



Integrated
R e p o r t
2022

Sumitomo Business Spirit

The origin of Sumitomo business spirit can be traced back to the “Monjuin Shiigaki” (The Aphorisms of Monjuin, made up of five articles), which was bequeathed by the founder, Masatomo Sumitomo, around 1650. It was a letter that Masatomo wrote to his family in his later years, wherein he describes the principles that must be observed as a merchant, strongly expressing his Buddhist worldview. This is the origin of the “Sumitomo Spirit,” and its philosophy is compiled in the form of “Business Principles” under modern business rules as “Place prime importance on integrity and sound management, and shall not pursue easy gains.” In other words, the management style of placing prime importance on integrity and sound management without pursuing near term gains under any circumstances has been the essence of the Sumitomo Business Spirit, which remains the Sumitomo Group’s business spirit handed down over 350 years to this day. This 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



Monjuin Shiigaki (photo courtesy of Sumitomo Historical Archives)

PHILOSOPHY

We aim to be a business group that helps preserve the global environment and contributes to the sustainment and ongoing development of a prosperous society through tireless technological innovation and wide-ranging business activities.

ENVIRONMENTAL PHILOSOPHY

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

CODE OF CONDUCT

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

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Reference Guidelines

GRI Standards
 “Environmental Reporting Guidelines, 2018 ed.” From Ministry of the Environment (Japan)

Reporting Scope

Reporting period: April 1, 2021 to March 31, 2022
 Reporting entities: Sumitomo Osaka Cement Co., Ltd. and Group companies

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

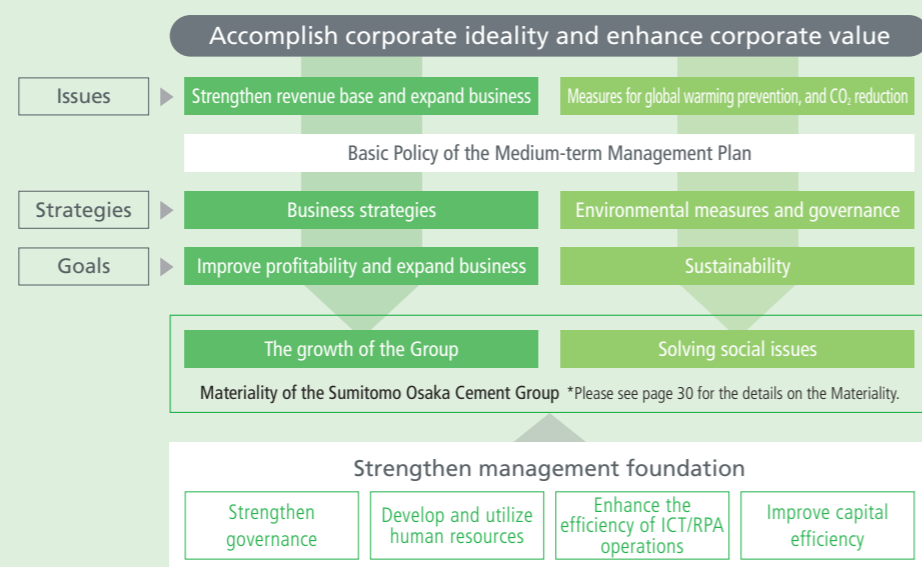
“We are aiming to become a corporate group on a steady growth trajectory, by expanding our presence in the markets of both the Cement-related Business and High-Performance Product Business.”

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 2021 Results

Environmental Changes

During the second year of the Medium-term Management Plan, as in the first year, while the spread of the novel coronavirus disease (COVID-19) remained unabated and the severe economic situation continued, the Group’s sales in fiscal 2021 were on a recovery track. However, sales were still lower than the initial Medium-term Management Plan assumption, with domestic cement demand falling to 37.88 million metric tons, compared to the Medium-term Management Plan figure of 41 million metric tons.

From the second half of fiscal 2021, against a background of international political instability, increased economic activity due to the With Corona policy, and power shortages in China and other countries due to decarbonization policies, we saw an acceleration in resource price hikes and procurement uncertainty, which had a significant impact on the business environment in all sectors.

In particular, we saw a deterioration in earnings in the Cement business due to the sharp rise in energy costs, including coal and petroleum, friction between the US and China affecting sales of LN modulators in the Optoelectronics business, and souring prices and delays in procurement of raw materials from overseas in the Cement-Related Products business.

Fiscal 2021 was also a year in which we saw an acceleration in social demands related to climate change problems. During this period, the Group took steps to speed up its response to such issues and take a more active approach to disclosure of its various initiatives, such as strengthening efforts led by the specialized Sustainability Department, endorsing the TCFD, disclosing information, applying for the Green Innovation Fund, and introducing internal carbon pricing in January 2022.

Cement-related Business

In the Cement business, we made efforts to aggressively invest in equipment in order to expand the use of alternative raw materials and thermal energy, in accordance with the Medium-term Management Plan toward the 2030 target (30% reduction in energy-related CO₂ emissions on a carbon intensity basis compared to 2005), which is a milestone in our challenge of carbon neutrality by 2050 (long-term vision “SO-CN2050”). At our cement plants, we proceeded with construction work to reinforce chlorine countermeasures that will broaden the scope of recyclable material collection. In terms of capital investment for environmental initiatives, we proceeded with work to convert electric dust collectors to bag filters.

In domestic cement sales, despite the decline in domestic demand, we maintained our market share, and have increased sales prices of our cement and solidification materials in response to the sharp rise in energy costs. In addition, we focused on maintaining a stable supply of cement and further rationalized logistics through such measures as fleet management. We also secured volume at existing export destinations and proceeded with shipments to new destinations in Australia, resulting in a high level of export volume in fiscal 2021.

In the Mineral Resources business, we are reinforcing production and shipping systems at the main Shuho Mine, expanding sales of aggregates through equipment installation work to increase capacity 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 enhanced our ground improvement business by incorporating a ground improvement company (Noma Sangyo Co., Ltd.) into the Group as a subsidiary, expanded the use of repair materials for aging infrastructure (Refre Dry Shot), continued 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 second 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, as in the first year.

In the Optoelectronics business, sales of LN modulators to a major customer in China were terminated due to the trade friction between the US and China, resulting in lower demand in fiscal 2021. However, we are reforming our production systems to shift to a product portfolio focusing on small and integrated (800G) modulators.

In the Advanced Materials business, we focused on the development of an augmentation system to respond to the expansion of demand for semiconductor manufacturing equipment components (ESCs). Although there was a temporary decline in demand for cosmetics materials due to the impact of COVID-19, we are steadily building frameworks in preparation for the recovery in demand.

Plan for Fiscal 2022

In fiscal 2022, the environment surrounding the Group changed more than expected due to the COVID-19 pandemic and geopolitical instability, and we expect to fall short of our Medium-term Management Plan in its final year.

Major Factors in Missing the Targets

- Sluggish domestic cement demand (Initial assumption: 41 million tons → 38 million tons)
- Rising costs due to worsening coal market conditions (Initial FOB assumption: less than \$80 → less than \$326)
- Decrease in sales in Optoelectronics business due to trade friction between the US and China (Initial assumption: ¥7.0 billion → ¥2.7 billion)

In fiscal 2022, we will focus on restructuring our business by implementing the following measures to bring us into the next Medium-term Management Plan (to be announced in May 2023).

Measures for Fiscal 2022

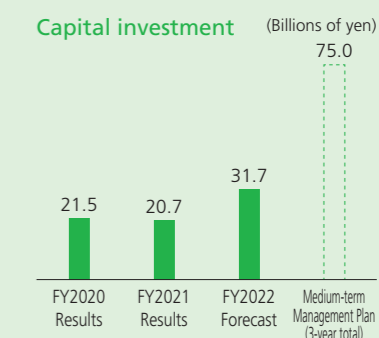
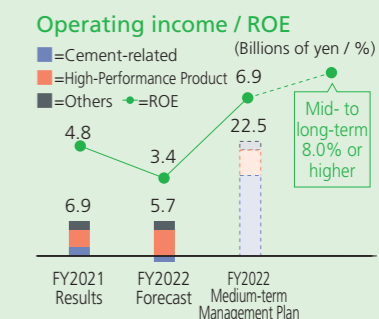
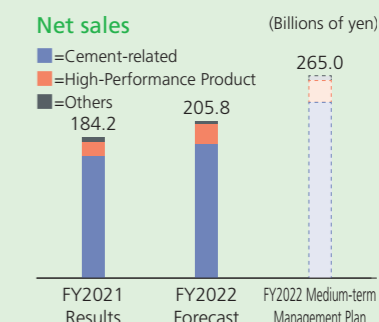
1 Business Strategy to Maximize Operating Cash Flow

In the Cement business, in order to cope with increasing costs and allocate some environmental investment funds, we aim to achieve a sales price increase for cement and solidification materials, and we will focus on achieving stable procurement of coal by diversifying our suppliers in consideration of the balance of procurement costs. In the High-Performance Product business, we aim to increase earnings by quickly responding to the growing demand for semiconductor manufacturing equipment components (ESCs). Therefore, we will enhance our supply capacity through construction work to increase production capacity and by securing additional workers.

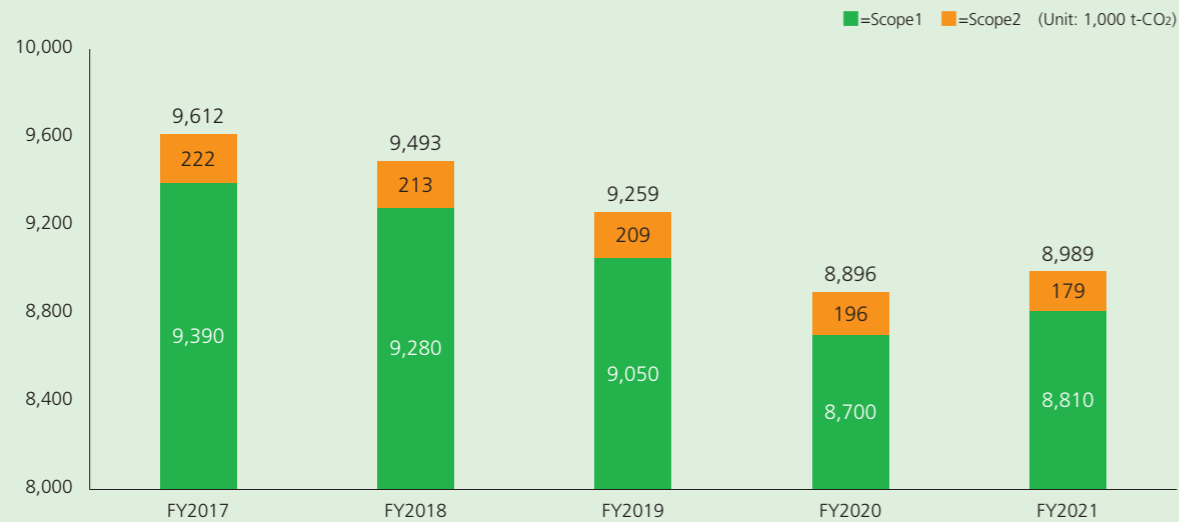
2 Capital Allocation Policy

Amid shrinking operating cash flow, we will balance environmental investments with growth investments and provide stable dividends and other shareholder returns through selling off shares held as cross-shareholdings and interest-bearing debt financing.

Under our environmental investment policy for fiscal 2022 onward, in accordance with “SO-CN2050,” we will make environmental investments totaling ¥11.3 billion from fiscal 2020 to 2022, reduce CO₂ emissions by reducing coal consumption, and increase the volume of recyclable materials received to expand alternative raw materials and thermal energy, aiming to achieve the 2030 target as soon as possible.



Greenhouse Gas Emission Volume of the Sumitomo Osaka Cement Group



	FY2017	FY2018	FY2019	FY2020	FY2021
Energy-related CO ₂	3,920	3,856	3,742	3,654	3,706
Non-Energy-related CO ₂ (Derived from processes)	4,690	4,590	4,470	4,260	4,320
Non-Energy-related CO ₂ (Derived from waste)	761	812	818	762	741
Other GHG	241	235	229	220	222
Volume of GHG emissions	9,612	9,493	9,259	8,896	8,989

*Scope 1 : Direct emissions of greenhouse gases via business operators (burning of fuel, manufacturing process)
 *Scope 2 : Indirect emissions 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

CO₂ Emissions in the Value Chain: Scope 3 (Fiscal 2021)

Category	CO ₂ emissions (1,000 t-CO ₂)	Calculation method*
1 Purchased goods and services	47.2	Calculated by multiplying the amount of natural materials for cement manufacturing purchased from non-Group companies by the CO ₂ basic unit
2 Capital goods	44.1	Calculated by multiplying the recorded amount of new noncurrent assets by the CO ₂ basic unit
3 Fuel and energy related activities not included in Scope 1 or 2	322.6	Calculated by multiplying the amount of thermal energy purchased for cement manufacturing and the amount of electricity purchases by the CO ₂ basic unit
4 Transportation and delivery (upstream)	158.0	Periodically reported figure based on the Act on Rationalizing Energy Use (Measures pertaining to consignors and transportation operators)
5 Waste generated in operations	0.3	Calculated by multiplying the amount of waste outsourcing fees, etc. by the CO ₂ basic unit
6 Business travel	1.4	Calculated by multiplying the total travel expenses for business trips by the CO ₂ basic unit
7 Employee commuting	0.9	Calculated by multiplying the total travel expenses for commuting by the CO ₂ basic unit
10 Processing of sold products	68.1	Calculated by multiplying the volume of cement sold by the CO ₂ basic unit

<Scope of data collection> The Company (Note that Categories 1 and 3 include Hachinohe Cement Co., Ltd.)
 *Source of basic unit "Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables (3EID)" (National Institute for Environmental Studies, Japan)
 "Inventory Database IDEA" (National Institute of Advanced Industrial Science and Technology)
 "Database of Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.2)" (Ministry of the Environment)
 "Explanations by Industry (Cement Production) for the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 1.0)" (Japan Cement Association)

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. As a company that emits a large volume of greenhouse gases, in December 2020 we announced the "Carbon Neutral" Vision "SO-CN2050" in which we set forth our initiatives to take on challenges for the Group to become a carbon-neutral organization by 2050 through all possible measures. Based on this roadmap, we are advancing the following initiatives.



Initiatives toward Achieving 2030 Reduction Target

30% reduction in energy-related CO₂ emissions from 2005 levels on a carbon intensity basis

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 quickly introducing advanced energy-saving 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 target.

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

Goals • Achieve no less than 50% average fossil energy substitution rate Company-wide (Achieve more than 80% fossil energy substitution rate at the Group's five factories and four of its eight kilns)

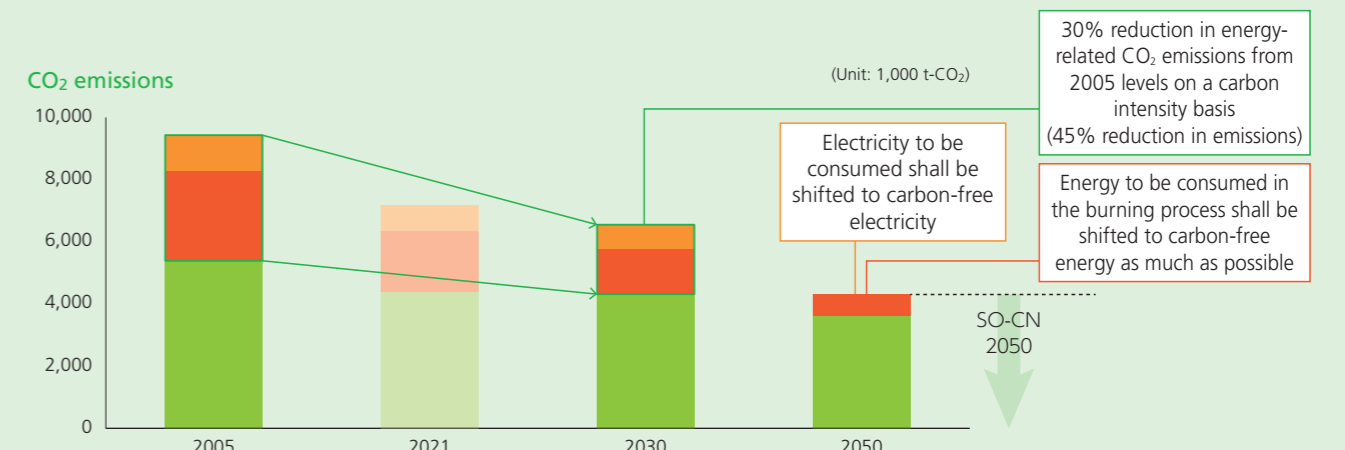
2 Reduce electric energy use through heat efficiency and the minimization of electricity consumption (Upgrade to cutting-edge raw material crushing process)

3 Reduce fossil energy use from in-house power generation (greater volume of wood chips and other biomass fuels)

Energy-derived CO ₂ emission intensity	Results		Targets
	FY2005	FY2021	FY2030
	316	275	220

(Unit: kg-CO₂/t)

Conceptual Image of Reducing CO₂ Emissions toward Achieving Carbon Neutrality



Energy-related CO₂

- CO₂ from electrical energy: CO₂ from electric consumption necessary for cement clinker burning
- 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, based on the WBCSD (World Business Council for Sustainable Development) concept of net CO₂ emissions.

● Initiatives for 2050 (cement manufacturing)

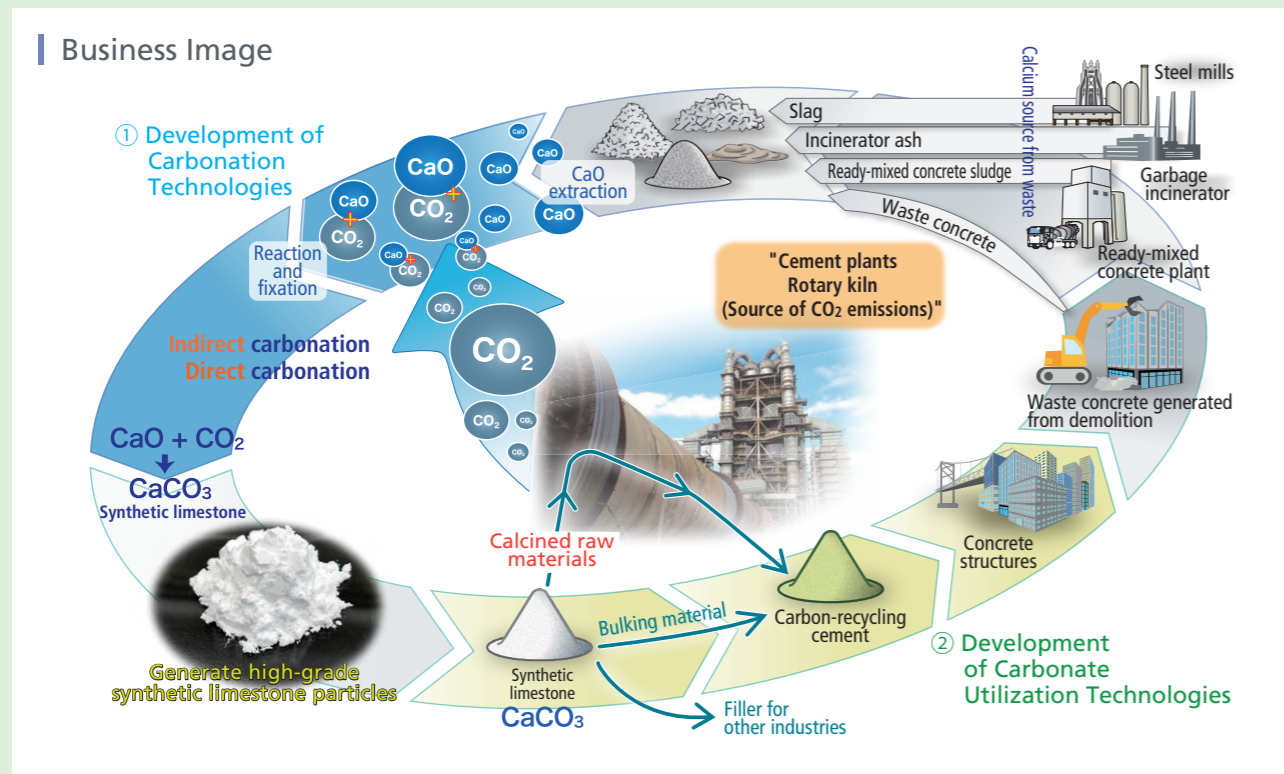
Development of CO₂ recovery-type cement manufacturing processes

“Establishment of carbonation technologies using various calcium sources”

▮ Purpose and Outline of the Project

Cement (main component: CaO) is industrially produced through a decarboxylation reaction (CO₂ separation) of natural limestone (CaCO₃). However, it is possible to produce Carbon-Recycling Cement (CRC)^{*1} with synthetic limestone (CaCO₃) by extracting CaO from various types of calcium-containing waste, such as waste concrete or ordinary incinerator ash, and recombining it with separated CO₂ in the cement production process. We are aiming for carbon-neutral in the cement industry by using this carbonation process.

<p>1</p> <p>Development of Carbonation Technologies</p> <p>We will develop and verify multiple carbonation technologies using the two methods of direct or indirect carbonation^{*2} for use on various types of calcium-containing waste, and aim to establish technologies for optimal CaO extraction and CO₂ fixation.</p>	<p>2</p> <p>Development of Carbonate Utilization Technologies</p> <p>We will verify whether the carbonate generated can be used as a calcined raw material for carbon-recycling cement or as a bulking material for cement, and develop materials that meet the performance requirements (strength, etc.) of concrete, creating guidelines for their use in design and construction, with the aim of societal implementation.</p>
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▮ Implementation System

① Development of Carbonation Technologies

Sumitomo Osaka Cement Co., Ltd., Yamaguchi University, Kyoto Institute of Technology, Tokyo Institute of Technology (IDC method), Mitsubishi UBE Cement Corporation, The University of Tokyo (DC method)

② Development of Carbonate Utilization Technologies

Sumitomo Osaka Cement Co., Ltd., TAISEI CORPORATION

▮ Project Scale, etc.

Scale of project (①+②): Approx. ¥6.9 billion

Scale of support (①+②): Approx. ¥5.1 billion

[Subsidy rate: (Commissioning) 9/10 → (subsidy) 1/2]
(Scheduled to shift to the subsidy project period after the five-year commissioning period)

▮ Project Period

①, ② FY2021 - FY2030 (ten years)

*1: About Carbon-Recycling Cement (CRC)

Cement produced from CO₂ recycling of carbonate = synthetic limestone, an alternative to natural limestone, which is the current raw material for cement. Synthetic limestone can be used not only as a raw material for cement (calcined raw material), but also as a bulking material or filler for other industries.

*2: Indirect (IDC)/Direct (DC) method CaO extraction/CO₂ fixation

IDC method: carbonate generation using bipolar membrane electro dialysis^{*3} for a highly efficient extraction of calcium, thereby recovering/generating high quality carbonate.

DC method: a less expensive method of carbonate generation that directly absorbs a large amount of CO₂ through pretreatment of waste, etc.

*3: About Bipolar Membrane Electro dialysis (BMED)

A technology to separate ions by straining through ion-exchange membranes. It can simultaneously generate “acid = hydrochloric acid” to extract CaO from waste and “alkali = sodium hydroxide or potassium hydroxide” to absorb CO₂ in exhaust gases.

● Initiatives for 2050 (other than cement manufacturing)

Reduction of CO₂ emissions throughout the supply chain and contributing to decarbonization of the entire society

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

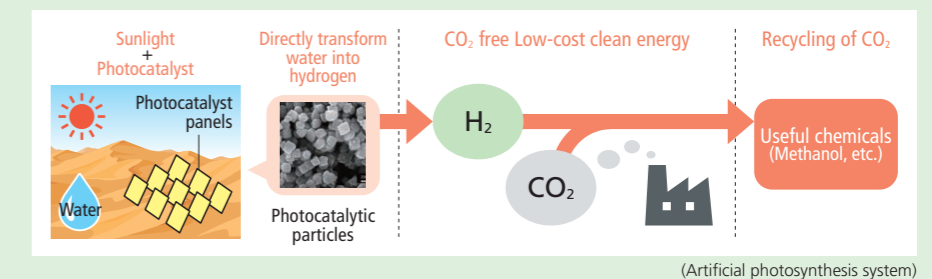
- Shift to use of clean energy for heavy machinery and transportation equipment
- Use renewable energy sources

② Contribute to energy savings through products of the High-Performance Product business

- Small and integrated optical communications devices
- Encapsulating materials for high-performance LEDs

③ Contribute to advent of a decarbonized society by developing new high-performance materials

- Supply materials used in artificial photosynthesis catalytic panels



Column

Moving toward a Carbon Neutral 2050 together with our customers

Customers who purchase cement have an interest in the volume of CO₂ emitted when manufacturing cement and decarbonization measures, as cement is the major source of CO₂ emissions for their products. The Company distributes leaflets to customers that purchase cement describing the Group's CO₂ emissions, the CO₂ emissions for the manufacture of concrete using various types of cement, the Group's path towards carbon neutral by 2050 and areas in which the Company can cooperate with customers to assist in their decarbonization.

Accordingly, we are calling for collaboration, providing information concerning climate change issues to the supply chain and notifying them of the details of the services we can provide in heading towards decarbonization.

Executive Officer, General Manager of Sustainability Department and General Manager of Cement/Concrete Research Laboratory
Noriyuki Kosakai



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.



Information Disclosure Based on TCFD Recommendations
<https://www.soc.co.jp/csr/csr08/environment02/>



Financial Impact with respect to Risks and Opportunities Identified through Scenario Analysis

Risks		Opportunities	
<ul style="list-style-type: none"> ● Capital investment for the 2030 reduction target in the "SO-CN2050" carbon neutral vision for 2050 	<p>¥30.0 billion through 2030</p> <p>2020 to 2022 ¥11.3 billion 2023 to 2025 ¥11.0 billion 2026 to 2028 ¥4.0 billion 2029 to 2030 ¥4.0 billion</p>	<ul style="list-style-type: none"> ● Decrease in costs due to lower coal consumption <p>Effects will be realized in accordance with progress in capital investment due to increased acceptance of waste plastics, etc., resulting in a decrease in consumption of 200,000 tons/year from 2026 onward. Impact amount assuming coal price of \$200/t</p> <p>¥4.0 billion/year from FY2026 onward (Cumulative effect of ¥25.0 billion from 2020 to 2030)</p>	
		<ul style="list-style-type: none"> ● Increase in recycling revenue due to increase in alternative raw materials and thermal energy resulting from lower coal consumption, etc. <p>Impact amount calculated at a unit price that takes into account the difficulty of procurement in the future</p> <p>¥1.0 billion/year from FY2026 onward (Cumulative effect of ¥8.0 billion from 2020 to 2030)</p>	
<ul style="list-style-type: none"> ● Decrease in net sales due to damage to production sites <p>Impact amount from reduced cement sales and recycling sales if the Kochi Plant is damaged by typhoon and storm surge and suspends operations for 3 months</p>	<p>¥5.0-6.0 billion/year</p>	<ul style="list-style-type: none"> ● Increase in net sales through market introduction and increased adoption of blue carbon compliant products centered on proprietary marine products business 	<p>¥2.0 billion/year</p>

Capital Investment Amount and Effect for 2030 Reduction Target in the "SO-CN2050" Carbon Neutral Vision for 2050

(FY)	2020-2022	2023-2025	2026-2028	2029-2030	Total
Environmental investment	11.3	11.0	4.0	4.0	30.0
Depreciation and amortization	(2.1)	(9.0)	(8.0)	(4.0)	(23.0)
Reduction of coal procurement costs	+0.3	+5.0	+12.0	+8.0	+25.0
Increase in recycling revenue	+0.1	+3.0	+3.0	+2.0	+8.0
Investment effect	(1.7)	(1.0)	+7.0	+6.0	+10.0

(Billions of yen)



Message from the President

“We must keep innovating in this rapidly changing business environment, and trust in the next Mid-term Management Plan.”

President, Representative Director
Hirotsune Morohashi

situation is unclear concerning next fiscal year and the following fiscal year. It is difficult to predict the global impact of the war will remain for a time even after its conclusion. We have no choice but to gradually switch to coal from other countries, as we are in no place to increase imports from Russia. However, we will have to deal with the bottleneck caused by, not only rising coal prices, but also increased time and cost of transporting it from further distances as we will need to transport it from other regions.

The main issue will be precisely how to pass on the increased costs of this switch in the form of higher prices.

In regard to higher cement sales prices, the sales division has firmly negotiated for a hike of ¥2,400 per ton, which we proposed in November 2021, but the coal price has recently risen further compared to the level indicated at the time of the price hike, greatly exceeding the levels at which we can absorb through our own efforts. If coal prices continue in this way, the business continuity of cement will become difficult and we will be unable to provide

steady supply. Consequently, we have requested an additional price hike of ¥3,000 per ton from October 2022. The number one issue is to gain the understanding of customers as quickly as possible and to secure the price hike that we have put forward.

In the High-Performance Product business, the shortage of semiconductors is working in our favor. We deliver components for semiconductor manufacturing equipment. Like semiconductors, components for semiconductor manufacturing equipment continue to be in short supply. For this reason, we have been receiving requests from our suppliers to increase production. By the second half of the fiscal year, we will have doubled the scale of our ESC (electrostatic chuck) production capacity from the previous fiscal year, and I believe that we will be taking a further step forward. We see this as a very promising field for the future, as the level of products will increase and the volume will also increase, so we would like to put special emphasis on this area. This will be discussed in the next Medium-term Management Plan.

Entering the Final Year of the Medium-term Management Plan

Focusing on responding to cost increases and diversifying coal procurement

The current Medium-term Management Plan (2020-2022) is expected to fall short of the operating income target of ¥22.5 billion for fiscal 2022, the final year of the plan, due to the impact of external factors such as sluggish domestic cement demand, rising energy costs, and trade friction between the US and China. Therefore, we have positioned fiscal 2022 as the year to connect to the next Medium-term Management Plan, and will focus on rebuilding our business structure. Although we are moving in a manner that will allow us to meet most of our targets, except for the Cement and Optoelectronics businesses, we consider the two most urgent tasks ahead to be raising the selling price of cement, which

is our core business, in response to rising costs, and securing a low-cost and stable procurement of coal.

The cost of coal hit a record high of over \$250/t last October, which then skyrocketed to \$400/t due to the subsequent conflict in Ukraine, which has made coal procurement difficult. Russian coal accounted for 80% of the coal we used last year. However, due to the Japanese government's phased embargo on Russian coal, we may not be able to import in the future. Russia may also decide to stop exporting to us. For this reason, we are stocking up on coal imported from countries other than Russia, as well as from other industries and trading companies in Japan.

This will be our near term response, but the

Next Medium-term Management Plan (2023-2025)

Business structural reforms from a medium- to long-term perspective

In the next Medium-term Management Plan (2023-2025), I would like to incorporate a medium- to long-term perspective with a view toward 2030-2040, and I would like to make it easy to understand by setting specific goals. Our net sales have been hovering around ¥200 billion for a long time, although there have been some fluctuations, so we are thinking in the direction of increasing net sales and of making the cement business and non-cement business 50/50.

Given that domestic demand for cement is expected to remain mostly flat or even decrease slightly in the future, we are discussing within the Company to maintain the cement business while expanding other business divisions, aiming to

become a growing company. We would like to expand our High-Performance Product business and peripheral businesses such as Mineral Resources and Cement-Related Products, but that is not enough. We are also in the process of creating a scenario with the top message that we aim to become a company that commercializes and expands new innovations related to carbon neutrality.

I think that such a plan would provide more of a future vision for employees. Simply trying to maintain the status quo would likely be a negative outcome. I would like them to work toward their dreams and goals in order to grow and have a sense of fulfillment in their work.

Message from the President

New Work Styles

Head office relocation revitalizes communication across divisions

We are actively working on employee work style reforms. Teleworking under the pandemic has had both good and bad aspects, and I believe there have been some negative aspects in terms of communication, but we will continue to operate the teleworking by expanding the scope of the existing telework system.

There is a plan to relocate the head office in November. The current head office is divided into seven floors in one building, but we will consolidate

that into one floor at the new location. We expect that this layout will likely have a positive effect because everyone will be able to see what neighboring departments are doing, which will allow us to communicate across divisions, and to communicate quickly even within the same department. We created the layout by having young and female employees come up with various ideas. I myself am looking forward to the relocation.

Sumitomo Osaka Cement's Reason for Existence

Contributing to the sustainment and ongoing development of a prosperous society through tireless technological innovation and wide-ranging business activities

I believe there are two aspects to the value that the Sumitomo Osaka Cement Group provides to society. The first is to take responsibility for the development, maintenance, and repair of social infrastructure by supplying cement. The second is to recycle cement, which becomes waste after use, as a raw material or thermal energy. The Group's corporate philosophy is "aiming to be a business group that helps preserve the global environment and contributes to the sustainment and ongoing development of a prosperous society through tireless technological innovation and wide-ranging business activities," and "tireless technological innovation" and "wide-ranging business activities" include these two aspects. I would like more of our stakeholders to know the "reason for existence" of our Group in this way.

When I was in charge of the Director of personnel, there were many students who were quite sensitive to environmental issues, and they told me that they

wanted to work for us because we are a company that works hard for the environment. I think we need to do more PR for that part of our Company.

Our "reason for existence" goes beyond that. The "tireless technological innovation" and "wide-ranging business activities" I mentioned earlier include fields other than the cement business, such as electrostatic chucks, which are semiconductor manufacturing equipment components, and other state-of-the-art High-Performance Products whose market is expected to grow in the future, and we contribute to society through our own technology and innovation. We have also begun the challenge of achieving carbon neutral in society as a whole, with our 2050 "Carbon Neutral" Vision "SO-CN2050," which aims to achieve "virtually zero" energy- and process-derived CO₂ emissions in cement production. We believe that all of these initiatives are linked to our Group's "reason for existence."

Message to Our Stakeholders

Fulfilling our reason for existence and continuing to grow sustainably with stakeholders

I really appreciate the corporate philosophy put forward by our Group. We intend to maintain good relationships with all of our stakeholders and to contribute to the sustainment and ongoing development of a prosperous society through our Group's various initiatives. We are committed to returning profits to our shareholders, principally through stable dividends, but also through share buybacks and other means depending on the circumstances.

I believe our Group has a serious corporate culture, and that we are a company where once a decision has been made, we proceed straight ahead. However, it is precisely because we are a company that has this

kind of corporate culture, that each of us must have diverse ways of thinking and engage in full discussion. I think it is also important to foster a culture that encourages people to point out mistakes without discernment.

As I myself came up through a cement sales background, I value encounters and relationships with people, and I also believe that it is very important to be sincere.

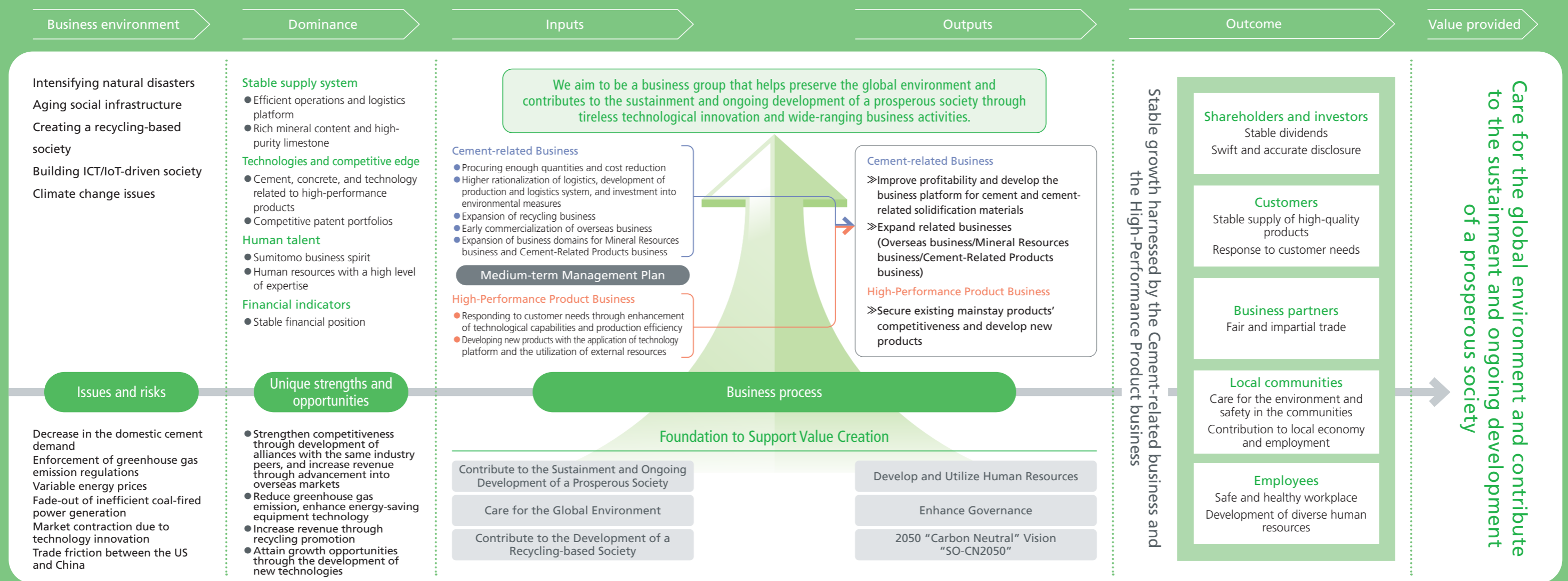
I hope you will look forward to Sumitomo Osaka Cement Group fulfilling its reason for existence through a variety of initiatives and continuing to grow sustainably together with all of our stakeholders.

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

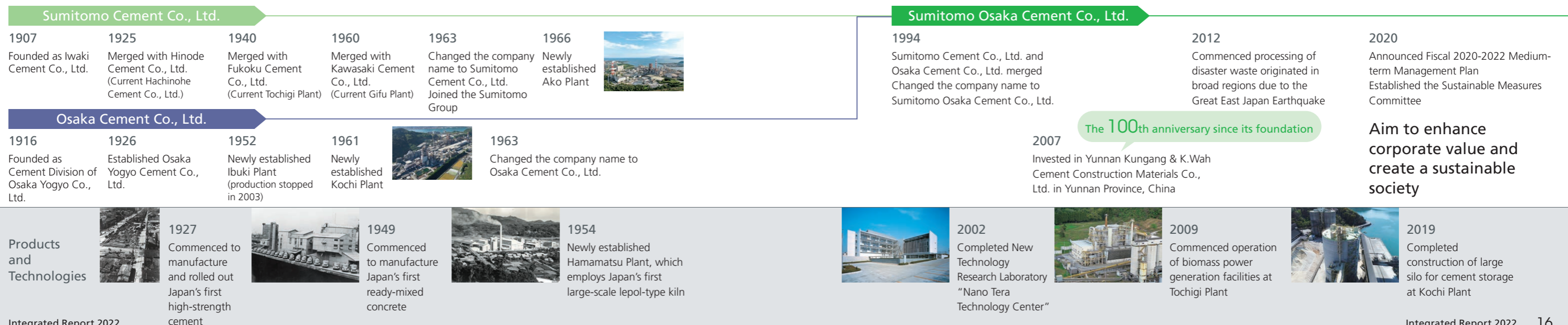


● Value Creation Process

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



● History of Value Creation





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

We will clarify capital allocation and work towards improving the revenue and balance sheet necessary to secure cash.

Director, Managing Executive Officer
Masaki Sekimoto

Capital Allocation

The Medium-term Management Plan (2020-2022) calls for generating ¥100 billion in operating cash flow over three years to invest in growth, strengthening competitiveness, and maintenance and renewal. Free cash flow of ¥35.0 billion was planned to be allocated to environmental measures, overseas business, and further shareholder returns, after stable distribution of dividends to shareholders.

Initial Plan	(Billions of yen)
	3-year total
Operating cash flow	100.0
[Depreciation and amortization]	[59.4]
Bolster growth and competitiveness	(15.0)
Maintenance/renewal, other	(50.0)
Investing cash flow	(65.0)
Free cash flow	35.0
Shareholder dividends	(14.0)
Free cash flow after dividends	21.0

*Dividends are calculated at ¥120 per share.

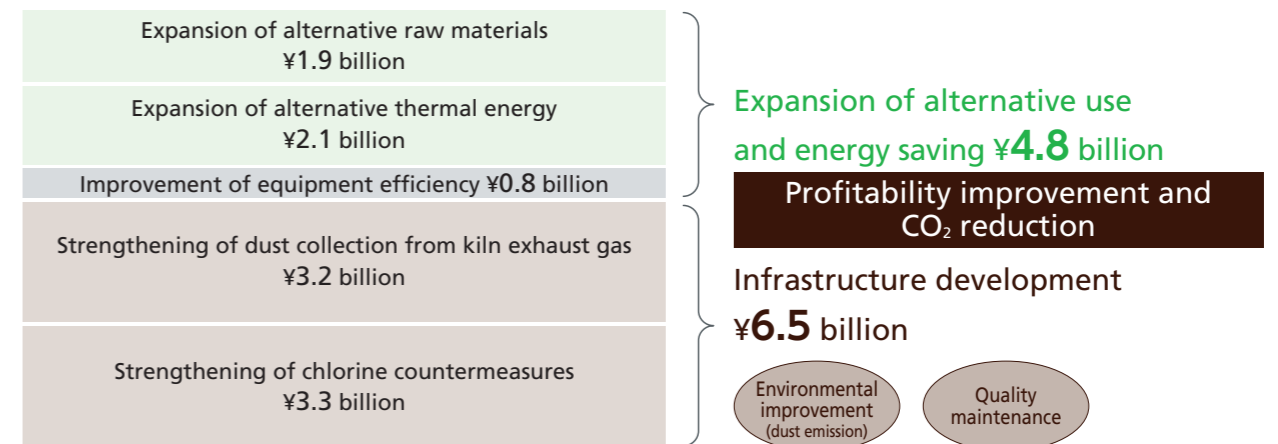


Results/Forecast	(Billions of yen)			
	FY2020 results	FY2021 results	FY2022 forecast	3-year total
Operating cash flow	32.8	18.3	21.2	72.3
Environmental investment	(1.8)	(2.6)	(7.0)	(11.3)
Maintenance/renewal, other	(18.9)	(17.4)	(26.6)	(62.9)
Sale of cross-shareholdings	1.8	3.9	5.0	10.7
Investing cash flow	(18.9)	(16.1)	(28.6)	(63.6)
Free cash flow	13.9	2.2	(7.3)	8.8
Interest-bearing debt	(1.1)	5.1	13.0	17.0
Dividends	(4.6)	(4.5)	(4.1)	(13.2)
Purchase of treasury stock	(5.0)	(8.5)	(1.5)	(15.0)
Financing cash flow	(10.9)	(8.0)	7.4	(11.5)
Change in on-hand cash and deposits	2.8	(5.7)	0.0	(2.9)
D/E ratio (times)	0.25	0.28	0.34	—

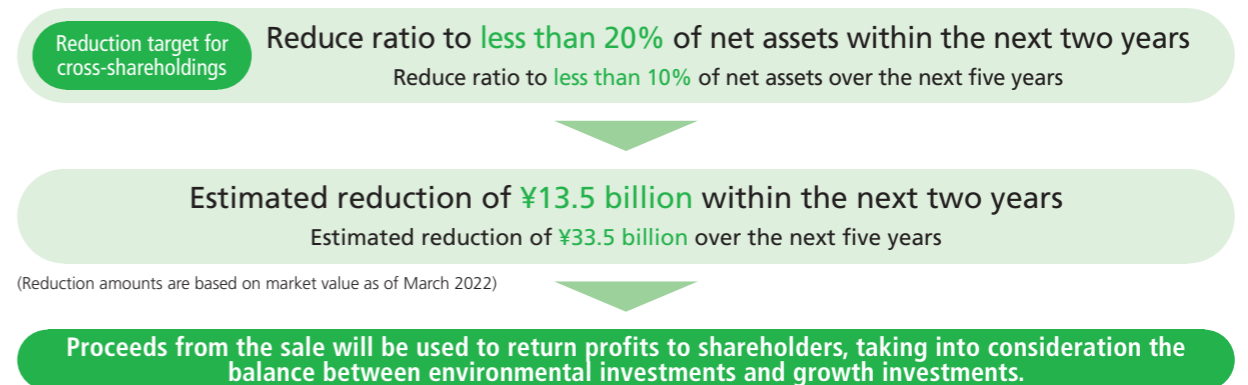
In fiscal 2020, the first year of the Medium-term Management Plan, the Company performed favorably, generating ¥32.8 billion in operating cash flow despite the impact of the economic downturn caused by the spread of COVID-19. In fiscal 2021, the second year, operating cash flow shrank to ¥18.3 billion, mainly due to the impact of rising energy costs, but as in the first year, we steadily promoted measures to strengthen our earnings base, expand business, and address global warming and CO₂ reduction, which are tasks to realize our vision and increase corporate value. To this end, we strived to provide stable returns to shareholders by selling shares held as cross-shareholdings and using cash on hand to counter the reduced operating cash flow. In fiscal 2022, the final year of the Plan, we expect to be impacted even more than in fiscal

2021 due to the impact of further energy cost increases, including the impact of the situation in Russia and Ukraine, as well as our efforts to secure alternative procurement and inventory from sources other than Russia. We will strive to improve profitability in the Cement business by steadily implementing the price increase announced in November 2021 during fiscal 2022, and we will also work to increase profitability in other businesses, including Advanced Materials business, however, we expect operating cash flow to continue to be reduced. Against this backdrop, we will steadily make investments to increase the acceptance of recyclable materials as alternatives to fossil energy, as stated in the 2050 "Carbon Neutral" Vision "SO-CN2050," as this will lead to cost curtailment and profitability improvement. Therefore, we plan to cover the cash shortfall through interest-bearing debt procurement, and although interest-bearing debt is expected to increase compared to previously, we plan to keep the debt-to-equity (D/E) ratio below 0.5 in order to maintain financial stability.

Environmental investment ¥11.3 billion (fiscal 2020-2022)



Under this business environment, we have set a new target to reduce our shares held as cross-shareholdings. Although we have already reduced our cross-shareholdings by selling a portion of them, we will reduce them to less than 20% of net assets within two years from fiscal 2022, and to less than 10% of net assets over the next five years, and compared to the market value at the end of March 2022, we plan to reduce the amount by ¥13.5 billion over two years and ¥33.5 billion over five years, respectively. We will accelerate the speed of the reduction to the degree possible and use the funds to return profits to shareholders, taking into consideration the balance between future environmental investments and growth investments.



(Reduction amounts are based on market value as of March 2022)


Although the business environment has been more severe relative to the formulation of the Medium-term Management Plan, we will strive to maintain stable dividends and improve capital efficiency and ROE by maximizing operating cash flow through improving the profitability of the Cement business and strengthening non-cement businesses, steadily promoting environmental investments, addressing energy procurement risks, and generating cash through the sale of cross-shareholdings.

Overview of Sumitomo Osaka Cement Group Businesses

Since the Company's establishment over 100 years ago, we, as Sumitomo Osaka Cement Group, 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, to the Advanced Materials business.

Cement-related Business

Cement



Products and Services


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

Business Overview

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

Ratio to net sales

68.7%




Net sales (Billions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	188.2	193.7	188.8	187.5	126.6

Operating income (Millions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	12,328	7,579	8,247	9,673	(2,382)

Mineral Resources



Products and Services


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

Business Overview

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

Ratio to net sales

6.7%




Net sales (Billions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	12.3	12.8	12.6	12.0	12.3

Operating income (Millions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	2,253	2,360	2,385	1,840	2,264

Cement-Related Products



Products and Services


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

Business Overview

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

Ratio to net sales

11.2%




Net sales (Billions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	20.0	18.5	19.1	17.6	20.7

Operating income (Millions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	1,484	1,248	1,824	1,657	1,818

Optoelectronics



Products and Services

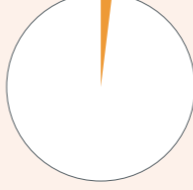
- Optical communications components and optical measurement equipment

Business Overview

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

Ratio to net sales

2.0%



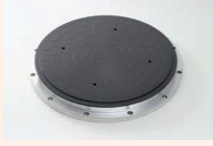
Net sales (Billions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	7.7	5.8	5.9	5.7	3.8

Operating income (Millions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	(47)	(572)	195	271	99

Advanced Materials



Products and Services

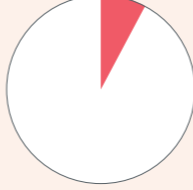
- Ceramic components for semiconductor manufacturing equipment
- Nanoparticle materials

Business Overview

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

Ratio to net sales

7.9%




Net sales (Billions of yen)

Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	8.1	12.0	11.4	10.7	14.6

Operating income (Millions of yen)


Fiscal Year	FY2017	FY2018	FY2019	FY2020	FY2021
Value	1,434	2,370	1,850	2,067	3,304

Other



Ratio to net sales

2.8%



Business Overview

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

Transfer of LFP Battery Materials Business

On May 1, 2022, we transferred our Lithium Iron Phosphate (LFP) Battery Materials business (including the Battery Materials Research Group of the New Technology Research Laboratory, and a subsidiary SOC Vietnam Co.,Ltd.) to Sumitomo Metal Mining Co., Ltd. In the LFP battery materials business, demand is expected to continue to grow with the use of LFP batteries in electric vehicles and stationary storage batteries. We have decided to entrust this business to Sumitomo Metal Mining Co., Ltd., which has already developed a lineup of multiple nickel-based positive electrode materials and is working to increase production, considering that this business has more opportunities to grow. (Ratio to net sales: 0.7%)

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

In the business environment surrounding the Cement business, domestic demand continues to be severe, as public sector demand is decreasing due to a decline in the budget execution rate caused by soaring material and labor costs, as well as prolonged construction periods due to labor shortages at construction sites. However, over the medium to long term, we believe that demand will be resilient due to redevelopment in urban areas such as the Tokyo Metropolitan area, work related to the Chuo Shinkansen (Superconducting Maglev train), projects related to Fukushima Daiichi Nuclear Power Station, and work related to the Expo 2025 Osaka, Kansai, as well as construction to improve national resilience and demand for upgrading social infrastructure.

And at the same time, energy procurement prices are rising sharply due to soaring coal and oil prices and ocean freight rates, as well as sanctions imposed by various countries in response to the situation in Russia and Ukraine.

Under these circumstances, we will promptly pass on the increased costs associated with higher energy prices in sales prices, steadily implement the maintenance and renewal of logistics facilities such as for ships and service stations, take measures to address labor shortages in personnel involved in transportation (drivers, ship's crew, and service station workers), and build an optimal transportation system, in order to continue to provide a stable supply to users and maintain 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.

Regarding overseas business, a cement terminal in Australia in which the Company invested, became operational in 2021. Said terminal is also one of the Company's export destinations. We will continue to develop overseas business where we can take advantage of synergies with the Group's cement technology and exports.

Business Strategies

Under "SO-CN2050," which outlines the Company's plan to reduce CO₂, we are focusing capital investment in areas to achieve the near term 2030 target. We aim to increase fossil energy substitution rates at the eight kilns in all plants to an average of 50% or more, with a target of 80% or more for four of those kilns. To achieve the target fossil energy substitution rate, we are promoting initiatives not to use even 1 ton of coal by implementing the remodeling of new facilities such as increasing waste plastics processing facilities and increasing the facilities that reduce chlorine to capture and use a diverse range of alternative heat sources.

In our environmental business, we aim to further expand the use of recycled cement resources through the acceptance of waste products and byproducts. In addition, in terms of environmental investments, we have advanced the conversion of dust collection equipment to enable the use of bag filters, which improves the surrounding environment while also making it possible to further expand our acceptance of waste products and byproducts that are difficult to process.

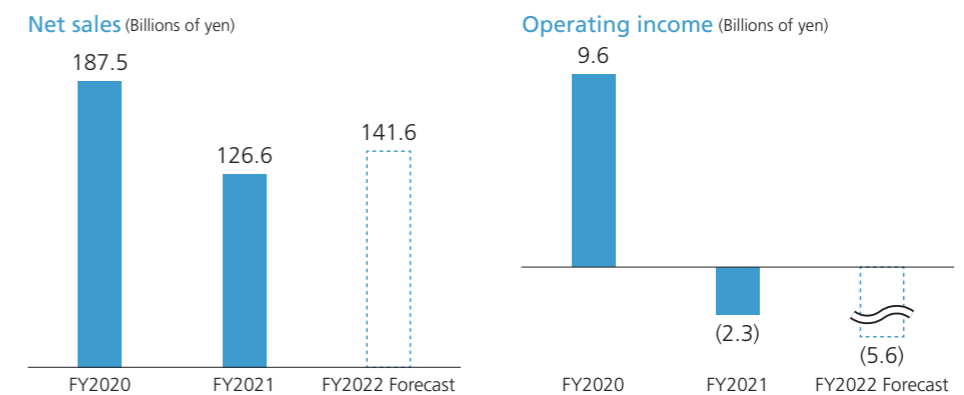
On the other hand, in terms of the acceptance of disaster waste from repeated natural disasters, we are executing partnership agreements with multiple local governments to facilitate smooth administrative procedures for the reuse of disaster waste to the extent possible when there is a large-scale disaster. Furthermore, we have entered into Comprehensive Cooperation Agreements with relevant local governments for the purpose of cooperation in a wide range of fields including waste recycling, material procurement when there is a disaster and environmental preservation, in addition to disaster waste recycling. In future, we will contribute to the quick recovery of disaster areas as well as the formation of a local recycling-based society.

	Positive factors	Negative factors
Internal factors	<p>S (Strengths)</p> <ul style="list-style-type: none"> 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.) 	<p>W (Weaknesses)</p> <ul style="list-style-type: none"> 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
External factors	<p>O (Opportunities)</p> <ul style="list-style-type: none"> Disaster prevention/mitigation, demand for major construction projects Rising demand in developing countries Rising environmental awareness around the globe 	<p>T (Threats)</p> <ul style="list-style-type: none"> 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, and service station workers) Global logistics disruptions and soaring ocean freight rates Sharp increase in energy prices

Plan for Fiscal 2022

The outlook for domestic demand for fiscal 2022 is projected to remain unchanged from the previous fiscal year, with a constant level of 38 million metric tons due to a recovery in private demand, such as a fully fledged large scale redevelopment project in central Tokyo, despite the anticipated prolonged impact of chronic labor shortages at construction sites.

In the Cement business, a significant increase in costs due to an increase in energy procurement prices is likely. The increase in costs significantly exceeds the scope that the Company can absorb through its own efforts. We will promptly negotiate a price hike for cement sales prices, and aim to achieve profitability in operating income by achieving our targets at an early stage. In cement production as well, in order to reduce energy costs, we will reduce the use of fossil energy as much as possible, expand the use of alternative thermal energy sources, such as waste and byproducts, and promote energy conservation efforts. In addition, we aim to realize benefits early by wholeheartedly carrying out investments in carbon-neutral facilities to reduce coal consumption and expand use of recycling.



Sumitomo Osaka Cement Group Overview by Segment **Cement-related Business**

Mineral Resources Business



Managing Executive Officer
Responsible for Mineral Resources and Products Div. and Environment Div.

Akihiko Ono

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, which is the shipping port for Shuho Mine, and we aim to expand sales primarily through exports of high-grade limestone for steelmaking. The joint operation with Mitsubishi UBE Cement Corporation at the Kokura Mine (Kitakyushu City, Fukuoka Prefecture) continues to achieve steady progress in production through efforts to ensure operations are running stably and production is efficient. At the Karasawa Mine (Sano City, Tochigi Prefecture), in response to rising demand for limestone aggregates in the Kanto region, we are striving to expand sales of aggregates while promoting collaborative extraction with two companies whose mining areas are adjacent to ours. The Ibuki Mine (Maibara City, Shiga Prefecture) is working to expand sales of aggregates to provide additional supply to compensate for the progressive depletion of resources at neighboring mines.

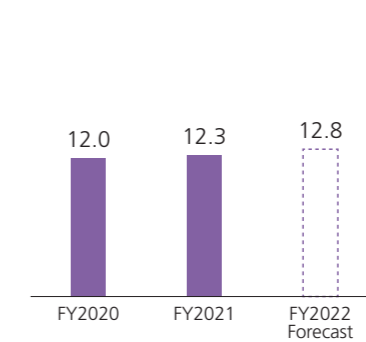
Each of the mines is moving forward with the utilization of IoT, such as drones, and working to reduce extraction costs and increase revenue. In addition, in order to secure stable resources over the long term we are drawing up plans to develop new mining areas in existing mines.

	Positive factors		Negative factors	
Internal factors	S (Strengths)	<ul style="list-style-type: none"> Own limestone mines with rich mineral content and high purity Cost-competitiveness of Shuho Mine Synergies with cement plants (operating levels, processing of byproducts) 	W (Weaknesses)	<ul style="list-style-type: none"> Excess capacity due to congestion at Shuho Mine shipping berths
External factors	O (Opportunities)	<ul style="list-style-type: none"> Rising demand for limestone aggregates Increase in marketing opportunities caused by resource depletion at nearby mines, etc. 	T (Threats)	<ul style="list-style-type: none"> 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

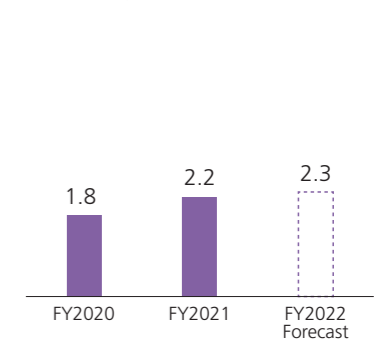
Plan for Fiscal 2022

We expect increased revenue and increased profit in the Mineral Resources business in fiscal 2022. We will work to expand sales of limestone in the area of domestic and export steelmaking. As for aggregates, we will continue to use our competitive advantage in limestone aggregates to appeal to customers, and strive to increase production and expand sales. In addition, under the situation of soaring energy prices, we will reduce costs as well as pass on increased costs in sales prices.

Net sales (Billions of yen)



Operating income (Billions of yen)



Cement-Related Products Business



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 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.

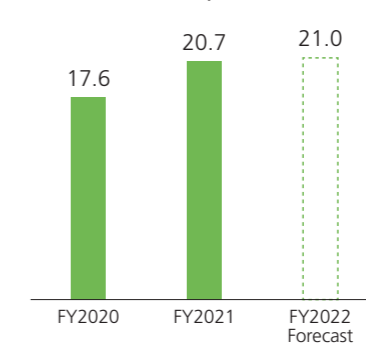
	Positive factors		Negative factors	
Internal factors	S (Strengths)	<ul style="list-style-type: none"> Extensive product lineup One-stop service from materials to construction Own manpower-saving and labor-saving construction methods 	W (Weaknesses)	<ul style="list-style-type: none"> Sales routes Plants
External factors	O (Opportunities)	<ul style="list-style-type: none"> Expanding market for repair and reinforcement of aging infrastructure Requests for environmentally friendly products resulting from the acceleration of ESG investment Growing demand for measures related to improving national resilience 	T (Threats)	<ul style="list-style-type: none"> Labor shortages on construction sites Sharp increase in prices for raw and secondary materials

Plan for Fiscal 2022

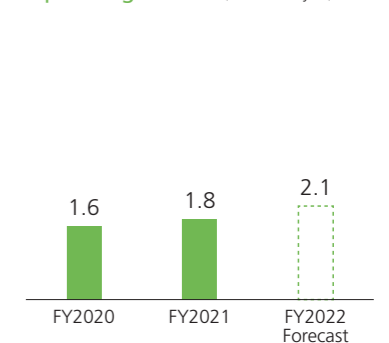
Both net sales and operating income are expected to increase due to an increase in ground improvement projects and aging bridge countermeasure projects, as well as an increase in the number of consolidated subsidiaries.

In response to the government's "Five-Year Acceleration Measures for Disaster Prevention and Mitigation and National Resilience," the entire Group will work together to contribute to the maintenance and repair of aging social infrastructure.

Net sales (Billions of yen)



Operating income (Billions of yen)



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

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

Advanced Materials Business

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. With 5G communications going into full-scale operation and traffic increasing even further, we anticipate that high value-added optical modulators will be required in the future.

In R&D, we will respond to customer needs for ultra miniaturization and higher performance by developing LN integrated modulators that can handle 1T (terabit) or higher capacity required in the future through further miniaturization of elements and highly integrated mounting technology, while leveraging the strengths of LN modulators, such as high-quality transmission and low power consumption. At the same time, we will secure a competitive advantage by introducing effective manufacturing processes consisting of new semi-automated and labor-saving technologies.

For conventional 100G-400G modulators, we will secure profitability by optimizing our production system and reducing costs, and in the area of compact integrated modulators, which will be our next mainstay product, we will expand our business by developing global sales activities mainly in North America, and establishing a production and sales structure for the global market.

In addition, we are also working on development of new products by applying and advancing the optical device technology we have cultivated over many years to fields other than that of communications.

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 semiconductor market for both memory and logic used in data centers and mobile devices is expected to continue growing as the volume of information traffic and storage are expected to increase due to the proliferation of 5G communications and the advancement of DX, and demand for semiconductor manufacturing equipment is also expected to grow.

Electrostatic chucks, the mainstay product of this business, are made of nano-composite ceramics that excel in surface assimilation and resistance to voltage, and their performance and quality have been highly evaluated by customers due to ongoing improvements in uniformity in surface temperatures and plasma controllability to the outermost edge of the silicon wafer required in state-of-the-art dry etching micro fabrication process.

The performance requirements for electrostatic chucks have become higher and more complex with the evolution of semiconductor devices. 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.

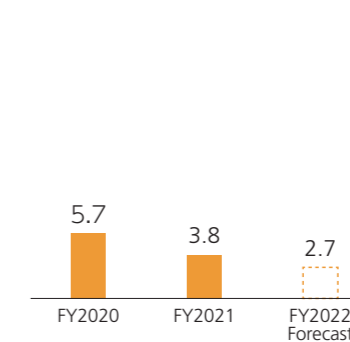
	Positive factors		Negative factors	
Internal factors	S (Strengths)	<ul style="list-style-type: none"> High-quality transmission characteristics derived from LN material device technology, low power consumption, design technology to apply this performance to evolving communications technology, manufacturing capabilities 	W (Weaknesses)	<ul style="list-style-type: none"> Single-product portfolio resulting in insufficient technology and product development capabilities, including those required for peripheral devices for communications business operators
External factors	O (Opportunities)	<ul style="list-style-type: none"> 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 	T (Threats)	<ul style="list-style-type: none"> 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 2022

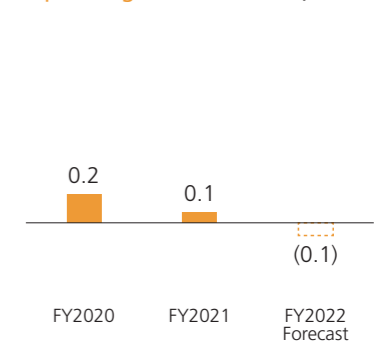
The US and Chinese markets have been divided by trade friction between the two countries, and in China the rebuilding of the supply chain to eliminate US-related risk is accelerating. Therefore, in the LN modulator business, we will strive to optimize the production system and reduce costs in line with the decrease in shipments to China, and at the same time, we will steadily capture demand from Japan, Europe and the US.

As for next-generation LN compact integrated modulators, we will promote the establishment of a mass production system with the aim of sales going into full swing from fiscal 2023, after gaining market recognition for performance advantages such as material-derived high-quality transmission and low power consumption through sample evaluations.

Net sales (Billions of yen)



Operating income (Billions of yen)

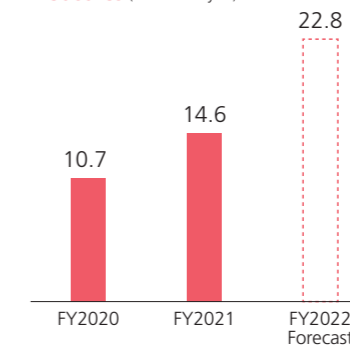


	Positive factors		Negative factors	
Internal factors	S (Strengths)	<ul style="list-style-type: none"> Product development based on unique nanoparticle technology Product portfolio stretching from semiconductor manufacturing equipment to UV screening material (cosmetics material) 	W (Weaknesses)	<ul style="list-style-type: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

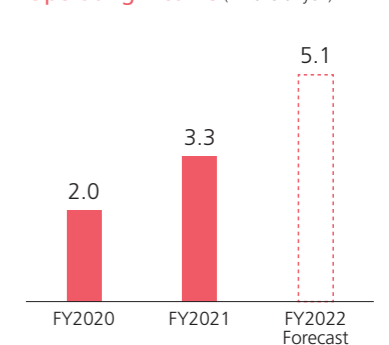
Plan for Fiscal 2022

In order to accelerate the development of new electrostatic chucks using next-generation functional materials, we will improve our R&D promotion system by operating an actual-scale ceramic sintering test facility, and at the same time, we will enhance our production capacity to meet the growing demand for electrostatic chucks without delay. We also plan to expand sales of cosmetics materials that combine high functionality with human- and environment-friendly safety in the global market and steadily expand our Advanced Materials business.

Net sales (Billions of yen)



Operating income (Billions of yen)



R&D and IP

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

Cement/Concrete Research Laboratory

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

Cement/Concrete Research Laboratory R&D Policy

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

- 1) Maximize profitability of the recycling business and realize facility efficiency that contributes to a low-carbon society
- 2) Enhance construction site productivity and develop concrete technologies with an eye on the conservation of power and labor, and automation.
- 3) Develop carbon recycling technology using CO₂ emitted from cement plants as a resource
- 4) Develop 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 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 and Advanced Materials businesses.



New Technology Research Laboratory R&D Policy

"Selection and concentration for product development of compact integrated modulators and electrostatic chucks, and development of automated mass production processes"

- 1) Accelerate development of compact integrated modulators through a project structure
- 2) Develop elemental technologies to maintain and improve the competitiveness of the electrostatic chuck business
- 3) Develop automated assembly lines for modulators and electrostatic chucks
- 4) Carry out R&D to expand business domain and scale

Intellectual Properties

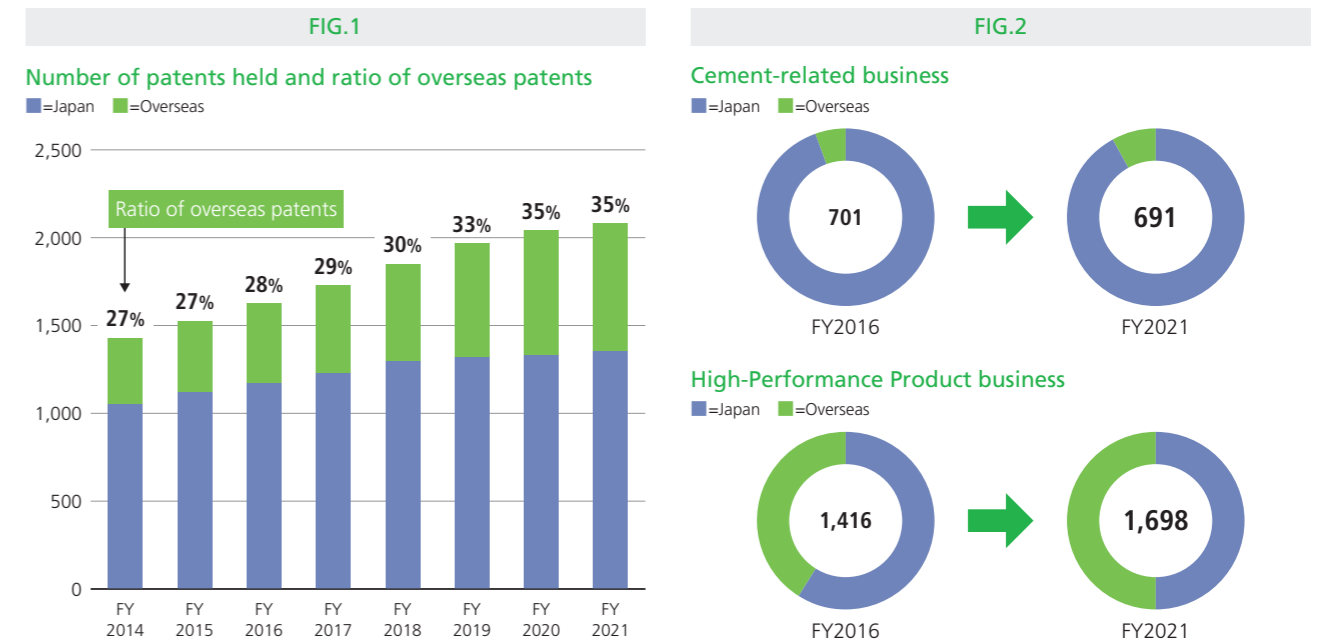
The Intellectual Property Department has stated that the Company will "create intellectual property rights contributing to the business expansion and strengthen management foundation leveraged by the intellectual property domain," as the Basic Policy under the Medium-term Management Plan commencing from fiscal 2020. In fiscal 2021, the second year of the Plan, with the aim of creating intellectual property value with a view toward future business amidst the rapidly changing business environment, 1) we conducted research and analysis of intellectual property rights, etc., and promoted the dissemination of information to business divisions. Further, with the aim of further raising awareness of intellectual property, 2) we conducted a hands-on intellectual property training program for younger employees using problem case studies.

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. The number of patents held in fiscal 2021 is approximately 2,100 as of the end of March 2022, and the ratio of patents held overseas is 35%.

The graph below on the right (FIG.2) compares the number of the Company's patents, including unregistered published patents, for each business segment at the end of fiscal 2016 and fiscal 2021. In line with the globalization of its business, Sumitomo Osaka Cement is promoting the acquisition of patent rights overseas and is developing a better business environment in terms of intellectual property. The ratio of patents held overseas increased by 3% for the Cement-related Business Division and by 9% for the High-Performance Product Business Division compared to fiscal 2016.



Fiscal 2022 Intellectual Property Strategy

In fiscal 2021, in order to encourage the creation of intellectual property rights effective for business activities, we supported the filing of applications using analytical information on the patents of the Company and other companies and promoted human resource development activities.

In fiscal 2022, the final year of the Medium-term Management Plan, we will form the foundation for our intellectual property activities toward the next medium-term management plan by 1) ensuring the right to inventions created through our value creation process, 2) further strengthening our intellectual property portfolio with a view to the future, 3) continuing research and analysis and dissemination of intellectual property information and providing support for business and research activities, 4) strengthening invention-creation promotion activities, and 5) conducting enlightenment activities to promote the use of intellectual property rights.

Executive Officer
Responsible for Intellectual Property Dept.
General Manager, Intellectual Property Department

Tomomi Yanagimachi



Sustainability for the Sumitomo Osaka Cement Group

Basic Approach

Based on Sumitomo's business spirit, the Sumitomo Osaka Cement Group has been working to resolve social issues through its business, as clearly stated in its corporate philosophy to "help preserve the global environment" and "contribute to the sustainment and ongoing development of a prosperous society." In 2020, we announced in our long-term vision "SO-CN2050," our challenge to achieve net zero CO₂ emissions by 2050, and we believe that addressing the material social issue of "global warming prevention" is imperative for the sustainable and sound development of the Group.

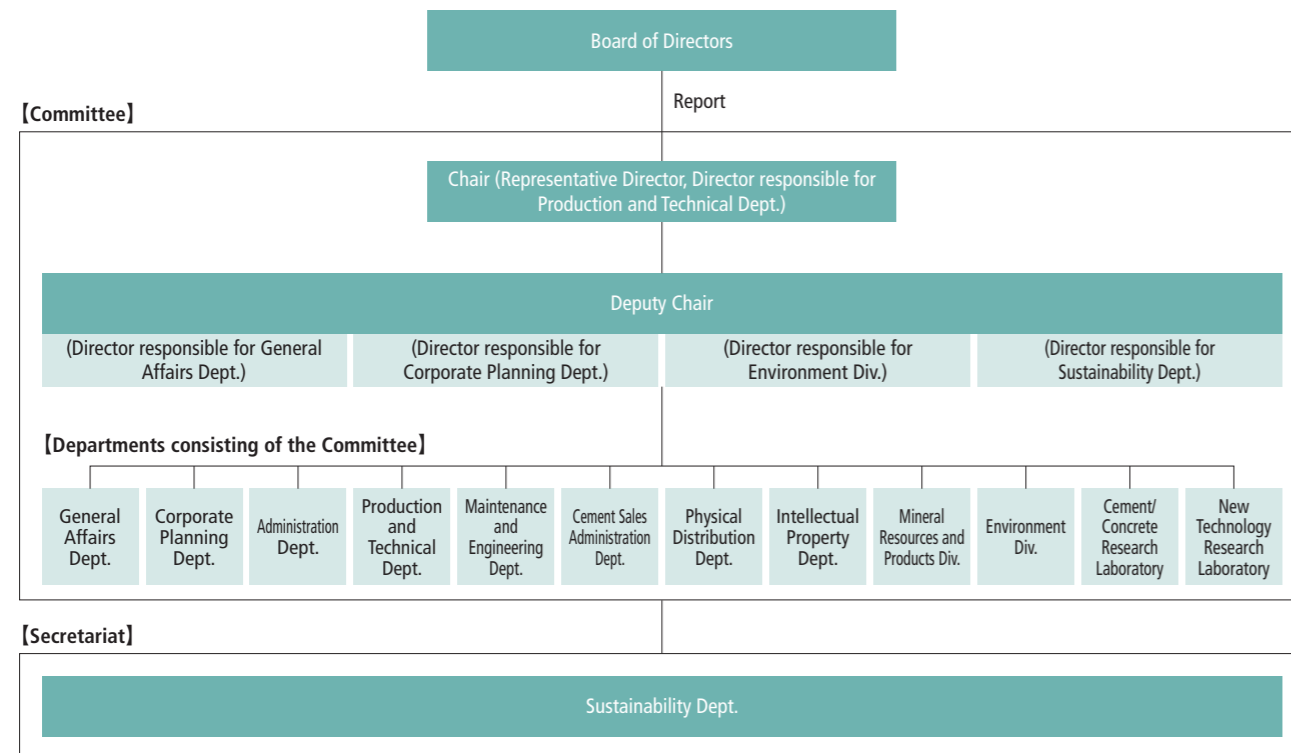
Promotion Framework

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

Sustainable Measures Committee

In order to promote sustainable corporate activities and reduce greenhouse gas emission throughout the Group, we established a Sustainable Measures Committee in April 2020, formulated its policy and emission reduction targets for 2030 and 2050, and in December of the same year, we announced "SO-CN2050."

Sustainable Measures Committee Organization Chart



Sustainability Department

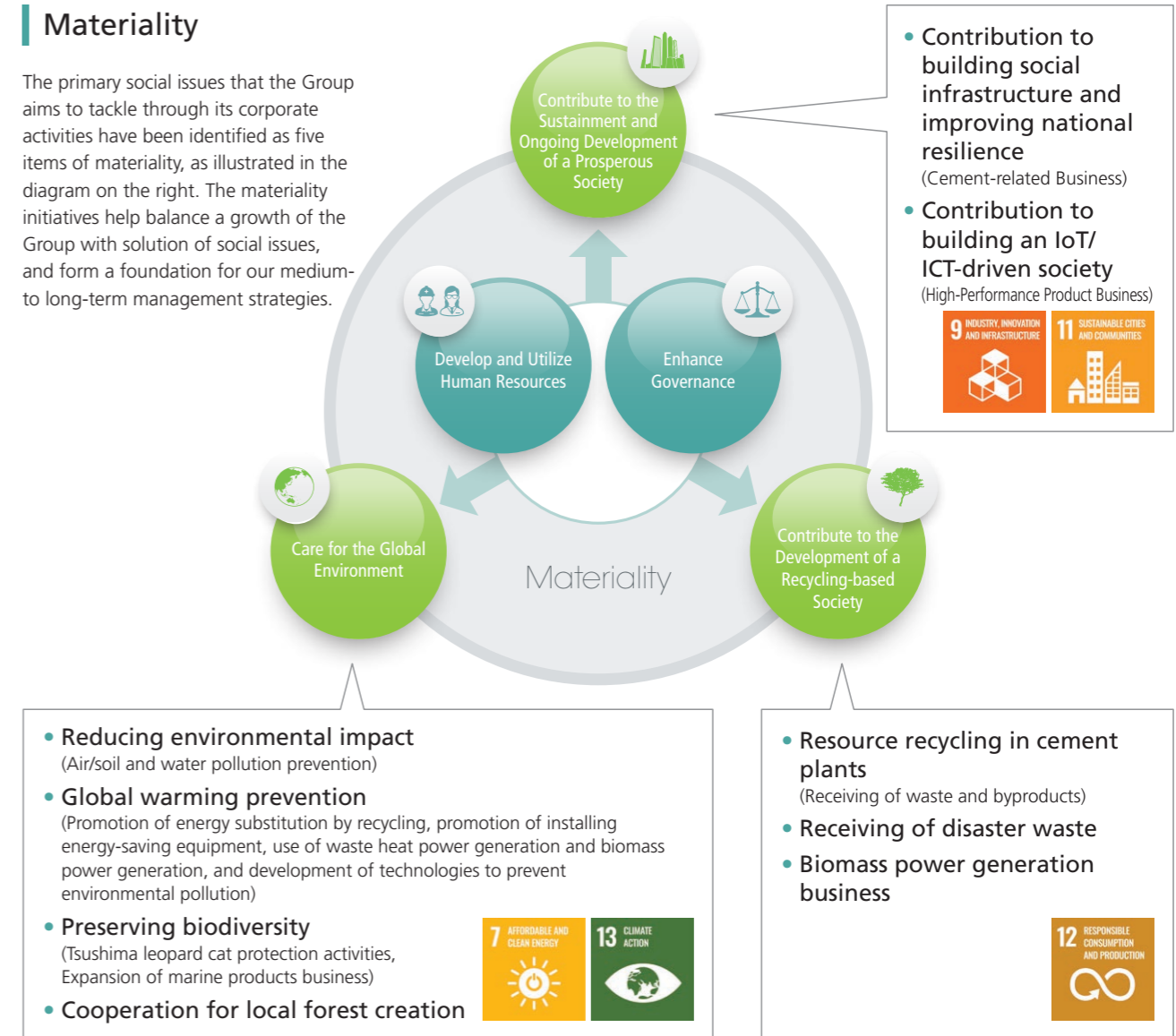
In April 2021, we established the Sustainability Department toward steady achievement of "SO-CN2050." The Department is an organization dedicated primarily to implementing carbon neutral initiatives across the entire company. The Department serves as the secretariat for the aforementioned Sustainable Measures Committee, and the head of the Cement/Concrete Research Laboratory serves concurrently as General Manager of the Department, with several full-time dedicated employees in addition to a wide range of employees serving concurrently selected from related divisions. Currently, the entire Group is working toward carbon neutrality with the Sustainability Department at its core.

Committee Activities

The Sustainable Measures Committee meets four times a year as a rule, mainly to discuss the Group's measures to address climate change issues. In fiscal 2021, the committee held deliberations on endorsement of the Task Force on Climate-related Financial Disclosure (TCFD) and disclosure of information, establishment of Internal Carbon Pricing (ICP) to be used as a reference in making decisions on capital investment, application for the government's Green Innovation (GI) Fund, formulation of a basic policy on water resources, and matters related to an internal awareness program on climate change issues.

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.

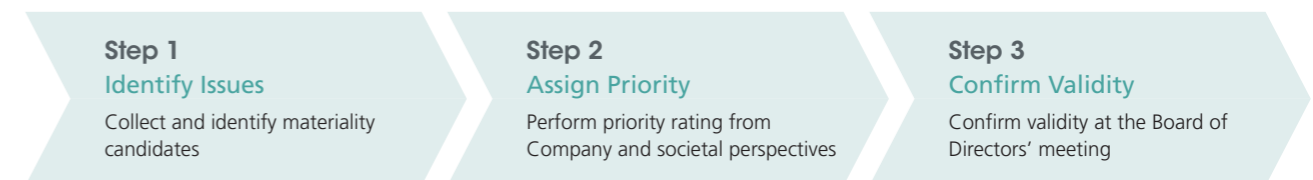


- **Reducing environmental impact** (Air/soil and water pollution prevention)
- **Global warming prevention** (Promotion of energy substitution by recycling, promotion of installing energy-saving equipment, use of waste heat power generation and biomass power generation, and development of technologies to prevent environmental pollution)
- **Preserving biodiversity** (Tsushima leopard cat protection activities, Expansion of marine products business)
- **Cooperation for local forest creation**

- **Resource recycling in cement plants** (Receiving of waste and byproducts)
- **Receiving of disaster waste**
- **Biomass power generation business**

Process of Identifying Materiality

In light of the Sumitomo Osaka Cement Group's corporate philosophy and based on the ongoing businesses and CSR activities, we have identified the material issues that the Group considers particularly important and should continue to work on, reflecting interests and expectations of our internal and external stakeholders.



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

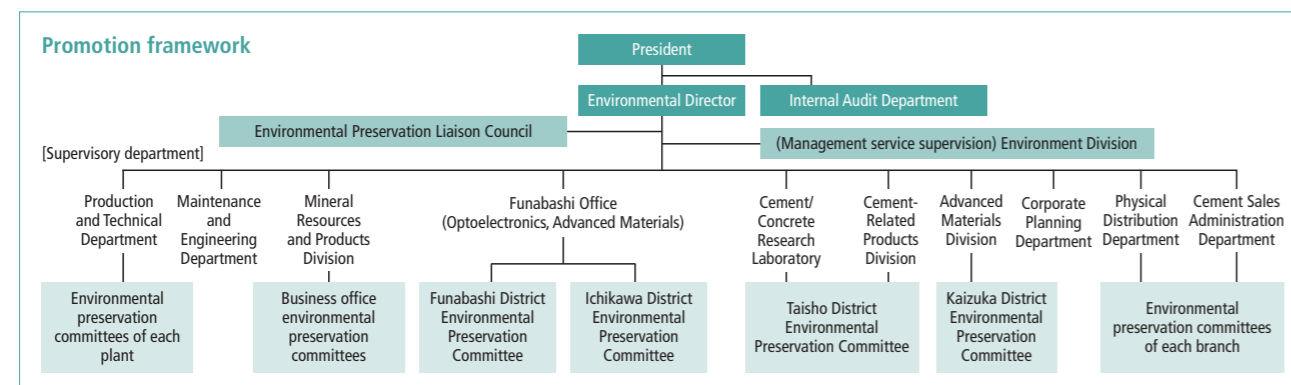
The Internal Audit Department conducts environmental audits regarding the implementation status of environmental preservation as defined in the environmental preservation management regulations*, and reports its findings in order to sustain and improve the Company's environmental level.

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.



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

Environmental Initiatives

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.

Preventing Global Warming

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

As the Group's specific initiatives for reductions in greenhouse gases, 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).



*Non-fossil fuel energy certificate system with tracking information: System that adds attribute information, such as power generation equipment names on certificates, for the buying and selling of non-fossil value

Introduction of Internal Carbon Pricing System

We have introduced the Internal Carbon Pricing System (hereinafter "ICP System") for capital investment in the Sumitomo Osaka Cement Group. The ICP System is a mechanism to create economic incentives for emission reductions, promote low-carbon investment, and encourage responses to climate change by setting an internal carbon price and converting CO₂ emissions into costs. In the future, the Group will use the costs converted by applying the internal carbon price as a reference for investment decisions in capital investment plans that involve an increase or decrease in CO₂ emissions.

Sumitomo Osaka Cement Group ICP System

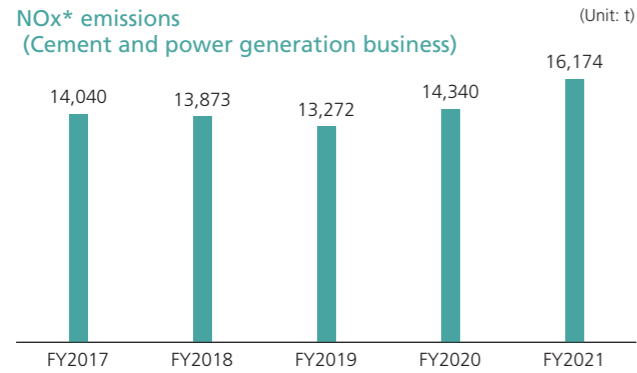
- Internal carbon price: ¥5,000/t-CO₂
- Target of the ICP System: capital investment involving an increase or decrease in CO₂ emissions
- Operation method: the internal carbon price is applied to the CO₂ emissions associated with the target capital investment plan, and the converted cost is used as a reference for investment decisions.

Preventing Air Pollution

As part of pollution-reduction measures, the Group uses dust collectors and denitrification equipment to prevent the emission of NO_x, SO_x, particulate matter and other air pollutants contained in gases emitted by cement manufacturing facilities and power generation equipment. Because dioxins and other hazardous substances in emitted gases are decomposed through burning with a high temperature of roughly 1,450 degrees Celsius, cement manufacturing equipment is known for having very low concentrations of such substances. While the operational scope of this equipment varies year to year, emission levels remain well below legally mandated emissions standards.

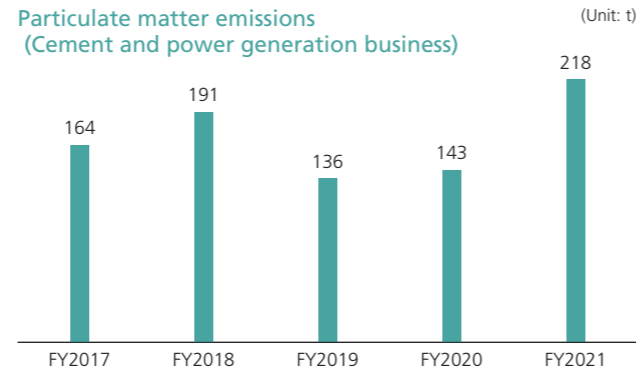
Trend of NOx, SOx, Particulate Matter, and Dioxin Emissions

NOx* emissions
(Cement and power generation business)

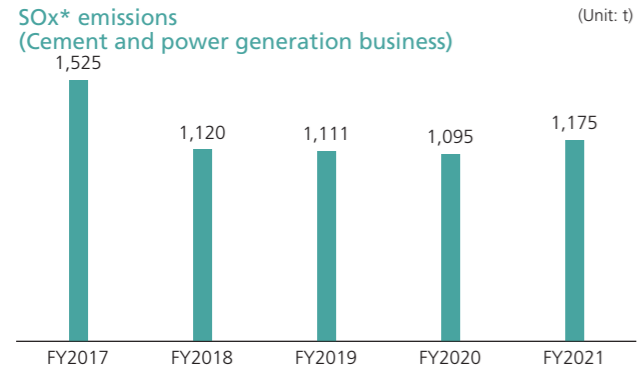


*NOx: This refers to nitrogen oxides, which are gaseous compounds emitted from sources such as automobile exhaust and factory equipment that contribute to air pollution and photochemical smog. In Japan, emissions standards for NOx are defined under the Air Pollution Control Act based on the scale and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

Particulate matter emissions
(Cement and power generation business)

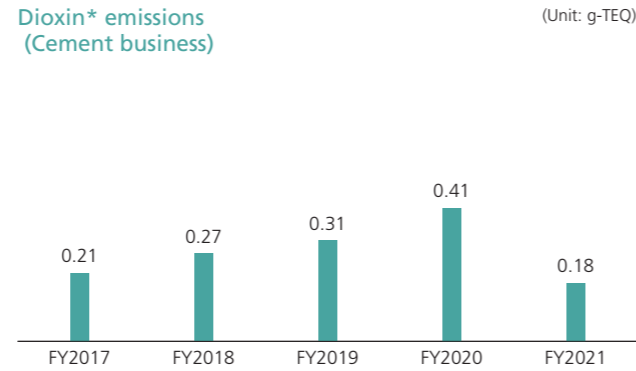


SOx* emissions
(Cement and power generation business)



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

Dioxin* emissions
(Cement business)



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

Preventing Water Pollution

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.

Basic Policy for Protection of Water Resources

In fiscal 2021, to further promote initiatives to conserve limited water resources, we established a new basic policy on water resource protection under the slogan of "Sumitomo Osaka Cement conserves water, utilizes water, and creates a livelihood."

[Basic Policy]

The Sumitomo Osaka Cement Group uses water for cooling and cleaning in the production process. Water is a limited resource, and since good quality water resources are essential for business continuity, we contribute to solving water resource issues by promoting efficient water use and reducing the environmental impact of water intake and wastewater discharge.

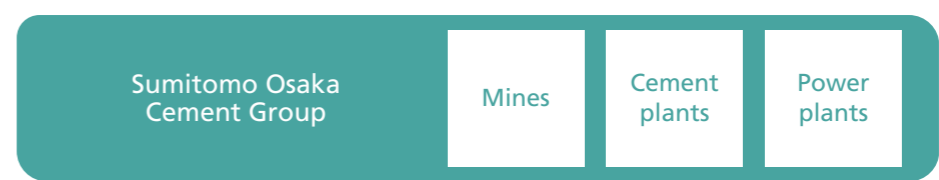
	Unit	FY2021
Water intake volume	1,000 t	14,080
Wastewater discharge volume	1,000 t	7,457
Consumption volume	1,000 t	6,623

Scope of data collection: the entire Group, including overseas companies

Material Balance and Energy Balance

Scope of data collection: The Group's 5 cement plants (Tochigi, Gifu, Aiko, Kochi, Hachinohe Cement Co., Ltd.), 8 mines (Karasawa, Gifu, Tochikubo, Ibuki, Taga, Katsumori, Shuho, Kokura), 3 power plants (Tochigi, Aiko, Kochi)

Inputs		
Energy		
Coal	1,271,000 tons	
Petroleum coke	109,000 tons	
Waste and byproducts	1,022,000 tons	
Total	2,405,000 tons	
Heavy oil	3,000 kl	
Light oil	10,000 kl	
Kerosene	100 kl	
Gasoline	100 kl	
Total	13,000 kl	
Total purchased electricity	291,000 MWh	
Raw materials		
Natural resources		
Excavated limestone	19,367,000 tons	
Silica	596,000 tons	
Natural gypsum	27,000 tons	
Total	19,990,000 tons	
Waste and byproducts		
Byproduct gypsum	325,000 tons	
Coal ash	1,391,000 tons	
Soil from construction	284,000 tons	
Sludge	373,000 tons	
Blast furnace/converter slag	996,000 tons	
Nonferrous slag	357,000 tons	
Others	484,000 tons	
Total	4,210,000 tons	
Materials		
Grinding aid	5,838 tons	
Gunpowder	2,358 tons	
Refractory	8,008 tons	
Grinding media and steel casings	651 tons	
Lubricants and chemicals	110 tons	
Total	16,965 tons	
Water intake		
Incl. seawater and river water	13,728,000 tons	



Outputs		
Resource business		
Aggregates, etc.	4,786,000 tons	
Limestone products	3,686,000 tons	
<small>*Actual results from the Karasawa, Gifu, Tochikubo, Ibuki, Taga, Katsumori, Shuho and Kokura mines</small>		
Cement business		
Cement production volume	10,085,000 tons	
<small>*Incl. clinker and cement exports</small>		
Volume of waste, etc. discharged		
Waste, etc. outsourced for treatment	1,205 tons	
Final disposal volume	173 tons	
Retail Electricity business		
Retail electricity	868,000 MWh	
Wastewater		
Wastewater discharge volume	7,183,000 tons	

Message from Plant Managers

Carbon Neutral Initiatives

Tochigi Plant



General Manager,
Tochigi Plant
Hiroshi Ohashi

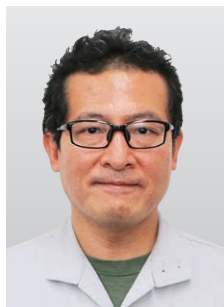
In fiscal 2021, the Tochigi Plant worked to increase the amount of alternative thermal energy (kiln waste plastic, waste white clay, etc.) using existing facilities toward becoming carbon neutral. In addition, with the cooperation of related departments, the Tochigi Plant has been working on planning and obtaining permits for large-scale construction projects.

For fiscal 2022,

- (1) Completion of large-scale construction work with no accidents or disasters, vertical start-up, and early realization of benefits
 - Installation of crushing and blowing equipment for waste plastics in a temporary incinerator furnace
 - Installation of desalination/dechlorination equipment
 - Construction work for type 1 petroleum products
 - Installation of ordinary incinerator ash treatment facilities
- (2) Further increase of existing alternative thermal energy
- (3) Reduction of energy loss by reducing breakdowns and through these focused initiatives, we will strive to reduce the amount of coal consumption by even 1 ton. And the entire plant is committed to achieving the FY2030 target of “80% fossil energy substitution rate.”

Carbon Neutral Initiatives

Gifu Plant



General Manager,
Gifu Plant
Tetsuo Yokobori

Under the SO-CN2050 policy, the Gifu Plant is making every effort to reduce the use of fossil energy in cement production. The fossil energy substitution rate for the two kilns at the Gifu Plant has already exceeded 50%, and we have set a goal of increasing this rate to over 80% by 2030, and are now focusing our knowledge and efforts toward achieving this goal. In terms of operations, we are taking on the challenge of controlling the temperature of the temporary incinerator furnace using low-calorie recycled oil. This year we made a major investment in the expansion of equipment to burn waste plastic in the kilns. In the future, we will strengthen collection, operation, and management to make the most effective use of this equipment.

The environment surrounding fossil energy is severe and from the perspective of BCP, it is difficult to achieve this goal immediately, but we would like to take on the challenge of completely coal-free operations in a short period of time.

Also, the Gifu Plant is an inland plant, and its operations are supported by truck transportation for receiving a large amount of raw materials and calorific value as well as for shipping products. In carbon neutrality, measures for the transportation division and the pursuit of efficient transportation are also material issues, and we regularly exchange information and opinions among members of the plant's Safe Transportation Cooperative Association.

Carbon Neutral Initiatives

Ako Plant



General Manager,
Ako Plant
Masato Hiroshima

As a key goal at the midpoint of “SO-CN2050,” the Ako Plant will increase its fossil energy substitution rate from the current 40% to 70% by 2030. The amount of coal reduction will be approximately 100,000 tons per year. In 2021, various preparations have been made to stably increase the use of recyclable materials. As part of environmental measures, electric dust collectors for kiln exhaust gas have been upgraded to bag filters, and the desalination equipment has been reinforced as a chlorine countermeasure. In addition, to reduce fire risk, education has been carried out to improve inspection techniques and a thermal imaging camera has been installed in the recyclable materials storage area. In 2022, we plan to increase the substitution rate by 2.5% versus the previous year by investing in equipment to increase the volume of waste oil and waste plastics. In addition, other initiatives include upgrading the raw material crushing process with advanced equipment over the next two years to reduce electric energy consumption. We expect that simpler equipment will reduce the number of minor problems that have occurred in the past, and will also improve safety. Fiscal 2022 is the year in which we will formulate our new Medium-term Management Plan, which will begin next year. There is the carbon neutral story by 2030, but we will accelerate our efforts while making revisions and additions to increase certainty of the outcome.

Carbon Neutral Initiatives

Kochi Plant



General Manager,
Kochi Plant
Hideki Aoki

The Kochi Plant is working to improve its fossil energy substitution rate by 2030 in line with the company-wide policy. However, due to the location of the plant, it is difficult to gather alternative energy sources, and the substitution rate is currently low compared to other plants.

Under these circumstances, last fiscal year we began using tire chips as a coal substitute for our coal-fired thermal power plant, and we are now beginning to see the issues that need to be addressed in order to ensure stable use. In cement production, we worked to increase the volume of energy substitutes using existing facilities and to newly adopt substitutes similar to existing products.

This fiscal year we will take on the challenge of full-scale tire chip use in coal-fired power generation by conducting verification tests to resolve issues related to the use of tire chips. In cement production, we will begin full-scale infrastructure development to improve the substitution rate. Specifically, we will build a system for accepting substitute products by taking advantage of the coastal plant location, reinforce desalination equipment to remove chlorine from the system, which is a factor in disrupting operations, and build new related facilities that use waste plastics, etc.

Amidst the constantly changing social and economic environment, we will make it our mission to achieve our goals by 2030, while reviewing our measures to achieve them.

Carbon Neutral Initiatives

Hachinohe Cement Co., Ltd.



President, Hachinohe
Cement Co., Ltd.
Tomoya Akeshiro

Hachinohe Cement's fossil energy substitution rate is about 12%, but looking at the substitution rates of Sumitomo Osaka Cement's four plants, two plants have achieved over 50% and one plant has achieved over 40%, leaving it far behind. To overcome this situation, we will promote strengthening collection of combustible recyclable materials (including the use of ships), reduce the use of fossil energy and reduce CO₂ emissions, aiming for a 27% substitution rate for fossil energy (an increase of 15% versus the FY2021 result) by 2030, striving to protect the environment and reduce costs.

Specifically, in fiscal 2022 we plan to install the following equipment.

- Installation of equipment for blowing waste plastics into a temporary incinerator furnace (scheduled to start operation in November 2022)
- Installation of equipment for receiving and feeding recycled oil from type 1 petroleum products (scheduled to start operation at the end of March 2023)

In order to realize these effects as soon as possible, it is important for “each and every employee at the plant to fulfill his or her role” in ensuring safety, stable collection, stable operations, quality assurance, equipment maintenance, environmental protection, etc., and we will work together to achieve the goals.

Resource Recycling

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

Social Role of Cement Recycling

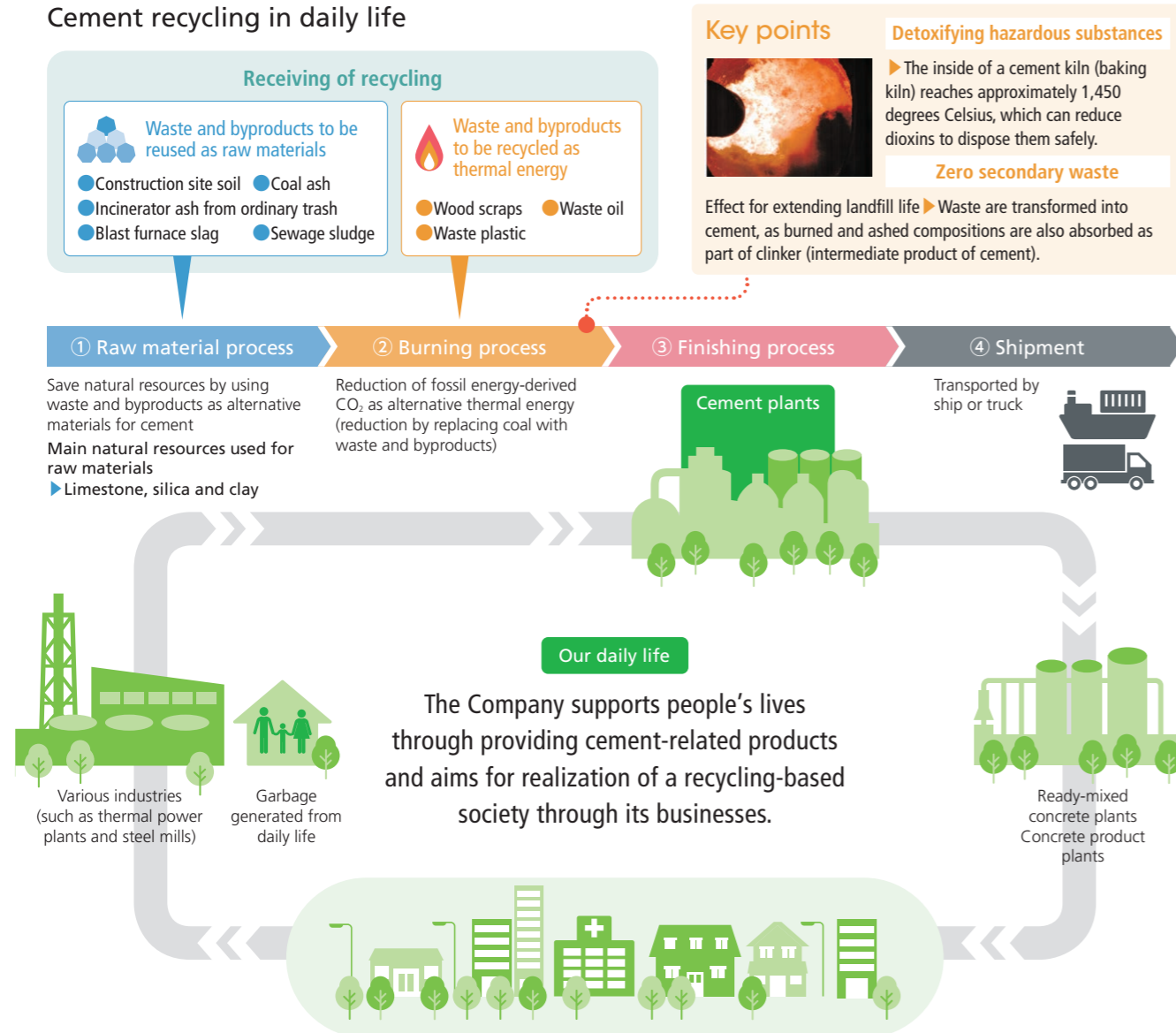
Cement is a chemical substance characterized by the chemical reaction called hydration that occurs when water is mixed with cement. Cement is mainly composed of calcium, silicon, aluminum and iron, which are produced by compounding and burning them at a high temperature of approximately 1,450 degrees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

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

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

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

Cement recycling in daily life



Receipt of Disaster Waste

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

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. 32,000 metric tons).

In addition, following the accident of a ship running aground off the coast of Hachinohe Port in Aomori Prefecture in August 2021, Group company Hachinohe Cement Co., Ltd. accepted shoreline debris (wood chips) and other materials with spilled heavy oil from the stranded ship.

Building a Cooperative System with Local Governments

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

In 2021, we concluded “Comprehensive Cooperation Agreements” with Aiko City in Hyogo Prefecture in July and with Hyogo Prefecture in November, respectively, as well as an “Agreement on Disposal of Disaster Waste” with Kashiwa City in Chiba Prefecture in August. Also, in March 2022, the Company and Group company Hachinohe Cement Co., Ltd. signed a Comprehensive Cooperation Agreement with Hachinohe City, Aomori Prefecture, and in June, with Sano City, Tochigi Prefecture, with the Company.

Under these agreements, in the event of a large-scale disaster and a large volume of disaster waste is generated in the prefecture with which the agreement is concluded, the cement plants of the Company and Group companies will reuse as much of the disaster waste as possible as raw materials for cement production and thermal energy. In addition, we have also agreed to closely cooperate on various issues such as reducing environmental impact through upcycling of waste into cement resources, promoting environmental education, revitalizing local community daily living, and improving services for prefectural residents toward realizing a sustainable society.



Sano City, Tochigi Prefecture



Hachinohe City, Aomori Prefecture

Signing parties of the agreement on the treatment of disaster waste

- September 2019 Aiko 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 “Comprehensive Cooperation Agreement”
- July 2021 Aiko City, Hyogo Prefecture “Comprehensive Cooperation Agreement”
- August 2021 Kashiwa City, Chiba Prefecture “Agreement on Disposal of Disaster Waste”
- November 2021 Hyogo Prefecture “Comprehensive Cooperation Agreement”
- March 2022 Hachinohe City, Aomori Prefecture “Comprehensive Cooperation Agreement”
- June 2022 Sano City, Tochigi Prefecture “Comprehensive Cooperation Agreement”

Status of Waste and Byproduct Use

In fiscal 2021, 5,233,000 metric tons of waste and byproducts were used, which is the same level as the amount used in fiscal 2020.

	FY2017	FY2018	FY2019	FY2020	FY2021
Raw material-related waste ^{*1} (Unit: 1,000 t)	3,056	2,883	2,911	2,739	2,717
Thermal energy-related waste ^{*2} (Unit: 1,000 t)	399	367	378	394	399
Byproducts ^{*3} (Unit: 1,000 t)	2,189	2,289	2,190	2,077	2,117
Subtotal (Unit: 1,000 t)	5,644	5,538	5,479	5,210	5,233
Cement production volume (Unit: 1,000 t)	10,915	10,758	10,550	10,041	10,085
Basic unit (kg/ton-cement)	Raw material-related	280	268	276	273
	Thermal energy-related	37	34	36	39
	Byproducts	201	213	208	207
Total (kg/ton-cement)	517	515	519	519	519

*1 Raw material 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 waste: waste plastic, waste clay, waste tires, wood scraps, others

*3 Byproducts: incinerator slag, byproduct gypsum, wood chips (including those for retail power generation), others

Preserving 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 preservation of biodiversity.

Endorsement of the Declaration of Biodiversity Initiative by Keidanren (Japan Business Federation)

We expressed our endorsement of the Declaration of Biodiversity Initiative by Keidanren (Japan Business Federation)*.

The Group's corporate philosophy states that we aim to be a business group that helps preserve the global environment and contributes to the sustainment and ongoing development of a prosperous society through tireless technological innovation and wide-ranging business activities, and we believe it is an important management issue to work toward the development of a sustainable and sound society through environmental preservation and social contribution. The Group's corporate philosophy is consistent with the philosophy of the Declaration of Biodiversity by Keidanren. For preserving biodiversity, we have been engaged in greening of former mines, developing marine products business (artificial marine reefs and seaweed beds) and conserving Tsushima leopard cats. We will continue to contribute to the development of a sustainable and sound society through biodiversity preservation activities.

*The Declaration of Biodiversity Initiative by Keidanren involves companies and organizations that take initiatives for multiple of the seven items that constitute the "Keidanren Declaration on Biodiversity and Action Guidelines (revised edition)" or that have endorsed the overall objectives.



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 installation in water



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

Initiative to Prevent Sea Desertification

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

Initiative to Create Fishing Grounds

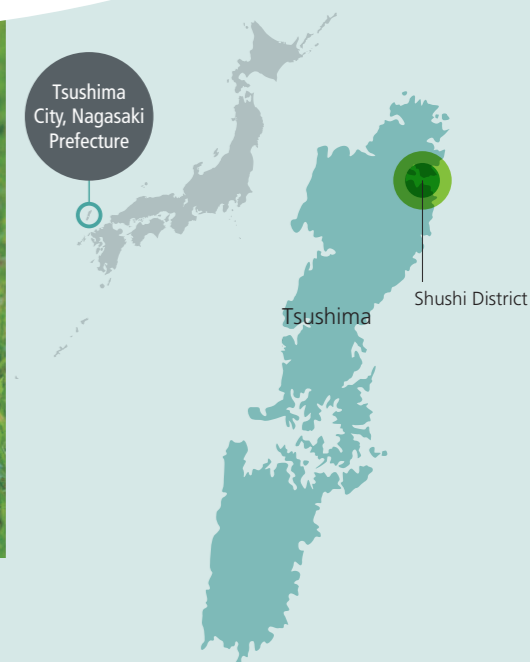
Hybrid Artificial Marine Reef Super SK1300S is a 20-meter-tall, large-scale artificial marine reef that helps prevent overfishing while multiplying marine resources. Employing a creative structure based on fish ecosystem research, this product has the leading fish-luring capability in the industry.



Hybrid Artificial Marine Reef Super SK1300S 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.

Participation in Nature Conservation and Observation Tour in the Shushi Forest

The Nature Conservation and Observation Tour, the first in three years since 2019, was held on May 29, 2022, sponsored by the Shushi Forest Development Promotion Committee, and was attended by the employees of the Group. On the day of the event, a total of 37 participants, including 22 general participants, the Tsushima City Hall, the Shushi District Special Committee, and the Wildlife Conservation Center, participated.

Many children took part in this event with their families. Children were also lent insect catching net and baskets by the Wildlife Conservation Center, blessed by good weather. While the Tsushima City Hall and the Wildlife Conservation Center presented their efforts for the Shushi Forest and explained the plants it nurtures, the participants were slowly walking and observing the Shushi Forest with interest. In addition, we were able to enter the site where the seedlings, which were the starting point for Shushi's forestation, were planted. Those who planted trees were also included in the participants, looking up the trees that had grown significantly and were reminiscent of the tree planting old experience. We will continue to promote our conservation activities by participating in Tsushima leopard cat-related events such as nature conservation and observation tours.



Participants at the Shushi Forest Nature Conservation and Observation Tour



Significantly grown tree plantations

Social

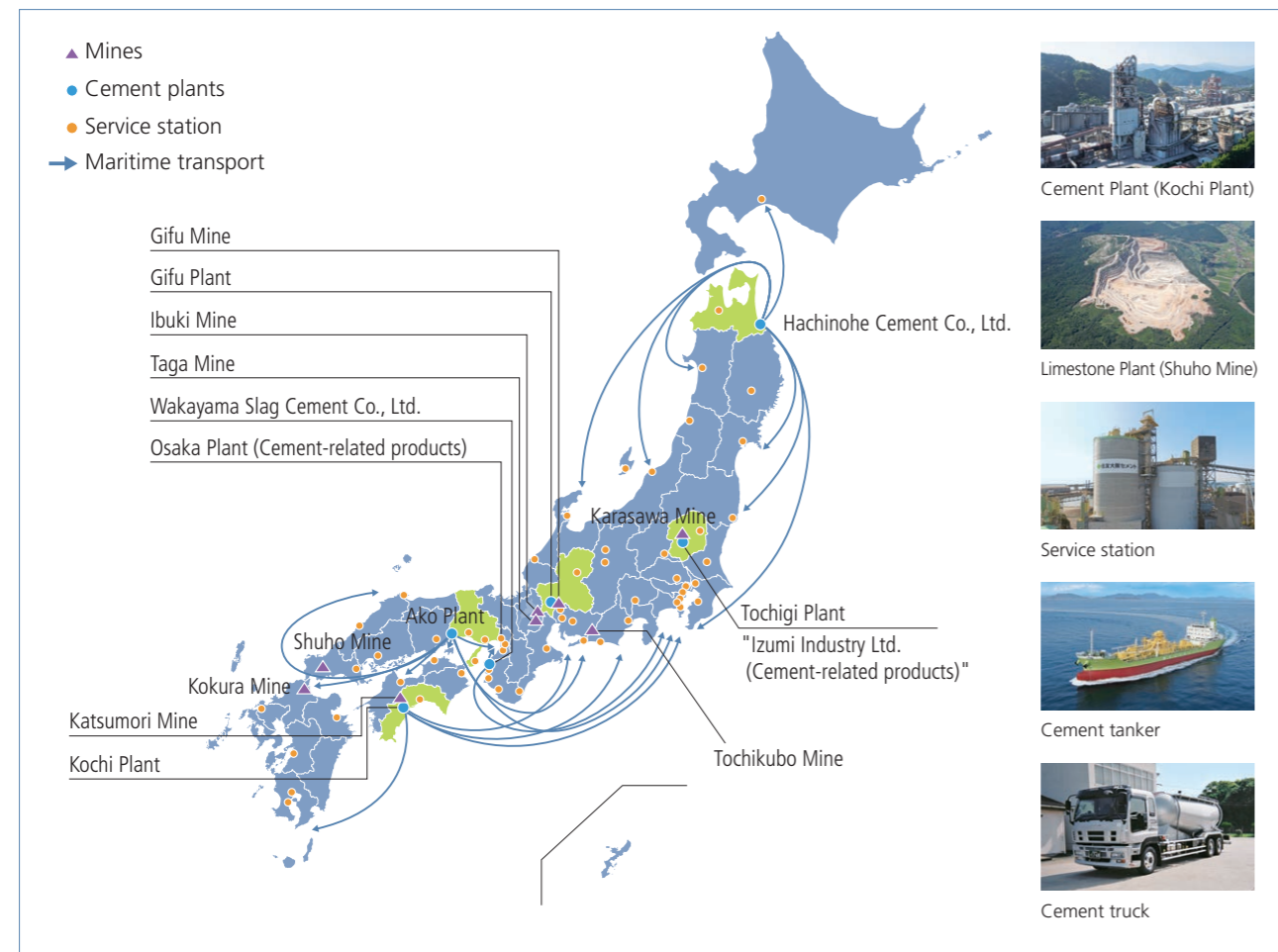
Stably Supplying Products that Support Social Infrastructure

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 58 service stations (as of the end of June 2022) connected by 21 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.



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

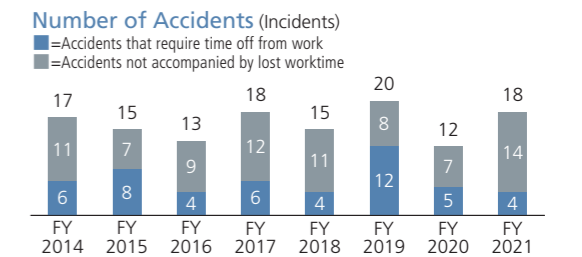
The Sumitomo Osaka Cement Group considers that occupational health and safety underpins corporate existence, and securing them is an essential corporate responsibility. As a group with an uncompromising commitment to safety, Sumitomo Osaka Cement is targeting a goal of zero accidents. To "create an uncompromising 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 2022

- 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 measures
- 2. Infectious disease countermeasures**
- 3. Develop healthy, people-friendly worksites**
- 4. Eliminate traffic accidents (accidents during commutes)**
- 5. Organize labor accident data**

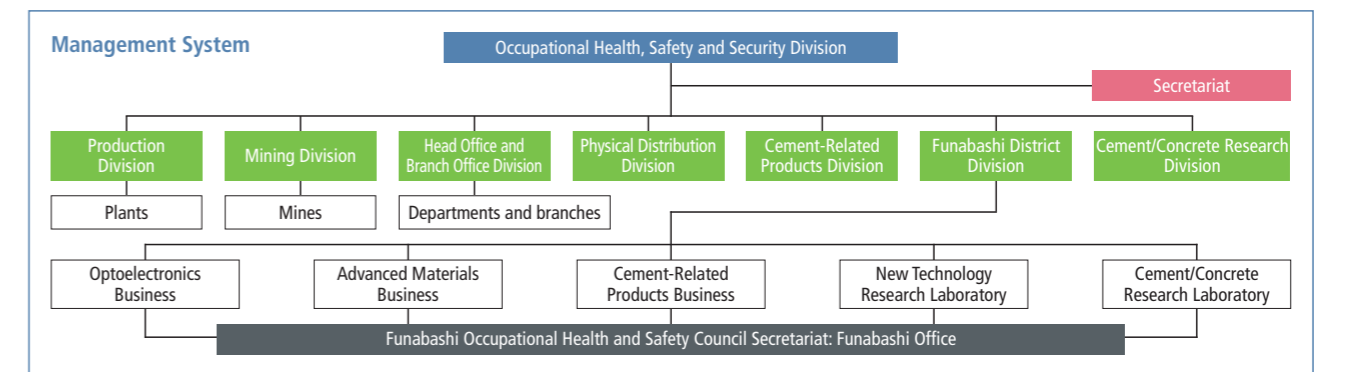
Occupational Health and Safety Quantitative Targets

- **Fatal accidents: 0 (FY2021 result: 0)**
- **Reduce the number of sites with lost time incidents to 20% or less of all sites (FY2021 result: 21%)**
- **Reduce the number of sites where accidents, including incidents without lost time, occur, to 30% or less of all sites (FY2021 result: 42%)**



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 Headquarters	Principal Safety Education at Business Sites	Outside Education
<ul style="list-style-type: none"> ● Safety education for new hires ● Safety education for younger employees ● Safety education by occupational class ● New chief / New leader / New manager 	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ● Foreman education

Health Management

To ensure employees are healthy as they work, Sumitomo Osaka Cement supports them in creating good health by, among other measures, assisting employees in getting the full range of regular health checkups, including health exams designated in collaboration with the health insurance association.

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 business and High-Performance Product business, and has established a quality control framework that responds promptly to customer needs.

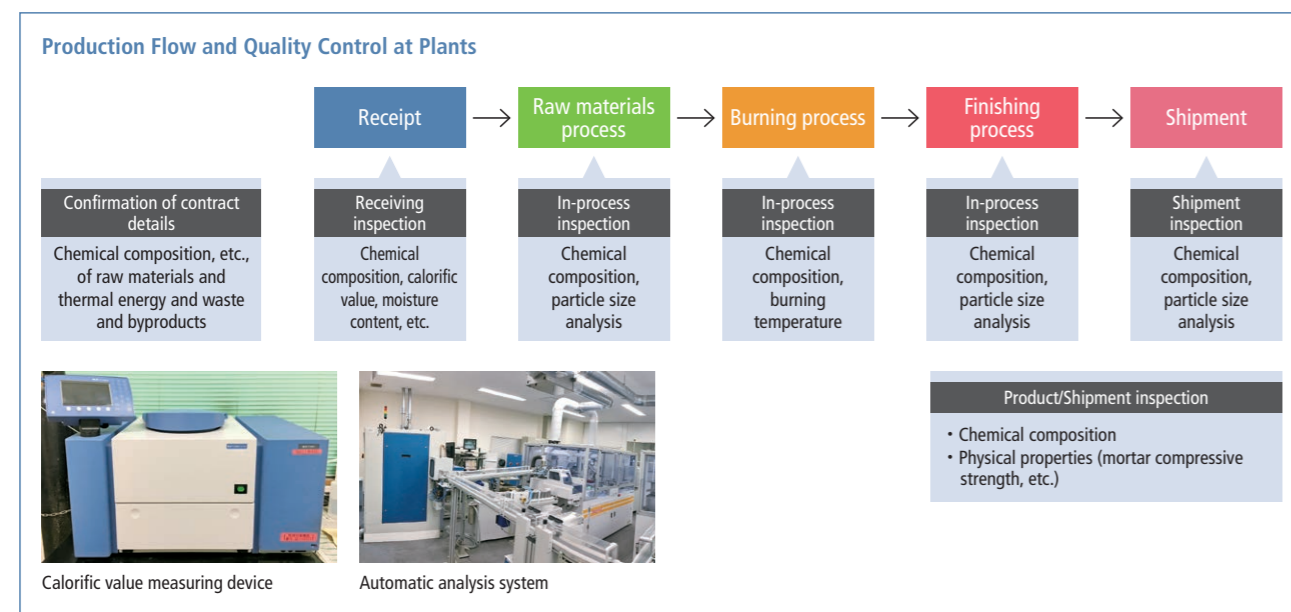
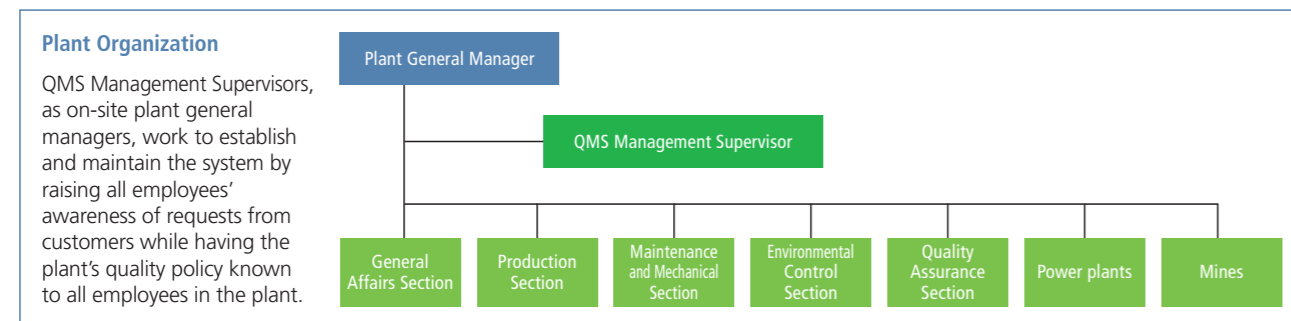
In the Cement business, the use of cement is diversified from large structures, such as dams, to an array of concrete products. Thus the cement performance must be optimized depending on the purpose of the usage. The Sumitomo Osaka Cement Group, under a product assurance system built upon by long-held 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-to-day product management to stabilize and enhance the product quality.

Quality Control Framework

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

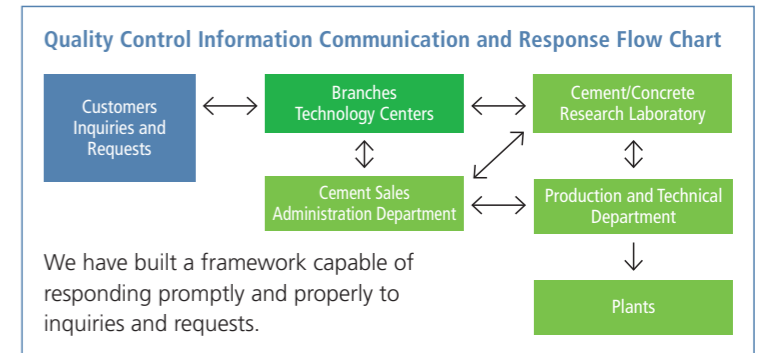
Quality Initiatives (Cement Business)

The QMS of the plant is operated under defined responsibilities and authorities of each division according to the plant organization chart. As shown in the production flow chart, the quality control of the plant is consistently applied from receiving inspection of raw materials, thermal energy, and waste and byproducts to shipment inspection of cement products, and highly accurate inspections are conducted in cooperation with the analysis center at the Ako Plant. Safety data sheets listing information about particular toxic hazards in products are also provided to enable them to be used safely.



Relationship with Customers (Cement Business)

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



Technological Interaction with Customers (Cement Business)

Aiming at sharing technical information on concrete with customers, the Group regularly holds the nationwide Sumitomo Osaka Cement Technical Report Meeting. The report meeting features not only lectures and speakers on the latest topics or technical trends in the concrete field but also provides an opportunity of information sharing between the Company and customers as a whole, where some customers from all over the country present valuable research results. The Group also holds technical meetings and lectures in each district for improvement of technologies by working together with customers.

Fair Trade

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

Basic Policy on Purchasing

Openness	We not only maintain trade relationships with business partners that have outstanding records, but also always strive to purchase from new business partners. As a result, we always disclose information related to material procurement.
Fairness	We always select business partners based on a fair and just assessment that takes a comprehensive view into account including quality, price, delivery time, stable supply, after-sales service, technological compatibility with existing facilities and business results.
Compliance with Laws and Regulations	We always obey all rules and regulations when engaging in purchase transactions and carry out duties while respecting that spirit.
Mutual Trust	We aim to build sound relationships based on trust with the people from our business partners by engaging in fair purchase transactions.
Contribution to Society	We believe it is important to contribute to society with people from our business partners by engaging in fair purchase transactions.

Based on the above basic policy on purchasing, we require that suppliers and other business partners respect human rights, prevent forced labor and child labor, as well as prevent discrimination based on nationality, gender, etc., and we also fulfill our social responsibilities in the value chain through purchasing activities that take into consideration safety, health, and environmental preservation.

Endorsement of the Partnership Building Declaration

The Company has endorsed the "Partnership Building Declaration" promoted by the Cabinet Office and the Small and Medium Enterprise Agency. The entire company will strive to increase the added value of the entire supply chain by working with our business partners. At the same time, we will seek to build mutual prosperity with our business partners through collaboration beyond existing business relationships and enterprise sizes. In addition, we declare that we will strive to build a forward-looking partnership by ensuring transactions are appropriately conducted in terms of determining prices and payment terms and addressing work style reforms, thereby minimizing the economic impact of various factors as much as possible.

Sumitomo Osaka Cement Partnership Building Declaration

<https://www.biz-partnership.jp/declaration/8152-05-13-tokyo.pdf> (in Japanese only)



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.

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.

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 in-house 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.

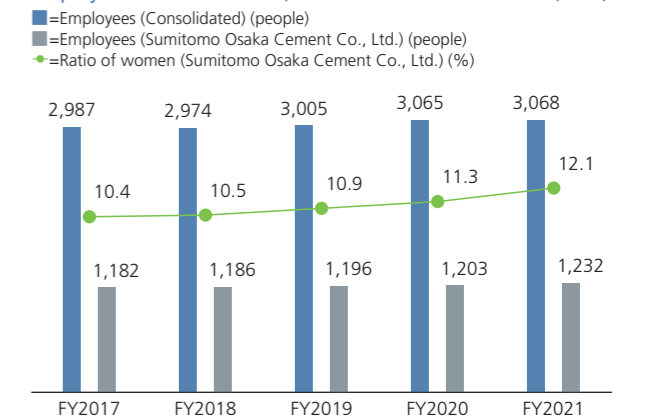
Diversity

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 teleworking and 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.

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



The Diversity Group is working on the following four goals for the three years from fiscal 2021 to fiscal 2023.

- 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 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. In addition, we are conducting career training to enable employees to reflect on their careers to date and create new roles that leverage their own strengths.

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.

We will not discriminate on the basis of nationality, gender, etc., under the article stipulating "We will create safe and vibrant working environments where human rights are fully respected" in the Group's Code of Conduct. In addition, all child labor and forced labor are not permitted in all business activities.

Total hours of internal training on human rights conducted (FY2021)	
Human rights training by level	3h
Training to prevent sexual and maternity harassment	4.75h

Special Feature: Human Resources Strategy



Message from the Officer responsible for Human Resources

We aim for sustainable growth by strengthening the recruitment and training of human resources.

Executive Officer Takeya Okizuka

About Human Resources Strategy

Against the backdrop of progress in the aging society with a declining birthrate and declining population, we consider securing human resources to be an urgent issue for the continued development of the Company. In fiscal 2022, we hired 29 people for general career-track positions, slightly short of our target, but we were able to secure the human resources the Company requires. In this new graduate recruitment activity, most of the selection process, from internship to interview, was conducted online, which was effective in securing excellent human resources because it allowed us to conduct recruitment activities without geographical restrictions. However, for long-term internships and final interviews, etc., we returned to face-to-face meetings to give students an idea of the Company's atmosphere, after taking thorough measures to prevent infection.

Going forward, in order to acquire human resources who can flexibly respond to changes and who will carry the future of the Company, we will not simply return to the way things were before COVID-19, but will study the best way to combine various methods by utilizing the know-how acquired during the pandemic, while keeping in mind what is important for students.

We conduct various training programs to develop professional human resources, which are indispensable for enhancing corporate value. Training by occupational class is conducted using multiple methods, including group training and individual coaching, in order to raise awareness of the importance of human resource development and to ensure that employees always act with a medium- to long-term perspective and a broad view of where the Company will be

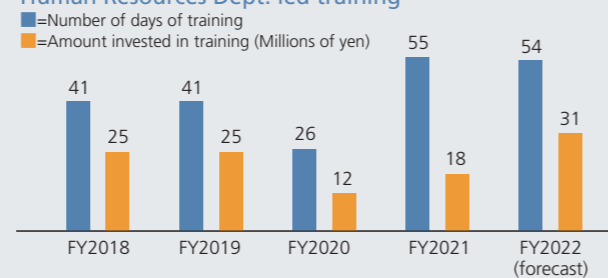
in ten years' time.

Regarding induction training for new employees, group training at the headquarters was conducted to change their mindset from students to working adults, understand the company, learn basic business behavior, and foster a sense of solidarity with their peers.

We are focusing on the development of young employees by implementing the [Trainer System], in which senior employee mentors instruct new employees, and conducting the "elective practical training for young employees," aimed at arming young employees with the tools they need as early as possible.

In fiscal 2022, we will address the following human resource development themes: ① cultivation of self-starter human resources to strengthen onsite capabilities, ② creation of a workplace with psychological safety, and ③ revitalization of rehired employees who have reached retirement age.

Number of days and amount of investment in Human Resources Dept. led training



Progress Status of the Plan of Action for the Promotion of Female Participation and Career Advancement

Aiming to create a workplace environment where all employees can play an active and lively role, we have set four goals as our Plan of Action for General Employers related to the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and we are promoting various measures to achieve these goals within three years from fiscal 2021.

① The proportion of female employees to all new graduate general-career-track hires in April 2022 was 14% for the first year, falling short of the target of 20%. We will enhance the introduction of our female employees at recruiting events for women and on our recruitment website to attract interest among female students and promote the fact that there are places in the Company where women can work.

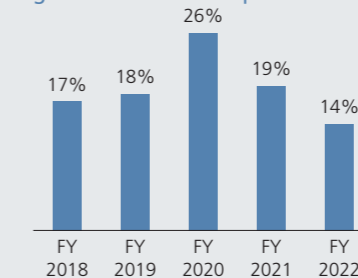
② The proportion of female managers was 1.6% in the first year, compared to the target of 2% or more. For a company to grow, it is essential to have advancement of employees with diverse backgrounds, regardless of gender. For employees with limited working hours, we will continue to consider and develop various systems that allow them to continue working, such as teleworking, and aim for 2% in the final year.

③ Relative to the target of 25% for the rate of male employees taking childcare leave, the actual rate

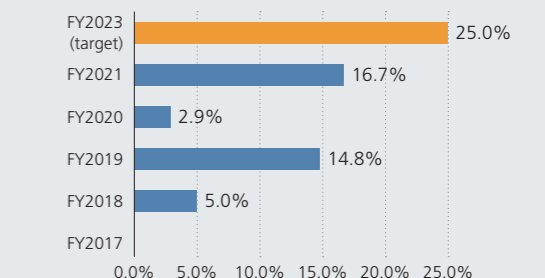
for the first year was approximately 16%. The revised Child Care and Family Care Leave Act requires companies to promote the use of childcare leave by male employees. We will create a workplace environment where it will become natural for male employees to take childcare leave by promoting in-house awareness through training and by individual encouragement to their supervisors.

④ The annual paid leave utilization rate was 78% in the first year, compared to the target of keeping at least 70% for annual paid leave utilization. We are setting annual days off with a view toward increasing the number of planned annual leave days and promoting the use of consecutive vacations. In order to refresh our minds and bodies and increase work productivity, we will continue to create a workplace environment that facilitates the use of paid leave, aiming for a target of 80%.

Ratio of women in new graduate general-career-track positions



Ratio of male employees taking childcare leave



Initiatives for Health and Productivity Management

Health and productivity management has become widely known among corporations to address low productivity stemming from health problems. In recent years, the focus has shifted to "well-being," the state of being satisfied both mentally and socially in addition to being healthy physically, wherein these three elements of health are kept in good condition in a well-balanced manner.

In order to maintain and promote the health of our employees, we set forth the Health Declaration, "The Sumitomo Osaka Cement Group aims to be a vibrant company where all employees can work vigorously and energetically, in good physical and mental health." In the Survey on Health and Productivity Management in fiscal 2021, the Company was acclaimed for its infection control measures, health checkup rate, working hours, and other aspects of work-life balance that exceeded the industry average, and was recognized as the 2022 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category).

In fiscal 2022, among the priority items of our initiatives,

① we will introduce an easily accessible online obstetrics/gynecology and pediatrics consultation service for female employees, employees with children, and managers who have female employees under their supervision, as part of our efforts for women's health issues. In addition, ② as part of efforts to reduce the smoking rate, the 22nd of each month will be designated as "No Smoking Day" and PR activities will be continued.

A ready-made company cafeteria supervised by a nutritionist will be set up on the office floor of the new headquarters after relocation to provide well-balanced meals at any time, and various health-conscious dietary initiatives will be implemented, such as educating employees on the need to prevent missing meals and maintain nutritional balance.

We will continue our efforts to improve the health of our employees by repeating the plan-do-check-act (PDCA) cycle while setting clear goals and implementing specific initiatives.



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 Basic 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 secure the objectivity and transparency with regard to appointments of directors and executive officers, similarly to the remuneration.

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 deliberate on proposals for 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.

Efforts to Strengthen Corporate Governance

2006	Introduced Executive Officer System	2018	Established the Nominating and Remuneration Committee
2008	Invited one Outside Director for the first time	2019	The Nominating and Remuneration Committee comprises the President, two Outside Directors, and one outside expert, in a total of four members
2015	Increased the number of Outside Directors to two	2021	Increased the number of Outside Directors to three. The Nominating and Remuneration Committee comprises the President, three Outside Directors, and one outside expert, in a total of five members
2015	Established "The Sumitomo Osaka Cement Corporate Governance Basic Policy"		
2016	Established the Remuneration Committee		

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.

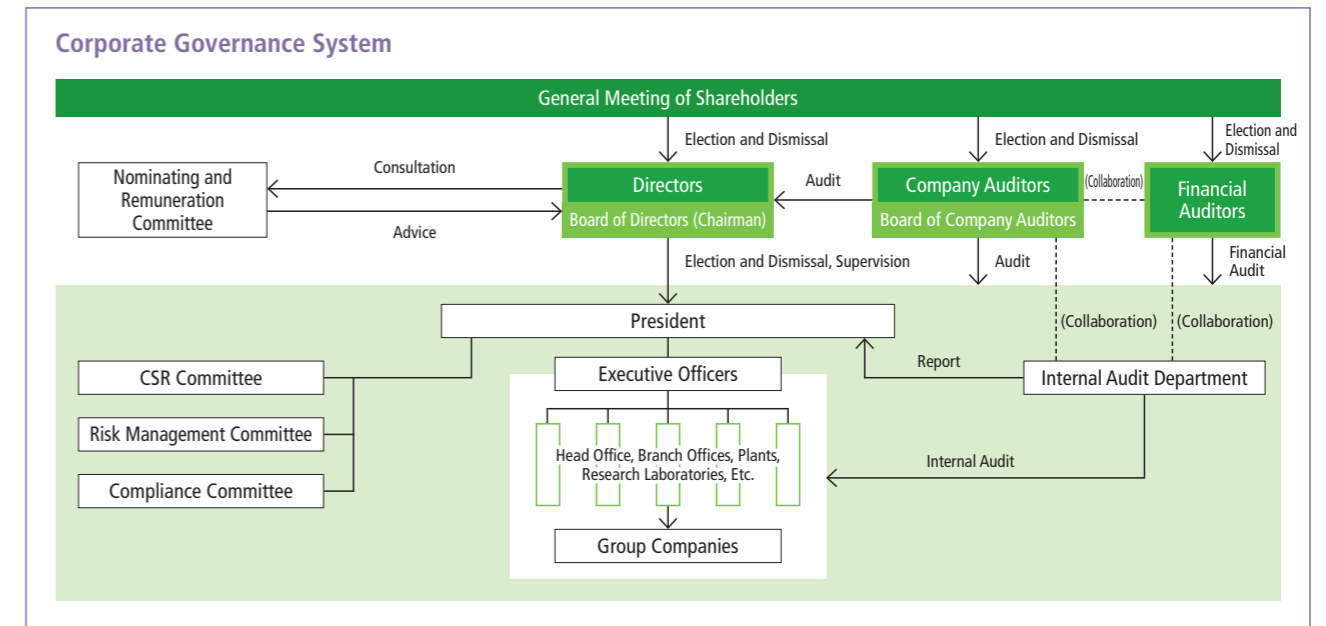
The Internal Audit Department exchanges opinions with the Company Auditors to prepare an annual internal audit plan, conducting the audit with the Company Auditors by cooperatively sharing information and opinions. The Internal Audit Department also reports to the Company Auditors as necessary upon their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

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.



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 2021, 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.

Skills Matrix of Directors

Name	Position	Knowledge, Experience, Skills, etc.								
		Corporate Management	Financial Strategy/Accounting	International Business	Human Resources/Labor Management/Occupational Safety and Health	Production/Engineering	Research and Development	Sales/Marketing	Legal/Compliance/Risk Management	Environment/Sustainability
Fukuichi Sekine	Chairman	○	○		○			○	○	
Hirotsune Morohashi	President, Representative Director	○	○		○			○	○	○
Toshihiko Onishi	Representative Director, Senior Managing Executive Officer	○		○				○		
Ryoji Doi	Representative Director, Senior Managing Executive Officer	○		○	○	○	○			○
Mikio Konishi	Director, Senior Managing Executive Officer	○		○		○	○	○		
Masaki Sekimoto	Director, Managing Executive Officer	○	○					○	○	○
Mitsuko Makino	Outside Director				○			○		
Tatsuya Inagawa	Outside Director								○	○
Yoshimi Morito	Outside Director	○	○		○	○		○		

Corporate Governance

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 outside expert, as an advisory body of the Board of Directors 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 the 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 stock-based 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.

The percentage of remuneration for the Group's directors (excluding outside directors) is based on the base amount determined for each executive rank, with basic remuneration and stock-based remuneration accounting for 90% and 10%, respectively, as the standard, and the remuneration for outside directors is limited to basic remuneration only.

Total Amount of Remuneration for Directors and Company Auditors

Classification	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)			Number of applicable officers (persons)
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (of which Outside Directors)	296 (29)	279 (29)	-	17 (-)	11 (4)
Company Auditors (of which Outside Company Auditors)	60 (25)	60 (25)	-	-	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 threaten 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.

Basic Approach to Anti-Bribery and Corruption and Status of Initiatives

The Group clearly states in its in-house compliance manual that the prohibition of bribery and gifts to civil servants, including foreign civil servants, as well as entertainment and gifts to business partners, must be thoroughly examined. We disclose manuals on the in-house intranet and conduct compliance education through e-learning on a regular basis to ensure thorough communication and awareness.

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, fixed-term employees and dispatched 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

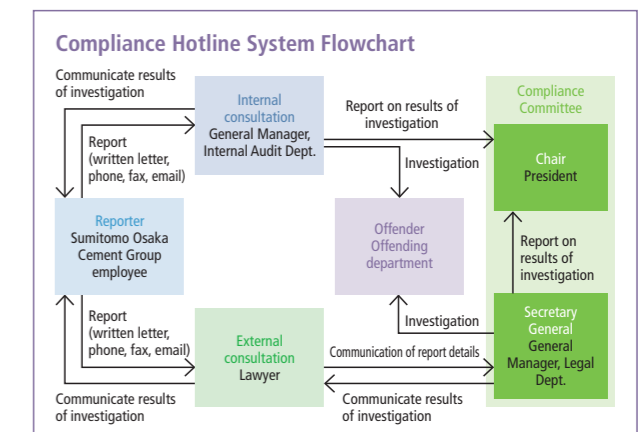
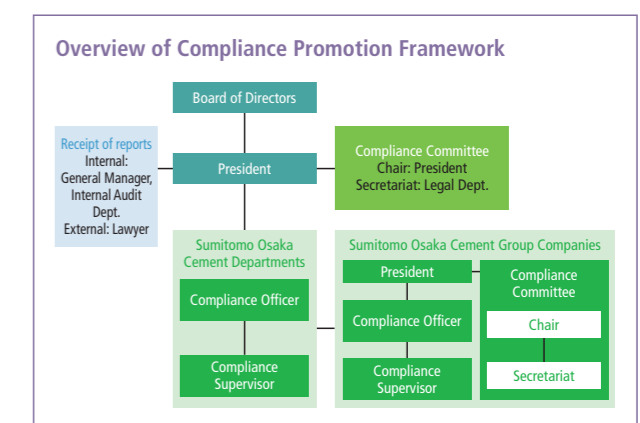
The compliance officer appoints the compliance supervisor, who shall convey information to the Compliance Committee Secretariat and disseminate information related to compliance in each department.

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.

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.



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 Compliance Supervisor Meeting for compliance supervisors of each division of the Company and each Group company are 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.

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 2021 Initiatives

In fiscal 2021, in addition to brushing up the “BCP for Headquarters Departments,” which was revised in April, we abolished the ad-hoc task force and integrated it into the headquarters disaster response task force, because through a review of the disaster response task force system, it is now possible to have a “visit + remote” system, which no longer assumes only a visit during or after working hours (night time and holidays). In accordance with this change, members of the response task force were re-selected and manuals were revised.

As for major drills, drills to verify the effectiveness of the “BCP for Headquarters Departments” were conducted separately for corporate division and cement division. Corporate division established a one-month work schedule based on estimates for damage and restoration as of the fourth day of the disaster, while cement division examined the necessity of reducing cement production in the event of an earthquake directly under the Tokyo metropolitan area, and identified issues.

In addition, we also utilized a satellite office contracted from this fiscal year to conduct web-based initial response training with the participation of members of the re-selected headquarters disaster response task force to gather information and identify issues in a remote environment.

Holding In-House Briefings and Workshops on Risk Management

2021

October Headquarters BCP training (online)

December Headquarters self-defense firefighting training (online)

2022

January Joint meeting and lecture for risk management supervisors from each department, business location and affiliated company (online)

March Safety driving education (online)
Headquarters disaster response task force training (online)

Measures against the COVID-19 Pandemic

In addition to basic infection prevention measures such as gargling, washing hands, and wearing masks, the Group has established a system that allows employees to continue their work by taking infection prevention measures based on expert advice from industrial physicians and industrial nurses.

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”) conducts fair and equitable information disclosure in a timely and appropriate manner. In order to provide accurate information to stakeholders, including our shareholders, the Company ensures that information disclosed is not boiler-plate or lacking in detail.

Disclosure Methods

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

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

Quiet Period

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

Feedback to Management

The Company actively engages in mutual communication with capital market participants such as shareholders, investors and securities analysts. The division in charge of IR conveys the opinions gleaned from such communication to management executives and the Board of Directors as feedback that is considered when formulating 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.

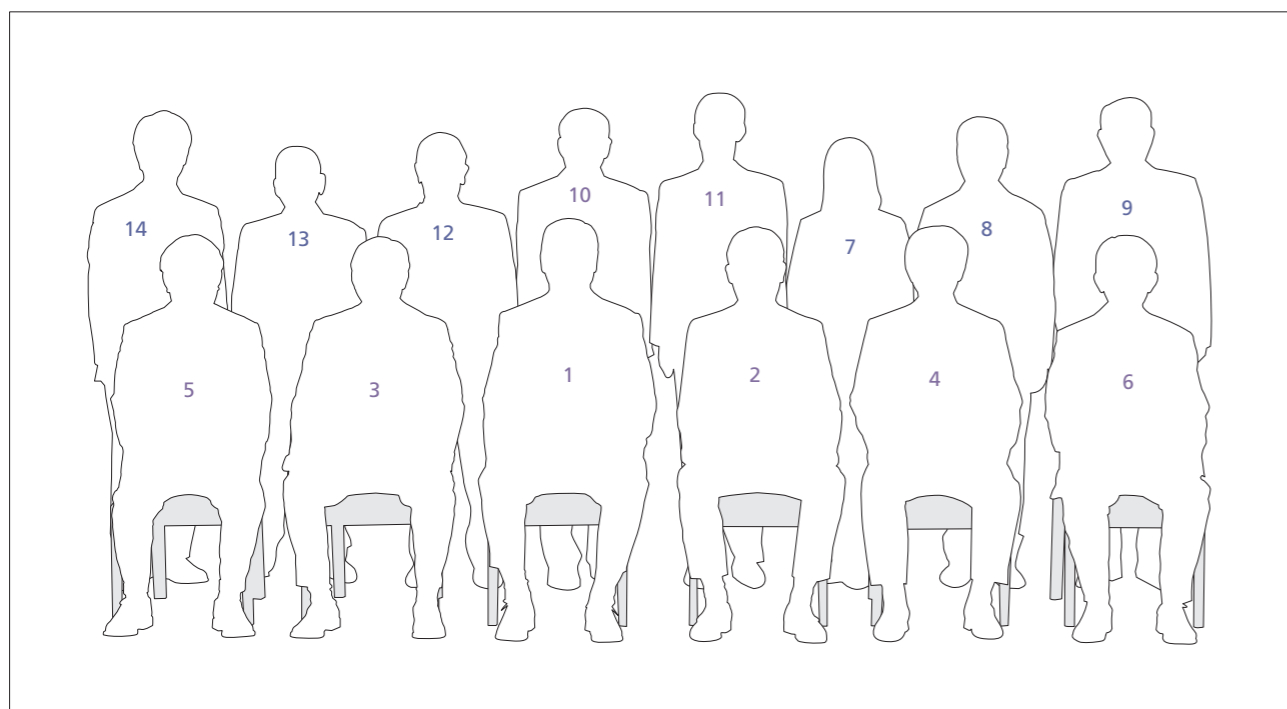
For the announcement of our earnings results for fiscal 2021 (fiscal year ended March 31, 2022) in May this year, we live-streamed the proceedings simultaneously through a website using an Internet conference system for many attendees, following a briefing meeting held at a meeting room in the headquarters, by considering preventing the spread of COVID-19.

In addition to the traditional explanation of financial results, the briefing this time also included an explanation of the progress status of the current Medium-term Management Plan (fiscal 2020-2022) and measures to be taken in fiscal 2022.



Financial results briefing for fiscal 2021 (fiscal year ended March 31, 2022)

Our Management Team (As of June 28, 2022)



Directors

- | | | |
|--|---|---|
| <p>1 Fukuichi Sekine
Chairman</p> | <p>2 Hirotsune Morohashi
President, Representative Director</p> | <p>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.</p> |
| <p>4 Ryoji Doi
Representative Director
Director, Senior Managing Executive Officer
Responsible for Production and Technical
Dept., Maintenance and Engineering Dept.,
Sustainability Dept., Environment Div., and
Cement/Concrete Research Laboratory</p> | <p>5 Mikio Konishi
Director, Senior Managing Executive Officer
Responsible for Intellectual Property Dept.,
Optoelectronics Business Div., Advanced
Materials Div., New Technology Research
Laboratory, and Funabashi Office</p> | <p>6 Masaki Sekimoto
Director, Managing Executive Officer
Responsible for General Affairs Dept., Legal
Dept., Corporate Planning Dept.,
Administration Dept., and Purchasing Dept.</p> |

Directors (Outside)

- | | | |
|---|--|--|
| <p>7 Mitsuko Makino
Outside Director</p> <p>Apr. 1993 Contract caster of Shizuoka
Station, Japan Broadcasting
Corporation</p> <p>Oct. 2000 Contract reporter of Shizuoka
Broadcasting System Co., Ltd.</p> <p>Apr. 2009 Freelance announcer (to the
present)</p> <p>Jun. 2018 Director of the Company (to the
present)</p> | <p>8 Tatsuya Inagawa
Outside Director</p> <p>Apr. 1983 Appointed as Public Prosecutor
Sep. 2016 Director-General of the Public
Security Department of Supreme
Public Prosecutors Office</p> <p>Mar. 2017 Superintending Public
Prosecutor of the Takamatsu
High Public Prosecutors Office</p> <p>Jan. 2018 Superintending Public
Prosecutor of the Hiroshima
High Public Prosecutors Office</p> <p>Nov. 2019 Registered as Attorney at Law
and joined Takahashi Sogo Law
Office (to the present)</p> <p>Jun. 2020 Outside Company Auditor of
FUJIFILM Holdings Corporation
(to the present)</p> <p>Jun. 2021 Director of the Company (to the
present)</p> | <p>9 Yoshimi Morito
Outside Director</p> <p>Apr. 1974 Joined Kandenko Co., Ltd.
Jul. 2013 Executive Managing Officer and
Branch Manager of Kanagawa
Branch of Kandenko Co., Ltd.</p> <p>Jun. 2014 Managing Director and
Executive Officer of Kandenko
Co., Ltd.</p> <p>Jun. 2015 Representative Director of
Kandenko Co., Ltd.</p> <p>Jun. 2015 Executive Vice President of
Kandenko Co., Ltd.</p> <p>Jun. 2016 President and Executive Officer
of Kandenko Co., Ltd.</p> <p>Jun. 2020 Vice Chairman and Director of
Kandenko Co., Ltd.</p> <p>Jun. 2021 Director of the Company (to the
present)</p> |
|---|--|--|

Company Auditors

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|---|---|
| <p>10 Kaname Ito
Company Auditor (Full-time)</p> | <p>11 Yoshinori Takase
Company Auditor (Full-time)</p> |
|---|---|

Company Auditors (Outside)

- | | | |
|---|---|---|
| <p>12 Shoji Hosaka
Outside Company Auditor</p> <p>Apr. 1969 Joined MITSUI & CO., LTD.</p> <p>Jun. 1994 President of MITSUI CHILE LTDA.
(currently MITSUI & CO. (CHILE)
LTDA.)</p> <p>Aug. 1998 President of K.K. Ichirei (currently
PRI Foods Co., Ltd.)</p> <p>Oct. 2002 Inspector of MITSUI & CO., LTD.</p> <p>Jun. 2005 Company Auditor of Mitsui Oil
Exploration Co., Ltd.</p> <p>Jun. 2009 Resigned as Company Auditor of
Mitsui Oil Exploration Co., Ltd.</p> <p>Jun. 2010 Company Auditor of the
Company (to the present)</p> | <p>13 Kazuo Suzuki
Outside Company Auditor</p> <p>Jan. 1973 Joined Tetsuzo Ota & Co.
(currently Ernst & Young
ShinNihon LLC)</p> <p>Mar. 1977 Registered as Certified Public
Accountant (to the present)</p> <p>May 1995 Representative Partner</p> <p>May 2004 Executive Director</p> <p>May 2008 Managing Director</p> <p>Sep. 2008 Senior Advisor</p> <p>Jul. 2009 Established Suzuki CPA
accounting office (to the present)</p> <p>Jun. 2010 Company Auditor of the
Company (to the present)</p> | <p>14 Taku Mitsui
Outside Company Auditor</p> <p>Dec. 2012 Registered as Attorney at Law (to
the present)</p> <p>Dec. 2012 Joined Inoue Harutaka Law
Office (currently Inoue & Sakurai
Law Office)</p> <p>Dec. 2015 Established Mitsui Taku Law
Office (to the present)</p> <p>Jun. 2020 Company Auditor of the
Company (to the present)</p> |
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Message from Outside Directors



Mitsuko Makino

Greeting to all supporters of the Company. My name is Mitsuko Makino, and this year will mark my fifth year. Since last year, we have implemented a system with three Outside Directors, and we welcomed those who have experience in corporate management. I feel that opinions are actively exchanged by drawing on experiences and knowledge. I see the balance in terms of the number of years that Outside Officers, including Company Auditors, are in office is just right. I feel that we need both, the thoughts of those who have been watching the Company for a long time and the fresh ideas from those who are not familiar with the Company so far. During the meeting, there were many challenges, and I occasionally gave tough opinions and asked candid questions, but this allows constructive discussions. It is also important to take enough time to discuss with each other. Some cases require a sense of urgency, and it is also critical to carry out deliberations with each other by taking into consideration the level of priority for each case.

With the ongoing COVID-19 crisis and the Russia-Ukraine situation, there is a tendency to fall into negative thinking every day when anxiety is built up, but at meetings, there is a general atmosphere that "let's overcome the difficulties together," and it is also a place where people have hope. I will continue to strive to further enhance the Board of Directors.

I think there have been severe situations in more than 100 years of our history, but I believe it is necessary to take time and make progress over the medium to long term by drawing on our track record we have overcome such situations. And in order to create big power, we need more robust connections among group companies, and as one way to do that, we can actively share information and explore what we can do together. I hope to create a new approach and a free atmosphere with the relocation of the head office in autumn.

The environment surrounding the cement industry is undergoing drastic changes. In addition to the decline in domestic cement demand, the surge in coal prices due to the situation in Ukraine and the depreciation of the yen, as well as the decarbonization, resulted in a significant change in the earnings structure. Amid these changes in the business environment, the leadership and decision-making of top management are indispensable to convert risks into opportunities as much as possible and further increase corporate value. In addition, the role played by the Board of Directors in overseeing and actively supporting the top management is extremely important. I believe that we have already been able to hold the free and open discussions necessary to fulfill such a role of the Board of Directors. This is possible because of the sincere but occasionally humorous facilitation by the chairman, serving as the chairperson, as well as the provision of sufficient information on management issues to outside directors. In this fiscal year, we need to thoroughly discuss the formulation of the next Medium-term Management Plan amid a harsh environment. I think it is necessary to further strengthen the effectiveness of the Board of Directors by having internal directors participate in discussions actively, including those they are not in charge of. Another major role of the Board of Directors is to strengthen the governance structure that supports the enhancement of corporate value over the medium to long term. Last year, we strengthened our internal control system in light of recent circumstances, including revisions to the Corporate Governance Basic Policy, cyber security measures, a review of the quality and safety management system, and the revision of the whistleblower system regulations. As an Outside Director, I would like to monitor whether measures to strengthen the governance system, including these measures, are functioning properly, and support proactive management.



Tatsuya Inagawa



Yoshimi Morito

I am Yoshimi Morito, and this is my second year since I have assumed the position of an Outside Director.

In addition to the realization of a decarbonized society and the COVID-19 pandemic, society is undergoing major changes, such as energy issues and the food crisis stemming from the situation in Ukraine, and companies must respond to these social changes with a sense of urgency. The Company has a long history of playing an indispensable role in supplying cement used to build social infrastructures since its establishment. I believe that our mission is to continue to respond to various social demands in order to ensure a safe and secure society toward the future.

As an Outside Director of the Company, I have been giving timely and appropriate advice at meetings of the Board of Directors and other occasions, with a view to supervising the execution of business operations, by utilizing my experience and knowledge as a Director cultivated over many years in companies engaged in the construction and maintenance of social infrastructure, such as electric power and telecommunications. Unfortunately, due to response to the COVID-19 pandemic, I was unable to have an opportunity to meet with executive-level employees in charge of current operations such as production division and laboratories and their employees, but I hope to realize this at the earliest possible opportunity after confirming the status of infections. In addition, this fiscal year is the final year of the Fiscal 2020-2022 Medium-term Management Plan that we are currently working on, and in addition to actions to achieve the goals, it is also an important year to evaluate the implementation of the three-year plan and identify issues to be reflected in the next Medium-term Management Plan. In addition to discussions at Board of Directors meetings, we will continue to strengthen governance and improve the quality of management through on-site inspections, interviews with executive-level employees, and periodic exchanges of opinions with Company Auditors and Representative Directors.

Message from Outside Company Auditors

The cement industry has suffered the triple handicap of sluggish demand, an increase in capital investment and higher production costs with the protracted COVID-19 pandemic and acceleration in global initiatives for decarbonization, which have been compounded by the higher price of energy due to the Russia-Ukraine situation.

On the other hand, the Company has a track record of continuing to supply cement since its founding, overcoming numerous difficulties and fulfilling its social responsibilities as a key industry. Our unique identity is for the whole company to work as a team, taking pride in our technological capabilities and our integrity that is highly regarded by various stakeholders including our customers, which is likely to be our reserve of strength to overcome difficulties.

I hope that each and every employee understands the Company's actual business environment, shares the targets and issues, conveys their observations and opinions particularly in relation to their areas of responsibility, fosters improved efficiency by being imaginative and creative on site, so that it leads to growth. The Company is providing reskilling opportunities throughout the Company that will also help with promoting DX and I hope that this will improve employee capabilities.

While the cement industry is subject to further reforms, even in the High-Performance Product business sector we anticipate sudden change in the business environment for IT-related industries where there is pronounced technology innovation. Appropriate risk awareness and management are required, but as this also provides good opportunities, we look forward to actively engaging in businesses that meet the needs of the market by utilizing our technological development capabilities.

While each of the Company's businesses is confronting major change, improving transparency and accountability is important for strengthening governance. The Board of Directors hopes to be a forum for free debate and vigorous comments, with the respective members having a deep understanding of the proposals after receiving appropriate explanation about the management environment and each agenda item.



Shoji Hosaka



Kazuo Suzuki

In recent years, the Company has focused on the cement business while making comparatively steady progress in business areas such as cement-related products, mineral resources and high-performance products. For the fiscal year ended March 31, 2022, the Russia-Ukraine situation and depreciation of the yen appear likely to have had a major impact on performance. In addition, the Company is also surrounded by strong social demands such as in relation to environmental issues and work style reforms, and we consider some of the medium-term issues from a diversity perspective.

COVID-19 remains at alert levels and is restricting our behavior. Meanwhile, remote work has increased as a form of work. Even if COVID-19 is contained, consideration needs to be given to the form of work. How to combine commuting and remote work without a drop in productivity requires consideration in this age of questioning the diversity of work styles.

Diversifying and nurturing human resources are also important. In particular, active participation by women is an urgent issue. Partly because the number of female hires has been small, it is a reality that the education of management has been inadequate, not limited to the Company. If we are to attach importance to minorities, we must be prepared to place them in positions where there is a little more exposure.

In our response to global warming, it is important that we, as an industry, contribute to a stable, and economically efficient recycling society by reducing the use of coal, promoting energy alternatives through the expansion of the recycling business, and promoting the diversification of raw fuels to be used through adoption of the biomass power generation for example.

The cement business is a necessary industry as a social infrastructure. However, rapid future growth is hard to imagine, while the mineral resources, cement-related products and high-performance products businesses continue to grow even now, and their further expansion is required. We also need to develop the next new businesses. Diversification and the revision of existing businesses are also critical issues for the Company.

The Fiscal 2020-2022 Medium-term Management Plan, which commenced in the same year that I was appointed an Outside Company Auditor, is in its final year this year with work on the next Management Plan currently progressing. Furthermore, in addition to the spread of COVID-19, the impact of the Russia-Ukraine situation is looming large not only in our daily lives but also for corporate management.

Under such circumstances, the Company needs to continue its steady growth, and to maintain and increase corporate value. This requires us to build and strengthen our governance system to appropriately grasp the anticipated business risks and to maintain and improve compliance. Furthermore, in recent times, society has also demanded that we respond to environmental issues such as climate change initiatives.

We Outside Company Auditors respect the corporate culture of the Company with its warm and friendly environment, while at the same time, playing a role in the Company's development by expressing opinions to build and strengthen the Company's governance system as people who have come from outside the Company with experience as corporate managers, certified public accountants and lawyers. In particular, given my background as a lawyer, I contribute with great interest in preventing compliance issues and appropriately responding to them, and considering if management decisions are valid.

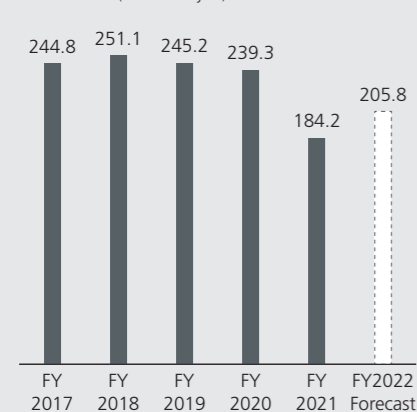
We also plan to work even harder so that the Company, which has contributed to society during its history of more than 110 years, can continue to develop and contribute to society together with its many stakeholders.



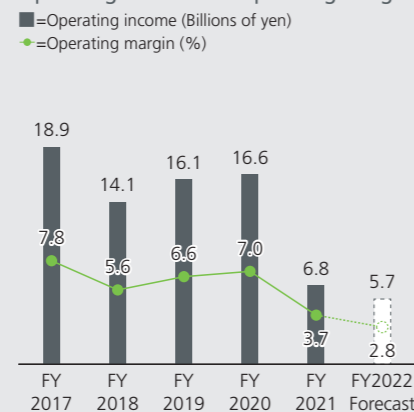
Taku Mitsui

Consolidated Financial Highlights

Net sales (Billions of yen)



Operating income and operating margin



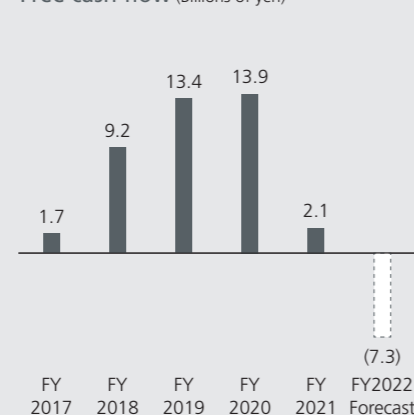
Profit attributable to owners of parent (Billions of yen)



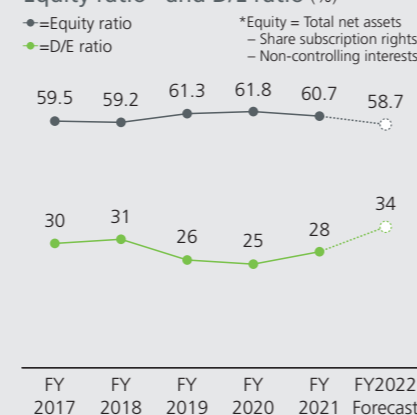
ROE/ROA*(%)



Free cash flow (Billions of yen)



Equity ratio* and D/E ratio (%)



	Millions of yen				
	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	244,826	251,061	245,159	239,274	184,209
Cost of sales	190,170	200,756	193,491	188,229	142,113
Selling, general and administrative expenses	35,664	36,126	35,539	34,413	35,217
Operating income	18,990	14,178	16,128	16,631	6,878
Ordinary income	20,153	15,799	16,947	17,641	9,834
Profit attributable to owners of parent	14,659	7,799	10,922	11,719	9,674
Net cash provided by operating activities	26,470	29,252	32,305	32,797	18,255
Net cash used in investing activities	(24,753)	(20,032)	(18,815)	(18,884)	(16,062)
Free cash flow	1,717	9,220	13,490	13,913	2,193
Net cash used in financing activities	(6,626)	(15,755)	(12,959)	(10,869)	(7,995)
Cash and cash equivalents at end of period	22,072	15,270	15,799	18,600	13,085
At year-end:					
Net assets	204,157	194,138	198,699	205,827	203,173
Total assets	339,958	324,755	321,108	329,650	331,107
Per share data (yen):*					
Profit	36.12	199.15	283.21	304.56	262.77
Cash dividends	11.0	110.0	120.0	120.0	120.0
Net assets	498.81	4,985.49	5,101.00	5,397.31	5,778.40

*The Company executed a 10 for 1 reverse stock split of its common stock on October 1, 2018. Profit per share and net assets per share for fiscal 2018 are calculated assuming this reverse stock split was executed at the beginning of the fiscal year. The dividend for fiscal 2018 is after the reverse stock.

Non-financial Information Highlights

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021		
Economic	Production Volume (Cement business)							
	Cement production volume	t	10,915,079	10,757,727	10,549,830	10,040,723	10,085,469	
	Clinker production volume	t	9,344,274	9,138,702	8,902,629	8,480,155	8,605,630	
Environmental	Mixed cement	t	2,107,418	2,151,598	2,336,717	2,260,466	1,942,106	
	Environmental impact data (Group's total)	CO ₂ emissions	1,000 t-CO ₂	9,612	9,493	9,259	8,896	8,989
		[Breakdown] Scope 1	1,000 t-CO ₂	9,390	9,280	9,050	8,700	8,810
		Scope 2	1,000 t-CO ₂	222	213	209	196	179
	(Cement business is as follows)	NOx (nitrogen oxides) emissions	t	14,040	13,873	13,272	14,340	16,174
		SOx (sulfur oxides) emissions	t	1,525	1,120	1,111	1,095	1,175
		Particulate matter emissions	t	164	191	136	143	218
		Dioxin emissions	g-TEQ	0.21	0.27	0.31	0.41	0.18
		Total energy consumption related to cement manufacturing (Based on periodic reports in accordance with the Act on Rationalizing Energy Use)	PJ	32,907	32,618	31,524	30,711	31,008
	Thermal energy substitution rate *Coal (fossil fuel) substitution rate	%	27	29	28	29	27	
	In-house power generation ratio*1	%	80	79	78	78	79	
	Waste heat power generation ratio	%	8	7	7	7	7	
	Biomass power generation ratio	%	15	16	15	14	17	
	Resource recycling (Cement business)	Volume of waste and byproducts received*2	1,000 t	5,644	5,538	5,479	5,210	5,233
		Consumption rate	kg/ton-cement	517	515	519	519	519
Volume of waste plastics received (recycled + purchased)		1,000 t	49	48	56	62	64	
Volume of wood chips received (recycled + purchased)		1,000 t	462	451	417	401	429	
Volume of ordinary incinerator ash received		1,000 t	46	62	63	61	62	
Preserving biodiversity	Volume of disaster waste received	1,000 t	11	3	44	21	5	
	Re-greened area of mine	m ²	16,497	24,943	16,652	51,915	21,938	
Social	Employees (Non-consolidated)*3 *4	Employees	persons	1,182	1,186	1,196	1,203	1,232
		Temporary employees	persons	81	95	105	118	114
	(Consolidated)	Employees	persons	2,987	2,974	3,005	3,065	3,068
		Ratio of female employees	%	10.4	10.5	10.9	11.3	12.1
	Number of managers	persons	441	432	435	441	439	
	Number of women in managerial positions	persons	7	8	9	9	8	
	Ratio of women in managerial positions	%	1.6	1.9	2.1	2.0	1.8	
	Average years of service	Male	years	18.6	18.8	19.0	18.5	19.4
		Female	years	17.5	17.5	16.8	15.8	15.8
	Age demographic	Under 30	persons	222	222	231	257	214
		Age 30-39	persons	267	270	265	262	288
		Age 40-49	persons	402	373	343	342	294
		Age 50-59	persons	284	316	350	333	411
		Over 60	persons	7	5	7	9	25
	Turnover within three years after joining the Company	%	18.9	11.9	22.2	9.1	6.9	
Voluntary retirement ratio	%	1.0	2.0	1.5	1.2	2.3		
Work style (Non-consolidated)	Working hours (prescribed working hours 1,860)	Hours per year	1,878	1,868	1,861	1,860	1,864	
	Number of paid vacation days taken*5	Days per year	14.7	15.2	15.7	15.0	15.4	
	Ratio of new graduate hires (general career-track positions) that are female	%	12.0	17.4	18.2	26.1	19.4	
	Number of employees taking nursing care leave	persons	0	0	0	0	0	
	Ratio of persons with disabilities employed	%	2.03	1.97	1.97	1.76	2.07	
	Number of employees taking childcare leave	Male	persons	0	2	4	1	5
		Female	persons	6	9	12	5	11
	Reinstatement rate after childcare leave	%	100	100	100	100	100	
	Education/training (hosted by the headquarters)	Number of days	41	41	41	26	55	
	Occupational safety and health	Number of fatal accidents	Direct employment	incidents	0	0	0	0
Indirect employment*6			incidents	0	0	0	0	0
Number of accidents that require time off from work		Direct employment	incidents	2	0	2	2	3
		Indirect employment	incidents	4	4	10	3	1
Number of accidents not accompanied by lost worktime		Direct employment	incidents	4	5	2	3	3
		Indirect employment	incidents	8	6	6	4	11
Accident frequency rate of directly employed employees*7		Fatal accidents	%	0.00	0.00	0.00	0.00	0.00
Number of employees on mental health leave (non-consolidated)	Accidents that require time off from work	%	0.00	0.00	0.00	0.00	0.00	
		persons	2	1	2	5	4	

*1 In-house power generation ratio includes waste heat power generation and biomass power generation
 *2 Volume of waste and byproducts received includes the volume of waste plastics, wood chips, ordinary incinerator ash and disaster waste received
 *3 Number of employees is based on the annual securities report as of the end of the fiscal year (excluding loaned out employees and contract employees, but including transferred in employees and fixed-term employees)
 *4 Number of temporary employees is contract employees only
 *5 Number of days of paid vacation taken is the average number of days taken by union members
 *6 Indirect employment: workers who are not employees but whose work or workplace is under the control of the organization (partner companies)
 *7 Accident frequency rate = number of fatalities and injuries due to work-related accidents/total man-hours worked x 1,000,000 hours (scope of data collection: the Company's 4 cement plants)

Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	End of FY2021 (as of March 31, 2021)	End of FY2022 (as of March 31, 2022)	End of FY2022 (as of March 31, 2022) (Note 1)
Assets			
Current assets			
Cash and deposits	*3 ¥18,664	*3 ¥13,148	\$107,430
Notes and accounts receivable - trade	40,288	-	-
Notes and accounts receivable - trade, and contract assets	-	*1 39,396	321,890
Electronically recorded monetary claims - operating	5,979	6,156	50,302
Merchandise and finished goods	7,387	8,024	65,564
Work in process	1,851	230	1,886
Raw materials and supplies	12,505	17,005	138,943
Short-term loans receivable	477	800	6,542
Other	4,078	3,016	24,644
Allowance for doubtful accounts	(15)	(22)	(179)
Total current assets	91,217	87,756	717,023
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	*3, *5 174,640	*3, *5 177,463	1,449,980
Accumulated depreciation	(125,298)	(128,368)	(1,048,846)
Buildings and structures, net	49,341	49,094	401,134
Machinery, equipment and vehicles	*3, *5 453,113	*3, *5 462,747	3,780,925
Accumulated depreciation	(397,867)	(405,895)	(3,316,408)
Machinery, equipment and vehicles, net	55,245	56,852	464,516
Land	*3, *5 37,090	*3, *5 37,157	303,602
Construction in progress	8,100	7,834	64,013
Other	*3, *5 38,044	*3, *5 38,748	316,598
Accumulated depreciation	(20,158)	(20,476)	(167,308)
Other, net	17,885	18,271	149,289
Total property, plant and equipment	167,664	169,211	1,382,556
Intangible assets			
Goodwill	-	127	1,039
Other	3,106	3,317	27,107
Total intangible assets	*5 3,106	*5 3,444	28,146
Investments and other assets			
Investment securities	*4 57,095	*4 59,401	485,342
Long-term loans receivable	3,154	3,074	25,119
Deferred tax assets	1,174	1,094	8,938
Net defined benefit asset	1,028	1,748	14,286
Other	*3 5,320	*3 5,496	44,908
Allowance for doubtful accounts	(111)	(119)	(972)
Total investments and other assets	67,661	70,695	577,623
Total noncurrent assets	238,433	243,351	1,988,326
Total assets	¥329,650	¥331,107	\$2,705,350

	Millions of yen		Thousands of U.S. dollars
	End of FY2021 (as of March 31, 2021)	End of FY2022 (as of March 31, 2022)	End of FY2022 (as of March 31, 2022) (Note 1)
Liabilities			
Current liabilities			
Notes and accounts payable - trade	*3 ¥28,132	*3 ¥30,051	\$245,541
Short-term loans payable	*3 19,417	*3 19,972	163,188
Commercial papers	-	5,000	40,853
Current portion of long-term loans payable	*3 6,243	*3 5,843	47,745
Income taxes payable	3,609	1,171	9,574
Provision for bonuses	2,484	2,523	20,618
Other	11,963	*2 10,916	89,191
Total current liabilities	71,850	75,479	616,712
Noncurrent liabilities			
Bonds payable	10,000	10,000	81,706
Long-term loans payable	*3 15,745	*3 15,825	129,302
Deferred tax liabilities	11,866	12,183	99,543
Provision for directors' retirement benefits	154	139	1,140
Provision for PCB waste disposal costs	61	26	214
Net defined benefit liability	895	892	7,291
Provision for share awards	21	40	331
Asset retirement obligations	1,005	1,003	8,203
Other	12,222	12,343	100,852
Total noncurrent liabilities	51,973	52,454	428,586
Total liabilities	123,823	127,934	1,045,298
Net assets			
Shareholders' equity			
Capital stock	41,654	41,654	340,338
Capital surplus	14,102	10,459	85,456
Retained earnings	124,190	127,896	1,044,995
Treasury stock	(3,319)	(8,566)	(69,993)
Total shareholders' equity	176,626	171,443	1,400,797
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	26,469	28,892	236,066
Foreign currency translation adjustment	424	197	1,615
Remeasurements of defined benefit plans	210	431	3,521
Total accumulated other comprehensive income	27,104	29,520	241,203
Non-controlling interests	2,096	2,209	18,050
Total net assets	205,827	203,173	1,660,051
Total liabilities and net assets	¥329,650	¥331,107	\$2,705,350

Consolidated Statements of Income and Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2021 (Apr. 1, 2020 to Mar. 31, 2021)	Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)	Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)
Net sales	¥239,274	*1 ¥184,209	\$1,505,104
Cost of sales	188,229	142,113	1,161,152
Gross profit	51,045	42,096	343,952
Selling, general and administrative expenses	*2, *3 34,413	*2, *3 35,217	287,746
Operating income	16,631	6,878	56,205
Non-operating income			
Interest income	58	104	853
Dividend income	1,557	2,522	20,609
Foreign exchange gains	150	412	3,367
Equity in earnings of affiliates	243	242	1,977
Rent income	108	126	1,033
Other	694	853	6,969
Total non-operating income	2,814	4,260	34,811
Non-operating expenses			
Interest expenses	614	577	4,722
Other	1,190	727	5,941
Total non-operating expenses	1,804	1,305	10,663
Ordinary income	17,641	9,834	80,353
Extraordinary income			
Gain on sales of noncurrent assets	*4 113	*4 629	5,143
Gain on sales of investment securities	1,438	2,471	20,194
Total extraordinary income	1,552	3,101	25,337
Extraordinary loss			
Loss on retirement of noncurrent assets	*5 1,036	*5 895	7,319
Loss on sales of noncurrent assets	*6 0	*6 13	113
Impairment loss	*7 1,133	*7 12	103
Total extraordinary losses	2,170	922	7,536
Profit before income taxes and non-controlling interests	17,023	12,013	98,155
Income taxes - current	5,125	3,039	24,837
Income taxes - deferred	54	(817)	(6,681)
Total income taxes	5,179	2,222	18,155
Profit before non-controlling interests	11,844	9,791	79,999
Profit attributable to non-controlling interests	124	116	953
Profit attributable to owners of parent	¥11,719	¥9,674	\$79,045

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2021 (Apr. 1, 2020 to Mar. 31, 2021)	Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)	Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)
Profit	¥11,844	¥9,791	\$79,999
Other comprehensive income			
Valuation difference on available-for-sale securities	1,950	2,422	19,791
Foreign currency translation adjustment	(79)	(227)	(1,857)
Remeasurements of defined benefit plans	1,001	220	1,805
Share of other comprehensive income of affiliates accounted for using equity method	1	0	2
Total other comprehensive income	* 2,873	* 2,416	19,742
Comprehensive income	14,717	12,207	99,741
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	14,592	12,090	98,786
Comprehensive income attributable to non-controlling interests	¥124	¥116	\$954

Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2021 and 2022

	Shareholders' equity					Total
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	
Balance at April 1, 2020	¥41,654	¥24,558	¥117,100	¥(10,819)	¥172,493	
Change of items during period						
Dividends from surplus			(4,629)		(4,629)	
Profit attributable to owners of parent for the period			11,719		11,719	
Purchase of treasury stock				(3,071)	(3,071)	
Disposal of treasury stock		(42)		157	114	
Retirement of treasury stock		(10,413)		10,413	-	
Transfer from retained earnings to capital surplus					-	
Other, net						
Total change of items during period	-	(10,456)	7,089	7,500	4,133	
Balance at March 31, 2021	¥41,654	¥14,102	¥124,190	¥(3,319)	¥176,626	
Change of items during period						
Dividends from surplus			(4,498)		(4,498)	
Profit attributable to owners of parent for the period			9,674		9,674	
Purchase of treasury stock				(10,366)	(10,366)	
Disposal of treasury stock		(0)		8	8	
Retirement of treasury stock		(5,111)		5,111	-	
Transfer from retained earnings to capital surplus		1,468	(1,468)		-	
Other, net						
Total change of items during period	-	(3,643)	3,706	(5,246)	(5,182)	
Balance at March 31, 2022	¥41,654	¥10,459	¥127,896	¥(8,566)	¥171,443	

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	
Balance at April 1, 2020	¥24,517	¥504	¥(791)	¥24,231	¥1,975	¥198,699
Change of items during period						
Dividends from surplus						(4,629)
Profit attributable to owners of parent for the period						11,719
Purchase of treasury stock						(3,071)
Disposal of treasury stock						114
Retirement of treasury stock						-
Transfer from retained earnings to capital surplus						-
Other, net	1,951	(79)	1,001	2,873	120	2,994
Total change of items during period	1,951	(79)	1,001	2,873	120	7,127
Balance at March 31, 2021	¥26,469	¥424	¥210	¥27,104	¥2,096	¥205,827
Change of items during period						
Dividends from surplus						(4,498)
Profit attributable to owners of parent for the period						9,674
Purchase of treasury stock						(10,366)
Disposal of treasury stock						8
Retirement of treasury stock						-
Transfer from retained earnings to capital surplus						-
Other, net	2,422	(227)	220	2,416	112	2,528
Total change of items during period	2,422	(227)	220	2,416	112	(2,653)
Balance at March 31, 2022	¥28,892	¥197	¥431	¥29,520	¥2,209	¥203,173

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2021	\$340,338	\$115,223	\$1,014,708	\$(27,125)	\$1,443,144
Change of items during period					
Dividends from surplus			(36,756)		(36,756)
Profit attributable to owners of parent for the period			79,045		79,045
Purchase of treasury stock				(84,702)	(84,702)
Disposal of treasury stock		(0)		67	66
Retirement of treasury stock		(41,767)		41,767	-
Transfer from retained earnings to capital surplus		12,001	(12,001)		-
Other, net					
Total change of items during period	-	(29,766)	30,287	(42,867)	(42,347)
Balance at March 31, 2022	\$340,338	\$85,456	\$1,044,995	\$(69,993)	\$1,400,797

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at March 31, 2021	\$216,273	\$3,472	\$1,716	\$221,462	\$17,128	\$1,681,736	
Change of items during period							
Dividends from surplus						(36,756)	
Profit attributable to owners of parent for the period						79,045	
Purchase of treasury stock						(84,702)	
Disposal of treasury stock						66	
Retirement of treasury stock						-	
Transfer from retained earnings to capital surplus						-	
Other, net	19,792	(1,857)	1,805	19,740	921	20,662	
Total change of items during period	19,792	(1,857)	1,805	19,740	921	(21,684)	
Balance at March 31, 2022	\$236,066	\$1,615	\$3,521	\$241,203	\$18,050	\$1,660,051	

Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2021 and 2022

	Thousands of U.S. dollars (Note 1)		
	Fiscal 2021 (Apr. 1, 2020 to Mar. 31, 2021)	Millions of yen Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)	Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)
Cash flows from operating activities			
Profit before income taxes and non-controlling interests	¥17,023	¥12,013	\$98,155
Depreciation and amortization	18,766	19,336	157,988
Impairment loss	1,133	12	103
Amortization of goodwill	-	31	259
Increase (decrease) in net defined benefit liability	(475)	(402)	(3,291)
Increase (decrease) in provision for directors' retirement benefits	6	(14)	(119)
Increase (decrease) in allowance for doubtful accounts	7	14	120
Interest and dividends income	(1,615)	(2,626)	(21,463)
Interest expenses	614	577	4,722
Foreign exchange losses (gains)	34	(697)	(5,698)
Equity in earnings of affiliates	(243)	(242)	(1,977)
Gain on sales of noncurrent assets	(113)	(629)	(5,143)
Loss on sales of noncurrent assets	0	13	113
Loss on retirement of noncurrent assets	218	205	1,678
Loss (gain) on sales of investment securities	(1,438)	(2,471)	(20,194)
Decrease (increase) in notes and accounts receivable - trade	2,083	1,147	9,376
Decrease (increase) in inventories	(386)	(4,195)	(34,278)
Increase in notes and accounts payable - trade	530	1,621	13,252
Other, net	(176)	(2,106)	(17,207)
Subtotal	35,968	21,589	176,396
Interest and dividends income received	1,687	2,640	21,570
Interest expenses paid	(617)	(573)	(4,681)
Income taxes paid	(4,240)	(5,400)	(44,123)
Net cash provided by operating activities	32,797	18,255	149,160
Cash flows from investing activities			
Purchase of noncurrent assets	(20,221)	(20,921)	(170,944)
Proceeds from sales of noncurrent assets	147	1,347	11,010
Purchase of investment securities	(404)	(375)	(3,065)
Proceeds from sales of investment securities	1,830	3,869	31,618
Payments of loans receivable	(760)	(738)	(6,033)
Collection of loans receivable	550	767	6,267
Other, net	(26)	(11)	(96)
Net cash used in investing activities	¥(18,884)	¥(16,062)	\$(131,243)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥(1,920)	¥537	\$4,388
Proceeds from long-term loans payable	6,770	6,300	51,478
Repayment of long-term loans payable	(5,976)	(6,757)	(55,209)
Proceeds from issuance of commercial papers	8,000	5,000	40,853
Redemption of commercial papers	(8,000)	-	-
Proceeds from sales of treasury stock	114	8	66
Purchase of treasury stock	(3,071)	(10,366)	(84,702)
Decrease (increase) in segregated deposits for purchase of treasury shares	(2,072)	1,867	15,261
Cash dividends paid	(4,629)	(4,498)	(36,756)
Cash dividends paid to non-controlling shareholders	(4)	(4)	(33)
Other, net	(78)	(82)	(672)
Net cash used in financing activities	(10,869)	(7,995)	(65,326)
Effect of exchange rate change on cash and cash equivalents	(243)	146	1,193
Net increase (decrease) in cash and cash equivalents	2,800	(5,656)	(46,215)
Cash and cash equivalents at beginning of period	15,799	18,600	151,975
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	141	1,156
Cash and cash equivalents at end of period	* ¥18,600	* ¥13,085	\$106,916

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=¥122.39, the exchange rate prevailing on March 31, 2022.

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 other than shares that do not have a market value

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

Shares that do not have a market value

Stated at cost using the moving-average method.

Derivatives

Stated at fair 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 leased 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 straight-line method over the specified number of years (15 years) within the average remaining years of service of the employees.

(3) Application of the simplified method for small businesses

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

(5) Criteria for posting significant revenues and expenses

The Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

In its Cement-related business, the Group manufactures and sells repair materials for cement, ready-mix concrete, limestone, and concrete structures, and also engages in construction work associated with the aforementioned. In its High-Performance Product business, the Group manufactures and sells waveguide-based optical modulators and other optical-related components, various ceramic components, nanoparticle materials, and rechargeable battery cathode materials. In its other businesses, the Group engages in real estate leasing, information processing services, and electrical equipment work.

Among these businesses, revenue from sales of products is recognized as the amount expected to be received in exchange for such products at the time of delivery of the product to the customer. For sales of products in Japan, revenue is recognized at the time of shipment when the period from the time of shipment to the transfer of such products to the customer is a normal period.

As for the Company and its subsidiaries, revenue from transactions that fall under the category of agent transactions is recognized as the net amount of total consideration received from the customer less the payment to the supplier.

Revenue related to construction contracts with construction companies and other such entities is recognized over a certain period of time as the performance obligations for the transfer goods or services to customers are satisfied in cases where control of a good or service is transferred to a customer over a period of time. Regarding the measurement of progress related to the fulfillment of performance obligations, revenue is recognized based on the ratio of construction costs incurred by the end of each reporting period to the total expected construction costs. In addition, if it is not possible to reasonably estimate the progress of fulfillment of performance obligations, but the costs incurred are expected to be recovered, revenue is recognized based on the cost recovery method.

(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.

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

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year	Current fiscal year	Current fiscal year
Property, plant and equipment	¥167,664	¥169,211	\$1,382,556
Of which, property, plant and equipment associated with the Company's Cement business	83,461	82,965	677,877
Impairment loss (Cement business)	—	—	—

(2) Information on the details of significant accounting estimates for identified items

Applying impairment accounting involving noncurrent assets entails determining whether to recognize impairment loss with respect to asset groups recognized as showing signs of impairment. Accordingly, if future undiscounted cash flows of any such asset group falls below the carrying amount, the carrying amount of the asset group is reduced to the recoverable amount and the amount of the decrease is recorded as an impairment loss in the consolidated statements of income.

In the fiscal year ended March 31, 2022, the Cement business incurred losses from operating activities amid higher cement manufacturing costs due to surging coal prices and rising crude oil prices.

Given that the Company accordingly revised cement sales prices with the aim of securing revenue going forward and ensuring business continuity, the Company anticipates positive results in the Cement business from Fiscal 2024 onward despite a likelihood of incurring losses from operating activities in Fiscal 2023. As such, the Company has determined that there is no indication of impairment with respect to property, plant and equipment in the Cement business.

The forecasts for Fiscal 2023 and beyond include key assumptions that include the status of sales volumes and sales price revisions based on cement demand assumptions, as well as effects of surging prices of commodities such as coal and crude oil reflecting prevailing international developments involving Russia and Ukraine. Accordingly, the forecasts are subject to effects of potentially significant deviations from these assumptions caused by changes in factors such as the market environment, including impact of the COVID-19 pandemic.

(Accounting policy changes)

(Application of Accounting Standard for Revenue Recognition)

"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) has been applied from the beginning of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for providing a good or service when control of the promised good or service is transferred to the customer.

The major changes due to the application of Accounting Standard for Revenue Recognition are as follows:

- Regarding sales through trading companies and so on, normally revenue has been recognized based on the total amount of consideration received from the customers. In transactions classified as agent transactions, now revenue shall be recognized as a net amount of consideration received from the customer less the payment to the supplier.
- Regarding profits related to construction contracts with construction companies, traditionally when the results of the construction progress is deemed certain, then revenue was recognized by the construction progress standard. However, now when control of a good or service is transferred to a customer over a period of time, revenue is recognized over a certain period of time as the performance obligations to transfer goods or services to the customers are satisfied. Regarding the measurement of progress related to fulfillment of performance obligations, revenue is recognized based on the ratio of construction costs incurred by the end of each reporting period to the total expected construction costs. In addition, if it is not possible to reasonably estimate the progress of fulfillment of performance obligations, but the costs incurred are expected to be recovered, revenue is recognized based on the cost recovery method.

By applying the alternative treatment stipulated in paragraph 98 of Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021), revenue is recognized at the time of shipment when the period from the time of shipment to the transfer of control of the goods or products to the customer is a normal period in case of domestic sale of the goods or products.

Regarding the application of Accounting Standard for Revenue Recognition, by following the transitional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting standard if it is applied before the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and thus the new accounting standard is applied from the beginning of the period.

As a result, for the current fiscal year, net sales declined by ¥58,447 million (US\$477,550 thousand) and cost of sales declined by ¥58,447 million (US\$477,550 thousand). However, there was no effect on operating income, ordinary income and profit before income taxes and non-controlling interests. In addition, there was no effect on the balance of retained earnings at April 1, 2021.

Since Accounting Standard for Revenue Recognition has been applied, from the current fiscal year, notes and accounts receivable - trade presented in current assets in the consolidated balance sheet for the previous fiscal year are now presented as notes and accounts receivable - trade, and contract assets. However, by following transitional treatment prescribed in paragraph 89-2 of the Accounting Standard for Revenue Recognition, information for the previous fiscal year has not been reclassified.

Furthermore, notes to revenue recognition for the previous fiscal year are not presented in accordance with the transitional treatment stipulated in paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(Application of Accounting Standard for Fair Value Measurement, etc.)

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) has been applied from the beginning of the current fiscal year. Accounting Standard for Fair Value Measurement is applied prospectively in accordance with the transitional treatment prescribed in paragraph 19 of Accounting Standard for Fair Value Measurement and paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10 July 4, 2019). The impact of this application on the consolidated financial statements for the current fiscal year is immaterial.

In addition, in the notes under "Financial instruments," notes such as "Breakdown of financial instruments by level of fair value" are newly presented. Of such notes, however, notes for the previous fiscal year are not presented in accordance with the transitional treatment stipulated in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

(Changes in presentation)

(Notes to consolidated balance sheets)

"Electronically recorded monetary claims - operating," which was included in "Notes and accounts receivable - trade" under "Current assets" in the previous fiscal year, is separately presented from the current fiscal year because its monetary significance increased. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥46,268 million that was presented as "Notes and accounts receivable - trade" under "Current assets" in the consolidated balance sheet for the previous fiscal year has been reclassified as "Notes and accounts receivable - trade" of ¥40,288 million and "Electronically recorded monetary claims - operating" of ¥5,979 million.

(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 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. Amounts of receivables and contract assets arising from contracts with customers included in notes and accounts receivable - trade, and contract assets are as follows, respectively.

	Millions of yen	Thousands of U.S. dollars
	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Notes receivable - trade	¥5,866	\$47,933
Accounts receivable - trade	32,675	266,978
Contract assets	854	6,978

*2. Contract liabilities included in "other" are as follows.

	Millions of yen	Thousands of U.S. dollars
	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Contract liabilities	¥110	\$902

***3. Pledged assets and secured liabilities**

Pledged assets and secured liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Ordinary deposits	¥50	¥50	\$414
Current deposit	432	412	3,366
Property, plant and equipment			
Buildings and structures	4,888	4,729	38,644
Machinery, equipment and vehicles	10,931	10,168	83,085
Land	3,806	3,806	31,102
Other	238	236	1,929
Total pledged assets	¥20,348	¥19,403	\$158,541

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Accounts payable - trade	¥228	¥225	\$1,845
Short-term loans payable	390	380	3,104
Current portion of long-term loans payable	282	282	2,310
Long-term loans payable	2,819	2,536	20,724
Total secured liabilities	¥3,720	¥3,425	\$27,985

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Investment securities (stocks)	¥5,569	¥5,653	\$46,190

***5. Reduction entry**

Previous fiscal year (March 31, 2021)

The reduction entry amounts corresponding to national subsidies were ¥524 million for buildings and structures, ¥4,704 million for machinery, equipment and vehicles, ¥280 million for land, ¥4 million for other tangible fixed assets, and ¥1 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, 2022)

The reduction entry amounts corresponding to national subsidies were ¥510 million (US\$4,172 thousand) for buildings and structures, ¥4,704 million (US\$38,442 thousand) for machinery, equipment and vehicles, ¥280 million (US\$2,291 thousand) for land, ¥4 million (US\$35 thousand) for other tangible fixed assets, and ¥1 million (US\$9 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.

***6. 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, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Hachinohe Biomass Power Generation Co., Ltd.	¥1,294	¥1,248		\$10,203
Others (1 company)	365	591		4,830
Total	¥1,659	¥1,840		\$15,034

(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, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Yoshida Kenzai Inc.	¥44	¥83		\$685
Others (3 companies)	43	32		264
Total	¥88	¥116		\$950

(Notes to consolidated statements of income)

***1. Revenue from contracts with customers**

Revenue from contracts with customers and revenue from other sources are not separately presented with respect to net sales.

Revenue from contracts with customers is presented in the consolidated financial statements under, "Notes to Consolidated Financial Statements (Revenue recognition), 1. Information on disaggregation of revenue from contracts with customers."

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

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Sales costs	¥10,723	¥11,183		\$91,378
Allowances and bonuses	8,164	8,389		68,546
Provision for share awards	20	25		206
Transfer to provision for bonuses	1,067	1,110		9,072
Retirement benefit expenses	339	329		2,695
Transfer to provision for retirement benefits for officers	37	34		281
R&D expenses	3,184	3,052		24,938

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

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
	¥3,184	¥3,052		\$24,938

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

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Land	¥-	¥3		\$25
Quarry sites	-	9		77
Buildings and structures	0	-		-
Machinery, equipment and vehicles	111	616		5,041

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

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Buildings and structures	¥54	¥24		\$197
Machinery, equipment and vehicles	162	186		1,523
Machinery, equipment and vehicles removal costs	818	682		5,573

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

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Land	¥-	¥3		\$28
Machinery, equipment and vehicles	0	1		11
Buildings and structures	-	8		72

***7. 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, 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).

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).

A breakdown of impairment losses is as follows.

Application	Location	Type	Impairment loss (millions of yen)
Assets for the optical communications components for new transmission methods production business	Funabashi City, Chiba Prefecture, etc.	Buildings, machinery, and equipment, etc.	¥1,028
Idle assets	Shingu City, Wakayama Prefecture, etc.	Land and quarry sites	¥105
*Breakdown of impairment losses for each type			
Application	Breakdown (millions of yen)		
Assets for the optical communications components for new transmission methods production business	Machinery and equipment ¥704, buildings ¥192, intangible assets and others ¥131 Total ¥1,028		
Idle assets	Land ¥100, quarry sites ¥5 Total ¥105		

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.

Current fiscal year (April 1, 2021 to March 31, 2022)

This information is omitted as it is immaterial.

(Notes to consolidated statements of comprehensive income)

*Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:				
Amount incurred during the current fiscal year	¥4,267	¥5,981		\$48,873
Reclassification adjustments	(1,438)	(2,471)		(20,194)
Before adjustment for tax effects	2,828	3,510		28,679
Tax effects	(877)	(1,087)		(8,888)
Valuation difference on available-for-sale securities	1,950	2,422		19,791
Foreign currency translation adjustments:				
Amount incurred during the current fiscal year	(79)	(227)		(1,857)
Remeasurements of defined benefit plans:				
Amount incurred during the current fiscal year	1,339	227		1,861
Reclassification adjustments	111	92		754
Before adjustment for tax effects	1,451	320		2,615
Tax effects	(449)	(99)		(810)
Remeasurements of defined benefit plans	1,001	220		1,805
Share of other comprehensive income of affiliates accounted for using equity method:				
Amount incurred during the current fiscal year	1	0		2
Total other comprehensive income	¥2,873	¥2,416		\$19,742

(Notes to consolidated statements of changes in net assets)

Previous 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 2)	40,643	–	2,000	38,643
Total	40,643	–	2,000	38,643
Treasury stock				
Common stock (Notes 1, 3, 4)	2,077	819	2,000	896
Total	2,077	819	2,000	896

(Notes) 1. The number of common stock held as treasury stock includes the Company's stocks (30,000 shares at the end of the current fiscal year) held by the trust relating to the stock-based remuneration plan for officers.

2. 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

3. 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

4. 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 held on June 26, 2020	Common stock	¥2,313	¥60.00	March 31, 2020	June 29, 2020
Board of Directors Meeting held on November 10, 2020	Common stock	¥2,315	¥60.00	September 30, 2020	December 1, 2020

(Note) Per resolution of the Board of Directors meeting held on November 10, 2020, the total dividend amount includes ¥1 million in dividends associated with the Company's shares held by the trust relating to the stock-based remuneration plan for officers.

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

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	¥2,266	Retained earnings	¥60.00	March 31, 2021	June 30, 2021

(Note) Per resolution of the Ordinary General Meeting of Shareholders held on June 29, 2021, the total dividend amount includes ¥1 million in dividends associated with the Company's shares held by the trust relating to the stock-based remuneration plan for officers.

Current fiscal year (April 1, 2021 to March 31, 2022)

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 2)	38,643	–	1,400	37,243
Total	38,643	–	1,400	37,243
Treasury stock				
Common stock (Notes 1, 3, 4)	896	2,970	1,402	2,464
Total	896	2,970	1,402	2,464

(Notes) 1. The number of common stock held as treasury stock includes the Company's stocks (30,000 shares at the beginning of the current fiscal year, 28,000 shares at the end of the current fiscal year) held by the trust relating to the stock-based remuneration plan for officers.

2. 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: 1,400 thousand shares

3. 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: 2,966 thousand shares

Increase due to the acquisition of shares in amounts of less than one trading unit: 3 thousand shares

4. 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: 1,400 thousand shares

Decrease due to Employee Stock Ownership Plan: 2 thousand shares

Decrease due to sales of shares in amounts of less than one trading unit: 0 thousand shares

2. Information on dividends

(1) Amount of dividends paid

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	¥2,266	¥60.00	March 31, 2021	June 30, 2021
Board of Directors Meeting held on November 11, 2021	Common stock	¥2,232	¥60.00	September 30, 2021	December 1, 2021

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common stock	\$18,519	\$0.490	March 31, 2021	June 30, 2021
Board of Directors Meeting held on November 11, 2021	Common stock	\$18,237	\$0.490	September 30, 2021	December 1, 2021

(Notes) 1. Per resolution of the Ordinary General Meeting of Shareholders held on June 29, 2021, the total dividend amount includes ¥1 million in dividends associated with the Company's shares held by the trust relating to the stock-based remuneration plan for officers.

2. Per resolution of the Board of Directors meeting held on November 11, 2021, the total dividend amount includes ¥1 million in dividends associated with the Company's shares held by the trust relating to the stock-based remuneration plan for officers.

(2) Dividends with the cut-off date in the year ended March 31, 2022 and the effective date in the year ending March 31, 2023

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2022	Common stock	¥2,088	Retained earnings	¥60.00	March 31, 2022	June 29, 2022

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Source of dividends	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2022	Common stock	\$17,063	Retained earnings	\$0.490	March 31, 2022	June 29, 2022

(Note) Per resolution of the Ordinary General Meeting of Shareholders held on June 28, 2022, the total dividend amount includes ¥1 million in dividends associated with the Company's shares held by the trust relating to the stock-based remuneration plan for officers.

(Notes to consolidated statements of cash flows)

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

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Ending balance of cash and deposits	¥18,664	¥13,148	\$107,430
Time deposits with a maturity of over three months	(64)	(62)	(513)
Ending balance of cash and cash equivalents	¥18,600	¥13,085	\$106,916

(Lease transactions)

1. Finance lease transactions (lessee)

Finance lease transactions that do not transfer ownership

(1) Leased assets

Property, plant and equipment

Mainly consist of production facilities (structures and machinery, equipment and vehicles) in the Cement business

(2) Leased asset depreciation method

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

2. Operating lease transactions

Future lease payments for non-cancelable operating leases

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Within one year	¥54	¥48	\$392
Over one year	92	86	703
Total	¥146	¥134	\$1,096

(Financial instruments)

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 - trade and electronically recorded monetary claims - operating 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. 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 - trade, 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 33 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

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

Consolidated balance sheet amounts, estimated fair values and their differences are as follows. In addition, since cash and deposits, notes and accounts receivable - trade, electronically recorded monetary claims - operating, short-term loans receivable, notes and accounts payable - trade, and short-term loans payable are settled in the short-term and the fair value is nearly equal to the carrying amount, their presentation has been omitted.

Millions of yen			
	Consolidated balance sheet amounts	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	¥49,786	¥49,786	¥-
(2) Long-term loans receivable	378	376	(2)
(3) Bonds payable	10,000	9,997	(2)
(4) Long-term loans payable	21,988	22,000	12
(5) Derivative transactions	-	-	-

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

Millions of yen		
Classification	Consolidated balance sheet amounts	
Unlisted securities (*1)	¥1,739	
Long-term loans receivable (*2)	2,775	

(*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 "Available-for-sale securities in (1) Investment securities."

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

Current fiscal year (April 1, 2021 to March 31, 2022)

Consolidated balance sheet amounts, estimated fair values and their differences are as follows. In addition, since cash and deposits, notes and accounts receivable - trade, electronically recorded monetary claims - operating, short-term loans receivable, notes and accounts payable - trade, short-term loans payable, and commercial papers are settled in the short-term and the fair value is nearly equal to the carrying amount, their presentation has been omitted.

Millions of yen			
	Consolidated balance sheet amounts	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	¥51,863	¥51,863	¥-
(2) Long-term loans receivable	3,074	3,372	298
(3) Bonds payable	10,000	9,992	(7)
(4) Long-term loans payable	21,668	21,630	(38)
(5) Derivative transactions	-	-	-

(Note) Shares that do not have a market value are not included in "Available-for-sale securities in (1) Investment securities." Consolidated balance sheet amounts of such financial instruments are as follows.

Millions of yen		Thousands of U.S. dollars	
Classification	Consolidated balance sheet amounts	Consolidated balance sheet amounts	
Unlisted securities	¥1,884		\$15,398

3. Redemption schedule for receivables and redeemable securities with future redemption dates

Previous fiscal year (March 31, 2021)

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	¥18,640	¥-	¥-	¥-
Notes and accounts receivable - trade	40,288	-	-	-
Electronically recorded monetary claims - operating	5,979	-	-	-
Securities and investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	477	-	-	-
Long-term loans receivable	-	375	2	-
Total	¥65,385	¥375	¥2	¥-

Current fiscal year (March 31, 2022)

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	¥13,126	¥-	¥-	¥-
Notes and accounts receivable - trade, and contract assets	39,396	-	-	-
Electronically recorded monetary claims - operating	6,156	-	-	-
Investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	800	-	-	-
Long-term loans receivable	0	23	1,637	1,413
Total	¥59,480	¥23	¥1,637	¥1,413

Thousands of U.S. dollars				
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	\$107,250	\$-	\$-	\$-
Notes and accounts receivable - trade, and contract assets	321,890	-	-	-
Electronically recorded monetary claims - operating	50,302	-	-	-
Investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	6,542	-	-	-
Long-term loans receivable	3	188	13,376	11,551
Total	\$485,988	\$188	\$13,376	\$11,551

(Changes in presentation)

"Electronically recorded monetary claims - operating," which was presented in "Notes and accounts receivable - trade" in the previous fiscal year, is separately presented from the current fiscal year because its monetary significance increased. To reflect this change in presentation, the presentation for the previous fiscal year has been reclassified.

4. Redemption schedule for bonds payable, long-term loans payable and other interest-bearing liabilities with future redemption dates

Previous fiscal year (March 31, 2021)

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	¥9,516

Current fiscal year (March 31, 2022)

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	¥19,972	¥-	¥-	¥-	¥-	¥-
Commercial papers	5,000	-	-	-	-	-
Bonds payable	-	5,000	-	-	5,000	-
Long-term loans payable	5,843	4,169	3,561	2,477	1,622	3,994
Total	¥30,816	¥9,169	¥3,561	¥2,477	¥6,622	¥3,994

Thousands of U.S. dollars

	Within one year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	\$163,188	\$-	\$-	\$-	\$-	\$-
Commercial papers	40,853	-	-	-	-	-
Bonds payable	-	40,853	-	-	40,853	-
Long-term loans payable	47,745	34,071	29,098	20,242	13,256	32,633
Total	\$251,787	\$74,924	\$29,098	\$20,242	\$54,109	\$32,633

5. Breakdown of financial instruments by level of fair value

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and significance of the inputs used in the fair value calculation.

Level 1 fair value: Fair value calculated using the unadjusted quoted price in an active market for an identical asset or liability

Level 2 fair value: Fair value calculated using inputs that are directly or indirectly observable, other than the Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

In cases where multiple inputs which have a material effect on the calculation of the fair value are used, among the levels to which the respective inputs belong, the fair value is categorized at the level with the lowest priority in the fair value calculation.

(1) Financial assets and financial liabilities with the carrying amount recorded on consolidated balance sheet at fair value

Current fiscal year (March 31, 2022)

Classification	Fair value				Total
	Level 1	Level 2	Level 3		
Investment securities					
Available-for-sale securities	¥51,863	¥-	¥-		¥51,863

Thousands of U.S. dollars

Classification	Fair value				Total
	Level 1	Level 2	Level 3		
Investment securities					
Available-for-sale securities	\$423,753	\$-	\$-		\$423,753

(2) Financial assets and financial liabilities not at fair value for their carrying amount recorded on consolidated balance sheet

Current fiscal year (March 31, 2022)

Classification	Fair value				Total
	Level 1	Level 2	Level 3		
Long-term loans receivable	¥-	¥3,372	¥-		¥3,372
Bonds payable	-	9,992	-		9,992
Long-term loans payable	-	21,630	-		21,630

Thousands of U.S. dollars

Classification	Fair value				Total
	Level 1	Level 2	Level 3		
Long-term loans receivable	\$-	\$27,554	\$-		\$27,554
Bonds payable	-	81,644	-		81,644
Long-term loans payable	-	176,734	-		176,734

(Note) Explanation of the valuation methods and inputs used in calculating fair values

Investment securities

The fair value of investment securities is based on quoted market prices. The fair value of listed shares is categorized as Level 1 fair value because they are traded on active markets.

Long-term loans receivable

The fair value of long-term loans receivable is categorized as Level 2 fair value. Long-term loans receivable are classified into set periods, with their fair value calculated based on the present value of their future cash flows discounted by the contracted interest rates adjusted to reflect fluctuations in interest rate levels (Japanese government bond yields).

Bonds payable

The fair value of bonds payable issued by the Company is calculated based on market price and categorized as Level 2 fair value.

Long-term loans payable

The fair value of long-term loans payable is categorized as Level 2 fair value. Long-term loans payable are classified into set periods, with their fair value calculated based on the present value of their future cash flows discounted by the contracted interest rates adjusted to reflect fluctuations in interest rate levels (Japanese government bond yields). Long-term loans payable with floating-rate interest are subject to special treatment of interest rate swaps, and the total of principal and interest is accounted for together with the interest rate swap on the hedged long-term loan discounted using an interest rate reasonably expected to be applied for a similar type of loan.

Derivative transactions

Under the special treatment, interest rate swaps are accounted for together with the hedged long-term loans payable, and the fair value is included in the fair value of the relevant long-term loans payable (refer to "Long-term loans payable" above).

(Securities)

1. Available-for-sale securities

Previous fiscal year (March 31, 2021)

	Type	Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	¥49,780	¥11,480	¥38,300
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	49,780	11,480	38,300
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	5	6	(0)
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	5	6	(0)
Total		¥49,786	¥11,487	¥38,299

Current fiscal year (March 31, 2022)

	Type	Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	¥51,655	¥9,857	¥41,798
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	51,655	9,857	41,798
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	207	236	(28)
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	207	236	(28)
Total		¥51,863	¥10,093	¥41,769

	Type	Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	\$422,059	\$80,543	\$341,516
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	422,059	80,543	341,516
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	1,694	1,929	(234)
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	1,694	1,929	(234)
Total		\$423,753	\$82,472	\$341,281

2. Sales of available-for-sale securities

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

	Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks		¥1,830	¥1,438	¥-
(2) Bonds		-	-	-
(3) Others		-	-	-
Total		¥1,830	¥1,438	¥-

Current fiscal year (April 1, 2021 to March 31, 2022)

	Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks		¥3,869	¥2,471	¥-
(2) Bonds		-	-	-
(3) Others		-	-	-
Total		¥3,869	¥2,471	¥-

	Type	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks		\$31,618	\$20,194	\$-
(2) Bonds		-	-	-
(3) Others		-	-	-
Total		\$31,618	\$20,194	\$-

(Derivative transactions)

1. Derivative transactions not subject to hedge accounting

Not applicable.

2. Derivative transactions subject to hedge accounting

Interest rate related

Previous fiscal year (March 31, 2021)

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	¥3,561	¥1,450	(Note)

(Note) Because the special treatment of interest rate swaps is applied, the interest rate swap is accounted for together with the hedged long-term loans payable, and the fair value is included in the fair value of the relevant long-term loans payable.

Current fiscal year (March 31, 2022)

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	¥1,450	¥300	(Note)

Thousands of U.S. dollars

Hedge accounting method	Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swap transactions Pay fixed; receive floating	Long-term loans payable	\$11,847	\$2,451	(Note)

(Note) Because the special treatment of interest rate swaps is applied, the interest rate swap is accounted for together with the hedged long-term loans payable, and the fair value is included in the fair value of the relevant long-term loans payable.

(Retirement benefits)

1. Outline of retirement benefits system

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

For the defined benefit and retirement lump-sum payment plans of certain domestic consolidated subsidiaries, the net retirement benefit liability and benefit cost are calculated using the simplified method.

2. Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Beginning balance of projected benefit obligation	¥14,320	¥14,375	\$117,456
Service cost	683	661	5,402
Interest cost	28	42	348
Actuarial gains and losses	(97)	(138)	(1,133)
Payment of retirements benefits	(558)	(536)	(4,379)
Ending balance of projected benefit obligation	¥14,375	¥14,404	\$117,695

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Beginning balance of pension assets	¥13,132	¥14,981	\$122,410
Expected return on pension assets	262	299	2,448
Actuarial gains and losses	1,241	89	728
Employer contribution	895	867	7,085
Payment of retirements benefits	(550)	(529)	(4,324)
Ending balance of pension assets	¥14,981	¥15,708	\$128,347

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Beginning balance of net defined benefit liability	¥606	¥473	\$3,864
Retirement benefit expenses	52	247	2,020
Payment of retirements benefits	(68)	(78)	(643)
Contributions to the plan	(94)	(194)	(1,585)
Other	(21)	-	-
Ending balance of net defined benefit liability	¥473	¥447	\$3,656

(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, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Projected benefit obligation of funded plan	¥15,671	¥15,730	\$128,523
Pension assets	(16,782)	(17,603)	(143,830)
	(1,111)	(1,873)	(15,306)
Projected benefit obligation of unfunded plan	978	1,017	8,311
Net amount of liabilities and assets on the consolidated balance sheet	(133)	(856)	(6,995)
Net defined benefit liability	895	892	7,291
Net defined benefit asset	(1,028)	(1,748)	(14,286)
Net amount of liabilities and assets on the consolidated balance sheet	¥(133)	¥(856)	\$(6,995)

(5) Breakdown of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Service cost	¥683	¥661	\$5,402
Interest cost	28	42	348
Expected return on pension assets	(262)	(299)	(2,448)
Amortization of actuarial loss	111	92	754
Retirement benefit cost calculated using simplified method	52	247	2,020
Retirement benefit cost of defined benefit pension	¥613	¥743	\$6,078

(6) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Actuarial gains and losses	¥1,451	¥320	\$2,615
Total	¥1,451	¥320	\$2,615

(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, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Unrecognized actuarial loss/gain	¥(304)	¥(624)	\$(5,104)
Total	¥(304)	¥(624)	\$(5,104)

(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, 2021)	Current fiscal year (March 31, 2022)
Bonds	51%	49%
Stocks	29%	30%
General accounts	15%	15%
Other	5%	7%
Total	100%	100%

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

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

(9) Matters concerning actuarial assumptions

Principal actuarial assumptions

	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Discount rate	0.2%	0.3%
Expected long-term investment return	2.0%	2.0%
Expected rates of salary increases	2.7% to 5.2%	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, 2021)	Current fiscal year (March 31, 2022)	Current fiscal year (March 31, 2022)
Deferred tax assets			
Impairment loss	¥2,203	¥2,155	\$17,614
Tax loss carryforwards	683	606	4,953
Provision for bonuses	791	804	6,574
Unrealized holding gain	469	425	3,474
Net defined benefit liability	194	93	763
Accrued business tax	247	134	1,097
Tax effect of investment and loans to subsidiaries	–	1,139	9,313
Other	1,466	1,446	11,820
Subtotal for deferred tax assets	6,057	6,806	55,610
Valuation allowance related to tax loss carryforwards (Note)	(683)	(606)	(4,953)
Valuation allowance related to the total of deductible temporary differences	(2,400)	(2,393)	(19,559)
Subtotal for valuation allowance	(3,084)	(3,000)	(24,513)
Total deferred tax assets	¥2,973	¥3,805	\$31,097
Deferred tax liabilities			
Valuation difference for available-for-sale securities	(11,883)	(12,971)	(105,982)
Liability reserves under the Act on Special Measures Concerning Taxation	(1,042)	(1,063)	(8,688)
Other	(739)	(860)	(7,030)
Total deferred tax liabilities	(13,665)	(14,895)	(121,701)
Deferred tax liabilities, net	¥(10,691)	¥(11,089)	\$ (90,604)

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

Previous fiscal year (March 31, 2021)

	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)	¥104	¥64	¥93	¥60	¥106	¥254	¥683
Valuation allowance	(104)	(64)	(93)	(60)	(106)	(254)	(683)
Deferred tax assets	–	–	–	–	–	–	–

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

Current fiscal year (March 31, 2022)

	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)	¥51	¥96	¥60	¥110	¥48	¥237	¥606
Valuation allowance	(51)	(96)	(60)	(110)	(48)	(237)	(606)
Deferred tax assets	–	–	–	–	–	–	–

	Thousands of U.S. dollars						
	Within one year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years	Total
Tax loss carryforwards (a)	\$422	\$789	\$497	\$905	\$399	\$1,938	\$4,953
Valuation allowance	(422)	(789)	(497)	(905)	(399)	(1,938)	(4,953)
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, 2021)	Current fiscal year (March 31, 2022)
Statutory effective tax rate	–%	31.0%
(Adjustment)		
Adjustments that are not temporary differences	–	(2.7)
Valuation allowance	–	(0.4)
Tax credit	–	(1.4)
Tax effect of investment and loans to subsidiaries	–	(9.5)
Other	–	1.5
Effective tax rate after the application of tax effect accounting	–	18.5

*The information for the previous 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, 2021, rental income from rental property assets was ¥1,126 million (rental revenue is recorded under sales and rental costs are recorded under cost of sales), and impairment losses amounted to ¥105 million (recorded under extraordinary loss). During the current fiscal year ended March 31, 2022, rental income from rental property assets was ¥1,169 million (US\$9,554 thousand) (rental revenue is recorded under sales and rental costs are recorded under cost of sales), and impairment losses amounted to ¥12 million (US\$103 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, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Consolidated balance sheet amounts			
Opening balance	¥21,333	¥21,136	\$172,695
Change during the fiscal year	(197)	(673)	(5,493)
Closing balance	21,136	20,463	167,202
Fair value at the end of the fiscal year	¥29,231	¥32,114	\$262,398

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

2. The fair value (which includes adjustments using relevant indices) 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.

(Revenue recognition)

1. Information on disaggregation of revenue from contracts with customers

Current fiscal year (April 1, 2021 to March 31, 2022)

	Reporting segments							Total
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	
Goods or services transferred at a point in time	¥125,973	¥12,310	¥7,848	¥3,767	¥14,595	¥1,236	¥3,680	¥169,414
Goods or services transferred over time	646	–	12,875	–	–	–	1,274	14,795
Revenue from contracts with customers	126,620	12,310	20,723	3,767	14,595	1,236	4,954	184,209
Other revenue	–	–	–	–	–	–	–	–
Net sales to outside customers	¥126,620	¥12,310	¥20,723	¥3,767	¥14,595	¥1,236	¥4,954	¥184,209

	Reporting segments							Total
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	
Goods or services transferred at a point in time	\$1,029,282	\$100,587	\$64,127	\$30,785	\$119,257	\$10,104	\$30,072	\$1,384,216
Goods or services transferred over time	5,280	–	105,196	–	–	–	10,411	120,888
Revenue from contracts with customers	1,034,562	100,587	169,324	30,785	119,257	10,104	40,483	1,505,104
Other revenue	–	–	–	–	–	–	–	–
Net sales to outside customers	\$1,034,562	\$100,587	\$169,324	\$30,785	\$119,257	\$10,104	\$40,483	\$1,505,104

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is as described under “Basis of preparation of consolidated financial statements 6. Matters concerning accounting policies (5) Criteria for posting significant revenues and expenses.”

3. Information regarding the relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, as well as amounts and timing of revenue likely to be recognized in the following and subsequent fiscal years derived from existing contracts with customers as of the end of the current fiscal year

(1) Balances of contract assets and contract liabilities

	Millions of yen	Thousands of U.S. dollars
	Current fiscal year	Current fiscal year
Receivables from contracts with customers (as of April 1, 2021)	¥46,135	\$376,957
Receivables from contracts with customers (as of March 31, 2022)	44,698	365,214
Contract assets (as of April 1, 2021)	823	6,731
Contract assets (as of March 31, 2022)	854	6,978
Contract liabilities (as of April 1, 2021)	597	4,879
Contract liabilities (as of March 31, 2022)	¥110	\$902

(2) Transaction price allocated to the remaining performance obligations

Unsatisfied and partially unsatisfied performance obligations amount to ¥2,182 million (US\$17,836 thousand) as of March 31, 2022. Such performance obligations pertain to construction contracts with respect to which revenue is likely to be recognized within about one year.

(Segment information)

[Segment information]

I. Previous fiscal year (April 1, 2020 to March 31, 2021)

1. Overview of reporting segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Company's reportable segments are composed of products and services based on the Cement segment and departments. The Company's seven reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, Battery Materials and Others.

Main products for each reportable segment are as follows:

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

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

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

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

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

	Reporting segments							Note 1 Adjustment amount	Note 2 Consolidated	
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			Total
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥187,469	¥11,984	¥17,577	¥5,725	¥10,719	¥721	¥5,076	¥239,274	¥-	¥239,274
(2) Intersegment sales or transfers	3,012	4,084	2,404	20	-	-	5,172	14,693	(14,693)	-
Total	¥190,482	¥16,068	¥19,981	¥5,746	¥10,719	¥721	¥10,249	¥253,968	¥(14,693)	¥239,274
Segment profit (or loss)	9,673	1,840	1,657	271	2,067	(574)	1,641	16,576	55	16,631
Segment assets	218,382	34,733	18,881	4,341	10,039	1,907	25,562	313,849	15,801	329,650
Other items										
Depreciation expense	14,261	2,081	472	581	735	73	537	18,742	23	18,766
Increase in property, plant and equipment and intangible assets	¥15,570	¥4,042	¥426	¥163	¥911	¥11	¥326	¥21,452	¥-	¥21,452

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

(1) Adjustments for segment profit (or loss) of ¥55 million include elimination of inter-segment profit and loss.

(2) Adjustments for segment assets of ¥15,801 million include ¥39,275 million of corporate assets, which are not allocable to a reportable segment, and ¥(23,474) million of elimination of inter-segment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions.

(3) Adjustments for depreciation and amortization of ¥23 million include ¥43 million of depreciation and amortization for corporate assets and ¥(20) million of elimination of inter-segment profit and loss.

2. Segment profit (or loss) has been adjusted to the operating income reported in the consolidated statements of income.

II. Current fiscal year (April 1, 2021 to March 31, 2022)

1. Overview of reporting segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Company's reportable segments are composed of products and services based on the Cement segment and departments. The Company's seven reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, Battery Materials and Others.

Main products for each reportable segment are as follows:

Reporting segments	Main products
Cement	Assorted cement, cement-related solidification materials, ready-mix concrete, supply of electrical power, and recycling of raw materials and fuel
Mineral Resources	Limestone, dolomite, calcium carbonate, aggregate, and silica powder
Cement-Related Products	Repair and reinforcement of concrete structures (materials and construction), various admixture, heavy metal pollution control material, fish beds and seaweed beds, electrolytic protection methods, various ground improvement work, PC (products, settings), and various hume concrete pipes
Optoelectronics	Optical communications devices and components, and optical measurement equipment
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.

As stated under "Accounting policy changes," the Accounting Standard for Revenue Recognition and relevant ASBJ regulations have been applied effective from the consolidated financial statements of the current fiscal year. As such, the Company has changed its method of accounting for revenue recognition and has accordingly also changed its method of calculating profit or loss for business segments.

In comparison with the previous method, this change has resulted in a decrease of ¥58,435 million (US\$477,456 thousand) in net sales of the Cement segment in the current fiscal year, a decrease of ¥784 million (US\$6,412 thousand) in net sales of the Mineral Resources segment, an increase of ¥796 million (US\$6,510 thousand) in net sales of the Cement-Related Products segment, and a decrease of ¥23 million (US\$192 thousand) in net sales of Other segment.

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

	Reporting segments							Note 1 Adjustment amount	Note 2 Consolidated	
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			Total
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	¥126,620	¥12,310	¥20,723	¥3,767	¥14,595	¥1,236	¥4,954	¥184,209	¥-	¥184,209
(2) Intersegment sales or transfers	2,834	3,993	2,280	-	-	-	6,484	15,593	(15,593)	-
Total	¥129,454	¥16,304	¥23,004	¥3,767	¥14,595	¥1,236	¥11,439	¥199,803	¥(15,593)	¥184,209
Segment profit (or loss)	(2,382)	2,264	1,818	99	3,304	(25)	1,725	6,804	74	6,878
Segment assets	222,132	33,996	18,915	2,872	12,437	2,219	24,173	316,747	14,360	331,107
Other items										
Depreciation expense	15,026	2,279	539	67	815	51	536	19,317	18	19,336
Amortization of goodwill	-	-	31	-	-	-	-	31	-	31
Increase in property, plant and equipment and intangible assets	¥16,200	¥1,897	¥405	¥162	¥1,883	¥23	¥110	¥20,684	¥-	¥20,684

	Reporting segments							Note 1 Adjustment amount	Note 2 Consolidated	
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other			Total
Net sales and operating income										
Net sales										
(1) Net sales to outside customers	\$1,034,562	\$100,587	\$169,324	\$30,785	\$119,257	\$10,104	\$40,483	\$1,505,104	\$-	\$1,505,104
(2) Intersegment sales or transfers	23,157	32,631	18,634	-	-	-	52,984	127,407	(127,407)	-
Total	\$1,057,719	\$133,219	\$187,958	\$30,785	\$119,257	\$10,104	\$93,468	\$1,632,512	\$(127,407)	\$1,505,104
Segment profit (or loss)	(19,462)	18,500	14,857	809	26,997	(208)	14,100	55,595	610	56,205
Segment assets	1,814,954	277,773	154,550	23,470	101,618	18,136	197,510	2,588,014	117,336	2,705,350
Other items										
Depreciation expense	122,775	18,621	4,408	554	6,666	423	4,385	157,836	151	157,988
Amortization of goodwill	-	-	259	-	-	-	-	259	-	259
Increase in property, plant and equipment and intangible assets	\$132,371	\$15,507	\$3,313	\$1,329	\$15,385	\$195	\$904	\$169,008	\$-	\$169,008

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

(1) Adjustments for segment profit (or loss) of ¥74 million (US\$610 thousand) include elimination of inter-segment profit and loss.

(2) Adjustments for segment assets of ¥14,360 million (US\$117,336 thousand) include ¥39,223 million (US\$320,477 thousand) of corporate assets, which are not allocable to a reportable segment, and ¥(24,862) million (US\$(203,140) 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 ¥18 million (US\$151 thousand) include ¥41 million (US\$340 thousand) of depreciation and amortization for corporate assets and ¥(23) million (US\$(188) 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, 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.

Current fiscal year (April 1, 2021 to March 31, 2022)

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 reporting segment]

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

	Reporting segments								Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total		
Impairment loss	¥4	¥3	¥-	¥1,028	¥-	¥-	¥-	¥1,036	¥97	¥1,133

(Note) The adjustment amount of ¥97 million is related to the idle assets, etc. included in corporate assets.

Current fiscal year (April 1, 2021 to March 31, 2022)

	Reporting segments								Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total		
Impairment loss	¥6	¥4	¥-	¥-	¥-	¥-	¥-	¥10	¥2	¥12

Current fiscal year (April 1, 2021 to March 31, 2022)

	Reporting segments								Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total		
Impairment loss	\$51	\$33	\$-	\$-	\$-	\$-	\$-	\$84	\$18	\$103

(Note) The adjustment amount of ¥2 million (US\$18 thousand) is related to the idle assets, etc. included in corporate assets.

[Information relating to goodwill amortization and unamortized balance by reporting segment]

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

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

	Reporting segments								Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total		
Amortization in the fiscal year	¥-	¥-	¥31	¥-	¥-	¥-	¥-	¥31	¥-	¥31
Unamortized balance at end of the fiscal year	¥-	¥-	¥127	¥-	¥-	¥-	¥-	¥127	¥-	¥127

Current fiscal year (April 1, 2021 to March 31, 2022)

	Reporting segments								Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Battery Materials	Other	Total		
Amortization in the fiscal year	\$-	\$-	\$259	\$-	\$-	\$-	\$-	\$259	\$-	\$259
Unamortized balance at end of the fiscal year	\$-	\$-	\$1,039	\$-	\$-	\$-	\$-	\$1,039	\$-	\$1,039

[Information relating to gains incurred from negative goodwill by reporting segment]

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

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

[Related party transaction information]

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

Not applicable.

Current fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

(Per share information)

Item	Yen		U.S. dollars
	Previous fiscal year (April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Net assets per share	¥5,397.31	¥5,778.40	\$47.213
Profit per share	304.56	262.77	2.147

(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, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent	¥11,719	¥9,674	\$79,045
Amount not attributed to common shareholders	-	-	-
Profit attributable to owners of parent related to common stock	11,719	9,674	79,045
Average outstanding shares during the fiscal year (shares)	38,480,575	36,816,557	

(Significant subsequent events)

(Issuance of commercial papers)

On April 6, 2022, the Company issued commercial papers totaling ¥3.0 billion (US\$24,512 thousand) with a redemption date of September 30, 2022.

An overview is as follows.

1. Total issue amount	¥3.0 billion (US\$24,512 thousand)
2. Interest rate	(0.0055)% per year
3. Payment due date	April 6, 2022
4. Redemption period	Six months
5. Uses of funds	Working capital

On June 2, 2022, the Company issued commercial papers totaling ¥2.0 billion (US\$16,341 thousand) with a redemption date of June 30, 2022.

An overview is as follows.

1. Total issue amount	¥2.0 billion (US\$16,341 thousand)
2. Interest rate	(0.0005)% per year
3. Payment due date	June 2, 2022
4. Redemption period	One month
5. Uses of funds	Working capital

(Issuance of bonds)

At the Board of Directors meeting held on May 27, 2022, the Company approved a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market. Pursuant to this resolution, the Company issued the 17th series and 18th series of unsecured bonds on June 14, 2022.

An overview is as follows.

17th series of unsecured bonds	
1. Total issue amount	¥5.0 billion (US\$40,853 thousand)
2. Interest rate	0.47% per year
3. Issuance price	¥100 per face value of ¥100
4. Payment due date	June 14, 2022
5. Redemption date	June 14, 2027
6. Method of redemption	Full amount on maturity
7. Uses of funds	Capital investments
18th series of unsecured bonds	
1. Total issue amount	¥5.0 billion (US\$40,853 thousand)
2. Interest rate	0.72% per year
3. Issuance price	¥100 per face value of ¥100
4. Payment due date	June 14, 2022
5. Redemption date	June 14, 2032
6. Method of redemption	Full amount on maturity
7. Uses of funds	Capital investments

(Business transfer)

At the Board of Directors meeting held on February 22, 2022, the Company resolved to transfer the lithium iron phosphate (LFP) battery materials business (including the Battery Materials Research Group of the New Technology Research Laboratory, and a subsidiary SOC Vietnam Co., Ltd.) to Sumitomo Metal Mining Co., Ltd. The Company subsequently concluded the business transfer contract on the same day and has completed the transfer as of May 1, 2022.

1. Reasons for transfer

The Company has developed LFP battery materials using the original nanoparticle synthesis technology it has cultivated since the 1980s. It completed a mass-production plant in Vietnam in December 2012 and has since been supplying the market with high-performance LFP battery materials featuring highly stable quality.

LFP battery materials are poised to encounter mounting demand going forward, particularly for their applications in electric vehicles and batteries for stationary energy storage. Amid this scenario, the Company has opted to entrust this business to Sumitomo Metal Mining, which already has a lineup of nickel cathode material products and has been making progress with a structure capable of increased production, given the notion that having it operate this business will give rise to more opportunity for business growth.

2. Name of partner company subject to the transfer

Sumitomo Metal Mining Co., Ltd.

3. Date of transfer

May 1, 2022

4. Segment containing the transferred operations

Battery Materials segment

5. Amount of gain or loss on sale of businesses

Calculation pending

(Retirement of treasury stock)

At the Board of Directors meeting held on May 27, 2022, the Company resolved to retire treasury stock under the provisions of Article 178 of the Companies Act.

1. Type of stocks retired	Common stock of the Company
2. Number of shares retired	2,913,700 shares (Ratio to the total number of outstanding shares before retirement: 7.82%)
3. Total number of outstanding shares after the retirement	34,329,517 shares
4. Date of retirement	May 31, 2022

(Note) The contents of this financial section are an English translation of the Securities Report, prepared in Japanese, for the 159th term (from April 1, 2021 to March 31, 2022) that was audited by Ernst & Young ShinNihon LLC, the Company's independent auditor. However, the English translation was not audited separately by the independent auditor.

Company Overview / Stock Information (as of March 31, 2022)

Company	Sumitomo Osaka Cement Co., Ltd.	Employees	3,068
Established	November 29, 1907	Capital	¥41.6 billion
Head Office	6-28, Rokubancho, Chiyoda-ku, Tokyo 102-8465, Japan Telephone number +81-3-5211-4500		

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
SO 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.	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

Securities code	5232
Stock exchange listing	Tokyo Stock Exchange
Total number of authorized shares	130,000,000
Total number of shares outstanding	37,243,217 (2,436,655 shares of treasury stock)
Shareholders	22,436

Status of Major Shareholders

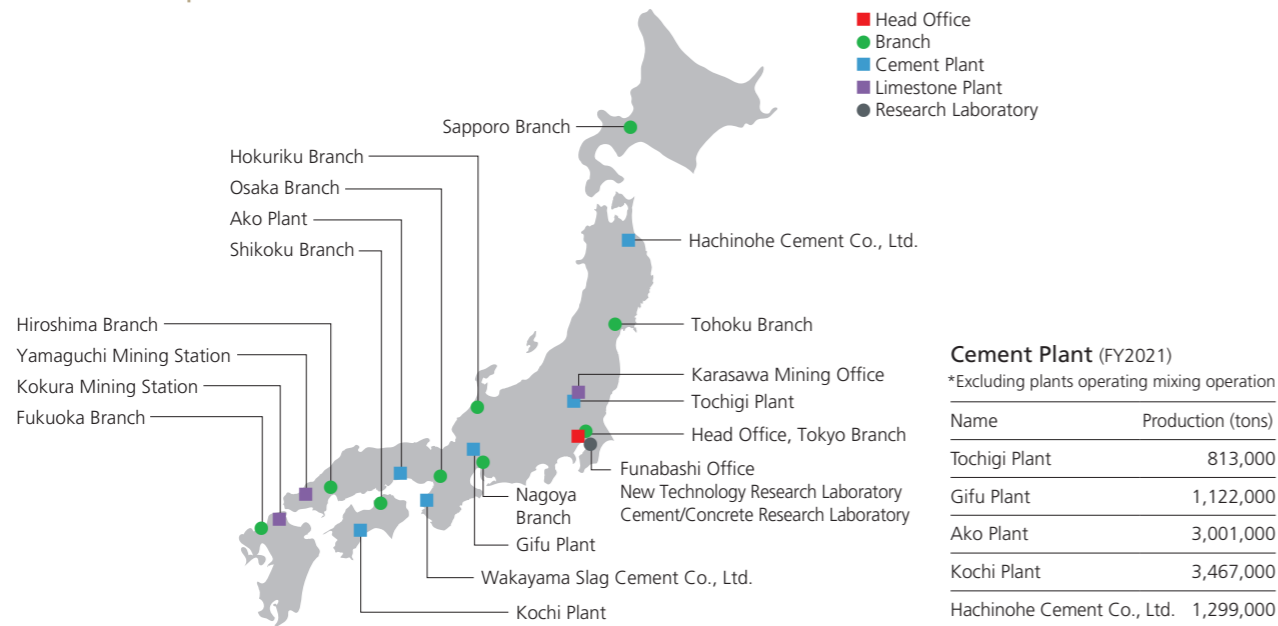
Name	Number of shares owned (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,812	19.6
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	3,325	9.6
NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS	1,641	4.7
Custody Bank of Japan, Ltd. (Trust Account)	1,632	4.7
City Index Eleventh Co., Ltd.	1,481	4.3
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,084	3.1
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	1,046	3.0
THE KILTEARN GLOBAL EQUITY FUND	1,009	2.9
Sumitomo Life Insurance Company	852	2.4
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS TOBACCO FREE INTERNATIONAL VALUE EQUITY TRUST	753	2.2

(Notes) 1. 2,436,655 shares of treasury stock held by the Company are excluded from the major shareholders above.

2. Ownership ratio is calculated using the number excluding 2,436,655 shares of treasury stock from the total number of shares outstanding. In addition, the number of treasury stock excludes 28,000 shares of the Company's stocks held by the trust relating to the stock-based remuneration plan for officers.

Network (as of June 28, 2022)

Network in Japan



Overseas network



Website information

For the details of IR information, please visit our website.


Corporate website
<https://www.soc.co.jp/>

IR Information
<https://www.soc.co.jp/ir/>



Third-Party Verification Report

Based on the assessment by an independent external third-party assessment organization on factual information on the fiscal 2021 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 Co., Ltd. August 8, 2022

Japan Audit and Certification Organization
for Environment and Quality (JACO)
2-2-19 Akasaka Minato-ku, Tokyo, Japan

President H. Onodera

Japan Audit and Certification Organization for Environment and Quality (JACO) has been engaged by Sumitomo Osaka Cement Co., Ltd. including its domestic consolidated company (hereinafter referred to as "the Organization") to conduct independent verification of its GHG emissions data in the Integrated Report prepared under the responsibility of the Organization. The aim of this verification is to consider the accuracy of the GHG emissions data and to provide a verification opinion.

- Purpose and scope of verification**

With regard to GHG emissions information for the fiscal year 2021 (from April 1, 2021 to March 31, 2022) reported to the report, the verification was conducted.

1) Scope 1 and Scope 2 Greenhouse gas emissions

 - CO₂ emissions from energy consumption by business activities at the Organization's 87 sites
 - Greenhouse gas emissions from production processes at 36 domestic factories and mines.

The Organization revised a part of the data in the "CO₂ Emissions fiscal 2021" that was used for the verification based on the verification results. The responsibility for preparing a calculation report and reporting GHG emissions is in the Organization and our responsibility is to express an opinion on GHG emissions stated in the calculation report by independent standpoint.
- Verification procedure**

JACO conducted verification in accordance with ISO 14064-3:2019, Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements. We conducted the following activities as part of limited assurance:

 - Hearing or document inquiries to the Organization's officials who are responsible for identifying and accounting greenhouse gas emissions;
 - Evaluation of the application of the accounting criteria, the method of data measurement, the assumptions adopted by the Organization as well as its basis, and the description of the GHG statement related to the information (data) used to determine the GHG emissions; and
 - Verification by sampling in order to confirm accuracy of GHG emissions.
- Conclusion**

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the Organization's GHG statements:

 - are not materially accurate and are not a fair representation of the GHG emissions as per the scope of work; and
 - are not prepared in accordance with the methodology implemented by the Organization.

Verified greenhouse gas emissions

Scope 1: 8,810 ktCO₂e, Scope 2: 179 ktCO₂e

The Organization and JACO verification team did not have any specific conflicts of interest and carried out the verification on an independent basis.

 **SUMITOMO OSAKA CEMENT CO., LTD.**

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