



Integrated Report 2020



SUMITOMO OSAKA CEMENT



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.

CONTENTS

Philosophy/Environmental Philosophy/Code of Conduct	1
Sumitomo Business Spirit	2
Value Creation by the Sumitomo Osaka Cement Group	
History of Value Creation	3
Value Creation Process	5
Sumitomo Osaka Cement Group's Growth Strategy	
Message from the President	7
The New Medium-term Management Plan	11
Message from the Director responsible for the Corporate Planning and Administration Departments	13
Foundation to Support Value Creation	
Sustainability for the Sumitomo Osaka Cement Group	15
Environment	17
Social	25
Governance	37
Sumitomo Osaka Cement Group Overview by Segment	43
Overview of Sumitomo Osaka Cement Group Businesses	50
Consolidated Financial Data	
Consolidated Financial Highlights	51
Non-financial Information Highlights	52
Financial Review	53
Consolidated Balance Sheets	55
Consolidated Statements of Income	57
Consolidated Statements of Comprehensive Income	57
Consolidated Statements of Changes in Net Assets	58
Consolidated Statements of Cash Flows	60
Notes to Consolidated Financial Statements	61
Independent Auditor's Report	80
Company Information/Stock Information	83

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 herein with its enhanced contents is published for its second year with the aim of clearly communicating the Group's initiatives, including the "Value Creation Process," to increase corporate value over the medium to long term, to a wide range of stakeholders, such as our shareholders and investors, and facilitating the deepening of their understanding about the Group's initiatives.

Reference Guidelines

GRI Standards

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

Reporting Scope

Reporting period: April 1, 2019 to March 31, 2020

Reporting entities: Sumitomo Osaka Cement Co., Ltd. and Group companies

Sumitomo Business Spirit

The origin of Sumitomo business spirit can be traced back to the "Monjuin Shiigaki" (The Aphorisms of Monjuin), which was bequeathed by the founder, Masatomo Sumitomo, around 1650. This philosophy has been handed down to this day in the form of the modern "Business Principles" as is the business spirit of the Sumitomo Group, which is the foundation of the Sumitomo Osaka Cement Group's corporate philosophy.

Business Principles

Article 1 Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2 Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

Sumitomo's Business Rules, the "Business Principles" established in 1928

We will contribute to the sustainment and ongoing credentials and technology cultivated in the Cement

In November 1907, the Company was founded as Iwaki Cement Co., Ltd. in Yokohama. In the following year, the Company built the current Yotsukura Kogyosho in Yotsukura-cho, Iwaki City, Fukushima Prefecture, and commenced the cement manufacturing business. In October 1963, the Company changed its name to Sumitomo Cement Co., Ltd., joining the Sumitomo Group, and became a member of the Hakusukai in the following year. Subsequently, in October 1994, Sumitomo Osaka Cement Co., Ltd. was established following a merger with Osaka Cement Co., Ltd., and has been

Sumitomo Cement Co., Ltd.

1907

Founded as Iwaki Cement Co., Ltd.

1925

Merged with Hinode Cement Co., Ltd. (Current Hachinohe Cement Co., Ltd.)

1940

Merged with Fukoku Cement Co., Ltd. (Current Tochigi Plant)

1960

Merged with Kawasaki Cement Co., Ltd. (Current Gifu Plant)

1966

Newly established Ako Plant



1963

Changed the company name to Sumitomo Cement Co., Ltd.
Joined the Sumitomo Group

Osaka Cement Co., Ltd.

1916

Founded as Cement Division of Osaka Yogyo Co., Ltd.

1926

Established Osaka Yogyo Cement Co., Ltd.

1952

Newly established Ibuki Plant (production stopped in 2003)

1961

Newly established Kochi Plant



1963

Changed the company name to Osaka Cement Co., Ltd.

1900

Products and Technologies

1927

Commenced to manufacture and rolled out Japan's first high-strength cement



Constructed the Osaka City Subway using the high-strength cement

1949

Commenced to manufacture Japan's first ready-mixed concrete



Narihirabashi Plant

1954

Newly established Hamamatsu Plant, which employs Japan's first large-scale lepol-type kiln



Hamamatsu Plant

development of a prosperous society based on the business.

operating to this day. Since the Company's establishment over 100 years ago, we have consistently taken on the part of the responsibilities for the business in the public sector to develop social infrastructures through our supply of cement. Further, the Company is currently engaged in a variety of businesses, ranging from the Mineral Resources business branched off from the Cement business, the Cement-Related Products business, the Optoelectronics business utilizing in-house optoelectronics and nanotechnology, the Advanced Materials business, to the Battery Materials business.

Sumitomo Osaka Cement Co., Ltd.

1994

Sumitomo Cement Co., Ltd. and Osaka Cement Co., Ltd. merged
Changed the company name to Sumitomo Osaka Cement Co., Ltd.

2007

Invested in Yunnan Kungang & K.Wah Cement Construction Materials Co., Ltd. in Yunnan Province, China

The 100th anniversary since its foundation

2020

Announced Fiscal 2020-2022 Medium-term Management Plan
Established the Sustainable Measures Committee

Aim to enhance corporate value and create a sustainable society

2012

Commenced processing of disaster waste originated in broad regions due to the Great East Japan Earthquake

1990

2000

2002

Completed New Technology Research Laboratory "Nano Tera Technology Center"



New Technology Research Laboratory

2009

Commenced operation of biomass power generation facilities at Tochigi Plant



Biomass power generation facilities

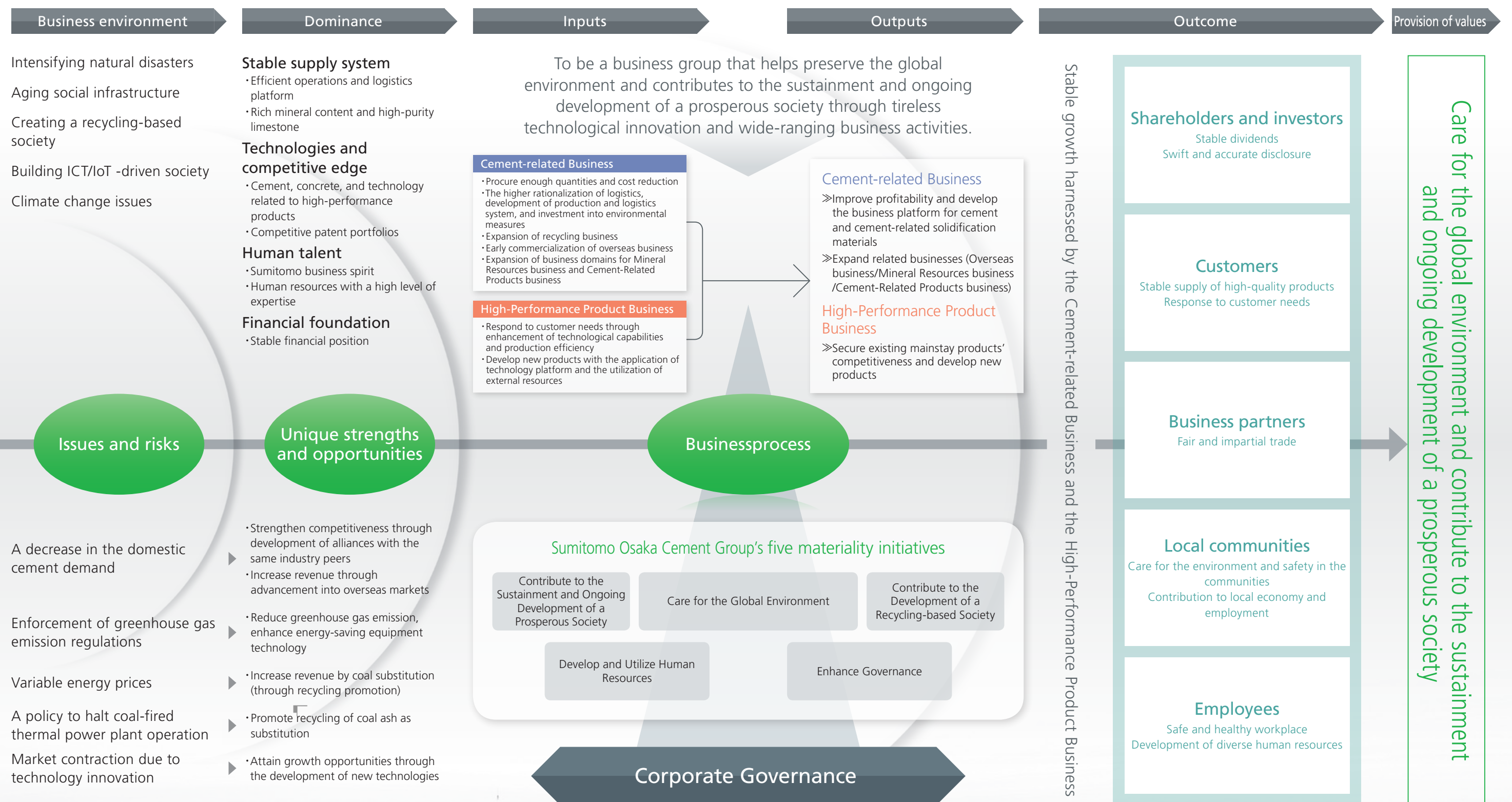
2012

Completed a new plant for lithium-ion battery cathode materials in Vietnam



Vietnam Plant

We aim to enhance corporate value and create a sustainable society.





Fukuichi Sekine
President, Representative Director

Message from the President

We aim to enhance corporate value and create a sustainable society.

Looking Back on the Fiscal Year Ended March 31, 2020

— This was the final year of the “Fiscal 2017-2019 Medium-term Management Plan.”
Let’s look back on the fiscal year ended March 31, 2020.

In the fiscal year ended March 31, 2020 (fiscal 2019), the sales volume of cement in Japan decreased, and net sales decreased year on year as a result of factors such as longer construction periods due to inclement weather, such as typhoons, and skilled worker shortages, as well as a lull in the Olympic and Paralympic Games Tokyo 2020 related construction. Due to factors such as the increase in sales prices for cement, the drop in coal and petroleum prices, increased operating income in the Cement-Related Products business, and improved profitability in the Optoelectronics business, we were able to achieve a year-on-year increase in operating income.

Our Tochigi Plant suffered from flood damage due to Typhoon Hagibis (Typhoon No. 19), which landed in Japan and wreaked havoc in various areas last October, but thanks to employees giving their all night and day, the plant was able to recover in just three days. Furthermore, being able to equally distribute masks, which were difficult to obtain at the height of the novel coronavirus disease (COVID-19) pandemic, to all employees after receiving a large amount from our business partners was a very memorable event.

This was the final year of the “Fiscal 2017-2019 Medium-

term Management Plan,” but we were unable to reach our stated target as the impact of changes to the business environment was large. In the Cement-related Business, our mainstay Cement business was not close to achieving targets, and the Mineral Resources business and Cement-Related Products business were just barely unable to achieve targets. This was due to domestic cement demand falling well below the projected 44 million tons in addition to the prices of raw and various other materials, such as coal, rising higher than projected. Furthermore, in the High-Performance Product Business, expansion of the markets of the Optoelectronics business and the Battery Materials business fell below projections.

On the other hand, regarding the strengthening the business platform of the Cement-related Business, which was stated as an important theme, we were able to steadily produce results. We achieved business growth roughly in line with projections in the High-Performance Product Business due to implementing measures to increase production to respond to customers’ demands and developing technologies, and in the Advanced Materials business due to incorporating customers’ needs.

Formulated Value Creation Process

The value creation process was
— formulated, so please allow me to talk about the business environment.

Japan is a country that leads the world in the number of natural disasters that hit. With natural disasters intensifying recently, the importance of cement, which protects lives and assets through construction for soil and water conservation from the perspective of preventing and mitigating disasters, is increasing. The deterioration of various social infrastructure, such as roads, tunnels, bridges, and water and sewage facilities, is progressing on a nation-wide scale, so the importance of maintaining them is increasing.

The cement industry is an “extreme environment industry” that contributes to the creation of a recycling-based society. In the cement industry, up to approximately 28 million tons annually of ordinary trash, industrial waste and byproducts from corporate activities are used as raw materials for cement manufacturing and thermal energy, and during this no secondary waste is produced.

Furthermore, the Optoelectronics business’s LN modulators and the Advanced Materials business’s electrostatic chucks, which are products of the High-Performance Product Business, are products that contribute to the increase of data traffic associated with advancements such as ICT and IoT. The spread of the COVID-19 has led to the rapid spread of telework and web conferences, and as we expect data traffic to continue to increase going forward, product needs will increase further.

As with the above, we are supporting the development of social infrastructure through our business activities based on the two business domains of the Cement-related Business and the High-Performance Product Business.

— Please tell us how you identify issues and risks.

The biggest issue at present is how much impact COVID-19 will have on corporate activities. Recently, we have been substantially affected by factors such as a temporary stoppage of domestic construction and exports completely stopping temporarily due to lockdowns in Singapore and the Philippines, and we are closely observing the trends of the situation regarding the spread of infection going forward.

In the medium to long term, not only are we not able to expect significant growth in domestic cement demand, but pressure on the cement industry, which emits greenhouse

gases, is increasing as it consumes limestone and coal in a time where climate change is regarded as a problem. In the future, there are concerns of bearing increased costs due to regulations, etc., and the reduction of greenhouse gas emissions is our key management issue.

As coal, which is essential for thermal energy, is affected by the global economy, the risk of variable prices is not small. In addition, we must think of a policy to halt coal-fired thermal power plant operation as well as response measures from the standpoint of a company that possesses coal-fired thermal power plants and takes in a large amount of coal ash from thermal power plants.

Also, as the speed of technological progress in the High-Performance Product Business is faster in comparison to the Cement-related Business, there is a risk that existing products will be replaced by new products.

What are the Sumitomo Osaka Cement Group’s unique strengths and advantages?

The Group’s greatest advantages are its efficient production and logistics system in the Cement business, and rich mineral content and high-purity limestone, which is the primary raw material. The Group’s plants and mines are located throughout Japan in a well-balanced manner. There are 7.0 billion tons of limestone reserves and 4.0 billion tons of minable reserves in the Shuho Mine. The period in which it is possible to mine for the average large-scale mine is approximately 100 years, but a significant strength of the Group is being able to mine for approximately 500 years, which is five times the average.

Furthermore, in addition to cement and concrete related technology cultivated since the establishment of the Group, sophisticated technology related to inorganic materials accumulated using the promotion of diversification of business lines in the 1980s are also where the Company is dominant. Moreover, we have human resources with a high level of expertise in various domains such as cement plant operations, cement and concrete, and technology related to high-performance products.

Being able to make necessary investments at the necessary time is also one of the Company’s strengths as it has a stable financial position due to having few loans and a high equity ratio.

The Sumitomo business spirit, which has been carried forward for 400 years, has permeated into the Company, which is a part of the Sumitomo Group, and the various strengths and dominance held by the Company are supported by this foundation.

Message from the President

Platform to Support Sustainable Growth

What opportunities are there for sustainable growth?

As stated previously, we are not able to expect significant growth in the future for cement in the Japanese market. Up until now, we have continued straightforward cost reduction like wringing a dry towel, but by entering into alliances with other companies in the same industry, it is possible that we can advance these cost reductions even more. Furthermore, by expanding the export market and ensuring plants' operation capacity, we can expect to maintain and expand recycling income. In recent years, demand for ground improvement work has also expanded, and we forecast growth in sales of products such as the Group's solidification materials and "MAGICAL FIX" insoluble materials, as well as for construction services related to ground improvement.

Not only do the cement production plants of the Group make effective use of thermal energy from waste to achieve some of the highest rates of coal (fossil energy) substitution in the domestic industry, but they have also proactively adopted measures to help reduce greenhouse gas emissions, such as through the use of cutting-edge energy-saving technology for core facilities both in Japan and overseas, and the early adoption of power generation that uses woodchip and other biomass as its primary fuel.

Going forward, in addition to further raising the coal substitution rate and seizing this as an opportunity to grow revenues, we will also strengthen initiatives up and that contributing to the realization of lower greenhouse gas emissions and decarbonizing society, such as by reducing clinker rates in the cement production through the increased use of mixed materials, and carbon recycling that approaches CO₂ as a resource to be reused. In this way, we expect to secure new sources of revenue by further improving our technology and obtaining patents.

In the High-Performance Product Business, we will work on the development of next-generation products to succeed our mainstay LN modulator products in the Optoelectronics business, while aiming to expand business through the launch of new products in areas peripheral to semiconductor production equipment in the Advanced Materials business.

In fiscal 2020, the Group formulated the new Medium-term Management Plan. Can you tell us about the details of the Plan?

In the new Fiscal 2020-2022 Medium-term Management Plan, we will continue to work towards the goal set in the previous medium-term management plan of becoming a corporate group on a steady growth trajectory, by expanding our presence in the markets of both the Cement-related Business and High-Performance Product Business. In

preparation for this, we intend to put in place a system to deal with trends in domestic cement demand, while taking an active approach in areas where we seek new growth, such as the overseas cement business and the High-Performance Product Business.

In addition, by working to help solve social issues through our business activities, we aim for a balance between the growth of the Group and solving social issues (beginning with reductions in CO₂), thus achieving enhancement of corporate value and creation of a sustainable society at the same time.

What provides the foundation for sustainable growth?

In August 2019, the Group identified five items of materiality to tackle, through its corporate activities, as social issues of primary importance. In the new Medium-term Management Plan, we aim to solve these five important issues through various business strategies and environmental measures.

Of these, it is "Enhance Governance" that provides the foundation for sustainable growth. The Board of Directors of the Company includes two Independent Outside Directors, as well as three Outside Company Auditors with backgrounds as a certified public accountant, corporate manager and lawyer, whose wide-ranging experience and superior insights facilitate lively contributions to discussions. Furthermore, on the Nominating and Remuneration Committee, which deliberates and reports on personnel proposals, succession planning, elections/dismissals, and remuneration proposals, the Committee members elect the Chair through a mutual vote, in combination with outside experts.

In more detail, what initiatives are you taking in preparation for achieving a sustainable society?

I believe that in future it will not be possible to talk about companies without mentioning the key word "sustainability." In April 2020, the Company established a Sustainable Measures Committee to strengthen initiatives aimed at reducing greenhouse gases and helping to decarbonize society. The Committee draws together members from all departments, and is discussing and investigating numerical targets and specific policies in preparation for an announcement. In parallel with this effort, the Committee is currently also considering participation in the TCFD*, which encourages companies to disclose information related to their response to climate change.

As we move towards realizing a sustainable society, investment in environmental measures will also be required. We intend to invest some of the ¥20.0 billion in free cash flow after dividends that is projected to be generated over the next three years under the new Medium-term Management Plan in such environmental measures.

Five Items of Materiality

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



To Our Stakeholders

How do you generate value for stakeholders?

From the Group's perspective, our important stakeholders are shareholders and investors, customers, business partners, local communities and employees.

For investors and shareholders, we put great importance on maintaining a stable dividend. In order to promote better understanding of our business situation, we hold financial results briefings, participate in IR conferences, and organize visits to business sites and small meetings, with the aim of maintaining a dialogue and disclosing accurate information.

When it comes to customers, our highest priority is the stable supply of high quality products. For that reason, in the Cement business we have built a strong distribution network of cement tankers and trucks that links cement plants and service stations nationwide. In the High-Performance Product Business, we maintain a high global market share in niche fields and we respond swiftly to customer needs with research and development and product improvements.

We select business partners based on a fair, just and comprehensive assessment that takes into account quality, price, delivery time, stability of supply, after-sales service, compliance with laws and regulations, health and safety,

environmental preservation, respect for human rights, and track record.

Our limestone mine and our cement factories are intimately connected with local communities. Not only do the cement plants make a contribution to the local economy and employment, but they also play a significant role in helping to build a recycling-based society in the regions and in assisting in the restoration and revitalization of areas affected by natural disasters, such as by accepting disaster waste and sewage sludge generated in areas overseen by local governments. We seek to coexist harmoniously with local communities while paying attention both to the safety of the community and the environment.

With regard to employees, as a company with an uncompromising commitment to safety, Sumitomo Osaka Cement targets zero accidents while at the same time working to support health management through cooperation with the health insurance association, and to build a safe and healthy workplace. The development of human resources is the most important theme in relation to the sustainable growth of the Company. In addition to promoting diversity so that a wide range of people, including women, foreigners, and those with disabilities, can take an active role in work, we provide regular opportunities for the labor union to make requests and share its opinion.

The Value Provided by the Sumitomo Osaka Cement Group

Finally, please tell us a little about the value provided to society by Sumitomo Osaka Cement Group.

Over the past few years, there has been abundant discussion of ESG, SDGs, and so on, but the issues raised in those discussions are exactly the ideas that we have cultivated over many years in the conduct of our business. We have arranged these thoughts in the above-mentioned five items of materiality, but these are no more than the themes on which the Group has worked assiduously in the past.

In that sense, our ESG initiatives embody the Sumitomo business spirit and the Group's management philosophy.

Going forward, we will continue to fulfill our social responsibilities through our business activities, and contribute to the maintenance and development of 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.

President, Representative Director

Fukuichi Sekine

The New Medium-term Management Plan (Fiscal 2020-2022)

The Group has formulated the Medium-term Management Plan for a period from fiscal 2020 to 2022. The Group will promote each business strategy in light of the following Basic Policy setting out fiscal 2020-2022 as a period during which the Group turns around and gets back on the growth track toward future set goals.

Approach for the Future

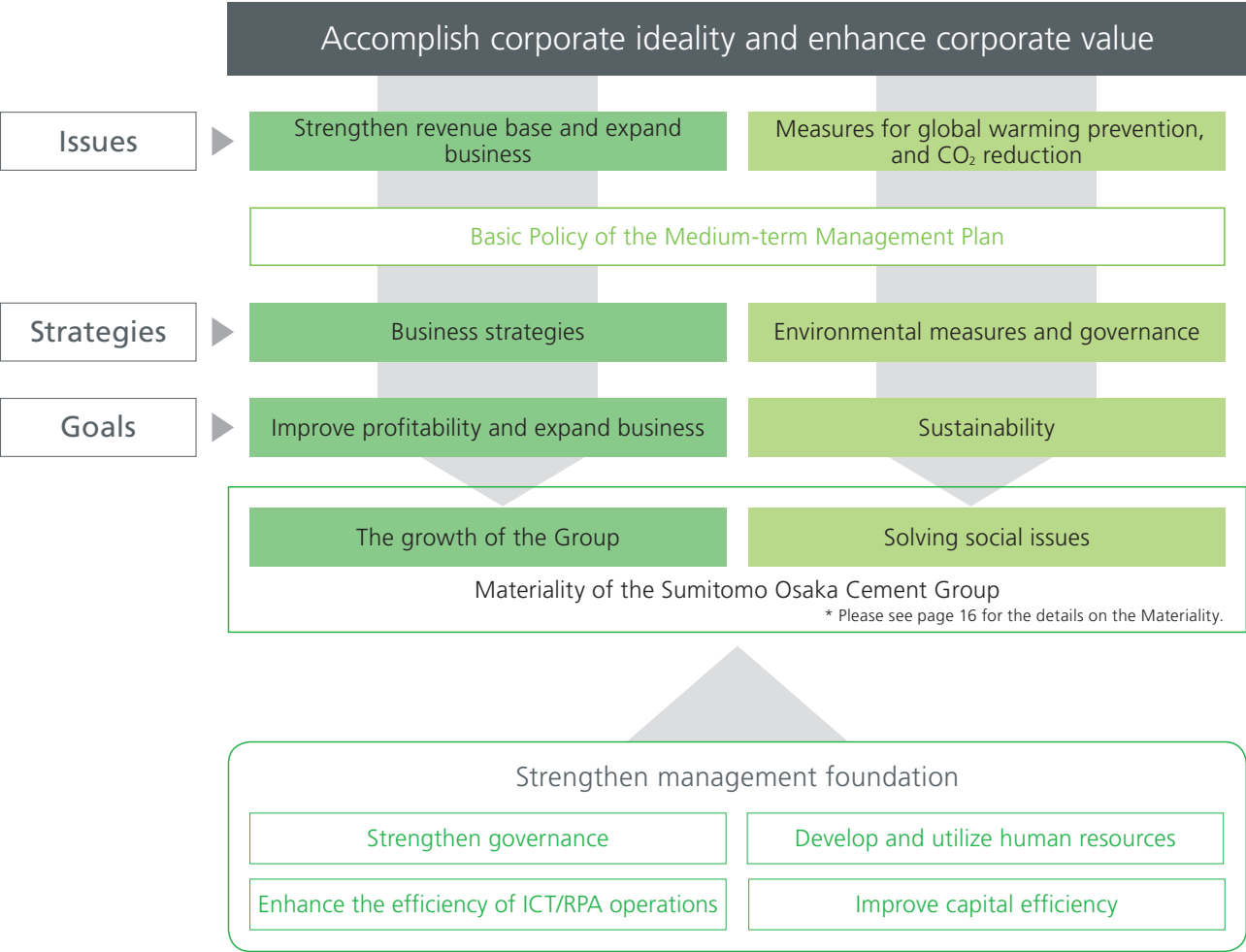
“We are aiming to become a corporate group on a steady growth trajectory, by expanding our presence in the markets of both the Cement-related Business and High-Performance Product Business.”

Basic Policy

- We will expand our business by responding to changes in the external environment and strengthening our revenue base.
- We will consider and formulate measures in preparation for possible management risk while responding to demands in society for companies.

The Position and Overall Picture of the Medium-term Management Plan

With the aim of enhancement of the corporate value of the Sumitomo Osaka Cement Group, we will accomplish both “the growth of the Group” and “solving social issues” including the introduction of environmental measures through the execution of strategies and the achievement of goals.



Business Strategies

In accordance with the Basic Policy of the Medium-term Management Plan, Sumitomo Osaka Cement will solidly advance following business strategies.

Cement-related Business

Please see page 43 for the details.

Improve profitability and develop the business platform for cement and cement-related solidification materials

- Projected domestic demand: 41 million ton / FY2022
- Work on the procurement of enough quantities and cost reduction to establish a system resilient against the external environment.
- Make necessary investments for the beefing up of logistics rationalization, development of production and logistics system, taking environmental measures, etc., and then strengthen the business platform.

Expand related businesses—Overseas business/Mineral resources/Cement-Related Products

- Strive for the launch of overseas cement business with bleak prospects of growth in the domestic cement market.
- Aim at achieving solid growth in Mineral Resources business and Cement-Related Products business.

High-Performance Product Business

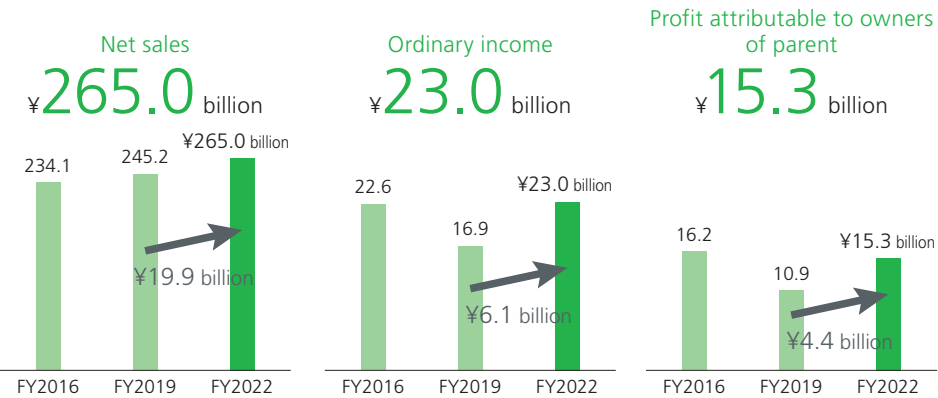
Please see page 47 for the details.

Secure existing mainstay products' competitiveness and develop new products

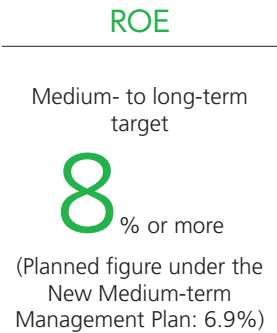
- Actively promote the business as is the domain anticipating growth in the market.
- Properly respond to customer needs through enhancement of technological capabilities and production efficiency.
- Strengthen research and development and develop new products by applying fundamental technologies as well as utilizing external resources.

Overview of Numerical Plan

Target figures under the Profitability Plan for FY 2022



Management Indicators



Consolidated cash flows (3-year total)

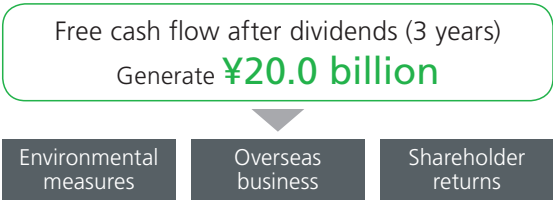
		3-year total
Operating cash flow [Depreciation and amortization]		100.0 [59.4]
	Bolster growth and competitiveness	(15.0)
	Maintenance / upgrades, other	(50.0)
Investing cash flow		(65.0)
Free cash flow		35.0

		(Billions of yen)
		3-year total
Shareholder dividends		(14.0)
Free cash flow after dividends		21.0

- Capital investment will be made solidly for the maintenance and renewal of cement plants and the growth in High-Performance Product business.
- Steady dividends payout is continuously planned at a baseline of ¥100 per share for a profit of ¥10.0 billion. (¥120 per share is used for the calculation under the above plan.)

Free cash flow after dividends

Free cash flow after dividends will be appropriated for the implementation of future measures such as investments into environmental measures and overseas business, and also higher shareholder return along with the acquisition of treasury stock will be considered if each circumstance allows.





Hirotsune Morohashi
Director, Managing Executive Officer

Message from the Director responsible for the Corporate Planning and Administration Departments

We will improve capital efficiency to accomplish the New Medium-term Management Plan.

Basic Policy

The Company has set out its future direction to become a corporate group on a steady growth trajectory, by expanding our presence in the markets of both the Cement-related Business and High-Performance Product Business, with an eye on the enhancement of its corporate value and the actualization of sustainability.

In light of this policy, the Medium-term Management Plan stretching over three years commencing from fiscal 2020 has been laid down to strengthen the revenue base and expand the business in response to changes in the external environment, which are crystallized by factors such as domestic cement demand, resource and energy prices,

the advent of IoT/ICT and society in the 5G era.

Amid the heightened awareness of ESG and SDGs including climate change issues, we will endeavor to solve the social issues through our business activities and propel the initiatives to curb CO₂ emission while contributing to the creation of a traditional recycling-based society.

Further, to promote such initiatives, we will work on strengthening our management foundations, including governance, human resources, finance and IT. Specifically, in terms of the finance, we will enhance capital efficiency as part of our initiatives.

Investment Plans

¥65.0 billion of capital investment is budgeted over a three-year period under the Fiscal 2020-2022 Medium-term Management Plan. The Medium-term Management Plan allocated ¥15.0 billion to "Bolster growth and competitiveness" and ¥50.0 billion for "Maintenance / upgrades, other." Our plan includes maintenance and renewal, etc. for cement production facilities and cement tankers, as well as investment in high-performance products to facilitate its further growth.

Also, we plan to generate free cash flow after dividends

of ¥20.0 billion over a period of three years, which will be allocated for environmental measures, overseas businesses and shareholder returns with an eye on the realization of the future growth. As for environmental measures, we are planning to take actions to increase capacity to accept more waste plastics and general waste incineration ash, as well as measures for the rise in receiving volume of chlorine contained in the waste plastics, etc. Also, we will renew exhaust gas treatment facilities at cement plants.

Returning Profits to Shareholders

We will continue to pay stable dividends as part of shareholder returns to our shareholders, in principle. The annual dividend for fiscal 2019 was ¥120 per share, which was a ¥10 increase per share from fiscal 2018.

We will strive for continued payment of stable dividends by putting effort to strengthen our revenue base, expand

businesses, and solidify the management foundation from fiscal 2020 onward. We will also consider the purchase of treasury stock depending on the circumstance of free cash flow after dividends with taking into account trends on earnings performance and sales of cross-shareholdings.

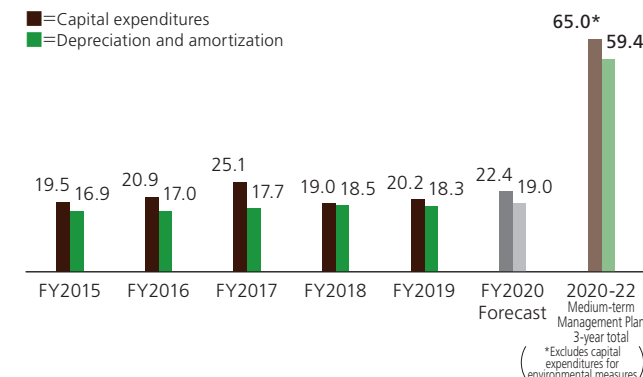
Numerical Plan

Under our three-year Medium-term Management Plan from fiscal 2020, the targets for fiscal 2022, which is the final year of the Plan, are consolidated net sales of ¥265.0 billion, consolidated ordinary income of ¥23.0 billion, and consolidated profit of ¥15.3 billion. We plan to increase net sales, ordinary income, and profit by ¥19.9 billion, ¥6.1 billion, and ¥4.4 billion, respectively, compared to fiscal 2019. In the Cement business, as growth in demand is weak and unlikely to resurge, we will procure enough quantities and perform cost reduction so that we can build a system resilient against the external environment. We are

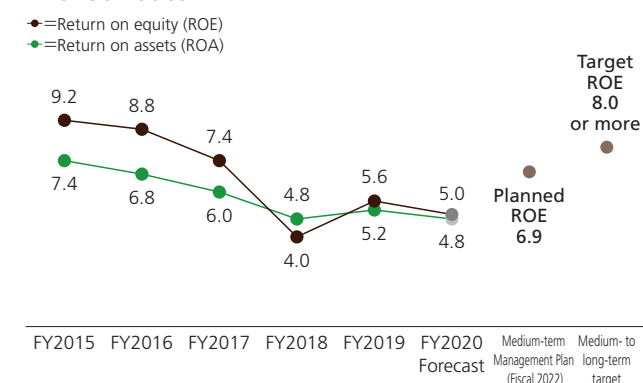
committed to starting up overseas business in extending our business further. We will actively promote High-Performance Product business as is the domain anticipating growth in the market. Further, we will strengthen research and development and develop new products by applying our fundamental technologies as well as utilizing external resources. ROE as a financial indicator is planned at 6.9% for fiscal 2022, but its medium- to long-term target is set at 8.0% or more.

(Please see page 12 for the details.)

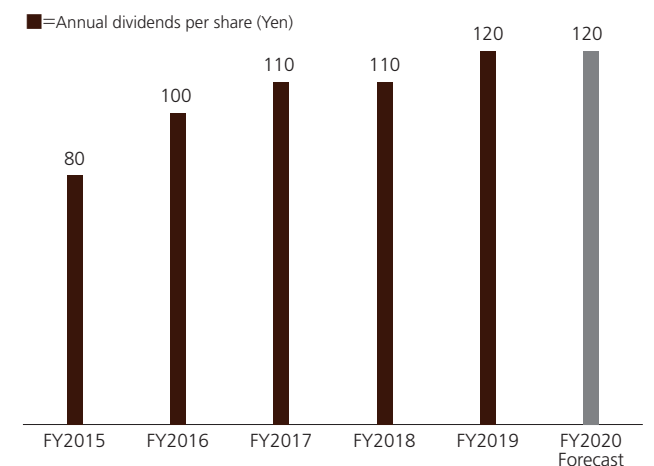
Investment plans



Financial ratios



Annual dividends



* Dividends trend reflects the calculation of dividends per share under an assumption factoring in reverse stock splits in the historical figures.

Historical transactions in the purchase of treasury stock

	FY2015	FY2018
Number of shares purchased	10,000,000	20,000,000
Purchase price (Billions of yen)	4.5	10.6

Sustainability for the Sumitomo Osaka Cement Group

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 sustainable and 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.

Promotion Framework

CSR Committee

The CSR Committee is established to raise, spread and embed awareness of corporate social responsibility (CSR) and social contribution activities, and to build better relationships with the Group's stakeholders. As part of the framework to carry out activities, we designate the President as the Chair of the Committee. We have been working on the CSR activities that are fully integrated with the cross-organizational business activities of the entire company.

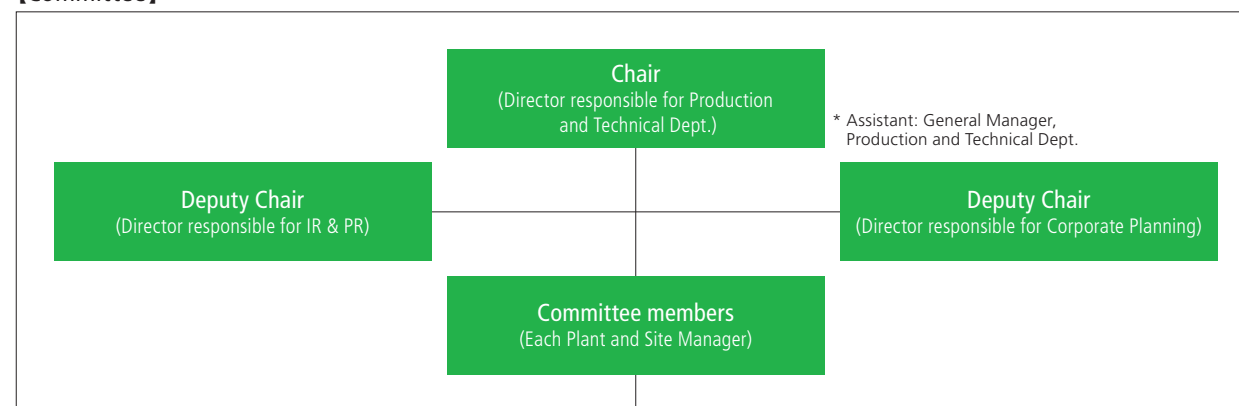
Sustainable Measures Committee

In 2015, the Paris Agreement was adopted as a new international framework for reducing post-2020 greenhouse gas emissions at the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) held in Paris, France. In recent years, climate change has become apparent on a global scale, and there have been increasing demands for companies to take concrete initiatives in light of the Paris Agreement.

We have established the Sustainable Measures Committee on April 1, 2020, to bolster our initiative to reduce greenhouse gases and realize a decarbonized society. We considered the necessity of the establishment of the Committee to deliberate the measures aimed at instigating sustainable corporate activities of the Group against the backdrop of the release of visions for the realization of "decarbonized society," which was hammered out by the Japanese government and the Japan Cement Association to which the Group belongs.

Sustainable Measures Committee Organization Chart

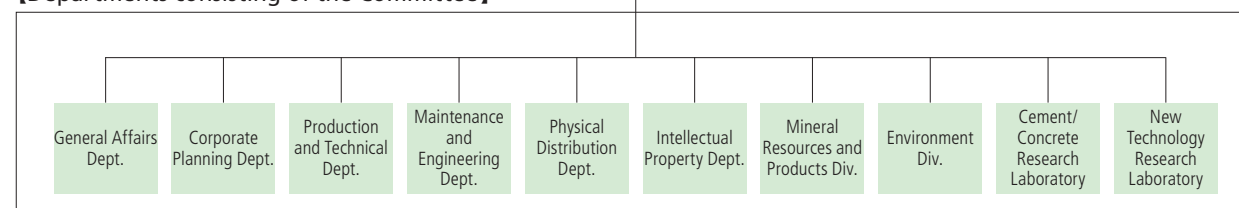
[Committee]



[Secretariat]

Corporate Planning Dept.
and IR & PR Group of General Affairs Dept.

[Departments consisting of the Committee]



Materiality (Priority Issues)

The primary social issues that the Group aims to tackle through its corporate activities have been identified as five items of materiality, as illustrated in the diagram on the right. 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.



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 SDGs goals, the Group has identified those that are closely related to the Group's materiality. (See the materiality diagram above). The Group has been contributing to the achievement of the SDGs through its diverse business actions, and it did so with the use of specific targets and key performance indicators (KPIs) to facilitate higher transparency in achievement and accelerate initiatives.



Environment



Environmental Management

— 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.

► 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 Preservation Framework

► Promotion Framework

To promote environmental preservation, the Group has adopted an environmental preservation promotion framework headed by the president, with the environmental director 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.

► Environmental Audits

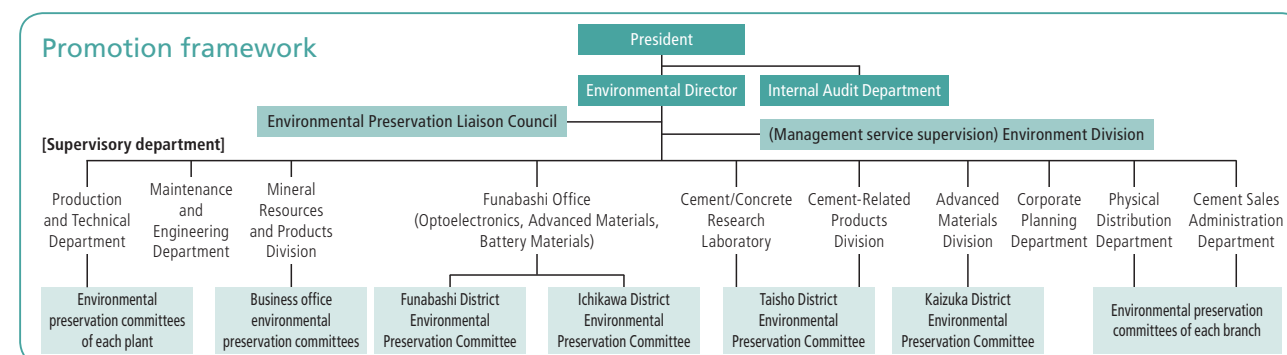
The Internal Audit Department conducts environmental audits regarding the implementation status of environmental preservation as defined in the environmental preservation management regulations (see note), and reports its findings in order to sustain and improve the Company's environmental level.

► 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.



(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.

Reducing Environmental Impact

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, 2020 (fiscal 2019), Sumitomo Osaka Cement Group cement plants produced roughly 10,550,000 metric tons of cement and sold roughly 770,000 MWh of retail electrical power to outside users. The raw materials and thermal energy for these purposes totaled 16,710,000 metric tons. We used 5,480,000 metric tons of waste and byproducts from thermal power plants, other industries and local governments, thereby reducing the environmental impact.

► Water Pollution Prevention

Waste water from our cement plants primarily takes the form of rainwater or of indirect cooling water discharged from cement production facilities or power plants. Furthermore, we have dikes installed around oil tanks and similar structures to prevent oil leaks. When wastewater is released from the plant into the local water zone, sedimentation tanks, oil-water separation tanks and oil monitors are put in place to prevent any contamination.

In terms of water for industrial 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 cooling water, and strives to conserve freshwater resources.

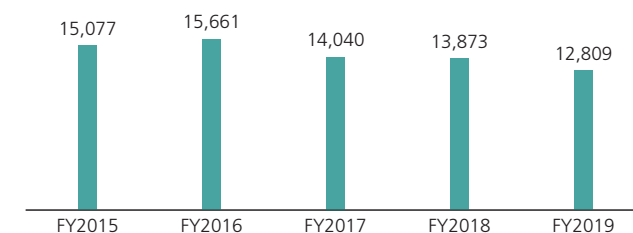
► Preventing Air Pollution

As part of pollution-reduction measures, the Group uses dust collectors and denitrification equipment to prevent the emission of NOx, SOx, particulate matter and other air pollutants contained in gases emitted by cement manufacturing facilities and power generation equipment. 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

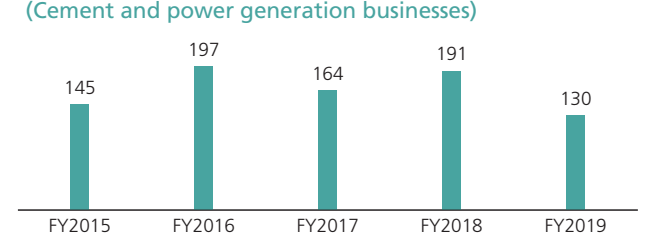
At our Head Office (Chiyoda Ward, Tokyo), employee consciousness around energy conservation since the Great East Japan Earthquake struck has improved even further, with everyone joining forces with the building management company to conserve power and water, leading to lower CO₂ emissions. We are switching 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.

NOx* emissions (Cement and power generation businesses) (Tons)

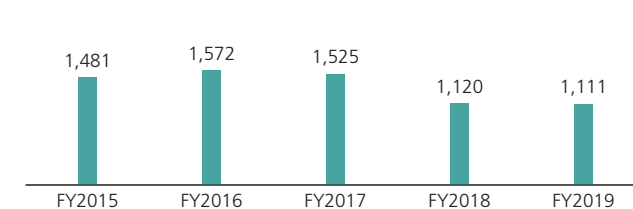


*NOx: This refers to nitrogen oxides, which are gaseous compounds emitted from sources such as automobile exhaust and factory equipment that contribute to air pollution and photochemical smog. In Japan, emissions standards for NOx are defined under the Air Pollution Control Act based on the scale and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

Particulate matter emissions (Cement and power generation businesses) (Tons)

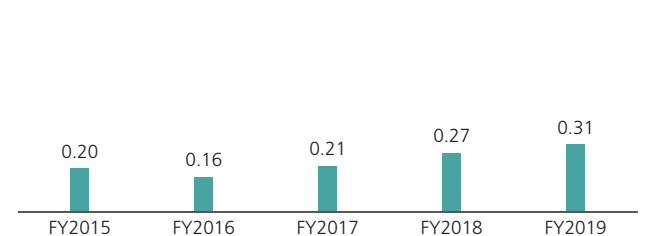


SOx* emissions (Cement and power generation businesses) (Tons)



*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.

Dioxin* emissions (Cement business) (g TEQ/year)



*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

The cement industry, which consumes energy in various ways, is taking action to help prevent global warming by reducing greenhouse gas emissions, including CO₂ emissions. For its part, the Sumitomo Osaka Cement Group is expanding its use of biomass energy and waste plastics, etc. that are industrial waste and byproducts alternative to thermal energy. The Group is also making progress towards reducing its use of fossil energy, such as coal.

Risks and Opportunities of Climate Change

As the Cement business involves enormous greenhouse gas emission from the consumption of limestone and coal, the Group recognizes the “risks and opportunities” arising from climate change as key management issues.

If regulations on greenhouse gas emissions are tightened, there is a possibility of financial risk. Meanwhile, revenue growth is expected depending on the advancement of technologies for the reduction of green gas emissions and energy-saving facilities, extensive recycling with the extended use of alternative thermal energy in place of coal, and more use of biomass power generation.

In recent years, global warming, caused most probably by greenhouse gases, has led to intensifying natural disasters (such as heavy rain and floods), which increases economic risks to supply chains and plant operations. On the other hand, amid sheer necessity of infrastructure to protect people’s lives and property, we see the heightened demand for the Group’s cement-related products supplied to the infrastructure as an opportunity.

	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 more destructive natural disasters on plant operations and supply chains	Increased demand for cement products resulting from infrastructure development in preparation for natural disasters

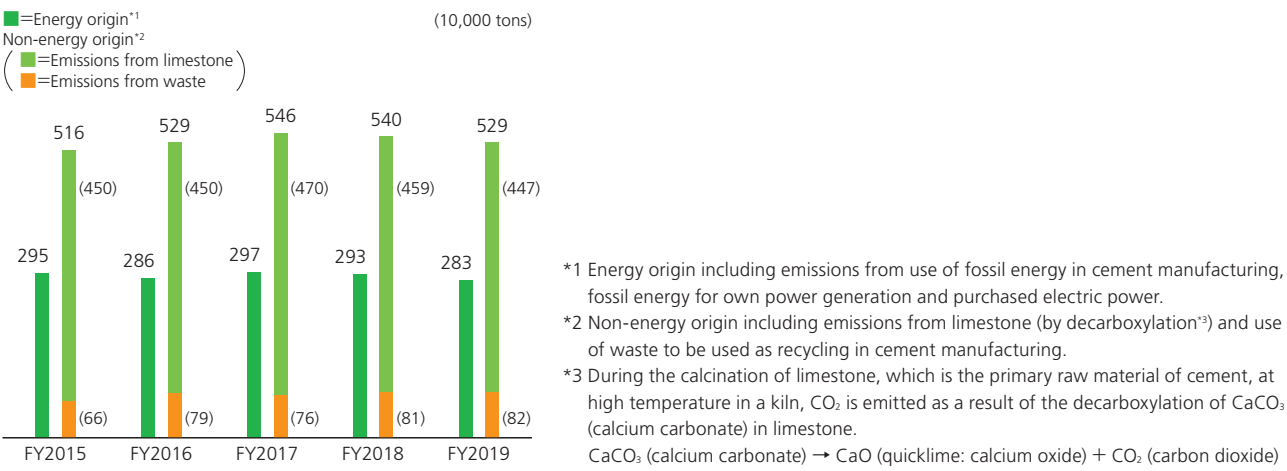
Future Initiatives

As mentioned above, the Group recognizes the risks associated with climate change as significant risks. Following discussions held at the Sustainable Measures Committee established in April 2020 (see page 15), we will consider concrete measures to reduce greenhouse gases and realize a decarbonized society and announce the Group’s policy for the creation of the decarbonized society, including the provision of greenhouse gas reduction targets.

Deliberation on supporting TCFD

Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) recommends the disclosure of climate-related information impacting finance. The Sustainable Measures Committee will discuss the impact on the Company affected by climate change and the continuity of its business under such influence based on the climate scenario and will deliberate on supporting the TCFD.

CO₂ emissions generated from cement manufacturing (values provided based on regulations on measurement, reports, and disclosure of greenhouse gas emissions)



Utilizing Waste Heat Power Generation at 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 greenhouse gas emissions can be reduced compared to coal-fired power generation.

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 the reduction of greenhouse gas emissions.

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.

Introducing Energy-Saving Equipment

We have adopted clinker coolers^{*4} with high heat-recovery efficiency in all the kilns (cement firing equipment) at the five plants of the Group, which, in addition to lowering the basic energy unit from combustion, have enabled us to reduce the amount of electricity used to drive fans by reducing the need for cooling air.

While Gifu Plant and the Ako Plant have improved the existing kiln burner^{*5} and installed new burners, Kochi Plant also plans to introduce a new burner to promote energy conservation with improving energy efficiency.

In addition, the Company has a top-class track record in the domestic industry for the substitution rate of coal (fossil energy) by using wood chips, waste white clay (soil containing oil), and waste oil.

Under the Fiscal 2020-2022 Medium-term Management Plan, the Company will work to enhance equipment used for waste plastic treatment in order to further improve the substitution rate, promote the curbing of coal use, and strive to prevent global warming.



Ako Plant

^{*4} Clinker coolers are rapid cooling systems that use blowers to supply air to cool high-temperature clinker fired in cement kilns. The hot air created by extracting heat from the clinker during the cooling process is utilized as combustion air in kilns and preheating kilns.
^{*5} A kiln burner is equipment for obtaining high heat energy by efficiently burning pulverized coal and alternative heat during clinkering in a kiln.

Resource Recycling

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

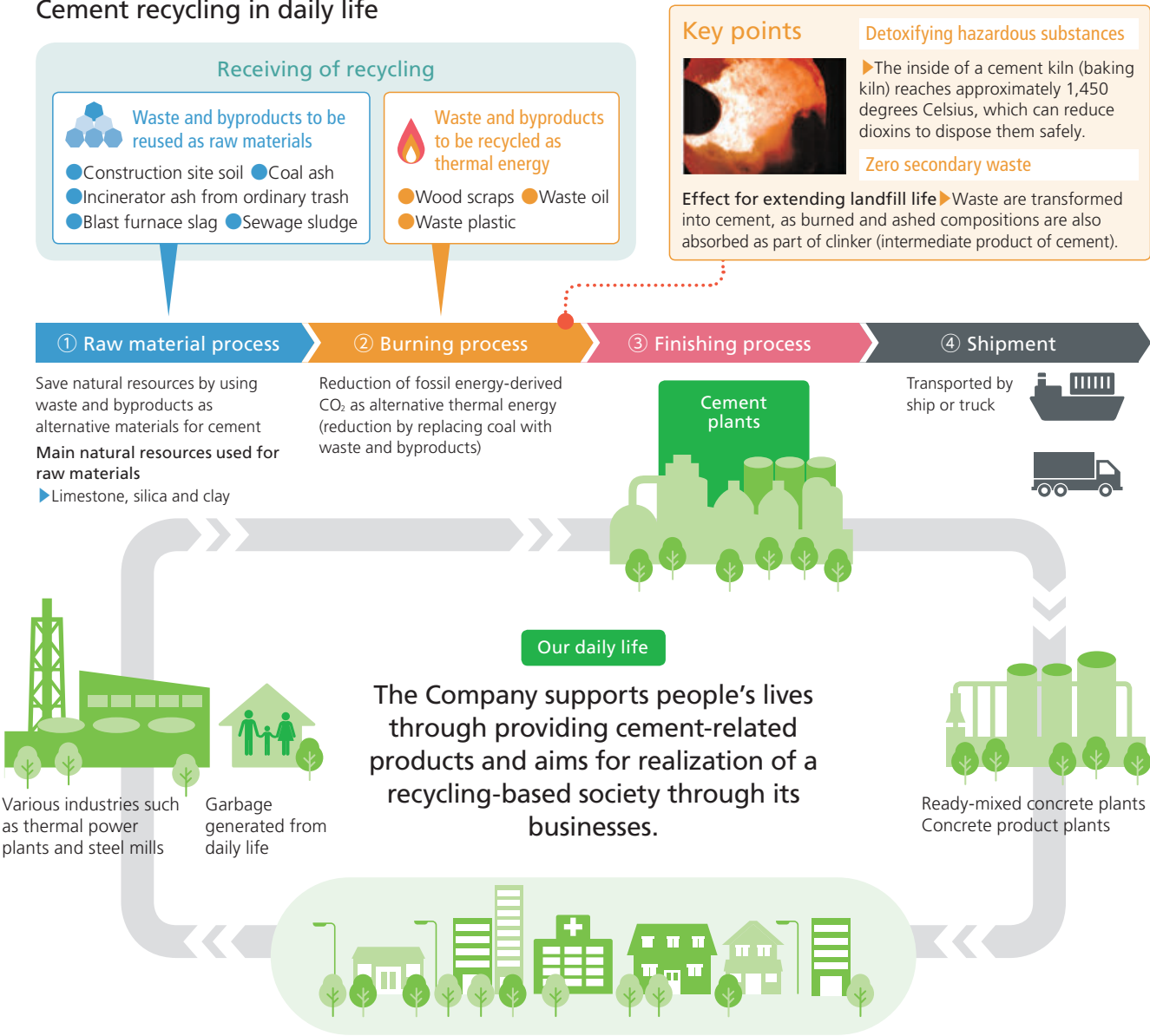
Cement is a chemical substance characterized by the chemical reaction called hydration that occurs when water is mixed with cement. Cement is mainly composed of calcium, silicon, aluminum and iron, which are produced by compounding and burning them at a high temperature of approximately 1,450 degrees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

Cement recycling in daily life



Receipt of Disaster Waste

The Group accepts disaster waste generated by earthquakes and flood damage, which are reusable as alternative raw materials and thermal energy.

Large quantities of disaster waste have been accepted, including rubble and other waste from the 2011 off the Pacific coast of Tohoku Earthquake (Great East Japan Earthquake) (approximately 100,000 tons), disaster waste in Joso City, Ibaraki Prefecture after torrential rains in Japan's Kanto and Tohoku regions destroyed the Kinugawa River bank in September 2015 (about 8,000 tons of stockpiled rice and tatami mats ruined by immersion in water), wood scrap caused by the impact of Typhoon Lionrock (Typhoon No. 10) on Kuji City, Iwate Prefecture in 2016 (approximately 1,000 tons), and wood scrap from houses destroyed by the Kumamoto Earthquake in 2017 (approximately 5,000 tons).

Achievements in Fiscal 2019

The Heavy Rain Event of July 2018 (West Japan Heavy Rain)

Ako Plant (Ako City, Hyogo Prefecture) and Kochi Plant (Susaki City, Kochi Prefecture) accepted disaster waste such as sediment and roof tiles generated by the West Japan Heavy Rain Disaster in 2018 from three municipalities: Okayama Prefecture; Kure City, Hiroshima Prefecture; and Uwajima City, Ehime Prefecture (approximately 40,000 tons).

Typhoon Hagibis (Typhoon No. 19) in 2019

Typhoon Hagibis (Typhoon No. 19) striking Eastern Japan, which landed and wreaked havoc in various areas in October 2019, generated an enormous amount of disaster waste such as inundated tatami mats and sediment due to flood damage triggered by the collapse of the embankment of Akiyama River in Sano City, Tochigi Prefecture. Izumi Industry Ltd. (Sano City, Tochigi Prefecture), which belongs to the Group, accepted the tatami mat waste, which were reused as thermal energy for calcining cement at Tochigi Plant (Sano City, Tochigi Prefecture) after breaking them up.



Tatami mat waste accepted by Izumi Industry Ltd.

In January 2020, the Group company Hachinohe Cement Co., Ltd. (Hachinohe City, Aomori Prefecture) accepted disaster waste consisting of rice straw, caused by torrential rain brought on by Typhoon Hagibis (Typhoon No. 19) in 2019, from Osato-cho, Minamisanriku-cho, and Iwanuma City in Miyagi Prefecture.

In March 2020, the Gifu Plant (Motosu City, Gifu Prefecture) had started to accept disaster waste, caused by Typhoon Hagibis (Typhoon No. 19) in 2019, from Chikuma City, Nagano Prefecture. In addition to the Group's four cement plants (Hachinohe Cement Co., Ltd., Tochigi Plant, Ako Plant, and Kochi Plant) accepting disaster waste, Gifu Plant has accepted the disaster waste for the first time.

The total volume of disaster waste caused by Typhoon Hagibis (Typhoon No. 19) accepted by the Group during fiscal 2019 was approximately 47,000 tons.

The Group considers to support the early recovery and early revitalization of regions affected by the disaster by continuously accepting disaster waste, with other efforts.

Status of Waste and Byproduct Use

In line with a decrease in cement production volume in fiscal 2019, the Company's use of waste and byproducts dropped roughly 1% over the previous fiscal year to 5,479,000 metric tons.

		FY2015	FY2016	FY2017	FY2018	FY2019
Raw material-related industrial waste ^{*1}	(Unit: 1,000 tons)	2,913	2,858	3,056	2,883	2,911
Thermal energy-related industrial waste ^{*2}	(Unit: 1,000 tons)	394	412	399	367	378
Byproducts ^{*3}	(Unit: 1,000 tons)	2,098	2,164	2,189	2,289	2,190
Subtotal	(Unit: 1,000 tons)	5,405	5,434	5,644	5,538	5,479
Cement production volume	(Unit: 1,000 tons)	10,470	10,519	10,915	10,758	10,550
Basic unit (kg/ton-cement)	Raw material-related	278	272	280	268	276
	Thermal energy-related	38	39	37	34	36
	Byproducts	200	206	201	213	208
Total (kg/ton-cement)		516	517	517	515	519

^{*1} 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

^{*2} Thermal energy industrial waste: waste plastic, waste clay, waste oil, waste tires, wood scraps, others

^{*3} Byproducts: Incinerator slag, byproduct gypsum, wood chips (including those for retail power generation), others

Protecting Biodiversity

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.

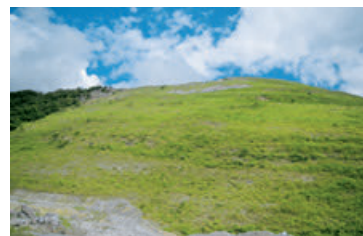
The environmental philosophy of the Group is summarized as follows: "The Sumitomo Osaka Cement Group aims to contribute to the preservation of the global environment and create abundance in society by pursuing environmentally friendly manufacturing, power generating and distribution operations in order 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)



Shuho Mine (Mine City, Yamaguchi Prefecture, Japan)

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.



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 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.

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

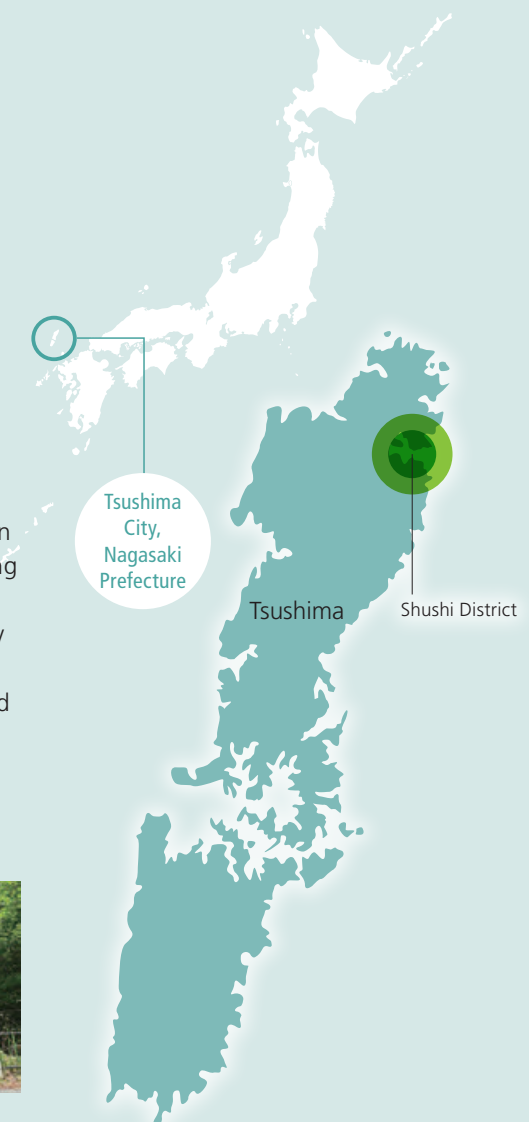
We have been restoring the natural environment to protect the Tsushima leopard cat at the site of a clay mine.

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, 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 idle land, as it turns out, is the habitat of one of Japan's most endangered species, the Tsushima leopard cat. In 2007, Sumitomo Osaka Cement Group began protecting the natural environment of this forest in the idle land 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, the small creatures that are prey for the Tsushima leopard cat. In these ways, we have been restoring the natural environment by preparing an environment from the ecosystem up that the Tsushima leopard cat will find welcoming.



Shushi Forest



National Endangered Species of Wild Fauna and Flora: Tsushima leopard cat

Only distributed in Tsushima, Nagasaki Prefecture. The number of Tsushima leopard cats estimated to be less than 100 (70 or 100) (according to the Ministry of the Environment website). Photo credit: Noted wildlife photographer Makoto Kawaguchi

Social

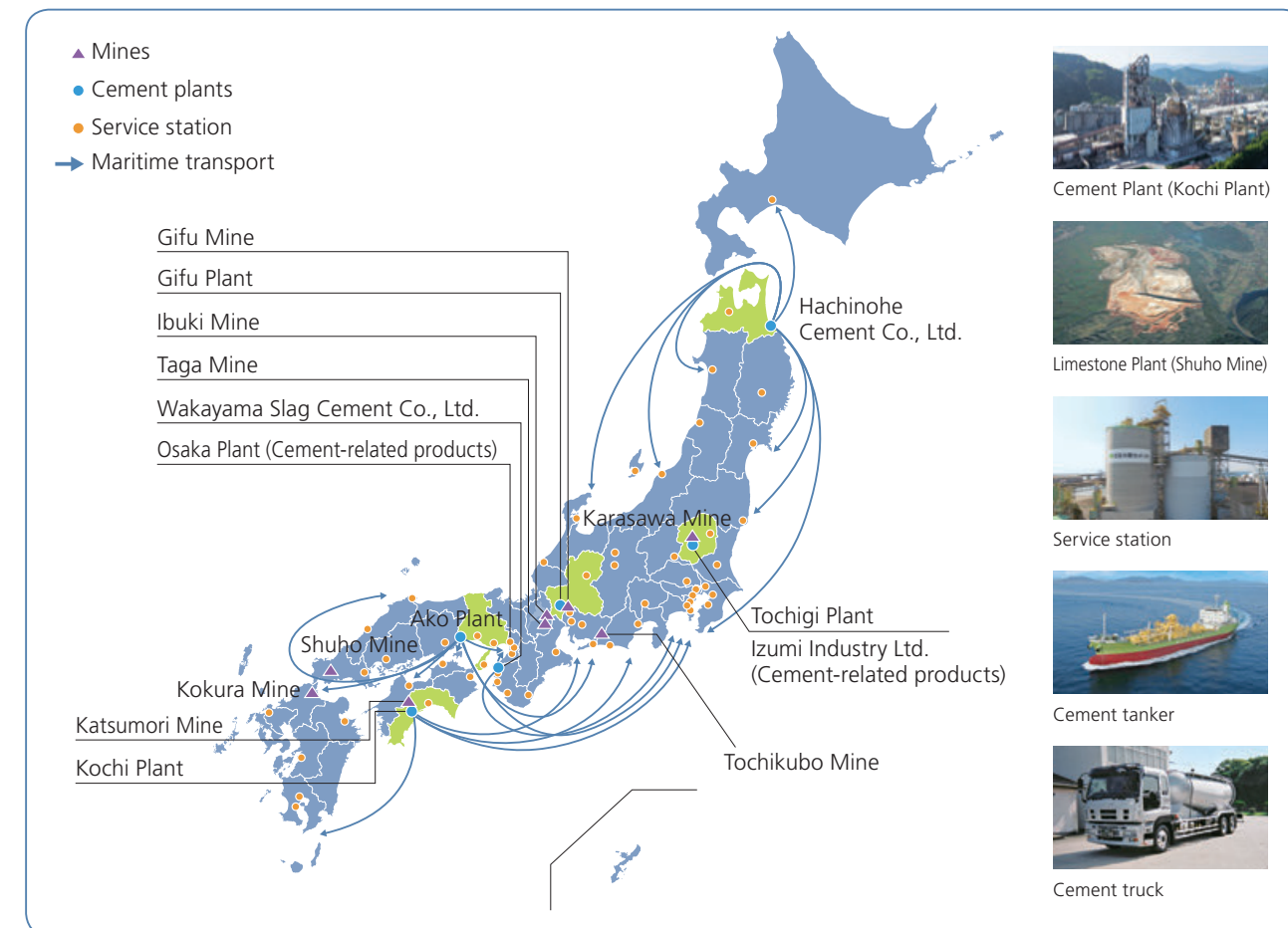
Stably Supplying Products that Support Social Infrastructure

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 2020) connected by 20 cement tankers under control of the Group and trucks.

The Mineral Resources business supplies highly-quality limestone from eight mines dispersed across the country. The Cement-Related Products business supplies reinforcing and repairing products mainly from Izumi Industry Ltd. (Tochigi Prefecture), an affiliate, in Eastern Japan and the Osaka plant (Osaka Prefecture) in Western 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, dams, 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.



Funabashi Office (Funabashi City, Chiba Prefecture) as a base for the High-Performance Product Business

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

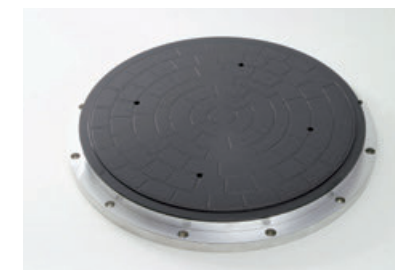


LN modulator



Production equipment (Dongguan Sumi Sou Optoelectronics Technology, Co., Ltd., Dongguan City, Guangdong Province, China)

Advanced Materials

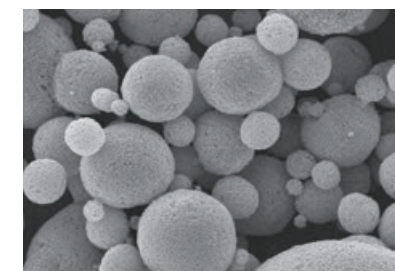


Electrostatic chuck for semiconductor manufacturing equipment



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

Battery Materials



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



Production equipment (SOC VIETNAM, Hung Yen Province, Vietnam)

Quality

► Approach to Quality

The Sumitomo Osaka Cement Group places importance on quality control in the Cement-related Business and High-Performance Product Business, and has established a quality control framework that responds promptly to customer needs.

In the Cement business, 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

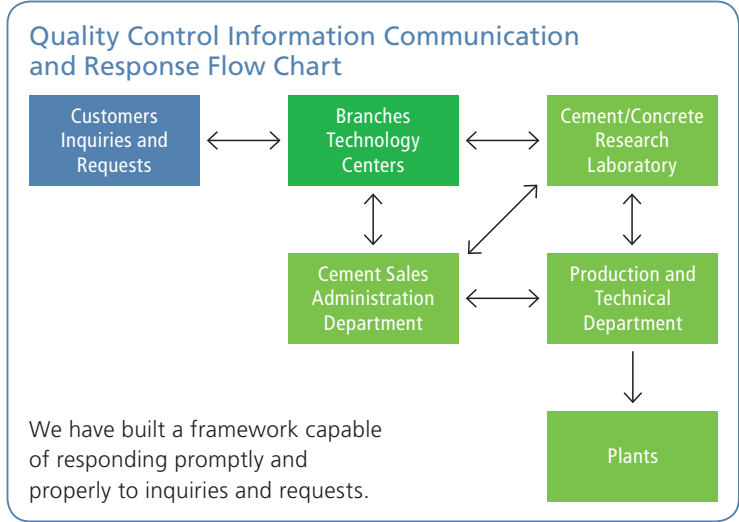
The Sumitomo Osaka Cement Group’s production plants have acquired quality management system (QMS) certification in accordance with ISO 9001 (international guidelines on quality assurance), have built and maintain quality control frameworks and continue quality control activities. The five production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

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.

► Relationship with Customers (Cement Business)

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 (Cement Business)

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 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.

Fair Trade

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.

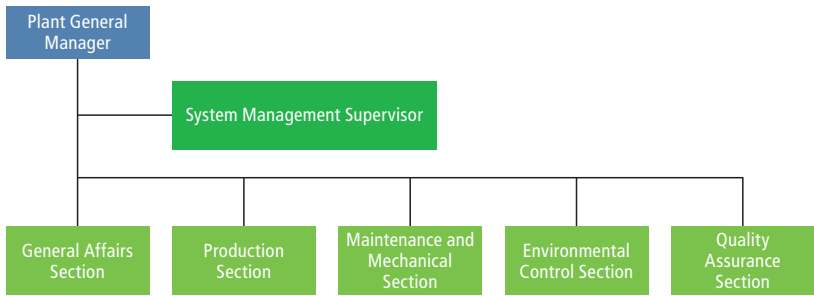
Contribution to Society

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

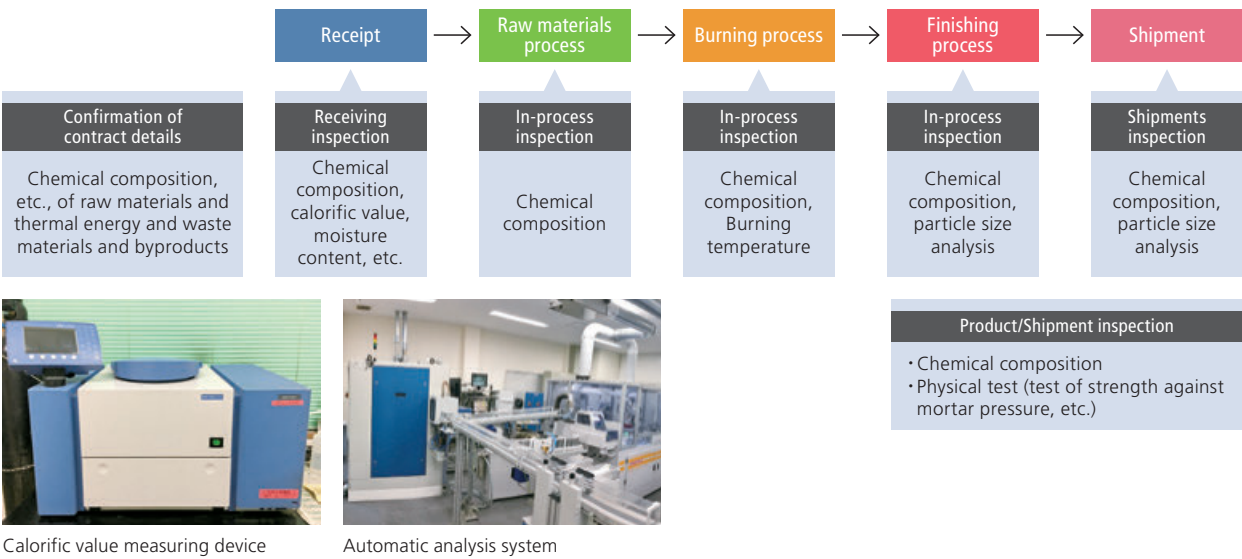
Based on the above basic policy on purchasing, we will fulfill our social responsibilities by requiring suppliers and other business partners under the value chain framework to respect human rights and prevent forced labor and child labor.

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



R&D and IP

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 (Optoelectronics, 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.

Cement/Concrete Research Laboratory R&D Policy

“Strive for the implementation of technologies to actualize the higher value-added core business under one roof.”

- 1) Maximize profitability of the recycling business and realize facility efficiency that contributes to a low-carbon society
- 2) Enhance construction site productivity and develop concrete technologies with an eye on the conservation of power and labor, and automation.
- 3) Develop CO₂ reduction technology and apply MAGICAL FIX® to water purification sector

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. Sumitomo Osaka Cement 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 approximately 70% of the total bridges in Japan, are managed by municipalities, and half of them will have been around for more than 50 years in 10 years’ time. Sumitomo Osaka Cement 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.

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.

New Technology Research Laboratory R&D Policy

“Continuous output of new products bolstering existing business and promotion of core research aimed at the creation of new business”

～In the first year of the Medium-term Management Plan, strengthen the capability for verifying process designs with a view toward a short transition from development to production.～

- 1) New product development aimed at securing existing business’s competitiveness
- 2) Measures for a faster and more sophisticated response to customer needs
- 3) Commitment to bolster engineering functions for higher production efficiency and stable operations

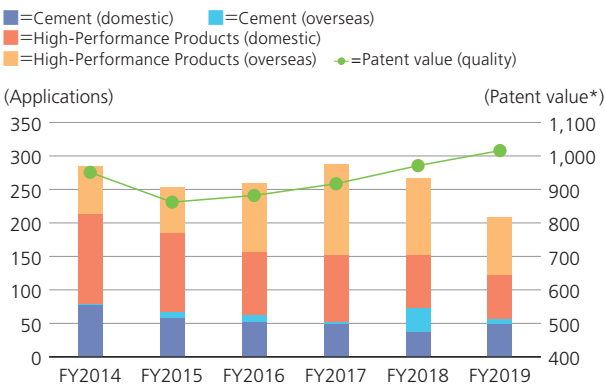
Intellectual Properties

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

Under the Basic Policy on IP under the Medium-term Management Plan commencing from this fiscal year, “Create intellectual property rights contributing to the business expansion and strengthen management foundation leveraged by the intellectual property domain,” we will keep observing initiatives for improving the quality of patent applications, and amplify patent portfolios in business and market domains.

Changes in total number of patent applications



The beefing up of collaboration with inventors and promoting liaison work allows a shift of focus from quantity to quality in terms of patent applications. High-value applications were filed with an eye on the utilization of the patents, following an assessment performed in various fields such as business, technology and intellectual property.

R&D Topics

Development of “Magical SKiP,” Early-strength Agent for Mixed Cement

As the construction workforce population is shrinking, labor-saving and higher efficiency in construction work have become important issues. Higher production efficiency is considered to be a focal point to be tackled in construction work; especially concrete constructions involving many tasks requiring ample workforce and time. Also, as equally as important are the initiatives for the reduction in emissions of CO₂, a greenhouse gas. We have been promoting the use of mixed cement consisting of byproducts, such as ground granulated blast-furnace slag and fly ash, in order to reduce the volume of CO₂ emitted throughout the concrete manufacturing process.

However, the real issue is that with the slowness in the emergence of the strength of the concrete using the mixed cement, compared to other concrete in general, the curing period of such concrete under the low-temperature environment such as cold districts especially in the winter season, tends to take longer, resulting in longer period consumed before casting off frames. As such, the primary adversity arising in the construction industry striving to improve its production capability is shortening the period of construction with the use of concrete made up of the mixed cement.

To counter such issue, the Company developed a brand new product material, namely “Magical SKiP,” early-strength agent for mixed cement.

Adding and putting a small quantity of the Magical SKiP when mixing the concrete using the mixed cement enables early-strength development even under a low-temperature environment, and thus shortens the concrete construction period. An effect of a 40% reduction in the construction period can be expected according to the preliminary calculation derived by trial testing conducted.

Furthermore, the use of the Magical SKiP will reduce cracks caused by concrete contraction and consequently achieve the enhancement in performance with crack-resistant properties, etc.

We plan to expand the sale of Magical SKiP mainly in cold districts going forward.

(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)

Together with Employees

The Sumitomo Osaka Cement Group strives to create comfortable work environments that are safe, healthy and where it is easy to work to enable employees to 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 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.

We have been taking various actions, including active employment of women, the introduction of leave of absence and re-employment schemes for female employees (Managers, employees nationwide) who have reasons such as sharing livelihood with a partner after marriage and relocation due to the partner's work transfer, broader placement of various frameworks such as for flexible working hours allowing employee's peace of mind at work, multiple systems to support balancing work with childrearing, nursing care, etc., and provision of training aimed at raising awareness within the company.

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)

Together with steps to expand opportunities for women to flourish, we are enacting training programs and workshops for female employees designed to raise awareness among employees of the rationale for diversity promotion and the status of related initiatives taken by the Company in hope to prepare the ground and reshape attitude and the mindset. Sumitomo Osaka Cement is committed to backing efforts to help employees thrive even more, as we leverage the talents and aptitude of every employee and strive to create organizations and workplaces where it is exciting to work for years to come.

▶ 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.

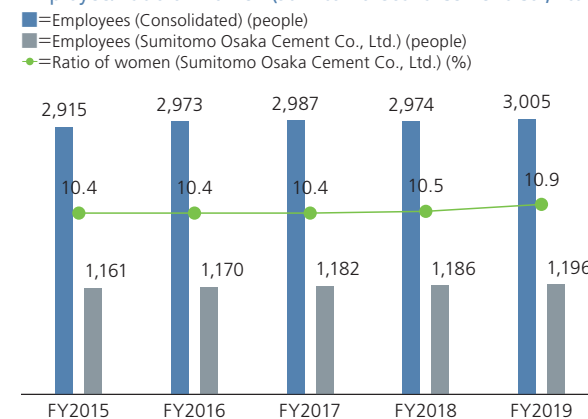
▶ Employment of Persons with Disabilities

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, 2020, 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.

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



– Work Life Balance

▶ Supporting Employees with Childcare and Nursing Care Needs

With fewer births and societal aging gaining momentum in Japan, Sumitomo Osaka Cement has established childcare leave and nursing care leave systems and institutionalized reduced working hours significantly greater than legal requirements, so that employees can balance work with childcare and nursing care with a sense of security. 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 with childcare and nursing 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 revised “The Balance Support Guidebook” in 2019 to include “Internal procedures for Childcare Leave for Male Employees.”

The Company further promotes to build a working environment where both male and female employees can vigorously work while creating a work-life balance.

▶ 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 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 update various regulations on work style and vacations by labor-management consultations, and to reduce overall working hours, labor and management have joined forces from, April 1, 2009, in programs calling for everyone, without exception, to promptly go home on designated “No Overtime Days” decided by each workplace, in order to build up work-friendly 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 the 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 deliberating a course of action by their own, 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.

▶ System Supporting Self-Learning 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 adapt to globalization, Sumitomo Osaka Cement holds one-month overseas training programs, sending those who are interested 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.

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

Safety Initiatives

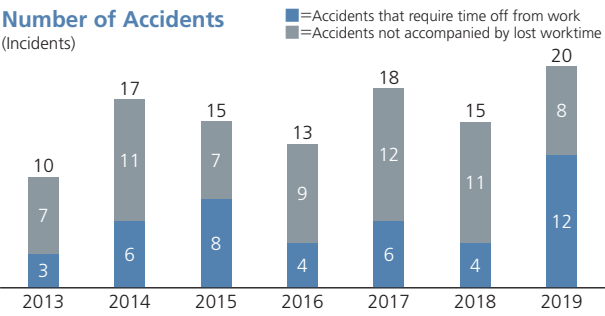
The Sumitomo Osaka Cement Group is committed to creating safe, healthy and comfortable environments that employees find easy to work in so that all can perform their jobs with peace of mind.

Occupational Health, Safety and Security Measures Basic Policy

The Sumitomo Osaka Cement Group considers that occupational health and safety underpins corporate existence, and securing them is an essential corporate responsibility. As a group with an uncompromising commitment to safety, Sumitomo Osaka Cement is targeting a goal of zero accidents. To “create an uncompromising climate for safety,” we will work to improve the occupational health and safety standard further and forge into the building up of a comfortable work environment by a thorough elimination of unsafe behaviors and insecure condition.

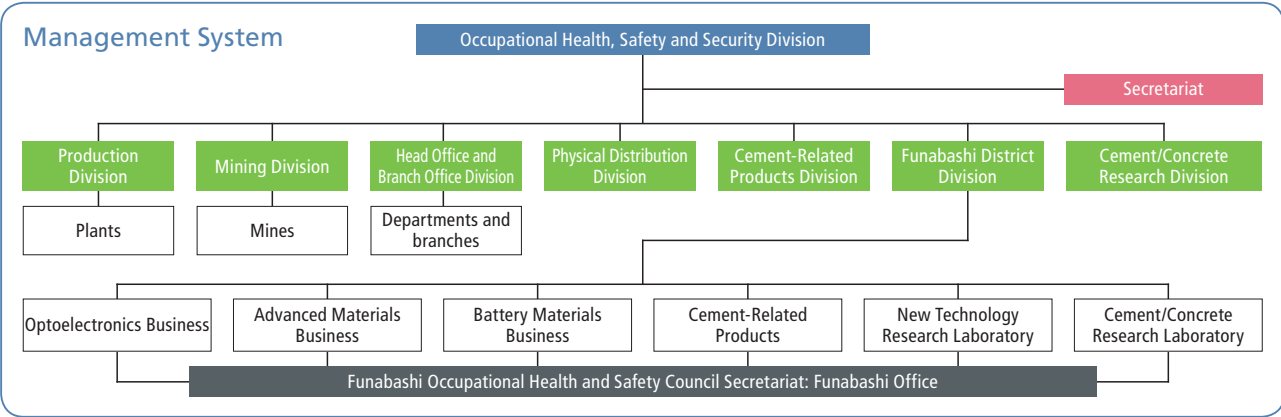
Enactment Priorities for 2020

1. Eliminate accidents
- 1) Prevention of disasters and elimination of serious disasters
- 2) Enhancement of the safety standard in the workplace
- 3) Improvement on the sense of safety (sensitivity to feel danger)
- 4) Enforcement of heatstroke prevention measures
2. Develop healthy, people-friendly worksites
3. Eliminate traffic accidents (accidents during commutes)
4. Organize labor accident data



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 at Head Office	<ul style="list-style-type: none">Business department-sponsored educationSafety education for younger employeesSafety education for new hiresSafety education by occupational class
Principal Safety Education at Business Sites	<ul style="list-style-type: none">Safety keyperson training and education for partner companiesWork safety supervisor educationForeman and team leader educationHands-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 lectures on occupational health by industrial health physicians and 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



Hiroshi Ohashi
General Manager,
Tochigi Plant

Tochigi Plant is working to take actions for occupational safety and health under a policy of “Working together to create a positive workplace with safety, peace of mind and zero accidents” underpinned by our acknowledgment that securing occupational safety and health for our employees and those of partner companies forms the foundation of the company’s activities.

I. Activities for Safety

- Introduction of risk assessment for early detection of risks
- Completion of transition to the use of the full harness type fall-arrest equipment
- Installment of WBGT (Heat Index) meter to prevent heat stroke
- Continuous education using hands-on safety equipment
- On-site patrols by retirees and education for younger employees

II. Occupational health actions

- Site patrols by occupational health managers and industrial health physicians
- Continue to take actions to reduce long working hours
- Promote measures against novel coronavirus disease (COVID-19)

We will create a safe and sound workplace with zero accidents by raising the plant workers’ awareness about safety through a variety of actions.

Safety Initiatives > Gifu Plant



Masayuki Kataoka
General Manager,
Gifu Plant

Safety is the bedrock of plant operations and is an absolute responsibility that takes priority over anything else for all plant workers. In 2020, Gifu Plant upholds slogans of “compliance with work procedures” and “exchange of thoughtful advice” to raise the level of awareness on the safety for our employees. In tandem with early detection and elimination of hazardous conditions with using the Concern Card system, we are working to eliminate disasters from both soft and hard approaches. Further, we are working to prevent infections through a practice of lifestyle in the new normal with COVID-19 and push forward to build a sound, safe and healthy workplace with the implementation of regular patrol by occupational health managers and industrial health physicians, while they also continuously provide routine health checkups and lectures on occupational health and hold customary health activities on a regular basis.

Safety Initiatives > Ako Plant



Masato Hiroshima
General Manager,
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.” Among our recent focused initiatives is strengthening safety education for supporting business operators. As safety education provided when visitors initially entered the plant usually occurred through one-way learning and the lack of understanding regarding its seriousness became an issue, we have put in place a post-education testing scheme. Further, we prepared the plant rule leaflet to inform workers of the rules while operation managers confirm whether or not there were workers who did not follow the rules, and report that at danger prediction meetings. Apart from this, we use LINE to enforce safety training to all employees. Any issues identified through safety patrol are immediately reported using LINE to instruct offenders, and thus the akin violations against the rules have been gradually declining. Yet, there are other issues to solve, and we are working to continuously accomplish the streak of the zero accidents at Ako Plant upon deliberations on current obligation.

Messages from Plant and Site Managers

Safety Initiatives > Kochi Plant



Hideki Aoki
General Manager,
Kochi Plant

We are working to take safety actions under this year's safety slogan: "Never forget the ideals with which you started with, as accidents could potentially occur due to continued disregard for necessary actions and cautions, so be sure to follow the practice of pointing and calling out."

In the last year, eight disasters occurred, including accidents while commuting, and the Company designated Kochi Plant as a plant with frequent disaster occurring. The accidents were caused by people's deliberate assumption that operation instruction has been delivered thus executed as expected, and there were no issues in the operation procedures. We regret that such assumptions were made at each level and position assigned.

1. Revise the method of delivering operation instruction, and clarify the operation procedures, to deepen the worker's understanding.
 2. A person giving the operation instruction check the operation site physically whether the instructions are followed through.
 3. Assess the operation procedures constantly to identify any room for improvements that can be made in terms of the procedures and methods.
 4. Continue to do maintenance on unsafe locations in carrying out operations.
- We will strive under the conviction that a change in our behavior and actions will eliminate accidents.

Safety Initiatives > Hachinohe Cement Co., Ltd.



Shintarou Ooshima
President, Hachinohe
Cement Co., Ltd.

Hachinohe Cement set "Build up a stringent work environment for safety to achieve zero accident status" as the basic policies for occupational health and safety activities in fiscal 2020. Specific measures are as follows.

- Rigorously hold the danger predicting meetings with participation of all employees at work site
- Eliminate hazardous elements: improve working environment, in-site aesthetics
- Educate workers about underlying rationales and background of the basic rules for its enforcement
- Continued on-site patrols by occupational health and safety consultants
- Improve sensitivity to and sense of detecting danger through the introduction of facility and equipment that provide VR experience.

We will reflect upon and learn lessons from last year's accidents to create a workplace where all workers at the plant can work with peace of mind.

In this fiscal year, we will establish the "Operation Efficiency Committee" to promote work-style reform, train younger employees, as their number will increase down the road, and actively promote participation of female employees.

Safety Initiatives > Funabashi Office



Kensuke Fujino
General Manager,
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.

Funabashi District is located in the inland area of the northern part of Funabashi City, Chiba Prefecture, and serves as the base for R&D for the Company's eight divisions and one affiliate, and the High-Performance Product business. Ichikawa District is located along the bayside in Ichikawa City, Chiba Prefecture, and is the hub for five divisions, three affiliates, etc. conducting the Cement business, environment-related businesses, and the High-Performance Product business.

Given both locations with many working employees and heavy traffic of vehicles, Funabashi Office has been taking actions to collaboratively resolve issues on occupational safety and health and environment conservation that are common to both locations. We have been putting out our efforts to enhance safety and improve health, through measures such as the promotion of safety activities aimed at preventing labor accidents from happening, as well as the management of proper working hours and mental health care so that employees can work safely and in a healthy manner.

Coexistence with Local Communities

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 local 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.

▶ 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.

▶ 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.



Ako Plant
Clean operation at the coast along the Seto Inland Sea (cleaning of plastic garbage, etc.)



Gifu Plant
Conducts local clean operations

▶ 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.

▶ Converting Waste Products from Local Areas to Cement Raw Material

The Sumitomo Osaka Cement 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. A cement resource recovery not only prolongs the useful life of final waste landfill sites*, but it also leads to a reduced load on the environment and further contributes to local communities and the creation of a recycling-based society, so we will continue to strengthen this initiative.

* 11.5 years of the extended life of the final disposal site is expected if cement plants accept waste, etc. based on the provisional calculation (The remaining capacity at the final disposal site for industrial waste as of 2016, according to the website of Japan Cement Association)

▶ Conclusion of Agreement with Local Governments

The Group aims to coexist with local communities by deepening its collaborative relationship with them by entering into agreements on disasters with local governments, mainly where the Group's plants and offices are located.

In September 2019, in preparation for Ako City in Hyogo Prefecture requiring a site that temporarily stores disaster waste created by earthquakes, wind and flood damages, and other disasters hitting Ako City, the Group entered into the "Agreement on Cooperation in the Establishment of Temporary Sites for Disaster Waste Storage" aimed at providing a land owned by the Group as a temporal site to store the disaster waste.

In October 2019, the Group concluded with Kochi Prefecture and Susaki City, Kochi Prefecture, "Agreement on Cooperation in the Disposal of Disaster Waste" in anticipation of possible disaster waste arising from the events of large-scale disasters such as the Nankai Trough Earthquake, in order to execute smooth disaster waste management.

In March 2020, the Group concluded with Funabashi City, Chiba Prefecture, "Agreement on Cooperation in the Disposal of Disaster Waste" regarding the disposal of disaster waste, which is expected to be generated in the event of a major disaster such as an earthquake whose epicenter is directly below the northwest of Chiba Prefecture.

Risk Management

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 2019 Initiatives

In fiscal 2019, we made the “Guidelines for Initial Response to Earthquakes” formulated in 2018 available to everyone and updated risk management manual of each location. In addition, we reviewed the head office’s BCP (scenarios for head office and branch offices hit by damage) and formulated an aerial view chart of business operations.

Also, we conducted ad-hoc task force training as a primary training drill similar to last year. 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.

In addition to this, offices with BCP schemes put in place voluntarily conducted education, training, and review to update and refine their manuals.

Main Activities in Fiscal 2019

2019	
April	Rank-based risk management training
September	Conducted ad-hoc task force training and training on responding to information security incidents
November	Head office evacuation drill
December	Joint meeting and lecture for risk management supervisors from each department, business location and affiliated company
2020	
January–March	Safety driving education (e-learning) for each employee



Training on Responding to Information Security Incidents

Measures against the COVID-19 pandemic

The Group has established a system that allows employees to continue their work by taking measures to prevent infection as follows based on the advice given by experts of industrial physicians and industrial nurses.

- Gargling, hand washing, wearing a face mask, and rigorous hand disinfection.
- Active use of remote work and flexible hours, and curb workplace attendance rates through staggered commuting.
- Avoid face-to-face seating arrangements and decentralizing office zones by utilizing the spaces of conference rooms and auditoriums.
- Voluntary restraints on domestic business trips, outings, reception of visitors, and social gatherings.
- Limit meetings and conference with a large number of participants. Priority consideration for remotely holding events.

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

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. We carry 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 sets 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 inquiries from securities analysts and institutional investors inside and outside of Japan. By these efforts, we seek to engage a broad range of investors on an ongoing basis.

In May of this year, we announced our financial results for fiscal 2019 (fiscal year ended March 2020) and the 2020-2022 Medium-term Management Plan, but in order to prevent the spread of the novel coronavirus disease (COVID-19), we cancelled holding briefing sessions in the head office meeting room and instead filmed a video for briefing and posted it on our website. We provided to stakeholders information equivalent to what would have been covered in a briefing session.



Release of video explaining earnings results and the Medium-term Management Plan (available on the website)

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.



Office visit (Optoelectronics business)

Our Management Team (As of June 26, 2020)



Directors

- 1

Fukuichi Sekine

President, Representative Director
- 2

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.
- 3

Ryoji Doi

Director, Senior 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
- 4

Mikio Konishi

Director, Managing Executive Officer
Responsible for Intellectual Property Dept., Optoelectronics Business Div., Advanced Materials Div., and New Technology Research Laboratory
- 5

Hirotsune Morohashi

Director, Managing Executive Officer
Responsible for Personnel Dept., Corporate Planning Dept., and Administration Dept., and Cement-Related Products Div.
- 6

Hideki Aoki

Director, Managing Executive Officer
General Manager, Kochi Plant
- 7

Kunitaro Saida

Outside Director
- 8

Mitsuko Makino

Outside Director

Company Auditors

- 9

Kaname Ito

Company Auditor (Full-time)
- 10

Yoshinori Takase

Company Auditor (Full-time)
- 11

Shoji Hosaka

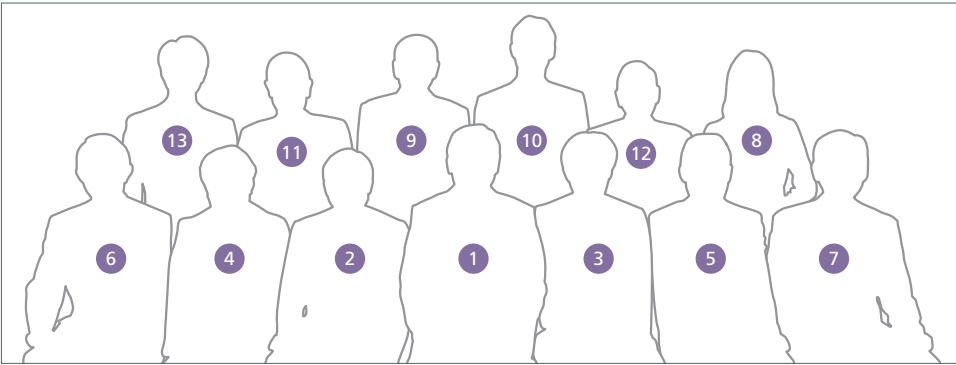
Outside Company Auditor
- 12

Kazuo Suzuki

Outside Company Auditor
- 13

Taku Mitsui

Outside Company Auditor



Message from Outside Director



Kunitaro Saida

Greeting to all of the stakeholders of Sumitomo Osaka Cement Co., Ltd. I am Kunitaro Saida, Outside Director. It has been twelve years since I first assumed office. I have been carrying out my duties while self-policing to strictly and consciously keep my independence, especially the last few years. Despite being an Outside Director, I am still a member of the Board of Directors, and I feel rightfully responsible for making contributions to the Company's sustainable development. Thus, I believe, as a person who long served as a prosecutor and subsequently became an attorney at law with expertise and insights cultivated throughout my career, that my role in establishing a robust governance system and implementing stringent compliance management bears great responsibilities. Hence, I have been expressing my opinions while keeping a close eye on the Company's management. In that regard, at the Board of Directors Meetings I see active exchange of opinions among Directors, including Outside Directors, ensuring constructive and thorough deliberations.

Following an incident in 2012, the Compliance Top Seminar for which experts of corporate legal affairs are invited to give a lecture on a timely theme selected every year, as well as other seminars, have been solidly fostering company-wide awareness of compliance and risk management. Further, with respect to the governance system, in 2018 the Nominating and Remuneration Committee has been established as an advisory body to the Board of Directors to enhance transparency in personnel and remuneration decisions for executives, and external experts were appointed to further solidify the effectiveness of the Committee. In addition to this, we introduced a stock-based remuneration plan aimed at sharing benefits and risks arising from stock price fluctuations with shareholders and to enhance Directors' awareness of contributing to the enrichment of corporate value. In tandem with this, the performance-linked remuneration system is adopted to the basic remuneration portion.

A critical point to keep an eye on under the current footing of operations lies in each department of High-Performance Product Business that is expected to underpin the earnings performance given the cement demand hitting the ceiling. I hope each division to prove its mettle.

Greetings to all supporters of the Company. My name is Mitsuko Makino, and I am in my third year as an Outside Director. I feel that my election as the first female officer is a testimonial to the Company's strong will to make "changes." I feel encouraged by the news that the first female General Manager was appointed; however, the active participation of women is less promoted in the Company compared to other industries such as the mass media industry, and thus I would like to call for further exploration into the practicability of promotion of women and work-style reform. Also, while achieving higher profitability is important, the health and safety of each and every employee comes first and foremost. I will continue to express my opinions on work-site safety education and facilitation of communication, which I have been working for.

I see the Board of Director consisting of Directors with a wide variety of experience deliver thorough discussions from multifaceted perspectives. In particular, in dealing with matters involving significant risks such as starting up a new business and making a capital outlay, a pioneering spirit should be welcomed, yet a shrewd advice is also vital when delivering a careful judgment. The Board of Directors may have to be stringent given its responsibility of strengthening the monitoring system aimed at preventing fraud and pursuing the underlying reasons for financial losses; however, I think it would benefit from having a more open atmosphere allowing liberal ideas and opinions to be exchanged.

The employees are good-natured and diligent but seem a little quiet. I think it is sometimes necessary to speak out more broadly about their work and initiatives, to incorporate new ideas. Let's shift the image of cold, hard, cement to that of a material that protects people from disasters and contributes to environmental conservation. Prospects are uncertain due to unprecedented circumstances with the development of the COVID-19 situation, coupled with weak demand. However, as we have formulated the new Medium-term Management Plan, let's carry on with an open mindset to take a positive step forward, while keeping our traditions with us.



Mitsuko Makino

Sumitomo Osaka Cement Group Overview by Segment

Cement-related Business

Cement Business (sales, international, logistics)



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.

Business Strategies

In addition to the impact of the recent COVID-19 pandemic, the environment in which the Cement Business operates is characterized by a lengthening of work periods caused by labor shortages on construction sites and a declining trend in domestic demand caused by structural changes driven in turn by changes in construction methods. On the other hand, we believe that demand over the medium to long term will be resilient due to redevelopment in urban areas such as the Tokyo Metropolitan area, work related to the Chuo Shinkansen (Superconducting Maglev train), the Hokuriku Shinkansen and Hokkaido Shinkansen rail lines, projects related to Fukushima Daiichi Nuclear Power Station, work related to the Expo 2025 Osaka, Kansai, Japan, construction to prevent or mitigate disasters based on projects for improving national resilience, and demand for updating social infrastructure.

Under these circumstances, we will steadily implement maintenance and upgrades to logistics facilities such as ships and service stations, come up with measures to deal with shortages of personnel involved in transportation (drivers, ship's crew), and build the optimal transportation system to continue stable supply to our users, thus maintaining our domestic sales share. In addition, beginning with the strengthening of our logistics alliance with Denka Company Limited, we will consider expanding our logistics alliances with industry peers.

In the overseas business we will move ahead to open up new export destinations in order to secure profitability, aiming to continuously expand exports through the use of the new large silo constructed at the Kochi plant in fiscal 2019. Overseas, our goal is to develop business through collaborations with local partners, based on the Group's technology.

	Positive factors	Negative factors
Internal factors	<div><div>S</div><div>(Strengths)</div><ul style="list-style-type: none">Marketing strength that leverages the Sumitomo brandInformation-gathering capabilities based on direct contact with end usersDistribution of service stations providing coverage of nearly the whole of the countryWell-balanced locations for plantsHigh rate of in-house power generation (use of biomass/thermal power generation)High intensity of waste usage and byproduct usage, high thermal energy substitution rateUnified management of all overseas transportation (SOC Logistics Co., Ltd.)</div>	<div><div>W</div><div>(Weaknesses)</div><ul style="list-style-type: none">Aging of plant and service station facilitiesSupply capability for specialty cementDocking facilities for coastal plantsInsufficient capacity at service stations in areas of demandProcessing capacity for waste plastics</div>
External factors	<div><div>O</div><div>(Opportunities)</div><ul style="list-style-type: none">Disaster prevention/mitigation, demand for major projectsRising demand in developing countriesRising environmental awareness around the globe</div>	<div><div>T</div><div>(Threats)</div><ul style="list-style-type: none">Declining domestic demand for cementStronger regulation of companies emitting CO₂Higher repair costs caused by aging of facilities, labor shortagesLabor shortages and aging of personnel involved in transportation (drivers, ship's crew)</div>

Cement Business (production, facilities, environment)



Director, Senior 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

Business Strategies

In relation to Cement business's production system, during the previous fiscal year the Group succeeded in deploying more efficient air quenching coolers (AQC) at all of its plants. With these facilities, we can achieve significant improvements in the efficiency of heat recovery in the cement production process. In addition to devising measures to strengthen production and supply systems for specialty cement (medium heat cement, low heat cement) for which demand is rising in urban areas, we will take a methodical approach to maintenance and upgrade work to secure stable levels of operation.

As for environmental projects, we will reinforce recycling facilities at each plant to expand the acceptance of waste and byproducts to recover resources for use as raw materials for cement. In order to achieve this we must raise capacity for desalination and removal of salt, and will make the necessary capital investments going forward. In addition, the Group will move ahead with the shift to baghouse filters for dust collection as an environmentally friendly measure. This will enable the acceptance of various materials that had been difficult to process.

With regard to measures against climate change, the Group has achieved an industry-high rate of coal (fossil energy) substitution, and going forward we will work to strengthen our ability to accept waste plastic, and further reduce CO₂ emissions. As well as accepting coal ash and waste soil from construction work, we are taking steps to expand the acceptance of ordinary incinerator ash, social demand for the processing of which is high.

On the subject of the frequent recurrence of natural disasters, during the previous fiscal year we accepted disaster waste generated by the Heavy Rain Event of July 2018 (West Japan Heavy Rain) and from Typhoon Hagibis (Typhoon No. 19) in 2019.

Net sales (Billions of yen)

FY2018	FY2019	FY2020 Forecast
193.7	188.8	178.9

Segment Profit (Loss) (Billions of yen)

FY2018	FY2019	FY2020 Forecast
7.58	8.25	8.73

Sumitomo Osaka Cement Group Overview by Segment

Cement-related Business

Mineral Resources



Director, Senior 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

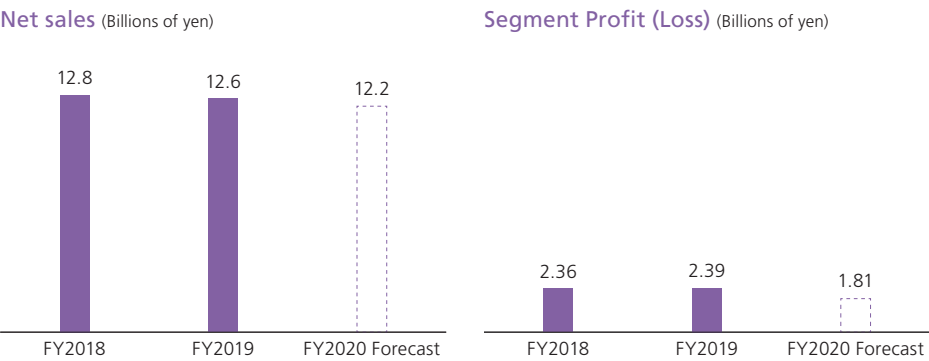
Business Strategies

The Mineral Resources business supplies limestone and other materials extracted from the eight mines that we own nationwide for use as raw materials for our own cement, in addition to which it manufactures and sells products externally for use as raw materials in steelmaking and chemicals, and in aggregates and powders.

At the main Shuho Mine (Mine City, Yamaguchi Prefecture) we leverage the advantages conferred by the location and the quality of limestone produced there, focusing on the manufacture of high value-added products, including exports to nearby Asian countries. We have built a system whereby we can ship every different product type, 24 hours a day, for loading on board at Senzaki Port, and we aim to expand sales primarily through exports of high-grade limestone for steelmaking. At our joint venture with Mitsubishi Materials Corporation at the Kokura Mine (Kitakyushu City, Fukuoka Prefecture), eight years have passed since the start of operations and ore production volume is growing satisfactorily. The Karasawa Mine (Sano City, Tochigi Prefecture) has benefited from rising demand for limestone in the Kanto region, and in addition to moving ahead with extraction in collaboration with two companies with adjacent mining areas, we have increased capacity at the aggregates plant. At Ibuki Mine (Maibara City, Shiga Prefecture) the resources in the surrounding mines have been progressively depleted, and we have increased capacity at the aggregates plant to take over that supply.

Each of the mines is moving forward with the utilization of IoT, such as drones, and working to reduce extraction costs and increase profits. In addition, in order to secure stable resources over the long term we are drawing up plans to develop new mining areas in existing mines.

	Positive factors	Negative factors
Internal factors	<div><div>S</div><div>(Strengths)</div><ul style="list-style-type: none">Own limestone mines with rich mineral content and high purityCost-competitiveness of Shuho MineSynergies with cement plants (operating levels, processing of byproducts)</div>	<div><div>W</div><div>(Weaknesses)</div><ul style="list-style-type: none">Excess capacity due to congestion at Shuho Mine shipping berths</div>
External factors	<div><div>O</div><div>(Opportunities)</div><ul style="list-style-type: none">Rising demand for limestone aggregatesIncrease in marketing opportunities caused by resource depletion at nearby mines, etc.</div>	<div><div>T</div><div>(Threats)</div><ul style="list-style-type: none">Declining domestic demand for cement/concreteDeclining demand for calcium carbonate used in coal-fired power stations as a result of reductions in greenhouse gas emissions</div>



Cement-related Business

Cement-Related Products



Director, Managing Executive Officer

Responsible for Personnel Dept., Corporate Planning Dept., and Administration Dept., and Cement-Related Products Div.

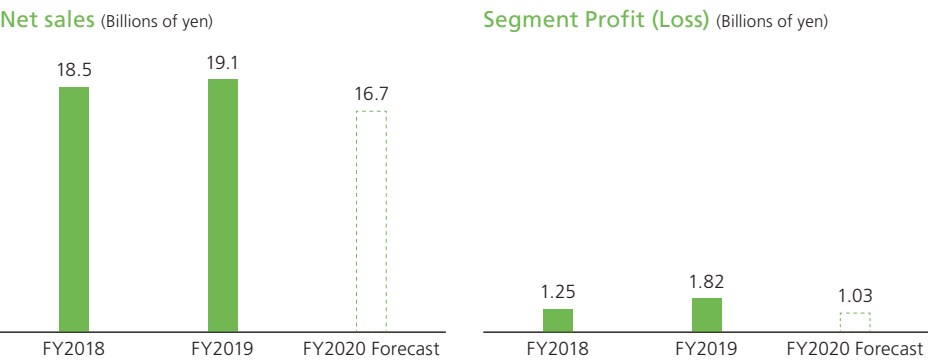
Business Strategies

The Cement-Related Products business is developing a wide range of cement products, with repair and reinforcing materials for concrete structures comprising the core. There is a rising need for maintenance and repair of aging social infrastructure such as roads, tunnels, railway lines, bridges, water and sewage facilities, and buildings, and we expect growth opportunities for this business. On the other hand, as we expect a sharp increase in raw material and secondary material prices, as well as higher unit prices for transportation, fuel and labor, we are working to improve the efficiency of production and transportation.

Going forward we will focus on highly profitable markets with growth potential, and aim to expand sales of our mainstay products. Specifically, our objective is to expand sales of our heavy metal pollution solution MAGICAL FIX, the demand for which is expected to rise in relation to the soil produced by tunneling works for Shinkansen construction. In addition, we are working on developing labor-saving and energy-saving products and techniques, such as the "Refre Dry Shot Method," to address labor shortages on construction sites.

With Group companies Estec Co., Ltd., SNC Co., Ltd. and Kurimoto Concrete Industries Co., Ltd. strengthening the collaboration with Group construction companies such as Chuken Consultant Co., Ltd. which is involved in surveying and diagnostic work for concrete structures, we will provide an extended one-stop service from materials to construction that combines surveying, design and construction work in order to achieve synergy effects.

	Positive factors	Negative factors
Internal factors	<div><div>S</div><div>(Strengths)</div><ul style="list-style-type: none">Extensive product lineupOne-stop service from materials to constructionAbility to develop products that meet customer needs</div>	<div><div>W</div><div>(Weaknesses)</div><ul style="list-style-type: none">Sales routesPlants</div>
External factors	<div><div>O</div><div>(Opportunities)</div><ul style="list-style-type: none">Expanding market for repair and reinforcement of aging infrastructureGrowing demand for ground improvement work (solidification materials, insoluble materials)Growing demand for measures related to improving national resilience</div>	<div><div>T</div><div>(Threats)</div><ul style="list-style-type: none">Labor shortages on construction sitesReduced transportation capabilities</div>



Sumitomo Osaka Cement Group Overview by Segment

High-Performance Product Business

Optoelectronics



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

Mikio Konishi

Business Strategies

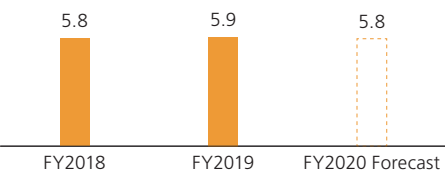
LN modulators, which are optical communication components that are the mainstay product of the Optoelectronics business, provide superior performance for medium- to long-distance communications, and are used primarily in backbone networks. Internet traffic volume is growing globally, and we expect the market to expand, particularly in China, where active investment in the field of information and communications is ongoing. Going forward, we forecast a generational shift to 5G communications, and with traffic increasing further, growing demand for high value-added products is expected.

At our manufacturing subsidiary Dongguan Sumi Sou Optoelectronics Technology, Co., Ltd. (Dongguan City, Guangdong Province) in the demand area of China, we have completed installation of additional facilities, and have begun production of high value-added items, mainly 100Gbps LN modulators. In this business, by leveraging the characteristic strengths of our LN modulators, which are high quality transmission and low power consumption, we will develop new technologies such as integration of functions in response to customer needs for ultra-miniaturization and even higher performance, while securing a competitive advantage by gradually building a large-scale manufacturing system for new products. Moreover, by working to improve the speed and capacity of existing products, we aim to capture demand for 200Gbps and 400Gbps LN modulators, while establishing a production system for 800Gpbs by FY2022.

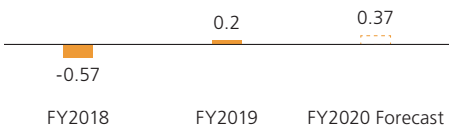
In addition, with an eye on the likely decline of the future LN modulator market as a result of competition from semiconductor modulators in the medium- to long-distance communications market, we are focusing on developing new mainstay products for the next generation.

	Positive factors	Negative factors
Internal factors	<div><div>S</div><div>(Strengths)</div><ul style="list-style-type: none">High-quality transmission characteristics derived from LN material device technology, low power consumption, design technology to apply this performance to evolving communications technology, manufacturing capabilities</div>	<div><div>W</div><div>(Weaknesses)</div><ul style="list-style-type: none">Single-product portfolio resulting in insufficient technology and product development capabilities, including those required for peripheral devices for communications business operators</div>
External factors	<div><div>O</div><div>(Opportunities)</div><ul style="list-style-type: none">Continuous increase in demand for data traffic driven by IoT, 5G, shift to cloudExpansion of applications in new markets, such as AI and self-driving vehicles</div>	<div><div>T</div><div>(Threats)</div><ul style="list-style-type: none">Intensifying competition in high value-added products with semiconductor devices and integrated devicesExistence and emergence of geopolitical restrictions as an infrastructure product</div>

Net sales (Billions of yen)



Segment Profit (Loss) (Billions of yen)



High-Performance Product Business

Advanced Materials



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

Mikio Konishi

Business Strategies

In Advanced Materials business, we are developing business based on items that utilize a variety of functional materials. We manufacture and sell products such as ceramics that utilize special functional particles, and which have been adopted for use in semiconductor manufacturing equipment (electrostatic chucks), and cosmetics materials that use nanoparticle technology.

The spread and expansion of 5G communications in recent years is expected to result in an increase in data traffic. Growth in semiconductor demand is forecast to continue, driven by storage and logic demands for data centers and mobile terminals, and we also anticipate further growth in semiconductor production equipment.

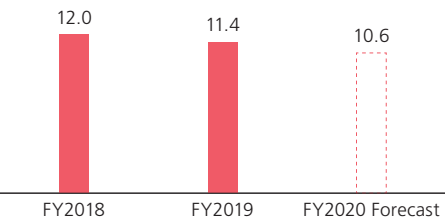
The electronic materials that are the mainstay products of this business are an important part of such semiconductor production equipment, and their raw material is unique, ultrafine SiC particles manufactured in-house. With superior absorption ability and ability to withstand voltage, the performance and quality of these materials have gained strong support from our customers.

However, technical requests from customers become more demanding and complex with each new model. Under such circumstances, we plan to respond reliably to customer requests for increased output, improve production efficiency during the period of the Medium-Term Management Plan, establish a stable production system, and invest efficiently and effectively.

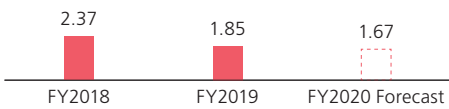
Going forward we will work for new applications of nanoparticle technology, and to propose new products peripheral to semiconductor production equipment, enabling us to expand the business further.

	Positive factors	Negative factors
Internal factors	<div><div>S</div><div>(Strengths)</div><ul style="list-style-type: none">Product development based on unique nanoparticle technologyProduct portfolio stretching from semiconductor production equipment to UV screening material (cosmetics material)</div>	<div><div>W</div><div>(Weaknesses)</div><ul style="list-style-type: none">Securing and nurturing human resources for design development and production technology, so as to be able to meet quality needs that rise every year, is an issue</div>
External factors	<div><div>O</div><div>(Opportunities)</div><ul style="list-style-type: none">Continuous expansion of the semiconductor market in areas such as 5G, AI, and self-driving vehiclesUV screening material (cosmetics material): rising demand for inorganic materials due to its safety and environmentally friendly nature</div>	<div><div>T</div><div>(Threats)</div><ul style="list-style-type: none">Synchronization with the semiconductor market with its rapid pace of innovationNeed improvements in materials and production platforms/executing development in a timely fashion</div>

Net sales (Billions of yen)



Segment Profit (Loss) (Billions of yen)



Sumitomo Osaka Cement Group Overview by Segment

High-Performance Product Business

Battery Materials



Executive Officers

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

Toru Motoki

Business Strategies

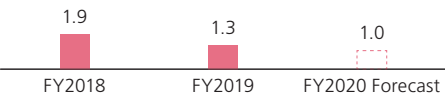
The Battery Materials business is engaged in the manufacturing and sale of lithium-ion phosphate (LFP) used in cathode materials for lithium-ion batteries (LIB). Our LFP utilizes unique nanoparticle technology using hydrothermal synthesis and surface-modification technology, yielding robust crystals with high thermal stability, resulting in unmatched stability and durability when overcharged or in high temperatures. In addition to these superior characteristics, the stable quality has also been well-received by customers, and our LFP has been adopted for lithium-ion batteries used in automotive and stationary applications, both in Japan and overseas.

Against the background of increasingly stringent environmental and fuel regulations in countries, accelerating adoption of renewable energy, and an increase in the number of natural disasters, in order to respond to growing demand for lithium-ion batteries we have made investments to double the production capacity at our Vietnam plant (Hung Yen Province, Vietnam) in 2017.

Currently we have annual production capacity of 2,000 tons, and we are aiming to build a foundation for the business that will allow us to secure stable profits at this level. We will expand our sales volumes by focusing on applications where we can leverage the characteristics of LFP, namely its safety, durability, and voltage compatibility with lead acid batteries. Specifically for automotive applications we will concentrate on EV buses and 12 V systems, and in stationary applications we will focus on residential and large-scale electricity storage systems. While seeking to maintain and extend the competitive advantages of our LFP in performance characteristics and stable quality, we will move forward with cost reduction efforts.

	Positive factors	Negative factors
Internal factors	<div><div>S</div><div>(Strengths)</div><ul style="list-style-type: none">Superior material characteristics (Stability, durability, voltage compatibility with lead acid batteries)Stable quality and ability to respond to customization requests</div>	<div><div>W</div><div>(Weaknesses)</div><ul style="list-style-type: none">Restricted applications as a result of the characteristics of the material</div>
External factors	<div><div>O</div><div>(Opportunities)</div><ul style="list-style-type: none">Expansion of the market for storage batteries, driven by environmental, energy and disaster-response needsRe-evaluation of the safety of LFP</div>	<div><div>T</div><div>(Threats)</div><ul style="list-style-type: none">Intensifying competition with overseas LFP manufacturersContraction of the lithium-ion battery market due to the emergence of new rechargeable battery systems</div>

Net sales (Billions of yen)



Segment Profit (Loss) (Billions of yen)



Overview of Sumitomo Osaka Cement Group Businesses

Breakdown of net sales

FY2019

¥245,159 million

Cement

77.0%

Mineral Resources

5.2%

Cement-Related Products

7.8%

Optoelectronics

2.4%

Advanced Materials

4.6%

Battery Materials

0.5%

Other

2.5%

Cement-related Business

Cement

- 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.

Mineral Resources

- 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.

Cement-Related Products

- 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.

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

- 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.

Advanced Materials

- 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.

Battery Materials

- 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.

Other

Business Overview

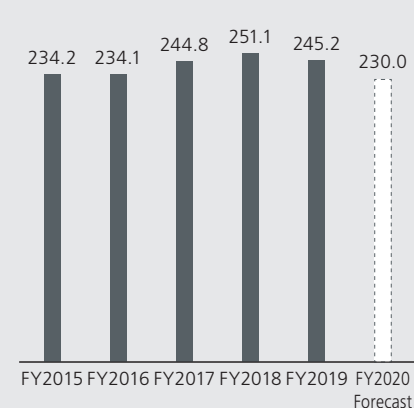
Operations here include real estate leasing of Group-owned idle land, information processing services and electrical equipment work.

49 Integrated Report 2020

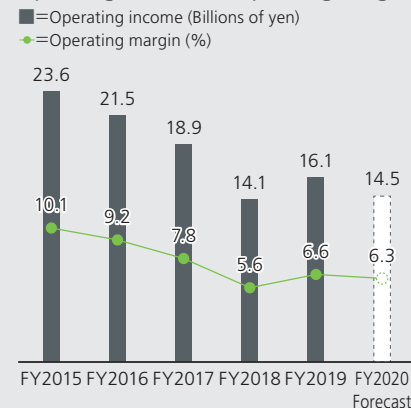
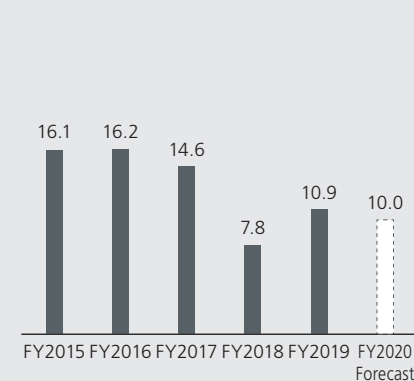
Integrated Report 2020 50

Consolidated Financial Highlights

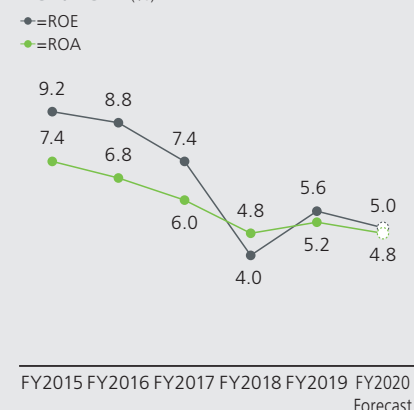
Net sales(Billions of yen)



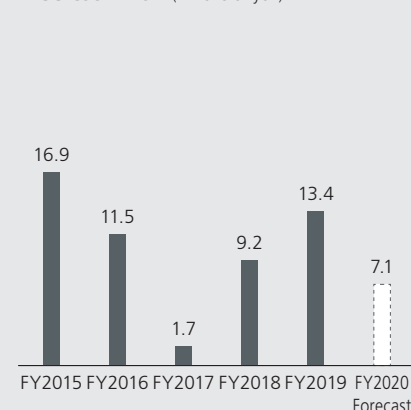
Operating income and operating margin

Profit attributable to owners of parent
(Billions of yen)

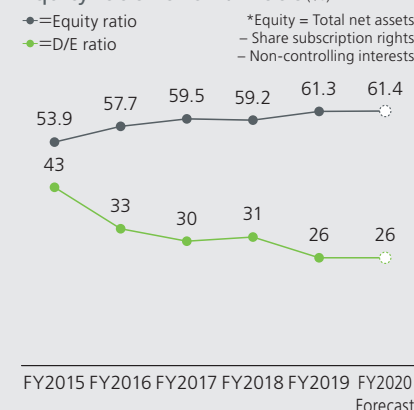
ROE/ROA*(%) *ROA = Ordinary income / Total assets



Free cash flow(Billions of yen)



Equity ratio* and D/E ratio(%)



	Millions of yen				
	FY2015	FY2016	FY2017	FY2018	FY2019
Net sales	¥234,192	¥234,062	¥244,826	¥251,061	¥245,159
Cost of sales	175,474	176,812	190,170	200,756	193,491
Selling, general and administrative expenses	35,103	35,719	35,664	36,126	35,539
Operating income	23,614	21,530	18,990	14,178	16,128
Ordinary income	24,560	22,627	20,153	15,799	16,947
Profit attributable to owners of parent	16,110	16,210	14,659	7,799	10,922
Net cash provided by operating activities	32,618	29,231	26,470	29,252	32,305
Net cash used in investing activities	(15,691)	(17,700)	(24,753)	(20,032)	(18,815)
Free cash flow	16,927	11,531	1,717	9,220	13,490
Net cash used in financing activities	(15,705)	(16,123)	(6,626)	(15,755)	(12,959)
Cash and cash equivalents at end of period	31,378	26,672	22,072	15,270	15,799
At year-end:					
Net assets	¥177,247	¥195,869	¥204,157	¥194,138	¥198,699
Total assets	325,710	336,790	339,958	324,755	321,108
Per share data (yen/dollars): <small>(Note)</small>					
Profit	¥39.43	¥39.93	¥36.12	¥199.15	¥283.21
Cash dividends	8.0	10.0	11.0	110.0	120.0
Net assets	432.67	478.48	498.81	4,985.49	5,101.00

(Note) The Company executed a 10 for 1 reverse stock split of its common stock on October 1, 2018.

Profit per share and net assets per share for fiscal 2018 are calculated assuming this reverse stock split was executed at the beginning of the fiscal year.
The dividend for fiscal 2018 is after the reverse stock.

Non-financial Information Highlights

			Unit	FY2015	FY2016	FY2017	FY2018	FY2019	
Economic	Production Volume (Cement business)	Cement production volume		t	10,469,512	10,519,284	10,915,079	10,757,727	10,549,830
		Clinker production volume		t	8,959,231	8,955,370	9,344,274	9,138,702	8,902,629
		Mixed cement		t	2,048,653	1,939,465	2,107,418	2,151,598	2,336,717
Environmental	Reducing environmental impact Global warming prevention (Cement business)	CO ₂ emissions		t	8,111,366	8,145,037	8,425,725	8,335,864	8,124,962
		[Breakdown]	Energy-related	t	2,951,730	2,855,007	2,970,025	2,933,586	2,832,907
			Non-energy related	t	5,159,636	5,290,030	5,455,700	5,402,278	5,292,055
		NOx (nitrogen oxide) emissions		t	15,077	15,661	14,040	13,873	12,809
		SOx (sulfur oxide) emissions		t	1,481	1,572	1,525	1,120	1,111
		Particulate matter emissions		t	145	197	164	191	130
		Dioxin emissions		g-TEQ	0.20	0.16	0.21	0.27	0.31
		Total energy consumption related to cement manufacturing							
		(Based on periodic reports in accordance with the Act on Temporary Measures to Promote Business Activities for the Rational use of Energy and the Utilization of Recycled Resources)		PJ	32.458	30.968	32.498	32.265	31.157
		Thermal energy substitution rate* Coal (fossil fuel) substitution rate		%	27	29	27	29	28
		In-house power generation ratio*1		%	80	80	80	79	78
		Waste heat power generation ratio		%	8	8	8	7	7
	Biomass power generation ratio		%	13	14	15	16	15	
	Resource recycling (Cement business)	Volume of waste and byproduct received*2		1,000 t	5,405	5,434	5,644	5,538	5,479
		Consumption rate		kg/ton-cement	516	517	517	515	519
		Volume of waste plastics received (recycled + purchased)		1,000 t	44	51	49	48	56
		Volume of wood chips received (recycled + purchased)		1,000 t	471	464	462	451	417
		Volume of ordinary incinerator ash received		1,000 t	29	35	46	62	63
Volume of disaster waste received		1,000 t	1	15	11	3	44		
Protecting biodiversity		Re-greened area of mine		m ²	53,015	67,630	16,497	24,943	16,652
Social	Employment (Non-consolidated)	Employees (Consolidated)		persons	2,915	2,973	2,987	2,974	3,005
		(Sumitomo Osaka Cement Co., Ltd.)		persons	1,161	1,170	1,182	1,186	1,196
		Ratio of female employees		%	10.4	10.4	10.4	10.5	10.9
		No. of managers		persons	456	446	441	432	435
		Number of women in managerial positions		persons	8	7	7	8	9
		Ratio of women in managerial positions		%	1.8	1.6	1.6	1.9	2.1
		Average years of service Male		years	18.3	18.4	18.6	18.8	19.0
		Female		years	17.3	17.5	17.5	17.5	16.8
		Age demographic Under 30		persons	223	227	222	222	231
		Age 30-39		persons	240	257	267	270	265
		Age 40-49		persons	461	437	402	373	343
		Age 50-59		persons	231	244	284	316	350
		Over 60		persons	6	5	7	5	7
	Turnover within three years after joining the company		%	7.7	4.0	18.9	11.9	22.2	
	Voluntary retirement ratio		%	1.8	1.4	1.0	2.0	1.5	
	Work style (Non-consolidated)	Working hours (prescribed working hours 1,860)		Hours per year	1,886	1,882	1,878	1,868	1,861
		Number of paid vacation days taken*3		Days per year	14.4	13.9	14.7	15.2	15.7
		Number of employees taking nursing care leave		persons	1	0	0	0	0
		Ratio of persons with disabilities employed		%	2.19	2.18	2.03	1.97	1.97
		Number of employees taking childcare leave							
		Male		persons	0	1	0	2	4
		Female		persons	6	10	6	9	12
		Reinstatement rate after childcare leave		%	100	100	100	100	100
		Education/training (hosted by the headquarters)		Number of days	46	41	41	41	41
		Occupational safety and health	Number of fatal accidents		incidents	1	0	0	0
	Number of work-related accidents (cases with leave taken and not taken) *4		incidents	15	13	18	15	20	
	Number of employees taking mental health care leave (non-consolidated)		persons	4	3	2	1	2	

*1 In-house power generation ratio includes waste heat power generation and biomass power generation

*2 Volume of waste and byproduct received includes the volume of waste plastics, wood chips, ordinary incinerator ash and disaster waste received

*3 Number of days of paid vacation taken is the average number of days taken by union members

*4 The number of fatal accidents and the number of work-related accidents (cases with leave taken and not taken) are calculated based on the calendar year.

Financial Review

○ Net Sales

The Japanese economy for the fiscal year under review continued on a moderate recovery trend, against a backdrop of improvement in employment and income environment as well as the effect of the government's economic measures, despite concerns over economic downturn impacted by global economy evolving around the disposition of trade issue. However, at the end of the fiscal year, the Japanese economy has faced a severe downturn with the impact of novel coronavirus disease (COVID-19) working as a downward pressure. In the Cement industry, domestic cement demand diminished 3.8% from the previous fiscal year to 40,970 thousand tons, partly due to a decrease in private housing investment in addition to factors such as unseasonable weather and a shortage of skilled workers, resulting in a decrease in demands in both public and private sectors. Exports, however, increased 1.6% year on year. Consequently, total sales of cement produced by domestic manufacturers, including exports, decreased 2.6% year on year to 51,480 thousand metric tons.

Under such circumstances, the Sumitomo Osaka Cement Group, in light of the Fiscal 2017-2019 Medium-term Management Plan of which the current fiscal year marks the final year, has been working on various measures related to overseas cement strategy, expansion in peripheral sectors, and reinforcement of business foundation in the Cement-related business. In the High-Performance Product business, the Group focused on various measures in such ways as bolstering production of mainstay core products and developing new businesses and new products.

Consequently, net sales for the fiscal year under review decreased 2.4% compared to the previous fiscal year to ¥245,159 million (US\$2,252,679 thousand), due in part to a decline in sales in the Cement business, among other factors.

○ Profits

In terms of profit, thanks to higher profits logged in the Cement business, the Cement-Related Products business and the Optoelectronics businesses, ordinary income increased by ¥1,147 million from the previous fiscal year to ¥16,947 million (US\$155,725 thousand), and profit attributable to owners of parent rose by ¥3,123 million from the previous fiscal year to ¥10,922 million (US\$100,366 thousand), partly due to the extraordinary loss on impairment losses on fixed assets recorded in the previous fiscal year.

○ Financial Position

Total assets as of March 31, 2020 stood at ¥321,108 million (US\$2,950,551 thousand), a decrease of ¥3,647 million from the previous fiscal year-end. This decrease was mainly due to decreases in notes and accounts receivable-trade and investment securities.

Total liabilities at the end of the fiscal year under review declined ¥8,208 million from the previous fiscal year-end to

¥122,408 million (US\$1,124,768 thousand). This decrease was mainly due to a decrease in current portion of bonds.

Net assets at the end of the fiscal year under review stood at ¥198,699 million (US\$1,825,783 thousand), up ¥4,561 million from the previous fiscal year-end. This increase was mainly due to an increase in retained earnings.

○ Cash Flows

Cash and cash equivalents at the end of the period under review increased ¥32,305 million from operating activities, decreased ¥18,815 million from investing activities, and decreased ¥12,959 million from financing activities, meaning that cash and cash equivalents at the end of the period under review increased ¥529 million year on year. As a result, the cash balance at the fiscal year-end totaled ¥15,799 million (US\$145,180 thousand), up 3.5% year on year.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥32,305 million (US\$296,843 thousand), up 10.4% 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 ¥15,503 million and depreciation and amortization of ¥18,283 million.

Cash flows from investing activities

Net cash used in investing activities was ¥18,815 million (US\$172,893 thousand), down 6.1% from the previous fiscal year. This mainly reflects purchase of noncurrent assets totaling ¥18,433 million.

Cash flows from financing activities

Net cash used in financing activities was ¥12,959 million (US\$119,077 thousand), down 17.7% from the previous fiscal year. This mainly reflects repayment of long-term loans payable totaling ¥10,270 million.

○ Fiscal 2020 Outlook

The full-year earnings forecast for the fiscal year ending March 31, 2021 (fiscal 2020) calls for net sales of ¥230,000 million (down 6.2% year on year), ordinary income of ¥15,500 million (down 8.5% year on year), and profit attributable to owners of parent of ¥10,000 million (down 8.4% year on year).

○ Dividend Policy

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, 2020, an interim dividend of ¥60 was paid per share. A year-end dividend of ¥60 was also paid per share.

For the fiscal year ending on March 31, 2021, we plan to pay an interim dividend of ¥60 per share and a year-end dividend of ¥60 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 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 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.

Risk Arising from Pandemic of Infectious Disease

If restrictions are imposed on activities at the Group's domestic and overseas offices and manufacturing bases due to a pandemic of infectious disease such as viral infections, production interruptions and stagnations in sales, logistics, and procurement functions may occur, causing impacts on business performance. Furthermore, with stagnation in economic and production activities in Japan and overseas, depending on the situation at the shipping destination, reduction and suspension of production and inventory adjustment may consequently reduce shipment volume, which may have a material impact on the Group's financial condition, management performance, and cash flows. In addition to this, in the event of an outbreak of infectious disease, the Group will ensure the safety of employees and people engaged in the Group's business first and foremost, and put in place measures such as general transition to remote work from home.

Risk arising from environmental regulations, etc.

The Sumitomo Osaka Cement Group manufactures cement with industry-leading levels of energy and resource efficiency, and is actively engaged in transferring and disseminating in overseas locations the technology it has cultivated over many years with a view to reducing CO₂ emissions over the medium to long term. However, in the event that future new regulations are introduced in relation to CO₂ emissions and the use of fossil fuels, the business activities of the Group, centered on the Cement business, could be restricted, leading to an increase in costs, amongst other consequences.

In terms of CO₂ emission reduction initiatives under the Fiscal 2020-2022 Medium-term Management Plan, the Company has set up a new group-wide committee to address this, and working on medium- to long-term reduction targets and the consideration of specific measures.

Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	End of FY2019 (as of March 31, 2019)	End of FY2020 (as of March 31, 2020)	End of FY2020 (as of March 31, 2020)
Assets			
Current assets			
Cash and deposits	¥15,333	*1 ¥15,863	\$145,759
Notes and accounts receivable-trade	*5 50,061	48,359	444,356
Merchandise and finished goods	7,076	7,067	64,941
Work in process	1,945	1,433	13,170
Raw materials and supplies	13,542	12,876	118,315
Short-term loans receivable	554	547	5,026
Other	2,187	1,740	15,996
Allowance for doubtful accounts	(12)	(1)	(16)
Total current assets	90,687	87,885	807,550
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	*1, *3 169,259	*1, *3 173,057	1,590,167
Accumulated depreciation	(119,919)	(122,620)	(1,126,713)
Buildings and structures, net	49,339	50,437	463,454
Machinery, equipment and vehicles	*1, *3 438,347	*1, *3 446,055	4,098,645
Accumulated depreciation	(382,522)	(389,326)	(3,577,384)
Machinery, equipment and vehicles, net	55,824	56,728	521,261
Land	*1, *3 37,123	*1, *3 37,180	341,635
Construction in progress	7,812	4,339	39,873
Other	*1, *3 35,158	*1, *3 37,529	344,845
Accumulated depreciation	(19,256)	(19,808)	(182,009)
Other, net	15,902	17,721	162,836
Total property, plant and equipment	166,002	166,407	1,529,061
Intangible assets	*3 2,724	*3 3,017	27,728
Investments and other assets			
Investment securities	*2 55,592	*2 54,089	497,009
Long-term loans receivable	2,801	2,774	25,495
Deferred tax assets	1,199	1,216	11,173
Net defined benefit asset	419	382	3,515
Other	*1 5,459	*1 5,455	50,125
Allowance for doubtful accounts	(131)	(120)	(1,108)
Total investments and other assets	65,339	63,797	586,210
Total noncurrent assets	234,067	233,222	2,143,000
Total assets	¥324,755	¥321,108	\$2,950,551

	Millions of yen		Thousands of U.S. dollars (Note 1)
	End of FY2019 (as of March 31, 2019)	End of FY2020 (as of March 31, 2020)	End of FY2020 (as of March 31, 2020)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	*1, *5 ¥29,051	*1 ¥27,593	\$253,543
Short-term loans payable	*1 22,197	*1 21,354	196,217
Current portion of long-term loans payable	*1 10,252	*1 5,470	50,264
Current portion of bonds	5,000	–	–
Income taxes payable	2,018	2,736	25,148
Provision for bonuses	2,381	2,438	22,405
Other	10,730	10,848	99,684
Total current liabilities	81,631	70,441	647,263
Noncurrent liabilities			
Bonds payable	5,000	10,000	91,886
Long-term loans payable	*1 18,613	*1 15,783	145,027
Deferred tax liabilities	11,250	10,525	96,719
Provision for directors' retirement benefits	146	147	1,357
Provision for PCB waste disposal costs	163	107	989
Net defined benefit liability	2,207	2,176	19,994
Asset retirement obligations	1,046	1,041	9,570
Other	10,558	12,184	111,958
Total noncurrent liabilities	48,985	51,966	477,504
Total liabilities	130,617	122,408	1,124,768
Net assets			
Shareholders' equity			
Capital stock	41,654	41,654	382,744
Capital surplus	24,558	24,558	225,662
Retained earnings	110,612	117,100	1,075,991
Treasury stock	(10,795)	(10,819)	(99,420)
Total shareholders' equity	166,029	172,493	1,584,977
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	26,164	24,517	225,286
Foreign currency translation adjustment	452	504	4,637
Remeasurements of defined benefit plans	(349)	(791)	(7,269)
Total accumulated other comprehensive income	26,266	24,231	222,653
Non-controlling interests	1,841	1,975	18,151
Total net assets	194,138	198,699	1,825,783
Total liabilities and net assets	¥324,755	¥321,108	\$2,950,551

Consolidated Statements of Income and Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2019 (Apr. 1, 2018 to Mar. 31, 2019)	Fiscal 2020 (Apr. 1, 2019 to Mar. 31, 2020)	Fiscal 2020 (Apr. 1, 2019 to Mar. 31, 2020)
Net sales	¥251,061	¥245,159	\$2,252,679
Cost of sales	200,756	193,491	1,777,920
Gross profit	50,305	51,667	474,758
Selling, general and administrative expenses	*1, *2 36,126	*1, *2 35,539	326,563
Operating income	14,178	16,128	148,195
Non-operating income			
Interest income	65	81	746
Dividend income	1,731	1,606	14,758
Foreign exchange gains	154	—	—
Equity in earnings of affiliates	408	268	2,469
Rent income	140	135	1,243
Other	825	517	4,752
Total non-operating income	3,325	2,608	23,971
Non-operating expenses			
Interest expenses	752	706	6,492
Foreign exchange losses	—	149	1,373
Other	951	933	8,575
Total non-operating expenses	1,704	1,789	16,441
Ordinary income	15,799	16,947	155,725
Extraordinary income			
Gain on sales of noncurrent assets	*3 135	*3 144	1,323
Gain on sales of investment securities	288	6	58
Total extraordinary income	424	150	1,382
Extraordinary loss			
Loss on retirement of noncurrent assets	*4 1,706	*4 1,288	11,839
Loss on sales of noncurrent assets	*5 214	*5 33	306
Loss on valuation of investment securities	—	4	39
Impairment loss	*6 2,292	*6 268	2,466
Total extraordinary losses	4,213	1,594	14,651
Profit before income taxes and non-controlling interests	12,010	15,503	142,455
Income taxes-current	4,016	4,243	38,992
Income taxes-deferred	85	197	1,812
Total income taxes	4,101	4,440	40,804
Profit before non-controlling interests	7,908	11,062	101,650
Profit attributable to non-controlling interests	109	139	1,284
Profit attributable to owners of parent	¥7,799	¥10,922	\$100,366

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2019 (Apr. 1, 2018 to Mar. 31, 2019)	Fiscal 2020 (Apr. 1, 2019 to Mar. 31, 2020)	Fiscal 2020 (Apr. 1, 2019 to Mar. 31, 2020)
Profit	¥7,908	¥11,062	\$101,650
Other comprehensive income			
Valuation difference on available-for-sale securities	(2,419)	(1,644)	(15,114)
Foreign currency translation adjustment	(275)	52	479
Remeasurements of defined benefit plans	(163)	(441)	(4,054)
Share of other comprehensive income of affiliates accounted for using equity method	(0)	(1)	(14)
Total other comprehensive income	* (2,859)	* (2,035)	(18,704)
Comprehensive income	5,049	9,027	82,946
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	4,939	8,887	81,665
Comprehensive income attributable to non-controlling interests	¥109	¥139	\$1,281

Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2019 and 2020

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at April 1, 2018	¥41,654	¥29,284	¥107,228	¥(4,871)	¥173,295
Change of items during period					
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
Change of items during period					
Dividends from surplus			(4,435)		(4,435)
Profit attributable to owners of parent for the period			10,922		10,922
Purchase of treasury stock				(24)	(24)
Disposal of treasury stock		(0)		0	0
Retirement of treasury stock					
Change in scope of equity method					
Other, net					
Total change of items during period	—	(0)	6,487	(24)	6,463
Balance at March 31, 2020	¥41,654	¥24,558	¥117,100	¥(10,819)	¥172,493

	Millions of yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests
Balance at April 1, 2018	¥28,584	¥727	¥(186)	¥29,126	¥1,736
Change of items during period					
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
Total change of items during period	(2,420)	(275)	(163)	(2,859)	105
Balance at March 31, 2019	¥26,164	¥452	¥(349)	¥26,266	¥1,841
Change of items during period					
Dividends from surplus					(4,435)
Profit attributable to owners of parent for the period					10,922
Purchase of treasury stock					(24)
Disposal of treasury stock					0
Retirement of treasury stock					—
Change in scope of equity method					—
Other, net	(1,646)	52	(441)	(2,035)	133
Total change of items during period	(1,646)	52	(441)	(2,035)	133
Balance at March 31, 2020	¥24,517	¥504	¥(791)	¥24,231	¥1,975

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2019	\$382,744	\$225,662	\$1,016,381	\$(99,199)	\$1,525,589
Change of items during period					
Dividends from surplus			(40,756)		(40,756)
Profit attributable to owners of parent for the period			100,366		100,366
Purchase of treasury stock				(223)	(223)
Disposal of treasury stock		(0)		2	1
Retirement of treasury stock					
Change in scope of equity method					
Other, net					
Total change of items during period	—	(0)	59,609	(221)	59,387
Balance at March 31, 2020	\$382,744	\$225,662	\$1,075,991	\$(99,420)	\$1,584,977

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at March 31, 2019	\$240,412	\$4,157	\$(3,214)	\$241,354	\$16,922	\$1,783,867
Change of items during period						
Dividends from surplus						(40,756)
Profit attributable to owners of parent for the period						100,366
Purchase of treasury stock						(223)
Disposal of treasury stock						1
Retirement of treasury stock						—
Change in scope of equity method						—
Other, net	(15,126)	479	(4,054)	(18,701)	1,228	(17,472)
Total change of items during period	(15,126)	479	(4,054)	(18,701)	1,228	41,915
Balance at March 31, 2020	\$225,286	\$4,637	\$(7,269)	\$222,653	\$18,151	\$1,825,783

Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2019 and 2020

	Thousands of U.S. dollars (Note 1)		
	Fiscal 2019 (Apr. 1, 2018 to Mar. 31, 2019)	Millions of yen Fiscal 2020 (Apr. 1, 2019 to Mar. 31, 2020)	Fiscal 2020 (Apr. 1, 2019 to Mar. 31, 2020)
Cash flows from operating activities			
Profit before income taxes and non-controlling interests	¥12,010	¥15,503	\$142,455
Depreciation and amortization	18,546	18,283	167,998
Impairment loss	2,292	268	2,466
Increase (decrease) in net defined benefit liability	(867)	(634)	(5,829)
Increase (decrease) in provision for directors' retirement benefits	(14)	1	12
Increase (decrease) in allowance for doubtful accounts	(23)	(18)	(171)
Interest and dividends income	(1,796)	(1,687)	(15,504)
Interest expenses	752	706	6,492
Foreign exchange losses (gains)	8	76	699
Equity in earnings of affiliates	(408)	(268)	(2,469)
Gain on sales of noncurrent assets	(135)	(144)	(1,323)
Loss on sales of noncurrent assets	214	33	306
Loss on retirement of noncurrent assets	687	360	3,310
Loss (gain) on sales of investment securities	(288)	(6)	(58)
Loss (gain) on valuation of investment securities	—	4	39
Decrease (increase) in notes and accounts receivable-trade	2,524	1,690	15,535
Decrease (increase) in inventories	157	1,173	10,784
Increase in notes and accounts payable-trade	(514)	(1,431)	(13,154)
Other, net	(313)	892	8,198
Subtotal	32,830	34,802	319,785
Interest and dividends income received	1,791	1,714	15,749
Interest expenses paid	(750)	(730)	(6,714)
Income taxes paid	(4,619)	(3,480)	(31,977)
Net cash provided by operating activities	29,252	32,305	296,843
Cash flows from investing activities			
Purchase of noncurrent assets	(20,563)	(18,433)	(169,383)
Proceeds from sales of noncurrent assets	509	297	2,730
Purchase of investment securities	(4)	(653)	(6,002)
Proceeds from sales of investment securities	330	14	131
Payments of loans receivable	(563)	(543)	(4,992)
Collection of loans receivable	199	570	5,245
Other, net	58	(67)	(621)
Net cash used in investing activities	¥(20,032)	¥(18,815)	\$(172,893)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	873	(840)	(7,722)
Proceeds from long-term loans payable	5,426	2,680	24,625
Repayment of long-term loans payable	(7,005)	(10,270)	(94,372)
Proceeds from issuance of bonds	—	5,000	45,943
Redemption of bonds	—	(5,000)	(45,943)
Proceeds from sales of treasury stock	2	0	1
Purchase of treasury stock	(10,652)	(24)	(223)
Cash dividends paid	(4,353)	(4,435)	(40,756)
Cash dividends paid to non-controlling shareholders	(4)	(5)	(52)
Other, net	(42)	(62)	(577)
Net cash used in financing activities	(15,755)	(12,959)	(119,077)
Effect of exchange rate change on cash and cash equivalents	(265)	(0)	(8)
Net increase (decrease) in cash and cash equivalents	(6,801)	529	4,864
Cash and cash equivalents at beginning of period	22,072	15,270	140,316
Cash and cash equivalents at end of period	* ¥15,270	* ¥15,799	\$145,180

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=¥108.83, the exchange rate prevailing on March 31, 2020.

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 waste 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 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)

(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 from the beginning of the year ending March 31, 2022.

(3) Impact of the application of the accounting standard, etc.

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

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (collectively, “Accounting Standard for Fair Value Measurement, Etc.”) were developed to increase comparability with international accounting standards, and matters of guidance, etc. for fair value measurement methods were established. Accounting Standard for Fair Value Measurement, Etc. are used for the fair value of the following items.

- Financial instruments in the “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes in “Accounting Standard for Measurement of Inventories”

Furthermore, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised to include notes regarding the breakdown by level of fair values of financial instruments, among others.

(2) Scheduled application date

Application is scheduled from the beginning of the year ending March 31, 2022.

(3) Impact of the application of the accounting standards, etc.

The impact of the application of the Accounting Standard for Fair Value Measurement and other accounting standards and implementation guidance on the consolidated financial statements is currently being evaluated.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

The purpose of this accounting standard is to present an overview of accounting policies and procedures adopted in cases where the relevant provisions set forth in accounting standards and other regulations are not clear.

(2) Scheduled application date

Application is scheduled from the end of the year ending March 31, 2021.

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The purpose of this accounting standard is to disclose information that will facilitate the understanding of users of financial statements regarding accounting estimates in the items recorded in the financial statements for the current fiscal year whose amounts are based on accounting estimates and that have the risk of significantly impacting the financial statements for the following fiscal year.

(2) Scheduled application date

Application is scheduled from the end of the year ending March 31, 2021.

(Additional information)

Impact of the spread of the novel coronavirus disease (COVID-19) on accounting estimates

The Group makes accounting estimates for impairment accounting for property, plant and equipment, recoverability of deferred tax assets, and others based on the assumption that the impact of the spread of COVID-19 will continue at least for a certain period of time. However, there are many uncertainties over the impact of the spread of COVID-19, which could affect the Group's financial position and operating results for the fiscal year ending March 31, 2021.

(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, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Ordinary deposits	¥–	¥50	\$465
Current deposit	362	322	2,958
Property, plant and equipment			
Buildings and structures	6,553	5,051	46,419
Machinery, equipment and vehicles	11,817	11,101	102,007
Land	4,022	3,806	34,977
Other	220	219	2,014
Total pledged assets	¥22,975	¥20,551	\$188,843

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Accounts payable trade	¥224	¥200	\$1,842
Short-term loans payable	360	420	3,859
Current portion of long-term loans payable	518	295	2,719
Long-term loans payable	3,397	3,102	28,503
Total secured liabilities	¥4,501	¥4,018	\$36,924

*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, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Investment securities (stocks)	¥4,104	¥4,994	\$45,893

*3. Reduction entry

Previous fiscal year (March 31, 2019)

The reduction entry amounts corresponding to national subsidies were ¥528 million for buildings and structures, ¥4,449 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, 2020)

The reduction entry amounts corresponding to national subsidies were ¥528 million (4,858 thousand U.S. dollars) for buildings and structures, ¥4,718 million (43,355 thousand U.S. dollars) for machinery, equipment and vehicles, ¥280 million (2,576 thousand U.S. dollars) for land, ¥4 million (40 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, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Hachinohe Biomass Power Generation Co., Ltd.	¥1,331	¥1,326	\$12,190
Others (1 company)	77	37	348
Total	¥1,408	¥1,364	\$12,539

(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, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Tsukamoto Kenzai Co., Ltd.	¥27	¥38	\$357
Others (3 companies)	22	30	279
Total	¥49	¥69	\$637

*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 year ended March 31, 2019 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, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Notes receivable	¥3,578	¥–	\$–
Notes payable	1,507	–	–
Equipment-related notes payable	16	–	–

(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 (March 31, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Sales costs	¥11,454	¥11,165	\$102,593
Allowances and bonuses	7,993	8,148	74,877
Transfer to provision for bonuses	997	1,039	9,547
Retirement benefit expenses	351	359	3,303
Transfer to provision for retirement benefits for officers	41	43	402
R&D expenses	3,233	3,087	28,374

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2019 to March 31, 2020
	¥3,233	¥3,087	\$28,374

*3. Main gains on sales of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2019 to March 31, 2020
Land	¥84	¥115	\$1,063
Buildings and structures	11	1	10
Machinery, equipment and vehicles	39	27	\$249

*4. Main losses on retirement of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2019 to March 31, 2020
Buildings and structures	¥36	¥67	\$616
Machinery, equipment and vehicles	642	290	2,669
Machinery, equipment and vehicles removal costs	1,035	928	8,529

*5. Main losses on sales of noncurrent assets

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2019 to March 31, 2020
Land	¥201	¥4	\$41
Machinery, equipment and vehicles	10	28	261
Buildings and structures	4	0	0

*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, 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).

A breakdown of impairment losses is as follows.

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

*Breakdown of impairment losses for each type

Application	Breakdown (millions of yen)	
	Land 20, quarry sites 4	
Idle assets	Total 24	
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	

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%.

Current fiscal year (April 1, 2019 to March 31, 2020)

As assets for the ready-mix concrete 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 (¥268 million [2,466 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)
Assets for the ready-mix concrete production business	Yokohama City, Kanagawa Prefecture	Machinery and equipment, and tools, furniture and fixtures	¥268	\$2,466

*Breakdown of impairment losses for each type

Application	Breakdown (millions of yen)		Breakdown (thousands of U.S. dollars)
	Machinery and equipment 259, tools, furniture and fixtures 8		Machinery and equipment 2,384, tools, furniture and fixtures 82
Assets for the ready-mix concrete production business	Total 268		Total 2,466

Recoverable amounts are measured at the value in use and determined by discounting the amount of an expected future cash flow by 1.54%.

(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, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2019 to March 31, 2020)
Valuation difference on available-for-sale securities:			
Amount incurred during the current fiscal year	¥(3,503)	¥(2,382)	\$(21,894)
Reclassification adjustments	–	(1)	(17)
Before adjustment for tax effects	(3,503)	(2,384)	(21,912)
Tax effects	1,083	739	6,797
Valuation difference on available-for-sale securities	(2,419)	(1,644)	(15,114)
Foreign currency translation adjustments:			
Amount incurred during the current fiscal year	(275)	52	479
Remeasurements of defined benefit plans:			
Amount incurred during the current fiscal year	(234)	(688)	(6,323)
Reclassification adjustments	(2)	48	447
Before adjustment for tax effects	(237)	(639)	(5,875)
Tax effects	73	198	1,821
Remeasurements of defined benefit plans	(163)	(441)	(4,054)
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount incurred during the current fiscal year	(0)	(1)	(14)
Total other comprehensive income	¥(2,859)	¥(2,035)	\$(18,704)

(Notes to consolidated statements of changes in net assets)

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

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

	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 (Notes 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	¥5.50	March 31, 2018	June 29, 2018
Board of Directors Meeting held on November 7, 2018	Common stock	¥2,121	¥5.50	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 ended 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	¥55.00	March 31, 2019	June 28, 2019

Current fiscal year (April 1, 2019 to March 31, 2020)

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

	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	40,643	–	–	40,643
Total	40,643	–	–	40,643
Treasury stock				
Common stock (Note)	2,071	5	0	2,077
Total	2,071	5	0	2,077

(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: 5 thousand shares
Decrease due to sales of shares in amounts of less than one trading unit: 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 27, 2019	Common stock	¥2,121	¥55.00	March 31, 2019	June 28, 2019
Board of Directors Meeting held on November 7, 2019	Common stock	¥2,314	¥60.00	September 30, 2019	December 3, 2019

(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 27, 2019	Common stock	\$19,492	\$0.505	March 31, 2019	June 28, 2019
Board of Directors Meeting held on November 7, 2019	Common stock	\$21,263	\$0.551	September 30, 2019	December 3, 2019

(2) Dividends with the cut-off date in the year ended March 31, 2020 and the effective date in the year ending March 31, 2021

(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 26, 2020	Common stock	¥2,313	Retained earnings	¥60.00	March 31, 2020	June 29, 2020

(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 26, 2020	Common stock	\$21,262	Retained earnings	\$0.551	March 31, 2020	June 29, 2020

(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

	Previous fiscal year April 1, 2018 to March 31, 2019	Millions of yen Current fiscal year April 1, 2019 to March 31, 2020	Thousands of U.S. dollars Current fiscal year April 1, 2019 to March 31, 2020
Ending balance of cash and deposits	¥15,333	¥15,863	\$145,759
Time deposits with a maturity of over three months	(62)	(63)	(579)
Ending balance of cash and cash equivalents	¥15,270	¥15,799	\$145,180

(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 (structures and machinery, equipment and vehicles) in the cement business

(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

	Previous fiscal year (March 31, 2019)	Millions of yen Current fiscal year (March 31, 2020)	Thousands of U.S. dollars Current fiscal year (March 31, 2020)
Within one year	¥73	¥52	\$485
Over one year	105	81	744
Total	¥179	¥133	\$1,229

(Financial instruments)

Previous 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	¥–	¥–	¥–

(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

	Millions of yen
Classification	Consolidated balance sheet amounts
Unlisted securities (* 1)	¥1,753
Long-term loans receivable (*2)	2,756

(*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 one 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	¥–

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

	Millions of yen				
	Within one 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
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
Total	¥37,449	¥5,241	¥4,594	¥3,199	¥6,416

Current fiscal year (April 1, 2019 to March 31, 2020)

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 35 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, 2020 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	¥15,863	¥15,863	¥–
(2) Notes and accounts receivable—trade	48,359	48,359	–
(3) Securities and investment securities Available-for-sale securities	47,352	47,352	–
(4) Short-term loans receivable	547	547	–
(5) Long-term loans receivable	38	40	2
Total assets	¥112,159	¥112,161	¥2
(1) Notes and accounts payable—trade	27,593	27,593	–
(2) Short-term loans payable	21,354	21,354	–
(3) Bonds payable	10,000	9,986	(13)
(4) Long-term loans payable	21,253	21,433	180
Total liabilities	¥80,201	¥80,367	¥166
Derivative transactions	–	–	–
Total derivative transactions	¥–	¥–	¥–

Thousands of U.S. dollars

	Thousands of U.S. dollars		
	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	\$145,759	\$145,759	\$–
(2) Notes and accounts receivable—trade	444,356	444,356	–
(3) Securities and investment securities Available-for-sale securities	435,107	435,107	–
(4) Short-term loans receivable	5,026	5,026	–
(5) Long-term loans receivable	350	372	22
Total assets	\$1,030,600	\$1,030,622	\$22
(1) Notes and accounts payable—trade	253,543	253,543	–
(2) Short-term loans payable	196,217	196,217	–
(3) Bonds payable	91,886	91,762	(124)
(4) Long-term loans payable	195,292	196,946	1,654
Total liabilities	\$736,939	\$738,469	\$1,530
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	Thousands of U.S. dollars	
	Consolidated balance sheet amounts	Consolidated balance sheet amounts
Unlisted securities (*1)	¥1,742	\$16,009
Long-term loans receivable (*2)	2,737	25,145

(*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 one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥15,838	¥–	¥–	¥–
Notes and accounts receivable—trade	48,359	–	–	–
Securities and investment securities	–	–	–	–
Held-to-maturity securities	–	–	–	–
Redeemable available-for-sale securities	–	–	–	–
Short-term loans receivable	547	–	–	–
Long-term loans receivable	–	4	33	–
Total	¥64,744	¥4	¥33	¥–

Thousands of U.S. dollars

	Thousands of U.S. dollars			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	\$145,535	\$–	\$–	\$–
Notes and accounts receivable—trade	444,356	–	–	–
Securities and investment securities	–	–	–	–
Held-to-maturity securities	–	–	–	–
Redeemable available-for-sale securities	–	–	–	–
Short-term loans receivable	5,026	–	–	–
Long-term loans receivable	–	40	308	–
Total	\$594,918	\$40	\$308	\$–

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

Millions of yen						
	Within one 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	¥21,354	¥-	¥-	¥-	¥-	¥-
Bonds payable	-	-	-	5,000	-	5,000
Long-term loans payable	5,470	5,024	3,434	1,568	1,161	4,595
Total	¥26,824	¥5,024	¥3,434	¥6,568	¥1,161	¥9,595
Thousands of U.S. dollars						
	Within one 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	\$196,217	\$-	\$-	\$-	\$-	\$-
Bonds payable	-	-	-	45,943	-	45,943
Long-term loans payable	50,264	46,165	31,554	14,416	10,668	42,222
Total	\$246,482	\$46,165	\$31,554	\$60,359	\$10,668	\$88,165

(Securities)

1. Available-for-sale securities

Previous fiscal year (March 31, 2019)

Millions of yen				
	Type	Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(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
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(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

Current fiscal year (March 31, 2020)

Millions of yen				
	Type	Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	¥45,935	¥10,263	¥35,671
	(2) Bonds			
	National government bonds, local government bonds, etc.	-	-	-
	Corporate bonds	-	-	-
	Others	-	-	-
	(3) Others	-	-	-
	Subtotal	45,935	10,263	35,671
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	1,417	1,610	(193)
	(2) Bonds			
	National government bonds, local government bonds, etc.	-	-	-
	Corporate bonds	-	-	-
	Others	-	-	-
	(3) Others	-	-	-
	Subtotal	1,417	1,610	(193)
Total		¥47,352	¥11,874	¥35,478

Thousands of U.S. dollars				
	Type	Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	\$422,084	\$94,311	\$327,773
	(2) Bonds			
	National government bonds, local government bonds, etc.	-	-	-
	Corporate bonds	-	-	-
	Others	-	-	-
	(3) Others	-	-	-
	Subtotal	422,084	94,311	327,773
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	13,022	14,800	(1,777)
	(2) Bonds			
	National government bonds, local government bonds, etc.	-	-	-
	Corporate bonds	-	-	-
	Others	-	-	-
	(3) Others	-	-	-
	Subtotal	13,022	14,800	(1,777)
Total		\$435,107	\$109,111	\$325,995

2. Sales of available-for-sale securities

Previous 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	¥-

Current fiscal year (April 1, 2019 to March 31, 2020)

Millions of yen				
	Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks		¥14	¥6	¥-
(2) Bonds				
National government bonds, local government bonds, etc.		-	-	-
Corporate bonds		-	-	-
Others		-	-	-
(3) Others		-	-	-
Total		¥14	¥6	¥-

Thousands of U.S. dollars				
	Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks		\$131	\$58	\$-
(2) Bonds				
National government bonds, local government bonds, etc.		-	-	-
Corporate bonds		-	-	-
Others		-	-	-
(3) Others		-	-	-
Total		\$131	\$58	\$-

(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, 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 Pay fixed; receive floating	Long-term loans payable	¥9,008	¥6,111	(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.

Current fiscal year (March 31, 2020)

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 Pay fixed; receive floating	Long-term loans payable	¥6,092	¥3,554	(Note)

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 Pay fixed; receive floating	Long-term loans payable	\$55,985	\$32,665	(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		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2019 to March 31, 2020)
Beginning balance of projected benefit obligation	¥14,038	¥14,179	\$130,287
Service cost	711	696	6,403
Interest cost	41	28	258
Actuarial gains and losses	171	(11)	(103)
Payment of retirements benefits	(783)	(572)	(5,263)
Ending balance of projected benefit obligation	¥14,179	¥14,320	\$131,582

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2019 to March 31, 2020)
Beginning balance of pension assets	¥12,068	¥12,881	\$118,364
Expected return on pension assets	241	257	2,367
Actuarial gains and losses	(63)	(699)	(6,427)
Employer contribution	1,406	1,257	11,554
Payment of retirements benefits	(771)	(564)	(5,187)
Ending balance of pension assets	¥12,881	¥13,132	\$120,671

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2019 to March 31, 2020)
Beginning balance of net defined benefit liability	¥449	¥490	\$4,509
Retirement benefit expenses	189	278	2,563
Payment of retirements benefits	(55)	(69)	(635)
Contributions to the plan	(93)	(94)	(868)
Ending balance of net defined benefit liability	¥490	¥606	\$5,568

(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		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Projected benefit obligation of funded plan	¥15,320	¥15,467	\$142,123
Pension assets	(14,547)	(14,767)	(135,696)
	773	699	6,427
Projected benefit obligation of unfunded plan	1,014	1,093	10,052
Net amount of liabilities and assets on the consolidated balance sheet	1,788	1,793	16,479
Net defined benefit liability	2,207	2,176	19,994
Net defined benefit asset	(419)	(382)	(3,515)
Net amount of liabilities and assets on the consolidated balance sheet	¥1,788	¥1,793	\$16,479

(5) Breakdown of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2019 to March 31, 2020)
Service cost	¥711	¥696	\$6,403
Interest cost	41	28	258
Expected return on pension assets	(241)	(257)	(2,367)
Amortization of actuarial loss	(2)	48	447
Retirement benefit cost calculated using simplified method	189	278	2,563
Retirement benefit cost of defined benefit pension	¥699	¥795	\$7,305

(6) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2019 to March 31, 2020)
Actuarial gains and losses	¥(237)	¥(639)	\$(5,875)
Total	¥(237)	¥(639)	\$(5,875)

(7) Cumulative remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Unrecognized actuarial loss/gain	¥507	¥1,146	\$10,535
Total	¥507	¥1,146	\$10,535

(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, 2019)	Current fiscal year (March 31, 2020)
Bonds	45%	53%
Stocks	30%	23%
General accounts	17%	17%
Other	8%	7%
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, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)
Discount rate	0.3%	0.2%
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 tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)	Current fiscal year (March 31, 2020)
Deferred tax assets			
Impairment loss	¥2,543	¥2,045	\$18,792
Tax loss carryforwards	885	654	6,010
Provision for bonuses	757	776	7,136
Unrealized holding gain	515	521	4,796
Net defined benefit liability	934	689	6,331
Accrued business tax	179	220	2,024
Other	1,276	1,468	13,498
Subtotal for deferred tax assets	7,092	6,376	58,589
Valuation allowance related to tax loss carryforwards (Note)	(880)	(654)	(6,010)
Valuation allowance related to the total of deductible temporary differences	(2,776)	(2,328)	(21,396)
Subtotal for valuation allowance	(3,657)	(2,982)	(27,406)
Total deferred tax assets	¥3,435	¥3,393	\$31,182
Deferred tax liabilities			
Valuation difference for available-for-sale securities	(11,746)	(11,005)	(101,127)
Liability reserves under the Act on Special Measures Concerning Taxation	(1,082)	(1,052)	(9,671)
Other	(656)	(645)	(5,928)
Total deferred tax liabilities	(13,485)	(12,703)	(116,728)
Deferred tax liabilities, net	¥(10,050)	¥(9,309)	\$(85,545)

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

Previous fiscal year (March 31, 2019)

Millions of yen							
	Within one 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	—	—	—	—	—

Current fiscal year (March 31, 2020)

Millions of yen							
	Within one 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)	¥85	¥110	¥66	¥94	¥60	¥236	¥654
Valuation allowance	(85)	(110)	(66)	(94)	(60)	(236)	(654)
Deferred tax assets	—	—	—	—	—	—	—

Thousands of U.S. dollars							
	Within one 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)	\$787	\$1,013	\$607	\$872	\$559	\$2,170	\$6,010
Valuation allowance	(787)	(1,013)	(607)	(872)	(559)	(2,170)	(6,010)
Deferred tax assets	—	—	—	—	—	—	—

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, 2019)	Current fiscal year (March 31, 2020)
Statutory effective tax rate (Adjustment)	31.0%	31.0%
Adjustments that are not temporary differences	0.2	0.0
Valuation allowance	3.3	(0.3)
Tax credit	(2.5)	(2.0)
Other	2.2	(0.1)
Effective tax rate after the application of tax effect accounting	34.2	28.6

(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, 2019, rental income from rental property assets was ¥1,038 million (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 (recorded under extraordinary income), losses from sales of rental property amounted to ¥189 million (recorded under extraordinary loss), and impairment loss was ¥23 million (recorded under extraordinary loss). During the current fiscal year ended March 31, 2020, rental income from rental property assets was ¥1,157 million (US\$10,634 thousand) (rental revenue is recorded under sales and rental costs are recorded under cost of sales), gains from sales of rental property amounted to ¥82 million (US\$759 thousand) (recorded under extraordinary income), and losses from sales of rental property amounted to ¥8 million (US\$81 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, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2019 to March 31, 2020)
Consolidated balance sheet amounts			
Opening balance	¥23,194	¥21,711	\$199,502
Change during the fiscal year	(1,482)	(378)	(3,478)
Closing balance	21,711	21,333	196,023
Fair value at the end of the fiscal year	¥31,409	¥31,855	\$292,711

(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, 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 ground 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								Note 1	Note 2
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Adjustment amount	Consolidated
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
Increase in property, plant and equipment and intangible assets	¥15,002	¥1,857	¥322	¥127	¥1,558	¥71	¥103	¥19,043	¥—	¥19,043

(Notes) 1. Eliminations and adjustments are described below.
(1) Adjustments for segment profit or loss of ¥(81) million include elimination of inter-segment profit and loss.
(2) Adjustments for segment assets of ¥15,418 million include ¥36,493 million of corporate assets, which are not allocable to a reportable segment, and ¥(21,075) 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 ¥23 million include ¥41 million of depreciation and amortization for corporate assets and ¥(18) 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, 2019 to March 31, 2020)

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 ground 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								Millions of yen	
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Note 1 Adjustment amount	Note 2 Consolidated
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥188,800	¥12,640	¥19,089	¥5,871	¥11,390	¥1,250	¥6,115	¥245,159	¥–	¥245,159
(2) Intersegment sales or transfers	2,865	4,052	2,741	55	–	–	5,401	15,116	(15,116)	–
Total	¥191,665	¥16,692	¥21,830	¥5,927	¥11,390	¥1,250	¥11,517	¥260,275	¥(15,116)	¥245,159
Segment profit (or loss)	8,247	2,385	1,824	195	1,850	(149)	1,859	16,212	(84)	16,128
Segment assets	221,115	30,379	17,254	5,685	10,559	2,565	25,465	313,024	8,084	321,108
Other items										
Depreciation expense	13,919	1,793	463	640	771	97	579	18,265	17	18,283
Increase in property, plant and equipment and intangible assets	¥15,906	¥2,652	¥486	¥361	¥754	¥42	¥42	¥20,245	¥–	¥20,245

	Reporting segments								Thousands of U.S. dollars	
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Note 1 Adjustment amount	Note 2 Consolidated
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	\$1,734,816	\$116,148	\$175,408	\$53,950	\$104,666	\$11,490	\$56,196	\$2,252,679	\$–	\$2,252,679
(2) Intersegment sales or transfers	26,333	37,233	25,187	512	–	–	49,636	138,902	(138,902)	–
Total	\$1,761,149	\$153,382	\$200,595	\$54,463	\$104,666	\$11,490	\$105,833	\$2,391,582	\$(138,902)	\$2,252,679
Segment profit (or loss)	75,780	21,916	16,766	1,793	16,999	(1,371)	17,086	148,972	(776)	148,195
Segment assets	2,031,751	279,141	158,543	52,242	97,025	23,569	233,994	2,876,268	74,282	2,950,551
Other items										
Depreciation expense	127,905	16,484	4,257	5,884	7,088	891	5,326	167,839	159	167,999
Net sales and operating income	\$146,159	\$24,371	\$4,465	\$3,318	\$6,936	386	\$386	\$186,025	\$–	\$186,025

(Notes) 1. Eliminations and adjustments are described below.
(1) Adjustments for segment profit or loss of ¥(84) million (US\$(776) thousand) include elimination of inter-segment profit and loss.
(2) Adjustments for segment assets of ¥8,084 million (US\$74,282 thousand) include ¥30,143 million (US\$276,974 thousand) of corporate assets, which are not allocable to a reportable segment, and ¥(22,058) million (US\$(202,692) 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 ¥17 million (US\$159 thousand) include ¥40 million (US\$371 thousand) of depreciation and amortization for corporate assets and ¥(23) million (US\$(211) 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, 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.

Current fiscal year (April 1, 2019 to March 31, 2020)

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 noncurrent assets by reportable segment]

Previous fiscal year (April 1, 2018 to March 31, 2019) Millions of yen

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

Current fiscal year (April 1, 2019 to March 31, 2020) Millions of yen

	Reporting segments								Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total		
Impairment loss	¥268	¥–	¥–	¥–	¥–	¥–	¥–	¥268	¥–	¥268

Current fiscal year (April 1, 2019 to March 31, 2020) Thousands of U.S. dollars

	Reporting segments								Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total		
Impairment loss	\$2,466	\$–	\$–	\$–	\$–	\$–	\$–	\$2,466	\$–	\$2,466

Information relating to goodwill amortization and unamortized balance by reporting segment

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

Not applicable.

Current fiscal year (April 1, 2019 to March 31, 2020)

Not applicable.

Information relating to gains incurred from negative goodwill by reporting segment

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

Not applicable.

Current fiscal year (April 1, 2019 to March 31, 2020)

Not applicable.

(Related party transaction information)

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

Not applicable.

Current fiscal year (April 1, 2019 to March 31, 2020)

Not applicable.

(Per share information)

Item	Yen		U.S. dollars
	Previous fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2019 to March 31, 2020
Net assets per share	¥4,985.49	¥5,101.00	\$46.871
Profit per share	199.15	283.21	2.602

(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.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2019 to March 31, 2020
Profit attributable to owners of parent for the period	¥7,799	¥10,922	\$100,366
Amount not attributed to common shareholders	–	–	–
Profit attributable to owners of parent related to common stock	7,799	10,922	100,366
Average outstanding shares during the fiscal year (shares)	39,162,695	38,568,657	

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.

(Significant subsequent events)

(Issuance of bonds)

On April 1, 2020, the Company issued short-term bonds totaling ¥5 billion (US\$45,943 thousand) with a redemption date of September 30, 2020.

The overview is as follows.

(1) Total issue amount	¥5 billion (US\$45,943 thousand)
(2) Interest rate	0.01% per year
(3) Payment due date	April 1, 2020
(4) Redemption period	Six months
(5) Uses of funds	Working capital

(Introduction of stock remuneration plan)
At the 157th Ordinary General Meeting of Shareholders held on June 26, 2020, a resolution was passed to newly adopt a stock remuneration plan (hereinafter referred to as the “Plan”) for Directors of the Company (excluding Outside Directors; hereinafter referred to as “Eligible Directors”).

1. Purpose of the Plan, etc.
The purpose of the Plan is to clarify the correlation between Directors’ remuneration and the Company’s stock value, and encourage Directors to share the benefits and risks arising from stock price fluctuations with shareholders and, as a result, enhance their awareness of contributing to the improvement of medium- to long-term business performance as well as the increase in corporate value.
Specifically, the new stock remuneration will be paid in addition to the preexisting limit of the Directors’ remuneration (up to ¥40 million in total per month, excluding the portion for his or her employee’s salary) to Directors who will be in office during the three years until the end of the Ordinary General Meeting of Shareholders that is scheduled to be held in June 2023 (hereinafter referred to as the “applicable period”).
Furthermore, under the Plan the Company will also adopt the same stock remuneration plan as that which is paid to the Company’s Directors for the Executive Officers of the Company. In this case, the Executive Officers, like the Directors, become beneficiaries of the trust for the Plan. In addition, funds for the acquisition of shares to be delivered to the Executive Officers are also entrusted by the Company to the trust.

2. Amount, contents, etc. of the remuneration under the Plan

(1) Overview of the Plan
The Plan is a stock remuneration plan where a trust established by the Company contributing money (hereinafter referred to as the “Trust”) acquires the Company’s shares and delivers them to each Director. The number of shares of the Company corresponding to the number of points granted to each Director by the Company is delivered to each Director through the Trust.
As a general rule, each Director shall receive the delivery of the Company’s shares at the time of his/her retirement as Director.

(i) Persons eligible for the Plan
Directors of the Company (excluding Outside Directors)

(ii) Applicable period
From the end of the 157th Ordinary General Meeting of Shareholders held on June 26, 2020 until the end of the Ordinary General Meeting of Shareholders that is scheduled to be held in June 2023

(iii) Maximum amount of money contributed by the Company as funds to acquire the Company’s shares to be delivered to eligible persons described in (i) above during the applicable period specified in (ii) above
¥150 million in total

(iv) Method of acquiring the Company’s shares
Disposal of treasury stock or acquisition through an exchange (including off-floor trading)

(v) Maximum number of points to be granted to eligible persons described in (i) above
10,000 points per fiscal year

(vi) Criteria for granting points
Points are granted according to positions etc.

(vii) Timing of the delivery of the Company’s shares to eligible persons described in (i) above
At the time of retirement, in principle

(2) Maximum amount of money contributed by the Company
The initial trust period of the Trust shall be approximately three years. Under the Plan, during the applicable period, the Company shall contribute up to ¥150 million in total as remuneration for Directors who will be in office during the eligible period, which will be a source of funds to acquire the Company’s shares to be delivered to Directors, and shall establish the Trust with Directors who satisfy certain requirements as its beneficiaries. The Trust shall acquire shares of the Company using the money entrusted by the Company either through disposal of treasury stock or in the exchange (including off-floor trading).
(Note) The money actually entrusted by the Company to the Trust shall be the sum of the above-mentioned funds to acquire the Company’s shares and the estimated amount of necessary expenses such as trust fees and trust administrator fees.

Each time the applicable period expires, it may be extended by a period of up to three years by a resolution of the Board of Directors, and the trust period of the Trust may also be extended accordingly (including a case where the trust period is effectively extended by transferring the trust assets of the Trust to a new trust whose purpose is the same as that of the Trust previously established by the Company, with the same applying hereinafter.) to continue the Plan. In such a case, during the extended applicable period, the Company shall additionally contribute to the Trust up to the amount calculated by multiplying the number of years extended by ¥50 million for a source of funds to additionally acquire the Company’s shares that will be delivered to Directors under the Plan; thus, the Company shall continue to grant points described in (3) below and deliver shares of the Company. Furthermore, even if the Company does not continue the Plan without extending the applicable period, if there are any Directors who have already been granted points but have not yet retired at the expiration of the trust period, the Company may extend the trust period of the Trust until those Directors retire and the delivery of the Company’s shares is completed.

(3) Calculation method and maximum number of shares of the Company to be delivered to Directors

(i) Method of granting points to Directors
In accordance with the Share Delivery Rules set forth by the Board of Directors, the Company shall grant points to each Director according to his/her position, etc. on the point granting date during the trust period specified in the Share Delivery Rules.
However, the total number of points to be granted by the Company to Directors shall be up to 10,000 points per fiscal year.

(ii) Delivery of the Company’s shares corresponding to the number of points granted
Directors shall receive the delivery of the Company’s shares according to the number of points granted in (i) above based on the procedures described in (iii) below.
One point shall correspond to one share of the Company. However, if an event occurs where it is considered reasonable to adjust the number of the Company’s shares to be delivered, such as a share split and a share consolidation, the Company shall make a reasonable adjustment according to the ratio of such share split or share consolidation.

(iii) Delivery of the Company’s shares to Directors
The delivery of shares of the Company to each Director described in (ii) above shall be made from the Trust after each Director performs the prescribed beneficiary determination procedures at the time of his/her retirement. However, a certain percentage of those shares of the Company may be sold and converted into cash within the Trust in order for the Company to withhold income taxes, and in such a case, cash may be distributed instead of the Company’s shares. Moreover, if the Company’s shares in the Trust are converted to cash such as when a tender offer is accepted and settled with respect to such shares, cash may be distributed instead of the Company’s shares.

(4) Exercise of voting rights
Pursuant to the instructions of the trust administrator, who is independent of the Company and its Officers, the voting rights pertaining to the Company’s shares held in the Trust shall without exception not be exercised, which ensures neutrality in the management of the Company with respect to the exercise of the voting rights of such shares.

(5) Handling of dividends
Dividends on the Company’s shares held in the Trust shall be received by the Trust and be used to acquire the Company’s shares and to pay trust fees to the trustee of the Trust etc.

(6) Handling of the Company’s shares and cash at termination of the Trust
Regarding the Company’s shares still held by the Trust at termination of the Trust, the Company plans to acquire all such shares at no cost, and dispose of them through a resolution by the Board of Directors.
A certain portion of cash in the residual property held by the Trust at the time of its termination is planned to be donated to specified public-service promotion corporations that have no interest in the Company’s Directors, pursuant to the Share Delivery Rules and the Trust Agreement determined in advance.

Independent Auditor’s Report



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan
Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Independent Auditor’s Report

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

Opinion
We have audited the accompanying consolidated financial statements of Sumitomo Osaka Cement Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group’s financial reporting process.

A member firm of Ernst & Young Global Limited



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A member firm of Ernst & Young Global Limited



Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1. to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 26, 2020

香山良

Ryo Kayama
Designated Engagement Partner
Certified Public Accountant

吉川高史

Takashi Yoshikawa
Designated Engagement Partner
Certified Public Accountant

A member firm of Ernst & Young Global Limited

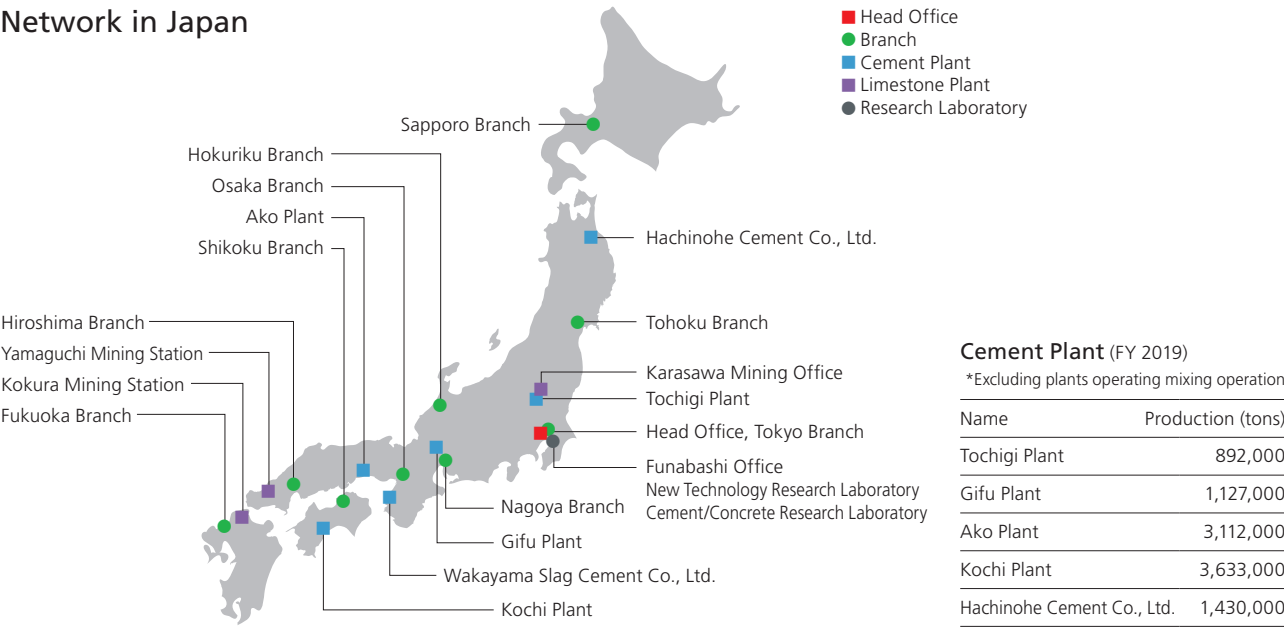
Company Information (as of March 31, 2020)

Company	Sumitomo Osaka Cement Co., Ltd.	Employees	3,005
Established	November 29, 1907	Capital	¥41.6 billion
Head Office	6-28, Rokubancho, Chiyoda-ku, Tokyo 102-8465, Japan Telephone number +81-3-5211-4500	URL	https://www.soc.co.jp/

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
SOC MARINE INTERNATIONAL (PANAMA) S.A	Ship leasing
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

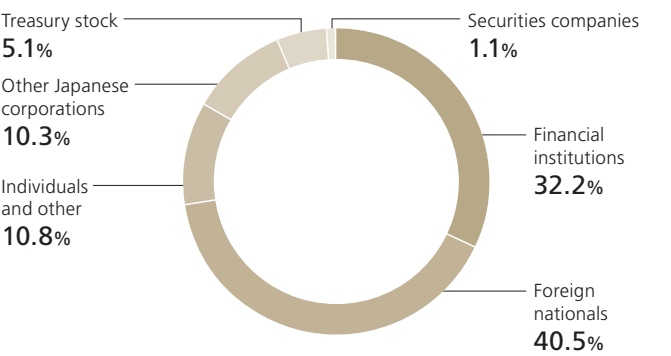
Network in Japan



Stock Information (as of March 31, 2020)

Stock exchange listing	Tokyo Stock Exchange
Total number of authorized shares	130,000,000
Total number of shares outstanding	40,643,217 (2,077,354 shares of treasury stock)
Shareholders	23,006

Breakdown of shareholders



Status of Major Shareholders

Name	Number of shares owned (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,165	10.8
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	3,390	8.8
Japan Trustee Services Bank, Ltd. (Trust Account)	2,189	5.7
NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS	1,740	4.5
NORTHERN TRUST CO. (AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	1,291	3.3
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	1,160	3.0
NORTHERN TRUST CO. (AVFC)RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	953	2.5
Sumitomo Life Insurance Company	852	2.2
Japan Trustee Services Bank, Ltd. (Trust Account 5)	773	2.0
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS TOBACCO FREE INTERNATIONAL VALUE EQUITY TRUST	740	1.9

(Notes) 1. The Company holds 2,077,354 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.
3. On July 27, 2020, Japan Trustee Services Bank, Ltd. changed its trade name to Custody Bank of Japan, Ltd.

Overseas network





IR & PR Group, General Affairs Department
6-28, Rokubancho, Chiyoda-ku, Tokyo 102-8465, Japan
Tel:+81-3-5211-4500 Fax:+81-3-3221-4652
https://www.soc.co.jp/sumitomo_e/

