

SUMITOMO OSAKA CEMENT

# Annual Report 2018

For the year ended March 31, 2018



# The Sumitomo Osaka Cement Group [PHILOSOPHY]

We aim to be a business group that helps preserve the global environment and contributes to the sustainment and ongoing development of a prosperous society through tireless technological innovation and wide-ranging business activities.

## Highlights for the Year Ended March 31, 2018 (Consolidated)

Sales

**¥244.8 billion**

(+4.6% YoY)

Operating Income

**¥19.0 billion**

(-11.8% YoY)

Profit Attributable to Owners of Parent

**¥14.7 billion**

(-9.6% YoY)

Return on Equity (ROE)

**7.4%**

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Total Assets

**¥341.0 billion**

Free Cash Flow

**¥1.7 billion**

Equity Ratio

**59.4%**

Employees

**2,987**

## To Our Stakeholders



### Higher revenue but lower profit in the year ended March 31, 2018

Sumitomo Osaka Cement's net sales totaled ¥244,826 million, up 4.6% over the previous year, driven by an increase in revenue generated by the Cement business on the back of sales growth at subsidiaries and increased recycling, even though domestic demand for cement remained largely unchanged over the previous year due to weaker than anticipated conditions compared to assumptions at the beginning of the fiscal year.

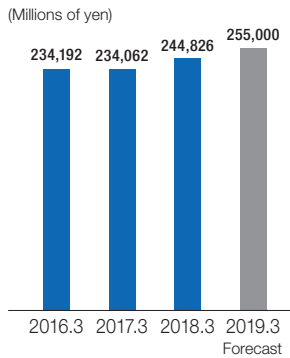
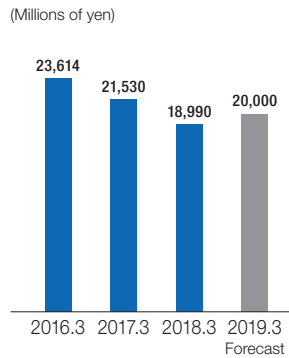
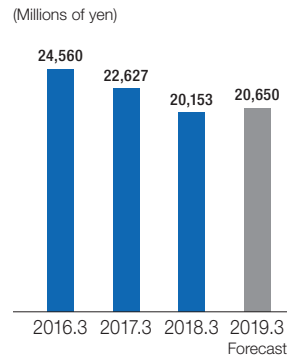
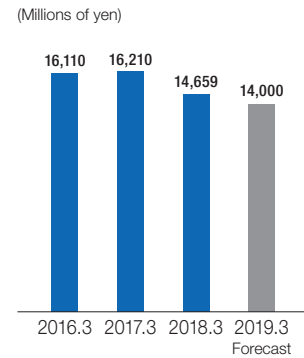
On the other hand, coal prices, which have risen since the second half of the year ended March 31, 2017, have become a major factor depressing profits due to worsening production costs in the Cement business in the year ended March 31, 2018. Although recycling increased, in addition to factors impacting profits, sales volume declined in the Optoelectronics business because the drop-off period of demand lasted longer than anticipated, while there was an increase in depreciation due to investments in production increases and costs were required for addressing certain defective components in the first half, even though these costs have since been eliminated. As a result, operating income fell significantly 11.8% compared to the previous year to ¥18,990 million, while ordinary income

dropped 10.9% over the previous year to ¥20,153 million. Profit attributable to owners of parent dipped 9.6% compared to the previous year to ¥14,659 million.

### Outlook for the year ending March 31, 2019

In the Cement business, despite the effects of ongoing skilled worker shortages, public sector demand has remained largely unchanged owing to rising public sector investment which is expected to increase domestic demand, while growth is also expected in private sector housing investment and capital expenditures, which should result in greater domestic demand. Rising coal prices mainly in the first half should have an impact, but increases in recycling and higher revenue from revised selling prices announced at the end of December 2017 are expected to generate ¥2,000 million annually in the year ending March 31, 2019. Furthermore, in the High-Performance Product Business, we are expecting to see improvements in the Optoelectronics business and robust sales mainly of electronic materials in Advanced Materials.

The full-year earnings forecast indicates gains in both revenue and profits, with net sales of ¥255,000 million (up 4.2% year on year) and operating income of ¥20,000 million (up 5.3% year on year). Ordinary income is expected to rise

**Sales****Operating Income****Ordinary Income****Profit Attributable to Owners of Parent**

2.5% over the previous fiscal year to 20,650 million, while profit attributable to owners of parent is expected to fall 4.5% year on year to ¥14,000 million.

### Progress of the Medium-term Management Plan

The Sumitomo Osaka Cement Group has defined its future direction in the three-year Fiscal 2017-2019 Medium-term Management Plan which got under way in the year ended March 31, 2018. Our goal is to become a group of companies

that can continually grow in a stable manner while expanding markets in the Cement-related business and High-Performance Product Business. The targets for the final year of the Medium-term Management Plan are net sales of ¥270 billion and ordinary income of ¥30 billion.

### Returning profits to shareholders

Based on the Fiscal 2017-2019 Medium-term Management Plan, we have set the annual consolidated dividend payout ratio at around 30%. On May 30, 2018, we announced a share buyback plan of up to 20 million shares, in order to return profits to shareholders through improved capital efficiency.

### Targets based on the Fiscal 2017-2019 Medium-term Management Plan

Net sales **¥270 billion**      Ordinary income **¥30 billion**

(Billions of yen)

		Fiscal 2017 Results	Plan for fiscal 2019 (Final fiscal year)
Net sales	Cement-related Business	220.4	229.9
	High-Performance Product Business	18.5	32.3
	Others	5.9	6.2
	Total	244.8	268.4
Operating income	Cement-related Business	16.1	21.2
	High-Performance Product Business	1.4	5.6
	Others	1.6	1.5
	Total	19.0	28.3
Ordinary income		20.2	30.0
Profit attributable to owners of parent		14.7	20.0
ROA (Return on assets)		5.9%	9%
ROE (Return on equity)		7.4%	10%

This concludes my overview of the Sumitomo Osaka Cement Group after the conclusion of the first fiscal year under the Fiscal 2017-2019 Medium-term Management Plan. I ask stakeholders for your continued understanding and support of the Sumitomo Osaka Cement Group as we move forward.

July 2018

*Fukuichi Sekine*

Fukuichi Sekine, President

## Sumitomo Osaka Cement Group's Strategy

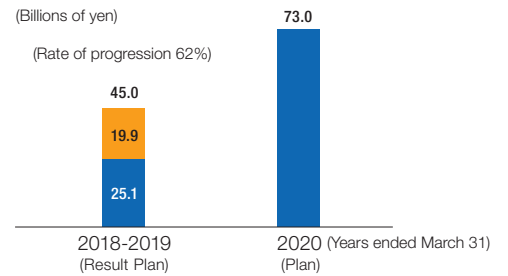
### Capital Expenditures in the Fiscal 2017-2019 Medium-term Management Plan

Under the basic policies of the Medium-term Management Plan, we are aggressively investing following the growth strategies of the Cement-related Business and High-Performance Product Business.

#### Capital expenditures plan as per the medium-term management plan (3-year total)

	(Billions of yen)		
	Cement-related business	High-Performance Product business	Total
Growth strategy	13.0	6.0	19.0
Cost reduction, enhanced framework	12.0	3.0	15.0
Maintenance / upgrades, other	37.0	2.0	39.0
<b>Total</b>	<b>62.0</b>	<b>11.0</b>	<b>73.0</b>
Depreciation (3-year total)			56.9

#### Capital expenditures amount (cumulative total)



#### Greater product range at service stations

Work was completed on a new silo at Onahama Service Station in Fukushima Prefecture in July 2017 (holding capacity of 12,000 tons). The inside of this silo is compartmentalized, making storage possible for a number of different types of cements, including specialty products. By providing a greater range of product lineup, we will meet demand for work at the Fukushima Daiichi Nuclear Power Plant and infrastructure development projects taking part in the area.



Onahama Service Station  
(Iwaki City, Fukushima Prefecture)

#### Coal transportation using our own ship

The Group built its own dedicated bulk coal carrier vessel (14,500 ton capacity) for use at its plants in order to improve transportation efficiency. In April 2018, the vessel inaugurated a route between Russia and the Ako Plant. Looking ahead, the vessel will transport coal to coastal plants as the Sumitomo Osaka Group's mainstay bulk coal carrier.



Bulk coal carrier SOC GLORY

#### Investment in increased production in High-Performance Product Business

##### Completed construction of additional manufacturing facilities for (LN modulators) optical communications components

In September 2017, work was completed on additional manufacturing facilities at Dongguan Sumi Sou Optoelectronics Technology, Co., Ltd. (Dongguan City, Guangdong Province, China), a manufacturing subsidiary of the Optoelectronics business. As a result, the company commenced production of 100G LN modulators, which have one of the highest transmission speeds in the world, to complement its existing production of 10G and 40G LN modulators. This will position the company to fulfill rapidly growing demand in optical communications markets around the world.



Dongguan Sumi Sou  
(Dongguan City, Guangdong Province, China)

##### Completion of work on additional manufacturing facilities for semiconductor manufacturing equipment components (ESC)

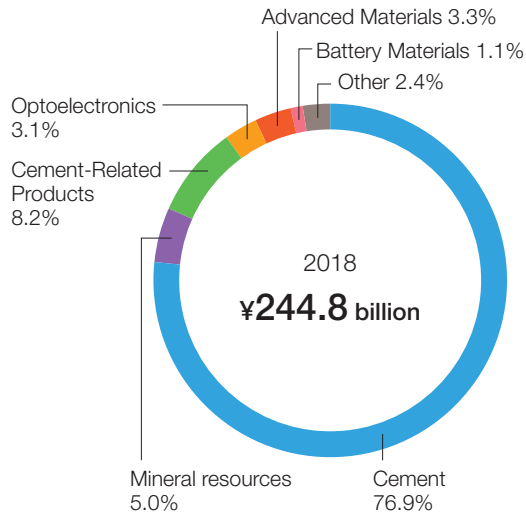
In September 2017, in the Advanced Materials business we completed work on additional manufacturing facilities for ESC (electrostatic chucks) widely adopted as mainstay components of semiconductor manufacturing equipment because of their high purity, high heat conductivity, high voltage holding, and high durability as they are made from super high purity ultra fine SiC particles. This addition will enable us to supply products closely in tune with customer needs in a timely manner and accommodate growing demand for semiconductor manufacturing equipment.



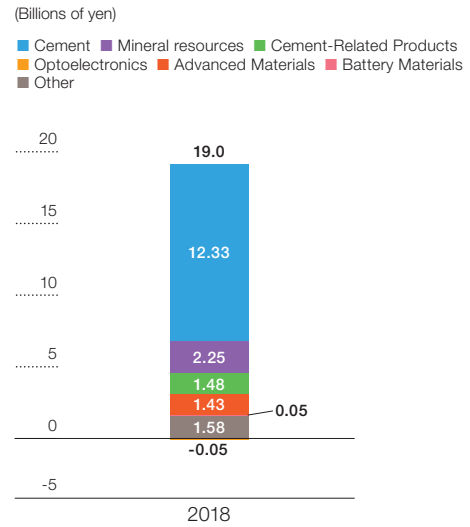
New building  
(Ichikawa Office, Chiba Prefecture)

# Business Overview (years ended March 31)

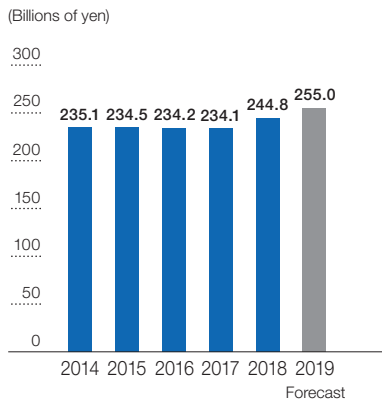
**Breakdown of net sales**



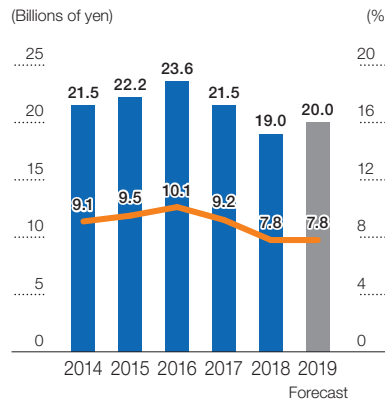
**Breakdown of operating income**



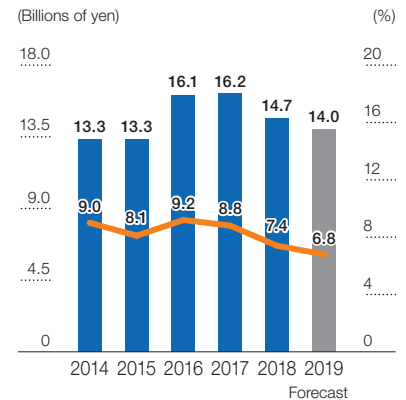
**Net sales**



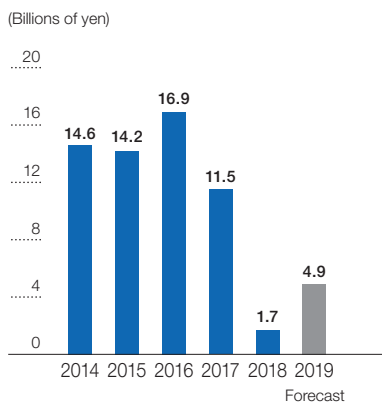
**Operating income and operating margin**



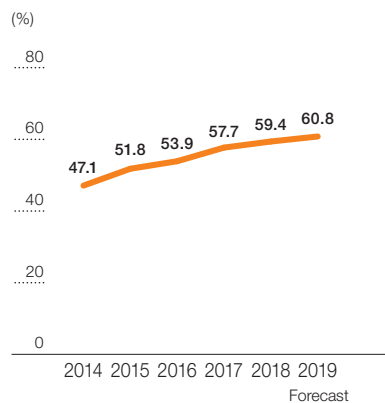
**Profit attributable to owners of parent and ROE**



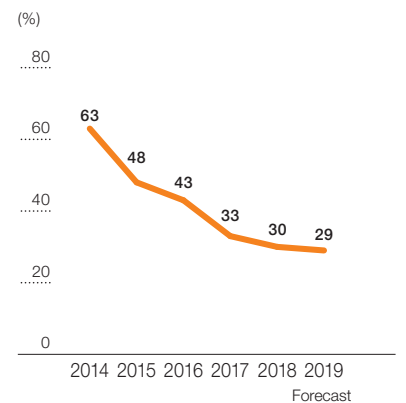
**Free cash flow**



**Equity ratio**



**D/E ratio**



## Segment Overview (years ended March 31)



Note: Including Battery Materials Business

## Segment Overview | Cement-related Business

### Cement



#### Main products

- Assorted cements
- Cement-related solidification materials
- Supply of electrical power
- Recycling
- Ready-mixed concrete

#### Financial Results

The total sales volume of cement exceeded the previous year, and as a result, net sales increased ¥7,834 million, or 4.3% year on year, to ¥188,160 million. However, segment profit fell ¥2,278 million, or 15.6% year on year, to ¥12,328 million due to the soaring cost of coal, among other factors.

### Mineral Resources



#### Main products

- Limestone
- Aggregate
- Calcium carbonate
- Dolomite
- Silica powder

#### Financial Results

Net sales increased ¥247 million, or 2.1% year on year, to ¥12,266 million due to growth in sales volume of aggregate. However, segment profit dipped ¥36 million, or 1.6% year on year, to ¥2,253 million, owing to an increase in maintenance for extractions and depreciation charges, and other factors.

### Cement-Related Products



#### Main products

- Repairing and reinforcing products for concrete structures
- Materials for coping with heavy metal pollution
- Cathodic protection for concrete structures (ELGARD SYSTEM)
- Artificial marine reefs

#### Financial Results

Net sales rose ¥506 million, or 2.6% year on year, to ¥19,981 million thanks to an increase in the sales volume of repair and reinforcement materials for concrete structures, and segment profit increased ¥123 million, or 9.1% year on year, to ¥1,484 million.

## Segment Overview | High-Performance Product Business

### Optoelectronics



#### Main products

- Optical communications components and optical measurement equipment

#### Financial Results

Net sales fell ¥1,324 million, or 14.7% year on year, to ¥7,656 million due to a drop in sales volume of optical communications components for new transmission methods. Segment profit declined ¥1,412 million over the previous year for a segment loss of ¥47 million, owing to an increase in costs associated with boosts in production capacity.

### Advanced Materials



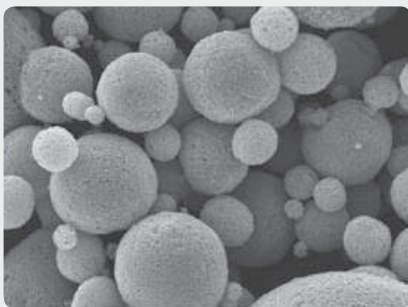
#### Main products

- Ceramic components for semiconductor manufacturing equipment
- Nanoparticle materials

#### Financial Results

Net sales jumped ¥2,354 million, or 41.2% year on year, to ¥8,063 million thanks to higher sales volume of electronic materials for semiconductor manufacturing equipment. Segment profit rose ¥769 million, or 115.8% year on year, to ¥1,434 million.

### Battery Materials



#### Main products

- Rechargeable battery cathode materials

#### Financial Results

Net sales rose ¥312 million, or 12.8% year on year, to ¥2,751 million, buoyed by increased sales volume of rechargeable battery cathode materials. Meanwhile, segment profit fell ¥34 million, or 40.4% year on year to ¥50 million, due to the occurrence of costs associated with increased production capacity.

### Other



#### Main products and services

- Leasing of real estate
- Engineering
- Software development

#### Financial Results

Net sales increased ¥833 million, or 16.3% year on year, to ¥5,944 million, driven by growth in construction of electrical facilities. Segment profit jumped ¥417 million, or 35.9% year on year to ¥1,579 million.

## R&D and IP

Under the basic philosophy of continually developing original technologies, the Sumitomo Osaka Cement Group engages in a wide range of proactive R&D activities. These range from new technology and new product development in our core cement and concrete business to the peripheral cement-related products, to R&D in the new Optoelectronic, Advanced Materials, and Battery Materials business segments based on our core technologies.

### Cement/Concrete Laboratory

The Cement/Concrete Laboratory develops new technologies and products in a broad range of fields, including high-performance concrete, concrete paving technology, as well as ultra-rapid hardening materials and methods, along with materials with a lower environmental impact, among others.

#### Basic Policy for the Fiscal 2017-2019 Medium-term Management Plan

“Increase the earnings of the Cement-related business and enter into untapped areas by using new technologies and new products developed based closely on user needs.”

- 1) Commercialize core technologies for cement and concrete
- 2) Create a series of ultra-rapid hardening repairing and reinforcing products
- 3) Develop technologies for mitigating environmental impact

#### New Product and New Technology Development Low carbon high-strength concrete

As part of our development of technologies for mitigating environmental impact with the goal of lowering CO<sub>2</sub> emissions, we are working on the development of low carbon high-strength concrete. General low carbon concrete replaces part of the cement with additives such as blast furnace slag and fly ash; however, this mixture faced challenges such as susceptibility to neutralization. This new form of concrete forms an extremely fine organization, which results in sufficient resistance to neutralization, low exothermicity, and low shrinkage.

#### Dry shot method

We are also actively developing technologies for repairing and reinforcing concrete structures. Our proprietary Refre Dry Shot Method involves mixing an air compressed powdered spray material with mixing water (containing polymer emulsion) in the special dedicated nozzle for spray-on applications. Compared to wet applications, this method provides major improvements in dust and splashback generation as well as long-distance pumpability (up to 300 meters), improving work efficiency and significantly improving the work environment.

### New Technology Research Laboratory

The New Technology Research Laboratory works to usher in innovations in the energy, environment, information communication and electronics domains. It focuses on the development of optoelectronics devices and equipment with

an eye on optical ICT as well as the development of semiconductor manufacturing equipment components, energy storage and generation equipment components, and various functional materials with an eye on nanoparticle material technology. The work that takes place at the New Technology Research Laboratory underpins the Optoelectronics, Advanced Materials and Battery Materials businesses.

#### R&D Policy for the Fiscal 2018 Business Plan

“Promote core research that accelerates development of technologies and products aimed at continual business growth and that results in value creation”

- 1) Promote speedy research and development
- 2) Shift to high efficiency production processes through reinforced engineering functions
- 3) Promote the development of core technologies for new value creation

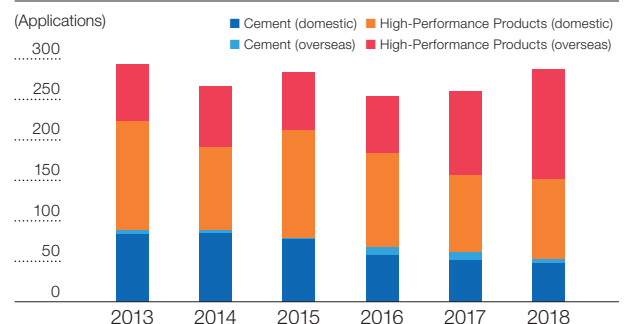
### Intellectual Properties

Intellectual properties underpin both the Cement-related business and High-Performance Product business from the standpoint of IP management.

#### Basic Policy on IP for the Medium-Term Management Plan

Following the basic policy of reinforcing competencies key to our growth strategy in terms of IP under coordinated business and development strategies, we will aim to build a competitive patent portfolio to protect our businesses from various angles, including our core technologies and applied technologies.

#### Changes in total number of patent applications (years ended March 31)



We are working to increase patent applications and establishment of patent rights in the United States, China, and Korea, among other countries, following the globalization of our operations, especially in the High-Performance Product business segment. We filed a total of 139 patent applications outside of Japan in the year ended March 31, 2018.

## CSR Initiatives

The Sumitomo Osaka Cement Group contributes to the global environment and local communities through a wide range of activities based on its corporate philosophy. In particular, our recycling of industrial waste and byproducts from the Cement business is essential for society and a focal point of our CSR activities for enhancing the Sumitomo Osaka Cement Group's corporate value.

➔ For additional details, please see our CSR Report 2018.

### Promotion of resource recycling

The Group's plants are capable of continuously recycling large quantities of various industrial wastes for reuse as heat energy in the manufacturing process. By firing this material at the high temperature of 1,450 degrees, hazardous materials such as dioxins are rendered harmless, enabling the processed waste and byproducts to be reused in all types of cement products. As a result, no residual material occurs, eliminating the need for final disposal at landfills.

The Sumitomo Osaka Cement Group is contributing to the realization of a recycling-oriented society through its recycling business.

### Preventing global warming (curbing CO<sub>2</sub> emissions)

The cement industry consumes large amounts of energy. As a result, we are working to reduce CO<sub>2</sub> emissions in order to prevent global warming. The Group has introduced waste heat power generation facilities for reusing high temperature gas occurring in the cement production process at four of its plants. These facilities make it possible to curb heat energy and our use of electrical energy.

The Tochigi Plant operates its own biomass power generation facilities that use biomass resources such as wood chips as the main source of heat energy. At the Ako and Kochi plants, biomass energy is actively utilized as an auxiliary heat energy to coal. Our plants are also working to reduce the use of fossil energy, which includes expanding the use of waste and byproducts that can be used as an alternative for heat energy, such as waste plastics.



Tochigi Plant biomass power generation facilities

### Mitigating environmental impacts and protecting biodiversity

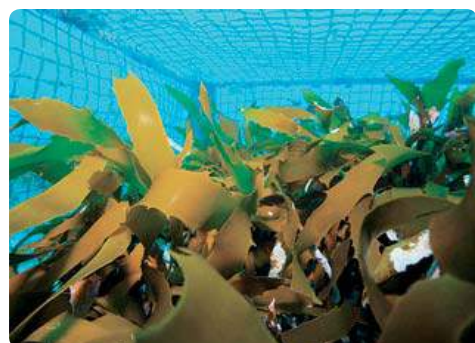
At the Group's limestone mine, efforts are under way to transplant native plants as part of a project to restore vegetation to mined areas. At our cement plants, we are contributing to forest preservation activities by accepting thinned timber from the afforestation projects of local governments for use as biomass energy. In Tsushima City, Nagasaki Prefecture, we are protecting a forest that had become idle land after it was acquired as a source of raw materials. As part of these efforts, we are contributing to conservation activities for endangered leopard cats (Tsushima Yamaneko) living there.



Ibuki Mine (Maibara City, Shiga Prefecture)

### Expansion of marine products business

In recent years, the phenomenon of sea desertification, where seaweed disappears due to the effects of global warming and other causes, has become a major environmental issue along Japan's coasts. Because of that, measures to prevent the ocean's environment is drawing attention. Sumitomo Osaka Cement is working with its subsidiary SNC Co., Ltd. to establish a marine products business mainly in Nagasaki Prefecture in an effort to preserve the ocean's environment.



Seaweed flourishing inside the K-hat Reef Beta, a concrete block with seaweed planted on it and covered with a net (2 years after sinking)

# Corporate Governance

The Sumitomo Osaka Cement Group believes that the primary objective of corporate governance is to constantly enhance corporate value by increasing management efficiency and by securing soundness and transparency in every phase of business activities. We recognize the fulfillment of this aim as our most important management issue. Additionally, we have adopted the company auditor system and established the Sumitomo Osaka Cement Corporate Governance Policy in order to achieve sustainable growth and enhance corporate value over the medium to long-term.

## Status of meeting bodies and internal control system

### Board of Directors and executive officers

The Board of Directors consists of eight Directors, including two Outside Directors and convenes meetings at least once monthly to make decisions regarding material matters affecting management and to receive reports on the status of business operations. We have also introduced the executive officer system in order to separate management decision making and supervision from actual execution and to raise management efficiencies by reinforcing each function, speeding up decision making and clarifying authority and accountability.

### Reason for election of Outside Directors

<b>Kunitaro Saida</b>	Mr. Saida has served as the Superintendent Public Prosecutor of the Osaka High Public Prosecutors Office and has experience as an outside director and outside corporate auditor for other companies. As a result, we have determined that Mr. Saida can utilize his excellent discernment and broad experiences to fulfill his duties appropriately.
<b>Mitsuko Makino</b>	Ms. Makino worked as an announcer for many years, including as a newscaster for NHK, during which time she interviewed SME owners in various industries and led safety education and communications training at corporations. In particular, she was involved with safety education in the construction and civil engineering fields, giving her strong knowledge of work site conditions in the cement industry. As a result, we have determined that Ms. Makino can utilize her excellent discernment and broad experiences to fulfill her duties as outside director appropriately from an objective standpoint.

There are no instances where either Outside Director has a conflict of interest with general shareholders, and their independence has been verified.

### Board of Company Auditors

The Board of Company Auditors consists of five Company Auditors, three of which are Outside Company Auditors. Company Auditors take part in Board of Corporate Auditor meetings convened at least once monthly as well as attend other important company meetings, including meetings of the Board of Directors.

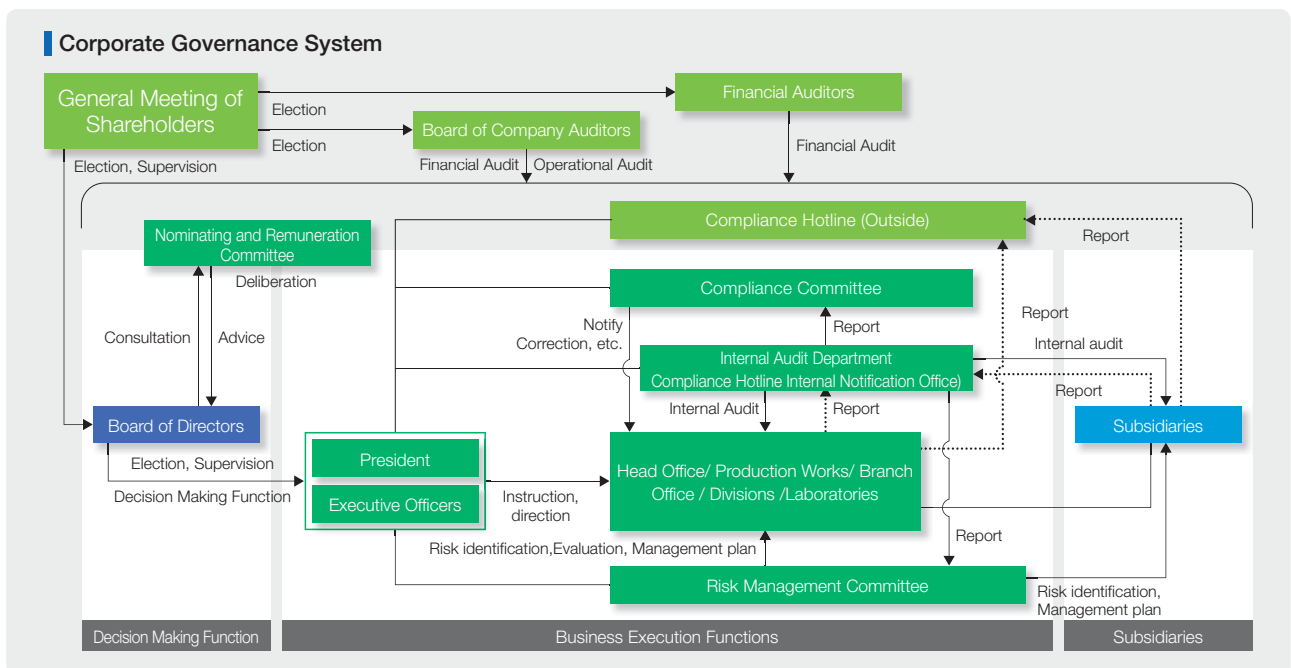
### Reason for election of Outside Company Auditors

<b>Fuminori Tomosawa</b>	Mr. Tomosawa has been a university professor and served as a member of the Science Council of Japan. As a result, we have determined that Mr. Tomosawa can utilize his excellent discernment and broad experiences to carry out audits from an objective standpoint.
<b>Shoji Hosaka</b>	Mr. Hosaka has served as a director and company auditor for other companies. As a result, we have determined that Mr. Hosaka can utilize his excellent discernment and broad experiences to carry out audits from an objective standpoint.
<b>Kazuo Suzuki</b>	Mr. Suzuki has broad experiences and advanced knowledge of corporate management from his many years as a Certified Public Accountant. As a result, we have determined that Mr. Suzuki can utilize this to carry out audits from an objective standpoint.

There are no instances where any of the Outside Company Auditors has a conflict of interest with general shareholders, and their independence has been verified.

### Nominating and Remuneration Committee

On January 1, 2018, Sumitomo Osaka Cement established a Nominating and Remuneration Committee as an advisory body to the Board of Directors in order to secure the objectivity and transparency of performance evaluations and the validity of remuneration standards of directors and executive officers and



in order to similarly secure the objectivity and transparency of remuneration with regard to executive officer appointments.

Chaired by the President, the Nominating and Remuneration Committee is comprised of at least two members appointed from outside directors. It deliberates and reports on executive officer appointments, policies concerning the determination of remuneration for directors and executive officers, along with remuneration proposals and bonus proposals based on performance evaluations.

## Compliance

We have established the Compliance Committee chaired by the President to establish, spread and elevate the compliance awareness of all executives and employees of the Sumitomo Osaka Cement Group, including executive officers, contract employees and temporary employees. Also, we have formulated the Regulations of the Compliance Committee in order to clarify the roles and responsibilities of the committee.

### Compliance Committee

The Compliance Committee creates a compliance action plan every fiscal year and monitors its progress. Compliance audits are carried out by the Internal Audit Department mentioned below, with the results reported to the Compliance Committee. The Compliance Committee takes appropriate action, when necessary, based on the results, and reports the results of audits to the Board of Directors and Company Auditors.

## Risk management

We have established the Risk Management Committee, chaired by the President, in order to identify, evaluate and respond to risks facing the entire Group. Additionally, we have formulated the Regulations of the Risk Management Committee in order to clarify the roles and responsibilities of the committee.

### Risk Management Committee

The Risk Management Committee prepares an action plan for risk management every fiscal year and monitors its progress. Audits on the status of risk management are carried out by the Internal Audit Department, with the results reported to the Risk Management Committee.

The Risk Management Committee takes appropriate action, when necessary, based on the results, and reports the results of audits to the Board of Directors and Company Auditors.

## Information security

### Basic policy on the protection of personal information

Following the basic principles of Japan's Act on the Protection of Personal Information, we consider the appropriate handling of personal information to be an important management task,

and as such, we have established our own basic policy. We determine policies and the in-house organizational structure for the protection of personal information in accordance with this basic policy.

### Policy on the Protection of Personal Information

#### (1) Acquisition

Sumitomo Osaka Cement obtains personal information using legal and fair means.

#### (2) Use

Sumitomo Osaka Cement shall use personal information within the scope of the purpose of use indicated when the information is obtained wherever necessary for its business operations.

#### (3) Provision to third parties

Sumitomo Osaka Cement shall never provide personal information to third parties without the prior consent of the individual, except instances prescribed by laws and ordinances.

#### (4) Management

1. Sumitomo Osaka Cement shall manage the personal information in its possession in a secure manner while maintaining its accuracy.
2. Sumitomo Osaka Cement shall take appropriate information security measures to prevent the loss, destruction, modification or divulgence of the personal information in its possession.
3. Sumitomo Osaka Cement shall never divulge personal information caused by taking it offsite or transmitting it.

#### (5) Disclosure, revision, suspension of use, and deletion, etc.

Sumitomo Osaka Cement shall respond promptly when an individual requests that his/her own personal information in the company's possession be disclosed, revised, suspended from being used, or deleted.

### Organizational structure for protecting personal information

#### (1) Personal Information Protection Manager

Sumitomo Osaka Cement shall appoint a Personal Information Protection Manager who will promote and ensure thorough protection of personal information.

#### (2) Making it known to all executives and employees

Sumitomo Osaka Cement shall make the protection and appropriate handling of personal information known to all executives and employees

#### (3) Establishment of regulations, etc.

Sumitomo Osaka Cement, in order to implement this policy, shall establish company regulations on the protection of personal information and ensure that all of its executives and employees are familiar with and execute the regulations to promote the protection of personal information.

## Disclosure

Engagement with shareholders and investors requires that they have an understanding of Sumitomo Osaka Cement Group's current situation and management plans through accurate and timely disclosures of information. It is also important for them to broadly understand our businesses. Sumitomo Osaka Cement carries out investor relations activities using a wide range of tools, including briefing sessions and facility tours.

### Disclosure Policy

#### Basic policy

Sumitomo Osaka Cement Co., Ltd. ("the Company", "we" or "our") discloses fair and equitable information in a timely and appropriate manner. In the course of providing accurate information to stakeholders, including our shareholders, the Company ensures that information disclosed is not boiler-plate or lacking in detail.

#### Disclosure methods

The Company discloses information required for timely disclosure via TD-NET and press releases as well as on the Company homepage in a timely manner in compliance with relevant regulations such as the Financial Instruments and Exchange Act and based on the "Timely Disclosure Rules" defined by the Tokyo Stock Exchange.

For information that is not covered by the "Timely Disclosure Rules," the Company makes every effort to disclose information in a prompt and fair manner via the homepage and the media if the Company deems that the information is useful for shareholders, investors and other stakeholders.

#### Quiet period

The Company provides a quiet period from approximately two weeks before the final settlement date for each fiscal quarter, in order to prevent the leakage of financial results information and to ensure fairness, during which period the Company refrains from commenting on or answering questions related to the financial results. Even during these quiet periods, however, the Company will disclose information on amendments to forecasts of financial results or dividends in a timely manner in accordance with the rules set forth by the Tokyo Stock Exchange and other regulations.

#### Feedback to Management

The Company actively engages in mutual communication with capital market participants such as shareholders, investors and securities analysts. The Company appropriately and effectively relays shareholder views learned through dialogue to the senior management and Board of Directors, and reflects such views in the medium-term management plans.

### Financial results briefings

We hold financial results briefings for our annual and interim results in order to foster understanding in the company's management status among institutional investors and analysts. During financial results briefings, top management explains our financial results and answers questions. In addition, we also respond to individual requests for information from securities analysts and institutional investors inside and outside of Japan. As a result, we seek to engage a broad range of investors on an ongoing basis.



Financial results presentation

### Visits to plants and business sites

We host visits to plants and other business sites for institutional investors and analysts in order to promote more in-depth understanding of our operations and businesses.



Plant visit

## Our Management Team (As of June 28, 2018)

### Board of Directors



**Fukuichi Sekine**  
President, Representative  
Director



**Yushi Suga**  
Representative Director,  
Executive Vice President



**Isao Yoshitomi**  
Director, Senior Managing  
Executive Officer



**Shigemi Yamamoto**  
Director, Senior Managing  
Executive Officer



**Toshihiko Onishi**  
Director, Senior Managing  
Executive Officer



**Mikio Konishi**  
Director, Managing Executive  
Officer



**Kunitaro Saida**  
Outside Director



**Mitsuko Makino**  
Outside Director

### Board of Company Auditors



**Akio Sekine**  
Company Auditor (Full-time)



**Kaname Ito**  
Company Auditor (Full-time)



**Fuminori Tomosawa**  
Outside Company Auditor



**Shoji Hosaka**  
Outside Company Auditor



**Kazuo Suzuki**  
Outside Company Auditor

### Executive Officers

**Hirotsune Morohashi**  
Managing Executive Officer

**Shintarou Ooshima**  
Managing Executive Officer

**Ryoji Doi**  
Managing Executive Officer

**Ryoji Ogi**  
Managing Executive Officer

**Hideki Aoki**  
Managing Executive Officer

**Norifumi Uchimura**  
Executive Officer

**Masashi Shimo**  
Executive Officer

**Toru Shimada**  
Executive Officer

**Noriyuki Kozakai**  
Executive Officer

**Masaki Sekimoto**  
Executive Officer

**Akihiko Ono**  
Executive Officer

## CONSOLIDATED FINANCIAL DATA

**Six-Year Summary**

Years ended March 31

						Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	2014	2015	2016	2017	2018	2018
<b>For the year:</b>							
Net sales	¥219,083	¥235,078	¥234,539	¥234,192	¥234,062	¥244,826	\$2,304,465
Cost of sales	170,042	177,606	177,158	175,474	176,812	190,170	1,790,012
Selling, general and administrative expenses	35,082	35,966	35,172	35,103	35,719	35,664	335,701
Operating income	13,959	21,504	22,207	23,614	21,530	18,990	178,751
Ordinary Income	14,612	22,400	24,383	24,560	22,627	20,153	189,702
Profit attributable to owners of parent	7,460	13,331	13,337	16,110	16,210	14,659	137,981
Net cash provided by operating activities	¥ 30,015	¥ 32,537	¥ 30,256	¥ 32,618	¥ 29,231	¥ 26,470	\$ 249,152
Net cash used in investing activities	(17,362)	(17,950)	(16,043)	(15,691)	(17,700)	(24,753)	(232,992)
Free cash flow	12,653	14,587	14,213	16,927	11,531	1,717	16,160
Net cash used in financing activities	(15,173)	(7,967)	(16,051)	(15,705)	(16,123)	(6,626)	(62,370)
Cash and cash equivalents at end of period	25,078	31,928	30,132	31,378	26,672	22,072	207,756
<b>At year-end:</b>							
Net assets	¥142,976	¥154,821	¥175,754	¥177,247	¥195,869	¥204,157	\$1,921,662
Total assets	315,734	325,328	335,981	325,710	336,790	340,980	3,209,528
<b>Per share data (yen/dollars):</b>							
Profit	¥ 17.92	¥ 32.03	¥ 32.05	¥ 39.43	¥ 39.93	¥ 36.12	\$ 0.340
Cash dividends	5.0	5.0	6.5	8.0	10.0	11.0	0.104
Net assets	340.14	368.5	418.68	432.67	478.48	498.81	4.695
<b>Financial ratios:</b>							
ROE (Return on equity)	5.5%	9.0%	8.1%	9.2%	8.8%	7.4%	
ROA (Return on assets) (Note 1)	4.7%	7.0%	7.4%	7.4%	6.8%	5.9%	
Equity ratio (Note 2)	44.8%	47.1%	51.8%	53.9%	57.7%	59.4%	
Number of employees	2,834	2,821	2,844	2,915	2,973	2,987	

## Notes

1. ROA (Return on assets) = Ordinary income / Total assets

2. Equity = Total net assets – Share subscription rights – Non-controlling interests

3. U.S. dollar amounts have been translated from yen at the rate of ¥106.24=US\$1 as of March 31, 2018.

## Financial Review

### Net Sales

In the cement industry, private sector capital expenditures increased, causing private sector demand to rise, but public sector demand remained largely on par with the previous year, due to the impacts felt from skilled worker shortages and other factors. As a result, cement demand in Japan increased slightly 0.2% year on year to 41,876 thousand metric tons. Exports, too, increased 2.4%. Consequently, total sales of cement produced by domestic manufacturers, including exports, edged up 0.9% year on year to 53,508 thousand metric tons.

Under these circumstances, the Sumitomo Osaka Cement Group launched the Fiscal 2017-2019 Medium-term Management Plan in the year ended March 31, 2018. In the Cement-Related Products business, we worked on various measures related to overseas cement strategy, expansion in peripheral sectors, and reinforcement of business foundation, while in the High-Performance Product Products business, we focused on accommodating increased production of mainstay core products and development of new businesses and new products.

As a result, consolidated net sales during the fiscal year under review came to ¥244,826 million (US\$2,304,465 thousand), up 4.6% over the previous year, driven by an increase in revenue in the Cement business.

### Profits

Operating income declined ¥2,540 million year on year to ¥18,990 million (US\$178,751 thousand) and ordinary income dropped ¥2,473 million year on year to ¥20,153 million (US\$189,702 thousand) due to worsening production costs in the Cement business. And, profit attributable to owners of parent fell ¥1,550 million year on year to ¥14,659 million (US\$137,981 thousand). (See pages 2~3 and 6 to 8.)

### Financial Position

Total assets as of March 31, 2018 stood at ¥340,980 million (US\$3,209,528 thousand), an increase of ¥4,189 million from the previous fiscal year-end. This increase was mainly attributed to an increase in property, plant and equipment.

Total liabilities at the end of the fiscal year under review declined ¥4,099 million from the previous fiscal year-end to ¥136,822 million (US\$1,287,866 thousand). This decrease was mainly due to a decrease in interest-bearing liabilities.

Net assets at the end of the fiscal year under review stood at ¥204,157 million (US\$1,921,662 thousand), up ¥8,288 million from a year earlier. This increase was mainly the result of a rise in retained earnings.

### Cash Flows

Cash and cash equivalents at end of period under review increased ¥26,470 million from operating activities and decreased ¥24,753 million from investing activities, and decreased ¥6,626 million from financing activities. It means that cash and cash equivalents at end of period under review decreased ¥4,600 million year on year. As a result, the cash balance at the fiscal year-end totaled ¥22,072 million (US\$207,756 thousand), marking a decline of 17.2% year on year.

#### Cash flow from operating activities

Net cash provided by operating activities totaled ¥26,470 million (US\$249,152 thousand), down ¥9.4% from the previous fiscal year. This decrease is attributed to retained earnings reflecting such factors as profit before income taxes and non-controlling interests of ¥19,733 million and depreciation and amortization of ¥17,661 million.

#### Cash flow from investing activities

Net cash used in investing activities amounted to ¥24,753 million (US\$232,992 thousand), up 39.8% year on year. This mainly reflects purchase of noncurrent assets totaling ¥25,585 million.

#### Cash flow from financing activities

Net cash used in financing activities was ¥6,626 million (US\$62,370 thousand), down 58.9% from the previous fiscal year. This decrease is attributed to the payment of dividends of ¥4,261 million.

### Dividend Policy

Sumitomo Osaka Cement believes that earnings distributions to shareholders should be determined in accordance with the Company's earnings. As a cement manufacturer, it is essential for the Company to continuously improve facilities while investing in facility renewal in order to secure future earnings. Based on this viewpoint, the Company will make decisions with regards to a stable and continuous dividend holistically based on its overall management situation. The Company's goal is to achieve a consolidated annual dividend payout ratio of around 30% following the Fiscal 2017-2019 Medium-term Management Plan.

For fiscal 2018, an interim dividend of ¥5.5 per share and a year-end dividend of ¥5.5 were paid per share. Consequently, the annual dividend payment totaled ¥11.0 per share.

### Fiscal 2018 Outlook

The cement industry faces the impacts of the ongoing skilled worker shortage, but public sector investment will increase,

causing public sector demand to remain largely unchanged. Both private sector investment in home construction and private sector capital expenditures will increase. Because of that, private sector demand is expected to rise, giving way to an increase in domestic demand.

The full-year earnings forecast for the fiscal year ending March 31, 2019 calls for net sales of ¥255,000 million (up 4.2% year on year), operating income of ¥20,000 million (up 5.3% year on year), ordinary income of ¥20,650 million (up 2.5% year on year, and profit attributable to owners of parent of ¥14,000 million (down 4.5% year on year).

## Business Risks

### Decrease in Domestic Demand for Cement

In the Sumitomo Osaka Cement Group's mainstay cement business, domestic demand is significantly impacted by public investment and private-sector capital expenditure in Japan. Therefore, in the event that public works spending or private sector capital expenditure deteriorate at a pace that exceeds the Company's forecasts, the Group's financial condition, results and cash flows may be substantially affected. However, given that cement is an indispensable material contributing to social capital, it is projected that demand above a certain level can be consistently secured over the medium to long term. Based on an anticipated decline in domestic demand for the foreseeable future, the Sumitomo Osaka Cement Group has restructured its production framework by closing certain cement plants in prior years and will continue to implement various cost reductions and revisions of sales prices.

### Increase in Raw Material and Fuel Prices

The Group's mainstay product of cement requires a variety of raw materials and fuels, including limestone, clay and coal. Therefore, price hikes in raw materials and fuels have the potential to increase cement manufacturing costs, significantly affecting the Group's financial condition, results and cash flows. However, the Group's own mine can provide an extremely stable supply of limestone, a primary raw material of cement, over the long term. On the other hand, the price of coal, a primary raw fuel used in cement production, may potentially increase due to future circumstances. The Group is making efforts to pass on the effects of fuel costs to cement sales prices to mitigate impacts on performance caused by rising expenses of coal procurement.

### Collection of Debt

The Sumitomo Osaka Cement Group does business with major customers in the construction and retail industries for its mainstay cement products and concrete. In the event that the performance of such major customers rapidly deteriorates and it incurs losses on receivables due to irrecoverable debt, the Group's financial condition, results and cash flows may be seriously affected. The Sumitomo Osaka Cement Group is therefore working to strengthen credit administration by holding down accounts receivable through direct sales at cement service stations and by seeking to secure liquidity guarantees from customers.

### Plant Operations

The Sumitomo Osaka Cement Group's cement plants contain large-scale equipment and facilities. In the event of a significant incident, fire, accident, natural disaster, electric outage or other unforeseen circumstance that may interfere with plant operations, the Group's financial condition, results and cash flows may be significantly affected due to excessive recovery time and costs. However, the Group conducts regular inspections and disaster-prevention patrols at all of its plants in order to ensure stable operations based on its production plan. Accordingly, the Group estimates the possibility of such an occurrence to be low. Further, Sumitomo Osaka Cement has six cement plants nationwide (four operated by the Company; two by affiliated companies), and should operations at one plant be interrupted, the Group will respond by shifting orders among the other cement plants and by purchasing needed cement from business partners to ensure a stable supply.

### Impairment of Property, Plant and Equipment

In the event that the Group is unable to recover its investment due to decreased profitability or a decline in the market value of property, plant and equipment following the application of impairment accounting, Sumitomo Osaka Cement will be required, based upon future earnings plans and related forecasts, to write down the book value of fixed assets to a price that may be recovered. At the moment, the Group has recorded all required impairment accounting for its property, plant and equipment. However, impairment loss may be caused by changes in future land prices and operating conditions, and the Group's financial condition and results may be significantly affected.

## Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
March 31, 2017 and 2018

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	End of FY2017 (as of March 31, 2017)	End of FY2018 (as of March 31, 2018)	End of FY2018 (as of March 31, 2018)
<b>Current assets</b>			
Cash and deposits	¥ 26,828	¥ 22,204	\$ 209,004
Notes and accounts receivable-trade	48,877	52,595	495,062
Merchandise and finished goods	6,076	7,236	68,111
Work in process	2,679	2,805	26,405
Raw materials and supplies	11,548	12,734	119,866
Deferred tax assets	1,630	1,500	14,126
Short-term loans receivable	194	182	1,714
Other	2,000	2,104	19,813
Allowance for doubtful accounts	(64)	(32)	(302)
Total current assets	99,771	101,331	953,801
<b>Noncurrent assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	163,936	167,792	1,579,375
Accumulated depreciation	(115,500)	(117,213)	(1,103,286)
Buildings and structures, net	48,436	50,579	476,089
Machinery, equipment and vehicles	417,096	431,631	4,062,794
Accumulated depreciation	(365,436)	(374,118)	(3,521,450)
Machinery, equipment and vehicles, net	51,660	57,512	541,343
Land	37,899	37,455	352,560
Construction in progress	8,952	8,016	75,458
Other	34,883	34,936	328,847
Accumulated depreciation	(18,830)	(18,968)	(178,546)
Other, net	16,053	15,967	150,300
Total property, plant and equipment	163,002	169,532	1,595,751
<b>Intangible assets</b>	2,310	2,454	23,102
<b>Investments and other assets</b>			
Investment securities	62,280	58,787	553,347
Long-term loans receivable	2,871	2,692	25,342
Deferred tax assets	695	713	6,711
Net defined benefit asset	346	400	3,773
Other	5,664	5,205	48,993
Allowance for doubtful accounts	(151)	(137)	(1,294)
Total investments and other assets	71,707	67,661	636,872
Total noncurrent assets	237,019	239,648	2,255,726
Total assets	¥ 336,790	¥ 340,980	\$ 3,209,528

Liabilities	Millions of yen		Thousands of U.S. dollars (Note 1)
	End of FY2017 (as of March 31, 2017)	End of FY2018 (as of March 31, 2018)	End of FY2018 (as of March 31, 2018)
<b>Current liabilities</b>			
Notes and accounts payable-trade	¥ 28,650	¥ 29,615	\$ 278,764
Short-term loans payable	21,898	21,326	200,742
Current portion of long-term loans payable	7,352	6,503	61,216
Income taxes payable	3,654	2,543	23,940
Provision for bonuses	2,326	2,312	21,764
Other	12,651	12,440	117,093
Total current liabilities	76,534	74,742	703,522
<b>Noncurrent liabilities</b>			
Bonds payable	10,000	10,000	94,126
Long-term loans payable	24,966	23,977	225,695
Deferred tax liabilities	14,549	13,334	125,512
Provision for directors' retirement benefits	153	161	1,516
Provision for PCB waste disposal costs	247	140	1,325
Net defined benefit liability	2,987	2,819	26,543
Asset retirement obligations	1,074	1,055	9,933
Other	10,409	10,591	99,690
Total noncurrent liabilities	64,387	62,080	584,344
Total liabilities	140,921	136,822	1,287,866
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Capital stock	41,654	41,654	392,075
Capital surplus	29,284	29,284	275,642
Retained earnings	96,830	107,228	1,009,302
Treasury stock	(4,831)	(4,871)	(45,853)
Total shareholders' equity	162,937	173,295	1,631,166
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	31,141	28,584	269,057
Foreign currency translation adjustment	556	727	6,848
Remeasurements of defined benefit plans	(430)	(186)	(1,752)
Total accumulated other comprehensive income	31,268	29,126	274,153
<b>Non-controlling interests</b>			
Total net assets	195,869	204,157	1,921,662
Total liabilities and net assets	¥336,790	¥340,980	\$3,209,528

## Consolidated Statements of Income and Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2017 (Apr. 1, 2016 to Mar. 31, 2017)	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)
<b>Net sales</b>	¥234,062	<b>¥244,826</b>	<b>\$2,304,465</b>
Cost of sales	176,812	<b>190,170</b>	<b>1,790,012</b>
Gross profit	57,250	<b>54,655</b>	<b>514,453</b>
Selling, general and administrative expenses	35,719	<b>35,664</b>	<b>335,701</b>
<b>Operating income</b>	21,530	<b>18,990</b>	<b>178,751</b>
<b>Non-operating income</b>			
Interest income	54	<b>77</b>	<b>726</b>
Dividend income	1,960	<b>2,251</b>	<b>21,189</b>
Equity in earnings of affiliates	201	<b>206</b>	<b>1,941</b>
Rent income	148	<b>140</b>	<b>1,319</b>
Other	519	<b>544</b>	<b>5,128</b>
Total non-operating income	2,884	<b>3,219</b>	<b>30,306</b>
<b>Non-operating expenses</b>			
Interest expenses	798	<b>780</b>	<b>7,343</b>
Foreign exchange losses	289	<b>440</b>	<b>4,145</b>
Other	700	<b>835</b>	<b>7,867</b>
Total non-operating expenses	1,788	<b>2,056</b>	<b>19,356</b>
<b>Ordinary income</b>	22,627	<b>20,153</b>	<b>189,702</b>
<b>Extraordinary income</b>			
Gain on sales of noncurrent assets	892	<b>357</b>	<b>3,360</b>
Gain on sales of investment securities	566	<b>206</b>	<b>1,944</b>
Gain on extinguishment of tie-in shares	-	<b>106</b>	<b>998</b>
Total extraordinary income	1,458	<b>669</b>	<b>6,304</b>
<b>Extraordinary loss</b>			
Loss on retirement of noncurrent assets	683	<b>947</b>	<b>8,920</b>
Loss on sales of noncurrent assets	2	<b>8</b>	<b>81</b>
Loss on valuation of investment securities	1	<b>9</b>	<b>88</b>
Impairment loss	15	<b>124</b>	<b>1,171</b>
PCB waste disposal costs	237	-	<b>0</b>
Settlement package	300	-	<b>0</b>
Total extraordinary losses	1,240	<b>1,090</b>	<b>10,262</b>
Profit before income taxes and non-controlling interests	22,845	<b>19,733</b>	<b>185,743</b>
Profit taxes-current	6,629	<b>5,047</b>	<b>47,513</b>
Profit taxes-deferred	(55)	<b>(50)</b>	<b>(478)</b>
Total income taxes	6,574	<b>4,997</b>	<b>47,035</b>
Profit before non-controlling interests	16,271	<b>14,736</b>	<b>138,708</b>
Profit attributable to non-controlling interests	61	<b>77</b>	<b>727</b>
Profit attributable to owners of parent	¥ 16,210	<b>¥ 14,659</b>	<b>\$ 137,981</b>

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2017 (Apr. 1, 2016 to Mar. 31, 2017)	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)
<b>Profit</b>	¥16,271	<b>¥14,736</b>	<b>\$138,708</b>
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	5,885	<b>(2,557)</b>	<b>(24,074)</b>
Foreign currency translation adjustment	(87)	<b>170</b>	<b>1,607</b>
Remeasurements of defined benefit plans	239	<b>244</b>	<b>2,297</b>
Share of other comprehensive income of affiliates accounted for using equity method	1	<b>0</b>	<b>10</b>
Total other comprehensive income	6,038	<b>(2,142)</b>	<b>(20,163)</b>
<b>Comprehensive income</b>	22,309	<b>12,594</b>	<b>118,544</b>
<b>Comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of parent	22,247	<b>12,516</b>	<b>117,815</b>
Comprehensive income attributable to non-controlling interests	¥ 61	<b>¥ 77</b>	<b>\$ 728</b>

## Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2017 and 2018

	Shareholders' equity				Millions of yen
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>Balance at April 1, 2016</b>	¥41,654	¥29,282	¥84,274	¥(4,801)	¥150,409
Change of items during period	-	-	-	-	-
Dividends from surplus	-	-	(3,653)	-	(3,653)
Profit attributable to owners of parent for the period	-	-	16,210	-	16,210
Purchase of treasury stock	-	-	-	(29)	(29)
Disposal of treasury stock	-	0	-	0	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	1	-	-	1
Other, net	-	-	-	-	-
Total change of items during period	-	1	12,556	(29)	12,528
<b>Balance at March 31, 2017</b>	<b>¥41,654</b>	<b>¥29,284</b>	<b>¥96,830</b>	<b>¥(4,831)</b>	<b>¥162,937</b>
Dividends from surplus	-	-	(4,261)	-	(4,261)
Profit attributable to owners of parent for the period	-	-	14,659	-	14,659
Purchase of treasury stock	-	-	-	(40)	(40)
Disposal of treasury stock	-	0	-	0	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	0	-	-	0
Other, net	-	-	-	-	-
Total change of items during period	-	0	10,397	(40)	10,357
<b>Balance at March 31, 2018</b>	<b>¥41,654</b>	<b>¥29,284</b>	<b>¥107,228</b>	<b>¥(4,871)</b>	<b>¥173,295</b>

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total		
<b>Balance at April 1, 2016</b>	¥25,255	¥644	¥(669)	¥25,230	¥1,607	¥177,247
Change of items during period	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	(3,653)
Profit attributable to owners of parent for the period	-	-	-	-	-	16,210
Purchase of treasury stock	-	-	-	-	-	(29)
Disposal of treasury stock	-	-	-	-	-	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-	1
Other, net	5,886	(87)	239	6,037	55	6,093
Total change of items during period	5,886	(87)	239	6,037	55	18,621
<b>Balance at March 31, 2017</b>	<b>¥31,141</b>	<b>¥556</b>	<b>¥(430)</b>	<b>¥31,268</b>	<b>¥1,662</b>	<b>¥195,869</b>
Dividends from surplus	-	-	-	-	-	(4,261)
Profit (loss) attributable to owners of parent for the period	-	-	-	-	-	14,659
Purchase of treasury stock	-	-	-	-	-	(40)
Disposal of treasury stock	-	-	-	-	-	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-	0
Other, net	(2,557)	170	244	(2,142)	73	(2,068)
Total change of items during period	(2,557)	170	244	(2,142)	73	8,288
<b>Balance at March 31, 2018</b>	<b>¥28,584</b>	<b>¥727</b>	<b>¥(186)</b>	<b>¥29,126</b>	<b>¥1,736</b>	<b>¥204,157</b>

	Shareholders' equity				Thousands of U.S. dollars (Note 1)
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2017	\$392,075	\$275,641	\$ 911,434	\$(45,474)	\$1,533,676
Dividends from surplus	-	-	(40,112)	-	(40,112)
Profit attributable to owners of parent for the period	-	-	137,981	-	137,981
Purchase of treasury stock	-	-	-	(384)	(384)
Disposal of treasury stock	-	1	-	4	5
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	0	-	-	0
Other, net	-	-	-	-	-
Total change of items during period	0	1	97,868	(379)	97,489
<b>Balance at March 31, 2018</b>	<b>\$392,075</b>	<b>\$275,642</b>	<b>\$1,009,302</b>	<b>\$(45,853)</b>	<b>\$1,631,166</b>

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total		
<b>Balance at March 31, 2017</b>	<b>\$293,127</b>	<b>\$5,241</b>	<b>\$(4,050)</b>	<b>\$294,319</b>	<b>\$15,650</b>	<b>\$1,843,646</b>
Dividends from surplus	-	-	-	-	-	(40,112)
Profit attributable to owners of parent for the period	-	-	-	-	-	137,981
Purchase of treasury stock	-	-	-	-	-	(384)
Disposal of treasury stock	-	-	-	-	-	5
Change in treasury shares of parent arising from transactions with non-controlling shareholders	-	-	-	-	-	0
Other, net	(24,070)	1,607	2,297	(20,165)	690	(19,474)
Total change of items during period	(24,070)	1,607	2,297	(20,165)	690	78,015
<b>Balance at March 31, 2018</b>	<b>\$269,057</b>	<b>\$6,848</b>	<b>\$(1,752)</b>	<b>\$274,153</b>	<b>\$16,341</b>	<b>\$1,921,662</b>

## Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2017 (Apr. 1, 2016 to Mar. 31, 2017)	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)
<b>Cash flows from operating activities</b>			
Profit before income taxes and non-controlling interests	¥22,845	¥19,733	\$185,743
Depreciation and amortization	17,043	17,661	166,245
Impairment loss	15	124	1,171
Amortization of goodwill	4	–	0
Increase (decrease) in net defined benefit liability	230	136	1,286
Increase (decrease) in provision for directors' retirement benefits	(23)	12	118
Increase (decrease) in allowance for doubtful accounts	(97)	(35)	(329)
Interest and dividends income	(2,015)	(2,328)	(21,916)
Interest expenses	798	780	7,343
Foreign exchange losses (gains)	139	137	1,293
Equity in earnings of affiliates	(201)	(206)	(1,941)
Gain on sales of noncurrent assets	(892)	(357)	(3,360)
Loss on sales of noncurrent assets	2	8	81
Loss on retirement of noncurrent assets	50	300	2,830
Loss (gain) on sales of investment securities	(566)	(206)	(1,944)
Loss (gain) on valuation of investment securities	1	9	88
Loss (gain) on extinguishment of tie-in shares	–	(106)	(998)
Decrease (increase) in notes and accounts receivable-trade	(3,040)	(3,748)	(35,278)
Decrease (increase) in inventories	(1,075)	(2,467)	(23,225)
Increase in notes and accounts payable-trade	2,723	1,009	9,504
Other, net	(58)	457	4,302
Subtotal	35,883	30,917	291,012
Interest and dividends income received	2,015	2,328	21,919
Interest expenses paid	(802)	(765)	(7,204)
Income taxes paid	(7,865)	(6,010)	(56,574)
Net cash provided by operating activities	29,231	26,470	249,152
<b>Cash flows from investing activities</b>			
Purchase of noncurrent assets	(20,378)	(25,585)	(240,831)
Proceeds from sales of noncurrent assets	1,141	427	4,024
Purchase of investment securities	(13)	(61)	(582)
Proceeds from sales of investment securities	1,419	237	2,234
Payments of loans receivable	(193)	(194)	(1,834)
Collection of loans receivable	270	473	4,455
Other, net	53	(48)	(458)
Net cash used in investing activities	(17,700)	(24,753)	(232,992)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	(4,085)	(457)	(4,308)
Proceeds from long-term loans payable	6,240	7,077	66,615
Repayment of long-term loans payable	(9,529)	(8,876)	(83,546)
Proceeds from issuance of bonds	5,000	–	–
Redemption of bonds	(10,000)	–	–
Proceeds from sales of treasury stock	0	0	5
Purchase of treasury stock	(29)	(40)	(384)
Cash dividends paid	(3,653)	(4,261)	(40,112)
Cash dividends paid to non-controlling shareholders	(4)	(4)	(38)
Other, net	(61)	(63)	(601)
Net cash used in financing activities	(16,123)	(6,626)	(62,370)
Effect of exchange rate change on cash and cash equivalents	(113)	246	2,321
Net increase (decrease) in cash and cash equivalents	(4,705)	(4,662)	(43,888)
Cash and cash equivalents at beginning of period	31,378	26,672	251,061
Net increase in cash and cash equivalents resulting from merger of non-consolidated subsidiaries	–	61	583
Cash and cash equivalents at end of period	¥26,672	¥22,072	\$207,756

# Notes to consolidated financial statements

(Basis of preparation of consolidated financial statements)

## 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

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

The U.S. dollar amounts are included solely for the convenience of the reader and are stated, as a matter of arithmetic computation only, at US\$1.00=¥106.24, the exchange rate prevailing on March 31, 2018.

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

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.

## 3. SCOPE OF CONSOLIDATION

(1) Number of consolidated subsidiaries: 37

(2) Names of main non-consolidated subsidiaries

SOC AMERICA INC.

(Reason for exclusion from the scope of consolidation)

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

## 4. APPLICATION OF THE EQUITY METHOD

(1) Number of non-consolidated equity-method subsidiaries: 0

(2) Number of equity-method affiliates: 2

(3) Names of significant non-consolidated subsidiaries and affiliates not accounted for under the equity method

SOC AMERICA INC.

Hachinohe Biomass Power Generation Co., Ltd.

Right Grand Investments Limited

Forcecharm Investments Limited

(Reasons for not applying the equity method)

The profit or loss and retained earnings (amounts corresponding to equity) of the companies to which the equity method is not applied are all small in size and do not have a material effect on the consolidated financial statements.

These companies are therefore excluded from the scope of consolidation.

## 5. MATTERS CONCERNING THE FISCAL YEARS OF CONSOLIDATED SUBSIDIARIES

The consolidated subsidiaries SOC VIETNAM CO., LTD, Dongguan Sumi Sou Optoelectronics Technology Co., LTD, and Sumilong Nanotechnology Materials (SHENZHEN) Co., LTD. have a December 31 fiscal year-end date. Because the difference with the consolidated fiscal year-end date is within three months, the financial statements as of the fiscal year-end date of the consolidated subsidiaries are used in the preparation of the consolidated financial statements. Note that the required adjustments for consolidation have been made for material transactions that have occurred up until the consolidated fiscal year-end date.

## 6. MATTERS CONCERNING ACCOUNTING POLICIES

### (1) Valuation standards and methods for significant assets

Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method.

Available-for-sale securities

Securities with readily determinable market values

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

Securities without readily determinable market values

Stated at cost using the moving-average method.

Derivatives

Stated at market value.

Inventories

Inventories are stated principally at cost using the moving-average method (the carrying amount on the balance sheet is calculated by book value method based on decreases in profitability).

Note that inventories are stated at individual cost for certain consolidated subsidiaries (the carrying amount on the balance sheet is calculated by book value method based on decreases in profitability).

## **(2) Depreciation method of significant depreciable assets**

### *Property, plant and equipment (excluding leased assets)*

Depreciation is calculated based on the declining-balance method. (Note that the depreciation of in-house power generation facility at the Ako Plant, the Kochi Plant and Tochigi Plant, and property, plant and equipment of certain consolidated subsidiaries is calculated by the straight-line method, and quarry sites are depreciated by the unit-of-production method.)

In addition, depreciation of buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 is calculated by the straight-line method. The main useful lives are as follows.

Buildings and structures: 2 to 75 years

Machinery, equipment and vehicles: 2 to 22 years

### *Intangible fixed assets (excluding lease assets)*

#### Mining rights

Calculated by the unit-of-production method.

#### Others

Amortized by the straight-line method.

Note that the straight-line method is used for software (in-house use) based on the in-house use period (five years).

### *Leased assets*

Leased assets under finance leases transactions that do not transfer ownership

The straight-line method is applied for useful lives for the lease period, with a residual value of zero (residual value guarantee amount if there is a residual value guarantee agreement).

## **(3) Criteria for posting significant reserves**

### *Allowance for doubtful receivables*

To prepare for losses on doubtful receivables, the expected uncollectible amount is posted based on the loss ratio for general receivables and an individual examination of the collectability of specific doubtful receivables.

### *Provision for bonuses*

A provision for bonuses for employees is recorded based on the estimated payment amount.

### *Provision for directors' retirement benefits*

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

### *Provision for PCB wastes disposal costs*

To prepare for payment of disposal costs for PCB (polychlorinated biphenyl) wastes that are held, the estimated disposal, collection, and transport expenses are posted.

## **(4) Accounting method for retirement benefits**

### (1) Period allocation method for the projected retirement benefit obligation

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year using the benefit calculation method.

### (2) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized pro rata in the fiscal years following the year in which the difference occurs by the straight-line method over the specified number of years (15 years) within the average remaining years of service of the employees.

### (3) Application of the simplified method for small businesses

For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the fiscal year are recorded as retirement benefit obligations.

## **(5) Criteria for posting significant revenues and expenses**

Criteria for posting net sales of completed construction contracts and cost of sales of completed construction contracts

The percentage-of-completion method (the percentage of completion is determined using the ratio of cost incurred to the estimated total cost) is applied for the portion of progress at the end of the current fiscal year for construction works in which the outcome is certain. Otherwise, the completed-contract method shall be applied.

## **(6) Accounting method for significant hedges**

### (1) Hedge accounting method

Special treatment is applied for interest rate swaps as certain requirements are fulfilled.

### (2) Hedging instruments and hedged items

Hedging instruments and hedged items for which hedge accounting was applied for during the current fiscal year are as follows.

Hedging instruments: interest rate swaps

Hedged items: loans payable

### (3) Hedging policy

Hedged items are identified by transaction for assets or liabilities, and the hedged items and hedging instruments that are identified are associated and separately managed based on hedge designation at the time of the hedged transaction.

### (4) Assessment of hedge effectiveness

The effectiveness of hedges is assessed by comparing the cumulative change of cash flows or fair value of both hedging instruments and corresponding hedged items. However, the assessment of effectiveness is not conducted for interest rate swaps for which special treatment is applied.

### (7) Amortization method and amortization period for goodwill

Goodwill is amortized over five years from the fiscal year of occurrence by the straight-line method.

### (8) Scope of funds contained within the consolidated statement of cash flows

Cash on hand, deposits that can be withdrawn at any time and easily be converted to cash, and short term investments that have maturities within three months of acquisition that are exposed to only a minimal price fluctuation risk are posted.

### (9) Other material items relating to the preparation of the consolidated financial statements

Accounting for consumption taxes

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes. However, non-deductible consumption taxes related to assets are reported as expenses for the fiscal year in which they are incurred.

### (Accounting standards not yet applied)

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018)
- Implementation guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

#### (1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 is applied from fiscal years starting on or after January 1, 2018 and that Topic 606 is applied from fiscal years starting after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is setting accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to add alternative accounting treatments without impairing comparability if there are items to be taken into account regarding business practices, etc. that are common in Japan.

#### (2) Scheduled application date

Application is scheduled for the beginning of year ending March, 2022.

#### (3) Impact of the application of this accounting standard

The impact of the application of the Accounting Standard for Revenue Recognition on the consolidated financial statements is currently being evaluated.

## (Notes to consolidated balance sheets)

### \*1. Pledged assets and secured liabilities

Pledged assets and secured liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Current deposit	¥ 687	¥ 442	\$ 4,160
Property, plant and equipment			
Buildings and structures	7,212	6,864	64,613
Machinery, equipment and vehicles	12,327	11,840	111,451
Land	4,426	4,024	37,881
Other	233	232	2,188
Total assets secured by such collateral	¥24,886	¥23,404	\$220,295

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Accounts payable trade	¥ 880	¥ 676	\$ 6,367
Short-term loans payable	502	360	3,388
Current portion of long-term loans payable	529	541	5,101
Long-term loans payable	4,369	3,830	36,055
Total obligation secured by such collateral	¥6,280	¥5,408	\$50,912

### \*2. Items related to non-consolidated subsidiaries and affiliates are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Investment securities (stocks)	¥3,549	¥3,759	\$35,382

### \*3. Reduction entry

#### Previous fiscal year (March 31, 2017)

The reduction entry amounts corresponding to national subsidiaries were ¥528 million for buildings and structures, ¥4,416 million for machinery, equipment and vehicles, ¥310 million for land, ¥5 million for other tangible fixed assets, and ¥0 million for other intangible fixed assets. These reduction entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheet.

#### Current fiscal year (March 31, 2018)

The reduction entry amounts corresponding to national subsidiaries were ¥528 million (4,977 thousand U.S. dollars) for buildings and structures, ¥4,418 million (41,590 thousand U.S. dollars) for machinery, equipment and vehicles, ¥280 million (2,639 thousand U.S. dollars) for land, ¥4 million (41 thousand U.S. dollars) for other tangible fixed assets, and ¥0 million (7 thousand U.S. dollars) for other intangible fixed assets. These reduction entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheets.

#### \*4. Contingent liabilities

Guarantee obligations on bank loans, etc. are as follows.

(1) Guarantee obligations on bank loans (including re-guarantees)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
K. Wah Construction Materials Ltd.	¥1,289	¥ 799	\$ 7,524
Others (1 company)	356	637	6,000
Total	¥1,646	¥1,436	\$13,525

(2) Guarantee obligations on product purchase obligations from a ready-made concrete co-operative

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (ended March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Tsukamoto Kenzai Co., Ltd.	¥18		
Others (3 companies)	20		
Total	¥39		

	Millions of yen		Thousands of U.S. dollars
	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Nohara Holdings, Inc.	¥57		\$542
Others (2 companies)	32		309
Total	¥90		\$851

#### \*5 Notes maturing on the fiscal year end date

Notes receivable and payable that matured on the fiscal year end date were treated as if settlement had occurred on the maturity date.

Because the fiscal year end date for the fiscal year ended March 31, 2018 was a financial institution holiday, the following notes were treated as if settlement had occurred on the maturity date.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Notes receivable	—	¥3,651	\$34,372
Notes payable	—	1,389	13,080
Equipment-related notes payable	—	6	58

#### (Notes to consolidated statements of income)

The main components of selling, general and administrative expenses are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Sales costs	¥10,540	¥10,729	\$100,989
Allowances and bonuses	8,028	7,977	75,088
Transfer to provision for bonuses	1,084	1,046	9,846
Retirement benefit expenses	591	510	4,804
Transfer to provision for retirement benefits for officers	41	39	376
R&D expenses	2,969	2,976	28,020

#### \*2. R&D expenses included in general and administrative expenses

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
	¥2,969	¥2,976	\$28,020

#### \*3. Main gains on sales of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Land	¥503	¥165	\$1,559
Buildings and structures	273	0	0
Machinery, equipment and vehicles	115	190	1,796

#### \*4. Main losses on retirement of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Buildings and structures	¥ 41	¥ 45	\$ 428
Machinery, equipment and vehicles	21	252	2,373
Machinery, equipment and vehicles removal costs	636	646	6,089

#### \*5. Main losses on sales of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Land	¥1	¥1	\$15
Buildings and structures	0	5	49

#### \*6. Impairment loss

Based on the categories of business assets and idle assets, the Group groups its business assets based on the smallest segments used in management accounting and groups idle assets individually.

Business assets that are rental properties for the real estate business are grouped based on the corresponding property unit.

Previous fiscal year (April 1, 2016 to March 31, 2017)

For the fiscal year ended March 31, 2017

This information is omitted as it lacks materiality.

Current fiscal year (April 1, 2017 to March 31, 2018)

For idle assets and assets for the ready-mix concrete production business held by the Group with a recoverable amount lower than the carrying amount, the carrying amount has been reduced to the recoverable amount, and this reduction has been recorded under extraordinary loss as an impairment loss (¥124 million [1,171 thousand U.S. dollars]).

A breakdown of impairment losses is as follows.

Application	Location	Type	Impairment loss (millions of yen)	Impairment loss (thousands of U.S. dollars)
Idle assets	Matsusaka City, Mie Prefecture, etc.	Land and quarry sites	22	211
Assets for the ready-mix concrete production business	Osaka City, Osaka	Land, machinery, and equipment, etc.	102	960

#### \*Breakdown of impairment losses for each type

Application	Breakdown (millions of yen)	Breakdown (thousands of U.S. dollars)
Idle assets	Land 18, quarry sites 3 Total 22	Land 176, quarry sites 34 Total 211
Assets for the ready-mix concrete production business	Land 94, machinery and equipment 4, buildings 1, structures 1, other 0 Total 102	Land 886, machinery and equipment 38, buildings 11, structures 16, other 6 Total 960

Recoverable amounts are measured using respective net selling prices.

Net selling prices for land are assessed based on real estate appraisal valuations, and reasonable estimates are made for other fixed assets.

## (Notes to consolidated statements of comprehensive income)

\*Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Valuation difference on available-for-sale securities:			
Amount incurred during the current fiscal year	¥ 9,095	¥(3,500)	\$(32,947)
Reclassification adjustments	(566)	(206)	(1,944)
Before adjustment for tax effects	8,529	(3,706)	(34,891)
Tax effects	(2,644)	1,149	10,817
Valuation difference on available-for-sale securities	5,885	(2,557)	(24,074)
Foreign currency translation adjustments:			
Amount incurred during the current fiscal year	(87)	170	1,607
Remeasurements of defined benefit plans:			
Amount incurred during the current fiscal year	85	141	1,329
Reclassification adjustments	261	212	2,000
Before adjustment for tax effects	346	353	3,329
Tax effects	(107)	(109)	(1,032)
Remeasurements of defined benefit plans	239	244	2,297
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount incurred during the current fiscal year	1	0	5
Total other comprehensive income	¥ 6,038	¥(2,142)	\$(20,163)

## (Notes to consolidated statements of changes in net assets)

Previous fiscal year (April 1, 2016 to March 31, 2017)

### 1. Type and total number of outstanding shares and treasury shares

	Number of shares at beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the fiscal year (thousands of shares)	Number of shares at the end of the fiscal year (thousands of shares)
Outstanding shares				
Common stock	417,432	–	–	417,432
Total	417,432	–	–	417,432
Treasury stock				
Common stock (note)	11,483	65	0	11,548
Total	11,483	65	0	11,548

(Note) A breakdown of increases and decreases in common stock held as treasury stock is as follows.  
Increase due to the acquisition of shares in amounts of less than one trading unit: 65 thousand shares  
Decrease due to sales of shares in amounts of less than one trading unit: 0 thousand shares

### 2. Information on dividends

#### (1) Amount of dividends paid

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2016	Common stock	1,623	4.0	March 31, 2016	June 30, 2016
Board of Directors Meeting held on November 5, 2016	Common stock	2,029	5.0	September 30, 2016	December 2, 2016

#### (2) Dividends with the cut-off date in the year ended March 31, 2017 and the effective date in the year ended March 31, 2018

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary general meeting of shareholders held on June 29, 2017	Common stock	2,029	Retained earnings	5.0	March 31, 2017	June 30, 2017

Current fiscal year (April 1, 2017 to March 31, 2018)

### 1. Type and total number of outstanding shares and treasury shares

	Number of shares at beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the fiscal year (thousands of shares)	Number of shares at the end of the fiscal year (thousands of shares)
Outstanding shares				
Common stock	417,432	–	–	417,432
Total	417,432	–	–	417,432
Treasury stock				
Common stock (note)	11,548	79	1	11,626
Total	11,548	79	1	11,626

(Note) A breakdown of increases and decreases in common stock held as treasury stock is as follows.  
Increase due to the acquisition of shares in amounts of less than one trading unit: 79 thousand shares  
Decrease due to sales of shares in amounts of less than one trading unit: 1 thousand shares

### 2. Information on dividends

#### (1) Amount of dividends paid

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	2,029	5.0	March 31, 2017	June 30, 2017
Board of Directors Meeting held on November 7, 2017	Common stock	2,232	5.5	September 30, 2017	December 1, 2017

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	19,102	0.047	March 31, 2017	June 30, 2017
Board of Directors Meeting held on November 7, 2017	Common stock	21,011	0.052	September 30, 2017	December 1, 2017

(2) Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year ending March 31, 2019

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	2,231	Retained earnings	5.5	March 31, 2018	June 29, 2018

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Source of dividends	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	21,008	Retained earnings	0.052	March 31, 2018	June 29, 2018

## (Notes to consolidated statements of cash flows)

\*Relationship between cash and cash equivalents at end of the fiscal year and the carrying amount on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Ending balance of cash and deposits	¥26,828	<b>¥22,204</b>	<b>\$209,004</b>
Time deposits with a maturity of over three months	(156)	<b>(132)</b>	<b>(1,248)</b>
Ending balance of cash and cash equivalents	¥26,672	<b>¥22,072</b>	<b>\$207,756</b>

## (Lease transactions)

### 1. Finance lease transactions (lessee)

Finance lease transactions that do not transfer ownership

#### (1) Leased assets

Property, plant and equipment

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

#### (2) Leased asset depreciation method

The depreciation methods of leased assets used for the preparation of the consolidated financial statements are as described under "4. Matters concerning accounting policies (2) Depreciation method of significant depreciable assets".

### 2. Operating lease transactions

Future lease payments for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Within one year	¥142	<b>¥ 93</b>	<b>\$ 883</b>
Over 1 year	159	<b>123</b>	<b>1,164</b>
Total	¥301	<b>¥217</b>	<b>\$2,047</b>

## (Financial instruments)

Previous fiscal year (March 31, 2017)

### 1. Matters concerning the status of financial instruments

#### (1) Policies for financial instruments

The Group procures necessary funds primarily through bank loans and the issuance of bonds in accordance with capital

expenditure plans and financial plans mainly to engage in the business of producing and selling cement. Temporary surpluses are invested in low-risk financial instruments and bank loans provide short-term working capital. It is the Group's policy to use derivatives as a way to avoid the below-stated risks and to not engage in trading or speculative transactions.

#### (2) Types and risks of financial instruments and risk management

Trade receivables, such as notes and accounts receivable, are subject to credit risk in relation to customers. In accordance with its internal policies for managing such risk, the Company has established a system that manages the due dates and outstanding balances by each customer. Securities and investment securities are composed of mainly stocks associated with business and capital alliances, and are subject to market risk.

Trade payables, such as notes and accounts payable, usually have a payment due dates within one year. Furthermore, a certain portion of such payables are denominated in a foreign currency, associated with the import of raw materials, thus subject to exchange rate fluctuation risk. However, such risks are minor. Loans, bonds and lease obligations related to finance lease transactions are taken out principally for the purpose of making capital investments. Such obligations' redemption dates are a maximum of 14 years from the balance sheet date. A certain portion of said liabilities have variable interest rates and are subject to interest rate fluctuation risk. However, to hedge such risks, the interest rates are fixed through the use of derivative transactions (interest rate swap transactions). Evaluation of the effectiveness of derivatives is omitted since all of the interest rate swap transactions meet the specific matching criteria.

Derivative transactions are entered into and managed in accordance with internal policies, which determine the authority to undertake such transactions. To minimize credit risk, derivative transactions are entered into only with highly rated financial institutions.

Furthermore, while trade payables and loans are subject to liquidity risk, the Group manages such risks by preparing monthly cash flow plans for each company.

#### (3) Supplemental explanation of the estimated fair value of financial instruments

The values of contracts related to derivative transactions as stated in "2. Estimated fair value of financial instruments" do not by themselves indicate the market risk associated with the respective derivative transactions.

#### 2. Estimated fair value of financial instruments

Consolidated balance sheet amounts, estimated fair values and their differences as of March 31, 2017 are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

	Millions of yen		
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	¥26,828	¥26,828	¥-
(2) Notes and accounts receivable—trade	48,877	48,877	-
(3) Securities and investment securities Available-for-sale securities	56,953	56,953	-
(4) Short-term loans receivable	194	194	-
(5) Long-term loans receivable	56	61	5
Total assets	132,911	132,916	5
(1) Notes and accounts payable—trade	28,650	28,650	-
(2) Short-term loans payable	21,898	21,898	-
(3) Bonds payable	10,000	10,008	8
(4) Long-term loans payable	32,319	32,601	282
Total liabilities	92,868	93,159	290
Derivative transactions	-	-	-
Total derivative transactions	¥ -	¥ -	¥ -

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

#### Assets

- (1) Cash and deposits, (2) notes and accounts receivable trade and (4) short-term loans receivable  
Since these items are settled in the short-term, their market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.
- (3) Securities and investment securities  
The fair value of such securities is based on quoted market prices. Please refer to "Securities", of these notes to the consolidated financial statements for information on securities classified by holding purpose.
- (5) Long-term loans receivable  
Long-term loans receivable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds.

#### Liabilities

- (1) Notes and accounts payable—trade and (2) short-term loans payable  
Since these items are settled in the short-term, their fair value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.
- (3) Bonds payable  
The fair value of bonds issued by the Company is based on the quoted market price.
- (4) Long-term loans payable  
Long-term loans payable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds. Long-term loans payable with floating rate interest are subject to special treatment with interest rate swaps (refer to "Derivative transactions" below), the total of principal and interest that is treated together with the hedged long-term loan is discounted by the interest rate reasonably expected to be applied for a similar type of loan.

#### Derivative transactions

Refer to "Derivative transactions related" of these notes.

(Note 2) Financial instruments for which fair value is extremely difficult to determine

Classification	Millions of yen	
	Consolidated balance sheet amounts	
Unlisted securities (*1)		¥1,778
Long-term loans receivable (*2)		2,815

(\*1) Unlisted securities have no available market price and the estimation of future cash flows is expected to entail excessive costs. Consequently, their market value is recognized as extremely difficult to estimate and, unlisted securities are not included in "Assets (3) Securities and investment securities".

The Group recognized an impairment loss of 11 million yen on unlisted shares during the current fiscal year.

(\*2) Certain long-term loans receivable are not included in "Assets (5) Long-term loans receivable" because future cash flows cannot be estimated reliably and their market value is recognized as extremely difficult to estimate.

(Note 3) Redemption schedule for receivables and redeemable securities with future redemption dates

	Millions of yen			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥26,804	¥-	¥-	¥-
Notes and accounts receivable—trade	48,877	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	194	-	-	-
Long-term loans receivable	1	3	52	-
Total	¥75,877	¥3	¥52	-

(Note 4) Redemption schedule for bonds and long-term loans payable with future redemption dates

	Millions of yen					
	Within one year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	¥21,898	¥-	¥-	¥-	¥-	¥-
Bonds payable	-	-	5,000	-	-	5,000
Long-term loans payable	7,352	6,121	7,984	3,564	2,893	4,403
Total	¥29,251	¥6,121	¥12,984	¥3,564	¥2,893	¥9,403

Current fiscal year (March 31, 2018)

## 1. Matters concerning the status of financial instruments

### (1) Policies for financial instruments

The Group procures necessary funds primarily through bank loans and the issuance of bonds in accordance with capital expenditure plans and financial plans mainly to engage in the business of producing and selling cement. Temporary surpluses are invested in low-risk financial instruments and bank loans provide short-term working capital. It is the Group's policy to use derivatives as a way to avoid the below-stated risks and to not engage in trading or speculative transactions.

### (2) Types and risks of financial instruments and risk management

Trade receivables, such as notes and accounts receivable, are subject to credit risk in relation to customers. In accordance with its internal policies for managing such risk, the Company has established a system that manages the due dates and outstanding balances by each customer. Securities and investment securities are composed of mainly stocks associated with business and capital alliances, and are subject to market risk.

Trade payables, such as notes and accounts payable, usually have a payment due date within one year. Furthermore, a certain portion of such payables is denominated in foreign currencies, associated with the import of raw materials, and is thus subject to exchange rate fluctuation risk. However, such risks are minor. Loans, bonds and lease obligations related to finance lease transactions are taken out principally for the purpose of making capital investments. Such obligations' redemption dates are a maximum of 15 years from the balance sheet date. However, to hedge such risks, the interest rates are fixed through the use of derivative transactions (interest rate swap transactions). Evaluation of the effectiveness of hedges is omitted since all of the interest rate swap transactions meet the specific matching criteria.

Derivative transactions are entered into and managed in accordance with internal policies, which determine the authority to undertake such transactions. To minimize credit risk, derivative transactions are entered into only with highly rated financial institutions.

Furthermore, while trade payables and loans are subject to liquidity risk, the Group manages such risks by preparing monthly cash flow plans for each company.

### (3) Supplemental explanation of the estimated fair value of financial instruments

The values of contracts related to derivative transactions as stated in "2. Estimated fair value of financial instruments" do not by themselves indicate the market risk associated with the respective derivative transactions.

## 2. Estimated fair value of financial instruments

Consolidated balance sheet amounts, estimated fair values and their differences as of March 31, 2018 are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

Millions of yen			
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	¥ 22,204	¥ 22,204	¥ -
(2) Notes and accounts receivable—trade	52,595	52,595	-
(3) Securities and investment securities Available-for-sale securities	53,243	53,243	-
(4) Short-term loans receivable	182	182	-
(5) Long-term loans receivable	53	57	4
Total assets	¥128,279	¥128,283	¥ 4
(1) Notes and accounts payable—trade	29,615	29,615	-
(2) Short-term loans payable	21,326	21,326	-
(3) Bonds payable	10,000	10,017	17
(4) Long-term loans payable	30,481	30,671	190
Total liabilities	¥ 91,424	¥ 91,631	¥207
Derivative transactions	-	-	-
Total derivative transactions	¥ -	¥ -	¥ -

Thousands of U.S. dollars			
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	\$ 209,004	\$ 209,004	\$ 0
(2) Notes and accounts receivable—trade	495,062	495,062	0
(3) Securities and investment securities Available-for-sale securities	501,166	501,166	0
(4) Short-term loans receivable	1,714	1,714	0
(5) Long-term loans receivable	501	539	(38)
Total assets	\$1,207,449	\$1,207,487	\$ (38)
(1) Notes and accounts payable—trade	278,764	278,764	0
(2) Short-term loans payable	200,742	200,742	0
(3) Bonds payable	94,126	94,286	(160)
(4) Long-term loans payable	286,912	288,704	(1,792)
Total liabilities	\$ 860,545	\$ 862,497	(1,952)
Derivative transactions	-	-	-
Total derivative transactions	\$ -	\$ -	\$ -

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

## Assets

(1) Cash and deposits, (2) notes and accounts receivable trade and (4) short-term loans receivable

Since these items are settled in the short-term, their fair value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.

(3) Securities and investment securities

The fair value of such securities is based on quoted market prices. Please refer to "Securities" of these notes to the consolidated financial statements for information on securities classified by holding purpose.

(5) Long-term loans receivable

Long-term loans receivable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds.

## Liabilities

(1) Notes and accounts payable—trade and (2) short-term loans payable

Since these items are settled in the short-term, their fair market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.

(3) Bonds payable

The fair value of bonds issued by the Company is based on the quoted fair price.

(4) Long-term loans payable

Long-term loans payable are classified by remaining length of time to maturity. The fair values are estimated based on the present value of future cash flows discounted by the contracted rates as adjusted considering the rate for Japanese government issued bonds. Long-term loans payable with floating rate interest are subject to special treatment with interest rate swaps (refer to "Derivative transactions" below), the total of principal and interest that is treated together with the hedged long-term loan is discounted by the interest reasonably expected to be applied for a similar type of loan.

## Derivative transactions

Refer to "Derivative transactions" of these notes.

(Note 2) Financial instruments for which fair value is extremely difficult to determine

Classification	Millions of yen	Thousands of U.S. dollars
	Consolidated balance sheet amounts	Consolidated balance sheet amounts
Unlisted securities <sup>(*)</sup>	¥1,784	\$16,798
Long-term loans receivable <sup>(**)</sup>	2,639	24,841

(\*) Unlisted securities have no available market price and the estimation of future cash flows is expected to entail excessive costs. Consequently, their fair value is recognized as extremely difficult to estimate and, unlisted securities are not included in "Assets (3) Securities and investment securities".

The Group recognized an impairment loss of 11 million yen on unlisted shares during the previous fiscal year.

(\*\*) Certain long-term loans receivable are not included in "Assets (5) Long-term loans receivable" because future cash flows cannot be estimated reliably and their fair value is recognized as extremely difficult to estimate.

(Note 3) Redemption schedule for receivables and redeemable securities with future redemption dates

	Millions of yen			
	Within 1 year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥22,180	¥-	¥-	¥-
Notes and accounts receivable—trade	52,595	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	182	-	-	-
Long-term loans receivable	0	6	45	-
Total	¥74,959	¥6	¥45	¥-

	Thousands of U.S. dollars			
	Within 1 year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	\$208,780	\$-	\$-	\$-
Notes and accounts receivable—trade	495,062	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	1,714	-	-	-
Long-term loans receivable	8	60	432	-
Total	\$705,565	\$60	\$432	\$-

(Note 4) Redemption schedule for bonds and long-term loans payable with future redemption dates

	Millions of yen					
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	¥21,326	¥-	¥-	¥-	¥-	¥-
Bonds payable	-	5,000	-	-	-	5,000
Long-term loans payable	6,503	8,986	4,344	3,508	2,116	5,021
Total	¥27,830	¥13,986	¥4,344	¥3,508	¥2,116	¥10,021

	Thousands of U.S. dollars					
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	\$200,742	\$-	\$-	\$-	\$-	\$-
Bonds payable	-	47,063	0	0	-	47,063
Long-term loans payable	61,216	84,583	40,897	33,027	19,919	47,269
Total	\$261,959	\$131,647	\$40,897	\$33,027	\$19,919	\$94,333

**(Securities)****1. Available-for-sale securities**

Previous fiscal year (March 31, 2017)

		Millions of yen		
Type	Consolidated balance sheet amounts	Acquisition cost	Difference	
(1) Stocks	¥56,943	¥11,881	¥45,062	
(2) Bonds				
Acquisition cost exceeds carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	56,943	11,881	45,062	
(1) Stocks	10	10	(0)	
(2) Bonds				
Acquisition cost does not exceed carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	10	10	(0)	
Total	¥56,953	¥11,892	¥45,061	

Current fiscal year (March 31, 2018)

		Millions of yen		
Type	Consolidated balance sheet amounts	Acquisition cost	Difference	
(1) Stocks	¥53,234	¥11,858	¥41,375	
(2) Bonds				
Acquisition cost exceeds carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	53,234	11,858	41,375	
(1) Stocks	9	11	(1)	
(2) Bonds				
Acquisition cost does not exceed carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	9	11	(1)	
Total	¥53,243	¥11,870	¥41,373	

		Thousands of U.S. dollars		
Type	Consolidated balance sheet amounts	Acquisition cost	Difference	
(1) Stocks	\$501,074	\$111,621	\$389,453	
(2) Bonds				
Acquisition cost exceeds carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	501,074	111,621	389,453	
(1) Stocks	91	108	(16)	
(2) Bonds				
Acquisition cost does not exceed carrying amount on the consolidated balance sheet				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	91	108	(16)	
Total	\$501,166	\$111,729	\$389,436	

**2. Sales of available-for-sale securities**

Previous fiscal year (April 1, 2016 to March 31, 2017)

		Millions of yen		
Type	Proceeds from sales	Total gains on sales	Total losses on sales	
(1) Stocks	¥1,420	¥566	¥-	
(2) Bonds				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Total	¥1,420	¥566	¥-	

Current fiscal year (April 1, 2017 to March 31, 2018)

		Millions of yen		
Type	Proceeds from sales	Total gains on sales	Total losses on sales	
(1) Stocks	¥237	¥206	¥-	
(2) Bonds				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Total	¥237	¥206	¥-	

		Thousands of U.S. dollars		
Type	Proceeds from sales	Total gains on sales	Total losses on sales	
(1) Stocks	\$2,234	\$1,944	\$-	
(2) Bonds				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Total	\$2,234	\$1,944	\$-	

**(Derivative transactions)****1. Derivative transactions not subject to hedge accounting**

None.

**2. Derivative transactions subject to hedge accounting**

Interest rate related

Previous fiscal year (March 31, 2017)

		Millions of yen			
Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions Pay fixed; receive floating	Long-term loans payable	¥11,771	¥8,371	(Note)

(Note) Because the special treatment of interest rate swaps is treated together with the hedged long-term loans payable, the market value is stated within the market value of the relevant long-term loans payable.

Current fiscal year (March 31, 2018)

		Millions of yen			
Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions Pay fixed; receive floating	Long-term loans payable	¥9,151	¥6,521	(Note)

Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Thousands of U.S. dollars	
				Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions	Long-term loans payable	\$86,135	\$61,380	(Note)

(Note) Because the special treatment of interest rate swaps is treated together with the hedged long-term loans payable, the fair value is stated within the fair value of the relevant long-term loans payable.

## (Retirement benefits)

### 1. Outline of retirement benefits system

In order to pay employee retirement benefits, the Company and its domestic consolidated subsidiaries have funded and unfunded defined benefit and defined contribution retirement plans.

For the defined benefit and retirement lump-sum payment plans of certain domestic consolidated subsidiaries the net retirement benefit liability and benefit cost are calculated using the simplified method.

### 2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of projected benefit obligation (excluding plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Beginning balance of projected benefit obligation	¥13,916	<b>¥13,761</b>	<b>\$129,533</b>
Service cost	773	<b>735</b>	<b>6,919</b>
Interest cost	27	<b>54</b>	<b>513</b>
Actuarial gains and losses	(166)	<b>185</b>	<b>1,744</b>
Payment of retirements benefits	(789)	<b>(698)</b>	<b>(6,573)</b>
Ending balance of projected benefit obligation	¥13,761	<b>¥14,038</b>	<b>\$132,137</b>

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Beginning balance of pension assets	¥11,642	<b>¥11,612</b>	<b>\$109,306</b>
Expected return on pension assets	232	<b>232</b>	<b>2,186</b>
Actuarial gains and losses	(80)	<b>326</b>	<b>3,073</b>
Employer contribution	595	<b>588</b>	<b>5,535</b>
Payment of retirements benefits	(777)	<b>(690)</b>	<b>(6,501)</b>
Ending balance of pension assets	¥11,612	<b>¥12,068</b>	<b>\$113,600</b>

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Beginning balance of net defined benefit liability	¥ 481	<b>¥ 492</b>	<b>\$4,632</b>
Retirement benefit expenses	207	<b>139</b>	<b>1,310</b>
Retirement benefit payment amount	(105)	<b>(82)</b>	<b>(780)</b>
Contributions to the plan	(93)	<b>(94)</b>	<b>(889)</b>
Other	2	<b>(4)</b>	<b>(40)</b>
Ending balance of net defined benefit liability	¥ 492	<b>¥ 449</b>	<b>\$4,232</b>

(4) Reconciliation of projected benefit obligations and pension assets at end of year with net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Projected benefit obligation of funded plan	¥ 14,848	<b>¥ 15,178</b>	<b>\$ 142,866</b>
Pension assets	(13,148)	<b>(13,714)</b>	<b>(129,085)</b>
	1,700	<b>1,464</b>	<b>13,780</b>
Projected benefit obligation of unfunded plan	940	<b>955</b>	<b>8,989</b>
Net amount of liabilities and assets on the consolidated balance sheet	2,641	<b>2,419</b>	<b>22,769</b>
Net defined benefit liability	2,987	<b>2,819</b>	<b>26,543</b>
Net defined benefit asset	(346)	<b>(400)</b>	<b>(3,773)</b>
Net amount of liabilities and assets on the consolidated balance sheet	¥ 2,641	<b>¥ 2,419</b>	<b>\$ 22,769</b>

(5) Breakdown of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Service cost	¥ 773	<b>¥ 735</b>	<b>\$ 6,919</b>
Interest cost	27	<b>54</b>	<b>513</b>
Expected return on pension assets	(232)	<b>(232)</b>	<b>(2,186)</b>
Amortization of actuarial loss	261	<b>212</b>	<b>2,000</b>
Retirement benefit cost calculated using simplified method	207	<b>139</b>	<b>1,310</b>
Retirement benefit cost of defined benefit pension	¥1,036	<b>¥ 909</b>	<b>\$ 8,557</b>

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before tax effects) are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Actuarial gains and losses	¥346	<b>¥353</b>	<b>\$3,329</b>
Total	¥346	<b>¥353</b>	<b>\$3,329</b>

## (7) Cumulative remeasurements of defined benefit plans

Components of cumulative remeasurements of defined benefit plans (before tax effects) are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Unrecognized actuarial loss/gain	¥623	<b>¥269</b>	<b>\$2,540</b>
Total	¥623	<b>¥269</b>	<b>\$2,540</b>

## (8) Matters concerning pension assets

## (1) Breakdown of main pension assets

The ratio of the main types of pension assets to total pension assets is as follows.

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
Bonds	53%	<b>48%</b>
Stocks	25%	<b>32%</b>
General accounts	17%	<b>16%</b>
Other	5%	<b>4%</b>
Total	100%	<b>100%</b>

## (2) Method for determining the expected long-term investment return

In determining the expected long-term investment return for pension assets, estimates are made in consideration of the current and expected distributions of pension assets, and the current and expected long-term return rate from the various assets that compose the pension assets.

## (9) Matters concerning actuarial assumptions

Principal actuarial assumptions

	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)
Discount rate	0.2%	<b>0.4%</b>
Expected long-term investment return	2.0%	<b>2.0%</b>
Expected rates of salary increases	3.4% to 5.4%	<b>2.8% to 5.5%</b>

**(Stock options)**

Not applicable.

**(Income tax accounting)****1. Significant components of deferred income tax assets and liabilities**

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Deferred tax assets			
Impairment loss	¥ 2,394	<b>¥ 2,194</b>	<b>\$ 20,652</b>
Tax loss carryforwards	1,477	<b>1,004</b>	<b>9,453</b>
Provision for bonuses	739	<b>734</b>	<b>6,913</b>
Unrealized holding gain	516	<b>538</b>	<b>5,072</b>
Net defined benefit liability	938	<b>883</b>	<b>8,312</b>
Accrued business tax	256	<b>220</b>	<b>2,076</b>
Allowance for doubtful receivables	42	<b>33</b>	<b>318</b>
Other	1,396	<b>1,315</b>	<b>12,383</b>
Subtotal for deferred tax assets	7,761	<b>6,924</b>	<b>65,182</b>
Valuation allowance	(4,193)	<b>(3,446)</b>	<b>(32,443)</b>
Total deferred tax assets	3,567	<b>3,478</b>	<b>32,739</b>
Deferred tax liabilities			
Valuation difference for available-for-sale securities	(13,978)	<b>(12,829)</b>	<b>(120,757)</b>
Liability reserves under the Act on Special Measures Concerning Taxation	(1,176)	<b>(1,117)</b>	<b>(10,516)</b>
Other	(638)	<b>(653)</b>	<b>(6,147)</b>
Total deferred tax liabilities	(15,792)	<b>(14,599)</b>	<b>(137,422)</b>
Deferred tax liabilities, net	¥(12,225)	<b>¥(11,121)</b>	<b>\$(104,683)</b>

(Note) Net deferred tax liabilities for the previous fiscal year and current fiscal year include the following items in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Current fiscal year (March 31, 2018)
Current assets - deferred tax assets	¥ 1,630	<b>¥ 1,500</b>	<b>\$ 14,126</b>
Noncurrent assets - deferred tax assets	695	<b>713</b>	<b>6,711</b>
Noncurrent liabilities - deferred tax liabilities	(14,549)	<b>(13,334)</b>	<b>(125,512)</b>

**2. Significant components of material differences between the statutory effective tax rate and the effective tax rate after the application of tax effect accounting**

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
Statutory effective tax rate	31.0%	<b>31.0%</b>
(Adjustment)		
Adjustments that are not temporary differences	0.3	<b>0.0</b>
Valuation allowance	(1.0)	<b>(4.7)</b>
Tax credit	(0.7)	<b>(0.8)</b>
Other	(0.8)	<b>(0.2)</b>
Effective tax rate after the application of tax effect accounting	28.8	<b>25.3</b>

**(Rental real estate)**

The Company and certain subsidiaries own rental distribution warehouses, rental office buildings (including the surrounding land), idle land, and other properties in Osaka Prefecture and other areas. During the previous fiscal year ended March 31, 2017, rental income from rental property assets was ¥956 million (rental revenue is recorded under sales and rental costs are recorded under cost of sales), net gains from sales of rental property amounted to ¥774 million (recorded under extraordinary gain) and impairment loss was ¥15 million (recorded under extraordinary loss). During the current fiscal year ended March 31, 2018, rental income from rental property assets was ¥1,032 million (US\$9,722 thousand) (rental income is recorded under sales and rental costs are recorded under cost of sales), net gains from sales of rental property amounted to ¥164 million (US\$1,545 thousand) (recorded under extraordinary gain), and impairment loss was ¥22 million (US\$211 thousand) (recorded under extraordinary loss).

The carrying amount of rental property, and changes in carrying amount and fair value are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2017 to March 31, 2018)
Consolidated balance sheet amounts			
Opening balance	¥23,015	<b>¥23,065</b>	<b>\$217,104</b>
Change during the fiscal year	50	<b>128</b>	<b>1,213</b>
Closing balance	23,065	<b>23,194</b>	<b>218,317</b>
Fair value at the end of the fiscal year	¥31,352	<b>¥31,388</b>	<b>\$295,448</b>

(Notes) 1. Consolidated balance sheet amounts exclude accumulated depreciation and amortization as well as accumulated impairment loss from acquisition costs.  
2. The market value (which includes adjustments using relevant indices) is calculated using the standard for real estate appraisal for significant assets, and estimated based on the value calculated for property tax for other assets.

## (Segment information)

### Segment information

I Previous fiscal year (April 1, 2016 to March 31, 2017)

#### 1. Overview of reporting segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company's reportable segments are composed of products and services based on the Cement segment and departments. The Company's seven reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, Battery Materials and Others.

#### 2. Calculation method for net sales, profit or loss, assets, liabilities, and other amounts for each reportable segment

The accounting methods for the reportable segments are, in general, the same as those described in the "Basis of preparation of consolidated financial statements".

Segment profit (loss) is based on operating income. Intersegment profits and transfers are based on prevailing market prices.

#### 3. Information on net sales, profit or loss, assets, liabilities, and other items by reporting segment

	Reporting segments							Total	Note 1 Eliminations and adjustments	Note 2 Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥180,326	¥12,019	¥19,475	¥8,981	¥5,709	¥2,439	¥ 5,111	¥234,062	¥ -	¥234,062
(2) Intersegment sales or transfers	3,468	3,747	2,363	-	-	-	4,554	14,134	(14,134)	-
Total	183,794	15,766	21,839	8,981	5,709	2,439	9,666	248,196	(14,134)	234,062
Segment profit (or loss)	14,606	2,290	1,360	1,364	664	84	1,162	21,533	(2)	21,530
Segment assets	221,963	31,626	14,212	8,952	6,225	6,622	25,939	315,542	21,248	336,790
Other items										
Depreciation expense	12,797	1,741	500	798	370	221	618	17,047	(3)	17,043
Amortization of goodwill	(1)	-	-	5	-	-	-	4	-	4
Increase in property, plant and equipment and intangible assets	¥ 14,719	¥ 1,992	¥ 343	¥1,301	¥ 820	¥1,613	¥ 116	¥ 20,908	¥ -	¥20,908

Notes: 1. Eliminations and adjustments are described below.

(1) Eliminations and adjustments for segment profit and loss of (¥2 million) include elimination of inter-segment profit and loss.

(2) Eliminations and adjustments for segment assets of ¥21,248 million include ¥36,333 million of corporate assets, which are not allocable to a reportable segment, and (¥15,084 million) of elimination of inter-segment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions.

(3) Eliminations and adjustments for depreciation and amortization of (¥3 million) include ¥9 million of depreciation and amortization for corporate assets and (¥13 million) of elimination of inter-segment profit and loss.

2. Segment profit (or loss) has been adjusted to the operating income reported in the consolidated statements of income.

## II. Current fiscal year (April 1, 2017 to March 31, 2018)

#### 1. Overview of reporting segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company's reportable segments are composed of products and services based on the Cement segment and departments. The Company's seven reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, Battery Materials, and Others.

Main products for each reportable segment are as follows:

Reporting segments	Main products
Cement	Assorted cement, ready-mix concrete, cement-related solidification materials, supply of electrical power, and recycling of raw materials and fuel
Mineral Resources	Limestone and mineral products
Cement-Related Products	Repairing and reinforcing products for concrete structures, and secondary products of concrete
Optoelectronics	Optical communications devices and components, and optical measurement equipment
Advanced Materials	Ceramic products, plasma display panels (PDPs) filters, and nanoparticle materials
Battery Materials	Rechargeable battery cathode materials
Other	Leasing of real estate, engineering, development of software, and secondary cell materials

Main products for each reportable segment are as follows:

Reporting segments	Main products
Cement	Assorted cement, cement-related solidification materials, ready-mix concrete, supply of electrical power, and recycling of raw materials and fuel
Mineral Resources	Limestone, dolomite, calcium carbonate, aggregate, and silica powder
Cement-Related Products	Repair and reinforcement of concrete structures (materials and construction), various admixture, heavy metal pollution control material, fish beds and seaweed beds, electrolytic protection methods, various foundation improvement work, PC (products, settings), and various hume concrete pipes
Optoelectronics	Optical communications devices and components, and optical measurement equipment
Advanced Materials	Various ceramic products, various nanoparticle materials, antibacterial agents, cosmetics, and various functional paints
Battery Materials	Rechargeable battery cathode materials
Other	Leasing of real estate, engineering, development of software, and secondary cell materials

## 2. Calculation method for net sales, profit or loss, assets, liabilities, and other amounts for each reportable segment

The accounting methods for the reportable segments are, in general, the same as those described in the "Basis of preparation of consolidated financial statements".

Segment profit (loss) is based on operating income. Intersegment profits and transfers are based on prevailing market prices.

## 3 Information on net sales, profit or loss, assets, liabilities, and other items by reporting segment

	Reporting segments							Millions of yen		
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Note 1 Adjustment amount	Note 2 Consolidated
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥188,160	¥12,266	¥19,981	¥7,656	¥8,063	¥2,751	¥ 5,944	¥244,826	¥ -	¥244,826
(2) Intersegment sales or transfers	3,871	4,069	2,782	-	-	-	5,778	16,501	(16,501)	-
Total	192,032	16,336	22,763	7,656	8,063	2,751	11,723	261,328	(16,501)	244,826
Segment profit (or loss)	12,328	2,253	1,484	(47)	1,434	50	1,579	19,083	(92)	18,990
Segment assets	220,015	31,675	16,918	9,630	8,378	6,611	25,572	318,801	22,179	340,980
Other items										
Depreciation expense	12,819	1,959	483	917	499	382	600	17,661	0	17,661
Amortization of goodwill	-	-	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	19,073	1,954	329	1,431	1,766	341	243	25,141	-	25,141

	Reporting segments							Thousands of U.S. dollars		
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Note 1 Adjustment amount	Note 2 Consolidated
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	\$1,771,089	\$115,462	\$188,080	\$72,070	\$75,903	\$25,901	\$ 55,957	\$2,304,465	\$ -	\$2,304,465
(2) Intersegment sales or transfers	36,443	38,307	26,187	-	-	-	54,387	155,326	(155,326)	-
Total	1,807,532	153,769	214,268	72,070	75,903	25,901	110,345	2,459,792	(155,326)	2,304,465
Segment profit (or loss)	116,039	21,211	13,977	(445)	13,499	474	14,865	179,622	(870)	178,751
Segment assets	2,070,924	298,147	159,250	90,649	78,861	62,227	240,702	3,000,762	208,765	3,209,528
Other items										
Depreciation expense	120,664	18,440	4,547	8,637	4,700	3,600	5,651	166,242	2	166,245
Amortization of goodwill	-	-	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	179,533	18,393	3,104	13,474	16,624	3,216	2,296	236,643	-	236,643

Notes: 1. Eliminations and adjustments are described below.

(1) Adjustments for segment profit or loss of ¥92 million (US\$870 thousand) include elimination of inter-segment profit and loss.

(2) Adjustments for segment assets of ¥22,179 million (US\$208,765 thousand) include ¥40,608 million (US\$382,233 thousand) of corporate assets, which are not allocable to a reportable segment, and (¥18,429 million) (US\$173,467 thousand) of elimination of inter-segment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions.

(3) Adjustments for depreciation and amortization of ¥0 million (US\$2 thousand) include ¥14 million (US\$139 thousand) of depreciation and amortization for corporate assets and (¥14 million) (US\$139 thousand) of elimination of inter-segment profit and loss.

2. Segment profit (or loss) has been adjusted to the operating income reported in the consolidated statements of income.

3. "Battery Materials" which had previously been included in "Others" has been reclassified as a reporting segment from the current fiscal year. This is a result of "Battery Materials" being newly positioned as a high-performance products business in addition to Optoelectronics and Advanced Materials under the Fiscal 2017-2019 Medium-term Management Plan starting from the current fiscal year. Note that the segment information for the previous fiscal year reflects this change in reporting segment classification.

**Related information**Previous fiscal year (April 1, 2016 to March 31, 2017)

## 1. Information by product and service

Because similar information is disclosed in segment information, this information is omitted.

## 2. Geographical information

*Net sales*

Because net sales in the Japan area constitute more than 90% of net sales stated in the consolidated statements of income, information regarding geographical areas is omitted.

*Property, plant and equipment*

Because property, plant and equipment located in Japan accounts for over 90% of the property, plant and equipment stated in the consolidated balance sheets, information regarding geographical areas is omitted.

Current fiscal year (April 1, 2017 to March 31, 2018)

## 1. Information by product and service

Because similar information is disclosed in segment information, this information is omitted.

## 2. Information by region

*Net sales*

Because net sales in the Japan area constitute more than 90% of net sales stated in the consolidated statements of income, information regarding geographical areas is omitted.

*Property, plant and equipment*

Because property, plant and equipment located in Japan accounts for over 90% of the property, plant and equipment stated in the consolidated balance sheets, information regarding geographical areas is omitted.

**[Impairment loss on fixed assets by reportable segment]**

Previous fiscal year (April 1, 2016 to March 31, 2017)

Because this information lacks materiality, this information is omitted.

Current fiscal year (April 1, 2017 to March 31, 2018)

	Reporting segments							Total	Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
	Impairment loss	¥104	¥2	¥-	¥-	¥-	¥-			

Millions of yen

Current fiscal year (April 1, 2017 to March 31, 2018)

	Reporting segments							Total	Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
	Impairment loss	\$981	\$24	\$-	\$-	\$-	\$-			

Thousands of U.S.dollars

Information relating to goodwill amortization and unamortized balance by reporting segment

Previous fiscal year (April 1, 2016 to March 31, 2017)

Because this information lacks materiality, this information is omitted.

Current fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

Information relating to gains incurred from negative goodwill by reporting segment

Previous fiscal year (April 1, 2016 to March 31, 2017)

Not applicable.

Current fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

**(Related party transaction information)**

Previous fiscal year (April 1, 2016 to March 31, 2017)

Not applicable.

Current fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

**(Per share information)**

Item	yen		U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Net assets per share	¥478.48	<b>¥498.81</b>	<b>\$4.695</b>
Profit per share	39.93	<b>36.12</b>	<b>0.340</b>

(Notes) 1. Diluted profit per share is not presented, since there is no dilutive stock.

2. The basis for the calculation of profit per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Profit attributable to owners of parent	¥16,210	<b>¥14,659</b>	<b>\$137,981</b>
Amount not attributed to common shareholders	-	-	-
Profit attributable to owners of parent related to common stock	16,210	<b>14,659</b>	<b>137,981</b>
Average outstanding shares during the fiscal year (shares)	405,918,499	<b>405,844,791</b>	

**(Significant subsequent events)**

- Change in number of shares constituting one trading unit and share consolidation

At the meeting of the Company's Board of Directors held on May 10, 2018, it was resolved to submit a proposal concerning a change in number of shares constituting one unit and a consolidation of shares to the 155th Ordinary General Meeting of Shareholders held on June 28, 2018, and this proposal was approved accordingly.

**1. Change in number of shares constituting one trading unit****(1) Reason for the change**

For the convenience of investors and other market participants, all Japanese securities exchanges are supporting the achievement of the Action Plan for Consolidating Trading Units by October 2018, under which the trading unit for common shares of domestically listed companies has been set at a uniform 100 shares. In light of the intent of this action plan as a company listed on the Tokyo Stock Exchange, the Company has proposed reducing the number of shares constituting one trading unit from 1,000 to 100 as of October 1, 2018.

**(2) Details of the change**

The number of shares constituting one trading unit will be changed from 1,000 to 100.

**2. Share consolidation****(1) Objective of share consolidation**

As stated in Item 1 above, along with the change in the number of shares constituting one trading unit, the Company will consolidate 10 shares into 1 share so there are no changes in the number of voting rights for each shareholder. The total number of authorized shares will be reduced from 1,470,130,000 shares to 130,000,000 shares by taking into account the ratio of the total number of issued shares after the share consolidation to the total number of authorized shares.

**(2) Details of the consolidation****(1) Class of shares to be consolidated**

Common shares

**(2) Ratio of consolidation**

On October 1, 2018, shares held by shareholders of record in the latest shareholder register as of September 30, 2018, will be consolidated at a 10-to-1 ratio.

**(3) Total number of shares authorized on the effective date**

130,000,000

**(4) Decrease in number of shares due to consolidation**

Total number of shares outstanding before consolidation (as of March 31, 2018)	417,432,175 (shares)
Decrease in number of shares due to consolidation	375,688,958 (shares)
Total number of shares outstanding after consolidation	41,743,217 (shares)

(Note) "Decrease in number of shares due to consolidation" and "Total number of shares outstanding after consolidation" are theoretical values calculated based on the total number of shares outstanding before consolidation and the share consolidation ratio.

## (5) Treatment of fractional shares

Regarding any fractional shares that may result from the share consolidation, pursuant to the provisions of Article 235 of the Companies Act, the Company shall sell all such fractional shares in a block and distribute the proceeds to the shareholders who have held the fractional shares on a pro rata basis.

**3. Schedule**

May 10, 2018: Date of resolution by Board of Directors

June 28, 2018: 155th Ordinary General Meeting of Shareholders

October 1, 2018: Effective date of change in number of shares constituting one trading unit and share consolidation

**4. Impact on per share information**

Pro forma per share information for the previous fiscal year and the current fiscal year assuming that the share consolidation was conducted at the beginning of the previous fiscal year is as follows.

Item	yen		U.S. dollars
	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
Net assets per share	¥4,784.78	<b>¥4,988.14</b>	<b>\$46.95</b>
Profit per share	399.34	<b>361.20</b>	<b>3.39</b>

(Note) Fully diluted profit per share is not presented, since there is no dilutive stock.

- Acquisition and retirement of treasury stock

At the Board of Directors held on May 30, 2018, it was decided to acquire treasury stock pursuant to the provisions of Article 156 of the Companies Act after applying the provisions of Article 165, Item 3 of the Act and to retire treasury stock under the provisions of Article 178 of the Companies Act.

**1. Reason for acquisition and retirement of treasury stock**

The aim to deliver even more returns to shareholders through improvements in capital efficiency

**2. Matters concerning the acquisition**

- (1) Type of shares acquired: Common shares of the Company
- (2) Total number of shares to be acquired: Up to 20,000,000 shares  
(Ratio of the maximum shares to be acquired to the total outstanding shares (excluding treasury shares): 4.93%)
- (3) Total acquisition cost for the shares: ¥12 billion yen (maximum)
- (4) Acquisition period: May 31, 2018 to September 28, 2018

**3. Details of the retirement**

- (1) Type of shares to be retired: Common shares of the Company
- (2) Total number of shares to be retired: Up to 11,000,000 shares  
(2.64% of total shares outstanding before the retirement)
- (3) Total number of outstanding shares: 406,432,175 shares
- (4) Scheduled date of retirement: June 15, 2018

## Independent Auditor's Report



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### Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Sumitomo Osaka Cement Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Osaka Cement Co., Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

#### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 28, 2018  
Tokyo, Japan

## Company Information (as of March 31, 2018)

Company	Sumitomo Osaka Cement Co., Ltd.		
Established	November 29, 1907		
Head Office	6-28, Rokubancho, Chiyoda-ku, Tokyo 102-8465, Japan	Telephone number	+81-3-5211-4500
Employees	2,987		

### Primary Group Companies

Name	Sector
Hachinohe Cement Co., Ltd.	Cement manufacturing
Wakayama Slag Cement Co., Ltd.	Blast furnace cement manufacturing
SOC Logistics Co., Ltd.	Coastal shipping services
SOC Marine Co., Ltd.	Ship leasing and cargo handling services
Taiyo Holdings Co., Ltd.	Holding company
Taiyo Kisen Co., Ltd.	Ship leasing
Izumi Unyu Co., Ltd.	Truck transport of specified cargoes
Sumice Kenzai Co., Ltd.	Cement and ready-mixed concrete wholesaling
Tokai Sumice Co., Ltd.	Cement and ready-mixed concrete wholesaling
Kitaura SOC Co., Ltd.	Cement and ready-mixed concrete wholesaling
Izumi Industry Ltd.	Crushed rock wholesaling and contract manufacturing of cement
Tokyo SOC Co., Ltd.	Ready-mixed concrete manufacturing
SOC Engineering Co., Ltd.	Equipment and facility installation
Chuken Consultant Co., Ltd.	Construction consulting
Shuho Kogyo Co., Ltd.	Limestone excavation and sales
Shiga Kosan Co., Ltd.	Limestone excavation and sales
Estec Co., Ltd.	Civil engineering
SNC Co., Ltd.	Concrete product manufacturing and civil engineering
Kurimoto Concrete Industries Co., Ltd.	Manufacture and sales of hume pipes and other concrete products
Sumitec Co., Ltd.	Optical communications equipment and digital equipment manufacturing
Cap Co., Ltd.	Real estate leasing, construction material sales, and non-life insurance agency operations
Sumitomo Cement Computer Systems Co., Ltd.	Information services
Chiyoda Engineering Co., Ltd.	Construction of electrical facilities
SOC VIETNAM CO., LTD.	Rechargeable battery cathode materials manufacturing

## Stock Information (as of March 31, 2018)

Stock exchange listing	Tokyo Stock Exchange
Total number of authorized shares	1,470,130,000
Total number of shares outstanding	417,432,175 (11,626,977 shares of treasury stock)
Shareholders	26,045

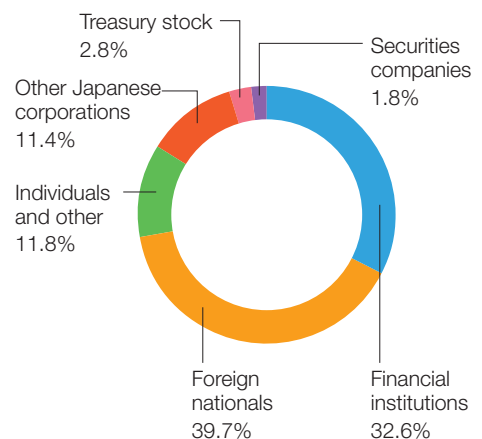
### Status of Major Shareholders

Name	Number of shares owned (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd.(Trust Account)	35,561	8.8
NORTHERN TRUST CO. (AVFC) RE SLICHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	33,762	8.3
Japan Trustee Services Bank, Ltd. (Trust Account)	24,990	6.2
NORTHERN TRUST CO.(AVFC) RE U.S.TAX EXEMPTED PENSION FUNDS	19,844	4.9
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY	12,283	3.0
NORTHERN TRUST CO.(AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	9,933	2.4
Sumitomo Life Insurance Company	8,520	2.1
NORTHERN TRUST CO.(AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	7,579	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,429	1.8
Sumitomo Corporation	7,185	1.8

(Notes)

- The Company holds 11,626,977 shares of treasury stock, which is excluded from the major shareholders above.
- The ownership ratio is calculated after deducting treasury stock from the total number of shares outstanding.

### Breakdown of shareholders



 **SUMITOMO OSAKA CEMENT CO.,LTD.**

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