Integrated Report 2021



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GRI Standards

Reporting Scope Reporting period: April 1, 2020 to March 31, 2021 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 aim to be a business group that helps preserv the global environment and contributes to the HILOSOPHY sustainment and ongoing development of a prosperous society through tireless technological innovation and wide-ranging business activities.

ENVIRONMENTAL

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

 We will engage in sound business practices by placing prime importance on integrity
 We will act ethically and comply with all laws and regulations.
 We will provide products and services that respond to the trust and expectations of customers and society. We will respond flexibly to changing times and conduct business efficiently as means of enhancing our corporate value.

egrity

We will create safe and vibrant working environments where human rights are fully respected. I value and respect all en

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Starting from fiscal 2019, the Sumitomo Osaka Cement Group issues Integrated Report in place of the previously published CSR Report and Annual Report. This Integrated Report, now in its third year, is published with the intention of clearly communicating the Group's initiatives for enhancing corporate value over the medium to long term, and facilitating a deeper understanding of them over a wide range of stakeholders, including shareholders and investors. These initiatives include not only the "Value Creation Process," but also the 2050 "Carbon Neutral" Vision "SO-CN2050," the Group's vision to achieve carbon neutrality by 2050, and disclosure items related to endorsement of the TCFD recommendations.

Reference Guidelines

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

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 Hakusuikai 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 operating to this day. Since the Company's

Sumitomo Cement Co., Ltd. Sumitomo Osaka Cement Co., Ltd. 1907 1925 1940 1960 1966 1994 2007 Merged with Kawasaki Founded as Merged with Hinode Merged with Fukoku Newly established Invested in Yunnan Kungang & K.Wah Cement Co., Ltd. Iwaki Cement Cement Co., Ltd. Cement Co., Ltd. Ako Plant (Current Gifu Plant) Co., Ltd. (Current Hachinohe (Current Tochigi Plant) Cement Co., Ltd.) 1963 2012 Changed the company name to Sumitomo Cement Co., Ltd. Joined the Sumitomo Group Osaka Cement Co., Ltd. 1916 1926 1952 1961 1963 Founded as Established Osaka Yogyo Newly established Newly established Changed the Cement Division Cement Co., Ltd. Ibuki Plant Kochi Plant company name to of Osaka Yogyo (production stopped Osaka Cement Co., in 2003) Co., Ltd. I td 2000 1900 1990

Products and Technologies

1927

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



Constructed the Osaka City Subway using the hightrenath 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

Completed New Technology Research



business.

to the Battery Materials business.



New Technology Research Laboratory

2009

Laboratory "Nano Tera Technology Center"



Biomass power generation facilities

development of a prosperous society based on the

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,



Commenced operation of biomass power generation facilities at Tochigi Plant

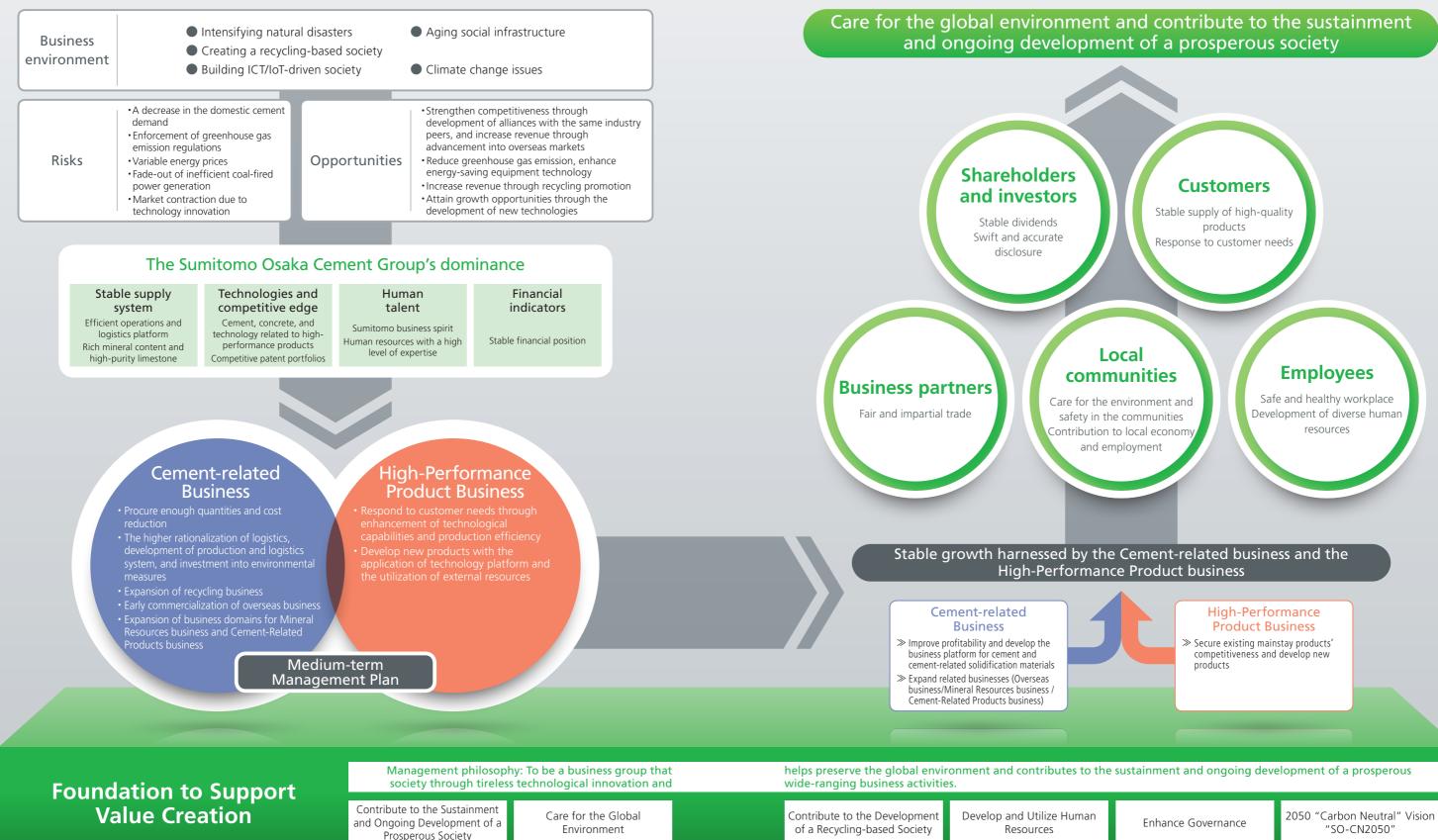
2012

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.

"SO-CN2050"



Message from the President

"The goal is to enhance corporate value while achieving a balance between our growth as a corporate group and the resolution of social problems."

Q As you look back on the fiscal year ended March 31, 2021, what are your thoughts?

In the middle of the COVID-19 pandemic, we managed to achieve growth in profits by reducing energy costs.

In the fiscal year ended March 31, 2021 (fiscal 2020), we were groping our way forward in the unprecedented circumstances caused by the COVID-19 pandemic.

The mainstay Cement-related business was affected by the suspension of some construction projects at the beginning of the fiscal year due to reasons such as the declaration of a state of emergency, which led to a decline in domestic cement demand of 5.6% year on year, to 38.67 million metric tons. It was the first time in the 54 years since 1966 that domestic cement demand had fallen below 40 million metric tons. The stagnation of economic activity resulted in a decline in the amount

of recyclable materials generated as well as lower demand for limestone used in steelmaking, which also had a negative effect on performance.

In the High-Performance Product business, demand for optical communications components that had been expected to grow as a result of the increase in data traffic was hit by trade friction between the US and China, and dropped off sharply towards the end of the fiscal year. Taking the above into account, and considering requirements going forward, we concluded that it would be difficult to recover the amount of capital invested, and have applied impairment accounting to the

Optoelectronics business. In the Advanced Materials business, although sales of cosmetics materials fell unavoidably due to consumers refraining from going out and other restrictions in Europe and the US, electronic materials for semiconductor manufacturing equipment components have recovered steadily against the

Q How do you view progress in the Medium-term Management Plan?

We have made progress with environmental initiatives and with reinforcing the business foundation. We continue to invest for growth.

Results of the Medium-term Management Plan for the First Year

The Medium-term Management Plan assumes domestic cement demand of 41 million metric tons, but that assumption has changed significantly. Also, it goes without saying that during the stage at which the plan was formulated, we did not include the COVID-19 pandemic in our assumptions. Although we were affected by the decline in domestic demand and the impact of COVID-19, during the first year of the Mediumterm Management Plan, we executed solidly when it came to measures for reinforcing the business foundation

Issues Addressed in the First Year of the Medium-term Management Plan

In the Cement-related business, it is difficult to paint a picture of significant growth or expansion in domestic demand, but on the other hand neither is it realistic to project significant declines. Not only is there demand arising from work related to recovery from frequent natural disasters, and from projects to improve national resilience to prevent and mitigate such disasters, but there is also demand related to the expansion of the regional Shinkansen networks, such as the Chuo Shinkansen (Superconducting Maglev train), and to the Expo 2025 Osaka, Kansai. With this in mind, it seems likely that domestic demand will remain at 40 million metric tons or thereabouts for the next several years. A major issue for the Cement business under these circumstances is controlling raw material and heat energy costs in pursuit of enhanced profitability, by promoting broader acceptance of recyclable materials that can be used as substitutes for fossil energy. With regard to the overseas market, which has considerable potential for growth, in addition to the current approach of exporting and making investments in overseas companies, we will probably need to consider moving downstream into areas such as the ready-mixed concrete business.

Looking at domestic infrastructure, there are many bridges and highways that were constructed between the mid-1960s and the end of that decade, and the concrete used in those structures is approaching the end of its useful life, which is supposed to be 50-60 years. Going forward, we will need to take an active approach to projects aimed at repairing or upgrading such aging

backdrop of a robust semiconductor market. The result of this challenging business environment was that net sales declined, driven primarily by the weakness in domestic cement demand, but profits rose due to reductions in energy costs, and other factors.

and for achieving future growth, such as expanding the use of substitutes for raw materials and thermal energy, carrying out environmental initiatives, and systematically implementing repair work.

Going forward, we will continue to move forward steadily with the basics of management in accordance with the Medium-term Management Plan, but as changes in the business environment also arise with the passage of time, we will respond to such changes and proceed with the plan.

infrastructure, and the Cement-Related Products business is expected to be doing well. In the Mineral Resources business, we have continued our program of capital investments in each of the limestone mines; Shuho Mine, Karasawa Mine, and Ibuki Mine. At this stage, taking a persistent and bold approach to Overseas Cement, Cement-Related Products, Mineral Resources and other such businesses that still have potential for growth became one of our priority management issues.

In the High-Performance Product business, we need to consider additional capital investment in the Electronic Materials business, one of the Advanced Material businesses, which is benefiting from favorable demand for electronic materials for semiconductor manufacturing equipment components, to enable it to respond to fluctuations in demand. On the other hand, in the Optoelectronics business, demand for LN modulators has fallen sharply as a result of trade friction between the US and China, and going forward the key issues will be the development of new 800G modulators and the opening-up of new sales routes for customers in the US and Europe.

In addition, although sales volume is on a rising trend, the Battery Materials business is facing intense price competition from overseas manufacturers. As we work to find new customers on the one hand, I think we probably need to consider how to develop the business going forward, such as by taking a selective and focused approach to the use of management resources.

Message from the President

Q To what kind of sustainability does the Sumitomo Osaka Cement Group aspire?

We will move forward with our unique vision, and take up the challenge of becoming a carbon-neutral organization.

Formulation of the 2050 "Carbon Neutral" Vision "SO-CN2050"

The cement industry to which the Sumitomo Osaka Cement Group belongs is one that makes an extraordinarily large contribution to the recyclingoriented society. Even if we look only at the manufacturing process for cement, which uses waste products as raw materials and recycles them as heat energy sources without producing any secondary waste whatsoever, it is clear that it achieves a substantial contribution to the sustainability of society.

On the other hand, the cement sector is the largest producer of CO_2 among Japanese industries after electric power generation, steelmaking, and chemicals. Pursuing reductions in greenhouse gases and helping to achieve a decarbonized society are the most important themes for the cement industry, and constitute the mission it has been given.

In April 2020, the Group launched the Sustainable Measures Committee, and in December 2020, it announced the 2050 "Carbon Neutral" Vision "SO-CN2050," which set specific targets for reductions in greenhouse gases, and summarized initiatives for contributing to a decarbonized society. This 2050 "Carbon Neutral" Vision "SO-CN2050" takes up the carbon-neutral challenge of reducing total CO₂ emissions to zero, as calculated by deducting the amount of CO₂ absorbed and the amount of CO₂ eliminated from the amount emitted, by 2050. Furthermore, it commits the Group to targets of reducing energy-related CO₂ emissions by 30% from 2005 levels on a carbon intensity basis, which is equivalent to a reduction of 45% on an emissions basis, by 2030 as its milestone.

In April 2021, we established a new Sustainability Department with the aim of strengthening group-wide initiatives related to climate change problems and sustainability issues, as well as setting up a "Global Environmental Harmony Research Group" in the Cement/Concrete Research Laboratory in May 2021. By developing and deploying the new technologies that will be indispensable for attaining carbon neutrality, and by pursuing innovations to transform our business foundation, we will tackle the challenge of achieving a decarbonized society.

2050 "Carbon Neutral" Vision "SO-CN2050"		Practical technology innovations New technology innovations / bu foundation innovations	
		2050 Carbon Neutral Challenge	
		2030 reduction targets achieved	
In-house power generation at cement plants	Energy-related (Emissions from cement clinker burning /from electric power generation)	Cement manufacturing: Reduce use of fossil energy <2030 target> Energy-related CO2 emissions 30% reduction in consumption rate (vs. 2005) Non-fossil energy mixed firing In-house power generation: Increase volume of biomass fuel, improvements in generation efficiency Shift to use carbon-free electricity Reduce electricity usage: Introduce energy-saving facilities Shift to use carbon-free (vs. 2005) Shift to use carbon-free electricity Develop and deploy carbon recycling technology Develop and deploy CCUS(*2) technology	SO-CN 2050 Carbon Neutrality Achievec
	related (Derived from processes) (*1)	Reduce limestone usage: (Utilize recyclable materials containing high amounts of CaO) CCOS(*2) technology Develop and supply low-carbon cement/concrete technology Develop and supply innovative compound materials	eutrality /
Mining, logistics, offices, etc.		Transportation division measures: pursue improvements in efficiency energy	Achieve
Customers/society		Help save energy through the High-Performance Product business Develop and supply materials that contribute to a decarbonized society	õ.
		Promote greener approach to mining, forest preservation activities	

(*1) CO2 emitted when CaCO3 (calcium carbonate) in limestone, which is the primary ingredient of cement, is fired at a high temperature (*2) Carbon Capture, Utilization & Storage

Endorsement of TCFD Recommendations

In July 2021, we joined the TCFD Consortium in support of the TCFD recommendations encouraging companies to disclose information related to their response on climate change, in addition to the 2050 "Carbon Neutral" Vision "SO-CN2050" being promoted by the Group. In August 2021, we conducted a scenario analysis for the impact of climate change on each of our businesses, including the High-Performance Product business and the Cement-related business, which incorporates the Cement business that accounts for the majority of the CO₂ emitted by the Group, and also disclosed the information under the four areas recommended by the TCFD: Governance, Strategy, Risk Management, and Metrics and Targets. (Please see page 34 for the details.)

*TCFD: Task Force on Climate-related Financial Disclosures

Q What is your message to stakeholders?

We will interpret change as opportunity, and pursue further enhancements to corporate value.

Finally, having recently been appointed President, I would like to take this opportunity to say a few words to all of our stakeholders.

Today, with the social environment undergoing drastic change as a result of trends such as globalization, decarbonization, and digital transformation, companies are required not only to generate a profit, but also to contribute to society and to be aware of environmental issues. Furthermore, the COVID-19 pandemic may lead to changes in the existing order and in our values.

Under these circumstances, the Group must continue to be a manufacturer that meets the expectations of dealers and customers in the core Cement business. As we cannot expect significant growth in domestic cement demand, we will enhance our technology for processing waste products and byproducts and increase volumes received to improve profitability, while working to expand in areas where there is still potential for growth, such as the Overseas Cement business, the Mineral Resources business, and the Cement-Related Products business. Furthermore, in addition to responding appropriately to the needs of our existing customers in the High-Performance Product business, we will absorb wisdom and insights from outside the



Company as we take up the challenge of developing attractive new technologies.

On our way to the goal of achieving carbon neutrality by 2050, we will implement ¥30.0 billion in investments by the immediate milestone of 2030, and we will work to realize the fruits of this investment as quickly as possible. Going forward, with the rate of changes in the business environment and the speed of technical development accelerating further, we must transform our awareness and our behavior so as to interpret change as an opportunity rather than a crisis.

These too express the reason for the Group's existence, as shown in the corporate philosophy of contributing to the sustainment and ongoing development of a prosperous society through wideranging business activities, and we will work as one to enhance corporate value. I ask for your continued understanding and support as we move forward.

President, Representative Director

Hirotsune Moroheshi

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

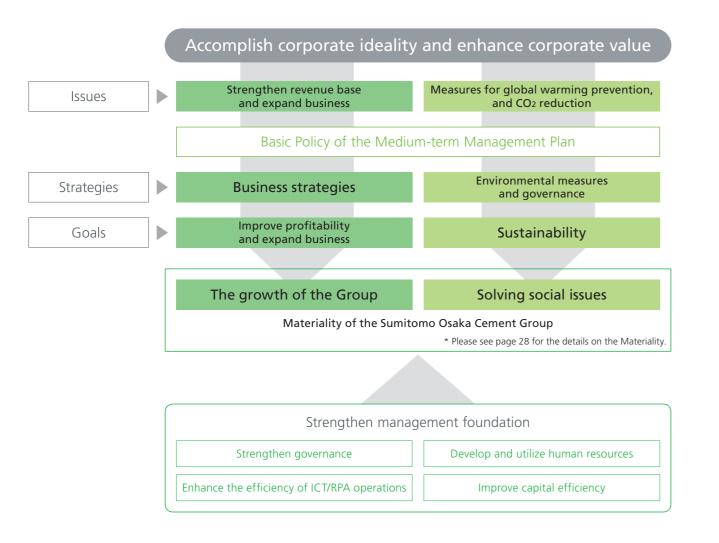
"We are aiming to become a corporate group on a steady growth trajectory, by expanding our presence in the markets of both the Cement-related Business and High-Performance Product Business."

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.



Fiscal 2020 Results

> Environmental Changes

During the first year of the Medium-term Management Plan, the deterioration in business conditions caused by the spread of the novel coronavirus disease (COVID-19) resulted in domestic cement demand falling to 38.67 million metric tons, compared to the Medium-term Management Plan figure of 41 million metric tons. Net sales for the Company as a whole declined, and certain products and businesses were significantly affected, including cement exports to Southeast Asia, recycling of raw materials and fuel, limestone for steelmaking, aggregates and high-performance products such as cosmetics materials.

Fiscal 2020 was also a year in which we saw an acceleration in social demands related to climate change problems. During this period, the Sumitomo Osaka Cement Group took steps to speed up its response to such issues and take a more active approach to disclosure of its various initiatives.

> Cement-related Business

In the Cement business, we worked in accordance with the Medium-term Management Plan to expand the use of substitutes for raw materials and thermal energy, carry out environmental initiatives, and systematically implement repair work. In terms of environmental initiatives, we proceeded with work to convert the electric dust collectors in the cement plant kilns to bag filters, a measure that helps prevent dust generation and broadens the scope of recyclable material collection.

In domestic cement sales, despite the decline in domestic demand we maintained our market share by bolstering our efforts to win construction project orders and strengthening our supply of solidification materials and specialty products. In addition, we worked with Nippon Steel Cement Co., Ltd. to consolidate vessel allocation and further rationalize our logistics. Although exports were affected by COVID-19, we have compensated for existing export destinations by shipments to China.

In the Mineral Resources business, we are reinforcing production systems at the main Shuho Mine, expanding sales of aggregates by investing in capacity increases at the Karasawa and Ibuki mines, and securing a stable supply of resources to enhance the business base with a focus on the future. In the Cement-Related Products business, we expanded the use of repair materials for aging infrastructure (Refre Dry Shot), commenced sales of sheets of MAGICAL FIX insoluble material for dealing with heavy metals in construction soil, which is an area of growing demand, and rationalized logistics for cement-related products.

> High-Performance Product business

The results of the first year of the Medium-term Management Plan in the High-Performance Product business were centered on strengthening our technological capabilities and raising productivity to address customer needs. The Optoelectronics business saw a fall in demand in fiscal 2020, but we accelerated preparations for the development of next-generation products, and worked to reduce costs for existing products. In the Advanced Materials business, although the expansion phase of demand for semiconductor manufacturing equipment components (ESC) was delayed, and there was a significant temporary decline in demand for cosmetics materials due to the impact of COVID-19, we are steadily building frameworks in preparation for the expansion or recovery in demand, respectively. In the Battery Materials business, we promoted engineering sales in preparation for returning to profitability.

Plan for Fiscal 2021

Due to the prolongation of the impact of the COVID-19 pandemic, private-sector demand in the Cement business is weak, and although we assume little change from the level of the previous fiscal year, we expect the rise in coal and crude oil energy costs to result in a significant decline in profits.

However, in fiscal 2021, the second year of the Medium-term Management Plan, we will focus on the impact of COVID-19 on demand trends, while continuing to steadily implement initiatives in accordance with our plans. In the Cement-related business, we increased cement plant capacity for treatment of chlorine contained in recyclable materials, and strengthened our collection of waste plastics in order to expand the use of

alternatives for raw materials and thermal energy. We also worked to enhance the business base by reducing costs and strengthening our supply systems. For the High-Performance Product business, particularly in the new Advanced Materials business, we will focus on semiconductor demand trends, and strengthen production management to enable us to respond to fluctuations in demand.



*Impact of the application of Accounting Standards for Revenue Recognition (-¥55.6 billion)



Converting Ako Plant electric dust collectors to bag filters



Progress of the Medium-term Management Plan

During fiscal 2020, the first year of the Medium-term Management Plan, we encountered a deteriorating business conditions caused by the spread of the novel coronavirus disease (COVID-19), yet we also endeavored to improve capital efficiency while also seeking to accomplish our corporate ideality, strengthening our revenue base to enhance our corporate value, expanding business and implementing global warming countermeasures, and steadily promoting measures to reduce CO₂. With respect to improving capital efficiency, we managed to achieve somewhat of an improvement in return on equity (ROE).

Regarding our outlook for fiscal 2021, the plan's second year, domestic cement demand is likely to remain largely unchanged from levels of fiscal 2020 amid prolongation of the impact of the COVID-19 pandemic, but fossil energy costs are poised to rise significantly. First half results are likely to align with our expectations at the beginning of the year given that our earnings forecast at the beginning of the year had projected gains to a certain degree. However, with the prevailing fossil energy market surpassing expectations at the beginning of the year, we were compelled to revise the full-year earnings forecast upon release of our financial results for the first quarter of the current fiscal year. With rising fossil energy costs constituting one of the challenges under the Medium-term Management Plan, we will seek increased profitability while curbing costs by steadily promoting broader acceptance of recyclable materials that can be used as substitutes for fossil energy as set forth under the 2050 "Carbon Neutral" Vision "SO-CN2050," released in December 2020.

The business environment is more challenging now in some respects than was the case when the Medium-term Management Plan was drawn up, but as we continue to steadily take on such challenges, we will strive to improve capital efficiency and ROE while appropriately addressing changes in the business environment.

Status of Cash Flow, Investment and Finance

Under the Medium-term Management Plan, we will generate a total of ¥20.0 billion in free cash flow after dividends over the three years beginning from fiscal 2020, and will allocate that amount to the Company's environmental measures, Overseas business and shareholder returns with an eye on the realization of future growth.

During the plan's first year of fiscal 2020, free cash flow was at high levels exceeding ¥20.0 billion due to capital investment (including environmental investment) in line with the Medium-term Management Plan, but we ended up securing free cash flow after dividends of ¥9.3 billion after having paid dividends of the same amount as those of the previous year in part given operating cash flow of ¥32.8 billion. In addition, we allocated ¥5.0 billion to the acquisition of treasury stock as shareholder returns, after having sold a certain amount of shares held as crossshareholdings. In August 2021, we furthermore commenced operation of Cement Terminal business in Australia, participating through a regional headquarters in our Overseas business under the growth strategy of our Cement-related business.

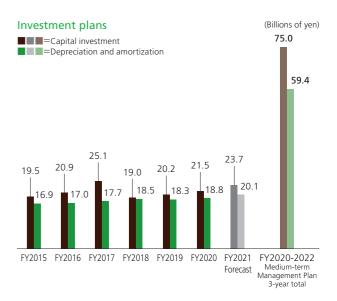
As for our fiscal 2021 outlook, we will place precedence for the time being on environmental investment undertaken with the aim of achieving carbon neutrality amid the likelihood of a challenging business environment, but we will also strive to secure free cash flow by generating sales and cutting costs. In our Overseas Cement business, we will seek expansion in Australia using the recently launched

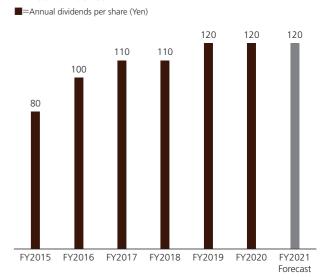
Returning Profits to Shareholders

We will make decisions with respect to providing returns to our shareholders upon having comprehensively taken into account factors that include the business environment, financial results outlook, and dividends paid during the previous fiscal year, based on the premise of continuing to provide stable dividends.

We have decided to pay an annual dividend for fiscal 2020 of ¥120 per share based on the aforementioned policy, which is the same amount as that paid with respect to fiscal 2019. From fiscal 2021 onward, we will strive to secure free cash flow and ensure continuance of stable dividends by enhancing our revenue base, expanding business, and strengthening our management foundation.

We will appropriately review options with respect to the acquisition of treasury stock depending on the circumstance of free cash flow after dividends, taking into account earnings performance trends and sale of shares held as cross-shareholdings. cement terminal to gain a foothold there, and will furthermore strive to give rise to synergies with the Company's domestic cement plants serving as an cement export destination. We also need to keep working to improve asset efficiency by continuing to sell off and reduce our shares held as cross-shareholdings.





Annual dividends

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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., Physical Distribution Dept., and Cement-Related Products Div.

Toshihiko Onishi

Business Strategies

The environment in which the Cement business operates is characterized by a lengthening of construction periods, resulting from labor shortages on construction sites, and by structural changes, such as modifications to construction methods. Together with the uncertain impact of COVID-19 going forward, this has led to very challenging circumstances for domestic demand. 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, and work related to the Expo 2025 Osaka, Kansai, as well as 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 and NIPPON STEEL CEMENT Co., Ltd., we will continue to consider expanding our logistics alliances with industry peers.

In the Overseas business, we will expand exports further through by leveraging the large silo constructed at the Kochi Plant in fiscal 2019, and open up new export destinations with a focus on the post-COVID-19 era. Overseas, our goal is to develop business through collaborations with local partners, based on the Group's technology.

	Positive factors	Negative factors		
Internal factors	 Marketing strength that leverages the Sumitomo brand Information-gathering capabilities based on direct contact with end users Distribution of service stations providing coverage of nearly the whole of the country Well-balanced locations for plants High rate of in-house power generation (use of biomass/thermal power generation) High intensity of waste usage and byproduct usage, high thermal energy substitution rate Unified management of all overseas transportation (SOC Logistics Co., Ltd.) 	 Aging of plant and service station facilities Supply capability for specialty cement Docking facilities for coastal plants Insufficient capacity at service stations in areas of demand Processing capacity for waste plastics 		
Externa factors	 Disaster prevention/mitigation, demand for major construction projects Rising demand in developing countries Rising environmental awareness around the globe 	 Declining domestic demand for cement Stronger regulation of companies emitting CO2 Higher repair costs caused by aging of facilities, labor shortages Labor shortages and aging of personnel involved in transportation (drivers, ship's crew) 		

Cement Business (production, facilities, environment)

Business Strategies

In order to implement reductions in emissions of global warming gases that occur during cement manufacturing, in December 2020 we formulated the 2050 "Carbon Neutral" Vision "SO-CN2050" as a medium- to long-term strategy for effectively cutting the Group's CO2 emissions to virtually zero by 2050. The Group has succeeded in achieving what are currently the highest coal (fossil energy) substitution ratios in the industry, but in preparation for 2030 it aims to increase fossil energy substitution ratios at eight kilns in all five plants to an average of 50% or more, and to 80% or more for four of these eight kilns. In order to achieve this target, we are expanding the use of fossil energy substitutes in cement manufacturing, such as expanding the use of waste plastics, increasing the volume of biomass fuel used for in-house generation, and promoting further introductions of energysaving techniques for manufacturing processes.

In terms of strengthening our environmental business, we will further expand the use of recycled cement resources through the acceptance of waste products and byproducts. In order to achieve this we must raise capacity for desalination and removal of salt, and will make the necessary capital investments going forward. As a result of these capacity additions, in addition to coal ash and construction soil, we will expand the volume of ordinary incinerator ash received in order to meet the stringent treatment requirements of society. Moreover, in terms of environmental investments, we are converting dust collection equipment in each factory to enable the use of bag filters, which we expect to enable us to further expand the volume of waste products and byproducts that are difficult to process. With regard to our cement production system, in addition to securing appropriate supply of specialty cement (for example, medium-heat cement) for which there is rising demand in urban areas, we are working systematically to maintain and upgrade our cement factories to

ensure stable operation.

Plan for Fiscal 2021

For domestic demand in fiscal 2021, we expect an increase in private-sector demand due to redevelopment and other factors, while public-sector demand is likely to be unchanged from the previous year. Overall, we forecast a small year-on-year increase to 39 million metric tons. In addition, net sales for the Group are expected to decrease year on year following changes to accounting standards and so on. Operating income is expected to decline as a result of sharp increases in coal and crude oil prices, as well as increases in depreciation. When it comes to initiatives to reduce costs, we will further promote energy savings and expand the use of alternative energy with the aim of cutting back on fossil energy consumption as much as possible. In addition, under the current Medium-term Management

Plan, we intend to actively invest from the perspective of carbon neutrality.

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

Ryoji Doi

Sumitomo Osaka Cement Group Overview by Segment Cement-related Business

Mineral Resources Business



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

Ryoji Doi

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), nine 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 surrounding resources 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	 Own limestone mines with rich mineral content and high purity Cost-competitiveness of Shuho Mine Synergies with cement plants (operating levels, processing of byproducts) 	• Excess capacity due to congestion at Shuho Mine shipping berths (Weaknesses)		
External factors	• Rising demand for limestone aggregates • Increase in marketing opportunities caused by resource depletion at nearby mines, etc.	 Declining domestic demand for cement/ concrete Declining demand for calcium carbonate used in coal-fired power stations as a result of reductions in greenhouse gas emissions 		

Plan for Fiscal 2021

We expect operating income in the Mineral Resources business to increase in fiscal 2021, despite a decrease in net sales due to application of Accounting Standards for Revenue Recognition. We will work to expand sales of limestone in the area of domestic and export steelmaking as demand recovers from the impact of COVID-19. In aggregates, we will continue to use our competitive advantage in limestone aggregates to appeal to customers, and seek to leverage our additional plant capacity to increase sales volumes.

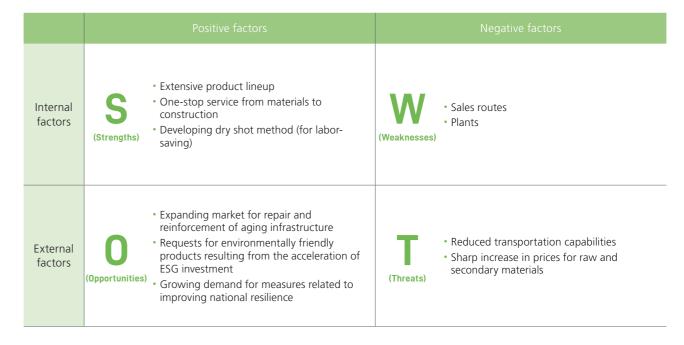
Cement-Related Products Business

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. In recent years, there is a rising need for maintenance and renovation of aging social infrastructure such as roads, tunnels, railway lines, bridges, water and sewage facilities, and buildings, and we expect further growth opportunities for this business. On the other hand, given that we expect sharp increases in raw material and secondary material prices, as well as higher unit prices for transportation, fuel and labor, we are working to cut costs by improving the efficiency of production and transportation.

Going forward we will focus on highly profitable markets with potential for revenue growth, and take steps 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, etc. 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, as well as further increasing hiring.

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, by enlisting collaboration with Group companies such as Estec Co., Ltd., SNC Co., Ltd., KURICON,LTD. (name changed in April 2021), Noma Sangyo Co., Ltd., which became a consolidated subsidiary in April 2021, and Chuken Consultant Co., Ltd. which is involved in surveying and diagnostic work for concrete structures.



Plan for Fiscal 2021

Both net sales and operating income are poised to increase due to an increase in number of consolidated subsidiaries in addition to an increased amount of ground improvement work and disaster recovery work involving bridges. In acknowledgment of the government's "Five-year plan for acceleration of measures to prevent and mitigate disasters and improve national resilience," the Group is working as one to contribute to the maintenance and renovation of aging social infrastructure.



Representative Director Director, Senior Managing Executive Officer Responsible for Real Estate Utilization and Management Dept., Cement Sales Administration Dept., International Business Dept., Physical Distribution Dept., and Cement-Related Products Div.

Toshihiko Onishi

Sumitomo Osaka Cement Group Overview by Segment High-Performance Product Busine

Optoelectronics Business



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

Mikio Konishi

Business Strategies

LN (lithium niobate) 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. At a global level, the recent promotion of teleworking and so on has resulted in further increases in internet traffic (data transmission volumes), and the market is expected to grow further. In addition, the generational shift to 5G communications continues to progress, and resulting increases in traffic are forecast to lead to demand for high value-added optical modulators in future.

In research and development, we are leveraging the strengths of LN modulators, which are their characteristic high transmission quality and low power consumption, and conducting basic technology development, including further miniaturization of components and higher integration, so as to meet customer requirements for ultra-miniaturization and higher performance. At the same time, we will build highly efficient manufacturing processes that make use of new semi-automated labor-saving technology to secure our competitive advantage.

On the business side, in addition to demand for flagship 100G (gigabit) LN modulators, we will steadily capture demand for higher speed, higher capacity 200G and 400G LN modulators, normalizing our production systems and reducing costs to ensure a stable profit base. We aim to establish a production system for next-generation, ultra-miniature 800G modulators during fiscal 2022.

Elsewhere, we expect competition from semiconductor modulators in the medium- to long-distance communications market to lead to the shrinking of the LN modulator market at some point in the future. With this in mind, we are working on development of new products to apply and extend optical device technology to fields other than that of communications.

	Positive factors	Negative factors		
Internal factors	 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 	(Weaknesses) • Single-product portfolio resulting in insufficient technology and product development capabilities, including those required for peripheral devices for communications business operators		
External factors	 Continuous increase in demand for data traffic driven by IoT, 5G, shift to cloud Expansion of applications in new markets, such as AI and self-driving vehicles 	 Intensifying competition in high value- added products with semiconductor devices and integrated devices Existence and emergence of geopolitical restrictions as an infrastructure product 		

Plan for Fiscal 2021

The US and Chinese markets have been divided by trade friction between the two countries, and in China the rebuilding of the supply chain to eliminate US-related risk is accelerating. In fiscal 2021, shipments of LN modulators to China are expected to fall sharply as a result of this phenomenon.

For these reasons, in the LN modulator business we will normalize production systems to match shipments of existing products and strive to compress costs, while working steadily to capture demand in Japan, Europe and the US.

In addition, we will begin providing samples of next-generation ultra-miniature 800G modulators, raise market awareness of the performance advantages in terms of high speed and low power consumption conferred by LN material, and move forward to build a production system with the aim of commencing manufacture and sales in fiscal 2022.

Advanced Materials Business

Business Strategies

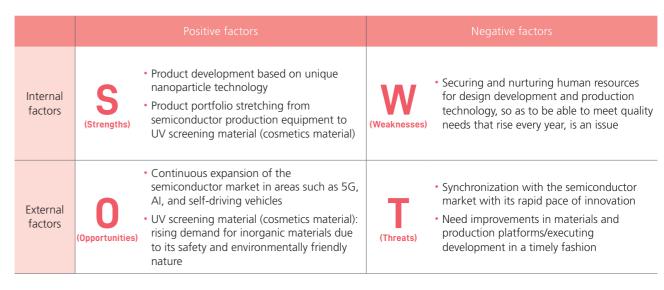
The Advanced Materials business has developed its business by offering products that make use of a variety of functional materials, and manufactures and sells such items as semiconductor manufacturing equipment components that make use of SiC nanoparticles developed by the Company, as well as cosmetics materials that apply optical functionality such as screening of UV light.

In recent years, the spread of 5G communications and the advance of digital transformation has resulted in an increase in the amount of information transmitted and stored, and the semiconductor market is expected to continue to grow as a result of memory and logic devices used in data centers and mobile terminals. As a result, we also expect growth in demand for semiconductor manufacturing equipment.

The strengths of electrostatic chucks, the mainstay products of the business, are their suction ability and their resistance to voltage, which are derived from a nano-compound ceramic. Recently excellent results have been achieved in initiatives to improve the uniformity of surface temperatures across the wafer, including the extreme periphery, during plasma etching. The performance and quality have been rated highly by customers.

The performance requirements for electrostatic chucks become more stringent and complex with each new model. In order to respond reliably to requests from customers for higher production in accordance with market growth, we plan to invest efficiently and effectively in the business with the aim of increasing capacity by both improving productivity and speeding up technological development.

Going forward, by proposing new products in the field of semiconductor manufacturing equipment that leverage the attributes of materials in which the Company has particular strengths, we aim to develop the business further.



Plan for Fiscal 2021

As well as putting in place an R&D framework to accelerate development of new, next-generation electrostatic chucks and other products, we are also planning to increase production capacity so as to be able to meet electrostatic chuck demand, which is expected to increase further in future. We will also expand sales in global markets of cosmetics materials that offer a balance of safety and high performance, and work to achieve the steady expansion of the Advanced Materials business.



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

Mikio Konishi

Sumitomo Osaka Cement Group Overview by Segment High-Performance Product Business

Battery Materials Business



Executive Officer 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 metric 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 guality, we will move forward with cost reduction efforts.

	Positive factors	Negative factors		
Internal factors	 Superior material characteristics (Stability, durability, voltage compatibility with lead acid batteries) Stable quality and ability to respond to customization requests 	• Restricted applications as a result of the characteristics of the material		
External factors	 Expansion of the market for storage batteries, driven by environmental, energy and disaster-response needs Re-evaluation of the safety of LFP 	 Intensifying competition with overseas LFP manufacturers Contraction of the lithium-ion battery market due to the emergence of new rechargeable battery systems 		

Plan for Fiscal 2021

With the aim of effecting a recovery in sales volume, which declined as a result of COVID-19 in the previous fiscal year, as well as expanding orders, we will launch a program of engineering sales that targets markets (electric buses, 12V systems, stationary devices) where we can leverage the attributes of our LFP. In terms of production, we will maintain plant operations despite the COVID-19 pandemic in Vietnam, and respond with flexibility, such as by reviewing our employment arrangements so as to be able to secure sufficient shipment volumes. As well as working to further strengthen our quality advantage, we will continue to promote cost reductions.

Overview of Sumitomo Osaka Cement Group Businesses



Optoelectronics business with LN modulators our main focus. Further in this business, we have been engaged in R&D on inorganic materials and have established a business foundation for advanced materials including various nanoparticle materials and silicon carbide (SiC) ceramics. Applying nanoparticle material technology, we developed lithium ion battery positive electrode materials based on lithium iron phosphate and created the Battery Materials business

Cement-Related Products 7.3%

Optoelectronics 2.4%

Advanced Materials 4.5%

Battery Materials 0.3%



usiness Overviev

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.

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.

ess 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.

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.

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.

Business Overviev

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

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

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 engaging in technological alliances with other companies, purchasing companies related to optical communication technologies to accumulate relevant technologies. Now, we have specialized in product assembly through our integrated production line from materials to finished products to develop the

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 (Optoelectronic, Advanced Materials, and Battery Materials) business segments based on our core technologies.

Cement/Concrete Research Laboratory

The Cement/Concrete Research Laboratory develops new technologies and products in a broad range of fields, including highperformance 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
- 4) Development of labor-saving techniques centered on Refre Dry Shot technology

> 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

"We aim to increase the value of our existing products and create new value by fusing our proprietary technologies with new technologies"

- 1) Engage in efforts seeking short-term development of new products and a "shift left" approach to transfer
- 2) Promote new product planning and development in a manner aligned with customer requirements and changes in the market environment
- 3) Carry out in research and development seeking expansion of business domains and creation of new businesses

> Intellectual Properties

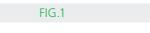
The Intellectual Property Department has stated that the Company will "create intellectual property rights contributing to the business expansion and strengthen management foundation leveraged by the intellectual property domain," as the Basic Policy on IP under the Medium-term Management Plan commencing from fiscal 2020. During the first year of the plan, we 1) strengthened collaboration between operations and the research and development division, and 2) amended the reward system, as a means of developing mechanisms for creating intellectual property rights that contribute to business expansion. In order to ensure that intellectual property contributes to the business, it is important that we maintain mechanisms that integrate intellectual property existent within respective divisions and that we raise awareness regarding the need for acquiring rights to intellectual property that has been created and making use of such intellectual property.

We continually perform investigations in Japan and abroad regarding intellectual property rights of other companies, and take preventive action to address intellectual property risk extending into the future of our business.

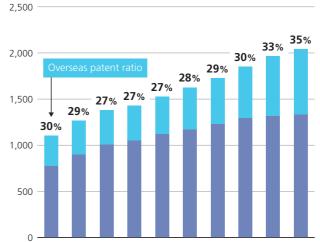
> Status of Intellectual Property Rights

The graph below on the left (FIG.1) shows the number of patents held by the Company in Japan and abroad. We have been developing a better business environment in terms of intellectual property by seeking acquisition of intellectual property rights overseas in alignment with globalization of our business in recent years.

The graph below on the right (FIG. 2) shows the number of patents we have been granted involving technological classifications related to mitigating climate change¹ as a percentage of the total number of patents held by the Company. Sumitomo Osaka Cement has long been promoting technological development related to climate change mitigation, including cement-related technologies for treating waste and by-products, and technology related to high-performance products for development of battery materials. Our patent holdings have been increasing in recent years as we promote acquisition of patent rights given our achievements regarding such technological development.



Number of patents held and ratio of overseas patents =lapan =Overseas



FY2011 FY2012 FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020

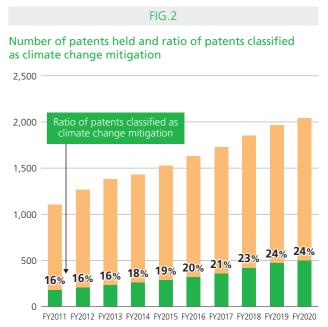
Sumitomo Osaka Cement participated in WIPO GREEN¹² activities during fiscal 2020 in order to make effective use of its patent holdings. We registered two of our patents related to environmental technologies in the database operated by WIPO GREEN, and have otherwise been promoting use of our patents globally.

- *1. This refers to patents granted for "technologies or applications for mitigation or adaptation against climate change" (Y02) under the Cooperative Patent Classification (CPC) scheme between Europe and the US.
- *2. WIPO GREEN is an international platform that was established in 2013 by the United Nations World Intellectual Property Organization (WIPO). Its aim is that of facilitating proliferation of green technologies and engaging in global initiatives to address environmental challenges by connecting technology providers and applicants through databases and networks.

Fiscal 2021 Intellectual Property Strategy

By further strengthening last fiscal year's collaboration between the operational side of the business and the research and development division, and based on amendments to the scholarship system, in fiscal 2021 we will bolster the support structures aimed at creating intellectual property rights that make an effective contribution to the business. By assessing the value of intellectual property from the perspective both of the business and the research and development division and discussing them internally, our objective is to create intellectual property rights that can be used effectively in business activities. We are also strengthening of development and education of human resources involved in the creation of intellectual property rights.

In order to implement intellectual property activities that match the changes in the business environment, not only are we promoting even closer collaboration between divisions, but we are also working steadily and continuously to acquire rights based on the technological value derived from this process, so that the division can actively contribute to the business.





Responsible for Intellectual Property Dept General Manager, Intellectual Property Department

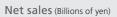
Tomomi Yanagimachi

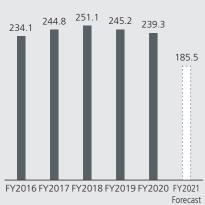
Consolidated Financial Highlights

21.5

11.5

18.9





Operating income and operating margin

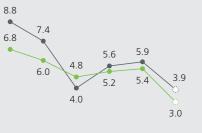
Operating income (Billions of yen) Operating margin (%)

Profit attributable to owners of parent (Billions of yen)





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



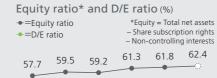


Forecast

Free cash flow (Billions of yen)

9.2

1.7





FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 Forecast

13.4 13.9

3.1

FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 Forecast

					Millions of yen
	FY2016	FY2017	FY2018	FY2019	FY2020
Net sales	234,062	244,826	251,061	245,159	239,274
Cost of sales	176,812	190,170	200,756	193,491	188,229
Selling, general and administrative expenses	35,719	35,664	36,126	35,539	34,413
Operating income	21,530	18,990	14,178	16,128	16,631
Ordinary income	22,627	20,153	15,799	16,947	17,641
Profit attributable to owners of parent	16,210	14,659	7,799	10,922	11,719
Net cash provided by operating activities	29,231	26,470	29,252	32,305	32,797
Net cash used in investing activities	(17,700)	(24,753)	(20,032)	(18,815)	(18,884)
Free cash flow	11,531	1,717	9,220	13,490	13,913
Net cash used in financing activities	(16,123)	(6,626)	(15,755)	(12,959)	(10,869)
Cash and cash equivalents at end of period	26,672	22,072	15,270	15,799	18,600
At year-end:					
Net assets	195,869	204,157	194,138	198,699	205,827
Total assets	336,790	339,958	324,755	321,108	329,650
Per share data (yen):*					
Profit	39.93	36.12	199.15	283.21	304.56
Cash dividends	10.0	11.0	110.0	120.0	120.0
Net assets	478.48	498.81	4,985.49	5,101.00	5,397.31

*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

								_
1 1			Unit	FY2016	FY2017	FY2018	FY2019	FY2020
roduction olume	Cement product		t t	10,519,284 8,955,370	10,915,079 9,344,274	10,757,727 9,138,702	10,549,830 8,902,629	10,040,7 8,480,1
Cement usiness)	Mixed cement		t	1,939,465	2,107,418	2,151,598	2,336,717	2,258,3
nvironmental	CO ₂ emissions		1,000 t-CO ₂	9,365	9,653	9,502	9,257	8,8
npact data	[Breakdown]	Scope 1	1,000 t-CO ₂	9,150	9,380	9,290	9,050	8,7
								1
								14,1
ollows)								1,0 1
,								0
	Total energy cor cement manufa	nsumption related to cturing	9129	0.10	0.21	0.27	0.51	
	with the Act on Energy Use)	the Rationalization etc. of	PJ	31.390	32.907	32.618	31.524	30.7
			%	29	27	29	28	
			%	80	80	79	78	
			%	8	8	7	7	
			%	14	15	16	15	
	Volume of wast		1 000 t	5 434	5 644	5 5 3 8	5 479	5,2
		to					,	
00011700			kg/ton-cement	517	517	515	519	
ecycling	(recycled + pu	rchased)	1,000 t	51	49	48	56	
usiness)	(recycled + pu	rchased)	1,000 t	464	462	451	417	4
		linary incinerator ash	1,000 t	35	46	62	63	
		aster waste received		15	11	3	44	
rotecting								51,
iodiversity				-				
								3,0 1,2
				,				1,1
								4
		5	persons	7	7	8	9	
			%	1.6	1.6	1.9	2.1	
mployment	Average years o		years	18.4	18.6	18.8	19.0	1
Non-		Female	years	17.5	17.5	17.5	16.8	1
onsolidated)	Age demograph							-
		-						
	Turnover within							
	the Company							
		ment ratio	%	1.4	1.0	2.0	1.5	
		king hours 1,860)	Hours per year	1,882	1,878	1,868	1,861	1,8
	Number of paid	vacation days taken *3	Days per year	13.9	14.7	15.2	15.7	1
			persons	0	0	0	0	
Vork style			%	2.18	2.03	1.97	1.97	1
Non- onsolidated)		oyees taking childcare leave	porcopc	1	0	2	4	
sinsonualeu)	Male Female		persons persons	1 10	0	2	4	
		ate after childcare leave	%	100	100	100	12	1
			Number of					
	Equivation/traini	ing (nosted by the		/11	41	41	41	
	Education/traini headquarters)		days	41				
	headquarters) Number of fatal	accidents		0	0	0	0	
occupational afety and	headquarters) Number of fatal Number of work		days				0 20	
	npact data Group's total) Cement usiness is as ollows) esource ecycling Cement usiness) rotecting iodiversity mployment Non- onsolidated)	Information Infor	Image: data Group's total) Image: data Scope 2 Dement NOx (nitrogen oxides) emissions Usiness is as bollows) SOx (sulfur oxides) emissions Particulate matter emissions Dioxin emissions Total energy consumption related to cement manufacturing (Based on periodic reports in accordance with the Act on the Rationalization etc. of Energy Use) Thermal energy substitution rate * Coal (fossil fuel) substitution rate In-house power generation ratio *1 Waste heat power generation ratio *1 Waste heat power generation ratio *1 Volume of waste and byproduct received *2 *2 Consumption rate Volume of wood chips received (recycled + purchased) Volume of ordinary incinerator ash received *0 Volume of disaster waste received *0 Volume of disaster waste received *0 rotecting iodiversity Re-greened area of mine Employees (Consolidated) (Sumitomo Osaka Cement Co., Ltd.) 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*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.

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

April 2020	Established Sustainable Measures Committee
December 2020	Announced 2050 "Carbon Neutral" Vision "SO-CN2050"
April 2021	Established Sustainability Department

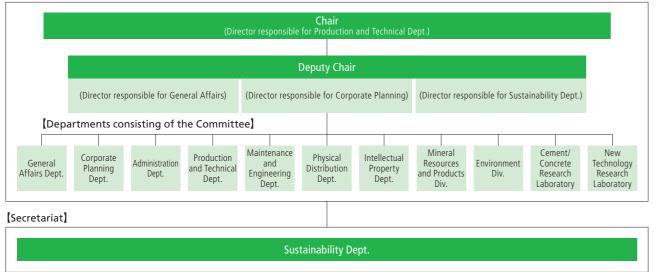
Sustainable Measures Committee

In 2015, the Paris Agreement was adopted as a new international framework for reducing post-2020 greenhouse gas emissions. In recent years, climate change has become apparent on a global scale, and international initiatives aimed at reducing greenhouse gases have been gathering momentum. With such developments as the US rejoining the Paris Agreement, and the Japanese government making a carbon neutrality declaration, the movement towards achieving carbon neutrality by 2050 is accelerating both in Japan and overseas. There have been increasing demands for companies to also take concrete initiatives with the Paris Agreement in mind.

The Group has also taken action by establishing a Sustainable Measures Committee in April 2020 to promote sustainable corporate activities. This committee began work on the setting of targets for CO₂ reductions by 2030 and 2050, and on December 1, 2020, it announced the 2050 "Carbon Neutral" Vision "SO-CN2050," which incorporates these targets.

Sustainable Measures Committee Organization Chart

[Committee]



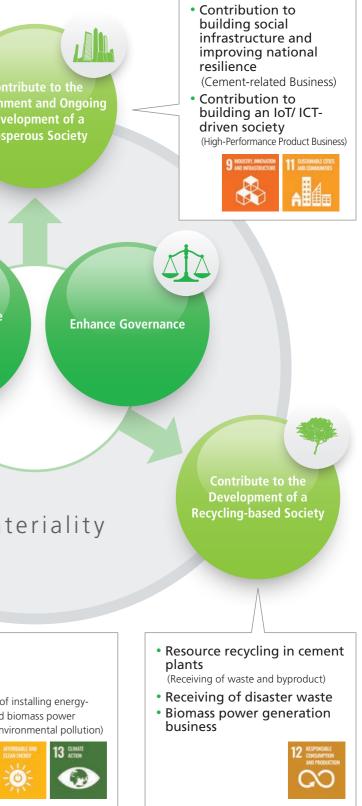
Sustainability Department

In April 2021, we established the Sustainability Department toward steady achievement of the vision and targets of the 2050 "Carbon Neutral" Vision "SO-CN2050." The department is a dedicated organization whose role is to strengthen group-wide initiatives related to sustainability, centered on the problem of climate change, as well as other measures aimed at carbon neutrality. The department also acts as the secretariat of the Sustainable Measures Committee. In addition to those who work full-time in the department, its members include those who have concurrent roles in other, related divisions. Currently, with this department at its core, the Sumitomo Osaka Cement Group is working as one on initiatives to first achieve the 2030 targets.

Materiality

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.





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

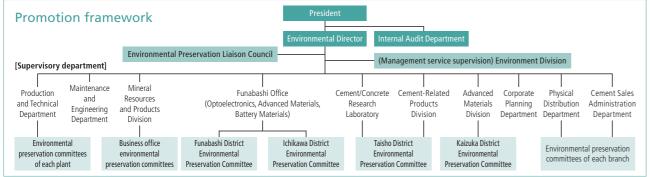
The Internal Audit Department conducts environmental audits regarding the implementation status of environmental preservation as defined in the environmental preservation management regulations^{*}, and reports its findings in order to sustain and improve the Company's environmental level.

Status of Environmental Management System Certification

The Group has acquired ISO14001 certification for all cement plants, the Optoelectronics Business Division, the Advanced Materials 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.



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, 2021 (fiscal 2020), Sumitomo Osaka Cement Group cement plants produced roughly 10.040.000 metric tons of cement and sold roughly 850.000 MWh of retail electrical power to outside users. The raw materials and thermal energy for these purposes totaled 15,960,000 metric tons. We used 5,210,000 metric tons of waste and byproducts from thermal power plants, other industries and local governments, thereby reducing the environmental impact.

Complete Shift to Use Carbon-Free Energy at the Headquarters Building

As part of the 2050 "Carbon Neutral" Vision "SO-CN2050," which set specific targets for reductions in greenhouse gases, and summarized initiatives for contributing to a decarbonized society (please see page 31), the Company carried out the "complete shift to use carbon-free electricity at the headquarters building" by concluding a contract from April 2021 in which its own biomass power generation plant (Sano City, Tochigi Prefecture) supplies the clean energy that generates the entire amount of energy consumed at the headquarters building (Chiyoda-ku, Tokyo).

Complete shift to use building by using private power generation that uses clean energy sources



*Non-fossil fuel energy certificate system with tracking information: System that adds attribute information, such as power generation equipment names on

> 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.

> 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.

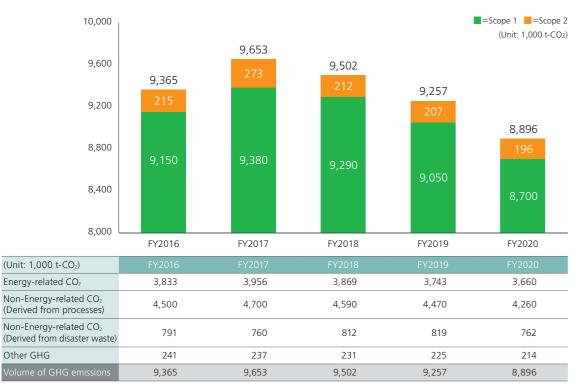


certificates, for the buying and selling of non-fossil value

^{*}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

Initiatives for Climate Change

Greenhouse Gas Emission Volume of the Sumitomo Osaka Cement Group



*Scope 1 Direct emissions of greenhouse gases via business operators (burning of fuel, manufacturing process) *Scope 2 Indirect emission of greenhouse gases due to the use of electricity, heat and steam supplied by other companies *Scope of data collection : Sumitomo Osaka Cement Co., Ltd. and 48 major affiliates

2050 "Carbon Neutral" Vision "SO-CN2050"

The CO₂ generated when producing cement consists of CO₂ originating from energy necessary for cement clinker burning and process-derived CO₂ emitted from limestone, which is the primary ingredient of cement. However, the Group is taking on challenges of achieving carbon neutrality with respect to its CO₂ emissions by undertaking all possible measures through 2050, and will furthermore contribute to decarbonization of the entire society throughout the supply chain. To such ends, we will press ahead with the following initiatives.



Initiatives toward Achieving 2030 Reduction Targets

The Group's cement plants have achieved Japan's top-class fossil energy substitution rate and recyclable materials usage intensity by optimizing the recycling technology and procurement that they have cultivated so far. In addition, we have been actively working to reduce greenhouse gas emissions related to cement production, such as by guickly introducing advanced energysaving core equipment and biomass private power generation equipment in Japan and overseas. Going forward, we will steadily carry out the initiatives listed below in order to achieve the 2030 targets.

Amount of CO₂ emissions on a carbon intensity basis derived from energy: 273.6Kg-CO₂ in fiscal 2020 (315.9Kg-CO₂ in fiscal 2005)

① Maintain top-class fossil energy substitution rate by further expanding use of recyclable materials

• Achieve no less than 50% average fossil energy substitution rate Company-wide Goals

- (Achieve more than 80% fossil energy substitution rate at the Group's five factories and four of its eight kilns)
- 2 Reduce electric energy use through heat efficiency and the minimization of electricity consumption (Upgrade to cutting-edge raw material crushing process)
- ③ Reduce fossil energy use from in-house power generation (greater volume of wood chips and other biomass fuels)

Policy on Initiatives for 2050

Achieving "2050 Carbon Neutral" calls for efforts above and beyond our existing initiatives, such that developing and deploying innovative technologies and innovations to transform our business foundation will be indispensable in achieving drastic reductions in emissions. The Group will accordingly take on the challenge of "2050 Carbon Neutral" by incorporating every measure anticipating social transformation such as hydrogen utilization into the business foundation, while also developing and deploying innovative technologies.

<i>"SO-CN205"</i> Take on the challenge of carbon neutrality through transformation of the				
Technology innovation	 Deploy CCUS* technology in the cerr containing calcium by means of carbo Develop and introduce non-fossil energy 			
Business foundation innovation	Shift to use carbon-free electricityFactory emissions carbon recycling by			
Contributing to carbon neutrality	• Giving rise to a hydrogen-powered so catalysts, etc.			

* Carbon Capture, Utilization & Storage

CO₂ emissions

> Conceptual Image of Reducing CO₂ Emissions toward Achieving Carbon Neutrality

10,000 a carbon intensity basis (45% reduction in emissions) 8.000 6,000 possible 4,000 SO-CN 2050 2.000 2005 2030 2019 2050 CO₂ from electrical energy: CO₂ from electric consumption necessary for cement clinker burning Energy-related CO₂ CO₂ from energy in the burning process: CO₂ from fossil energy for cement clinker burning CO₂ from processes : CO₂ released from chemical conversion of calcium carbonate (CaCO₃) in limestone, the primary ingredient of cement, to form calcium oxide (CaO), the essential compound of cement

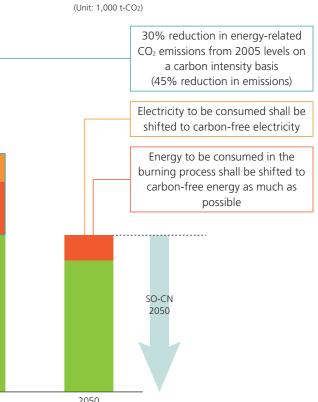
* CO2 derived from recyclable materials such as biomass and waste is excluded from energy-related CO2, per definition of the WBCSD (World Business Council for Sustainable Development)

strategy Il utilization of technological innovation and the usiness foundation

nent manufacturing process (recycling of waste products on recycling, etc.) ergy (NH₃, etc.) mixed-firing technology, etc.

y means of hydrogen utilization, etc.

ociety by supplying materials for artificial photosynthesis



Initiatives for 2050 (cement manufacturing)

Taking on the challenge of achieving virtually zero CO_2 emissions from energy and processes in cement manufacturing

- 1 Reduce fossil energy use to the maximum Implement carbon neutral initiatives enlisting further technology innovation
- Develop and deploy Non-fossil energy mixed-firing technology (NH₃, etc.)
- 2 Develop and deploy technology for reducing CO₂ emissions from processes • Develop and deploy technology for substituting limestone for recycled raw materials containing calcium
- ③ Shift to use carbon-free electricity Utilize renewable energy
- 4 Develop technology and extend supply of low-carbon cement and concrete products Increase amounts of small-volume components • Expand mixed cement
- (5) Develop and supply innovative compound materials • Develop and supply low carbon bonding materials to replace clinker
- 6 Develop and deploy innovative technology pertaining to CCUS

 Deploy CCUS technology in the cement manufacturing process (recycling of waste products containing calcium by means of carbon recycling, etc.)

industries

• Factory emissions carbon recycling by means of hydrogen utilization, etc.

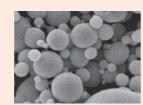
Initiatives for 2050 (other than cement manufacturing)

Reduction of CO_2 emissions throughout the supply chain and contributing decarbonization of the entire society

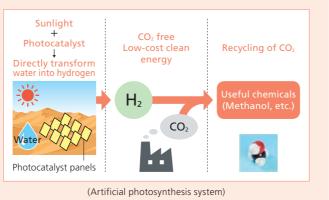
(1) Promote reductions in CO₂ emissions in the transportation division and the office division

• Shift to use of clean energy for heavy machinery and transportation equipment

- Use renewable energy sources
- 2 Contribute to energy savings through products of the High-Performance Product business
- Small and integrated optical communications devices
- Materials for next-generation batteries • Encapsulating materials for high-performance LEDs
- ③ Contribute to advent of a decarbonized society by developing new highperformance materials
 - Supply materials used in artificial photosynthesis catalytic panels



(Materials for lithium-ion batteries)



Initiatives for Climate Change -Information Disclosure Based on TCFD Recommendations-

In July 2021, the Company endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), and conducted a scenario analysis of the impact of climate change on each of our businesses, including the High-Performance Product business and the Cement-related business, which incorporates the Cement business that accounts for the majority of the CO₂ emitted by the Group.

Sovernance

We have established the Sustainable Measures Committee chaired by Representative Director as a body to promote the Group's initiatives for climate change issues. We regularly hold the Sustainable Measures Committee to formulate annual action plans, including information gathering on climate change issues, risks assessment, formulation of measures, and promotion of incompany training and education programs. Important matters deliberated on by the Sustainable Measures Committee are reported to the Board of Directors for further deliberation.

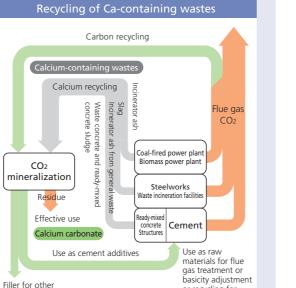
In addition, we have established the Sustainability Department designated to handle matters concerning sustainability issues centered on climate change issues as a standing organization to administer the Sustainable Measures Committee. >Please refer to page 27 for the Sustainable Measures Committee.

> Strategies (Risks and Opportunities)

We analyzed the impact of climate change on all businesses of the Group on the premise that it was 2030 with reference to scenarios laid out by special bodies such as IPCC (Intergovernmental Panel on Climate Change) and IEA (International Energy Agency). Risks posed by climate change can be distinguished between the risks associated with a transition to a low carbon society (transition risks) and physical impact (physical risks). We have adopted a scenario assuming an average global temperature will rise 2 degrees Celsius or less compared to the pre-industrial level, and a scenario assuming an average global temperature will rise 4 degrees Celsius compared to the pre-industrial level, and we have identified items deemed to have a substantial impact in

terms of the respective risks and opportunities.

	Classification		Classification Risks		Risks	Opportunities	
Тга	Government Policies/Regulations	Carbon tax hike, regulations on greenhouse gas emissions and fossil energy	 As an industry consuming enormous energy, the cement industry is expected to see higher energy costs due to a rise in the price of fossil fuel energy. Retail Electricity business can be downsized or discontinued if the electrical power plant owned by the Group falls under a non-efficient coal-fired power plant. Purchase of electricity used in plants from retail electricity suppliers as a result of decommissioning of the electric power plant is expected to increase electricity costs. 	 The Company's commitment to promote of the use of coal alternatives (waste plastic, biomass fuel) is expected to help boost revenue in the Waste Collection business. With a possibility to use idle owned lands, such as sites where a factory previously stood, for building new electricity generation plants, including those to generate renewable energy power, new business is expected to be created with a conception of addressing climate change issues through green electricity and green carbon. 			
Transition Risks	Technologies	New technology development	• R&D expenses for new technology and capital investment to realize carbon neutrality is expected to increase.	 CO₂ emission reduction technology is expected to help bring in revenues. (Carbonate mineralization technology, artificial photosynthesis hydrogen production technology, ammonia / hydrogen utilization technology) With the advancement in technology that allows effective use of CO₂ along with an application of such a technology, a large amount of CO₂ can be stably immobilized, and expansion of new businesses is expected. (Methane, methanol, plastic material) Owned unused patents can be used in new markets. 			



or recycling for

cement



Classification		Classification	Risks	Opportunities
		Change in user activity	 It is expected that the usage amount of mixed cement will increase and production volume of clinker will decrease. An influx of low-priced cement from countries with low carbon emission costs and prevalence of low carbon cement in the nation advanced in terms of climate change measures can strain cement share. Demand for low-carbon logistics can contribute to increasing logistical costs. 	 Further development, spread, and promotion of low carbon cement and low carbon concrete that the Group has been working on for a long time will accelerate product differentiation, and application to low carbon building structure that is expected to spread and grow will become more common and expands a business. Concrete pavement with excellent LCC in terms of heat island effect reduction, fuel efficiency effect, and durability can become ubiquitous, and demand for cement may increase.
Market Transition Risks	Market	Recycling Market	 Reduced waste/by-products (waste oils, waste plastics, coal ash, flue gas desulfurization gypsum, etc.) can bring about intensified competition of waste collection, deterioration of quality, a decline in processing costs, and soaring prices. Fierce competition to procure biomass fuels will send the price soaring. 	 Revenue from waste collection and recycling can be expected from an increase in receivable items that is underpinned by technological advancement in waste and byproducts treatment. The new business area to extract, refine, and sell resources from wastes is expected to expand thanks to ownership of massive manufacturing infrastructure to collect various wastes and process raw fuels.
Risks		High-Performance Product business		 An increase in data traffic due to transformation of life style and work style induced by rising average temperature and electricity supply shortage caused by non- fossil energy conversion will likely boost needs for devices with large capacity, high speed, and high power saving, resulting in more demand for optical communication parts and semiconductor manufacturing equipment. Demand for secondary batteries is expected to increase due to the stable supply of renewable energy and the penetration of ZEH / ZEB and EV / PHEV.
	Assessment	Change in stakeholders' assessment	• Difficulty in procuring funds is expected due to lower assessment of greenhouse gas emitter companies.	 Fund procurement and employee hiring can become easily leveraged as a result of a higher evaluation of proactive climate change measures, new technological advancement in CO₂ recycling, promotion of new business, and waste/byproducts processing.
Acute risks Physical Risks	Acute risks	Frequent and intensified natural disasters	 Supply chain being cut off by frequent large typhoons and torrential rain and ensuing damage to production sites are expected to increase costs incurred in disruption to operations and those required to restoration. 	 Demand for cement-related products is expected to increase due to infrastructure development contributing to national resilience, maintenance/reinforcement/repair of structures, and the likes. With request for disaster waste treatment, more important social role can be fulfilled. The storage battery market is expected to expand in preparation for a disaster.
isks	Chronic risks	Rising average temperature, reoccurring extreme weather	 Raising temperature is expected to affect the health and security of employees at production sites adversely. Higher sea levels can inflict damage caused by inundation, including high tide along the seaside. 	 Increasing demand for labor-saving methods, including those to shorten the construction period and make efficient construction, is expected. Expansion in demand for marine products and business creation can potentially tap a new source of revenue.

Under a scenario with 2° where carbon tax would be raised, and more strict restrictions on fossil energy would be imposed, the Group anticipates a cost increase as the Group uses coal ash and gypsum generated from coal-fired power plants of other companies and the coal as cement raw material at cement production and proprietary electricity power plants. However, the Group can expect boosting revenues from recycling treatment and a reduction in CO₂ emission volume generated from fossil energy, with higher usage of waste plastic and woody biomass fuel as thermal energy in place of coal.

Promotion of CO₂ emission reduction requires higher R&D costs and capital investments, but at the same time, new business can be expectantly created, and opportunities can be seized with technological advancement. In transitioning to low carbon society expecting to see a shift in user activities, although there is an aspect that cement, which produces CO₂ in the manufacturing process, may possibly be given a wide berth leading to a possible decline in demand, concrete pavement, which has an effect to curb temperature increase with higher life cycle costs efficiency as compared to asphalt pavement, given its favorable evaluation, may boost demand for the cement.

On the one hand, production of waste and byproducts is expected to be curtailed, and the procurement thereof can be impacted; on the other hand, increasing receivable items is expected to bring in revenue as the treatment technology of waste and byproducts advances. In addition, a lower evaluation of the cement industry as an emitter of CO_2 is likely to make fund procurement difficult, among other strains; however, taking climate change measures and promoting waste and byproduct treatment is expected to achieve higher corporate evaluation.

In the High-Performance Product business area, owing to an electricity supply shortage caused by increasing data traffic and non-fossil energy conversion arising from the transformation of lifestyle and working style, needs for high-capacity, high-speed, power-saving devices has increased, and demand for optical communication parts in the Optoelectronics business and semiconductor manufacturing equipment parts in the Advanced Materials business is likely to rise. Further, markets for storage batteries in ZEH/ZEB utilizing renewable energy and rechargeable battery for automobiles in EV/PHEV, which penetration is accelerating to prevent global warming, are expected to expand. To this end, positive electrode for lithium-ion batteries in the Battery Materials business is likely to see increasing demand.

Under a scenario of 4° C, higher average temperature and more frequent and intensifying natural disasters that are triggered by climate change have an impact on the labor force in a production division and inflict damages in production sites, and supply chain with higher costs; however, demand for cement related products and labor-saving method, etc. are expected in order to enhance national resilience.

Risk Management

At the Group, the Sustainable Measures Committee, which administrative office is the Sustainability Department, formulates CO₂ emission volume reduction plans and monitors progress across the Group. In identifying and assessing the impact of climate change on the business of the Group, the risks and opportunities of climate change are narrowed down and analyzed to be appropriately addressed by the Sustainable Measures Committee and the Board of Directors.

> Indicators and Targets

The Group has been taking action to prevent global warming by promoting energy alternatives through recycling and utilization of biomass power generation under a slogan of "consideration for the global environment" as one of the Materiality (Priority Issues) or the social issues highly prioritized to be addressed through corporate activities. Meanwhile, in December 2020, the Group formulated the 2050 "Carbon Neutral" Vision "SO-CN2050," which is a concrete medium-term goal and long-term policy for "achieving carbon neutrality by 2050," under which the Group challenges to make the Group's corporate activities carbon neutral through undertaking every measure through 2050, and presses ahead with initiatives to contribute to decarbonization of entire society through the supply chain.

Going forward, we will engage in efforts that involve calculating financial effects with respect to risks and opportunities based on this scenario analysis, considering options in terms of new measures for addressing risk and seizing opportunities based on the 2050 "Carbon Neutral" Vision "SO-CN2050," establishing specific indicators and targets in the form of key performance indicators (KPIs), and promoting the new measures.

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.

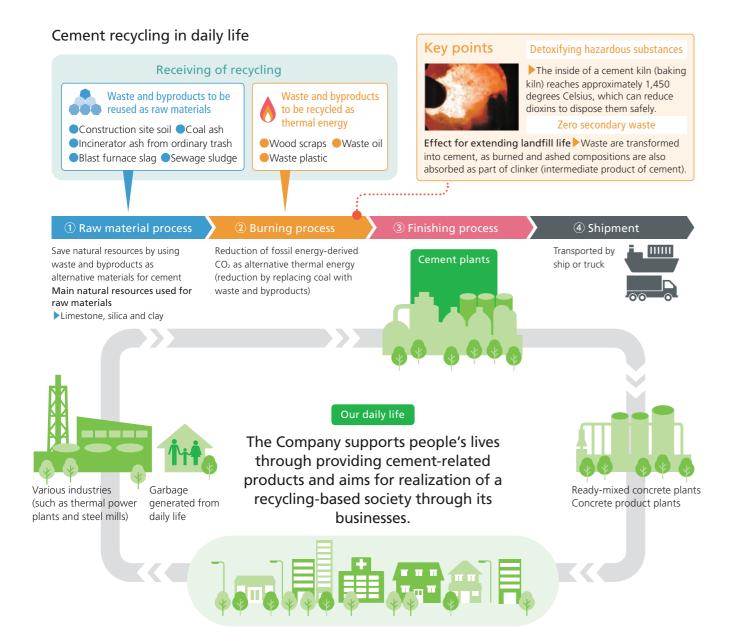
Social Role of Cement Recycling

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.



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.

So far, the Company has been accepting disaster wastes, including debris from the 2011 Great East Japan Earthquake (approx. 100,000 metric tons), disaster waste (submerged rice stock, tatami mats, etc.) in Joso City, Ibaraki Prefecture due to the collapse of the Kinugawa embankment due to heavy rains in the Kanto and Tohoku regions in September 2015 (approx. 8,000 metric tons), wood chips (approx. 1,000 metric tons) generated in Kuji City, Iwate Prefecture due to Typhoon No.10 in 2016, wood chips (approx. 18,000 metric tons) from houses that collapsed due to the 2016 Kumamoto earthquake, sludge from heavy rains in July 2018 (heavy rains in western Japan) (approx. 40,000 metric tons), sediment, rice straw, etc. generated by the East Japan Typhoon (Typhoon No. 19) in 2019 of the first year of Reiwa (approx. 28,000 metric tons).

Building a Cooperative System with Local Governments

The Group has been promoting to support guick recovery and fast revitalization by accepting disaster waste when distastes occur and concluding various agreements as part of efforts to build a system to cooperate with municipalities to solve various issues.

In October 2020, the Group and a Group's company, Hachinohe Cement Co., Ltd., entered into the comprehensive cooperation agreement with Miyagi Prefecture, and in December, the Group and Tochigi Prefecture concluded the same agreement

In this agreement, both parties agreed that in the event of large-scale disaster generating a large amount of disaster waste within the contractual counterpart Prefectures, the disaster waste is recycled as materials used for cement production and thermal energy at the cement plants of the Group and the Group's companies to the extent as possible. Further, this agreement stipulates a reduction in environmental load through upcycling of wastes to cement resources with the aim of actualization of a sustainable society, promotion of environmental education, revitalization of regional community, and enrichment of citizens in the Prefectures, among other issues, all of which require reciprocal cooperation and collaboration.

Signing parties of the agreement on the treatment of disaster waste

- September 2019 Ako City, Hyogo Prefecture
- "Agreement on Cooperation in the Establishment of Temporary Sites for Disaster Waste Storage" October 2019 Kochi Prefecture and Susaki City, Kochi Prefecture
- "Agreement on Cooperation in the Disposal of Disaster Waste"
- March 2020 Funabashi City, Chiba Prefecture
- Basic Agreement on Disposal of Disaster Waste"
- October 2020 Miyagi Prefecture "Comprehensive Cooperation Agreement"
- December 2020 Tochigi Prefecture Ako City, Hyogo Prefecture
- Julv 2021 August 2021 Kashiwa City, Chiba Prefecture

"Agreement on Disposal of Disaster Waste"

Status of Waste and Byproduct Use

In line with a decrease in cement production volume in fiscal 2020, the Company's use of waste and byproducts dropped roughly 5% over the previous fiscal year to 5,210,000 metric tons.

		FY2016	FY2017	FY2018	FY2019	FY2020
Raw material-related industrial waste*1	(Unit: 1,000 t)	2,858	3,056	2,883	2,911	2,739
Thermal energy-related industrial waste*2	(Unit: 1,000 t)	412	399	367	378	394
Byproducts ^{*3}	(Unit: 1,000 t)	2,164	2,189	2,289	2,190	2,077
Subtotal	(Unit: 1,000 t)	5,434	5,644	5,538	5,479	5,210
Cement production volume	(Unit: 1,000 t)	10,519	10,915	10,758	10,550	10,041
	Raw material-related	272	280	268	276	273
Basic unit (kg/ton-cement)	Thermal energy-related	39	37	34	36	39
	Byproducts	206	201	213	208	207
Total (kg/ton-cement)		517	517	515	519	519

*1 Raw material industrial waste: coal ash, waste soil from construction work, waste sludge (from water treatment plant, sewage, construction site, etc.),

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

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"Comprehensive Cooperation Agreement" "Comprehensive Cooperation Agreement"





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.

> 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



The K-hat Reef Beta, a concrete block with seaweed planted on it and covered with a net right after nstallation in water



eaweed raised nside the K-hat Reef Beta multifunctional eaweed cultivation artificial marine reef submerged roughly vo vears)



Ibuki Mine (Maibara City, Shiga Prefecture, Japan)



Shuho Mine (Mine City, Yamaguchi Prefecture, Japan)

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.

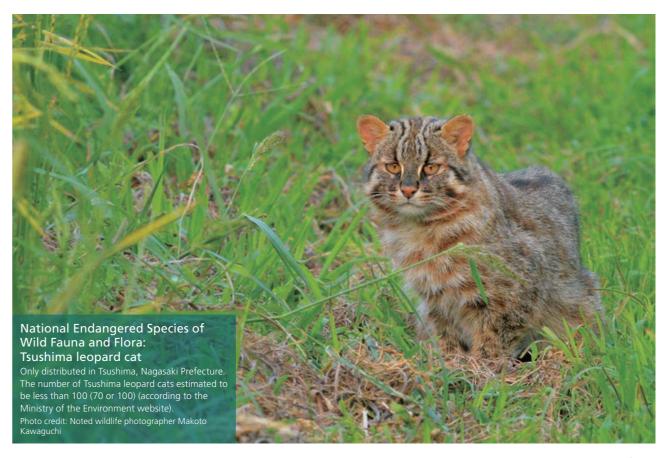
Initiative to Create Fishing Grounds

Hybrid Artificial Marine Reef Super SK1300S is a 20-metertall, 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 ready for installation in water

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.

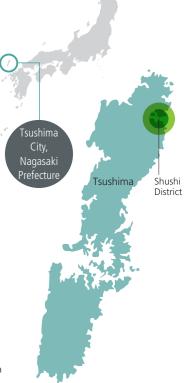
This idle land, as it turns out, is the habitat of one of Japan's most endangered species, the Tsushima leopard cat. In 2007, Sumitomo Osaka Cement Group began protecting the natural environment of this forest in the idle land and started taking part in collaborative protection programs. In cooperation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



Protecting Biodiversity

Photo taken by stationary surveillance camera "Tsushima leopard cat and snake square off



Social

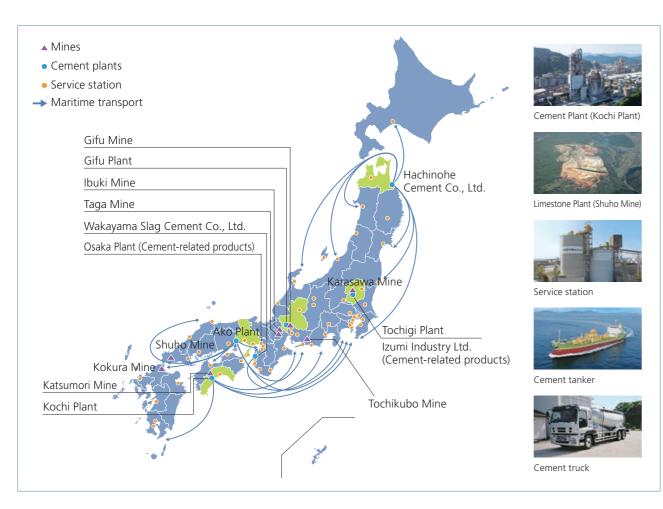
Stably Supplying Products that Support Social Infrastructure

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 June 2021) connected by 22 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.



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.

> 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 Co., Ltd., 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.

*11.1 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 2018, according to the website of Japan Cement Association)

Corporate Forest Creation Initiatives

At the Tochigi and Kochi plants, Sumitomo Osaka Cement is contributing to forest protection through participation in corporate forest creation activities promoted by local governments. The Tochigi Plant entered into a partnership agreement on reforestation with Sano City in Tochigi Prefecture in August 2013, the Kochi Plant with Susaki City in Kochi Prefecture in April 2007.

In Tochigi, the area designated for targeted activity was named "the Team Tochigi Forest." The name symbolizes the coming together of companies, government and local citizens to promote creation of a healthy forest in Tochigi Prefecture. Following the conclusion of the partnership agreement in 2013, our employees continued volunteering activities, including planting trees and mowing grasses, and the trees planted on a land that used to be clear have grown big.

In Susaki City, Kochi Prefecture, we designated a symbol forest and accepted thinned woods generated by forest maintenance that are utilized as biomass energy at the Kochi Plant's power generation plant to contribute to global warming measures aimed at reducing CO₂ emissions. We will promote interaction with the community through the brush clearing and other experiences in assisting in forest revitalization, starting from the brush clearing.



Nurtured trees after planting in Sano City, Tochigi Prefecture



Collaborative reforestation business in Susaki City, Kochi Prefecture

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.

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.

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 2021, we formulated a General Business Owner Action Plan (the Company's fifth such action plan) pursuant to Japan's Act on Advancement of Measures to Support Raising Next-Generation Children. With this step, we will press ahead with implementing initiatives to actualize a flexible working style and support to strike a balance between work and family life.

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

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 four goals to work for:

- ① Aim to make women 20% or higher in proportion to all new general-career-track hires.
- 2 Aim to make the proportion of female managers 2% or higher
- (For more information, go to https://www.soc.co.jp/saiyou/recruit/benefits/) (in Japanese only) ③ Aim for a 25% rate of male employees taking childcare leave.
- ④ Keep annual paid leave at 70% or higher and aim for 80% or higher.

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

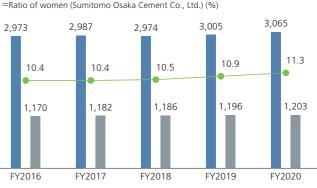
Where employing senior citizens is concerned, Sumitomo Osaka Cement views mandatory retirees as invaluable human resources possessing knowledge, technical skills and experience. Accordingly, the Company has adopted a reemployment system for passing on technological capabilities to young generations of 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. Starting from fiscal 2019, we have 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.)

Employees (Consolidated) (people)

Employees (Sumitomo Osaka Cement Co., Ltd.) (people) =Ratio of women (Sumitomo Osaka Cement Co., Ltd.) (%)



Together with Employees

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.

Message from the Chairman of Labor Union



Chairman of Central Executive Committee, Sumitomo Osaka Cement Labor Union

Hiroki Kunimoto

This year, Sumitomo Osaka Cement Labor Union marked its 24th year since August 1997 when Sumitomo Cement Co., Ltd. and Osaka Cement Co., Ltd. merged to combine both labor unions into one.

Since the establishment, the environment surrounding the Group has gone through dramatic changes, including decreasing labor force population, accelerated globalization, plunge in domestic cement demand, and far-reaching change in value perspectives on work style coincide with the spread of the COVID-19 infectious disease. Heightened interests in SDGs and ESG require us to solidify our efforts to press ahead with our various initiatives, from promoting diversity to information technology measures to SO-CN2050 aimed at actualizing decarbonizing society. To this end, the labor union and management have to go hand in hand to actualize the Materiality of the Group.

The labor union exchanges its views in the semiannual labormanagement meetings with top management to mutually understand the business environment surrounding the Group and management issues. Further, amid further diversification of employees' needs and values, we discuss policies and work styles from multi-faceted perspectives in respective committees, including the regularly-held Personnel System Review Committee, to make efficient company-wide operation and production capability.

As time goes by with a shift in the roles the labor union is required to fulfill, we will strive to maintain employment stability and healthy labor and management relationship and contribute to enriching company values and achieving sustainable growth by promoting to build a work environment where employees feel lively, challenging, and rewarding.

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

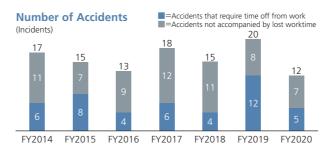
The Sumitomo Osaka Cement Group considers that occupational health and safety underpins corporate existence, and securing them is an essential corporate responsibility.

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 fiscal 2021

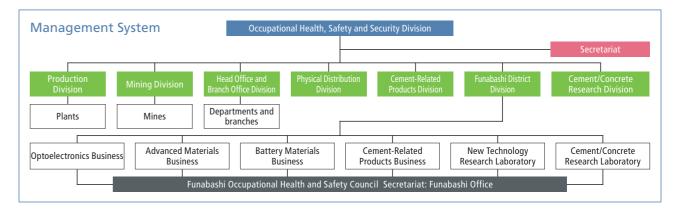
1. Eliminate accidents

- 1) Prevention of disasters, eradication of repeated 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 measures2. Infectious disease countermeasures
- 3. Develop healthy, people-friendly worksites
- Eliminate traffic accidents (accidents during commutes)
- 5. 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.

Safety Education at Headquarter	 Safety education for new hires Safety education for younger employees Safety education by occupational class New chief / New leader / New manager
Principal Safety Education at Business Sites	 Foreman and team leader education Team leaders from all factories gathered to exchange opinions and have discussion Hands-on safety education Work safety supervisor education
Outside Education	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.

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.

Quality

> Approach to Quality

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

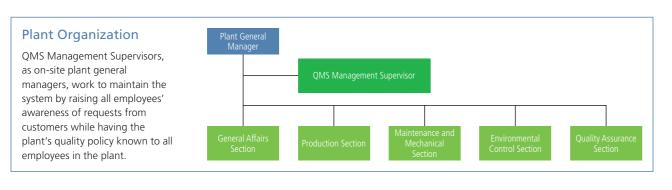
In the Cement Business, the use of cement is diversified from large structures, such as dams, to an array of concrete products. Thus the cement performance must be optimized depending on the purpose of the usage. The Sumitomo Osaka Cement Group, under a product assurance system built upon by long-held cement manufacturing technology, considers a stable supply of safe and quality cement as the priority in fulfilling customer demand. To that end, the Group strives to implement thorough day-today product management to stabilize and enhance the product guality.

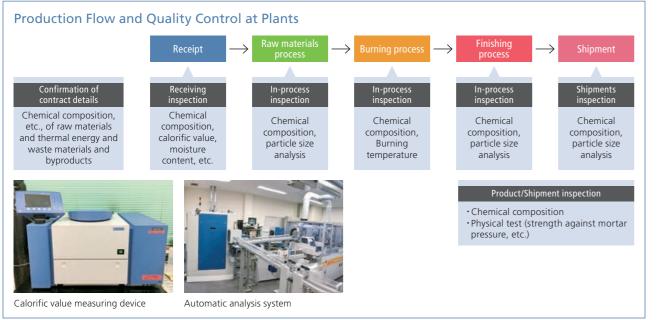
Quality Control Framework

The Sumitomo Osaka Cement Group's production plants have acquired quality management system (QMS) certification in accordance with ISO 9001 (international guidelines on guality assurance), have built and maintain guality control frameworks and continue working on guality improvement. The five production plants of Tochigi, Gifu, Ako, Kochi and Hachinohe Cement Co., Ltd., the Optoelectronics Business Division, Advanced Materials Business Division and Battery Materials Business Division 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 guality 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.

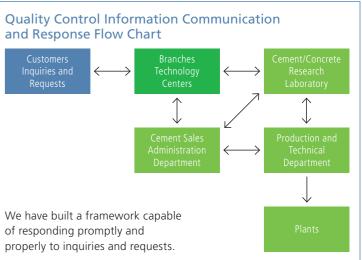
Mutual Trust

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.



Governance

Corporate Governance

We believe that corporate governance is a structure for proper decision-making by corporate management, and that the objective of corporate governance is to constantly enhance our corporate value by increasing management efficiency, and by securing soundness and transparency in business activities. The Sumitomo Osaka Cement Group, therefore, recognizes the fulfillment of this aim as our most important management issue. Moreover, we have formulated the Sumitomo Osaka Cement Corporate Governance Policy to promote sustainable growth and enhanced medium- to long-term corporate value for our Group.

Status of Meeting Bodies and Internal Control System

Board of Directors and Executive Officers

The Board of Directors consists of nine Directors, including three Outside Directors and convenes meetings at least once monthly to make decisions regarding material matters affecting management and to receive reports on the status of business operations. Further, from June 2006, we have also introduced the executive officer system in order to separate management decision making and supervision from actual execution and to raise management efficiencies by reinforcing each function, speeding up decision making and clarifying authority and accountability.

Board of Company Auditors

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

Nominating and Remuneration Committee

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

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

From June 2021, the Committee comprises a total of five members consisting of the president, three outside directors and one outside expert.

Internal Audit Department

We have established the Internal Audit Department under the direct control of the President for the purposes of conducting internal audits regarding the Sumitomo Osaka Cement Group's business activities and various systems.

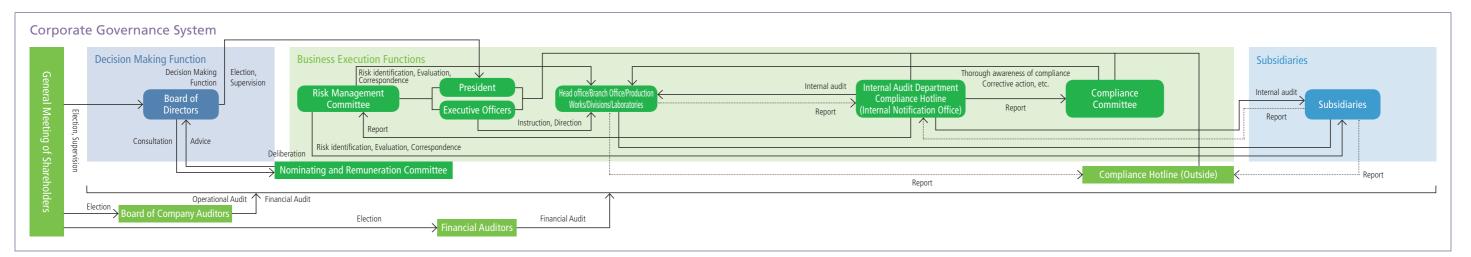
The Internal Audit Department exchanges opinions with the Company Auditors to prepare an annual internal audit plan, conducting the audit with the Company Auditors by cooperatively sharing information and opinions. The Internal Audit Department also report to the Company Auditors as necessary upon their request and conduct investigate specific matters at the request of the Company Auditors.

Efforts to Strengthen Corporate Governa

Initiatives		Initiatives		
2006 Introduced Executive Officer System		2016	Established the Remuneration Committee	
2000			Established the Nominating and Remuneration	
2008	Invited one outside Director for the first time		Committee	
			The Nominating and Remuneration Committee comprises the President, two Outside Directors, and one outside expert, in a total of four members	
2015	5 Increased the number of Outside Directors to two			
			Increased the number of Outside Directors to three	
2015	Established "The Sumitomo Osaka Cement Corporate Governance Basic Policy"	2021	The Nominating and Remuneration Committee comprises the President, three Outside Directors, and one Outside expert, in a total of five members	

Evaluation of the Effectiveness of the Board of Directors

The Company plans to analyze and evaluate the effectiveness of the Board of Directors with reference to the self-evaluation conducted by each Director with a questionnaire every year, and will disclose the outline of the outcome of the assessment and analysis undertaken. As for fiscal 2020, the Company conducted questionnaire given to Directors and Company Auditors about the effectiveness of the Board of Directors, and the Board of Directors did not find any issues concerning the effectiveness of the Board of Directors based on analysis and assessment performed given with the questionnaire results.



Risk Management Committee

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

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Remuneration for Officers

The Board of Directors is the body holding decision-making authority in adopting policies concerning the determination of remuneration of the Directors of the Group and the calculation thereof. The Group has established the Nominating and Remuneration Committee, which is comprised of one Inside Director, three Outside Directors, and one external expert, as an advisory body with a view of ensuring the appropriateness of remuneration level and objectivity and transparency of the earning performance evaluation. The Nominating and Remuneration Committee considers earnings performance and contribution to future sustainable growth and other factors, deliberates about proposals concerning remuneration for the Directors and management executives, and reports to the Board of Directors. The Board of Directors discusses to decide the remuneration of the Directors within the remuneration range approved and adopted by the General Meeting of Shareholders based on a report from Nominating and Remuneration Committee.

Introduction of Stock-Based Remuneration Plan

At the 157th Ordinary General Meeting of Shareholders held in June 2020, the Group passed a resolution to introduce a stockbased remuneration plan (the "Plan") that covers the Directors of the Group excluding the outside Directors, on top of the existing basic remuneration. The purpose of the introduction 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.

Under the Plan, a trust established with cash contributions made by the Group acquires the Group's stocks to be granted through the trust to the eligible Directors for the number of stock equivalent to points the Group grants to the Directors. The total number of points the Group grants to the eligible Directors shall be capped at 10,000 points (one point equals one stock of the Group. Excluding salaries paid to the Director concurrently serving as an employee) per fiscal year, and the time when the eligible Directors receive the Group's stocks is at their resignation from the Director's position in principle.

> Total Amount of Remuneration for Directors and Company Auditors

	Total amount of	Total amount by	Total amount by type of remuneration (millions of yen)			
Classification	remuneration (millions of yen)	Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	applicable officers (persons)	
Directors (of which Outside Directors)	253 (21)	242 (21)	-	11 (-)	8 (2)	
Company Auditors (of which Outside Company Auditors)	57 (23)	57 (23)	-	-	5 (3)	

*The amount of non-monetary remuneration above is stated at the amount of provision for the stock-based remuneration plan through the trust scheme (Employee Stock Ownership Plan) recorded for the fiscal year under review

Basic Approach toward the Elimination of Anti-Social Forces and its Implementation Status

The Group shall resolutely stand up to respond to anti-social forces that threat the order and safety of civil society, and shall have no relationship with them. Based on this Basic Policy, General Affairs Dept. is designated as a corresponding administrative department that gathers information and works together with police and lawyers collaboratively if necessary.

Compliance

We consider that sustainable advancement of corporations requires the foundations of substantive corporate governance as well as exhaustive compliance.

Compliance Promotion System

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

Compliance Promotion Framework

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

Compliance Officer

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

Compliance Supervisor

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

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

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

> Details of Activities

Compliance Manual

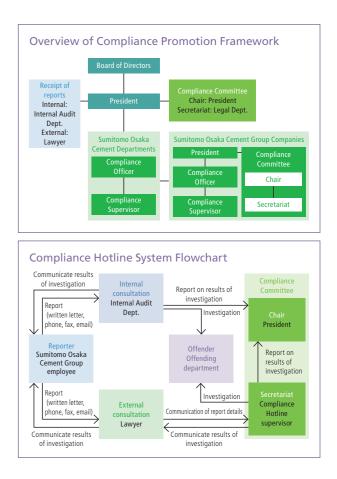
We produced the Compliance Manual as a specific guideline for rigorous compliance, disclosing it via the intranet, adding and changing when needed and striving to making it known.

Raising Officers' and Employees' Awareness

- The Compliance Committee Secretariat conducts training and legal consultations about compliance for each department or Group company.
- A Top Management Seminar catered for our management executives and the top leaders of each Group company, as well as a Compliance Supervisor Meeting for compliance supervisors, are also held to invite external experts to give a lecture on newsworthy subjects on compliance.
- We provide an e-learning program to learn compliance through videos to our officers and employees and are expanding it to the Group companies.
- Rank-based training also includes education on compliance, and we are advancing the dissemination and establishment of compliance awareness.

Compliance Committee

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



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 2020 Initiatives

During fiscal 2020, the Group reviewed manuals relating to various risks, which cover the risk imposed by infectious disease in addition to big earthquakes and other natural disasters as were the cases before, given the COVID-19 pandemic. Following the review, the Group identified important operations and bottlenecks of each of the divisions at the headquarters, and revised the "Headquarters Department BCP Manual (Headquarters Disaster Version and Branch Disaster Version)," which covers measures that should be followed in the event of a bad scenario.

Major training conducted includes the "headquarters disaster task force (initial response) training," in preparation for when a large-scale disaster occurs in the headquarters area during business hours, and the "ad-hoc task force training," which is for when the same disaster occurs during non-business hours. This year's training was conducted on the premise of facing an actual environment where commuting is restricted due to the COVID-19 pandemic, and as a result, a training hybrid of face-to-face and remote training was conducted to strike a balance between prevention of infections and initial response.

Besides the above, offices putting in place BCP worked to revise and update manuals with voluntary education and training being conducted.

Holding In-House Briefings and Workshops on Risk Management

2020	
October	Ad-hoc task force training in Tsudanuma (online)
November	Headquarters self-defense firefighting training (online)
2021	
January	Joint meeting and lecture for risk management supervisors from each department, business location and affiliated company (online)
January– February	Safety driving education for each employee (e-learning)
March	Head office disaster response task force training (initial response test) (online)

> 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 boilerplate 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 management plans.

Financial Results Briefings

We hold financial results briefings for our annual and interim results in order to foster understanding in the Group'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.

For the announcement of our earnings results for the fiscal year 2020 (ended March 2021) in May this year, we livestreamed the proceedings simultaneously through a website using an Internet conference system for many attendees, following a briefing meeting held at a meeting room in the headquarters, by considering preventing the spread of COVID-19.

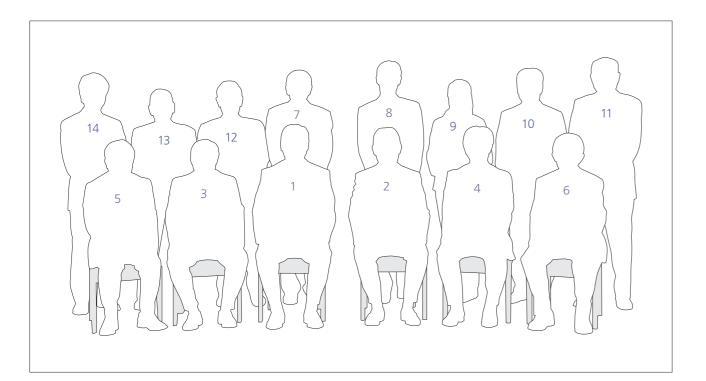
As well, we held a press conference explaining financial results for news media at a meeting room in the headquarter, in addition to the financial results briefing for institutional investors and analysts.



Financial results briefings for fiscal 2020 (fiscal year ended March 31, 2021)

Our Management Team (As of June 29, 2021)





Inside Directors and Company Auditors

Directors

- 1 Fukuichi Sekine Chairman
- 2 Hirotsune Morohashi President, Representative Director

4 Ryoji Doi

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

5 Mikio Konishi

Laboratory, and Funabashi Office

8

Company Auditors

- 7 Kaname Ito
- Company Auditor (Full-time)

Outside Directors and Company Auditors

Directors

9 Mitsuko Makino

Outside Director

- Apr. 1993 Contract caster of Shizuoka Station, Japan Broadcasting Corporation Oct. 2000 Contract reporter of Shizuoka Broadcasting System Co., Ltd.
- Apr. 2009 Freelance announcer (to the present)

Jun. 2018 Director of the Company (to the present)

10 Tatsuya Inagawa

Outside Director

Prosecutors Office (to the present) Jun. 2020 Outside Company Auditor of

present)

13 Kazuo Suzuki

Company Auditors

12 Shoji Hosaka

Outside Company Auditor Apr. 1969 Joined MITSUI & CO., LTD. Jun. 1994 President of MITSUI CHILE LTDA. Aug. 1998 President of K.K. Ichirei (currently PRI Foods Co., Ltd.) Oct. 2002 Inspector of MITSUI & CO., LTD. Jun. 2005 Company Auditor of Mitsui Oil Exploration Co., Ltd. Jun. 2009 Resigned as Company Auditor of Mitsui Oil Exploration Co., Ltd. Jun. 2010 Company Auditor of the Company (to the present)

Sep. 2008 Senior Advisor Jul. 2009 Established Suzuki CPA accounting office (to the present) Jun. 2010 Company Auditor of the Company (to the present)

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

3 Toshihiko Onishi

Representative Director Director, Senior Managing Executive Officer Responsible for Real Estate Utilization and Management Dept., Cement Sales Administration Dept., International Business Dept., Physical Distribution Dept., and Cement-Related Products Div.

6 Masaki Sekimoto

Director, Managing Executive Officer Responsible for General Affairs Dept., Legal Dept., Corporate Planning Dept., Administration Dept., and Purchasing Dept.

Yoshinori Takase

Company Auditor (Full-time)

Apr. 1983 Appointed as Public Prosecutor Sep. 2016 Director-General of the Public Security Department of Supreme Public Prosecutors Office Mar. 2017 Superintending Public Prosecutor of the Takamatsu High Public Jan. 2018 Superintending Public Prosecutor of the Hiroshima High Public Prosecutors Office

Nov. 2019 Registered as Attorney at Law and joined Takahashi Sogo Law Office

FUJIFILM Holdings Corporation (to the present)

Jun. 2021 Director of the Company (to the

11 Yoshimi Morito

Outside Director

Apr. 1974 Jul. 2013	Joined Kandenko Co., Ltd. Executive Managing Officer and Branch Manager of Kanagawa Branch of Kandenko Co., Ltd.
Jun. 2014	
Jun. 2015	Representative Director of Kandenko Co., Ltd.
Jun. 2015	Executive Vice President of Kandenko Co., Ltd.
Jun. 2016	President and Executive Officer of Kandenko Co., Ltd.
Jun. 2020	Vice Chairman and Director of Kandenko Co., Ltd.
Jun. 2021	Director of the Company (to the present)

Outside Company Auditor

Jan. 1973 Joined Tetsuzo Ota & Co. (currently Ernst & Young ShinNihon LLC) Mar. 1977 Registered as Certified Public Accountant (to the present) May 1995 Representative Partner May 2004 Executive Director

- May 2008 Managing Director

14 Taku Mitsui

Outside Company Auditor Dec 2012 Decistered of Atta

Dec. 2012	Registered as Attorney at Law (to
	the present)
Dec. 2012	Joined Inoue Harutaka Law Office
	(currently Inoue & Sakurai Law

- Office) Dec. 2015 Established Mitsui Taku Law Office (to the present)
- Jun. 2020 Company Auditor of the Company (to the present)

Message from Outside Directors



Mitsuko Makino

Greeting to all supporters of the Company. My name is Mitsuko Makino, and this year will be my fourth year as an Outside Director. This year is expected to be the "Year of Transformation," witnessing a drastic change in the board member's composition. I am determined to begin anew under a new structure led by Mr. Morohashi, the President, amid the persistent COVID-19 pandemic, which poses me a question about how we should navigate our way through the post- COVID-19 period. The Board of Directors, which is made up of directors with various experiences, has held many active discussions. In particular, during the last year that saw a series of events significantly impacting global affairs, including the COVID-19 impact, we faced a time of testimony to employees' awareness that needed a change, and we exchanged very tough opinions at some times. I firmly believe that such a process has enabled the Company to grow and further solidify its business. The Board of Directors will add two new Outside Directors and, as a result, will have three Outside Directors in total. I feel more encouraged and confident than ever before to believe that discussions can be facilitated much deeper with the participation of sought-after personnel who have been engaging in company management.

In fulfilling my role as the only female board member, I consider my role requires addressing the intangible aspect of matters, including physical and mental health, safety, and working style of each employee, and women's active participation. Outside the Board of Directors' meetings, I have opportunities to see how employees are working at the site and have a face-to-face conversation with female employees. These opportunities certainly deepen my understanding of the Company's situation. At the same time, I bear in mind that an independent oversight from a third person's standpoint is also important. At one of the meetings of the Board of Directors, I raised a simple question. After the meeting, two Directors said to me, "Your question raised a new awareness to us." Their comment reassured the importance of the Outside Director's role. I will be keeping an eye on both the general picture and the details and also bearing both strategy and tactics in mind.



Tatsuya Inagawa

Greeting to all of the stakeholders of Sumitomo Osaka Cement Co., Ltd. I am the Outside Director, Tatsuya Inagawa. I took up the post of Outside Director in June this year. I think my role is to proactively engage in establishing a robust governance system of the Company and to carry out thorough compliance management independently and fairly by drawing on my experience and expertise that I have earned from a long-served career as a prosecutor, then a lawyer, and an outside company auditor at other company. In the era that has ushered us into a society where we have to live with COVID-19 with an uncertain prospect, risk-taking is inevitable to run a company. However, I also think it is important to have the Board of Directors with decision-making functions that allow the exchange of free and candid opinions among the board members with a diversity of backgrounds in addition to a stronger internal control system put in place for the Company to take a risk. To this end, I will fulfill my duties by contributing to establishing aggressively stricter governance. The Cement business that underpins the foundation of social infrastructures such as roads, bridges, harbors, airports, dams, and embankments is indispensable as these infrastructures protect a nation from various disasters. In this sense, the Cement business is an essential business to realize a safe and secure society. The Company maintains and develops the Cement-related business with our dedication and tireless work to address social issues and plans to undertake various carbon-neutral initiatives by establishing the Sustainable Measures Committee. The initiatives include thorough recycling of industrial waste, such as disaster waste, development of low carbon products, and shift to biomass fuel in terms of decarbonization and environmental protection. Although the environment surrounding the Cement business remains severe, I hope the time will come where we witness the underlying strength of cement that follows after we strike a balance between our contributions to building a robust country and the realization of carbon neutrality.



I am Yoshimi Morito. I took up a new position as Outside Director from this year. As our country is entering a maturity phase of a declining birth rate and aging population, we see our social infrastructures aging too, while global warming is triggering more intensified natural disasters than ever before. The Company has a long history of playing an indispensable role in supplying cement used to build social infrastructures since its establishment. To ensure a safe and secure society toward the future, we need to respond to social demand and request continuously. Further, society facing a drastic transformation in tandem with the recent COVID-19 pandemic will inevitably ask us to adapt to this change swiftly. I have assumed a position of a Director, including a position of a Representative Director, for seven years in total so far, including my tenure at companies like electricity and communication operators that engage in businesses of construction and maintenance of social infrastructures that allow no momentary interruption. I will strive hard to contribute to revitalizing the Board of Directors by drawing on my experience and expertise, thereby playing a part in managing the Company that makes a contribution to our society.

Yoshimi Morito

Message from Outside Company Auditors



Shoji Hosaka



Kazuo Suzuki



Taku Mitsui

An Outside Company Auditor is expected to give appropriate advice and suggestions by keeping a broad perspective and exercising expertise from a third-party standpoint in the auditing of the performance of duty of the Director. I started my career in sales at a general trading company and then managed overseas offices. Subsequently, I assumed the positions of inspector at the said company and the company auditor at a resource development company, in which I deeply engaged in corporate governance and risk management. I have been striving to contribute to the Board of Directors of the Company to hold active discussions and to improve its effectiveness by stating my opinions from an independent standpoint while drawing on my expertise and perspectives that I have earned through my hands-on experiences, including corporate management and audit. In particular, I am keeping an eye on whether the management decision is aligned with principles and whether the decision is made rationally based on the related documents submitted to sufficiently support appropriate evidence.

I see a pride within the Company's management that the Company produces key materials and The Company has been actively developing and introducing advanced technologies in the

plays a part in a recycling society and also a corporate culture to raise awareness to care for employees as a family and to respect the ethical doctrine that human nature is fundamentally good. This pride and corporate culture are built upon the history of over 110 years since its establishment. I think that it is essential to raise awareness of compliance to be permeated across the Company so that it carries on the pride and the cooperate culture wholesomely, and critically important are transparency in and accountability for management, seamless communication among officers and employees with mutual trust, and an endless effort to build a bright work environment Cement business and High-Performance Product business. I hope the Company bravely tackles today's imminent and big issues on the decarbonizing society through initiatives and technological capability, which is also leveraged to promote international related business, with the aim of sustainable growth and enriching the corporate value.

Calls for strengthening corporate governance have increased in recent years. The lack of effective governance heightens a risk of injustice and scandal in the corporate management and operation process as the system to monitor inside a company is not sufficiently put in place. As an Outside Company Auditor, I have been stating my opinions at the meeting of the Board of Directors and other meetings by drawing on my experience as a certified public accountant in

order to contribute to the Company's sound management and sustainable growth, because I have considered my important role lies in ensuring the effectiveness of governance since I assumed the position

Deliberation about various aspects of matters is required to ensure the effectiveness of governance, and development and operation of internal control and, in particular, the establishment of mutual check system and early detection system are important in an organization. Changing the awareness of members is also essential in terms of human resources management. It is critically important to work by thinking about whether we should change or keep the traditions, such as the long-nurtured and accepted corporate practice and unwritten custom that has impact on the operation process. Some of the long-established systems and operations may be adapted well to the present, but some may require revisions and drastic changes to respond to society and the environment surrounding the Company. I believe that the evolution of governance contributes to the development of the Company, and thus, I will continuously question the meaning of daily operation, and I hope officers and employees will do the same. Everything will not find its answer overnight, but I believe the governance of the Company has been solidly strengthened and enhanced with the greater and improved awareness of the officers and employees.

I am Taku Mitsui, and I have assumed the position of an Outside Company Auditor of Sumitomo Osaka Cement, Co., Ltd. for two years. When I took up the position, the COVID-19 pandemic had just emerged, and since then I have been involved in discussions about various issues of the Company, including the COVID-19 measures, in the Board of Directors and the Board of Company Auditors, and other meetings, as the Company Auditor.

From a lawyer's standpoint, I have dealt with the legal issues of the various companies and the like and have also written about issues related to companies and employees. Therefore, I have received many opportunities to give my opinions, particularly about ensuring compliance management, by drawing on my experience and knowledge. The Outside Company Auditors of the Company include seasoned company managers and certified public accountants. I consider the exchange of candid opinions with Inside Company Auditors who are familiar with matters inside of the Company at the meetings, including the Board of Company Auditors meetings, will bear its fruits of the audit from multi-faceted perspectives.

The Company has been endeavoring to carry out the High-Performance Product business and other businesses by capitalizing on technologies and capabilities that the Company has earned through the Cement business as its initial business. The Company has accomplished a higher income amid the COVID-19 pandemic last year and is still going to bring about a transformation with an eye toward the future under the new president, despite the headwind of anticipated growth stagnation in domestic demand for the Cement business. I will take part in supporting the Company to respond to a mandate of the stakeholders, including our shareholders.

Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES March 31, 2020 and 2021

		Millions of yen	Thousands of U.S. dollars (Note 1)
	End of FY2020 (as of March 31, 2020)	End of FY2021 (as of March 31, 2021)	End of FY2021 (as of March 31, 2021)
Assets			
Current assets			
Cash and deposits	*1 ¥15,863	*1 ¥18,664	\$168,589
Notes and accounts receivable-trade	48,359	46,268	417,923
Merchandise and finished goods	7,067	7,387	66,728
Work in process	1,433	1,851	16,722
Raw materials and supplies	12,876	12,505	112,959
Short-term loans receivable	547	477	4,308
Other	1,740	4,078	36,837
Allowance for doubtful accounts	(1)	(15)	(137)
Total current assets	87,885	91,217	823,931
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	*1, *3 173,057	*1, *3 174,640	1,577,455
Accumulated depreciation	(122,620)	(125,298)	(1,131,771)
Buildings and structures, net	50,437	49,341	445,684
Machinery, equipment and vehicles	*1, *3 446,055	*1, *3 453,113	4,092,797
Accumulated depreciation	(389,326)	(397,867)	(3,593,782)
Machinery, equipment and vehicles, net	56,728	55,245	499,014
Land	*1, *3 37,180	*1, *3 37,090	335,026
Construction in progress	4,339	8,100	73,170
Other	*1, *3 37,529	*1, *3 38,044	343,637
Accumulated depreciation	(19,808)	(20,158)	(182,081)
Other, net	17,721	17,885	161,555
Total property, plant and equipment	166,407	167,664	1,514,451
Intangible assets	*3 3,017	*3 3,106	28,060
Investments and other assets			
Investment securities	*2 54,089	*2 57,095	515,716
Long-term loans receivable	2,774	3,154	28,492
Deferred tax assets	1,216	1,174	10,612
Net defined benefit asset	382	1,028	9,293
Other	*1 5,455	*1 5,320	48,053
Allowance for doubtful accounts	(120)	(111)	(1,006)
Total investments and other assets	63,797	67,661	611,162
Total noncurrent assets	233,222	238,433	2,153,675
Total assets	¥321,108	¥329,650	\$2,977,606

		Millions of yen	Thousands of U.S. dollars (Note 1)
	End of FY2020 (as of March 31, 2020)	End of FY2021 (as of March 31, 2021)	End of FY2020 (as of March 31, 2021)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	*1 ¥27,593	*1 ¥28,132	\$254,109
Short-term loans payable	*1 21,354	*1 19,417	175,387
Current portion of long-term loans payable	*1 5,470	*1 6,243	56,396
Income taxes payable	2,736	3,609	32,603
Provision for bonuses	2,438	2,484	22,438
Other	10,848	11,963	108,057
Total current liabilities	70,441	71,850	648,993
Noncurrent liabilities			
Bonds payable	10,000	10,000	90,326
Long-term loans payable	*1 15,783	*1 15,745	142,218
Deferred tax liabilities	10,525	11,866	107,187
Provision for directors' retirement benefits	147	154	1,391
Provision for PCB waste disposal costs	107	61	559
Net defined benefit liability	2,176	895	8,089
Provision for share awards	-	21	195
Asset retirement obligations	1,041	1,005	9,081
Other	12,184	12,222	110,402
Total noncurrent liabilities	51,966	51,973	469,452
Total liabilities	122,408	123,823	1,118,446
Net assets			
Shareholders' equity			
Capital stock	41,654	41,654	376,244
Capital surplus	24,558	14,102	127,379
Retained earnings	117,100	124,190	1,121,760
Treasury stock	(10,819)	(3,319)	(29,987)
Total shareholders' equity	172,493	176,626	1,595,397
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	24,517	26,469	239,090
Foreign currency translation adjustment	504	424	3,838
Remeasurements of defined benefit plans	(791)	210	1,897
Total accumulated other comprehensive income	24,231	27,104	244,827
Non-controlling interests	1,975	2,096	18,936
Total net assets	198,699	205,827	1,859,160
Total liabilities and net assets	¥321,108	¥329,650	\$2,977,606

Consolidated Statements of Income and Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES For the years ended March 31, 2020 and 2021

		Millions of yen	Thousands of U.S. dollars (Note 1)
	Fiscal 2020 (Apr. 1, 2019 to Mar. 31, 2020)	Fiscal 2021 (Apr. 1, 2020 to Mar. 31, 2021)	Fiscal 2021 (Apr. 1, 2020 to Mar. 31, 2021)
Net sales	¥245,159	¥239,274	\$2,161,270
Cost of sales	193,491	188,229	1,700,199
Gross profit	51,667	51,045	461,071
Selling, general and administrative expenses	*1, *2 35,539	*1, *2 34,413	310,842
Operating income	16,128	16,631	150,228
Non-operating income			
Interest income	81	58	529
Dividend income	1,606	1,557	14,066
Foreign exchange gains	-	150	1,362
Equity in earnings of affiliates	268	243	2,202
Rent income	135	108	984
Other	517	694	6,277
Total non-operating income	2,608	2,814	25,422
Non-operating expenses			
Interest expenses	706	614	5,551
Foreign exchange losses	149	-	-
Other	933	1,190	10,749
Total non-operating expenses	1,789	1,804	16,301
Ordinary income	16,947	17,641	159,350
Extraordinary income			
Gain on sales of noncurrent assets	*3 144	*3 113	1,029
Gain on sales of investment securities	6	1,438	12,996
Total extraordinary income	150	1,552	14,026
Extraordinary loss			
Loss on retirement of noncurrent assets	*4 1,288	*4 1,036	9,362
Loss on sales of noncurrent assets	*5 33	*5 0	3
Loss on valuation of investment securities	4	_	_
Impairment loss	*6 268	*6 1,133	10,240
Total extraordinary losses	1,594	2,170	19,606
Profit before income taxes and non-controlling interests	15,503	17,023	153,770
Income taxes-current	4,243	5,125	46,295
Income taxes-deferred	197	54	491
Total income taxes	4,440	5,179	46,787
Profit before non-controlling interests	11,062	11,844	106,982
Profit attributable to non-controlling interests	139	124	1,124
Profit attributable to owners of parent	¥10,922	¥11,719	\$105,858
		·	

		Millions of yen	Thousands of U.S. dollars (Note 1)
	Fiscal 2020 (Apr. 1, 2019 to Mar. 31, 2020)	Fiscal 2021 (Apr. 1, 2020 to Mar. 31, 2021)	Fiscal 2021 (Apr. 1, 2020 to Mar. 31, 2021)
Profit	¥11,062	¥11,844	\$106,982
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,644)	1,950	17,622
Foreign currency translation adjustment	52	(79)	(719)
Remeasurements of defined benefit plans	(441)	1,001	9,043
Share of other comprehensive income of affiliates			
accounted for using equity method	(1)	1	12
Total other comprehensive income	* (2,035)	* 2,873	25,959
Comprehensive income	9,027	14,717	132,941
Comprehensive income attributable to:			
Comprehensive income attributable to owners of			
parent	8,887	14,592	131,812
Comprehensive income attributable to non-controlling			
interests	¥139	¥124	\$1,129

Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES For the years ended March 31, 2020 and 2021

	Capital stock
Balance at April 1, 2019	¥41,654
Change of items during period	
Dividends from surplus	
Profit attributable to owners of parent for the period	
Purchase of treasury stock	
Disposal of treasury stock	
Retirement of treasury stock	
Other, net	
Total change of items during period	-
Balance at March 31, 2020	¥41,654
Change of items during period	
Dividends from surplus	
Profit attributable to owners of parent for the period	
Purchase of treasury stock	
Disposal of treasury stock	
Retirement of treasury stock	
Other, net	
Total change of items during period	-
Balance at March 31, 2021	¥41,654

	Accu	mulated other
	Valuation	Foreign
	difference on	currency
	available-for-	translation
Delanas et Aneil 1, 2010	sale securities	adjustments
Balance at April 1, 2019	¥26,164	¥452
Change of items during period		
Dividends from surplus		
Profit attributable to owners of		
parent for the period		
Purchase of treasury stock		
Disposal of treasury stock		
Retirement of treasury stock		
Other, net	(1,646)	52
Total change of items during period	(1,646)	52
Balance at March 31, 2020	¥24,517	¥504
Change of items during period		
Dividends from surplus		
Profit attributable to owners of		
parent for the period		
Purchase of treasury stock		
Disposal of treasury stock		
Retirement of treasury stock		
Other, net	1,951	(79)
Total change of items during period	1,951	(79)
Balance at March 31, 2021	¥26,469	¥424

Millions of yen Shareholders' equity Retained Capital surplus Treasury stock Total earnings ¥110,612 ¥(10,795) ¥166,029 ¥24,558 (4,435) (4,435) 10,922 10,922 (24) (24) (0) 0 0 (0) 6,487 (24) 6,463 ¥24,558 ¥117,100 ¥(10,819) ¥172,493 (4,629) (4,629) 11,719 11,719 (3,071) (3,071) (42) 157 114 10,413 (10,413) _ 4,133 (10,456) 7,089 7,500 ¥124,190 ¥(3,319) ¥176,626 ¥14,102

Millions of yen r comprehensive income Remeasurements Nonof defined controlling benefit plans Total interests Total net assets ¥(349) ¥26,266 ¥1,841 ¥194,138 (4,435) 10,922 (24) 0 _ (441) (2,035) 133 (1,901) (441) (2,035) 133 4,561 ¥(791) ¥24,231 ¥1,975 ¥198,699 (4,629) 11,719 (3,071) 114 _ 1,001 2,873 120 2,994 1,001 2,873 120 7,127 ¥210 ¥27,104 ¥2,096 ¥205,827

Thousands of U.S. dollars (Note 1) Shareholders' equity Retained Capital stock Capital surplus Treasury stock Total earnings Balance at March 31, 2020 \$376,244 \$221,830 \$1,057,719 \$(97,732) \$1,558,062 Change of items during period Dividends from surplus (41,817) (41,817) Profit attributable to owners of parent for the period 105,858 105,858 Purchase of treasury stock (27,740) (27,740) Disposal of treasury stock (385) 1,420 1,034 Retirement of treasury stock (94,065) 94,065 _ Other, net Total change of items during period (94,451) 64,041 67,744 37,334 _ Balance at March 31, 2021 \$376,244 \$127,379 \$1,121,760 \$(29,987) \$1,595,397

					Thousands of U	S. dollars (Note 1)
	Accu	mulated other	comprehensive inco	me		
	Valuation difference on available-for- sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Non- controlling interests	Total net assets
Balance at March 31, 2020	\$221,460	\$4,558	\$(7,145)	\$218,872	\$17,843	\$1,794,779
Change of items during period Dividends from surplus Profit attributable to owners of parent for the period Purchase of treasury stock Disposal of treasury stock						(41,817) 105,858 (27,740) 1,034
Retirement of treasury stock						-
Other, net	17,630	(719)	9,043	25,954	1,092	27,046
Total change of items during period	17,630	(719)	9,043	25,954	1,092	64,381
Balance at March 31, 2021	\$239,090	\$3,838	\$1,897	\$244,827	\$18,936	\$1,859,160

Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES For the years ended March 31, 2020 and 2021

Cash flows from operating activities Profit before income taxes and non-controlling interests Depreciation and amortization
Impairment loss Increase (decrease) in net defined benefit liability
Increase (decrease) in provision for directors' retirement benefits
Increase (decrease) in allowance for doubtful accounts Interest and dividends income
Interest expenses Foreign exchange losses (gains) Equity in earnings of affiliates
Gain on sales of noncurrent assets
Loss on sales of noncurrent assets Loss on retirement of noncurrent assets
Loss (gain) on sales of investment securities Loss (gain) on valuation of investment securities
Decrease (increase) in notes and accounts receivable-trade Decrease (increase) in inventories
Increase in notes and accounts payable-trade Other, net
Subtotal Interest and dividends income received
Interest expenses paid Income taxes paid
Net cash provided by operating activities
Cash flows from investing activities
Purchase of noncurrent assets
Proceeds from sales of noncurrent assets
Purchase of investment securities
Proceeds from sales of investment securities
Payments of loans receivable
Collection of loans receivable Other, net
Net cash used in investing activities
Cash flows from financing activities
Net increase (decrease) in short-term loans payable
Proceeds from long-term loans payable
Repayment of long-term loans payable
Proceeds from issuance of bonds
Redemption of bonds
Proceeds from issuance of commercial papers
Redemption of commercial papers
Proceeds from sales of treasury stock
Purchase of treasury stock Decrease (increase) in segregated deposits for purchase of
treasury shares
Cash dividends paid
Cash dividends paid to non-controlling shareholders Other, net
Net cash used in financing activities
Effect of exchange rate change on cash and cash equivalents Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of period
Cash and cash equivalents at beginning of period
Cash and Cash equivalents at end of period

Flows

()

	Malline of the	Thousands of U.S. dollars
Fiscal 2020	Millions of yen Fiscal 2021	(Note 1) Fiscal 2021
Apr. 1, 2019 to	(Apr. 1, 2020 to	(Apr. 1, 2020 to
Var. 31, 2020)	Mar. 31, 2021)	Mar. 31, 2021)
¥15,503	¥17,023	\$153,770
18,283	18,766	169,507
268	1,133	10,240
(634)	(475)	(4,295)
1	6	57
(18)	7	63
(1,687)	(1,615)	(14,595)
706	614	5,551
76	34	307
(268) (144)	(243) (113)	(2,202) (1,029)
(144)	(113)	(1,029)
360	218	1,972
(6)	(1,438)	(12,996)
(8)		(12,550)
1,690	2,083	18,821
1,173	(386)	(3,490)
(1,431)	530	4,793
892	(176)	(1,593)
34,802	35,968	324,884
1,714	1,687	15,238
(730)	(617)	(5,574)
(3,480)	(4,240)	(38,299)
32,305	32,797	296,248
(18,433)	(20,221)	(182,653)
297	147	1,334
(653)	(404)	(3,652)
14	1,830	16,533
(543)	(760)	(6,872)
570	550	4,971
(67)	(26)	(237)
¥(18,815)	¥(18,884)	\$(170,575)
¥(840)	¥(1,920)	\$(17,350)
2,680	6,770	61,150
(10,270)	(5,976)	(53,985)
5,000	-	-
(5,000)	-	-
-	8,000	72,260
-	(8,000)	(72,260)
0	(2 071)	1,034
(24)	(3,071)	(27,740)
_	(2,072)	(18,719)
(4,435)	(4,629)	(41,817)
(1,100)	(4)	(36)
(62)	(78)	(713)
(12,959)	(10,869)	(98,178)
(0)	(243)	(2,199)
529	2,800	25,294
15,270	15,799	142,714
* ¥15,799	* ¥18,600	\$168,009

Notes to Consolidated Financial Statements

1.BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Osaka Cement Co., Ltd. (the "Company") maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied in Japan.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The U.S. dollar amounts are included solely for the convenience of the reader and are stated, as a matter of arithmetic computation only, at US\$1.00=¥110.71, the exchange rate prevailing on March 31, 2021.

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 share awards

To prepare for the delivery of the Company's shares to Directors and Executive Officers (excluding Outside Directors) under the Share Delivery Rules, an estimated amount of the share awards payable as of the end of the current fiscal year is provided.

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 straightline 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 that meet certain conditions. (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.

(Significant accounting estimates) (1) Impairment of noncurrent assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Impairment loss: ¥1,028 million (US\$9,288 thousand)

The Group recognized impairment loss on the part of its asset groups related to the high-performance products business, because of an expected deterioration in future operating results due to a drastic change in the operating environment, and recorded impairment loss in the current fiscal year.

In addition, among the aggregate balance of property, plant and equipment, and intangible assets of ¥170,771 million (US\$1,542,512 thousand) recorded in the consolidated balance sheet as of March 31, 2021, the Group identified indications of impairment on the part of its asset groups related to the high-performance products business due to the recording of consecutive operating losses. The carrying amount of property, plant and equipment, and intangible assets of the relevant asset groups is ¥476 million (US\$4,304 thousand).

(2) Other information that may be useful to users of consolidated financial statements regarding the accounting estimates

- a. Method of calculating the amount recorded in the consolidated financial statements for the current fiscal year The carrying amount of the asset groups has been reduced to the recoverable amount and this reduction has been recorded as an impairment loss in the consolidated statement of income for the current fiscal year, because the undiscounted future cash flows therefrom were less than the carrying amount of the asset groups. The undiscounted future cash flows were estimated based on the business plan over a period corresponding to the remaining economic lives of the key assets in each asset group or 20 years, whichever is shorter.
- b. Major assumptions for calculating the amount recorded in the consolidated financial statements for the current fiscal year The main assumptions used in the calculation of undiscounted future cash flows are the expected sales volume, which is calculated based on a comprehensive assessment of customer demand forecasts, recent sales performance, etc., as well as sales prices, raw material purchase prices, labor costs, etc., which are based on past experience.
- c. Impact on the consolidated financial statements for the following fiscal year

While markets related to the high performance products business are expected to grow in the future, their characteristics are affected by rapid changes in technology and the resulting changes in customer demand. If the sales volume falls below the expected sales volume, which is a key assumption, the undiscounted future cash flows may decrease and fall below the carrying amount of the asset group. In such cases, the carrying amount of the asset group will be reduced to the recoverable amount, and such reduction will be recorded as an impairment loss in the consolidated statements of income.

(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 26, 2021) (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 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.

(Changes in presentation)

The Group has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) effective from the fiscal year ended March 31, 2021, and discloses information on significant accounting estimates. However, comparative information for the previous fiscal year is not presented in accordance with the transitional treatment provided for in the proviso of paragraph 11 of the accounting standard.

(Additional information)

Impact of the spread of the novel coronavirus disease (COVID-19) on accounting estimates Accounting estimates for impairment of noncurrent assets, etc. have been made based on the assumption that the impact of the spread of the novel coronavirus disease (COVID-19) on the Group's business performance will be limited and will not have a significant impact on the following fiscal year and beyond.

(Notes to consolidated balance sheets)

*1. Pledged assets and secured liabilities

Pledged assets and secured liabilities are as follows

rieugeu assets anu secureu nabilities are as n	JIIOVV5.		
		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
Ordinary deposits	¥50	¥50	\$457
Current deposit	322	432	3,902
Property, plant and equipment			
Buildings and structures	5,051	4,888	44,159
Machinery, equipment and vehicles	11,101	10,931	98,742
Land	3,806	3,806	34,383
Other	219	238	2,155
Total pledged assets	¥20,551	¥20,348	\$183,800
		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
Accounts payable trade	¥200	¥228	\$2,065
Short-term loans payable	420	390	3,522
Current portion of long-term loans payable	295	282	2,554
Long-term loans payable	3,102	2,819	25,465
Total secured liabilities	¥4,018	¥3,720	\$33,607

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	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
¥50	¥50	\$457
322	432	3,902
5,051	4,888	44,159
11,101	10,931	98,742
3,806	3,806	34,383
219	238	2,155
¥20,551	¥20,348	\$183,800
	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
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295	282	2,554
3,102	2,819	25,465
¥4,018	¥3,720	\$33,607
	Previous fiscal year (March 31, 2020) ¥50 322 5,051 11,101 3,806 219 ¥20,551 Previous fiscal year (March 31, 2020) ¥200 420 295 3,102	Millions of yen Previous fiscal year (March 31, 2020) Current fiscal year (March 31, 2021) ¥50 ¥50 3222 432 5,051 4,888 11,101 10,931 3,806 3,806 219 238 ¥20,551 ¥20,348 Millions of yen Millions of yen Previous fiscal year (March 31, 2020) Current fiscal year (March 31, 2021) ¥200 ¥228 420 390 295 282 3,102 2,819

*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, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
Investment securities (stocks)	¥4,994	¥5,569	\$50,304

*3. Reduction entry

Previous fiscal year (March 31, 2020)

The reduction entry amounts corresponding to national subsidies were ¥528 million for buildings and structures, ¥4,718 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, 2021)

The reduction entry amounts corresponding to national subsidies were ¥524 million (US\$4,735 thousand) for buildings and structures, ¥4,704 million (US\$42,498 thousand) for machinery, equipment and vehicles, ¥280 million (US\$2,532 thousand) for land, ¥4 million (US\$39 thousand) for other tangible fixed assets, and ¥1 million (US\$10 thousand) 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, 2020)		Current fiscal yea (March 31, 2021)		Current fiscal year (March 31, 2021)
Hachinohe Biomass Power Generation Co., Ltd.	¥1,326	Hachinohe Biomass Power Generation Co., Ltd.	¥1,294	\$11,690
Others (1 company)	37	Others (1 company)	365	3,297
Total	¥1,364	Total	¥1,659	\$14,987

(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, 2020)		Current fiscal yea (March 31, 2021)		Current fiscal year (March 31, 2021)
Yoshida Kenzai Inc.	¥38	Yoshida Kenzai Inc.	¥44	\$403
Others (3 companies)	30	Others (3 companies)	43	391
Total	¥69	Total	¥88	\$795

(Notes to consolidated statements of income)

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

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2020 to March 31, 2021
Sales costs	¥11,165	¥10,723	\$96,865
Allowances and bonuses	8,148	8,164	73,746
Provision for share awards	-	20	186
Transfer to provision for bonuses	1,039	1,067	9,638
Retirement benefit expenses	359	339	3,066
Transfer to provision for retirement benefits for officers	43	37	340
R&D expenses	3,087	3,184	28,768

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

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2020 to March 31, 2021
¥3,087	¥3,184	\$28,768

*3. Main gains on sales of noncurrent assets

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2020 to March 31, 2021
Land	¥115	¥–	\$-
Buildings and structures	1	0	6
Machinery, equipment and vehicles	27	111	1.007

*4. Main losses on retirement of noncurrent assets

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year April 1, 2019 to March 31, 2020	Current fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2020 to March 31, 2021
Buildings and structures	¥67	¥54	\$493
Machinery, equipment and vehicles	290	162	1,470
Machinery, equipment and vehicles			
removal costs	928	818	7,389

*5. Main losses on sales of noncurrent assets

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2020 to March 31, 2021
Land	¥4	¥–	\$-
Machinery, equipment and vehicles	28	0	3
Buildings and structures	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, 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).

A breakdown of impairment losses is as follows.

Application	Location	Туре	Impairment loss (millions of yen)
Assets for the cathode materials for rechargeable batteries production business	Yokohama City, Kanagawa Prefecture	Machinery and equipment, and tools, furniture and fixtures	¥268
*Breakdown of impairment losses for each	ch type		
Application		Breakdown (millions of yen)	
Assets for the ready-mix concrete production business	Machinery and equipment 25 Total 268	9, tools, furniture and fixtures 8	

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

Current fiscal year (April 1, 2020 to March 31, 2021)

With respect to the assets for the optical communications components for new transmission methods production business in the Optoelectronics business held by the Group, because of an expected deterioration in future operating results due to a drastic change in the operating environment, 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 (¥1,028 million [US\$9,288 thousand]).

For idle assets with a recoverable amount lower than the carrying amount, the carrying amount has been reduced to the recoverable amount, and this reduction has been recorded under extraordinary loss as an impairment loss (¥105 million [US\$951 thousand]).

A breakdown of impairment losses is as follows.

Application	Location	Туре	Impairment loss (millions of yen)	Impairment loss (thousands of U.S. dollars
Assets for the optical communications				
components for new transmission	Funabashi City, Chiba	Buildings, machine	ry,	
methods production business	Prefecture, etc.	and equipment, e	etc. ¥1,028	\$9,288
	Shingu City, Wakayama			
Idle assets	Prefecture, etc.	Land and guarry sit	tes ¥105	\$951
+Dreakdown of immainment losses for	1 A			
*Breakdown of impairment losses for Application	each type Breakdown (millio	ons of yen)	Breakdown (thousand	ds of U.S. dollars)
Application		, ,	Breakdown (thousand Machinery and equipmen	,
	Breakdown (milli	nt ¥704, buildings	,	t \$6,363, buildings
Application Assets for the optical communications	Breakdown (milli Machinery and equipme	nt ¥704, buildings	Machinery and equipmen	t \$6,363, buildings
Application Assets for the optical communications components for new transmission	Breakdown (milli Machinery and equipme ¥192, intangible assets	nt ¥704, buildings s and others ¥131	Machinery and equipmen \$1,734, intangible asset	t \$6,363, buildings ts and others \$1,190

The recoverable amounts for the assets for the optical communications components for new transmission methods production business are measured based on value in use.

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.

(Notes to consolidated statements of comprehensive income) *Reclassification adjustments and tax effects related to other comprehensive income

,	1	Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities:			
Amount incurred during the current fiscal year	¥(2,382)	¥4,267	\$38,546
Reclassification adjustments	(1)	(1,438)	(12,996)
Before adjustment for tax effects	(2,384)	2,828	25,549
Tax effects	739	(877)	(7,927)
Valuation difference on available-for-sale securities	(1,644)	1,950	17,622
Foreign currency translation adjustments:			
Amount incurred during the current fiscal year	52	(79)	(719)
Remeasurements of defined benefit plans:			
Amount incurred during the current fiscal year	(688)	1,339	12,095
Reclassification adjustments	48	111	1,011
Before adjustment for tax effects	(639)	1,451	13,107
Tax effects	198	(449)	(4,063)
Remeasurements of defined benefit plans	(441)	1,001	9,043
Share of other comprehensive income of affiliates			
accounted for using equity method:			
Amount incurred during the current fiscal year	(1)	1	12
Total other comprehensive income	¥(2,035)	¥2,873	25,959

(Notes to consolidated statements of changes in net assets) Previous fiscal year (April 1, 2019 to March 31, 2020)

(2

		easury stock				
begi	Number of shares at nning of the fiscal ye housands of shares)	ear fisc	during the al year ds of shares)	Decrease during the fiscal year (thousands of shares)	end of	of shares at the the fiscal year ands of shares)
Outstanding shares						
Common stock	40,64	3	-		-	40,643
Total	40,64	3	-		-	40,643
Treasury stock						
Common stock (Note)	2,07	'1	5		0	2,077
Total	2,07	'1	5		0	2,077
Note) A breakdown of increases and decrea Increase due to the acquisition of sha Decrease due to sales of shares in am	res in amounts of less	s than one tradin	g unit: 5 thousand s			
2. Information on dividends 1) Amount of dividends paid						
		Tatal dis				
				ividends per share		
(Resolution)	Type of sha		idend amount D ons of yen)	vividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Sharehol held on June 27, 2019	21	ares (milli		· · · · · · · · · · · · · · · · · · ·	March 31, 2019	June 28, 2019
Ordinary General Meeting of Sharehol held on June 27, 2019 Board of Directors Meeting held on	ders Common s	ares (millie tock	where the second	(yen) ¥55.00	March 31, 2019 September	June 28, 2019 December
Ordinary General Meeting of Sharehol held on June 27, 2019	ders Common s Common s	ares (milli tock tock	ens of yen) ¥2,121 ¥2,314	(yen) ¥55.00 ¥60.00	March 31, 2019 September 30, 2019	June 28, 2019 December 3, 2019
Ordinary General Meeting of Sharehol held on June 27, 2019 Board of Directors Meeting held on November 7, 2019 2) Dividends with the cut-off date in	ders Common s Common s the year ended N	ares (milli tock tock March 31, 2020 Total dividend amount	¥2,121 ¥2,314) and the effectiv	(yen) ¥55.00 ¥60.00 /e date in the year Dividends per share	March 31, 2019 September 30, 2019 ended March	June 28, 2019 December 3, 2019 31, 2021
Ordinary General Meeting of Sharehol held on June 27, 2019 Board of Directors Meeting held on November 7, 2019	ders Common s Common s the year ended N	ares (milli tock tock March 31, 2020 Total dividend	ens of yen) ¥2,121 ¥2,314	(yen) ¥55.00 ¥60.00 /e date in the year Dividends per share	March 31, 2019 September 30, 2019	June 28, 2019 December 3, 2019

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Current fiscal year (April 1, 2020 to March 31, 2021)

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)	40,643	-	2,000	38,643
Total	40,643	-	2,000	38,643
Treasury stock				
Common stock (Note)	2,077	819	2,000	896
Total	2,077	819	2,000	896

(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: 2,000 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: 815 thousand shares

Increase due to the acquisition of shares in amounts of less than one trading unit: 3 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: 2,000 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				March 31,	June 29,
held on June 26, 2020	Common stock	¥2,313	¥60.00	2020	2020
Board of Directors Meeting held on				September	December
November 10, 2020	Common stock	¥2,315	¥60.00	30, 2020	1, 2020
(Resolution)	Type of shares	Total dividend amount	Dividends per share	Cut off data	
	Type of shales	(thousands of U.S. dollars)	(U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders	Type of shares	(thousands of U.S. dollars)	(U.S. dollars)	March 31,	June 29,
	Common stock	(thousands of 0.5. dollars) \$20,901	(U.S. dollars) \$0.541		

(2) Dividends with the cut-off date in the year ended March 31, 2021 and the effective date in the year ending March 31, 2022

		Total dividend amount		Dividends per		Eff 1.
(Resolution)	Type of shares	(millions of yen)	Source of dividends	share(yen)	Cut-off date	Effective date
Ordinary General Meeting of					March 31,	luna 20, 2021
Shareholders held on June 29, 2021	Common stock	¥2,266	Retained earnings	¥60.00	2021	June 30, 2021
		Total dividend amount (thousands of		Dividends per share		
(Resolution)	Type of shares	U.S. dollars)	Source of dividends	(U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of					March 31,	June 30, 2021
Shareholders held on June 29, 2021	Common stock	\$20,473	Retained earnings	\$0.542	2021	June 50, 2021

(Notes to consolidated statements of cash flows)

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

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2019 to	April 1, 2020 to	April 1, 2020 to
	March 31, 2020	March 31, 2021	March 31, 2021
Ending balance of cash and deposits	¥15,863	¥18,664	\$168,589
Time deposits with a maturity of over three months	(63)	(64)	(580)
Ending balance of cash and cash equivalents	¥15,799	¥18,600	\$168,009

(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

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
Within one year	¥52	¥54	\$496
Over one year	81	92	831
Total	¥133	¥146	\$1,327

(Financial instruments)

Previous 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 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.

- undertake such transactions. To minimize credit risk, derivative transactions are entered into only with highly rated financial institutions. 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	¥–	¥–	¥–
 (3) Securities and investment securities The fair value of such securities is based on quoted market prices. Please information on securities classified by holding purpose. (5) Long-term loans receivable Long-term loans receivable are classified by remaining length of time to flows discounted by the contracted rates as adjusted considering the rate 	maturity. The fair values are e	stimated based on the pre	
Liabilities			
 Notes and accounts payable—trade and (2) short-term loans payable Since these items are settled in the short-term, their market value approxima Bonds payable The fair value of bonds issued by the Company is based on the quoted r Long-term loans payable 	, ,	ore, the carrying amount is u	used to estimate fair value.
Long-term loans payable are classified by remaining length of time to m flows discounted by the contracted rates as adjusted considering the rai			
rate interest are subject to special treatment with interest rate swaps (re treated together with the hedged long-term loan is discounted by the in Derivative transactions Refer to "Derivative transactions" of these notes.	te for Japanese government iss efer to "Derivative transactions	ued bonds. Long-term loa " below), the total of princ	ns payable with floating ipal and interest that is
rate interest are subject to special treatment with interest rate swaps (re treated together with the hedged long-term loan is discounted by the in Derivative transactions	te for Japanese government is: efer to "Derivative transactions nterest rate reasonably expected	ued bonds. Long-term loa " below), the total of princ	ns payable with floating ipal and interest that is

	Millions of yen
Classification	Consolidated balance sheet amounts
Unlisted securities (*1)	¥1,742
 Long-term loans receivable (*2)	2,737

expenditure plans and financial plans mainly to engage in the business of producing and selling cement. Temporary surpluses are

Derivative transactions are entered into and managed in accordance with internal policies, which determine the authority to Furthermore, while trade payables and loans are subject to liquidity risk, the Group manages such risks by preparing monthly

difficult to estimate.

	(*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

Consolidated Financial Data

(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	¥–

(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	Over two years and under three	Over three years and under four	Over four years and under five	Over five years
	years	years	years	years	
¥21,354	¥–	¥–	¥–	¥–	¥–
-	-	-	5,000	-	5,000
5,470	5,024	3,434	1,568	1,161	4,595
¥26,824	¥5,024	¥3,434	¥6,568	¥1,161	¥9,595
	¥21,354 - 5,470	Within one year and under two years ¥21,354 ¥- – 5,470 5,024	Within one year and under two years and under three years ¥21,354 ¥– ¥– 5,470 5,024 3,434	Within one year and under two years and under three years and under four years ¥21,354 ¥– ¥– ¥– – – – 5,000 5,470 5,024 3,434 1,568	Within one year and under two years and under three years and under four years and under five years ¥21,354 ¥– ¥– ¥– ¥– ¥– ¥– 1<

Current fiscal year (April 1, 2020 to March 31, 2021)

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 34 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, 2021 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	¥18,664	¥18,664	¥–
(2) Notes and accounts receivable—trade	46,268	46,268	-
(3) Securities and investment securities Available-for-sale securities	49,786	49,786	-
(4) Short-term loans receivable	477	477	-
(5) Long-term loans receivable	378	376	(2)
Total assets	¥115,573	¥115,571	¥(2)
(1) Notes and accounts payable—trade	28,132	28,132	-
(2) Short-term loans payable	19,417	19,417	-
(3) Bonds payable	10,000	9,997	(2)
(4) Long-term loans payable	21,988	22,000	12
Total liabilities	¥79,537	¥79,546	¥9
Derivative transactions	-	-	-
Total derivative transactions	¥–	¥–	¥–

	Cor	nsolidated balance	Fair value	Difference
		sheet amounts	Fall value	Difference
(1) Cash and deposits		\$168,589	\$168,589	\$(
(2) Notes and accounts receivable—trade		417,923	417,923	(
(3) Securities and investment securities Available-for-sa	le securities	449,701	449,701	
(4) Short-term loans receivable		4,308	4,308	
(5) Long-term loans receivable		3,422	3,403	(19
Total assets		\$1,043,944	\$1,043,926	\$(19
(1) Notes and accounts payable—trade		254,109	254,109	
(2) Short-term loans payable		175,387	175,387	
(3) Bonds payable		90,326	90,303	(23
(4) Long-term loans payable		198,615	198,718	10
Total liabilities		\$718,438	\$718,519	\$8
Derivative transactions		\$710,450	\$710,515	0¢
				\$
Total derivative transactions ote 1) Methods to determine the estimated fair value of fina		· · · · · · · · · · · · · · · · · · ·		
fair value. Securities and investment securities The fair value of such securities is based on quoted market information on securities classified by holding purpose. Long-term loans receivable Long-term loans receivable are classified by remaining leng flows discounted by the contracted rates as adjusted conside abilities Notes and accounts payable—trade and (2) short-term loans Since these items are settled in the short-term, their market fair value.	th of time to maturity. dering the rate for Japa is payable	The fair values are estin nese government issued	nated based on the presend bonds.	nt value of future ca
) Bonds payable The fair value of bonds issued by the Company is based on) Long-term loans payable Long-term loans payable are classified by remaining length flows discounted by the contracted rates as adjusted consice rate interest are subject to special treatment with interest re- treated together with the hedged long-term loan is discour- erivative transactions Refer to "Derivative transactions" of these notes. ote 2) Financial instruments for which fair value is extremely	of time to maturity. Th dering the rate for Japa ate swaps (refer to "De nted by the interest rate	e fair values are estimat nese government issued rivative transactions" b	d bonds. Long-term loans elow), the total of princip	payable with floati al and interest that
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Cash and deposits

Notes and accounts receivable-trade

Securities and investment securities Held-to-maturity securities

Short-term loans receivable

Long-term loans receivable

Redeemable available-for-sale securities

Total

		Thou	sands of U.S. dollars
one year	Over one year and under five years	Over five years and under ten years	Over ten years
\$168,380	\$-	\$-	\$-
417,923	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,308	-	-	-
-	3,391	25	-
\$590,612	\$3,391	\$25	\$-

(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	¥19,417	¥-	¥-	¥-	¥-	¥-
Bonds payable	-	-	5,000	-	-	5,000
Long-term loans payable	6,243	4,674	2,814	2,407	1,331	4,516
Total	¥25,660	¥4,674	¥7,814	¥2,407	¥1,331	¥9,51
						Thousands of U. 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	\$175,387	\$-	\$-	\$-	\$-	\$
Bonds payable	-	-	45,163	-	-	45,16
Long-term loans payable	56,396	42,227	25,426	21,742	12,026	40,79
Total	\$231,784	\$42,227	\$70,589	\$21,742	\$12,026	\$85,95

(Securities) 1. Available-for-sale securities Previous fiscal year (March 31, 2020)

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

Current fiscal year (March 31, 2021)

				Millions of yen
	Туре	Consolidated balance sheet amounts	Acquisition cost	Difference
	(1) Stocks	¥49,780	¥11,480	¥38,300
	(2) Bonds			
Carrying amount on consolidated balance	National government bonds, local government bonds, etc.	_	_	-
sheet exceeds acquisition	Corporate bonds	-	-	-
cost	Others	-	-	-
	(3) Others	-	-	-
	Subtotal	49,780	11,480	38,300
	(1) Stocks	5	6	(0)
	(2) Bonds			
Carrying amount on consolidated balance	National government bonds, local government bonds, etc.	_	_	-
sheet does not exceed	Corporate bonds	-	-	-
acquisition cost	Others	-	-	-
	(3) Others	-	-	-
	Subtotal	5	6	(0)
	Total	¥49,786	¥11,487	¥38,299

			Tho	usands of U.S. dollars
	Туре	Consolidated balance sheet amounts	Acquisition cost	Difference
	(1) Stocks	\$449,648	\$103,699	\$345,948
	(2) Bonds			
Carrying amount on consolidated balance	National government bonds, local government bonds, etc.	_	_	-
sheet exceeds acquisition	Corporate bonds	-	-	-
cost	Others	-	-	-
	(3) Others	-	-	-
	Subtotal	449,648	103,699	345,948
	(1) Stocks	52	61	(8)
	(2) Bonds			
Carrying amount on consolidated balance	National government bonds, local government bonds, etc.	_	_	_
sheet does not exceed	Corporate bonds	_	_	_
acquisition cost	Others	-	-	-
	(3) Others	-	-	-
	Subtotal	52	61	(8)
	Total	\$449,701	\$103,761	\$345,940

2. Sales of available-for-sale securities

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

	Due en els fue en estes	Tatal asias an aslas	Millions of yer
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	¥–
Current fiscal year (April 1, 2020 to March 31, 2021)			
		T () ()	Millions of yer
Type (1) Stocks	Proceeds from sales ¥1,830	Total gains on sales ¥1,438	Total losses on sales ¥–
(1) Stocks (2) Bonds	¥1,830	\$1,438	Ť-
National government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	_	-
(3) Others	_	_	_
Total	¥1,830	¥1,438	¥–
			Thousands of U.S. dollars
Туре	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	\$16,533	\$12,996	\$-
(2) Bonds			
National government bonds, local government bonds, etc.	-	-	-
Corporate bonds	-	-	-
Others	-	-	-
(3) Others	-	-	-
Total	\$16,533	\$12,996	\$-
(Derivative transactions) 1. Derivative transactions not subject to hedge accounti Not applicable. 2. Derivative transactions subject to hedge accounting Interest rate related	ng		
Previous fiscal year (March 31, 2020)			
			Millions of yer
	Major bodgod	Contract am	

					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)
(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,	2021)				

					Millions of yen
Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
1 5	Interest rate swap transactions Pay fixed; receive floating	Long-term loans payable	¥3,561	¥1,450	(Note)

Major hedged Contract amount				The	ousands of U.S. dollar	rs
Hedge accounting method Types of transactions items Contract amount over one year Fair val	Hedge accounting method	Types of transactions	Major hedged items Contract am	ount	Fair value	
Special accounting treatmentInterest rate swap transactionsLong-term loans\$32,173\$13,097(Notefor interest rate swapsPay fixed; receive floatingpayable\$32,173\$13,097(Note			~ \\	173 \$13,097	(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	Current fiscal year	Current fiscal year
	(April 1, 2019 to March 31, 2020)	(April 1, 2020 to March 31, 2021)	(April 1, 2020 to March 31, 2021)
Beginning balance of projected benefit obligation	¥14,179	¥14,320	\$129,347
Service cost	696	683	6,170
Interest cost	28	28	256
Actuarial gains and losses	(11)	(97)	(882)
Payment of retirements benefits	(572)	(558)	(5,043)
Ending balance of projected benefit obligation	¥14,320	¥14,375	\$129,848

(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	Current fiscal year	Current fiscal year
	(April 1, 2019 to March 31, 2020)	(April 1, 2020 to March 31, 2021)	(April 1, 2020 to March 31, 2021)
Beginning balance of pension assets	¥12,881	¥13,132	\$118,622
Expected return on pension assets	257	262	2,372
Actuarial gains and losses	(699)	1,241	11,213
Employer contribution	1,257	895	8,087
Payment of retirements benefits	(564)	(550)	(4,971)
Ending balance of pension assets	¥13,132	¥14,981	\$135,324

(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	Current fiscal year	Current fiscal year
	(April 1, 2019 to March 31, 2020)	(April 1, 2020 to March 31, 2021)	(April 1, 2020 to March 31, 2021)
Beginning balance of net defined benefit liability	¥490	¥606	\$5,474
Retirement benefit expenses	278	52	471
Payment of retirements benefits	(69)	(68)	(619)
Contributions to the plan	(94)	(94)	(858)
Others	-	(21)	(194)
Ending balance of net defined benefit liability	¥606	¥473	\$4,272

(4) Reconciliation of projected benefit obligations and pension assets at end of year with net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
Projected benefit obligation of funded plan	¥15,467	¥15,671	\$141,553
Pension assets	(14,767)	(16,782)	(151,591)
	699	(1,111)	(10,037)
Projected benefit obligation of unfunded plan	1,093	978	8,834
Net amount of liabilities and assets on the consolidated			
balance sheet	1,793	(133)	(1,203)
Net defined benefit liability	2,176	895	8,089
Net defined benefit asset	(382)	(1,028)	(9,293)
Net amount of liabilities and assets on the consolidated			
balance sheet	¥1,793	¥(133)	\$(1,203)

(5) Breakdown of retirement benefit cost

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year	Current fiscal year	Current fiscal year
	(April 1, 2019 to	(April 1, 2020 to	(April 1, 2020 to
	March 31, 2020)	March 31, 2021)	March 31, 2021)
Service cost	¥696	¥683	\$6,170
Interest cost	28	28	256
Expected return on pension assets	(257)	(262)	(2,372)
Amortization of actuarial loss	48	111	1,011
Retirement benefit cost calculated using simplified method	278	52	471
Retirement benefit cost of defined benefit pension	¥795	¥613	\$5,537

(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	Current fiscal year	Current fiscal year
	(April 1, 2019 to March 31, 2020)	(April 1, 2020 to March 31, 2021)	(April 1, 2020 to March 31, 2021)
Actuarial gains and losses	¥(639)	¥1,451	\$13,107
Total	¥(639)	¥1,451	\$13,107

(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, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
Unrecognized actuarial loss/gain	¥1,146	¥(304)	\$(2,750)
Total	¥1,146	¥(304)	\$(2,750)

(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, 2020)	Current fiscal year (March 31, 2021)
Bonds	53%	51%
Stocks	23%	29%
General accounts	17%	15%
Other	7%	5%
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, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Discount rate	0.2%	0.2%
Expected long-term investment return	2.0%	2.0%
Expected rates of salary increases	2.8% to 5.5%	2.7% to 5.2%

(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, 2020)	Current fiscal year (March 31, 2021)	Current fiscal year (March 31, 2021)
Deferred tax assets			
Impairment loss	¥2,045	¥2,203	\$19,905
Tax loss carryforwards	654	683	6,177
Provision for bonuses	776	791	7,148
Unrealized holding gain	521	469	4,240
Net defined benefit liability	689	194	1,758
Accrued business tax	220	247	2,235
Other	1,468	1,466	13,247
Subtotal for deferred tax assets	6,376	6,057	54,712
Valuation allowance related to tax loss carryforwards (Note)	(654)	(683)	(6,177)
Valuation allowance related to the total of deductible			
temporary differences	(2,328)	(2,400)	(21,679)
Subtotal for valuation allowance	(2,982)	(3,084)	(27,856)
Total deferred tax assets	¥3,393	¥2,973	\$26,856
Deferred tax liabilities			
Valuation difference for available-for-sale securities	(11,005)	(11,883)	(107,337)
Liability reserves under the Act on Special Measures			
Concerning Taxation	(1,052)	(1,042)	(9,413)
Other	(645)	(739)	(6,679)
Total deferred tax liabilities	(12,703)	(13,665)	(123,431)
Deferred tax liabilities, net	¥(9,309)	¥(10,691)	\$(96,575)

Consolidated Financial Data

Previous 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	-	-	-	-	-	-	-

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

Current fiscal year (March 31, 2021)

Millions of yen Over one year Over two years Over three Over four years Within one year and under two and under three years and under and under five Over five years Total years years four years years Tax loss carryforwards (a) ¥104 ¥64 ¥93 ¥60 ¥106 ¥254 ¥683 Valuation allowance (104) (64) (93) (60) (106) (683) (254)Deferred tax assets _ _ Thousands of U.S. dollars Over one year Over two years Over three Over four years Within one year and under two and under three years and under and under five Over five years Total years four years years years \$943 \$581 \$840 \$964 \$2,297 \$6 177 Tax loss carryforwards (a) \$550 Valuation allowance (943)(581) (840) (550)(964)(2,297) (6,177) 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, 2020)	Current fiscal year (March 31, 2021)
Statutory effective tax rate	31.0%	-%
(Adjustment)		
Adjustments that are not temporary differences	0.0	_
Valuation allowance	(0.3)	-
Tax credit	(2.0)	-
Other	(0.1)	-
Effective tax rate after the application of tax effect accounting	28.6	-

*The information for the current fiscal year has been omitted as the difference between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is 5% or less of the statutory effective tax rate.

(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, 2020, rental income from rental property assets was ¥1,157 million (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 (recorded under extraordinary income), and losses from sales of rental property amounted to ¥8 million (recorded under extraordinary loss). During the current fiscal year ended March 31, 2021, rental income from rental property assets was ¥1,126 million (US\$10,171 thousand) (rental revenue is recorded under sales and rental costs are recorded under cost of sales), and impairment losses amounted to ¥105 million (US\$951 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, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2020 to March 31, 2021)
Consolidated balance sheet amounts			
Opening balance	¥21,711	¥21,333	\$192,695
Change during the fiscal year	(378)	(197)	(1,780)
Closing balance	21,333	21,136	190,914
Fair value at the end of the fiscal year	¥31,855	¥29,231	\$264,036

(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, 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 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

IVIAILI PLOQUELS IOL 6	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

									Μ	illions of yen
	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	¥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 Increase in property, plant and equipment and intangible assets	13,919 ¥15,906	1,793 ¥2,652	463 ¥486	640 ¥361	771 ¥754	97 ¥42	579 ¥42	18,265 ¥20,245	17 ¥–	18,283 ¥20,245
 (Notes) 1. Eliminations and adjustme (1) Adjustments for segment (2) Adjustments for segment and ¥(22,058) million of el securities) and assets attrik (3) Adjustments for depreciat million of elimination of in 2. Segment profit (or loss) had 	profit or loss assets of ¥8, limination of outable to ad tion and amo ter-segment	of ¥(84) mil 084 million i inter-segme ministrative ortization of ¥ profit and lo	include ¥30 nt profit an divisions. ¥17 million vss.	0,143 million Id loss. Corpo include ¥40	of corporate orate assets million of de	e assets, whi mainly consi epreciation a	ch are not a st of long-to nd amortiza	erm investm ation for cor	ent funds (ir	nvestment
 I. Current fiscal year (April 1, 2 Overview of reporting segm The reportable segments of operating results are regular performance. The Company's reportabl The Company's seven report 	ents the Compa ly reviewed le segment	any are cor by the Bo s are comp	nponents bard of Dir bosed of p	rectors to r products ar	nake decis	sions about	t resource the Ceme	allocation	and to as	ssess partments.

Advanced Materials, Battery Materials and Others.

Main products for each reportable segment are as follows:

Reporting segments	
Cement	Assorted cement, cement-related solidification ma raw materials and fuel
Mineral Resources	Limestone, dolomite, calcium carbonate, aggregat
Cement-Related Products	Repair and reinforcement of concrete structures (r control material, fish beds and seaweed beds, elec (products, settings), and various hume concrete pi
Optoelectronics	Optical communications devices and components,
Advanced Materials	Various ceramic products, various nanoparticle ma
Battery Materials	Rechargeable battery cathode materials
Other	Leasing of real estate, engineering, and developm
	·

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.

The Company's reportable segments are composed of products and services based on the Cement segment and departments.

Main products

aterials, ready-mix concrete, supply of electrical power, and recycling of

te, and silica powder

materials and construction), various admixture, heavy metal pollution ctrolytic protection methods, various ground improvement work, PC

, and optical measurement equipment

aterials, antibacterial agents, cosmetics, and various functional paints

nent of software

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

										illions of ye Note 2
				Reporting	segments			Note 1		
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Adjustment amount	Consolidated
Net sales and operating incom	ie									
Net sales										
(1) Net sales to outside										
customers	¥187,46	9 ¥11,984	¥17,577	¥5,725	¥10,719	¥721	¥5,076	5 ¥239,274	¥–	¥239,274
(2) Intersegment sales or										
transfers	3,01				-	-	5,172		(14,693)	-
Total	190,48				10,719	721	10,249		(14,693)	239,274
Segment profit (or loss)	9,67	3 1,840	1,657	271	2,067	(574)	1,641	16,576	55	16,631
Segment assets	218,38	2 34,733	18,881	4,341	10,039	1,907	25,562	313,849	15,801	329,650
Other items										
Depreciation expense	14,26	1 2,081	472	581	735	73	537	18,742	23	18,766
Increase in property, plant and equipment and intangible										
assets	¥15,57	0 ¥4,042	¥426	¥163	¥911	¥11	¥326	¥21,452	¥–	¥21,452
								1	housands o	f U.S. dolla
				Reporting s	egments				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	\$1,693,342	\$108,250	\$158,768	\$51,716	\$96,820	\$6,512	\$45,858	\$2,161,270	\$-	\$2,161,270
(2) Intersegment sales or transfers	27,210	36,891	21,715	185	_	0	46,722	132,724	(132,724)	
Total	\$1,720,552	\$145,142	\$180,484	\$51,902	\$96,820	\$6,512	\$92,580	\$2,293,995	\$(132,724)	\$2,161,270
Segment profit (or loss)	87,373	16,625	14,972	2,451	18,676	(5,193)	14,824	149,731	497	150,228
Segment assets	1,972,564	313,733	170,551	39,216	90,682	17,233	230,899	2,834,881	142,725	2,977,606
Other items										
Depreciation expense	128,820	18,796	4,265	5,254	6,644	661	4,853	169,296	210	169,50
Increase in property, plant and			,							
equipment and intangible										

(1) Adjustments for segment profit or loss of ¥55 million (US\$497 thousand) include elimination of inter-segment profit and loss. (2) Adjustments for segment assets of ¥15,801 million (US\$142,725 thousand) include ¥39,275 million (US\$354,763 thousand) of corporate assets, which are not allocable to a reportable segment, and ¥(23,474) million (US\$(212,038) thousand) of elimination of inter-segment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions. (3) Adjustments for depreciation and amortization of ¥23 million (US\$210 thousand) include ¥43 million (US\$394 thousand) of depreciation and amortization for corporate assets and ¥(20) million (US\$(184) 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, 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.

Current fiscal year (April 1, 2020 to March 31, 2021)

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] Pre

				Reporting	segments					
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	- Adjustment amount	Consolidated
Impairment loss	¥268	¥–	¥–	¥–	¥–	¥–	¥–	¥268	¥–	¥268
Current fiscal y	ear (April 1,	2020 to Ma	rch 31, 202	21)						Millions of yei
				Reporting	segments					
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Adjustment amount	Consolidated
Impairment loss	¥4	¥3	¥–	¥1,028	¥–	¥–	¥–	¥1,036	¥97	¥1,133
Current fiscal y	ear (April 1,	2020 to Ma	rch 31, 202	21)					Thousands	of U.S. dollar
				Reporting	segments					
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total	Adjustment amount	Consolidated
Impairment	\$42	\$27	\$-	\$9,288	\$-	\$-	\$-	\$9,358	\$881	\$10,240

Inf Previous fiscal year (April 1, 2019 to March 31, 2020) Not applicable.

Current fiscal year (April 1, 2020 to March 31, 2021) Not applicable.

Information relating to gains incurred from negative goodwill by reporting segment Previous fiscal year (April 1, 2019 to March 31, 2020) Not applicable.

Current fiscal year (April 1, 2020 to March 31, 2021) Not applicable.

(Related party transaction information)

Previous fiscal year (April 1, 2019 to March 31, 2020) Not applicable.

Current fiscal year (April 1, 2020 to March 31, 2021) Not applicable.

(Per share information)

		Yen	U.S. dollars					
Item	Previous fiscal year April 1, 2019 to	Current fiscal year April 1, 2020 to	Current fiscal year April 1, 2020 to					
	March 31, 2020	March 31, 2021	March 31, 2021					
Net assets per share	¥5,101.00	¥5,397.31	\$48.752					
Profit per share	283.21	304.56	2.751					
(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, 2019 to March 31, 2020	Current fiscal year April 1, 2020 to March 31, 2021	Current fiscal year April 1, 2020 to March 31, 2021
Profit attributable to owners of parent for the period	¥10,922	¥11,719	\$105,858
Amount not attributed to common shareholders	-	-	-
Profit attributable to owners of parent related to common stock	10,922	11,719	105,858
Average outstanding shares during the fiscal year (shares)	38,568,657	38,480,575	

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, 2021, 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, 2021, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.





Recognition and measurement of impairment loss of assets related to high performance products business

Description of Key Audit Matter

Among the aggregate balance of property, plant and equipment, and intangible assets of \$170,771 million (US\$1,542,512 thousand) recorded in the consolidated balance sheet as of March 31, 2021, the Group identified indications of impairment on the part of its asset groups related to the high-performance products business (carrying amount of \$476 million (US\$4,304 thousand)) due to the recording of consecutive operating losses.

In addition, as described in "Notes to consolidated statements of income *6 Impairment loss," the Group recognized impairment loss on the part of its asset groups related to the high-performance products business, because of an expected deterioration in future operating results due to a drastic change in the operating environment, and recorded impairment loss of ¥1,028 million (US\$9,288 thousand) in the current fiscal year.

Regarding assets or groups of assets when indications of impairment are identified, if the Group determines that the impairment losses must be recognized, the carrying amount is reduced to the recoverable amount and this reduction is recorded as an impairment loss.

In addition, the recoverable amount of assets in certain asset groups related to the high performance products business is measured based on value in use.

The main assumptions used in business plans are the expected sales volume to main customers, sales prices based on past performance, raw material purchase prices, labor costs, etc., and includes significant accounting estimates that are subject to the subjective judgment of management.

Auditor's Response

In recognition and measurement of the impairment loss of the asset group related to the high performance products business, we mainly conducted the following audit procedures.

- We discussed business plans, upon which estimates future cash flows are based in the recognition and measurement of impairment loss, including the impact of Covid-19, with the relevant business managers, and verified the consistency of the business plans approved by the business unit and the Board of Directors.
- We verified the consistency of expected sales volume to major customers, which is a key assumption in the business plans, with the purchase order and purchase prospect information from customers, and compared it with published market forecasts.
- With regard to assumptions such as sales prices, raw material purchase prices, and labor costs, we compared them with historical trends and verified the consistency of the negotiation process with customers and labor costs and expense plans.

In order to assess the effectiveness of management's estimation process, we made comparisons between the budget and business plans and their results in previous years.



In addition, while the markets related to the high performance products business are expected to grow in the future, rapid changes in technology and resulting changes in customer demand, make it a business with high uncertainty in the future.

As described above, estimates of future cash flows involve uncertainties that are difficult for management to predict or quantify, and we therefore consider this to be key audit matter.

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.

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.
- 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.

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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.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

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· Conclude on the appropriateness of management's use of the going concern basis of

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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 29, 2021

香山

Ryo Kayama Designated Engagement Partner Certified Public Accountant

1-宫山 高居

Takamichi Komiyama Designated Engagement Partner Certified Public Accountant

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Company Overview / Stock Information (as of March 31, 2021)

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

Primary Group Companies

Name	Sector	
Hachinohe Cement Co., Ltd.	Cement manufacturing	
Wakayama Slag Cement Co., Ltd.	Blast furnace cement manufacturing	
SOC Logistics Co., Ltd.	Coastal shipping services	
SOC Marine Co., Ltd.	Ship leasing and cargo handling services	
Taiyo Holdings Co., Ltd.	Holding company	
Taiyo Kisen Co., Ltd	Ship leasing	
Izumi Unyu Co., Ltd.	Truck transport of specified cargoes	
Sumice Kenzai Co., Ltd.	Cement and ready-mixed concrete wholesaling	
Tokai Sumice Co., Ltd.	Cement and ready-mixed concrete wholesaling	
Kitaura SOC Co., Ltd.	Cement and ready-mixed concrete wholesaling	
Izumi Industry Ltd.	Crushed rock wholesaling and contract manufacturing of cement	
Tokyo SOC Co., Ltd.	Ready-mixed concrete manufacturing	
SOC Engineering Co., Ltd.	Equipment and facility installation	
Chuken Consultant Co., Ltd.	Construction consulting	
Shuho Kogyo Co., Ltd.	Limestone excavation and sales	
Shiga Kosan Co., Ltd.	Limestone excavation and sales	
Estec Co., Ltd.	Civil engineering	
SNC Co., Ltd.	Concrete product manufacturing and civil engineering	
KURICON,LTD. (*name changed in April 2021)	Manufacture and sales of hume pipes and other concrete products	
Sumitec Co., Ltd.	Optical communications equipment and digital equipment manufacturing	
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	

Securities code 5232 Tokyo Stock Exchange Stock exchange listing Total number of authorized shares 130,000,000 38,643,217 (866,372 shares of treasury stock) Total number of shares outstanding Shareholders 23,086

Status of Major Shareholders

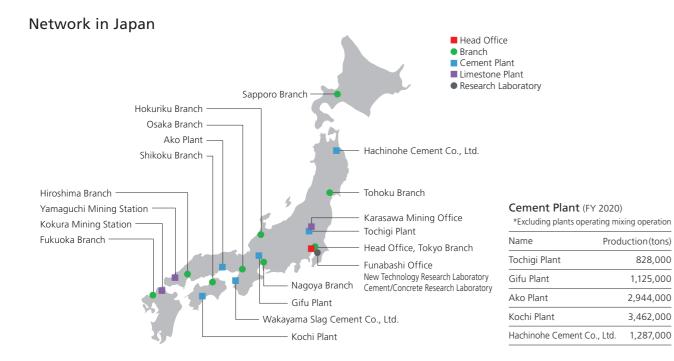
Name	Number of shares owned (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,677	12.4
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	3,359	8.9
Custody Bank of Japan, Ltd. (Trust Account)	2,267	6.0
NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS	1,843	4.9
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	1,112	2.9
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	922	2.4
Sumitomo Life Insurance Company	852	2.3
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS TOBACCO FREE INTERNATIONAL VALUE EQUITY TRUST	733	1.9
NORTHERN TRUST CO. (AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	712	1.9
Sumitomo Corporation	675	1.8

(Notes) 1. 866,372 shares of treasury stocks held by the Company as of March 31, 2021, are excluded from the major shareholders above. 2. Ownership ratio is calculated using the number excluding 866,372 shares of treasury stock from the total number of shares outstanding. In addition, the number of treasury stocks excludes 30,000 shares of the Company's stocks held by the trust relating to the stock-based remuneration plan for officers.

Employees Capital

3,065 ¥41.6 billion

Network (as of March 31, 2021)



Overseas network



Third-Party Verification Report

Based on the assessment by an independent external third-party assessment organization on factual information on the fiscal 2020 greenhouse gas emission volume of the Group, including its domestic subsidiaries stated under this report, the Group obtained a guarantee for the appropriateness of the calculated value.

Greenhouse Gas Emissions Verification Report			
To: Sumitomo Osaka Cement C	o., Ltd. August 17, 202 Japan Audit and Certification Organizatio for Environment and Quality (JACC 2-2-19 Akasaka Minato-ku, Tokyo, Japa		
engaged by Sumitomo Osaka Cement C (hereinafter referred to as "the Organization	President U. Onodena ation for Environment and Quality (JACO) has bee to., Ltd. including its domestic consolidated companition") to conduct independent verification of its GHG epared under the responsibility of the Organization. Th		
	accuracy of the GHG emissions data and to provide		
 Purpose and scope of verification With regard to GHG emissions informati 	on for the fiscal year 2020 (from April 1, 2020 to Marc		
 31, 2021) reported to the report, the verific 1) Scope 1 and Scope 2 Greenhouse gas CO₂ emissions from energy consumption 	ation was conducted.		
verification based on the verification resul	ata in the "CO ₂ Emissions 2020" that was used for the ts. The responsibility for preparing a calculation repor anization and our responsibility is to express an opinion in report by independent standpoint.		
2. Verification procedure			
	nce with ISO 14064-3:2019, Greenhouse gases - Part 3 ation and validation of greenhouse gas statements. We f limited assurance:		
 and accounting greenhouse gas emiss Evaluation of the application of the ac assumptions adopted by the Organiza 	counting criteria, the method of data measurement, the tion as well as its basis, and the description of the GHC lata) used to determine the GHG emissions; and		
3. Conclusion			
Based on the procedures we have perfor to our attention that causes us to believe the	med and evidence we have obtained, nothing has compare the Organization's GHG statements:		
scope of work; and	ot a fair representation of the GHG emissions as per the he methodology implemented by the Organization.		
Verified greenhouse gas emissions	95550 V. 1000 U.T.		
Scope 1: 8,700 ktCO2e, Scope 2: 196 kt	CO ₂ e		
The Organization and JACO verification team di	id not have any specific conflicts of interest and carried out th		



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/





This report was produced using easy-to-read universal design font. We use FSC®-certificated paper and vegetable oil ink.