
***Kurotani Corporation
and Subsidiary***

*Consolidated Financial Statements
for the Year Ended August 31, 2016,
and Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kurotani Corporation:

We have audited the accompanying consolidated balance sheet of Kurotani Corporation and its subsidiary as of August 31, 2016, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kurotani Corporation and its subsidiary as of August 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

November 25, 2016

Kurotani Corporation and Subsidiary

Consolidated Balance Sheet August 31, 2016

| ASSETS | Millions of Yen | Thousands of U.S. Dollars (Note 1) | LIABILITIES AND EQUITY | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|--|---|-----------------|--|
| CURRENT ASSETS: | | | CURRENT LIABILITIES: | | |
| Cash and cash equivalents (Notes 14 and 15) | ¥ 1,633 | \$ 15,857 | Short-term bank loans (Notes 8 and 15) | ¥ 3,841 | \$ 37,288 |
| Short-term investments | 657 | 6,375 | Current portion of long-term debt (Notes 8 and 15) | 889 | 8,628 |
| Receivables (Note 15): | | | Payables (Note 15): | | |
| Trade notes | 233 | 2,265 | Trade notes | 374 | 3,632 |
| Electronically-recorded monetary claims—operating | 783 | 7,597 | Trade accounts | 734 | 7,130 |
| Trade accounts | 4,243 | 41,195 | Other | 229 | 2,228 |
| Other | 720 | 6,988 | Income taxes payable | 6 | 55 |
| Inventories (Note 4) | 2,355 | 22,865 | Accrued expenses | 31 | 299 |
| Deferred tax assets (Note 12) | 66 | 645 | Other current liabilities | 9 | 80 |
| Prepaid expenses and other current assets | 739 | 7,171 | | | |
| | <u>11,429</u> | <u>110,958</u> | Total current liabilities | <u>6,113</u> | <u>59,340</u> |
| | | | | | |
| PROPERTY, PLANT AND EQUIPMENT—Net (Note 5): | | | LONG-TERM LIABILITIES: | | |
| Land | 1,521 | 14,768 | Long-term debt (Notes 8 and 15) | 1,567 | 15,216 |
| Buildings and structures | 424 | 4,113 | Liability for retirement benefits (Note 9) | 89 | 868 |
| Machinery and equipment | 270 | 2,621 | | | |
| Furniture and fixtures | 71 | 692 | Total long-term liabilities | <u>1,656</u> | <u>16,084</u> |
| | <u>2,286</u> | <u>22,194</u> | | | |
| | | | COMMITMENTS AND CONTINGENT LIABILITIES (Note 16) | | |
| INVESTMENTS AND OTHER ASSETS: | | | EQUITY (Note 10): | | |
| Investment securities (Notes 6 and 15) | 362 | 3,518 | Common stock—authorized, 28,000,000 shares; issued, 7,168,600 shares in 2016 | 1,000 | 9,709 |
| Investments in associated company | 149 | 1,448 | Capital surplus: | | |
| Software | 14 | 134 | Additional paid-in capital | 293 | 2,845 |
| Deferred tax assets (Note 12) | 125 | 1,209 | Other capital surplus | 393 | 3,814 |
| Other assets (Note 7) | 11 | 109 | Retained earnings: | | |
| | <u>661</u> | <u>6,418</u> | Legal reserve | 9 | 87 |
| | | | Unappropriated | 4,867 | 47,251 |
| | | | Treasury stock—at cost, 108 shares in 2016 | | (1) |
| | | | Accumulated other comprehensive income: | | |
| | | | Unrealized gain on available-for-sale securities | 13 | 126 |
| | | | Foreign currency translation adjustments | 32 | 315 |
| | | | Total equity | <u>6,607</u> | <u>64,146</u> |
| TOTAL | <u>¥14,376</u> | <u>\$139,570</u> | TOTAL | <u>¥14,376</u> | <u>\$139,570</u> |

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Consolidated Statement of Operations Year Ended August 31, 2016

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars (Note 1)</u> |
|---|------------------------|---|
| NET SALES | ¥42,956 | \$417,044 |
| COST OF SALES | <u>42,449</u> | <u>412,127</u> |
| Gross profit | 507 | 4,917 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11) | <u>1,099</u> | <u>10,667</u> |
| Operating loss | <u>(592)</u> | <u>(5,750)</u> |
| OTHER INCOME (EXPENSES): | | |
| Interest and dividend income | 8 | 79 |
| Insurance income | 24 | 230 |
| Foreign exchange gain | 122 | 1,189 |
| Gain on derivative transactions | 78 | 754 |
| Interest expense | (63) | (614) |
| Gain on sales of property, plant and equipment | | 3 |
| Equity in loss of associated company | (34) | (330) |
| Other—net | <u>(2)</u> | <u>(13)</u> |
| Other income—net | <u>133</u> | <u>1,298</u> |
| LOSS BEFORE INCOME TAXES | <u>(459)</u> | <u>(4,452)</u> |
| INCOME TAXES (Note 12): | | |
| Current | 4 | 41 |
| Deferred | <u>(74)</u> | <u>(714)</u> |
| Total income taxes | <u>(70)</u> | <u>(673)</u> |
| NET LOSS | <u>(389)</u> | <u>(3,779)</u> |
| NET LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT | <u>¥ (389)</u> | <u>\$ (3,779)</u> |
| | <u>Yen</u> | <u>U.S. Dollars</u> |
| PER SHARE OF COMMON STOCK (Note 2.n): | | |
| Basic net loss | ¥(54.30) | \$(0.53) |
| Cash dividends applicable to the year | 15.00 | 0.15 |

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Consolidated Statement of Comprehensive Income Year Ended August 31, 2016

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars (Note 1)</u> |
|--|------------------------|---|
| NET LOSS | <u>¥(389)</u> | <u>\$(3,779)</u> |
| OTHER COMPREHENSIVE LOSS (Note 13): | | |
| Unrealized loss on available-for-sale securities | (94) | (913) |
| Foreign currency translation adjustments | (38) | (360) |
| Share of other comprehensive loss in associate | <u>(39)</u> | <u>(383)</u> |
| Total other comprehensive loss | <u>(171)</u> | <u>(1,656)</u> |
| COMPREHENSIVE LOSS | <u>¥(560)</u> | <u>\$(5,435)</u> |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO: | | |
| Owners of the parent | ¥(560) | \$(5,435) |
| Noncontrolling interests | | |

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

**Consolidated Statement of Changes in Equity
Year Ended August 31, 2016**

| Millions of Yen | | | | | | | | | | |
|---|---|-----------------|-------------------------------|--------------------------|-------------------|----------------|-------------------|--|---|-----------------|
| | Number of Shares of Common Stock Outstanding | Common Stock | Capital Surplus | | Retained Earnings | | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | | Total Equity |
| | | | Additional Paid-in Capital | Other Capital Surplus | Legal Reserve | Unappropriated | | Unrealized Gain (Loss) on Available-for-Sale Securities | Foreign Currency Translation Adjustments | |
| BALANCE, SEPTEMBER 1, 2015 | 7,168,492 | ¥1,000 | ¥293 | ¥393 | ¥9 | ¥5,363 | | ¥107 | ¥109 | ¥7,274 |
| Net loss attributable to owners of the parent | | | | | | (389) | | | | (389) |
| Cash dividends, ¥15 per share | | | | | | (107) | | | | (107) |
| Net change in the year | | | | | | | | (94) | (77) | (171) |
| BALANCE, AUGUST 31, 2016 | <u>7,168,492</u> | <u>¥1,000</u> | <u>¥293</u> | <u>¥393</u> | <u>¥9</u> | <u>¥4,867</u> | | <u>¥ 13</u> | <u>¥ 32</u> | <u>¥6,607</u> |

| Thousands of U.S. Dollars (Note 1) | | | | | | | | | |
|---|-----------------|-------------------------------|--------------------------|-------------------|-----------------|-------------------|--|---|-----------------|
| | Common Stock | Capital Surplus | | Retained Earnings | | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | | Total Equity |
| | | Additional Paid-in Capital | Other Capital Surplus | Legal Reserve | Unappropriated | | Unrealized Gain (Loss) on Available-for-Sale Securities | Foreign Currency Translation Adjustments | |
| BALANCE, SEPTEMBER 1, 2015 | \$9,709 | \$2,845 | \$3,814 | \$87 | \$52,073 | \$(1) | \$1,039 | \$1,058 | \$70,624 |
| Net loss attributable to owners of the parent | | | | | (3,779) | | | | (3,779) |
| Cash dividends, \$0.15 per share | | | | | (1,043) | | | | (1,043) |
| Net change in the year | | | | | | | (913) | (743) | (1,656) |
| BALANCE, AUGUST 31, 2016 | <u>\$9,709</u> | <u>\$2,845</u> | <u>\$3,814</u> | <u>\$87</u> | <u>\$47,251</u> | <u>\$(1)</u> | <u>\$ 126</u> | <u>\$ 315</u> | <u>\$64,146</u> |

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Consolidated Statement of Cash Flows Year Ended August 31, 2016

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars (Note 1)</u> |
|---|------------------------|---|
| OPERATING ACTIVITIES: | | |
| Loss before income taxes | ¥ (459) | \$ (4,452) |
| Adjustments for: | | |
| Income taxes—paid | (56) | (545) |
| Depreciation and amortization | 176 | 1,710 |
| Changes in assets and liabilities: | | |
| Decrease in receivables | 797 | 7,735 |
| Increase in inventories | (314) | (3,048) |
| Increase in payables | 126 | 1,226 |
| Other—net | <u>(581)</u> | <u>(5,650)</u> |
| Total adjustments | <u>148</u> | <u>1,428</u> |
| Net cash used in operating activities | <u>(311)</u> | <u>(3,024)</u> |
| INVESTING ACTIVITIES: | | |
| Payments into time deposits | (1,160) | (11,258) |
| Proceeds from withdrawal of time deposits | 1,155 | 11,218 |
| Purchases of property, plant and equipment | (140) | (1,361) |
| Proceeds from sales of property, plant and equipment | 1 | 10 |
| Purchases of investment securities | (7) | (72) |
| Proceeds from sales of investment securities | 143 | 1,386 |
| Other—net | <u>(3)</u> | <u>(34)</u> |
| Net cash used in investing activities | <u>(11)</u> | <u>(111)</u> |
| FINANCING ACTIVITIES: | | |
| Decrease in short-term bank loans—net | (191) | (1,855) |
| Proceeds from long-term debt | 1,200 | 11,650 |
| Repayments of long-term debt | (1,114) | (10,813) |
| Dividends paid | <u>(107)</u> | <u>(1,043)</u> |
| Net cash used in financing activities | <u>(212)</u> | <u>(2,061)</u> |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS | <u>19</u> | <u>198</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (515) | (4,998) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,744</u> | <u>16,931</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR (Note 14) | <u>¥1,229</u> | <u>\$11,933</u> |

See notes to consolidated financial statements.

Kurotani Corporation and Subsidiary

Notes to Consolidated Financial Statements Year Ended August 31, 2016

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Kurotani Corporation (the "Company") and its subsidiary (together the "Group") have been prepared from the current fiscal year ended August 31, 2016, as the subsidiary became significant for the Group in the current year.

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103 to \$1, the approximate rate of exchange at August 31, 2016. 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. Consolidation**—The consolidated financial statements as of August 31, 2016, include the accounts of the Group.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

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

The fiscal year-end of the subsidiary is December 31. Accordingly, it is consolidated using pro forma financial information as of June 30, and adjustments were made to accounting for significant transactions that occurred from July 1 to August 31.

- b. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and 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 (see Note 4).

- d. **Marketable and Investment Securities**—Marketable and 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 that are held for the purpose of earning capital gains in the near term or held-to-maturity debt securities that 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. **Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

- 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, and facilities attached to buildings and structures acquired after April 1, 2016. The range of useful lives is principally from 15 to 35 years for buildings and from 4 to 7 years for machinery.

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

- h. **Long-Lived Assets**—The Group 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 Company's employees' retirement benefits consist of two plans, a defined contribution pension plan and an unfunded retirement benefit plan as a defined benefit plan, which cover substantially all of the Company's employees.

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

- j. **Income Taxes**—The provision for income taxes is computed based on the pretax income included in the 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 consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

- l. Foreign Currency Financial Statements**—The balance sheet accounts of the subsidiary are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the subsidiary are translated into yen at the average exchange rate.
- m. Derivatives and Hedging Activities**—The Group 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 Group to reduce foreign currency exchange risk. Also, commodity forward contracts are utilized by the Group to reduce nonferrous metal price risk. The Group 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 consolidated statement of operations.

- n. Per Share Information**—Basic net loss per share is computed by dividing net loss attributable 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 year ended August 31, 2016.

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

- o. New Accounting Pronouncements**

"Implementation Guidance on Recoverability of Deferred Tax Assets" (the Accounting Standards Board of Japan ("ASBJ") Guidance No. 26, Revised on March 28, 2016)

- (1) *Overview*

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66, "Auditing Treatment of Determining the Recoverability of Deferred Tax Assets," whereby companies are classified into five categories and deferred tax assets are calculated based on each of these categories.

- (a) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
- (b) Category requirements for (Category 2) and (Category 3)
- (c) Treatment related to future deductible temporary differences that cannot be scheduled in companies that qualify as (Category 2)
- (d) Treatment related to the reasonable estimable period of future preadjusted taxable income in companies that qualify as (Category 3)
- (e) Treatment in cases that companies that satisfy the category requirements for (Category 4) also qualify as (Category 2) or (Category 3)

(2) *Scheduled date of application*

The Company expects to apply the revised implementation guidance from the beginning of the year ending August 31, 2017.

(3) *Effect of applying the revised implementation guidance*

The Company is currently evaluating the effect of applying this revised implementation guidance on its consolidated financial statements for the current year.

3. ACCOUNTING CHANGES

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, Revised on September 13, 2013), Etc.—The Company applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013); "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013); "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013), etc.

"Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (Practical Issues Task Force ("PITF") No. 32 of June 17, 2016)—The Company applied "Practical Solution on a change in depreciation method due to Tax Reform 2016" (PITF No. 32 of June 17, 2016) and, accordingly, changed its depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method at rates based upon the estimated useful lives of assets, which are prescribed in the Japanese Corporation Tax Code. This change has no effect on the consolidated financial statements and per share information for the year ended August 31, 2016.

4. INVENTORIES

Inventories as of August 31, 2016, consisted of the following:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|----------------------------|------------------------|--------------------------------------|
| Merchandise | ¥ 3 | \$ 25 |
| Finished products | 336 | 3,262 |
| Work in process | 109 | 1,062 |
| Raw materials and supplies | <u>1,907</u> | <u>18,516</u> |
| Total | <u>¥2,355</u> | <u>\$22,865</u> |

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of August 31, 2016, consisted of the following:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--------------------------|------------------------|--------------------------------------|
| Land | ¥1,521 | \$14,768 |
| Buildings and structures | 2,215 | 21,506 |
| Machinery and equipment | 2,504 | 24,308 |
| Furniture and fixtures | 325 | 3,156 |
| Acquisition cost | <u>6,565</u> | <u>63,738</u> |
| Accumulated depreciation | <u>(4,279)</u> | <u>(41,544)</u> |
| Net book value | <u>¥2,286</u> | <u>\$22,194</u> |

6. INVESTMENT SECURITIES

Investment securities as of August 31, 2016, consisted of the following:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|---------------------------------|------------------------|--------------------------------------|
| Noncurrent: | | |
| Marketable equity securities | ¥347 | \$3,372 |
| Nonmarketable equity securities | <u>15</u> | <u>146</u> |
| Total | <u>¥362</u> | <u>\$3,518</u> |

The cost and aggregate fair value of investment securities that have a quoted market price in an active market as of August 31, 2016, were as follows:

| <u>August 31, 2016</u> | <u>Millions of Yen</u> | | | |
|------------------------|------------------------|-----------------------------|------------------------------|-----------------------|
| | <u>Cost</u> | <u>Unrealized Gains</u> | <u>Unrealized Losses</u> | <u>Fair Value</u> |
| Equity securities | ¥334 | ¥41 | ¥(28) | ¥347 |
| Total | <u>¥334</u> | <u>¥41</u> | <u>¥(28)</u> | <u>¥347</u> |

| <u>August 31, 2016</u> | <u>Thousands of U.S. Dollars</u> | | | |
|------------------------|----------------------------------|-----------------------------|------------------------------|-----------------------|
| | <u>Cost</u> | <u>Unrealized Gains</u> | <u>Unrealized Losses</u> | <u>Fair Value</u> |
| Equity securities | \$3,246 | \$398 | \$(272) | \$3,372 |
| Total | <u>\$3,246</u> | <u>\$398</u> | <u>\$(272)</u> | <u>\$3,372</u> |

7. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The amount deducted directly from investments and other assets as of August 31, 2016, was as follows:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--------------|------------------------|--------------------------------------|
| Other assets | ¥39 | \$377 |

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

Short-term bank loans as of August 31, 2016, consisted of the following:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--|------------------------|--------------------------------------|
| Unsecured bank loans with a weighted-average interest rate of 0.93% (2016) | ¥3,841 | \$37,288 |

Long-term debt as of August 31, 2016, consisted of the following:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--|------------------------|--------------------------------------|
| Unsecured bank loans due serially to 2021 with a weighted-average interest rate of 0.56% (2016) | ¥2,456 | \$23,844 |
| Total | <u>2,456</u> | <u>23,844</u> |
| Less current portion | <u>(889)</u> | <u>(8,628)</u> |
| Long-term debt, less current portion | <u>¥1,567</u> | <u>\$15,216</u> |

Annual maturities of long-term debt as of August 31, 2016, were as follows:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--------------------------------|------------------------|--------------------------------------|
| Within one year | ¥ 889 | \$ 8,628 |
| In the 2nd year | 764 | 7,418 |
| In the 3rd year | 460 | 4,465 |
| In the 4th year | 268 | 2,605 |
| In the 5th year and thereafter | <u>75</u> | <u>728</u> |
| Total | <u>¥2,456</u> | <u>\$23,844</u> |

9. RETIREMENT BENEFITS

a. Overview of the Company's Retirement Benefit Plan

The employees' retirement benefits consist of two plans, a defined contribution pension plan and an unfunded retirement benefit plan as a defined benefit plan, which cover substantially all of the Company's employees.

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

b. Defined Benefit Plan

Movement in liability for retirement benefit of the defined benefit plan applying the simplified method for the year ended August 31, 2016, was as follows:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|------------------------------|------------------------|--------------------------------------|
| Balance at beginning of year | ¥88 | \$855 |
| Retirement benefit cost | 8 | 76 |
| Benefits paid | <u>(7)</u> | <u>(63)</u> |
| Balance at end of year | <u>¥89</u> | <u>\$868</u> |

Reconciliation of retirement benefit obligations to liability for retirement benefits as of August 31, 2016, was as follows:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--|------------------------|----------------------------------|
| Unfunded retirement benefit obligations | <u>¥89</u> | <u>\$868</u> |
| Total net liability for retirement benefits at end of year | <u>¥89</u> | <u>\$868</u> |

Retirement benefit cost of the defined benefit plan applying the simplified method for the year ended August 31, 2016, was ¥8 million (\$76 thousand).

c. Defined Contribution Pension Plan

The amount of contributions to the defined contribution plan for the year ended August 31, 2016, was ¥11 million (\$108 thousand).

10. EQUITY

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

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 the 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. However, the Company 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 the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts 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.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Significant components of selling, general and administrative expenses for the year ended August 31, 2016, were as follows:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|----------------------------------|------------------------|----------------------------------|
| Board members' compensation | ¥147 | \$1,424 |
| Salaries | 176 | 1,712 |
| Provision of reserve for bonuses | 7 | 65 |
| Net periodic benefit costs | 4 | 40 |
| Sales charges | <u>420</u> | <u>4,082</u> |
| Total | <u>¥754</u> | <u>\$7,323</u> |

12. 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 32.8% for the year ended August 31, 2016.

At August 31, 2016, the Company has tax loss carryforwards aggregating approximately ¥417 million (\$4,044 thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire as follows:

| <u>Year Ending August 31</u> | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|------------------------------|------------------------|----------------------------------|
| 2017 | | |
| 2018 | | |
| 2019 | | |
| 2020 | | |
| 2021 and thereafter | <u>¥417</u> | <u>\$4,044</u> |
| Total | <u>¥417</u> | <u>\$4,044</u> |

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

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--|------------------------|--------------------------------------|
| Deferred tax assets: | | |
| Inventories | ¥ 55 | \$ 537 |
| Accrued expenses | 7 | 73 |
| Accrued enterprise tax | 1 | 11 |
| Depreciation and amortization | 13 | 126 |
| Liability for retirement benefits | 27 | 265 |
| Investment securities | 13 | 124 |
| Provision of allowance for doubtful accounts | 12 | 115 |
| Unrealized gain on available-for-sale securities | 2 | 16 |
| Tax loss carryforward | 128 | 1,239 |
| Other | <u>1</u> | <u>12</u> |
| Subtotal | 259 | 2,518 |
| Less valuation allowance | <u>(68)</u> | <u>(664)</u> |
| Total | <u>191</u> | <u>1,854</u> |
| Deferred tax liabilities—Other | — | — |
| Total | — | — |
| Net deferred tax assets | <u>¥191</u> | <u>\$1,854</u> |

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended August 31, 2016, is as follows:

| | |
|---|--------------|
| Normal effective statutory tax rate | 32.8% |
| Expenses not deductible for income tax purposes | (1.3) |
| Per capita levy of corporate tax | (0.9) |
| Effect of tax rate reduction | (2.0) |
| Valuation allowance for deferred tax assets | (9.5) |
| Equity in loss of the associated company | (2.4) |
| Other—net | <u>(1.6)</u> |
| Actual effective tax rate | <u>15.1%</u> |

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, from approximately 32.1% to 30.7% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.5%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities by ¥9 million (\$89 thousand) and to increase unrealized gain on available-for-sale securities by ¥0 million (\$1 thousand) in the consolidated balance sheet as of August 31, 2016, and to increase income taxes—deferred in the consolidated statement of operations for the year then ended by ¥9 million (\$88 thousand).

13. OTHER COMPREHENSIVE LOSS

The component of other comprehensive loss for the year ended August 31, 2016, consists of the following:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|---|------------------------|--------------------------------------|
| Unrealized loss on available-for-sale securities: | | |
| Losses arising during the year | ¥(142) | \$(1,383) |
| Reclassification adjustments to profit or loss | | |
| Amount before income tax effect | <u>(142)</u> | <u>(1,383)</u> |
| Income tax effect | <u>48</u> | <u>470</u> |
| Total | <u>¥ (94)</u> | <u>\$ (913)</u> |
| Foreign currency translation adjustments: | | |
| Adjustments arising during the year | ¥ (38) | \$ (360) |
| Reclassification adjustments to profit or loss | | |
| Amount before income tax effect | <u>(38)</u> | <u>(360)</u> |
| Income tax effect | <u>—</u> | <u>—</u> |
| Total | <u>¥ (38)</u> | <u>\$ (360)</u> |
| Share of other comprehensive loss in associates— | | |
| Losses arising during the year | ¥ (39) | \$ (383) |
| Total | <u>¥ (39)</u> | <u>\$ (383)</u> |
| Total other comprehensive loss | <u>¥(171)</u> | <u>\$(1,656)</u> |

14. SUPPLEMENTAL CASH FLOWS INFORMATION

A reconciliation of cash and cash equivalents between the consolidated balance sheet and the consolidated statement of cash flows as of August 31, 2016, is as follows:

| | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--|------------------------|--------------------------------------|
| Cash and cash equivalents in the consolidated balance sheet | ¥1,633 | \$15,857 |
| Bank overdraft | <u>(404)</u> | <u>(3,924)</u> |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>¥1,229</u> | <u>\$11,933</u> |

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group 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, electronically-recorded monetary claims—operating 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 Group, 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 are less than five years after the consolidated 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 16 for more detail about derivatives.

(3) *Risk Management for Financial Instruments*

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group 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 Group 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 Group has internal guidelines that 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 Group cannot meet its contractual obligations in full on maturity dates. The Group 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 16 for details of the fair value of derivatives. The determination of the quoted price requires certain assumptions for related variable factors and the quoted price may fluctuate with different assumptions.

(a) Fair value of financial instruments

| <u>August 31, 2016</u> | Millions of Yen | | |
|---------------------------|----------------------------|-----------------------|---------------------------------|
| | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Unrealized Gain/Loss</u> |
| Cash and cash equivalents | ¥1,633 | ¥1,633 | |
| Short-term investments | 657 | 657 | |
| Receivables | 5,977 | 5,977 | |
| Investment securities | <u>347</u> | <u>347</u> | — |
| Total | <u>¥8,614</u> | <u>¥8,614</u> | = |
| Short-term bank loans | ¥3,841 | ¥3,841 | |
| Payables | 1,334 | 1,334 | |
| Income taxes payable | 6 | 6 | |
| Long-term debt | <u>2,456</u> | <u>2,459</u> | ¥3 |
| Total | <u>¥7,637</u> | <u>¥7,640</u> | ¥3 |

| <u>August 31, 2016</u> | Thousands of U.S. Dollars | | |
|---------------------------|----------------------------|-----------------------|---------------------------------|
| | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Unrealized Gain/Loss</u> |
| Cash and cash equivalents | \$15,857 | \$15,857 | |
| Short-term investments | 6,375 | 6,375 | |
| Receivables | 58,028 | 58,028 | |
| Investment securities | <u>3,372</u> | <u>3,372</u> | — |
| Total | <u>\$83,632</u> | <u>\$83,632</u> | = |
| Short-term bank loans | \$37,288 | \$37,288 | |
| Payables | 12,954 | 12,954 | |
| Income taxes payable | 55 | 55 | |
| Long-term debt | <u>23,844</u> | <u>23,869</u> | \$25 |
| Total | <u>\$74,141</u> | <u>\$74,166</u> | \$25 |

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 6.

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 value.

Long-term debt

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

Derivatives

Information on the fair value of derivatives is included in Note 16.

- (b) Financial instruments whose fair value cannot be reliably determined as of August 31, 2016, are as follows:

| | Carrying Amount | |
|--|-----------------|---------------------------|
| | Millions of Yen | Thousands of U.S. Dollars |
| Investments in equity instruments that do not have a quoted market price in an active market | ¥ 15 | \$ 146 |
| Investments in associated company | 149 | 1,448 |

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

| | Millions of Yen | | | |
|---------------------------|---------------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| <u>August 31, 2016</u> | | | | |
| Cash and cash equivalents | ¥1,629 | | | |
| Short-term investments | 657 | | | |
| Receivables | 5,977 | | | |
| Total | <u>¥8,263</u> | | | |
| | Thousands of U.S. Dollars | | | |
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| <u>August 31, 2016</u> | | | | |
| Cash and cash equivalents | \$15,814 | | | |
| Short-term investments | 6,375 | | | |
| Receivables | 58,028 | | | |
| Total | <u>\$80,217</u> | | | |

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

16. DERIVATIVES

The Group enters into foreign currency forward contracts and options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group 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 the Group's 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 Group does not anticipate any losses arising from credit risk.

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

Derivative Transactions to Which Hedge Accounting Is Not Applied as of August 31, 2016

| | Millions of Yen | | | |
|------------------------------|---------------------------|------------------------------------|--------------|----------------------|
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gain/Loss |
| <u>August 31, 2016</u> | | | | |
| Commodity forward contracts: | | | | |
| Selling | ¥1,323 | | ¥50 | ¥50 |
| Buying | <u>1,499</u> | | <u>(33)</u> | <u>(33)</u> |
| Total | <u>¥2,822</u> | | <u>¥17</u> | <u>¥17</u> |
| | Thousands of U.S. Dollars | | | |
| | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gain/Loss |
| <u>August 31, 2016</u> | | | | |
| Commodity forward contracts: | | | | |
| Selling | \$12,848 | | \$488 | \$488 |
| Buying | <u>14,551</u> | | <u>(320)</u> | <u>(320)</u> |
| Total | <u>\$27,399</u> | | <u>\$168</u> | <u>\$168</u> |

The fair value of derivative transactions is measured at the quoted price obtained from 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 Group's exposure to credit or market risk.

17. SUBSEQUENT EVENT

The following appropriation of retained earnings as of August 31, 2016, was approved at the shareholders' meeting held on November 25, 2016:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Year-end cash dividends, ¥5 (\$0.05) per share | ¥36 | \$348 |

18. 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 Group has two segments, the "nonferrous metals segment" and "arts and crafts segment." The nonferrous metals segment is engaged in the manufacture and sale of ingots and processing and sales of scrap. The arts and crafts segment is engaged in the manufacture and sale of arts and crafts.

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

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

Operating loss is applied in "Segment profit (loss)." "Intersegment sales or transfers" are calculated based on market price.

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

| | Millions of Yen | | | | |
|---|----------------------|--------------------|----------------|----------------------|-------------------|
| | Reportable Segment | | | Reconcil- iations | Consol- idated |
| | Nonferrous Metals | Arts and Crafts | Total | | |
| Sales: | | | | | |
| Sales to external customers | ¥42,407 | ¥549 | ¥42,956 | | ¥42,956 |
| Intersegment sales or transfers | 6 | — | 6 | ¥ (6) | — |
| Total | <u>¥42,413</u> | <u>¥549</u> | <u>¥42,962</u> | <u>¥ (6)</u> | <u>¥42,956</u> |
| Segment profit (loss) | ¥ (669) | ¥ 77 | ¥ (592) | | ¥ (592) |
| Segment assets | 10,076 | 918 | 10,994 | ¥3,382 | 14,376 |
| Other: | | | | | |
| Depreciation | 154 | 22 | 176 | | 176 |
| Investment in associated company | 149 | | 149 | | 149 |
| Increase in property, plant and equipment and intangible assets | 132 | 47 | 179 | | 179 |

| | Thousands of U.S. Dollars | | | | |
|---|---------------------------|--------------------|-------------------|----------------------|-------------------|
| | Reportable Segment | | | Reconcil- iations | Consol- idated |
| | Nonferrous Metals | Arts and Crafts | Total | | |
| Sales: | | | | | |
| Sales to external customers | \$ 411,713 | \$ 5,331 | \$ 417,044 | | \$ 417,044 |
| Intersegment sales or transfers | 61 | 2 | 63 | \$ (63) | |
| Total | <u>\$ 411,774</u> | <u>\$ 5,333</u> | <u>\$ 417,107</u> | <u>\$ (63)</u> | <u>\$ 417,044</u> |
| Segment profit (loss) | \$ (6,498) | \$ 748 | \$ (5,750) | | \$ (5,750) |
| Segment assets | 97,825 | 8,909 | 106,734 | \$ 32,836 | 139,570 |
| Other: | | | | | |
| Depreciation | 1,494 | 216 | 1,710 | | 1,710 |
| Investment in associated company | 1,448 | | 1,448 | | 1,448 |
| Increase in property, plant and equipment and intangible assets | 1,279 | 452 | 1,731 | | 1,731 |

Reconciliations to segment assets (¥3,382 million (\$32,836 thousand)) represent corporate assets. Corporate assets mainly consist of cash and cash equivalents, land and the assets associated with the administration headquarters of the Group.

(4) *Information about Products and Services*

| | Millions of Yen | | | | |
|-----------------------------|-----------------|---------|--------------------|-------|---------|
| | Ingots | Scrap | Arts and Crafts | Other | Total |
| Sales to external customers | ¥15,768 | ¥26,490 | ¥549 | ¥149 | ¥42,956 |

| | Thousands of U.S. Dollars | | | | |
|-----------------------------|---------------------------|------------|--------------------|----------|------------|
| | Ingots | Scrap | Arts and Crafts | Other | Total |
| Sales to external customers | \$ 153,087 | \$ 257,188 | \$ 5,331 | \$ 1,438 | \$ 417,044 |

(5) *Information about Geographical Areas*

(a) *Sales*

| Millions of Yen | | | | | |
|-----------------|--------|-------------------------------------|--------|-------|---------|
| Japan | Korea | Asia (except Japan and Korea) | Europe | Other | Total |
| ¥33,266 | ¥5,135 | ¥3,995 | ¥341 | ¥219 | ¥42,956 |

| Thousands of U.S. Dollars | | | | | |
|---------------------------|--------------|--|---------------|--------------|--------------|
| <u>Japan</u> | <u>Korea</u> | <u>Asia (except Japan and Korea)</u> | <u>Europe</u> | <u>Other</u> | <u>Total</u> |
| \$322,973 | \$49,858 | \$38,787 | \$3,313 | \$2,113 | \$417,044 |

Note: Sales are classified by country or region based on the location of customers.

(b) *Property, plant and equipment*

More than 90% of property, plant and equipment exist in Japan. The remainder is not significant, and therefore does not require disclosure.

(6) *Information about Major Customers*

| <u>Name of Customer</u> | <u>Millions of Yen Sales</u> | <u>Related Segment Name</u> |
|---------------------------------|----------------------------------|-----------------------------|
| Sumitomo Metal Mining Co., Ltd. | ¥10,176 | Nonferrous metals segment |

| <u>Name of Customer</u> | <u>Thousands of U.S. Dollars Sales</u> | <u>Related Segment Name</u> |
|---------------------------------|--|-----------------------------|
| Sumitomo Metal Mining Co., Ltd. | \$98,798 | Nonferrous metals segment |

* * * * *