Notes to Consolidated Financial Statements

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2014 and 2015

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=¥120.55, the exchange rate prevailing on March 31, 2015. 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 loss on dissolution of employees’ pension fund

Some of the consolidated subsidiaries provide for loss on dissolution of employees pension fund.

(l) Provision for retirement benefits

i) Projected benefit obligations are attributed to periods using the benefit formula 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.

(m) Revenue recognition

The percentage-of-completion method is (the percentage of completion is determined using the ratio of cost incurred to the estimated total cost) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Accounting standards issued but not yet applied

The Company plans to adopt Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ), Statement No. 21, issued on September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013), Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, issued on September 13, 2013), Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on September 13, 2013) and Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, issued on September 13, 2013).

(1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests," and accounting treatment for adjustments to provisional amounts during measurement period was also changed.

(2) Scheduled date of adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

(3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

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) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on March 26, 2015), in accordance with the provisions of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the methods for calculating retirement benefit obligations and service costs have been revised in the following respects: The method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis, and the method for determining the discount rate has been changed from the traditional method in which the bond maturity used as the benchmark for deciding the discount rate approximates the employees' average remaining service period to a new method in which the Company adopts a single weighted-average discount rate that reflects both expected payment periods for retirement benefits and the amount of projected benefits every such period.

In accordance with the transitional treatment set forth in Article 37 of the Accounting Standard for Retirement Benefits, the effect of changing the methods for calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the fiscal year end March 31, 2015.

As a result, as of March 31, 2015, the posted net defined benefit liability increased ¥986 million (US$8,181 thousand) and retained earnings decreased ¥634 million (US$5,265 thousand).

The effect of these changes on per share information is described in Note 20 Amounts Per Share.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and deposits	¥32,081	¥30,289	$251,264
Time deposits with a maturity of over three months	(152)	(157)	(1,302)
	¥31,928	¥30,132	$249,961

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 14 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 risks, 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 transactions.

2. Estimated Fair Value of Financial Instruments

Consolidated balance sheet amounts, estimated fair values and their differences as of March 31, 2015 (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		
	2015		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	¥ 30,289	¥ 30,289	¥ —
Notes and accounts receivable —trade	47,774	47,774	—
Available-for-sale securities	59,416	59,416	—
Short-term loans receivable	127	127	—
Long-term loans receivable	97	102	5
Total assets	137,705	137,711	5
Notes and accounts payable —trade	27,661	27,661	—
Short-term loans payable	32,656	32,656	—
Bonds payable	15,000	15,053	53
Long-term loans payable	36,669	36,967	297
Total liabilities	111,987	112,338	350
Derivative transactions	—	—	—
Total derivative transactions	—	—	—

	Thousands of U.S. dollars		
	2015		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	$ 251,264	$251,264	$ —
Notes and accounts receivable —trade	396,307	396,307	—
Available-for-sale securities	492,878	492,878	—
Short-term loans receivable	1,055	1,055	—
Long-term loans receivable	806	852	46
Total assets	1,142,313	1,142,359	46
Notes and accounts payable —trade	229,463	229,463	—
Short-term loans payable	270,893	270,893	—
Bonds payable	124,429	124,869	440
Long-term loans payable	304,184	306,655	2,471
Total liabilities	928,971	931,881	2,910
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, 2015 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	¥14,700	¥9,950	*

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	$121,941	$82,538	*

* 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, 2015

	Millions of yen
Classification	Consolidated Balance Sheet Amounts
Unlisted securities	¥1,834
Long-term loans receivable	2,915

	Thousands of U.S. dollars
Classification	Consolidated Balance Sheet Amounts
Unlisted securities	$15,217
Long-term loans receivable	24,182

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, 2015.

	Millions of yen			
	2015			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥30,262	¥ —	¥—	¥ —
Trade receivables	47,774			
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	127	—	—	—
Long-term loans receivable	1	30	1	63
Total	¥78,165	¥30	¥1	¥63

	Thousands of U.S. dollars			
	2015			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	$251,037	$ —	$—	$ —
Trade receivables	396,307	—	—	—
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	1,055	—	—	—
Long-term loans receivable	10	254	16	529
Total	$648,411	$254	$16	$529

6. SECURITIES

Investment securities at March 31, 2014 and 2015 consisted of the following:

Investment in unconsolidated subsidiaries and affiliates included in “Investment securities” as of March 31, 2015 and 2014 amounted to ¥3,091 million ($25,646 thousand) and ¥2,769 million, respectively.

The acquisition cost and fair value of the securities classified as available-for-sale at March 31, 2014 and 2015 are summarized as follows:

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

	Millions of yen			
	2015			
	Acquisition cost	Fair value	Unrealized gain	Unrealized loss
Classified as:				
Available-for-sale	¥12,782	¥59,416	¥46,636	¥(1)

	Thousands of U.S. dollars			
	2015			
	Acquisition cost	Fair value	Unrealized gain	Unrealized loss
Classified as:				
Available-for-sale	$106,031	$492,878	$386,860	$(13)

Proceeds from sales of investment securities for the years ended March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Proceeds	¥32	¥ 4	$36
Gross realized gain	18	0	5
Gross realized loss	—	—	—

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 ¥1 million for the year ended March 31, 2014.

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

The annual interest rates applicable to the loans outstanding at March 31, 2014 and 2015 ranged from 0.4% to 1.9% and from 0.3% to 1.9%, respectively.

Long-term debt at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Loans, principally from banks and insurance companies, due from 2016 to 2029 (2016 to 2029 in 2014)	¥50,383	¥36,699	$304,184
Bonds	15,000	15,000	124,429
	¥65,383	¥51,669	$428,615
Less: Current portion of long-term debt:			
Loans	¥15,939	¥ 9,565	$ 79,351
Bonds	5,000	—	—
	20,939	9,565	79,351
	¥44,443	¥42,104	$349,262

The annual interest rates applicable to the long-term loans outstanding at March 31, 2014 and 2015 ranged from 0.4% to 2.8% and from 0.4% to 2.5%, respectively.

The aggregate annual maturities of long-term loans subsequent to March 31, 2015 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 9,004	$ 74,696
2017	5,118	42,462
2018	3,246	26,932
2019	6,040	50,108
2020 and thereafter	3,692	30,632
	¥36,669	$304,184

Assets pledged as collateral at March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Property, plant and equipment, at net book value	¥22,552	**¥17,529**	**$145,416**
Other	543	**552**	**4,579**
	¥23,095	**¥18,081**	**$149,995**

The obligations secured by such collateral as at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Short-term loans payable	¥1,077	**¥1,752**	**$14,537**
Current portion of long-term loans payable	557	**384**	**3,188**
Long-term loans payable	3,377	**1,293**	**10,726**
Other	705	**440**	**3,652**
	¥5,718	**¥3,870**	**$32,105**

8. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Guarantees of loans and other	¥634	**¥1,887**	**$15,658**

Guaranteeing bank loan of K. Wah Construction Materials Ltd as of March 31, 2015 and 2014 amounted to ¥1,692 million ($14,038 thousand) and ¥526 million, respectively.

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, 2014 and 2015 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
	2014	2015	2015
Acquisition costs			
Other	¥15	**¥—**	**$—**
	15	**—**	**—**
Accumulated depreciation and amortization			
Other	¥14	**¥—**	**$—**
	14	**—**	**—**
Net book value			
Other	1	**—**	**—**
	¥ 1	**¥—**	**$—**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥4 million and ¥1 million (US$11 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, 2014 and 2015, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2015 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, 2015 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥131	$1,090
2016 and thereafter	323	2,687
	¥455	$3,777

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, 2014 and 2015 is as follows:

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 increases and decreases 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

Fiscal 2015 (From April 1, 2014 to March 31, 2015)

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	417,432	—	—	417,432
Total	417,432	—	—	417,432
Treasury stock				
Common stock (Note 2)	1,300	85	2	1,383
Total	1,300	85	2	1,383

Note 1: A breakdown of increases and decreases in common stock held as treasury stock is as follow:

Increase due to requests to purchase shares in amounts of less than one trading unit by shareholders: 85 thousand shares.

Decrease due to requests to sell shares in amounts of less than one trading unit by shareholders: 2 thousand shares

(b) Cash dividends

i) Cash dividends paid

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

For the year ended March 31, 2015

2015							
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, 2014	Common stock	¥1,040	$8,629	¥2.5	$0.020	March 31, 2014	June 30, 2014
Board of Directors Meeting held on November 6, 2014	Common stock	¥1,040	$8,629	¥2.5	$0.020	September 30, 2014	December 3, 2014

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, 2014 and the effective date in the year ended 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

Dividends with the cut-off date in the year ended March 31, 2015 and the effective date in the year ending March 31, 2016

2015								
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 26, 2015	Common stock	¥1,664	$13,805	Retained earnings	¥4.0	$0.033	March 31, 2015	June 29, 2015

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Sales costs	¥10,512	**¥10,791**	**$89,522**
Allowances and bonuses	7,951	**8,008**	**66,432**
Provisions for bonuses	1,042	**1,029**	**8,540**
Retirement benefit costs	660	**640**	**5,312**
Provisions for retirement benefits for officers	36	**44**	**370**
Research and development expenditures	3,507	**3,064**	**25,418**

13. INCOME TAXES

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2015 is presented as follows.

	2015
Statutory tax rate	**36.0%**
Nondeductible expenses	**(0.2)**
Change in valuation allowance	**3.1**
Tax credit	**(0.7)**
Other	**0.3**
Effective tax rate	**38.5%**

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, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Impairment loss on fixed assets	¥ 2,524	**¥ 4,045**	**$ 33,554**
Accrued bonuses	800	**724**	**6,012**
Unrealized holding gain	641	**613**	**5,091**
Deferred tax loss	1,077	**973**	**8,071**
Net defined benefit liability	415	**687**	**5,703**
Depreciation	116	**92**	**763**
Golf club membership	139	**108**	**900**
Other	1,955	**1,508**	**12,517**
Less valuation allowance	(4,212)	**(5,457)**	**(45,268)**
Total deferred tax assets	¥ 3,457	**¥ 3,296**	**$ 27,347**
Deferred tax liabilities:			
Difference between cost of investments and their underlying net equity at fair value	¥ 1,445	**¥ 1,225**	**$ 10,166**
Unrealized gain on available-for-sale securities	12,467	**14,942**	**123,954**
Other	716	**758**	**6,288**
Total deferred tax liabilities	14,629	**16,926**	**140,409**
Deferred tax liabilities, net	¥11,171	**¥13,629**	**$113,062**

Note 1: Under the Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015), and the Act for Partial Revision of the Local Tax Act, etc. (Act No. 2 of 2015) promulgated on March 31, 2015, the staged reduction of the national corporate tax rate, etc. will apply to corporate taxes effective fiscal years beginning on after April 1, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and deferred tax liabilities has been changed from 36.0% to 33.0% for temporary differences expected to be realized and settled in period from April 1, 2015 to March 31, 2016 and to 32.0% for temporary differences expected to be realized and settled in fiscal years beginning on or after April 1, 2016.

As a result, deferred tax liabilities (less deferred tax assets) decreased ¥1,845 million (US$15,312 thousand), remeasurements of defined benefit plans decreased ¥5 million (US$49 thousand), deferred income taxes increased ¥14 million (US$122 thousand) and unrealized gain on available-for-sale securities increased ¥1,866 million (US$15,485 thousand) as of and for the fiscal year ended March 31, 2015.

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, 2014 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrealized gain (loss) on available-for-sale securities:			
Amount arising during the year	¥3,129	¥12,092	$100,312
Reclassification adjustments for gains and losses included in net income	(16)	0	(5)
Amount before tax effect	3,113	12,092	100,307
Tax effect	(1,120)	(2,475)	(20,531)
Unrealized gain (loss) on available-for-sale securities	1,992	9,617	79,776
Foreign currency translation adjustments:			
Amount arising during the year	313	28	235
Remeasurements of defined benefit plans:			
Amount arising during the year	—	638	5,298
Reclassification adjustments for gains and losses included in net income	—	322	2,671
Amount before tax effect	—	960	7,970
Tax effect	—	(351)	(2,918)
Remeasurements of defined benefit plans	—	608	5,051
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	0	0	6
Total other comprehensive income	¥2,306	¥10,255	$ 85,069

15. RETIREMENT BENEFITS FOR EMPLOYEES

In order to pay employee retirement benefits, the Company and its domestic consolidated subsidiaries have funded and unfunded defined benefit and defined contribution retirement plans.

For the defined benefit and retirement lump-sum payment plans of certain domestic consolidated subsidiaries the net retirement benefit liability and benefit cost are calculated using the simplified method.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
(1) Reconciliation of beginning and ending balances of projected benefit obligation (excluding plans using the simplified method)			
Beginning balance of projected benefit obligation	¥12,133	¥11,991	$ 99,474
Amount arising during the year	—	986	8,181
Restated balance	12,133	12,977	107,655
Service cost	597	716	5,945
Interest cost	239	141	1,172
Actuarial loss	51	185	1,537
Payment of retirement benefits	(1,030)	(830)	(6,892)
Ending balance of projected benefit obligation	¥11,991	¥13,190	$109,419
(2) Reconciliation of beginning and ending balances of pension assets (excluding plans using the simplified method)			
Beginning balance of pension assets	¥ 9,849	¥10,679	$88,592
Expected return	196	213	1,771
Actuarial gain	543	824	6,836
Employer contribution	1,106	1,089	9,038
Payment of retirement benefits	(1,016)	(821)	(6,817)
Ending balance of pension assets	¥10,679	¥11,985	$99,421
(3) Reconciliation of beginning and ending balances of net defined benefit liability using the simplified method			
Beginning balance of net defined benefit liability	¥795	¥734	$6,096
Retirement benefit cost	111	87	724
Payment of retirement benefits	(69)	(103)	(858)
Employer contribution	(102)	(101)	(840)
Ending balance of net defined benefit liability	¥734	¥617	$5,121
(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	¥14,191	$117,725
Pension assets	(12,044)	(13,490)	(111,905)
Net	912	701	5,820
Projected benefit obligation of unfunded plan	1,133	1,120	9,298
Net amount of liabilities and assets on balance sheet	2,046	1,822	15,118
Net defined benefit liability	2,277	2,131	17,679
Net defined benefit asset	(230)	(308)	(2,561)
Net amount of liabilities and assets on balance sheet	¥ 2,046	¥ 1,822	$ 15,118
(5) Breakdown of retirement benefit cost			
Service cost	¥ 597	¥ 716	$5,945
Interest cost	239	141	1,172
Expected return on pension fund assets	(196)	(213)	(1,771)
Amortization of actuarial loss	354	322	2,671
Retirement benefit cost calculated using simplified method	111	87	724
Retirement benefit cost of defined benefit pension	¥1,106	¥1,053	8,742
(6) Components of remeasurements of defined benefit plans in other comprehensive income (before tax effects)			
Actuarial loss	¥—	¥960	$7,970
(7) Components of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effects)			
Unrecognized actuarial loss	¥1,110	¥149	$1,241
(8) Pension assets (%)			
Bonds	49	49	
Stocks	28	29	
General accounts	17	16	
Other	7	5	
Total	100	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.

(9) Actuarial assumptions (%)		
Discount rate	2.0	**1.1**
Expected rate of return on pension fund assets	2.0	**2.0**
Expected rates of salary increases	2.9~6.9	**3.4~5.4**

16. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the years ended March 31, 2014 and 2015, the Company and certain consolidated subsidiaries recognized ¥213 million and ¥2,370 million (US$19,664 thousand), respectively, of losses on impairment of fixed assets as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Idle assets	¥152	**¥1,829**	**$15,174**
Business assets	61	**541**	**4,489**
	¥213	**¥2,370**	**$19,664**

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 cases, 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. SUBSEQUENT EVENTS

The Company, at its Board of Directors meeting held on May 14, 2015, decided to repurchase million shares of the Company's stock in accordance with Article 156 and Article 165 (3) of the Corporation Act of Japan.

18. 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, 2015, rental income from rental property assets was ¥1,031 million (US$8,555 thousand) (rental income was recorded under sales and rental costs are recorded under cost of sales) and net loss from sales of rental property amounted to ¥776 million (US$6,441 thousand) (recorded under extraordinary loss).

The carrying amount of rental property and corresponding fair value as of March 31, 2015 and changes in carrying amount during the fiscal year ended March 31, 2015 are as follows:

Millions of yen			
Consolidated balance sheet amounts			Fair value as of March 31, 2015
As of March 31, 2014	Net change	As of March 31, 2015	
¥23,632	¥(721)	¥22,910	¥31,796

Thousands of U.S. dollars			
Consolidated balance sheet amounts			Fair value as of March 31, 2015
As of March 31, 2014	Net change	As of March 31, 2015	
$196,038	$(5,989)	$190,049	$263,760

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 March 31, 2015 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.

19. SEGMENT INFORMATION

For the years ended March 31, 2014 and 2015:

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, 2014 and 2015 is as follows:

	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
	Millions of yen								
	2014								
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

Notes:1. Eliminations and adjustments for segment profit and loss include ¥(10) million of elimination of inter-segment profit and loss.

2. Eliminations and adjustments for segment assets include ¥(12,038) million of elimination of inter-segment profit and loss and ¥32,490 million of corporate assets.

3. Eliminations and adjustments for depreciation and amortization include ¥(13) million of elimination of inter-segment profit and loss and ¥13 million of depreciation and amortization for corporate assets, which are not allocable to a reportable segment.

	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
	Millions of yen								
	2015								
Net sales:									
Outside customers	¥182,870	¥13,543	¥18,540	¥7,270	¥5,024	¥ 7,290	¥234,539	¥ —	¥234,539
Intersegment sales	3,514	4,251	2,030	14	0	4,791	14,601	(14,601)	0
Total	186,384	17,795	20,570	7,284	5,024	12,081	249,140	(14,601)	234,539
Segment profit or loss	15,868	2,081	1,273	1,349	1,114	559	22,247	(39)	22,207
Segment assets	221,106	32,490	14,651	7,442	5,336	30,104	311,132	24,848	335,981
Other items:									
Depreciation and amortization	12,755	1,842	405	561	268	1,055	16,887	1	16,889
Amortization of goodwill	148	25	(18)	7	—	—	162	—	162
Capital expenditures	13,351	1,710	869	753	348	170	17,204	—	17,204

	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
	Thousands of U.S. dollars								
	2015								
Net sales:									
Outside customers	$1,516,967	$112,348	$153,795	$60,312	$41,680	$ 60,474	$1,945,579	$ —	$1,945,579
Intersegment sales	29,152	35,269	16,839	116	0	39,743	121,121	(121,121)	0
Total	1,546,119	147,618	170,635	60,429	41,680	100,217	2,066,701	(121,121)	1,945,579
Segment profit or loss	131,633	17,268	10,562	11,196	9,249	4,639	184,549	(328)	184,220
Segment assets	1,834,147	269,522	121,537	61,739	44,271	249,725	2,580,943	206,130	2,787,073
Other items:									
Depreciation and amortization	105,809	15,281	3,362	4,659	2,223	8,753	140,089	13	140,103
Amortization of goodwill	1,229	212	(153)	62	—	—	1,351	—	1,351
Capital expenditures	110,752	14,190	7,214	6,249	2,895	1,413	142,715	—	142,715

Notes:1. Eliminations and adjustments for segment profit and loss include ¥(39) million ($(328) thousand) of elimination of inter-segment profit and loss.

2. Eliminations and adjustments for segment assets include ¥(11,946) million ($(99,098) thousand) of elimination of inter-segment profit and loss and ¥36,795 million ($305,228 thousand) of corporate assets.

3. Eliminations and adjustments for depreciation and amortization include ¥(10) million ($(86.82) thousand) of elimination of inter-segment profit and loss and ¥12 million ($99.93 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, 2014 and 2015, 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, 2014 and 2015 is summarized as follows:

	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

	Millions of yen								
	2015								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**	**¥2,370**	**¥2,370**	**¥—**	**¥2,370**

	Thousands of U.S. dollars								
	2015								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	**$—**	**$—**	**$—**	**$—**	**$—**	**$19,664**	**$19,664**	**$—**	**$19,664**

20. AMOUNTS PER SHARE

Amounts per share at March 31, 2014 and 2015 and for the years then ended are as follows:

	Yen		U.S. dollars
	2014	2015	2015
Net income:			
Basic	¥32.03	**¥32.05**	**$0.26**
Diluted	¥ —	**¥ —**	**$ —**

	Yen		U.S. dollars
	2014	2015	2015
Net assets	¥368.50	**¥418.68**	**$3.47**

Notes: 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 ¥1.53 (US$0.01).

2. Diluted net income per share is not presented as the Company has no dilutive securities.