Kurotani Corporation

Non-consolidated Financial Statements
for the Year Ended August 31, 2012,
and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kurotani Corporation:

We have audited the accompanying non-consolidated balance sheet of Kurotani Corporation as of August 31, 2012, and the related non-consolidated statements of operations, 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 Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-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 non-consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-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 non-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 non-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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kurotani Corporation as of August 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity 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 conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

November 29, 2012

Kurotani Corporation

Non-consolidated Balance Sheet
August 31, 2012

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 10)	¥ 1,563	¥ 1,427	$ 19,781
Short-term investments (Note 10)	701	699	8,875
Receivables (Note 10):			
Trade notes	2,109	2,464	26,691
Trade accounts	3,507	4,210	44,396
Other	464	556	5,879
Inventories (Note 3)	1,490	3,093	18,867
Deferred tax assets (Note 9)	113	150	1,431
Prepaid expenses and other current assets	668	662	8,445
Total current assets	10,615	13,261	134,365
PROPERTY, PLANT, AND EQUIPMENT—Net (Note 4):			
Land	1,521	1,521	19,255
Buildings and structures	538	581	6,806
Machinery and equipment	222	288	2,810
Furniture and fixtures	62	73	789
Total property, plant, and equipment—net	2,343	2,463	29,660
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 10)	421	460	5,331
Investments in unconsolidated subsidiary (Note 5)	16		200
Software	43	62	538
Deferred tax assets (Note 9)	57	80	725
Other assets	159	129	2,011
Total investments and other assets	696	731	8,805
TOTAL	¥ 13,654	¥ 16,455	$ 172,830

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term bank loans (Notes 6 and 10)	¥ 2,736	¥ 3,899	$ 34,630
Current portion of long-term debt (Notes 6 and 10)	772	908	9,769
Payables (Note 10):			
Trade notes	462	408	5,844
Trade accounts	864	840	10,940
Other	286	433	3,624
Income taxes payable (Note 10)	7	771	89
Accrued expenses	18	31	230
Other current liabilities	22	22	270
Total current liabilities	5,167	7,312	65,396
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 10)	1,519	1,882	19,225
Liability for retirement benefits (Note 7)	68	65	861
Total long-term liabilities	1,587	1,947	20,086
EQUITY (Note 8):			
Common stock—authorized, 28,000,000 shares; issued, 7,168,600 shares in 2012 and 2011	593	593	7,511
Capital surplus:			
Additional paid-in capital	293	293	3,709
Other capital surplus	799	799	10,120
Retained earnings:			
Legal reserve	9	9	114
Retained earnings—unappropriated	5,253	5,542	66,497
Unrealized loss on available-for-sale securities	(47)	(40)	(603)
Total equity	6,900	7,196	87,348
TOTAL	¥ 13,654	¥ 16,455	$ 172,830

See notes to non-consolidated financial statements.

Kurotani Corporation

Non-consolidated Statement of Operations
Year Ended August 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥ 48,606	¥ 53,684	$ 615,265
COST OF SALES	47,261	50,055	598,245
Gross profit	1,345	3,629	17,020
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	1,225	1,198	15,502
Operating income	120	2,431	1,518
OTHER INCOME (EXPENSES):			
Interest and dividend income	8	8	107
Insurance income	8		105
Subsidy income	8	3	107
Gain (loss) on derivative transactions	5	(24)	63
Interest expense	(73)	(95)	(922)
Foreign exchange loss	(21)	(19)	(267)
Gain on sales of property, plant, and equipment	7	5	85
Loss on valuation of marketable securities (Note 5)	(40)		(502)
Other—net	4	(57)	36
Other expenses—net	(94)	(179)	(1,188)
INCOME BEFORE INCOME TAXES	26	2,252	330
INCOME TAXES (Note 9):			
Current	4	1,031	53
Deferred	59	(30)	751
Total income taxes	63	1,001	804
NET (LOSS) INCOME	¥ (37)	¥ 1,251	$ (474)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.m):			
Basic net (loss) income	¥ (5.22)	¥ 199.28	$ (0.07)
Cash dividends applicable to the year	30.00	20.00	0.38

See notes to non-consolidated financial statements.

Kurotani Corporation

Non-consolidated Statement of Changes in Equity
Year Ended August 31, 2012

	Outstanding Number of Shares of Common Stock	Millions of Yen							
			Capital Surplus		Retained Earnings		Unrealized Loss on Available-for-Sale Securities		
		Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated		Treasury Stock	Total Equity
BALANCE, SEPTEMBER 1, 2010	6,028,000	¥ 500	¥ 199	¥ 109	¥ 9	¥ 4,350	¥ (44)	¥ (388)	¥ 4,735
Issuance of new stock (Note 8)	168,600	93	94						187
Net income						1,251			1,251
Cash dividends, ¥10 per share						(59)			(59)
Sale of treasury stock	972,000			690				388	1,078
Net change in the year							4		4
BALANCE, AUGUST 31, 2011	7,168,600	593	293	799	9	5,542	(40)		7,196
Net loss						(37)			(37)
Cash dividends, ¥35 per share						(252)			(252)
Net change in the year							(7)		(7)
BALANCE, AUGUST 31, 2012	7,168,600	¥ 593	¥ 293	¥ 799	¥ 9	¥ 5,253	¥ (47)		¥ 6,900

	Thousands of U.S. Dollars (Note 1)							
		Capital Surplus		Retained Earnings		Unrealized Loss on Available-for-Sale Securities		
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated		Treasury Stock	Total Equity
BALANCE, AUGUST 31, 2011	$ 7,511	$ 3,709	$ 10,120	$ 114	$ 70,147	$ (503)		$ 91,098
Net loss					(474)			(474)
Cash dividends, $0.44 per share					(3,176)			(3,176)
Net change in the year						(100)		(100)
BALANCE, AUGUST 31, 2012	$ 7,511	$ 3,709	$ 10,120	$ 114	$ 66,497	$ (603)		$ 87,348

See notes to non-consolidated financial statements.

Kurotani Corporation

Non-consolidated Statement of Cash Flows
Year Ended August 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes	¥ 26	¥ 2,252	$ 330
Adjustments for:			
Income taxes—paid	(760)	(714)	(9,626)
Depreciation and amortization	225	192	2,853
Loss on valuation of investment securities	40		502
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	1,150	(1,083)	14,554
Decrease (increase) in inventories	1,603	(1,415)	20,290
(Decrease) increase in accounts payable	(68)	64	(863)
Increase (decrease) in liability for retirement benefits	3	(1)	32
Other—net	158	(338)	2,016
Total adjustments	2,351	(3,295)	29,758
Net cash provided by (used in) operating activities	2,377	(1,043)	30,088
INVESTING ACTIVITIES:			
Payments into time deposits	(1,119)	(1,065)	(14,160)
Proceeds from withdrawal of time deposits	1,096	1,065	13,878
Purchases of property, plant, and equipment	(223)	(37)	(2,821)
Proceeds from sales of property, plant, and equipment	7	6	95
Purchases of investment securities	(8)	(8)	(104)
Investments in unconsolidated subsidiary	(16)		(200)
Purchases of software and other intangible assets	(11)	(5)	(144)
Other—net	(12)	(6)	(162)
Net cash used in investing activities	(286)	(50)	(3,618)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans—net	(1,163)	249	(14,722)
Proceeds from long-term debt	500	1,600	6,329
Repayments of long-term debt	(999)	(2,651)	(12,649)
Proceeds from issuance of common stock		187	
Dividends paid	(250)	(59)	(3,158)
Sale of treasury stock		1,078	
Net cash (used in) provided by financing activities	(1,912)	404	(24,200)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	(43)	(22)	(547)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	136	(711)	1,723
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,427	2,138	18,058
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 1,563	¥ 1,427	$ 19,781

See notes to non-consolidated financial statements.

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the non-consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 non-consolidated financial statements to conform to the classifications used in 2012.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which Kurotani Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥79 to $1, the approximate rate of exchange at August 31, 2012. 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 subsidiary. Investments in subsidiary are stated at cost. If the equity method of accounting had been applied to the investments in this company, the effect on the accompanying non-consolidated 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, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories*****—**Inventories are stated at the lower of cost, determined by the average method for merchandise, finished products, work in process, raw materials and supplies, or net selling value.

d. ***Investment Securities***—Investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities, which are not classified as either trading securities which are held for the purpose of earning capital gains in the near term, or held-to-maturity debt securities which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

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

e. ***Investments in Unconsolidated Subsidiary***—Investments in subsidiary are stated at cost.

f. ***Property, Plant, and Equipment***—Property, plant, and equipment are stated at cost.

Depreciation of property, plant, and equipment is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally from 15 to 35 years for buildings and from 6 to 10 years for machinery.

g. ***Software***—Software is carried at cost less accumulated amortization, which is calculated by the straight-line method over 5 years.

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

i. ***Retirement and Pension Plans***—The employees' retirement benefits consist of two plans, a defined contribution pension plan and an unfunded retirement benefit plan, which cover substantially all of its employees.

The liability for the defined benefit plan is recorded at the amount that would be required if all employees retired at each balance sheet date.

j. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the non-consolidated statement of operations. 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. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

l. ***Derivatives and Hedging Activities***—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and nonferrous metal prices. Foreign exchange forward contracts and options are utilized by the Company to reduce foreign currency exchange risk. Also, commodity forward contracts are utilized by the Company to reduce nonferrous metal price risk. The Company does not enter into derivatives for trading or speculative purposes.

All derivative financial instruments are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the non-consolidated statement of operations.

m. ***Per Share Information***—Basic net income or loss per share is computed by dividing net income or loss available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share of common stock is not disclosed herein because the Company has not issued any securities that are potentially dilutive for the years ended August 31, 2012 and 2011.

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

n. ***Accounting Changes and Error Corrections***—In December 2009, the 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 with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—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. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors, which are made from the beginning of the fiscal year that begins on or after September 1, 2011.

3. INVENTORIES

Inventories as of August 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Merchandise	¥ 5	¥ 7	$ 67
Finished products	352	899	4,460
Work in process	92	112	1,169
Raw materials and supplies	1,041	2,075	13,171
Total	¥ 1,490	¥ 3,093	$ 18,867

4. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of August 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Land	¥ 1,521	¥ 1,521	$ 19,255
Buildings and structures	2,165	2,153	27,406
Machinery and equipment	2,048	2,036	25,926
Furniture and fixtures	268	262	3,392
Acquisition cost	6,002	5,972	75,979
Accumulated depreciation	(3,659)	(3,509)	(46,319)
Net book value	¥ 2,343	¥ 2,463	$ 29,660

5. INVESTMENT SECURITIES

Investment securities as of August 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investment securities:			
Marketable equity securities	¥ 326	¥ 365	$ 4,126
Nonmarketable equity securities	15	15	190
Others	80	80	1,015
Total	¥ 421	¥ 460	$ 5,331

The cost and aggregate fair value of the investment securities that have a quoted market price in an active market as of August 31, 2012 and 2011, were as follows:

	Millions of Yen			
August 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 380	¥ 22	¥ 76	¥ 326
Others	100		20	80
Total	¥ 480	¥ 22	¥ 96	¥ 406
August 31, 2011				
Equity securities	¥ 411	¥ 10	¥ 56	¥ 365
Others	100		20	80
Total	¥ 511	¥ 10	¥ 76	¥ 445

August 31, 2012	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 4,810	$ 275	$ 959	$ 4,126
Others	1,265		250	1,015
Total	$ 6,075	$ 275	$ 1,209	$ 5,141

The investment securities of subsidiary whose fair value cannot be reliably determined at August 31, 2012, are measured at the original acquisition costs. The carrying amounts of such investment securities of subsidiary are ¥16 million ($200 thousand).

The impairment loss on available-for-sale equity securities for the year ended August 31, 2012, was ¥40 million ($502 thousand).

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

Short-term bank loans as of August 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Unsecured bank loan with weighted-average interest rate 0.94% (2012)	¥ 2,736	¥ 3,899	$ 34,630

Long-term debt as of August 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
0.59% Unsecured yen bonds, due 2013	¥ 45	¥ 115	$ 570
Unsecured bank loans due serially to 2016 with weighted-average interest rate 1.01% (2012)	2,246	2,675	28,424
Total	2,291	2,790	28,994
Less current portion	(772)	(908)	(9,769)
Long-term debt, less current portion	¥ 1,519	¥ 1,882	$ 19,225

Annual maturities of long-term debt as of August 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Within one year	¥ 772	$ 9,769
In the 2nd year	678	8,582
In the 3rd year	659	8,342
In the 4th year	172	2,170
In the 5th year and thereafter	10	131
Total	¥ 2,291	$ 28,994

7. RETIREMENT BENEFITS

The liabilities for employees' retirement benefits at August 31, 2012 and 2011, were ¥68 million ($861 thousand) and ¥65 million, respectively.

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) 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. However, the Company cannot do so because it does not meet all the above criteria.

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 of the aggregate amount of the legal reserve and additional paid-in capital equals 25% 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.

The Company capitalized other capital surplus of ¥406 million ($5,147 thousand) in accordance with approval at the shareholders meeting held on November 29, 2012.

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

On April 1, 2011, the Company made a 1,000-for-1 stock split by way of a free share distribution based on the resolution of the Board of the Directors meeting held on March 31, 2011. As a result, the number of issued shares of common stock increased by 6,993,000 shares.

The Company listed its securities on the Tokyo Stock Exchange Second Section and sold 972,000 shares of its treasury stock as at an initial public offering on June 9, 2011. In relation to the initial public offering, the Company issued 168,600 shares pursuant to the exercise of the underwriters' overallotment option on July 8, 2011.

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 August 31, 2012 and 2011.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of August 31, 2012 and 2011, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Inventories	¥ 74	¥ 77	$ 940
Accrued expenses	6	11	73
Accrued enterprise tax	2	52	24
Depreciation and amortization	19	25	244
Liability for retirement benefits	24	26	305
Investment securities	15	2	188
Unrealized loss on available-for-sale securities	26	27	330
Other	31	10	393
Less valuation allowance	(27)		(341)
Total	¥ 170	¥ 230	$ 2,156

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying non-consolidated statement of operations for the year ended August 31, 2012, with the corresponding figures for 2011, is as follows:

	2012	2011
Normal effective statutory tax rate	40.4 %	40.4 %
Expenses not deductible for income tax purposes	27.9	0.3
Accumulated earnings tax		2.9
Per capita levy of corporate tax	16.1	
Increase in valuation allowance	102.9	
Effect of tax rate reduction	59.8	
Other—net	(4.4)	0.8
Actual effective tax rate	242.7 %	44.4 %

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 37.8%, effective for the fiscal years beginning on or after September 1, 2012, through August 31, 2015, and to 35.4% afterwards. The effect of this change was to decrease deferred taxes in the non-consolidated balance sheet as of August 31, 2012, by ¥19 million ($245 thousand) and to increase income taxes—deferred in the non-consolidated statement of operations for the year then ended by ¥16 million ($199 thousand).

10. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Company Policy for Financial Instruments*

The Company uses financial instruments including bank loans and bonds, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Also, receivables in foreign currencies are exposed to the risk of fluctuations in foreign currency exchange rates. Investment securities, mainly equity instruments of customers and suppliers of the Company, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Short-term bank loans are used for operating funds. Long-term debt is used for capital expenditures.

Maturities of bank loans and bonds are less than five years after the balance sheet date.

Derivatives mainly include forward foreign currency contracts, options, and commodity forward contracts, which are used to manage exposure to risks of changes in foreign currency exchange rates of receivables and of fluctuations of nonferrous metal prices. Please see Note 11 for more detail about derivatives.

(3) *Risk Management for Financial Instruments*

Credit risk management

Credit risk is the risk of economic loss arising from 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 default risk of customers at an early stage. With respect to derivative transactions, as a means of mitigating the risk of financial loss from defaults, the Company has adopted a policy of only dealing with creditworthy counterparties.

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

Foreign currency bank deposits, bank loans, and trade receivables and payables are exposed to risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts and options.

Investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

With respect to derivative transactions, the Company has internal guidelines, which prescribe the authority and the limit for each transaction by the corporate planning department. The director who is in charge of the corporate planning department is required to report the status and results of derivative transactions to the chief executive officer on a monthly and annual basis. Reconciliation of transactions and balances with counterparties is made by the corporate treasury department.

Liquidity risk management

Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on maturity dates. The Company manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the corporate treasury department.

(**4**) ***Fair Values of Financial Instruments***

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also, please see Note 11 for the detail of the fair value of derivatives. The determination of the quoted price requires some assumptions for related variable factors and the quoted price may fluctuate with different assumptions.

(a) Fair value of financial instruments

	Millions of Yen		
August 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 1,563	¥ 1,563	
Short-term investments	701	701	
Receivables	6,080	6,080	
Investment securities	406	406	
Total	¥ 8,750	¥ 8,750	
Short-term bank loans	¥ 2,736	¥ 2,736	
Payables	1,612	1,612	
Income taxes payable	7	7	
Long-term debt	2,291	2,297	¥ 6
Total	¥ 6,646	¥ 6,652	¥ 6
August 31, 2011			
Cash and cash equivalents	¥ 1,427	¥ 1,427	
Short-term investments	699	699	
Receivables	7,230	7,230	
Investment securities	445	445	
Total	¥ 9,801	¥ 9,801	
Short-term bank loans	¥ 3,899	¥ 3,899	
Payables	1,681	1,681	
Income taxes payable	771	771	
Long-term debt	2,790	2,800	¥ 10
Total	¥ 9,141	¥ 9,151	¥ 10

August 31, 2012	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 19,781	$ 19,781	
Short-term investments	8,875	8,875	
Receivables	76,966	76,966	
Investment securities	5,141	5,141	
Total	$ 110,763	$ 110,763	
Short-term bank loans	$ 34,630	$ 34,630	
Payables	20,408	20,408	
Income taxes payable	89	89	
Long-term debt	28,994	29,075	$ 81
Total	$ 84,121	$ 84,202	$ 81

Cash and cash equivalents

The carrying values of cash and cash equivalents 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. Information on the fair value of investment securities by classification is included in Note 5.

Short-term investments, receivables, payables, income taxes payable, and short-term bank loans

The fair values of short-term investments, receivables, payables, income taxes payable, and short-term bank loans approximate carrying value because of their short-term maturities. Therefore, the fair values are measured at carrying values.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Company's assumed corporate borrowing rate.

Derivatives

Information on the fair value of derivatives is included in Note 11.

(b) Financial instruments whose fair value cannot be reliably determined as of August 31, 2012 and 2011, are as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥ 15	¥ 15	$ 190

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

	Millions of Yen			
August 31, 2012	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	¥ 1,557			
Short-term investments	701			
Receivables	6,080			
Total	¥ 8,338			
August 31, 2011				
Cash and cash equivalents	¥ 1,419			
Short-term investments	699			
Receivables	7,230			
Total	¥ 9,348			

	Thousands of U.S. Dollars			
August 31, 2012	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	$ 19,711			
Short-term investments	8,875			
Receivables	76,966			
Total	$ 105,552			

Please see Note 6 for annual maturities of long-term debt.

11. DERIVATIVES

The Company enters into foreign currency forward contracts and options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company also enters into commodity forward contracts to hedge future price fluctuations of nonferrous metal inventories.

All derivative transactions are entered into to hedge foreign currency and nonferrous metal price exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, trading companies, and London Metal Exchange ("LME") brokers, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies, which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied as of August 31, 2012 and 2011

	Millions of Yen			
August 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Commodity forward contracts:				
Selling	¥ 588		¥1	¥1
Buying	470			
Total	¥ 1,058		¥1	¥1
August 31, 2011				
Commodity forward contracts:				
Selling	¥ 357		¥2	¥2
Buying	355			
Total	¥ 712		¥2	¥2

	Thousands of U.S. Dollars			
August 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Commodity forward contracts:				
Selling	$ 7,478		$ 19	$ 19
Buying	5,976		3	3
Total	$ 13,454		$ 22	$ 22

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions, trading companies, and LME brokers.

The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

12. SUBSEQUENT EVENT

The following appropriation of retained earnings as of August 31, 2012, was approved at the shareholders meeting held on November 29, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15 ($0.19) per share	¥ 108	$ 1,361

13. SEGMENT INFORMATION

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

(1) *Description of Reportable Segments*

The Company has two segments, "nonferrous metals segment" and "Art crafts segment." Nonferrous metals segment is engaged in the manufacture and sales of ingot, and processing and sales of scrap. The majority of sales are nonferrous metals business, and therefore, it is not required to disclose separate financial information by segment.

(2) *Information about Products and Services*

	Millions of Yen			
	2012			
	Ingots	Scrap	Other	Total
Sales to external customers	¥ 19,702	¥ 28,361	¥ 543	¥ 48,606

	Millions of Yen			
	2011			
	Ingots	Scrap	Other	Total
Sales to external customers	¥ 23,327	¥ 29,690	¥ 667	¥ 53,684

	Thousands of U.S. Dollars			
	2012			
	Ingots	Scrap	Other	Total
Sales to external customers	$ 249,386	$ 358,995	$ 6,884	$ 615,265

(3) *Information about Geographical Areas*

(*a*) *Sales*

Millions of Yen				
2012				
Japan	Asia	Europe	Other	Total
¥ 36,307	¥ 11,565	¥ 467	¥ 267	¥ 48,606

Millions of Yen				
2011				
Japan	Asia	Europe	Other	Total
¥ 40,593	¥ 12,103	¥ 960	¥ 28	¥ 53,684

Thousands of U.S. Dollars				
2012				
Japan	Asia	Europe	Other	Total
$ 459,577	$ 146,392	$ 5,910	$ 3,386	$ 615,265

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

(*b*) *Property, plant, and equipment*

Property, plant, and equipment exist in Japan only and thus, there is no requirement to disclose such information.

(**4**) ***Information about Major Customers***

The Company does not have a major customer that accounted for more than 10% of the Company sales for the year ended August 31, 2012, and thus, there is no requirement to disclose such information in 2012.

	Millions of Yen	
	2011	
Name of Customers	Sales	Related Segment Name
Hyundai Heavy Industries Co., Ltd.	¥ 6,667	Nonferrous metals industry

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