SUMITOMO OSAKA CEMENT CO., LTD.

ANNUAL REPORT 2016

For the Year Ended March 31, 2016

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.

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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 2016

Domestic cement demand in fiscal 2016, ended March 31, 2016, was 42,668 thousand metric tons, down 2,883 thousand metric tons, or 6.3%, year on year. Due to a year-on-year drop in public-sector investment and changes in architectural construction methods, both public-sector and private-sector demand diminished. Sumitomo Osaka Cement's domestic sales volume came to 8,855 thousand metric tons, a decrease of 431 thousand metric tons, or 4.6%, year on year.

Operating income in the Cement business grew ¥648 million from the previous fiscal year, reflecting drops in coal and oil procurement costs and an increase in recycling, despite the negative impact of the decline in sales volume and the weak yen.

In businesses other than Cement, the Mineral Resources, Cement-Related Products, Advanced Materials, and Others businesses saw improvements in income, for a total increase of ¥709 million in operating income year on year. The rise was supported by reduced mining costs in the Mineral Resources Business, an increase in soil improvement work in the Cement-Related Products business, and growth in sales of electronics materials for semiconductor manufacturing equipment and cosmetics ingredients in the Advanced Materials business. In the Others business, the sales volume of battery materials increased, and a decrease in depreciation due to the absence of a loss on impairment of noncurrent assets recorded in the second quarter of the previous fiscal year led to an improvement in results.

As a result, the Group's fiscal 2016 consolidated net sales came to ¥234,192 million, down ¥347 million year on year, but operating income grew ¥1,406 to ¥23,614 million. Ordinary income rose ¥176 million to ¥24,560. Net income attributable to owners of parent came to ¥16,110 million, an increase of ¥2,772 million year on year. As such, operating income, ordinary income and net income attributable to owners of parent all reached record highs, surpassing the previous record high income of fiscal 2015.

Outlook for Fiscal 2017

In fiscal 2017, demand for cement in Japan is expected to remain roughly level with the previous fiscal year, edging up only 0.8% to 43,000 thousand metrics tons.

We are assuming an exchange rate of US$1 to ¥110, ¥11 per dollar stronger than the average fiscal 2016 rate of US$1 to ¥121.

In the Cement business, we expect a rise in income reflecting increases in sales volume and income from recycling processing as well as decreases in coal and oil procurement costs. We forecast exports for the year of 1,500 thousand metric tons, but expect to face challenging conditions as prices decline.

In terms of domestic sales prices, since October 2013 we have been seeking to raise unit prices by ¥1,000 to ¥1,500 yen, achieving some progress through fiscal 2015. However, we now recognize that the market will not yet tolerate the prices we had originally targeted. We will therefore take market conditions into consideration as we decide on further price increases going forward.

In businesses other than Cement, although the Cement-Related Products business will be affected by retreating demand due to the completion of large-scale soil improvement work undertaken in the previous fiscal year, we expect increased income in the Optoelectronics and Others businesses due to improvement in profit from battery materials.

Amid such circumstances, we anticipate consolidated fiscal 2017 net sales of ¥236,000 million, operating income of ¥25,000 million, ordinary income of ¥26,000 million and net income attributable to owners of parent of ¥17,200 million.

Furthermore, fiscal 2017 is the final year of the current medium-term management plan. The goals for the final year of the plan were set at net sales of ¥250,000 million, operating and ordinary income of ¥26,000 million each and net income attributable to owners of parent of ¥14,600 million.

Since the plan was formulated, coal and oil procurement costs have fallen. However, we expect cement demand to fall and the export market environment to grow more challenging. As a result, our current forecast for fiscal 2017 operating income of ¥25,000 is ¥1,000 million below the initial target of the management plan. Even so, through cost cutting and other measures, we will strive to achieve the targets of the plan.

Dividends

We seek to ensure steady and continuous dividend payments. Given that we expect to generate stable income of around ¥10,000 million, we are maintaining the consolidated annual dividend payout ratio at 20% or above.

Accordingly, in light of income in fiscal 2016 and the forecast for fiscal 2017, we have decided to pay year-end dividends for fiscal 2016 of ¥4 per share, as previously announced, for a full-year dividend of ¥8 per share. For fiscal 2017, we plan to pay interim and year-end dividends of ¥4.5 per share each, for a full-year dividend of ¥9 per share.

Cement Demand and Sumitomo Osaka Cement's Cement Sales Volume

(Thousand metric tons)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 forecast
Cement demand						
Domestic	42,650	44,577	47,705	45,551	42,668	43,000
Exports	10,006	9,632	8,503	9,421	10,583	12,000
Sumitomo Osaka Cement's Sales Volume						
Domestic	8,746	9,191	9,502	9,286	8,855	8,930
Exports	1,136	1,041	884	961	1,051	1,500
Total	9,883	10,232	10,387	10,248	9,906	10,430

Business Results

(Millions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 forecast
Net sales	217,044	219,083	235,078	234,539	234,192	236,000
Operating income	8,136	13,959	21,504	22,207	23,614	25,000
Ordinary income	7,666	14,612	22,400	24,383	24,560	26,000
Net income	3,645	7,460	13,331	13,337	16,110	17,200

Maximizing Profit and Establishing a Framework for Stable Revenue

Under the medium-term management plan established in fiscal 2015 (covering fiscal 2015 through fiscal 2017), Sumitomo Osaka Cement is working toward the goals of maximizing profit and establishing a framework for stable revenue.

In light of these goals, we have mainly focused on expanding production capacity in order to meet construction demand leading up to the 2020 Tokyo Olympic and Paralympic games, to this end investing in a complete overhaul of our mainstay Kochi Plant's soil improvement agent manufacturing processes. Another focus of capital expenditure has been quadrupling our production capacity of repair materials needed for infrastructure construction .

In battery materials, we have decided to invest in the Vietnam Plant to double its production capacity of lithium iron phosphate, a proprietary lithium-ion battery cathode material developed by Sumitomo Osaka Cement.

For more details, please see the "Business Topics" pages of our website.

Our ESG Initiatives

The cement industry meets it social responsibility by providing a stable supply of quality cement while recycling industrial and household waste and industrial by-products as raw materials and fuel. The industry is thus deeply connected to environmental issues and contributes greatly to society

In fiscal 2016, Japan's cement industry processed 28,053 thousand metric tons of waste and industrial by-products. The Sumitomo Osaka Cement Group (including affiliated company Hachinohe Cement Co., Ltd.) accepted and processed 5,405 thousand metric tons of this total during the year.

Furthermore, recognizing that utilizing the abilities of diverse human resources will be important to sustainable growth going forward, in April 2016 we established a Diversity Promotion Group within the Personnel Department. We aim to be a company where women and other diverse human resources can shine.

Furthermore, we are actively engaging in such IR activities as holding small meetings and participating in IR conferences, aiming to deepen mutual understanding with institutional investors. We aim to maintain good, ongoing communication.

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

September, 2016

Fukuichi Sekine, President

Fukuichi Sekine

AT A GLANCE

CEMENT

PODUCTS / 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

PODUCTS / SERVICES

- 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 unique grinding and sorting technologies to manufacture and market aggregate for ready-mixed concrete, calcium carbonate, silica powder and other products.

CEMENT-RELATED PRODUCTS

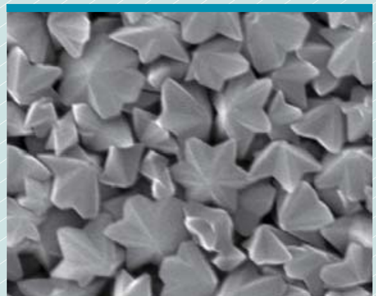
PODUCTS / SERVICES

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

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



ADVANCED MATERIALS

OTHERS

PODUCTS / SERVICES

OPTOELECTRONICS

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

ADVANCED MATERIALS

- Ceramic components for semiconductor manufacturing equipment
- Various kinds of transparent and functional coating solutions
- Heat and ultraviolet shielding materials
- High-performance films
- Antibacterial agents

OTHERS

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

BUSINESS OVERVIEW

OPTOELECTRONICS

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

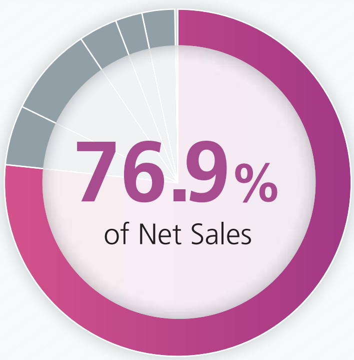
Our advanced materials division manufactures and sells functional materials, such as ultraviolet shielding, heat shielding, hydrophilic solutions and antibacterial agents based on our proprietary nanoparticle production technologies. These unique materials are applied in a wide variety of fields that includes cosmetics ingredients and heat shielding films. In addition, our fine ceramics made with high-performance particles are used in semiconductor manufacturing equipment.

OTHERS

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 extremely 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

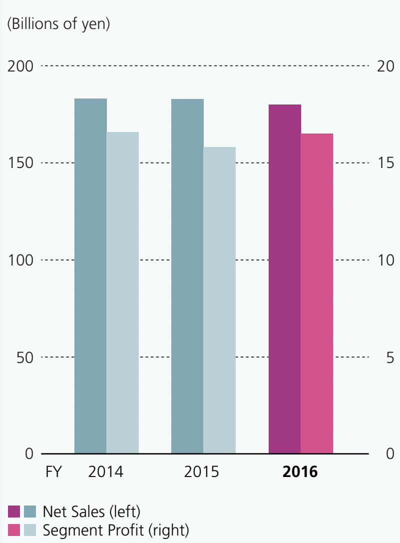
CEMENT



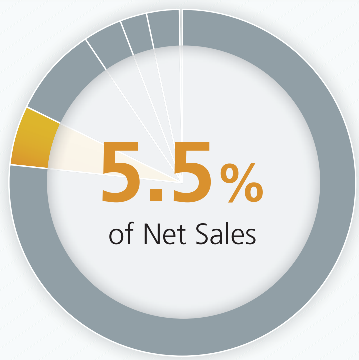
Reflecting a drop in sales volume, net sales amounted to ¥180,154 million, down ¥2,715 million, or 1.5%, from the previous fiscal year. Segment profit, however, grew ¥648 million, or 4.1%, to ¥16,516 million, partly as a result of reductions in manufacturing costs.

The total sales volume of cement was down 3.3% year on year to 9,906 thousand metric tons, with that in Japan down 4.6% to 8,855 thousand metric tons and exports rising 9.3% to 1,051 thousand metric tons.

Capital expenditures totaled ¥15,097 million, an increase of ¥1,746 million from the previous fiscal year.

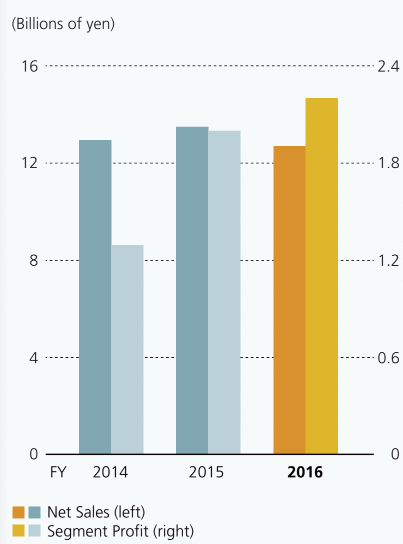


MINERAL RESOURCES

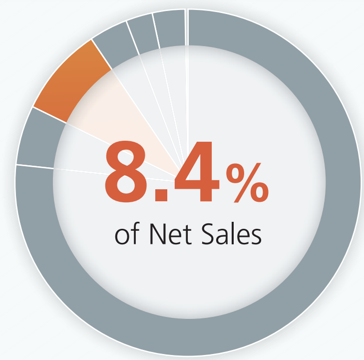


Reflecting decreased sales volumes of aggregate and limestone, net sales fell to ¥12,798 million, down ¥744 million, or 5.5%, year on year. Segment profit, however, increased ¥169 million, or 8.1%, to ¥2,250 million, reflecting reductions in mining costs.

Capital expenditures amounted to ¥2,223 million, an increase of ¥513 million from the previous fiscal year.

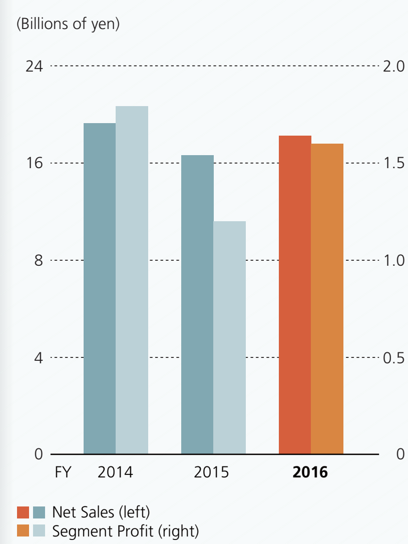


CEMENT-RELATED PPODUCTS

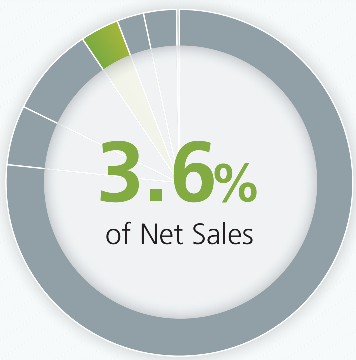


Due in part to an increase in soil improvement work, net sales rose ¥1,165 million, or 6.3%, year on year to ¥19,705 million. Segment profit grew to ¥1,648 million, up ¥375 million, or 29.5%, from the previous fiscal year.

Capital expenditures amounted to ¥743 million, a decrease of ¥126 million from the previous fiscal year.

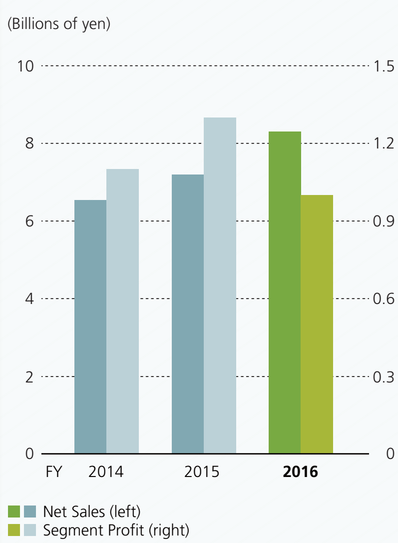


OPTOELECTRONICS

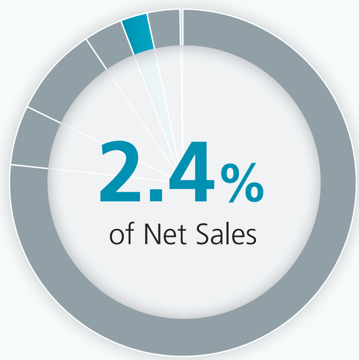


Due in part to an increase in the sales volume of optical communication devices for new transmission systems, net sales came to ¥8,364 million, up ¥1,093 million, or 15.0%, year on year. Segment profit, however, decreased ¥259 million, or 19.2%, from the previous year to ¥1,090 million, due largely to an increase in manufacturing costs.

Capital expenditures were ¥735 million, a decrease of ¥18 million from the previous fiscal year.

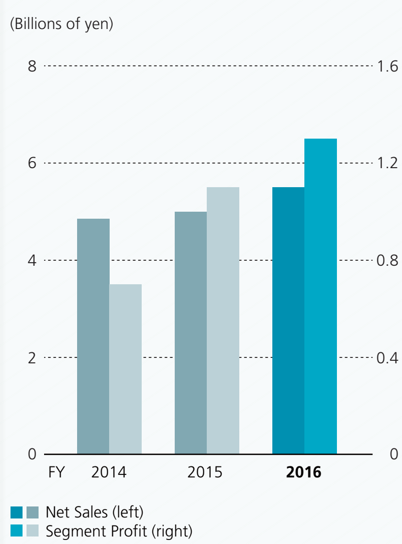


ADVANCED MATERIALS

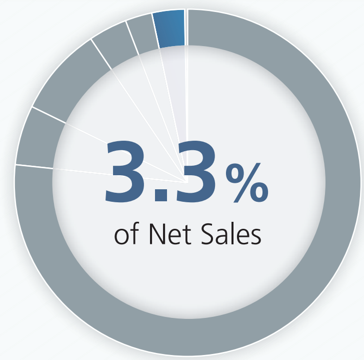


Due in part to increases in the sales volumes of electronic materials for semiconductor manufacturing equipment and cosmetics ingredients, net sales rose to ¥5,544 million, up ¥519 million, or 10.3%, year on year. Segment profit rose to ¥1,333 million, up ¥218 million, or 19.6%, from the previous fiscal year.

Capital expenditures came to ¥281 million, a decrease of ¥67 million from the previous fiscal year.

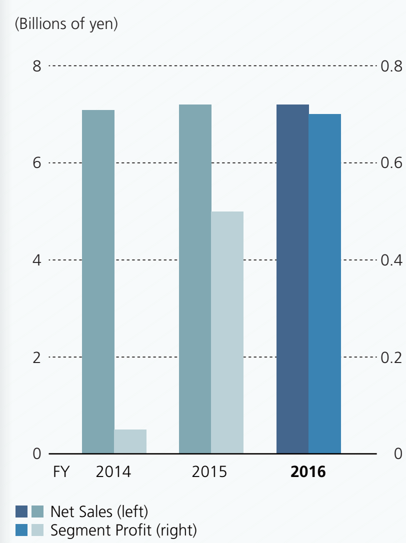


OTHERS



Reflecting an increased sales volume of secondary battery cathode materials, net sales increased ¥334 million, or 4.6%, year on year to ¥7,624 million. Due largely to cost reductions, segment profit rose ¥206 million, or 36.9%, compared with the previous year to ¥765 million.

Capital expenditures came to ¥412 million, an increase of ¥242 million from the previous fiscal year.



BUSINESS TOPICS

TOPICS 1 Began Expansion of Production Facilities for Geo Cement Soil Improvement Agents to Meet Growing Demand

Demand for soil improvement agents, used to prevent ground liquefaction and in soil improvement to facilitate construction, is growing significantly, driven by construction ahead of the 2020 Tokyo Olympic and Paralympics Games and ongoing reconstruction in the Tohoku region following the Great East Japan Earthquake.

In light of this growth in demand, Sumitomo Osaka Cement has invested ¥2.6 billion at its mainstay Kochi Plant to completely revamp production facilities for its geo cement soil improvement agents. The expansion is aimed at boosting the plant's annual geo cement capacity 200 metric tons to 500 thousand metric tons, with construction scheduled for completion at the end of January 2017.

Kochi Plant

TOPICS 2 Increasing Repair Materials Needed for Infrastructure Construction to Four Times the Current Level

Automatic bag filling and loading system

Sumitomo Osaka Cement's Cement-Related Products business handles many products used to repair aging infrastructure and provide anti-seismic reinforcement as well as for civil engineering and building construction like that related to the Tokyo Olympic and Paralympics Games. In light of firm demand expected over the medium-to-long term, Sumitomo Osaka Cement has invested ¥700 million in manufacturing facilities at its East Japan manufacturing site, the IZUMI Industry Ltd. Hanezuru Site. The new facilities commenced commercial operations in August 2015.

The new plant features additional raw materials silos, mixers with enhanced capabilities, and an automatic bag filling and loading system, achieving approximately four times the production capacity of the existing facilities.

TOPICS 3 Doubling Production Capacity for Our Proprietary Lithium-Ion Battery Cathode Material, Lithium Iron Phosphate

To meet the needs presented by such changes in the global business environment as the implementation of environment-related fuel economy regulations and the accelerating adoption of renewable energy, Sumitomo Osaka Cement has leveraged the nanoparticle synthesis technology it has cultivated since the 1980s to establish manufacturing processes for lithium iron phosphate, a material used for lithium-ion battery cathodes. In December 2012, the Company completed its Vietnam Plant to produce this product and is now engaged in mass production.

Sumitomo Osaka Cement's lithium iron phosphate, manufactured using the hydrothermal synthesis method, has been highly evaluated by customers for its superior safety and durability as well as its consistent quality. Demand is expected to continue growing for both stationary and vehicle-mounted applications.

To meet this demand, Sumitomo Osaka Cement is investing ¥1.7 billion, aiming to increase annual production capacity from 1,000 metric tons to 2,000 metric tons. The new facilities are expected to begin production in February 2017.

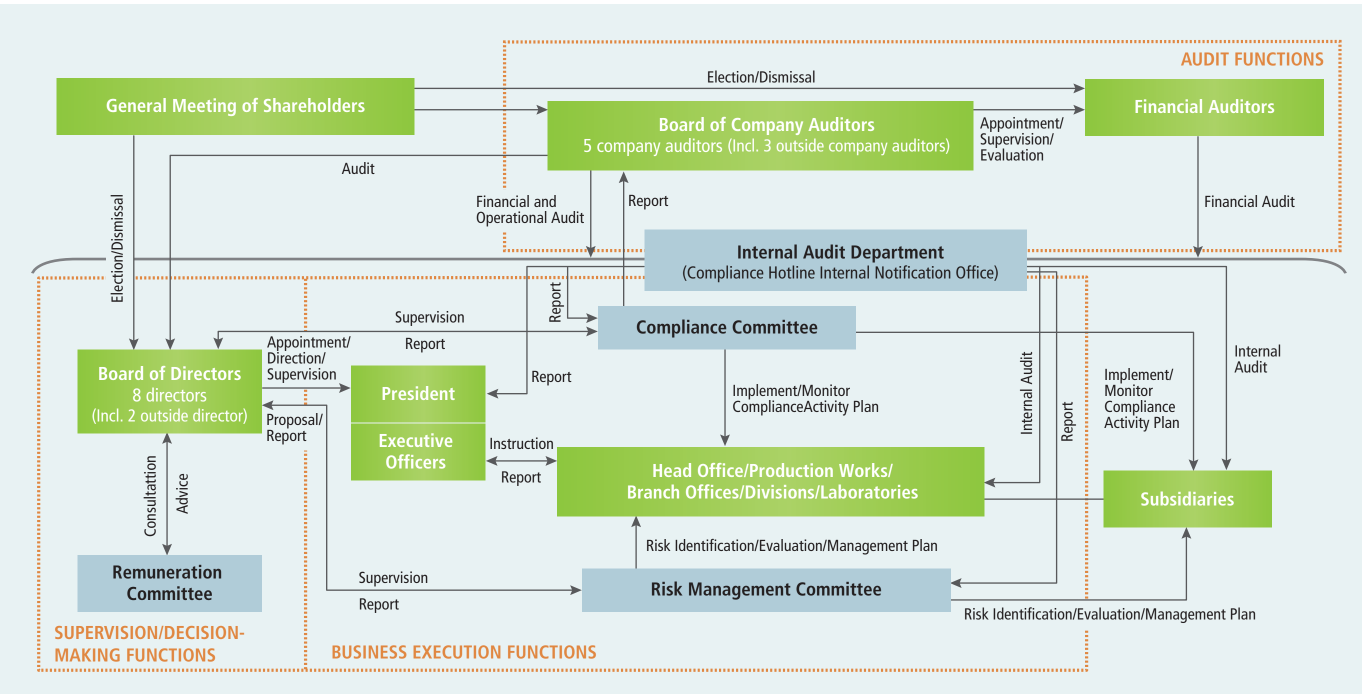
Vietnam Plant

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.

The details of our basic policies, frameworks and guidelines are set out in the SUMITOMO OSAKA CEMENT CORPORATE GOVERNANCE POLICY.

http://www.soc.co.jp/sumitomo_e/wp-content/themes/soc/img/about/CORPORATE%20GOVERNANCE%20POLICY_E.pdf



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 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.

Furthermore, to ensure the adequacy of the remuneration and transparency of the performance evaluations of the Directors and senior management, we have established the Remuneration Committee. The Remuneration Committee, taking into account Directors' performance and contribution to the sustainable growth of the Company, makes recommendations to the Board of Directors.

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 Groupwide 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)**

Corporate Governance Policy

The Company has established the Sumitomo Osaka Cement Corporate Governance Policy, which lays out its basic approach to and policies regarding corporate governance. This policy is published on the Group website.

Communication with Institutional Investors and Securities Analysts

Sumitomo Osaka Cement holds results briefings for institutional investors and securities analysts after interim and fiscal year-end results announcements. Furthermore, the president explains the Company's management policy and strategy in person at such events as small meetings of institutional investors and IR conferences organized by securities brokerages as well as through visits to major institutional investors.

Our IR department also conducts other activities aimed at deepening understanding of the Company among institutional investors and securities analysts, including telephone interviews, individual quarterly meetings and tours of factories and facilities.

The opinions formed through such communication are periodically reported to top management and the Board of Directors for use in formulating the Company's management plans.

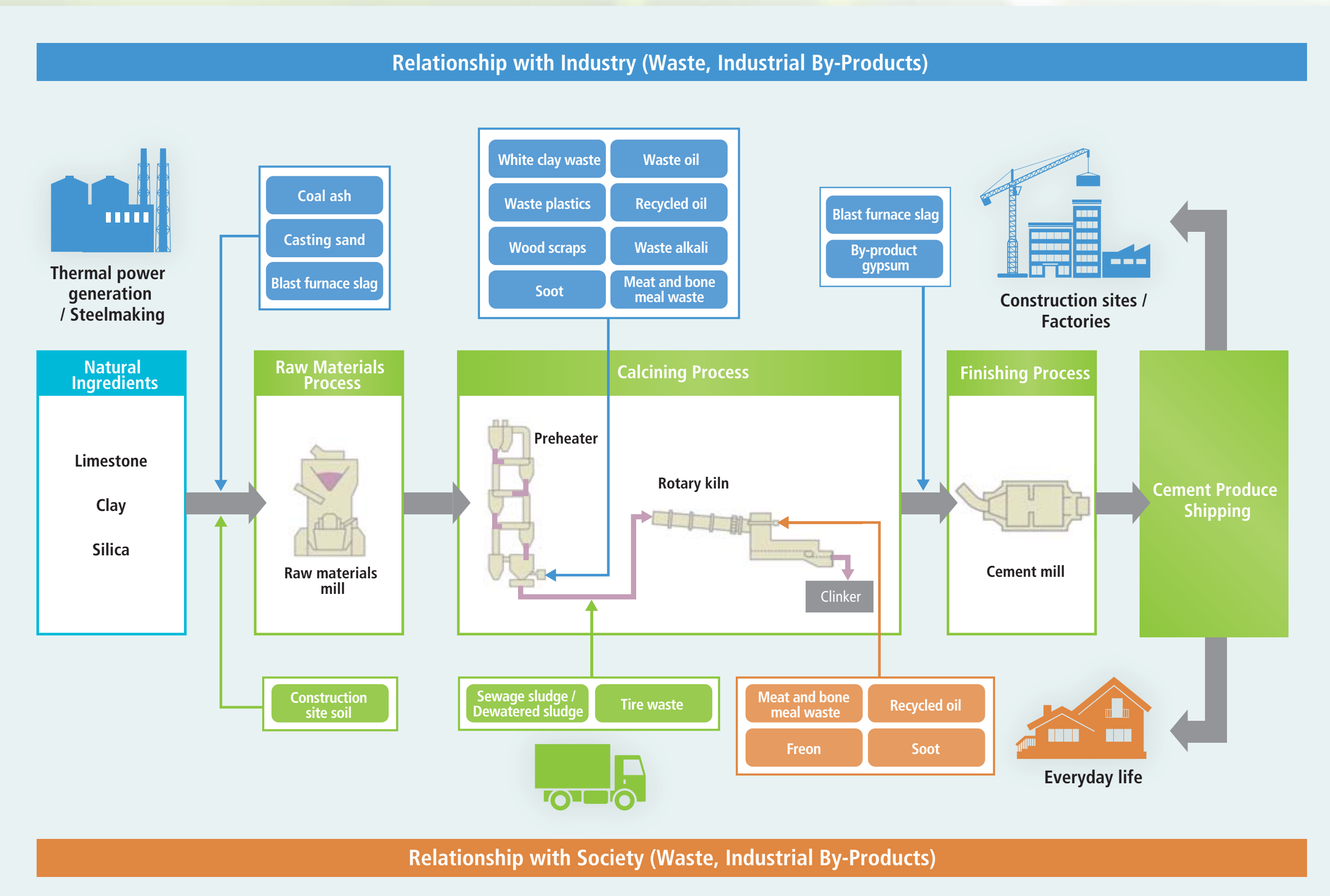
Results briefing for the fiscal year ended March 31, 2016, held at the Company headquarters on May 13, 2016, attended by numerous securities analysts and representatives of institutional investors and the media.

The Environment

The Cement Industry: Essential to Creating a Recycling-Based Society

Cement is produced by mixing its primary ingredient, limestone, with clay and other secondary ingredients in a certain ratio and then calcining this mixture in a high-temperature rotary kiln. The thermal energy for calcining is mainly provided by burning coal. Currently, a large proportion of the secondary ingredients in cement and some of the energy used for calcining is obtained by recycling industrial and household waste as well as industrial by-products as raw materials and fuel.

Japan's cement plants recycle about 30,000 thousand metric tons of waste and industrial by-products annually, approximately 5% of the country's total output. In recent years, reflecting rising social awareness of environmental issues and the need to create a recycling-based society, the role of cement plants has been growing ever more important, as cement plants can process large volumes of waste, detoxify waste using high-temperature calcination and do not produce secondary waste.



Features of the Sumitomo Osaka Cement Group's Waste and Industrial By-Product Processing

1. Using waste in cement manufacturing as a raw material or fuel enables ongoing, high-volume waste processing while helping to conserve natural resources.
2. High-temperature calcination treatment in cement kilns at 1,450°C detoxifies dioxins and other harmful substances.
3. All processed waste materials and industrial by-products become cement products. No residue is generated, so there is no need for final disposal in landfills or elsewhere.

Status of Main Activities

The Ako Plant, Kochi Plant and Hachinohe Cement recycle incineration ash from general waste materials as raw material for cement. Hachinohe Cement receives ash from incinerated urban waste from facilities in central Tokyo as well as Yokohama in containers via freight train. The Ako Plant partners with the Hyogo Environmental Advancement Association to accept and process ash from incinerated urban waste, including soot and dust.

Social Issues

Creating Opportunities for Women to Succeed at Sumitomo Osaka Cement

A New Diversity Promotion Group Established

In light of the enforcement of the Act on Promotion of Women's Participation and Advancement in the Workplace, we established a Diversity Promotion Group within the Personnel Department on April 1, 2016, aiming to become a company where diverse human resources, including women, can work with vigor and excel. Working mainly though the Diversity Promotion Group, we will promote the participation and advancement of women and strive to create work environments that allow all employees to utilize their abilities to the fullest going forward.

General Business Operator Action Plan: Action Plan for Promoting the Success of Women (in Career-Track Positions)

1 Plan period:

April 1, 2016 to March 31, 2021

2 Targets and initiatives:

We aim for women to constitute 20% of our new graduate hires for career-track positions. We aim to double the number of women in management positions as of April 1, 2016 by March 31, 2012.

OUR MANAGEMENT TEAM (As of June 29, 2016)

Board of Directors	
President, Representative Director	Fukuichi Sekine
Representative Director, Executive Vice President	Yushi Suga
Director, Managing Executive Officers	Katsuji Mukai Isao Yoshitomi Shigemi Yamamoto Toshihiko Onishi
Outside Directors	Kunitaro Saida Akira Watanabe

Board of Company Auditors	
Company Auditors	Akio Sekine Kaname Ito
Outside Company Auditors	Fuminori Tomozawa Shoji Hosaka Kazuo Suzuki

Executive Officers	
Managing Executive Officers	Yasuo Fujiwara
Executive Officers	Hiroyuki Sakakibara Ryoji Ogi Tomonori Nonomura Hirotsune Morohashi Toshio Imai Shintarou Ooshima Mikio Konishi Hideki Aoki Norifumi Uchimura Masashi Shimo Toru Shimada

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	1,161 (Consolidated: 2,915) (As of March 31, 2016)
Net Sales	150 (Consolidated: 234) billion yen (Year ended March 31, 2016)

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)
	2011	2012	2013	2014	2015	2016	2016
For the year:							
Net sales	¥201,644	¥217,044	¥219,083	¥235,078	¥234,539	**¥234,192**	**$2,078,382**
Cost of sales	159,542	172,609	170,042	177,606	177,158	**175,474**	**1,557,285**
Selling, general and administrative expenses	35,362	36,297	35,082	35,966	35,172	**35,103**	**311,528**
Operating income	6,738	8,136	13,959	21,504	22,207	**23,614**	**209,568**
Net income attributable to owners of parent	920	3,645	7,460	13,331	13,337	**16,110**	**142,975**
Net cash provided by operating activities	¥ 21,548	¥ 23,243	¥ 30,015	¥ 32,537	¥ 30,256	**¥32,618**	**$289,477**
Net cash used in investing activities	(15,048)	(16,314)	(17,362)	(17,950)	(16,043)	**(15,691)**	**(139,255)**
Net cash used in financing activities	(10,991)	(6,111)	(15,173)	(7,967)	(16,051)	**(15,705)**	**(139,378)**
Cash and cash equivalents at end of year	26,277	27,093	25,078	31,928	30,132	**31,378**	**278,476**
At year end:							
Net assets	¥128,541	¥131,782	¥142,976	¥154,821	¥175,754	**¥177,247**	**$1,573,012**
Total assets	310,746	309,890	315,734	325,328	335,981	**325,710**	**2,890,575**
Per share data (yen/dollars):							
Net income (loss)	¥ 2.21	¥ 8.76	¥ 17.92	¥ 32.03	¥ 32.05	**¥39.43**	**$0.35**
Cash dividends	4.00	4.00	5.00	5.00	6.50	**8.00**	**0.07**
Shareholders' equity	305.37	313.21	340.14	368.5	418.68	**432.67**	**3.84**
Financial ratios:							
ROE (Return on equity)	0.7%	2.8%	5.5%	9.0%	8.1%	**9.2%**	
ROA (Return on assets)	0.4%	1.2%	2.4%	4.1%	4.0%	**4.9%**	
Equity ratio (Note 1)	40.9%	42.1%	44.8%	47.1%	51.8%	**53.9%**	
Number of employees	2,816	2,769	2,834	2,821	2,844	**2,915**	

Notes: 1. Equity = Total net assets – Share subscription rights – Non-controlling interests
2. U.S. dollar amounts have been translated from yen at the rate of ¥112.68=US$1 as of March 31, 2016.

Financial Review

Scope of Consolidation

The scope of these consolidated financial statements includes Sumitomo Osaka Cement, 35 consolidated subsidiaries and one equity-method affiliate.

Net Sales

During fiscal 2016, ended March 31, 2016, the Japanese economy saw continued gradual recovery supported by the government's economic policy, but the outlook remained unclear, reflecting concerns over worsening economic conditions in China and other emerging economies in Asia.

In the cement industry, due to a year-on-year drop in public-sector investment and changes in architectural construction methods, both public-sector and private-sector demand diminished. As a result, cement demand in Japan fell 6.3% year on year to 42,668 thousand metric tons. Exports, however, gained 12.3%. Consequently, total sales of cement produced by domestic manufacturers, including exports, edged down 2.8% year on year to 52,930 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 ¥234,192 million (US$2,078,382 thousand), largely unchanged from the previous fiscal year. This was because, while sales in the cement business fell year on year, sales in the cement-related products, optoelectronics, advanced materials, and others businesses increased. For more information on results by business segment, please refer to the Review of Operations (pages 5-6).

Profits

Operating income grew 6.3% year on year to ¥23,614 million (US$209,568 thousand) due to rises in earnings in the cement and other businesses. Net income attributable to owners of parent came to ¥16,110 million (US$142,975 thousand), up 20.8% from the previous fiscal year. Consequently, net income per share stood at ¥39.43.

Financial Position

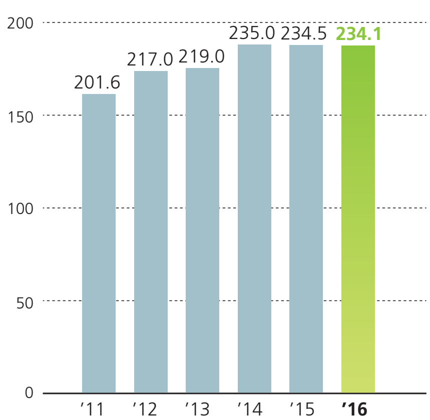
Total assets as of March 31, 2016, stood at ¥325,710 million (US$2,890,575 thousand), a decrease of ¥10,271 million from the previous fiscal year-end.

Current assets were down ¥1,862 million from the previous fiscal year-end to ¥100,189 million (US$889,149 thousand), attributable in part to a decrease in notes and accounts receivable. Total noncurrent assets fell ¥8,409 million from the previous fiscal year-end to ¥225,520 million (US$2,001,425 thousand), partly due to a decrease in investment securities. Within noncurrent assets, property, plant and equipment increased ¥1,508 million to ¥159,303 million (US$1,413,767 thousand), while investments and other assets declined ¥9,856 million to ¥63,914 million (US$567,219 thousand).

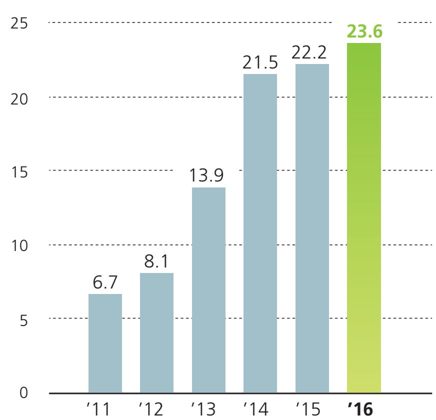
Total liabilities declined ¥11,764 million from the previous fiscal year-end to ¥148,462 million (US$1,317,562 thousand). Current liabilities increased ¥2,341 million to ¥90,996 million (US$807,565 thousand), largely due to an increase in the balance of the current portion of long-term loans. Long-term liabilities decreased ¥14,106 million to ¥57,466 million (US$509,996 thousand) as a result of such factors as decreases in bonds payable and deferred tax liabilities. Total interest-bearing debt declined ¥7,817 million compared with the previous fiscal year-end to ¥76,507 million (US$678,984 thousand), while the interest coverage ratio increased from 25.3 times at the end of the previous fiscal year to 33.4 times.

Net assets at the end of the fiscal year under review stood at ¥177,247 million (US$1,573,012 thousand), up ¥1,492 million

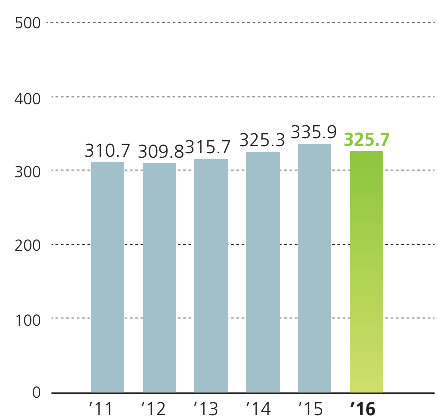
Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Total Assets
(Billions of yen)



from a year earlier. This increase was mainly the result of a rise in retained earnings. Consequently, the shareholders' equity ratio climbed from 51.8% as of March 31, 2015, to 53.9% as of March 31, 2016.

Capital Expenditure, 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 increased ¥2,290 million, or 13.3%, from the previous fiscal year to ¥19,494 million. Depreciation and amortization came to ¥16,885 million, approximately unchanged year on year.

Cash Flow

Net cash provided by operating activities totaled ¥32,618 million (US$289,477 thousand), up ¥2,361 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 ¥15,691 million (US$139,255 thousand), down ¥352 million from the previous fiscal year, mainly reflecting purchases of property, plant and equipment. Net cash used in financing activities was ¥15,705 million (US$139,378 thousand), down ¥346 million from the previous fiscal year. Main cash outflows included the repayment of long-term loans payable and short-term bank loans as well as the acquisition of treasury stock.

As a result, cash and cash equivalents at the fiscal year-end increased ¥1,245 million, or 4.1%, year on year to ¥31,378 million (US$278,476 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 2016, an interim dividend of ¥4.0 per share and a year-end dividend of ¥4.0 were paid. Consequently, the full-year dividend payment totaled ¥8.0 per share.

Fiscal 2017 Outlook

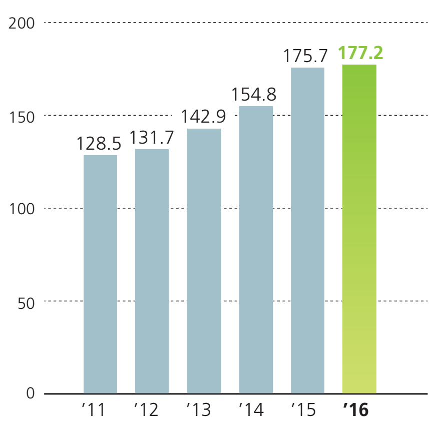
In the fiscal year ending March 31, 2017, despite ongoing risks associated with economic downturn in emerging Asian economies and other factors, the Japanese economy is expected to continue to gradually recover, backed by the government's economic policies.

In the cement industry, public-sector demand is expected to fall due to shrinking public investment. However, private-sector demand is forecast to grow due to an increase in private housing investment triggered by a surge in demand ahead of a scheduled consumption tax hike. 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 the stable supply of high-quality products 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

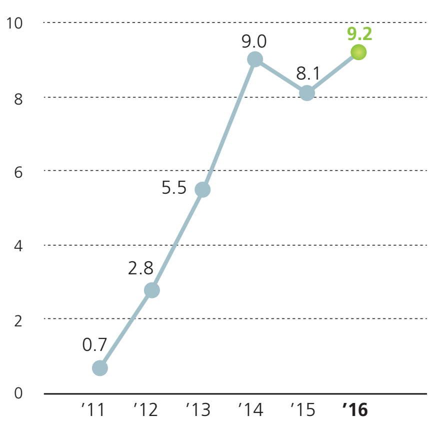
Net Assets

(Billions of yen)



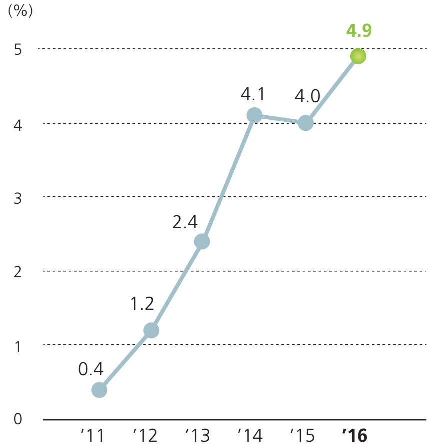
ROE (Return on Equity)

(%)



ROA (Return on Assets)

(%)



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, by utilizing recycled raw materials and fuels, the Group will continue to fulfill its social mission of contributing to the establishment of a recycling-oriented society and reducing its environmental impact.

For the fiscal year ending March 31, 2017, Sumitomo Osaka Cement expects net sales of ¥236,000 million, an increase of 0.8% year on year, ordinary income of ¥26,000 million, an increase of 5.9%, and net income attributable to owners of the parent of ¥17,200 million, an increase of 6.8% from the fiscal year under review. The Company plans to pay a full-year dividend of ¥9 per share.

The aforementioned figures are based on information available as of May 2016, 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 of fuel costs 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, based upon future earnings plans and related forecasts, to write down the book value of fixed assets to a price that may be recovered. At the moment, the Group has recorded all required impairment accounting for its property, plant and equipment. However, impairment loss may be caused by changes in future land prices and operating conditions, and the Group's financial condition and results may be significantly affected.

Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
ASSETS			
Current assets:			
Cash and deposits (Note 11)	¥ 30,289	¥ 31,536	$ 279,879
Notes and accounts receivable—trade	47,774	45,660	405,224
Merchandise and finished goods	6,275	6,589	58,480
Work in process	2,550	2,532	22,471
Raw materials and supplies	10,417	10,133	89,932
Deferred tax assets (Note 16)	1,741	1,701	15,099
Short-term loans receivable	127	234	2,081
Other	2,970	1,850	16,423
Less: Allowance for doubtful receivables	(95)	(50)	(443)
Total current assets	102,051	100,189	889,149
Property, plant and equipment:			
Buildings and structures	161,215	162,776	1,444,595
Accumulated depreciation	(110,754)	(112,557)	(998,914)
Buildings and structures, net	50,460	50,219	445,681
Machinery equipment and vehicles	397,872	408,574	3,625,972
Accumulated depreciation	(349,144)	(357,234)	(3,170,343)
Machinery equipment and vehicles, net	48,727	51,340	455,628
Land	38,531	37,962	336,901
Construction in progress	4,275	3,955	35,107
Other	34,055	34,362	304,960
Accumulated depreciation	(18,255)	(18,537)	(164,510)
Other, net	15,800	15,825	140,449
Total property, plant and equipment, net	157,795	159,303	1,413,767
Intangible assets:			
Goodwill	43	5	52
Other	2,320	2,297	20,387
Total intangible assets	2,364	2,303	20,439
Investments and other assets:			
Investment securities (Note 14)	64,342	54,393	482,727
Long-term loans receivable	3,012	2,906	25,794
Deferred tax assets (Note 16)	762	715	6,353
Net defined benefit asset (Note 15)	308	320	2,846
Other	5,944	6,095	54,093
Less: Allowance for doubtful receivables	(600)	(518)	(4,597)
Total investments and other assets	73,770	63,914	567,219
Total non-current assets	233,930	225,520	2,001,425
Total assets	¥335,981	¥325,710	$2,890,575

See accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable—trade	¥ 27,661	¥ 25,882	$ 229,701
Short-term loans payable (Note 13)	32,656	25,987	230,631
Current portion of long-term loans payable (Note 13)	9,565	9,392	83,358
Current portion of bonds (Note 13)	—	10,000	88,746
Income taxes payable	5,061	4,669	41,438
Provision for bonuses	2,196	2,269	20,140
Other	11,512	12,794	113,549
Total current liabilities	88,654	90,996	807,565
Long-term liabilities:			
Bonds payable (Note 13)	15,000	5,000	44,373
Long-term loans payable (Note 13)	27,103	26,127	231,874
Deferred tax liabilities (Note 16)	16,133	11,945	106,013
Provision for retirement bonuses of directors and company auditors	211	176	1,567
Provision for loss on dissolution of employees' pension fund	405	405	3,594
Net defined benefit liability (Note 15)	2,131	3,076	27,300
Asset retirement obligations	763	768	6,816
Other	9,823	9,967	88,457
Total long-term liabilities	71,572	57,466	509,996
Total liabilities	160,227	148,462	1,317,562
Net assets:			
Shareholders' equity			
Capital stock	41,654	41,654	369,667
Capital surplus (Note 11)	29,282	29,282	259,876
Retained earnings (Note 11)	71,451	84,274	747,907
Treasury stock	(267)	(4,801)	(42,613)
Total shareholders' equity	142,121	150,409	1,334,837
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	31,735	25,255	224,136
Foreign currency translation adjustments	437	644	5,719
Remeasurements of defined benefit plans	(101)	(669)	(5,942)
Total accumulated other comprehensive income	32,071	25,230	223,913
Non-controlling interests	1,562	1,607	14,261
Total net assets	175,754	177,247	1,573,012
Total liabilities and net assets	¥335,981	¥325,710	$2,890,575

Consolidated Statements of Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Net sales	¥234,539	¥234,192	$2,078,382
Cost of sales	177,158	175,474	1,557,285
Gross profit	57,380	58,717	521,097
Selling, general and administrative expenses (Note 7)	35,172	35,103	311,528
Operating income	22,207	23,614	209,568
Non-operating income:			
Interest income	83	71	636
Dividend income	1,922	2,299	20,409
Foreign exchange gain	995	—	—
Equity in earnings of affiliates	230	251	2,233
Rental income	155	153	1,361
Other	690	469	4,166
Total non-operating income	4,077	3,246	28,807
Non-operating expenses:			
Interest expense	1,129	953	8,463
Foreign exchange losses	—	510	4,526
Other	772	836	7,422
Total non-operating expenses	1,901	2,300	20,413
Ordinary income	24,383	24,560	217,962
Extraordinary income:			
Gain on sales of noncurrent assets	1,031	637	5,654
Gain on sales of investment securities	—	4	38
Gain on sales of shares of subsidiaries and associates	—	249	2,211
Settlement received	300	—	—
Total extraordinary income	1,332	890	7,904
Extraordinary loss:			
Loss on retirement of noncurrent assets	1,098	1,395	12,382
Loss on sales of noncurrent assets	1	37	336
Loss on valuation of investment securities	—	11	99
Loss on sales of investment securities	—	0	7
Loss on impairment of noncurrent assets (Note 8)	2,370	165	1,470
Provision for loss on dissolution of employees' pension fund	405	—	—
Total extraordinary loss	3,875	1,610	14,296
Income before income taxes and minority interests	21,840	23,839	211,571
Income taxes (Note 16):			
Current	8,425	7,881	69,943
Deferred	(13)	(200)	(1,779)
Total income taxes	8,412	7,680	68,164
Net income	13,428	16,159	143,406
Non-controlling interests	90	48	431
Owners of parent	¥ 13,337	¥ 16,110	$ 142,975

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, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Net income	¥13,428	¥16,159	$143,406
Other comprehensive income loss (Note 7):			
Unrealized gain on available-for-sale securities	9,617	(6,476)	(57,479)
Foreign currency translation adjustments	28	206	1,836
Remeasurements of defined benefit plans	608	(567)	(5,039)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	0	(2)	(24)
Comprehensive income	23,683	9,318	82,699
Total comprehensive income attributable to:			
Shareholders of Sumitomo Osaka Cement Co., Ltd.	¥23,592	¥ 9,269	$ 82,266
Owners of parent non-contorolling interests	90	48	433

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, 2015 and 2016

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2014	¥41,654	¥29,282	¥60,829	¥ (236)	¥131,529
Cumulative effects of changes in accounting policies	—	—	(634)	—	(634)
Restated balance	41,654	29,282	60,194	(236)	130,894
Dividends from surplus	—	—	(2,080)	—	(2,080)
Profit (loss) attributable to owners of parent for the period	—	—	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	¥41,654	¥29,282	¥71,451	¥ (267)	¥142,121
Cumulative effects of changes in accounting policies					
Restated balance	**41,654**	**29,282**	**71,451**	**(267)**	**142,121**
Dividends from surplus	**—**	**—**	**(3,288)**	**—**	**(3,288)**
Profit (loss) attributable to owners of parent for the period	**—**	**—**	**16,110**	**—**	**16,110**
Purchase of treasury stock	**—**	**—**	**—**	**(4,534)**	**(4,534)**
Disposal of treasury stock	**—**	**0**	**—**	**0**	**0**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**
Other, net	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2016	**¥41,654**	**¥29,282**	**¥84,274**	**¥(4,801)**	**¥150,409**

	Millions of yen					
	Accumulated other comprehensive income					
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
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)
Profit (loss) attributable to owners of parent for the period	—	—	—	—	—	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
Cumulative effects of changes in accounting policies						
Restated balance	**31,735**	**437**	**(101)**	**32,071**	**1,562**	**175,754**
Dividends from surplus	**—**	**—**	**—**	**—**	**—**	**(3,288)**
Profit (loss) attributable to owners of parent for the period	**—**	**—**	**—**	**—**	**—**	**16,110**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(4,534)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**0**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**
Other, net	**(6,479)**	**206**	**(567)**	**(6,840)**	**44**	**(6,795)**
Balance at March 31, 2016	**¥25,255**	**¥644**	**¥(669)**	**¥25,230**	**¥1,607**	**¥177,247**

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2015	$369,667	$259,875	$634,113	$ (2,376)	$1,261,280
Cumulative effects of changes in accounting policies	—	—	0	—	0
Restated balance	**369,667**	**259,875**	**634,113**	**(2,376)**	**1,261,280**
Dividends from surplus	**—**	**—**	**(29,181)**	**—**	**(29,181)**
Profit (loss) attributable to owners of parent for the period	**—**	**—**	**142,975**	**—**	**142,975**
Purchase of treasury stock	**—**	**—**	**—**	**(40,240)**	**(40,240)**
Disposal of treasury stock	**—**	**0**	**—**	**2**	**3**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**
Other, net	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2016	**$369,667**	**$259,876**	**$747,907**	**$(42,613)**	**$1,334,837**

	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	Non-controlling interests	Total net assets
Balance at March 31, 2015	$281,641	$3,883	$ (903)	$284,621	$13,864	$1,559,766
Cumulative effects of changes in accounting policies	—	—	—	—	—	0
Restated balance	**281,641**	**3,883**	**(903)**	**284,621**	**13,864**	**1,559,766**
Dividends from surplus	**—**	**—**	**—**	**—**	**—**	**(29,181)**
Profit (loss) attributable to owners of parent for the period	**—**	**—**	**—**	**—**	**—**	**142,975**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(40,240)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**3**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**
Other, net	**(57,505)**	**1,836**	**(5,039)**	**(60,708)**	**397**	**(60,311)**
Balance at March 31, 2016	**$224,136**	**$5,719**	**$(5,942)**	**$223,913**	**$14,261**	**$1,573,012**

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, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Operating Activities:			
Income before income taxes and minority interests	¥ 21,840	¥ 23,839	$ 211,571
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,889	16,885	149,849
Loss on impairment of fixed assets	2,370	165	1,470
Provision for loss on dissolution of employees' pension fund	405	—	—
Amortization of goodwill	162	37	335
Increase (Decrease) in provision for net defined benefit liability	(249)	236	2,101
Increase (Decrease) in provision for directors' retirement benefits	(0)	(22)	(200)
Increase (Decrease) in allowance for doubtful accounts	(145)	(29)	(260)
Interest and dividend income	(2,005)	(2,371)	(21,046)
Interest expenses	1,129	953	8,463
Foreign exchange losses (gains)	(994)	491	4,365
Equity in (earnings) losses of affiliates	(230)	(251)	(2,233)
Gain on sales of noncurrent assets	(1,031)	(637)	(5,654)
Loss on sales of noncurrent assets	1	37	336
Loss on retirement of noncurrent assets	124	262	2,330
Loss (Gain) on sales of investment securities	(0)	(3)	(31)
Loss (Gain) on sales of stocks of subsidiaries and affiliates	—	(249)	(2,211)
Loss (Gain) on valuation of investment securities	—	11	99
Decrease (Increase) in notes and accounts receivable-trade	(702)	1,708	15,158
Decrease (Increase) in inventories	(1,492)	(202)	(1,798)
Increase (Decrease) in notes and accounts payable-trade	(187)	(1,573)	(13,966)
Other	2,727	280	2,489
Subtotal	38,607	39,569	351,169
Interest and dividends income received	2,009	2,371	21,050
Interest expenses paid	(1,193)	(976)	(8,669)
Income taxes paid	(9,166)	(8,346)	(74,072)
Net cash provided by operating activities	30,256	32,618	289,477
Investing Activities:			
Purchases of property, plant and equipment	(17,033)	(17,680)	(156,904)
Proceeds from sales of property, plant and equipment	772	1,325	11,766
Purchases of investment securities	(93)	(8)	(72)
Proceeds from sales of investment securities	3	53	470
Payments of loans receivable	(338)	(494)	(4,390)
Collection of loans receivable	684	220	1,952
Other	(38)	892	7,922
Net cash used in investing activities	(16,043)	(15,691)	(139,255)
Financing Activities:			
Net increase (decrease) in short-term loans payable	(149)	(6,669)	(59,189)
Proceeds from long-term loans payable	2,240	8,562	75,991
Repayment of long-term loans payable	(15,964)	(9,712)	(86,194)
Proceeds from issuance of bonds	5,000	—	—
Redemption of bonds	(5,000)	—	—
Proceeds from sales of treasury stock	0	0	3
Purchases of treasury stock	(31)	(4,534)	(40,240)
Cash dividends paid	(2,080)	(3,288)	(29,181)
Cash dividends paid to minority shareholders	(4)	(4)	(35)
Other	(62)	(59)	(531)
Net cash used in financing activities	(16,051)	(15,705)	(139,378)
Eeffect of exchange rate changes on cash and cash eqivalents	42	23	212
Net increase (decrease) in cash and cash equivalents	(1,796)	1,245	11,055
Cash and cash equivalents at beginning of year	31,928	30,132	267,420
Cash and cash equivalents at end of year	¥ 30,132	¥ 31,378	$ 278,476

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2015 and 2016

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=¥112.68, the exchange rate prevailing on March 31, 2016. 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.

Scope of consolidation

Consolidated subsidiaries: 35

Main non-consolidated subsidiaries: SOC VIETNAM CO., LTD.

(Reasons for exclusion from the scope of consolidation)

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

Changes in the scope of consolidation

Ito Industry Co., Ltd., has been excluded from the scope of consolidation because of the divestiture of its shares during the fiscal year ended March 31, 2016.

Application of the equity method

Non-consolidated equity-method subsidiaries: 0

Equity-method affiliates: 1

Main non-consolidated subsidiaries and affiliates to which the equity method is not applied: SOC VIETNAM CO., LTD., Hachinohe Biomass Power Generation Co., Ltd., Right Grand Investments Limited and Forceharm Investments Limited

(Reasons for not applying the equity method)

The net income or loss and retained earnings (amounts corresponding to equity) of the companies to which the equity method is not applied are all small in size and do not have a material effect on the consolidated financial statements. These companies are therefore excluded from the scope of consolidation.

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.

Three consolidated subsidiaries with a December 31 year end.
SOC VIETNAM CO., LTD, Dongguan Sumi Optoelectronics Technology. Co., LTD, and Sumilong Nanotechnology Materials (SHENZHEN) Co., LTD

(b) Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method

Other securities

Securities with readily determinable fair values

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

Securities without readily determinable fair values

Stated at cost using the moving-average method.

Derivatives

Stated at fair value.

(c) Inventories

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

(d) Depreciation method of significant depreciable assets except leased assets.

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 except for buildings and accompanying facilities, purchased on and after April 1, 1998, in-house power generation facility at the Ako Plant, the Kochi Plant and Tochigi Plant, and property, plant and equipment of certain subsidiaries is calculated by the straight-line method. The useful lives range as follows: buildings and structures, 2 to 75 years; and machinery, equipment and tools, 2 to 22 years.

Quarry sites are depreciated by the unit-of-production method.

(e) Amortization of intangible assets, except for leased assets

Amortization of mining right is calculated by the unit-of-production method.

Others are amortized by the straight-line method.

Software for internal use is amortized by the straight-line method.

(f) Leases

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.

(g) Allowance for doubtful receivables

Allowance for doubtful receivables is provided in an amount sufficient to cover probable losses on collection. It consists of individually estimated uncollectible amounts, and an amount calculated using the past rate of actual losses on collection.

(h) Provision for bonuses

Provision for bonuses is recorded based on an estimated amount.

(i) Provision for retirement bonuses of directors and company auditors

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

(j) Provision for loss on dissolution of employees' pension funds

To prepare for loss on dissolution of employees' pension funds, certain consolidated subsidiaries reserve provisions equal to the estimated amount of loss.

(k) Retirement benefits

i) Projected benefit obligation 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 benefit 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.

(l) Revenue recognition

The percentage-of-completion method (the percentage of completion is determined using the ratio of cost incurred to the estimated total cost) is 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.

(m) 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 premeasured 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 made 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.

(n) Cash and cash equivalents

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

(o) Consumption tax

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

3. CHANGES IN ACCOUNTING POLICY

Effective the beginning of the year ended March 31, 2016, the Group adopted the Accounting Standard for Business Combinations and Related Standards and Guidance. On September 13, 2013, the Accounting Standards Board of Japan (ASBJ) issued revised ASBJ Statement No.21, "Accounting Standard for Consolidated Financial Statements," No.7, "Accounting Standard for Business Divestitures," and No.2 "Accounting Standard for Earnings per Share" and revised ASBJ Guidance No.10, "Guidance on accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" and No.4, "Guidance on Accounting Standard for Earnings per Share.

These accounting standards were revised principally concerning "Treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control in the additional acquisitions of shares in a subsidiary," "Accounting for acquisition-related costs," "Presentation of net income and change from minority interests to non-controlling interests," and "Provisional accounting treatment."

The Company has applied these standards and guidance from April 1, 2015, except for provisional accounting treatments, which are applied to business combinations implemented on or after April 1, 2015.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

On March 28, 2016, the ASBJ issued "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26).

(1) Overview

The ASBJ basically continues to apply the framework used in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Audit Committee Report No. 66, Japanese Institute of Certified Public Accountants), where an entity is classified into one of five categories according to certain criteria and the recoverability of deferred tax assets is assessed based on the entity's assigned category. However, the ASBJ reflected necessary changes in the guidance regarding the following accounting treatments:

(1) Treatment is clarified for entities that do not meet the criteria for any of the five categories.

(2) Criteria for classifying entities as "Category 2" or "Category 3" is changed from ordinary income to taxable income in the absence of infrequent or unusual events.

(3) For "Category 2" entities, deferred tax assets attributable to deductible temporary differences for which scheduling the timing of the reversals is not possible are considered to be realizable if certain conditions are met. Under Audit Committee Report No.66, deferred tax assets are considered to be realizable to the extent not exceeding the amount based on a scheduling of future reversals of temporary differences.

(4) For "Category 3" entities, the future period of estimated taxable income can be estimated in excess of five years if certain conditions are met. Under Audit Committee Report No.66, the future estimable period is generally limited to five years.

(5) For entities classified as "Category 4," they can be treated as "Category 2" or "Category 3" if certain conditions are met and such entities can use the methods of measurement of deferred tax assets stipulated in "Category 2" or "Category 3."

(2) Scheduled date of adoption

The Company expects to adopt this revised guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised guidance

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

5. NOTES TO CONSOLIDATED BALANCE SHEET

Hypothecated asset and hypothecated asset debt

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Assets secured by such collateral			
Current deposit	¥ 552	¥ 676	$ 5,999
Property, plant and Equipment			
Building and structures	8,010	7,592	67,379
Machinery, equipment and vehicles	4,857	11,204	99,436
Land	4,427	4,426	39,285
Other	234	234	2,084
	18,081	24,134	214,185
The obligation secured by such collateral			
Short-term bank loans	1,752	712	6,323
Current portion of long-term debt	384	902	8,013
Long-term debt	1,293	3,644	32,347
Accounts payable trade	440	511	4,541
	¥ 3,870	¥ 5,772	$ 51,225

There are related to unconsolidated subsidiary companies and affiliated companies

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investment securities	¥3,091	¥3,338	$29,627

Compressed entry

For the year ended March 31, 2015

The compressed entry amounts corresponding to national subsidies were ¥510 million for buildings and structures, ¥4,438 million for machinery, equipment and vehicles, ¥310 million for land, ¥5 million for other tangible fixed assets, and ¥0 million for other intangible fixed assets. These compressed entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheet.

For the year ended March 31, 2016

The compressed entry amounts corresponding to national subsidies were ¥509 million (US$4,517 thousand) for buildings and structures, ¥4,415 million (US$39,184 thousand) for machinery, equipment and vehicles, ¥310 million (US$2,757 thousand) for land, ¥5 million (US$51 thousand) for other tangible fixed assets, and ¥0 (US$7 thousand) million for other intangible fixed assets. These compressed entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheet.

6. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Notes discounted and endorsed	¥ —	¥ —	$ —
Guarantees of loans and other	1,887	1,468	13,036

The guaranteeing of a bank loan of K. Wah Construction Materials Ltd, as of March 31, 2016 and 2015 amounted to ¥1,378 million ($12,238 thousand) and ¥1,692 million, respectively.

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of selling, general and administrative expenses for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Sales costs	¥10,791	¥10,233	$90,820
Allowances and bonuses	8,008	8,156	72,384
Provisions for bonuses	1,029	1,111	9,860
Retirement benefit costs	640	611	5,422
Provisions for retirement benefits for officers	44	32	289
Research and development expenditures	3,064	3,060	27,164
Contingent Liabilities	3,064	3,060	27,164

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
The main gain include general expenses			
Land	892	136	1,208
Building and structures	77	4	39
Machinery,equipment and vehicles	54	484	4,304
The main gain include general expenses			
Building and structures	21	175	1,561
Machinery,equipment and vehicles	83	55	443
Machinery,equipment and vehicles removal costs	974	1,132	10,051
The main gain include general expenses			
Land	1	29	263
Building and structures	0	3	34

8. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the years ended March 31, 2015 and 2016, the Company and certain consolidated subsidiaries recognized ¥2,370 million and ¥165 million (US$1,470 thousand), respectively, of losses on impairment of fixed assets as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unutilized assets	¥ 0	¥148	$1,318
Business assets	2,370	17	151
	¥2,370	¥165	$1,470

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 the 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.

9. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2015 and 2016.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrealized gain (loss) on available-for-sale securities:			
Amount arising during the year	¥12,092	¥(10,139)	$(89,987)
Reclassification adjustments for gains and losses included in net income	0	55	496
Amount before tax effect	12,092	(10,083)	(89,491)
Tax effect	(2,475)	3,607	32,011
Unrealized gain (loss) on available-for-sale securities	9,617	(6,476)	(57,479)
Foreign currency translation adjustments:		—	—
Amount arising during the year	28	206	1,836
Remeasurements of defined benefit plans:		—	—
Amount arising during the year	638	(1,100)	(9,764)
Reclassification adjustments for gains and losses included in net income	322	279	2,479
Amount before tax effect	960	(820)	(7,284)
Tax effect	(351)	252	2,244
Remeasurements of defined benefit plans	608	(567)	(5,039)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method:		—	—

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Amount arising during the year	0	(2)	(24)
Total other comprehensive income (loss)	¥10,255	¥(6,840)	$(60,706)

10. 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, 2015 and 2016 is as follows:

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: 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:

Decrease due to retirement of treasury stock: 85 thousand shares

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

Fiscal 2016 (From April 1, 2015 to March 31, 2016)

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)	1,383	10,100	1	11,483
Total	1,383	10,100	1	11,483

Note 1: 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: 100 thousand shares.

Decrease due to requests to sell shares in amounts of less than one trading unit by shareholders : 1 thousand shares

b) Cash dividends

i) Cash dividends paid

For the year ended March 31, 2015

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

For the year ended March 31, 2016

2016							
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 26, 2015	Common stock	¥1,664	$14,769	¥4.0	$0.035	March 31, 2015	June 29, 2015
Board of Directors Meeting held on November 5, 2015	Common stock	¥1,623	$14,411	¥4.0	$0.035	September 30, 2015	December 3, 2015

ii) cash dividends paid

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

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

Dividends with the cut-off date in the year ended March 31, 2016 and the effective date in the year ending March 31, 2017

2016								
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 29, 2016	Common stock	¥1,623	$14,411	Retained earnings	$4.0	$0.035	March 31, 2015	June 30, 2015

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash and deposits	¥30,289	¥31,536	$279,879
Time deposits with a maturity of over three months	(157)	(158)	(1,403)
	¥30,132	¥31,378	$278,476

12. LEASES

All finance lease transactions are capitalized and recognized as leased assets and lease obligations on the consolidated balance sheets, except for the 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.

Leased assets

Property, plant and equipment

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

Leased asset depreciation method

The depreciation methods of leased assets used for the preparation of the consolidated financial statements are as described under 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (e) Property, plant and equipment.

Operating leases

Future minimum lease payments subsequent to March 31, 2016 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
2016	¥133	$1,186
2017 and thereafter	217	1,930
	¥351	$3,116

13. 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, 2016 (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		
	2016		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	¥ 31,536	¥ 31,536	¥ —
Notes and accounts receivable —trade	45,660	45,660	—
Available-for-sale securities	49,269	49,269	—
Short-term loans receivable	234	234	—
Long-term loans receivable	74	81	7
Total assets	126,775	126,783	8
Notes and accounts payable —trade	25,882	25,882	—
Short-term loans payable	25,987	25,987	—
Bonds payable	15,000	15,057	57
Long-term loans payable	35,520	36,068	548
Total liabilities	102,390	102,996	606
Derivative transactions	—	—	—
Total derivative transactions	—	—	—

	Thousands of U.S. dollars		
	2016		
	Consolidated Balance Sheet Amounts	Fair Value	Difference
Cash and deposits	$ 279,879	$ 279,879	$ 0
Notes and accounts receivable —trade	405,224	405,224	0
Available-for-sale securities	437,253	437,253	0
Short-term loans receivable	2,081	2,081	0
Long-term loans receivable	659	723	(64)
Total assets	1,125,097	1,125,162	(65)
Notes and accounts payable —trade	229,701	229,701	0
Short-term loans payable	230,631	230,631	0
Bonds payable	133,120	133,626	(506)
Long-term loans payable	315,232	320,099	(4,867)
Total liabilities	908,685	914,058	(5,373)
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, notes and accounts receivable trade 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.

Available for sale 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.

Notes and accounts payable trade 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 (m) Derivatives.

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, 2016 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 rate swap transactions (Pay fixed; receive floating)	Long-term loans payable	¥15,450	¥10,525	*

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 rate swaps transactions (Pay fixed; receive floating)	Long-term loans payable	$137,114	$93,406	*

* 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, 2016

Classification	Millions of yen Consolidated Balance Sheet Amounts
Unlisted securities	¥1,745
Long-term loans receivable	2,832

Classification	Thousands of U.S. dollars Consolidated Balance Sheet Amounts
Unlisted securities	$15,489
Long-term loans receivable	25,134

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 financial instruments at March 31, 2016.

	Millions of yen			
	2016			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥ 31,536	¥—	¥—	¥—
Trade receivables	45,660			
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	234	—	—	—
Long-term loans receivable	10	4	59	74
Total	¥126,775	¥ 4	¥59	¥74

	Thousands of U.S. dollars			
	2016			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	$ 279,879	$—	$ —	$ —
Trade receivables	405,224			
Securities:				
Available-for-sale securities	—	—	—	—
Short-term loans receivable	2,081	—	—	—
Long-term loans receivable	96	38	526	656
Total	$1,125,097	$38	$526	$656

	Millions of yen					
	2016					
	Within one year	Over one year and under two years	Over two year and under three years	Over three year and under four years	Over four year and under five years	Over five years
Short-term loans payable	¥25,987					
Bonds payable	10,000			5,000		
Long-term loans payable	9,392	6,863	4,893	6,798	2,447	5,124
Total	¥45,380	¥6,863	¥4,893	¥6,798	¥2,447	¥5,124

	Thousands of U.S. dollars					
	2016					
	Within one year	Over one year and under two years	Over two year and under three years	Over three year and under four years	Over four year and under five years	Over five years
Short-term loans payable	$230,631					
Bonds payable	88,747			44,373		
Long-term loans payable	83,358	60,912	43,429	60,331	21,720	45,480
Total	$402,736	$60,912	$43,429	$60,331	$21,720	$45,480

14. SECURITIES

Investment securities at March 31, 2015 and 2016 consisted of the following:

The acquisition cost and fair value of the securities classified as available-for-sale at March 31, 2015 and 2016 are summarized as follows:

	Millions of yen		
	2015		
	Acquisition cost	Fair value	Unrealized gain (loss)
Classified as:			
available-for-sale (in excess of cost)	¥12,774	¥59,410	¥46,636
available-for-sale (not in excess of cost)	7	6	(1)
Total	¥12,782	¥59,416	¥46,634

	Millions of yen		
	2016		
	Acquisition cost	Fair value	Unrealized gain (loss)
Classified as:			
available-for-sale (in excess of cost)	¥12,727	¥49,261	¥36,533
available-for-sale (not in excess of cost)	9	8	(1)
Total	¥12,737	¥49,269	¥36,532

	Thousands of U.S. dollars		
	2016		
	Acquisition cost	Fair value	Unrealized gain (loss)
Classified as:			
available-for-sale (in excess of cost)	$112,951	$437,178	$324,226
available-for-sale (not in excess of cost)	88	75	(13)
Total	$113,040	$437,253	$324,213

Proceeds from sales of investment securities for the years ended March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Proceeds	¥ 4	$53	$474
Gross realized gain	0	4	38
Gross realized loss	—	—	7

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
	2015	2016	2016
(1) Reconciliation of beginning and ending balances of projected benefit obligation (excluding plans using the simplified method)			
Beginning balance of projected benefit obligation	¥12,977	¥13,190	$117,061
Service cost	716	726	6,451
Interest cost	141	104	927
Actuarial loss	185	825	7,328
Payment of retirements benefits	(830)	(930)	(8,262)
Ending balance of projected benefit obligation	¥13,190	¥13,916	$123,507

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Beginning balance of pension assets	¥10,679	¥11,985	$106,365
Expected return on pension assets	213	239	2,127
Actuarial	824	(274)	(2,435)
Employer contribution	1,089	612	5,435
Payment of retirements benefits	(821)	(920)	(8,166)
Ending balance of pension assets	¥11,985	¥11,642	$103,326

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

Beginning balance of net defined benefit liability	¥734	¥617	$5,478
Retirement benefit cost	87	194	1,730
Payment of retirement benefits	(103)	(102)	(908)
Employer contribution	(101)	(101)	(902)
Other	—	(126)	(1,126)
Ending balance of net defined benefit liability	¥617	¥481	$4,272

(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	¥14,191	¥15,018	$133,283
Pension assets	(13,490)	(13,181)	(116,979)
Net	701	1,837	16,304
Projected benefit obligation of unfunded plan	1,120	918	8,149
Net amount of liabilities and assets on balance sheet	1,822	2,755	24,453
Net defined benefit liability	2,131	3,076	27,300
Net defined benefit asset	(308)	(320)	(2,846)
Net amount of liabilities and assets on balance sheet	¥1,822	¥2,755	$24,453

(5) Breakdown of retirement benefit cost

Service cost	¥716	¥726	$6,451
Interest cost	141	104	927
Expected return on pension assets	(213)	(239)	(2,127)
Amortization of actuarial loss	322	279	2,479
Retirement benefit cost calculated using simplified method	87	194	1,730
Retirement benefit cost of defined benefit pension	¥1,053	¥1,066	$9,462

(6) Components of remeasurements of defined benefit plans in other comprehensive income (before tax effects)

Actuarial loss	¥960	¥(820)	$(7,284)

(7) Components of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effects)

Unrecognized actuarial loss	¥149	¥970	$8,612

(8) Pension assets (%)

Bonds	49	49
Stocks	29	30
General accounts	16	17
Other	5	5
Total	100	100

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

(9) Actuarial assumptions (%)

Discount rate	1.1	0.8
Expected rate of return on pension assets	2.0	2.0
Expected rates of salary increases	3.4–5.4	3.4–5.4

Stock options

None.

16. INCOME TAXES

The significant components of the Company's deferred income tax assets and liabilities at March 31, 2015 and 2016 are as follows

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

	2015	2016
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, 2016 is immaterial and the reconciliation of those rates is not disclosed.

On March 29, 2016, the "Act for Partial Revision of the Income Tax Act etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act etc." (Act No.13 of 2016) were officially issued. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities will be reduced from 32.0% to 31.0% for temporary differences expected to be realized as settled from April 1, 2016.

As a result of this change, deferred tax assets, net of deferred tax liabilities, retirement benefits liability adjustments decreased by ¥339 million ($3,008 thousand) and ¥9 million ($86 thousand) . Income taxes – deferred (debit), net unrealized holding gain on securities would have increased by ¥16 million ($149 thousand), and ¥365 million ($3,244 thousand), respectively.

The significant components of the Company's deferred income tax assets and liabilities at March 31, 2015 and 2016 are as follows:

	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Deferred tax assets:			
Impairment loss on fixed assets	¥ 4,045	¥ 3,636	$ 32,273
Accrued bonuses	973	934	8,293
Unrealized holding gain	724	732	6,500
Deferred tax loss	613	548	4,864
Net defined benefit liability	687	1,051	9,335
Depreciation	380	340	3,018
Golf club membership	177	154	1,367
Other	1,151	1,205	10,702
Less valuation allowance	(5,457)	(4,986)	(44,256)
Total deferred tax assets	3,296	3,616	32,098
Deferred tax liabilities:			
Difference between cost of investments and their underlying net equity at fair value	14,942	11,333	100,580
Unrealized gain on available-for-sale securities	1,225	1,178	10,458
Other	758	633	5,621
Total deferred tax liabilities	16,926	13,145	116,659
Deferred tax liabilities, net	¥13,629	¥ 9,528	$ 84,561

17. FAIR VALUE OF INVESTMENT AND RENTAL PROPERTY

The Company and certain subsidiaries own rental distribution warehouses, rental office buildings (including the surrounding land), idle land and other properties in Osaka prefecture and other areas. During the fiscal year ended March 31, 2016, rental income from rental property assets was ¥1,016 million (US$9,017 thousand) (rental income is recorded under sales and rental costs are recorded under cost of sales), net gains from sales of rental property amounted to ¥107 million (US$952 thousand) (recorded under extraordinary gain) and impairment loss was ¥148 million (US$1,319 thousand) (recorded under extraordinary loss)

The carrying amount of rental property and corresponding fair value as of March 31, 2016 and changes in carrying amount during the fiscal year ended March 31, 2016 are as follows:

Millions of yen

Consolidated balance sheet amounts			Fair value as of March 31, 2016
As of March 31, 2015	Net change	As of March 31, 2016	
¥22,910	¥104	¥23,015	¥30,958

Thousands of U.S. dollars

Consolidated balance sheet amounts			Fair value as of March 31, 2016
As of March 31, 2015	Net change	As of March 31, 2016	
$203,323	$928	$204,252	$274,743

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, 2016 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.

18. SEGMENT INFORMATION

For the years ended March 31, 2015 and 2016:

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, 2015 and 2016 is as follows:

	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	—	4,791	14,601	(14,601)	—
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

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

2. Eliminations and adjustments for segment assets include ¥(1,194) million of elimination of inter-segment profit and loss and ¥36,795 million of corporate assets.

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

	Millions of yen								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	¥180,154	¥12,798	¥19,705	¥8,364	¥5,544	¥7,624	¥234,192	¥ —	¥234,192
Intersegment sales	3,126	4,234	2,226	—	—	4,660	14,248	(14,248)	—
Total	183,281	17,033	21,932	8,364	5,544	12,284	248,440	(14,248)	234,192
Segment profit or loss	16,516	2,250	1,648	1,090	1,333	765	23,605	8	23,614
Segment assets	215,935	31,565	14,303	7,767	5,635	30,687	305,896	19,814	325,710
Other items:									
Depreciation and amortization	12,883	1,700	485	687	294	873	16,924	(1)	16,922
Amortization of goodwill	30	—	—	7	—	—	37	—	37
Capital expenditures	15,097	2,223	743	735	281	412	19,494	—	19,494

	Thousands of U.S. dollars								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Net sales:									
Outside customers	$1,598,817	$113,586	$174,883	$74,229	$49,203	$67,662	$2,078,382	$ —	$2,078,382
Intersegment sales	27,750	37,578	19,760	—	—	41,361	126,451	(126,451)	—
Total	1,626,567	151,165	194,644	74,229	49,203	109,024	2,204,834	(126,451)	2,078,382
Segment profit or loss	146,580	19,975	14,633	9,677	11,830	6,793	209,491	77	209,568
Segment assets	1,916,361	280,136	126,939	68,935	50,015	272,344	2,714,732	175,843	2,890,575
Other items:									
Depreciation and amortization	114,333	15,087	4,306	6,102	2,617	7,751	150,199	(13)	150,185
Amortization of goodwill	268	—	—	66	—	—	335	—	335
Capital expenditures	133,989	19,733	6,600	6,524	2,496	3,662	173,007	—	173,007

Notes: 1. Eliminations and adjustments for segment profit and loss include ¥(8) million ($(77) thousand) of elimination of inter-segment profit and loss.

2. Eliminations and adjustments for segment assets include ¥(13,285) million ($(117,904) thousand) of elimination of inter-segment profit and loss and ¥33,099 million ($293,747 thousand) of corporate assets.

3. Eliminations and adjustments for depreciation and amortization include ¥(11) million ($(100) thousand) of elimination of inter-segment profit and loss and ¥9 million ($87 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, 2015 and 2016, 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, 2015 and 2016 is summarized as follows:

	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

	Millions of yen								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	¥54	¥7	¥—	¥—	¥—	¥—	¥62	¥103	¥165

	Thousands of U.S. dollars								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Loss on impairment of fixed assets	$486	$65	$—	$—	$—	$—	$552	$917	$1,470

Negative goodwill amortization by reportable segment for the years ended March 31, 2015 and 2016 is summarized as follows:

	Millions of yen								
	2015								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Amortization of negative goodwill	¥148	¥25	¥(18)	¥7	¥—	¥—	¥162	¥—	¥162
Balance of negative goodwill	¥30	¥—	¥—	¥13	¥—	¥—	¥43	¥—	¥43

	Millions of yen								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Amortization of negative goodwill	¥30	¥—	¥—	¥7	¥—	¥—	¥37	¥—	¥37
Balance of negative goodwill	¥—	¥—	¥—	¥5	¥—	¥—	¥5	¥—	¥5

	Thousands of U.S. dollars								
	2016								
	Cement	Mineral resources	Cement-related products	Optoelectronics	Advanced materials	Others	Total	Eliminations and adjustments	Consolidated
Amortization of negative goodwill	$268	$—	$—	$66	$—	$—	$335	$—	$335
Balance of negative goodwill	$2	$—	$—	$50	$—	$—	$52	$—	$52

Related parties

None.

19. AMOUNTS PER SHARE

Amounts per share at March 31, 2015 and 2016 and for the years then ended are as follows:

	Yen		U.S. dollars
	2015	2016	2016
Net income:			
Basic	¥32.05	¥39.43	$0.350
Diluted	¥ —	¥ —	$ —

	Yen		U.S. dollars
	2015	2016	2016
Net assets	¥418.68	¥432.67	$3.840

SUBSEQUENT EVENTS

None.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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, 2016, 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, 2016, 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 29, 2016
Tokyo, Japan

SUMITOMO OSAKA CEMENT CO., LTD.
6-28, Rokubancho, Chiyoda-ku, Tokyo 102-8465, Japan
Tel: +81-3-5211-4500 Fax: +81-3-3221-4652
http://www.soc.co.jp