

Integrated Report 2019



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.

ENVIRONMENTAL PHILOSOPHY

Striving for harmony between the natural environment and its business activities, the Sumitomo Osaka Cement Group is contributing to the creation of a prosperous society and environmental preservation through the pursuit of production, power generation and logistics defined by minimal environmental impact.

CODE OF CONDUCT

- 1 We will engage in sound business practices by placing prime importance on integrity.
- 2 We will act ethically and comply with all laws and regulations.
- 3 We will provide products and services that respond to the trust and expectations of customers and society.
- 4 We will respond flexibly to changing times and conduct business efficiently as means of enhancing our corporate value.
- 5 We will create safe and vibrant working environments where human rights are fully respected.
- 6 We will value and respect all employees.

Editorial Policy

Starting from fiscal 2019, the Sumitomo Osaka Cement Group issues Integrated Report in place of the previously published CSR Report and Annual Report. The Integrated Report is intended to help our shareholders, investors and a range of other stakeholders to better understand our operations by clearly communicating our initiatives toward enhancing the medium- to long-term corporate value and CSR activities as well as the annual operating results.

Reference Guidelines

GRI Standards
"Environmental Accounting Guidelines, 2005 ed." From Ministry of the Environment (Japan)
"Environmental Accounting Guidelines, 2018 ed." From Ministry of the Environment (Japan)

Reporting Scope

· Reporting period: April 1, 2018 to March 31, 2019
· Reporting entities: Sumitomo Osaka Cement Co., Ltd. and Group companies

Note

In this report, "tons" refers to 1,000 kilograms (metric ton).

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About the Cover

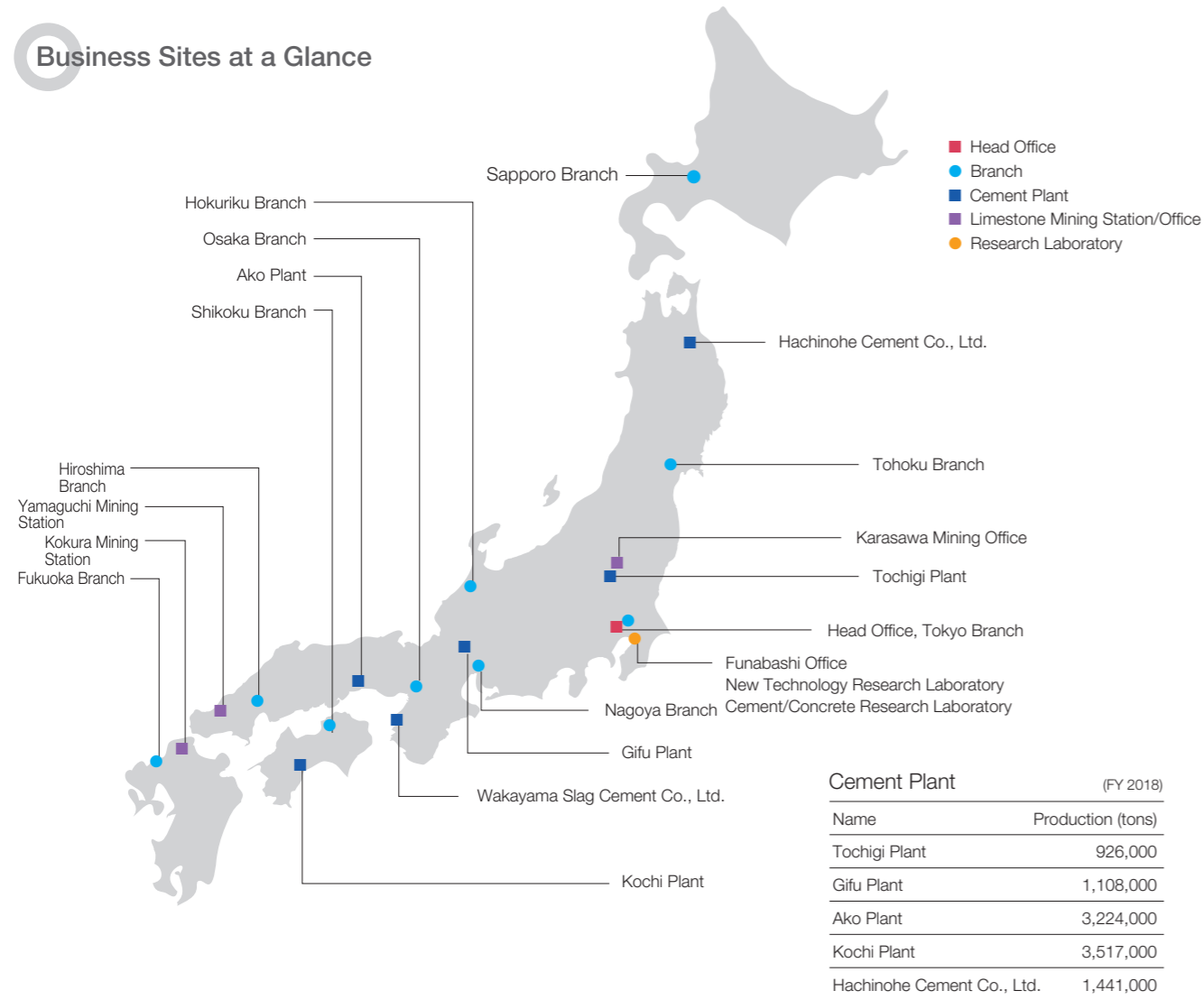
The cover is a photo taken from the sky over Asou Bay, which extends to the center of Tsushima, Nagasaki Prefecture. Tsushima is an island blessed with abundant nature. Surrounded by the Tsushima ocean current flowing from west to east, 89% of the island is covered by mountain area with scattered virgin forests, leaving little space for flat terrain. The total length of the Rias coastline is 915 kilometers. The endangered Tsushima leopard cat inhabits a forest there owned by the Sumitomo Osaka Cement Group. In cooperation with local residents, the Group conducts activities that protect the natural environment.



Sumitomo Osaka Cement Group Businesses

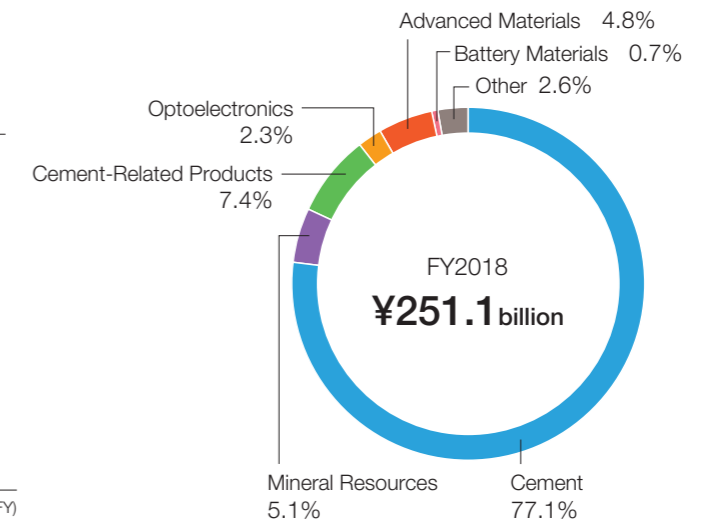
The Sumitomo Osaka Cement Group is involved in a variety of businesses across Japan, engaging in R&D, manufacturing and stable supply of high-quality products. Specifically, the Group operates the Cement-related business consisting of the Cement, Mineral Resources, and Cement-Related Products business segments; and the High-Performance Product business consisting of the Optoelectronics, Advanced Materials, and Battery Materials business segments. Furthermore, with the global market in mind, we are seeking more growth opportunities by entering into international businesses.

Business Sites at a Glance

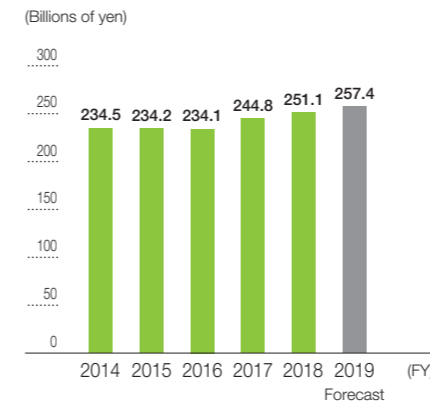


Business Performance Highlights (Consolidated)

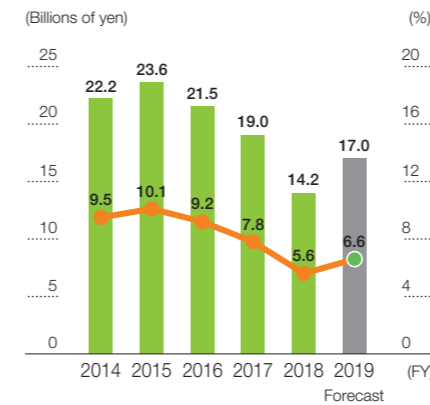
Breakdown of net sales



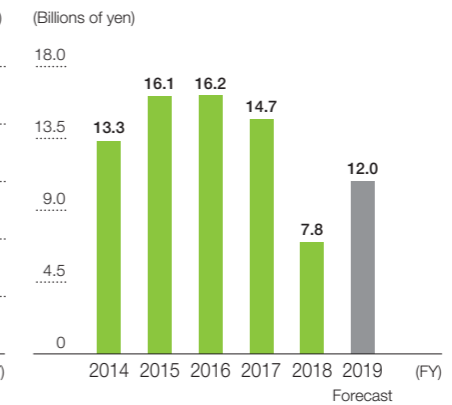
Net sales



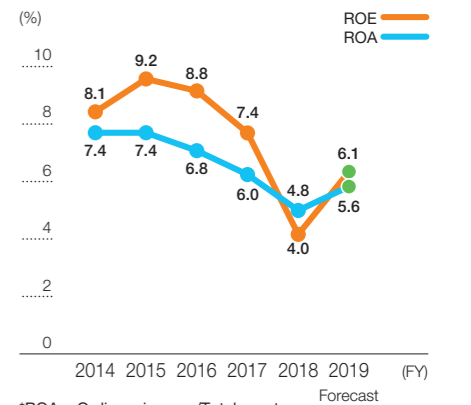
Operating income and operating margin



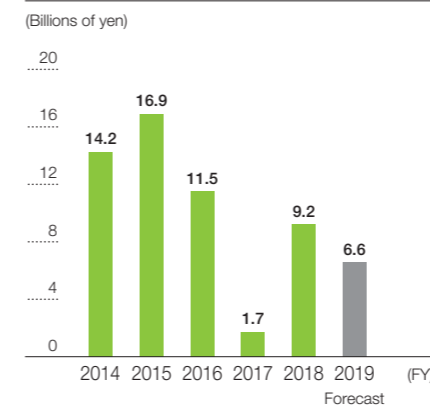
Profit attributable to owners of parent



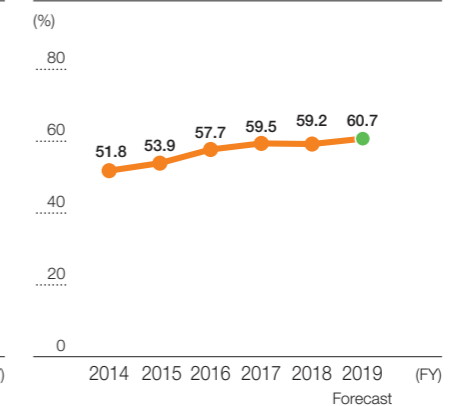
ROE/ROA*



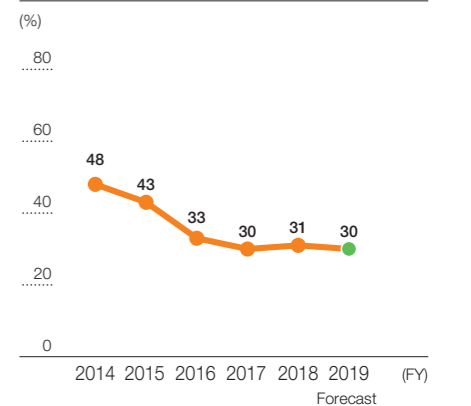
Free cash flow



Equity ratio



D/E ratio



Business Overview/Results by Segment

● Cement-related Business

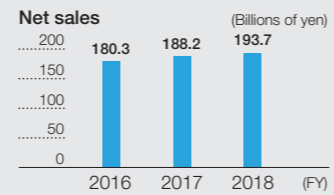
Cement



- **Products and Services**
 - Assorted cements
 - Cement-related solidification materials
 - Recycling
 - Supply of electrical power
 - Ready-mixed concrete

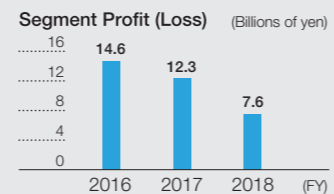
Business Overview

The segment engages in the manufacture and sale of assorted cements and cement-related solidification materials. This business contributes to social infrastructure development through sophisticated technological capabilities and extensive quality control. It also actively works to develop a recycling-based society primarily through efforts to expand its collection of recyclable materials as an alternative to raw materials and thermal energy in cement manufacturing.



Financial Results

The total sales volume of cement exceeded the previous year, and as a result, net sales increased ¥5,495 million, or 2.9% year on year, to ¥193,656 million. However, segment profit fell ¥4,748 million, or 38.5% year on year, to ¥7,579 million due to the soaring cost of coal, among other factors.



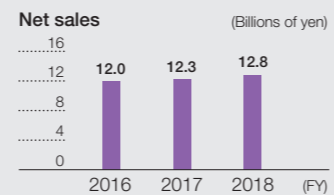
Mineral Resources



- **Products and Services**
 - Limestone
 - Aggregate
 - Calcium carbonate
 - Dolomite
 - Silica powder

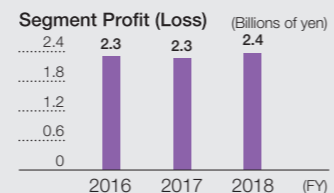
Business Overview

Leveraging one of the largest scales of high-quality and abundant limestone resources in Japan, Sumitomo Osaka Cement supplies limestone used as an industrial resource in a wide range of fields, including steelmaking, chemistry, aggregate and cement resources. Demand for high-purity limestone mined from mines throughout Japan is high, with the product shipped not only in Japan but exported to markets across Asia.



Financial Results

Net sales jumped ¥553 million, or 4.5% year on year, to ¥12,819 million thanks to higher sales volume of limestone for steelmaking domestically and overseas. Segment profit rose ¥107 million, or 4.8% year on year, to ¥2,360 million.



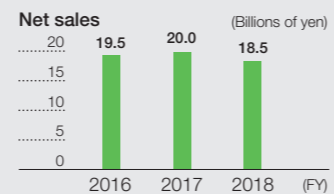
Cement-Related Products



- **Products and Services**
 - Repairing and reinforcing products for concrete structures
 - Materials for coping with heavy metal pollution
 - Cathodic protection for concrete structures (ELGARD SYSTEM)
 - Artificial marine reefs

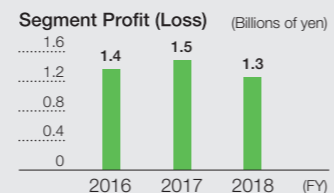
Business Overview

This business encompasses the manufacture and sale of concrete repairing and reinforcing materials for concrete structures. Combining a wealth of experience with technological capabilities gained in the cement business, the Group supports maintenance and renovation of social infrastructure with a one-stop service from materials to construction provided not only by the Company alone but also by its subsidiaries and affiliates.



Financial Results

Net sales fell ¥1,516 million, or 7.6% year on year, to ¥18,464 million, due to a drop in ground improvement work. Segment profit fell ¥236 million, or 15.9% year on year to ¥1,248 million.



Research Laboratory

- Cement/Concrete Research Laboratory
- New Technology Research Laboratory

The Cement/Concrete Research Laboratory and New Technology Research Laboratory are involved, respectively, in a wide range of R&D targeting the Cement-related business and High-Performance Product business.



● High-Performance Product Business

Optoelectronics



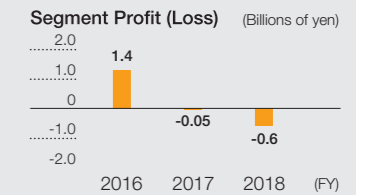
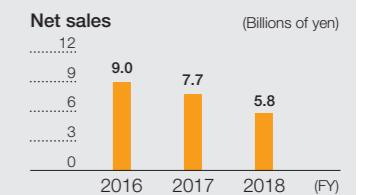
- **Products and Services**
 - Optical communications components and optical measurement equipment

Business Overview

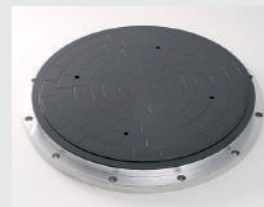
Taking advantage of cutting-edge optical communications technology, Sumitomo Osaka Cement is involved mainly in the development, manufacture and sale of LN modulators, which carry out the role of converting electric signals to optical signals, a critical component for high-capacity optical communications systems.

Financial Results

Net sales fell ¥1,898 million, or 24.8% year on year, to ¥5,757 million due to a drop in sales volume of optical communications components for new transmission methods. Segment profit declined ¥525 million over the previous year for a segment loss of ¥572 million.



Advanced Materials



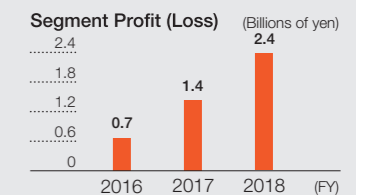
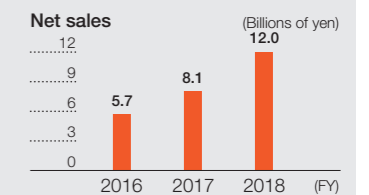
- **Products and Services**
 - Ceramic components for semiconductor manufacturing equipment
 - Nanoparticle materials

Business Overview

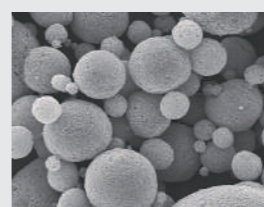
Leveraging skills in proprietary nanoparticle manufacturing technology, Sumitomo Osaka Cement pursues the development, manufacture and sale of functional materials such as cosmetics materials, paints and coatings, and antibacterial agents. In addition, our ceramics that utilize special functional particles have been adopted for use in semiconductor manufacturing equipment and other applications.

Financial Results

Net sales jumped ¥3,941 million, or 48.9% year on year, to ¥12,005 million thanks to higher sales volume of electronic materials for semiconductor manufacturing equipment and cosmetics materials. Segment profit rose ¥935 million, or 65.3% year on year, to ¥2,370 million.



Battery Materials



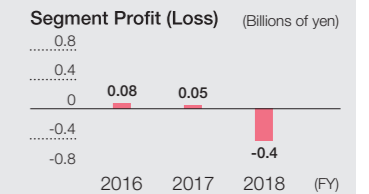
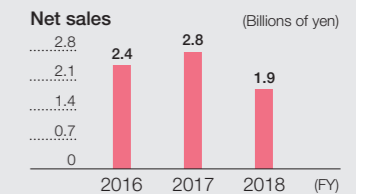
- **Products and Services**
 - Rechargeable battery cathode materials

Business Overview

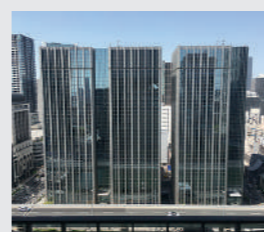
Applying proprietary nanoparticle manufacturing technology, Sumitomo Osaka Cement is involved in the development, manufacture and sale of cathode materials for lithium-ion batteries.

Financial Results

Net sales fell ¥877 million, or 31.9% year on year, to ¥1,874 million due to a drop in sales volume of rechargeable battery cathode materials. Segment profit declined ¥487 million over the previous year for a segment loss of ¥437 million.



Other

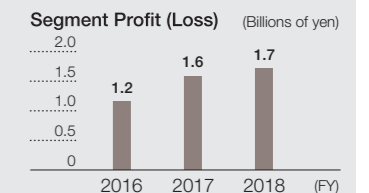
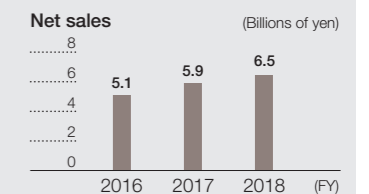


Business Overview

Operations here include real estate leasing of Group-owned idle land, information processing services and electrical equipment work.

Financial Results

Net sales increased ¥537 million, or 9.0% year on year, to ¥6,482 million, driven by software sales in addition to growth in construction of electrical facilities. Segment profit jumped ¥131 million, or 8.4% year on year to ¥1,711 million.



We aim to become a corporate group on a steady growth trajectory in the business areas of both the Cement-related business and High-Performance Product business.

Fukuichi Sekine
Sumitomo Osaka Cement Co., Ltd.
President, Representative Director

Overview of Financial Results for the Year Ended March 31, 2019

In the year ended March 31, 2019 (fiscal 2018), our business was affected by earthquakes and inclement weather, such as typhoons and heavy rainfall, that struck many areas. While the domestic demand for cement in the first half of the fiscal year remained largely unchanged from the previous year, there was robust demand in the second half and demand for the full year was 101.7% (42,590 thousand metric tons) of the previous year. Although the Sumitomo Osaka Cement Group worked diligently to negotiate higher cement sales prices, because coal prices have continued to rise since the second half of fiscal 2016 and due to the effect of higher prices for petroleum, raw materials, etc., net sales for the Cement business were ¥193,656 million (up 2.9% year on year).

In the High-Performance Product business area, despite robust sales in the Advanced Materials business, we experienced sluggish growth in the sales volumes for the Optoelectronics business and Battery Materials business, as well as a drop in product sales prices for the Optoelectronics business. Furthermore, we recorded an impairment loss of ¥2.2 billion in the Battery Materials business in the first half of the fiscal year.

As a result, while consolidated net sales increased to ¥251,061 million (up 2.5% year on year), consolidated operating income of ¥14,178 million (down 25.3% year on year), consolidated ordinary income of ¥15,799 million (down 21.6% year on year), and profit attributable to owners of parent of ¥7,799 million (down 46.8% year on year) represented significant drops.

Targets Based on the Fiscal 2017-2019 Medium-term Management Plan

		Net sales	Ordinary income
		¥270 billion	¥30 billion
		(Billions of yen)	
		Fiscal 2018 results	Plan for fiscal 2019 (Final fiscal year)
Net sales	Cement-related business	224.9	229.9
	High-Performance Product business	19.6	32.3
	Others	6.5	6.2
	Subtotal	251.1	268.4
Operating income	Cement-related business	11.2	21.2
	High-Performance Product business	1.4	5.6
	Others	1.7	1.5
	Subtotal	14.2	28.3
Ordinary income		15.8	30.0
Profit attributable to owners of parent		7.8	20.0
ROA (Return on assets)		4.8%	8.4%
ROE (Return on equity)		4.0%	9.0%

Progress and Outlook of the Medium-term Management Plan

For the year ended March 31, 2019 (fiscal 2018), which was the middle fiscal year under the “Fiscal 2017-19 Medium-term Management Plan,” domestic demand for cement did not reach the anticipated level. In addition, the actual conditions diverged from those assumed under the plan due to a steep rise in prices for coal, petroleum, and other energy sources and for raw and other materials. Regarding the progress according to the plan, operating income for fiscal 2018 was approximately 50% of the planned level and operating income for fiscal 2019 is forecast to be approximately 60% of the planned level.

For the Cement business in fiscal 2019, which is the last fiscal year in the Medium-term Management Plan, while construction related to the Olympic and Paralympic Games to be held in Tokyo winds down, we think strong domestic demand will carry over from the second half of fiscal 2018 and, regarding prices, we expect to see the effects of the price increases negotiated in the previous fiscal year. Also, we anticipate that the rise in coal prices will slow down. For the High-Performance Product business, due to anticipated improvements in the Optoelectronics business and continued robust sales mainly of electronic materials in the Advanced Materials business, we expect operating income to increase.

We will continue to respond flexibly to changes in the business environment and, while taking the appropriate measures, will assuredly carry out the necessary actions.

We are currently holding a series of discussions regarding the next Medium-term Management Plan, which is scheduled to be announced in May 2020. We will make additional efforts to complete any remaining items and solve any issues from the current Medium-term Management Plan. Without wavering in our resolve to respond to changes in the external environment and strengthen our revenue base, we will lay the foundation for business expansion.

Returning Profits to Shareholders

Although the financial results for the year ended March 31, 2019 (fiscal 2018), were lower than in the previous year, because the Company was able to secure a certain amount of profit, the Company will pay a dividend of ¥55 per share as announced. As a result, the total of this dividend and the interim dividend is an annual dividend payout of ¥110 per share based on the figures after the share consolidation.

Although the Company has set the consolidated annual dividend payout ratio at around 30% following the Medium-term Management Plan, we will pay future dividends based on an annual dividend payout of ¥100 per share and, while the actual dividend will vary considering the business environment, the outlook for financial results, the dividends paid in the previous fiscal year, and other factors, we would like to pay a stable and continuous dividend.

Regarding a share buyback, the Company will make the appropriate decisions while assuming that profits are returned to shareholders as dividends and considering other conditions, and will conduct the buyback at the optimal time.

Determining the Materiality and Establishing SDGs

The Sumitomo Osaka Cement Group has determined the materiality (priority issues) specific to the Group. While considering the Group’s philosophy and the goals that are in line with our businesses, the managers and executives held a series of discussions, determined five items of materiality, and had their relevance confirmed by the Board of Directors in July 2019.

These five items of materiality will be included in the next Medium-term Management Plan that is being formulated for fiscal 2020, and are being used to promote activities throughout the entire Group for enhancing our corporate value. We will also establish SDGs related to materiality that we must focus on, and will aim to achieve those goals.

Five Items of Materiality

(For details, see page 11.)

1. Contribute to the Sustainment and Ongoing Development of a Prosperous Society
2. Care for the Global Environment
3. Contribute to the Development of a Recycling-based Society
4. Develop and Utilize Human Resources
5. Enhance Governance



Business Expansion — Cement-related Business and High-Performance Product Business —

For the Sumitomo Osaka Cement Group, our highest priority is to provide a stable supply of cement, which forms the foundation of our society's infrastructure. In Japan, we built a distribution network consisting of four cement plants, Hachinohe Cement Co., Ltd., Wakayama Slag Cement Co., Ltd., 59 service stations (SS), 21 cement tankers, and trucks in order to create a system capable of providing a stable supply across Japan.

Although the construction projects in the Tokyo metropolitan area for the Olympic and Paralympic Games Tokyo 2020 have started to wind down in this fiscal year, construction has already started for the Chuo Shinkansen (Superconducting Maglev train), extensions to the Hokuriku Shinkansen and Hokkaido Shinkansen rail lines, and projects related to Fukushima Daiichi Nuclear Power Station. Spending on public-works projects fell from ¥9.8 trillion 21 years ago to ¥6 trillion, but has since recovered to ¥7 trillion in fiscal 2019 and we expect spending to remain at this level for some time. In the future, we anticipate favorable business

conditions with work to repair aging bridges, tunnels, etc. and maintain water supply and sewerage systems. Furthermore, because the Ministry of Land, Infrastructure, Transport and Tourism has indicated a policy of improving national resilience, such as through soil and water conservation, we think that demand for cement will remain at a stable level.

Regarding the three High-Performance Product businesses of Optoelectronics business, Advanced Materials business, and Battery Materials business, we chose a selective and focused approach on the businesses and are maintaining the global presence achieved in their niche markets, Optoelectronics and Advanced Materials. Because the products in these businesses are essential for cutting-edge industry and innovation, we anticipate high growth in these markets. We will continue advancing our research and development in the future, accurately understand the movements and needs of our customers, and work to provide a stable supply while increasing our quality.

Care for the Global Environment

The Sumitomo Osaka Cement Group continues to work toward reducing the burden on the environment for all of its businesses and all of its processes. The Cement business consumes limestone, coal, and other natural resources during the production process and emits greenhouse gas (CO₂). Especially for climate change problems, we consider them to be important management issues. We recognize the business risks of stricter greenhouse gas emission regulations and the effects of natural disasters on plant operations and our supply chain, but also recognize the business opportunities for increased demand of cement products due to the promotion of recycling and infrastructure development projects. In the future, we will create a working group within the company for lowering CO₂ emissions in the medium to long term, and consider targets and initiatives for the Group.

(For information about our recognition of the risks and opportunities associated with climate change, see page 21.)

1. Climate change initiatives

In order to curb CO₂ emissions, we have already implemented three specific initiatives. Furthermore, we have placed technical experts in the Environment Division and are putting our efforts into the research and development of emission-reduction technologies.

The first is our recycling of waste plastic, waste white clay, waste and recycled oil, waste tires, wood scraps, etc. for use as an alternative for the coal (fossil energy) used to produce the thermal energy for cement production.

The second is the adoption of energy-saving equipment, such as the latest clinker coolers (air quenching coolers), in order to lower the basic energy units in the cement production process. Furthermore, we have carried out improvement work of the burners or installed new burners for the calcining kilns.

The third is biomass power generation. The Group launched full-scale operation of the biomass power generation facilities at its Tochigi Plant using wood scraps in 2009, ahead of other companies. The thermal power plants at other plants have also partially switched to biomass for producing thermal energy in order to reduce the use of coal. In Kochi and Tochigi Prefectures, we also contribute to the local communities, such as through participation in forest creation activities to plant and thin trees.

2. Protecting biodiversity

As the Group that uses natural resources as raw materials, we have a strong interest in the natural ecosystem. After limestone, which is a raw material of cement, is extracted, we plant saplings at mines as part of our "mine re-greening" practice, and since 2007, we have engaged in protection activities for one of Japan's most endangered species, the Tsushima leopard cat, that inhabits the forest in Tsushima of Nagasaki Prefecture. We are also developing our marine products business (reviving seaweed beds using fish reefs) in the waters near Nagasaki Prefecture, and working to protect and revive the surrounding environment.



Contribute to a Recycling-based Society

The cement plants contribute to a recycling-based society in many ways, such as by receiving industrial waste materials and byproducts and recycling them for use as raw materials or an energy source in the calcining process. Currently, thermal power generation in Japan produces coal ash, most of which the cement industry recycles for use as an alternative raw material. In addition to industrial waste materials, we also recycle sewage sludge from local governments and ordinary incinerator ash from the 23 wards of Tokyo for use as cement raw materials, as well as receive the waste from natural disasters.

While the cement industry has made efforts over the past 20-30 years to recycle and reuse waste materials, the recycling business not only contributes to a recycling-based society, it has also become an important source of revenue.

Because we would like many people to become aware of our activities like these, we are actively promoting plant tours, etc. and working to create opportunities for people to understand the social value of and increase their interest in the Cement business.

Develop and Utilize Human Resources

Above all else, it is our diverse human resources that support the Group's various businesses. Throughout the entire cement industry, there are still few female employees or women in management positions, and we intend to promote more vigorous recruitment of women in the future.

We have set an overall recruitment target of 20% for the number of new female graduates, and are increasing this number year by year. Moreover, in June 2018 we had the first advancement of a woman to a General Manager position. Because the number of female comprehensive workers is also increasing, we plan to expand the number of occupations where women are placed and create a workplace where it is easy for diverse human resources to work.

Enhance Corporate Governance

The Group is working to establish and enhance the corporate governance system in order to increase the soundness and transparency in business activities. While retaining their independence, outside directors have provided their views to the Board of Directors based on their excellent discernment and broad experiences, and objectively evaluated the Group's management.

In 2018, the Company established the Nominating and Remuneration Committee as an advisory body to the Board of Directors. The committee is comprised of the President, as well as outside directors and experts, and the committee chairman is chosen by mutual vote of the committee members.

To Our Shareholders and Investors

To meet the expectations and respond to the requests from our shareholders and investors, we are working to increase the strength of the Group and maximize earnings while fulfilling our mission of providing a stable supply of cement.

Our ESG initiatives embody the Sumitomo business spirit and the Group's management philosophy. Through our business, we promote contributions to a recycling-based society and initiatives for global environmental issues, and we contribute to the sustainment and ongoing development of a prosperous society.

I ask for your continued support, as well as your interest and understanding in the business and growth of the Sumitomo Osaka Cement Group, as we move forward.

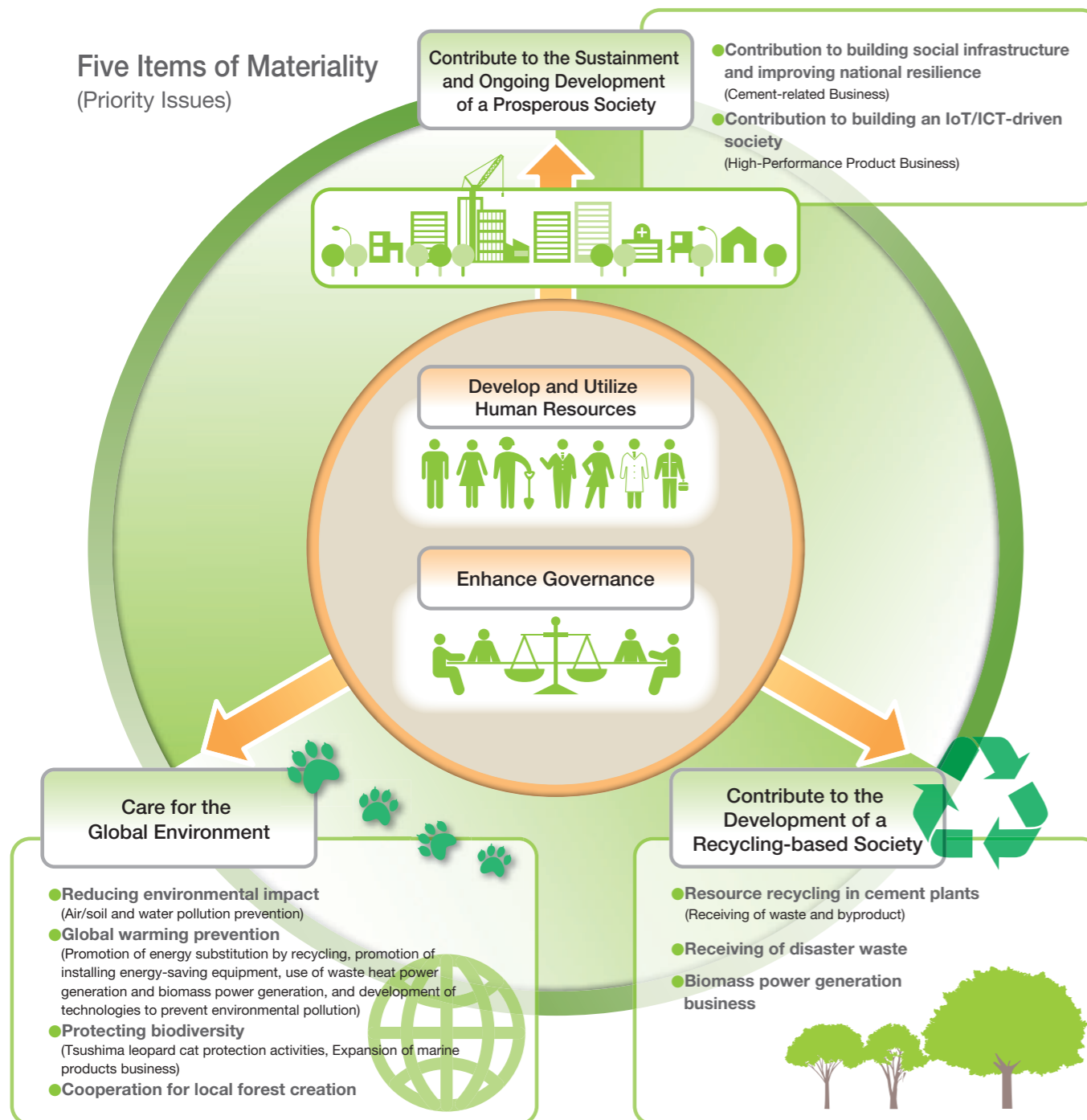
Fukuichi Sekine

President, Representative Director

Materiality (Priority Issues) of the Sumitomo Osaka Cement Group

The primary social issues that Sumitomo Osaka Cement Group aims to tackle through its corporate activities have been identified as five items of materiality. The materiality initiatives help balance a growth of the Group with solution of social issues, and form a foundation for our medium- to long-term management strategies.

Five Items of Materiality (Priority Issues)



Process of Identifying Materiality

We have identified the material issues that the Group considers particularly important and should continue to work on in light of the Group's philosophy and based on the ongoing businesses and CSR activities, so that they reflect interests and expectations of our internal and external stakeholders.



Explanation: Five Items of Materiality of the Sumitomo Osaka Cement Group

We will solve social issues through corporate activities.

1 Contribute to the Sustainment and Ongoing Development of a Prosperous Society

We aim to maintain and develop a prosperous society through stably supplying cement products and services that are essential for building social infrastructure and instrumental to improving national resilience to ensure the safety and security of the people as well as through supporting innovation by developing the business of high-performance products required for a more convenient and comfortable society driven by IoT and ICT. We will also continue R&D to improve product safety and quality.

2 Care for the Global Environment

We will conserve the global environment through pursuing production, power generation and logistics with less environmental impact. In mines, we will work on resource development while restoring forests by greening and other efforts; in plants and business offices, we will promote efficient use of energy, reduction of greenhouse gas emissions, and prevention of air, water, and soil contamination.

3 Contribute to the Development of a Recycling-based Society

Through cement manufacturing, we will contribute to developing a recycling-based society by safely recycling vast amounts of industrial waste and byproducts. In the biomass power generation business, we will play a role of creating clean energy by accepting thinned timber in the region.

The Company endeavors to strengthen the foundation for solving the above issues.

4 Develop and Utilize Human Resources

We will foster and utilize human resources through various measures such as employee training and diversity promotion. Each workplace takes safety initiatives, respects human rights, and promotes the creation of an environment where employees can work in good health both physically and mentally.

5 Enhance Governance

We will secure sound and transparent management, as well as constantly enhance our corporate value through thorough compliance along with enhancing management efficiency by fulfilling corporate governance, which is a structure for proper decision-making by corporate management.

Materiality and SDGs

The Sustainable Development Goals (SDGs) selected by the United Nations in 2015 are comprised of 17 goals and 169 targets designed to realize a better future. The wide-ranging issues addressed encompass economic, social and environmental concerns. Of the 17 goals, the Group has identified those that are closely related to the Group's materiality.



17 SDGs

Holding a Session to Discuss Materiality

Executives and general managers discussed the Group's materiality.



Discussion on materiality

Holding Seminars on SDGs

We held seminars on SDGs delivered by an external instructor. In addition to disseminating SDGs internally, group leaders who are familiar with practical aspects of their business gathered to discuss on "current contributions" and "future initiatives" toward achieving SDGs through each business and CSR activities of the Group.



Seminar on SDGs for group leaders



Seminar on SDGs for executives and general managers

Contribute to Achievement of SDGs through Corporate Activities

The Sumitomo Osaka Cement Group will contribute to achieving SDGs through corporate activities.

Cases of Our Focused Initiatives

Contribute to the Sustainment and Ongoing Development of a Prosperous Society



We will support industries and innovation by supplying cement-related products and high-performance products to the global social infrastructure market. The Cement business, our core business segment, ensures stable supply of high-quality cement that is used in various structures and buildings at home and abroad. The Mineral Resources business supplies aggregates for concrete and other products by taking advantage of our own high-quality limestone resources. The Cement-Related Products business supports reinforcement, maintenance and renovation of social infrastructure by mainly supplying repairing materials. These Cement-related businesses contribute to improving national resilience through a variety of businesses.

The High-Performance Product businesses are growing as a primary source of revenue to support the core business by applying the inorganic material technology derived from the Cement business. The business consists of the Optoelectronics business that utilizes optical communications technology, the Advanced Materials business that takes advantage of characteristics of nanoparticles, and the Battery Materials business that develops, manufactures and sells cathode materials for lithium ion batteries. These High-Performance Product businesses provide materials and components that are essential for cutting-edge industries and innovation, for which we will accelerate R&D to expand the businesses.

Care for the Global Environment



The Group has pioneered to adopt biomass power generation in the cement industry.

CO₂ emissions can be reduced by using biomass resources, wood scraps and thinned timber instead of fossil energy such as coal. The biomass power generation equipment at Tochigi Plant started operation in 2009 and Hachinohe Biomass Power Generation started operation in 2018. The in-house thermal power plants in our main plants use biomass resources positively to replace some of their thermal energy.

Contribute to a Recycling-based Society



The Group receives and processes industrial waste and byproducts at five cement plants across the country and contributes to developing a recycling-based society through its recycling business. We actively support reconstruction efforts in the disaster-hit areas by actively accepting disaster waste such as debris generated by natural disasters that occur frequently in various places in Japan in recent years. Cement manufactured by recycling is used to build infrastructure all over Japan, including disaster-hit areas, contributing to society by preventing or mitigating disasters. Our cement plants solve social issues and at the same time increase revenue by actively processing waste plastic that is increasing in Japan.

Promotion of CSR Management

“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.” To make its Corporate Philosophy a reality, Sumitomo Osaka Cement has established a CSR Committee as a promotion framework for CSR activities across all organizations company-wide, and promotes CSR activities that are fully integrated with business activities.

Basic Approach

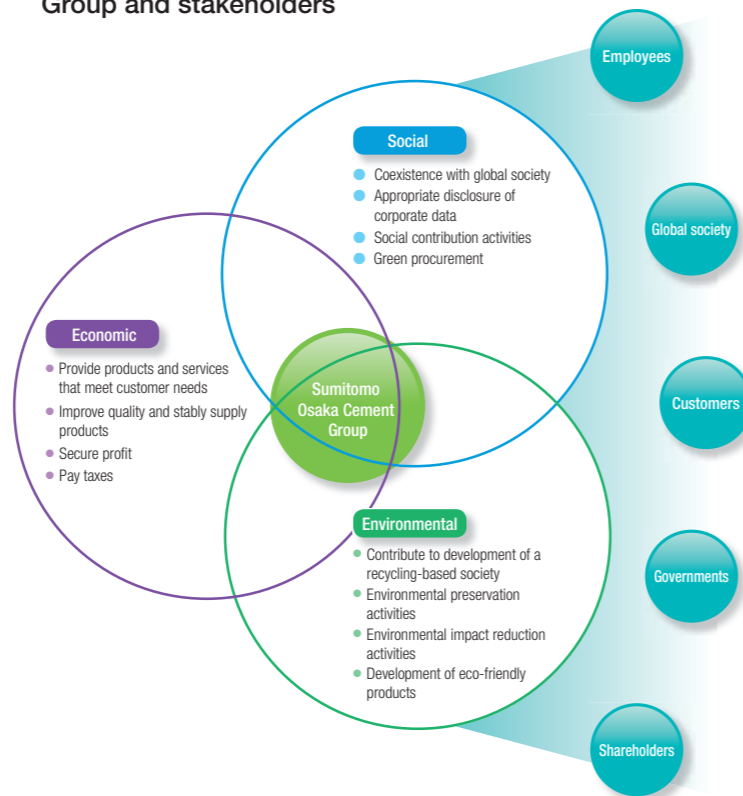
The Sumitomo Osaka Cement Group is keenly aware of the importance of ties to the public for contributing to society as a company through sound development. With economic contributions as a starting point, we view efforts to exist in harmony with local communities through environmental preservation and social contribution activities as one of our priority management issues.

We put emphasis on relationships with stakeholders and society at large, proactively address economic, environmental and social problems as a member of society, and believe that earning greater trust from the public through communication is the key to enhancing our corporate value.

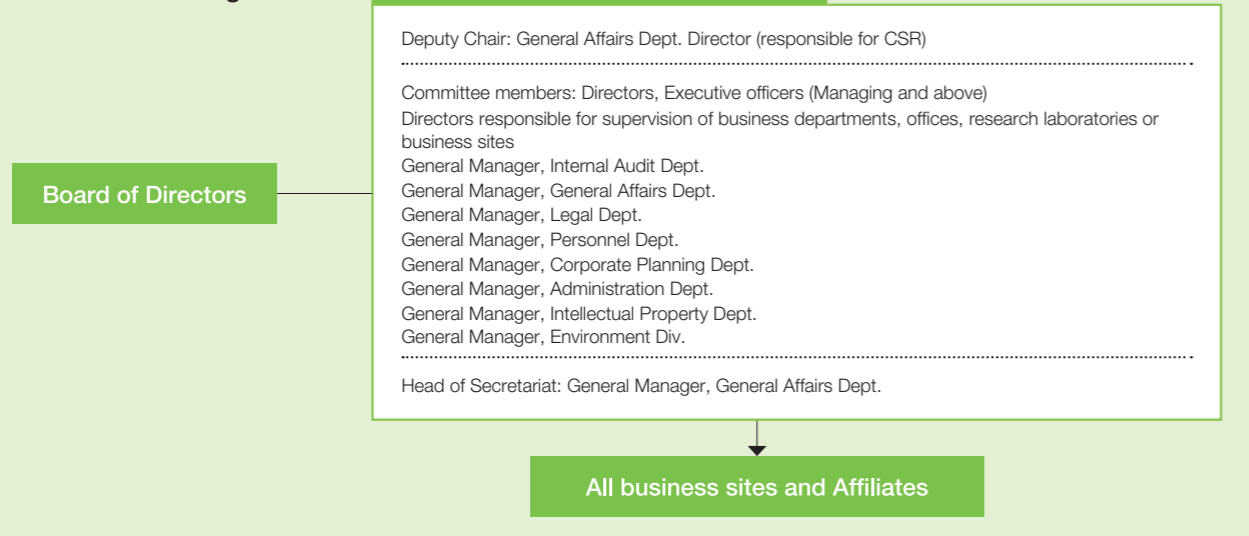
Promotion Framework

Sumitomo Osaka Cement has clarified the role and responsibilities of the CSR Committee, defining its organization and scope of authority. This committee is essential for raising awareness of CSR, as well as spreading and embedding it among all directors and employees of the Sumitomo Osaka Cement Group, and for building good relationships between the Group and its stakeholders.

Relationship between the Sumitomo Osaka Cement Group and stakeholders



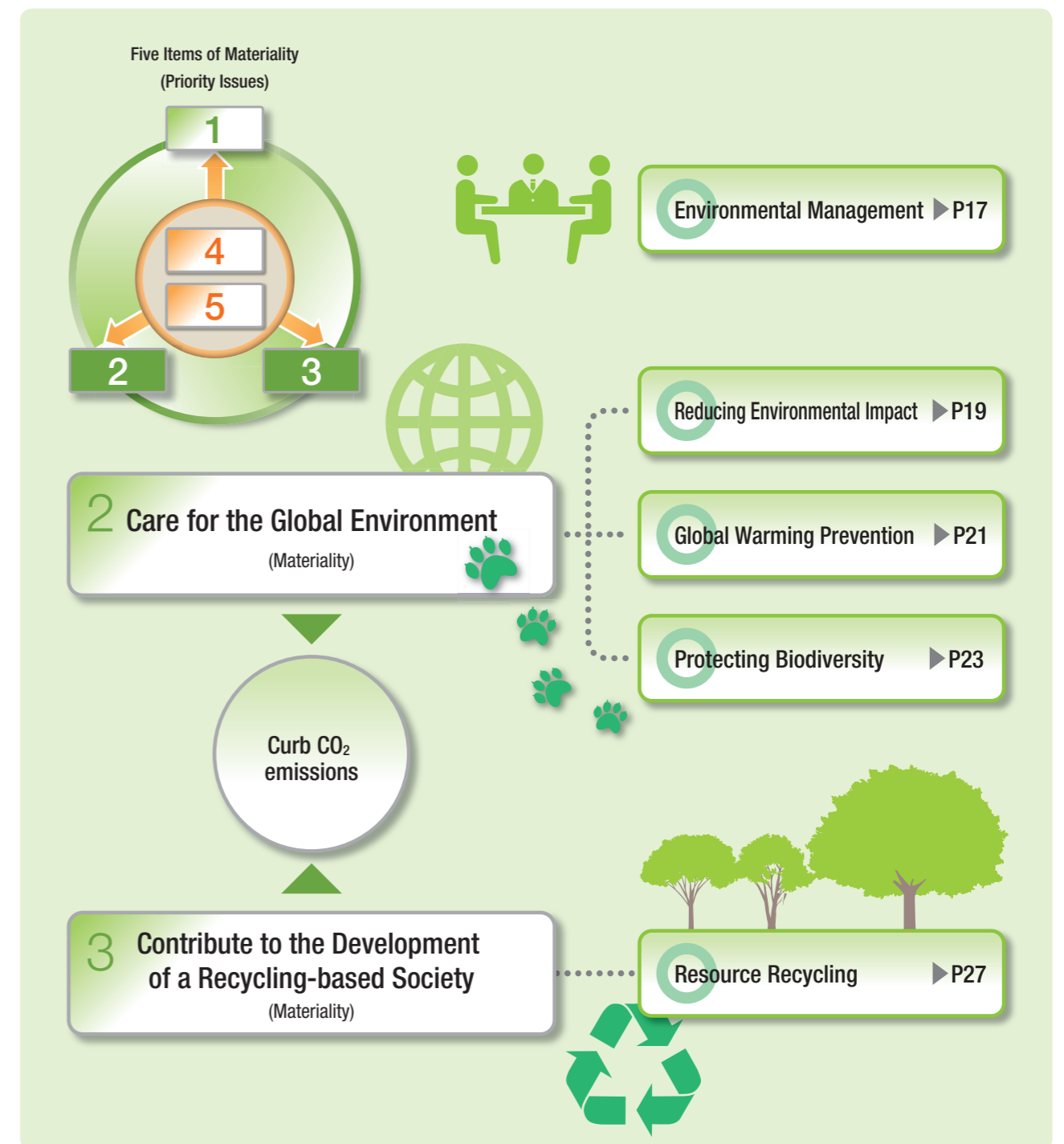
CSR Promotion Framework Diagram



The Sumitomo Osaka Cement Group's Initiatives for the Environment

The Sumitomo Osaka Cement Group is working to solve global environmental issues through **environmental management** based on the environmental policy as shown in the figure below.

We are working on the materiality “**Care for the Global Environment**” through reducing environmental impact by thoroughly preventing contamination, preventing global warming by introducing biomass power generation and energy-saving equipment, and protecting biodiversity by greening mines and engaging in the marine products business. We are also working on the materiality “**Contribute to the Development of a Recycling-based Society**” by promoting resource recycling in the Cement business. By solving these two material issues, the Group is going to reduce CO₂ emissions.



Environmental Management

Materiality

2 Care for the Global Environment

Materiality

3 Contribute to a Recycling-based Society

Environmental Policy

Basic Philosophy

Striving for harmony between the natural environment and its business activities, the Sumitomo Osaka Cement Group is contributing to the creation of a prosperous society and environmental preservation through the pursuit of production, power generation and logistics defined by minimal environmental impact.

Action Policy

- Leverage the environmental management system and Eco Action 21 to enhance risk reduction and environmental preservation levels, along with steps toward continuous improvement in environmental performance.
- In addition to legal and regulatory conformance, promote further voluntarily efforts to improve environmental level.
- Systematically promote energy conservation from the standpoint of helping prevent global warming.
- Strive to realize a zero-emissions society, collaborating on industrial recycling while acting to reduce the amount of such waste produced.

Environmental Management System

Promotion Framework

To promote environmental preservation, the Group has adopted an environmental preservation promotion framework headed by the president, with the director for the environment responsible for supervising the Environment Division. As sub-units, the Company has set up Environmental Preservation

Committees at each business site to implement various measures targeting pollution prevention and environmental preservation.

Internal Environmental Audits

The Internal Audit Department conducts internal environmental audits regarding the implementation status of environmental preservation as defined in the environmental preservation management regulations (see note), and reports its findings in order to sustain and improve the Company's environmental level.

(Note) Environmental preservation management regulations: These in-house regulations define management organizations for companywide environmental preservation, contact systems and other items for the purpose of preventing pollution and taking steps to put environmental measures in place. Environmental Preservation Committees based on these regulations are established at every plant, business office and branch to promote environment preservation activities.

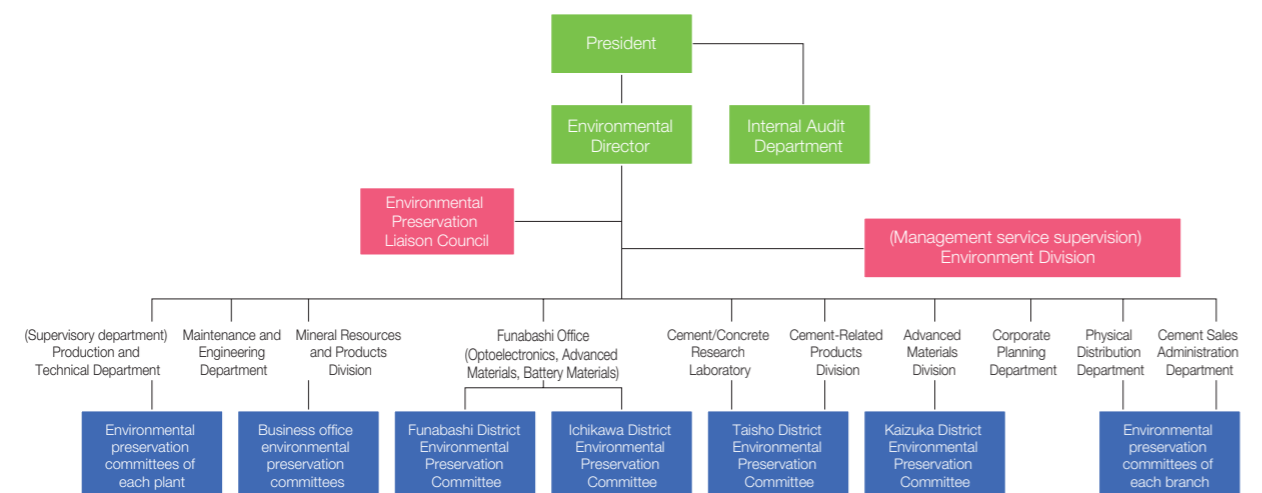
Status of Environmental Management System Certification

The Group has acquired ISO14001 certification for all cement plants, the Advanced Materials Division, the Optoelectronics Business Division, Hachinohe Cement Co., Ltd. and Sumitec Co., Ltd. Wakayama Slag Cement Co., Ltd., meanwhile, has acquired Eco Action 21 certification.

Environmental Education

Beginning with plants and business sites, where environmental risk is considered to be greatest, the Environment Division, acting as instructor, conducts environmental education that also targets relevant departments outside of cement plants.

Promotion framework



Material Balance/Energy Balance (Scope: Mines, Cement plants, Power plants)

Inputs				Sumitomo Osaka Cement Group		Outputs	
Energy		Raw materials (Natural resources and industrial waste byproducts)				Resource Business	
Coal	1,342 tons	Excavated limestone	19,733 tons			Aggregates, others	4,723 tons
Petroleum coke	95 tons	Silica	601 tons			Limestone products	3,468 tons
Heavy oil	3 kl	Natural gypsum	38 tons			*Actual results from the Karasawa, Gifu, Tochikubo, Ibuki, Taga, Katsumori, Shuho and Kokura mines	
Light oil	9 kl	Byproduct gypsum	356 tons			Cement Business	
Byproduct thermal energy	1,045 tons	Coal ash	1,470 tons			Cement production volume	10,758 tons
Purchased electricity	298 MWh	Soil from construction	370 tons			Retail Electricity Business	
		Sludge	425 tons			Retail electricity	839 MWh
		Blast furnace/converter slag	1,083 tons				
		Nonferrous slag	330 tons				
		Others	459 tons				
Materials		Water Consumption					
Grinding aid	5,276 tons	Incl. seawater/river water		16 million tons			
Gunpowder	2,228 tons						
Refractory	8,214 tons						
Grinding media/steel casings	894 tons						
Lubricants/chemicals	100 tons						

Environmental Accounting for Fiscal 2018 (Scope: Cement plants, Ready-mixed concrete manufacturing companies, Mineral Resources Business, Cement-Related Products Business, High-Performance Product Businesses, Research Laboratories, Managing Section)

Environmental Preservation Costs

(Millions of yen)

Type	Content and Outcomes of Principal Initiatives	Investments	Expenses	Subtotal
Business area costs		2,007	1,794	3,801
Pollution prevention	Maintenance, management and new installation of environmental contamination prevention equipment	1,435	117	1,552
Global environment preservation	Global warming prevention and energy conservation	490	8	498
Resource recycling	Industrial waste reduction and recycling	82	1,668	1,751
Upstream/downstream costs	Additional costs for providing environmentally friendly articles	0	2	2
Environmental management activity costs	Environmental impact surveillance, environmental management system maintenance/upgrade	5	114	119
R&D costs	R&D costs for environmental preservation products, etc.	16	98	114
Social activity costs	Costs for nature protection, greening, beautification and scenery preservation/improvement	0	15	15
Environmental damage response costs	Nature restoration costs and contamination impact fees, etc., at business sites	0	98	98
Other costs	Other environmental preservation-related costs	0	55	55
Total		2,029	2,175	4,204

Identification of environmental preservation costs began from April 1, 2000.

Actual results for the year ended March 31, 2018 identified in line with the Ministry of the Environment (Japan) Environmental Accounting Guidelines (2005 ed.).

Data on Principal Environmental Impacts Accompanying Business Activities (Scope: Cement plants, Power plants)

Outcomes	Environmental Impact Indices	Emissions	
		Fiscal 2017	Fiscal 2018
Air pollution	NOx	14,040 tons	13,873 tons
	SOx	1,525 tons	1,120 tons
	Particulate matter	164 tons	191 tons
Greenhouse gas emissions	CO ₂ * from energy	2,970 tons	2,934 tons
Natural resource depletion prevention	Mineral resource usage basic unit	1,137kg/ton	1,132kg/ton
	Fossil energy usage basic unit	99kg/ton	98kg/ton
	Industrial waste recycling	3,455 tons	3,249 tons

*CO₂ emissions generated from energy use

Reducing Environmental Impact

Materiality 2 Care for the Global Environment

The Sumitomo Osaka Cement Group identifies and analyzes emissions into the atmosphere and water and waste emitted from cement production processes, steps vital to devising more effective measures to reduce environmental impact and conserve energy. Additionally, we are making progress in reducing our environmental impact by developing a variety of applicable technologies and actively utilizing waste and byproducts.

Status of Environmental Impact Reduction

In the year ended March 31, 2019 (fiscal 2018), Sumitomo Osaka Cement Group cement plants produced roughly 10,760,000 metric tons of cement and sold roughly 840,000 MWh of retail electrical power to outside users. The raw materials and thermal energy for these purposes totaled 17,090,000 metric tons. We used 5,540,000 metric tons of waste and byproducts from thermal power plants, other industries and local governments, thereby reducing the environmental impact tied to use of natural resources.

Water Pollution Prevention

Wastewater from our cement plants is principally in the form of rainwater or cooling water discharged from power plants, and thus is not considered contaminated water regulated by Japan's Water Pollution Prevention Act. Furthermore, we have dikes installed around oil tanks and similar structures to prevent oil leaks. In cases in which wastewater from a plant is released into the water, we have deposition vats and oil-water separator vats installed in commitment to preventing any water contamination.

In terms of water for use, we collect groundwater, seawater and river water, taking only the amount necessary as part of our environmental responsibility to the local community. The power plant at the Kochi Plant uses water it takes from the sea as cold water, and strives to conserve freshwater resources.

Preventing Air Pollution

As part of pollution-reduction measures, the Group uses dust collectors and denitrification equipment to prevent NOx, SOx, particulate matter and other air pollutants contained in gases emitted when manufacturing cement. Because of high temperatures used, often topping roughly 1,450 degrees Celsius, cement manufacturing equipment is known for having very low concentrations of dioxins and other hazardous substances in emitted gases. While the operational scope of this equipment varies year to year, emission levels remain well below legally mandated emissions standards.

Reducing Environmental Impact at Offices

At our Head Office (Chiyoda Ward, Tokyo), employee consciousness around energy conservation since the Great East Japan Earthquake struck has improved even further, with everyone joining forces with the building management company to conserve power and water, leading to lower CO₂ emissions. We are switching over office light fixtures to LED, with light levels adjusted depending on lighting needs; the habit of turning lights off frequently, meanwhile, is now well established among employees. In addition, the building manager cleans air conditioner filters and fins, and, from the control room, can adjust temperature settings on each floor based on usage.

Following a paper-based assessment and an onsite verification and assessment by the City of Tokyo, our Head Office building was put forward as a low-carbon model building with low CO₂ emissions (announced in the year ended March 31, 2014). Sumitomo Osaka Cement, in cooperation with the building manager, has won strong praise for the vigorous energy conservation measures it has since taken. In the Low Carbon Benchmark, an index consisting of seven ranked categories for CO₂ emissions performance, our building has the rank of A4, denoting best performance.

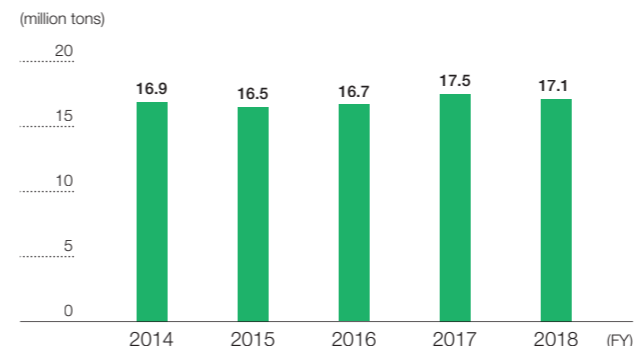
Office light



Head Office

Total Raw Material and Thermal Energy Inputs

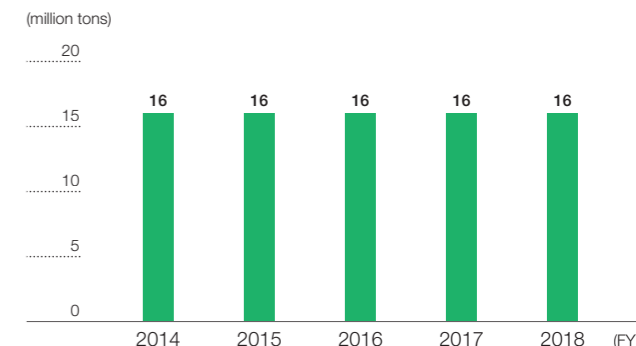
(Cement plants, Power plants)



Raw materials: limestone, clay, silica, steel raw materials, gypsum, others
Thermal energy: coal, coal coke, heavy oil, others

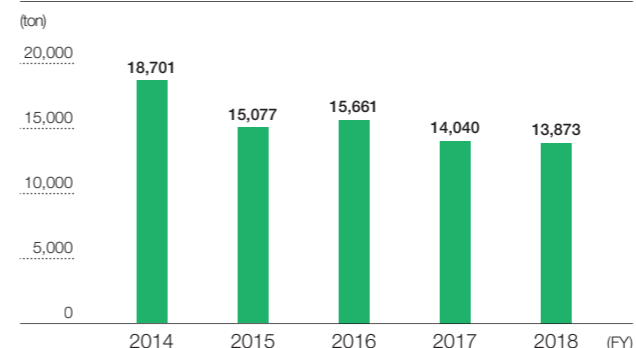
Water Usage

(Cement plants, Ready-mixed concrete manufacturing companies, Mineral Resources Business, Cement-Related Products Business, High-Performance Product Businesses, Research Laboratories)



NOx* Emissions

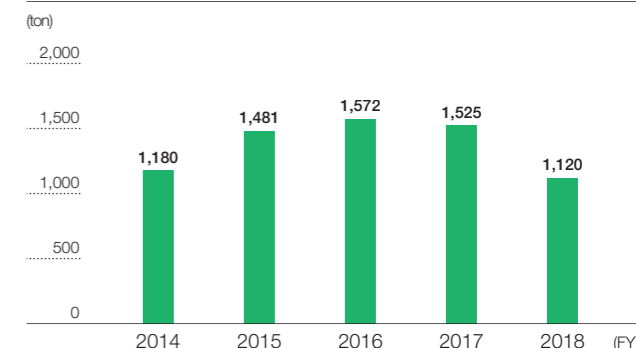
(Cement plants, Power plants)



*NOx: This refers to nitrogen oxides, which are gaseous compounds emitted from sources such as automobile exhaust and factory equipment that contribute to air pollution and photochemical smog. In Japan, emissions standards for NOx are defined under the Air Pollution Control Act based on the scale and type of the equipment.

SOx* Emissions

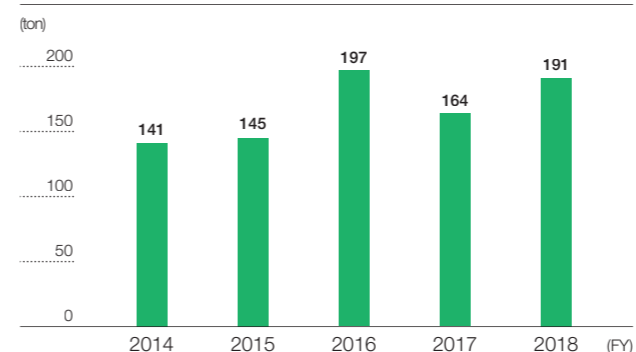
(Cement plants, Power plants)



*SOx: This refers to sulfur oxides, gaseous compounds that come from burning petroleum and other sulfur-rich substances. SOx is emitted from automobile exhaust and factory equipment and is a contributor to acid rain and other air pollution. As with NOx, emissions standards are set by law.

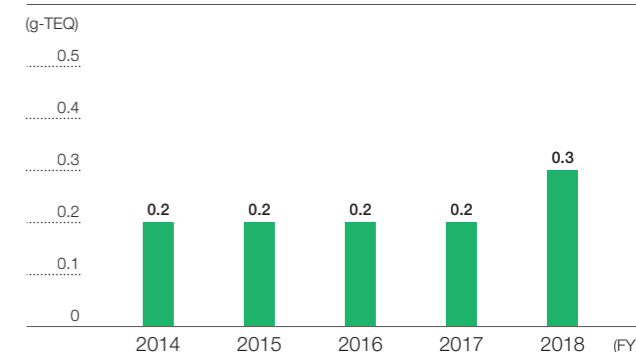
Particulate Matter Emissions

(Cement plants, Power plants)



Dioxin* Emissions

(Cement plants)



*Dioxins: A type of chlorinated organic compound, dioxins are defined as the collective class of substances that include PCDD, PCDF and coplanar PCB.

Global Warming Prevention

Materiality 2 Care for the Global Environment

The cement industry, which consumes energy in various ways, is taking action to help prevent global warming by reducing CO₂ emissions. For its part, the Sumitomo Osaka Cement Group, in addition to strides in controlling its use of thermal and electrical energy, is expanding its use of wood scraps and other biomass energy, industrial waste and byproducts, such as waste plastic and similar thermal energy alternatives. The Group is also reducing CO₂ emissions by making progress in reducing its use of fossil energy.

Risks and Opportunities of Climate Change

As the Cement business involves CO₂ generation from the consumption of limestone* and coal, the Group recognizes the risks and opportunities of climate change as summarized in the table below. If regulations on CO₂ and other greenhouse gas emissions are tightened, there is a possibility of financial risk. Meanwhile, revenue growth is expected depending on advancement in technologies for CO₂ emission reduction and energy saving facilities, use of recycled thermal energy in place of coal, and an increase in use of biomass power generation.

In recent years, global warming caused most probably by greenhouse gases intensifies natural disasters (such as heavy

rain and floods), which increases economic risks to supply chains and plant operations. In light of the above recognition, the Group regards the climate change issues as a key business challenge and considers formulating effective target figures for CO₂ emission reduction over the medium to long term.

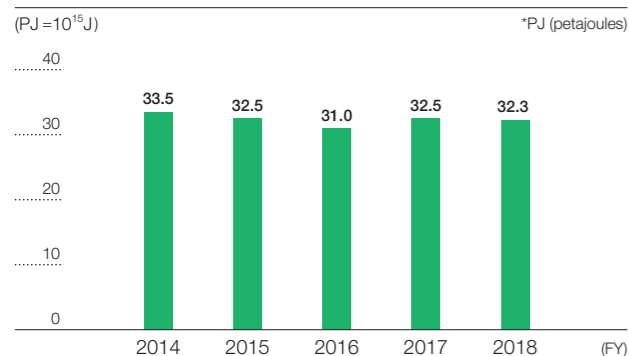
*Limestone is an essential raw material for cement. During limestone calcination at high temperature in a kiln, CO₂ emissions are unavoidable due to decarboxylation of CaCO₃ (calcium carbonate) in limestone, inevitably leading to higher CO₂ emissions
CaCO₃(calcium carbonate) - CO₂ (carbon dioxide) = CaO (quicklime: calcium oxide, an essential component for cement)

	Risks	Opportunities
1. Regulations	Financial risk (cost increase) due to intensified regulations on emissions of greenhouse gas (such as CO ₂)	Improvement in technologies for CO ₂ emission reduction and energy saving equipment Increase revenue by coal substitution (through recycling promotion) and more use of biomass power generation
2. Physical effects	Impact of natural disasters intensified by climate change on plant operations and supply chains	Increased demand for cement products resulting from infrastructure development in preparation for natural disasters

Actual Data on Energy Consumption in Cement Manufacturing

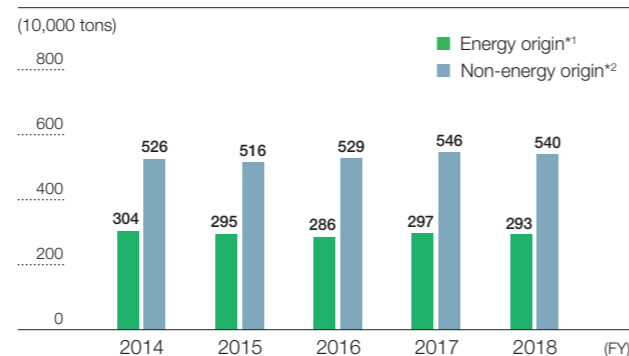
Energy consumption related to cement manufacturing was 32.3 PJ (petajoules), a decrease of 1% year on year due to steps taken to conserve energy by boosting energy efficiency

Total Energy Consumption Related to Cement Manufacturing



in the burning process inside cement manufacturing equipment. Efforts will continue to reduce this energy usage and CO₂ emissions.

CO₂ Emissions from Cement Manufacturing (Values based on the Energy Saving Act, Ministry of Economy, Trade and Industry)



*1 Energy origin including emissions from use of fossil energy in cement manufacturing, fossil energy for own power generation and purchased electric power.

*2 Non-energy origin including emissions from limestone (by decarboxylation) and use of waste to be used as recycling in cement manufacturing.

CO₂ Emission Reduction by Utilizing Waste Heat Power Generation in Cement Plants

The Group has introduced waste heat power generation facilities for reusing high temperature gas occurring in the cement production process at its plants. By efficiently utilizing this waste heat power generation, energy costs and CO₂

emissions can significantly be reduced compared to coal-fired power generation.

CO₂ Emission Reduction by Utilizing Biomass Power Generation

Tochigi Plant has biomass power-generating equipment that uses wood chips and other biomasses as its main fuel source instead of coal (fossil energy) and the equipment has been fully in operation since 2009 ahead of other companies. The other plants also actively use biomass energy as a supplemental energy to coal and contribute to CO₂ emission reductions. Tochigi, Aiko, and Kochi plants have achieved a power self-sufficiency rate of 100%, with surplus power supplied to outside users.

In 2018, Hachinohe Biomass Power Generation Co., Ltd., which was jointly established with Sumitomo Forestry Co., Ltd. and East Japan Railway Company started commercial operation of biomass power generation equipment and now generates environmentally friendly energy using thinned timber in Aomori Prefecture and wood from forests adjacent to railways in the area. The Company uses incinerator ash generated from the biomass power generation equipment as a raw material for cement manufacturing in Hachinohe Cement Co., Ltd., contributing to building a recycling-based society in the district.



Hachinohe Biomass Power Generation Co., Ltd. (Hachinohe City, Aomori Prefecture, Japan)

CO₂ Emission Reduction by Introducing Energy-Saving Equipment

In Japan's cement industry, companies are taking steps to reduce their basic energy units by the target years ending March 31, 2021 and 2031. One component of the related action plan is to increase the adoption rate of high-efficiency clinker coolers*1 and other energy-saving equipment.

The Sumitomo Osaka Cement Group has adopted clinker coolers with high heat-recovery efficiency in seven of its eight kilns. In addition to lowering the basic energy unit from burning, the reduced volume of chilled air has also cut energy consumption by fans. Coolers in the remaining one kiln are scheduled to be updated in 2019.

Gifu Plant and Aiko Plant improved the existing kiln burners*2 and installed new burners in order to reduce the basic energy units and use more recycled oil and more waste plastic as a substitute for coal (fossil energy).

Our cement manufacturing facilities will strive to reduce CO₂ emissions to prevent global warming by actively promoting works to save energy and to increase the amount of alternative thermal energy.

*1 Clinker coolers are rapid cooling systems that use cooling fans to supply chilled air to cool down high-temperature clinker burnt in cement kilns. The high-temperature air that deprived heat from the clinker is used as combustion air.
AQC (air quenching cooler)

*2 A kiln burner is equipment for obtaining high heat energy by efficiently burning pulverized coal and alternative heat during clinkering in a kiln.



Rotary kiln (Aiko Plant)

Protecting Biodiversity

Materiality 2 Care for the Global Environment

Given their use of limestone, coal and other natural resources in operations, the Sumitomo Osaka Cement Group's Cement-related businesses by their very nature could potentially impact directly or indirectly the surrounding ecosystem. We believe that paying close attention to the environment and preserving biodiversity are essential and indispensable to sustaining our ability to operate as an enterprise.

The environmental philosophy of the Group is summarized as follows: "The Sumitomo Osaka Cement Group aims to contribute to the preservation of the global environment and create abundance in society by pursuing environmentally friendly manufacturing, power generating and distribution operations in order to maintain harmony between the environment and corporate activities." Based on this philosophy, we conduct reforestation programs around mines and production plants and develop marine products to assist ocean environment recovery among our actions for proactively contributing to the protection of biodiversity.

Regreening Mining Sites

In 1971, we began operations designed to regreen our extraction site at the Ibuki Mine, located in Maibara City, Shiga Prefecture. This move is widely considered a pioneering example in Japan of a company taking the initiative to bring greenery back to a domestic mine.

In 1972, Sumitomo Osaka Cement signed a cooperative agreement for environmental protection with Shiga Prefecture with specific reference to mine regreening. The subsequent method for transplanting flora and fauna we established in cooperation with the Gifu University Agriculture Sciences Department is now called "the Ibuki Method." Today, nearly 50 years have passed since we began regreening, and the location where we initially planted saplings is now home to full-grown trees.

At others mines in Japan, we are using the same method in our ongoing efforts to regreen extraction and collection sites.



Ibuki Mine (Maibara City, Shiga Prefecture, Japan)

Corporate Forest Creation Initiatives

At the Tochigi and Kochi plants, Sumitomo Osaka Cement is contributing to forest protection through participation in corporate forest creation activities promoted by local governments.

At the Kochi Plant, since 2007, Susaki City, where the plant is located, has defined what it dubs a "symbol forest," with wood and brush cut and cleared from the forest used for biomass energy at the plant's power generation facility. Doing so assists in forest revitalization, while also encouraging interaction with the community through the brush clearing and other experiences.

In 2013, the Tochigi Plant signed a forest creation agreement with Sano City. The area designated for targeted activity was named "the Team Tochigi Forest." The name symbolizes the coming together of companies, government and local citizens to promote creation of a healthy forest in Tochigi Prefecture.



Cooperation Forest (Kochi Plant)

Contributions through Business

Expansion of Marine Products Business

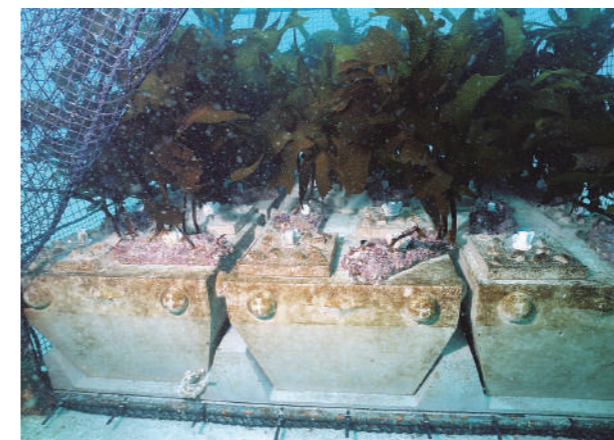
In recent years, the phenomenon of sea desertification, where seaweed disappears due to the effects of global warming and other causes, has become a major environmental issue along Japan's coasts. Because of that, measures to protect the ocean's environment are drawing attention. Sumitomo Osaka Cement is working with its subsidiary SNC Co., Ltd. to establish a marine products business mainly in Nagasaki Prefecture in an effort to preserve the ocean's environment.

Initiative to Prevent Sea Desertification

K-hat Reef Beta is a multifunctional seaweed cultivation artificial marine reef that utilizes an attachable and detachable seaweed cultivation plate developed from the Group's proprietary technology. The reef functions as a "core seaweed bed," where seaweed grown inside the reef supplies the seeds for more plants. By reviving seaweed beds, this product is also proving to be a revolutionary one for marine public works projects.



Submerging the K-hat Reef Beta multifunctional seaweed cultivation artificial marine reef (with Ebikuru House)



Seaweed raised inside the K-hat Reef Beta multifunctional seaweed cultivation artificial marine reef (submerged roughly two years)

Initiative to Cultivate Abalones

The inside of the K-hat Reef Beta net installed is configured with nine blocks and a pedestal that holds the blocks, thus constituting gaps that provide habitat for abalones. Gaps are sized from 3 mm to 150 mm, where abalones will choose their preferred gap depending on their size. In addition to serving as an abalone cultivation reef, the reef is expected to be used as a spawning reef that induces natural egg production.

Initiative to Cultivate Spiny Lobsters

In areas where sea desertification has progressed, the volume of spiny lobster catch also tends to decline. Jointly with the Japan Fisheries Research and Education Agency, the Group developed Ebikuru House - an optimal habitat (or a best size hole) for secure growth of immature lobsters. In parallel with regeneration of seaweed beds, we are undertaking cultivation of spiny lobsters and achieving tangible results.



Ebikuru House (white perforated plate)



Immature spiny lobster confirmed living in Ebikuru House

Initiative to Create Fishing Grounds

Hybrid Artificial Marine Reef Super SK1300S is a 20-meter-tall, large-scale artificial marine reef that helps prevent overfishing while multiplying marine resources. Employing a creative structure based on fish ecosystem research, this product has the leading fish-luring capability in the industry.

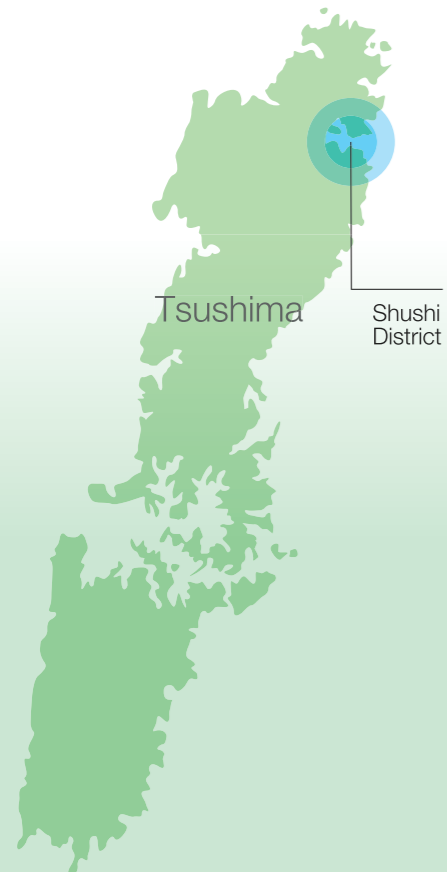


Hybrid Artificial Marine Reef Super SK1300S

Protecting Biodiversity

Tsushima Leopard Cat Protection Activities ●●●●● Materiality 2 Care for the Global Environment

As part of its social contribution activities, Sumitomo Osaka Cement is hard at work reviving the natural environment to protect the Tsushima leopard cat.



As part of its biodiversity protection efforts, the Sumitomo Osaka Cement Group works for reviving the natural environment that is the habitat of the Tsushima leopard cats.

In the Shushi District of Tsushima City (Nagasaki Prefecture), Sumitomo Osaka Cement owns a forest (approximately 16 hectares) designated for the extraction of clay, a cement raw material. With the cement industry aggressively promoting the recycling of industrial waste, recycled alternatives have emerged to replace natural clay in cement manufacturing. Consequently, the Company never extracted any clay from the forest, which was left idle.

This forest, as it turns out, is the habitat of one of Japan's most endangered species, the Tsushima leopard cat. In 2007, Sumitomo Osaka Cement began protecting the natural environment of this forest in the Shushi District, and started taking part in collaborative protection programs.

In cooperation with local Tsushima residents, we have grown the forest substantially, clearing away brush and planting deciduous trees, which drop acorns eaten by field mice and other small creatures that are prey for the leopard cat. In these ways, we are promoting protection by preparing an environment from the ecosystem up that the Tsushima leopard cat will find welcoming.

Nature Watching Event

On May 19, 2019, Japan's Ministry of the Environment sponsored a well-attended nature watching event at the Shushi Forest that included members of the Tsushima leopard cat Cheerleading Squad, local elementary school pupils and parents, and many others. Guided by the staff ("Active Rangers") of the Tsushima Wildlife Conservation Center, the half-day event saw participants spread out across the Shushi Forest and wetland areas to observe nature and ecosystems.

After a walk, we experienced a natural craft workshop (plant dyeing) and enjoyed the natural environment in Tsushima.



Nature Watching Event



Making a Welcoming Environment for the Tsushima leopard cat

The Tsushima leopard cat is an extremely wary animal, so much so that few locals have ever actually seen it. For this reason, Sumitomo Osaka Cement launched activities to prepare an ecosystem for the cat, which includes boosting the population of its favorite prey, field mice, and other small animals. In 2007, we planted deciduous trees, which have since grown into a magnificent acorn-bearing forest. Until the trees reached their current height, the saplings were covered to prevent them being eaten by deer and other creatures; we also surrounded the area with netting to protect it from deer encroachment. In contrast, the forest where netting was in place is now rich in low-lying vegetation, creating an environment that also allows small creatures to hide from predators and grow. We plan to continue activities for making the Shushi Forest, with its growing population of prey, hospitable for the leopard cat.



Shushi Forest (the habitat of the Tsushima leopard cat)



Photo credit: Noted wildlife photographer Makoto Kawaguchi

Resource Recycling

Materiality 3 Contribute to a Recycling-based Society

The Sumitomo Osaka Cement Group plays an important role in a “recycling-based society” by producing cement from waste and byproducts generated by various industries and local governments.

Social Role of Cement Recycling

Cement is a chemical substance characterized by the chemical reaction called hydration that occurs when water is mixed with cement. Cement is mainly composed of calcium, silicon, aluminum and iron, which are produced by compounding and burning them at a high temperature of 1,450 degrees Celsius.

The main components are abundant in natural resources such as limestone, clay and silica, but waste and byproducts also contain similar compositions so they can be used as a substitute for cement materials. Now we no longer use natural clay as a result of the recycling of waste and byproducts.

Waste and byproducts from other industries and local

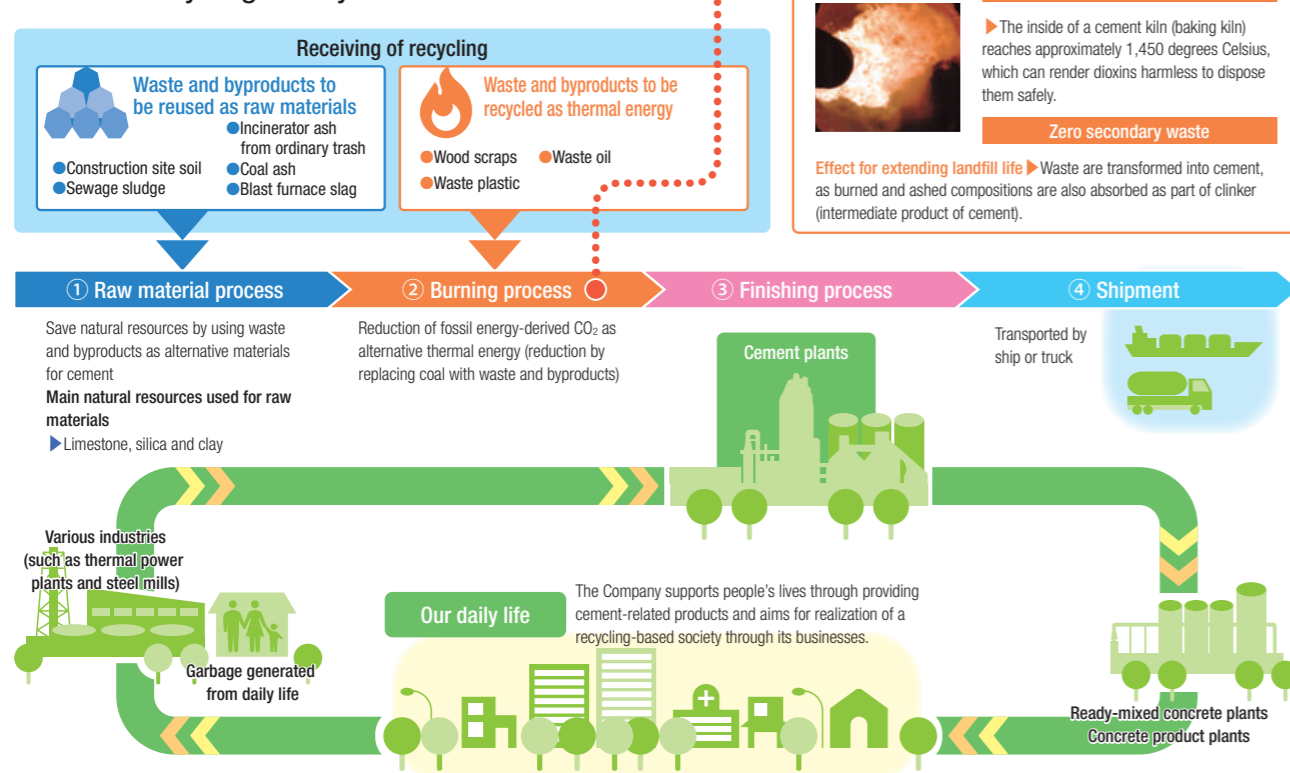
governments, including wood scraps, waste oil/recycled oil and waste plastic are used in combination with coal as thermal energy in the burning process at 1,450 degrees Celsius. Since these are directly burnt inside the kiln, the ash and residues that remain after burning are also reused as part of the cement raw material, and everything is transformed into cement products, generating no unwanted substances.

Such a recycling effort controls use of natural resources such as clay and coal, and also leads to CO₂ emission reduction as a substitute for fossil energy, and contributes to prolonging the life of the landfill, which is the final waste disposal yard.

Various Waste and Byproducts Used in the Cement Manufacturing Process

Waste and Byproducts	Description	Source
Coal Ash	Ash generated from burning coal	Thermal power plants
Soil	Soil generated from construction works	Construction sites
Sludge	Sludge generated in the process of treating sewage and industrial wastewater and in the process of refining oil	Sewage treatment plant, oil refinery, paper mill, chemical plant and food plant
Waste plastic	Plastic offcuts, waste tires, etc.	Plastic plants, auto service garages
Waste oil	Used oil such as lubricating oil or vegetable oil that remain after machine manufacturing, petroleum manufacturing, meat processing, etc.	Oil refinery, machine plant, meat processing plant
Wood scraps	Unused timber and wood scraps generated at construction sites	Saw mills, construction sites

Cement recycling in daily life

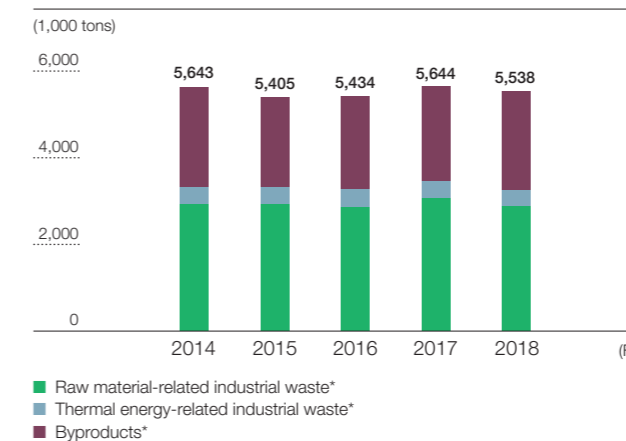


Status of Waste and Byproduct Use

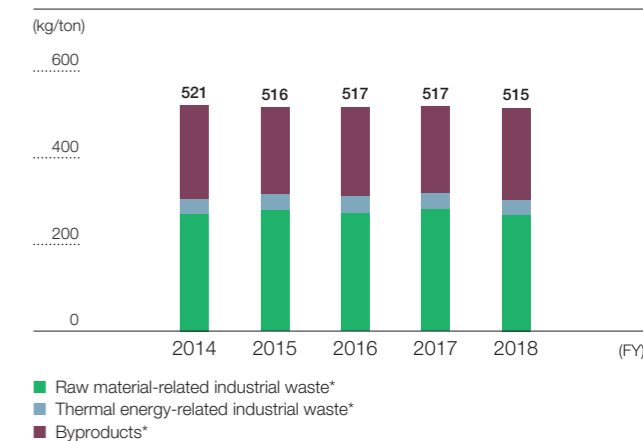
In line with a decrease in cement production volume in FY2018, the Company's use of waste and byproducts dropped roughly 2% over the previous fiscal year to 5,538,000 metric tons.

	FY2014	FY2015	FY2016	FY2017	FY2018	
Raw material-related industrial waste* (Unit: 1,000 tons)	2,930	2,913	2,858	3,056	2,883	
Thermal energy-related industrial waste* (Unit: 1,000 tons)	383	394	412	399	367	
Byproducts* (Unit: 1,000 tons)	2,330	2,098	2,164	2,189	2,289	
Subtotal (Unit: 1,000 tons)	5,643	5,405	5,434	5,644	5,538	
Cement production volume (Unit: 1,000 tons)	10,837	10,470	10,519	10,915	10,758	
Basic unit (kg/ton-cement)	Raw material-related	270	278	272	280	268
	Thermal energy-related	35	38	39	37	34
	Byproducts	215	200	206	201	213
Total (kg/ton-cement)	521	516	517	517	515	

Waste and Byproduct Usage



Basic Unit of Waste and Byproduct per Ton of Cement



*Raw material industrial waste: coal ash, waste soil from construction work, sludge (water, sewage, construction), burnt husks and dust, sludge, rubble, waste acid, waste alkali, slag, others
 *Thermal energy industrial waste: waste plastic, waste clay, waste oil, waste tires, wood scraps, others
 *Byproducts: Incinerator slag, byproduct gypsum, wood chips (including those for retail power generation), others

Key Points When Using Waste and Byproducts as Raw Materials or Thermal Energy for Cement

When using waste or byproducts, we perform rigorous quality control that includes checking the results of chemical composition and elution tests, sorting and choosing only materials posing no risk to the surrounding environment, health, cement quality or manufacturing processes, and determining the precise volume of material to be used. As a result, while usage volume is increasing each year, we have had no problems in terms of quality control.

Trace Components Found in a Normal Cement Sample

(Unit: mg/kg)

	FY2014	FY2015	FY2016	FY2017	FY2018
Lead	39	51	49	45	46
Cadmium	5	4	4	4	4
All chrome	68	67	74	71	73
Hexavalent chrome	7.6	7.3	7.0	7.9	8.2

Resource Recycling

Materiality 3 Contribute to a Recycling-based Society

Recycling Topics

Active Acceptance of Ordinary Incinerator Ash

The sorting warehouse built at the Hachinohe Port has strengthened its capacity to receive incinerator ash from ordinary waste primarily from Japan's Kanto region by introducing sifting and sorting equipment. Ordinary incinerator ash has so far been transported from the Kanto area to Aomori Prefecture by low-carbon transportation such as railways and recycled by Hachinohe Cement Co., Ltd. This equipment has strengthened the function of sorting and removing foreign objects, allowing Hachinohe Cement Co., Ltd., to stably recycle more incinerator ash.



Facilities at the Hachinohe Port for sorting ordinary incinerator ash

Promotion of Waste Plastic Recycling



Entire appearance of Ako Plant's waste yard (for thermal energy waste)

Nowadays, an increasing volume of waste plastic is piling up in Japan due to waste import restrictions imposed by China and Southeast Asian countries. The Group has long accepted waste plastic as a coal substitute (thermal energy waste). Although some control of composition is needed for use because chlorine contained in the waste plastic affects the process, we aim to accept more waste plastic by further investing in dechlorination equipment. With enhanced capability of the dechlorination equipment, the process will also become effective for recycling high chlorine products such as ordinary incinerator ash and ASR (automobile shredder dust) that are difficult to dispose of.

Receiving Disaster Waste at Cement Plants

Sumitomo Osaka Cement Group cement plants are receiving sites for disaster waste, a point that is contributing to community recovery and revitalization. Until 2014, the Tochigi Plant and Hachinohe Cement Co., Ltd. received and recycled debris and other waste from the Great East Japan Earthquake disaster, as well as waste from within and outside of Aomori Prefecture.

In 2015, the Tochigi Plant received disaster waste (rice and tatami mats) from Joso City in Ibaraki Prefecture after torrential rains in Japan's Kanto and Tohoku regions destroyed the Kinugawa River bank. Kochi Plant accepted wood scrap from houses destroyed by the Kumamoto Earthquake in 2016 and 2017 and disaster waste generated in the West Japan Heavy Rain Disaster in 2018 for supporting reconstruction efforts in the stricken area.

Cement manufactured from recycled disaster waste is shipped across Japan, including to the disaster-hit areas, for use in local revitalization work, as well as in the development of banks and other infrastructure to prevent or mitigate natural disasters. Sumitomo Osaka Cement will leverage its technical expertise honed in past disaster waste treatment to contribute to restoration and revitalization, and to stably supply cement to improve national resilience.

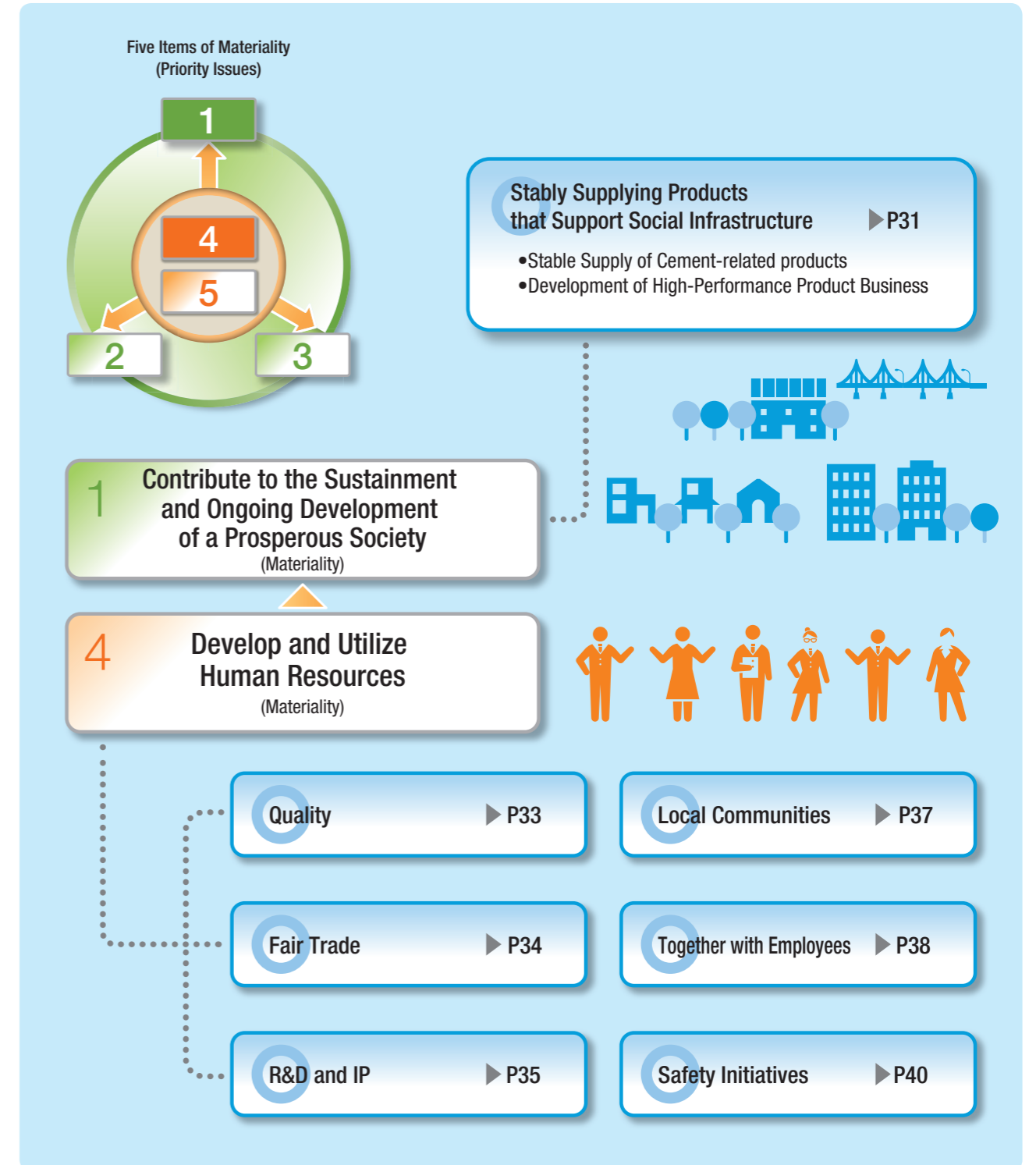


Disaster waste

Sumitomo Osaka Cement Group's Initiatives for Society

The Sumitomo Osaka Cement Group is working to solve social issues relevant to a range of stakeholders.

Based on the slogan: "Develop and Utilize Human Resources," we "Contribute to the Sustainment and Ongoing Development of a Prosperous Society" through the stable supply of products that support social infrastructure.



Stably Supplying Products that Support Social Infrastructure

Materiality 1 Contribute to the Sustainment and Ongoing Development of a Prosperous Society

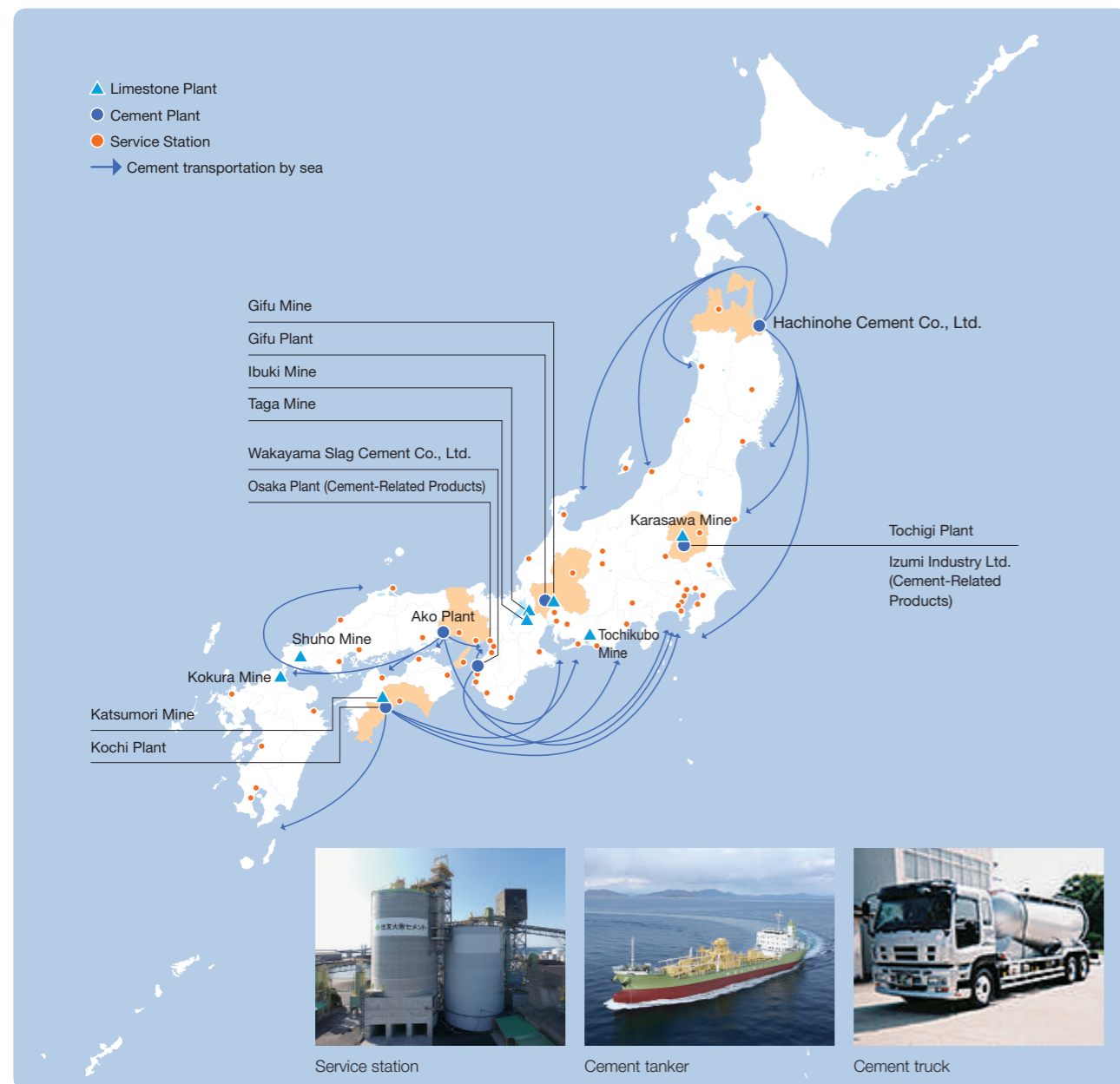
Stable Supply of Cement-related Products

The Cement business continues stable supply of products with a strong distribution network of four cement plants in Japan, Hachinohe Cement Co., Ltd., Wakayama Slag Cement Co., Ltd., and 59 service stations (as of the end of May 2019) connected by 21 cement tankers under control of the Group and trucks. The Mineral Resources business supplies limestone from eight mines scattered across the country. The Cement-Related Products business supplies limestone from eight mines scattered across the country. The Cement-Related Products business supplies repairing products mainly from Izumi Industry Ltd. (Tochigi Prefecture), an affiliate, in East Japan and the Osaka plant

(Osaka Prefecture) in West Japan.

While product transportation gives priority to safe transportation, environmental consideration and quality assurance, products are supplied in a timely manner to users engaged in a range of businesses across Japan, and used for housing, buildings, roads, water and sewage facilities, bridges, tunnels, ports, power plants, plants and other various infrastructure.

The Group supports the social infrastructure by stably supplying these materials essential to the industry.



Development of High-Performance Product Business

To accelerate business diversification, the Group has been seriously working to develop new businesses in the advanced technology field since the 1980s. Initially, we started the business development effort by partnering with companies possessing advanced technologies, purchasing companies related to optical communication technologies to accumulate relevant technologies, and specializing in product assembly through an integrated production line from materials to finished products. These efforts have now resulted in development of the Optoelectronics business with LN modulators currently as a flagship product.

Further in this business, we have been engaged in R&D on inorganic materials to establish a business foundation for advanced materials including various nanoparticle materials and silicon carbide (SiC) ceramics. The Battery Materials business was derived and evolved from this advanced material technology, and these materials enabled

development of a lithium ion battery positive electrode material based on lithium iron phosphate by applying the nano-material powder technology.

As a result of the High-Performance Product business having selected and concentrated on new business domains, and then segmented and identified the market, the Group globally maintains a high market share in the niche fields of Optoelectronics and Advanced Materials.

These high-performance products supplied by the Group are typically used in the manufacture of semiconductors that are essential for us to live a prosperous and convenient life, while battery materials are used in electric vehicles and storage batteries. These are the materials and components that are essential for cutting-edge industries and innovation, for which we will continue R&D to improve quality and ensure stable supply.

Optoelectronics

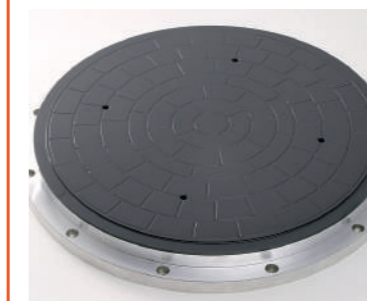


LN modulator



Production equipment (Dongguan Sumi Sou, Dongguan City, Guangdong Province, China)

Advanced Materials

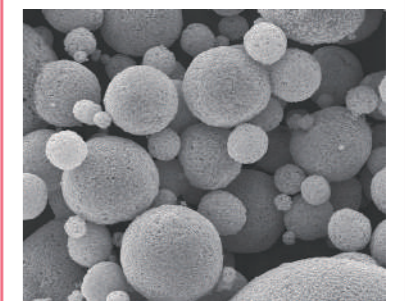


Electrostatic chuck for semiconductor manufacturing equipment



Manufacturing facility building (Ichikawa Office, Ichikawa City, Chiba Prefecture)

Battery Materials



Lithium iron phosphate particles (cathode materials for lithium-ion batteries)



Manufacturing plant (SOC VIETNAM, Hung Yen Province, Vietnam)

Quality

Materiality 1 Contribute to the Sustainment and Ongoing Development of a Prosperous Society

Approach to Quality

Cement's ultimate shape comes in many different forms, from major structures such as dams to various types of concrete products, so each type of cement must have an optimum performance depending on its particular situation. The Sumitomo Osaka Cement Group endeavors to ensure product stability and improve quality by meeting customer requirements and prioritize the stable supply of cement to provide security and rigorous daily management of products based on a quality control framework constructed using cement production technologies formed over many years.

Quality Control Framework

The Sumitomo Osaka Cement Group's production plants have acquired quality management system (QMS) certification in accordance with ISO 9001 (international guidelines on quality assurance), have built and maintain quality control frameworks and continue quality control activities. The five

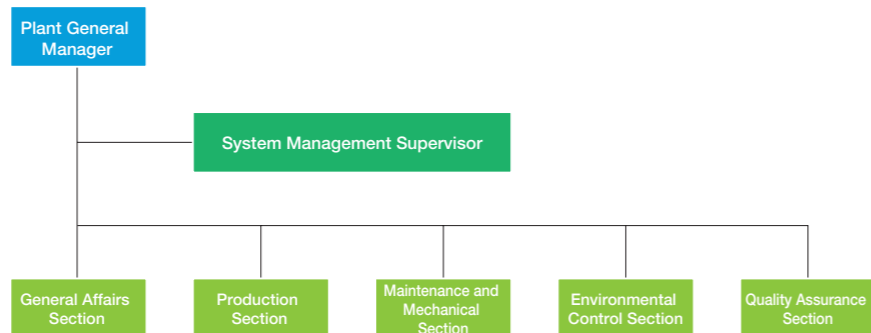
production plants of Tochigi, Gifu, Ako, Kochi and Hachinohe Cement Co., Ltd., the Optoelectronics, Advanced Materials and Battery Materials Business in Funabashi and affiliates including Shuho Kogyo Co., Ltd. have obtained ISO 9001 certification.

Quality Initiatives

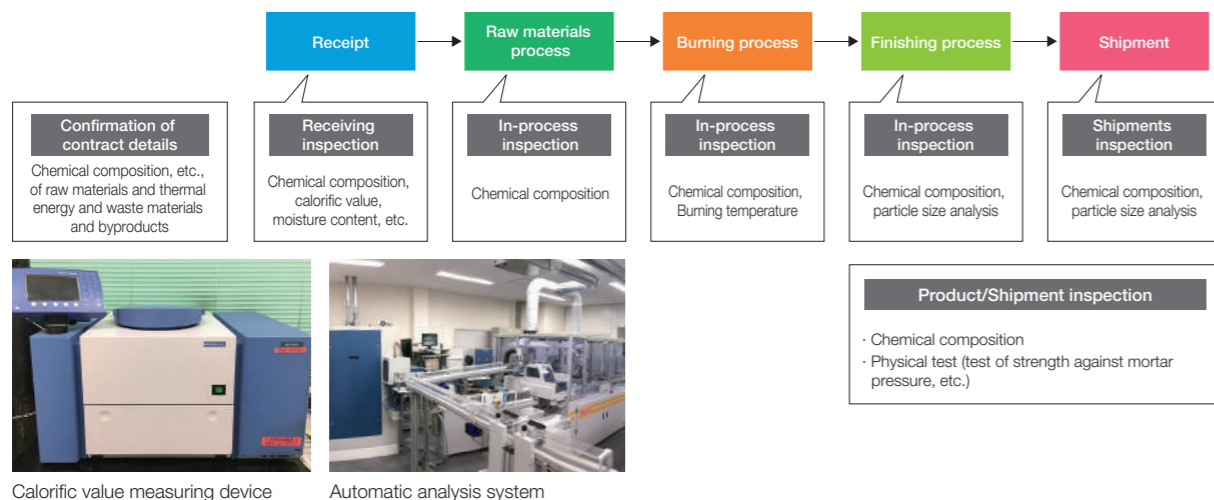
Plants are operated with responsibilities and authority in each division according to the plant organization chart. In accordance with the flow chart at plants, quality control management of cement products follows an integrated line from receipt inspections for raw materials, thermal energy, waste materials and byproducts to delivery inspections for cement products, and the Quality Assurance Section at each plant conducts highly precise inspections in collaboration with the Analysis Center located inside the Ako Plant. Safety data sheets listing information about particular toxic hazards in products are also provided to enable them to be used safely.

Plant Organization

The System Management Supervisor reports directly to the Plant General Manager. The System Management Supervisor is responsible for establishing and maintaining this system, raising awareness among all employees of items that customers require, and rigorously implementing quality policies in each division.



Production Flow and Quality Control at Plants



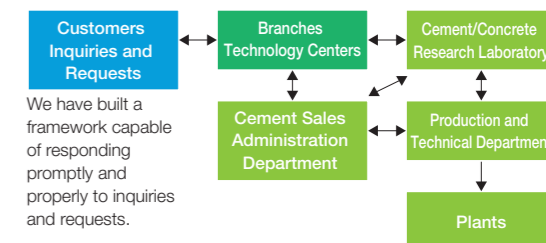
Relationship with Customers

We strive to deepen our relationships with customers in such ways as holding regular meetings among divisions to exchange information on quality control communication and response flow charts and forming a system for assured internal communication of customer information. We also utilize this system for product development and response to customer complaints.

Technological Interaction with Customers

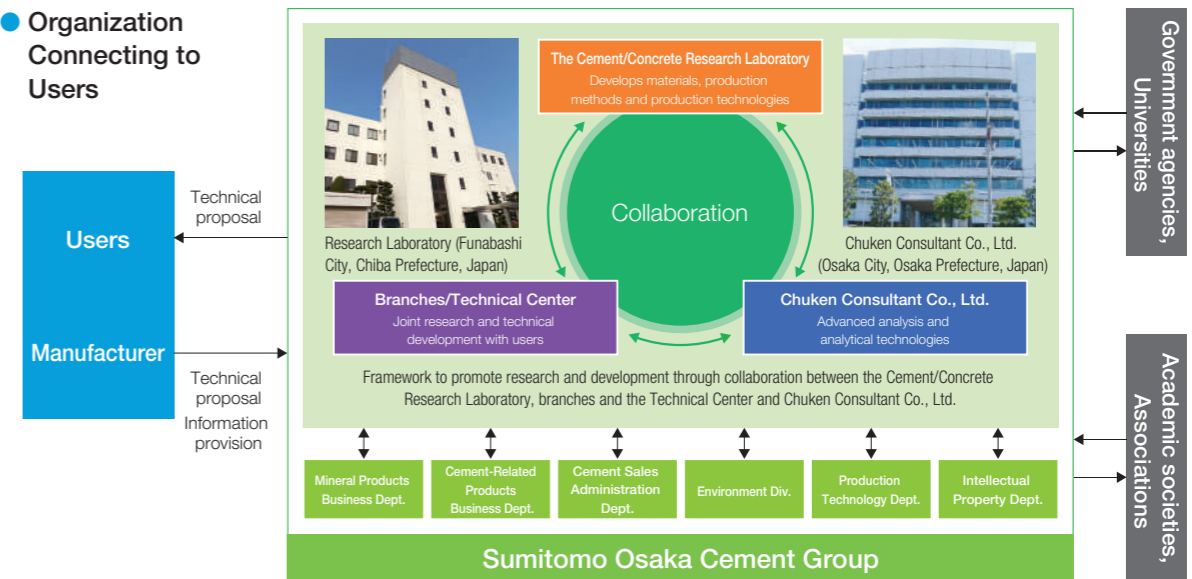
Aiming at sharing technical information on concrete with customers, the Group regularly holds the nationwide Sumitomo Osaka Cement Technical Report Meeting. The report meeting features not only lectures and speakers on the latest topics or technical trends in the concrete field but also provides an opportunity of information sharing between the

Quality Control Information Communication and Response Flow Chart



Company and customers as a whole, where some customers from all over the country present valuable research results. The Group also holds technical meetings and lectures in each district for improvement of technologies by working together with customers.

Organization Connecting to Users



Fair Trade

Materiality 1 Contribute to the Sustainment and Ongoing Development of a Prosperous Society

The Sumitomo Osaka Cement Group has stipulated the following basic policy to be a partner in creating attractive products under a concept of quality and reliability.

Basic Policy on Purchasing

Openness
We not only maintain trade relationships with business partners that have outstanding records, but also always strive to purchase from new business partners. As a result, we always disclose information related to material procurement.

Fairness
We always select business partners based on a fair and just assessment that takes a comprehensive view into account including quality, price, delivery time, stable supply, after-sales service, technological compatibility with existing facilities and business results.

Compliance with Laws and Regulations

We always obey all rules and regulations when engaging in purchase transactions and carry out duties while respecting that spirit.

Mutual Trust

We aim to build sound relationships based on trust with the people from our business partners by engaging in fair purchase transactions.

Contribution to Society

We believe it is important to contribute to society with people from our business partners by engaging in fair purchase transactions.

R&D and IP

Materiality 1 Contribute to the Sustainment and Ongoing Development of a Prosperous Society

Under the basic philosophy of continually developing original technologies, the Sumitomo Osaka Cement Group engages in a wide range of proactive R&D activities. These range from new technology and new product development in our core cement and concrete business to peripheral cement-related products, to R&D in the High-Performance Product business, Optoelectronic, Advanced Materials, and Battery Materials business segments based on our core technologies.

Cement/Concrete Research Laboratory

The Cement/Concrete Research Laboratory develops new technologies and products in a broad range of fields, including high-performance concrete, concrete paving technology, as well as ultra-rapid hardening materials and methods for repairs, along with technologies with a lower environmental impact, among others.

Basic Policy for Fiscal 2019

"Increase the earnings of the Cement-related business by using new technologies and new products developed based closely on user needs."

- 1) Commercialize core technologies for cement and concrete
- 2) Development of various materials that contribute to streamlining and labor saving in construction work
- 3) Develop technologies for mitigating environmental impact

New Product and New Technology Development

(1) Self-healing concrete technology

Cracks in concrete have long been a problem for concrete structures as they cause durability deterioration and leakage. The Group has been developing the self-healing technology with which such cracks generated in concrete are closed and repaired by the concrete itself. This technology is expected to be applied to underground structures and tunnels as well as railways, roads and other infrastructure, in which

water leakage from cracks pose a problem. By applying the technology, we have also developed the "Safe repair stick compounded with self-healing ingredients" that self-repairs re-cracks after cracks are repaired.

We will continue to explore possible applications of the self-healing technology to various products.

(2) Slow jet concrete

Nearly 520,000 bridges, which account for more than 70% of the total bridges in Japan, are managed by municipalities, and half of them will be aged more than 50 years in 10 years' time. The Group has developed low-shrink, high-early-strength concrete called "Slow Jet Concrete" for bridge surface pavement from the viewpoint that concrete pavement is effective for repairing bridge pavement in terms of floor slab reinforcement effect and durability. Featuring sufficient working time, early hardening performance and low shrinkage performance, this special type of concrete allows hi-speed placement by jet concrete mobile vehicles and is applicable to various site environments. This product combines the floor slab reinforcement effect, including improved fatigue characteristics, and high durability, and greatly contributes to reduction of the long-term maintenance costs.

R&D Policy for the Fiscal 2019 Business Plan

"Accelerate product development in response to changes in market environment and promote technologies for strengthening foundation for future growth"

- 1) Develop new products to enhance competitiveness of existing businesses
- 2) Promote the shift to high-efficiency production processes through reinforced engineering functions
- 3) Establish core technologies toward business growth and expansion to peripheral market area

New Technology Research Laboratory

The New Technology Research Laboratory works to usher in innovations in the energy, environment, information communication and electronics domains. It focuses on the development of optoelectronics devices and equipment with an eye on optical ICT as well as the development of semiconductor manufacturing equipment components, energy storage and generation equipment components, and various functional materials with an eye on nanoparticle material technology. The work that takes place at the New Technology Research Laboratory underpins the Optoelectronics, Advanced Materials and Battery Materials businesses.

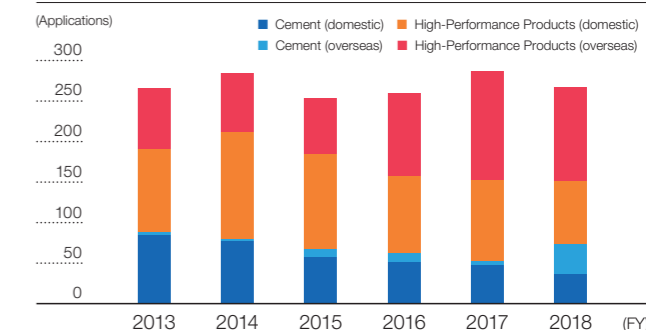
Intellectual Properties

Intellectual properties underpin both the Cement-related business and High-Performance Product business from the standpoint of IP management.

Basic Policy on IP for the Medium-term Management Plan

Following the basic policy of reinforcing competencies key to our growth strategy in terms of IP under coordinated business and development strategies, we will aim to build a competitive patent portfolio to protect our businesses from various angles, including our core technologies and applied technologies.

Changes in total number of patent applications



We are working to increase patent applications and establishment of patent rights in the United States, China, and Korea, among other countries, following the globalization of our operations, especially in the High-Performance Product business segment. We filed a total of 153 patent applications outside of Japan in the fiscal year 2018.

R&D Topics

Materiality 1 Contribute to the Sustainment and Ongoing Development of a Prosperous Society

Development of "Magical SKiP[®]," Early-strength Agent for Mixed Cement

The use of mixed cement is increasing backed by social demands such as resource saving and energy saving. As a feature of concrete using these mixed cements, however, some issues are pointed out. For example, the form-retention period will become longer due to slow strength development in low-temperature environments such as cold districts in winter, resulting in a longer period of concrete construction. Against the backdrop of the low birthrate and aging population in Japan, a declining trend of skilled construction workers is expected to continue in the future. Therefore, achieving higher productivity in construction sites is essential and shortening work periods in concrete construction is one of the major issues in such sites for higher productivity.

To address this issue, the Cement/Concrete Research Laboratory has developed "Magical SKiP[®]," an early-strength agent for mixed cement, based on knowledge accumulated over years of research. Adding "Magical SKiP[®]" to concrete containing mixed cement enables early-strength development even in a low temperature environment, and improves productivity by shortening the concrete form-retention period and reducing a work period. According to the calculation example based on a simulated construction, it has been confirmed that using "Magical SKiP[®]" can shorten the construction period by nearly 40% compared with normal work. Other than the above, this agent is also effective in suppressing thermal cracks and shrinkage cracks and demonstrates the durability equal to or

more than that of general concrete. "Magical SKiP[®]" has been applied to constructions such as the seawall work of our Kochi Plant Electric Power Substation No. 1 and the redevelopment work in the Onagawa area of Miyagi Prefecture, and is expected to be used more widely for construction works primarily in cold districts.

(1) Seawall work of Kochi Plant Electric Power Substation No. 1



- Ready-mixed concrete placement amount: 45 m³, no cracking
- Early demolding effect: Three days in normal cases shortened to one day

(2) Redevelopment work in the Onagawa area



- Ready-mixed concrete placement amount: 98 m³, no cracking
- Work period shortened: Approximately 18% (frame construction applied)

Local Communities

Materiality 1 Contribute to the Sustainment and Ongoing Development of a Prosperous Society

The cement industry is built upon close connections with local communities and it is essential to build good lines of communication with community residents. The Sumitomo Osaka Cement Group endeavors to promote understanding of the Group through plant tours, briefings and dialogue and deepening interaction with a variety of people.

Plant and Business Site Tours

We provide opportunities for tours to plants or mines for various stakeholders including elementary and junior high school students on field trips to those involved with municipal governments. We also create opportunities to deepen understanding among members of local communities, such as holding regular plant tours or providing introductions to the Group's activities such as recycling or environmental preservation initiatives.



Parents and children on a tour of the Ako Plant

Participation in Community Events

For many years we have participated in community events and festivals to raise our level of communication with local communities. This enhances our everyday sense of gratitude and community activities, as well as provides a wonderful opportunity to deepen connections with communities.

Training at Plants

At our plants we provide internship opportunities for high school and university students to acquire specialist knowledge and technical skills, as well as to raise their occupational awareness through experience working at a local company.

We also hold cement plant tours and have operational technique training for employees from overseas.

Acceptance of Waste Products from Local Areas and Converting General Incineration Ash to Cement Raw Material

The Group uses sewage sludge generated in various areas as a cement raw material and thermal energy source at four plants (Tochigi, Gifu, Ako and Kochi).

At the Ako and Kochi plants, as well as at Hachinohe Cement, waste generated from industrial activities and waste created through everyday living are used as raw materials for cement. Making general incinerator ash into a cement resource not only prolongs the useful life of waste landfill sites, it leads to a reduced load on the environment and further contributes to local communities and the creation of a recycling society, so we will continue to strengthen this initiative.

Contribution to Local Communities

We actively engage in beautifying the environment by conducting environmental maintenance in the vicinity of each business site and cleaning activities within plants.



Employees engage in monthly cleaning activities in the areas between Yotsuya and Ichigaya stations near the head office in Tokyo

Together with Employees

Materiality 4 Develop and Utilize Human Resources

The Sumitomo Osaka Cement Group is committed to creating safe, healthy and comfortable environments that employees find easy to work in so that all can perform their jobs with peace of mind. Furthermore, we aim to create organizations and worksites that remain great places to work for every employee for years to come, training human resources capable of utilizing their talents and aptitude to contribute to society as we look to build a more dynamic world.

Diversity

Promoting the Advancement of Women

As the Japanese government publicly promotes the advancement of women as part of its long-term strategy, Sumitomo Osaka Cement is backing its own sustainable development for the future by promoting initiatives that broaden spaces where women can thrive. In addition to promoting more vigorous recruitment of women than ever before, in line with a lot of measures for creating workplace environments more welcoming to women, we are putting a

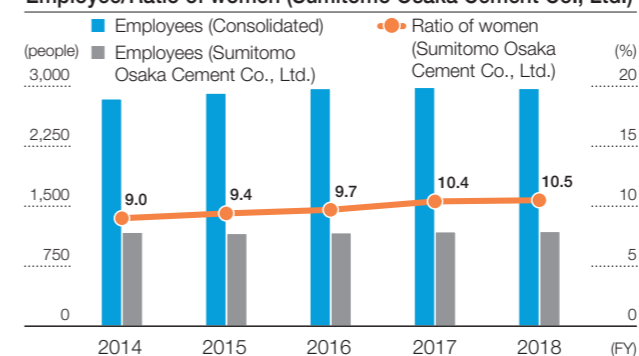
full range of related systems in place that allow employees to continue to work with peace of mind, such as leave or rehiring systems for female employees (manager level, working nationwide) who cohabitate with their spouse as a result of marriage or relocate due to their spouse's work. In April 2016, we established a Diversity Group within the Human Resources Dept., with the aim of being a company women and other diverse human resources find an exciting place to work.

The Diversity Group has set the following two goals to work for:

- 1 Make women 20% of all new general-career-track hires.
- 2 Double the number of female managers by March 31, 2021, compared to the number as of March 31, 2016.

(For more information, go to <https://www.soc.co.jp/saiyou/joseikatsuyaku.html>) (in Japanese only)

Employee/Ratio of women (Sumitomo Osaka Cement Co., Ltd.)



Senior Citizen Employment System

Where employing senior citizens is concerned, Sumitomo Osaka Cement views mandatory retirees as invaluable human resources possessing knowledge, technical skills and experience. Accordingly, the Company has adopted a reemployment system for passing on technological capabilities to young generations of employees. Reemployment is available to all retirees who apply and is renewable through age 65.

Employment of Persons with Disabilities

Sumitomo Osaka Cement is a proactive employer of people with disabilities. As a measure to normalize this trend within the Group, we ask detailed questions about needed accommodations during the hiring interview, then prepare the workplace environment accordingly. In this way, we give ample attention to creating work environments where employees with disabilities can shine to the greatest extent possible. We will pour energy into awareness-raising activities more than ever before to continue to encourage understanding of our policies inhouse, as we promote greater employment of people with disabilities.

Respect for Human Rights

Sumitomo Osaka Cement drafted regulations for preventing sexual harassment and the harassment of women who are on leave due to pregnancy, childbirth or childcare duties, as the Company strives to prevent any direct or indirect violation of human rights. In the year ended March 31, 2019, we conducted human rights training by occupational class for Company employees; training to prevent sexual and maternity harassment was also held at some worksites. In another move, we established a sexual and maternity harassment consultation portal, as we work hard to create positive workplaces with advice-giving frameworks in place.

Work Life Balance

Supporting Working Employees with Child and Family Care Needs

With fewer births and societal aging gaining momentum in Japan, Sumitomo Osaka Cement has established leave systems based on the Child Care and Family Care Leave Act to allow employees to work with peace of mind while balancing child and family care responsibilities. In 2008, the Company acquired the "Kurumin" mark certifying support for raising the next generation of people, in recognition of its initiatives supporting employee balancing of work and childcare needs.

In 2017, we assembled "The Balance Support Guidebook," bringing together the Company's relevant regulations and systems regarding support for balancing work life with child and family care needs. The guidebook is part of our drive to encourage understanding of the Company's systems supporting work-life balance for employees, as we move forward in creating work environments with highly accessible support and systems for employees striving for balance.

In April 2018, Sumitomo Osaka Cement formulated a General Business Owner Action Plan (the Company's fourth such action plan) pursuant to Japan's Act on Advancement of Measures to Support

Raising Next-Generation Children. With this step, Sumitomo Osaka Cement has taken its creation of work environments that allow highly motivated employees to continue working, while balancing work and life for men and women alike, a step further.

Promoting Easy to Work Workplaces Built on Labor-Management Cooperation

Leveraging both a relationship of trust grown over many years and mutual understanding, Sumitomo Osaka Cement Co., Ltd. and the Sumitomo Osaka Cement Labor Union work together to solve a variety of issues. At the "Labor-Management Meeting," which brings labor and management leaders together twice yearly, labor and management share their views of the management environment and business circumstances facing the Company, building a platform for business development and determining social contribution through a labor-management partnership. As part of a push to reduce overall working hours, from April 1, 2009, labor and management have joined forces in programs calling for everyone, without exception, to return home on designated "No Overtime Days" decided by each workplace.

Human Resource Development

Boosting Employee Skill Levels through Education and Training Programs

Sumitomo Osaka Cement positions human resource training as one of the most important initiatives for its sustainable development. Through training by occupational class and other means, we emphasize boosting skills to execute duties with a broad view from a medium- to long-term perspective as we take steps to develop our employees.

- **Induction Training for New Employees**
After joining, the Company conducts roughly two weeks of training for new hires, where they learn the mindset and knowledge necessary to work as a Sumitomo Osaka Cement employee. When touring production plants, new hires also take part in cleanup activities around the sites as community service.
- **Three-Year Training Plan**
To foster employees capable of considering a course of action, executing it and pursuing desired outcomes, Sumitomo Osaka Cement prepares an individualized "Three-Year Training Plan" for each new hire, enabling employee education to unfold in a more systematic fashion.
- **Elective Practical Training for Young Employees**
To arm young employees with the tools they need as early as possible, Sumitomo Osaka Cement has introduced an elective practical training program for employees in their first two to six years at the Company.

Incentive Systems for Outstanding Development and Improvement

Sumitomo Osaka Cement has set up various commendation systems with the purpose of encouraging employees to tackle tough business goals, encourage consideration and

System Supporting Self-Taught Employees

Sumitomo Osaka Cement encourages those with a high degree of ambition to teach themselves. By using our system of scholarships for acquiring qualifications, correspondence courses and other means, many employees are devoting themselves to raising their own knowledge and awareness.

- **Short-term Overseas Training System**
As one avenue for developing human resources with a global perspective and able to take on internationalization, Sumitomo Osaka Cement collects applications for one-month overseas training programs, with employees sent to sites in Southeast Asia, China and India.
- **Business English Training**
At Sumitomo Osaka Cement, in advance of our global business development efforts, we have enacted inhouse language training in English to improve business English skills and support employee self-knowledge and awareness.
- **Domestic Business School Enrollment System**
Sumitomo Osaka Cement is sending employees to "Management Academy," a graduate school of business administration sponsored by the Japan Productivity Center. This academy is a business school for extensive management research through industry-academia collaboration and for training the human resources who will spearhead corporate transformation. The main thrust is to cultivate expert skills responsive to today's era of global competition.

improvement in duty performance, and establish a corporate culture that boosts morale and promotes facing challenges.

Safety Initiatives

Materiality 4 Develop and Utilize Human Resources

The Sumitomo Osaka Cement Group is committed to creating safe, healthy and comfortable environments that employees find easy to work in so that all can perform their jobs with peace of mind.

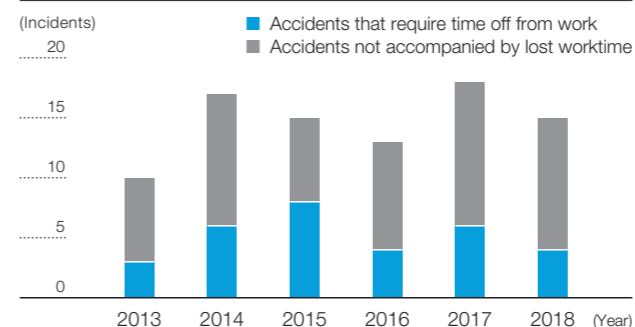
2019 Occupational Health and Safety/ Security Measure Promotion Plan

As a group with an uncompromising commitment to safety, Sumitomo Osaka Cement is targeting a goal of zero accidents. Reaffirming respect for human life, coupled with a fundamental philosophy of "safety first" and "enhancing health maintenance" in occupational health and safety activities, and backed by creation of a corporate culture with an uncompromising approach to safety, Sumitomo Osaka Cement is encouraging the formation of comfortable work environments, and instituting the points below in a bid to improve occupational health and safety standards and achieve smoother work execution, thereby contributing to enhanced productivity.

● Enactment Priorities for 2019

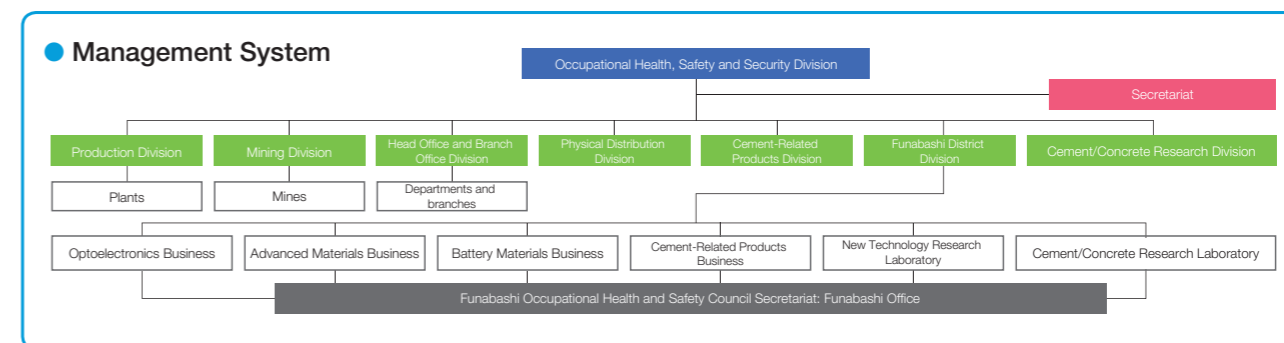
1. Eliminate accidents
2. Create an uncompromising climate for safety
3. Develop healthy, people-friendly worksites
4. Eliminate traffic accidents (accidents during commutes)
5. Organize labor accident data

Number of Accidents



Occupational Health, Safety and Security Measures Division Management System

The Sumitomo Osaka Cement Group has established an Occupational Health, Safety and Security Measures Division covering the entire company. Through regular contact meetings centered on the division's secretariat and other actions, we are moving to further strengthen initiatives with respect to safety.



Safety Education

Sumitomo Osaka Cement is channeling energy into safety education at every level to embed a culture of safety within a greater corporate culture prioritizing worker health and safety.

Principal Safety Education by the Occupational Health, Safety and Security Measures Division	<ul style="list-style-type: none"> ● Business department-sponsored education ● Safety education for younger employees ● Managerial class education, safety education ● Safety education for new hires ● Safety education by occupational class
Principal Safety Education at Business Sites	<ul style="list-style-type: none"> ● Safety keyperson training and education for partner companies ● Work safety supervisor education ● Foreman and team leader education ● Hands-on safety education, external education
Outside Education	<ul style="list-style-type: none"> ● Foreman education

Health Management

To ensure employees are healthy as they work, Sumitomo Osaka Cement supports them in creating good health by, among other measures, assisting employees in getting the full range of regular health checkups, including health exams designated in collaboration with the health insurance association. In response to a jump in employees with mental health concerns in recent years, we now partner with specialist organizations to provide a system for expert consultation in every business area and promote options to make service utilization easier for employees.

The Company has also introduced a stress-check system as we seek to prevent mental health concerns before they occur. Through events such as lectures on occupational health by industrial health physicians and regular mental health seminars, we hope to deepen proper understanding of stress among our entire workforce, strengthening our support system for helping them build minds and bodies defined by health and vigor.

Messages from Plant and Site Managers

Safety Initiatives Tochigi Plant

Tochigi Plant has its occupational safety and health philosophy: "Promote activities to secure a safe and comfortable working environment with the recognition that securing occupational safety and health forms the foundation of the company's existence." We are working to continue as a plant with zero accidents, having set "Working together to create a positive workplace of safety, peace of mind and zero accidents" as our 2019 occupational health and safety activity policy.

Along with ongoing activities including awareness raising in the safety awareness gathering held early in each month, disaster case studies at each workplace, and thorough implementation of KYM (Kiken Yochi Meeting, which literally means danger prediction meeting), we are working to further upgrade hands-on safety training facilities in the plant and improve safety awareness and safety sensitiveness (sense of detecting danger) among all workers including newcomers.



Hands-on safety education

Starting from this year, in addition to risk assessment, we have introduced the "Concern Card" with an aim to eliminate unsafe conditions and behaviors.

Tochigi Plant will focus on continuing a zero accident record by encouraging every worker to finger point and chant this year's plant safety slogan: "If you find your work potentially dangerous, be brave to stop it and communicate the danger. Let's work together to eliminate accidents," and say, "OK!"



Hiroshi Ohashi
General Manager,
Tochigi Plant

Safety Initiatives Gifu Plant

Safety is the bedrock of plant operations and is an absolute responsibility that takes priority over anything else.

Unfortunately, the Gifu Plant experienced an accident in 2018. Reflecting our experience, we are working to eliminate accidents by further enhancing our ongoing efforts with the aim to raise the safety awareness level of all employees.

1. Eliminate caught-in/between accidents

At each KYM, we always pick up at least one danger point related to caught-in/between accidents to raise awareness among the work group members so that we can take preventive measures against them.

2. Put finger pointing and calling practice in place

When performing switching operations or tagging to a switch of equipment under repair, we encourage workers to implement finger pointing and calling practice, which helps them pause a moment and calm down. Locations for implementing this practice are specified so that even employees who are not usually involved in such operations can establish this habit.

3. Share safety awareness (through greeting and education)

During the maintenance suspension period when many outside workers come in the plant premises, managers take turns to stand near the entry and exit gate every morning, watch visitors' faces and greet them. All visitors from outside are provided with safety education including hands-on training using a hands-on safety room, and unexperienced workers and workers new to the plant receive special training.

In terms of occupational health, we established an environment with a completely separated smoking area at the plant in fiscal

2017. Along with putting a regular occupational health patrol and regular health checks into effect, we also continue to host lectures on occupational health from industrial physicians and outside speakers.

By deeply embedding these activities, our aim is to have a safe and secure workplace by helping people empathize with one another, while at the same time feeling comfortable enough to caution each other when needed.



Locations for implementing finger pointing and calling practice



Masayuki Kataoka
General Manager, Gifu Plant



Safety Initiatives Ako Plant

Based on a recognition that ensuring worker health and safety is fundamental to any corporate production activities, our policy for day-to-day occupational health and safety activity at the Ako Plant is to "create a strict culture of safety to ensure workplace health and safety."

1. Safety measures

While enhancing hands-on safety training, we will create an environment in which employees and those from partner companies voluntarily predict dangers and think about effective countermeasures.

- Actions have already been taken for the potential dangers revealed from the "Unsafe situations around us" survey conducted in 2018
- Mutual reporting on voluntary safety activities by partner companies
- Correcting unsafe behaviors by utilizing the "Concern Card" that posed a company-wide common issue

In response to the revision of applicable laws and regulations, we replaced the fall-arrest equipment for high-place work with a full harness type during the current fiscal year. Once again, we will make it a practice to properly use safety belts and thoroughly implement fall-prevention measures.

2. Occupational health measures

As regular activities, we enact site patrols by occupational health managers and industrial physicians, have all employees take scheduled health exams, and create opportunities for those who

have abnormal findings to hear advice from industrial physicians. We have also instituted care for mental health, offering individual consultations for supervisors and their subordinates.

During the current year, with the work style reform in mind, we are aiming to create a workplace that allows us to keep good health while maintaining a work-life balance by accelerating efforts to improve the productivity of office work.



Hideki Aoki
General Manager, Ako Plant



All employees including those from partner companies receive special training related to operations requiring fall-arrest equipment.

Safety Initiatives Kochi Plant

Kochi Plant holds up a safety policy: "Worker health and safety is fundamental to corporate production activities and securing them is corporate social responsibility" under which workers are engaged in activities.

During fiscal 2019, we will address the four items as key issues as learned from past accidents:

1. Improve safety awareness

- (1) Introduce the "Concern Card" to develop an ability to identify hazardous places on a regular basis.
- (2) Review procedure manuals to visualize potential risks and locations and specify the measures against such risks.

2. Re-ensure to implement danger predicting meeting

- (1) Supervisors shall give clear and specific instructions to the chief worker and workers.
- (2) Supervisors and workers shall confirm the site with potential dangers and hold a danger predicting meeting in the site. Chant key issues intentionally in a loud voice.

3. Give instructions to supervisors

- (1) Supervisors shall check in the site the appropriateness of what's discussed in the danger predicting meeting and how work should be performed.
- (2) Supervisors shall give instructions at site together with the chief worker before starting work.

4. Fix defects found in equipment

- (1) Fix defects found in safety covers and towrope switches.
- (2) Improve procedures for repair operations.

Although there is nothing new about the above items, we are practicing them by getting back to basics with a focus on fundamentals of plant operations. Also sorting and setting-in-order of the site is extremely important. Workers are in the habit of cleaning up each time they finish one task.

If people change their mindset, they will change their behavior. If they change their habits, they can avoid unsafe behavior and situations. These efforts will eventually establish a safe and secure workplace. That is what I always believe.



Tomoya Akeshiro
General Manager,
Kochi Plant



Safety chanting at safety session

Messages from Plant and Site Managers

Safety Initiatives Hachinohe Cement Co., Ltd.

In fiscal 2019, Hachinohe Cement set “Everyone together putting KYM into practice to eliminate accidents” and “Thorough communication and signals while working together to prevent accidents” as the basic policies for occupational health and safety activities. By encouraging more sharing of sources of danger and mutual cautioning, we are looking to achieve zero accident status. Specific measures to this end are:

1. Eliminate repeated accidents

- As a priority initiative, we will focus on compliance with laws and regulations as well as internal rules to prevent accidents such as “slip and fall accidents” and “caught-in/between accidents” that typically occur in the cement manufacturing industry.
- Also use the “Disaster calendar” as a material for KYM (danger predicting meeting) to be held before starting work to keep everyone informed of past disaster cases and prevent similar disasters from happening.
- Managers and supervisors shall regularly patrol the site for safety to check the status of compliance with rules and to eliminate dangerous and harmful factors.

2. Improve equipment safety level

- We will make an annual plan to build safety measures and improve protective equipment levels.

3. Improve safety sensitiveness

- We will make continued efforts to encourage our workers and those of partner companies to enhance their safety sensitiveness by using hands-on safety equipment, and also to provide

younger employees with a train-the-trainer program.

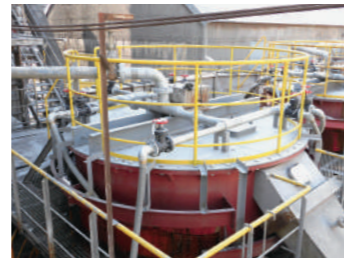
- We have been sharing information through the “Close Call Report” activities since before, but will shift to the company-wide “Concern Card” system aiming to further improve safety sensitiveness.

4. Active Promotion of “5S” Activities

- Our employees and those of partner companies are all continuing to be involved in building work environments that are clean, orderly and thereby safer. Nowadays, as the number of younger employees increases, we will make further efforts to pass down the safety technology and awareness, let alone the production technology.



Shintarou Ooshima
President, Hachinohe Cement Co., Ltd.



Repaired upper handrail of No. 3 cement cooler

Safety Initiatives Funabashi Office

The Funabashi Office oversees occupational health and safety that includes maintenance, management and preservation of facilities jointly used by the Company’s Funabashi and Ichikawa District divisions. Of these, in the Funabashi District, the Company has eight divisions and one affiliate, or over 400 registered personnel. This area serves as a base for the Company’s R&D and High-Performance Product business. In Ichikawa District, the Company has five divisions and three affiliates as well as sites of the Cement business, environment-related businesses, and the High-Performance Product business. While the business lines of each division and company in these districts varies substantially, the members of each district work cooperatively on improvement activities targeting shared occupational health and safety issues. The principal initiatives toward achieving “zero accidents” in 2019 are as follows:

1. Improve danger sensitivity

- Thoroughly implement KY (Kiken Yochi), or danger prediction, practice (before work, at morning assemblies, or at irregular times, etc.).
- Utilize “Concern Card” and “Close Call Report”.
- Prevent similar disasters from happening by studying past disaster cases (Providing and updating various databases).

2. Prevent long working hours and work overload

- Raise awareness about compliance with laws and regulations (through meetings, bulletin boards, etc.).
- Strengthen working hour management and report.

3. Ensure implementation of various education and training programs

- Comprehensive evacuation drill, AED lifesaving training, and leakage-simulation training
- Electric safety training and high-pressure gas safety training
- Occupational health lectures and workplace patrol by industrial physicians
- External training sessions (for example, safety handling of hazardous materials and traffic safety)

In collaboration with all divisions, we will continue moving to ensure and improve safety, along with activities for advancing mental and physical wellbeing.



Kazuharu Mikawa
General Manager, Funabashi Office



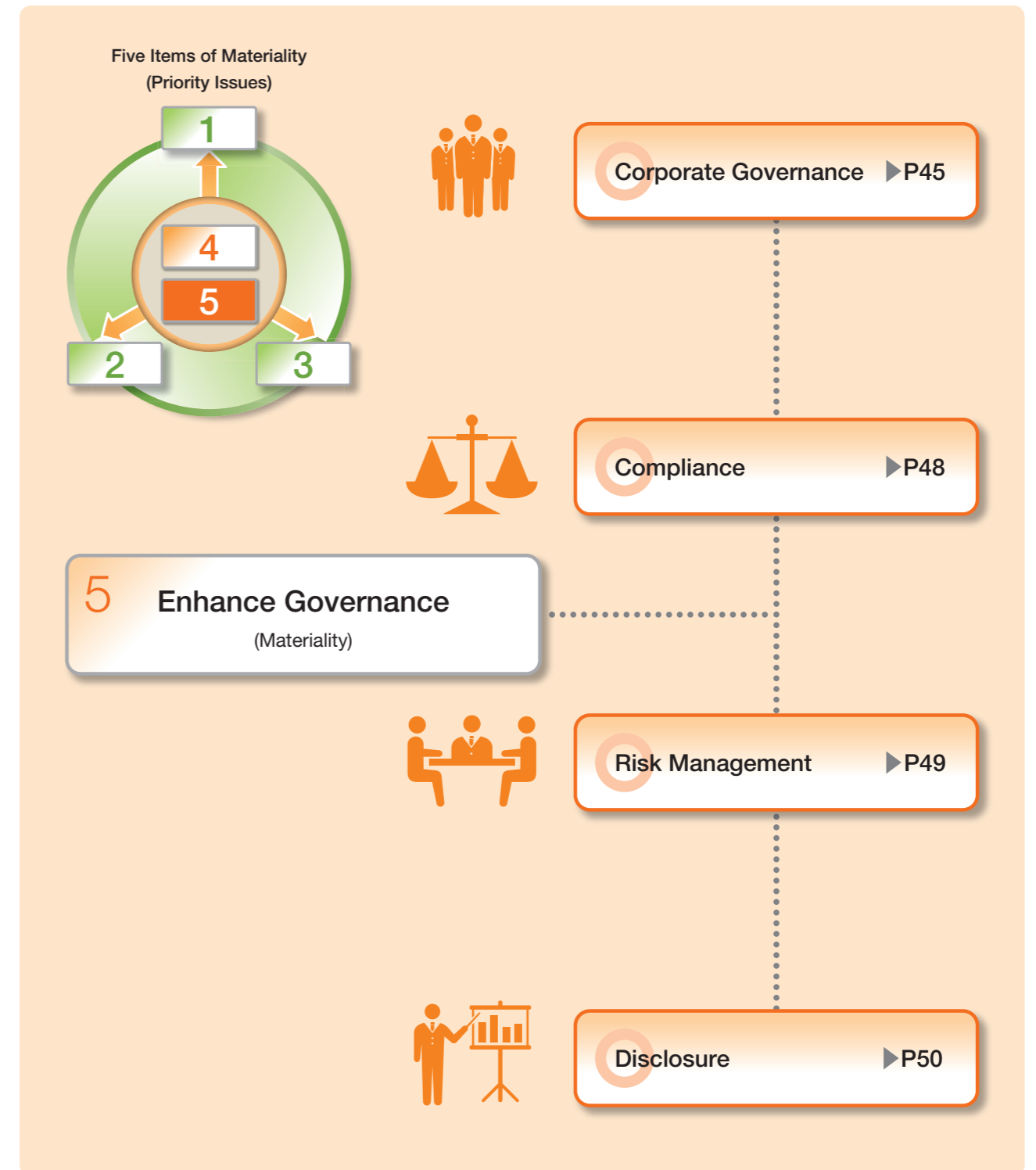
AED lifesaving training



Comprehensive evacuation drill

The Sumitomo Osaka Cement Group’s Governance Initiatives

The Sumitomo Osaka Cement Group will strive to increase its corporate value with an enhanced governance system by putting in place corporate governance, compliance, risk management and disclosure.



Corporate Governance

Materiality 5 Enhance Governance

Basic Policy

We believe that corporate governance is a structure for proper decision-making by corporate management, and that the objective of corporate governance is to constantly enhance our corporate value by increasing management efficiency, and by securing soundness and transparency in business activities. The Sumitomo Osaka Cement Group,

therefore, recognizes the fulfillment of this aim as its most important management issue. Moreover, we have formulated the Sumitomo Osaka Cement Corporate Governance Policy to promote sustainable growth and enhanced medium- to long-term corporate value for our Group.

Status of Meeting Bodies and Internal Control System

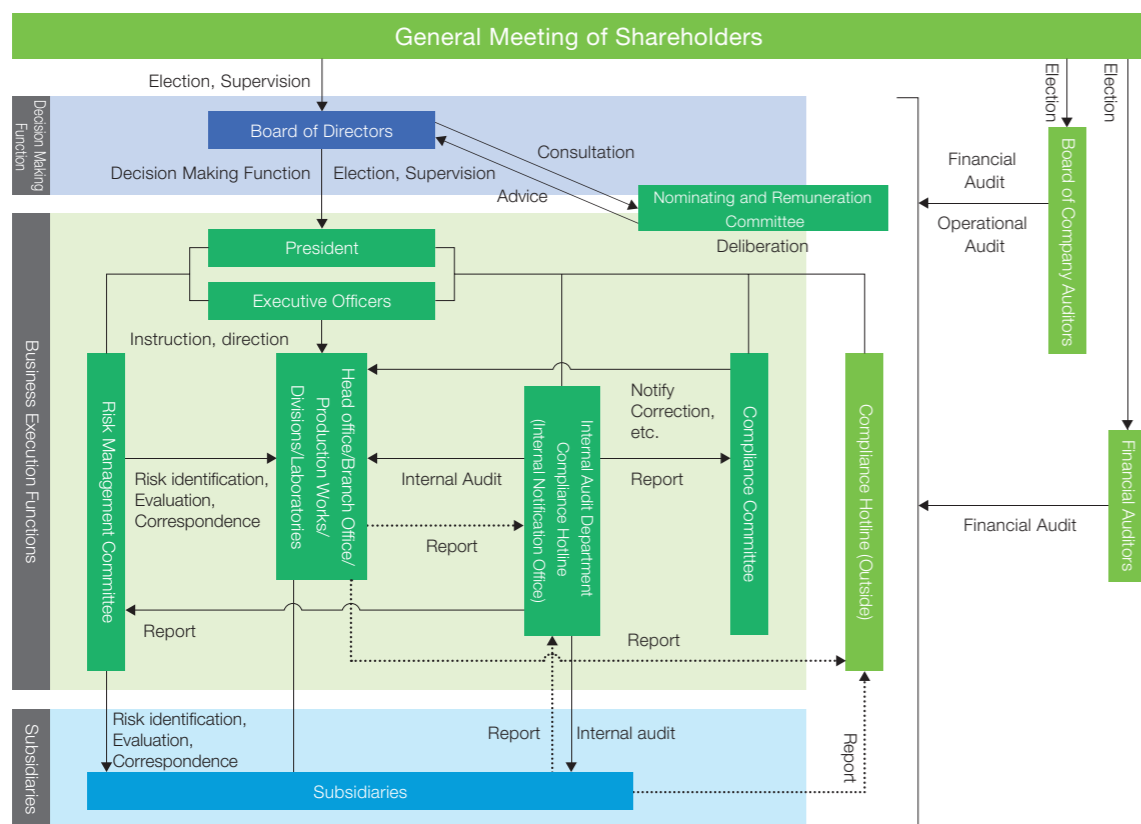
Board of Directors and Executive Officers

The Board of Directors consists of eight Directors, including two Outside Directors and convenes meetings at least once monthly to make decisions regarding material matters affecting management and to receive reports on the status of business operations. We have also introduced the executive officer system in order to separate management decision making and supervision from actual execution and to raise management efficiencies by reinforcing each function, speeding up decision making and clarifying authority and accountability.

Board of Company Auditors

The Board of Company Auditors consists of five Company Auditors, three of whom are Outside Company Auditors. Company Auditors take part in Board of Company Auditors meetings convened at least once monthly, as well as attend other important company meetings, including meetings of the Board of Directors.

Corporate Governance System



Reason for Election of Outside Directors

Kunitaro Saida

Mr. Saida has served as the Superintendent Public Prosecutor of the Osaka High Public Prosecutors Office and has served as an outside director and outside corporate auditor for other companies. As a result, we have determined that Mr. Saida can utilize his excellent discernment and broad experiences to fulfill his duties as outside director appropriately from an objective standpoint.

● Attendance to Board of Directors Meetings in fiscal 2018: 16 out of 16 meetings

Mitsuko Makino

Ms. Makino worked as an announcer for many years, including as a newscaster for NHK, during which time she interviewed SME owners in various industries and led safety education and communications training at corporations. In particular, she was involved with safety education in the construction and civil engineering fields, giving her strong knowledge of work site conditions in the cement industry. As a result, we have determined that Ms. Makino can utilize her excellent discernment and broad experiences to fulfill her duties as outside director appropriately from an objective standpoint.

● Attendance to Board of Directors Meetings in fiscal 2018: 13 out of 13 meetings after her appointment as Director on June 28, 2018

The Company has deemed that there are no instances where any of the Outside Directors has a conflict of interest with general shareholders, and their independence has been verified.

Reason for election of Outside Company Auditors

Fuminori Tomosawa

Mr. Tomosawa has been a university professor and served as a member of the Science Council of Japan. As a result, we have determined that Mr. Tomosawa can utilize his excellent discernment and broad experiences to carry out audits from an objective standpoint.

● Attendance to Board of Directors Meetings in fiscal 2018: 14 out of 16 meetings
● Attendance to Board of Company Auditors Meetings in fiscal 2018: 11 out of 13 meetings

Shoji Hosaka

Mr. Hosaka has served as a director and company auditor for other companies. As a result, we have determined that Mr. Hosaka can utilize his excellent discernment and broad experiences to carry out audits from an objective standpoint.

● Attendance to Board of Directors Meetings in fiscal 2018: 16 out of 16 meetings
● Attendance to Board of Company Auditors Meetings in fiscal 2018: 13 out of 13 meetings

Kazuo Suzuki

Mr. Suzuki has broad experiences and advanced knowledge of corporate management from his many years as a Certified Public Accountant. As a result, we have determined that Mr. Suzuki can utilize this to carry out audits from an objective standpoint.

● Attendance to Board of Directors Meetings in fiscal 2018: 16 out of 16 meetings
● Attendance to Board of Company Auditors Meetings in fiscal 2018: 13 out of 13 meetings

The Company has deemed that there are no instances where any of the Outside Company Auditors has a conflict of interest with general shareholders, and their independence has been verified.

Nominating and Remuneration Committee

On January 1, 2016, Sumitomo Osaka Cement established a Remuneration Committee as an advisory body to the Board of Directors, and then, on January 1, 2018, Sumitomo Osaka Cement established a Nominating and Remuneration Committee as an advisory body to the Board of Directors in order to secure the objectivity and transparency of performance evaluations and the validity of remuneration standards of directors and executive officers and in order to similarly secure the objectivity and transparency of remuneration with regard to executive officer appointments.

The Committee shall comprise a majority of outside directors and independent outside experts as necessary. The Committee shall decide on candidates for directors and executive officers, the succession plan for and election/dismissal of the chairman, president, etc., and policies on determination of remuneration, as well as a proposal on remuneration for them. The Committee then reports on its decisions to the Board of Directors.

From 2019, the Committee comprises a total of four members consisting of the president, two outside directors and one outside expert, and the chairperson is elected by mutual election of the members.

● Nominating and Remuneration Committee

Committee members	Fukuichi Sekine	President, Representative Director
	Kunitaro Saida	Outside Director
	Mitsuko Makino	Outside Director
	Susumu Takahashi	The Japan Research Institute, Limited Chairman Emeritus

Amount of remuneration for Directors and Company Auditors (fiscal 2018)

● ¥268 million for ten Directors (of which ¥21 million is for three Outside Directors)

● ¥59 million for five Company Auditors (of which ¥24 million is for three Outside Company Auditors)

The above amount of remuneration includes the remuneration paid to two Directors who retired during the current fiscal year.

Compliance

Materiality 5 Enhance Governance

Compliance Promotion System

We have established the Compliance Committee chaired by the President to establish, spread and elevate the compliance awareness of all executives and employees of the Sumitomo Osaka Cement Group, including executive officers, contract employees and temporary employees. Also, we have formulated the Regulations of the Compliance Committee in order to clarify the roles and responsibilities of the committee.

Compliance Committee

The Compliance Committee creates a compliance action plan every fiscal year and monitors its progress. Compliance audits are carried out by the Internal Audit Department mentioned below, with the results reported to the Compliance Committee. The Compliance Committee takes appropriate action, when necessary, based on the results, and reports the results of audits to the Board of Directors and Company Auditors.

Compliance Promotion Framework

Each department in Sumitomo Osaka Cement appoints its own compliance officer and compliance supervisor.

● Compliance Officer

Each department head shall be the compliance officer responsible for management and supervision of compliance within the department.

● Compliance Supervisor

The compliance officer appoints the compliance supervisor, who shall convey information to the Compliance Committee secretariat and disseminate information related to compliance in each department.

Furthermore, Group companies shall also establish a promotional framework similar to that of Sumitomo Osaka Cement.

The Sumitomo Osaka Cement Group has also established the Compliance Hotline, a whistleblower system that receives reports from any employee or executive, investigates the report and decides on any corrective measures to be taken. Information on the system is disseminated through the Company via the intranet and efforts are being made to make it easier to use. It is being expanded to include consultations on all suspicions as well as acts that violate laws, ordinances, or internal regulations, or run the risk of doing so.

Internal Audit Department

The Sumitomo Osaka Cement Group has established an Internal Audit Department for the purpose of conducting internal audits.

Details of Activities

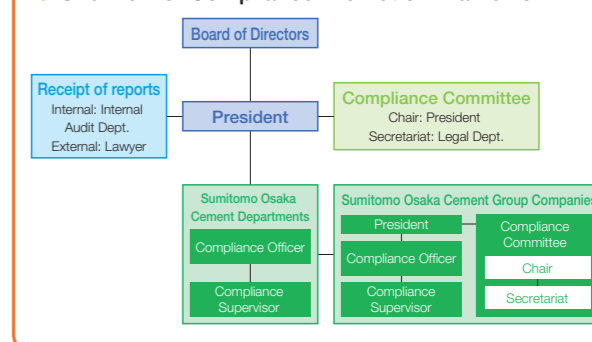
Compliance Manual

We produced the Compliance Manual as a specific guideline for rigorous compliance, disclosing it via the intranet, adding and changing when needed and striving to making it known.

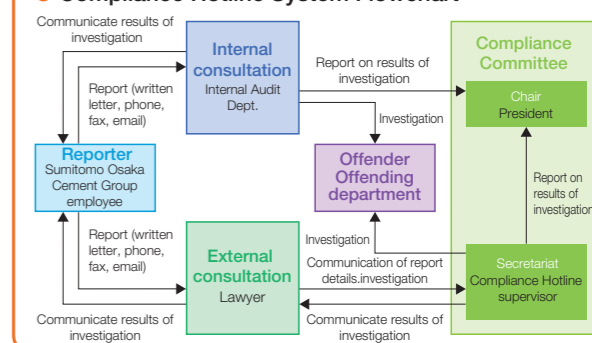
Raising Executives' and Employees' Awareness

- The Compliance Committee Secretariat conducts training and legal consultations about compliance while visiting each department or Group company.
- A Top Management Seminar for our executive management and the top leadership of each Group company, and a Compliance Supervisor Meeting for compliance supervisors are also held.
- We provide an e-learning program to learn compliance through videos to our officers and employees and are expanding it to the Group companies.
- Rank-based training also includes education on compliance, and we are advancing the dissemination and establishment of compliance awareness.

● Overview of Compliance Promotion Framework



● Compliance Hotline System Flowchart



Risk Management

Materiality 5 Enhance Governance

Risk Management Structure

We have established the Risk Management Committee, chaired by the President, in order to identify, evaluate and respond to risks facing the entire Group. Additionally, we have formulated the Regulations of the Risk Management Committee in order to clarify the roles and responsibilities of the committee.

The Risk Management Committee prepares an action plan for risk management every fiscal year and monitors its progress. Audits on the status of risk management are carried out by the Internal Audit Department, with the results reported to the Risk Management Committee.

The Risk Management Committee takes appropriate action, when necessary, based on the results, and reports the results of audits to the Board of Directors and Company Auditors.

Fiscal 2018 Initiatives

In fiscal 2018 we formulated the “Guidelines for Initial Response to Earthquakes” as a company-wide basic policy in the event of a large-scale earthquake that seriously affects business activities.

In addition to the initial response training that is organized by the head office task force and implemented every year, ad-hoc task force training has been conducted for the first time. The ad-hoc task force, which is established in a case of a large-scale earthquake out of working hours (for example, during the night or holidays), organized the training for personnel safety confirmation and damage information collection based on a disaster scenario.

The business sites that have formulated a Business Continuity Plan (BCP) voluntarily reviewed their education and training, updated and improved their manuals.



Business continuity planning during training at the head office disaster response task force

Main Activities in Fiscal 2018

April	Rank-based risk management training
September	Ad-hoc task force training
November	Head office evacuation drill
	Head office disaster response task force training (information collection and collation)
December	Joint meeting and lecture for risk management supervisors from each department, business location and affiliated company
March	Head office disaster response task force training (initial response test)

Information Security

Under the “Basic Rules on Information Management,” which defines the basic matters required for information management, the Group has established “Basic Rules on Information Security” for the purposes of protecting tangible and intangible information assets and information infrastructure related to business activities from external threats and of promoting business activities safely and smoothly. The Group is working on information security activities under a management system based on these rules.

Establish Procedures for Responding to Information Security Incidents

In case of leakage of confidential information or customer information out of the company due to loss, theft, eavesdropping, wrong transmission, or other errors or in case of an information security incident due to falsification or destruction of the system caused by an attack from the outside causing the business to stop, the Company has established procedures for setting up a response team linked with the relevant departments or groups and for taking necessary actions in order to minimize the damage.

Basic Policy on the Protection of Personal Information

Following the basic principles of Japan’s Act on the Protection of Personal Information, we consider the appropriate handling of personal information to be an important management task, and as such, we have established our own personal information protection policy. In accordance with this basic policy, the appropriate handling of personal information is set in the “Regulations for the Protection of Personal Information” and the in-house organizational structure is established for protection.

Disclosure

Materiality 5 Enhance Governance

Engagement with shareholders and investors requires that they have an understanding of Sumitomo Osaka Cement Group’s current situation and management plans through accurate and timely disclosures of information.

It is also important for them to broadly understand our businesses. Sumitomo Osaka Cement carries out investor relations activities using a wide range of tools, including briefing sessions and facility tours.

Disclosure Policy

Basic Policy

Sumitomo Osaka Cement Co., Ltd. (“the Company,” “we” or “our”) discloses fair and equitable information in a timely and appropriate manner. In the course of providing accurate information to stakeholders, including our shareholders, the Company ensures that information disclosed is not boiler-plate or lacking in detail.

Disclosure Methods

The Company discloses information required for timely disclosure via TDnet and press releases as well as on the Company homepage in a timely manner in compliance with relevant regulations such as the Financial Instruments and Exchange Act and based on the “Timely Disclosure Rules” defined by the Tokyo Stock Exchange.

For information that is not covered by the “Timely Disclosure Rules,” the Company makes every effort to disclose information in a prompt and fair manner via the homepage and the media if the Company deems that the information is useful for shareholders, investors and other stakeholders.

Quiet Period

The Company provides a quiet period from approximately two weeks before the final settlement date for each fiscal quarter, in order to prevent the leakage of financial results information and to ensure fairness, during which period the Company refrains from commenting on or answering questions related to the financial results. Even during these quiet periods, however, the Company will disclose information on amendments to forecasts of financial results or dividends in a timely manner in accordance with the rules set forth by the Tokyo Stock Exchange and other regulations.

Feedback to Management

The Company actively engages in mutual communication with capital market participants such as shareholders, investors and securities analysts. The Company appropriately and effectively relays shareholder views learned through dialogue to the senior management and Board of Directors, and reflects such views in the mid-term management plans.

Financial Results Briefings

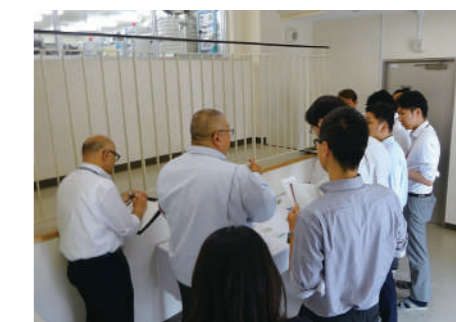
We hold financial results briefings for our annual and interim results in order to foster understanding in the company’s management status among institutional investors and analysts. During financial results briefings, top management explains our financial results and answers questions. In addition, we also respond to individual requests for information from securities analysts and institutional investors inside and outside of Japan. As a result, we seek to engage a broad range of investors on an ongoing basis.



Financial results presentation

Visits to Plants and Business Sites

We host visits to plants and other business sites for institutional investors and analysts in order to promote more in-depth understanding of our operations and businesses.



Plant visit (Optoelectronics)

Our Management Team (As of June 27, 2019)

Directors



Fukuichi Sekine
President, Representative Director



Toshihiko Onishi
Representative Director
Director, Senior Managing Executive Officer
Responsible for Real Estate Utilization
and Management Dept., Cement Sales
Administration Dept., International Business
Dept., and Physical Distribution Dept.



Mikio Konishi
Director, Managing Executive Officer
Responsible for Intellectual Property
Dept., Optoelectronics Business
Div., Advanced Materials Div.,
and New Technology Research
Laboratory



Hirotsune Morohashi
Director, Managing Executive Officer
Responsible for Personnel Dept.,
Corporate Planning Dept., and
Administration Dept.



Ryoji Doi
Director, Managing Executive Officer
Responsible for Production and
Technical Dept., Maintenance and
Engineering Dept., Mineral Resources
and Products Div., Environment Div., and
Cement/Concrete Research Laboratory



Hideki Aoki
Director, Managing Executive Officer
General Manager, Ako Plant



Kunitaro Saida
Outside Director



Mitsuko Makino
Outside Director

Company Auditors



Kaname Ito
Company Auditor (Full-time)



Yoshinori Takase
Company Auditor (Full-time)



Fuminori Tomosawa
Outside Company Auditor



Shoji Hosaka
Outside Company Auditor



Kazuo Suzuki
Outside Company Auditor

Executive Officers

Ryoji Ogi

Managing Executive Officer
Responsible for General Affairs Dept.,
Legal Dept., Purchasing Dept., and
Funabashi Office

Norifumi Uchimura

Executive Officer
Responsible for Real Estate Utilization and Management
Dept. and Tokyo Branch; General Manager, Real Estate
Business Dept. and General Manager, Tokyo Branch

Masashi Shimo

Executive Officer
Responsible for Optoelectronics
Business Div.; General Manager,
Optoelectronics Business Div.

Toru Shimada

Executive Officer
Responsible for Advanced Materials
Business Div.; General Manager,
Advanced Materials Business Div.

Noriyuki Kozakai

Executive Officer
Responsible for Cement-Related
Products Business Div.; General Manager,
Cement-Related Products Business Div.

Masaki Sekimoto

Executive Officer
Responsible for Corporate Planning Dept.,
Administration Dept., and Purchasing
Dept.; General Manager, Purchasing Dept.

Akihiko Ono

Executive Officer
Responsible for Environment Div.;
General Manager, Environment Div.

Toru Motoki

Executive Officer
Responsible for Battery Materials
Business Div.; General Manager,
Battery Materials Business Div.

Six-Year Summary (Years Ended March 31)

	2014	2015	2016	2017	2018	Millions of yen 2019	Thousands of U.S. dollars (Note 3) 2019
For the year:							
Net sales	¥235,078	¥234,539	¥234,192	¥234,062	¥244,826	¥251,061	\$2,262,018
Cost of sales	177,606	177,158	175,474	176,812	190,170	200,756	1,808,777
Selling, general and administrative expenses	35,966	35,172	35,103	35,719	35,664	36,126	325,493
Operating income	21,504	22,207	23,614	21,530	18,990	14,178	127,747
Ordinary income	22,400	24,383	24,560	22,627	20,153	15,799	142,352
Profit attributable to owners of parent	13,331	13,337	16,110	16,210	14,659	7,799	70,268
Net cash provided by operating activities	32,537	30,256	32,618	29,231	26,470	29,252	263,556
Net cash used in investing activities	(17,950)	(16,043)	(15,691)	(17,700)	(24,753)	(20,032)	(180,487)
Free cash flow	14,587	14,213	16,927	11,531	1,717	9,220	83,069
Net cash used in financing activities	(7,967)	(16,051)	(15,705)	(16,123)	(6,626)	(15,755)	(141,956)
Cash and cash equivalents at end of period	31,928	30,132	31,378	26,672	22,072	15,270	137,585
At year-end:							
Net assets	¥154,821	¥175,754	¥177,247	¥195,869	¥204,157	¥194,138	\$1,749,151
Total assets	325,328	335,981	325,710	336,790	339,958	324,755	2,925,989
Per share data (yen/dollars): (Note 1)							
Profit	¥32.03	¥32.05	¥39.43	¥39.93	¥36.12	¥199.15	\$1.794
Cash dividends	5.0	6.5	8.0	10.0	11.0	110.0	0.991
Net assets	368.5	418.68	432.67	478.48	498.81	4,985.49	44.918
Financial ratios:							
ROE (Return on equity)	9.0%	8.1%	9.2%	8.8%	7.4%	4.0%	
ROA (Return on assets) (Note 2)	7.0%	7.4%	7.4%	6.8%	6.0%	4.8%	
Equity ratio (Note 3)	47.1%	51.8%	53.9%	57.7%	59.5%	59.2%	
Number of employees	2,821	2,844	2,915	2,973	2,987	2,974	

Notes

- The Company executed a 10 for 1 reverse stock split of its common stock on October 1, 2018. The Company's profit per share and net assets per share are calculated assuming this reverse stock split was executed at the beginning of the previous fiscal year. The dividend for 2019 is after the reverse stock.
- ROA (Return on assets) = Ordinary income / Total assets
- U.S. dollar amounts have been translated from yen at the rate of ¥110.99=US\$1 as of March 31, 2019.

Financial Review

Net Sales

The Japanese economy for the fiscal year under review continued to recover at a moderate pace, thanks to effects by improvement in employment and income environment as well as the government's economic measures. In the cement industry, private sector capital expenditures increased due to the progression of construction related to the Olympics, causing private sector demand to rise, but public sector demand remained largely on par with the previous year, due to the impacts felt from skilled worker shortages and other factors. As a result, cement demand in Japan increased slightly 1.7% year on year to 42,589 thousand metric tons. Exports, however, decreased 12.2% year on year. Consequently, total sales of cement produced by domestic manufacturers, including exports, decreased 1.2% year on year to 52,870 thousand metric tons.

Under these circumstances, the Sumitomo Osaka Cement Group launched the Fiscal 2017-2019 Medium-term Management Plan in the year ended March 31, 2018. In the Cement-related business, we worked on various measures related to overseas cement strategy, expansion in peripheral sectors, and reinforcement of business foundation, while in the High-Performance Product business, we focused on accommodating increased production of mainstay core products and development of new businesses and new products.

As a result, consolidated net sales during the fiscal year under review came to ¥251,061 million (US\$2,262,018 thousand), up 2.5% over the previous year, driven by an increase in revenue in the Cement business and the Advanced Materials business.

Profits

Ordinary income dropped ¥4,354 million year on year to ¥15,799 million (US\$142,352 thousand) due to declines in the Cement business. Profit attributable to owners of parent fell ¥6,860 million year on year to ¥7,799 million (US\$70,268 thousand).

Financial Position

Total assets as of March 31, 2019 stood at ¥324,755 million (US\$2,925,989 thousand), a decrease of ¥15,202 million from the previous fiscal year-end. This decrease was mainly due to a decrease in cash and deposits.

Total liabilities at the end of the fiscal year under review declined ¥5,183 million from the previous fiscal year-end to ¥130,617 million (US\$1,176,838 thousand). This decrease was mainly due to a decrease in interest-bearing liabilities.

Net assets at the end of the fiscal year under review stood at ¥194,138 million (US\$1,749,151 thousand), down ¥10,019 million from the previous fiscal year-end. This decrease was mainly due to a decrease resulting from repurchase and cancellation of treasury shares and a decrease in capital surplus resulting from cancellation of treasury shares.

Cash Flows

Cash and cash equivalents at the end of the period under review increased ¥29,252 million from operating activities, decreased ¥20,032 million from investing activities, and decreased ¥15,755 million from financing activities, meaning that cash and cash equivalents at the end of the period under review decreased ¥6,801 million year on year. As a result, the cash balance at the fiscal year-end totaled ¥15,270 million (US\$137,585 thousand), marking a decline of 30.8% year on year.

Cash flow from operating activities

Net cash provided by operating activities totaled ¥29,252 million (US\$263,556 thousand), up 10.5% from the previous fiscal year. This increase is attributed to retained earnings reflecting such factors as profit before income taxes and non-controlling interests of ¥12,010 million and depreciation and amortization of ¥18,546 million.

Cash flow from investing activities

Net cash used in financing activities was ¥20,032 million (US\$180,487 thousand), down 19.1% from the previous fiscal year. This mainly reflects purchase of noncurrent assets totaling ¥20,563 million.

Cash flow from financing activities

Net cash used in financing activities was ¥15,755 million (US\$141,956 thousand), up 137.8% from the previous fiscal year. This mainly reflects purchase of treasury stock totaling ¥10,652 million.

Fiscal 2019 Outlook

The Japanese economy is expected to continue its moderate recovery due to improved employment situation and the government's economic measures despite risks primarily from effects of developments of the trade issues on the world economy.

In the cement industry, private sector demand will remain largely unchanged owing to ongoing redevelopment work in urban areas as well as measures such as mortgage tax break after the planned consumption tax increase, while public sector demand is expected to rise due to a potential increase in public sector investment, giving way to an increase in domestic demand.

In fiscal 2017, the Group launched the "Fiscal 2017-2019 Medium-term Management Plan." The Medium-term Management Plan defines the Company's future direction to become a group of companies that can sustainably grow by expanding the markets for both the Cement-related business and the High-Performance Product business. To this end, we will ensure to take necessary measures to achieve the growth.

The full-year earnings forecast for the fiscal year ending March 31, 2020 (fiscal 2019) calls for net sales of ¥257,400 million (up 2.5% year on year), ordinary income of ¥18,200 million (up 15.2% year on year), and profit attributable to owners of parent of ¥12,000 million (up 53.9% year on year).

Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

Sumitomo Osaka Cement believes that earnings distributions to shareholders should be determined in accordance with the Company's earnings. As a cement manufacturer engaging in the process industry, it is essential for the Company to continuously improve facilities while investing in facility renewal in order to secure future earnings.

From this viewpoint, the Company will make decisions on profit distribution based on the annual payout ¥100 per share to ensure a stable and continuous dividend by comprehensively considering factors in overall management situation.

For the fiscal year ended March 31, 2019, an interim dividend of ¥5.5 was paid per share*. A year-end dividend of ¥55.0 was also paid per share.

*The Company conducted a 1-for-10 common stock consolidation effective October 1, 2018. The dividend of ¥5.50 per share is the amount before the stock consolidation.

For the fiscal year ending on March 31, 2020, we plan to pay an interim dividend of ¥60.0 per share and a year-end dividend of ¥60.0 per share.

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 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 over 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 (alternative) and coal. Therefore, price hikes in raw materials and fuels have the potential to increase cement manufacturing costs, significantly affecting the Group's financial condition, results and cash flows. However, the Group's own mine can provide an extremely stable supply of limestone, a primary raw material of cement, over the long term. On the other hand, the price of coal, a primary

raw fuel used in cement production, may potentially increase due to future circumstances. The Group is making efforts to pass on the effects of fuel costs to cement sales prices to mitigate impacts on performance 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 it incurs losses on receivables due to irrecoverable debt, the Group's 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

The cement industry is a process industry, and the Group's 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 a 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, 2018 and 2019

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	End of FY2018 (as of March 31, 2018)	End of FY2019 (as of March 31, 2019)	End of FY2019 (as of March 31, 2019)
Current assets			
Cash and deposits	¥22,204	¥15,333	\$138,151
Notes and accounts receivable–trade	52,595	50,061	451,043
Merchandise and finished goods	7,236	7,076	63,756
Work in process	2,805	1,945	17,532
Raw materials and supplies	12,734	13,542	122,012
Short–term loans receivable	182	554	4,993
Other	2,104	2,187	19,705
Allowance for doubtful accounts	(32)	(12)	(115)
Total current assets	99,831	90,687	817,081
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	167,792	169,259	1,524,994
Accumulated depreciation	(117,213)	(119,919)	(1,080,454)
Buildings and structures, net	50,579	49,339	444,540
Machinery, equipment and vehicles	431,631	438,347	3,949,435
Accumulated depreciation	(374,118)	(382,522)	(3,446,463)
Machinery, equipment and vehicles, net	57,512	55,824	502,971
Land	37,455	37,123	334,478
Construction in progress	8,016	7,812	70,385
Other	34,936	35,158	316,776
Accumulated depreciation	(18,968)	(19,256)	(173,495)
Other, net	15,967	15,902	143,280
Total property, plant and equipment	169,532	166,002	1,495,656
Intangible assets	2,454	2,724	24,551
Investments and other assets			
Investment securities	58,787	55,592	500,876
Long–term loans receivable	2,692	2,801	25,240
Deferred tax assets	1,191	1,199	10,806
Net defined benefit asset	400	419	3,777
Other	5,205	5,459	49,185
Allowance for doubtful accounts	(137)	(131)	(1,185)
Total investments and other assets	68,140	65,339	588,699
Total noncurrent assets	240,127	234,067	2,108,907
Total assets	¥339,958	¥324,755	\$2,925,989

Liabilities	Millions of yen		Thousands of U.S. dollars (Note 1)
	End of FY2018 (as of March 31, 2018)	End of FY2019 (as of March 31, 2019)	End of FY2019 (as of March 31, 2019)
Current liabilities			
Notes and accounts payable–trade	¥29,615	¥29,051	\$261,751
Short–term loans payable	21,326	22,197	199,996
Current portion of long–term loans payable	6,503	10,252	92,371
Current portion of bonds	–	5,000	45,049
Income taxes payable	2,543	2,018	18,185
Provision for bonuses	2,312	2,381	21,455
Other	12,438	10,730	96,680
Total current liabilities	74,740	81,631	735,488
Noncurrent liabilities			
Bonds payable	10,000	5,000	45,049
Long–term loans payable	23,977	18,613	167,704
Deferred tax liabilities	12,314	11,250	101,360
Provision for directors' retirement benefits	161	146	1,318
Provision for PCB waste disposal costs	140	163	1,470
Net defined benefit liability	2,819	2,207	19,889
Asset retirement obligations	1,055	1,046	9,428
Other	10,591	10,558	95,127
Total noncurrent liabilities	61,060	48,985	441,349
Total liabilities	135,801	130,617	1,176,838
Net assets			
Shareholders' equity			
Capital stock	41,654	41,654	375,295
Capital surplus	29,284	24,558	221,271
Retained earnings	107,228	110,612	996,601
Treasury stock	(4,871)	(10,795)	(97,268)
Total shareholders' equity	173,295	166,029	1,495,899
Accumulated other comprehensive income			
Valuation difference on available–for–sale securities	28,584	26,164	235,733
Foreign currency translation adjustment	727	452	4,076
Remeasurements of defined benefit plans	(186)	(349)	(3,152)
Total accumulated other comprehensive income	29,126	26,266	236,657
Non–controlling interests	1,736	1,841	16,593
Total net assets	204,157	194,138	1,749,151
Total liabilities and net assets	¥339,958	¥324,755	\$2,925,989

Consolidated Statements of Income and Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)	Fiscal 2019 (Apr. 1, 2018 to Mar. 31, 2019)	Fiscal 2019 (Apr. 1, 2018 to Mar. 31, 2019)
Net sales	¥244,826	¥251,061	\$2,262,018
Cost of sales	190,170	200,756	1,808,777
Gross profit	54,655	50,305	453,240
Selling, general and administrative expenses	35,664	36,126	325,493
Operating income	18,990	14,178	127,747
Non-operating income			
Interest income	77	65	587
Dividend income	2,251	1,731	15,597
Foreign exchange gains	–	154	1,387
Equity in earnings of affiliates	206	408	3,678
Rent income	140	140	1,268
Other	544	825	7,438
Total non-operating income	3,219	3,325	29,958
Non-operating expenses			
Interest expenses	780	752	6,779
Foreign exchange losses	440	–	–
Other	835	951	8,573
Total non-operating expenses	2,056	1,704	15,353
Ordinary income	20,153	15,799	142,352
Extraordinary income			
Gain on sales of noncurrent assets	357	135	1,219
Gain on sales of investment securities	206	288	2,601
Gain on extinguishment of tie-in shares	106	–	–
Total extraordinary income	669	424	3,820
Extraordinary loss			
Loss on retirement of noncurrent assets	947	1,706	15,377
Loss on sales of noncurrent assets	8	214	1,930
Loss on valuation of investment securities	9	–	–
Impairment loss	124	2,292	20,654
Total extraordinary losses	1,090	4,213	37,961
Profit before income taxes and non-controlling interests	19,733	12,010	108,211
Income taxes-current	5,047	4,016	36,187
Income taxes-deferred	(50)	85	767
Total income taxes	4,997	4,101	36,955
Profit before non-controlling interests	14,736	7,908	71,256
Profit attributable to non-controlling interests	77	109	988
Profit attributable to owners of parent	¥14,659	¥7,799	\$70,268

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)	Fiscal 2019 (Apr. 1, 2018 to Mar. 31, 2019)	Fiscal 2019 (Apr. 1, 2018 to Mar. 31, 2019)
Profit	¥14,736	¥7,908	\$71,256
Other comprehensive income			
Valuation difference on available-for-sale securities	(2,557)	(2,419)	(21,803)
Foreign currency translation adjustment	170	(275)	(2,479)
Remeasurements of defined benefit plans	244	(163)	(1,474)
Share of other comprehensive income of affiliates accounted for using equity method	0	(0)	(6)
Total other comprehensive income	* (2,142)	* (2,859)	(25,763)
Comprehensive income	12,594	5,049	45,493
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	12,516	4,939	44,505
Comprehensive income attributable to non-controlling interests	¥77	¥109	\$987

Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2018 and 2019

	Shareholders' equity				Total
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2017	¥41,654	¥29,284	¥96,830	¥(4,831)	¥162,937
Change of items during period					
Dividends from surplus			(4,261)		(4,261)
Profit attributable to owners of parent for the period			14,659		14,659
Purchase of treasury stock				(40)	(40)
Disposal of treasury stock		0		0	0
Other, net					
Total change of items during period	–	0	10,397	(40)	10,357
Balance at March 31, 2018	¥41,654	¥29,284	¥107,228	¥(4,871)	¥173,295
Dividends from surplus			(4,353)		(4,353)
Profit attributable to owners of parent for the period			7,799		7,799
Purchase of treasury stock				(10,652)	(10,652)
Disposal of treasury stock		(0)		2	2
Retirement of treasury stock		(4,725)		4,725	–
Change in scope of equity method			(60)		(60)
Other, net					
Total change of items during period	–	(4,725)	3,384	(5,924)	(7,265)
Balance at March 31, 2019	¥41,654	¥24,558	¥110,612	¥(10,795)	¥166,029

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total		
Balance at April 1, 2017	¥31,141	¥556	¥(430)	¥31,268	¥1,662	¥195,869
Change of items during period						
Dividends from surplus						(4,261)
Profit attributable to owners of parent for the period						14,659
Purchase of treasury stock						(40)
Disposal of treasury stock						0
Other, net	(2,557)	170	244	(2,142)	73	(2,068)
Total change of items during period	(2,557)	170	244	(2,142)	73	8,288
Balance at March 31, 2018	¥28,584	¥727	¥(186)	¥29,126	¥1,736	¥204,157
Dividends from surplus						(4,353)
Profit attributable to owners of parent for the period						7,799
Purchase of treasury stock						(10,652)
Disposal of treasury stock						2
Retirement of treasury stock						–
Change in scope of equity method						(60)
Other, net	(2,420)	(275)	(163)	(2,859)	105	(2,753)
Total change of items during period	(2,420)	(275)	(163)	(2,859)	105	(10,019)
Balance at March 31, 2019	¥26,164	¥452	¥(349)	¥26,266	¥1,841	¥194,138

Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2018 and 2019

	Thousands of U.S. dollars (Note 1)				
	Capital stock	Capital surplus	Shareholders' equity Retained earnings	Treasury stock	Total
Balance at March 31, 2018	\$375,295	\$263,845	\$966,107	\$(43,891)	\$1,561,358
Dividends from surplus			(39,226)		(39,226)
Profit attributable to owners of parent for the period			70,268		70,268
Purchase of treasury stock				(95,974)	(95,974)
Disposal of treasury stock		(1)		24	22
Retirement of treasury stock		(42,573)		42,573	-
Change in scope of equity method			(548)		(548)
Other, net					
Total change of items during period	-	(42,574)	30,493	(53,377)	(65,458)
Balance at March 31, 2019	\$375,295	\$221,271	\$996,601	\$(97,268)	\$1,495,899

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income			Total	Non-controlling interests	Total net assets
Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans				
Balance at March 31, 2018	\$257,543	\$6,555	\$(1,677)	\$262,421	\$15,642	\$1,839,421
Dividends from surplus						(39,226)
Profit attributable to owners of parent for the period						70,268
Purchase of treasury stock						(95,974)
Disposal of treasury stock						22
Retirement of treasury stock						-
Change in scope of equity method						(548)
Other, net	(21,809)	(2,479)	(1,474)	(25,763)	951	(24,811)
Total change of items during period	(21,809)	(2,479)	(1,474)	(25,763)	951	(90,269)
Balance at March 31, 2019	\$235,733	\$4,076	\$(3,152)	\$236,657	\$16,593	\$1,749,151

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2018 (Apr. 1, 2017 to Mar. 31, 2018)	Fiscal 2019 (Apr. 1, 2018 to Mar. 31, 2019)	
Cash flows from operating activities			
Profit before income taxes and non-controlling interests	¥19,733	¥12,010	\$108,211
Depreciation and amortization	17,661	18,546	167,100
Impairment loss	124	2,292	20,654
Increase (decrease) in net defined benefit liability	136	(867)	(7,819)
Increase (decrease) in provision for directors' retirement benefits	12	(14)	(132)
Increase (decrease) in allowance for doubtful accounts	(35)	(23)	(209)
Interest and dividends income	(2,328)	(1,796)	(16,185)
Interest expenses	780	752	6,779
Foreign exchange losses (gains)	137	8	78
Equity in earnings of affiliates	(206)	(408)	(3,678)
Gain on sales of noncurrent assets	(357)	(135)	(1,219)
Loss on sales of noncurrent assets	8	214	1,930
Loss on retirement of noncurrent assets	300	687	6,194
Loss (gain) on sales of investment securities	(206)	(288)	(2,601)
Loss (gain) on valuation of investment securities	9	-	-
Loss (gain) on extinguishment of tie-in shares	(106)	-	-
Decrease (increase) in notes and accounts receivable-trade	(3,748)	2,524	22,741
Decrease (increase) in inventories	(2,467)	157	1,416
Increase in notes and accounts payable-trade	1,009	(514)	(4,635)
Other, net	457	(313)	(2,827)
Subtotal	30,917	32,830	295,798
Interest and dividends income received	2,328	1,791	16,139
Interest expenses paid	(765)	(750)	(6,759)
Income taxes paid	(6,010)	(4,619)	(41,621)
Net cash provided by operating activities	26,470	29,252	263,556
Cash flows from investing activities			
Purchase of noncurrent assets	(25,585)	(20,563)	(185,269)
Proceeds from sales of noncurrent assets	427	509	4,591
Purchase of investment securities	(61)	(4)	(37)
Proceeds from sales of investment securities	237	330	2,977
Payments of loans receivable	(194)	(563)	(5,079)
Collection of loans receivable	473	199	1,800
Other, net	(48)	58	529
Net cash used in investing activities	(24,753)	(20,032)	(180,487)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(457)	873	7,869
Proceeds from long-term loans payable	7,077	5,426	48,887
Repayment of long-term loans payable	(8,876)	(7,005)	(63,117)
Proceeds from sales of treasury stock	0	2	22
Purchase of treasury stock	(40)	(10,652)	(95,974)
Cash dividends paid	(4,261)	(4,353)	(39,226)
Cash dividends paid to non-controlling shareholders	(4)	(4)	(36)
Other, net	(63)	(42)	(381)
Net cash used in financing activities	(6,626)	(15,755)	(141,956)
Effect of exchange rate change on cash and cash equivalents	246	(265)	(2,392)
Net increase (decrease) in cash and cash equivalents	(4,662)	(6,801)	(61,279)
Cash and cash equivalents at beginning of period	26,672	22,072	198,865
Net increase in cash and cash equivalents resulting from merger of non-consolidated subsidiaries	61	-	-
Cash and cash equivalents at end of period	¥22,072	¥15,270	\$137,585

Notes to Consolidated Financial Statements

(Basis of preparation of consolidated financial statements)

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=¥110.99, the exchange rate prevailing on March 31, 2019.

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

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.

3. SCOPE OF CONSOLIDATION

(1) Number of consolidated subsidiaries: 37

(2) Names of main non-consolidated subsidiaries
SOC AMERICA INC.

(Reason for exclusion from the scope of consolidation)

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

4. APPLICATION OF THE EQUITY METHOD

(1) Number of non-consolidated equity-method subsidiaries: 0

(2) Number of equity-method affiliates: 3

(3) Names of significant non-consolidated subsidiaries and affiliates not accounted for under the equity method
SOC AMERICA INC.

Right Grand Investments Limited

Forcecharm Investments Limited

(Reasons for not applying the equity method)

The profit 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 not accounted for under the equity method.

5. MATTERS CONCERNING THE FISCAL YEARS OF CONSOLIDATED SUBSIDIARIES

The consolidated subsidiaries SOC VIETNAM CO., LTD., Dongguan Sumi Sou Optoelectronics Technology Co., LTD., and Sumilong Nanotechnology Materials (SHENZHEN) Co., LTD. have a December 31 fiscal year-end date. Because the difference with the consolidated fiscal year-end date is within three months, the financial statements as of the fiscal year-end date of the consolidated subsidiaries are used in the preparation of the consolidated financial statements. Note that the required adjustments for consolidation have been made for material transactions that have occurred up until the consolidated fiscal year-end date.

6. MATTERS CONCERNING ACCOUNTING POLICIES

(1) Valuation standards and methods for significant assets

Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method.

Available-for-sale securities

Securities with readily determinable market values

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

Securities without readily determinable market values

Stated at cost using the moving-average method.

Derivatives

Stated at market value.

Inventories

Inventories are stated principally at cost using the moving-average method (the carrying amount on the balance sheet is calculated by book value method based on decreases in profitability).

Note that inventories are stated at individual cost for certain consolidated subsidiaries (the carrying amount on the balance sheet is calculated by book value method based on decreases in profitability).

(2) Depreciation method of significant depreciable assets

Property, plant and equipment (excluding leased assets)

Depreciation is calculated based on the declining-balance method. (Note that the depreciation of in-house power generation facility at the Ako Plant, the Kochi Plant and Tochigi Plant, and property, plant and equipment of certain consolidated subsidiaries is calculated by the straight-line method, and quarry sites are depreciated by the unit-of-production method.)

In addition, depreciation of buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 is calculated by the straight-line method. The main useful lives are as follows.

Buildings and structures: 2 to 75 years

Machinery, equipment and vehicles: 2 to 22 years

Intangible fixed assets (excluding lease assets)

Mining rights

Calculated by the unit-of-production method.

Others

Amortized by the straight-line method.

Note that the straight-line method is used for software (in-house use) based on the in-house use period (five years).

Leased assets

Leased assets under finance leases transactions that do not transfer ownership

The straight-line method is applied for useful lives for the lease period, with a residual value of zero (residual value guarantee amount if there is a residual value guarantee agreement).

(3) Criteria for posting significant reserves

Allowance for doubtful receivables

To prepare for losses on doubtful receivables, the expected uncollectible amount is posted based on the loss ratio for general receivables and an individual examination of the collectability of specific doubtful receivables.

Provision for bonuses

A provision for bonuses for employees is recorded based on the estimated payment amount.

Provision for directors' retirement benefits

To prepare for payments of retirement bonuses for directors, 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.

Provision for PCB wastes disposal costs

To prepare for payment of disposal costs for PCB (polychlorinated biphenyl) wastes that are held, the estimated

disposal, collection, and transport expenses are posted.

(4) Accounting method for retirement benefits

(1) Period allocation method for the projected retirement benefit obligation

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year using the benefit calculation method.

(2) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized pro rata in the fiscal years following the year in which the difference occurs by the straight-line method over the specified number of years (15 years) within the average remaining years of service of the employees.

(3) Application of the simplified method for small businesses

For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the fiscal year are recorded as retirement benefit obligations.

(5) Criteria for posting significant revenues and expenses

Criteria for posting net sales of completed construction contracts and cost of sales of completed construction contracts

The percentage-of-completion method (the percentage of completion is determined using the ratio of cost incurred to the estimated total cost) is applied for the portion of progress at the end of the current fiscal year for construction works in which the outcome is certain. Otherwise, the completed-contract method shall be applied.

(6) Accounting method for significant hedges

(1) Hedge accounting method

Special treatment is applied for interest rate swaps as certain requirements are fulfilled.

(2) Hedging instruments and hedged items

Hedging instruments and hedged items for which hedge accounting was applied for during the current fiscal year are as follows.

Hedging instruments: interest rate swaps

Hedged items: loans payable

(3) Hedging policy

Hedged items are identified by transaction for assets or liabilities, and the hedged items and hedging instruments that are identified are associated and separately managed based on hedge designation at the time of the hedged transaction.

(4) Assessment of hedge effectiveness

The effectiveness of hedges is assessed by comparing the cumulative change of cash flows or fair value of both hedging instruments and corresponding hedged items. However, the assessment of effectiveness is not conducted for interest rate swaps for which special treatment is applied.

(7) Amortization method and amortization period for goodwill

Goodwill is amortized over five years from the fiscal year of occurrence by the straight-line method.

(8) Scope of funds contained within the consolidated statement of cash flows

Cash on hand, deposits that can be withdrawn at any time, and short term investments that easily be converted to cash and have maturities within three months of acquisition that are exposed to only a minimal price fluctuation risk are posted.

(9) Other material items relating to the preparation of the consolidated financial statements

Accounting for consumption taxes

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes. However, nondeductible consumption taxes related to assets are reported as expenses for the fiscal year in which they are incurred.

(Accounting standards not yet applied)

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 is applied from fiscal years starting on or after January 1, 2018 and that Topic 606 is applied from fiscal years starting after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and issued them together with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is setting accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15, and to add alternative accounting treatments without impairing comparability if there are items to be taken into account regarding business practices, etc. that are common in Japan.

(2) Scheduled application date

Application is scheduled for the beginning of year ending March, 2022.

(3) Impact of the application of this accounting standard

The impact of the application of the Accounting Standard for Revenue Recognition on the consolidated financial statements is currently being evaluated.

(Changes in presentation)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Noncurrent liabilities."

Items included in Note 8 (1) of explanatory notes to the "Accounting Standard for Tax Effect Accounting" (excluding the total amount of valuation allowance) as provided for in paragraph 4 of the Partial Amendments to Accounting Standard for Tax Effect Accounting have been added in the notes on income tax accounting. However, comparative information for the previous fiscal year, among the items above, are not presented in accordance with the transitional treatment provided for in paragraph 7 of the Partial Amendments to Accounting Standard for Tax Effect Accounting.

(Notes to consolidated balance sheets)

***1. Pledged assets and secured liabilities**

Pledged assets and secured liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Current fiscal year (March 31, 2019)
Current deposit	¥442	¥362	\$3,261
Property, plant and equipment			
Buildings and structures	6,864	6,553	59,046
Machinery, equipment and vehicles	11,840	11,817	106,471
Land	4,024	4,022	36,237
Other	232	220	1,984
Total pledged assets	¥23,404	¥22,975	\$207,002

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Current fiscal year (March 31, 2019)
Accounts payable trade	¥676	¥224	\$2,022
Short-term loans payable	360	360	3,243
Current portion of long-term loans payable	541	518	4,675
Long-term loans payable	3,830	3,397	30,615
Total secured liabilities	¥5,408	¥4,501	\$40,556

***2. Items related to non-consolidated subsidiaries and affiliates are as follows.**

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Current fiscal year (March 31, 2019)
Investment securities (stocks)	¥3,759	¥4,104	\$36,982

***3. Reduction entry**

Previous fiscal year (March 31, 2018)

The reduction entry amounts corresponding to national subsidies were ¥528 million for buildings and structures, ¥4,418 million for machinery, equipment and vehicles, ¥280 million for land, ¥4 million for other tangible fixed assets, and ¥0 million for other

intangible fixed assets. These reduction entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheets.

Current fiscal year (March 31, 2019)

The reduction entry amounts corresponding to national subsidies were ¥528 million (4,764 thousand U.S. dollars) for buildings and structures, ¥4,449 million (40,091 thousand U.S. dollars) for machinery, equipment and vehicles, ¥280 million (2,526 thousand U.S. dollars) for land, ¥4 million (39 thousand U.S. dollars) for other tangible fixed assets, and ¥0 million (7 thousand U.S. dollars) for other intangible fixed assets. These reduction entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheets.

4. Contingent liabilities

Guarantee obligations on bank loans, etc. are as follows.

(1) Guarantee obligations on bank loans (including re-guarantees)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Current fiscal year (March 31, 2019)
K. Wah Construction Materials Ltd.	¥799	¥1,331	\$11,995
Hachinohe Biomass Power Generation Co., Ltd.			
Others (1 company)	637	77	698
Total	¥1,436	¥1,408	\$12,694

(2) Guarantee obligations on product purchase obligations from a ready-made concrete co-operative

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Current fiscal year (March 31, 2019)
Nohara Holdings, Inc.	¥57	¥27	\$244
Tsukamoto Kenzai Co., Ltd.			
Others (2 companies)	32	22	205
Total	¥90	¥49	\$449

***5. Notes maturing on the fiscal year end date**

Notes receivable and payable that matured on the fiscal year end date were treated as if settlement had occurred on the maturity date.

Because the fiscal year end date for the fiscal years ended March 31, 2019 and 2018 was a financial institution holiday, the following notes were treated as if settlement had occurred on the maturity date.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Current fiscal year (March 31, 2019)
Notes receivable	¥3,651	¥3,578	\$32,243
Notes payable	1,389	1,507	13,583
Equipment-related notes payable	6	16	147

(Notes to consolidated statements of income)

***1. Main components of selling, general and administrative expenses**

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
Sales costs	¥10,729	¥11,454	\$103,200
Allowances and bonuses	7,977	7,993	72,016
Transfer to provision for bonuses	1,046	997	8,991
Retirement benefit expenses	510	351	3,163
Transfer to provision for retirement benefits for officers	39	41	377
R&D expenses	2,976	3,233	29,132

***2. R&D expenses included in general and administrative expenses**

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	¥2,976	¥3,233	\$29,132

***3. Main gains on sales of noncurrent assets**

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
Land	¥165	¥84	\$759
Buildings and structures	0	11	104
Machinery, equipment and vehicles	190	39	353

***4. Main losses on retirement of noncurrent assets**

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
Buildings and structures	¥45	¥36	\$332
Machinery, equipment and vehicles	252	642	5,792
Machinery, equipment and vehicles removal costs	646	1,035	9,327

***5. Main losses on sales of noncurrent assets**

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
Land	¥1	¥201	\$1,814
Machinery, equipment and vehicles	-	10	98
Buildings and structures	5	4	43

***6. Impairment loss**

Based on the categories of business assets and idle assets, the Group groups its business assets based on the smallest segments used in management accounting and groups idle assets individually.

Business assets that are rental properties for the real estate business are grouped based on the corresponding property unit.

Previous fiscal year (April 1, 2017 to March 31, 2018)

For idle assets and assets for the ready-mix concrete production business held by the Group with a recoverable amount lower than the carrying amount, the carrying amount has been reduced to the recoverable amount, and this reduction has been recorded under extraordinary loss as an impairment loss (¥124 million).

A breakdown of impairment losses is as follows.

Application	Location	Type	Impairment loss (millions of yen)
Idle assets	Matsusaka City, Mie Prefecture, etc.	Land and quarry sites	22
Assets for the ready-mix concrete production business	Osaka City, Osaka	Land, machinery, and equipment, etc.	102

*Breakdown of impairment losses for each type

Application	Breakdown (millions of yen)
Idle assets	Land 18, quarry sites 3 Total 22
Assets for the ready-mix concrete production business	Land 94, machinery and equipment 4, buildings 1, structures 1, other 0 Total 102

Recoverable amounts are measured using respective net selling prices.

Net selling prices for land are assessed based on real estate appraisal valuations, and reasonable estimates are made for other fixed assets.

Current fiscal year (April 1, 2018 to March 31, 2019)

As assets for the cathode materials for rechargeable batteries production business held by the Group incurred consecutive operating losses, the carrying amount of the asset group that produces the aforementioned products has been reduced to the recoverable amount, and this reduction has been recorded under extraordinary loss as an impairment loss (¥2,268 million [20,441 thousand U.S. dollars]).

A breakdown of impairment losses is as follows.

Application	Location	Type	Impairment loss (millions of yen)	Impairment loss (thousands of U.S. dollars)
Idle assets	Ishikari gun, Hokkaido, etc.	Land and quarry sites	24	212
Assets for the cathode materials for rechargeable batteries production business	Hung Yên Province, Vietnam, etc.	Machinery, equipment, and buildings, etc.	2,268	20,441

*Breakdown of impairment losses for each type

Application	Breakdown (millions of yen)	Breakdown (thousands of U.S. dollars)
Idle assets	Land 20, quarry sites 4 Total 24	Land 176 quarry sites 36 Total 212
Assets for the cathode materials for rechargeable batteries production business	Machinery and equipment 1,146, buildings 1,099, intangible assets and others 22 Total 2,268	Machinery and equipment 10,333, buildings 9,905, intangible assets and others 202 Total 20,441

Recoverable amounts for idle assets are measured using respective net selling prices. However, net selling prices for land are assessed based on real estate appraisal valuations, and reasonable estimates are made for other fixed assets.

Recoverable amounts for assets for the cathode materials for rechargeable batteries production business are measured at the value in use and determined by discounting the amount of an expected future cash flow by 3.69%.

(Notes to consolidated statements of comprehensive income)

*Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities:		
Amount incurred during the current fiscal year	¥(3,500)	¥(3,503)
Reclassification adjustments	(206)	-
Before adjustment for tax effects	(3,706)	(3,503)
Tax effects	1,149	1,083
Valuation difference on available-for-sale securities	(2,557)	(2,419)
Foreign currency translation adjustments:		
Amount incurred during the current fiscal year	170	(275)
Remeasurements of defined benefit plans:		
Amount incurred during the current fiscal year	141	(234)
Reclassification adjustments	212	(2)
Before adjustment for tax effects	353	(237)
Tax effects	(109)	73
Remeasurements of defined benefit plans	244	(163)
Share of other comprehensive income of affiliates accounted for using equity method:		
Amount incurred during the current fiscal year	0	(0)
Total other comprehensive income	¥(2,142)	¥(2,859)

(Notes to consolidated statements of changes in net assets)

Previous fiscal year (April 1, 2017 to March 31, 2018)

1. Type and total number of outstanding shares and treasury shares

	Number of shares at beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the fiscal year (thousands of shares)	Number of shares at the end of the fiscal year (thousands of shares)
Outstanding shares				
Common stock	417,432	-	-	417,432
Total	417,432	-	-	417,432
Treasury stock				
Common stock (note)	11,548	79	1	11,626
Total	11,548	79	1	11,626

(Note) A breakdown of increases and decreases in common stock held as treasury stock is as follows.
Increase due to the acquisition of shares in amounts of less than one trading unit: 79 thousand shares
Decrease due to sales of shares in amounts of less than one trading unit: 1 thousand shares

2. Information on dividends

(1) Amount of dividends paid

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2017	Common stock	2,029	5.0	March 31, 2017	June 30, 2017
Board of Directors Meeting held on November 7, 2017	Common stock	2,232	5.5	September 30, 2017	December 1, 2017

(2) Dividends with the cut-off date in the year ended March 31, 2018 and the effective date in the year ended March 31, 2019

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	2,231	Retained earnings	5.5	March 31, 2018	June 29, 2018

Current fiscal year (April 1, 2018 to March 31, 2019)

1. Type and total number of outstanding shares and treasury shares

	Number of shares at beginning of the fiscal year (thousands of shares)	Increase during the fiscal year (thousands of shares)	Decrease during the fiscal year (thousands of shares)	Number of shares at the end of the fiscal year (thousands of shares)
Outstanding shares				
Common stock (Note 1)	417,432	-	376,788	40,643
Total	417,432	-	376,788	40,643
Treasury stock				
Common stock (Note 2, 3)	11,626	20,037	29,592	2,071
Total	11,626	20,037	29,592	2,071

(Notes) 1. A breakdown of decreases in the outstanding shares of common stock is as follows.
Decrease due to the retirement of treasury stock based on the resolution by the Board of Directors: 11,000 thousand shares
Decrease due to the share consolidation: 365,788 thousand shares

2. A breakdown of increases in common stock held as treasury stock is as follows.
Increase due to the purchase of treasury stock based on the resolution by the Board of Directors: 20,000 thousand shares
Increase due to the purchase of fractional shares accompanying the share

consolidation: 2 thousand shares
Increase due to the acquisition of shares in amounts of less than one trading unit: 35 thousand shares (Before the share consolidation: 30 thousand shares, after the share consolidation: 4 thousand shares)

3. A breakdown of decreases in common stock held as treasury stock is as follows.
Decrease due to the retirement of treasury stock based on the resolution by the Board of Directors: 11,000 thousand shares
Decrease due to the share consolidation: 18,590 thousand shares
Decrease due to sales of shares in amounts of less than one trading unit: 2 thousand shares (Before the share consolidation: 1 thousand shares, after the share consolidation: 0 thousand shares)

2. Information on dividends

(1) Amount of dividends paid

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	2,231	5.5	March 31, 2018	June 29, 2018
Board of Directors Meeting held on November 7, 2018	Common stock	2,121	5.5	September 30, 2018	December 4, 2018

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	20,109	0.049	March 31, 2018	June 29, 2018
Board of Directors Meeting held on November 7, 2018	Common stock	19,116	0.049	September 30, 2018	December 4, 2018

(Note) Because the cut-off date for dividend is September 30, 2018, the amount of dividend per share resolved at the Board of Directors Meeting held on November 7, 2018, shows the amount prior to the share consolidation as of October 1, 2018.

(2) Dividends with the cut-off date in the year ended March 31, 2019 and the effective date in the year ending March 31, 2020

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2019	Common stock	2,121	Retained earnings	55.0	March 31, 2019	June 28, 2019

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Source of dividends	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2019	Common stock	19,113	Retained earnings	0.495	March 31, 2019	June 28, 2019

(Notes to consolidated statements of cash flows)

*Relationship between cash and cash equivalents at end of the fiscal year and the carrying amount on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
Ending balance of cash and deposits	¥22,204	¥15,333	\$138,151
Time deposits with a maturity of over three months	(132)	(62)	(566)
Ending balance of cash and cash equivalents	¥22,072	¥15,270	\$137,585

(Lease transactions)

1. Finance lease transactions (lessee)

Finance lease transactions that do not transfer ownership

(1) Leased assets

Property, plant and equipment

Mainly consist of production facilities (machinery, equipment and vehicles) in the cement and mineral resources businesses

(2) Leased asset depreciation method

The depreciation methods of leased assets used for the preparation of the consolidated financial statements are as described under "6. Matters concerning accounting policies (2) Depreciation method of significant depreciable assets".

2. Operating lease transactions

Future lease payments for non-cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year March 31, 2018	Current fiscal year March 31, 2019	Current fiscal year March 31, 2019
Within one year	¥93	¥73	\$660
Over 1 year	123	105	954
Total	¥217	¥179	\$1,615

(Financial instruments)

Previous fiscal year (April 1, 2017 to March 31, 2018)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

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.

(2) 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 15 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 hedges 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, while trade payables and loans are subject to liquidity risk, the Group manages such risks by preparing monthly cash flow plans for each company.

(3) 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, 2018 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		
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	¥22,204	¥22,204	¥-
(2) Notes and accounts receivable-trade	52,595	52,595	-
(3) Securities and investment securities			
Available-for-sale securities	53,243	53,243	-
(4) Short-term loans receivable	182	182	-
(5) Long-term loans receivable	53	57	4
Total assets	¥128,279	¥128,283	¥4
(1) Notes and accounts payable-trade	29,615	29,615	-
(2) Short-term loans payable	21,326	21,326	-
(3) Bonds payable	10,000	10,017	17
(4) Long-term loans payable	30,481	30,671	190
Total liabilities	¥91,424	¥91,631	¥207
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

Assets

(1) Cash and deposits, (2) notes and accounts receivable-trade and (4) short-term loans receivable
Since these items are settled in the short-term, their market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.
(3) Securities and investment securities
The fair value of such securities is based on quoted market prices. Please refer to "Securities", of these notes to the consolidated financial statements for information on securities classified by holding purpose.
(5) 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.

Liabilities

(1) Notes and accounts payable-trade and (2) short-term loans payable
Since these items are settled in the short-term, their market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.
(3) Bonds payable
The fair value of bonds issued by the Company is based on the quoted market price.
(4) 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 the contracted rates as adjusted considering the rate for Japanese government issued bonds. Long-term loans payable with floating rate interest are subject to special treatment with interest rate swaps (refer to "Derivative transactions" below), the total of principal and interest that is treated together with the hedged long-term loan is discounted by the interest rate reasonably expected to be applied for a similar type of loan.
Derivative transactions
Refer to "Derivative transactions" of these notes.

(Note 2) Financial instruments for which fair value is extremely difficult to determine

Classification	Millions of yen	
	Consolidated balance sheet amounts	
Unlisted securities (*1)		¥1,784
Long-term loans receivable (*2)		2,639

(*1) Unlisted securities have no available market price and the estimation of future cash flows is expected to entail excessive costs. Consequently, their market value is recognized as extremely difficult to estimate and, unlisted securities are not included in "Assets (3) Securities and investment securities".

(*2) Certain long-term loans receivable are not included in "Assets (5) Long-term loans receivable" because future cash flows cannot be estimated reliably and their market value is recognized as extremely difficult to estimate.

(Note 3) Redemption schedule for receivables and redeemable securities with future redemption dates

	Millions of yen			
	Within 1 year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥22,180	¥-	¥-	¥-
Notes and accounts receivable-trade	52,595	-	-	-
Securities and investment securities				
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	182	-	-	-
Long-term loans receivable	0	6	45	-
Total	¥74,959	¥6	¥45	¥-

(Note 4) Redemption schedule for bonds and long-term loans payable with future redemption dates

	Millions of yen					
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	¥21,326	¥-	¥-	¥-	¥-	¥-
Bonds payable	-	5,000	-	-	-	5,000
Long-term loans payable	6,503	8,986	4,344	3,508	2,116	5,021
Total	¥27,830	¥13,986	¥4,344	¥3,508	¥2,116	¥10,021

Current fiscal year (April 1, 2018 to March 31, 2019)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

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.

(2) 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 hedges 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, while trade payables and loans are subject to liquidity risk, the Group manages such risks by preparing monthly cash flow plans for each company.

(3) 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, 2019 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			
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	¥15,333	¥15,333	¥-
(2) Notes and accounts receivable-trade	50,061	50,061	-
(3) Securities and investment securities Available-for-sale securities	49,733	49,733	-
(4) Short-term loans receivable	554	554	-
(5) Long-term loans receivable	45	48	3
Total assets	¥115,727	¥115,730	¥3
(1) Notes and accounts payable-trade	29,051	29,051	-
(2) Short-term loans payable	22,197	22,197	-
(3) Bonds payable	10,000	10,033	33
(4) Long-term loans payable	28,865	29,038	172
Total liabilities	¥90,115	¥90,321	¥205
Derivative transactions	-	-	-
Total derivative transactions	¥-	¥-	¥-

Thousands of U.S. dollars			
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	\$138,151	\$138,151	\$-
(2) Notes and accounts receivable-trade	451,043	451,043	-
(3) Securities and investment securities Available-for-sale securities	448,085	448,085	-
(4) Short-term loans receivable	4,993	4,993	-
(5) Long-term loans receivable	408	437	29
Total assets	\$1,042,683	\$1,042,712	\$29
(1) Notes and accounts payable-trade	261,751	261,751	-
(2) Short-term loans payable	199,996	199,996	-
(3) Bonds payable	90,098	90,395	297
(4) Long-term loans payable	260,075	261,633	1,558
Total liabilities	\$811,921	\$813,776	\$1,855
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

Assets

(1) Cash and deposits, (2) notes and accounts receivable-trade and (4) short-term loans receivable

Since these items are settled in the short-term, their market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.

(3) Securities and investment securities

The fair value of such securities is based on quoted market prices. Please refer to "Securities", of these notes to the consolidated financial statements for information on securities classified by holding purpose.

(5) 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.

Liabilities

(1) Notes and accounts payable-trade and (2) short-term loans payable

Since these items are settled in the short-term, their market value approximates the carrying amount. Therefore, the carrying amount is used to estimate fair value.

(3) Bonds payable

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

(4) 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 the contracted rates as adjusted considering the rate for Japanese government issued bonds. Long-term loans payable with floating rate interest are subject to special treatment with interest rate swaps (refer to "Derivative transactions" below), the total of principal and interest that is treated together with the hedged long-term loan is discounted by the interest rate reasonably expected to be applied for a similar type of loan.

Derivative transactions

Refer to "Derivative transactions" of these notes.

(Note 2) Financial instruments for which fair value is extremely difficult to determine

Classification	Millions of yen	Thousands of U.S. dollars
	Consolidated balance sheet amounts	Consolidated balance sheet amounts
Unlisted securities (*1)	¥1,753	\$15,799
Long-term loans receivable (*2)	2,756	24,831

(*1) 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 "Assets (3) Securities and investment securities".

(*2) Certain long-term loans receivable are not included in "Assets (5) Long-term loans receivable" because future cash flows cannot be estimated reliably and their fair value is recognized as extremely difficult to estimate.

(Note 3) Redemption schedule for receivables and redeemable securities with future redemption dates

	Millions of yen			
	Within 1 year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥15,311	¥-	¥-	¥-
Notes and accounts receivable-trade	50,061	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	554	-	-	-
Long-term loans receivable	0	4	39	-
Total	¥65,928	¥4	¥39	¥-

Thousands of U.S. dollars				
	Within 1 year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	\$137,954	\$-	\$-	\$-
Notes and accounts receivable-trade	451,043	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	4,993	-	-	-
Long-term loans receivable	7	42	358	-
Total	\$593,999	\$42	\$358	\$-

(Note 4) Redemption schedule for bonds and long-term loans payable with future redemption dates

	Millions of yen					
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	¥22,197	¥-	¥-	¥-	¥-	¥-
Bonds payable	5,000	-	-	-	5,000	-
Long-term loans payable	10,252	5,241	4,594	3,199	1,416	4,161
Total	¥37,449	¥5,241	¥4,594	¥3,199	¥6,416	¥4,161

Thousands of U.S. dollars						
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	\$199,996	\$-	\$-	\$-	\$-	\$-
Bonds payable	45,049	-	-	-	45,049	-
Long-term loans payable	92,371	47,221	41,399	28,827	12,767	37,491
Total	\$337,416	\$47,220	\$41,399	\$28,827	\$57,815	\$37,491

(Securities)

1. Available-for-sale securities

Previous fiscal year (March 31, 2018)

Millions of yen			
Type	Consolidated balance sheet amounts	Acquisition cost	Difference
(1) Stocks	¥53,234	¥11,858	¥41,375
(2) Bonds			
National			
government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Subtotal	53,234	11,858	41,375
(1) Stocks	9	11	(1)
(2) Bonds			
National			
government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Subtotal	9	11	(1)
Total	¥53,243	¥11,870	¥41,373

Current fiscal year (March 31, 2019)

Millions of yen			
Type	Consolidated balance sheet amounts	Acquisition cost	Difference
(1) Stocks	¥49,723	¥11,865	¥37,857
(2) Bonds			
National			
government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Subtotal	49,723	11,865	37,857
(1) Stocks	10	13	(3)
(2) Bonds			
National			
government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Subtotal	10	13	(3)
Total	¥49,733	¥11,879	¥37,854

Thousands of U.S. dollars				
Type	Consolidated balance sheet amounts	Acquisition cost	Difference	
(1) Stocks	\$448,000	\$106,909	\$341,090	
(2) Bonds				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	448,000	106,909	341,090	
(1) Stocks	93	121	(27)	
(2) Bonds				
National government bonds, local government bonds, etc.	-	-	-	
Corporate bonds	-	-	-	
Others	-	-	-	
(3) Others	-	-	-	
Subtotal	93	121	(27)	
Total	\$448,094	\$107,031	\$341,063	

2. Sales of available-for-sale securities

Previous fiscal year (April 1, 2017 to March 31, 2018)

Millions of yen			
Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	¥237	¥206	¥-
(2) Bonds			
National government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Total	¥237	¥206	¥-

Current fiscal year (April 1, 2018 to March 31, 2019)

Millions of yen			
Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	¥330	¥288	¥-
(2) Bonds			
National government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Total	¥330	¥288	¥-

Thousands of U.S. dollars			
Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	\$2,977	\$2,601	\$-
(2) Bonds			
National government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Total	\$2,977	\$2,601	\$-

(Derivative transactions)

1. Derivative transactions not subject to hedge accounting

Not applicable.

2. Derivative transactions subject to hedge accounting

Interest rate related

Previous fiscal year (March 31, 2018)

Millions of yen					
Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions	Long-term loans payable	¥9,151	¥6,521	(Note)

(Note) Because the special treatment of interest rate swaps is treated together with the hedged long-term loans payable, the market value is stated within the market value of the relevant long-term loans payable.

Current fiscal year (March 31, 2019)

Millions of yen					
Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions	Long-term loans payable	¥9,008	¥6,111	(Note)

Thousands of U.S. dollars

Thousands of U.S. dollars					
Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions	Long-term loans payable	\$81,162	\$55,060	(Note)

(Note) Because the special treatment of interest rate swaps is treated together with the hedged long-term loans payable, the market value is stated within the fair value of the relevant long-term loans payable.

(Retirement benefits)

1. Outline of retirement benefits system

In order to pay employee retirement benefits, the Company and its domestic consolidated subsidiaries have funded and unfunded defined benefit and retirement lump-sum payment 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.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of projected benefit obligation (excluding plans using the simplified method)

Millions of yen			
	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)	Thousands of U.S. dollars (April 1, 2018 to March 31, 2019)
Beginning balance of projected benefit obligation	¥13,761	¥14,038	\$126,482
Service cost	735	711	6,414
Interest cost	54	41	375
Actuarial gains and losses	185	171	1,541
Payment of retirements benefits	(698)	(783)	(7,062)
Ending balance of projected benefit obligation	¥14,038	¥14,179	\$127,752

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

Millions of yen			
	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)	Thousands of U.S. dollars (April 1, 2018 to March 31, 2019)
Beginning balance of pension assets	¥11,612	¥12,068	\$108,738
Expected return on pension assets	232	241	2,174
Actuarial gains and losses	326	(63)	(574)
Employer contribution	588	1,406	12,676
Payment of retirements benefits	(690)	(771)	(6,955)
Ending balance of pension assets	¥12,068	¥12,881	\$116,060

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

Millions of yen			
	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)	Thousands of U.S. dollars (April 1, 2018 to March 31, 2019)
Beginning balance of net defined benefit liability	¥492	¥449	\$4,051
Retirement benefit expenses	139	189	1,711
Payment of retirements benefits	(82)	(55)	(497)
Contributions to the plan	(94)	(93)	(844)
Other	(4)	-	0
Ending balance of net defined benefit liability	¥449	¥490	\$4,421

(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 sheet

Millions of yen			
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Thousands of U.S. dollars (March 31, 2019)
Projected benefit obligation of funded plan	¥15,178	¥15,320	\$138,038
Pension assets	(13,714)	(14,547)	(131,070)
	1,464	773	6,968
Projected benefit obligation of unfunded plan	955	1,014	9,144
Net amount of liabilities and assets on the consolidated balance sheet	2,419	1,788	16,112
Net defined benefit liability	2,819	2,207	19,889
Net defined benefit asset	(400)	(419)	(3,777)
Net amount of liabilities and assets on the consolidated balance sheet	¥2,419	¥1,788	\$16,112

(5) Breakdown of retirement benefit cost

Millions of yen			
	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)	Thousands of U.S. dollars (April 1, 2018 to March 31, 2019)
Service cost	¥735	¥711	\$6,414
Interest cost	54	41	375
Expected return on pension assets	(232)	(241)	(2,174)
Amortization of actuarial loss	212	(2)	(21)
Retirement benefit cost calculated using simplified method	139	189	1,711
Retirement benefit cost of defined benefit pension	¥909	¥699	\$6,306

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before tax effects) are as follows.

Millions of yen			
	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)	Thousands of U.S. dollars (April 1, 2018 to March 31, 2019)
Actuarial gains and losses	¥353	¥(237)	\$(2,137)
Total	¥353	¥(237)	\$(2,137)

(7) Cumulative remeasurements of defined benefit plans

Components of cumulative remeasurements of defined benefit plans (before tax effects) are as follows.

Millions of yen			
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Thousands of U.S. dollars (March 31, 2019)
Unrecognized actuarial loss/gain	¥269	¥507	\$4,568
Total	¥269	¥507	\$4,568

(8) Matters concerning pension assets

(1) Breakdown of main pension assets

The ratio of the main types of pension assets to total pension assets is as follows.

	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Bonds	48%	45%
Stocks	32%	30%
General accounts	16%	17%
Other	4%	8%
Total	100%	100%

(2) Method for determining the expected long-term investment return

In determining the expected long-term investment return for pension assets, estimates are made in consideration of the current and expected distributions of pension assets, and the current and expected long-term return rate from the various assets that compose the pension assets.

(9) Matters concerning actuarial assumptions

Principal actuarial assumptions

	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Discount rate	0.4%	0.3%
Expected long-term investment return	2.0%	2.0%
Expected rates of salary increases	2.8% to 5.5%	2.8% to 5.5%

(Stock options)

Not applicable.

(Income tax accounting)

1. Significant components of deferred income tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Current fiscal year (March 31, 2019)
Deferred tax assets			
Impairment loss	¥2,194	¥2,543	\$22,913
Tax loss carryforwards	1,004	885	7,981
Provision for bonuses	734	757	6,824
Unrealized holding gain	538	515	4,647
Net defined benefit liability	883	934	8,423
Accrued business tax	220	179	1,613
Other	1,349	1,276	11,502
Subtotal for deferred tax assets	6,924	7,092	63,905
Valuation allowance related to tax loss carryforwards (Note)	–	(880)	7,936
Valuation allowance related to the total of deductible temporary differences	–	(2,776)	25,019
Subtotal for valuation allowance	(3,446)	(3,657)	(32,956)
Total deferred tax assets	3,478	3,435	30,949
Deferred tax liabilities			
Valuation difference for available-for-sale securities	(12,829)	(11,746)	(105,829)
Liability reserves under the Act on Special Measures Concerning Taxation	(1,117)	(1,082)	(9,756)
Other	(653)	(656)	(5,917)
Total deferred tax liabilities	(14,599)	(13,485)	(121,503)
Deferred tax liabilities, net	¥(11,121)	¥(10,050)	\$(90,554)

(Note) The amounts of the tax loss carryforwards and the respective amounts of deferred tax assets by maturity date

Current fiscal year (March 31, 2019)

	Millions of yen						
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years	Total
Tax loss carryforwards (a)	¥206	¥98	¥150	¥73	¥119	¥238	¥885
Valuation allowance	(206)	(93)	(150)	(73)	(119)	(238)	(880)
Deferred tax assets	–	5	–	–	–	–	5

	Thousands of U.S. dollars						
	Within 1 year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years	Total
Tax loss carryforwards (a)	\$1,857	\$887	\$1,356	\$658	\$1,073	\$2,148	\$7,981
Valuation allowance	(1,857)	(842)	(1,356)	(658)	(1,073)	(2,148)	(7,936)
Deferred tax assets	–	0	–	–	–	–	0

The amounts of the tax loss carryforwards are multiplied by the effective statutory tax rate.

2. Significant components of material differences between the statutory effective tax rate and the effective tax rate after the application of tax effect accounting

	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Statutory effective tax rate (Adjustment)	31.0%	31.0%
Adjustments that are not temporary differences	0.0	0.2
Valuation allowance	(4.7)	3.3
Tax credit	(0.8)	(2.5)
Other	(0.2)	2.2
Effective tax rate after the application of tax effect accounting	25.3	34.2

(Rental real estate)

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 previous fiscal year ended March 31, 2018, rental income from rental property assets was ¥1,032 million (rental revenue is recorded under sales and rental costs are recorded under cost of sales), net gains from sales of rental property amounted to ¥164 million (recorded under extraordinary income) and impairment loss was ¥22 million (recorded under extraordinary loss). During the current fiscal year ended March 31, 2019, rental income from rental property assets was ¥1,038 million (US\$9,361 thousand) (rental revenue is recorded under sales and rental costs are recorded under cost of sales), gains from sales of rental property amounted to ¥36 million (US\$325 thousand) (recorded under extraordinary income), losses from sales of rental property amounted to ¥189 million (US\$1,710 thousand) (recorded under extraordinary loss), and impairment loss was ¥23 million (US\$212 thousand) (recorded under extraordinary loss).

The carrying amount of rental property, and changes in carrying amount and fair value are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2018 to March 31, 2019)
Consolidated balance sheet amounts			
Opening balance	¥23,065	¥23,194	\$208,974
Change during the fiscal year	128	(1,482)	(13,354)
Closing balance	23,194	21,711	195,620
Fair value at the end of the fiscal year	¥31,388	¥31,409	\$282,992

(Notes) 1. Consolidated balance sheet amounts exclude accumulated depreciation and amortization as well as accumulated impairment loss from acquisition costs.
2. The market value (which includes adjustments using relevant indices) is calculated using the standard for real estate appraisal for significant assets, and estimated based on the value calculated for property tax for other assets.

(Segment information)

Segment information

I Previous fiscal year (April 1, 2017 to March 31, 2018)

1. Overview of reporting segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors 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 seven reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, Battery Materials and Others.

Main products for each reportable segment are as follows:

Reporting segments	Main products
Cement	Assorted cement, cement-related solidification materials, ready-mix concrete, supply of electrical power, and recycling of raw materials and fuel
Mineral Resources	Limestone, dolomite, calcium carbonate, aggregate, and silica powder
Cement-Related Products	Repair and reinforcement of concrete structures (materials and construction), various admixture, heavy metal pollution control material, fish beds and seaweed beds, electrolytic protection methods, various foundation improvement work, PC (products, settings), and various hume concrete pipes
Optoelectronics	Optical communications devices and components, optical measurement equipment, and optical transceivers
Advanced Materials	Various ceramic products, various nanoparticle materials, antibacterial agents, cosmetics, and various functional paints
Battery Materials	Rechargeable battery cathode materials
Other	Leasing of real estate, engineering, and development of software

2. Calculation method for net sales, profit or loss, assets, liabilities, and other amounts for each reportable segment

The accounting methods for the reportable segments are, in general, the same as those described in the "Basis of preparation of consolidated financial statements".

Segment profit (loss) is based on operating income. Intersegment profits and transfers are based on prevailing market prices.

3. Information on net sales, profit or loss, assets, liabilities, and other items by reporting segment

	Reporting segments							Total	Note 1 Adjustment amount	Note 2 Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥188,160	¥12,266	¥19,981	¥7,656	¥8,063	¥2,751	¥5,944	¥244,826	¥-	¥244,826
(2) Intersegment sales or transfers	3,871	4,069	2,782	-	-	-	5,778	16,501	(16,501)	-
Total	192,032	16,336	22,763	7,656	8,063	2,751	11,723	261,328	(16,501)	244,826
Segment profit (or loss)	12,328	2,253	1,484	(47)	1,434	50	1,579	19,083	(92)	18,990
Segment assets	219,346	31,580	16,868	9,583	8,327	6,586	25,546	317,839	22,119	339,958
Other items										
Depreciation expense	12,819	1,959	483	917	499	382	600	17,661	0	17,661
Amortization of goodwill	-	-	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	¥19,073	¥1,954	¥329	¥1,431	¥1,766	¥341	¥243	¥25,141	¥-	¥25,141

(Notes) 1. Eliminations and adjustments are described below.

- (1) Adjustments for segment profit or loss of (¥92 million) include elimination of inter-segment profit and loss.
 - (2) Adjustments for segment assets of ¥22,119 million include ¥40,548 million of corporate assets, which are not allocable to a reportable segment, and (¥18,429 million) of elimination of inter-segment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions.
 - (3) Adjustments for depreciation and amortization of ¥0 million include ¥14 million of depreciation and amortization for corporate assets and (¥14 million) of elimination of inter-segment profit and loss.
2. Segment profit (or loss) has been adjusted to the operating income reported in the consolidated statements of income.

II. Current fiscal year (April 1, 2018 to March 31, 2019)

1. Overview of reporting segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors 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 seven reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, Battery Materials and Others.

Main products for each reportable segment are as follows:

Reporting segments	Main products
Cement	Assorted cement, cement-related solidification materials, ready-mix concrete, supply of electrical power, and recycling of raw materials and fuel
Mineral Resources	Limestone, dolomite, calcium carbonate, aggregate, and silica powder
Cement-Related Products	Repair and reinforcement of concrete structures (materials and construction), various admixture, heavy metal pollution control material, fish beds and seaweed beds, electrolytic protection methods, various foundation improvement work, PC (products, settings), and various hume concrete pipes
Optoelectronics	Optical communications devices and components, optical measurement equipment, and optical transceivers
Advanced Materials	Various ceramic products, various nanoparticle materials, antibacterial agents, cosmetics, and various functional paints
Battery Materials	Rechargeable battery cathode materials
Other	Leasing of real estate, engineering, and development of software

2. Calculation method for net sales, profit or loss, assets, liabilities, and other amounts for each reportable segment

The accounting methods for the reportable segments are, in general, the same as those described in the "Basis of preparation of consolidated financial statements".

Segment profit (loss) is based on operating income. Intersegment profits and transfers are based on prevailing market prices.

3. Information on net sales, profit or loss, assets, liabilities, and other items by reporting segment

	Reporting segments							Total	Note 1 Adjustment amount	Note 2 Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥193,656	¥12,819	¥18,464	¥5,757	¥12,005	¥1,874	¥6,482	¥251,061	¥-	¥251,061
(2) Intersegment sales or transfers	3,086	4,240	2,546	-	-	-	6,340	16,213	(16,213)	-
Total	196,742	17,060	21,011	5,757	12,005	1,874	12,822	267,275	(16,213)	251,061
Segment profit (or loss)	7,579	2,360	1,248	(572)	2,370	(437)	1,711	14,260	(81)	14,178
Segment assets	215,963	31,150	16,260	6,714	10,014	3,238	25,995	309,337	15,418	324,755
Other items										
Depreciation expense	13,598	1,956	473	773	789	345	586	18,523	23	18,546
Amortization of goodwill	-	-	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	¥15,002	¥1,857	¥322	¥127	¥1,558	¥71	¥103	¥19,043	¥-	¥19,043

	Reporting segments							Total	Note 1 Adjustment amount	Note 2 Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	\$1,744,807	\$115,505	\$166,363	\$51,877	\$108,168	\$16,888	\$58,407	\$2,262,018	-	\$2,262,018
(2) Intersegment sales or transfers	27,807	38,207	22,944	-	-	0	57,123	146,081	(146,081)	-
Total	1,772,614	153,712	189,308	51,877	108,168	16,888	115,530	2,408,100	(146,081)	2,262,018
Segment profit (or loss)	68,293	21,268	11,248	(5,157)	21,354	(3,938)	15,417	128,485	(738)	127,747
Segment assets	1,945,795	280,664	146,500	60,498	90,225	29,174	234,213	2,787,072	138,917	2,925,989
Other items										
Depreciation expense	122,524	17,623	4,265	6,967	7,117	3,110	5,283	166,892	208	167,100
Amortization of goodwill	-	-	-	-	-	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	\$135,173	\$16,732	\$2,903	\$1,147	\$14,045	\$646	\$928	\$171,577	\$-	\$171,577

(Notes) 1. Eliminations and adjustments are described below.

- (1) Adjustments for segment profit or loss of (¥81 million) (US\$(738)thousand) include elimination of inter-segment profit and loss.
 - (2) Adjustments for segment assets of ¥15,418 million (US\$138,917 thousand) include ¥36,493 million (US\$328,799 thousand) of corporate assets, which are not allocable to a reportable segment, and (¥21,075 million) (US\$(189,882) thousand) of elimination of inter-segment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions.
 - (3) Adjustments for depreciation and amortization of ¥23 million (US\$208 thousand) include ¥41 million (US\$373 thousand) of depreciation and amortization for corporate assets and (¥18 million) (US\$(165) thousand) of elimination of inter-segment profit and loss.
2. Segment profit (or loss) has been adjusted to the operating income reported in the consolidated statements of income.

Related information

Previous fiscal year (April 1, 2017 to March 31, 2018)

1. Information by product and service

Because similar information is disclosed in segment information, this information is omitted.

2. Geographical information

Net sales

Because net sales in the Japan area constitute more than 90% of net sales stated in the consolidated statements of income, information regarding geographical areas is omitted.

Property, plant and equipment

Because property, plant and equipment located in Japan accounts for over 90% of the property, plant and equipment stated in the consolidated balance sheets, information regarding geographical areas is omitted.

Current fiscal year (April 1, 2018 to March 31, 2019)

1. Information by product and service

Because similar information is disclosed in segment information, this information is omitted.

2. Geographical information

Net sales

Because net sales in the Japan area constitute more than 90% of net sales stated in the consolidated statements of income, information regarding geographical areas is omitted.

Property, plant and equipment

Because property, plant and equipment located in Japan accounts for over 90% of the property, plant and equipment stated in the consolidated balance sheets, information regarding geographical areas is omitted.

[Impairment loss on fixed assets by reportable segment]

Previous fiscal year (April 1, 2017 to March 31, 2018)

Impairment loss	Reporting segments										Adjustment amount Consolidated
	Millions of yen									Total	
	Cement	Mineral Resources	Related Products	Advanced Optoelectronics	Battery Materials	Other	Total				
¥104	¥2	¥-	¥-	¥-	¥-	¥17	¥124	¥-	¥124		

Current fiscal year (April 1, 2018 to March 31, 2019)

Impairment loss	Reporting segments										Adjustment amount Consolidated
	Millions of yen									Total	
	Cement	Mineral Resources	Related Products	Advanced Optoelectronics	Battery Materials	Other	Total				
¥3	¥3	¥-	¥-	¥-	¥2,268	¥16	¥2,292	¥-	¥2,292		

Current fiscal year (April 1, 2018 to March 31, 2019)

Impairment loss	Reporting segments										Adjustment amount Consolidated
	Thousands of U.S. dollars									Total	
	Cement	Mineral Resources	Related Products	Advanced Optoelectronics	Battery Materials	Other	Total				
\$32	\$28	\$0	\$0	\$0	\$20,441	\$151	\$20,654	\$-	\$20,654		

Information relating to goodwill amortization and unamortized balance by reporting segment

Previous fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

Current fiscal year (April 1, 2018 to March 31, 2019)

Not applicable.

Information relating to gains incurred from negative goodwill by reporting segment

Previous fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

Current fiscal year (April 1, 2018 to March 31, 2019)

Not applicable.

(Related party transaction information)

Previous fiscal year (April 1, 2017 to March 31, 2018)

Not applicable.

Current fiscal year (April 1, 2018 to March 31, 2019)

Not applicable.

(Per share information)

Item	Yen		U.S. dollars
	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	April 1, 2018 to March 31, 2019
Net assets per share	¥4,988.14	¥4,985.49	\$44.918
Profit per share	361.20	199.15	1,794

(Notes) 1. Diluted profit per share is not presented, since there is no dilutive stock.
2. The basis for the calculation of profit per share is as follows.
3. The Company conducted a share consolidation of common stock at a 10-to-1 ratio effective October 1, 2018.
"Net assets per share," "Profit per share," and "Average outstanding shares during the fiscal year" are calculated assuming that the share consolidation was conducted at the beginning of the previous fiscal year.

Item	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	April 1, 2018 to March 31, 2019
Profit attributable to owners of parent	¥14,659	¥7,799	\$70,268
Amount not attributed to common shareholders	-	-	-
Profit attributable to owners of parent related to common stock	14,659	7,799	70,268
Average outstanding shares during the fiscal year (shares)	40,584,479	39,162,695	

(Significant subsequent events)

At the meeting of the Board of Directors held on April 26, 2019, the Company passed a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market.

Pursuant to this resolution, the Company issued the 16th series of unsecured bonds on June 12, 2019. The overview is as follows.

- (1) Total issue amount ¥5 billion (US\$45 million)
- (2) Interest rate 0.270% per year
- (3) Issuance price ¥100 per face value of ¥100
- (4) Payment due date June 12, 2019
- (5) Redemption date June 12, 2026
- (6) Method of redemption Full amount on maturity
- (7) Uses of funds For redemption of bonds

Independent Auditor's Report



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
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Independent Auditor's Report

The Board of Directors
Sumitomo Osaka Cement Co., Ltd.

We have audited the accompanying consolidated financial statements of Sumitomo Osaka Cement Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, 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, 2019, 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 27, 2019
Tokyo, Japan

Company Information (as of March 31, 2019)

Company	Sumitomo Osaka Cement Co., Ltd.
Established	November 29, 1907
Head Office	6-28, Rokubancho, Chiyoda-ku, Tokyo 102-8465, Japan Telephone number +81-3-5211-4500
Employees	2,974

Primary Group Companies

Name	Sector
Hachinohe Cement Co., Ltd.	Cement manufacturing
Wakayama Slag Cement Co., Ltd.	Blast furnace cement manufacturing
SOC Logistics Co., Ltd.	Coastal shipping services
SOC Marine Co., Ltd.	Ship leasing and cargo handling services
Taiyo Holdings Co., Ltd.	Holding company
Taiyo Kisen Co., Ltd.	Ship leasing
Izumi Unyu Co., Ltd.	Truck transport of specified cargoes
Sumice Kenzai Co., Ltd.	Cement and ready-mixed concrete wholesaling
Tokai Sumice Co., Ltd.	Cement and ready-mixed concrete wholesaling
Kitaura SOC Co., Ltd.	Cement and ready-mixed concrete wholesaling
Izumi Industry Ltd.	Crushed rock wholesaling and contract manufacturing of cement
Tokyo SOC Co., Ltd.	Ready-mixed concrete manufacturing
SOC Engineering Co., Ltd.	Equipment and facility installation
Chuken Consultant Co., Ltd.	Construction consulting
Shuho Kogyo Co., Ltd.	Limestone excavation and sales
Shiga Kosan Co., Ltd.	Limestone excavation and sales
Estec Co., Ltd.	Civil engineering
SNC Co., Ltd.	Concrete product manufacturing and civil engineering
Kurimoto Concrete Industries Co., Ltd.	Manufacture and sales of hume pipes and other concrete products
Sumitec Co., Ltd.	Optical communications equipment and digital equipment manufacturing
Cap Co., Ltd.	Real estate leasing, construction material sales, and non-life insurance agency operations
Sumitomo Cement Computer Systems Co., Ltd.	Information services
Chiyoda Engineering Co., Ltd.	Construction of electrical facilities
SOC VIETNAM CO., LTD.	Rechargeable battery cathode materials manufacturing
SOC MARINE INTERNATIONAL (PANAMA) S.A	Ship leasing

Stock Information (as of March 31, 2019)

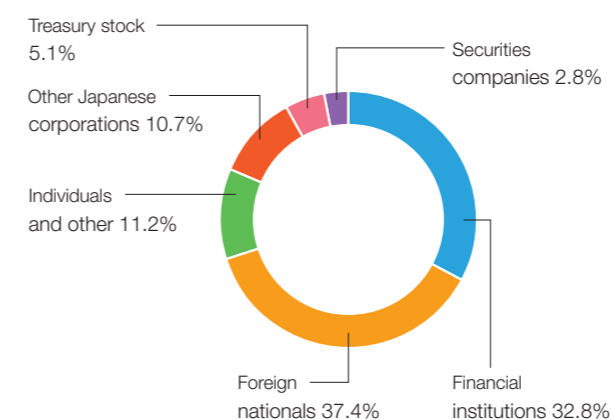
Stock exchange listing	Tokyo Stock Exchange
Total number of authorized shares	130,000,000
Total number of shares outstanding	40,643,217 (2,071,937 shares of treasury stock)
Shareholders	24,025

Status of Major Shareholders

Name	Number of shares owned (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,892	10.1
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	3,474	9.0
Japan Trustee Services Bank, Ltd. (Trust Account)	2,286	5.9
NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS	1,822	4.7
NORTHERN TRUST CO. (AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	1,456	3.8
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	1,172	3.0
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,169	3.0
Sumitomo Life Insurance Company	852	2.2
Japan Trustee Services Bank, Ltd. (Trust Account 5)	792	2.1
Japan Trustee Services Bank, Ltd. (Trust Account 9)	735	1.9

(Notes) 1. The Company holds 2,071,937 shares of treasury stock, which is excluded from the major shareholders above.
2. The ownership ratio is calculated after deducting treasury stock from the total number of shares outstanding.

Breakdown of shareholders



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