidated subsidiary, to which the real estate of ¥204 million ($2,174 thousand) was rented. Decrease primarily represents the disposition of real estate of ¥89 million ($942 thousand).
3) Fair value of properties as of March 31, 2013, is measured by the Group, based on the assessed value of fixed assets and roadside land prices for tax assessment purposes.

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

Short-term bank loans at March 31, 2013 and 2012, which consisted of bank overdrafts.
The annual interest rates applicable to the short-term bank loans ranged from 0.22% to 0.26% and 0.28% to 0.305%, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unsecured loans from banks and other financial institutions due serially to 2017 with interest rates ranging from 0.27 % to 1.04 % (2013) and from 0.18% to 1.42% (2012)	¥ 27,995	¥ 26,808	$ 297,664
Less current portion	(8,266)	(11,205)	(87,893)
Long-term debt, less current portion	¥ 19,729	¥ 15,603	$ 209,771

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 8,266	$ 87,893
2015	5,062	53,823
2016	3,742	39,782
2017	4,917	52,284
2018	5,919	62,933
Thereafter	89	949
Total	¥ 27,995	$ 297,664

The Company and certain subsidiaries have entered into credit agreements with several Japanese banks under which the banks committed a maximum of ¥41,100 million ($437,002 thousand) and ¥40,600 million to the Company and certain subsidiaries in the form of cash borrowings at March 31, 2013 and 2012, respectively. The unused lines of credit under these agreements amounted to ¥34,300 million ($364,700 thousand) and ¥35,100 million at March 31, 2013 and 2012, respectively.

9. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Company and certain subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Most of the other subsidiaries entered into the Smaller Enterprise Retirement Allowance Mutual Aid Corporation which is a defined contribution pension plan.

The liability for employees' retirement benefits as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥ 3,885	¥ 3,507	$ 41,309
Fair value of plan assets	(1,613)	(1,505)	(17,156)
Unrecognized actuarial loss	(151)	(22)	(1,600)
Unrecognized prior service cost	14	(8)	145
Net liability	¥ 2,135	¥ 1,972	$ 22,698

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	¥ 426	¥ 426	$ 4,530
Interest cost	49	46	523
Expected return on plan assets	(15)	(14)	(161)
Recognized actuarial loss	17	35	178
Amortization of prior service cost	22	22	234
Net periodic benefit costs	¥ 499	¥ 515	$ 5,304

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

	2013	2012
Discount rate	1.5 %	2.0 %
Expected rate of return on plan assets	1.5 %	1.5 %
Amortization period of prior service cost	5 years	5 years
Recognition period of actuarial gain/loss	5 years	5 years

10. RETIREMENT ALLOWANCES FOR DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Retirement allowances for directors and Audit & Supervisory Board members are paid subject to approval of the shareholders.

The Company and certain subsidiaries recorded a liability for their unfunded retirement allowances plan covering all of their directors and Audit & Supervisory Board members. The annual provisions for retirement allowances for directors and Audit & Supervisory Board members for the years ended March 31, 2013 and 2012 were ¥77 million ($ 820 thousand) and ¥ 72 million, respectively.

11. EQUITY

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

(a) Dividends

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

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

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

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

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

(c) Treasury stock

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.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in operating expenses were ¥1,063 million ($11,302 thousand) and ¥1,052 million for the years ended March 31, 2013 and 2012, respectively.

13. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.7% for the year ended March 31, 2013 and 40.4% for the year ended March 31, 2012.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Tax loss carry forwards	¥ 157	¥ 37	$ 1,673
Accrued enterprise taxes	226	280	2,403
Accrued expenses	902	1,082	9,592
Accrued pension and severance costs	754	695	8,016
Retirement allowances for directors and Audit & Supervisory Board members	403	390	4,290
Loss on devaluation of investment securities	62	158	663
Other	475	502	5,042
Less valuation allowance	(482)	(461)	(5,128)
Amount of offset against deferred tax liabilities	252	266	2,680
Total	2,245	2,417	23,871
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(195)	(211)	(2,078)
Other	(84)	(82)	(887)
Amount of offset against deferred tax assets	252	266	2,680
Total	(27)	(27)	(285)
Net deferred tax assets	¥ 2,218	¥ 2,390	$ 23,586

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2013, with the corresponding figures for 2012 is as follows:

	2013	2012
Normal effective statutory tax rate	37.7%	40.4%
Tax effects on permanent differences	0.4	0.4
Expenses not deductible for tax purposes	(0.1)	(0.1)
Per capita levy of inhabitants taxes	0.4	0.4
Amount of goodwill	0.8	0.9
Tax rate change		1.8
Other—net	1.0	0.6
Actual effective tax rate	40.2%	44.4%

At March 31, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥157 million ($1,673 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021	¥ 34	$ 357
2022	123	1,316
Total	¥ 157	$ 1,673

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.4% to 37.7% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.3% afterwards.

14. LEASES

The Group leases certain machinery, computer equipment and other assets.
Total rental expense for the years ended March 31, 2013 and 2012 was ¥1,436 million ($15,271 thousand) and ¥1,478 million, respectively, including ¥361 million ($3,839 thousand) and ¥429 million of lease payments under finance leases.

15. RELATED PARTY DISCLOSURES

(1)Related party transactions between the Company and directors for the year ended March 31, 2013.

Type	Name	Location	Principal Business or Title	Capital		Equity Ownership (%)	Relationship	Transaction	Amount of Transaction (Note 1)		Account	Balanced at Year-End (Note 2)	
				Millions of Yen	Thousands of Dollars				Millions of Yen	Thousands of Dollars		Millions of Yen	Thousands of Dollars
Companies for which directors and their close relatives owned a majority interest (Note 3)	HY Corporation Co., Ltd.	Fukuyama, Hiroshima prf.	Lease and management of real estate	¥ 50	$ 532	—	Leasing land	Leasing land for delivery center	¥ 12	$ 123	Revenue received in advance	¥ 1	$ 10

(2)Related party transactions between the consolidated subsidiaries and directors for the year ended March 31, 2013.

Type	Name	Location	Principal Business or Title	Capital		Equity Ownership (%)	Relationship	Transaction	Amount of Transaction (Note 1)		Account	Balanced at Year-End (Note 2)	
				Millions of Yen	Thousands of Dollars				Millions of Yen	Thousands of Dollars		Millions of Yen	Thousands of Dollars
Companies for which directors and their close relatives owned a majority interest (Note 3)	HY Corporation Co., Ltd.	Fukuyama Hiroshima prf.	Lease and management of real estate	¥ 50	$ 532	—	Renting premises	Renting premises for delivery center	¥ 134	$ 1,423	Prepaid expenses	¥ 12	$ 124
											Deposits	¥ 112	$ 1,186

Notes:
1. Excluding consumption taxes
2. Including consumption taxes
3. Yasuhiro Komatsu, who is the representative director of the Company, owns all shares of HY Corporation Co., Ltd.

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1)Policy for financial instruments

The Group has adopted a policy to limit investment to short-term and low-risk financial instruments such as deposits regarding fund management. On the other hand, the Group has adopted a policy to use bank loans or to issue commercial paper to fund ongoing operation. Derivatives are used, not for speculative or trading purposes, but to manage the market risk of fluctuation in foreign currency exchange rates by using foreign currency forward contracts.

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

Receivables such as trade notes and trade accounts are exposed to customer's credit risk. With respect to receivables, the Group sets limits and payment terms for each customer based on the internal customer credit management regulation in order to control customer's credit risk. Additionally, each customer's credit line status is regularly checked and monitored by using credit reports and other information.

Although stocks such as investment securities are exposed to market price fluctuation, these are mainly customer's stocks. The corporate finance division of the Company monitors the fair value at the end of each month, and reports this to top management.

Payment terms of all accounts payable are within six months.

Short-term bank loans are mainly financed for daily operating purposes and long-term debt (maturity is generally within five years) are financed for capital investment purposes. Loans with variable interest rates are exposed to interest fluctuation risk.

The Group enters into foreign currency forward contracts to hedge the market risk of foreign currency exchange rates fluctuations.

Derivatives are managed and controlled within approved policy. The Group has adopted a policy of only dealing with creditworthy counterparties in order to reduce credit risk when entering into derivative transactions.

(3)Fair value of financial instruments

The contract or notional amounts of derivatives themselves which are shown in the table below do not represent or measure the Group's exposure to credit or market risk.

(a)Fair value of financial instruments

March 31, 2013	Carrying Amount (Millions of Yen)	Fair Value (Millions of Yen)	Unrealized Gain/Loss (Millions of Yen)
Cash and cash equivalents	¥ 14,060	¥ 14,060	
Receivables:			
Trade notes	13,937	13,931	
Trade accounts	22,090	22,080	
Associated companies	424	424	
Other	2,245	2,245	
Allowance for doubtful accounts	(16)		
Total	38,680	38,680	
Lease investment assets	19	19	
Investment securities	2,790	2,790	
Total	¥ 55,549	¥ 55,549	
Short-term bank loans	¥ 6,800	¥ 6,800	
Current portion of long-term debt	8,266	8,370	¥ 104
Commercial paper	15,000	15,000	
Payables:			
Trade accounts	21,046	21,046	
Associated companies	5	5	
Other	4,494	4,494	
Total	25,545	25,545	
Current portion of long-term lease obligations	2,695	2,806	111
Accrued income taxes	2,693	2,693	
Long-term debt	19,729	19,685	(44)
Long-term lease obligations	7,931	7,841	(90)
Total	¥ 88,659	¥ 88,740	¥ 81

March 31, 2012	Carrying Amount (Millions of Yen)	Fair Value (Millions of Yen)	Unrealized Gain/Loss (Millions of Yen)
Cash and cash equivalents	¥ 13,910	¥ 13,910	
Receivables:			
Trade notes	14,402	14,387	
Trade accounts	22,483	22,458	
Associated companies	444	444	
Other	2,295	2,295	
Allowance for doubtful accounts	(40)		
Total	39,584	39,584	
Lease investment assets	19	19	
Investment securities	2,552	2,552	
Total	¥ 56,065	¥ 56,065	
Short-term bank loans	¥ 5,500	¥ 5,500	
Current portion of long-term debt	11,205	11,295	¥ 90
Commercial paper	15,000	15,000	
Payables:			
Trade accounts	21,560	21,560	
Associated companies	5	5	
Other	7,086	7,086	
Total	28,651	28,651	
Current portion of long-term lease obligations	2,197	2,307	110
Accrued income taxes	4,032	4,032	
Long-term debt	15,603	15,529	(74)
Long-term lease obligations	6,403	6,418	15
Total	¥ 88,591	¥ 88,732	¥ 141

March 31, 2013	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 149,499	$ 149,499	
Receivables:			
Trade notes	148,182	148,114	
Trade accounts	234,875	234,767	
Associated companies	4,513	4,513	
Other	23,872	23,872	
Allowance for doubtful accounts	(176)		
Total	411,266	411,266	
Lease investment assets	200	200	
Investment securities	29,668	29,668	
Total	$ 590,633	$590,633	
Short-term bank loans	$ 72,302	$ 72,302	
Current portion of long-term debt	87,893	89,001	$ 1,108
Commercial paper	159,490	159,490	
Payables:			
Trade accounts	223,775	223,775	
Associated companies	58	58	
Other	47,780	47,780	
Total	271,613	271,613	
Current portion of long-term lease obligations	28,656	29,835	1,179
Accrued income taxes	28,629	28,629	
Long-term debt	209,771	209,307	(464)
Long-term lease obligations	84,331	83,374	(957)
Total	$ 942,685	$ 943,551	$ 866

Assets

As for cash and cash equivalents, receivables and lease investment assets, the carrying value of these assets approximate fair value because of their short maturities.

Investment securities

The fair value of investment securities is measured at the quoted market price of the stock exchange for the equity instruments.

Liabilities

As for short-term bank loans, payables, commercial paper and accrued income taxes, the Group applied the carrying value, because the carrying value of these liabilities approximate fair value because of their short maturities.

The Group determines the fair value of long-term debt with a fixed interest rate by discounting the cash flows (using the risk free rate plus spread as the discount rate). Regarding long-term debts with variable interest rates, the carrying values of these loans approximate fair value according to contract conditions of the loan interest rate which is reset periodically.

As for lease obligation, the Group determines the fair value by discounting the cash flow (using the long-term prime rate as the discount rate).

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥ 598	¥ 450	$ 6,355

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

	Millions of Yen			
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 14,060			
Receivables:				
Trade notes	13,937			
Trade accounts	22,090			
Associated companies	424			
Others	2,245			
Lease investment assets	19			
Investment securities		¥ 39		
Total	¥ 52,775	¥ 39		

	Thousands of U.S. Dollars			
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 149,499			
Receivables:				
Trade notes	148,182			
Trade accounts	234,875			
Associated companies	4,513			
Others	23,872			
Lease investment assets	200			
Investment securities		$ 415		
Total	$ 561,141	$ 415		

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

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
Unrealized gain (loss) on available -for-sale securities:						
Gains (losses) arising during the year	¥	252	¥	(11)	$	2,682
Reclassification adjustments to profit or loss		(30)		90		(316)
Amount before income tax effect		222		79		2,366
Income tax effect		(6)		(5)		(72)
Total	¥	216	¥	74	$	2,294

18. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2013 was approved at the board of directors meeting held on May 24, 2013:

	Millions of Yen		Thousands of U.S. Dollars	
Year-end cash dividends, ¥65.00 ($0.69) per share	¥	1,345	$	14,305

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