Trusco Nakayama Corporation

Nonconsolidated Financial Statements
for the Year Ended December 31, 2017,
and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Trusco Nakayama Corporation:

We have audited the accompanying nonconsolidated balance sheet of Trusco Nakayama Corporation as of December 31, 2017, and the related nonconsolidated statements of 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 Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated 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 nonconsolidated 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 nonconsolidated 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 nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Trusco Nakayama Corporation as of December 31, 2017, and the results of its operations and its 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 nonconsolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

March 8, 2018

Trusco Nakayama Corporation

Nonconsolidated Balance Sheet
December 31, 2017

ASSETS	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT ASSETS:			
Cash and cash equivalents (Note 7)	¥ 10,413	¥ 10,682	$ 92,106
Accounts receivable—trade (Notes 7 and 11)	24,674	22,204	218,256
Electronically-recorded monetary claims (Note 7)	1,341	1,321	11,860
Merchandise	31,842	29,055	281,661
Deferred tax assets (Note 9)	661	711	5,848
Other current assets	855	614	7,570
Total current assets	69,786	64,587	617,301
PROPERTY, PLANT AND EQUIPMENT (Note 10):			
Land (Notes 5 and 6)	28,413	27,867	251,330
Buildings and structures (Note 5)	41,142	39,666	363,926
Machinery and equipment	3,153	2,079	27,890
Furniture and fixtures (Note 5)	3,245	2,813	28,700
Construction in progress	12,912	4,817	114,218
Total	88,865	77,242	786,064
Accumulated depreciation	(21,022)	(19,830)	(185,949)
Net property, plant and equipment	67,843	57,412	600,115
INVESTMENTS AND OTHER ASSETS:			
Investments in subsidiaries and affiliated companies (Note 11)	4,129	1,915	36,527
Investment securities (Notes 4 and 7)	1,571	1,306	13,895
Software	3,336	2,165	29,512
Security deposits	291	149	2,576
Deferred tax assets (Note 9)	146	257	1,289
Deferred tax assets on land revaluation (Notes 6 and 9)	158	158	1,394
Other assets	111	104	983
Allowance for doubtful accounts	(7)	(8)	(64)
Total investments and other assets	9,735	6,046	86,112
TOTAL	¥147,364	¥128,045	$1,303,528

LIABILITIES AND EQUITY	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
CURRENT LIABILITIES:			
Accounts payable—trade (Notes 7 and 11)	¥ 14,596	¥ 12,963	$ 129,115
Other payables (Note 7)	3,764	3,796	33,291
Income taxes payable (Note 7)	2,234	2,145	19,759
Accrued expenses	546	765	4,834
Deposits received	275	250	2,431
Other current liabilities	16	46	138
Total current liabilities	21,431	19,965	189,568
LONG-TERM LIABILITIES:			
Long-term loans payable (Note 7)	10,000		88,456
Retirement allowances for directors and the Audit and Supervisory Board members	153	153	1,350
Deposits received for guarantees (Note 7)	2,099	2,090	18,574
Total long-term liabilities	12,252	2,243	108,380
EQUITY (Notes 8 and 12):			
Common stock—authorized, 110,000,000 shares; issued, 66,008,744 shares in 2017 and 2016*	5,022	5,022	44,426
Capital surplus:			
Additional paid-in capital	4,710	4,710	41,662
Other capital surplus	1	1	7
Retained earnings:			
Legal reserve	1,256	1,256	11,107
Unappropriated	102,431	94,829	906,071
Unrealized gain on available-for-sale securities (Note 9)	690	444	6,099
Land revaluation difference (Note 6)	(358)	(358)	(3,162)
Treasury stock—at cost, 63,568 shares in 2017 and 62,158 shares in 2016*	(71)	(67)	(630)
Total equity	113,681	105,837	1,005,580
TOTAL	¥147,364	¥128,045	$1,303,528

* Shares have been restated, as appropriate, to reflect a two-for-one stock split effective January 1, 2017.

See notes to nonconsolidated financial statements.

Trusco Nakayama Corporation

Nonconsolidated Statement of Income
Year Ended December 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET SALES	¥195,097	¥177,053	$1,725,756
COST OF GOODS SOLD	153,706	138,691	1,359,630
Gross profit	41,391	38,362	366,126
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	27,115	24,199	239,842
Operating income	14,276	14,163	126,284
OTHER INCOME (EXPENSES) (Note 10):			
Interest and dividend income	27	32	239
Interest expenses	(12)		(105)
Purchase discounts	1,642	1,533	14,525
Sales discounts	(1,679)	(1,565)	(14,855)
Gain on sales of property, plant and equipment		31	
Loss on sales and disposals of property, plant and equipment	(112)	(42)	(987)
Impairment loss on property, plant and equipment		(32)	
Other—net	328	271	2,899
Other income—net	194	228	1,716
INCOME BEFORE INCOME TAXES	14,470	14,391	128,000
INCOME TAXES (Note 9):			
Current	4,244	4,497	37,542
Deferred	52	(69)	463
Total income taxes	4,296	4,428	38,005
NET INCOME	¥ 10,174	¥ 9,963	$ 89,995

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.k):			
Basic net income*	¥154.28	¥151.08	$1.36
Cash dividends applicable to the year	39.00	76.00	0.34

* Per share figures have been restated, as appropriate, to reflect a two-for-one stock split effective January 1, 2017.

See notes to nonconsolidated financial statements.

Trusco Nakayama Corporation

Nonconsolidated Statement of Changes in Equity
Year Ended December 31, 2017

	Thousands	Millions of Yen								
			Capital Surplus		Retained Earnings					
	Outstanding Number of Shares of Common Stock*	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated	Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Treasury Stock	Total Equity
BALANCE, JANUARY 1, 2016	65,948	¥5,022	¥4,710		¥1,256	¥ 87,222	¥434	¥(803)	¥(63)	¥ 97,778
Net income						9,963				9,963
Cash dividends, ¥68.5 per share						(2,259)				(2,259)
Purchase of treasury stock	(1)								(4)	(4)
Disposal of treasury stock				¥1						1
Reversal of land revaluation difference						(97)				(97)
Net change in the year							10	445		455
BALANCE, DECEMBER 31, 2016	65,947	5,022	4,710	1	1,256	94,829	444	(358)	(67)	105,837
Net income						10,174				10,174
Cash dividends, ¥58.5 per share						(2,572)				(2,572)
Purchase of treasury stock	(2)								(4)	(4)
Disposal of treasury stock										
Net change in the year							246			246
BALANCE, DECEMBER 31, 2017	65,945	¥5,022	¥4,710	¥1	¥1,256	¥102,431	¥690	¥(358)	¥(71)	¥113,681

	Thousands of U.S. Dollars (Note 1)								
		Capital Surplus		Retained Earnings					
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated	Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Treasury Stock	Total Equity
BALANCE, DECEMBER 31, 2016	$44,426	$41,662	$5	$11,107	$838,826	$3,924	$(3,162)	$(594)	$ 936,194
Net income					89,995				89,995
Cash dividends, $0.52 per share					(22,750)				(22,750)
Purchase of treasury stock								(37)	(37)
Disposal of treasury stock			2					1	3
Net change in the year						2,175			2,175
BALANCE, DECEMBER 31, 2017	$44,426	$41,662	$7	$11,107	$906,071	$6,099	$(3,162)	$(630)	$1,005,580

* Per share figures have been restated, as appropriate, to reflect a two-for-one stock split effective January 1, 2017.

See notes to nonconsolidated financial statements.

Trusco Nakayama Corporation

Nonconsolidated Statement of Cash Flows
Year Ended December 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥14,470	¥14,391	$128,000
Adjustments for:			
Depreciation and amortization	2,785	2,449	24,634
Increase in allowance for doubtful accounts			(3)
Loss on sales and disposals of property, plant and equipment	112	11	987
Impairment loss on property, plant and equipment		32	
Changes in assets and liabilities:			
Increase in accounts receivable	(2,489)	(1,492)	(22,014)
Increase in merchandise	(2,786)	(4,038)	(24,648)
Increase in accounts payable	1,633	9	14,445
Other—net	(544)	959	(4,814)
Income taxes paid	(4,248)	(5,861)	(37,573)
Net cash provided by operating activities	8,933	6,460	79,014
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(12,461)	(6,692)	(110,230)
Purchase of intangible assets	(1,805)	(1,086)	(15,964)
Increase in investment in affiliated company	(2,214)	(296)	(19,584)
Other—net	(148)	267	(1,311)
Net cash used in investing activities	(16,628)	(7,807)	(147,089)
FINANCING ACTIVITIES:			
Proceeds from long-term loans payable	10,000		88,456
Proceeds from sales of treasury stock			3
Repurchase of treasury stock	(4)	(4)	(36)
Dividends paid	(2,571)	(2,259)	(22,746)
Net cash provided by (used in) financing activities	7,425	(2,263)	65,677
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1	(4)	11
NET DECREASE IN CASH AND CASH EQUIVALENTS	(269)	(3,614)	(2,387)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,682	14,296	94,493
CASH AND CASH EQUIVALENTS, END OF YEAR	¥10,413	¥10,682	$ 92,106

See notes to nonconsolidated financial statements.

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared from the accounts maintained by Trusco Nakayama Corporation (the "Company") 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 to application and disclosure requirements of International Financial Reporting Standards.

In preparing these nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the Company's nonconsolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 nonconsolidated financial statements to conform to the classifications used in 2017.

The nonconsolidated 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 ¥113.05 to $1, the approximate rate of exchange at December 31, 2017. 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. ***Nonconsolidation***—The nonconsolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and affiliated 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 nonconsolidated 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. ***Merchandise***—Merchandise is 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.

Nonmarketable investment securities are stated at cost 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 the new cost basis and the amount of the write-down is included in income.

e. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed utilizing the declining-balance method except for buildings acquired after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016, 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 the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds its fair value. 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. ***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 utilizing the straight-line method over their useful lives, generally over a period of five 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 the Audit and Supervisory Board Members***—Effective March 31, 2004, the Company terminated its unfunded retirement allowance plan for all directors and the Audit and Supervisory Board members by resolution of the Board of Directors on March 28, 2004. Retirement allowances for all directors and the Audit and Supervisory Board members are recorded at the amount that would be required to pay all present directors and the Audit and Supervisory Board members 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 nonconsolidated 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.

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 nonconsolidated statement of income include dividends to be paid after the end of the year.

The Company entered into a two-for-one stock split that was effective as of January 1, 2017. All prior-years shares and per share figures have been restated and the Company presents its weighted-average number of common shares and basic net income per share to reflect the impact of the stock split. However, the year-end cash dividend payment at December 31, 2016, was based on the number of shares held prior to the stock split because the stock split was effective as of January 1, 2017.

Assuming the stock split was effected at the beginning of the year ended December 31, 2016 (January 1, 2016), the cash dividend payment per share would have been as follows:

	2017	2016
Cash dividends per share applicable to the year	¥39.00	¥38.00

3. ADDITIONAL INFORMATION

The Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the fiscal year ended December 31, 2017.

4. INVESTMENT SECURITIES

Investment securities as of December 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Noncurrent:			
Equity securities	¥1,352	¥1,011	$11,958
Government and corporate bonds	96	191	845
Trust fund investments	123	104	1,092
Total	¥1,571	¥1,306	$13,895

The costs and aggregate fair values of investment securities as of December 31, 2017 and 2016, were as follows:

	Millions of Yen			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Equity securities	¥404	¥926		¥1,330
Government and corporate bonds	100		¥(4)	96
Trust fund investments	40	72		112
Total	¥544	¥998	¥(4)	¥1,538

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Equity securities	¥391	¥598		¥ 989
Government and corporate bonds	200		¥(9)	191
Trust fund investments	40	50		90
Total	¥631	¥648	¥(9)	¥1,270

	Thousands of U.S. Dollars			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available for sale:				
Equity securities	$3,581	$8,192	$ (2)	$11,771
Government and corporate bonds	884		(39)	845
Trust fund investments	350	637		987
Total	$4,815	$8,829	$(41)	$13,603

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of December 31, 2016. As a result, the Company recognized an impairment loss of ¥32 million for the year ended December 31, 2016, included in other expenses and the carrying amount of the relevant land, building, and other assets was written down to their 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.

6. LAND REVALUATION

Under the "Law of Land Revaluation" promulgated on March 31, 1998, and revised on March 31, 1999 and 2001, the Company elected 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 nonconsolidated 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 December 31, 2017, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,585 million ($14,022 thousand).

7. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Company Policy for Financial Instruments*

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

In addition, the Company has overdraft agreements with bank to obtain working capital efficiently.

The Company raises capital for investment by borrowing from banks if necessary.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Financial instruments mainly include accounts receivable—trade, electronically-recorded monetary claims, investment securities (equity securities and bonds), accounts payable—trade, other payables, income taxes payable, long-term loans payable for capital investment, and security deposits received for guarantees related to operating transactions and real estate lease transactions.

Accounts receivable—trade and electronically-recorded monetary claims 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 any 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 the 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 prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

(*a*) *Fair value of financial instruments*

	Millions of Yen		
December 31, 2017	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥10,413	¥10,413	
Accounts receivable—trade	24,674	24,674	
Electronically-recorded monetary claims	1,341	1,341	
Investment securities	1,538	1,538	
Total	¥37,966	¥37,966	
Accounts payable—trade	¥14,596	¥14,596	
Other payables	3,764	3,764	
Income taxes payable	2,234	2,234	
Long-term loans payable	10,000	10,017	¥(17)
Deposits received for guarantees	2,099	2,099	
Total	¥32,693	¥32,710	¥(17)
December 31, 2016			
Cash and cash equivalents	¥10,682	¥10,682	
Accounts receivable—trade	22,204	22,204	
Electronically-recorded monetary claims	1,321	1,321	
Investment securities	1,270	1,270	
Total	¥35,477	¥35,477	
Accounts payable—trade	¥12,963	¥12,963	
Other payables	3,796	3,796	
Income taxes payable	2,145	2,145	
Deposits received for guarantees	2,090	2,090	
Total	¥20,994	¥20,994	

December 31, 2017	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 92,106	$ 92,106	
Accounts receivable—trade	218,256	218,256	
Electronically-recorded monetary claims	11,860	11,860	
Investment securities	13,603	13,603	
Total	$335,825	$335,825	
Accounts payable—trade	$129,115	$129,115	
Other payables	33,291	33,291	
Income taxes payable	19,759	19,759	
Long-term loans payable	88,456	88,608	$(152)
Deposits received for guarantees	18,574	18,574	
Total	$289,195	$289,347	$(152)

Cash and Cash Equivalents, Accounts Receivable—Trade and Electronically-Recorded Monetary Claims

The carrying values of cash and cash equivalents, accounts receivable—trade and electronically-recorded monetary claims approximate fair values because of their short maturities.

Investment Securities

The fair value of investment securities is measured at the quoted market price on the stock exchange for equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 4.

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.

Long-Term Loans Payable

The fair value is calculated by discounting the total principal, using an interest rate, that is currently being offered for loans with similar terms.

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 borrowing rate.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Investments in equity instruments that do not have a quoted market price in an active market	¥4,162	¥1,951	$36,819

(5) ***Maturity Analysis for Financial Assets and Securities with Contractual Maturities***

	Millions of Yen			
December 31, 2017	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥10,413			
Accounts receivable—trade	24,673			
Electronically-recorded monetary claims	1,341			
Investment securities—Available-for-sale securities with contractual maturities		¥ 96		
Total	¥36,427	¥ 96		
December 31, 2016				
Cash and cash equivalents	¥10,682			
Accounts receivable—trade	22,204			
Electronically-recorded monetary claims	1,321			
Investment securities—Available-for-sale securities with contractual maturities		¥191		
Total	¥34,207	¥191		

	Thousands of U.S. Dollars			
December 31, 2017	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	$ 92,106			
Accounts receivable—trade	218,256			
Electronically-recorded monetary claims	11,860			
Investment securities—Available-for-sale securities with contractual maturities		$845		
Total	$322,222	$845		

(6) ***Long-Term Loans Payable***

The weighted average interest rate of long-term loans payable as of December 31, 2017, is 0.2655%.

Annual maturities of long-term loans payable as of December 31, 2017, for the next five years and thereafter are as follows:

	Millions of Yen					
December 31, 2017	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Long-term loans payable						¥10,000
Total						¥10,000

	Thousands of U.S. Dollars					
December 31, 2017	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Long-term loans payable						$88,456
Total						$88,456

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. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year 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, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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

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

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 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 within equity 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.

d. Stock Split

The Company entered into a two-for-one stock split that was effective as of January 1, 2017. All prior-year shares and per share figures have been restated and the Company represents weighted-average number of common shares and basic net income per share to reflect the impact of the stock split. However, the year-end cash dividend payment at December 31, 2016, was based on the number of shares held prior to the stock split because the stock split was effective as of January 1, 2017.

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.9% and 33.1% for the years ended December 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of December 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Deferred tax assets—current:			
Enterprise taxes	¥104	¥147	$ 918
Accrued employee bonuses	123	185	1,091
Other payables	197	174	1,741
Other	237	205	2,098
Net deferred tax assets—current	¥661	¥711	$5,848
Deferred tax assets—noncurrent:			
Retirement allowances for directors and Audit and Supervisory Board members	¥ 47	¥ 47	$ 413
Impairment loss on property, plant and equipment	202	210	1,791
Other	250	241	2,206
Total	499	498	4,410
Deferred tax liabilities—noncurrent:			
Tax reserves regulated by Japanese tax law	69	64	607
Net unrealized gain on available-for-sale securities	284	177	2,514
Total	353	241	3,121
Net deferred tax assets—noncurrent	¥146	¥257	$1,289

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the nonconsolidated statements of income for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Normal effective statutory tax rate	30.9%	33.1%
Inhabitant tax (per capita levy)	0.8	0.8
Permanently nondeductible expenses	0.3	0.4
Amendment of deferred tax assets by changing the income tax rate		0.5
Valuation allowance		(2.1)
Tax credits for salary growth	(2.3)	(1.8)
Other—net		(0.2)
Actual effective tax rate	29.7%	30.7%

10. INVESTMENT PROPERTY

The Company holds certain rental properties in Miyagi Prefecture and other areas. Certain office buildings in Osaka and Kyoto are treated as real estate, some of which are 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
	January 1, 2017	Increase (Decrease)	December 31, 2017	December 31, 2017
Idle properties	¥ 84	¥ (84)		
Rental properties	2,617	(244)	¥2,373	¥2,015
Investment properties	1,095	(20)	1,075	862
Total	¥3,796	¥(348)	¥3,448	¥2,877

	Millions of Yen			
	Carrying Amount			Fair Value
	January 1, 2016	Increase (Decrease)	December 31, 2016	December 31, 2016
Idle properties	¥ 276	¥(192)	¥ 84	¥ 83
Rental properties	2,503	114	2,617	2,153
Investment properties	1,109	(14)	1,095	703
Total	¥3,888	¥ (92)	¥3,796	¥2,939

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	January 1, 2017	Increase (Decrease)	December 31, 2017	December 31, 2017
Idle properties	$ 747	$ (747)		
Rental properties	23,152	(2,164)	$20,988	$17,822
Investment properties	9,685	(171)	9,514	7,626
Total	$33,584	$(3,082)	$30,502	$25,448

Notes: 1. Carrying amounts recognized in the nonconsolidated balance sheet are net of accumulated depreciation.

2. The decrease during the fiscal year ended December 31, 2017, primarily represents the change in classification from a rental property to an operating property of ¥233 million ($2,057 thousand) and the change in classification from an idle property to an operating property of ¥57 million ($508 thousand).

3. Fair value of properties as of December 31, 2017 and 2016, is measured by the Company in accordance with the Real-Estate Appraisal Standard.

4. The Company holds properties for the purpose of both operating and rental. The portion of the property that is leased is included in the table above as "Investment properties."

Net amounts of income and operating expenses for the above properties for the years ended December 31, 2017 and 2016, included in "Other income (expenses)" are as follows:

	Millions of Yen			
	2017			
	Income	Operating Expenses	Net Income (Loss)	Other Income (Expenses)
Idle properties		¥ 1	¥ (1)	
Rental properties	¥119	42	77	
Investment properties	113	38	75	
Total	¥232	¥81	¥151	

	Millions of Yen			
	2016			
	Income	Operating Expenses	Net Income (Loss)	Other Income (Expenses)
Idle properties		¥ 2	¥ (2)	
Rental properties	¥127	47	80	
Investment properties	111	37	74	
Total	¥238	¥86	¥152	

	Thousands of U.S. Dollars			
	2017			
	Income	Operating Expenses	Net Income (Loss)	Other Income (Expenses)
Idle properties		$ 9	$ (9)	
Rental properties	$1,049	371	678	
Investment properties	999	334	665	
Total	$2,048	$714	$1,334	

11. RELATED-PARTY DISCLOSURES

(1) *Subsidiaries and Affiliated Companies*

The Company's ownership percentage in the affiliated companies as of December 31, 2017 and 2016, were as follows:

	Percentage of Ownership	
	2017	2016
Trusco Nakayama Corporation (Thailand)	100.0%	100.0%
P.T. Trusco Nakayama Indonesia	100.0	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 December 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Sales	¥ 725	¥ 439	$ 6,415
Purchases	1,500	1,333	13,267
Capital increase of affiliated company	2,214		19,584

The balances due to or from the affiliated companies as of December 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Accounts receivable—trade	¥138	¥ 65	$1,219
Accounts payable—trade	130	121	1,148

(2) *Directors and Major Shareholders, Etc.*

Transactions of the Company with directors and major shareholders for the year ended December 31, 2017, were immaterial. Transactions of the Company with directors and major shareholders for the year ended December 31, 2016, were as follows:

Name	Transaction	Millions of Yen 2016
NR Holdings Corporation	Sale of land	¥127
(Note)	Gains from sale of land	31

Note: Mr. Tetsuya Nakayama, one of the directors, and his close relatives directly hold 100% of the voting rights.

12. SUBSEQUENT EVENT

Appropriation of Retained Earnings—The following appropriation of retained earnings as of December 31, 2017, was resolved at the meeting of the Board of Directors held on February 8, 2018:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥19.5 ($0.17) per share	¥1,286	$11,375

13. SEGMENT INFORMATION

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity for which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) *Description of Reportable Segments*

The 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's reportable segments consist of the factory, e-business, and home center segments. The factory segment consists of wholesale manufacturing and related businesses for construction. The e-business segment consists of sales for internet mail-order companies. The home center segment consists of sales for hardware stores.

Some of the existing customers that were included in the factory segment in the prior year have changed their business model in the current year, resulting in those customers being included in the e-business segment in the current year. Segment information for the previous fiscal year has been retroactively adjusted to the post-revision segmentation.

(2) *Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment*

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) *Changes in the Method of Measuring Profit (Loss) of Reportable Segments*

From the fiscal year under review, the method of allocating certain expenses has been revised to allow individual segment operating performance to be determined more accurately. Segment information for the previous fiscal year has been retroactively adjusted to the post-revision measurement method.

(4) ***Information about Sales, Profit (Loss), Assets, Liabilities, and Other Items***

	Millions of Yen 2017							
	Reportable Segment							
	Factory	e-Business	Home Center	Subtotal	Other	Subtotal	Reconciliations	Total
Sales—Sales to external customers	¥157,405	¥24,378	¥12,399	¥194,182	¥915	¥195,097		¥195,097
Segment profit	11,792	2,545	11	14,348	(31)	14,317	¥ 265	14,582
Segment assets	85,763	4,334	6,643	96,740	308	97,048	50,316	147,364
Other:								
Depreciation	2,426	192	115	2,733	16	2,749	36	2,785
Interest income							1	1
Interest expense							12	12
Increase in property, plant and equipment and intangible assets	2,529		28	2,557		2,557	11,866	14,423

	Millions of Yen 2016							
	Reportable Segment							
	Factory	e-Business	Home Center	Subtotal	Other	Subtotal	Reconciliations	Total
Sales—Sales to external customers	¥145,583	¥18,880	¥12,016	¥176,479	¥574	¥177,053		¥177,053
Segment profit	11,993	2,195	95	14,283	(126)	14,157	¥ 277	14,434
Segment assets	80,135	3,419	6,467	90,021	201	90,222	37,823	128,045
Other:								
Depreciation	2,123	162	122	2,407	4	2,411	38	2,449
Interest income							1	1
Increase in property, plant and equipment and intangible assets	2,407		14	2,421		2,421	5,776	8,197
Impairment losses of assets							32	32

	Thousands of U.S. Dollars 2017							
	Reportable Segment							
	Factory	e-Business	Home Center	Subtotal	Other	Subtotal	Reconciliations	Total
Sales—Sales to external customers	$1,392,349	$215,637	$109,676	$1,717,662	$8,094	$1,725,756		$1,725,756
Segment profit	104,312	22,511	97	126,920	(274)	126,646	$ 2,341	128,987
Segment assets	758,624	38,341	58,760	855,725	2,724	858,449	445,079	1,303,528
Other:								
Depreciation	21,459	1,700	1,018	24,177	143	24,320	314	24,634
Interest income							7	7
Interest expense							105	105
Increase in property, plant and equipment and intangible assets	22,369		252	22,621		22,621	104,963	127,584

Notes: The components of "Reconciliations" for the years ended December 31, 2017 and 2016, are as follows:

(1) Reconciliations to segment assets of ¥50,316 million ($445,079 thousand) in 2017 and ¥37,823 million in 2016 include unallocated cash and cash equivalents of ¥10,413 million ($92,106 thousand) and ¥10,682 million, land and buildings of ¥11,705 million ($103,541 thousand) and ¥15,212 million, and investments and others of ¥6,052 million ($53,536 thousand) and ¥3,656 million, respectively.

(2) Reconciliations to segment assets include an increase in property, plant and equipment and intangible assets of ¥11,866 million ($104,963 thousand) in 2017 and ¥5,776 million in 2016 related to new construction relocation costs, which have not been used for business.

(5) ***Information about Products and Services***

	Millions of Yen										
	2017										
	Supplies	Hand Tools	Environment Safety Supplies	Logistics Storage Supplies	Construction Goods	Office and Housing Facility Equipment	Production Processing Goods	Cutting Tools	Research Management Equipment	Other	Total
Sales to external customers	¥35,867	¥33,228	¥29,828	¥23,952	¥21,409	¥17,099	¥16,232	¥7,221	¥8,590	¥1,671	¥195,097

	Millions of Yen										
	2016										
	Supplies	Hand Tools	Environment Safety Supplies	Logistics Storage Supplies	Construction Goods	Office and Housing Facility Equipment	Production Processing Goods	Cutting Tools	Research Management Equipment	Other	Total
Sales to external customers	¥33,242	¥30,307	¥26,495	¥21,585	¥19,610	¥15,377	¥14,583	¥6,609	¥7,631	¥1,614	¥177,053

	Thousands of U.S. Dollars										
	2017										
	Supplies	Hand Tools	Environment Safety Supplies	Logistics Storage Supplies	Construction Goods	Office and Housing Facility Equipment	Production Processing Goods	Cutting Tools	Research Management Equipment	Other	Total
Sales to external customers	$317,267	$293,921	$263,845	$211,875	$189,373	$151,250	$143,580	$63,874	$75,983	$14,788	$1,725,756

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