



SUMITOMO OSAKA CEMENT CO., LTD.

ANNUAL REPORT 2002

Year ended March 31, 2002

A stable foundation and steadily expanding new businesses

The Company's cement business has orchestrated its accumulated technological expertise to make a contribution to society. Its cement-related products and mineral resources businesses provide high-quality products to a number of industries. Its optoelectronic and advanced materials businesses succeed in an increasingly sophisticated and computerized social environment through flexible thinking and proprietary technological expertise. With these five businesses as its pillars, the Company is simultaneously achieving stability and diversification.



Cement Business

The cement business is the Company's core operation. We have established mines, plants, stores, and service stations across the country, and we are increasing the efficiency of our manufacturing, distribution, and sales operations. At the same time, we are engaged in the development of high-performance cements. This business contributes to environmental preservation through energy conservation and resource recycling.



Mineral Resources Business

The Company boasts one of Japan's largest domestic limestone mines. Abundant reserves and proprietary technology result in high quality limestone, which the Company supplies to important industries at home and abroad. SOC's limestone is used in a broad spectrum of industries, including cement, steel, chemicals, electric power generation, and construction materials.



Cement-Related Products Business

This business markets quick-setting cement, fillers with special properties, and other high-value-added, cement-related products. In addition, this business is developing new products in response to growth in demand for maintenance.



Optoelectronic and Advanced Materials Businesses

The optoelectronic business manufactures and sells fiber-optic components, cable television components, and optical measurement equipment. These products are highly regarded for their share in the building of the multimedia infrastructure, and as the core of the information infrastructure.

The advanced materials business carries out product development in diverse fields employing its original technologies. Its main focus is on ultrafine particle technology.



Real Estate and Other Businesses

This segment contributes to the effective utilization of the Company's idle real estate by constructing buildings that meet tenant needs, then leasing structures and land as a package.

Contents

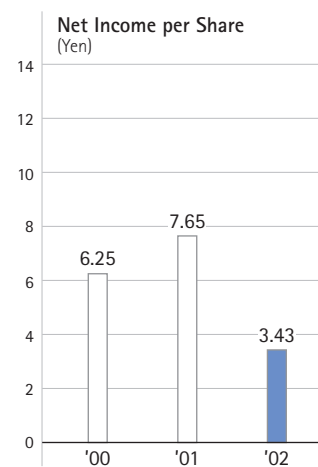
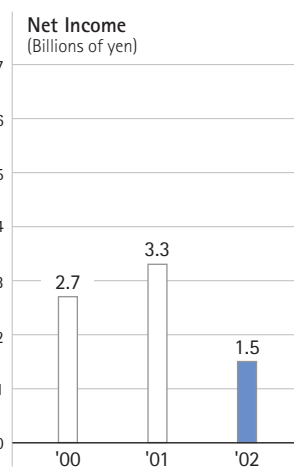
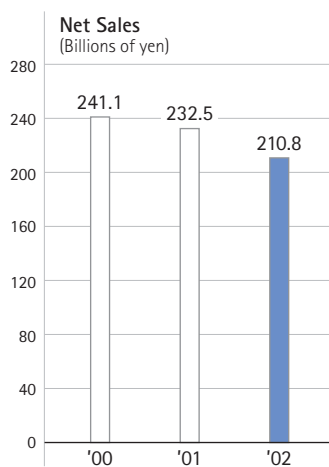
Financial Highlights (Consolidated)	1
To Our Shareholders	2
Review of Operations	4
Subsidiaries and Affiliates	8
Consolidated Financial Data	9
Report of CPA	24
Non-Consolidated Financial Data	25
Report of CPA	35
Directors and Auditors / Corporate Data	36

Financial Highlights

SUMITOMO OSAKA CEMENT CO., LTD. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2002
Net sales	¥241,073	¥232,476	¥210,759	\$1,581,683
Net income	2,670	3,266	1,465	10,997
Shareholders' equity	111,556	111,435	117,511	881,887
Total assets	380,803	356,545	344,195	2,583,079
	Yen			U.S. dollars (Note 1)
Per share:				
Net income	¥ 6.25	¥ 7.65	¥ 3.43	\$ 0.026
Cash dividends	5.00	5.00	5.00	0.038

*Please refer to Note 1 of the notes to consolidated financial statements.





We continue to build the future through limitless creativity

Unremitting R&D and technological innovation; new businesses that have given shape to dreams. Sumitomo Osaka Cement has made significant contributions to mankind and the world. At present, with its trusted

Business Environment

The Japanese economy posed a challenging business environment in the fiscal year under review, as export-driven industries were adversely affected by the global IT downturn and the stagnant U.S. economy, and public-sector and private-sector capital investment declined due to poor economic conditions in Japan. Reflecting these economic circumstances, the Japanese cement industry recorded a 5.1% decrease in domestic demand to 67.8 million tons, while exports increased 5.2% due to higher demand from China and Singapore.

As a result, total sales volume by domestic cement producers, including exports, declined 4.0% to 74.6 million tons in fiscal 2002, ended March 31, 2002, compared with the previous fiscal year.

Performance and Initiatives During the Fiscal Year

In this operating environment, Sumitomo Osaka Cement Co., Ltd. recorded a decline in consolidated net sales of 9.3%, or ¥21,716 million, to ¥210,759 million. Sparing the cement-related products business, sales decreased across all business segments.

Income before income taxes fell 40.4% to ¥3,068 million due to a noticeable decline in sales volume within the cement business and an increase in fuel procurement prices. As a consequence, net income dropped 55.1%, or ¥1,800 million, to ¥1,465 million compared with the previous fiscal year. Net income per share was ¥3.43.

The Sumitomo Osaka Cement Group worked to enhance the competitiveness of its cement business by advancing measures to reduce costs and improve physical distribution. In non-cement businesses, the Group made efforts to strengthen development capabilities adapted for next-generation technologies while responding to a rapidly changing market with product development and cost reduction initiatives.



cement business as its nucleus, the Company is moving toward an unseen future through limitless creativity, a flexible stance, and speedy execution in its business operations.

Outlook

In the Japanese economy, public-sector investment is likely to continue declining, despite expectations for a rise in exports. More time is needed before improvement is seen in capital investment and consumer spending, so current conditions will probably persist for a while. Harsh conditions are also expected for market prices and demand in the cement industry.

Under these circumstances, Sumitomo Osaka Cement is working hard to improve financial income by slashing interest-bearing debt and to enhance asset efficiency. At the same time, the Company is striving to further reduce costs in the cement business, including labor costs, in expectation of a long-term decline in demand.

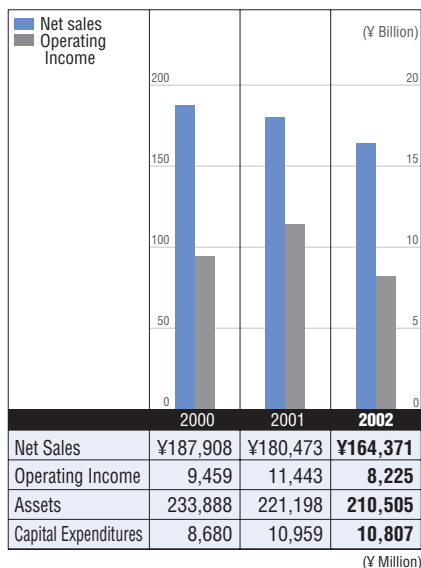
Meanwhile in non-cement businesses, to follow rapid market changes, the Company is promoting the development and commercialization of new products and technologies through innovation and the concentrated allocation of management resources in growing fields.

Amid increased social concern for the environment, Sumitomo Osaka Cement established an environmental department to clarify the Company's role as a corporate citizen. We are also making aggressive environmental efforts to contribute to the recycling society by using recycled fuel.

小田切 康幸

Yasuyuki Odagiri, President

Cement Business



In the cement business, demand is on the decline in Japan due to falling construction investment, and severe economic conditions in Southeast Asia persist, holding down exports. In this operating environment, the Company's domestic sales volume of cement declined 4.2% to 13,441 thousand tons, and exports fell 7.0% to 502 thousand tons. All in all, sales volume was 13,942 thousand tons, a decline of 4.3% from the previous fiscal year.

As a result, sales in this segment decreased 8.9% to ¥164,371 million, and operating income fell 28.1% to ¥8,225 million.

Confronted with an unavoidable decline in demand and sales, the Company promoted efficiency enhancements, including further cost and asset reductions, to ensure the sustained development of the core cement business. In sales, the Company worked to establish a new business model by streamlining costs in distribution.

Sumitomo Osaka Cement is focusing efforts on reducing costs by using recycled fuel sources in all of its plants. At the same time, the Company established an environmental department in October 2001 to create the framework for promoting the recycling business and contributing to a recycling society.

Contributing to a Recycling-Oriented Society

In addition to the necessary strengthening of product quality control, the Company is also seeking to harmonize its business activities with the global environment through energy and resource conservation, the recycling of waste, and the restoration of former mining sites.

We established an environmental department in October 2001, which is charged with further raising environmental consciousness among employees, and has made more clear the appropriate role and stance of the Company in its support for the development of a recycling-oriented society.

In 2000, all the Company's cement production plants received ISO 4001 international environmental management certification, and our other operations plan to win certification in the future.

At present, the Company is using recycled materials for fuel in all cement manufacturing processes at all its plants. In 2001, the volume of recycled materi-

als used for fuel reached approximately 5.12 million tons, representing about 380 kilograms per ton of cement produced. The cement industry has been requested by the Japanese government to increase this ratio to 400 kilograms by fiscal 2010.

In another contribution to the global environment, we have at our Kochi Plant commenced the use of refuse-derived fuel (RDF) manufactured by the cleanup cooperatives of nearby towns and villages.

In the future, we will strive to make further contributions to the reduction of industrial waste, while emphasizing the establishment of new environmental businesses.



1. A view of the Ako Plant

We continue to develop the functions of cement to the fullest extent possible, making the best use of this technology for the benefit of society.

2. The jointly operated Niigata Port Service Station on its completion

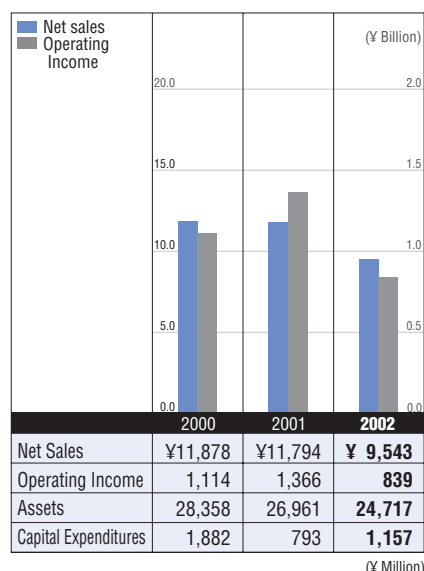
The Niigata Port Service Station, which we constructed jointly with our business ally Denki Kagaku Kogyo K.K., commenced operations in December 2000.

3. Cement production facilities at the Kochi Plant have started using refuse-derived fuel (RDF).





Mineral Resources



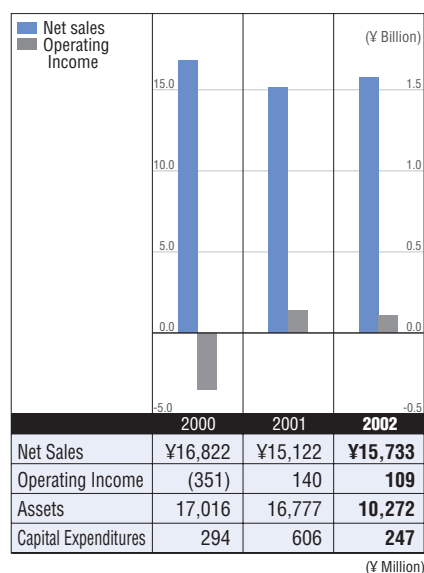
During fiscal 2002, sales in the mineral resources segment decreased 19.1% to ¥9,543 million, and operating income dropped 38.6% to ¥839 million. We developed new customers, but domestic demand for limestone and aggregate sharply decreased.



In the future, sales volume of the mineral resources segment will decline because the market for limestone and aggregate will become smaller. But we will maintain a stable supply of products to meet the various needs of customers throughout Japan. Of course the Company will be working to increase efficiency and sustain profits in this segment.

4. A 180-ton dump truck and an 18-cubic-meter wheel loader at the Shuho Quarry.

Cement-Related Products



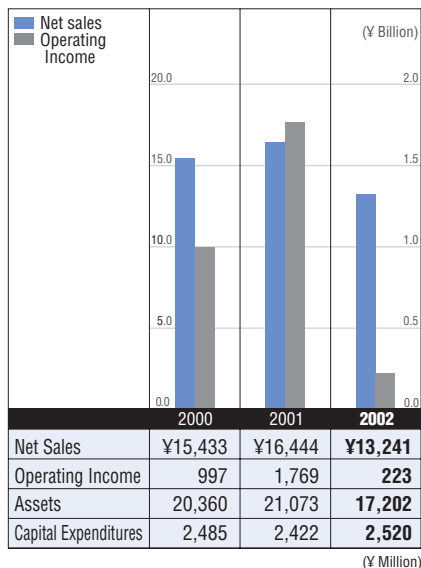
This business specialized in reinforcement and repair work. Segment sales volume increased as a result of efforts to expand sales of repair materials for overhead bridges, tunnels, ports, sewage facilities and roads in the concrete rehabilitation field. As a result, segment sales rose 4.0% to ¥15,733 million, while operating income slid 22.2% to ¥109 million compared with the previous fiscal year.



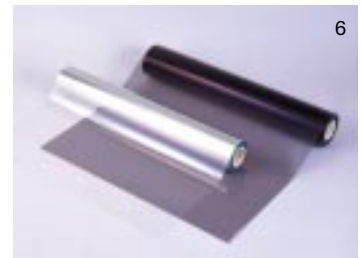
In the future, the Company aims to contribute to the concrete rehabilitation field through the development of highly functional products by applying its cement technologies and the provision of optimal materials and construction methods adapted to every type of structure.

5. The Company's cement and related products were used in this large-scale repair project on an overhead bridge.

Optoelectronic and Advanced Materials



In the advanced materials business, overseas demand is strong for transparent conductive coating materials and heat shielding film. This led to an increase in sales of anti-reflective films and near-infrared-rays shielding films for plasma display panels, which were released during the fiscal year under review. In the optoelectronic business, however, sales volume of fiber-optic components fell considerably, owing to the global IT downturn. As a result, segment sales decreased 19.5% to ¥13,241 million and operating income fell 87.4% to ¥223 million.

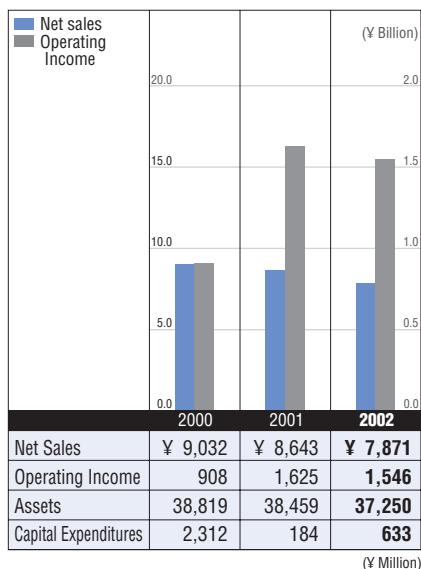


6

In the advanced materials business, we are developing a variety of new materials using our unique manufacturing and dispersion techniques based on nanoparticle technologies. In the optoelectronic business, we are working to develop technologies and expand sales of high-value-added products while keeping an eye on market trends.

6. **CLEARAS anti-static, anti-reflective, near-infrared-rays shielding film**
 CLEARAS is a low-priced, functional film that can be mass-produced using a wet coating method born of SOC's processing technology.

Real Estate and Other



In real estate operations, sales increased on the back of higher occupancy rates in leased office buildings and the new leasing of a distribution center constructed in Osaka in February 2002. Sales in other businesses declined, however, leading to segment sales of ¥7,871 million, a decrease of 8.9% from the previous fiscal year. Operating income was down 5.0% to ¥1,546 million.



7

The Company's real estate operations promote the effective utilization of real estate holdings through the leasing of distribution centers and commercial facilities adapted to the peculiarities of each site. Facilities are leased to prominent companies operating supermarkets and home centers, as well as pharmaceutical production companies, trading companies and distribution companies.

7. **Distribution Center in Daito City, Osaka**
 In February 2002 we commenced the construction of a distribution center in Daito City, Osaka as one step toward the effective utilization of the Company's idle real estate. This facility is now leased to Itochu Corporation.

Subsidiaries and Affiliates

Domestic Subsidiaries

CAP Co., Ltd.
Sumitomo Cement Computer Systems Co., Ltd.
Chiyoda Engineering Co., Ltd.
Hachinohe Cement Co., Ltd.
Wakayama Blast-Furnace Slag Cement Co., Ltd.
Sumice Kaiun Co., Ltd.
TAIYO SHIPPING Co., LTD.
Izumi Unyu Co., Ltd.
Koyo Unyu Co., Ltd.
Sumice Kenzai Co., Ltd.
Tokai Sumice Sales Co., Ltd.
Izumi Yogyo Co., Ltd.
Tokushima Kenzai Co., Ltd.
Tokyo SOC Co., Ltd.
Saitama SOC Co., Ltd.
Yokohama SOC Co., Ltd.
Ichikawa SOC Ready-Mixed Concrete Co., Ltd.
Showa Kashu Ready-Mixed Concrete Co., Ltd.
Chishima SOC Co., Ltd.
Hyogo Osaka Ready-Mixed Concrete Co., Ltd.
Higashi Kobe Osaka Ready-Mixed Concrete Co., Ltd.
Shin Yodo Ready-Mixed Concrete Co., Ltd.
SO ENGINEERING Co., Ltd.
Oshioka Construction Industry Co., Ltd.
Mutsu Industry Co., Ltd.
Chuken Consultant Co., Ltd.
ESTEC Co., Ltd.
O.C. Kenzai Industrial Co., Ltd.
Shin Nippon Concrete Co., Ltd.
Izumi Industry Co., Ltd.
Inasas Co., Ltd.
Shuho Mining Co., Ltd.
Kokura Kogyo Co., Ltd.
Sumitec Co., Ltd.
Oyokoden Laboratories Co., Ltd.

Overseas Subsidiaries

SUMICOM SDN. BHD.
Sumicem Opto-Electronics (Ireland) Limited
SOCC Optoelectronics (USA), Inc.

Domestic Affiliates

Nittetsu Cement Co., Ltd.
Kyoto Sumice Remicon Co., Ltd.
Sumimetal Mining Co., Ltd.

Overseas Affiliate

Far East Cement Co., Ltd.

Consolidated Financial Data

SIX-YEAR SUMMARY

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31

	Millions of yen except per share amounts						Thousands of US dollars except per share amounts
	1997	1998	1999	2000	2001	2002	2002
Net sales	¥256,557	¥252,127	¥235,985	¥241,073	¥232,476	¥210,759	\$1,581,683
Cost of sales	184,380	180,606	168,564	169,879	160,675	152,524	1,144,644
Selling, general and administrative expenses	63,837	59,878	59,453	59,009	55,461	47,377	355,553
Operating income	8,340	11,643	7,968	12,185	16,340	10,858	81,486
Net income	4,539	4,826	(148)	2,670	3,266	1,465	10,997
Per share:							
Net income	9.93	10.58	(0.34)	6.25	7.65	3.43	0.026
Cash dividends	5.00	5.00	3.00	5.00	5.00	5.00	0.038
Shareholder's equity	255.41	265.01	263.04	261.35	261.04	275.34	2.066
Shareholder's equity ratio	28.2%	29.4%	28.8%	29.3%	31.3%	34.1%	
ROE (Return on Equity)	4.0	4.1	(0.1)	2.4	2.9	1.3	
Shareholder's equity	¥116,797	¥119,314	¥112,429	¥111,556	¥111,435	¥117,511	\$ 881,887
Total assets	414,798	406,288	390,082	380,803	356,545	344,195	2,583,079
ROA (Return on Assets)	0.8%	1.6%	0.7%	1.9%	3.6%	2.0%	
Net cash provided by operating activities	¥ 7,866	¥ 22,362	¥ 19,104	¥ 21,002	¥ 30,102	¥ 18,487	\$ 138,736
Net cash provided by (used in) investing activities	(32,436)	(4,707)	(9,128)	(11,644)	4,272	(8,268)	(62,047)
Net cash provided by (used in) financing activities	19,165	(6,745)	(15,316)	(12,246)	(29,808)	(13,604)	(102,094)
Cash and cash equivalents at the end of year	11,769	22,679	17,339	14,451	19,017	15,632	117,311
Number of employees	—	—	—	3,667	3,448	3,139	

FINANCIAL REVIEW

Net Sales

In fiscal 2002, ended March 31, 2002, consolidated net sales amounted to ¥210,759 million (US\$1,582 million), a decline of 9.3% from the previous fiscal year, owing to falling cement demand caused by lower public-sector investment and weak private-sector capital investment. Approximately 78.0% of the Company's consolidated net sales are attributable to cement operations. Overseas sales account for less than 10% of consolidated net sales.

Profits

Operating income declined 33.6% to ¥10,858 million (US\$81 million). Although the Company pushed forward with cost reductions including streamlining in cement operations, operating income was adversely affected by a fall in sales prices due to deterioration in the domestic cement market, lower sales volume in the cement business, and weak results in the optoelectronic and advanced materials businesses due to fewer optical-related products. The operating income margin decreased from 7% to 5.2%. Although cost of sales declined 5.1%, or ¥8,151 million from the previous fiscal year, the cost of

sales ratio rose 3.3 percentage points to 72.4%. Selling, general and administrative (SG&A) expenses fell 14.6%, or ¥8,084 million from a year earlier, and the ratio of SG&A expenses to net sales declined 1.5 percentage points to 22.4%.

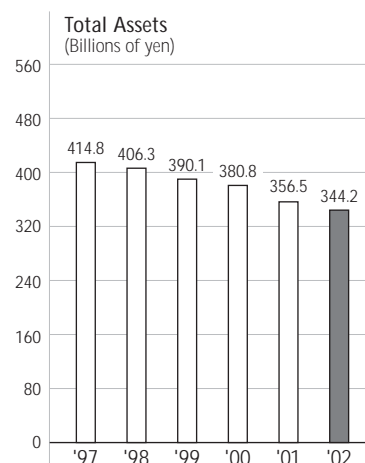
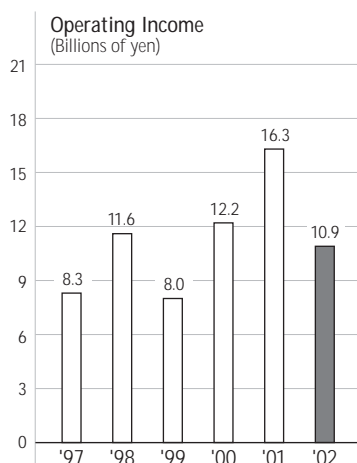
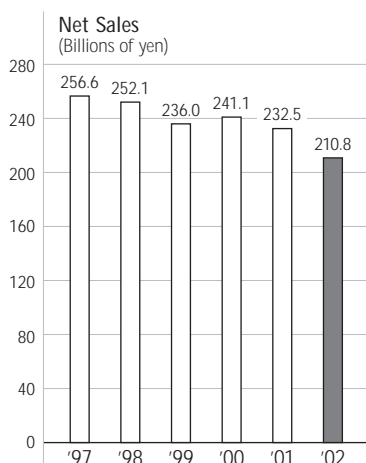
Despite the Company recording ¥1,500 million (US\$11 million) in losses on the disposal and devaluation of inventories, the absence of amortization of transitional obligation for retirement benefits and restructuring charges for some unprofitable businesses recorded in the previous fiscal year led to a 30.4% reduction on other expenses, net to ¥7,790 million (US\$58 million).

As a result, net income fell 55.1% to ¥1,465 million (US\$11 million).

Assets, Liabilities and Shareholders' Equity

As of March 31, 2002, total assets were ¥344,195 million (US\$2,583 million), a decline of 3.5%, or ¥12,350 million, from the end of the previous fiscal year.

Current assets decreased 18.0%, or ¥17,691 million, to ¥80,555 million (US\$605 million), as notes and accounts receivable fell 22.7%, or ¥11,950 million.



Net property, plant and equipment decreased 2.0%, or ¥4,278 million, to ¥205,532 million (US\$1,542 million) from the end of the previous fiscal year. Investments and other assets increased 21.6%, or ¥9,509 million, to ¥53,604 million (US\$402 million) due to an increase of 32.2%, or ¥8,894 million, in investment securities. Intangible fixed assets increased ¥110 million to ¥4,504 million (US\$34 million). Accordingly, the total of fixed assets and investments rose 2.1%, or ¥5,341 million, to ¥263,640 million (US\$1,979 million).

Current liabilities declined 7.1% to ¥128,021 million (US\$961 million) on account of a decrease in notes and accounts payable and accrued income taxes.

The Company made progress in reducing long-term liabilities, resulting in an 8.3%, or ¥8,723 million, decline to ¥96,643 million (US\$725 million).

As a result of the above, total liabilities decreased 7.6%, or ¥18,570 million, to ¥224,664 million (US\$1,686 million) from the end of the previous fiscal year.

Shareholders' equity totaled ¥117,511 million (US\$882 million), an increase of 5.5%, or ¥6,076 million, from the previous fiscal year-end, owing to ¥6,733 million

in unrealized gain on available-for-sale securities and despite a ¥675 million decrease in retained earnings.

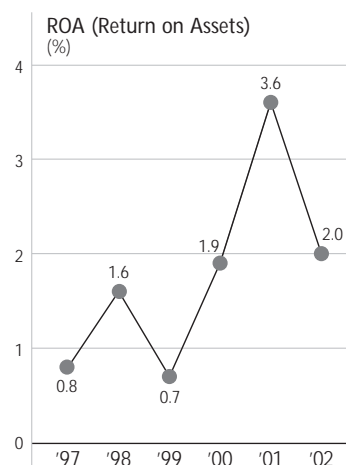
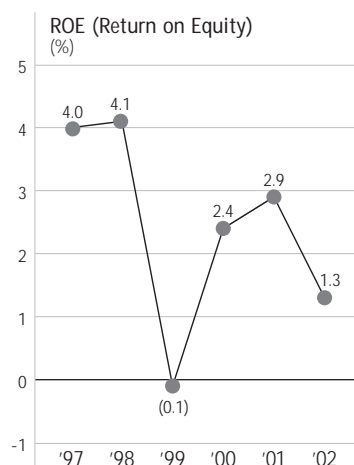
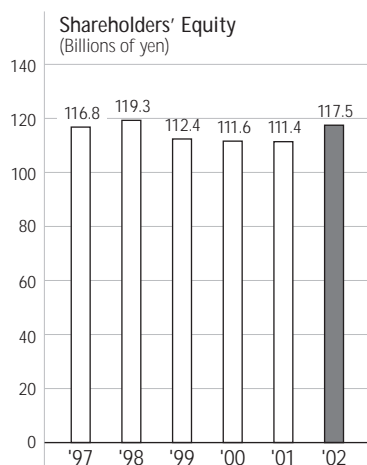
Cash Flows

Net cash provided by operating activities amounted to ¥18,487 million (US\$139 million). Although retained earnings were roughly the same as the previous fiscal year due to depreciation, a decline in sales volume in the cement business adversely affected performance, leading to lower profit levels.

Net cash used in investing activities was ¥8,268 million (US\$62 million), owing to purchases of property, plant and equipment acquisition amounting to ¥14,695 million.

Net cash used in financing activities totaled ¥13,604 million (US\$102 million). Primary uses of cash were for a repayment of long-term loans and the payment of dividends.

As a result of the above activities, cash and cash equivalents at the end of the year declined 17.8%, or ¥3,385 million, to ¥15,632 million (US\$117 million).



CONSOLIDATED BALANCE SHEETS

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 19,017	¥ 15,632	\$ 117,311
Trade receivables:			
Accounts receivable	34,596	27,194	204,079
Notes receivable	18,146	13,598	102,052
Inventories (Note 4)	18,195	17,170	128,853
Short-term loans to unconsolidated subsidiaries and affiliates (Note 5)	1,749	1,543	11,579
Deferred tax assets (Note 12)	1,027	1,022	7,673
Other	5,793	4,853	36,421
Less: Allowance for doubtful receivables	(277)	(457)	(3,428)
Total current assets	98,246	80,555	604,540
Fixed assets:			
Property, plant and equipment (Note 7):			
Land	47,466	47,972	360,014
Buildings and structures	136,941	138,536	1,039,666
Machinery, equipment and tools	346,378	350,310	2,628,966
Quarry sites	21,478	21,198	159,082
Construction in progress	4,576	4,922	36,940
Less: Accumulated depreciation	(347,029)	(357,406)	(2,682,213)
Property, plant and equipment, net	209,810	205,532	1,542,455
Investments and other assets:			
Investment securities (Notes 6 and 7)	27,578	36,471	273,706
Investments in unconsolidated subsidiaries and affiliates	4,548	3,666	27,514
Long-term loans receivable	2,194	1,752	13,147
Long-term loans to unconsolidated subsidiaries and affiliates (Note 5)	1,819	1,716	12,879
Deferred tax assets (Note 12)	1,317	723	5,428
Other	12,286	16,685	125,215
Less: Allowance for doubtful accounts	(5,647)	(7,409)	(55,605)
Total investments and other assets	44,095	53,604	402,284
Intangible fixed assets	4,394	4,504	33,800
Total	¥ 356,545	¥ 344,195	\$ 2,583,079

See accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 59,228	¥ 61,307	\$ 460,089
Commercial paper	11,000	—	—
Current portion of long-term debt (Note 7)	11,119	21,759	163,295
Trade payables:			
Accounts payable	27,127	22,238	166,892
Notes payable	9,063	7,375	55,350
Other	10,236	8,727	65,492
Accrued income taxes (Note 12)	3,815	538	4,037
Accrued expenses	4,354	3,992	29,962
Deferred tax liabilities (Note 12)	12	18	140
Other	1,914	2,067	15,502
Total current liabilities	137,868	128,021	960,759
Long-term liabilities:			
Long-term debt (Note 7)	91,085	78,041	585,672
Accrued severance benefits for employees (Note 13)	4,610	2,946	22,109
Accrued severance benefits for directors and statutory auditors	993	935	7,013
Deferred tax liabilities (Note 12)	2,407	7,253	54,428
Other	6,271	7,468	56,053
Total long-term liabilities	105,366	96,643	725,275
Total liabilities	243,234	224,664	1,686,034
Minority interests	1,876	2,020	15,158
Contingent liabilities (Note 8)			
Shareholders' equity:			
Common stock:			
Authorized: 1,470,130,000 shares			
Issued: 427,432,175 shares at March 31, 2001 and 2002 (Note 9)	41,654	41,654	312,601
Capital surplus (Note 9)	31,027	31,027	232,847
Retained earnings	38,990	38,314	287,537
Unrealized gain on available-for-sale securities	—	6,733	50,529
Foreign currency translation adjustments (Note 2(g))	(123)	(88)	(656)
Treasury stock, at cost	(113)	(129)	(971)
Total shareholders' equity	111,435	117,511	881,887
Total liabilities and shareholder's equity	¥ 356,545	¥ 344,195	\$ 2,583,079

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2001 and 2002

	Millions of yen						
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2000	427,432	¥41,654	¥31,027	¥38,999	¥ —	¥ —	¥(124)
Net income for the year	—	—	—	3,266	—	—	—
Cash dividends paid	—	—	—	(3,205)	—	—	—
Directors' and statutory auditors' bonuses	—	—	—	(70)	—	—	—
Net change during the year (Note 2(g))	—	—	—	—	—	(123)	—
Retirement of treasury stock	—	—	—	—	—	—	11
Balance at March 31, 2001	427,432	41,654	31,027	38,990	—	(123)	(113)
Net income for the year	—	—	—	1,465	—	—	—
Cash dividends paid	—	—	—	(2,137)	—	—	—
Directors' and statutory auditors' bonuses	—	—	—	(70)	—	—	—
Increase resulting from merger of a subsidiary	—	—	—	66	—	—	—
Unrealized gain on available-for-sale securities less applicable taxes	—	—	—	—	6,733	—	—
Net change during the year (Note 2(g))	—	—	—	—	—	35	—
Acquisition of treasury stock	—	—	—	—	—	—	(16)
Balance at March 31, 2002	427,432	¥41,654	¥31,027	¥38,314	¥6,733	¥ (88)	¥(129)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock	
Balance at March 31, 2001	\$312,601	\$232,847	\$292,604	\$ —	\$(924)	\$(844)	
Net income for the year	—	—	10,997	—	—	—	
Cash dividends paid	—	—	(16,039)	—	—	—	
Directors' and statutory auditors' bonuses	—	—	(525)	—	—	—	
Increase resulting from merger of a subsidiary	—	—	500	—	—	—	
Unrealized gain on available-for-sale securities less applicable taxes	—	—	—	50,529	—	—	
Net change during the year (Note 2(g))	—	—	—	—	268	—	
Acquisition of treasury stock	—	—	—	—	—	(127)	
Balance at March 31, 2002	\$312,601	\$232,847	\$287,537	\$50,529	\$(656)	\$(971)	

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Operating activities:			
Net income	¥ 3,266	¥ 1,465	\$ 10,997
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,185	17,943	134,658
Allowance for doubtful receivables	1,741	2,439	18,302
Accrued severance benefits, net of payments	3,366	(1,723)	(12,932)
Gain on sales and disposal of property, plant and equipment, and investment securities, net	(7,795)	(416)	(3,122)
Loss on investments in unconsolidated subsidiaries and affiliates	1,377	279	2,095
Loss on disposal and devaluation of inventories	—	1,500	11,254
Write-down of investments in common stock	2,733	272	2,040
Loss on termination of business operations	1,104	—	—
Deferred income taxes	(2,609)	556	4,173
Other	697	423	3,172
Changes in operating assets and liabilities:			
Trade receivables	10,599	8,007	60,091
Inventories	(1,522)	(444)	(3,332)
Other assets	(1,181)	(411)	(3,087)
Trade payables	(1,003)	(6,503)	(48,804)
Accrued income taxes	2,965	(3,283)	(24,637)
Accrued expenses	(1,708)	(407)	(3,051)
Other liabilities	(1,113)	(1,210)	(9,081)
Subtotal	26,836	17,022	127,739
Net cash provided by operating activities	30,102	18,487	138,736
Investing activities:			
Proceeds from sales of property, plant and equipment	1,060	3,254	24,418
Purchases of property, plant and equipment	(13,941)	(14,695)	(110,278)
Proceeds from sales of investment securities	17,506	3,775	28,333
Increase in investment securities	(386)	(284)	(2,130)
Decrease in investments in unconsolidated subsidiaries and affiliates	343	309	2,321
Increase in short-term loans to unconsolidated subsidiaries and affiliates	(173)	(68)	(510)
Decrease in long-term loans receivable	22	294	2,205
(Increase) decrease in long-term loans to unconsolidated subsidiaries and affiliates	(18)	105	789
Other	(141)	(958)	(7,195)
Net cash provided by (used in) investing activities	4,272	(8,268)	(62,047)
Financing activities:			
Increase (decrease) in short-term loans	(12,613)	2,079	15,604
Increase (decrease) in commercial paper	1,000	(11,000)	(82,552)
Proceeds from long-term loans	3,754	4,235	31,785
Repayment of long-term loans	(8,679)	(11,798)	(88,542)
Proceeds from issuance of bonds	—	5,000	37,523
Redemption of bonds	(10,000)	—	—
Cash dividends paid	(3,214)	(2,175)	(16,321)
Other	(56)	55	409
Net cash used in financing activities	(29,808)	(13,604)	(102,094)
Net increase (decrease) in cash and cash equivalents	4,566	(3,385)	(25,405)
Cash and cash equivalents at beginning of year	14,451	19,017	142,716
Cash and cash equivalents at end of year (Note 3)	¥ 19,017	¥ 15,632	\$ 117,311
Supplemental cash flow disclosures:			
Interest paid	¥ 4,182	¥ 3,688	\$ 27,681
Income taxes paid	1,448	4,217	31,649

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2002

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Osaka Cement Co., Ltd. (the "Company") maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied in Japan.

The accompanying consolidated financial statements have been prepared from the accounts maintained by the Company in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The U.S. dollar amounts are included solely for the convenience of the reader and are stated, as a matter of arithmetic computation only, at U.S.\$1.00=¥133.25, the exchange rate prevailing on March 31, 2002. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Any material differences between the cost of investments in consolidated subsidiaries and the underlying equity in their net assets at the dates of acquisition are amortized over five years. Significant investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates which are not accounted for by the equity method are carried at cost.

(b) Cash and cash equivalents

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

(c) Inventories

Inventories are stated at cost determined by the moving average method.

(d) Allowance for doubtful receivables

Allowance for doubtful receivables is provided at an estimated amount of the anticipated loss on bad debts plus an amount calculated at the average rate of historical losses on bad debts charged to income for the past three years.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is calculated by the declining-balance method for property, plant and equipment (except for the quarry sites and the in-house power generation facility at the Ako Plant) at rates based on the estimated useful lives of the respective assets. The useful lives range as follows: buildings and structures, 2 to 75 years; machinery, equipment and tools, 2 to 22 years. Quarry sites are depreciated by the unit-of-production method. Depreciation of the in-house power generation facility at the Ako Plant is calculated by the straight-line method.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(f) Investment securities

Securities are classified and accounted for, depending on management's intent, as follows: i) "trading securities," which are held for the purpose of earning capital gains in the near term, are stated at market value, and the related unrealized gain or loss is included in earnings, ii) "held-to-maturity debt securities," which are expected to be held to maturity with the positive intent and ability to hold to maturity are stated at amortized cost and iii) "available-for-sale securities," not classified in either of the aforementioned categories, are stated at market value with unrealized gain and loss, net of the applicable taxes, stated as a separate component of shareholders' equity.

The Company classified all investment securities as "available-for-sale securities."

(g) Foreign currency translation

Foreign currency amounts are translated into Japanese yen at the rates of exchange in effect at the balance sheet date for all assets and liabilities, and at the historical rates for shareholders' equity. Differences arising from such translations are shown as "Foreign currency translation adjustments" as a separate component of shareholders' equity.

Historical rates are used for the translation of income and expenses. Gain or loss resulting from the translation of foreign currency transactions is credited or charged to income as incurred.

(h) Accounting for leases

With the exception of leases which stipulate the transfer of ownership of the leased assets to the lessee, capital leases are accounted for by the same method of accounting as that followed for operating leases.

(i) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the carrying amounts of the existing assets and the liabilities for financial reporting purposes and their respective tax bases, and the operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(j) Accrued severance benefits and pension plan

Employees of the Company are covered by its funded pension plan. Benefits under this plan are based on current basic salary rates and length of service.

Accrued severance benefits are stated based on the projected benefit obligation and the estimated assets in the pension plan at the end of the year. The unrecognized actuarial loss of ¥1,926 million (U.S.\$14,455 thousand) is being amortized over a period of 15 years which falls within the remaining years of service of the eligible employees and commenced the year following the year in which the liability was incurred.

Directors and statutory auditors are generally entitled to receive lump-sum retirement benefit payments based on their level of compensation and years of service at the time of retirement. Such lump-sum payments are covered by an unfunded retirement benefit plan.

(k) Appropriation of retained earnings

Under the Commercial Code and the Articles of Incorporation of the Company, appropriations of retained earnings (primarily for the payment of cash dividends) proposed by the Board of Directors must be approved at a shareholders' meeting held within three months of the end of each fiscal year. The appropriations of retained earnings reflected in the accompanying financial statements represent appropriations applicable to the immediately preceding financial year, which were duly approved at a shareholders' meeting and implemented during that year. Dividends are paid to shareholders of record at the end of the fiscal year.

As is customary practice in Japan, bonuses paid to directors and statutory auditors, which constitute a portion of the appropriations referred to above, are appropriated from retained earnings rather than charged to income for the year.

(l) Net income per share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year.

Net income per share of common stock assuming dilution is based on the weighted average number of shares of common stock outstanding after consideration of the dilutive effect of common stock equivalents which include warrants and certain convertible bonds.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Cash and deposits	¥17,648	¥15,861	\$119,035
Times deposits with a maturity of over three months	(304)	(1,107)	(8,309)
Short-term investments with a maturity of three months or less	1,673	878	6,585
	¥19,017	¥15,632	\$117,311

4. INVENTORIES

Inventories at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Finished goods	¥ 5,016	¥ 4,947	\$ 37,127
Semi-finished goods	1,834	1,630	12,234
Work in process	3,183	2,699	20,252
Raw materials	3,585	3,363	25,237
Supplies	4,577	4,531	34,003
	¥18,195	¥17,170	\$128,853

5. LOANS TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Loans to unconsolidated subsidiaries and affiliates at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Short-term loans:			
Unconsolidated subsidiaries	¥ 556	¥ 552	\$ 4,141
Affiliates	1,193	991	7,438
	¥1,749	¥1,543	\$11,579
Long-term loans:			
Unconsolidated subsidiaries	¥ 489	¥ 387	\$ 2,906
Affiliates	1,330	1,329	9,973
	¥1,819	¥1,716	\$12,879

6. INVESTMENT SECURITIES

Investment securities at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Listed corporate stock	¥24,721	¥35,578	\$267,003
Other	2,857	893	6,703
	¥27,578	¥36,471	\$273,706

The acquisition cost and market value of investment securities at March 31, 2001 and 2002 is summarized as follows:

	Millions of yen			
	2001			
	Acquisition cost	Market value	Net realized gain (loss)	Deferred tax liabilities
Classified as:				
available-for-sale	¥25,130	¥56,087	\$17,918	¥13,040
	¥25,130	¥56,087	\$17,918	¥13,040

	Millions of yen			
	2002			
	Acquisition cost	Market value	Unrealized gain	Unrealized loss
Classified as:				
available-for-sale	¥22,447	¥34,154	¥14,247	¥2,540
	¥22,447	¥34,154	¥14,247	¥2,540

	Thousand of U.S. dollars			
	2002			
	Acquisition cost	Market value	Unrealized gain	Unrealized loss
Classified as:				
available-for-sale	\$168,461	\$256,312	\$106,917	\$19,066
	\$168,461	\$256,312	\$106,917	\$19,066

Securities which have not been included in the market value information presented above are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Classified as:			
available-for-sale	¥2,448	¥2,317	\$17,394
	¥2,448	¥2,317	\$17,394

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

Short-term bank loans represent overdrafts. The annual interest rates applicable to the loans outstanding at March 31, 2001 and 2002 ranged from 0.1% to 2.4% and from 0.2% to 2.2%, respectively.

Long-term debt at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Loans with mortgages and collateral, principally from banks and insurance companies, due from 2002 to 2025	¥ 70,865	¥63,461	\$476,254
Bonds	30,000	35,000	262,664
Convertible bonds	1,339	1,339	10,049
	¥102,204	¥99,800	\$748,967
Less: current portion of long-term debt:			
Loans	¥11,119	¥10,420	\$ 78,199
Bonds	—	10,000	75,047
Convertible bonds	—	1,339	10,049
	11,119	21,759	163,295
	¥91,085	¥78,041	\$585,672

The annual interest rates applicable to the long-term loans outstanding at March 31, 2001 and 2002 ranged from 1.3% to 8.3% and from 0.7% to 8.3%, respectively.

The aggregate annual maturities of long-term loans subsequent to March 31, 2002 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥10,420	\$ 78,199
2004	10,812	81,142
2005	8,346	62,631
2006	9,922	74,460
2007 and thereafter	23,961	179,822
	¥63,461	\$476,254

On October 2, 1987, the Company issued 2.0% yen convertible bonds due 2002. These bonds are convertible into shares of common stock of the Company at the option of the holders at the current conversion price of ¥615.50 (U.S.\$4.62) per share.

Assets pledged as collateral for long-term debt at March 31, 2001 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Property, plant and equipment, at net book value	¥76,493	¥71,701	\$538,096
Investment securities	10,267	19,366	145,338
Other	1,071	879	6,595
	¥87,831	¥91,946	\$690,029

8. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Notes discounted and endorsed	¥4,428	¥5,295	\$39,739
Guarantees of loans and other	2,323	1,474	11,057
	¥6,751	¥6,769	\$50,796

9. SHAREHOLDERS' EQUITY

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 par share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in

capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

10. LOSS ON INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Loss on investments in unconsolidated subsidiaries and affiliates for the years ended March 31, 2001 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Gain on sales of investments in common stock	¥ (158)	¥ —	\$ —
Write-down of investments in common stock	60	184	1,379
Provision for allowance for bad debts	645	95	716
Loss on liquidation of subsidiaries	830	—	—
	¥1,377	¥279	\$2,095

11. LEASED ASSETS

The Company leases certain buildings and structures, machinery, equipment and tools.

Assets held at March 31, 2001 and 2002 under capital leases which do not transfer the ownership of such assets to the lessee are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Buildings and structures	¥1,788	¥1,694	\$12,715
Machinery, equipment and tools	6	4	30
	¥1,794	¥1,698	\$12,745

Income from leased assets and depreciation of leased assets for the years ended March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Income from leased assets	¥318	¥325	\$2,435
Depreciation of leased assets	104	95	714

12. INCOME TAXES

Income taxes applicable to the Company comprise corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 42% for the years ended March 31, 2001 and 2002.

A reconciliation of the statutory tax rate to the effective tax rates for the years ended March 31, 2001 and 2002 is presented as follows:

	2001	2002
Statutory tax rate	42.0%	42.0%
Temporary differences not subject to tax-effect accounting	(7.5)	11.3
Nondeductible expenses	1.2	(9.2)
Other	(0.7)	4.5
Effective tax rates	35.0%	48.6%

The significant components of the Company's deferred income tax assets and liabilities at March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Deferred tax assets:			
Net operating loss carryforwards	¥ 1,703	¥ 1,541	\$ 11,567
Estimated severance benefits and other accrued expenses	2,735	3,520	26,413
Unrealized holding gain	438	95	715
Other	1,318	1,174	8,806
Less valuation allowance	(1,676)	(2,641)	(19,816)
	¥ 4,518	¥ 3,689	\$ 27,685
Deferred tax liabilities:			
Retained earnings	¥ 4,580	¥ 4,291	\$ 32,206
Unrealized gain on available-for-sale securities	—	4,896	36,741
Other	14	28	205
	4,594	9,215	69,152
Deferred tax liabilities, net	¥ 76	¥ 5,526	\$ 41,467

13. RETIREMENT BENEFITS FOR EMPLOYEES

The Company and consolidated subsidiaries have a defined benefit pension plan covering substantially all employees.

Accrued severance benefits at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Projected benefit obligation	¥14,011	¥13,737	\$103,092
Fair value of the pension fund	(8,014)	(8,865)	(66,528)
Unrecognized actuarial loss	(1,377)	(1,926)	(14,455)
Accrued severance benefits for employees, net	¥ 4,610	¥ 2,946	\$ 22,109

Retirement benefit expenses for the years ended March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Service cost	¥ 820	¥ 853	\$ 6,399
Interest cost	383	399	2,998
Expected return on pension fund assets	(173)	(241)	(1,811)
Recognized actuarial loss	—	92	689
Amortization of transitional obligation	6,206	—	—
Net retirement benefit expenses	¥7,236	¥1,103	\$ 8,275

Assumptions adopted for the years ended March 31, 2001 and 2002 were as follows:

	2001	2002
Discount rate	3.5%	3.5%
Expected rate of return on pension fund assets	3.5%	3.5%
Amortization period of prior service cost	—	—
Period over which actuarial loss is recognized	15 years	15 years
Amortization period of transitional obligation	1 year	—

14. RELATED PARTY TRANSACTIONS

The following summarizes the transactions between the Company and its unconsolidated subsidiaries and affiliates for the year ended March 31, 2002:

Subsidiary:	Millions of yen	Thousands of U.S. dollars
	2002	2002
Kashiwa Ready-mixed Concrete Co., Ltd.		
Abandonment of claims	¥262	¥1,967

15. SUBSEQUENT EVENT

The following appropriations of retained earnings were approved at a meeting of the shareholders of the Company held on June 27, 2002:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,068	\$8,018
Bonuses to directors and statutory auditors	55	412
	¥1,123	\$8,430

16. SEGMENT INFORMATION (BUSINESS SEGMENT)

The Company operates in five business segments: cement, mineral resources, cement-related products, optoelectronic and advanced materials, and real estate and other.

A summary of net sales, costs and expenses, operating income and other financial information by business segment for the years ended March 31, 2001 and 2002 is as follows:

Millions of yen								
2001								
	Cement	Mineral resources	Cement-related products	Optoelectronic and advanced materials	Real estate and other	Total	Eliminations and adjustments	Consolidated
Net sales:								
Outside customers	¥180,473	¥11,794	¥15,122	¥16,444	¥ 8,643	¥232,476	¥ —	¥232,476
Intersegment sales	952	3,115	2,245	30	2,675	9,017	(9,017)	—
Total	181,425	14,909	17,367	16,474	11,318	241,493	(9,017)	232,476
Costs and expenses	169,982	13,543	17,227	14,705	9,693	225,150	(9,014)	216,136
Operating income	¥ 11,443	¥ 1,366	¥ 140	¥ 1,769	¥ 1,625	¥ 16,343	¥ (3)	¥ 16,340
Assets	¥221,198	¥26,691	¥16,777	¥21,073	¥38,459	¥324,198	¥32,347	¥356,545
Depreciation and amortization	14,416	1,363	477	1,535	1,002	18,793	7	18,800
Capital expenditures	10,959	793	606	2,422	184	14,964	(84)	14,880

Millions of yen								
2002								
	Cement	Mineral resources	Cement-related products	Optoelectronic and advanced materials	Real estate and other	Total	Eliminations and adjustments	Consolidated
Net sales:								
Outside customers	¥164,371	¥ 9,543	¥15,733	¥13,241	¥ 7,871	¥210,759	¥ —	¥210,759
Intersegment sales	1,580	3,504	1,561	35	3,659	10,339	(10,339)	—
Total	165,951	13,047	17,294	13,276	11,530	221,098	(10,339)	210,759
Costs and expenses	157,726	12,208	17,185	13,053	9,984	210,156	(10,255)	199,901
Operating income	¥ 8,225	¥ 839	¥ 109	¥ 223	¥ 1,546	¥ 10,942	¥ (84)	¥ 10,858
Assets	¥210,505	¥24,717	¥10,272	¥17,202	¥37,250	¥299,946	¥ 44,249	¥344,195
Depreciation and amortization	13,864	1,227	458	1,429	920	17,898	45	17,943
Capital expenditures	10,807	1,157	247	2,520	633	15,364	(130)	15,234

Thousands of U.S. dollars								
2002								
	Cement	Mineral resources	Cement-related products	Optoelectronic and advanced materials	Real estate and other	Total	Eliminations and adjustments	Consolidated
Net sales:								
Outside customers	\$1,233,554	\$ 71,615	\$118,078	\$ 99,370	\$ 59,066	\$1,581,683	\$ —	\$1,581,683
Intersegment sales	11,854	26,297	11,712	263	27,465	77,591	(77,591)	—
Total	1,245,408	97,912	129,790	99,633	86,531	1,659,274	(77,591)	1,581,683
Costs and expenses	1,183,682	91,615	128,971	97,959	74,931	1,577,158	(76,961)	1,500,197
Operating income	\$ 61,726	\$ 6,297	\$ 819	\$ 1,674	\$ 11,600	\$ 82,116	\$ (630)	\$ 81,486
Assets	\$1,579,777	\$185,495	\$ 77,087	\$129,092	\$279,555	\$2,251,006	\$332,073	\$2,583,079
Depreciation and amortization	104,045	9,205	3,434	10,723	6,912	134,319	339	134,658
Capital expenditures	81,107	8,684	1,855	18,908	4,748	115,302	(972)	114,330

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Sumitomo Osaka Cement Co., Ltd.

We have audited the consolidated balance sheets of Sumitomo Osaka Cement Co., Ltd. and consolidated subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended March 31, 2002, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Sumitomo Osaka Cement Co., Ltd. and consolidated subsidiaries at March 31, 2001 and 2002, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 2002 in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.



Shin Nihon & Co.

June 27, 2002

See Note 1 which explains the basis of preparation of the consolidated financial statements of Sumitomo Osaka Cement Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Non-Consolidated Financial Data

NON-CONSOLIDATED BALANCE SHEETS

SUMITOMO OSAKA CEMENT CO., LTD.

March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 8,221	¥ 5,871	\$ 44,062
Trade receivables:			
Accounts receivable	23,397	19,960	149,797
Notes receivable	8,757	4,886	36,671
Inventories (Note 3)	12,304	11,623	87,226
Short-term loans to subsidiaries and affiliates (Note 4)	5,701	3,591	26,951
Deferred tax assets (Note 12)	1,046	1,344	10,084
Other	4,779	3,074	23,072
Less: Allowance for doubtful receivables	(78)	(161)	(1,217)
Total current assets	64,127	50,188	376,646
Fixed assets:			
Property, plant and equipment (Note 7):			
Land	44,982	45,526	341,662
Buildings and structures	120,903	122,638	920,362
Machinery, equipment and tools	290,813	295,434	2,217,143
Quarry sites	20,542	20,361	152,799
Construction in progress	3,998	4,787	35,926
Less: Accumulated depreciation	(298,208)	(309,609)	(2,323,524)
Property, plant and equipment, net	183,030	179,137	1,344,368
Investments and other assets:			
Investment securities (Notes 5 and 7)	26,119	35,209	264,233
Investments in subsidiaries and affiliates (Note 6)	11,153	9,330	70,019
Long-term loans receivable	1,724	1,292	9,697
Long-term loans to subsidiaries and affiliates (Note 4)	4,160	3,911	29,353
Other	8,614	10,381	77,909
Less: Allowance for doubtful accounts	(6,077)	(7,213)	(54,135)
Total investments and other assets	45,693	52,910	397,076
Intangible fixed assets	3,552	3,511	26,348
Total	¥ 296,402	¥ 285,746	\$ 2,144,438

See accompanying notes to the non-consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 42,885	¥ 43,385	\$ 325,591
Commercial paper	11,000	—	—
Current portion of long-term debt (Note 7)	7,486	17,900	134,336
Trade payables:			
Accounts payable	16,840	14,451	108,447
Notes payable	1,023	733	5,499
Other	9,939	7,949	59,657
Allowance for loss on guarantees	179	1,200	9,006
Accrued income taxes (Note 12)	3,202	67	505
Accrued expenses	2,286	2,152	16,152
Other	200	138	1,034
Total current liabilities	95,040	87,975	660,227
Long-term liabilities:			
Long-term debt (Note 7)	79,707	66,807	501,365
Accrued severance benefits for employees	3,141	1,634	12,261
Accrued severance benefits for directors and statutory auditors	611	546	4,096
Deferred tax liabilities (Note 12)	1,919	6,702	50,294
Other	5,801	6,877	51,617
Total long-term liabilities	91,179	82,566	619,633
Total liabilities	186,219	170,541	1,279,860
Contingent liabilities (Note 8)			
Shareholders' equity:			
Common stock:			
Authorized: 1,470,130,000 shares			
Issued: 427,432,175 shares at March 31, 2001 and 2002 (Note 9)	41,654	41,654	312,601
Capital surplus (Note 9)	31,027	31,027	232,847
Legal reserve (Note 9)	7,758	7,872	59,074
Retained earnings	29,744	27,951	209,769
Unrealized gain on available-for-sale securities	—	6,718	50,416
Treasury stock, at cost	—	(17)	(129)
Total shareholders' equity	110,183	115,205	864,578
Total liabilities and shareholders' equity	¥296,402	¥285,746	\$2,144,438

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

SUMITOMO OSAKA CEMENT CO., LTD.

Years ended March 31, 2001 and 2002

	Thousands of shares of common stock	Millions of yen					
		Common stock	Capital surplus	Legal reserve	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock
Balance at March 31, 2000	427,432	¥41,654	¥31,027	¥7,430	¥31,518	¥ —	¥ —
Net income for the year	—	—	—	—	1,831	—	—
Cash dividends paid	—	—	—	—	(3,207)	—	—
Transfer to legal reserve (Note 9)	—	—	—	328	(328)	—	—
Directors' and statutory auditors' bonuses	—	—	—	—	(70)	—	—
Balance at March 31, 2001	427,432	41,654	31,027	7,758	29,744	—	—
Net income for the year	—	—	—	—	528	—	—
Cash dividends paid	—	—	—	—	(2,137)	—	—
Transfer to legal reserve (Note 9)	—	—	—	114	(114)	—	—
Directors' and statutory auditors' bonuses	—	—	—	—	(70)	—	—
Unrealized gain on available-for-sale securities less applicable taxes	—	—	—	—	—	6,718	—
Acquisition of treasury stock	—	—	—	—	—	—	(17)
Balance at March 31, 2002	427,432	¥41,654	¥31,027	¥7,872	¥27,951	¥6,718	¥(17)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock	
Balance at March 31, 2001	\$312,601	\$232,847	\$58,219	\$223,226	\$ —	\$ —	
Net income for the year	—	—	—	3,962	—	—	
Cash dividends paid	—	—	—	(16,039)	—	—	
Transfer to legal reserve (Note 9)	—	—	855	(855)	—	—	
Directors' and statutory auditors' bonuses	—	—	—	(525)	—	—	
Unrealized gain on available-for-sale securities less applicable taxes	—	—	—	—	50,416	—	
Acquisition of treasury stock	—	—	—	—	—	(129)	
Balance at March 31, 2002	\$312,601	\$232,847	\$59,074	\$209,769	\$50,416	\$(129)	

See accompanying notes to the non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

SUMITOMO OSAKA CEMENT CO., LTD.

March 31, 2002

1. BASIS OF PREPARATION OF NON-CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Osaka Cement Co., Ltd. (the "Company") maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied in Japan.

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by the Company in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The U.S. dollar amounts are included solely for the convenience of the reader and are stated, as a matter of arithmetic computation only, at U.S.\$1.00=¥133.25, the exchange rate prevailing on March 31, 2002. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

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

(b) Inventories

Inventories are stated at cost determined by the moving average method.

(c) Allowance for doubtful receivables

Allowance for doubtful receivables is provided at an estimated amount of the anticipated loss on bad debts plus an amount calculated at the average rate of historical losses on doubtful receivables charged to income for the past three years.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is calculated by the declining-balance method for property, plant and equipment (except for the quarry sites and the in-house power generation facility at the Ako Plant) at rates based on the estimated useful lives of the respective assets. The useful lives range as follows: buildings and structures, 2 to 75 years; machinery, equipment and tools, 2 to 22 years. Quarry sites are depreciated by the unit-of-production method. Depreciation of the in-house power generation facility at the Ako Plant is calculated by the straight-line method.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(e) Investment securities

Securities are classified and accounted for, depending on management's intent, as follows: i) "trading securities," which are held for the purpose of earning capital gains in the near term, are stated at market value, and the related unrealized gain or loss is included in earnings, ii) "held-to-maturity debt securities," which are expected to be held to maturity with the positive intent and ability to hold to maturity are stated at amortized cost and iii) "available-for-sale securities," not classified in either of the aforementioned categories, are stated at market value with unrealized gain and loss, net of applicable taxes, stated as a separate component of shareholders' equity.

The Company classified all investment securities as "available-for-sale securities."

(f) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are substantially carried at cost. Accordingly, income from subsidiaries and affiliates is recognized only when the Company receives dividends from them. Unrealized intercompany profits arising from any transactions among the Company, its subsidiaries and affiliates have not been eliminated in the accompanying non-consolidated financial statements.

Appropriate write-downs are recorded for investments in subsidiaries and affiliates whose value has declined and which are not expected to recover in the near future.

(g) Amortization

Amortization of intangible assets is computed by the straight-line method. Bond issuance expenses are charged to income as incurred.

(h) Foreign currency translation

Foreign currency amounts are translated into Japanese yen at the rates of exchange in effect at the balance sheet date for all assets and liabilities.

Historical rates are used for the translation of income and expenses. Gain or loss resulting from the translation of foreign currency transactions is credited or charged to income as incurred.

(i) Accounting for leases

With the exception of leases which stipulate the transfer of ownership of the leased assets to the lessee, capital leases are accounted for by the same method of accounting as that followed for operating leases.

(j) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the carrying amounts of the existing assets and the liabilities for financial reporting purposes and their respective tax bases, and the operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Accrued severance benefits and pension plan

Employees of the Company are covered by its funded retirement pension plan. Benefits under this plan are based on current basic salary rates and length of service.

Accrued severance benefits are stated based on the projected benefit obligation and the estimated assets in the pension plan at the end of the year.

Directors and statutory auditors are generally entitled to receive lump-sum retirement benefit payments based on their level of compensation and years of service at the time of retirement. Such lump-sum payments are covered by an unfunded retirement benefit plan.

(l) Appropriation of retained earnings

Under the Commercial Code and the Articles of Incorporation of the Company, appropriations of retained earnings (primarily for the payment of cash dividends) proposed by the Board of Directors must be approved at a shareholders' meeting held within three months of the end of each fiscal year. The appropriations of retained earnings reflected in the accompanying financial statements represent appropriations applicable to the immediately preceding financial year, which were duly approved at a shareholders' meeting and implemented during that year. Dividends are paid to shareholders of record at the end of the fiscal year.

As is customary practice in Japan, bonuses paid to directors and statutory auditors, which constitute a portion of the appropriations referred to above, are appropriated from retained earnings rather than charged to income for the year.

(m) Net income per share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year.

3. INVENTORIES

Inventories at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Finished goods	¥ 4,330	¥ 4,157	\$31,198
Semi-finished goods	1,365	1,079	8,096
Raw materials	3,226	2,996	22,485
Supplies	3,383	3,391	25,447
	¥12,304	¥11,623	\$87,226

4. LOANS TO SUBSIDIARIES AND AFFILIATES

Loans to subsidiaries and affiliates at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Short-term loans:			
Subsidiaries	¥4,508	¥2,600	\$19,513
Affiliates	1,193	991	7,438
	¥5,701	¥3,591	\$26,951
Long-term loans:			
Subsidiaries	¥2,830	¥2,582	\$19,380
Affiliates	1,330	1,329	9,973
	¥4,160	¥3,911	\$29,353

5. INVESTMENT SECURITIES

Investment securities at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Listed corporate stock	¥23,802	¥32,984	\$247,533
National government bonds	7	7	52
Other	2,310	2,218	16,648
	¥26,119	¥35,209	\$264,233

6. INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

Investments in subsidiaries and affiliates at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Subsidiaries	¥ 9,088	¥7,346	\$55,128
Affiliates	2,065	1,984	14,891
	¥11,153	¥9,330	\$70,019

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

Short-term bank loans represent overdrafts. The annual interest rates applicable to the loans outstanding at March 31, 2001 and 2002 ranged from 0.2% to 1.1% and from 0.2% to 0.7%, respectively.

Long-term debt at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Loans with mortgages and collateral, principally from banks and insurance companies, due from 2003 to 2025	¥55,849	¥48,363	\$362,951
Bonds	30,000	35,000	262,664
Convertible bonds	1,344	1,344	10,086
	¥87,193	¥84,707	\$635,701

Less: current portion of long-term debt:

Loans	¥ 7,486	¥ 6,556	\$49,203
Bonds	—	10,000	75,047
Convertible bonds	—	1,344	10,086
	7,486	17,900	134,336
	¥79,707	¥66,807	\$501,365

The annual interest rates applicable to the long-term loans outstanding at March 31, 2001 and 2002 ranged from 1.6% to 6.4% and from 1.9% to 6.4%, respectively.

The aggregate annual maturities of long-term loans subsequent to March 31, 2002 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥6,556	\$49,203
2004	8,363	62,760
2005	6,107	45,830
2006	8,706	65,338
2007 and thereafter	18,631	139,820
	¥48,363	\$362,951

On October 2, 1987, the Company issued 2.0% yen convertible bonds due 2002. The bonds are convertible into shares of common stock of the Company at the option of the holders at the current conversion price of ¥615.50 (U.S.\$4.62) per share.

Assets pledged as collateral for long-term debt at March 31, 2001 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Property, plant and equipment, at net book value	¥63,600	¥59,484	\$446,408
Investment securities	10,267	19,366	145,337
	¥73,927	¥78,850	\$591,745

8. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Guarantees of loans to:			
Subsidiaries and affiliates	¥11,495	¥12,259	\$91,998
Others	543	277	2,082
	¥12,038	¥12,536	\$94,080

9. SHAREHOLDERS' EQUITY

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 par share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

10. LOSS ON INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

Loss on investments in subsidiaries and affiliates for the years ended March 31, 2001 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Gain on sales of investments in common stock	¥ (149)	¥ —	¥ —
Write-down of investments in common stock	418	1,459	10,947
Provision for allowance for bad debts, doubtful investments and loss on bad debts	2,433	3,561	26,722
(Gain) loss on liquidation of subsidiaries	3,074	(729)	(5,467)
	¥5,776	¥4,291	\$32,202

11. LEASED ASSETS

The Company leases certain buildings and structures, machinery, equipment and tools.

Assets held at March 31, 2001 and 2002 under capital leases which do not transfer the ownership of such assets to the lessee are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Buildings and structures	¥1,788	¥1,694	\$12,715
Machinery, equipment and tools	6	4	30
	¥1,794	¥1,698	\$12,745

Income from leased assets and the depreciation of leased assets for the years ended March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Income from leased assets	¥318	¥325	\$2,435
Depreciation of leased assets	104	95	714

12. INCOME TAXES

Income taxes applicable to the Company comprise corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 42% for the years ended March 31, 2001 and 2002.

A reconciliation of the statutory tax rate to the effective tax rates for the year ended March 31, 2001 and 2002 is presented as follows:

	2001	2002
Statutory tax rate	42.0%	42.0%
Permanently nondeductible expenses	(1.0)	(75.8)
Other	(9.3)	8.3
Effective tax rates	31.7%	(25.5)%

The significant components of the Company's deferred income tax assets and liabilities at March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Deferred tax assets:			
Estimated retirement benefits and other accrued expenses	¥1,919	¥1,884	\$14,135
Other	1,286	1,425	10,699
	¥3,205	¥3,309	\$24,834
Deferred tax liabilities:			
Retained earnings	¥4,078	¥3,802	\$28,536
Unrealized gain on available-for-sale securities	—	4,865	36,508
	4,078	8,667	65,044
Deferred tax liabilities, net	¥ 873	¥5,358	\$40,210

13. SUBSEQUENT EVENT

The following appropriations of retained earnings were approved at a meeting of the shareholders of the Company held on June 27, 2002:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,068	\$8,018
Bonuses to directors and statutory auditors	55	412
	¥1,123	\$8,430

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Sumitomo Osaka Cement Co., Ltd.

We have audited the non-consolidated balance sheets of Sumitomo Osaka Cement Co., Ltd. as of March 31, 2001 and 2002, and the related non-consolidated statements of income and shareholders' equity for each of the two years in the period ended March 31, 2002, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the financial position of Sumitomo Osaka Cement Co., Ltd. at March 31, 2001 and 2002, and the results of its operations for each of the two years in the period ended March 31, 2002 in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.



Shin Nihon & Co.

June 27, 2002

See Note 1 which explains the basis of preparation of the non-consolidated financial statements of Sumitomo Osaka Cement Co., Ltd. under Japanese accounting principles and practices.

Directors and Auditors

(As of June 27, 2002)

Chairman

Shoichi Tatemoto*

President

Yasuyuki Odagiri*

Senior Managing Directors

Kikuo Koshida
Tomikazu Sekiwa

Managing Directors

Takashige Moda
Hideaki Igarashi
Yutaro Saito
Takaaki Todokoro

Directors

Kenji Takeda
Kenichi Kubodera
Yutaka Watanabe
Takeyuki Kimijima
Tatsuro Kigawa
Tomoyuki Katsura

Statutory Auditors

Rinzo Hayashi
Yukuo Katsuki

Auditors

Toshiro Miyajima
Yuichiro Miyake

*Representative Directors

Corporate Data

(As of March 31, 2002)

Head Office

6-28, Rokubancho, Chiyoda-ku,
Tokyo 102-8465, Japan
Tel: 03-5211-4500
Facsimile: 03-3221-4652

Established

November 29, 1907

Number of Employees

1,492

Network

Domestic

Offices: Sapporo, Tohoku, Hokuriku,
Nagoya, Osaka, Shikoku, Hiroshima,
Fukuoka
Plants: Tochigi, Gifu, Ibuki, Ako, Kochi
New Technology Research Lab
Cement/Concrete Research Lab

Overseas

Representative Offices:
Hong Kong, New Jersey

Paid-in Capital

¥41,654,077 thousand

Number of Shares of Common Stock Issued

427,432,175

Number of Shareholders

70,294

Stock Listings

Tokyo, Osaka, Nagoya, Fukuoka,
Sapporo

Transfer Agent and Registrar

The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome,
Chuo-ku, Osaka 540-8639, Osaka

Fiscal Year-End

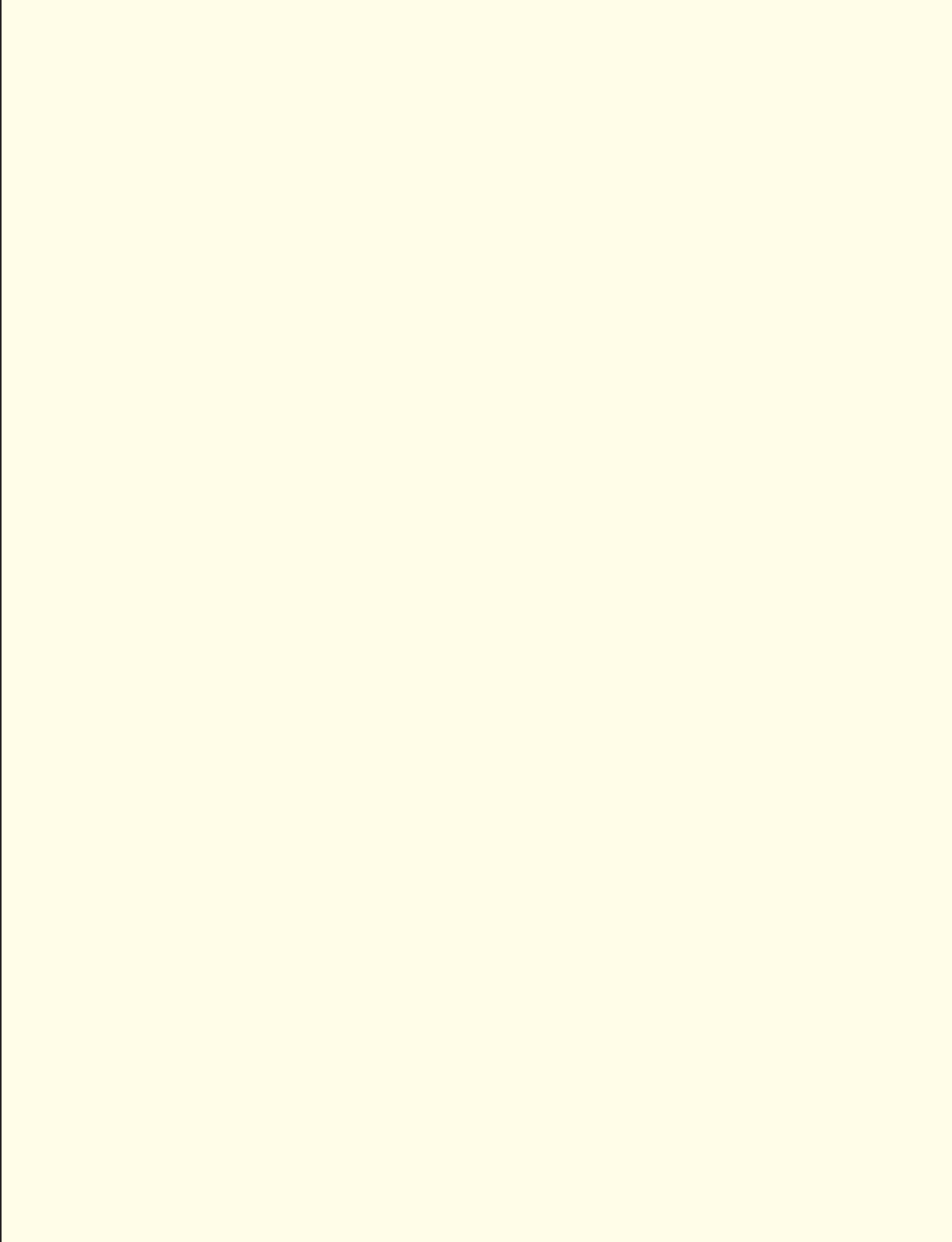
March 31

Annual Meeting of Shareholders

The annual meeting of the Company's
shareholders is held in June each year.

Independent Auditors

Shin Nihon & Co.



SUMITOMO OSAKA CEMENT CO., LTD.

6-28, Rokubancho, Chiyoda-ku, Tokyo 102-8465, Japan

Telephone: (03) 5211-4500 Facsimile: (03) 3221-4652

URL: <http://www.soc.co.jp>