SUMITOMO OSAKA CEMENT CO., LTD.

ANNUAL REPORT 2015

For the Year Ended March 31, 2015

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.

Through the implementation of the Sumitomo Osaka Cement Corporate Philosophy in the daily business activities of all Group employees, we will gain the trust of all stakeholders as we strive to improve our corporate value in order to achieve sustainable growth.

Contents

Forward-Looking Statements

This annual report contains forward-looking statements that reflect Sumitomo Osaka Cement Co., Ltd.'s current views and judgments with respect to current plans, strategies and beliefs. They are based upon currently available information, and do not constitute promises, commitments or guarantees. The forward-looking statements involve both real and potential risks and uncertainties that can cause actual events and results to differ materially from those anticipated in these statements. Risks that can cause actual results to differ materially from those stated or implied in the forward-looking statements and from historical events include, but are not limited to, future economic trends, competition in the industrial sector in which Sumitomo Osaka Cement operates, market demand, rates of exchange, and other social, political and economic factors.

To Our Shareholders

Performance in Fiscal 2015

During the fiscal year under review, supported by government economic policy, the Japanese economy saw continued gradual recovery despite weak consumer spending resulting from the 2014 consumption tax hike.

In the cement industry, due to year-on-year drops in public-sector investment and private housing investment as well as a shortage of skilled workers, both public-sector and private-sector demand diminished. As a result, cement demand in Japan fell 4.5% year on year to 45,551 thousand metric tons. Exports, however, gained 10.8%. Consequently, total sales of cement produced by domestic manufacturers, including exports, edged down 1.8% year on year to 54,469 thousand metric tons.

Under these circumstances, the Sumitomo Osaka Cement Group worked to provide a stable supply of cement and other products while promoting Groupwide efforts aimed at sustainable development, such as cost reduction measures.

As a result, net sales during the fiscal year under review came to ¥234,539 million, largely unchanged from the previous fiscal year, reflecting cement business sales that remained roughly level year on year.

In terms of profitability, operating income grew ¥1,982 million year on year to ¥24,383 million due to rises in earnings in the Mineral Resources, Optoelectronics, Advanced Materials, and Others businesses. Net income came to ¥13,337 million, up ¥6 million from the previous fiscal year, reflecting an impairment loss on noncurrent assets recorded as extraordinary loss.

Outlook for Fiscal 2016

In the fiscal year ending March 31, 2016, while risks associated with global economic downturn and other factors remain, the Japanese economy is expected to continue to gradually recover, backed by the fall in crude oil prices and the government's economic policies.

In the cement industry, private-sector demand is forecast to grow, with private capital investment expected to gradually expand on the back on the yen's depreciation and the low price of crude oil. However, public-sector demand is expected to be affected by shrinking public investment. Accordingly, overall domestic demand is forecast to remain largely unchanged year on year.

Amid such circumstances, in the domestic cement business, the Sumitomo Osaka Cement Group will focus on ensuring supply stability by establishing flexible production, sales and distribution systems to meet fluctuations in demand while working to set appropriate sales prices. With regard to the overseas cement business, the Group will continue to examine the possibility of entering regions where markets are expected to grow. In other business fields, the Group will focus on the distribution of management resources and implement other measures to increase its business scale and profits.

The Sumitomo Osaka Cement Group will continue to rigorously pursue compliance. At the same time, 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 and strive to reduce its environmental impact.

To Our Shareholders (Continued)

For the fiscal year ending March 31, 2016, we expect net sales of ¥238,000 million, an increase of 1.5% year on year, ordinary income of ¥25,000 million, an increase of 2.5%, and net income of ¥14,500 million, an increase of 8.7% from the fiscal year under review.

Returning Profits to Shareholders

We believe that distributing earnings to shareholders is one of Sumitomo Osaka Cement's key responsibilities and that distributions should be determined in accordance with the Company's business results. As a cement manufacturer, the Company must continually invest in facility improvement and renewal in order to secure future earnings. Therefore, we consider it vital to continually expand our reserves. Based on this viewpoint, the Company determines earnings distribution from the viewpoint of overall business management while maintaining steady and continuous dividends with a consolidated annual dividend payout ratio of 20% or above.

For fiscal 2015, we paid a full-year dividend of ¥6.5 per share (including an interim dividend of ¥2.5 per share). For fiscal 2016, we plan to pay a full-year dividend of ¥8 per share (including an interim dividend of ¥4 per share).

I extend my sincerest thanks to our shareholders and other stakeholders for their continuing support and confidence.

September, 2015

Fukuichi Sekine

Fukuichi Sekine, President

Outline of the Medium-Term Management Plan (Fiscal 2015 – 2017: April 1, 2014 – March 31, 2017)

(1) Operating Environment

▶ Domestic cement demand:
Although certain risks remain, including those related to the difficulty of procuring sufficient human resources and rising material prices, we expect domestic cement demand to remain strong for some time, reflecting the ramping up of reconstruction demand related to the Great East Japan Earthquake as well as demand related to the 2020 Tokyo Olympics. However, demand is expected to decline from around 2020 onward.

▶ Cement-Related Businesses:
There are additional growth markets in areas related to cement, reflecting the needs of specific times and regions.

▶ Repair business:
Repair and maintenance of aging public infrastructure is unavoidable.

▶ Overseas cement business:
Cement demand is forecast to continue growing in Southeast Asia.

(2) Basic Policy

Amid strong domestic demand, we will concentrate Group strengths to maximize profit

- Ensure a steady supply to meet our social responsibility as a cement manufacturer
- Construct a supply network commensurate with domestic demand
- Reduce costs by such means as energy conservation

Aggressively expand growth fields to establish a Companywide framework for steady profit even when domestic demand declines

- Expand the repair business, a growth field
- Rapidly establish a foundation for the overseas cement business
- Increase profits through further selection and concentration in new businesses

(3) Business Strategy

1 Reinforce competitiveness of the domestic cement business
Maximize profit in the current environment while building a production and supply network that will be competitive into the future

2 Expand and develop growth businesses
Expand the repair business, where growth is expected Establish a foundation for the cement business overseas through new business development in Southeast Asia

3 Secure steady profit in new businesses
Increase profits by seeking out growth markets in each business and conducting precisely targeted investment of management resources

(4) Numerical Targets

(Millions of yen)	Fiscal 2017
Net sales	**250,000**
Cement	**191,800**
Non-Cement	**58,200**
Mineral Resources	13,900
Cement-Related Products	20,500
Optoelectronics	8,000
Advanced Materials	6,500
Others	9,300
Operating income	**26,000**
Net income	**14,600**

Assumptions: Exchange rate: ¥105/US$, Coal price: US$100/t, Crude oil price: US$105/bbl

At a Glance

Cement

Products / Services

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

Business Overview

With the cement business as our core business, we work with our plants and service stations throughout Japan to conduct manufacturing, distribution and sales of assorted cements and solidification materials. The Group actively contributes to the realization of a recycling-based society by recycling waste materials and by-products, and working to improve its electricity self-supply ratio with in-house power generation systems that use wood biomass fuel. At the same time, we focus on the development of even higher-performance cements and efficient manufacturing systems.

Mineral Resources

Products

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

Business Overview

Sumitomo Osaka Cement boasts some of the largest limestone sources in Japan and supplies limestone as an industrial material to the steel, chemical, cement and various other industries. High-purity limestone enjoys robust demand and is also exported to Asian countries. In addition, we apply our unique grinding and sorting technologies to manufacture and market aggregate for ready-mixed concrete, calcium carbonate, silica powder and other products.

Cement-Related Products

Products / Services

- Repairing and reinforcing products for concrete structures
- Construction work
- Cathodic protection for concrete structures (ELGARD SYSTEM)
- Artificial marine reefs

Business Overview

We manufacture and sell products used in the rehabilitation and reinforcement of concrete structures and implement projects related to rehabilitative construction. Using expertise gained in the cement business, we supply high-value-added products that address the many different causes of deterioration of concrete infrastructure and buildings, including damage from salt and frost. We also develop large-scale, high-rise artificial marine reefs as well as seaweed bed technology, thus contributing to the preservation of the ocean environment.

Optoelectronics

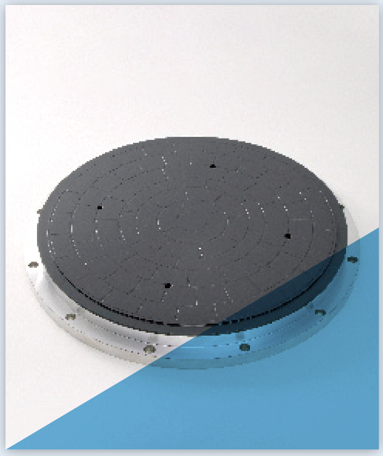
Products

- $LiNbO_3$ external optical modulators
- Optical transmitters and receivers for CATV
- Optical measurement equipment

Business Overview

Our optoelectronics business is engaged in the manufacture and sale of optical communications devices and components, such as $LiNbO_3$ (LN) modulators and optical transmitters and receivers for cable television. These high-quality and high-performance products meet needs in the expanding optical communications market in Japan and overseas.

Advanced Materials



Products

- Various transparent and functional coating solutions
- Heat and ultraviolet shielding films
- Antibacterial agents
- Ceramic components for semiconductor manufacturing equipment

Business Overview

The advanced materials business develops and manufactures functional materials, such as cosmetics ingredients, coatings and antibacterial agents, based on the Group's proprietary nanoparticle production technologies. These unique materials are used in a wide array of fields that includes cosmetics, heat shielding films and sanitary ware. In addition, ceramics are applied in combination with sintering and engineering technologies in semiconductor manufacturing equipment.

Others

Products / Services

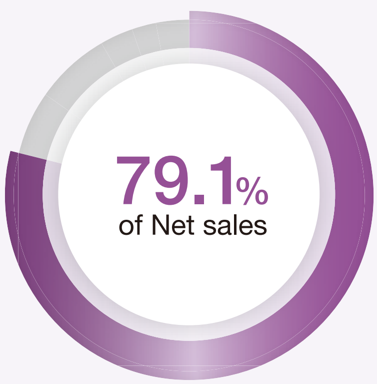
- Leasing of real estate, including distribution warehouses
- Secondary battery cathode materials
- Sales of office appliances
- Development of software
- Engineering

Business Overview

The others business engages in the long-term leasing of office buildings, supermarkets, hardware stores, distribution centers and a wide array of other facilities constructed on the Group's idle real estate. In addition, we manufacture and sell high-capacity, highly safe secondary battery cathode materials. We are involved in activities that include the construction of electrical facilities and electric furnaces at Group companies.

Review of Operations

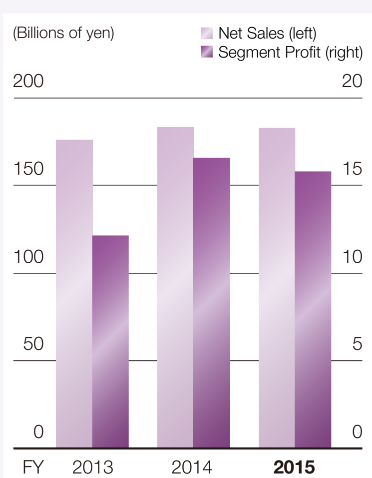
Cement



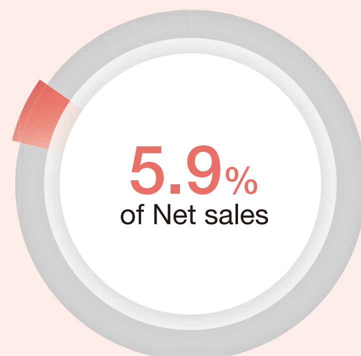
Reflecting a slight drop in sales volume, net sales amounted to ¥182,870 million, roughly level with those in the previous fiscal year. Segment profit fell ¥706 million, or 4.3%, to ¥15,868 million, partly as a result of the decrease in sales volume.

The total sales volume of cement edged down 1.3% year on year to 10,248 thousand metric tons, with that in Japan down 2.3% to 9,286 thousand metric tons and exports rising 8.8% to 961 thousand metric tons.

Capital expenditures totaled ¥13,351 million, a decrease of ¥1,495 million from the previous fiscal year.

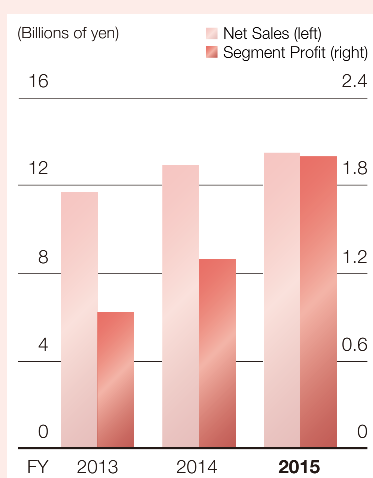


Mineral Resources

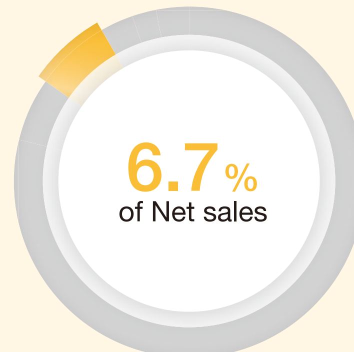


Due to rises in the volume of limestone sold for use in both the domestic and overseas steel industries, net sales rose to ¥13,543 million, up ¥606 million, or 4.7%, year on year. Segment profit increased ¥789 million, or 61.1%, to ¥2,081 million, reflecting reductions in mining costs.

Capital expenditures amounted to ¥1,710 million, an increase of ¥376 million from the previous fiscal year.

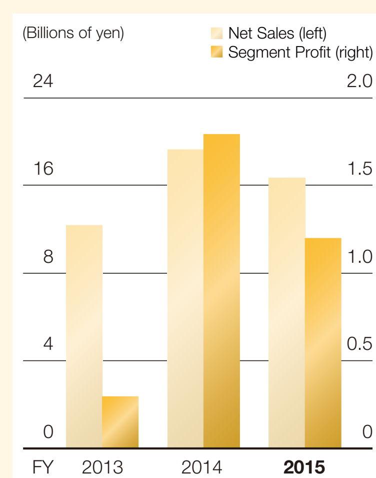


Cement-Related Products

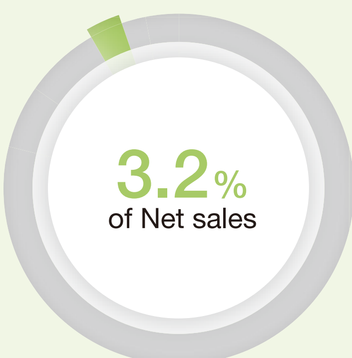


Due in part to a decline in the sales volume of concrete secondary products, net sales fell ¥1,928 million, or 9.4%, year on year to ¥18,540 million. Segment profit fell to ¥1,273 million, down ¥520 million, or 29.0%, from the previous fiscal year.

Capital expenditures amounted to ¥869 million, an increase of ¥526 million from the previous fiscal year.

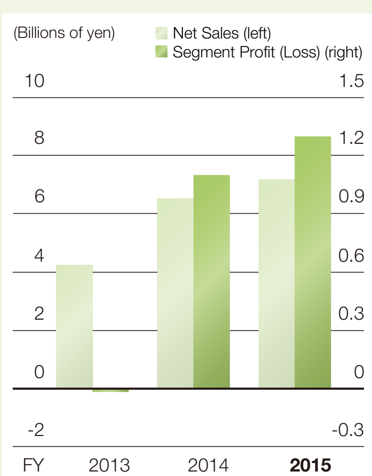


Optoelectronics

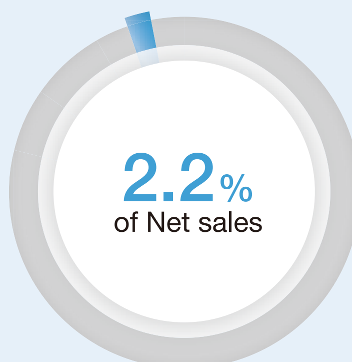


Due to an increase in the sales volume of optical communication devices for new transmission systems, net sales came to ¥7,270 million, up ¥724 million, or 11.1%, year on year. Segment profit increased ¥248 million, or 22.6%, from the previous year to ¥1,349 million.

Capital expenditures were ¥753 million, a decrease of ¥142 million from the previous fiscal year.

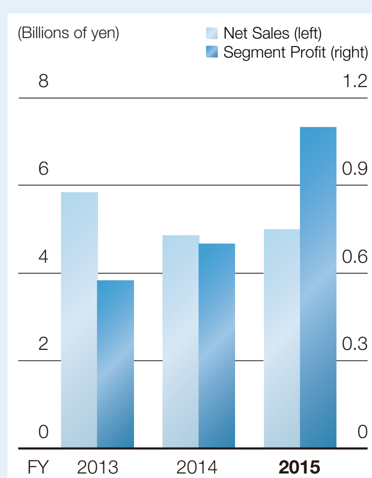


Advanced Materials

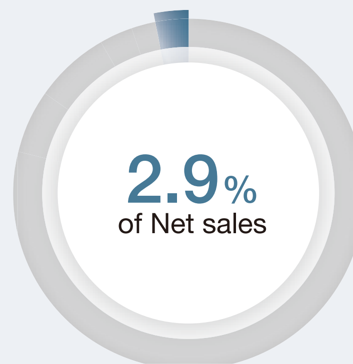


Due in part to an increase in the sales volume of electronic materials for semiconductor manufacturing equipment, net sales rose to ¥5,024 million, up ¥171 million, or 3.5%, year on year. Reflecting efforts to cut costs, segment profit rose to ¥1,114 million, up ¥413 million, or 58.9%, from the previous fiscal year.

Capital expenditures came to ¥348 million, a decrease of ¥155 million from the previous fiscal year.

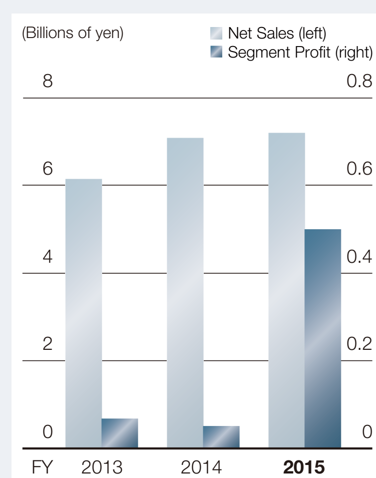


Others



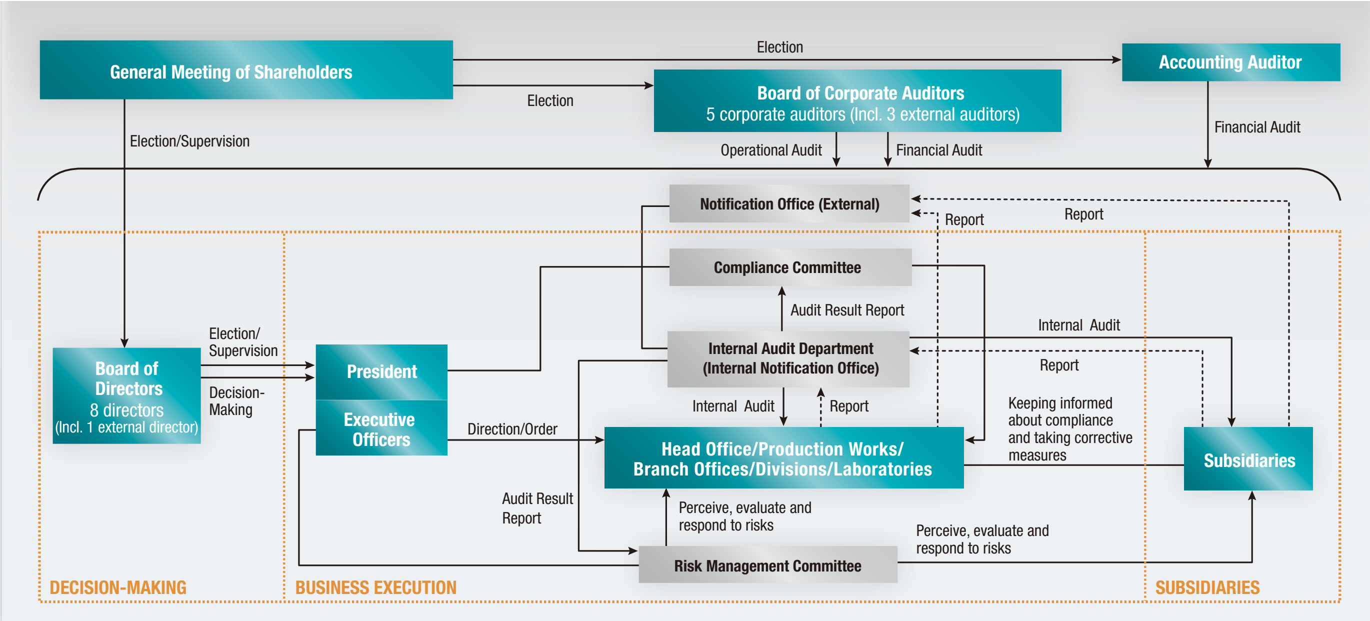
As a result of increased sales of secondary battery cathode materials and software, net sales increased ¥204 million, or 2.9%, year on year to ¥7,290 million. Due largely to cost reductions, segment profit rose ¥508 million, or 990.6%, compared with the previous year to ¥559 million.

Capital expenditures came to ¥170 million, a decrease of ¥87 million from the previous fiscal year.



Corporate Governance

We believe that a primary objective of corporate governance is to constantly enhance corporate value by increasing management efficiency and by securing soundness and transparency in every phrase of business activities. We recognize the fulfillment of this aim as our most important management issue.



Each Organization's Roles

We promote a corporate governance system based on our view that it is appropriate to improve our operational efficiency by implementing management decision-making though the Board of Directors' Meeting, which consists of Directors knowledgeable in business operations, and to enhance the auditing functions of Company Auditors through the use of the company auditor system. In addition, we are taking steps to improve our operational efficiency. These steps include strengthening the management decision-making and supervisory functions of the Board of Directors, accelerating the decision-making process, and defining authority and responsibility through the introduction of the executive officer system in June 2006, under which management decision-making and supervisory functions are separated from business execution functions.

With the President as its chairman, the Board of Directors consists of 8 Directors, including 2 Outside Directors* who provide an outside perspective to management decision-making. In addition, the term of office for Directors is limited to 1 year in order to clarify the responsibility of Directors and to build a management system that allows us to respond more quickly to changes in our business environment. The Board of Directors' Meeting is held once or more each month to determine important management matters and to receive reports on business execution.

The Board of Company Auditors consists of 5 Company Auditors, including 3 Outside Company Auditors*. The Board of Company Auditors' Meeting is held once or more each month. The Company Auditors audit the decision-making of Directors and business execution of Executive Officers to determine whether or not they are being properly conducted. To this end, the Company Auditors participate in the Board of Directors' Meetings and other important meetings as well as obtain reports from Directors and Executive Officers, employees and Financial Auditors (audit corporations).

With regard to internal audits, we have established the 9 member Internal Audit Department as an in-house organization to conduct audits in accordance with the Internal Audit Regulations. The Internal Audit Department works closely with the Company Auditors.

* The Outside Directors and Outside Company Auditors have been reported to the Tokyo Stock Exchange as independent directors and independent auditors.

Compliance System Status

We have established a Compliance Committee chaired by the President for the purpose of raising the Group-wide awareness of compliance among the Sumitomo Osaka Cement Group's Directors, Executive Officers and employees. In addition, we issued the Compliance Committee Regulations to define the roles and responsibilities of the Compliance Committee. The Compliance Committee initiates annual compliance activity plans and monitors the progress of their implementation. Compliance Audits are conducted by the Internal Audit Department, which submits a report to the Compliance Committee. The Compliance Committee then takes necessary measures, monitoring the results and submitting a report to the Board of Directors and the Company Auditors.

Furthermore, we have introduced a reporting system (the Compliance Hotline System) to enhance compliance. This system is designed to receive compliance reports from the Group's Directors, Executive Officers and employees and allows us to take corrective actions at an earlier stage. The system's reporting methods and the scope of reportable subject matter have been revised in an effort to ensure an even higher level of effective compliance and to make sure that all our business transactions are conducted fairly.

Risk Management

Chaired by the President, the Risk Management Committee strives to identify and evaluate the Group's risks. In order to define the Committee's roles and responsibilities, we have issued Risk Management Committee Regulations. The Risk Management Committee prepares a risk management plan each year. Risk management audits in accordance with the risk management plan are conducted by the Internal Audit Department, which submits a report to the Risk Management Committee. The Risk Management Committee then takes necessary measures, monitors the results and submits a report to the Board of Directors and the Company Auditors.

Basic Policy regarding Control of the Company

At a Board of Directors' Meeting held on May 14, 2008, we adopted a basic policy regarding parties who control decisions on the Company's financial and business policies, as well as introduced countermeasures against the acquisition of its shares with a view to securing 20% or more of our voting rights by a specific shareholder group (hereafter "the Plan"). The Plan was introduced as a measure to prevent certain parties, who are considered to be inappropriate in accordance with Sumitomo Osaka Cement's basic policy, from controlling decisions on its financial and business policies.

The Plan (valid for a three-year period) was initially approved by the majority of shareholders at the 145th Annual General Meeting of Shareholders held on June 27, 2008. Subsequently, the Plan was partially revised and renewed with the approval of the majority of shareholders at the 148th Annual General Meeting of Shareholders held on June 29, 2011 and more recently at the 151st Annual General Meeting of Shareholders held on June 27, 2014.

▶ For details of the Plan, please visit our website

WEB

(http://www.soc.co.jp/wp-content/themes/soc/img/ir/document/document04/151teizikabunusi.pdf).

Our Management Team (As of June 26, 2015)

Board of Directors	
President, Representative Director	Fukuichi Sekine
Representative Director, Executive Vice President	Masafumi Nakao
Representative Director, Senior Managing Executive Officers	Akira Fujisue Yushi Suga
Director, Managing Executive Officers	Katsuji Mukai Isao Yoshitomi
Outside Directors	Kunitaro Saida Akira Watanabe

Board of Company Auditors	
Company Auditors	Ryuji Muramatsu Akio Sekine
Outside Company Auditors	Fuminori Tomozawa Shoji Hosaka Kazuo Suzuki

Executive Officers	
Managing Executive Officers	Shigemi Yamamoto Yasuo Fujiwara Toshihiko Onishi Fujitoshi Nakagawa Shinichi Inoue
Executive Officers	Hiroyuki Sakakibara Ryoji Ogi Tomonori Nonomura Hirotsune Morohashi Toshio Imai Shintarou Ooshima Mikio Konishi Hideki Aoki Norifumi Uchimura Masashi Shimo Toru Shimada

Consolidated Financial Data

Six-Year Summary

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 2)
	2010	2011	2012	2013	2014	2015	2015
For the year:							
Net sales	¥194,624	¥201,644	¥217,044	¥219,083	¥235,078	**¥234,539**	**$1,945,579**
Cost of sales	157,432	159,542	172,609	170,042	177,606	**177,158**	**1,469,589**
Selling, general and administrative expenses	34,415	35,362	36,297	35,082	35,966	**35,172**	**291,769**
Operating income	2,776	6,738	8,136	13,959	21,504	**22,207**	**184,220**
Net income (loss)	(1,002)	920	3,645	7,460	13,331	**13,337**	**110,640**
Net cash provided by operating activities	¥ 24,555	¥ 21,548	¥ 23,243	¥ 30,015	¥ 32,537	**¥ 30,256**	**$ 250,989**
Net cash used in investing activities	(21,525)	(15,048)	(16,314)	(17,362)	(17,950)	**(16,043)**	**(133,088)**
Net cash (used in) provided by financing activities	1,765	(10,991)	(6,111)	(15,173)	(7,967)	**(16,051)**	**(133,151)**
Cash and cash equivalents at end of year	30,800	26,277	27,093	25,078	31,928	**30,132**	**249,961**
At year end:							
Net assets	¥125,044	¥128,541	¥131,782	¥142,976	¥154,821	**¥175,754**	**$1,457,938**
Total assets	311,707	310,746	309,890	315,734	325,328	**335,981**	**2,787,073**
Per share data (yen/dollars)**:**							
Net income (loss)	¥ (2.41)	¥ 2.21	¥ 8.76	¥ 17.92	¥ 32.03	**¥ 32.05**	**$ 0.266**
Cash dividends	4.00	4.00	4.00	5.00	5.00	**6.50**	**0.053**
Shareholders' equity	296.41	305.37	313.21	340.14	368.5	**418.68**	**3.47**
Financial ratios:							
ROE (Return on equity)	(0.8)%	0.7%	2.8%	5.5%	9.0%	**8.2%**	
ROA (Return on assets)	0.3%	0.4%	1.2%	2.4%	4.1%	**4.0%**	
Equity ratio (Note 1)	39.6%	40.9%	42.1%	44.8%	47.1%	**51.8%**	
Number of employees	2,808	2,816	2,769	2,834	2,821	**2,844**	

Notes: 1. Equity = Total net assets – Share subscription rights – Minority interests
2. U.S. dollar amounts have been translated from yen at the rate of ¥120.55=US$1 as of March 31, 2015.

Financial Review

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, supported by government economic policy, the Japanese economy saw continued gradual recovery, despite weak consumer spending as a result of the 2014 consumption tax hike.

In the cement industry, due to year-on-year drops in public-sector investment and private housing investment as well as a shortage of skilled workers, both public-sector and private-sector demand diminished. As a result, cement demand in Japan fell 4.5% year on year to 45,551 thousand metric tons. Exports, however, gained 10.8%. Consequently, the total sales of cement produced by domestic manufacturers, including exports, edged down 1.8% year on year to 54,469 thousand metric tons.

Under these circumstances, the Sumitomo Osaka Cement Group worked to provide a stable supply of cement and other products while promoting Groupwide efforts aimed at sustainable development, such as cost reduction measures.

As a result, consolidated net sales during the fiscal year under review came to ¥234,539 million (US$1,945,579 thousand), largely unchanged from the previous fiscal year, reflecting sales in the cement business that were also roughly level year on year. For more information on results by business segment, please refer to the Review of Operations (pages 5-6).

Profits

Operating income grew 3.3% year on year to ¥22,207 million (US$184,220 thousand) due to rises in earnings in the mineral resources, optoelectronics, and advanced materials businesses that offset declines in earnings in the cement and cement-related products businesses. Net income came to ¥13,337 million (US$110,640 thousand), on par with the previous fiscal year. Consequently, net income per share stood at ¥32.05.

Financial Position

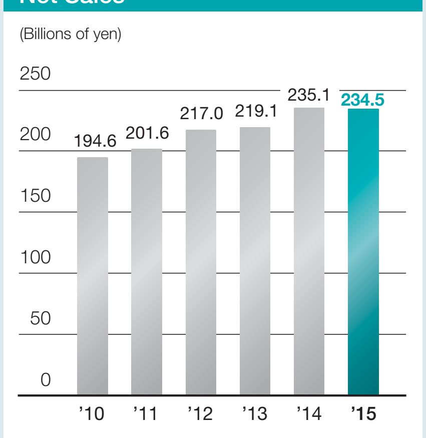
Total assets as of March 31, 2015, stood at ¥335,981 million (US$2,787,073 thousand), an increase of ¥10,653 million from the previous fiscal year-end.

Current assets were up ¥626 million from the previous fiscal year-end to ¥102,051 million (US$846,550 thousand), attributable in part to an increase in inventories. Total noncurrent assets rose ¥10,027 million from the previous fiscal year-end to ¥233,930 million (US$1,940,522 thousand), mainly as a result of an increase in investment securities. Within noncurrent assets, property, plant and equipment decreased ¥2,011 million to ¥157,795 million (US$1,308,959 thousand), while investments and other assets rose ¥12,730 million to ¥73,770 million (US$611,949 thousand).

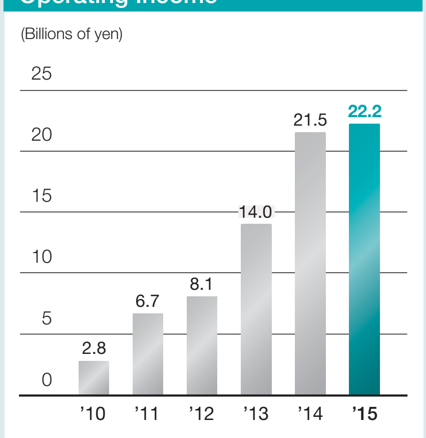
Total liabilities declined ¥10,280 million from the previous fiscal year-end to ¥160,227 million (US$1,329,134 thousand). Current liabilities decreased ¥10,707 million to ¥88,654 million (US$735,417 thousand), largely due to decreases in the balance of the current portion of long-term loans payable and current portion of bonds. Long-term liabilities increased ¥427 million to ¥71,572 million (US$593,716 thousand) as a result of such factors as an increase in bonds payable. Total interest-bearing debt declined ¥13,822 million compared with the previous fiscal year-end to ¥84,325 million (US$699,507 thousand), while the interest coverage ratio increased from 23.5 times in the previous fiscal year to 25.3 times.

Net assets at the end of the fiscal year under review stood at ¥175,754 million (US$1,457,938 thousand), up ¥20,933 million

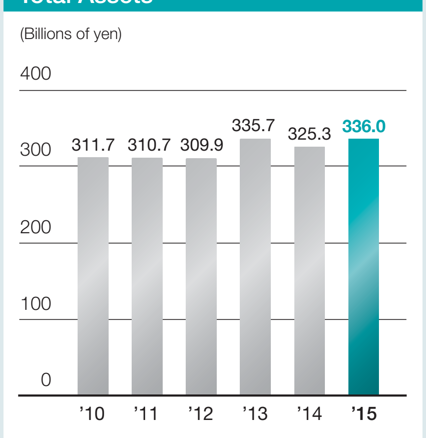
Net Sales



Operating Income



Total Assets



from a year earlier. This increase was mainly the result of rises in retained earnings and unrealized gain on available-for-sale securities. Consequently, the shareholders' equity ratio climbed from 47.1% as of March 31, 2014, to 51.8% as of March 31, 2015.

Capital Investment, Depreciation and Amortization

The Company is stabilizing its business foundation in the cement business by further streamlining production and distribution. In other business fields, the Company is investing capital based on its medium-and long-term management strategies to expand revenues by allocating key management resources to growth fields. Total capital expenditures undertaken throughout the Group in the fiscal year under review decreased ¥383 million, or 2.2%, from the previous fiscal year to ¥17,204 million. Depreciation and amortization rose ¥290 million, or 1.7%, to ¥16,889 million.

Cash Flow

Net cash provided by operating activities totaled ¥30,256 million (US$250,989 thousand), down ¥2,280 million from the previous fiscal year. In addition to income before income taxes and minority interests, cash inflows were primarily due to retained earnings reflecting such factors as depreciation and amortization. Net cash used in investing activities amounted to ¥16,043 million (US$133,088 thousand), down ¥1,906 million from the previous fiscal year, mainly reflecting purchases of property, plant and equipment. Net cash used in financing activities was ¥16,051 million (US$133,151 thousand), up ¥8,084 million from the previous fiscal year. Main cash outflows included the repayment of long-term loans payable.

As a result, cash and cash equivalents at the fiscal year-end decreased ¥1,796 million, or 5.6%, year on year to ¥30,132 million (US$249,961 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, seeking to maintain a stable consolidated annual dividend payout ratio of 20% or above.

For fiscal 2015, an interim dividend of ¥2.5 per share and a year-end dividend of ¥4.0 were paid. Consequently, the full-year dividend payment totaled ¥6.5 per share.

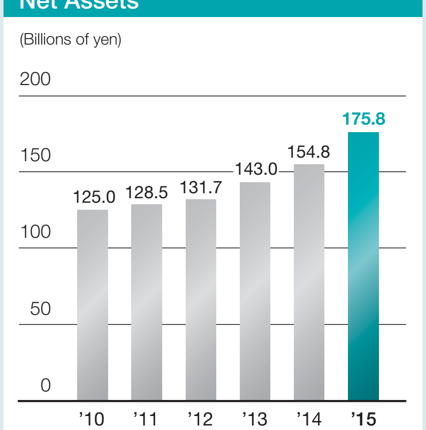
Fiscal 2016 Outlook

In the fiscal year ending March 31, 2016, while risks associated with global economic downturn and other factors remain, the Japanese economy is expected to continue to gradually recover, backed by the fall in crude oil prices and the government's economic policies.

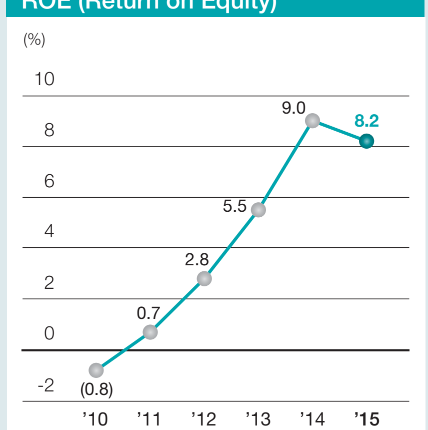
In the cement industry, private-sector demand is forecast to grow, with private capital investment expected to gradually expand on the back on the yen's depreciation and the low price of crude oil. However, public-sector demand is expected to be affected by shrinking public investment. Accordingly, overall domestic demand is expected to remain largely unchanged year on year.

Amid such circumstances, in the domestic cement business, the Sumitomo Osaka Cement Group will focus on ensuring supply stability by establishing flexible production, sales and distribution systems to meet fluctuations in demand while working to set appropriate sales prices. With regard to the overseas cement

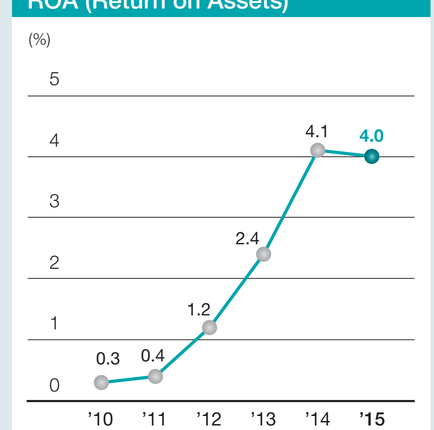
Net Assets



ROE (Return on Equity)



ROA (Return on Assets)



business, the Group will continue to examine the possibility of entering regions where markets are expected to grow. In other business fields, the Group will implement the focused distribution of management resources and implement other measures to increase its business scale and profits.

The Sumitomo Osaka Cement Group will continue to rigorously pursue compliance. At the same time, 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 and strive to reduce its environmental impact.

For the fiscal year ending March 31, 2016, Sumitomo Osaka Cement expects net sales of ¥238,00 million, an increase of 1.5% year on year, ordinary income of ¥25,000 million, an increase of 2.5%, and net income of ¥14,500 million, an increase of 8.7% from the fiscal year under review. The Company plans to pay a full-year dividend of ¥7 per share.

The aforementioned figures are based on information available as of May 2015, 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 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 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 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 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 the other cement plants and by purchasing needed cement from business partners 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 that 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.

Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
ASSETS			
Current assets:			
Cash and deposits (Note 4)	¥ 32,081	¥ 30,289	$ 251,264
Notes and accounts receivable—trade	47,038	47,774	396,307
Merchandise and finished goods	6,215	6,275	52,056
Work in process	1,477	2,550	21,153
Raw materials and supplies	10,014	10,417	86,415
Deferred tax assets (Note 13)	1,801	1,741	14,443
Short-term loans receivable	437	127	1,055
Other	2,574	2,970	24,644
Less: Allowance for doubtful receivables	(216)	(95)	(790)
Total current assets	101,425	102,051	846,550
Property, plant and equipment, net:			
Buildings and structures	51,933	50,460	418,583
Machinery, equipment and vehicles	49,815	48,727	404,213
Land	38,845	38,531	319,630
Construction in progress	3,671	4,275	35,465
Other	15,540	15,800	131,065
Total property, plant and equipment, net	159,806	157,795	1,308,959
Intangible assets:			
Goodwill	206	43	362
Other	2,849	2,320	19,251
Total intangible assets	3,056	2,364	19,614
Investments and other assets:			
Investment securities (Note 6)	51,933	64,342	533,743
Long-term loans receivable	2,618	3,012	24,988
Deferred tax assets (Note 13)	787	762	6,327
Net defined benefit asset (Note 15)	230	308	2,561
Other	6,209	5,944	49,308
Less: Allowance for doubtful receivables	(739)	(600)	(4,979)
Total investments and other assets	61,039	73,770	611,949
Total noncurrent assets	223,902	233,930	1,940,522
Total assets	¥325,328	¥335,981	$2,787,073

See accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable—trade	¥ 27,790	¥ 27,661	$ 229,463
Short-term loans payable (Note 7)	32,764	32,656	270,893
Current portion of long-term loans payable (Note 7)	15,939	9,565	79,351
Current portion of bonds (Note 7)	5,000	—	—
Income taxes payable	5,805	5,061	41,989
Provision for bonuses	2,192	2,196	18,219
Other	9,870	11,512	95,500
Total current liabilities	99,362	88,654	735,417
Long-term liabilities:			
Bonds payable (Note 7)	10,000	15,000	124,429
Long-term loans payable (Note 7)	34,443	27,103	224,833
Deferred tax liabilities (Note 13)	13,760	16,133	133,831
Provision for directors' retirement benefits	212	211	1,758
Provision for loss on dissolution of employees' pension fund	—	405	3,359
Net defined benefit liability (Note 15)	2,277	2,131	17,679
Asset retirement obligations	707	763	6,332
Other	9,742	9,823	81,492
Total long-term liabilities	71,144	71,572	593,716
Total liabilities	170,507	160,227	1,329,134
Net assets:			
Shareholders' equity			
Capital stock	41,654	41,654	345,533
Capital surplus (Note 9)	29,282	29,282	242,910
Retained earnings (Note 9)	60,829	71,451	592,716
Treasury stock	(236)	(267)	(2,220)
Total shareholders' equity	131,529	142,121	1,178,938
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	22,117	31,735	263,255
Foreign currency translation adjustments	409	437	3,629
Remeasurements of defined benefit plans	(710)	(101)	(844)
Total accumulated other comprehensive income	21,816	32,071	266,040
Minority interests	1,475	1,562	12,959
Total net assets	154,821	175,754	1,457,938
Total liabilities and net assets	¥325,328	¥335,981	$2,787,073

Consolidated Statements of Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Net sales	¥235,078	¥234,539	$1,945,579
Cost of sales	177,606	177,158	1,469,589
Gross profit	57,471	57,380	475,990
Selling, general and administrative expenses (Note 12)	35,966	35,172	291,769
Operating income	21,504	22,207	184,220
Non operating income:			
Interest income	91	83	693
Dividend income	1,584	1,922	15,944
Foreign exchange gain	597	995	8,257
Equity in earnings of affiliates	199	230	1,912
Rental income	164	155	1,292
Other	516	690	5,725
Total non operating income	3,154	4,077	33,824
Non operating expenses:			
Interest expense	1,351	1,129	9,368
Other	907	772	6,408
Total non operating expenses	2,259	1,901	15,777
Ordinary income	22,400	24,383	202,267
Extraordinary income:			
Gain on sales of noncurrent assets	56	1,031	8,558
Gain on sales of investment securities	18	0	5
Settlement received	—	300	2,488
Total extraordinary income	74	1,332	11,052
Extraordinary loss:			
Loss on retirement of noncurrent assets	632	1,098	9,114
Loss on sales of noncurrent assets	7	1	9
Loss on valuation of investment securities	1	—	—
Loss on impairment of noncurrent assets (Note 16)	213	2,370	19,664
Provision for loss on dissolution of employees' pension fund	—	405	3,359
Total extraordinary loss	855	3,875	32,148
Income before income taxes and minority interests	21,619	21,840	181,171
Income taxes (Note 13)**:**			
Current	7,703	8,425	69,894
Deferred	493	(13)	(114)
Income before minority interests	13,423	13,428	111,391
Minority interests in net income of consolidated subsidiaries	92	90	750
Net income	¥ 13,331	¥ 13,337	$ 110,640

Per share (Note 20)**:**	Yen		U.S. dollars (Note 1)
Net income Basic	¥32.03	¥32.05	$0.266

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Income before minority interests	¥13,423	**¥13,428**	**$111,391**
Other comprehensive income (Note 14)**:**			
Unrealized gain on available-for-sale securities	1,992	**9,617**	**79,776**
Foreign currency translation adjustments	313	**28**	**235**
Remeasurements of defined benefit plans	—	**608**	**5,051**
Share of other comprehensive income of affiliates accounted for using the equity method	0	**0**	**6**
Comprehensive income	¥15,729	**23,683**	**196,461**
Total comprehensive income attributable to:			
Shareholders of Sumitomo Osaka Cement Co., Ltd.	¥15,637	**¥23,592**	**$195,708**
Minority interests	92	**90**	**752**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2014 and 2015

		Millions of yen				
		Shareholders' equity				
	Shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2013	427,432,175	¥41,654	¥31,084	¥50,620	¥(1,989)	¥121,368
Cumulative effects of changes in accounting policies		—	—	—	—	—
Restated balance		41,654	31,084	50,620	¥(1,989)	121,368
Dividends from surplus		—	—	(3,121)	—	(3,121)
Net income for the year		—	—	13,331	—	13,331
Purchase of treasury stock		—	—	—	(50)	(50)
Disposal of treasury stock		—	0	—	0	1
Retirement of treasury stock	(10,000,000)	—	—	—	1,802	—
Other, net		—	—	—	—	—
Balance at March 31, 2014	417,432,175	¥41,654	¥29,282	¥60,829	¥ (236)	¥131,529
Cumulative effects of changes in accounting policies		**—**	**—**	**(634)**	**—**	**(634)**
Restated balance	**417,432,175**	**41,654**	**29,282**	**60,194**	**(236)**	**130,894**
Dividends from surplus		**—**	**—**	**(2,080)**	**—**	**(2,080)**
Net income for the year		**—**	**—**	**13,337**	**—**	**13,337**
Purchase of treasury stock		**—**	**—**	**—**	**(31)**	**(31)**
Disposal of treasury stock		**—**	**0**	**—**	**0**	**0**
Retirement of treasury stock		**—**	**—**	**—**	**—**	**—**
Other, net		**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2015	**417,432,175**	**¥41,654**	**¥29,282**	**¥71,451**	**¥ (267)**	**¥142,121**

	Millions of yen					
	Accumulated other comprehensive income					
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Minority interests	Total net assets
Balance at March 31, 2013	¥20,125	¥ 95	¥ —	¥20,220	¥1,387	¥142,976
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance	20,125	95	—	20,220	1,387	142,976
Dividends from surplus	—	—	—	—	—	(3,121)
Net income for the year	—	—	—	—	—	13,331
Purchase of treasury stock	—	—	—	—	—	(50)
Disposal of treasury stock	—	—	—	—	—	1
Retirement of treasury stock	—	—	—	—	—	—
Other, net	1,992	313	(710)	1,595	88	1,683
Balance at March 31, 2014	¥22,117	¥409	¥(710)	¥21,816	¥1,475	¥154,821
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**—**	**—**	**(634)**
Restated balance	**22,117**	**409**	**(710)**	**21,816**	**1,475**	**154,186**
Dividends from surplus	**—**	**—**	**—**	**—**	**—**	**(2,080)**
Net income for the year	**—**	**—**	**—**	**—**	**—**	**13,337**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(31)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**0**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**
Other, net	**9,617**	**28**	**608**	**10,254**	**86**	**10,341**
Balance at March 31, 2015	**¥31,735**	**¥437**	**¥(101)**	**¥32,071**	**¥1,562**	**¥175,754**

		Thousands of U.S. dollars (Note 1)				
		Shareholders' equity				
	Shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2014	417,432,175	$345,533	$242,907	$504,599	$(1,964)	$1,091,075
Cumulative effects of changes in accounting policies		**—**	**—**	**(5,265)**	**—**	**(5,265)**
Restated balance		**345,533**	**242,907**	**499,334**	**(1,964)**	**1,085,810**
Dividends from surplus		**—**	**—**	**(17,258)**	**—**	**(17,258)**
Net income for the year		**—**	**—**	**110,640**	**—**	**110,640**
Purchase of treasury stock		**—**	**—**	**—**	**(259)**	**(259)**
Disposal of treasury stock		**—**	**2**	**—**	**3**	**6**
Retirement of treasury stock		**—**	**—**	**—**	**—**	**—**
Other, net		**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2015	**417,432,175**	**$345,533**	**$242,910**	**$592,716**	**$(2,220)**	**$1,178,938**

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Minority interests	Total net assets
Balance at March 31, 2014	183,474	$3,393	$(5,895)	$180,972	$12,240	$1,284,289
Cumulative effects of changes in accounting policies		**—**	**—**	**—**	**—**	**(5,265)**
Restated balance	**183,474**	**3,393**	**(5,895)**	**180,972**	**12,240**	**1,279,023**
Dividends from surplus		**—**	**—**	**—**	**—**	**(17,258)**
Net income for the year		**—**	**—**	**—**	**—**	**110,640**
Purchase of treasury stock		**—**	**—**	**—**	**—**	**(259)**
Disposal of treasury stock		**—**	**—**	**—**		**6**
Retirement of treasury stock	**79,780**	**235**	**5,051**	**85,067**	**719**	**85,786**
Other, net		**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2015	**263,255**	**$3,629**	**$(844)**	**$266,040**	**$12,959**	**$1,457,938**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Operating activities:			
Income before income taxes and minority interests	¥21,619	¥21,840	$181,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,599	16,889	140,103
Loss on impairment of fixed assets	213	2,370	19,664
Provision for loss on dissolution of employees' pension fund	—	405	3,359
Amortization of goodwill	150	162	1,351
Increase (Decrease) in provision for net defined benefit liability	(185)	(249)	(2,070)
Increase (Decrease) in provision for directors' retirement benefits	(8)	0	(7)
Increase (Decrease) in allowance for doubtful accounts	(57)	(145)	(1,208)
Interest and dividend income	(1,676)	(2,005)	(16,637)
Interest expenses	1,351	1,129	9,368
Foreign exchange losses (gains)	(587)	(994)	(8,249)
Equity in (earnings) losses of affiliates	(199)	(230)	(1,912)
Gain on sales of noncurrent assets	(56)	(1,031)	(8,558)
Loss on sales of noncurrent assets	7	1	9
Loss on retirement of noncurrent assets	73	124	1,029
Loss (Gain) on sales of investment securities	(18)	0	(5)
Loss (Gain) on valuation of investment securities	1	—	—
Decrease (Increase) in notes and accounts receivable-trade	682	(702)	(5,830)
Decrease (Increase) in inventories	435	(1,492)	(12,382)
Increase (Decrease) in notes and accounts payable-trade	210	(187)	(1,558)
Other	(73)	2,727	22,626
Subtotal	38,481	38,607	320,262
Interest and dividends income received	1,678	2,009	16,667
Interest expenses paid	(1,382)	(1,193)	(9,904)
Income taxes paid	(6,241)	(9,166)	(76,036)
Net cash provided by operating activities	32,537	30,256	250,989
Investing activities:			
Proceeds from redemption of securities	0	—	—
Purchases of property, plant and equipment	(17,711)	(17,033)	(141,300)
Proceeds from sales of property, plant and equipment	167	772	6,411
Purchases of investment securities	(3)	(93)	(772)
Proceeds from sales of investment securities	232	3	30
Payments of loans receivable	(1,548)	(338)	(2,812)
Collection of loans receivable	927	684	5,674
Other	(15)	(38)	(319)
Net cash used in investing activities	(17,950)	(16,043)	(133,088)
Financing activities:			
Net increase (decrease) in short-term loans payable	(1,347)	(149)	(1,239)
Proceeds from long-term loans payable	8,112	2,240	18,587
Repayment of long-term loans payable	(11,479)	(15,964)	(132,433)
Proceeds from issuance of bonds	—	5	41
Redemption of bonds	—	(5)	(41)
Proceeds from sales of treasury stock	1	0	6
Purchases of treasury stock	(50)	(31)	(259)
Cash dividends paid	(3,121)	(2,080)	(17,258)
Cash dividends paid to minority shareholders	(4)	(4)	(33)
Other	(77)	(62)	(519)
Net cash used in financing activities	(7,967)	(16,051)	(133,151)
Effect of exchange rate changes on cash and cash equivalents	230	42	350
Net increase (decrease) in cash and cash equivalents	6,850	(1,796)	(14,898)
Cash and cash equivalents at beginning of year	25,078	31,928	264,860
Cash and cash equivalents at end of year (Note 4)	¥31,928	¥30,132	$249,961

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2014 and 2015

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=¥120.55, the exchange rate prevailing on March 31, 2015. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

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

Three consolidated subsidiaries have a December 31 year-end which differs from that of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year-end of the subsidiaries and the year-end of the Company.

(b) Cash and cash equivalents

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

(c) Inventories

Inventories are stated principally at the lower of cost or market, cost being determined principally by the moving average method.

(d) Allowance for doubtful receivables

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

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated mainly by the declining-balance method for property, plant and equipment at rates based on the estimated useful lives of the respective assets. The depreciation of buildings purchased on and after April 1, 1998, in-house power generation facility at the Ako Plant, the Kochi Plant and the Tochigi Plant, and property, plant and equipment of certain subsidiaries is calculated by the straight-line method. Leased assets under finance leases which do not transfer ownership of the leased property are depreciated or amortized by the straight-line method over the lease terms assuming no residual value. The useful lives range as follows: buildings and structures, 2 to 75 years; machinery, equipment and tools, 2 to 22 years. Quarry sites are depreciated by the unit-of-production method.

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

(f) Investment securities

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

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

Available-for-sale securities with fair value are stated at average market value for the month ended on the balance sheet date. Other securities without a fair value are stated at cost determined by the moving-average method.

The difference between the acquisition cost and the carrying value of available-for-sale securities, net of the applicable taxes, is recognized in "unrealized gain (loss) on available-for-sale securities." The cost of available-for-sale securities sold is computed based on the moving average method.

(g) Foreign currency translation

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date for all assets and liabilities, and at the historical rates for the component of net assets excluding minority interests. Differences arising from such translations are shown as "foreign currency translation adjustments" as a separate component of accumulated other comprehensive income.

Exchange rates as of the subsidiaries' balance sheet date are used for the translation of income and expenses. Gain or loss resulting from the translation of foreign currency transactions is credited or charged to income as incurred.

(h) Leases

All finance lease transactions are capitalized and recognized as leased assets and lease obligations on the consolidated balance sheets, except for finance lease transactions executed on or before March 31, 2008 that do not involve a transfer of ownership, which are accounted by the same method as former fiscal years.

(i) Income taxes

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

(j) Provision for bonuses

Provision for bonuses is recorded based on an estimated amount.

(k) Provision for loss on dissolution of employees' pension fund

Some of the consolidated subsidiaries provide for loss on dissolution of employees pension fund.

(l) Provision for retirement benefits

i) Projected benefit obligations are attributed to periods using the benefit formula method.

ii) Actuarial gain or loss is amortized by the straight-line method over a fixed period not exceeding the average remaining years of service of the eligible employees from the year following the year in which the gain or loss is recognized.

iii) Certain consolidated subsidiaries employ a simplified method to calculate the net defined benefit liability and retirement benefit cost. This method entails using the amount of accrued severance benefits at the end of the fiscal year based on voluntary termination as projected benefit obligations.

Directors and statutory auditors are generally entitled to receive lump-sum retirement benefit payments based on their level of compensation and years of service at the time of retirement. Such lump-sum payments are covered by an unfunded retirement benefit plan and accrued at an amount to be required at the balance sheet date according to internal regulations.

(m) Revenue recognition

The percentage-of-completion method is (the percentage of completion is determined using the ratio of cost incurred to the estimated total cost) applied if the outcome of the construction activities can be accurately estimated as of the fiscal year-end. Otherwise, the completed-contract method shall be applied.

(n) Appropriation of retained earnings

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

(o) Net income per share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

(p) Derivatives

The Company and consolidated subsidiaries enter into derivative agreements to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized to reduce interest rate risks on borrowings. The Company and consolidated subsidiaries do not enter into derivative agreements for trading or speculative purposes. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but accounted for as if the interest rates applied to the interest rate swaps had originally applied to the underlying borrowings.

Hedged items are identified by transaction at the time when the Company and the consolidated subsidiaries enter into derivative agreements, and the hedging instruments and the hedged items are separately recorded and maintained. The Company and the consolidated subsidiaries evaluate the effectiveness of derivatives based on either the difference between the accumulated amount of cash flows from the hedging instrument and from the corresponding hedged item or variance between the fair value of the hedging instrument and the hedged item, except for interest rate swaps which meet specific matching criteria.

(q) Asset retirement obligations

An asset retirement obligation is recorded at the time of acquisition or construction of a tangible fixed asset and when there is a statutory or similar obligation associated with the removal of such tangible fixed asset. The asset retirement obligation is measured at the discounted value of the liability at the time the tangible fixed asset is acquired or constructed and the amount of the liability is added to the book value of the relevant tangible fixed asset. The cost component of the obligation is depreciated over the remaining useful life of the tangible fixed asset.

(r) Consumption tax

National and local consumption taxes are recorded separately from their respective transaction amounts. However, non-deductible consumption taxes related to assets are reported as expenses for the fiscal year in which they are incurred.

(s) Accounting standards issued but not yet applied

The Company plans to adopt Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ), Statement No. 21, issued on September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013), Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, issued on September 13, 2013), Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on September 13, 2013) and Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, issued on September 13, 2013).

(1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests," and accounting treatment for adjustments to provisional amounts during measurement period was also changed.

(2) Scheduled date of adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016.

(3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICY

As of March 31, 2014, the Group adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, issued on May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on March 26, 2015), in accordance with the provisions of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the methods for calculating retirement benefit obligations and service costs have been revised in the following respects: The method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis, and the method for determining the discount rate has been changed from the traditional method in which the bond maturity used as the benchmark for deciding the discount rate approximates the employees' average remaining service period to a new method in which the Company adopts a single weighted-average discount rate that reflects both expected payment periods for retirement benefits and the amount of projected benefits every such period.

In accordance with the transitional treatment set forth in Article 37 of the Accounting Standard for Retirement Benefits, the effect of changing the methods for calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the fiscal year end March 31, 2015.

As a result, as of March 31, 2015, the posted net defined benefit liability increased ¥986 million (US$8,181 thousand) and retained earnings decreased ¥634 million (US$5,265 thousand).

The effect of these changes on per share information is described in Note 20 Amounts Per Share.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and deposits	¥32,081	¥30,289	$251,264
Time deposits with a maturity of over three months	(152)	(157)	(1,302)
	¥31,928	¥30,132	$249,961

5. FINANCIAL INSTRUMENTS

1. Items Concerning the Status of Financial Instruments

(a) Policies for Financial Instruments

The Sumitomo Osaka Cement Group (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.

(b) 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, trade payables and loans are subject to liquidity risks (the risk that the Group may not be able to meet its obligations). The Group manages such risks by preparing monthly cash flow plans.

(c) 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, 2015 (the consolidated account closing date for the fiscal year under review) 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		
	2015		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	¥ 30,289	¥ 30,289	¥ —
Notes and accounts receivable—trade	47,774	47,774	—
Available-for-sale securities	59,416	59,416	—
Short-term loans receivable	127	127	—
Long-term loans receivable	97	102	5
Total assets	137,705	137,711	5
Notes and accounts payable—trade	27,661	27,661	—
Short-term loans payable	32,656	32,656	—
Bonds payable	15,000	15,053	53
Long-term loans payable	36,669	36,967	297
Total liabilities	111,987	112,338	350
Derivative transactions	—	—	—
Total derivative transactions	—	—	—

	Thousands of U.S. dollars		
	2015		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	$ 251,264	$251,264	$ —
Notes and accounts receivable —trade	396,307	396,307	—
Available-for-sale securities	492,878	492,878	—
Short-term loans receivable	1,055	1,055	—
Long-term loans receivable	806	852	46
Total assets	1,142,313	1,142,359	46
Notes and accounts payable —trade	229,463	229,463	—
Short-term loans payable	270,893	270,893	—
Bonds payable	124,429	124,869	440
Long-term loans payable	304,184	306,655	2,471
Total liabilities	928,971	931,881	2,910
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

Cash and deposits, trade receivables and short-term loans receivable

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.

Securities and investment securities

The fair value of such securities is based on quoted market prices.

Please refer to Note 6. Securities, of these notes to the consolidated financial statements for information on securities classified by holding purpose.

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.

Trade payables and 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.

Bonds payable

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

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 interest rates applicable to new borrowings. Long-term loans payable are hedged by interest rate swaps that meet the specific matching criteria.

Therefore, the fair value of such loans payable is estimated based on the present value of future cash flows estimated in accordance with the accounting treatment described in Note 2 (o) Derivatives.

Accordingly, such future cash flows include cash flows from applicable interest rate swap transactions as well as payment of principal and interest. Future cash flows are discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivative Transactions

(a) Items not subject to hedge accounting: None

(b) Items subject to hedge accounting:

Information on derivative transactions subject to hedge accounting as of March 31, 2015 is as follows.

Millions of yen					
Hedge accounting method	Type of derivative transaction	Major hedged items	Contracted amount	Amount due after one year	Fair value
Special accounting treatment for interest rate swaps	Interest swap transactions (Pay fixed; receive floating)	Long-term loans payable	¥14,700	¥9,950	*

Thousands of U.S. dollars					
Hedge accounting method	Type of derivative transaction	Major hedged items	Contracted amount	Amount due after one year	Fair value
Special accounting treatment for interest rate swaps	Interest swap transactions (Pay fixed; receive floating)	Long-term loans payable	$121,941	$82,538	*

* The fair value of the interest rate swaps is not shown since it is included in long-term loans payable (please refer to the abovementioned long-term loans payable).

Note 2: Financial instruments for which fair value is extremely difficult to determine as of March 31, 2015

	Millions of yen
Classification	Consolidated Balance Sheet Amounts
Unlisted securities	¥1,834
Long-term loans receivable	2,915

	Thousands of U.S. dollars
Classification	Consolidated Balance Sheet Amounts
Unlisted securities	$15,217
Long-term loans receivable	24,182

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 available-for-sale securities.

In addition, the abovementioned long-term loans receivable are not included in long-term loans receivable of the preceding table because future cash flows cannot be estimated reliably.

Note 3: Redemption schedule for receivables and securities with maturities at March 31, 2015.

	Millions of yen			
	2015			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥30,262	¥—	¥—	¥—
Trade receivables	47,774			
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	127	—	—	—
Long-term loans receivable	1	30	1	63
Total	¥78,165	¥30	¥1	¥63

	Thousands of U.S. dollars			
	2015			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	$251,037	$ —	$—	$ —
Trade receivables	396,307	—	—	—
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	1,055	—	—	—
Long-term loans receivable	10	254	16	529
Total	$648,411	$254	$16	$529

6. SECURITIES

Investment securities at March 31, 2014 and 2015 consisted of the following:

Investment in unconsolidated subsidiaries and affiliates included in "Investment securities" as of March 31, 2015 and 2014 amounted to ¥3,091 million ($25,646 thousand) and ¥2,769 million, respectively.

The acquisition cost and fair value of the securities classified as available-for-sale at March 31, 2014 and 2015 are summarized as follows:

	Millions of yen			
	2014			
	Acquisition cost	Fair value	Unrealized gain	Unrealized loss
Classified as:				
Available-for-sale	¥12,782	¥47,388	¥34,609	¥(3)

	Millions of yen			
	2015			
	Acquisition cost	Fair value	Unrealized gain	Unrealized loss
Classified as:				
Available-for-sale	¥12,782	¥59,416	¥46,636	¥(1)

	Thousands of U.S. dollars			
	2015			
	Acquisition cost	Fair value	Unrealized gain	Unrealized loss
Classified as:				
Available-for-sale	$106,031	$492,878	$386,860	$(13)

Proceeds from sales of investment securities for the years ended March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Proceeds	¥32	¥ 4	$36
Gross realized gain	18	0	5
Gross realized loss	—	—	—

A significant decline in the fair value of investment securities is recognized as an impairment loss if the decline is not considered recoverable. Losses on devaluation of investments classified as available-for-sale securities as a result of a permanent decline in value amounted to ¥1 million for the year ended March 31, 2014.

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

The annual interest rates applicable to the loans outstanding at March 31, 2014 and 2015 ranged from 0.4% to 1.9% and from 0.3% to 1.9%, respectively.

Long-term debt at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Loans, principally from banks and insurance companies, due from 2016 to 2029 (2016 to 2029 in 2014)	¥50,383	¥36,699	$304,184
Bonds	15,000	15,000	124,429
	¥65,383	¥51,669	$428,615
Less: Current portion of long-term debt:			
Loans	¥15,939	¥ 9,565	$ 79,351
Bonds	5,000	—	—
	20,939	9,565	79,351
	¥44,443	¥42,104	$349,262

The annual interest rates applicable to the long-term loans outstanding at March 31, 2014 and 2015 ranged from 0.4% to 2.8% and from 0.4% to 2.5%, respectively.

The aggregate annual maturities of long-term loans subsequent to March 31, 2015 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 9,004	$ 74,696
2017	5,118	42,462
2018	3,246	26,932
2019	6,040	50,108
2020 and thereafter	3,692	30,632
	¥36,669	$304,184

Assets pledged as collateral at March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Property, plant and equipment, at net book value	¥22,552	**¥17,529**	**$145,416**
Other	543	**552**	**4,579**
	¥23,095	**¥18,081**	**$149,995**

The obligations secured by such collateral as at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Short-term loans payable	¥1,077	**¥1,752**	**$14,537**
Current portion of long-term loans payable	557	**384**	**3,188**
Long-term loans payable	3,377	**1,293**	**10,726**
Other	705	**440**	**3,652**
	¥5,718	**¥3,870**	**$32,105**

8. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Guarantees of loans and other	¥634	**¥1,887**	**$15,658**

Guaranteeing bank loan of K. Wah Construction Materials Ltd as of March 31, 2015 and 2014 amounted to ¥1,692 million ($14,038 thousand) and ¥526 million, respectively.

9. SHAREHOLDERS' EQUITY

The Corporation Law of Japan provides that an amount equal to 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve equals 25% of the common stock account.

10. LEASES

(a) Finance leases

Finance leases commencing on or before March 31, 2008 continue to be accounted for in the same method as operating leases. The following amounts represent the acquisition costs, accumulated depreciation and amortization and net book value of the leased property at March 31, 2014 and 2015 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Acquisition costs			
Other	¥15	**¥—**	**$—**
	15	**—**	**—**
Accumulated depreciation and amortization			
Other	¥14	**¥—**	**$—**
	14	**—**	**—**
Net book value			
Other	1	**—**	**—**
	¥ 1	**¥—**	**$—**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥4 million and ¥1 million (US$11 thousand), which are equal to the depreciation and amortization expenses of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2014 and 2015, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2015 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥ 1	$14
2016 and thereafter	—	—
	¥ 1	$14

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2015 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥131	$1,090
2016 and thereafter	323	2,687
	¥455	$3,777

11. NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(a) Shares outstanding and treasury stock

Information pertaining to the type and number of shares outstanding and of treasury stock as of March 31, 2014 and 2015 is as follows:

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

1. Type and number of outstanding shares and treasury shares

	Thousands of shares			
	Number of shares at beginning of year	Increase	Decrease	Number of shares at end of year
Shares outstanding (Note 1)				
Common stock	427,432	—	10,000	417,432
Total	427,432	—	10,000	417,432
Treasury stock				
Common stock (Note 2)	11,166	139	10,005	1,300
Total	11,166	139	10,005	1,300

Note 1: The decrease in common shares outstanding is due to the retirement of treasury stock.

Note 2: A breakdown of increases and decreases in common stock held as treasury stock is as follows:

Increase due to requests to purchase shares in amounts of less than one trading unit by shareholders: 139 thousand shares

Decrease due to retirement of treasury stock: 10,000 thousand shares

Decrease due to requests to sell shares in amounts of less than one trading unit by shareholders: 5 thousand shares

Fiscal 2015 (From April 1, 2014 to March 31, 2015)

1. Type and number of outstanding shares and treasury shares

	Thousands of shares			
	Number of shares at beginning of year	Increase	Decrease	Number of shares at end of year
Shares outstanding (Note 1)				
Common stock	417,432	—	—	417,432
Total	417,432	—	—	417,432
Treasury stock				
Common stock (Note 2)	1,300	85	2	1,383
Total	1,300	85	2	1,383

Note 1: A breakdown of increases and decreases in common stock held as treasury stock is as follow:

Increase due to requests to purchase shares in amounts of less than one trading unit by shareholders: 85 thousand shares.

Decrease due to requests to sell shares in amounts of less than one trading unit by shareholders: 2 thousand shares

(b) Cash dividends

i) Cash dividends paid

For the year ended March 31, 2014

2014							
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Total amount of cash dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2013	Common stock	¥2,081	$20,219	¥5.0	$0.049	March 31, 2013	June 28, 2013
Board of Directors Meeting held on November 6, 2013	Common stock	¥1,040	$10,104	¥2.5	$0.024	September 30, 2013	December 3, 2013

For the year ended March 31, 2015

2015							
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Total amount of cash dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2014	Common stock	¥1,040	$8,629	¥2.5	$0.020	March 31, 2014	June 30, 2014
Board of Directors Meeting held on November 6, 2014	Common stock	¥1,040	$8,629	¥2.5	$0.020	September 30, 2014	December 3, 2014

ii) Dividends whose cut-off date falls in the fiscal year under review, but whose effective date is in the following fiscal year

Dividends with the cut-off date in the year ended March 31, 2014 and the effective date in the year ended March 31, 2015

2014								
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Total amount of cash dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2014	Common stock	¥1,040	$10,104	Retained earnings	¥2.5	$0.024	March 31, 2014	June 30, 2014

Dividends with the cut-off date in the year ended March 31, 2015 and the effective date in the year ending March 31, 2016

2015								
Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Total amount of cash dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2015	Common stock	¥1,664	$13,805	Retained earnings	¥4.0	$0.033	March 31, 2015	June 29, 2015

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Sales costs	¥10,512	¥10,791	$89,522
Allowances and bonuses	7,951	8,008	66,432
Provisions for bonuses	1,042	1,029	8,540
Retirement benefit costs	660	640	5,312
Provisions for retirement benefits for officers	36	44	370
Research and development expenditures	3,507	3,064	25,418

13. INCOME TAXES

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2015 is presented as follows:

	2015
Statutory tax rate	36.0%
Nondeductible expenses	(0.2)
Change in valuation allowance	3.1
Tax credit	(0.7)
Other	0.3
Effective tax rate	38.5%

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2014 is immaterial and the reconciliation of those rates is not disclosed.

The significant components of the Company's deferred income tax assets and liabilities at March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Impairment loss on fixed assets	¥ 2,524	¥ 4,045	$ 33,554
Accrued bonuses	800	724	6,012
Unrealized holding gain	641	613	5,091
Deferred tax loss	1,077	973	8,071
Net defined benefit liability	415	687	5,703
Depreciation	116	92	763
Golf club membership	139	108	900
Other	1,955	1,508	12,517
Less valuation allowance	(4,212)	(5,457)	(45,268)
Total deferred tax assets	¥ 3,457	¥ 3,296	$ 27,347
Deferred tax liabilities:			
Difference between cost of investments and their underlying net equity at fair value	¥ 1,445	¥ 1,225	$ 10,166
Unrealized gain on available-for-sale securities	12,467	14,942	123,954
Other	716	758	6,288
Total deferred tax liabilities	14,629	16,926	140,409
Deferred tax liabilities, net	¥11,171	¥13,629	$113,062

Note 1: Under the Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015), and the Act for Partial Revision of the Local Tax Act, etc. (Act No. 2 of 2015) promulgated on March 31, 2015, the staged reduction of the national corporate tax rate, etc. will apply to corporate taxes effective fiscal years beginning on after April 1, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and deferred tax liabilities has been changed from 36.0% to 33.0% for temporary differences expected to be realized and settled in period from April 1, 2015 to March 31, 2016 and to 32.0% for temporary differences expected to be realized and settled in fiscal years beginning on or after April 1, 2016.

As a result, deferred tax liabilities (less deferred tax assets) decreased ¥1,845 million (US$15,312 thousand), remeasurements of defined benefit plans decreased ¥5 million (US$49 thousand), deferred income taxes increased ¥14 million (US$122 thousand) and unrealized gain on available-for-sale securities increased ¥1,866 million (US$15,485 thousand) as of and for the fiscal year ended March 31, 2015.

14. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrealized gain (loss) on available-for-sale securities:			
Amount arising during the year	¥3,129	¥12,092	$100,312
Reclassification adjustments for gains and losses included in net income	(16)	0	(5)
Amount before tax effect	3,113	12,092	100,307
Tax effect	(1,120)	(2,475)	(20,531)
Unrealized gain (loss) on available-for-sale securities	1,992	9,617	79,776
Foreign currency translation adjustments:			
Amount arising during the year	313	28	235
Remeasurements of defined benefit plans:			
Amount arising during the year	—	638	5,298
Reclassification adjustments for gains and losses included in net income	—	322	2,671
Amount before tax effect	—	960	7,970
Tax effect	—	(351)	(2,918)
Remeasurements of defined benefit plans	—	608	5,051
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	0	0	6
Total other comprehensive income	¥2,306	¥10,255	$ 85,069

15. RETIREMENT BENEFITS FOR EMPLOYEES

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.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
(1) Reconciliation of beginning and ending balances of projected benefit obligation (excluding plans using the simplified method)			
Beginning balance of projected benefit obligation	¥12,133	¥11,991	$ 99,474
Amount arising during the year	—	986	8,181
Restated balance	12,133	12,977	107,655
Service cost	597	716	5,945
Interest cost	239	141	1,172
Actuarial loss	51	185	1,537
Payment of retirement benefits	(1,030)	(830)	(6,892)
Ending balance of projected benefit obligation	¥11,991	¥13,190	$109,419

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Beginning balance of pension assets	¥ 9,849	¥10,679	$88,592
Expected return	196	213	1,771
Actuarial gain	543	824	6,836
Employer contribution	1,106	1,089	9,038
Payment of retirement benefits	(1,016)	(821)	(6,817)
Ending balance of pension assets	¥10,679	¥11,985	$99,421
(3) Reconciliation of beginning and ending balances of net defined benefit liability using the simplified method			
Beginning balance of net defined benefit liability	¥795	¥734	$6,096
Retirement benefit cost	111	87	724
Payment of retirement benefits	(69)	(103)	(858)
Employer contribution	(102)	(101)	(840)
Ending balance of net defined benefit liability	¥734	¥617	$5,121
(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 sheets			
Projected benefit obligation of funded plan	¥12,957	¥14,191	$117,725
Pension assets	(12,044)	(13,490)	(111,905)
Net	912	701	5,820
Projected benefit obligation of unfunded plan	1,133	1,120	9,298
Net amount of liabilities and assets on balance sheet	2,046	1,822	15,118
Net defined benefit liability	2,277	2,131	17,679
Net defined benefit asset	(230)	(308)	(2,561)
Net amount of liabilities and assets on balance sheet	¥ 2,046	¥ 1,822	$ 15,118
(5) Breakdown of retirement benefit cost			
Service cost	¥ 597	¥ 716	$5,945
Interest cost	239	141	1,172
Expected return on pension fund assets	(196)	(213)	(1,771)
Amortization of actuarial loss	354	322	2,671
Retirement benefit cost calculated using simplified method	111	87	724
Retirement benefit cost of defined benefit pension	¥1,106	¥1,053	8,742
(6) Components of remeasurements of defined benefit plans in other comprehensive income (before tax effects)			
Actuarial loss	¥—	¥960	$7,970
(7) Components of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effects)			
Unrecognized actuarial loss	¥1,110	¥149	$1,241
(8) Pension assets (%)			
Bonds	49	49	
Stocks	28	29	
General accounts	17	16	
Other	7	5	
Total	100	100	

Method for determining the expected rate of return on pension fund assets

The current and forecast allocation of pension assets and the current and expected rates of return for the various components of the pension assets are considered when determining the expected rate of return on pension fund assets.

(9) Actuarial assumptions (%)		
Discount rate	2.0	**1.1**
Expected rate of return on pension fund assets	2.0	**2.0**
Expected rates of salary increases	2.9~6.9	**3.4~5.4**

16. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the years ended March 31, 2014 and 2015, the Company and certain consolidated subsidiaries recognized ¥213 million and ¥2,370 million (US$19,664 thousand), respectively, of losses on impairment of fixed assets as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Idle assets	¥152	**¥1,829**	**$15,174**
Business assets	61	**541**	**4,489**
	¥213	**¥2,370**	**$19,664**

As for idle assets, their grouping of assets is based on the corresponding property unit, and for business assets, on the smallest segments used in management accounting.

The Company and consolidated subsidiaries recognize impairment losses if the undiscounted expected future cash flows are less than carrying amounts of the assets.

In such cases, the carrying amounts of the assets are written down to their recoverable amounts. The recoverable amounts in these asset groups were calculated using respective net selling prices based primarily on appraisal valuations or discounted expected future cash flows.

17. SUBSEQUENT EVENTS

The Company, at its Board of Directors meeting held on May 14, 2015, decided to repurchase million shares of the Company's stock in accordance with Article 156 and Article 165 (3) of the Corporation Act of Japan.

18. FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

The Company and certain subsidiaries own rental warehouses, rental office buildings (including the surrounding land), idle land and other properties in Osaka prefecture and other areas. During the fiscal year ended March 31, 2015, rental income from rental property assets was ¥1,031 million (US$8,555 thousand) (rental income was recorded under sales and rental costs are recorded under cost of sales) and net loss from sales of rental property amounted to ¥776 million (US$6,441 thousand) (recorded under extraordinary loss).

The carrying amount of rental property and corresponding fair value as of March 31, 2015 and changes in carrying amount during the fiscal year ended March 31, 2015 are as follows:

Millions of yen			
Consolidated balance sheet amounts			Fair value as of March 31, 2015
As of March 31, 2014	Net change	As of March 31, 2015	
¥23,632	¥(721)	¥22,910	¥31,796

Thousands of U.S. dollars			
Consolidated balance sheet amounts			Fair value as of March 31, 2015
As of March 31, 2014	Net change	As of March 31, 2015	
$196,038	$(5,989)	$190,049	$263,760

Notes: 1. Consolidated balance sheet amounts exclude accumulated depreciation and amortization as well as accumulated impairment loss from acquisition costs.

2. The fair value (which includes adjustments using relevant indices) as of March 31, 2015 is calculated by the Company using the standard for real estate appraisal for significant assets, estimated based on the value calculated for property tax for other assets.

19. SEGMENT INFORMATION

For the years ended March 31, 2014 and 2015:

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 six reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, and Others.

Main products for each reportable segment are as follows:

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

Others: Leasing of real estate, engineering, development of software, and secondary cell materials

Information on the reportable segments as of and for the years ended March 31, 2014 and 2015 is as follows:

Millions of yen

2014	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	¥183,188	¥12,937	¥20,468	¥6,545	¥4,852	¥ 7,085	¥235,078	¥ —	¥235,078
Intersegment sales	3,099	4,412	2,033	16	6	5,039	14,607	(14,607)	—
Total	186,288	17,349	22,501	6,561	4,859	12,125	249,686	(14,607)	235,078
Segment profit or loss	16,575	1,292	1,793	1,101	701	51	21,515	(10)	21,504
Segment assets	214,984	32,120	14,285	5,815	4,990	32,679	304,876	20,451	325,328
Other items:									
Depreciation and amortization	12,218	1,986	385	536	265	1,206	16,598	0	16,599
Amortization of goodwill	179	34	(70)	7	—	—	150	—	150
Capital expenditures	14,846	1,334	343	611	193	257	17,587	—	17,587

Notes: 1. Eliminations and adjustments for segment profit and loss include ¥(10) million of elimination of inter-segment profit and loss.

2. Eliminations and adjustments for segment assets include ¥(12,038) million of elimination of inter-segment profit and loss and ¥32,490 million of corporate assets.

3. Eliminations and adjustments for depreciation and amortization include ¥(13) million of elimination of inter-segment profit and loss and ¥13 million of depreciation and amortization for corporate assets, which are not allocable to a reportable segment.

Millions of yen

2015	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	¥182,870	¥13,543	¥18,540	¥7,270	¥5,024	¥ 7,290	¥234,539	¥ —	¥234,539
Intersegment sales	3,514	4,251	2,030	14	0	4,791	14,601	(14,601)	0
Total	186,384	17,795	20,570	7,284	5,024	12,081	249,140	(14,601)	234,539
Segment profit or loss	15,868	2,081	1,273	1,349	1,114	559	22,247	(39)	22,207
Segment assets	221,106	32,490	14,651	7,442	5,336	30,104	311,132	24,848	335,981
Other items:									
Depreciation and amortization	12,755	1,842	405	561	268	1,055	16,887	1	16,889
Amortization of goodwill	148	25	(18)	7	—	—	162	—	162
Capital expenditures	13,351	1,710	869	753	348	170	17,204	—	17,204

Thousands of U.S. dollars

2015	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	$1,516,967	$112,348	$153,795	$60,312	$41,680	$ 60,474	$1,945,579	$ —	$1,945,579
Intersegment sales	29,152	35,269	16,839	116	0	39,743	121,121	(121,121)	0
Total	1,546,119	147,618	170,635	60,429	41,680	100,217	2,066,701	(121,121)	1,945,579
Segment profit or loss	131,633	17,268	10,562	11,196	9,249	4,639	184,549	(328)	184,220
Segment assets	1,834,147	269,522	121,537	61,739	44,271	249,725	2,580,943	206,130	2,787,073
Other items:									
Depreciation and amortization	105,809	15,281	3,362	4,659	2,223	8,753	140,089	13	140,103
Amortization of goodwill	1,229	212	(153)	62	—	—	1,351	—	1,351
Capital expenditures	110,752	14,190	7,214	6,249	2,895	1,413	142,715	—	142,715

Notes: 1. Eliminations and adjustments for segment profit and loss include ¥(39) million ($(328) thousand) of elimination of inter-segment profit and loss.

2. Eliminations and adjustments for segment assets include ¥(11,946) million ($(99,098) thousand) of elimination of inter-segment profit and loss and ¥36,795 million ($305,228 thousand) of corporate assets.

3. Eliminations and adjustments for depreciation and amortization include ¥(10) million ($(86.82) thousand) of elimination of inter-segment profit and loss and ¥12 million ($99.93 thousand) of depreciation and amortization for corporate assets, which are not allocable to a reportable segment.

Geographical information

Information regarding geographical areas is omitted for the years ended March 31, 2014 and 2015, because sales and total assets in the Japan area constitute more than 90% of all geographical areas.

Impairment loss on fixed assets by reportable segment for the years ended March 31, 2014 and 2015 is summarized as follows:

	Millions of yen								
	2014								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	¥65	¥34	¥—	¥—	¥—	¥—	¥99	¥114	¥213

	Millions of yen								
	2015								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**	**¥2,370**	**¥2,370**	**¥—**	**¥2,370**

	Thousands of U.S. dollars								
	2015								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	**$—**	**$—**	**$—**	**$—**	**$—**	**$19,664**	**$19,664**	**$—**	**$19,664**

20. AMOUNTS PER SHARE

Amounts per share at March 31, 2014 and 2015 and for the years then ended are as follows:

	Yen		U.S. dollars
	2014	**2015**	**2015**
Net income:			
Basic	¥32.03	**¥32.05**	**$0.26**
Diluted	¥ —	**¥ —**	**$ —**

	Yen		U.S. dollars
	2014	**2015**	**2015**
Net assets	¥368.50	**¥418.68**	**$3.47**

Notes: 1. As described under Changes in Accounting Policy, the Group has adopted the Accounting Standard for Retirement Benefits, subject to the transitional treatment stipulated by Article 37 of said Standard. As a result, net assets per share as of March 31, 2014 decreased ¥1.53 (US$0.01).

2. Diluted net income per share is not presented as the Company has no dilutive securities.

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, 2015, 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, 2015, 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 26, 2015
Tokyo, Japan

Company Profile

Company Name
Sumitomo Osaka Cement Co., Ltd

President
Fukuichi Sekine

Headquarters
6-28, Rokubancho, Chiyoda-ku,
TOKYO,102-8465, Japan

Date Established
November 29, 1907

Capital
41.6 billion yen

Number of Employees
1,175 (Consolidated: 2,844)
(As of March 31, 2015)

Net Sales
151 (Consolidated: 234) billion yen
(Year ended March 31, 2015)

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