Notes to Consolidated Financial Statements

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2015 and 2016

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=¥112.68, the exchange rate prevailing on March 31, 2016. 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.

Scope of consolidation

Consolidated subsidiaries: 35

Main non-consolidated subsidiaries: SOC VIETNAM CO., LTD.

(Reasons for exclusion from the scope of consolidation)

The total assets, net sales, net income or loss, and retained earnings (amounts corresponding to equity) of the companies excluded from the scope of consolidation are all small in scale and do not have a material effect on the consolidated financial statements. These companies are therefore excluded from the scope of consolidation.

Changes in the scope of consolidation

Ito Industry Co., Ltd., has been excluded from the scope of consolidation because of the divestiture of its shares during the fiscal year ended March 31, 2016.

Application of the equity method

Non-consolidated equity-method subsidiaries: 0

Equity-method affiliates: 1

Main non-consolidated subsidiaries and affiliates to which the equity method is not applied: SOC VIETNAM CO., LTD., Hachinohe Biomass Power Generation Co., Ltd., Right Grand Investments Limited and Forceharm Investments Limited

(Reasons for not applying the equity method)

The net income or loss and retained earnings (amounts corresponding to equity) of the companies to which the equity method is not applied are all small in size and do not have a material effect on the consolidated financial statements. These companies are therefore excluded from the scope of consolidation.

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.

Three consolidated subsidiaries with a December 31 year end.

SOC VIETNAM CO., LTD, Dongguan Sumi Optoelectronics Technology. Co., LTD, and Sumilong Nanotechnology Materials (SHENZHEN) Co., LTD

(b) Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method

Other securities

Securities with readily determinable fair values

Stated at fair value based on the average market value during the final month of the period (valuation differences on available-for-sales securities are directly reflected in net assets, and cost of sales is calculated using the moving-average method).

Securities without readily determinable fair values

Stated at cost using the moving-average method.

Derivatives

Stated at fair value.

(c) Inventories

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

(d) Depreciation method of significant depreciable assets except leased assets.

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 except for buildings and accompanying facilities, purchased on and after April 1, 1998, in-house power generation facility at the Ako Plant, the Kochi Plant and Tochigi Plant, and property, plant and equipment of certain subsidiaries is calculated by the straight-line method. The useful lives range as follows: buildings and structures, 2 to 75 years; and machinery, equipment and tools, 2 to 22 years.

Quarry sites are depreciated by the unit-of-production method.

(e) Amortization of intangible assets, except for leased assets

Amortization of mining right is calculated by the unit-of-production method.

Others are amortized by the straight-line method.

Software for internal use is amortized by the straight-line method.

(f) Leases

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.

(g) Allowance for doubtful receivables

Allowance for doubtful receivables is provided in an amount sufficient to cover probable losses on collection. It consists of individually estimated uncollectible amounts, and an amount calculated using the past rate of actual losses on collection.

(h) Provision for bonuses

Provision for bonuses is recorded based on an estimated amount.

(i) Provision for retirement bonuses of directors and company auditors

To prepare for payments of retirement bonuses for directors and company auditors, consolidated subsidiaries provide reserves in amounts equal to the full amounts to be paid at the end of the fiscal year based on internal rules.

(j) Provision for loss on dissolution of employees' pension funds

To prepare for loss on dissolution of employees' pension funds, certain consolidated subsidiaries reserve provisions equal to the estimated amount of loss.

(k) Retirement benefits

i) Projected benefit obligation 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 benefit 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 (the percentage of completion is determined using the ratio of cost incurred to the estimated total cost) 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) 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 premeasured 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 made 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.

(n) Cash and cash equivalents

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

(o) Consumption tax

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

3. CHANGES IN ACCOUNTING POLICY

Effective the beginning of the year ended March 31, 2016, the Group adopted the Accounting Standard for Business Combinations and Related Standards and Guidance. On September 13, 2013, the Accounting Standards Board of Japan (ASBJ) issued revised ASBJ Statement No.21, "Accounting Standard for Consolidated Financial Statements," No.7, "Accounting Standard for Business Divestitures," and No.2 "Accounting Standard for Earnings per Share" and revised ASBJ Guidance No.10, "Guidance on accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" and No.4, "Guidance on Accounting Standard for Earnings per Share.

These accounting standards were revised principally concerning "Treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control in the additional acquisitions of shares in a subsidiary," "Accounting for acquisition-related costs," "Presentation of net income and change from minority interests to non-controlling interests," and "Provisional accounting treatment."

The Company has applied these standards and guidance from April 1, 2015, except for provisional accounting treatments, which are applied to business combinations implemented on or after April 1, 2015.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

On March 28, 2016, the ASBJ issued "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26).

(1) Overview

The ASBJ basically continues to apply the framework used in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Audit Committee Report No. 66, Japanese Institute of Certified Public Accountants), where an entity is classified into one of five categories according to certain criteria and the recoverability of deferred tax assets is assessed based on the entity's assigned category. However, the ASBJ reflected necessary changes in the guidance regarding the following accounting treatments:

(1) Treatment is clarified for entities that do not meet the criteria for any of the five categories.

(2) Criteria for classifying entities as "Category 2" or "Category 3" is changed from ordinary income to taxable income in the absence of infrequent or unusual events.

(3) For "Category 2" entities, deferred tax assets attributable to deductible temporary differences for which scheduling the timing of the reversals is not possible are considered to be realizable if certain conditions are met. Under Audit Committee Report No.66, deferred tax assets are considered to be realizable to the extent not exceeding the amount based on a scheduling of future reversals of temporary differences.

(4) For "Category 3" entities, the future period of estimated taxable income can be estimated in excess of five years if certain conditions are met. Under Audit Committee Report No.66, the future estimable period is generally limited to five years.

(5) For entities classified as "Category 4," they can be treated as "Category 2" or "Category 3" if certain conditions are met and such entities can use the methods of measurement of deferred tax assets stipulated in "Category 2" or "Category 3."

(2) Scheduled date of adoption

The Company expects to adopt this revised guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised guidance

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

5. NOTES TO CONSOLIDATED BALANCE SHEET

Hypothecated asset and hypothecated asset debt

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Assets secured by such collateral			
Current deposit	¥ 552	¥ 676	$ 5,999
Property, plant and Equipment			
Building and structures	8,010	7,592	67,379
Machinery, equipment and vehicles	4,857	11,204	99,436
Land	4,427	4,426	39,285
Other	234	234	2,084
	18,081	24,134	214,185
The obligation secured by such collateral			
Short-term bank loans	1,752	712	6,323
Current portion of long-term debt	384	902	8,013
Long-term debt	1,293	3,644	32,347
Accounts payable trade	440	511	4,541
	¥ 3,870	¥ 5,772	$ 51,225

There are related to unconsolidated subsidiary companies and affiliated companies

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investment securities	¥3,091	¥3,338	$29,627

Compressed entry

For the year ended March 31, 2015

The compressed entry amounts corresponding to national subsidies were ¥510 million for buildings and structures, ¥4,438 million for machinery, equipment and vehicles, ¥310 million for land, ¥5 million for other tangible fixed assets, and ¥0 million for other intangible fixed assets. These compressed entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheet.

For the year ended March 31, 2016
The compressed entry amounts corresponding to national subsidies were ¥509 million (US$4,517 thousand) for buildings and structures, ¥4,415 million (US$39,184 thousand) for machinery, equipment and vehicles, ¥310 million (US$2,757 thousand) for land, ¥5 million (US$51 thousand) for other tangible fixed assets, and ¥0 (US$7 thousand) million for other intangible fixed assets. These compressed entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheet.

6. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Notes discounted and endorsed	¥ —	¥ —	$ —
Guarantees of loans and other	1,887	1,468	13,036

The guaranteeing of a bank loan of K. Wah Construction Materials Ltd, as of March 31, 2016 and 2015 amounted to ¥1,378 million ($12,238 thousand) and ¥1,692 million, respectively.

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Sales costs	¥10,791	¥10,233	$90,820
Allowances and bonuses	8,008	8,156	72,384
Provisions for bonuses	1,029	1,111	9,860
Retirement benefit costs	640	611	5,422
Provisions for retirement benefits for officers	44	32	289
Research and development expenditures	3,064	3,060	27,164
Contingent Liabilities	3,064	3,060	27,164

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
The main gain include general expenses			
Land	892	136	1,208
Building and structures	77	4	39
Machinery,equipment and vehicles	54	484	4,304
The main gain include general expenses			
Building and structures	21	175	1,561
Machinery,equipment and vehicles	83	55	443
Machinery,equipment and vehicles removal costs	974	1,132	10,051
The main gain include general expenses			
Land	1	29	263
Building and structures	0	3	34

8. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the years ended March 31, 2015 and 2016, the Company and certain consolidated subsidiaries recognized ¥2,370 million and ¥165 million (US$1,470 thousand), respectively, of losses on impairment of fixed assets as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unutilized assets	¥ 0	¥148	$1,318
Business assets	2,370	17	151
	¥2,370	¥165	$1,470

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 the 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.

9. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2015 and 2016.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrealized gain (loss) on available-for-sale securities:			
Amount arising during the year	¥12,092	¥(10,139)	$(89,987)
Reclassification adjustments for gains and losses included in net income	0	55	496
Amount before tax effect	12,092	(10,083)	(89,491)
Tax effect	(2,475)	3,607	32,011
Unrealized gain (loss) on available-for-sale securities	9,617	(6,476)	(57,479)
Foreign currency translation adjustments:		—	—
Amount arising during the year	28	206	1,836
Remeasurements of defined benefit plans:		—	—
Amount arising during the year	638	(1,100)	(9,764)
Reclassification adjustments for gains and losses included in net income	322	279	2,479
Amount before tax effect	960	(820)	(7,284)
Tax effect	(351)	252	2,244
Remeasurements of defined benefit plans	608	(567)	(5,039)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method:		—	—

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Amount arising during the year	0	(2)	(24)
Total other comprehensive income (loss)	¥10,255	¥(6,840)	$(60,706)

10. 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, 2015 and 2016 is as follows:

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: 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:

Decrease due to retirement of treasury stock: 85 thousand shares

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

Fiscal 2016 (From April 1, 2015 to March 31, 2016)

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)	1,383	10,100	1	11,483
Total	1,383	10,100	1	11,483

Note 1: 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: 100 thousand shares.

Decrease due to requests to sell shares in amounts of less than one trading unit by shareholders : 1 thousand shares

b) Cash dividends

i) Cash dividends paid

For the year ended March 31, 2015

2015					
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2014	Common stock	¥1,040	¥2.5	March 31, 2014	June 30, 2014
Board of Directors Meeting held on November 6, 2014	Common stock	¥1,040	¥2.5	September 30, 2014	December 3, 2014

For the year ended March 31, 2016

2016							
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 26, 2015	Common stock	¥1,664	$14,769	¥4.0	$0.035	March 31, 2015	June 29, 2015
Board of Directors Meeting held on November 5, 2015	Common stock	¥1,623	$14,411	¥4.0	$0.035	September 30, 2015	December 3, 2015

ii) cash dividends paid

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

2015						
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 26, 2015	Common stock	¥1,664	Retained earnings	¥4.0	March 31, 2015	June 29, 2015

Dividends with the cut-off date in the year ended March 31, 2016 and the effective date in the year ending March 31, 2017

2016								
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 29, 2016	Common stock	¥1,623	$14,411	Retained earnings	$4.0	$0.035	March 31, 2015	June 30, 2015

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash and deposits	¥30,289	**¥31,536**	**$279,879**
Time deposits with a maturity of over three months	(157)	**(158)**	**(1,403)**
	¥30,132	**¥31,378**	**$278,476**

12. LEASES

All finance lease transactions are capitalized and recognized as leased assets and lease obligations on the consolidated balance sheets, except for the 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.

Leased assets

Property, plant and equipment

Mainly production facilities (machinery and vehicles) in the cement and mineral resources businesses.

Leased asset depreciation method

The depreciation methods of leased assets used for the preparation of the consolidated financial statements are as described under 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (e) Property, plant and equipment.

Operating leases

Future minimum lease payments subsequent to March 31, 2016 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2016	¥133	$1,186
2017 and thereafter	217	1,930
	¥351	$3,116

13. 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, 2016 (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		
	2016		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	¥ 31,536	¥ 31,536	¥ —
Notes and accounts receivable —trade	45,660	45,660	—
Available-for-sale securities	49,269	49,269	—
Short-term loans receivable	234	234	—
Long-term loans receivable	74	81	7
Total assets	126,775	126,783	8
Notes and accounts payable —trade	25,882	25,882	—
Short-term loans payable	25,987	25,987	—
Bonds payable	15,000	15,057	57
Long-term loans payable	35,520	36,068	548
Total liabilities	102,390	102,996	606
Derivative transactions	—	—	—
Total derivative transactions	—	—	—

	Thousands of U.S. dollars		
	2016		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	$ 279,879	$ 279,879	$ 0
Notes and accounts receivable —trade	405,224	405,224	0
Available-for-sale securities	437,253	437,253	0
Short-term loans receivable	2,081	2,081	0
Long-term loans receivable	659	723	(64)
Total assets	1,125,097	1,125,162	(65)
Notes and accounts payable —trade	229,701	229,701	0
Short-term loans payable	230,631	230,631	0
Bonds payable	133,120	133,626	(506)
Long-term loans payable	315,232	320,099	(4,867)
Total liabilities	908,685	914,058	(5,373)
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, notes and accounts receivable trade 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.

Available for sale 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.

Notes and accounts payable trade 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 (m) Derivatives.

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, 2016 is as follows.

Hedge accounting method	Type of derivative transaction	Major hedged items	Contracted amount	Amount due after one year	Fair value
		Millions of yen			
Special accounting treatment for interest rate swaps	interest rate swap transactions (Pay fixed; receive floating)	Long-term loans payable	¥15,450	¥10,525	*

Hedge accounting method	Type of derivative transaction	Major hedged items	Contracted amount	Amount due after one year	Fair value
		Thousands of U.S. dollars			
Special accounting treatment for interest rate swaps	interest rate swaps transactions (Pay fixed; receive floating)	Long-term loans payable	$137,114	$93,406	*

* 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, 2016

Classification	Millions of yen Consolidated Balance Sheet Amounts
Unlisted securities	¥1,745
Long-term loans receivable	2,832

Classification	Thousands of U.S. dollars Consolidated Balance Sheet Amounts
Unlisted securities	$15,489
Long-term loans receivable	25,134

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 financial instruments at March 31, 2016.

	Millions of yen			
	2016			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥ 31,536	¥—	¥—	¥—
Trade receivables	45,660			
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	234	—	—	—
Long-term loans receivable	10	4	59	74
Total	¥126,775	¥ 4	¥59	¥74

	Thousands of U.S. dollars			
	2016			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	$ 279,879	$—	$ —	$ —
Trade receivables	405,224			
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	2,081	—	—	—
Long-term loans receivable	96	38	526	656
Total	$1,125,097	$38	$526	$656

	Millions of yen					
	2016					
	Within one year	Over one year and under two years	Over two year and under three years	Over three year and under four years	Over four year and under five years	Over five years
Short-term loans payable	¥25,987					
Bonds payable	10,000			5,000		
Long-term loans payable	9,392	6,863	4,893	6,798	2,447	5,124
Total	¥45,380	¥6,863	¥4,893	¥6,798	¥2,447	¥5,124

	Thousands of U.S. dollars					
	2016					
	Within one year	Over one year and under two years	Over two year and under three years	Over three year and under four years	Over four year and under five years	Over five years
Short-term loans payable	$230,631					
Bonds payable	88,747			44,373		
Long-term loans payable	83,358	60,912	43,429	60,331	21,720	45,480
Total	$402,736	$60,912	$43,429	$60,331	$21,720	$45,480

14. SECURITIES

Investment securities at March 31, 2015 and 2016 consisted of the following:

The acquisition cost and fair value of the securities classified as available-for-sale at March 31, 2015 and 2016 are summarized as follows:

	Millions of yen		
	2015		
	Acquisition cost	Fair value	Unrealized gain (loss)
Classified as:			
available-for-sale (in excess of cost)	¥12,774	¥59,410	¥46,636
available-for-sale (not in excess of cost)	7	6	(1)
Total	¥12,782	¥59,416	¥46,634

	Millions of yen		
	2016		
	Acquisition cost	Fair value	Unrealized gain (loss)
Classified as:			
available-for-sale (in excess of cost)	¥12,727	¥49,261	¥36,533
available-for-sale (not in excess of cost)	9	8	(1)
Total	¥12,737	¥49,269	¥36,532

	Thousands of U.S. dollars		
	2016		
	Acquisition cost	Fair value	Unrealized gain (loss)
Classified as:			
available-for-sale (in excess of cost)	$112,951	$437,178	$324,226
available-for-sale (not in excess of cost)	88	75	(13)
Total	$113,040	$437,253	$324,213

Proceeds from sales of investment securities for the years ended March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Proceeds	¥ 4	$53	$474
Gross realized gain	0	4	38
Gross realized loss	—	—	7

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
	2015	2016	2016
(1) Reconciliation of beginning and ending balances of projected benefit obligation (excluding plans using the simplified method)			
Beginning balance of projected benefit obligation	¥12,977	¥13,190	$117,061
Service cost	716	726	6,451
Interest cost	141	104	927
Actuarial loss	185	825	7,328
Payment of retirements benefits	(830)	(930)	(8,262)
Ending balance of projected benefit obligation	¥13,190	¥13,916	$123,507

(2) Reconciliation of beginning and ending balances of pension assets (excluding plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Beginning balance of pension assets	¥10,679	¥11,985	$106,365
Expected return on pension assets	213	239	2,127
Actuarial	824	(274)	(2,435)
Employer contribution	1,089	612	5,435
Payment of retirements benefits	(821)	(920)	(8,166)
Ending balance of pension assets	¥11,985	¥11,642	$103,326

(3) Reconciliation of beginning and ending balances of net defined benefit liability using the simplified method

Beginning balance of net defined benefit liability	¥734	¥617	$5,478
Retirement benefit cost	87	194	1,730
Payment of retirement benefits	(103)	(102)	(908)
Employer contribution	(101)	(101)	(902)
Other	—	(126)	(1,126)
Ending balance of net defined benefit liability	¥617	¥481	$4,272

(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	¥14,191	¥15,018	$133,283
Pension assets	(13,490)	(13,181)	(116,979)
Net	701	1,837	16,304
Projected benefit obligation of unfunded plan	1,120	918	8,149
Net amount of liabilities and assets on balance sheet	1,822	2,755	24,453
Net defined benefit liability	2,131	3,076	27,300
Net defined benefit asset	(308)	(320)	(2,846)
Net amount of liabilities and assets on balance sheet	¥1,822	¥2,755	$24,453

(5) Breakdown of retirement benefit cost

Service cost	¥716	¥726	$6,451
Interest cost	141	104	927
Expected return on pension assets	(213)	(239)	(2,127)
Amortization of actuarial loss	322	279	2,479
Retirement benefit cost calculated using simplified method	87	194	1,730
Retirement benefit cost of defined benefit pension	¥1,053	¥1,066	$9,462

(6) Components of remeasurements of defined benefit plans in other comprehensive income (before tax effects)

Actuarial loss	¥960	¥(820)	$(7,284)

(7) Components of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effects)

Unrecognized actuarial loss	¥149	¥970	$8,612

(8) Pension assets (%)

Bonds	49	49
Stocks	29	30
General accounts	16	17
Other	5	5
Total	100	100

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

(9) Actuarial assumptions (%)

Discount rate	1.1	0.8
Expected rate of return on pension assets	2.0	2.0
Expected rates of salary increases	3.4–5.4	3.4–5.4

Stock options

None.

16. INCOME TAXES

The significant components of the Company's deferred income tax assets and liabilities at March 31, 2015 and 2016 are as follows

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

	2015	2016
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, 2016 is immaterial and the reconciliation of those rates is not disclosed.

On March 29, 2016, the "Act for Partial Revision of the Income Tax Act etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act etc." (Act No.13 of 2016) were officially issued. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities will be reduced from 32.0% to 31.0% for temporary differences expected to be realized as settled from April 1, 2016.

As a result of this change, deferred tax assets, net of deferred tax liabilities, retirement benefits liability adjustments decreased by ¥339 million ($3,008 thousand) and ¥9 million ($86 thousand) . Income taxes – deferred (debit), net unrealized holding gain on securities would have increased by ¥16 million ($149 thousand), and ¥365 million ($3,244 thousand), respectively.

The significant components of the Company's deferred income tax assets and liabilities at March 31, 2015 and 2016 are as follows:

	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Deferred tax assets:			
Impairment loss on fixed assets	¥ 4,045	¥ 3,636	$ 32,273
Accrued bonuses	973	934	8,293
Unrealized holding gain	724	732	6,500
Deferred tax loss	613	548	4,864
Net defined benefit liability	687	1,051	9,335
Depreciation	380	340	3,018
Golf club membership	177	154	1,367
Other	1,151	1,205	10,702
Less valuation allowance	(5,457)	(4,986)	(44,256)
Total deferred tax assets	3,296	3,616	32,098
Deferred tax liabilities:			
Difference between cost of investments and their underlying net equity at fair value	14,942	11,333	100,580
Unrealized gain on available-for-sale securities	1,225	1,178	10,458
Other	758	633	5,621
Total deferred tax liabilities	16,926	13,145	116,659
Deferred tax liabilities, net	¥13,629	¥ 9,528	$ 84,561

17. FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

The Company and certain subsidiaries own rental distribution 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, 2016, rental income from rental property assets was ¥1,016 million (US$9,017 thousand) (rental income is recorded under sales and rental costs are recorded under cost of sales), net gains from sales of rental property amounted to ¥107 million (US$952 thousand) (recorded under extraordinary gain) and impairment loss was ¥148 million (US$1,319 thousand) (recorded under extraordinary loss)

The carrying amount of rental property and corresponding fair value as of March 31, 2016 and changes in carrying amount during the fiscal year ended March 31, 2016 are as follows:

Millions of yen			
Consolidated balance sheet amounts			Fair value as of March 31, 2016
As of March 31, 2015	Net change	As of March 31, 2016	
¥22,910	¥104	¥23,015	¥30,958

Thousands of U.S. dollars			
Consolidated balance sheet amounts			Fair value as of March 31, 2016
As of March 31, 2015	Net change	As of March 31, 2016	
$203,323	$928	$204,252	$274,743

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, 2016 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.

18. SEGMENT INFORMATION

For the years ended March 31, 2015 and 2016:

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, 2015 and 2016 is as follows:

	Millions of yen								
	2015								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
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	—	4,791	14,601	(14,601)	—
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

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

2. Eliminations and adjustments for segment assets include ¥(1,194) million of elimination of inter-segment profit and loss and ¥36,795 million of corporate assets.

3. Eliminations and adjustments for depreciation and amortization include ¥(10) million of elimination of inter-segment profit and loss and ¥12 million of depreciation and amortization for corporate assets, which are not allocable to a reportable segment.

	Millions of yen								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	¥180,154	¥12,798	¥19,705	¥8,364	¥5,544	¥7,624	¥234,192	¥ —	¥234,192
Intersegment sales	3,126	4,234	2,226	—	—	4,660	14,248	(14,248)	—
Total	183,281	17,033	21,932	8,364	5,544	12,284	248,440	(14,248)	234,192
Segment profit or loss	16,516	2,250	1,648	1,090	1,333	765	23,605	8	23,614
Segment assets	215,935	31,565	14,303	7,767	5,635	30,687	305,896	19,814	325,710
Other items:									
Depreciation and amortization	12,883	1,700	485	687	294	873	16,924	(1)	16,922
Amortization of goodwill	30	—	—	7	—	—	37	—	37
Capital expenditures	15,097	2,223	743	735	281	412	19,494	—	19,494

	Thousands of U.S. dollars								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	$1,598,817	$113,586	$174,883	$74,229	$49,203	$67,662	$2,078,382	$ —	$2,078,382
Intersegment sales	27,750	37,578	19,760	—	—	41,361	126,451	(126,451)	—
Total	1,626,567	151,165	194,644	74,229	49,203	109,024	2,204,834	(126,451)	2,078,382
Segment profit or loss	146,580	19,975	14,633	9,677	11,830	6,793	209,491	77	209,568
Segment assets	1,916,361	280,136	126,939	68,935	50,015	272,344	2,714,732	175,843	2,890,575
Other items:									
Depreciation and amortization	114,333	15,087	4,306	6,102	2,617	7,751	150,199	(13)	150,185
Amortization of goodwill	268	—	—	66	—	—	335	—	335
Capital expenditures	133,989	19,733	6,600	6,524	2,496	3,662	173,007	—	173,007

Notes: 1. Eliminations and adjustments for segment profit and loss include ¥(8) million ($(77) thousand) of elimination of inter-segment profit and loss.

2. Eliminations and adjustments for segment assets include ¥(13,285) million ($(117,904) thousand) of elimination of inter-segment profit and loss and ¥33,099 million ($293,747 thousand) of corporate assets.

3. Eliminations and adjustments for depreciation and amortization include ¥(11) million ($(100) thousand) of elimination of inter-segment profit and loss and ¥9 million ($87 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, 2015 and 2016, 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, 2015 and 2016 is summarized as follows:

	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

	Millions of yen								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	¥54	¥7	¥—	¥—	¥—	¥—	¥62	¥103	¥165

	Thousands of U.S. dollars								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	$486	$65	$—	$—	$—	$—	$552	$917	$1,470

Negative goodwill amortization by reportable segment for the years ended March 31, 2015 and 2016 is summarized as follows:

	Millions of yen								
	2015								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Amortization of negative goodwill	¥148	¥25	¥(18)	¥7	¥—	¥—	¥162	¥—	¥162
Balance of negative goodwill	¥30	¥—	¥—	¥13	¥—	¥—	¥43	¥—	¥43

	Millions of yen								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Amortization of negative goodwill	¥30	¥—	¥—	¥7	¥—	¥—	¥37	¥—	¥37
Balance of negative goodwill	¥—	¥—	¥—	¥5	¥—	¥—	¥5	¥—	¥5

	Thousands of U.S. dollars								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Amortization of negative goodwill	$268	$—	$—	$66	$—	$—	$335	$—	$335
Balance of negative goodwill	$2	$—	$—	$50	$—	$—	$52	$—	$52

Related parties

None.

19. AMOUNTS PER SHARE

Amounts per share at March 31, 2015 and 2016 and for the years then ended are as follows:

	Yen		U.S. dollars
	2015	2016	2016
Net income:			
Basic	¥32.05	¥39.43	$0.350
Diluted	¥ —	¥ —	$ —

	Yen		U.S. dollars
	2015	2016	2016
Net assets	¥418.68	¥432.67	$3.840

SUBSEQUENT EVENTS

None.