Scope of Consolidation

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

Net Sales

During the fiscal year under review, the Japanese economy saw gradual recovery backed by reconstruction demand related to the Great East Japan Earthquake, but was impacted by the slowing of the global economy from summer onward. However, from around the beginning of calendar 2013, conditions began to improve due to the economic policies implemented by Japan's new government.

In the cement industry, both public- and private-sector demand related to disaster reconstruction picked up, as did private housing investment, mainly in urban areas, buoying private-sector demand. As a result, cement demand in Japan grew 4.5% year on year to 44,577 thousand metric tons. Exports, however, retreated 3.7%. Consequently, the total sales volume of cement produced by domestic manufacturers, including exports, climbed 2.8% year on year to 53,387 thousand metric tons.

Under these circumstances, the Sumitomo Osaka Cement Group worked to provide a stable supply of cement and other materials for disaster reconstruction while promoting Groupwide efforts aimed at sustainable development, such cost reduction measures. As a result, consolidated net sales during the fiscal year under review increased 0.9% year on year to ¥219,083 million (US$2,329,437 thousand), due largely to higher revenue in the cement business. For more information on results by business segment, please refer to the Review of Operations.

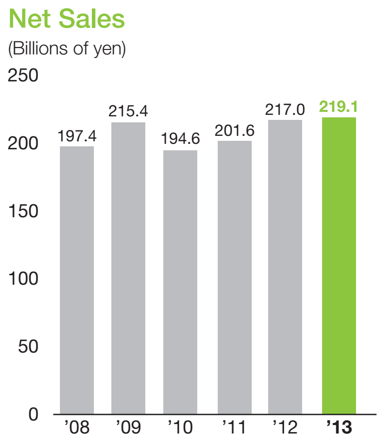
Profits

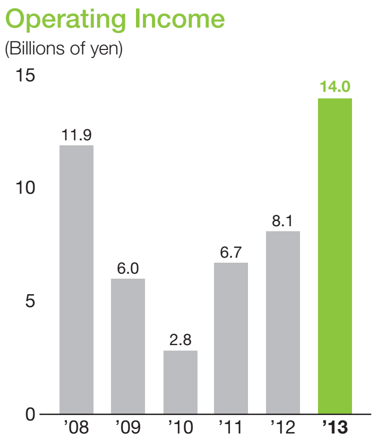
Operating income grew 71.6% year on year to ¥13,959 million (US$148,422 thousand) due to a rise in earnings primarily in the cement business. Net income surged 104.6% compared with the previous fiscal year to ¥7,460 million (US$79,327 thousand). Consequently, net income per share stood at ¥17.92.

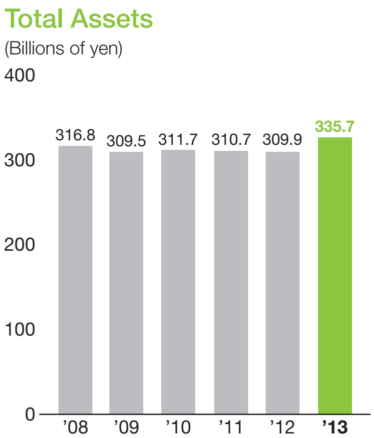
Financial Position

Total assets as of March 31, 2013, stood at ¥315,734 million (US$3,357,096 thousand), an increase of ¥5,844 million from the previous fiscal year-end. Current assets decreased ¥1,553 million from the previous fiscal year-end to ¥95,515 million (US$1,015,582 thousand), attributable primarily to a decrease in cash and deposits. Total noncurrent assets rose ¥7,398 million from the previous fiscal year-end to ¥220,219 million (US$2,341,514 thousand), mainly as a result of an increase in securities. Within noncurrent assets, property, plant and equipment increased ¥1,007 million to ¥159,809 million (US$1,699,193 thousand), while investments and other assets rose ¥7,153 million to ¥56,997 million (US$606,030 thousand).

Total liabilities declined ¥5,349 million from the previous fiscal year-end to ¥172,758 million (US$1,836,874 thousand). Current liabilities decreased ¥15,525 million to ¥90,373 million (US$960,912 thousand) largely due to a decrease in the balance of the current portion of long-term loans payable and corporate bonds scheduled to be reimbursed within one year. Long-term liabilities increased ¥10,176 million to ¥82,384 million (US$875,961 thousand) as a result of such factors as a rise in long-term loans payable. Total interest-bearing debt declined ¥13,398 million to ¥102,810 million (US$1,093,148 thousand) compared with the previous fiscal year-end, while the interest







coverage ratio increased from 12.0 times in the previous fiscal year to 17.7 times.

Net assets at the end of the fiscal year under review stood at ¥142,976 million (US$1,520,222 thousand), up ¥11,194 million from a year earlier. This increase was mainly the result of a rise in retained earnings. Consequently, the shareholders' equity ratio edged up from 42.1% as of March 31, 2012, to 44.8% as of March 31, 2013.

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 increased ¥3,943 million, or 26.8%, from the previous fiscal year to ¥18,652 million as of March 31, 2013. Depreciation and amortization fell ¥2,251 million, or 11.4%, to ¥17,485 million.

Cash Flow

Net cash provided by operating activities totaled ¥30,015 million (US$319,146 thousand), up ¥6,772 million from the previous fiscal year. In addition to income before income taxes and minority interests, cash inflows were primarily composed of internal adjustments, including depreciation and amortization. Net cash used in investing activities amounted to ¥17,362 million (US$184,604 thousand), up ¥1,048 million from the previous fiscal year, mainly reflecting purchases of property, plant and equipment. Net cash used in financing activities was ¥15,173 million (US$161,339 thousand), up ¥9,062 million from the previous fiscal year, Cash outflows comprised mainly the repayment of long-term loans payable and redemption of corporate bonds.

As a result, cash and cash equivalents at the fiscal year-end decreased ¥2,015 million, or 7.4%, year on year to ¥25,078 million (US$266,653 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 2013, interim dividends were not paid. Consequently, the year-end dividend was ¥5.00 per share, and the full-year dividend payment totaled ¥5.00 per share.

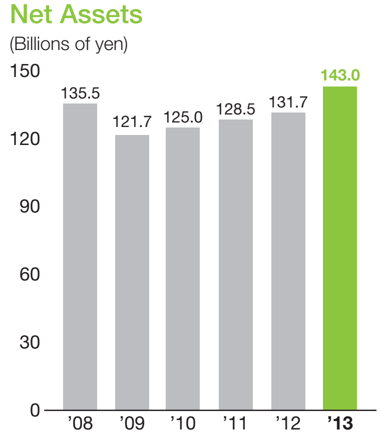
Fiscal 2014 Outlook

In the fiscal year ending March 31, 2014, while risks associated with the global economic downturn and other factors remain, the Japanese economy is expected to make a gradual recovery, due in part to the economic policies of the government.

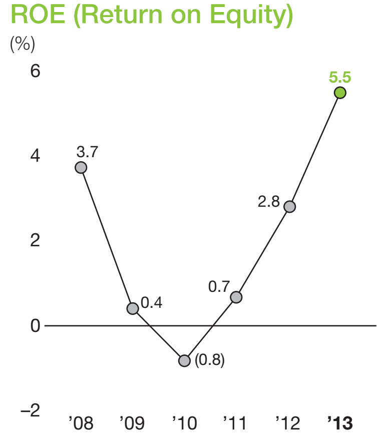
In the cement industry, strong private-sector demand is expected due to ongoing increases in private housing investment and private capital investment. Furthermore, public-sector demand is forecast to increase on the back of reconstruction demand related to the Great East Japan Earthquake. Accordingly, overall domestic demand is expected to grow.

Amid such circumstances, the Sumitomo Osaka Cement Group will continue to focus on ensuring supply stability by establishing flexible production, sales and distribution systems

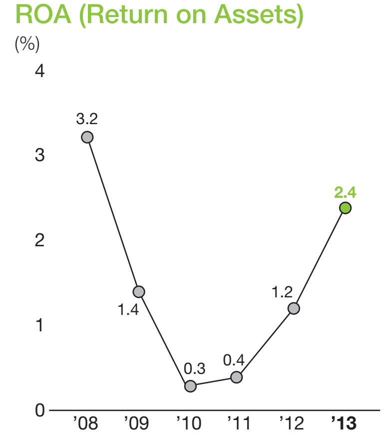
Net Assets



ROE (Return on Equity)



ROA (Return on Assets)



to meet fluctuations in demand in the domestic cement business while working to set appropriate sales prices. With regard to the overseas cement business, the Group will continue to 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 increase its business scale and profits through overseas production and sales as well as the focused distribution of management resources.

In line with 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, strive to reduce its environmental impact, and accept and treat disaster waste produced during the Great East Japan Earthquake.

For the fiscal year ending March 31, 2014, Sumitomo Osaka Cement expects net sales of ¥225,000 million, an increase of 2.7% year on year, operating income of ¥16,000 million, an increase of 14.6%, and net income of ¥8,000 million, a rise of 7.2% from the fiscal year under review. The Company plans to pay a full-year dividend of ¥5.00 per share.

The aforementioned figures are based on information available as of May 2013, 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 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 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.