Scope of Consolidation

The scope of these consolidated financial statements includes Sumitomo Osaka Cement, 36 consolidated subsidiaries and one equity-method affiliate.

Net Sales

The operating environment in which the Sumitomo Osaka Cement Group conducts its business remained severe during the fiscal year under review. In the Company's core cement business, the harsh conditions were attributable to a decline in public-sector demand caused mainly by major shrinkage in national public works-related budgets. On the other hand, there was a rise in private-sector demand that reflected a recovery in investment in private housing. Under these circumstances, the Group focused its efforts in the cement business on improving sales prices and reducing production costs. In other business fields, the Group strived to increase sales of existing products and release new products while taking proactive measures Groupwide to contribute to the formation of a recycling-oriented society and reduce its impact on the environment. As a result, an increase in revenue was recorded primarily in the cement and mineral resources businesses, that contributed to a 3.1% upswing year on year in consolidated net sales for the fiscal year under review to ¥201,221 million (US$2,419,976 thousand). For more information on results by business segment, please refer to the Review of Operations, pages 3 and 4.

Profits

Operating income surged 144.5% year on year to ¥7,426 million (US$89,306 thousand) due to a rise in revenue primarily in the cement business. During the fiscal period under review, the Company recorded net income of ¥1,339 million (US$16,107 thousand), a positive turnaround from a net loss of ¥849 million incurred during the previous fiscal year. This positive result occurred despite the depreciation and amortization of property, plant and equipment as well as the recording of an extraordinary loss in line with such disaster-related losses as damage to cement services stations combined with suspended operations at cement plants in the aftermath of the Great East Japan Earthquake. Consequently, net income per share stood at ¥3.22.

Financial Position

Total assets as of March 31, 2011 stood at ¥311,697 million (US$3,748,608 thousand), a decrease of ¥271 million from the previous fiscal year-end.

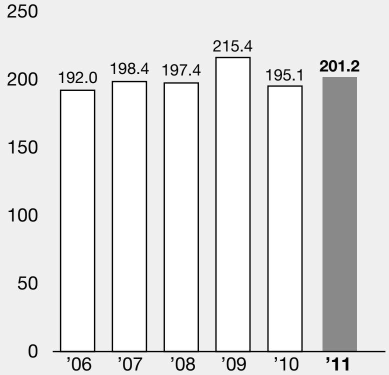
Current assets improved ¥454 million year on year to ¥93,027 million (US$1,118,786 thousand), attributable primarily to a rise in notes and accounts receivable.

Fixed assets fell ¥725 million year on year to ¥218,670 million, mainly as a result of declines in machinery and vehicles. Within property, plant and equipment, tangible assets decreased ¥7,399 million to ¥166,508 million (US$2,002,501 thousand). However, investments and other assets increased ¥6,916 million to ¥48,491 million (US$583,178 thousand) because of such factors as a rise in investment securities.

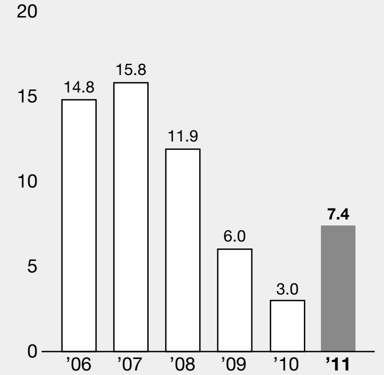
Total liabilities fell ¥4,188 million from the previous fiscal year-end to ¥182,584 million (US$2,195,832 thousand). Current liabilities increased ¥5,175 million to ¥89,726 million (US$1,079,083 thousand) largely due to a rise in the balance of corporate bonds scheduled to be reimbursed within one year. Long-term liabilities decreased ¥9,363 million to ¥92,858 million (US$1,116,749 thousand) as a result of such factors as a fall in long-term debt. Total interest-bearing debt declined ¥9,294 million to ¥120,576 million (US$1,450,111 thousand) compared with the previous fiscal year-end, while the interest coverage ratio grew from 1.7 times in the previous fiscal year to 4.0 times.

Net assets at the end of the fiscal year under review stood at ¥129,113 million (US$1,552,776 thousand), up ¥3,916 million

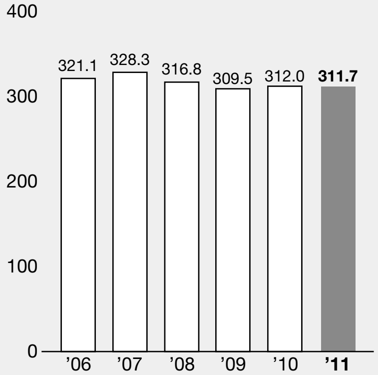
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Total Assets
(Billions of yen)



from a year earlier. This increase was mainly the result of a rise in unrealized gains on available-for-sale securities. Consequently, the shareholders' equity ratio edged up from 39.6% as of March 31, 2010 to 41.0% as of March 31, 2011.

Capital Investment, Depreciation and Amortization

The Company is taking steps to stabilize its business foundation in the cement business by making further efforts to streamline production and distribution. In other business fields, the Company implements capital investment based on its medium- and long-term management strategies to expand revenues by allocating key management resources to growth fields.

As a result, total capital expenditures undertaken throughout the Group decreased ¥4,257 million, or 22.1% from the previous fiscal year, to ¥15,040 million as of March 31, 2011. Depreciation and amortization dipped ¥130 million, or 0.6%, to ¥20,741 million.

Cash Flow

Net cash provided by operating activities totaled ¥21,549 million (US$259,157 thousand), down ¥3,007 million from the previous fiscal year. Cash inflows were primarily composed of internal reserves, beginning with depreciation and amortization. Net cash used in investing activities amounted to ¥15,049 million (US$180,981 thousand), down ¥6,477 million from the previous fiscal year, mainly reflecting purchases of property, plant and equipment (included within capital investment). Net cash used in financing activities experienced a turnaround of ¥12,758 million to ¥10,922 million (US$132,192 thousand) due primarily to the repayment of long-term bank loans and the reimbursement of corporate bonds.

As a result, cash and cash equivalents at the fiscal year-end decreased ¥4,522 million, or 14.7%, to ¥26,278 million (US$316,030 thousand).

Dividend Policy

Sumitomo Osaka Cement believes that earnings distributions to shareholders should be determined in accordance with the Company's business results. 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. To this end, the Company considers it vital to expand its reserves. Based on this viewpoint, the Company will determine earnings distribution from the viewpoint of overall business management.

For fiscal 2011, interim dividends were not paid. Consequently, the year-end dividend was ¥4.00 per share, while the full-year dividend payment totaled ¥4.00 per share, which is the same as the previous fiscal year.

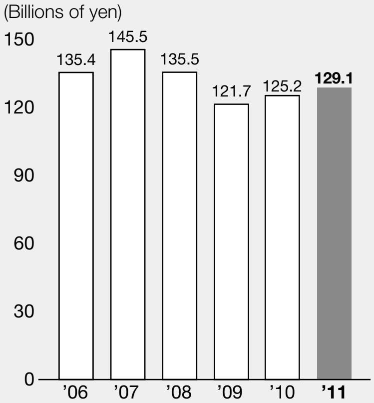
Fiscal 2012 Outlook

In the fiscal year ending March 31, 2012, the Japanese economy is forecasted to remain severe due to concerns over the impact of the Great East Japan Earthquake. Following this, economic conditions are anticipated to gradually recover in line with a rebound in production activities. However, the situation is extremely uncertain because of the existence of risks that are having a dampening effect on the economy, including power supply restrictions.

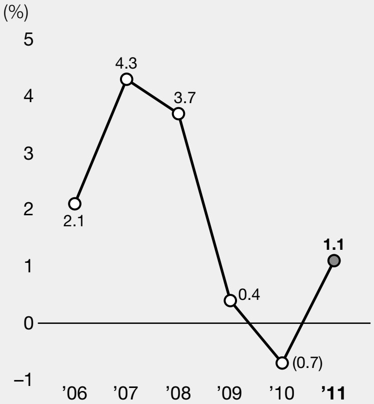
In the cement industry, the Company expects domestic demand to be uncertain due to a forecasted decline in public-sector demand caused by a further contraction in national public works-related budgets and the impact of the disaster. In contrast, we anticipate an upswing in private-sector demand owing to a gradual recovery in private capital investment and growing private housing investment.

Amid such circumstances, the Sumitomo Osaka Cement Group will do its utmost to fulfill its supply responsibilities in the domestic cement business by making a concerted effort to

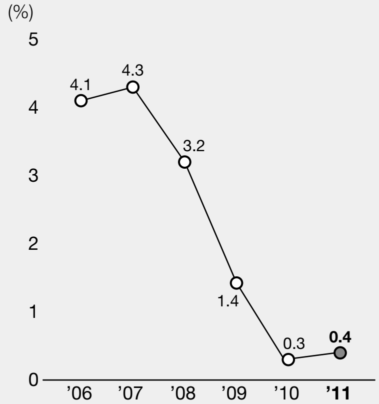
Shareholders' Equity
(Billions of yen)



ROE (Return on Equity)
(%)



ROA (Return on Assets)
(%)



restore facilities damaged during the disaster as soon as possible. In addition, we will focus on optimizing prices while restructuring production and distribution systems to realize sustainable business operations. With regard to the overseas cement business, the Group will examine the possibility of penetrating regions that are expected to grow in the future in order to facilitate new business expansion. In other business fields, the Group will investigate various measures to expand its business scale and increase profits through such actions as expanding overseas sales and production. In consideration of its social mission, the Group will continue to actively contribute to the establishment of a recycling-oriented society by utilizing recycled raw materials and fuels while striving to decrease its environmental impact.

For the fiscal year ending March 31, 2012, Sumitomo Osaka Cement expects net sales of ¥203,500 million, an increase of 1.3% year on year, operating income of ¥8,000 million, a rise of 7.7%, and net income of ¥2,000 million, a jump of 49.3% from the fiscal year under review.

The Company plans to make a determination regarding the scheduled monetary amount of dividends by examining future performance trends.

The aforementioned figures are based on information available as of May 2011, and therefore may differ in accordance with various factors in the future. Major possible risk factors are described as follows:

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 and 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 in the medium to long term. Based on an anticipated decline in domestic demand for the foreseeable future, the Sumitomo Osaka Cement Group restructured production structures 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 used in the cement manufacturing process have the potential to significantly affect the Group's financial condition, results and cash flows. However, the Group's own mine can provide an extremely stable supply of limestone, the primary raw material of cement, over the long term. On the other hand, the price of coal, the primary raw fuel used in cement production, may potentially increase due to future circumstances. The Group is making efforts to limit the effects on its performance by improving cement sales prices to reflect operating cost increases caused by rising expenses for coal procurement.

• Collection of Debt

The Sumitomo Osaka Cement Group has 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 the Group is unable to collect receivables, its 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

Because 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 cement plants and by purchasing needed cement from business partners in an effort to ensure 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 to write-down the book value of fixed assets to a price that may be recovered, based upon future earnings plans and related forecasts. At the current moment, the Group has recorded all impairment accounting of property, plant and equipment, which is required. 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.