
Trusco Nakayama Corporation

*Financial Statements for the Years Ended
March 31, 2011 and 2010, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trusco Nakayama Corporation:

We have audited the accompanying non-consolidated balance sheets of Trusco Nakayama Corporation (the "Company") as of March 31, 2011 and 2010, and the related non-consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trusco Nakayama Corporation as of March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

June 9, 2011

Trusco Nakayama Corporation

Balance Sheets March 31, 2011 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011		2011	2010	2011
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 7)	¥ 14,414	¥ 17,813	\$ 173,663	Accounts payable - trade (Note 7)	¥ 10,839	¥ 9,840	\$ 130,586
Accounts receivable - trade (Note 7)	16,695	15,118	201,147	Other payables (Note 7)	2,068	1,704	24,911
Merchandise	16,059	16,226	193,476	Income taxes payable (Note 7)	1,533	1,111	18,475
Deferred tax assets (Note 9)	878	711	10,579	Accrued expenses	914	895	11,012
Other current assets	290	282	3,500	Other current liabilities	47	49	569
Allowance for doubtful accounts	(14)	(5)	(165)				
Total current assets	48,322	50,145	582,200	Total current liabilities	15,401	13,599	185,553
PROPERTY, PLANT AND EQUIPMENT (Note 10):				LONG-TERM LIABILITIES:			
Land (Notes 5 and 6)	23,165	16,351	279,091	Retirement allowances for directors and corporate auditors	166	166	2,004
Buildings and structures (Note 5)	28,241	27,306	340,259	Deposits received for guarantees (Note 7)	1,566	1,367	18,871
Machinery and equipment	1,177	1,150	14,179	Total long-term liabilities	1,732	1,533	20,875
Furniture and fixtures (Note 5)	2,980	3,006	35,900				
Construction in progress	128	53	1,547	EQUITY (Notes 8 and 12):			
Total	55,691	47,866	670,976	Common stock - authorized, 57,190,000 shares; issued, 33,004,372 shares in 2011 and 2010	5,022	5,022	60,511
Accumulated depreciation	(14,183)	(13,101)	(170,884)	Capital surplus:			
Net property, plant and equipment	41,508	34,765	500,092	Additional paid-in capital	4,710	4,710	56,746
INVESTMENTS AND OTHER ASSETS:				Retained earnings:			
Investments in affiliated companies (Note 11)	238	99	2,873	Legal reserve	1,256	1,256	15,128
Investment securities (Notes 4 and 7)	975	1,012	11,752	Unappropriated	65,815	63,614	792,952
Long-term receivables	27	12	323	Land revaluation difference (Note 6)	(1,103)	(1,116)	(13,288)
Software	1,008	1,857	12,141	Unrealized gain on available-for-sale securities	68	111	810
Security deposits (Note 7)	249	263	2,998	Treasury stock - at cost, 23,340 shares in 2011 and 22,406 shares in 2010	(44)	(42)	(525)
Deferred tax assets (Note 9)	342	341	4,120	Total equity	75,724	73,555	912,334
Deferred tax assets on land revaluation difference (Note 6)	118	127	1,422				
Other assets	127	107	1,531				
Allowance for doubtful accounts	(57)	(41)	(690)				
Total investments and other assets	3,027	3,777	36,470				
TOTAL	¥ 92,857	¥ 88,687	\$ 1,118,762	TOTAL	¥ 92,857	¥ 88,687	\$ 1,118,762

See notes to financial statements.

Trusco Nakayama Corporation

Statements of Income Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2011</u>	<u>2010</u>	<u>2011</u>
NET SALES	¥ 115,477	¥ 99,202	\$ 1,391,293
COST OF GOODS SOLD	91,922	78,419	1,107,495
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>18,075</u>	<u>17,037</u>	<u>217,777</u>
OPERATING INCOME	<u>5,480</u>	<u>3,746</u>	<u>66,021</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	21	27	256
Purchase discounts	1,012	826	12,192
Sales discounts	(1,214)	(1,014)	(14,629)
Gain on sales of property, plant and equipment	0	150	1
Loss on sales and disposals of property, plant and equipment	(85)	(212)	(1,027)
Impairment loss on property, plant and equipment (Note 5)	(145)	(315)	(1,742)
Loss from a natural disaster (Note 14)	(100)		(1,201)
Other - net	<u>70</u>	<u>13</u>	<u>846</u>
Total other expenses	<u>(441)</u>	<u>(525)</u>	<u>(5,304)</u>
INCOME BEFORE INCOME TAXES	5,039	3,221	60,717
INCOME TAXES (Note 9):			
Current	2,294	1,612	27,639
Deferred	<u>(129)</u>	<u>1</u>	<u>(1,551)</u>
Total	<u>2,165</u>	<u>1,613</u>	<u>26,088</u>
NET INCOME	<u>¥ 2,874</u>	<u>¥ 1,608</u>	<u>\$ 34,629</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.k):			
Net income	¥87.15	¥48.75	\$1.05
Cash dividends applicable to the year	22.00	20.00	0.27

See notes to financial statements.

Trusco Nakayama Corporation

**Statements of Changes in Equity
Years Ended March 31, 2011 and 2010**

	Thousands	Millions of Yen								
	Outstanding	Capital Surplus			Retained Earnings		Land Revaluation Difference	Unrealized Gain on Available-for- Sale Securities	Treasury Stock	Total Equity
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, APRIL 1, 2009	32,984	¥ 5,022	¥ 4,710		¥ 1,256	¥ 62,942	¥ (1,497)	¥ 11	¥ (40)	¥ 72,404
Net income						1,608				1,608
Cash dividends, ¥19.0 per share						(627)				(627)
Net increase in treasury stock	(2)								(2)	(2)
Loss on sales of treasury stock						(0)				(0)
Reversal of land revaluation difference						(309)				(309)
Net change in the year							381	100		481
BALANCE, MARCH 31, 2010	32,982	5,022	4,710		1,256	63,614	(1,116)	111	(42)	73,555
Net income						2,874				2,874
Cash dividends, ¥22.0 per share						(660)				(660)
Net increase in treasury stock	(1)								(2)	(2)
Loss on sales of treasury stock						(0)				(0)
Reversal of land revaluation difference						(13)				(13)
Net change in the year							13	(43)		(30)
BALANCE, MARCH 31, 2011	<u>32,981</u>	<u>¥ 5,022</u>	<u>¥ 4,710</u>		<u>¥ 1,256</u>	<u>¥ 65,815</u>	<u>¥ (1,103)</u>	<u>¥ 68</u>	<u>¥ (44)</u>	<u>¥ 75,724</u>

	Thousands of U.S. Dollars (Note 1)								
	Capital Surplus			Retained Earnings		Land Revaluation Difference	Unrealized Gain on Available-for- Sale Securities	Treasury Stock	Total Equity
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, MARCH 31, 2010	\$ 60,511	\$ 56,746		\$ 15,128	\$ 766,433	\$ (13,450)	\$ 1,343	\$ (511)	\$ 886,200
Net income					34,629				34,629
Cash dividends, \$0.3 per share					(7,947)				(7,947)
Net increase in treasury stock								(14)	(14)
Loss on sales of treasury stock					(1)				(1)
Reversal of land revaluation difference					(162)				(162)
Net change in the year						162	(533)		(371)
BALANCE, MARCH 31, 2011	<u>\$ 60,511</u>	<u>\$ 56,746</u>		<u>\$ 15,128</u>	<u>\$ 792,952</u>	<u>\$ (13,288)</u>	<u>\$ 810</u>	<u>\$ (525)</u>	<u>\$ 912,334</u>

See notes to financial statements.

Trusco Nakayama Corporation

Statements of Cash Flows Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2011</u>	<u>2010</u>	<u>2011</u>
OPERATING ACTIVITIES:			
Income before income taxes	¥ 5,039	¥ 3,221	\$ 60,717
Adjustments for:			
Depreciation and amortization	2,507	2,499	30,203
Increase in allowance for doubtful accounts	26	15	308
Interest and dividend income	(21)	(27)	(256)
Loss on sales and disposals of property, plant and equipment	79	41	951
Impairment loss on property, plant and equipment	145	315	1,742
Loss from a natural disaster	100		1,201
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(1,594)	(2,345)	(19,199)
Decrease in inventories	138	2,605	1,668
Increase in notes and accounts payable	999	1,660	12,032
Other - net	458	423	5,521
Interest and dividends received	26	28	316
Income taxes paid	(1,894)	(1,303)	(22,817)
Payment related to natural disaster	(70)		(847)
Net cash provided by operating activities	<u>5,938</u>	<u>7,132</u>	<u>71,540</u>
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(8,593)	(2,886)	(103,534)
Proceeds from sales of property, plant and equipment	297	811	3,580
Purchase of intangible assets	(143)	(151)	(1,719)
Payment for the establishment of an affiliated company	(140)		(1,685)
Other - net	(96)	561	(1,156)
Net cash used in investing activities	<u>(8,675)</u>	<u>(1,665)</u>	<u>(104,514)</u>
FINANCING ACTIVITIES:			
Proceeds from sales of treasury stocks	1	0	4
Repurchase of treasury stock	(2)	(3)	(19)
Dividends paid	(661)	(627)	(7,963)
Net cash used in financing activities	<u>(662)</u>	<u>(630)</u>	<u>(7,978)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,399)	4,837	(40,952)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,813</u>	<u>12,976</u>	<u>214,615</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 14,414</u>	<u>¥ 17,813</u>	<u>\$ 173,663</u>

See notes to financial statements.

Trusco Nakayama Corporation

Notes to Financial Statements Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTATION

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

In preparing these financial statements, certain reclassifications have been made to the Company's 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 2010 financial statements to conform to the classifications used in 2011.

The financial statements are stated in Japanese yen, the reporting currency of the Company. The translation 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 ¥83 to \$1, the approximate rate of exchange at March 31, 2011. 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. Non-Consolidation* - The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying financial statements would not be material.
- 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 that mature within three months of the date of acquisition.
- c. Inventories* - Inventories are stated at the lower of cost, determined by the average method, or net selling value.
- d. Investment Securities* - Investment securities are classified and accounted for, based on management's intent, as available-for-sale securities and are reported at fair value with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Non-marketable investment securities are stated at cost as determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are written down to net realizable value as a new cost basis and the amount of the write-down is included in income.

- e. Property, Plant and Equipment* - Property, plant and equipment is stated at cost. Depreciation is computed by the declining-balance method except for buildings acquired after April 1, 1998, for which the straight-line method is used. The range of useful lives is principally from 10 to 50 years for buildings and structures, from 2 to 12 years for machinery and equipment, and from 3 to 6 years for furniture and fixtures.

- f. Long-lived Assets* - The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment is recognized if the carrying amount of an asset or asset group exceeds its fair value. The impairment loss would be measured at 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. Software* - In accordance with accounting standards for research and development costs and computer software, expenditures relating to the cost of computer software intended for internal use are charged to income as incurred, except when these costs are deemed to contribute to generating future income or cost savings. In such cases, these expenditures are capitalized as other assets and amortized by the straight-line method over their useful lives, generally over a period of 5 years.
- h. Allowance for Doubtful Accounts* - The allowance for doubtful accounts is determined based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- i. Retirement Allowances for Directors and Corporate Auditors* - Effective March 31, 2004, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors by resolution of the Board of Directors on March 28, 2004. Retirement allowances for all directors and corporate auditors are recorded at the amount that would be required to pay all present directors and corporate auditors assuming they had retired at March 31, 2004.
- j. Income Taxes* - The provision for income taxes is computed based on the pretax income included in the statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- k. 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, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because the Company has no dilutive securities.

Cash dividends per share presented in the accompanying statements of income include dividends to be paid after the end of the year.

3. ACCOUNTING CHANGE

In March 2008, the Accounting Standards Board of Japan (the "ASBJ") published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations".

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥38 million (\$462 thousand) and income before income taxes by ¥38 million (\$462 thousand).

4. INVESTMENT SECURITIES

Investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Non-current:			
Equity securities	¥ 518	¥ 530	\$ 6,247
Government and corporate bonds	382	404	4,605
Trust fund investments and other	<u>75</u>	<u>78</u>	<u>900</u>
Total	<u>¥ 975</u>	<u>¥ 1,012</u>	<u>\$ 11,752</u>

The costs and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	<u>2011</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale:				
Equity securities	¥ 354	¥ 166	¥ 13	¥ 507
Government and corporate bonds	431	1	50	382
Trust fund investments and other	<u>40</u>	<u>9</u>	<u>—</u>	<u>49</u>
Total	<u>¥ 825</u>	<u>¥ 176</u>	<u>¥ 63</u>	<u>¥ 938</u>

	Millions of Yen			
	<u>2010</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale:				
Equity securities	¥ 317	¥ 205	¥ 3	¥ 519
Government and corporate bonds	431	0	28	404
Trust fund investments and other	<u>40</u>	<u>12</u>	<u>—</u>	<u>52</u>
Total	<u>¥ 788</u>	<u>¥ 217</u>	<u>¥ 31</u>	<u>¥ 975</u>

	Thousands of U.S. Dollars			
	<u>2011</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale:				
Equity securities	\$ 4,268	\$ 2,001	\$ 157	\$ 6,112
Government and corporate bonds	5,198	11	604	4,605
Trust fund investments and other	<u>476</u>	<u>108</u>	<u>—</u>	<u>584</u>
Total	<u>\$ 9,942</u>	<u>\$ 2,120</u>	<u>\$ 761</u>	<u>\$ 11,301</u>

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of March 31, 2011 and 2010. As a result, the Company recognized an impairment loss of ¥145 million (\$1,742 thousand) and ¥315 million, at March 31, 2011 and 2010 respectively, as other expense for a certain asset group, and the carrying amount of the relevant land, building, and other assets were written down to the recoverable amount. The recoverable amount of the asset group of the idle property was measured at its net selling price determined by quotation from a third-party vendor, and that of the rental property was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 1.5%.

6. LAND REVALUATION

Under the "Law of Land Revaluation" promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, the Company selected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation difference represents the net unrealized devaluation of land value and is stated, net of income taxes, as a separate component of equity. There is no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be added to the land revaluation difference account and related deferred tax assets. When a revalued piece of land is sold off or an impairment loss is recognized, the related land revaluation difference is directly reversed to retained earnings.

At March 31, 2011, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,817 million (\$21,888 thousand).

7. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Company applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Company policy for financial instruments

The Company is free of debt and uses financial instruments based on its investment plan. Cash surpluses, if any, are invested only in current deposits and available-for-sale securities within ¥500 million.

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

Financial instruments mainly include accounts receivable - trade, investment securities (equity securities and bonds), security deposits related to operating transactions and real estate lease transactions, accounts payable - trade, income taxes payable, deposit received for guarantees related to operating transactions, and real estate lease transactions.

Accounts receivable - trade arise from regular operating activities, and are exposed to customer credit risk. Among investment securities, equity securities are acquired in order to strengthen the relationship with customers, and are exposed to the risk of market price fluctuations.

(3) Risk management for financial instruments

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 from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages.

With respect to investment securities, which mainly include equity securities, the Company manages its exposure to credit risk by monitoring market values and financial position of issuers on a regular basis in accordance with its internal guidelines.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead.

(a) Fair value of financial instruments

<u>March 31, 2011</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	¥ 14,414	¥ 14,414	
Accounts receivable - trade	16,695	16,695	
Investment securities	938	938	
Security deposits	249	239	¥ (10)
Total	<u>¥ 32,296</u>	<u>¥ 32,286</u>	<u>¥ (10)</u>
Accounts payable - trade	¥ 10,839	¥ 10,839	
Other payables	2,068	2,068	
Income taxes payable	1,533	1,533	
Deposits received for guarantees	1,566	1,564	¥ (2)
Total	<u>¥ 16,006</u>	<u>¥ 16,004</u>	<u>¥ (2)</u>

<u>March 31, 2010</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	¥ 17,813	¥ 17,813	
Accounts receivable - trade	15,118	15,118	
Investment securities	975	975	
Security deposits	263	250	¥ (13)
Total	<u>¥ 34,169</u>	<u>¥ 34,156</u>	<u>¥ (13)</u>
Accounts payable - trade	¥ 9,840	¥ 9,840	
Other payables	1,704	1,704	
Income taxes payable	1,111	1,111	
Deposits received for guarantees	1,367	1,364	¥ (3)
Total	<u>¥ 14,022</u>	<u>¥ 14,019</u>	<u>¥ (3)</u>

<u>March 31, 2011</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	\$ 173,663	\$ 173,663	
Accounts receivable - trade	201,147	201,147	
Investment securities	11,301	11,301	
Security deposits	<u>2,998</u>	<u>2,873</u>	\$ (125)
Total	<u>\$ 389,109</u>	<u>\$ 388,984</u>	<u>\$ (125)</u>
Accounts payable - trade	\$ 130,586	\$ 130,586	
Other payables	24,911	24,911	
Income taxes payable	18,475	18,475	
Deposits received for guarantees	<u>18,871</u>	<u>18,847</u>	\$ (24)
Total	<u>\$ 192,843</u>	<u>\$ 192,819</u>	<u>\$ (24)</u>

Cash and cash equivalents, accounts receivable - trade

The carrying values of cash and cash equivalents and accounts receivable - trade approximate fair value because of their short maturities.

Investment securities

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

Security deposits

Security deposits are paid for operating transactions and real estate lease transactions.

Security deposits related to operating transactions are paid to suppliers. The carrying values of security deposits related to operating transactions approximate fair value because of their short maturities. The fair values of security deposits related to real estate lease transactions are measured at the amount to be received or paid at maturity discounted at the Company's assumed corporate discount rate.

Accounts payable - trade, other payables and income taxes payable

The carrying values of accounts payable - trade, other payables, and income taxes payable approximate fair value because of their short maturities.

Deposits received for guarantees

These deposits are received for operating transactions and real estate lease transactions. These are all returned when the transactions are settled.

Deposits for guarantees related to operating transactions are received from customers. The carrying values of these deposits approximate fair value because of their short maturities. The fair values of deposits received for guarantees related to real estate lease transactions are measured at the amount to be received or paid at maturity discounted at the Company's assumed corporate discount rate.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Investments in equity instruments that do not have a quoted market price in an active market	¥276	¥136	\$3,324

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

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	<u>March 31, 2011</u>			
Cash and cash equivalents	¥ 14,414			
Accounts receivable - trade	16,695			
Investment securities:				
Available-for-sale securities with contractual maturities		¥ 101		¥ 281
Security deposits	<u>90</u>	<u>141</u>	<u>¥ 11</u>	<u>6</u>
Total	<u>¥ 31,199</u>	<u>¥ 242</u>	<u>¥ 11</u>	<u>¥ 287</u>
	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	<u>March 31, 2011</u>			
Cash and cash equivalents	\$ 173,663			
Accounts receivable - trade	201,147			
Investment securities:				
Available-for-sale securities with contractual maturities		\$ 1,216		\$ 3,389
Security deposits	<u>1,091</u>	<u>1,694</u>	<u>\$ 143</u>	<u>69</u>
Total	<u>\$ 375,901</u>	<u>\$ 2,910</u>	<u>\$ 143</u>	<u>\$ 3,458</u>

8. 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 a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) having a term of service for its directors prescribed in its articles of incorporation as one year rather than two years of normal term, 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 (non-cash 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 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 and treasury stock acquisition rights

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

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

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

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Deferred tax assets - current:			
Enterprise taxes	¥ 119	¥ 87	\$ 1,437
Accrued employee bonuses	310	308	3,736
Other payables	186	114	2,236
Other	263	202	3,170
Total	<u>¥ 878</u>	<u>¥ 711</u>	<u>\$ 10,579</u>
Net deferred tax assets - current	<u>¥ 878</u>	<u>¥ 711</u>	<u>\$ 10,579</u>

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>
Deferred tax assets - non-current:			
Retirement allowances for directors and corporate auditors	¥ 67	¥ 67	\$ 810
Impairment loss on property, plant and equipment	351	378	4,226
Other	129	103	1,555
Valuation allowance	<u>(67)</u>	<u>(67)</u>	<u>(810)</u>
Total	<u>¥ 480</u>	<u>¥ 481</u>	<u>\$ 5,781</u>
Deferred tax liabilities - non-current:			
Tax reserves regulated by Japanese tax law	¥ 92	¥ 79	\$ 1,112
Net unrealized gain on available-for-sale securities	<u>46</u>	<u>61</u>	<u>549</u>
Total	<u>¥ 138</u>	<u>¥ 140</u>	<u>\$ 1,661</u>
Net deferred tax assets - non-current	<u>¥ 342</u>	<u>¥ 341</u>	<u>\$ 4,120</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the statements of income for the years ended March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Normal effective statutory tax rate	40.4%	40.4%
Inhabitant tax (per capital levy)	1.9	3.2
Permanently non-deductible expenses	0.7	2.5
Tax credit		(0.1)
Valuation allowance		2.1
Other - net	<u> </u>	<u>2.0</u>
Actual effective tax rate	<u>43.0%</u>	<u>50.1%</u>

10. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures", and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures". This accounting standard and guidance are applicable to investment property and related disclosures at the end of fiscal years ending on or after March 31, 2010. The Company applied the new accounting standard and guidance effective March 31, 2010.

The Company holds some idle properties which are not expected to be used in the future, including rental properties such as office buildings and land in Miyagi prefecture and other areas. A portion of office buildings in Osaka prefecture and Kyoto prefecture are treated as real estate, including certain portions used as investment property.

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, 2010	Increase (Decrease)	March 31, 2011	March 31, 2011
Idle properties	¥ 959	¥ (157)	¥ 802	¥ 775
Rental properties	1,611	(370)	1,241	866
Real estate including certain portions used as investment property	<u>353</u>	<u>56</u>	<u>409</u>	<u>454</u>
Total	<u>¥ 2,923</u>	<u>¥ (471)</u>	<u>¥ 2,452</u>	<u>¥ 2,095</u>

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2009	Increase	March 31, 2010	March 31, 2010
Idle properties	¥ 731	¥ 228	¥ 959	¥ 1,035
Rental properties	925	686	1,611	1,160
Real estate including certain portions used as investment property	<u>197</u>	<u>156</u>	<u>353</u>	<u>463</u>
Total	<u>¥ 1,853</u>	<u>¥ 1,070</u>	<u>¥ 2,923</u>	<u>¥ 2,658</u>

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2010	Increase (Decrease)	March 31, 2011	March 31, 2011
Idle properties	\$ 11,554	\$ (1,894)	\$ 9,660	\$ 9,341
Rental properties	19,409	(4,453)	14,956	10,434
Real estate including certain portions used as investment property	<u>4,255</u>	<u>669</u>	<u>4,924</u>	<u>5,474</u>
Total	<u>\$ 35,218</u>	<u>\$ (5,678)</u>	<u>\$ 29,540</u>	<u>\$ 25,249</u>

Notes:

- 1) Carrying amounts recognized in the balance sheets are net of accumulated depreciation.
- 2) Decrease during the fiscal year ended March 31, 2011 primarily represents the sale of certain properties of ¥337 million (\$4,066 thousand).
- 3) Fair value of properties as of March 31, 2011 is measured by the Company in accordance with the Real Estate Appraisal Standard.

Net of income and operating expenses for those properties at March 31, 2011 are as follows.

	Millions of Yen			
	<u>Income</u>	<u>Operating Expenses</u>	<u>Net Income</u>	<u>Other Expenses</u>
Idle properties		¥ 45	¥ (45)	¥ (54)
Rental properties	¥ 91	46	45	(130)
Real estate including certain portions used as investment property	<u>98</u>	<u>35</u>	<u>63</u>	<u> </u>
Total	<u>¥ 189</u>	<u>¥ 126</u>	<u>¥ 63</u>	<u>¥(184)</u>

	Thousands of U.S. Dollars			
	<u>Income</u>	<u>Operating Expenses</u>	<u>Net Income</u>	<u>Other Expenses</u>
Idle properties		\$ 547	\$ (547)	\$ (650)
Rental properties	\$ 1,095	556	539	(1,569)
Real estate including certain portions used as investment property	<u>1,181</u>	<u>416</u>	<u>765</u>	<u> </u>
Total	<u>\$ 2,276</u>	<u>\$ 1,519</u>	<u>\$ 757</u>	<u>\$ (2,219)</u>

11. RELATED PARTY DISCLOSURES

(1) Affiliated Companies

The Company owned the following affiliated companies as of March 31, 2011 and 2010:

	Percentage of Ownership	
	<u>2011</u>	<u>2010</u>
Pro Tool Nakayama Corporation (Thailand)	100.0%	
Toyo Steel Corporation	28.0%	28.0%
Union Steel Corporation	29.3%	29.3%

Transactions with the affiliated companies for the years ended March 31, 2011 and 2010 were immaterial.

The balances due to or from the affiliated companies at March 31, 2011 and 2010 were also immaterial.

(2) Directors and Major Shareholders, etc.

Principal transactions with directors and major shareholders, etc. (these companies are owned by officers and their relatives) for the years ended March 31, 2011 and 2010 were as follows:

<u>Name</u>	<u>Transaction</u>	<u>Millions of Yen</u>		<u>Thousands of</u>
		<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
Kansai Syoji Corporation	Payment of security deposits	¥ 62		\$ 747
	Payment for rent	31		374
Nakayama Kosan Corporation	Payment for rent	¥ 28		\$ 338

The balances due to or from directors and major shareholders, etc. at March 31, 2011 and 2010 were as follows:

<u>Name</u>	<u>Resulting Account Balances</u>	<u>Millions of Yen</u>		<u>Thousands of</u>
		<u>2011</u>	<u>2010</u>	<u>U.S. Dollars</u>
Kansai Syoji Corporation	Security deposits	¥50		\$602

12. SUBSEQUENT EVENT

Appropriations of Retained Earnings - The following appropriation of retained earnings at March 31, 2011 was resolved at the meeting of the Board of Directors held on May 9, 2011:

	<u>Millions of</u>	<u>Thousands of</u>
	<u>Yen</u>	<u>U.S. Dollars</u>
Cash dividends ¥12 (\$0.14) per share	¥396	\$4,768

13. SEGMENT INFORMATION

For the years ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, 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. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Company'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. Therefore, the Company consists of the segments of Factory and Home center. The segment of Factory consists of wholesale manufacturing and related businesses for construction. The segment of Home center consists of sales for hardware stores.

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 to those disclosed in Note 2, "Summary of Significant Accounting Policies".

3. Information about sales, profit (loss), assets, liabilities and other items is as follows.

	Millions of Yen						
	2011						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
Factory	Home Center	Total					
Sales -							
Sales to external customers	¥ 105,004	¥ 10,295	¥ 115,299	¥ 178	¥ 115,477		¥ 115,477
Segment profit	5,754	(241)	5,513	(9)	5,504	¥ (126)	5,378
Segment assets	55,932	3,630	59,562	¥ 15	59,577	33,280	92,857
Other:							
Depreciation	2,132	232	2,364		2,364	97	2,461
Interest income						3	3
Increase in property, plant and equipment and intangible assets	¥ 1,096	¥ 6	¥ 1,102		¥ 1,102	¥ 7,949	¥ 9,051

	Millions of Yen						
	2010						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
Factory	Home Center	Total					
Sales -							
Sales to external customers	¥ 88,717	¥ 10,444	¥ 99,161	¥ 41	¥ 99,202		¥ 99,202
Segment profit	3,503	160	3,663	9	3,672	¥ (6)	3,666
Segment assets	54,929	3,768	58,697	¥ 2	58,699	29,988	88,687
Other:							
Depreciation	2,100	237	2,337		2,337	108	2,445
Interest income						5	5
Increase in property, plant and equipment and intangible assets	¥ 3,328	¥ 1	¥ 3,329		¥ 3,329	¥ 1,538	¥ 4,867

	Thousands of U.S. Dollars						
	2011						
	Reportable Segment			Other	Total	Reconciliations	Consolidated
Factory	Home Center	Total					
Sales -							
Sales to external customers	\$ 1,265,108	\$ 124,037	\$ 1,389,145	\$ 2,148	\$ 1,391,293		\$ 1,391,293
Segment profit	69,325	(2,908)	66,417	(107)	66,310	\$ (1,514)	64,796
Segment assets	673,881	43,740	717,621	\$ 178	717,799	400,963	1,118,762
Other:							
Depreciation	25,687	2,791	28,478		28,478	1,178	29,656
Interest income						32	32
Increase in property, plant and equipment and intangible assets	\$ 13,200	\$ 80	\$ 13,280		\$ 13,280	\$ 95,764	\$ 109,044

14. LOSS FROM A NATURAL DISASTER

Loss from a natural disaster mainly consists of ¥80 million (\$964 thousand) disaster relief for the Great East Japan Earthquake.

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