

Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2016 and 2017

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------|---------------------------------------|
| | 2016 | 2017 | 2017 |
| Current assets: | | | |
| Cash and deposits | ¥ 31,536 | ¥ 26,828 | \$ 239,138 |
| Notes and accounts receivable—trade | 45,660 | 48,877 | 435,665 |
| Merchandise and finished goods | 6,589 | 6,076 | 54,162 |
| Work in process | 2,532 | 2,679 | 23,882 |
| Raw materials and supplies | 10,133 | 11,548 | 102,933 |
| Deferred tax assets | 1,701 | 1,630 | 14,536 |
| Short-term loans receivable | 234 | 194 | 1,736 |
| Other | 1,850 | 2,000 | 17,832 |
| Allowance for doubtful accounts | (50) | (64) | (579) |
| Total current assets | 100,189 | 99,771 | 889,307 |
| Non-current assets: | | | |
| Property, plant and equipment: | | | |
| Buildings and structures | 162,776 | 163,936 | 1,461,241 |
| Accumulated depreciation | (112,557) | (115,500) | (1,029,509) |
| Buildings and structures, net | 50,219 | 48,436 | 431,732 |
| Machinery, equipment and vehicles | 408,574 | 417,096 | 3,717,771 |
| Accumulated depreciation | (357,234) | (365,436) | (3,257,295) |
| Machinery, equipment and vehicles, net | 51,340 | 51,660 | 460,475 |
| Land | 37,962 | 37,899 | 337,817 |
| Construction in progress | 3,955 | 8,952 | 79,795 |
| Other | 34,362 | 34,883 | 310,930 |
| Accumulated depreciation | (18,537) | (18,830) | (167,841) |
| Other, net | 15,825 | 16,053 | 143,089 |
| Total property, plant and equipment | 159,303 | 163,002 | 1,452,911 |
| Intangible assets: | | | |
| Goodwill | 5 | — | — |
| Other | 2,297 | 2,310 | 20,592 |
| Total intangible assets | 2,303 | 2,310 | 20,592 |
| Investments and other assets: | | | |
| Investment securities | 54,393 | 62,280 | 555,138 |
| Long-term loans receivable | 2,906 | 2,871 | 25,594 |
| Deferred tax assets | 715 | 695 | 6,199 |
| Net defined benefit asset | 320 | 346 | 3,084 |
| Other | 6,095 | 5,664 | 50,491 |
| Allowance for doubtful accounts | (518) | (151) | (1,350) |
| Total investments and other assets | 63,914 | 71,707 | 639,157 |
| Total noncurrent assets | 225,520 | 237,019 | 2,112,661 |
| Total assets | ¥325,710 | ¥336,790 | \$3,001,969 |

See accompanying notes to the consolidated financial statements.

| LIABILITIES AND NET ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|---------------------------------------|
| | 2016 | 2017 | 2017 |
| Current liabilities: | | | |
| Notes and accounts payable—trade | ¥ 25,882 | ¥ 28,650 | \$ 255,377 |
| Short-term loans payable | 25,987 | 21,898 | 195,191 |
| Current portion of long-term loans payable | 9,392 | 7,352 | 65,537 |
| Current portion of bonds | 10,000 | — | — |
| Income taxes payable | 4,669 | 3,654 | 32,573 |
| Provision for bonuses | 2,269 | 2,326 | 20,734 |
| Other | 12,794 | 12,651 | 112,767 |
| Total current liabilities | 90,996 | 76,534 | 682,182 |
| Noncurrent liabilities: | | | |
| Bonds payable | 5,000 | 10,000 | 89,134 |
| Long-term loans payable | 26,127 | 24,966 | 222,536 |
| Deferred tax liabilities | 11,945 | 14,549 | 129,690 |
| Provision for directors' retirement benefits | 176 | 153 | 1,365 |
| Provision for loss on dissolution of the employees' pension fund | 405 | — | — |
| Provision for PCB waste disposal costs | — | 247 | 2,205 |
| Net defined benefit liability | 3,076 | 2,987 | 26,626 |
| Asset retirement obligations | 768 | 1,074 | 9,577 |
| Other | 9,967 | 10,409 | 92,782 |
| Total noncurrent liabilities | 57,466 | 64,387 | 573,918 |
| Total liabilities | 148,462 | 140,921 | 1,256,100 |
| Net assets: | | | |
| Shareholders' equity: | | | |
| Capital stock | 41,654 | 41,654 | 371,281 |
| Capital surplus | 29,282 | 29,284 | 261,022 |
| Retained earnings | 84,274 | 96,830 | 863,096 |
| Treasury stock | (4,801) | (4,831) | (43,062) |
| Total shareholders' equity | 150,409 | 162,937 | 1,452,338 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 25,255 | 31,141 | 277,581 |
| Foreign currency translation adjustment | 644 | 556 | 4,963 |
| Remeasurements of defined benefit plans | (669) | (430) | (3,835) |
| Total accumulated other comprehensive income | 25,230 | 31,268 | 278,709 |
| Non-controlling interests | 1,607 | 1,662 | 14,820 |
| Total net assets | 177,247 | 195,869 | 1,745,868 |
| Total liabilities and net assets | ¥325,710 | ¥336,790 | \$3,001,969 |

Consolidated Statements of Income and Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016 and 2017

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2016 | 2017 | (Note 1) |
| Net sales | ¥234,192 | ¥234,062 | \$2,086,306 |
| Cost of sales | 175,474 | 176,812 | 1,576,009 |
| Gross profit | 58,717 | 57,250 | 510,296 |
| Selling, general and administrative expenses | 35,103 | 35,719 | 318,383 |
| Operating income | 23,614 | 21,530 | 191,913 |
| Non-operating income: | | | |
| Interest income | 71 | 54 | 485 |
| Dividend income | 2,299 | 1,960 | 17,476 |
| Equity in earnings of affiliates | 251 | 201 | 1,792 |
| Rent income | 153 | 148 | 1,326 |
| Other | 469 | 519 | 4,633 |
| Total non-operating income | 3,246 | 2,884 | 25,713 |
| Non-operating expenses: | | | |
| Interest expenses | 953 | 798 | 7,118 |
| Foreign exchange losses | 510 | 289 | 2,579 |
| Other | 836 | 700 | 6,244 |
| Total non-operating expenses | 2,300 | 1,788 | 15,942 |
| Ordinary income | 24,560 | 22,627 | 201,684 |
| Extraordinary income: | | | |
| Gain on sales of noncurrent assets | 637 | 892 | 7,958 |
| Gain on sales of investment securities | 4 | 566 | 5,045 |
| Gain on sales of shares of subsidiaries and affiliates | 249 | – | – |
| Total extraordinary income | 890 | 1,458 | 13,004 |
| Extraordinary losses: | | | |
| Loss on retirement of noncurrent assets | 1,395 | 683 | 6,090 |
| Loss on sales of noncurrent assets | 37 | 2 | 23 |
| Loss on valuation of investment securities | 11 | 1 | 14 |
| Loss on sales of investment securities | 0 | – | – |
| Impairment loss | 165 | 15 | 135 |
| PCB waste disposal costs | – | 237 | 2,120 |
| Settlement package | – | 300 | 2,674 |
| Total extraordinary losses | 1,610 | 1,240 | 11,058 |
| Profit before income taxes and non-controlling interests | 23,839 | 22,845 | 203,630 |
| Profit taxes-current | 7,881 | 6,629 | 59,088 |
| Profit taxes-deferred | (200) | (55) | (490) |
| Total income taxes | 7,680 | 6,574 | 58,598 |
| Profit before non-controlling interests | 16,159 | 16,271 | 145,032 |
| Profit attributable to non-controlling interests | 48 | 61 | 545 |
| Profit attributable to owners of parent | ¥ 16,110 | ¥ 16,210 | \$ 144,487 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2016 | 2017 | (Note 1) |
| Profit | ¥ 16,159 | ¥ 16,271 | \$145,032 |
| Other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | (6,476) | 5,885 | 52,457 |
| Foreign currency translation adjustment | 206 | (87) | (781) |
| Remeasurements of defined benefit plans | (567) | 239 | 2,133 |
| Share of other comprehensive income of affiliates accounted for using equity method | (2) | 1 | 10 |
| Total other comprehensive income | (6,840) | 6,038 | 53,820 |
| Comprehensive income | 9,318 | 22,309 | 198,852 |
| Comprehensive income attributable to: | | | |
| Comprehensive income attributable to owners of parent | 9,269 | 22,247 | 198,305 |
| Comprehensive income attributable to non-controlling interests | ¥ 48 | ¥ 61 | \$ 547 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016 and 2017

| | Shareholders' equity | | | | | Millions of yen |
|--|----------------------|-----------------|-------------------|----------------|----------|-----------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total | |
| Balance at April 1, 2015 | ¥41,654 | ¥29,282 | ¥71,451 | ¥ (267) | ¥142,121 | |
| Change of items during period | - | - | - | - | - | |
| Dividends from surplus | - | - | (3,288) | - | (3,288) | |
| Profit attributable to owners of parent for the period | - | - | 16,110 | - | 16,110 | |
| Purchase of treasury stock | - | - | - | (4,534) | (4,534) | |
| Disposal of treasury stock | - | 0 | - | 0 | 0 | |
| Other, net | - | - | - | - | - | |
| Total change of items during period | - | 0 | 12,822 | (4,533) | 8,288 | |
| Balance at March 31, 2016 | ¥41,654 | ¥29,282 | ¥84,274 | (4,801) | 150,409 | |
| 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 stock 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 | |
| Balance at March 31, 2017 | ¥41,654 | ¥29,284 | ¥96,830 | ¥(4,831) | ¥162,937 | |

| | 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 | | |
| Balance at April 1, 2015 | ¥31,735 | ¥437 | ¥(101) | ¥32,071 | ¥1,562 | ¥175,754 |
| Change of items during period | - | - | - | - | - | - |
| Dividends from surplus | - | - | - | - | - | (3,288) |
| Profit attributable to owners of parent for the period | - | - | - | - | - | 16,110 |
| Purchase of treasury stock | - | - | - | - | - | (4,534) |
| Disposal of treasury stock | - | - | - | - | - | 0 |
| Other, net | (6,479) | 206 | (567) | (6,840) | 44 | (6,795) |
| Total change of items during period | (6,479) | 206 | (567) | (6,840) | 44 | 1,492 |
| Balance at March 31, 2016 | ¥25,255 | ¥644 | ¥(669) | ¥25,230 | ¥1,607 | ¥177,247 |
| 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 stock 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 |
| Balance at March 31, 2017 | ¥31,141 | ¥556 | ¥(430) | ¥31,268 | ¥1,662 | ¥195,869 |

| | Shareholders' equity | | | | | Thousands of U.S. dollars (Note 1) |
|--|----------------------|-----------------|-------------------|----------------|-------------|------------------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total | |
| Balance at March 31, 2016 | \$371,281 | \$261,011 | \$751,173 | \$(42,799) | \$1,340,667 | |
| Dividends from surplus | - | - | (32,564) | - | (32,564) | |
| Profit attributable to owners of parent for the period | - | - | 144,487 | - | 144,487 | |
| Purchase of treasury stock | - | - | - | (266) | (266) | |
| Disposal of treasury stock | - | 0 | - | 3 | 3 | |
| Change in treasury stock of parent arising from transactions with non-controlling shareholders | - | 10 | - | - | 10 | |
| Other, net | - | - | - | - | - | |
| Total change of items during period | 0 | 10 | 111,922 | (262) | 111,670 | |
| Balance at March 31, 2017 | \$371,281 | \$261,022 | \$863,096 | \$(43,062) | \$1,452,338 | |

| | 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 | | |
| Balance at March 31, 2016 | \$225,115 | \$ 5,744 | \$(5,968) | \$224,891 | \$14,324 | \$1,579,883 |
| Dividends from surplus | - | - | - | - | - | (32,564) |
| Profit attributable to owners of parent for the period | - | - | - | - | - | 144,487 |
| Purchase of treasury stock | - | - | - | - | - | (266) |
| Disposal of treasury stock | - | - | - | - | - | 3 |
| Change in treasury stock of parent arising from transactions with non-controlling shareholders | - | - | - | - | - | 10 |
| Other, net | 52,466 | (781) | 2,133 | 53,818 | 496 | 54,314 |
| Total change of items during period | 52,466 | (781) | 2,133 | 53,818 | 496 | 165,985 |
| Balance at March 31, 2017 | \$277,581 | \$ 4,963 | \$(3,835) | \$278,709 | \$14,820 | \$1,745,868 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2016 and 2017

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------|---------------------------------------|
| | 2016 | 2017 | 2017 |
| Cash flows from operating activities: | | | |
| Profit before income taxes and non-controlling interests | ¥ 23,839 | ¥ 22,845 | \$ 203,630 |
| Depreciation and amortization | 16,885 | 17,043 | 151,919 |
| Impairment loss | 165 | 15 | 135 |
| Amortization of goodwill | 37 | 4 | 39 |
| Increase (decrease) in net defined benefit liability | 236 | 230 | 2,052 |
| Increase (decrease) in provision for directors' retirement benefits | (22) | (23) | (208) |
| Increase (decrease) in allowance for doubtful accounts | (29) | (97) | (869) |
| Interest and dividends income | (2,371) | (2,015) | (17,961) |
| Interest expenses | 953 | 798 | 7,118 |
| Foreign exchange losses (gains) | 491 | 139 | 1,239 |
| Equity in earnings of affiliates | (251) | (201) | (1,792) |
| Gain on sales of noncurrent assets | (637) | (892) | (7,958) |
| Loss on sales of noncurrent assets | 37 | 2 | 23 |
| Loss on retirement of noncurrent assets | 262 | 50 | 451 |
| Loss (gain) on sales of investment securities | (3) | (566) | (5,045) |
| Loss (gain) on sales of shares of subsidiaries and affiliates | (249) | – | – |
| Loss on valuation of investment securities | 11 | 1 | 14 |
| Decrease (increase) in notes and accounts receivable-trade | 1,708 | (3,040) | (27,103) |
| Decrease (increase) in inventories | (202) | (1,075) | (9,589) |
| Increase in notes and accounts payable-trade | (1,573) | 2,723 | 24,272 |
| Other, net | 280 | (58) | (523) |
| Subtotal | 39,569 | 35,883 | 319,844 |
| Interest and dividends income received | 2,371 | 2,015 | 17,968 |
| Interest expenses paid | (976) | (802) | (7,151) |
| Income taxes paid | (8,346) | (7,865) | (70,108) |
| Net cash provided by operating activities | 32,618 | 29,231 | 260,553 |
| Cash flows from investing activities: | | | |
| Purchase of noncurrent assets | (17,680) | (20,378) | (181,646) |
| Proceeds from sales of noncurrent assets | 1,325 | 1,141 | 10,177 |
| Purchase of investment securities | (8) | (13) | (121) |
| Proceeds from sales of investment securities | 53 | 1,419 | 12,651 |
| Payments of loans receivable | (494) | (193) | (1,725) |
| Collection of loans receivable | 220 | 270 | 2,414 |
| Other, net | 892 | 53 | 477 |
| Net cash used in investing activities | (15,691) | (17,700) | (157,772) |
| Cash flows from financing activities: | | | |
| Profit attributable to non-controlling interests | (6,669) | (4,085) | (36,416) |
| Profit attributable to owners of parent | 8,562 | 6,240 | 55,621 |
| Repayment of long-term loans payable | (9,712) | (9,529) | (84,939) |
| Proceeds from issuance of bonds | – | 5,000 | 44,567 |
| Redemption of bonds | – | (10,000) | (89,134) |
| Proceeds from sales of treasury stock | 0 | 0 | 3 |
| Purchase of treasury stock | (4,534) | (29) | (266) |
| Cash dividends paid | (3,288) | (3,653) | (32,564) |
| Cash dividends paid to non-controlling shareholders | (4) | (4) | (36) |
| Other, net | (59) | (61) | (547) |
| Net cash used in financing activities: | (15,705) | (16,123) | (143,711) |
| Effect of exchange rate change on cash and cash equivalents | 23 | (113) | (1,014) |
| Net increase (decrease) in cash and cash equivalents | 1,245 | (4,705) | (41,946) |
| Cash and cash equivalents at beginning of period | 30,132 | 31,378 | 279,692 |
| Cash and cash equivalents at end of period | ¥ 31,378 | ¥ 26,672 | \$ 237,746 |

See accompanying notes to the consolidated financial statements.