Notes to Consolidated Financial Statements

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2013 and 2014

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Osaka Cement Co., Ltd. (the "Company") maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied in Japan.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The U.S. dollar amounts are included solely for the convenience of the reader and are stated, as a matter of arithmetic computation only, at US$1.00=¥102.92, the exchange rate prevailing on March 31, 2014. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Any material differences between the cost of investments in consolidated subsidiaries and the underlying equity in their net assets at the dates of acquisition are amortized over five years. Significant investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates which are not accounted for by the equity method are carried at cost.

Three consolidated subsidiaries have a December 31 year end which differs from that of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year end of the subsidiaries and the year end of the Company.

(b) Cash and cash equivalents

Cash and cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less.

(c) Inventories

Inventories are stated principally at the lower of cost or market, cost being determined principally by the moving average method.

(d) Allowance for doubtful receivables

Allowance for doubtful receivables is provided at an estimated amount of the anticipated loss on bad debts plus an amount calculated at the average rate of historical losses on bad debts charged to income for the past three years.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated mainly by the declining-balance method for property, plant and equipment at rates based on the estimated useful lives of the respective assets. The depreciation of buildings purchased on and after April 1, 1998, in-house power generation facility at the Ako Plant, the Kochi Plant and the Tochigi Plant, and property, plant and equipment of certain subsidiaries is calculated by the straight-line method. Leased assets under finance leases which do not transfer ownership of the leased property are depreciated or amortized by the straight-line method over the lease terms assuming no residual value. The useful lives range as follows: buildings and structures, 2 to 75 years; machinery, equipment and tools, 2 to 22 years. Quarry sites are depreciated by the unit-of-production method.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(f) Investment securities

Securities are classified and accounted for, depending on management's intent, as follows: i) "trading securities," which are held for the purpose of earning capital gains in the short term, are stated at fair value, and the related unrealized gain or loss is included in earnings, ii) "held-to-maturity debt securities," which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost and iii) "available-for-sale securities," not classified in either of the aforementioned categories, are stated at fair value with unrealized gain and loss, net of the applicable taxes, stated as a separate component of accumulated other comprehensive income.

The Company classified all securities as "available-for-sale securities."

Available-for-sale securities with fair value are stated at average market value for the month ended on the balance sheet date. Other securities without a fair value are stated at cost determined by the moving-average method.

The difference between the acquisition cost and the carrying value of available-for-sale securities, net of the applicable taxes, is recognized in "unrealized gain (loss) on available-for-sale securities." The cost of available-for-sale securities sold is computed based on the moving-average method.

(g) Foreign currency translation

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date for all assets and liabilities, and at the historical rates for the component of net assets excluding minority interests. Differences arising from such translations are shown as "foreign currency translation adjustments" as a separate component of accumulated other comprehensive income.

Exchange rates as of the subsidiaries' balance sheet date are used for the translation of income and expenses. Gain or loss resulting from the translation of foreign currency transactions is credited or charged to income as incurred.

(h) Leases

All finance lease transactions are capitalized and recognized as leased assets and lease obligations on the consolidated balance sheets, except for finance lease transactions executed on or before March 31, 2008 that do not involve a transfer of ownership, which are accounted by the same method as former fiscal years.

(i) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the carrying amounts of the existing assets and the liabilities for financial reporting purposes and their respective tax bases, and the operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(j) Provision for bonuses

Provision for bonuses is recorded based on an estimated amount.

(k) Provision for retirement benefits

i) Projected benefit obligations are attributed to periods using the straight-line method.

ii) Actuarial gain or loss is amortized by the straight-line method over a fixed period not exceeding the average remaining years of service of the eligible employees from the year following the year in which the gain or loss is recognized.

iii) Certain consolidated subsidiaries employ a simplified method to calculate the net defined benefit liability and retirement benefit cost. This method entails using the amount of accrued severance benefits at the end of the fiscal year based on voluntary termination as projected benefit obligations.

Directors and statutory auditors are generally entitled to receive lump-sum retirement benefit payments based on their level of compensation and years of service at the time of retirement. Such lump-sum payments are covered by an unfunded retirement benefit plan and accrued at an amount to be required at the balance sheet date according to internal regulations.

(l) Revenue recognition

The percentage-of-completion method is applied if the outcome of the construction activities can be accurately estimated as of the fiscal year-end. Otherwise, the completed-contract method shall be applied.

(m) Appropriation of retained earnings

Under the Corporation Law and the Articles of Incorporation of the Company, appropriations of retained earnings (primarily for the payment of cash dividends) proposed by the Board of Directors must be approved at a shareholders' meeting held within three months of the end of each fiscal year. The appropriations of retained earnings reflected in the accompanying financial statements represent appropriations applicable to the immediately preceding fiscal year, which were duly approved at a shareholders' meeting and implemented during that year. Dividends are paid to shareholders of record at the end of the fiscal year.

(n) Net income per share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

(o) Derivatives

The Company and consolidated subsidiaries enter into derivative agreements to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized to reduce interest rate risks on borrowings. The Company and consolidated subsidiaries do not enter into derivative agreements for trading or speculative purposes. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but accounted for as if the interest rates applied to the interest rate swaps had originally applied to the underlying borrowings.

Hedged items are identified by transaction at the time when the Company and the consolidated subsidiaries enter into derivative agreements, and the hedging instruments and the hedged items are separately recorded and maintained. The Company and the consolidated subsidiaries evaluate the effectiveness of derivatives based on either the difference between the accumulated amount of cash flows from the hedging instrument and from the corresponding hedged item or variance between the fair value of the hedging instrument and the hedged item, except for interest rate swaps which meet specific matching criteria.

(p) Asset retirement obligations

An asset retirement obligation is recorded at the time of acquisition or construction of a tangible fixed asset and when there is a statutory or similar obligation associated with the removal of such tangible fixed asset. The asset retirement obligation is measured at the discounted value of the liability at the time the tangible fixed asset is acquired or constructed and the amount of the liability is added to the book value of the relevant tangible fixed asset. The cost component of the obligation is depreciated over the remaining useful life of the tangible fixed asset.

(q) Consumption tax

National and local consumption taxes are recorded separately from their respective transaction amounts. However, non-deductible consumption taxes related to assets are reported as expenses for the fiscal year in which they are incurred.

(r) Accounting standards issued but not yet applied

The Company plans to adopt the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ), Statement No.26, issued on May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012).

i) Summary

The accounting standards have been revised in light of improving financial reporting and international trends, mainly in terms of accounting methods used to determine unrecognized actuarial gain or loss and unrecognized past service cost, calculation methods for projected benefit obligations and service cost, and the enhancement of disclosures.

ii) Effective date

The changes in accounting policy for projected benefit obligations and service cost will be applied from the beginning of the fiscal year ending March 31, 2015.

iii) Effect of application

The effect of adopting this new standard on the Company's financial statements was under evaluation at the time the accompanying consolidated financial statements were being prepared.

3. CHANGES IN ACCOUNTING POLICY

As of March 31, 2014, the Group adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, issued on May 17, 2012; hereinafter "Retirement Benefits Accounting Standards") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012; hereinafter the "Guidance"), excluding the provisions stipulated in the main clause of Article 35 of the Retirement Benefits Accounting Standards and in the main clause of Article 67 of the Guidance. Accordingly, the Group's retirement benefit obligation is now presented as net defined benefit liability, which is obtained by deducting pension assets from projected benefit obligations.

The adoption of the Retirement Benefits Accounting Standards is subject to the transitional treatment stipulated by Article 37 of the Retirement Benefits Accounting Standards. Accordingly, the impact of the abovementioned revision in calculation methods is included in remeasurements of defined benefit plans in accumulated other comprehensive income as of March 31, 2014.

As a result, as of March 31, 2014, the Group posted net defined benefit liability of ¥2,277 million (US$22,127 thousand) and net defined benefit asset of ¥230 million (US$2,240 thousand), while total accumulated other comprehensive income fell ¥710 million (US$6,905 thousand).

The effect of these changes on per share information is described in Note 21.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and deposits	¥25,225	**¥32,081**	**$311,713**
Time deposits with a maturity of over three months	(146)	**(152)**	**(1,482)**
	¥25,078	**¥31,928**	**$310,231**

5. FINANCIAL INSTRUMENTS

1. Items Concerning the Status of Financial Instruments

(a) Policies for Financial Instruments

The Sumitomo Osaka Cement Group (the "Group") procures necessary funds primarily through bank loans and the issuance of bonds in accordance with capital expenditure plans and financial plans mainly to engage in the business of producing and selling cement. Temporary surpluses are invested in low-risk financial instruments and bank loans provide short-term working capital. It is the Group's policy to use derivatives as a way to avoid the below-stated risks and to not engage in trading or speculative transactions.

(b) Types and Risks of Financial Instruments and Risk Management

Trade receivables, such as notes and accounts receivable, are subject to credit risk in relation to customers. In accordance with its internal policies for managing such risk, the Company has established a system that manages the due dates and outstanding balances by each customer. Securities and investment securities are composed of mainly stocks associated with business and capital alliances, and are subject to market risk.

Trade payables, such as notes and accounts payable, usually have a payment due dates within one year. Furthermore, a certain portion of such payables are denominated in a foreign currency, associated with the import of raw materials, thus subject to exchange rate fluctuation risk. However, such risks are minor. Loans, bonds and lease obligations related to finance lease transactions are taken out principally for the purpose of making capital investments. Such obligations' redemption dates are a maximum of 15 years from the balance sheet date. A certain portion of said liabilities have variable interest rates and are subject to interest rate fluctuation risk. However, to hedge such risk, the interest rates are fixed through the use of derivative transactions (interest rate swap transactions). Evaluation of the effectiveness of derivatives is omitted since all of the interest rate swap transactions meet the specific matching criteria.

Derivative transactions are entered into and managed in accordance with internal policies, which determine the authority to undertake such transactions. To minimize credit risk, derivative transactions are entered into only with highly rated financial institutions.

Furthermore, trade payables and loans are subject to liquidity risks (the risk that the Group may not be able to meet its obligations). The Group manages such risks by preparing monthly cash flow plans.

(c) Supplemental Explanation of the Estimated Fair Value of Financial Instruments

The values of contracts related to derivative transactions as stated in "2. Estimated Fair Value of Financial Instruments" do not by themselves indicate the market risk associated with the respective derivative transaction.

2. Estimated Fair Value of Financial Instruments

Consolidated balance sheet amounts, estimated fair values and their differences as of March 31, 2014 (the consolidated account closing date for the fiscal year under review) are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

	Millions of yen		
	2014		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	¥ 32,081	¥ 32,081	¥ —
Notes and accounts receivable —trade	47,038	47,038	—
Securities and investment securities:			
Available-for-sale securities	47,388	47,388	—
Short-term loans receivable	437	437	—
Long-term loans receivable	122	127	4
Total assets	127,068	127,073	4
Notes and accounts payable —trade	27,790	27,790	—
Short-term loans payable	32,764	32,764	—
Bonds payable	15,000	15,114	114
Long-term loans payable	50,383	50,679	296
Total liabilities	125,937	126,348	410
Derivative transactions	—	—	—
Total derivative transactions	—	—	—

	Thousands of U.S. dollars		
	2014		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	$ 311,713	$ 311,713	$ —
Notes and accounts receivable —trade	457,039	457,039	—
Securities and investment securities:			
Available-for-sale securities	460,442	460,442	—
Short-term loans receivable	4,250	4,250	—
Long-term loans receivable	1,192	1,238	46
Total assets	1,234,637	1,234,683	46
Notes and accounts payable —trade	270,017	270,017	—
Short-term loans payable	318,346	318,346	—
Bonds payable	145,744	146,856	1,112
Long-term loans payable	489,540	492,418	2,878
Total liabilities	1,223,647	1,227,640	3,993
Derivative transactions	—	—	—
Total derivative transactions	—	—	—

Note 1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and deposits, trade receivables and short-term loans receivable

Since these items are settled in the short-term, their fair market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.

Securities and investment securities

The fair value of such securities is based on quoted market prices.

Please refer to Note 6. Securities, of these notes to the consolidated financial statements for information on securities classified by holding purpose.

Long-term loans receivable

Long-term loans receivable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds.

Trade payables and short-term loans payable

Since these items are settled in the short-term, their fair market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.

Bonds payable

The fair value of bonds issued by the Company is based on the quoted market price.

Long-term loans payable

Long-term loans payable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by interest rates applicable to new borrowings. Long-term loans payable are hedged by interest rate swaps that meet the specific matching criteria.

Therefore, the fair value of such loans payable is estimated based on the present value of future cash flows estimated in accordance with the accounting treatment described in Note 2 (o) Derivatives.

Accordingly, such future cash flows include cash flows from applicable interest rate swap transactions as well as payment of principal and interest. Future cash flows are discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivative Transactions

(a) Items not subject to hedge accounting: None

(b) Items subject to hedge accounting:

Information on derivative transactions subject to hedge accounting as of March 31, 2014 is as follows.

Millions of yen					
Hedge accounting method	Type of derivative transaction	Major hedged items	Contracted amount	Amount due after one year	Fair value
Special accounting treatment for interest rate swaps	Interest swap transactions (Pay fixed; receive floating)	Long-term loans payable	¥26,600	¥14,700	*

Thousands of U.S. dollars					
Hedge accounting method	Type of derivative transaction	Major hedged items	Contracted amount	Amount due after one year	Fair value
Special accounting treatment for interest rate swaps	Interest swap transactions (Pay fixed; receive floating)	Long-term loans payable	$258,453	$142,829	*

* The fair value of the interest rate swaps is not shown since it is included in long-term loans payable (please refer to the abovementioned long-term loans payable).

Note 2: Financial instruments for which fair value is extremely difficult to determine as of March 31, 2014

Classification	Millions of yen Consolidated Balance Sheet Amounts
Unlisted securities	¥1,774
Long-term loans receivable	2,495

Classification	Thousands of U.S. dollars Consolidated Balance Sheet Amounts
Unlisted securities	$17,245
Long-term loans receivable	24,249

Unlisted securities have no available market price and the estimation of future cash flows is expected to entail excessive costs. Consequently, their fair value is recognized as extremely difficult to estimate and, unlisted securities are not included in available-for-sale securities.

In addition, the abovementioned long-term loans receivable are not included in long-term loans receivable of the preceding table because future cash flows cannot be estimated reliably.

Note 3: Redemption schedule for receivables and securities with maturities at March 31, 2014 .

	Millions of yen			
	2014			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥32,049	¥—	¥—	¥—
Trade receivables	47,038	—	—	—
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	437	—	—	—
Long-term loans receivable	5	45	1	69
Total	¥79,531	¥45	¥ 1	¥69

	Thousands of U.S. dollars			
	2014			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	$311,403	$ —	$—	$ —
Trade receivables	457,039	—	—	—
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	4,250	—	—	—
Long-term loans receivable	53	445	16	676
Total	$772,748	$445	$16	$676

6. SECURITIES

Investment securities at March 31, 2013 and 2014 consisted of the following:

The acquisition cost and fair value of the securities classified as available-for-sale at March 31, 2013 and 2014 are summarized as follows:

	Millions of yen			
	2013			
	Acquisition cost	Fair value	Unrealized gain	Unrealized loss
Classified as:				
Available-for-sale	¥12,779	¥44,308	¥31,536	¥(7)

	Millions of yen			
	2014			
	Acquisition cost	Fair value	Unrealized gain	Unrealized loss
Classified as:				
Available-for-sale	¥12,782	¥47,388	¥34,609	¥(3)

	Thousands of U.S. dollars			
	2014			
	Acquisition cost	Fair value	Unrealized gain	Unrealized loss
Classified as:				
Available-for-sale	$124,199	$460,442	$336,274	$(31)

Proceeds from sales of investment securities for the years ended March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Proceeds	¥60	¥32	$315
Gross realized gain	4	18	175
Gross realized loss	34	—	—

A significant decline in the fair value of investment securities is recognized as an impairment loss if the decline is not considered recoverable. Losses on devaluation of investments classified as available-for-sale securities as a result of a permanent decline in value amounted to ¥16 million and ¥1 million (US$12 thousand) for the years ended March 31, 2013 and 2014, respectively.

7. SHORT-TERM BANK LOANS AND BONDS

The annual interest rates applicable to the loans outstanding at March 31, 2013 and 2014 ranged from 0.5% to 1.9% and from 0.4% to 1.9%, respectively.

Long-term debt at March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Loans, principally from banks and insurance companies, due from 2016 to 2029 (2015 to 2026 in 2013)	¥53,724	¥50,383	$489,540
Bonds	15,000	15,000	145,744
	¥68,724	¥65,383	$635,285
Less: Current portion of long-term debt:			
Loans	¥11,290	¥15,939	$154,876
Bonds	—	5,000	48,581
	11,290	20,939	203,457
	¥57,434	¥44,443	$431,827

The annual interest rates applicable to the long-term loans outstanding at March 31, 2013 and 2014 ranged from 0.8% to 2.5% and from 0.4% to 2.8%, respectively.

The aggregate annual maturities of long-term loans subsequent to March 31, 2014 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 9,074	$ 88,170
2017	8,602	83,583
2018	5,165	50,188
2019	3,156	30,671
2020 and thereafter	8,444	82,051
	¥34,443	$334,664

Assets pledged as collateral at March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Property, plant and equipment, at net book value	¥21,509	¥22,552	$219,130
Other	557	543	5,276
	¥22,066	¥23,095	$224,406

The obligations secured by such collateral as at March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Short-term loans payable	¥ 635	¥1,077	$10,467
Current portion of long-term loans payable	812	557	5,417
Long-term loans payable	2,742	3,377	32,818
Other	395	705	6,857
	¥4,585	¥5,718	$55,561

8. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Guarantees of loans and other	¥223	¥634	$6,168

9. SHAREHOLDERS' EQUITY

The Corporation Law of Japan provides that an amount equal to 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve equals 25% of the common stock account.

10. LEASES

(a) Finance leases

Finance leases commencing on or before March 31, 2008 continue to be accounted for in the same method as operating leases. The following amounts represent the acquisition costs, accumulated depreciation and amortization and net book value of the leased property at March 31, 2013 and 2014 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Acquisition costs			
Machinery, equipment and vehicles	¥ 9	¥—	$—
Other	20	15	153
	30	15	153
Accumulated depreciation and amortization			
Machinery, equipment and vehicles	6	—	—
Other	15	14	139
	22	14	139
Net book value			
Machinery, equipment and vehicles	3	—	—
Other	4	1	14
	¥ 7	¥ 1	$14

Lease payments relating to finance leases accounted for as operating leases amounted to ¥17 million and ¥4 million (US$42 thousand), which are equal to the depreciation and amortization expenses of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2013 and 2014, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2014 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥ 1	$14
2016 and thereafter	—	—
	¥ 1	$14

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2014 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥124	$1,211
2016 and thereafter	323	3,142
	¥448	$4,353

11. NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(a) Shares outstanding and treasury stock

Information pertaining to the type and number of shares outstanding and of treasury stock as of March 31, 2013 and 2014 is as follows:

Fiscal 2013 (From April 1, 2012 to March 31, 2013)

1. Type and number of outstanding shares and treasury shares

	Thousands of shares			
	Number of shares at beginning of year	Increase	Decrease	Number of shares at end of year
Shares outstanding				
Common stock	427,432	—	—	427,432
Total	427,432	—	—	427,432
Treasury stock				
Common stock (Note)	11,102	63	0	11,166
Total	11,102	63	0	11,166

Note 1: The increase and decrease in common stock held as treasury stock are due to the requests for sales and purchases of shares in amounts of less than one trading unit by shareholders.

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

1. Type and number of outstanding shares and treasury shares

	Thousands of shares			
	Number of shares at beginning of year	Increase	Decrease	Number of shares at end of year
Shares outstanding (Note 1)				
Common stock	427,432	—	10,000	417,432
Total	427,432	—	10,000	417,432
Treasury stock				
Common stock (Note 2)	11,166	139	10,005	1,300
Total	11,166	139	10,005	1,300

Note 1: The decrease in common shares outstanding is due to the retirement of treasury stock.

Note 2: A breakdown of the increase and decrease in common stock held as treasury stock is as follows:

Increase due to requests to purchase shares in amounts of less than one trading unit by shareholders: 139 thousand shares

Decrease due to retirement of treasury stock: 10,000 thousand shares

Decrease due to requests to sell shares in amounts of less than one trading unit by shareholders: 5 thousand shares

(b) Dividends

i) Dividends paid

For the year ended March 31, 2013

2013					
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual General Meeting of Shareholders held on June 28, 2012	Common stock	¥1,665	¥4.0	March 31, 2012	June 29, 2012

For the year ended March 31, 2014

2014							
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Total amount of cash dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2013	Common stock	¥2,081	$20,219	¥5.0	$0.049	March 31, 2013	June 28, 2013
Board of Directors Meeting held on November 6, 2013	Common stock	¥1,040	$10,104	¥2.5	$0.024	September 30, 2013	December 3, 2013

ii) Dividends whose cut-off date falls in the fiscal year under review, but whose effective date is in the following fiscal year

Dividends with the cut-off date in the year ended March 31, 2013 and the effective date in the year ended March 31, 2014

2013						
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2013	Common stock	¥2,081	Retained earnings	¥5.0	March 31, 2013	June 28, 2013

Dividends with the cut-off date in the year ended March 31, 2014 and the effective date in the year ending March 31, 2015

2014								
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Total amount of cash dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2014	Common stock	¥1,040	$10,104	Retained earnings	¥2.5	$0.024	March 31, 2014	June 30, 2014

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Sales costs	¥9,778	**¥10,512**	**$102,145**
Allowances and bonuses	7,557	**7,951**	**77,258**
Provisions for bonuses	1,009	**1,042**	**10,133**
Retirement benefit costs	663	**660**	**6,418**
Provisions for retirement benefits for officers	44	**36**	**350**
Research and development expenditures	3,750	**3,507**	**34,079**

13. INCOME TAXES

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2013 is presented as follows.

	2013
Statutory tax rate	38.0%
Nondeductible expenses	0.5
Change in valuation allowance	4.1
Tax credit	(1.6)
Other	1.3
Effective tax rate	42.2%

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2014 is immaterial and the reconciliation of those rates is not disclosed.

The significant components of the Company's deferred income tax assets and liabilities at March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Impairment loss on fixed assets	¥ 2,468	¥ 2,524	$ 24,524
Deferred tax loss	1,090	1,077	10,467
Accrued bonuses	796	800	7,776
Unrealized holding gain	694	641	6,231
Provision for retirement benefits	468	—	—
Net defined benefit liability	—	415	4,037
Unpaid enterprise taxes	396	387	3,764
Allowance for doubtful accounts	214	234	2,274
Other	1,705	1,590	15,451
Gross deferred tax assets	7,835	7,670	74,527
Less valuation allowance	(4,161)	(4,212)	(40,933)
Total deferred tax assets	¥ 3,674	¥ 3,457	$ 33,594
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(11,346)	¥(12,467)	$(121,136)
Difference between cost of investments and their underlying net equity at fair value	(1,530)	(1,445)	(14,047)
Other	(754)	(716)	(6,957)
Total deferred tax liabilities	(13,631)	(14,629)	(142,141)
Deferred tax liabilities, net	¥ (9,957)	¥(11,171)	$(108,547)

Note 1: Under the Act for Partial Revision of the Income Tax Act, etc., promulgated March 31, 2014, the Special Corporate Tax for Reconstruction will no longer be levied as of the fiscal year beginning April 1, 2014. As a result, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities at March 31, 2014 has been changed from 38.0% to 36.0%, for temporary differences expected to be settled in the fiscal year beginning April 1, 2014.

As a result, deferred tax assets (less deferred tax liabilities) decreased ¥93 million (US$910 thousand) and deferred income taxes increased ¥93 million (US$910 thousand) as of and for the fiscal year ended March 31, 2014.

14. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Unrealized gain (loss) on available-for-sale securities:			
Amount arising during the year	¥8,267	¥3,129	$30,414
Reclassification adjustments for gains and losses included in net income	12	(16)	(162)
Amount before tax effect	8,279	3,113	30,252
Tax effect	(2,980)	(1,120)	(10,891)
Unrealized gain (loss) on available-for-sale securities	5,299	1,992	19,361
Foreign currency translation adjustments:			
Amount arising during the year	151	313	3,043
Share of other comprehensive income of affiliates accounted for using the equity method			
Amount arising during the year	2	0	3
Total other comprehensive income	¥5,453	¥2,306	$22,407

15. RETIREMENT BENEFITS FOR EMPLOYEES

The Company and consolidated subsidiaries have a defined benefit pension plan covering substantially all employees.

Accrued severance benefits at March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Projected benefit obligation	¥(14,821)	¥—	$—
Fair value of pension fund	11,742	—	—
Unrecognized actuarial loss	1,956	—	—
Prepaid pension expenses	(177)	—	—
Provision for retirement benefits	¥ (1,299)	¥—	$—

Retirement benefit expenses for the years ended March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Service cost	¥ 744	¥—	$—
Interest cost	240	—	—
Expected return on pension fund assets	(176)	—	—
Recognized actuarial loss	393	—	—
Net retirement benefit expenses	¥1,201	¥—	$—

Assumptions adopted for the years ended March 31, 2013 and 2014 are as follows:

	2013	2014
Discount rate	2.0%	—
Expected rate of return on pension fund assets	2.0%	—
Period over which actuarial loss is recognized	15 years	—

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
(1) Reconciliation of projected benefit obligation beginning and ending balances of (excluding plans using the simplified method)			
Beginning balance of projected benefit obligation	¥—	¥12,133	$117,888
Service cost	—	597	5,809
Interest cost	—	239	2,329
Actuarial loss	—	51	502
Payment of retirement benefits	—	(1,030)	(10,015)
Ending balance of projected benefit obligation	¥—	¥11,991	$116,513
(2) Reconciliation of beginning and ending balances of pension assets (excluding plans using the simplified method)			
Beginning balance of pension assets	¥—	¥ 9,849	$ 95,696
Expected return	—	196	1,913
Actuarial gain	—	543	5,278
Employer contribution	—	1,106	10,754
Payment of retirement benefits	—	(1,016)	(9,874)
Ending balance of pension assets	¥—	¥10,679	$103,768
(3) Reconciliation of beginning and ending balances of net defined benefit liability using the simplified method			
Beginning balance of net defined benefit liability	¥—	¥795	$7,724
Retirement benefit cost	—	111	1,082
Payment of retirement benefits	—	(69)	(672)
Employer contribution	—	(102)	(993)
Ending balance of net defined benefit liability	¥—	¥734	$7,141
(4) Reconciliation of projected benefit obligations and pension assets at end of year with net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets			
Projected benefit obligation of funded plan	¥—	¥12,957	$125,899
Pension assets	—	(12,044)	(117,030)
Net	—	912	8,869
Projected benefit obligation of unfunded plan	—	1,133	11,016
Net amount of liabilities and assets on balance sheet	—	2,046	19,886
Net defined benefit liability	—	2,277	22,127
Net defined benefit asset	—	(230)	(2,240)
Net amount of liabilities and assets on balance sheet	¥—	¥ 2,046	$ 19,886
(5) Breakdown of retirement benefit cost			
Service cost	¥—	¥ 597	$ 5,809
Interest cost	—	239	2,329
Expected return on pension fund	—	(196)	(1,913)
Amortization of actuarial loss	—	354	3,447
Retirement benefit cost calculated using simplified method	—	111	1,082
Retirement benefit cost of defined benefit pension	¥—	¥1,106	$10,754
(6) Remeasurements of defined benefit plans			
Unrecognized actuarial loss	¥—	¥1,110	$10,789
(7) Pension assets (%)			
Bonds	—	49	
Stocks	—	28	
General accounts	—	17	
Other	—	7	
Total	—	100	

Method for determining the expected rate of return on pension fund assets

The current and forecast allocation of pension assets and the current and expected rates of return for the various components of the pension assets are considered when determining the expected rate of return on pension fund assets.

(8) Actuarial assumptions (%)	2013	2014
Discount rate	—	2.0
Expected rate of return on pension fund assets	—	2.0

16. LOSS ON IMPAIRMENT OF NONCURRENT ASSETS

For the years ended March 31, 2013 and 2014, the Company and certain consolidated subsidiaries recognized ¥517 million and ¥213 million (US$2,076 thousand), respectively, of losses on impairment of fixed assets as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Idle assets	¥106	¥152	$1,482
Business assets	411	61	594
	¥517	¥213	$2,076

As for idle assets, their grouping of assets is based on the corresponding property unit, and for business assets, on the smallest segments used in management accounting.

The Company and consolidated subsidiaries recognize impairment losses if the undiscounted expected future cash flows are less than carrying amounts of the assets.

In such case, the carrying amounts of the assets are written down to their recoverable amounts. The recoverable amounts in these asset groups were calculated using respective net selling prices based primarily on appraisal valuations or discounted expected future cash flows.

17. LOSS ON BUSINESS RESTRUCTURING

The loss is due to the discontinuation of production of plasma display panel (PDP) filters following a restructuring of the high functional film business in the Advanced Materials segment during the year ended March 31, 2013.

18. SUBSEQUENT EVENTS

Not applicable.

19. FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

The Company and certain subsidiaries own rental warehouses, rental office buildings (including the surrounding land), idle land and other properties in Osaka prefecture and other areas. During the fiscal year ended March 31, 2014, rental income from rental property was ¥984 million (US$9,567 thousand) (rental income was recorded as sales and rental costs were recorded as cost of sales), net gains from sales of rental property amounted to ¥2 million (US$26 thousand) (recorded as extraordinary loss) and impairment loss amounted to ¥152 million (US$1,482 thousand) (recorded as extraordinary loss).

The carrying amount of rental property and corresponding fair value as of March 31, 2014 and changes in carrying amount during the fiscal year ended March 31, 2014 are as follows:

Millions of yen

Consolidated balance sheet amounts			Fair value as of March 31, 2014
As of March 31, 2013	Net change	As of March 31, 2014	
¥23,360	¥272	¥23,632	¥32,692

Thousands of U.S. dollars

Consolidated balance sheet amounts			Fair value as of March 31, 2014
As of March 31, 2013	Net change	As of March 31, 2014	
$226,976	$2,643	$229,619	$317,652

Notes: 1: Consolidated balance sheet amounts exclude accumulated depreciation and amortization as well as accumulated impairment loss from acquisition costs.

2: The fair value (which includes adjustments using relevant indices) as of the end of the fiscal year under review is calculated by the Company using the standard for real estate appraisal for significant assets, estimated based on the value calculated for property tax for other assets.

20. SEGMENT INFORMATION

For the years ended March 31, 2013 and 2014:

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company's reportable segments are composed of products and services based on the Cement segment and departments. The Company's six reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, and Others.

Main products for each reportable segment are as follows:

Cement: Assorted cement, ready-mix concrete, cement-related solidification materials, supply of electrical power, and recycling of raw materials and fuel

Mineral Resources: Limestone and mineral products

Cement-Related Products: Repairing and reinforcing products for concrete structures, and secondary products of concrete

Optoelectronics: Optical communications devices and components, and optical measurement equipment

Advanced Materials: Ceramic products, plasma display panels (PDPs) filters, and nanoparticle materials

Others: Leasing of real estate, engineering, development of software, and secondary cell materials

Information on the reportable segments as of and for the years ended March 31, 2013 and 2014 is as follows:

	Millions of yen								
	2013								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	¥175,846	¥11,708	¥15,287	¥4,257	¥5,835	¥ 6,148	¥219,083	¥ —	¥219,083
Intersegment sales	3,611	4,193	2,034	15	14	5,162	15,032	(15,032)	—
Total	179,458	15,902	17,321	4,272	5,850	11,311	234,116	(15,032)	219,083
Segment profit or loss	12,145	934	297	(18)	575	68	14,002	(43)	13,959
Segment assets	209,616	32,527	13,161	4,941	5,228	32,275	297,752	17,982	315,734
Other items:									
Depreciation and amortization	13,431	2,074	433	348	305	893	17,485	(0)	17,485
Amortization of goodwill	169	34	(59)	7	—	—	152	—	152
Capital expenditures	12,236	2,557	184	847	316	2,509	18,652	—	18,652

Notes: 1. Eliminations and adjustments for segment profit and loss include ¥(43) million of elimination of inter-segment profit and loss.
2. Eliminations and adjustments for segment assets include ¥(11,382) million of elimination of inter-segment profit and loss and ¥29,365 million of corporate assets.
3. Eliminations and adjustments for depreciation and amortization include ¥(14) million of elimination of inter-segment profit and loss and ¥14 million of depreciation and amortization for corporate assets, which are not allocable to a reportable segment.

	Millions of yen								
	2014								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	¥183,188	¥12,937	¥20,468	¥6,545	¥4,852	¥ 7,085	¥235,078	¥ —	¥235,078
Intersegment sales	3,099	4,412	2,033	16	6	5,039	14,607	(14,607)	—
Total	186,288	17,349	22,501	6,561	4,859	12,125	249,686	(14,607)	235,078
Segment profit or loss	16,575	1,292	1,793	1,101	701	51	21,515	(10)	21,504
Segment assets	214,984	32,120	14,285	5,815	4,990	32,679	304,876	20,451	325,328
Other items:									
Depreciation and amortization	12,218	1,986	385	536	265	1,206	16,598	0	16,599
Amortization of goodwill	179	34	(70)	7	—	—	150	—	150
Capital expenditures	14,846	1,334	343	611	193	257	17,587	—	17,587

	Thousands of U.S. dollars								
	2014								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	$1,779,915	$125,703	$198,876	$63,600	$47,149	$ 68,847	$2,284,093	$ 0	$2,284,093
Intersegment sales	30,115	42,869	19,758	155	67	48,964	141,930	(141,930)	—
Total	1,810,030	168,573	218,635	63,756	47,216	117,812	2,426,024	(141,930)	2,284,093
Segment profit or loss	161,050	12,558	17,428	10,699	6,817	498	209,052	(104)	208,948
Segment assets	2,088,847	312,087	138,803	56,508	48,491	317,527	2,962,266	198,715	3,160,982
Other items:									
Depreciation and amortization	118,722	19,305	3,744	5,208	2,576	11,722	161,279	4	161,283
Amortization of goodwill	1,740	332	(681)	73	—	—	1,464	—	1,464
Capital expenditures	144,251	12,969	3,338	5,940	1,882	2,505	170,888	—	170,888

Notes: 1. Eliminations and adjustments for segment profit and loss include ¥(10) million ($(104) thousand) of elimination of inter-segment profit and loss.
2. Eliminations and adjustments for segment assets include ¥(12,038) million ($(116,973) thousand) of elimination of inter-segment profit and loss and ¥32,490 million ($315,689 thousand) of corporate assets.
3. Eliminations and adjustments for depreciation and amortization include ¥(13) million ($(126.37) thousand) of elimination of inter-segment profit and loss and ¥13 million ($130.86 thousand) of depreciation and amortization for corporate assets, which are not allocable to a reportable segment.

Geographical information

Information regarding geographical areas is omitted for the years ended March 31, 2013 and 2014, because sales and total assets in the Japan area constitute more than 90% of all geographical areas.

Impairment loss on fixed assets by reportable segment for the years ended March 31, 2013 and 2014 is summarized as follows:

	Millions of yen								
	2013								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	¥188	¥12	¥50	¥—	¥—	¥—	¥251	¥265	¥517

	Millions of yen								
	2014								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	**¥65**	**¥34**	**¥—**	**¥—**	**¥—**	**¥—**	**¥99**	**¥114**	**¥213**

	Thousands of U.S. dollars								
	2014								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	**$635**	**$331**	**$—**	**$—**	**$—**	**$—**	**$966**	**$1,109**	**$2,076**

21. AMOUNTS PER SHARE

Amounts per share at March 31, 2013 and 2014 and for the years then ended are as follows:

	Yen		U.S. dollars
	2013	2014	2014
Net income:			
Basic	¥17.92	**¥32.03**	**$0.31**
Diluted	¥ —	**¥ —**	**$ —**

	Yen		U.S. dollars
	2013	2014	2014
Net assets	¥340.14	**¥368.50**	**$3.58**

Note 1: As described under Changes in Accounting Policy, the Group has adopted the Accounting Standard for Retirement Benefits, subject to the transitional treatment stipulated by Article 37 of said Standard. As a result, net assets per share as of March 31, 2014 decreased ¥1.71 (US$0.02).