Consolidated Balance Sheet

(As of March 31, 2011)

Item	Amount	Item	Amount
[Assets]	million yen	[Liabilities]	million yen
Current assets	12,292	Current liabilities	7,155
Cash and savings	4,108	Notes payable and accounts payable	2,691
Notes receivable and trade accounts receivable	2,966	Short-term loans	1,744
Claims in leases and investment in leased assets	804	Portion of corporate bonds redeemable within one year	208
Real estate for sale	487	Obligations under capital lease	94
Cost accrued on uncompleted work	694	Accounts payable (accrued liability)	1,028
Merchandise and products	2,348	Corporate taxes payable, etc.	100
Raw materials and inventory goods	143	Consumption taxes payable, etc.	53
Prepaid expenses	160	Advances received	698
Deferred tax assets	326	Deposits	108
Others	281	Reserves for bonuses	220
Allowance for bad debts	-29	Reserves for compensation for completed works	5
Fixed Assets	21,078	Reserve for pneumoconiosis compensation loss	4
(Tangible fixed assets)	(15,479)	Others	195
Buildings and structures	4,343	Fixed liabilities	13,617
Machinery, equipment and delivery equipment	679	Corporate bonds	780
Land	9,817	Long term loans	1,391
Leased assets	72	Obligations under capital lease	238
Construction in progress	403	Guarantee deposits received	4,612
Others	162	Long term loans	2,920
(Intangible fixed assets)	(147)	Deferred tax liabilities	678
Others	147	Deferred tax liabilities related to revaluation	1,132
(Investments and other assets)	(5,451)	Reserves for pension and retirement benefits	634
Investment securities	2,586	Reserves for loan guarantee losses	821
Long-term loans	299	Asset retirement obligations	189
Guarantee money deposits	2,013	Negative goodwill	197
Deferred tax assets	156	Others	19
Others	430	Total liabilities	20,772
Allowance for doubtful debts	-35	[Net assets]	
		Owners' equity	10,618
		Capital stock	3,782
		Capital surplus	2,890
		Earned surplus	3,949
		Treasury stock	-2
		Other cumulative comprehensive income	1,677
		Valuation gain (loss) on securities	1,192
		Revaluation reserves for land	484
		Minority interests	302
		Total net assets	12,598
Total assets	33,371	Total liabilities and net assets	33,371

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Consolidated Income Statement

From April 1, 2010
to March 31, 2011

Item	Amount
	million yen
Sales	27,410
Cost of sales	23,902
Gross profit	3,508
Selling, general and administrative expenses	2,836
Operating income	671
Non-operating income	412
Interest received	14
Dividends received	121
Amortization of negative goodwill	159
Others	117
Non-operating expenses	172
Interest paid	106
Bond issue expense	12
Others	53
Ordinary income	911
Extraordinary income	673
Gain on disposal of fixed assets	48
Gain on sale of investment securities	615
Others	9
Extraordinary losses	1,218
Loss on disposal of fixed assets	2
Loss on demolition of fixed assets	22
Loss on devaluation of golf membership	0
Impairment losses	41
Provision of allowance for loss on loan guarantee	364
Compensation for loss	583
Effect of the adoption of the Accounting Standard for Asset Retirement Obligation	192
Others	11
Net income before taxes and minority interests	366
Corporate, residential and business taxes	153
Corporate tax adjustment, etc	-110
Net income before minority interests	323
Minority stockholder losses	1
Net income	321

Consolidated Statement of Changes in Net Assets

From April 1, 2010
to March 31, 2011

(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	2,890
Changes during the term	
Total changes during the term	-
Balance at the end of current term	2,890
Earned surplus	
Balance at the end of previous term	3,757
Changes during the term	
Distribution of earned surplus	-135
Net income for the term	321
Disposition of revaluation reserves for land	5
Total changes during the term	191
Balance at the end of the current term	3,949
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
Total owners' equity	
Balance at the end of previous term	10,427
Changes during the term	
Distribution of earned surplus	-135
Net income for the term	321
Acquired treasury stock	-0
Disposition of revaluation reserves for land	5
Total changes during the term	191
Balance at the end of the current term	10,618
Other cumulative comprehensive income	
Unrealized holding gain on securities	
Balance at the end of previous term	1,591
Changes during the term	
Changes in items other than owners' equity during the term (net)	-398
Total changes during the term	-398
Balance at the end of the current term	1,192
Revaluation reserves for land	
Balance at the end of previous term	489
Changes during the term	
Disposition of revaluation reserves for land	-5
Total changes during the term	-5
Balance at the end of the current term	484
Total other cumulative comprehensive income	
Balance at the end of previous term	2,080
Changes during the term	
Disposition of revaluation reserves for land	-5
Changes in items other than owners' equity during the term (net)	-398
Total changes during the term	-403
Balance at the end of the current term	1,677

(unit 1 million yen)

Minority interests	
Balance at the end of previous term	304
Changes during the term	
Changes in items other than owners' equity during the term (net)	-1
Total changes during the term	-1
Balance at the end of the current term	302
Total net assets	
Balance at the end of previous term	12,812
Changes during the term	
Distribution of arned surplus	-135
Net income for tehe term	321
Acquired treasury stock	-0
Changes in items other than owners' equity during the term (net)	-399
Total changes during the term	-213
Balance at the end of the current term	12,598

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 14

* Taiheiyo Foods, Inc. is included in the scope of the consolidation as it has been newly incorporated during the current consolidated fiscal year.

・Names of main consolidated subsidiaries

Taiheiyo Seisakusho Inc.
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.

(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, 2011)

(a) Financial position

Capital stock	300	million yen
Total assets	11,191	million yen
Net assets	-1,400	million yen

(b) Consolidated company investments and loans

Investments	0	million yen
Loan guarantees	8,582	million yen

(2) Application of the equity method

Not Applicable.

(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 valuated 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.

(ii) Depreciation method for significant depreciable assets

(a) Tangible fixed assets (Excluding leased assets)

Declining balance method

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 (Excluding leased assets)

Straight line method

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.

(iv) 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

(v) Hedge accounting method

(a) Accounting for hedge transactions — Exchange contracts are accounted for by the assignment method.

(b) Means of hedging and hedged assets

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

(c) Hedging policy — The Company hedges against future exchange fluctuation risks in accordance mainly with its risk management policy.

(d) Evaluation of the effectiveness of hedging

The Company uses the requirements of the assignment method in lieu of the criteria for an evaluation of the hedging effectiveness.

(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) Changes in the significant basis for preparation of the consolidated financial statements

Adoption of accounting standards for asset retirement obligations

Starting in the current consolidated fiscal year, the Company has adopted the Accounting Standard for Asset Retirement Obligation (ASBJ Statement No 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligation (ASBJ Guidance No. 21, March 31, 2008).

As a result, operating income and ordinary income decreased by 4 million yen. Net income before tax decreased by 196 million yen.

(6) Changes in methods of presentation

Consolidated income statement

Starting in the current consolidated fiscal year, the Company has separately presented the account title "Net Income before minority interests" by applying the Ministerial Ordinance for Partial Revisions to the Regulations for Enforcement of the Companies Act and the Company Accounting Regulations" (Ministerial Ordinance No. 7 of the Ministry of Justice, March 27, 2009) in accordance with the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008).

2. Notes to the Consolidated Financial Statements

(1) Secured Assets

Cash and deposits (time deposits)	50	million yen
Claims in leases and investment in leased assets	602	million yen
Real estate for sale	2	million yen
Cost accrued on uncompleted work	282	million yen
Merchandise and products	316	million yen
Buildings and structures	1,513	million yen
Machinery, equipment and delivery equipment	62	million yen
Land	5,669	million yen
Investment securities	144	million yen
Investments and other assets	206	million yen
Total	8,849	million yen

The above properties and other assets are provided as security for 8 million yen in notes and accounts payable, 1,317 million yen in short-term loans, 138 million yen in accounts payable, 897 million yen in long-term loans, 12 million yen in guarantee deposits received and 545 million yen in long-term accounts payable.

In addition to the above, the following assets have been provided as real security for bank loans.

Land 330 million yen
(debtor: Taiheiyo Coal Mining Co., Ltd.)

(2) Accumulated depreciation of tangible fixed assets

Accumulated depreciation 13,478 million yen

(3) Contingent liabilities

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

Taiheiyo Coal Mining Co., Ltd. 8,582 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.

(5) Amount of endorsed notes transferred 7 million yen

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	23,000 shares	1,000 shares	- shares	24,000 shares

(Notes)

1. Of the increases in the number of common shares held as treasury stock, 1,000 shares were the result of purchasing fractional unit share certificates.

(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 29, 2010	Common shares	135	2.0	March 31, 2010	June 30, 2010

② In respect of the dividends for which the record date falls within the current consolidated fiscal year, the ordinary general meeting of shareholders to be held on June 30, 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: 101 million yen
- Source of dividends: Earned surplus
- Amount of dividend per share:1.5 yen
- Record date: March 31, 2011
- Effective date: June 30, 2011

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 six years pursuant to the agreement with the creditors. These obligations are exposed to the liquidity risk of the Group 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, 2011 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	4,108	4,108	-
(2) Notes receivable and trade accounts receivable	2,966	2,966	-
(3) Investment securities	2,513	2,513	-
(4) Guarantee money deposits	2,013	1,889	−124
Total assets	11,601	11,477	−124
(5) Notes payable and accounts payable	2,691	2,691	-
(6) Short-term loans (excluding current portion of long-term loans)	1,430	1,430	-
(7) Long term loans (excluding current portion of long-term loans)	1,705	1,706	1
(8) Guarantee deposits received	4,612	4,248	−363
(9) Long term loans	2,920	2,773	−147
Total liabilities	13,360	12,850	−509

(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) Guaranty money deposits, (7) Long-term loans (excluding current portion of long-term loans), (8) Guarantee deposits received and (9) Long-term accounts payable

These assets and liabilities are categorized by term, and their present values are determined by discounting their future cash flows by an interest rate calculated by adding the credit spread to an appropriate index, such as government bond yield, for each credit risk control category.

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	73

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: 9,403 million yen
Fair market value: 9,377 million yen
Difference: (26 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	4,096	-	-	-
Notes receivable and trade accounts receivable	2,966	-	-	-
Guarantee money deposits	631	486	896	-
Total	7,694	486	896	-

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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 (¥ million)	More than 5 years but less than 10 years (¥ million)	More than 10 years (¥ million)
Short term loans (excluding current portion of long-term loans)	1,430	-	-	-
Long term loans (excluding current portion of long-term loans)	313	1,086	219	86
合計	1,744	1,086	219	86

5. Notes to leased real properties

(1) Leased real properties

The Group holds leased real properties in the Tokyo and other regions. For the fiscal year ended March 31, 2011, lease income relating to these leased properties was 601 million yen (major income is included in sales and expenses in cost of sales), and the impairment loss was 41 million (included in extraordinary loss).

The amount of these leased real properties reported in the consolidated balance sheet, change in value during the current consolidated fiscal year and 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	
9,980	−408	9,572	11,380

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

2. The change in the value during the current consolidated fiscal year mainly reflects depreciation expenses and impairment losses.

3. The fair market value at the end of the current consolidated fiscal year has been calculated by the Company based on the values determined by an external real estate appraiser for major assets and the amount of certain valuations as well as the indices considered to reasonably reflect market prices for other assets.

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) 181.33 yen

(2) Net income per share for the current term 4.74 yen

8. Notes to significant events which took place afterwards.

(1) The Board of Directors adopted a resolution at its meeting of April 13, 2011 to sell a portion of the investment securities held by the Company. The sale took place as follows:

① Investment securities for sale:

a. Issue: New Hope Corporation

b. Number of shares to be sold 1,000,000 shares

c. 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 380 million in its fiscal year ending March 31, 2012.

(2) In order to raise funds necessary for capital expenditures, the Company sold a fixed asset (Pacific Nishi-Waseda, a rental condominium in Tokyo) to Star Mica Co., Ltd. for 191 million on April 21, 2011.

9. Other notes

(1) Particulars of compensation for loss

In the condominium management business of the property division, a condominium manager formerly employed by the Company was found to have illegally withdrawn and embezzled monies deposited in the accounts of several condominium owners associations which the Company managed under contract. The Company compensated these associations for their losses totaling 583 million on March 18, 2011.

(2) Notes on asset retirement obligations

As at the end of the current consolidated fiscal year (ended March 31, 2011):

The asset retirement obligations which are included in consolidated balance sheet:

① Summary of the asset retirement obligations

The Company reports expenses relating to the restoration of leased real properties and various equipment to their original state at the time of removal in accordance with the legal obligations required by law or contracts as asset retirement obligations.

② Calculation of the amount of the asset retirement obligations

The amount of the asset retirement obligations has been calculated on the basis of an estimated usable period of 6 to 60 years after the acquisition and a discount rate of from 0.7 to 2.5%.

③ Change in total asset retirement obligations during the current consolidated fiscal year:

Balance at the beginning of the year (Note 1)	236	million yen
Adjustment for time elapsed	0	million yen
Other change ("-" denotes a decrease) (Note 2)	-47	million yen
Balance at the end of the year	189	million yen

(Note 1) The balance at the beginning of the year reflect the adoption of the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligation (ASBJ Guidance No. 21, March 31, 2008) starting in the current fiscal year.

(Note 2) The adjustment reflects asset retirement obligations arising in connection with the acquisition of lease properties.

Balance Sheet
(As of March 31, 2011)

Item	Amount	Item	Amount
[Assets]	million yen	[Liabilities]	million yen
Current assets	6,438	Current liabilities	3,394
Cash and savings	1,448	Notes payable	122
Accounts receivable	1,405	Accounts payable	713
Claims in leases	667	Short-term loans	750
Investment in leased assets	70	Long-term debt to be repaid within one year	235
Real estate for sale	128	Portion of corporate bond redeemable within one year	198
Merchandise and products	1,921	Obligations under capital lease	33
Cost accrued on uncompleted work	310	Accounts payable (accrued liability)	702
Raw materials and inventory goods	16	Income taxes payable	25
Prepaid expenses	137	Advances received	471
Deferred tax assets	267	Deposits	58
Accounts receivable	64	Reserves for bonuses	73
Others	18	Reserves for compensation for completed works	4
Allowance for bad debts	−20	Reserve for pneumoconiosis compensation loss	4
Fixed Assets	16,729	Others	0
(Tangible fixed assets)	(10,469)	Fixed liabilities	10,835
Building	2,626	Corporate bonds	440
Structures	273	Long-term loans	919
Machinery and equipment	133	Lease and guarantee deposits received	3,437
Ships	0		80
Tools, instruments and fixtures	8	Obligations under capital lease	2,920
Land	7,262	Long term loans	799
Leased assets	16	Deferred tax liabilities	1,132
Construction in progress	146	Deferred tax liabilities related to revaluation	266
(Intangible fixed assets)	(82)	Asset retirement obligations	16
Software	5	Reserves for loan guarantee losses	821
Leased assets	19	Total liabilities	14,230
Others	57	[Net assets]	
(Investments and other assets)	(6,177)	Owners' equity	7,233
Investment securities	2,392	Capital stock	3,782
Investments in stock of affiliated companies	470	Capital surplus	2,873
Investments in partnerships	11	Legal capital reserve	1,431
Long-term loans to employees	36	Other capital surplus	1,442
Long-term loans to affiliated companies	976	Earned surplus	580
Long-term prepaid expenses	60	Earned reserves	5
Lease and guarantee deposits	1,969	Other earned surplus	574
Insurance funds	290	Accumulated retained earnings	574
Allowance for doubtful debts	−29	Treasury stock	−2
		Variance of the estimate/conversion, etc.	1,703
		Unrealized holding gain on securities	1,219
		Revaluation reserves for land	484
		Total net assets	8,936
Total assets	23,167	Total liabilities and net assets	23,167

Income Statement

From April 1, 2010
to March 31, 2011

Item	Amount
	million yen
Sales	17,155
Cost of sales	15,080
Gross profit	2,074
Selling, general and administrative expenses	1,857
Operating income	217
Non-operating income	280
Interest received	42
Dividends received	162
Guarantees received	0
Trademark license fees	30
Miscellaneous income	44
Non-operating expenses	129
Interest paid	79
Bond issue expense	12
Miscellaneous loss	37
Ordinary income	368
Extraordinary income	637
Gain on disposal of fixed assets	11
Gain on sale of investment securities	615
Reversal of allowance for bad debt	10
Extraordinary losses	1,012
Loss on sale of fixed assets	0
Loss on disposal of fixed assets	3
Impairment losses	38
Provision of allowance for loss from loan guarantee	364
Compensation for loss	583
Effects of the adoption of the Accounting Standard for Assets Retirement Obligation	14
Others	7
Net loss before tax	6
Corporate, residential and business taxes	8
Corporate tax adjustment, etc.	−99
Net income	84

Consolidated Statement of Changes in Net Assets

From April 1, 2010
to March 31, 2011

(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	
Retained earnings brought forward	
Balance at the end of previous term	620
Changes during the term	
Distribution of earned surplus	−135
Net income for the term	84
Disposition of revaluation reserves for land	5
Total changes during the term	−45
Balance at the end of the current term	574
Total earned surplus	
Balance at the end of previous term	625
Changes during the term	
Distribution of earned surplus	−135
Net income for the term	84
Disposition of revaluation reserves for land	5
Total changes during the term	−45
Balance at the end of the current term	580
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	7,279
Changes during the term	
Balance at the end of previous term	−135
Changes during the term	84
Balance at the end of previous term	−0
Changes during the term	5
Balance at the end of previous term	−45
Balance at the end of the current term	7,233
Variance of the estimate/conversion, etc.	
Valuation gain (loss) on securities	
Balance at the end of previous term	1,646
Changes during the term	
Changes in items other than owners' equity during the term (net)	−427
Total changes during the term	−427
Balance at the end of the current term	1,219
Revaluation reserves for land	
Balance at the end of previous term	489
Changes during the term	
Changes in items other than owners' equity during the term (net)	−5
Total changes during the term	−5
Balance at the end of the current term	484
Total variance of the estimate/conversion, etc.	
Balance at the end of previous term	2,136
Changes during the term	
Disposition of revaluation reserves for land	−5
Changes in items other than owners' equity during the term (net)	−427
Total changes during the term	−432
Balance at the end of the current term	1,703
Total net assets	
Balance at the end of previous term	9,415
Changes during the term	
Distribution of earned surplus	−135
Net income for the term	84
Acquired treasury stock	−0
Changes in items other than owners' equity during the term (net)	−427
Total changes during the term	−478
Balance at the end of the current term	8,936

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 valuated 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) 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 equipmet 2 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

(5) Hedge accounting method

(i) Accounting for hedge transactions — Exchange contracts are accounted for by the assignment method.

(ii) Means of hedging and hedged assets

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

(iii) Hedging policy — The Company hedges against future exchange fluctuation risks in accordance mainly with its risk management policy.

(iv) Evaluating the effectiveness of hedging — The Company uses the requirements of the assigement method in lieu of the criteria for an evaluation of the hedging effectiveness.

(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

Adoption of accounting standards for asset retirement obligations

Starting in the current consolidated fiscal year, the Company has adopted the Accounting Standard for Asset Retirement Obligation (ASBJ Statement No 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligation (ASBJ Guidance No. 21, March 31, 2008).

As a result, operating income and ordinary income decreased by 2 million yen, and net loss before tax increased by 17 million yen.

(8) Changes in methods of presentation

Income statement

“Trademark license fees” the amount of which have been included in “Miscellaneous Income” in prior years is reported under a separate heading as the amount has exceeded 10/100 of total non-operating income.

The total amount of the trademark license fees in the previous fiscal year was 34 million yen.

2. Notes to balance sheets

(1) Secured Assets

Real estate for sale	2	million yen
Merchandise and products	316	million yen
Cost accrued on uncompleted work	282	million yen
Claims in leases	667	million yen
Buildings	974	million yen
Structures	131	million yen
Machinery and equipment	53	million yen
Land	4,911	million yen
Investment securities	132	million yen
Lease and guarantee deposits	1,840	million yen
Insurance funds	206	million yen

・Secured Loans

A long-term loan 558 million yen

Long-term debt to be repaid within one year 118 million yen

Short-term loan 550 million yen

・Corresponding debts

Accounts payable 8 million yen

Accounts payable (accrued liability) 138 million yen

Lease and guarantee deposits 1,853 million yen

Long-term accounts payable 545 million yen

In addition to the above, the following assets have been provided as real security for bank loans.

Land 284 million yen

(debtor: Taiheiyo Coal Mining Co., Ltd.)

(2) Accumulated depreciation of tangible fixed assets

Accumulated depreciation 5,785 million yen

(3) Contingent liabilities

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

Taiheiyo Coal Mining Co., Ltd. 8,582 million yen

Taiheiyo Coal Service and Transportation Co., Ltd. 64 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: 290 million yen

(ii) Long-term credits: 976 million yen

(iii) Short-term debts: 70 million yen

(iv) Long-term debts: 2,198 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 laibility section as “equivalance 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 equivalance”) 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 1,551 million yen

(ii) Value of goods laid in 663 million yen

(iii) The turnover through non-sales activities 116 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	23,000 shares	1,000 shares	- shares	24,000 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 losses carried forward and excess amounts provided for the allowance for bonuses.

Deferred tax liabilities reflect loss on valuation of "other 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	0.22	Beneficiary of loan grantees	Guarantee of the obligations assumed by the Company	3,205	-	-

(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) 131.80 yen

(2) Net income per share for the current term 1.25 yen

9. Notes to significant events which took place afterwards.

(1) The Board of Directors adopted a resolution at its meeting of April 13, 2011 to sell a portion of the investment securities held by the Company. The sale took place as follows:

(i) Investment securities for sale:

a. Issue: New Hope Corporation

b. Number of shares to be sold 1,000,000 shares

c. Purpose of sale: To raise funds for capital investment.

(ii) Effects on non-consolidated results:

The Company is expected to report extraordinary income (profit on sale of investment securities) of 380 million in its fiscal year ending March 31, 2012.

(2) In order to raise funds necessary for capital expenditures, the Company sold a fixed asset (Pacific Nishi-Waseda, a rental condominium in Tokyo) to Star Mica Co., Ltd. for 191 million on April 21, 2011.

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

Not Applicable.

11. Other notes

(1) Particulars of compensation for loss

In the condominium management business of the property division, a condominium manager formerly employed by the Company was found to have illegally withdrawn and embezzled monies deposited in the accounts of several condominium owners associations which the Company managed under contract. The Company compensated these associations for their losses totaling 583 million on March 18, 2011.

(2) Notes on asset retirement obligations

As at the end of the current consolidated fiscal year (ended March 31, 2011):

The asset retirement obligations which are included in consolidated balance sheet:

① Summary of the asset retirement obligations

The Company reports expenses relating to restoration of leased real properties and various equipment to their original state at the time of removal in accordance with the legal obligations required by law or contracts as asset retirement obligations.

② Calculation of the amount of the asset retirement obligations

The amount of the asset retirement obligations has been calculated on the basis of an estimated usable period of 15 to 60 years after the acquisition and a discount rate of from 1.8 to 2.5%.

③ Change in total asset retirement obligations during the current consolidated fiscal year:

Balance at the beginning of the year (Note)	16	million yen
Adjustment for time elapsed	0	million yen
Balance at the end of the year	16	million yen

(Note) The balance at the beginning of the year reflect the adoption of the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligation (ASBJ Guidance No. 21, March 31, 2008) starting in the current fiscal year.