

Consolidated Balance Sheet

(As of March 31, 2010)

Item	Amount	Item	Amount
[Assets]	million yen	[Liabilities]	million yen
Current assets	12,277	Current liabilities	7,388
Cash and savings	4,141	Notes payable and accounts payable	2,449
Notes receivable and trade accounts receivable	3,157	Short-term loans	2,689
		Portion of corporate bonds redeemable within one year	33
		Obligations under capital lease	51
Claims in leases and investment in leased assets	747	Accounts payable (accrued liability)	916
Real estate for sale	481	Corporate taxes payable, etc.	61
Cost accrued on uncompleted work	537	Consumption taxes payable, etc.	37
Merchandise and products	2,322	Advances received	451
		Deposits	226
Raw materials and inventory goods	132	Reserves for bonuses	219
Prepaid expenses	162	Reserves for compensation for completed works	43
Deferred tax assets	227	Reserve for pneumoconiosis compensation loss	4
Others	400	Others	203
		Fixed liabilities	13,717
Allowance for bad debts	-34	Corporate bonds	566
		Long term loans	1,270
Fixed Assets	21,640	Obligations under capital lease	140
(Tangible fixed assets)	(15,358)	Guarantee deposits received	4,659
Buildings and structures	4,588	Long term loans	3,492
Machinery, equipment and delivery equipment	751	Deferred tax liabilities	981
Land	9,814	Deferred tax liabilities related to revaluation	1,136
Leased assets	52	Reserves for pension and retirement benefits	605
Others	150	Reserves for loan guarantee losses	457
		Negative goodwill	395
(Intangible fixed assets)	(123)	Others	13
Others	123	Total liabilities	21,106
(Investments and other assets)	(6,158)	[Net assets]	
Investment securities	3,409	Owners' equity	10,427
Long-term loans	185	Capital stock	3,782
Guarantee money deposits	2003	Capital surplus	2,890
Deferred tax assets	154	Earned surplus	3,757
Others	457	Treasury stock	-2
Allowance for doubtful debts	-51	Variance of the estimate/conversion, etc.	2,080
Total assets	33,918	Valuation gain (loss) on securities	1,591
		Revaluation reserves for land	489
		Minority interests	304
		Total net assets	12,812
		Total liabilities and net assets	33,918

Consolidated Income Statement

From April 1, 2009
to March 31, 2010

Item	Amount
	million yen
Sales	26,088
Cost of sales	22,312
Gross profit	3,775
Selling, general and administrative expenses	2,983
Operating income	792
Non-operating income	723
Interest received	8
Dividends received	454
Amortization of negative goodwill	197
Others	63
Non-operating expenses	206
Interest paid	122
Bond issue expense	28
Investment loss under equity method	13
Others	41
Ordinary income	1,309
Extraordinary income	2,716
Gain on disposal of fixed assets	24
Reversal of reserve for loss on guarantee of obligations	2,687
Others	4
Extraordinary losses	3,419
Loss on disposal of fixed assets	3
Loss on demolition of fixed assets	40
Loss on devaluation of golf membership	0
Impairment losses	112
Loss on assumed obligations	3,198
Pneumoconiosis compensation loss	37
Others	28
Net income before taxes and minority interests	606
Corporate, residential and business taxes	156
Corporate tax adjustment, etc	-236
Minority stockholder losses	80
Net income	606

Consolidated Statement of Changes in Net Assets

From April 1, 2009
to March 31, 2010

(unit 1 million yen)

Owners' equity	
Capital stock	
Balance at the end of previous term	3,782
Changes during the term	
Total changes during the term	-
Balance at the end of current term	3,782
Capital surplus	
Balance at the end of previous term	2,866
Changes during the term	
Disposal of treasury stock	24
Total changes during the term	24
Balance at the end of current term	2,980
Earned surplus	
Balance at the end of previous term	3,092
Changes during the term	
Distribution of earned surplus	-99
Net income for the term	660
Disposition of revaluation reserves for land	158
Total changes during the term	665
Balance at the end of the current term	3,757
Treasury stock	
Balance at the end of previous term	-62
Changes during the term	
Acquired treasury stock	-0
Disposal of treasury stock	59
Total changes during the term	59
Balance at the end of the current term	-2
Total owners' equity	
Balance at the end of previous term	9,678
Changes during the term	
Distribution of earned surplus	-99
Net income for the term	606
Acquired treasury stock	-0
Disposal of treasury stock	83
Disposition of revaluation reserves for land	158
Total changes during the term	748
Balance at the end of the current term	10,427
Variance of the estimate/conversion, etc.	
Unrealized holding gain on securities	
Balance at the end of previous term	787
Changes during the term	
Changes in items other than owners' equity during the term (net)	803
Total changes during the term	803
Balance at the end of the current term	1,591
Revaluation reserves for land	
Balance at the end of previous term	647
Changes during the term	
Disposition of revaluation reserves for land	-158
Total changes during the term	-158
Balance at the end of the current term	489
Total variance of the estimate/conversion, etc.	
Balance at the end of previous term	1,434
Changes during the term	
Disposition of revaluation reserves for land	-158
Changes in items other than owners' equity during the term (net)	803
Total changes during the term	645
Balance at the end of the current term	2,080

(unit 1 million yen)

Minority interests		
Balance at the end of previous term		280
Changes during the term		
Changes in items other than owners' equity during the term (net)		23
Total changes during the term		23
Balance at the end of the current term		304
Total net assets		
Balance at the end of previous term		11,394
Changes during the term		
Distribution of earned surplus		-99
Net income for the term		606
Acquired treasury stock		-0
Disposal of treasury stock		83
Changes in items other than owners' equity during the term (net)		827
Total changes during the term		1,418
Balance at the end of the current term		12,812

Notes to Consolidated Financial Statements

1. Basic principles for compiling the consolidated financial statements.

(1) Scope of consolidation

(i) Consolidated subsidiaries

- Number of consolidated subsidiaries 13
- Names of main consolidated subsidiaries
 - Taiheiyo Seisakusho Inc.
 - Kunneppu Lime Industry Co., Inc.
 - Taiheiyo Unyu Inc.
 - Taiheiyo Silver Service Co., Ltd.
 - Taiheiyo Coal Service and Transportation Co., Ltd.

(ii) Non-consolidated subsidiaries

Not applicable. Hokkaido Toka Keiki Ltd., to which the equity method was applied in the consolidated financial statements for the previous year, has been removed from the list of non-consolidated subsidiaries as the company was liquidated effective July 31, 2009.

(iii) Companies that were not made into subsidiaries even though the Company owned a majority of voting rights in them.

- Names of companies fitting this description Taiheiyo Coal Mining Co., Ltd.
- Reason for not being made into a subsidiary

Because said company is effectively in liquidation after withdrawing from the domestic coal mining business in conjunction with the coal mine closure in January 2002 and because it cannot be effectively controlled as it is being strictly managed under an agreement with its creditors, which has been in place since May of the same year, to dispose of its debts.

- Said company's financial position and consolidated company investments and loans (as of March 31, 2010)

(a) Financial position

Capital stock	300 million yen
Total assets	12,613 million yen
Net assets	862 million yen

(b) Consolidated company investments and loans

Investments	0 million yen
Loan guarantees	9,028 million yen

(2) Application of the equity method

No applicable. Hokkaido Toka Keiki Ltd., to which the equity method was applied in the previous consolidated financial statements, was removed from the scope of the equity method as the company was liquidated effective July 31, 2009.

Furthermore, Evol Co., Ltd. (Kushiro, Hokkaido), which had been listed as an affiliated company up to prior consolidated fiscal years, is no longer affiliated with the Company as the result of the sale of part of the shares of the company during the current consolidated fiscal year.

(3) Fiscal years of consolidated subsidiaries

The final day of the fiscal years of all the consolidated subsidiaries corresponds to the consolidated closed date.

(4) Accounting standards

(i) Valuation standards and methods for significant assets

(a) Inventory valuation standards and methods

Land and buildings for sale Partially-developed land and buildings Raw Land Coal (imported coal)	The costs will be calculated by the specific cost method. (The balance sheet values were calculated by the method of a write-down of book value based on reduced profitability.)
Other inventory	The costs will be calculated by the periodic average method. (The balance sheet values were calculated by the method of a write-down of book value based on reduced profitability.)

(b) Other securities

- Securities with current values These securities will be valued on settling days and at the values at the end of the consolidated fiscal year

- (valuation differences are reported as a component of net assets and disposal costs are calculated using the moving average method).
- Securities without current values These securities will be evaluated by the moving average cost method.
- (c) Derivative The costs will be evaluated by the market value method.
- (ii) Depreciation method for significant depreciable assets
- (a) Tangible fixed assets Declining balance method
(Excluding leased assets) However, the straight line method will be applied for the buildings (not including equipment attached to buildings) which were acquired in fiscal year 1999 or later.
In addition the durable years of main assets are shown below.
- | | |
|---|---------------|
| Buildings and Structures | 2 to 65 years |
| Machinery, equipment and delivery equipment | 2 to 18 years |
- (b) Intangible fixed assets Straight line method
(Excluding leased assets) With respect to the valuation of software used by the Company, the straight line method based on the period of availability to the Company (a maximum of 5 years) has been adopted.
- (c) Leased assets
Values of the leased assets in respect of the non-ownership-transfer finance lease transactions were calculated by the straight line method using useful life for leasing period and “zero” for residual values.
Of these non-ownership-transfer finance lease transactions, all transactions having effective date on March 31, 2008 or earlier were accounted for by the method for normal lease transactions, mutatis mutandis.
- (iii) Accounting standards for significant allowances and reserves
- (a) Allowance for doubtful accounts To provide for credit losses incurred by the Company and its consolidated subsidiaries, an allowance for general credit is established using a rate determined by past bad debts experience and an allowance for specific credit and doubtful accounts is established for an estimated amount considered to be uncollectible after reviewing the collectibility of individual accounts.
- (b) Accrued bonuses to the employees To provide for payment of bonuses to the employees of the Company and its consolidated subsidiary, a reserve for accrued bonuses is established for an estimated amount of payment due.
- (c) Reserve for retirement benefits To provide for the employees’ retirement benefits, this reserve is established for an estimated amount based on the projected retirement benefit obligations and pension assets at the end of the consolidated fiscal year under review. Actuarial variances are charged to expenses from the next consolidated fiscal year in a proportionate amount determined using a straight-line method based on a preset number of years within the range of the average remaining service years of the employees (5 years).
Past service costs are expensed as lump sums.
- (d) Reserve for compensation for completed works To provide for liability for defect warranty on completed works, a reserve is established based on an estimated amount of future liabilities.
- (e) Reserve for pneumoconiosis compensation loss Former employees of Taiheiyo Coal Mining Co., Ltd. are seeking out-of-court compensation for contracting pneumoconiosis, and an amount based on the potential loss from this has been put into a reserve.
- (f) Reserve for loan guarantee losses To provide for losses caused by liability for loan guarantee, a reserve is established for an estimated amount of such losses.

(Additional information)

In order to provide for payments of a retirement bonus to directors, the Company booked an amount which would be required for payment at the end of a fiscal year in the past for certain consolidated subsidiaries according to the internal rules. In the current consolidated fiscal year, however, the Company provided no reserve since the directors' retirement bonus program was abolished. The balance of the reserve as at the end of the previous fiscal year was paid out during the current consolidated fiscal year.

- (d) Accounting criteria for balance of completed construction work and cost of completed construction work

Portion of construction in progress the outcome of which is deemed certain until the end of the current consolidated fiscal year	Percentage of completion method (a rate of progress is estimated by proportional cost method)
Other construction work	Completed contract method

(Changes in accounting polity)

With respect to the accounting criteria for revenue from contracted construction work, the completion basis had been applied in prior years. Starting in the current consolidated fiscal year, however, the Company adopted the provisions of the Accounting Standards for Construction Contracts (Corporate Accounting Statement No. 15; December 27, 2007) and the Implementation Guidance on Accounting Standards for Construction Contracts (Corporate Accounting Standards Implementation Guidance No. 18; December 27, 2007). As a result, the percentage of completion method is applied to the portion of the construction completed by the end of the current consolidated fiscal year and the outcome of which is deemed certain (or a proportional cost method is applied for estimating the percentage of completion), starting with the contracts under which the construction started during the current consolidated fiscal year, and the completed contract method for all other construction works.

The changes have no effect on sales, gross margin, operating income, ordinary income and net income for the period before taxes and other adjustments.

- (v) Hedge accounting method

- (a) Accounting for hedge transactions Foreign exchange contracts that meet the specified requirements are accounted for by the assignment method of hedge accounting and interest rate swap transactions that meet the specified requirements are accounted for by the exceptional case method of hedge accounting.

- (b) Means of hedging and hedged assets

<Means of hedging>	<Hedged assets>
Foreign exchange contract	Liabilities for stock denominated in foreign currency
Interest rate swap	Loans

- (c) Hedging policy The Company hedges against risks of fluctuations in foreign exchange and interest rates in accordance with its risk management policy.
- (d) Evaluating the effectiveness of hedge The Company is evaluating the requirements of the assignment method and the exceptional case method of hedge accounting to determine the effectiveness of hedges.

- (vi) Other important matters for presenting consolidated financial statements

- (a) Accounting for consumption taxes, etc. Consumption tax is accounted for by the "tax excluded" basis.

- (5) Matters related to valuating consolidated subsidiaries' assets and liabilities

The Company adopts the full fair value method for the valuation of its consolidated subsidiaries assets and liabilities.

- (6) Matters concerning the amortization of goodwill and negative goodwill

- (i) Amortization of goodwill

Goodwill is amortized under the straight line method over a period of five years.

- (ii) Amortization of negative goodwill

Negative goodwill is amortized under the straight line method over periods of three years and

five years.

(7) Changes to important matters in preparation of the consolidated financial statements

Not applicable.

(8) Changes in methods of presentation

Consolidated balance sheet

The long-term accounts payable, which were included under the heading “Other” of the fixed liabilities section until the previous consolidated financial report, are reported under a separate section as the amount has exceeded 5/100 of total assets in the current consolidated fiscal year.

The balance of the “long-term accounts payable” as at the end of the previous consolidated fiscal year was 394 million yen.

2. Notes to the Consolidated Financial Statements

(1) Secured Assets

Cash and deposits (time deposits)	439	million yen
Claims in leases and investment in leased assets	643	million yen
Real estate for sale	2	million yen
Cost accrued on uncompleted work	341	million yen
Buildings and structures	1,588	million yen
Machinery, equipment and delivery equipment	68	million yen
Land	5,290	million yen
Investment securities	168	million yen
Investments and other assets	206	million yen
Total	8,748	million yen

The above assets have been pledged as security for: Notes payable and accounts payable – 0 million yen; short-term loans – 2,376 million yen; accrued liabilities – 100 million yen; long-term loans – 1,185 million yen; guarantee deposits received – 16 million yen; long-term accounts payable – 294 million yen; fixed liabilities and others – 44 million yen.

In addition, the following assets are serving as material guarantees backing bank loans.

Land	330 million yen (debtor: Taiheiyo Coal Mining Co., Ltd.)
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(2) Accumulated depreciation of tangible fixed assets

(i) Accumulated depreciation 12,984 million yen

(ii) Accumulated impairment loss 2 million yen

(3) Contingent liabilities

(i) The debt guarantees for loans from financial institutions are as follows.

Taiheiyo Coal Mining Co., Ltd. 9,028 million yen

(4) Land reappraisal

In accordance with the law concerning revaluation of land (Law no. 34 promulgated on March 31, 1998) the company revaluates its business-use land.

Variance in land revaluation is shown in the liability section as “equivalence to the deferred tax liability related to the revaluation” in accordance with Law no. 24 (promulgated on March 31, 1999); and the amount (“the new land value” minus “the equivalence”) is shown as “Revaluation reserves for land” in the NAV (Net Asset Value) section.

• The Method of revaluation

The Company calculates the value of land at the time of reappraisal using the method of making rational adjustment for the value recorded in the Land Taxation Register as provided for in Paragraph 3, Article 2 of the law concerning Land Reappraisal Enforcement Ordinance (Government Ordinance No. 119 promulgated on March 31, 1998), part of the appraisal method as provided for in Paragraph 5, Article 2 of the same Government Ordinance or the method of making rational adjustment for the land value determined by the tax office for inheritance tax purposes as provided for in Paragraph 4, Article 2 of the same Government Ordinance.

• Date on which reappraisal was made: March 31, 2002.

As the market value of revaluated land at the end of the consolidated fiscal year under review exceeded its book value after revaluation, the difference is not shown.

3. Notes for the Consolidated Statement of Changes in Net Assets

(1) Matters concerning the total number of issued shares

Types of stocks	Number of shares at end of previous consolidated fiscal year	Number of shares acquired in consolidated fiscal year under review	Number of shares sold in consolidated fiscal year under review	Total number of shares at end of consolidated fiscal year under review
Common stocks	67,834,000 shares	— shares	— shares	67,834,000 shares

(2) About the number of treasury stocks

Types of stocks	Number of shares at end of previous consolidated fiscal year	Number of shares acquired in consolidated fiscal year under review	Number of shares sold in consolidated fiscal year under review	Total number of shares at end of consolidated fiscal year under review
Common stocks	1,234,000 shares	2,000 shares	1,214,000 shares	23,000 shares

(Notes)

1. Of the increases in the number of common shares held as treasury stock, 2,000 shares were the result of purchasing fractional unit share certificates.
2. The decrease of 1,214,000 shares in the number of common shares held as treasury stock shares was the result of a sale to a third party by a consolidated subsidiary that owns treasury stock.

(3) Matters concerning actuarial surplus dividends

① Dividends paid

Resolution	Share class	Total dividends (¥ million)	Dividends per share (¥)	Record Date	Effective date
Ordinary general meeting of shareholder on June 26, 2009	Common shares	101	1.5	March 31, 2009	June 29, 2009

② In respect of the dividends for which the record date falls within the current consolidated fiscal year, the 135th ordinary general meeting of shareholders to be held on June 29, 2010 will adopt a resolution for the portion of the dividends for which the effective date is in the next consolidated fiscal year as follows:

- Total amount of dividends: 135 million yen
- Source of dividends: Earned surplus
- Amount of dividend per share: 2.0 yen
- Record date: March 31, 2010
- Effective date: June 30, 2010

4. Notes on financial instruments

(1) Matters relating to the status of financial instruments:

① Policy for the handling of financial instruments

The policy of the Group stipulates the funds are to be invested in safe financial assets such as deposits and raised by bank loans. Investments in derivatives are strictly for the purpose of risk avoidance in respect of future currency and interest rate fluctuations. The Group will not engage in any speculative transactions.

② Financial instruments, their risks and risk management system

Trade notes and accounts receivable are exposed to customers' credit risk. With respect to these risks, the Company has a system in place to control due dates and balances for each customer under which any account in arrears will be regularly reported to the officers responsible for those accounts so as to identify and respond to individual risks.

Investment securities held by the Company consist primarily of the shares of the companies with which the Company has business relationships. These securities are exposed to market risk (i.e. a risk of fluctuation of market prices). The Company examines the market prices of the shares and financial conditions of their issuers regularly and reviews the portfolio on an ongoing basis taking into consideration the Company's relationship with its business partners.

The guarantee money deposits are mainly key monies and guarantees which are deposited in conjunction with the lease contracts for the head office and other office buildings. These deposits are exposed to the lessors' credit risks. The Company makes an effort to reduce the risk through regular investigation of the credit status of the lessor.

The majority of trade notes and accounts payable will become due and payable within one year. Certain accounts denominated in foreign currencies are exposed to market risk (i.e. a risk of foreign exchange fluctuations).

Of the loans, the short-term loans are used for the financing of trade transactions while the long-term loans for capital investment. Loans with variable interest rates are exposed to a market risk (i.e. risk of interest rate fluctuations).

Guarantee monies are received as key money for properties leased under lease contracts. They are exposed to a liquidity risk relating to the financing conditions of the Group (i.e. a risk of the inability to pay the obligations on time as they become due).

The long-term accounts payable relate to the financial obligation of Taiheiyo Coal Mining Co., Ltd. assumed by the Company. The repayment will become due within seven years pursuant to the agreement with the creditors. These obligations are exposed to the liquidity risk of the Group in respect of financing as well as a market risk relating to fluctuations of certain market prices (i.e. interest rates).

These trade obligations, borrowings, guarantees deposits received and long-term accounts payable are managed to control liquidity and market risks through the development or updating of financing plans by the departments in charge on a timely basis based on the reports they receive from relevant departments as well as through maintaining cash flows.

③ Supplementary information for matter relating to fair market values of the financial instruments

Fair market values of the financial instruments include the values determined on the basis of market prices and, if there are no market prices, values reasonably calculated. As the calculation of these values reflects variable factors, the values may change with the adoption of different assumptions.

(2) Matters relating to the fair market value of the financial instruments

The values reported in the March 31, 2010 consolidated balance sheet, fair market values and variances are as follows. Instruments for which fair market values are deemed to be extremely difficult to determine are not included. (See Note 2).

	Amount in consolidated balance sheet (¥ million)	Fair market value (¥ million)	Difference (¥ million)
(1) Cash and savings			
(2) Notes receivable and trade accounts receivable	4,141	4,141	—
	3,157	3,157	—
(3) Investment securities	3,308	3,308	—
	2,003	1,921	-81
(4) Guarantee money deposits			
Total assets	12,611	12,529	-81
(5) Notes payable and accounts payable	2,449	2,449	—
(6) Short-term loans	2,689	2,694	5
(7) Long term loans	1,270	1,272	2
(8) Guarantee deposits received	4,659	4,335	-323
	3,492	3,392	-100
(9) Long term loans			
Total liabilities	14,560	14,144	-416

(Notes) 1. Matters relating to the calculation method for fair market values of financial instruments and transactions of securities and derivatives

(1) Cash and savings; (2) Notes receivable and trade account receivable; (5) Notes payable and accounts payable; (6) short-term loans (excluding the portion of long-term loans which will be due and payable within one year)

As these are of short-term in nature, and their fair market values are similar to their book values, the amounts are reported by their book values.

(3) Investment securities

Fair market values of the shares are determined on the basis of the prices at stock exchanges on which they are listed.

(4) Guarantee money deposits; (6) short-term loans (long-term loans which will be due and payable within one year); (7) long-term loans, (8) guarantee deposits

received and (9) long-term accounts payable

These assets are categorized for terms, and their fair market values are reported as present values discounted by their future cash flows by an interest rate arrived at by adding the credit spread to an appropriate index, such as the government bond yield for each of credit risk control categories.

2. Financial instruments fair market values of which are deemed to be extremely difficult to determine

Type	Amount in consolidated balance sheet (¥ million)
Unlisted shares	101

These instruments are not included in the category of (3) Investment securities; their fair market values are extremely difficult to determine as they do not have a market price.

3. Other

Notes are omitted for other financial credits and obligations reported in the consolidated balance sheet due to insignificance of their values in total assets.

The total loan guarantees (before deduction of reserve for loss on loan guarantee) in respect of Taiheiyo Coal Mine described in note (3) contingent liabilities in Section 2 “Notes relating to the consolidated balance sheet” in the list of notes on consolidation, its fair market value and the difference are as follows:

Total amount: 9,485 million yen
Fair market value: 9,448 million yen
Difference: (36 million yen)

4. Monetary credits to be repaid after the date of the consolidated financial statements

	Less than one year (¥ million)	More than one year but less than 5 years (¥ million)	More than 5 years but less than 10 years (¥ million)	More than 10 years (¥ million)
Cash and savings	4,141	—	—	—
Notes receivable and trade accounts receivable	3,157	—	—	—
Guarantee money deposits	258	563	1,181	—
Total	7,558	563	1,181	—

5. Repayments of interest-bearing obligations after the date of the consolidated financial statements

	Less than one year (¥ million)	More than one year but less than 5 years (¥ million)	More than 5 years but less than 10 years (¥ million)	More than 10 years (¥ million)
Short term loans	2,689	—	—	—
Long term loans	—	901	256	112
合計	2,689	901	256	112

5. Notes to leased real properties

- (1) Leased real properties

The Company owns leased facilities in Tokyo and other areas. The lease income or loss for these properties for the year ended March 31, 2010 was 623 million yen (with major lease income included in sales and major lease expenses in cost of sales).

The amount in consolidated balance sheet of the leased properties, change in value during the year, and the fair market value are as follows:

Amount in consolidated balance sheet (¥ million)			Fair market value at the end of the current consolidated fiscal year (¥ million)
Balance at the end of the previous consolidated fiscal year	Change in value during the current consolidated fiscal year	Balance at the end of the current consolidated fiscal year	
9,747	233	9,980	12,538

(Notes) 1. The amount included in the consolidated balance sheet is the purchase cost net of accumulated depreciation.

2. Of the changes in value during the current consolidated fiscal year, the increase is mainly due to the acquisition of commercial lease properties (¥571 million) while the decrease mainly consists of depreciation expenses and loss from wear and tear.

3. The fair market values at the end of the current consolidated fiscal year were calculated by the Company using the amount of the valuation of the properties by external real estate appraiser for major properties, and certain valuations as well as indices considered to appropriately reflect market prices for other properties.

6. Matters relating to special purpose companies subject to disclosure
Not Applicable.

7. Notes to the information on a stock

(1) BPS (Book-value Per Share)	184.46 yen
(2) Net income per share for the current term	8.96 yen

8. Notes to significant events which took place afterwards.

The April 28, 2010 meeting of the Board of Directors passed a resolution for a sale of part of the investment securities held by the Company as follows:

(1) Investment securities for sale:

- ① Issue: New Hope Corporation
- ② Number of shares to be sold 1,000,000 shares
- ③ Purpose of sale:

To raise funds for capital investment and new businesses

(2) Effects on consolidated results:

The Company is expected to report extraordinary income (profit on sale of investment securities) of 400 million in its fiscal year ending March 31, 2011.

9. Other notes

(1) Reversal of reserve for loss on loan guarantees and loss on assumed obligations

The Company has been providing guarantees for the loan obligations of Taiheiyo Coal Mines in the past and booked the amount of future fulfillment of the obligations as a reserve for loss on loan guarantees (balance of the reserve for loss on loan guarantee at the end of the previous consolidated fiscal year was 3,144 million yen). On March 31, 2010, the Company made an agreement with the creditors of Taiheiyo Coal Mine to assume the loans of Taiheiyo Coal Mine to the extent of the amount of the reserve for loss on loan guarantee for the purpose of clarifying the obligation of the guarantor.

As a consequence, in the consolidated fiscal year the Company reported an extraordinary income of 2,687 million yen as the reversal of the reserve for loss on loan guarantee (net of 457 million transferred to the reserve during the current fiscal year) and an extraordinary loss of 3,198 million as "loss on assumed obligations" (the total of the balance of 3,144 million yen in the reserve for loss on loan guarantee at the end of the previous consolidated fiscal year and an amount equivalent of interest expenses).

Balance Sheet

(As of March 31, 2010)

Item	Amount	Item	Amount
[Assets]	million yen	[Liabilities]	million yen
Current assets	7,302	Current liabilities	4,480
Cash and savings	1,432	Notes payable	131
Accounts receivable	2,080	Accounts payable	1,365
Claims in leases (net)	715	Short-term loans	1,440
Investment in leased assets (net)	52	Long-term debt to be repaid within one year	549
Real estate for sale	116	Portion of corporate bond redeemable within one year	33
Merchandise and products	1,959	Obligations under capital lease	19
Cost accrued on uncompleted work	424	Accounts payable (accrued liability)	465
Raw materials and inventory goods	16	Advances received	194
Prepaid expenses	141	Deposits	155
Deferred tax assets	173	Reserves for bonuses	77
Accounts receivable	126	Reserves for compensation for completed works	41
Others	93	Reserve for pneumoconiosis compensation loss	4
Allowance for bad debts	-30	Others	0
Fixed Assets	17,616	Fixed liabilities	11,023
(Tangible fixed assets)	(10,404)	Corporate bonds	266
Building	2,775	Long-term loans	847
Structures	302	Lease and guarantee deposits received	3,438
Machinery and equipment	148	Obligations under capital lease	51
Ships	1	Long term loans	3,492
Tools, instruments and fixtures	10	Deferred tax liabilities	1,085
Land	7,157	Deferred tax liabilities related to revaluation	1,136
Leased assets	7	Reserves for pension and retirement benefits	247
(Intangible fixed assets)	(67)	Reserves for loan guarantee losses	457
Software	5	Total liabilities	15,504
Leased assets	4	[Net assets]	
Others	57	Owners' equity	7,279
(Investments and other assets)	(7,144)	Capital stock	3,782
Investment securities	3,187	Capital surplus	2,873
Investments in stock of affiliated companies	390	Legal capital reserve	1,431
Investments in partnerships	16	Other capital surplus	1,442
Long-term loans to employees (net)	36	Earned surplus	625
Long-term loans to affiliated companies	1,232	Earned reserves	5
Long-term prepaid expenses	74	Other earned surplus	620
Lease and guarantee deposits	1,955	Accumulated retained earnings	620
Insurance funds	281	Treasury stock	-2
Allowance for doubtful debts	-29	Variance of the estimate/conversion, etc.	2,136
		Unrealized holding gain on securities	1,646
		Revaluation reserves for land	489
		Total net assets	9,415
Total assets	24,919	Total liabilities and net assets	24,919

Income Statement

(From April 1, 2009
to March 31, 2010)

Item	Amount
	million yen
Sales	16,407
Cost of sales	14,188
Gross profit	2,218
Selling, general and administrative expenses	1,966
Operating income	251
Non-operating income	594
Interest received	53
Dividends received	498
Guarantees received	0
Miscellaneous income	42
Non-operating expenses	129
Interest paid	96
Bond issue expense	10
Miscellaneous loss	22
Ordinary income	716
Extraordinary income	3,046
Gain on disposal of fixed assets	350
Reversal of allowance for bad debt	9
Reversal of reserve for loss on guarantee of obligations	2,687
Extraordinary losses	3,529
Loss on sale of fixed assets	5
Loss on disposal of fixed assets	22
Valuation loss on affiliated companies	123
Impairment losses	112
Loss on assumed obligations	3,198
Pneumoconiosis compensation loss	37
Others	30
Net income before taxes	233
Corporate, residential and business taxes	8
Taxes paid or refunded after reassessment or ruling on corporate taxes	14
Corporate tax adjustment, etc.	-94
Net income	304

Consolidated Statement of Changes in Net Assets

From April 1, 2009

to March 31, 2010

(unit 1 million yen)

Owners' equity	
Capital stock	
Balance at the end of previous term	3,782
Changes during the term	
Total changes during the term	—
Balance at the end of current term	3,782
Capital surplus	
Capital reserve	
Balance at the end of previous term	1,431
Changes during the term	
Total changes during the term	—
Balance at the end of the current term	1,431
Other capital surplus	
Balance at the end of previous term	1,442
Changes during the term	
Total changes during the term	—
Balance at the end of the current term	1,442
Total capital surplus	
Balance at the end of previous term	2,873
Changes during the term	
Total changes during the term	—
Balance at the end of the current term	2,873
Earned surplus	
Earned reserve	
Balance at the end of previous term	5
Changes during the term	
Total changes during the term	—
Balance at the end of the current term	5
Other earned reserve	
Voluntary reserves	
Balance at the end of previous term	226
Changes during the term	
Drawdown from separate reserve	-226
Total changes during the term	-226
Balance at the end of the current term	0
Retained earnings brought forward	
Balance at the end of previous term	32
Changes during the term	
Distribution of earned surplus	-101
Net income for the term	304
Drawdown from separate reserve	226
Disposition of revaluation reserves for land	158
Total changes during the term	587
Balance at the end of the current term	620
Total earned surplus	
Balance at the end of previous term	265
Changes during the term	
Distribution of earned surplus	-101
Net income for the term	304
Disposition of revaluation reserves for land	158
Total changes during the term	360
Balance at the end of the current term	625
Treasury stock	
Balance at the end of previous term	-2
Changes during the term	
Acquired treasury stock	-0
Total changes during the term	-0
Balance at the end of the current term	-2

(unit 1 million yen)

Total owners' equity	
Balance at the end of previous term	6,918
Changes during the term	
Distribution of earned surplus	-101
Net income for the term	304
Acquired treasury stock	-0
Disposition of revaluation reserves for land	158
Total changes during the term	360
Balance at the end of the current term	7,279
Variance of the estimate/conversion, etc.	
Valuation gain (loss) on securities	
Balance at the end of previous term	872
Changes during the term	
Changes in items other than owners' equity during the term (net)	773
Total changes during the term	773
Balance at the end of the current term	1,646
Revaluation reserves for land	
Balance at the end of previous term	647
Changes during the term	
Changes in items other than owners' equity during the term (net)	-158
Total changes during the term	-158
Balance at the end of the current term	489
Total variance of the estimate/conversion, etc.	
Balance at the end of previous term	1,520
Changes during the term	
Disposition of revaluation reserves for land	-158
Changes in items other than owners' equity during the term (net)	773
Total changes during the term	615
Balance at the end of the current term	2,136
Total net assets	
Balance at the end of previous term	8,439
Changes during the term	
Distribution of earned surplus	-101
Net income for the term	304
Acquired treasury stock	-0
Changes in items other than owners' equity during the term (net)	773
Total changes during the term	976
Balance at the end of the current term	9,415

Notes to Financial Statements

1. Significant Accounting Policies

(1) Asset valuation standards and methods

(i) Shares in subsidiaries and affiliated companies Cost conversion by the moving average cost method

(ii) Other securities

• Securities with current values These securities will be valued on settling days and at the current values.(valuation differences are reported as a component of net assets and disposal costs are calculated using the moving average method).

• Securities without current values These securities will be evaluated by the moving average cost method.

(iii) Derivative

The costs will be evaluated by the market value

(iv) Inventory

Merchandise and Products (excluding imported coal) Raw materials and inventory goods	Stores The costs will be calculated by the periodic average method. (The balance sheet values were calculated by the method of a write-down of book value based on reduced profitability.)
Real estate for sale Merchandise and Products (imported coal) Cost accrued on uncompleted work	The costs will be calculated by the specific cost method. (The balance sheet values were calculated by the method of a write-down of book value based on reduced profitability.)

(2) Depreciation method for fixed assets

(i) Tangible fixed assets

Declining balance method

However, the straight line method will be applied for the buildings (not including equipment attached to buildings) which were acquired on April 1, 1999 or later. In addition the durable years of main assets are shown below.

Buildings and Structures	2 to 65 years
Machinery and equipment	4 to 18 years

(ii) Intangible fixed assets (Excluding leased assets)

• Software used in the company The straight line method will be applied for the valuation of the software for the period of usage (max. 5 years).

(iii) Leased assets

Values of the leased assets in respect of the non-ownership-transfer finance lease transactions were calculated by the straight line method using useful life for leasing period and "zero" for residual values.

Of these non-ownership-transfer finance lease transactions, all transactions having effective date on March 31, 2008 or earlier were accounted for by the method for normal lease transactions, mutatis mutandis.

(3) Definitions of allowances and reserves

(i) Allowance for doubtful accounts

To provide for credit losses, an allowance for general credit is established using a rate determined by past bad debts experience and an allowance for specific credit and doubtful accounts is established for an estimated amount considered to be uncollectible after reviewing the collectibility of individual accounts.

(ii) Accrued bonuses to the employees

To provide for payment of bonuses to the employees, a reserve for accrued bonuses is established up for an estimated amount of payment due.

- (iii) Reserve for retirement benefits To provide for the employees' retirement benefits, this reserve is established for an estimated amount based on the projected retirement benefit obligations and pension assets at the end of the fiscal year under review. Actuarial variances are charged to expenses from the next fiscal year in a proportionate amount determined using a straight-line method based on a preset number of years within the range of the average remaining service years of the employees (5 years).
- (iv) Reserve for compensation for completed works To provide for liability for defect warranty on completed works, a reserve is established based on an estimated amount of future liabilities.
- (v) Reserve for pneumoconiosis compensation loss Former employees of Taiheiyo Coal Mining Co., Ltd. are seeking out-of-court compensation for contracting pneumoconiosis, and an amount based on the potential loss from this has been put into a reserve.
- (vi) Reserve for loan guarantee losses To provide for losses caused by liability for loan guarantee, a reserve is established for an estimated amount of such losses

(4) Reporting criteria for revenue and expenses

Accounting criteria for balance of completed construction work and cost of completed construction work

Portion of construction in progress the outcome of which is deemed certain until the end of the current fiscal year	Percentage of completion method (a rate of progress is estimated by proportional cost method)
Other construction work	Completed contract method

(Changes in accounting polity)

With respect to the accounting criteria for revenue from contracted construction work, the completion basis had been applied in prior years. Starting in the current fiscal year, however, the Company adopted the provisions of the Accounting Standards for Construction Contracts (Corporate Accounting Statement No. 15; December 27, 2007) and the Implementation Guidance on Accounting Standards for Construction Contracts (Corporate Accounting Standards Implementation Guidance No. 18; December 27, 2007). As a result, the percentage of completion method is applied to the portion of the construction completed by the end of the current fiscal year and the outcome of which is deemed certain (or a proportional cost method is applied for estimating the percentage of completion), starting with the contracts under which the construction started during the current fiscal year, and the completed contract method for all other construction works.

The changes have no effect on sales, gross margin, operating income, ordinary income and net income for the period before taxes and other adjustments.

(5) Hedge accounting method

- (i) Accounting for hedge transactions Foreign exchange contracts that meet the specified requirements are accounted for by the assignment method of hedge accounting and interest rate swap transactions that meet the specified requirements are accounted for by the exceptional case method of hedge accounting.
- (ii) Means of hedging and hedged assets
- | | | |
|--|---------------------------|---|
| | <Means of hedging> | <Hedged assets> |
| | Foreign exchange contract | Liabilities for stock
denominated in foreign
currency |
| | Interest rate swap | Loans |
- (iii) Hedging policy The Company hedges against risks of fluctuations in foreign exchange and interest rates in accordance with its risk management policy.
- (iv) Evaluating the effectiveness of hedge The Company is evaluating the requirements of the assignment method and the exceptional case method

of hedge accounting to determine the effectiveness of hedges.

(6) Other important matters for presenting consolidated financial statements

Accounting for consumption taxes, etc. Consumption tax is accounted for by the “tax excluded” basis.

(7) Change in accounting method

Not Applicable

(8) Changes in methods of presentation

Not Applicable

2. Notes to balance sheets

(1) Secured Assets

Cash and deposits (time deposits)	389 million yen
Real estate for sale	2 million yen
Cost accrued on uncompleted work	341 million yen
Claims in leases	715 million yen
Buildings	1,030 million yen
Structures	147 million yen
Machinery and equipment	56 million yen
Land	4,718 million yen
Investment securities	152 million yen
Lease and guarantee deposits	1,840 million yen
Insurance funds	206 million yen
• Secured Loans	
A long-term loan	715 million yen
Long-term debt to be repaid within one year	468 million yen
Short-term loan	1,240 million yen
• Corresponding debts	
Accounts payable	0 million yen
Accounts payable (accrued liability)	100 million yen
Advances received	44 million yen
Lease and guarantee deposits	1,856 million yen
Long-term accounts payable	294 million yen

In addition, the following assets are serving as material guarantees backing bank loans.

Land	284 million yen (debtor: Taiheiyo Coal Mining Co., Ltd.)
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(2) Accumulated depreciation of tangible fixed assets

(i) Accumulated depreciation 5,597 million yen

(3) Contingent liabilities

(i) The debt guarantees for loans and trading are the following.

Taiheiyo Coal Mining Co., Ltd.	9,028 million yen
Taiheiyo Coal Service and Transportation Co., Ltd.	84 million yen

(ii) With respect to two lease agreements in which the affiliated companies Taiheiyo Silver Service Co., Ltd. and Kunneppu Lime Industry Co., Ltd. are lessees, the Company jointly guarantees payment of the rent owed by these two affiliates. In addition, the balance of loan guaranty to third parties is not shown on the balance sheet because there is no deferred payment at the end of the fiscal year.

(4) Debts and credits to affiliated companies

(i) Short-term credits:	370 million yen
(ii) Long-term credits:	1,232 million yen
(iii) Short-term debts:	53 million yen
(iv) Long-term debts:	2,182 million yen

(5) Land reappraisal

In accordance with the law concerning revaluation of land (Law no. 34 promulgated on March 31, 1998) the company revaluates its business-use land.

Variance in land revaluation is shown in the liability section as “equivalence to the deferred tax

liability related to the revaluation” in accordance with Law no. 24 (promulgated on March 31, 1999); and the amount (“the new land value” minus “the equivalence”) is shown as “Revaluation reserves for land” in the NAV (Net Asset Value) section.

• The Method of revaluation

The Company calculates the value of land at the time of reappraisal using the method of making rational adjustment for the value recorded in the Land Taxation Register as provided for in Paragraph 3, Article 2 of the law concerning Land Reappraisal Enforcement Ordinance (Government Ordinance No. 119 promulgated on March 31, 1998), part of the appraisal method as provided for in Paragraph 5, Article 2 of the same Government Ordinance or the method of making rational adjustment for the land value determined by the tax office for inheritance tax purposes as provided for in Paragraph 4, Article 2 of the same Government Ordinance.

• Date on which reappraisal was made: March 31, 2002.

The difference is not shown because the market value of the land, which had been revaluated, at the end of the fiscal year is beyond its book value after the revaluation.

3. Notes to the balance sheet

(1) The amount of sales with affiliated companies

(i) Sales Volume	1,493 million yen
(ii) Value of goods laid in	593 million yen
(iii) The turnover through non-sales activities	592 million yen

4. Notes for the Statement of Changes in Net Assets

(1) About the number of treasury stocks

Types of stocks	The number of stocks at the end of the last fiscal year	The number of stocks acquired in this fiscal year	The number of stocks sold in this fiscal year	The number of stocks at the end of this fiscal year
Common stocks	20,000 shares	2,000 shares	— shares	23,000 shares

(Note) The number of treasury stocks is increased by purchasing stocks (less than one unit).

5. Notes to Tax Effect Accounting

Deferred tax assets mainly consist of deferred exceeding allowance retirement benefits and deferred exceeding allowance for bonuses.

Deferred tax liabilities are a valuation gain (loss) on securities.

6. Note to the fixed assets which are leased

The company uses equipment such as leased computers as well as equipment such as vehicles and computer peripherals, which is shown as fixed assets on the balance sheet.

7. Notes to trading with related parties.

Officers and major individual shareholders

Type	Name of company or individual	Capital or investment in capital (¥ million)	Business or occupation	Ownership of voting rights (or voting rights held) (%)	Relationship with the party	Transaction	Amount in transaction (¥ million)	Account	Balance at the end of the fiscal year (¥ million)
Officer of the Company	Mikisuke Sato	—	Representative director of the Company		Beneficiary of loan grantees	Guarantee of the obligations assumed by the Company	3,492	—	—

(Notes) 1. The above amount in transaction does not include consumption tax.

2. Conditions for the transaction and decision-making policy on the conditions

The Company received guarantee from the above director for the obligations assumed by the Company. There is no payment of guarantee charges.

8. Notes to the information on a stock

(1) BPS (Book-value Per Share)	138.85 yen
(2) Net income per share for the current term	4.49 yen

9. Notes to significant events which took place afterwards.

The April 28, 2010 meeting of the Board of Directors passed a resolution for a sale of part of the investment securities held by the Company as follows:

(1) Investment securities for sale:

① Issue:	New Hope Corporation
② Number of shares to be sold	1,000,000 shares

③ Purpose of sale:

To raise funds for capital investment and new businesses

(2) Effects on non-consolidated results:

The Company is expected to report extraordinary income (profit on sale of investment securities) of 400 million in its fiscal year ending March 31, 2011.

10. Notes to companies to which the restriction for connected dividend is applied.

Not Applicable.

11. Other notes

(1) Reversal of reserve for loss on loan guarantees and loss on assumed obligations

The Company has been providing guarantees for the loan obligations of Taiheiyo Coal Mines in the past and booked the amount of future fulfillment of the obligations as a reserve for loss on loan guarantees (balance of the reserve for loss on loan guarantee at the end of the previous fiscal year was 3,144 million yen). On March 31, 2010, the Company made an agreement with the creditors of Taiheiyo Coal Mine to assume the loans of Taiheiyo Coal Mine to the extent of the amount of the reserve for loss on loan guarantee for the purpose of clarifying the obligation of the guarantor.

As a consequence, in the current fiscal year the Company reported an extraordinary income of 2,687 million yen as the reversal of the reserve for loss on loan guarantee (net of 457 million transferred to the reserve during the current fiscal year) and an extraordinary loss of 3,198 million as “loss on assumed obligations” (the total of the balance of 3,144 million yen in the reserve for loss on loan guarantee at the end of the previous fiscal year and an amount equivalent of interest expenses).