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DISCLOSURE ON THE INTERNET ACCOMPANYING THE NOTICE OF THE 19th ORDINARY GENERAL MEETING OF STOCKHOLDERS

Consolidated Statements of Changes in Net Assets

Notes to Consolidated Financial Statements

Non-consolidated Statements of Changes in Net Assets

Notes to Non-consolidated Financial Statements

(from April 1, 2016 to March 31, 2017)

Taiheiyo Cement Corporation

The content of this document is posted on the website of Taiheiyo Cement Corporation (“the Company”) (<http://www.taiheiyo-cement.co.jp>), pursuant to laws and regulations and Article 16 of the Articles of Incorporation of the Company.

Consolidated Statements of Changes in Net Assets

(April 1, 2016 - March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	86,174	50,925	188,731	(979)	324,851
Changes in items during the consolidated fiscal year					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(88)			(88)
Dividends from surplus			(7,474)		(7,474)
Profit attributable to owners of parent			47,597		47,597
Purchase of treasury stock				(10,045)	(10,045)
Disposal of treasury stock		546		482	1,029
Changes due to share exchanges		8,165		(369)	7,795
Changes resulting from merger of consolidated subsidiaries and non-consolidated subsidiaries			59		59
Net changes in items other than shareholders' equity					
Total changes in items during the consolidated fiscal year	-	8,623	40,182	(9,932)	38,873
Balance at March 31, 2017	86,174	59,548	228,914	(10,911)	363,725

(Unit: Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2016	4,755	16	4,665	(4,174)	(11,829)	(6,566)	38,787	357,073
Changes in items during the consolidated fiscal year								
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(88)
Dividends from surplus								(7,474)
Profit attributable to owners of parent								47,597
Purchase of treasury stock								(10,045)
Disposal of treasury stock								1,029
Changes due to share exchanges								7,795
Changes resulting from merger of consolidated subsidiaries and non-consolidated subsidiaries								59
Net changes in items other than shareholders' equity	5,074	31	400	(8,688)	7,842	4,660	(571)	4,088
Total changes in items during the consolidated fiscal year	5,074	31	400	(8,688)	7,842	4,660	(571)	42,961
Balance at March 31, 2017	9,830	48	5,065	(12,862)	(3,987)	(1,906)	38,215	400,034

Notes to the Consolidated Financial Statements

1. Notes, etc. on Significant Matters serving as the Basis for Preparation of Consolidated Financial Statements

(1) Matters concerning Scope of Consolidation

(i) Number of consolidated subsidiaries and name of major consolidated subsidiaries

Number of consolidated subsidiaries: 125

Name of major consolidated subsidiaries:

Major consolidated subsidiaries are DC Co., Ltd., Clion Co., Ltd., Myojyo Cement Co., Ltd., Taiheiyo Materials Corporation, CalPortland Company, Jiangnan-Onoda Cement Co., Ltd., Qinhuangdao Asano Cement Co., Ltd., Dalian Onoda Cement Co., Ltd., Nghi Son Cement Corporation and Taiheiyo Cement Philippines, Inc.

Of note, DC Co., Ltd. was made into a wholly-owned subsidiary via share exchange, so DC Co., Ltd. and its four subsidiaries were included in the scope of consolidation. Additionally, Ofunato Power Inc. was newly established, so it was included in the scope of consolidation. Tsuruga Ready Mixed Concrete Industry Co., Ltd. and another subsidiary had completed the liquidation process, so these subsidiaries were excluded from the scope of consolidation.

(ii) Name, etc. of major unconsolidated subsidiaries

Name of major unconsolidated subsidiaries:

Major unconsolidated subsidiaries are Taiheiyo Singapore Pte., Ltd., Morehead Company., Ltd. and Kawara Seikousho Corporation.

Reason for excluding from the scope of consolidation:

All unconsolidated subsidiaries are small companies, and none of them have a material impact on the consolidated financial statements in terms of the amount of equity interest including total assets, net sales, net income and retained earnings as a whole; accordingly, they were excluded from the scope of consolidation.

(2) Matters concerning Application of Equity Method

(i) Number of unconsolidated subsidiaries and affiliates accounted for by the equity method and name of major companies, etc.

Number of unconsolidated subsidiaries accounted for by the equity method: 8

Name of major companies, etc.:

Major unconsolidated subsidiaries accounted for by the equity method are Taiheiyo Singapore Pte., Ltd. and Morehead Company., Ltd.

Number of affiliates accounted for by the equity method: 38

Name of major companies, etc.:

Major equity-method affiliates are Okutama Kogyo Co., Ltd., A&A Material Corporation, Fuji P.S Corporation, Yakushima Denko Co., Ltd., Chichibu Railway Co., Ltd. and Azuma Shipping Co., Ltd.

Additionally, change in equity-method subsidiaries are as follows. Nobeoka Onoda Remicon Co., Ltd.

was excluded from the scope of equity-method as a result of completion of the liquidation process. Ssangyong Cement Industrial Co., Ltd. was excluded from the scope of equity-method as a result of stock sales. Additionally, DC Co., Ltd. transformed into a consolidated subsidiary from an equity-method affiliate.

(ii) Name, etc. of unconsolidated subsidiaries and affiliates not accounted for by the equity method

Name of major companies, etc.:

(Unconsolidated subsidiaries)

Unconsolidated subsidiaries not accounted for by the equity method are Kawara Seikousho Corporation and 77 other companies.

(Affiliates)

Affiliates not accounted for by the equity method are Cement Terminal Corporation and 65 other companies.

Reason for not applying the equity method:

Unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of the equity method because the amount of equity interest including their respective net income and retained earnings all have minimal impact on the consolidated financial statements.

(iii) Particularly noteworthy matters concerning procedures for application of the equity method

For companies accounted for by the equity method whose fiscal year-end is different from the consolidated fiscal year-end, their respective non-consolidated financial statements for the most recent fiscal year have been used.

(3) Matters concerning Accounting Policies

(i) Standards and methods for valuation of significant assets

a. Available-for-sale securities

a) Securities with market value:

Such securities are marked to market by the Company and some consolidated subsidiaries based on the average market price, etc. in the one-month period before the end of the fiscal year.

(Valuation differences are all charged/credited directly to net assets, and the cost of selling the securities is determined by the moving-average method.)

b) Securities without market value:

Such securities are stated at cost, based on the moving-average method.

b. Derivatives

Derivatives are stated at market value.

c. Inventories

Inventories are mainly stated at cost, which is determined by the moving average method (subject to write-down due to diminished profitability.)

However, the cost for contract work in process is determined by the specific identification cost method.

Of note, inventories at the consolidated subsidiary in the U.S. are stated at lower of cost or market,

based on the gross average method.

(ii) Depreciation method for significant depreciable assets

a. Property, plant and equipment (excluding lease assets)

The declining balance method is adopted by the Company and its domestic consolidated subsidiaries, and the straight-line method by its consolidated overseas subsidiaries.

However, the depreciation of buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016 is computed based on the straight-line method by the Company and its domestic consolidated subsidiaries.

The range of useful lives of main property, plant and equipment is as follows:

Buildings and structures: 10 - 75 years

Machinery, equipment and vehicles: 4 - 15 years

b. Intangible assets (excluding lease assets)

Intangible assets are amortized by the straight-line method.

However, software is amortized by the straight-line method over its useful life assuming in-house use (5 years).

c. Lease assets

Lease assets are depreciated by the straight-line method that assumes their lease periods are useful lives and residual values are zero (or if there is a residual value guarantee, the guaranteed residual value).

(iii) Accounting standards for significant provisions

a. Allowance for doubtful accounts

Allowance for doubtful accounts is provided for by the Company and its domestic consolidated subsidiaries at the estimated uncollectible amount, which is calculated based on the historical credit loss ratio with respect to ordinary receivables, and in consideration of collectibility on a case-by-case basis with respect to specified receivables such as doubtful accounts. Consolidated overseas subsidiaries mainly provide for such allowance at the estimated uncollectible amount with respect to specified receivables.

b. Provision for bonuses

To prepare for the payment of bonuses payable to employees, the Company and its domestic consolidated subsidiaries record the estimated payable amount to be borne in the consolidated fiscal year under review.

c. Provision for directors' retirement benefits

Certain consolidated subsidiaries provide for retirement allowances for directors and corporate auditors at the necessary payment amount in full at the year-end based on their internal regulations.

(iv) Accounting standards for revenue recognition of construction

Completed construction volume is recorded under the construction progress method (percentage of completion estimates for construction are via the cost to cost method) for construction for which progress results can be determined with certainty by the end of the fiscal year under review, and for

others, the completed construction method is applied.

(v) Standards for translating significant foreign currency assets and liabilities into Japanese yen

Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, and translation gains (losses) are recognized in profit (loss). Of note, consolidated overseas subsidiaries' assets and liabilities are translated into Japanese yen based on the spot exchange rate as at the consolidated closing date, revenue and expenses are translated into Japanese yen based on the average exchange rate for the fiscal year, and translation gains (losses) are included in "Foreign currency translation adjustments" and "Non-controlling interests" under Net Assets.

(vi) Significant hedge accounting methods

a. Method of hedge accounting

Gains/losses on hedges are deferred. For currency swaps, allocation treatment is applied when the swap meets the conditions for application of such allocation treatment. For interest rate swaps, exceptional treatment is applied when the swap meets the conditions for application of such exceptional treatment.

b. Hedging instruments and hedged items

Hedging instruments:

Interest rate swaps, currency swaps, raw materials and fuel swaps, interest-rate options, currency options and forward exchange contracts are employed as hedging instruments.

Hedged items:

Borrowings, bonds payable, fuel, etc.

c. Hedging policy

Hedge accounting policy is to limit hedging to those aimed at hedging against the risk of interest rate, exchange rate, and raw materials and fuel price fluctuations of the hedged items and those aimed at eliminating hedging.

d. Method of evaluating hedge effectiveness

Hedge effectiveness is verified on a transaction-by-transaction basis at the end of each accounting period with respect to hedging instruments and hedged items; however, if the principal, interest rate, period, and other such significant terms of the hedging instruments and hedged items are the same, such verification is omitted.

(vii) Method and period of amortization of goodwill

Goodwill is amortized over the estimated number of years in cases that the number of years can be estimated based on practical judgment starting from the fiscal year of acquisition while the entire amount of goodwill is amortized in the fiscal year of acquisition without analyzing the causes in cases that the amount of goodwill is insignificant.

(viii) Accounting procedures for liability for retirement benefits

To prepare for the payment of retirement benefits to employees, liability for retirement benefits is recorded in the amount of retirement benefit obligation less plan assets based on the projected amount at the end of the consolidated financial year under review.

Actuarial gains and losses and prior service cost are amortized in equal amounts as expenses by the straight-line method over a certain number of years (primarily 10 years) within the average remaining years of service of employees at the time of accrual, commencing in the consolidated fiscal year following the year of accrual for actuarial gains and losses and in the consolidated fiscal year of accrual for prior service cost.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded as “Retirement benefits liability adjustments” in “Accumulated other comprehensive income” under Net Assets, after making tax effect adjustments. When the value of plan assets exceeds the amount of the retirement benefit obligation, the amount of such excess is recorded in “Assets for retirement benefits”.

(ix) Accounting treatment of consumption tax, etc.

Tax exclusion method is applied.

Of note, there were no applicable transactions in consolidated overseas subsidiaries.

(x) Amounts shown in these consolidated financial statements are rounded down to the nearest million yen.

(4) Changes in Accounting Policies

In line with the revisions to the Corporation Tax Act of Japan, the Company applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the fiscal year under review. Accordingly, the depreciation method for accompanying facilities and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

Furthermore, the impact of this change on the consolidated financial statements for the fiscal year under review is immaterial.

(5) Additional Information

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the fiscal year under review.

2. Notes to the Consolidated Balance Sheets

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral

Cash and deposits	¥887 million
Property, plant and equipment	¥34,411 million
Intangible assets	¥812 million
Investment securities	¥114 million
Investments and other assets -other	¥2,004 million
Total	¥38,230 million

(ii) Secured liabilities

Notes and accounts payable-trade	¥3,736 million
Short-term loans payable	¥9,065 million
Notes discounted	¥830 million
Other current liabilities	¥3 million
Long-term loans payable	¥4,773 million
Other noncurrent liabilities	¥26 million
Total	¥18,435 million

(2) Accumulated depreciation of property, plant and equipment

¥1,120,799 million

(3) Guarantee obligations

Guarantees for loans payable from banks, etc.	¥1,449 million
Guarantees for account payables to Ready-mixed Cooperative Association, etc.	¥1,791 million

(4) Discounted trade notes receivable

¥5,242 million

Trade notes receivable transferred by endorsement

¥1,889 million

(5) Revaluation of Land

A&A Material Corporation and Chichibu Railway Co., Ltd., the Company's affiliates accounted for by the equity method, revalued their business-purpose land in accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998) and the Act on Partial Revision of the Act on Revaluation of Land (revised on March 31, 1999). With respect to the valuation difference, the amount of the Company's share in the valuation difference is recorded in Net Assets as "Revaluation reserve for land."

3. Notes to the Consolidated Statements of Changes in Net Assets

(1) Class and total number of outstanding shares as at the end of the consolidated fiscal year under review:

Common stock	1,271,402,783 shares
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(2) Matters concerning dividends

(i) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (millions of yen)	Amount of dividend per share	Record date	Effective date
Ordinary General Meeting of Stockholders held on June 29, 2016	Common stock	3,707 (Note 1)	¥3.00	March 31, 2016	June 30, 2016
Meeting of Board of Directors held on November 10, 2016	Common stock	3,808 (Note 2)	¥3.00	September 30, 2016	December 2, 2016

(Notes) 1. Includes dividends of ¥16 million associated with treasury stock held by consolidated subsidiaries.

2. Includes dividends of ¥24 million associated with treasury stock held by consolidated subsidiaries.

(ii) Dividends whose record date is at the end of the consolidated fiscal year under review whereas its effective date falls in the next consolidated fiscal year

The following matters concerning dividends for common stock are scheduled to be proposed at the Ordinary General Meeting of Stockholders.

Total amount of dividends: ¥3,722 million

Amount of dividend per share: ¥3.00

Record date: March 31, 2017

Effective date: June 30, 2017

Of note, the source of funding dividend payments is scheduled to be retained earnings.

Total amount of dividends includes dividends of ¥15 million associated with treasury stock held by consolidated subsidiaries.

(iii) Class and number of shares to be issued upon exercise of share options at the end of the consolidated fiscal year under review (excluding those for which the first day of the exercise period has not yet arrived)

Not applicable

4. Notes on Financial Instruments

(1) Matters concerning Status of Financial Instruments

The Taiheiyo Cement Group limits its fund management activities to short-term deposits, etc., and raises funds principally by bank borrowings and corporate bonds. It performs derivative transactions for the purpose of averting risks due to future exchange-rate, interest-rate, and raw materials and fuel price fluctuations and does not perform speculative transactions.

While notes and accounts receivable-trade, which are operating receivables, are exposed to credit risk in relation to customers, each responsible department periodically identifies the financial position, etc. of the counterparties and manages the due date and outstanding balance with respect to each counterparty, in an effort to identify and reduce collectibility concerns in the early stages. In addition, operating receivables

denominated in foreign currencies related to export transactions are exposed to exchange rate fluctuation risks. Investment securities are primarily shares of companies with which the Group has a business relationship, and are exposed to the risk of market price fluctuations.

Notes and accounts payable-trade, which are operating payables, have payment due dates within one year. For a portion of raw materials and fuel procurement, derivative transactions (raw fuel swap transactions) are used as hedging methods to limit risk in the variation of raw materials and fuel prices. Among borrowings, short-term loans payable are mainly funds raised in connection with business transactions, and long-term loans payable and bonds payable are principally funds raised for the purpose of making capital investments. Some long-term loans payable have financial covenants and may influence liquidity risks regarding fund raising activities. Borrowings with variable interest rates are exposed to interest rate fluctuation risk; however, to avert the risk of fluctuations of interest payable and fix interest expenses for some long-term loans payable, derivatives (interest rate swap transactions) are used as hedging instruments on a contract-by-contract basis. Additionally, borrowings in foreign currencies are exposed to foreign exchange risk, but of these, for a portion of long-term borrowings, derivative transactions (currency swap transactions) are used as a hedging method to avoid foreign currency fluctuation risk.

(2) Matters concerning Market Value, etc. of Financial Instruments

The consolidated balance sheet amount and market value of financial instruments and the difference between the two at March 31, 2017 (i.e., end of the consolidated fiscal year under review) are shown in the following table.

(Unit: Millions of yen)

	Consolidated balance sheet amount	Market value	Difference
(i) Cash and deposits	60,516	60,516	-
(ii) Notes and accounts receivable-trade	171,946	171,946	-
(iii) Investment securities	42,018	38,862	(3,156)
Total assets	274,481	271,324	(3,156)
(iv) Notes and accounts payable-trade	79,676	79,676	-
(v) Short-term loans payable	89,296	89,296	-
(vi) Bonds payable	46,155	46,434	279
(vii) Long-term loans payable	205,478	207,644	2,165
Total liabilities	420,606	423,051	2,445
(viii) Derivative transactions*	11	11	-

* Net receivables and payables arising from derivative transactions are shown in net amount.

(Notes) 1. Calculation method of market value of financial instruments and matters related to securities and derivative transactions

(i) Cash and deposits and (ii) Notes and accounts receivable-trade

Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.

(iii) Investment securities

The market value of investment securities is based on quoted market prices.

(iv) Notes and accounts payable-trade, (v) Short-term loans payable

Since these items are settled in a short period of time, their market value is more or less the same as carrying value; therefore, the carrying value is adopted.

(vi) Bonds payable

The calculation method involves discounting the sum of the principal and interest by an interest rate that takes into account the credit risk. The presentation of market value of bonds payable includes the current portion of bonds.

(vii) Long-term loans payable

The calculation method involves discounting the sum of the principal and interest by the interest rate that is expected to be applied if a similar new loan is taken out. The presentation of market value of long-term loans payable includes the current portion of long-term loans payable. A portion of long-term loans payable are subject to appropriated treatment for currency swaps and exceptional treatment for interest rate swaps (see (viii) below), and the calculation method involves discounting the sum of the principal, which is an aggregate of the currency swap and interest rate swap, with a reasonably-estimated interest rate that would be applied if a similar loan is taken out.

(viii) Derivative transactions

The market value of derivatives is calculated based on prices, etc. presented by financial institutions with which derivative transactions are performed. Of note, those subject to allocation treatment for exchange rate swaps and exceptional treatment for interest rate swaps are processed integrally with the hedged long-term loans payable, so their market value is included in the presentation of such long-term loans payable (see (vii) above).

2. Unlisted stocks and investments in capital, etc. (consolidated balance sheet amount: ¥42,762 million) are not included in “(iii) Investment securities” as it is deemed extremely difficult to determine their market value because there is no quoted market price and it is impossible to estimate future cash flows.

5. Notes on Real Estate for Rent, etc.

(1) Matters concerning status of real estate for rent, etc.

The Company and some of its consolidated subsidiaries have plants, warehouses (including land), etc. for lease purposes in Tokyo and other regions.

(2) Matters concerning market value of real estate for rent, etc.

(Unit: Millions of yen)

Consolidated balance sheet amount	Market value
54,121	109,820

(Notes) 1. Consolidated balance sheet amount equals the acquisition cost minus accumulated depreciation and accumulated impairment loss.

2. The market value of major properties as at the end of the consolidated fiscal year under review is the amount based on a real estate appraisal conducted by an outside real estate appraiser, whereas the market value of other properties is a certain appraisal value or the amount calculated in-house based on indicators deemed to properly reflect the market price. However, if there are no significant changes in a certain level of valuation amounts or indices which are believed to accurately reflect market values from the most recent evaluation, amounts utilizing these valuations and indices are applied.

6. Notes on Per Share Information

Net assets per share: ¥293.02

Net income per share: ¥38.39

7. Notes on Significant Subsequent Events

Not applicable.

8. Other Notes

(Notes on Impairment Loss)

The Company's assets are grouped together based on segments by business type, except for assets for rent, important idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.

In the case of consolidated subsidiaries, in principle, a business company is deemed as a single asset group, and in the case of important companies, assets are grouped together based on management accounting classifications, etc., except for important idle properties and assets scheduled for disposal, which are grouped together by treating individual property as a single unit.

As a result, the carrying value was reduced to the recoverable amount with respect to cement business assets with reduced profitability due to such factors as the decrease in demand and substantial fall in the market value of land, assets for rent, and idle properties that are not expected to be used in the future as follows, and such reduction in the amount of ¥20,693 million was recorded as an impairment loss under Extraordinary loss.

(Unit: Millions of yen)

Purpose	Location	Type	Impairment loss
Cement business assets	Jiangsu Province, China, etc.	Buildings and structures, machinery, equipment and vehicles, etc.	19,383
Assets for rent	Sanyo Onoda City, Yamaguchi Prefecture, etc.	Buildings and structures, land	805
Idle properties	Tano District, Gunma Prefecture, etc.	Buildings and structures, land, etc.	504

* Breakdown of impairment loss by purpose

(Unit: Millions of yen)

Purpose	Breakdown
Cement business assets	Buildings and structures: 5,488, Machinery, equipment and vehicles: 11,068, Other: 2,826, Total: 19,383
Assets for rent	Buildings and structures: 10, Land: 794, Total: 805
Idle properties	Buildings and structures: 5, Land: 496, Other: 3, Total: 504

Recoverable amount is measured at the higher of net selling price or value in use.

If it is measured at net selling price, it is calculated by making reasonable adjustments based on real estate appraisal standards, etc.

If it is measured at value in use, it is calculated by discounting future cash flows by 5%.

(Notes on Business Combinations, etc.)

Business combination via acquisition

(1) Summary of business combination

1) Name of acquired company and description of its business

Name of acquired company: DC Co., Ltd. (hereinafter "DC")

Business description: Cement business

2) Reasons for business combination

The Company and DC will integrate resources nurtured at each company for optimal operation and maximize the corporate value as the Group as a whole, thereby aiming to achieve sustainable growth of both companies and improvement of the mid-long term corporate value.

3) Date of business combination

August 1, 2016

4) Legal type of business combination

Share exchange

5) Name of the company after the business combination

DC Co., Ltd.

6) Ratio of voting rights acquired

Ratio of voting rights held before the business combination 31.06%

Ratio of voting rights additionally acquired on the date of business combination 68.94%

Ratio of voting rights after the acquisition 100.00%

7) Grounds for determining the acquired company

The Company acquired 100% of the voting rights for the said company by way of share exchange and made it a wholly-owned subsidiary.

(2) Period included in the Consolidated Financial Statements for the acquired company

April 1, 2016 to March 31, 2017

As July 1, 2016 is the deemed acquisition date, the business result of DC for the period until June 30,

2016 has been recorded as equity in earnings of unconsolidated subsidiaries and affiliates.

(3) Acquisition cost for the acquired company and breakdown

Market value of DC's common stock held prior to business combination as of the date of business combination:

¥3,213 million

Market value of the Company's common stock issued on the date of business combination:

¥8,165 million

Acquisition cost:

¥11,379 million

(4) Exchange ratio by class of stock, calculation method, and number of shares issued

1) Exchange ratio by class of stock

The Company allotted 1.375 shares of the Company's common stock per one share of DC's common stock.

2) Calculation method of share exchange ratio

In consideration of respective calculation results for the share exchange ratio received from third-party appraisers and advice from legal advisors, the Company and DC each made considerations on results of due diligence that each party made on the counterparty, etc., and in comprehensive consideration of factors such as the financial status, asset status, and future outlook of both companies, calculations were made upon negotiation and deliberation between the two companies.

3) Number of shares issued

33,602,197 shares

(5) Content of major acquisition related expenses and amount thereof

Compensation and fees, etc., to advisors, etc.:

¥141 million

(6) Difference between acquisition cost of acquired company and sum of each acquisition cost of step acquisition transactions

¥3,034 million

Of note, this amount is recorded as "loss on step acquisitions" under extraordinary loss on the Consolidated Statements of Income.

(7) Amount of gain on bargain purchase accrued and reason for occurrence

1) Amount of gain on bargain purchase

¥16,874 million

2) Reason for occurrence

As the acquisition cost was lower than the net amount of assets received and liabilities borne, the difference is recognized as gain on bargain purchase.

(8) Amount of assets received and liabilities borne on the date of business combination and primary breakdown

Current assets	¥14,925 million
Noncurrent assets	¥40,256 million
Total assets	¥55,182 million
Current liabilities	¥14,874 million
Noncurrent liabilities	¥12,053 million
Total liabilities	¥26,928 million

(9) Estimate and calculation method for effects on the Consolidated Statements of Income on the fiscal year under review assuming that the business combination was completed at the beginning of the fiscal year under review

As the amount of this effect is immaterial, it is omitted. Additionally, this note has not received audit attestation.

Non-consolidated Statements of Changes in Net Assets

(April 1, 2016 - March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity							Valuation and translation adjustments			Total net assets
	Capital stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings (Note)						
Balance at April 1, 2016	86,174	34,049	14,060	48,110	90,816	(441)	224,659	3,960	(8)	3,951	228,610
Changes in items during the fiscal year											
Increase by share exchanges		8,165		8,165			8,165				8,165
Dividends from surplus					(7,515)		(7,515)				(7,515)
Net income					36,970		36,970				36,970
Purchase of treasury stock						(10,045)	(10,045)				(10,045)
Disposal of treasury stock			0	0		0	0				0
Net changes in items other than shareholders' equity								2,226	16	2,242	2,242
Total changes in items during the fiscal year	-	8,165	0	8,165	29,454	(10,044)	27,575	2,226	16	2,242	29,817
Balance at March 31, 2017	86,174	42,215	14,060	56,275	120,271	(10,486)	252,234	6,186	7	6,193	258,428

(Note) The breakdown of other retained earnings is as follows.

(Unit: Millions of yen)

	Other retained earnings			
	Reserve for mine prospecting	Reserve for advanced depreciation of non-current assets	Retained earnings brought forward	Total other retained earnings
Balance at April 1, 2016	251	17,477	73,087	90,816
Changes in items during the fiscal year				
Reversal of reserve for mine prospecting	(89)		89	-
Provision of reserve for mine prospecting	89		(89)	-
Reversal of reserve for advanced depreciation of non-current assets		(543)	543	-
Provision of reserve for advanced depreciation of non-current assets		90	(90)	-
Dividends from surplus			(7,515)	(7,515)
Increase in reserves associated with increase in effective tax rate	0	(0)	(0)	-
Net changes in items other than shareholders' equity			36,970	36,970
Total changes in items during the fiscal year	0	(452)	29,906	29,454
Balance at March 31, 2017	252	17,024	102,994	120,271

Notes to the Non-Consolidated Financial Statements

1. Notes on Matters concerning Significant Accounting Policies

(1) Standards and methods for valuation of assets

(i) Standards and methods for valuation of securities

a. Shares of subsidiaries and shares of affiliates

Stated at cost, based on the moving-average method.

b. Available-for-sale securities

a) Securities with market value:

Marked to market based on the average market price, etc. in the one-month period before the end of the fiscal year. (Valuation differences are all charged/credited directly to net assets, and the cost of selling the securities is determined by the moving-average method.)

b) Securities without market value:

Stated at cost, based on the moving-average method.

(ii) Method for valuation of derivatives

Stated at market value.

(iii) Standards and methods for valuation of inventories

Stated at cost, based on the moving average method (subject to write-down due to diminished profitability.)

(2) Depreciation method for non-current assets

(i) Property, plant and equipment (excluding structures for mining purposes, raw materials land and lease assets)

Declining balance method, except for buildings (excluding accompanying facilities) purchased on and after April 1, 1998 and accompanying facilities and structures purchased on and after April 1, 2016, which are computed based on the straight-line method.

(ii) Property, plant and equipment (structures for mining purposes, raw materials land)

Unit of production method

(iii) Intangible assets (excluding mining rights and software)

Straight-line method

(iv) Intangible assets (mining rights)

Unit of production method

(v) Intangible assets (software)

Amortized by the straight-line method over its useful life assuming in-house use (5 years).

(vi) Lease assets (lease assets in finance lease transactions that do not transfer ownership)

Lease assets are depreciated by the straight-line method that assumes their lease periods are useful lives and residual values are zero (or if there is a residual value guarantee, the guaranteed residual value).

(3) Accounting standards for provisions

(i) Allowance for doubtful accounts

To prepare against losses from notes and accounts receivable-trade, loans receivable, etc. turning into bad debt, allowance for doubtful accounts is provided for at the estimated uncollectible amount, which is calculated based on the historical credit loss ratio with respect to ordinary receivables, and in consideration of collectibility on a case-by-case basis with respect to specified receivables such as doubtful accounts.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, the estimated payable amount is recorded.

(iii) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, provision for retirement benefits is recorded in the amount deemed to have accrued at the end of the fiscal year under review based on the projected amount of retirement benefit obligation and plan assets at the end of the financial year under review.

Actuarial gains and losses and prior service cost are amortized in equal amounts as expenses by the straight-line method over a certain number of years (10 years) within the average remaining years of service of employees at the time of accrual in each period, commencing in the period following the period of accrual in the case of the former and in the period of accrual in the case of the latter.

As plan assets to be recognized at the end of the fiscal year under review exceeds the amount of the retirement benefit obligation minus actuarial gains and losses etc., the amount of such excess is recorded as prepaid pension costs.

Also, the Company established a retirement benefit trust by contributing some shares from its holdings.

(iv) Provision for loss on guarantees

To prepare against losses from debt guarantees to subsidiaries and affiliates, the estimated amount of losses at the end of the fiscal year under review is recorded in consideration of the financial position, etc. of those provided with such guarantees.

(4) Accounting method for retirement benefits

In the non-consolidated financial statements, the treatment of unrecognized actuarial gains and losses and unrecognized prior service cost in the non-consolidated balance sheets is different from the treatment in the consolidated financial statements. In the non-consolidated balance sheets, the amount of retirement benefit obligation after making adjustments for unrecognized actuarial gains and losses and unrecognized prior service costs, less the amount of plan assets, is recorded as prepaid pension costs.

(5) Accounting treatment of consumption tax, etc.

Tax exclusion method is applied.

(6) Amounts shown in these non-consolidated financial statements are rounded down to the nearest million yen.

(7) Changes in presentation

The Non-consolidated Statements of Income

“Gain on sales of shares of subsidiaries and affiliates,” which has been included in and presented as “gain on sales of investment securities” under extraordinary income up to the previous fiscal year, is separately presented from the fiscal year under review due to its increased monetary importance.

(8) Changes in accounting policies

In line with the revisions to the Corporation Tax Act of Japan, the Company applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) from the fiscal year under review. Accordingly, the depreciation method for accompanying facilities and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

Furthermore, the impact of this change on the non-consolidated financial statements for the fiscal year under review is immaterial.

(9) Additional information

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year under review.

2. Notes to the Non-consolidated Balance Sheets

(1) Assets pledged as collateral and secured liabilities

Not applicable

(2) Accumulated depreciation of property, plant and equipment ¥641,950 million

(3) Outstanding balance of guarantee obligations ¥14,872 million

(4) Monetary claims and obligations to subsidiaries and affiliates

Short-term monetary claims ¥32,002 million

Long-term monetary claims ¥35,919 million

Short-term monetary obligations ¥31,851 million

Long-term monetary obligations ¥3,113 million

3. Notes to the Non-consolidated Statements of Income

Amount of transactions with subsidiaries and affiliates

Amount of business transactions

Sales ¥92,960 million

Purchases ¥97,421 million

Amount of non-business transactions ¥6,269 million

4. Notes to the Non-consolidated Statements of Changes in Net Assets

Class and number of shares of treasury stock as at the end of the fiscal year under review:

Common stock 30,501,997 shares

5. Notes on Tax-effect Accounting

Breakdown of major components of deferred tax assets and deferred tax liabilities

(i) Deferred tax assets

Allowance for doubtful accounts	¥10,345 million
Provision for bonuses	¥623 million
Provision for retirement benefits	¥5,283 million
Loss on valuation of shares, etc. of subsidiaries and affiliates	¥11,127 million
Loss on valuation of golf memberships	¥190 million
Depreciation and amortization	¥290 million
Impairment loss	¥4,908 million
Business structure reform expenses	¥2,782 million
Tax loss carryforwards	¥1,781 million
Other	¥3,450 million
Deferred tax assets - Subtotal	¥40,784 million
Valuation allowance	¥(28,439) million
Deferred tax assets - Total	¥12,344 million

(ii) Deferred tax liabilities

Reserve for mine prospecting	¥(111) million
Reserve for advanced depreciation of non-current assets	¥(7,515) million
Exchange gains (losses), etc. in equity transactions	¥(526) million
Valuation difference on available-for-sale securities	¥(2,730) million
Other	¥(334) million
Deferred tax liabilities - Total	¥(11,217) million

Net deferred tax assets ¥1,126 million

6. Notes on Transactions with Related Parties

(Unit: Millions of yen)

Attribute	Name of company, etc.	Percentage of voting rights, etc. of related party held by the Company (or vice versa)	Relationship with related party	Description of transaction	Transaction amount	Account	Closing balance
Subsidiary	Kiyosumi Golf Club Co., Ltd.	Directly holds 100%	Payment of deposits Dispatch of officer	Payment of deposits (Note 1)	—	“Other” in Investments and other assets (Note 3)	13,304
Subsidiary	TCC Holdings Labuan, Inc.	Directly holds 100%	Financial assistance Dispatch of officer	Lending of funds (Note 1)	—	“Other” in Investments and other assets (Note 3)	10,635
Subsidiary	Sanshin Electric International Corporation	Directly holds 100%	Dispatch of officer	Debt waiver (Note 2)	7,342	—	—
Subsidiary	Ichihara Ecocement Corporation	Directly holds 100%	Financial assistance Dispatch of officer	Lending of funds (Note 1)	—	“Other” in Investments and other assets (Note 3)	7,600
Subsidiary	CalPortland Company	Indirectly holds 100%	Debt guarantee Dispatch of officer	Debt guarantee (Note 4)	8,343	—	—
Subsidiary	TC Trading Co., Ltd.	Directly holds 67.7% Indirectly holds 5.8%	Sales of the Company’s products Dispatch of officer	Sales of the Company’s products (Note 5)	20,079	Accounts receivable-trade	5,392

Terms of transactions, policies for determining terms of transactions, etc.

(Note 1) No interest is charged for lending funds, etc. to these companies.

(Note 2) Made due to completion of liquidation of the said company.

(Note 3) For loans receivable, etc. from these companies, allowance for doubtful accounts totaling ¥29,017 million is recorded.

(Note 4) The Company provides a debt guarantee for advances received.

(Note 5) The terms of sales of the Company’s products are determined by referring to market prices, etc.

(Note 6) Transaction amount does not include consumption tax, etc., while closing balance includes consumption tax, etc.

(Translation)

7. Notes on Per Share Information

Net assets per share: ¥208.26

Net income per share: ¥29.64

8. Notes on Significant Subsequent Events

Not applicable.