Integrated Report 2023

SUMITOMO OSAKA CEMENT

# Sumitomo Business Spirit

observed as a merchant, strongly expressing his Buddhist worldview. This is the origin and sound management, and shall not pursue easy gains." In other words, the management style of placing prime importance on integrity and sound management Osaka Cement Group's corporate philosophy.

# **Business Principles**

- Article 1 Sumitomo shall achieve strength and prosperity by placing prime importance
- cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.



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

- 2. We will act ethically and comply with all laws and regulations.
- 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" From Ministry of the Environment (Japan) "Guidance for Collaborative Value Creation 2.0" from Ministry of Economy, Trade and Industry (Japan)

#### Reporting Scope

Reporting period: April 1, 2022 to March 31, 2023 Reporting entities: Sumitomo Osaka Cement Co., Ltd. and Group companies

# **History of Value Creation**

# We will contribute to the sustainment and ongoing development of a prosperous society based on the credentials and technology cultivated in the Cement business.

In November 1907, the Company was founded as Iwaki Cement Co., Ltd. in Yokohama. In the following year, the Company built the current Yotsukura-cho, Iwaki City, Fukushima Prefecture, and commenced the cement manufacturing business. In October 1963, the Company changed its name to Sumitomo Cement Co., Ltd., joining the Sumitomo Group, and became a member of the Hakusuikai in the following year. Subsequently, in October 1994, Sumitomo Osaka Cement Co., Ltd. was established following a merger with Osaka Cement Co., Ltd., and has been operating to this day. Since the Company's establishment over 100 years ago, we have consistently taken on the part of the responsibilities for the business in the public sector to develop social infrastructures through our supply of cement. Further, the Company is currently engaged in a variety of businesses, ranging from the Mineral Resources business branched off from the Cement Business, the Cement-Related Products business, the Cement-Related Products business utilizing in-house optoelectronics and nanotechnology, to the Advanced Materials business.







City Subway using the Narihirabashi Plant iah-strenath cement

Constructed the Osaka



Hamamatsu Plant



Biomass power generation facilities

#### 2020

Established the Sustainable Measures Committee Announced 2050 "Carbon Neutral" Vision "SOCN2050"

#### 2021

Commenced operation of cement terminal in Australia through joint investment with local subsidiary

#### 2023

- Announced the medium- to long-term vision "SOC Vision2035" and, FY 2023-25 Medium-term Management Plan
- Merged the CSR Committee and Sustainable Measures Committee, and established the Sustainability Committee
- As a "company with a strong presence," we will strive to enhance corporate value by taking on the challenge of reforming our business portfolio for the realization of becoming an environmental solution company.



# 2019

Completed construction of large silo for cement storage at Kochi Plant



Kochi Plant

# **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, the Cement-Related Products business, the Optoelectronics business utilizing in-house optoelectronics and nanotechnology, to the Advanced Materials business.





# **Message from the President**

President, Representative Director Hirotsune Morohashi

# We aim to be "a company with a strong presence" by bringing out our differentiation and originality by "providing solutions to environmental issues."

## Formulation of the medium- to longterm vision "SOC Vision2035"

The Group has had a clearly defined philosophy, which we have cultivated over a long period of time, but when formulating the current medium-term management plan, we indicated our ideal vision for the Group in 2035 as a new medium- to long-term vision.

When considering why we have indicated our medium- to long-term vision, first, thinking about how the Group can contribute to society with the reason for the Company's existence, we want all employees to look toward the future with shared values.

Second, we want to undertake structural reforms for the Group's sustainable growth.

Third, we want the younger generation who will be in charge of the Group in future to have a dream for the Company's future.

## 1. Shared values

The Group has, to date, supported social infrastructure with cement, and we have made the main reason for the Company's existence to be one of contributing to a recycling-based society, recycling waste as raw material or as thermal energy. However, we believed that the Group, which is engaged in businesses other than the Cement business, needed to clarify the shared values of all employees to achieve further growth of the Company in future.

Those shared values are contributing to society by "providing solutions to environmental issues." This "providing solutions to environmental issues" encompasses a number of meanings.

- 1) We will further contribute to a recycling society by recycling more waste than before
- We will take better care of the natural environment, such as the ecosystem, while carrying out the limestone resources business and Tsushima leopard cat protection activities
- 3) We will supply low power consumption devices and system solutions that address the evolving smart society and provide a better living environment
- We will shift to thermal energy and create new businesses in response to the demands of a decarbonized society

These will be understood in our philosophy to "care for the global environment, and contribute to the sustainment and ongoing development of a prosperous society." We would like to indicate that we are "a company with a strong presence" in society, by bringing out our differentiation and originality, which is linked to the key phrase of "providing solutions to environmental issues" in our respective businesses.

# 2. Business portfolio reform

The Group's business structure is centered on the Cement business, and in fiscal 2022 operating income, ordinary income and profit all recorded a loss due to the sharp increase in energy prices. As we continue to work on restructuring our business, we are unfortunately unable to expect major growth in domestic cement demand over the long-term future, so the Group is unable to grow sustainably by only relying on the Cement business.

# Message from the President

Therefore, we need to change the business portfolio, expanding business areas other than the Cement business, particularly the Optoelectronics business and Advanced Materials business, which is anticipated to grow, and to create new businesses that can meet the demands of a decarbonized society, so that such businesses are on a par with the Cement business.

For 2035, we would like to aim for a specific numerical target of ¥400.0 billion in companywide net sales. We are aiming for a target of 50:50 between the Cement business and non-cement businesses by growing our Optoelectronics and Advanced Materials Businesses and creating new businesses. In particular, since we much create new businesses from scratch, this will not be an easy task, so we will aggressively invest resources for this.

On the other hand, there are still opportunities for the Cement business in overseas markets. Even in Japan, the Company must always have a stable source of revenue and advance business model reforms, while developing our social contribution and continuing to lead the industry in the decarbonization field. In particular, with regard to the decarbonization field, initiatives towards our carbon neutral vision "SOCN2050" are extremely important and we continue to invest for such purposes without easing our resolve.

# 3. Thoughts for younger people who will be in charge of the future

The numerical targets for 2035 are very big targets so they are not something that can be achieved by only extending our trajectory to date.

In formulating the current Medium-term Management Plan, we first considered our vision for the company in 2035, and thought of what we needed to do in each business to achieve that. By solving many of the issues discovered at the formulation stage, we will be able to grow the Company significantly and the Group has great potential to achieve this.

That is why we want younger employees to steadily join in the planning with their dreams. We want to give them an opportunity. While

circumstances are currently guite tough, we hope to guickly restore performance, invest for the growth of employees and to further increase salary levels.

### SOC Vision2035

The SOC in "SOC Vision2035" is the abbreviation of Sumitomo Osaka Cement, and we have given it the following meaning. "S" refers to "Social contribution," "O" refers to "Originality," and "C" refers to "Change & Challenge." The SOC Group aims to provide solutions to environmental issues to meet the demands of the times with originality as we change toward 2035. We will improve people's life and contribute to society. It also means we will challenge beyond that for our carbon neutral vision "SOCN2050."

# FY 2023-25 Medium-term Management Plan

In the past, medium-term management plans have summarized the current issues for each division and the measures to address those issues during the next three year period, in what was planning taking a bottom-up approach. That approach is important, and we have also incorporated such thinking when formulating the current plan. However, that by itself mostly addresses only the case of large external environmental changes and it does not convey to external stakeholders how the Group wants to become in future, how it will proceed and for what target and the reason for the Company's existence in society. In addition, without a medium- to long-term vision, employees also sometimes lose confidence in their day to day work, and could also feel uncertainty about the future.

In light of this, this time we have defined a solid medium- to long-term vision, and indicated the extent to which we must achieve the current Medium-term Management Plan for this to be realized. So-called backcasting method. I have indicated the Group's vision, and that initiatives are needed by each division to achieve this, and I hope that everyone will seriously think about what specific action to take during the next three years.

"SOC Vision2035" and "FY2023-25 Medium-term Management Plan" are signposts. Always return to our origins, think about the vision, and push forward without hesitation.



That "SOC Vision2035" and the "FY 2023-25 Medium-term Management Plan" will become important signposts. Further environmental changes and major difficult circumstances are likely to arise in future. At such time, I hope that we return to our origins, think about the vision and proceed without hesitation.

## Management targets and indicators

We said that we are targeting company-wide net sales of ¥400.0 billion in 2035, and we are targeting operating income of at least ¥40.0 billion, ROE of at least 10% and ROIC of at least 6.5%.

Improving a company with less than 1xPBR has become an issue. For the Company to continue businesses into the future, we must improve from less than 1x PBR, and improving ROE is the most important element to achieve this. However, we will not only increase profit, but invest in the next growth and return profits to shareholders to ensure assets do not become excessively large.

In the Medium-term Management Plan, we set targets that we want to achieve in 2025 as steps towards the management targets aimed for 2035. We are targeting company-wide net sales of ¥265.0 billion, operating income of ¥21.4 billion, ROE of at least 8.0%, and ROIC of at least 5.0%, so in the next three years we will restore the performance of the loss-making Cement business and the Optoelectronics business as well as aggressively investing in Advanced Materials business and overseas business. In addition, while sowing seeds for new businesses, we will ensure that we can reap the benefits in the next stage. For these purposes, we will also proactively enhance human resources, research and development, intellectual property and DX.

The Company has, to date, often placed its judgement criteria on its internal logic and based on past successful experiences, and it appears that the perspective of how we provide value to customers, and particularly society, has been weak. The formulation of the current plan was based on strong consideration given to how we are perceived from outside.

Amid the pronounced change in the external environment, we will think about things with diverse values and continue our sustained growth, so please be inspired by the SOC that lies ahead.

# **Value Creation Process**

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

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.

Social issues	INPUT	Business Activities	• OUTPUT	Ουτςοι
<ul> <li>Intensifying natural disasters</li> <li>Aging social infrastructure</li> </ul>	Financial capital         Total assets       ¥356.5 billion	FY2023-25 Medium-term Man	agement Plan	[Economic valu Medium-term Mana
<ul> <li>Creating a recycling-based society</li> <li>Building ICT/IoT-driven society</li> <li>Climate change issues</li> </ul>	Net assets       ¥184.5 billion         Equity ratio       51.2%         Manufacturing capital         Cement production volume         9,546,000 tons	Improving profitability of existing businesses • Recovery of profitability in Cement business • Improve profitability by gaining market share for next-generation optical communication components	Building foundations for growth           • Expand scale and strengthen profitability by concentrating resources on the electronics materials business for semiconductor manufacturing equipment           • Overseas business expansion	Plan targetsNet sales¥265Operating income¥21ROE8.0% ofROIC5.0% of
Opportunities	Clinker production volume 8,240,000 tons Cement plants 6 plants		(Australian business) • New business development in the decarbonization field	[Social value]
<ul> <li>Increase revenue through advancement into overseas markets</li> <li>Reduce greenhouse gas emissions</li> <li>Enhance energy-saving equipment technology</li> <li>Increase revenue through recycling promotion</li> <li>Attain growth opportunities through the development of new technologies linked to CCUS</li> </ul>	(4 plants of plants) (4 plants owned by the Company, Hachinohe Cement Co., Ltd. and Wakayama Slag Cement Co., Ltd.) Human capital Employees (Non-consolidated) 1,243 Employees (Consolidated) 2,896 Intellectual capital	Business Activities <u>Cement Business</u> • Recovery of profitability, foundation building and promotion of decarbonization <u>Mineral Resources Business</u> • Business expansion through investment in increased production, and securing resources for business sustainability <u>Cement-Related Products Business</u> • Environmentally friendly product	Optoelectronics Business • Gain market share of LN modulator (1.2T/1.6T) • Create contract manufacturing model in the non-communication area *1.2T (Tbps): 1.2 trillion bits of data transfer per second Advanced Materials Business • Business expansion by concentrating resources on the electrostatic chuck business • Expansion of products other than	Shareholders an investors Stable dividends Swift and accurate d Customers Stable supply of high-quality produc Response to custome
Risks	Number of patents held 1,873 R&D expenses ¥3.4 billion	development/respond to new needs, and entry into urban construction and civil engineering work	electrostatic chucks including zinc oxide for cosmetics, functional paints, etc.	<b>Business partner</b> Fair and impartial tr
<ul> <li>Decrease in the domestic cement demand</li> <li>Enforcement of greenhouse gas emission regulations</li> <li>Variable energy prices</li> <li>Market contraction due to technology innovation</li> <li>Trade friction between the US and China</li> </ul>	Social capitalLogistics network comprising 58service stations and 21 cementtankers and trucks under our controlNatural capitalOwned mines8 minesVolume of waste and byproducts received4,922,000 tons	Stable supply system         Efficient operations and logistics platform         Rich mineral content and high- purity limestone         Strengths         Human talent         Sumitomo Business Spirit         Human resources with a high level of expertise	Eachnologies and competitive edge         Cement, concrete, and technology related to optoelectronics/advanced materials Competitive patent portfolios         Einancial indicators         Stable financial position	Local communiti Care for the environr safety in the commun Contribution to loca economy and employ Employees Safe and healthy we Development of div human resources

# Foundation to Support Value Creation

- Contribute to the Sustainment and Ongoing Development of a Prosperous Society
  Care for the Global Environment
  Contribute to the Development of a Recycling-based Society
- Develop and Utilize Human Resources
- Enhance Governance
- 2050 "Carbon Neutral" Vision "SOCN2050"

2035 medium- to long-term vision

# ME

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#### nagement

5.0 billion 1.4 billion or higher or higher

## nd

disclosure

icts ner needs

**ers** trade

#### ties

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vorkplace verse

# SOC Vision2035

## Vision: to be a company with strong presence

1 Presence as	a challenger with
	lifferentiation and
unique styl	e

- ② An environmental solution company that meets the needs of the times\*
- **③** Challenge to coal phase-out

\*An environmental solution company: a company that provides solutions (products and solutions) to environmental issues towards the realization of a recycling-based society and decarbonized society

#### Target figures for 2035

<ul> <li>Net sales</li> </ul>	¥400.0 billion
• Operating income	¥40.0 billion or more
• ROE	10% or higher
ROIC	6.5% or higher

# Business portfolio reform (based on net sales)

Cement business	50%
Non-cement business	50%
In addition profitability improvement in	

the Cement business, we aim to make the Advanced Materials business and new business in the decarbonization field our new business pillars.

# 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.

# > 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.



# > Materiality matrix

-		items of eriality	Contribute to the Sustainment and Ongoing Development of a Prosperous Society Care for the Global Environment Contribute to the Bevelopment of a Recycling-based Society Enhance Governance		
Degree of importance for stakeholders	Very high		<ul> <li>Preserving biodiversity (Tsushima leopard cat protection activities, expansion of marine products business (artificial marine reefs and seaweed beds), reforestation of mine sites after mining)</li> <li>Contribution to building social infrastructure and improving national resilience (Cement business, Mineral Resources business, Cement-Related Products business)</li> <li>Contribution to building an IoT/ICT-driven society (Optoelectronics business, Advanced Materials business)</li> <li>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 leading to CCUS)</li> <li>Resource recycling in cement plants (Receiving of waste and byproducts)</li> </ul>		
e for stakeholders	High		<ul> <li>Biomass power generation business</li> <li>Reducing environmental impact (Air/soil and water pollution prevention)</li> </ul>		
	High		High Very high		
	Degree of importance for Sumitomo Osaka Cement				
	28	Respect	and utilize human resources or human rights, diversity & inclusion onal safety and health, health and business activities		







# **Response to risks and opportunities**

The primary social issues that the Group aims to tackle through its corporate activities have been defined as five items of materiality.

We identify the anticipated risks and opportunities for these five items of materiality, and through identification, clarify the issues to be tackled by the Company.

Mat	eriality	Risks	Opportunities	
Contribute to the Sustainment and Ongoing Development of	Contribution to building social infrastructure and improving national resilience	Contraction of domestic cement market	<ul> <li>Increase in renewal demand due to aging of existing infrastructure</li> </ul>	<ul> <li>Reform the</li> <li>Secure and</li> <li>Expand the</li> </ul>
a Prosperous Society	Contribution to building an IoT/ICT-driven society	<ul> <li>Increased development difficulties associated with the sudden upgrading of technologies required by the market (Advanced Materials)</li> <li>Intensifying competition in high value-added products with devices (Optoelectronics)</li> </ul>	<ul> <li>Increase in semiconductor demand due to progress in automation and unmanned technologies in each industry</li> <li>Increase in demand for high capacity, high-quality transmission optical communication associated with the increase in data transmission volumes (Optoelectronics)</li> </ul>	<ul> <li>Enhance promotion</li> <li>Strengthen (Advanced I</li> <li>Advance int modulators</li> </ul>
Contribute to the Development of a Recycling-based Society	Resource recycling in cement plants	<ul> <li>Intensified competition of waste collection associated with the shift from fossil energy to thermal energy-related waste</li> </ul>	<ul> <li>Increased acceptance of diverse waste materials due to the enhancement of recycling facilities</li> </ul>	<ul> <li>Expand the such as the</li> <li>Establish ord</li> </ul>
12 seeds	Receiving of disaster waste	Shutdown of cement plants due to large-scale disaster	<ul> <li>Assist with fast restoration by promptly accepting the waste from the disaster and by supplying cement products and cement-related products</li> </ul>	Build strong     the agreeme
	Biomass power generation business	<ul> <li>Intensified competition of biomass fuel collection associated with the shift from fossil energy to thermal energy-related waste</li> </ul>	• Expansion of new biomass fuel use	Enhance fac
	Reducing environmental impact	In the event that the appropriate response is not taken • air pollution and water pollution arises in the environment near the plants • reputational damage	<ul><li>Preserve the environment in the vicinity of cement plants</li><li>Continued operation of plants</li></ul>	<ul> <li>Prevent the using dust c mandated e</li> <li>Prevent wat</li> <li>Identify wat</li> </ul>
Care for the Global Environment	Preventing global warming	Transition risks • Introduce an impact fee system for carbon • Increase research and development spending and capital investment to achieve carbon neutral • Change the recycling collection environment, etc. Physical risks • Impact of accidents at cement plants, etc.	<ul> <li>Transition opportunities</li> <li>Reduce coal consumption and promote energy savings</li> <li>Create new businesses and carbon businesses</li> <li>Recycling market: Advancements in technologies using recycling and increase in accepted products</li> <li>Optoelectronics business and Advanced Materials business: Increased demand for optical communication components and semiconductor manufacturing components, etc. due to heightened needs for high capacity, high-speed, power-saving devices</li> <li>Physical opportunities</li> <li>Increase in demand for infrastructure due to measures for National Resilience, and increase in the maintenance, renewal and repair of concrete, etc.</li> </ul>	<ul> <li>Strengthen Carbon Neu</li> <li>Participate in "SOCN2050</li> <li>Create new</li> <li>TCFD-based</li> <li>Promote blu</li> <li>Set ICP (inte headquarter</li> <li>Destroy fluo</li> </ul>
	Preserving biodiversity	• Reputational damage if appropriate response is not taken	<ul> <li>Increase in demand for marine products due to heightened social interest</li> <li>Gain social trust</li> </ul>	<ul> <li>Protect the reefs and se</li> <li>Tsushima lee</li> <li>Reforestatio</li> <li>Information</li> </ul>
Develop and Utilize University Deve	Respect for human rights, diversity & inclusion	<ul> <li>In the event that the appropriate response is not taken</li> <li>Violation of employee human rights through discrimination and harassment, outflow of human resources</li> <li>Procurement anxiety caused by human rights risks in the supply chain</li> <li>Reputational damage, the emergence of unanticipated costs</li> </ul>	<ul> <li>Protect the human rights of employees and retain human resources by prohibiting all types of discrimination and preventing harassment</li> <li>Create innovation based on a variety of values and perspective</li> <li>Continue stable procurement by building a healthy supply chain structure</li> <li>Gain social trust</li> </ul>	<ul> <li>Strengthen subcommitte</li> <li>Formulate a education</li> <li>Consider hute</li> <li>Promote the Advancement</li> </ul>
Develop and Utilize Human Resources	Occupational safety and health, Health and productivity management	<ul> <li>In the event that the appropriate response is not taken</li> <li>Outflow of human resources, recruitment difficulty</li> <li>Lower labor productivity caused by illness and injury, increase in health-related costs</li> <li>Increase in work-related accidents</li> </ul>	<ul> <li>Increase labor productivity through the promotion of health and productivity management, increase employee motivation</li> <li>Increase productivity by preventing work-related accidents through continuous health and safety education</li> <li>Secure and retain human resources by enhancing the human resource development system and systems related to the easy-to-work workplaces</li> </ul>	<ul> <li>Each type of system)</li> <li>Implement s external safe</li> <li>Enhance tele</li> <li>Establishmer</li> <li>Internal wall</li> </ul>
	Highly effective corporate governance	<ul> <li>Decline in corporate value due to the decline in the effectiveness of the governance system, reputational damage</li> </ul>	<ul> <li>Improve corporate value by building a highly effective governance system, gain social trust</li> </ul>	Strengthen
Enhance Governance	Strengthen risk management and compliance	<ul> <li>Reputational damage due to violation of laws and/or regulations and breach of compliance</li> <li>Business continuity risks arise</li> </ul>	<ul> <li>Gain social trust by observing laws and regulations and being compliant</li> <li>Sustained continuation of business</li> </ul>	<ul> <li>Operations</li> <li>Hold in-hou</li> <li>Hold compli</li> <li>Establish a v</li> </ul>

#### The Company's response

he business portfolio

nd maintain fair cement prices

he Australian Cement business

production facilities for electrostatic chucks (ESC), which are semiconductor turing equipment components (Advanced Materials)

en development and production systems through an increase in personnel ad Materials)

into the 1.2T/1.6T market for optical communications equipment LN ors (Optoelectronics)

he collection of waste and byproducts through aggressive capital investment he increase of chlorination infrastructure at each cement plant

ordinary trash treatment facilities (Ichikawa Recycle Center)

ong cooperative relationships with local government bodies by entering into ement on the treatment of disaster waste

facilities using new biomass fuel

the emission of particulates and other air pollutants contained in gas emissions st collectors and denitrification equipment, with emission levels below legally ed emission standards (Cement business)

water pollution (sedimentation tanks, oil-water separation tanks, oil monitors) water intake and discharge by source and respond to water risks

en the promotion system with the establishment of the expert subcommittee: Neutral and Environment Subcommittee (Sustainability Committee) te in the GX League and promote the decarbonization transition plan 050"

ew businesses and carbon businesses by FY 2025

sed information disclosure

blue carbon through the supply of marine products (seaweed beds)

internal carbon price), and become carbon neutral for energy used at

rters fluorocarbons in cement kilns

he marine habitat through the supply of marine products (artificial marine d seaweed beds)

a leopard cat protection activities through cooperation with local governments ation of mine sites after mining

ion sharing through participation and endorsement of initiatives

en the promotion system through the establishment of the expert nittee: Labor and Social Affairs Subcommittee (Sustainability Committee) te and disseminate the "human rights policy" and implement human rights

human rights due diligence

the "Plan of Action for the Promotion of Female Participation and Career ment"  $% \left( {{{\rm{P}}_{{\rm{P}}}}_{{\rm{P}}}} \right)$ 

e of training system (training for new employees, rank-based training, OJT

nt safety training held by the headquarters and by each business office, and safety training

teleworking and flexible working hours, etc.

ment of an online obstetrics/gynecology and pediatrics consultation service walking rally event held

en the effectiveness of the corporate governance system

ns of the Risk Management Committee

nouse briefings and workshops on risk management

npliance education

a whistleblowing contact point

# FY 2023-25 Medium-term Management Plan

This time we have presented the Group's new 2035 medium- to long-term vision "SOC Vision2035." To achieve this, we have formulated a Medium-term Management Plan with specific measures to be undertaken by each business from FY2023 to FY2025.

# SOC Vision2035



# 2035 vision

1 Presence as a challenger with thorough differentiation and unique style       Net sales \$\pmathcal{40.0 billion}\$         2 An environmental solution company that meets the needs of the times*       Operating income \$\pmathcal{40.0 billion}\$         3 Challenge to coal phase-out       Net sales \$\pmathcal{40.0 billion}\$         *What is SOC as an environmental solution company       A company that provides solutions (products and solutions) to environmental issues towards the realization of a recycling-based society and decarbonized society       Solution company	Vision: to be a	company with a strong presence	Target	figures for 2035
(2) An environmental solution company that meets the needs of the times*       (3) Challenge to coal phase-out         *What is SOC as an environmental solution company       A company that provides solutions (products and solutions) to environmental issues towards the realization of a recycling-based solution company       ROE       10% or higher         *What is SOC as an environmental solution company       A company that provides solutions (products and solutions) to environmental issues towards the realization of a recycling-based solution company       Cement business       50%				
(a) Challenge to coal phase-out       ROIC       6.5% or higher         *What is SOC as an environmental solution company       A company that provides solutions (products and solutions) to environmental issues towards the realization of a recycling-based company       Roic       6.5% or higher	① Presence as a challenger	with thorough differentiation and unique style	, ,	
Solution company     A company that provides solutions (products and solutions) to     environmental issues towards the realization of a recycling-based     cement business     Solution     So	2 An environmental soluti	2 <u>An environmental solution company</u> that meets the needs of the times*		5
*What is SOC as an environmental solution company that provides solutions (products and solutions) to environmental issues towards the realization of a recycling-based control description of a recyclin	<b>③ Challenge to </b> <u>coal phase</u> -	③ Challenge to coal phase-out		
solution company environmental issues towards the realization of a recycling-based center business 50%			Busines	s portfolio reform
		environmental issues towards the realization of a recycling-based	Cement busir	ness 50%
	solution company	society and decarbonized society	Other than th	ne Cement business 50%

# > Investment policy

We will invest approximately ¥500.0 billion in carbon neutral (CN) investment and growth investment during the period from 2023 to 2035 with the aim of achieving the SOC Vision2035

New businesses

Growth investment /

electronics materials business

: Carbon business

Overseas business : Australian business

**CN** investment **Key investment** Approx. ¥100.0 billion themes until CN response for plants and means of transport FY2035

Infrastructure development Approx. ¥200.0 billion Advanced Materials : Diversification of the

Maintenance/renewal

Approx. ¥200.0 billion Strengthen the facilities in each plant, etc.

> The future we should aim for as an environmental solution company



# Positioning the FY 2023-25 Medium-term Management Plan



## FY 2023-25 Medium-term Management Plan

# > Company-wide strategy

We promote "Improving profitability of existing businesses" and "Building foundations for growth" as the company-wide strategy in the Medium-term Management Plan.

Improving profitability of existing businesses • Recovery of profitability in Cement business • Improve profitability by gaining market share in next-generation optical communication components
<ul> <li>Building foundations for growth</li> <li>Expand scale and strengthen profitability by concentrating resources on the electronics materials business for semiconductor manufacturing equipment</li> <li>Overseas business expansion (Australian business)</li> <li>New business development in the decarbonization field</li> </ul>
Strengthen management foundation
• Human resources strategy : Investment in people to support business growth and operation of a new human resources policy
• Research and development strategy : Strengthen research and development for the creation of new business in the Optoelectronics business and Advanced Materials business field and the decarbonization field
• Intellectual property strategy : Promoting development of human resources with intellectual property skills and the utilization of the management strategy for intellectual property information analysis (IP landscape)
• DX strategy : Infrastructure development to solve issues in each business division

# > Business Strategies

Certain promotion of the business strategy as follows, based on the company-wide strategy.

	Vision for the 2035 business	Business strategies
Cement		
Please see pages 23 to	A business that contributes to the CN society, demonstrating a strong presence by aiming to secure stable revenue, strengthen	Recovery of profitability
24 for the details	overseas transportation capacity and by being an industry leader	<ul> <li>Foundation building</li> <li>Promotion of decarbonization</li> </ul>
	in "decarbonization"	Promotion of decarbonization
	Vision for the 2035 business	Business Strategies
Advanced		
Materials Business	A technology/product development business that contributes to a sustainable society and the development of the foundation for	<ul> <li>Business expansion by concentrating resources on the electrostatic chuck business</li> </ul>
Please see page 28 for	information infrastructure	<ul> <li>Expansion of products other than electrostatic chucks</li> </ul>
the details		including zinc oxide for cosmetics, functional paints, etc.
Mineral Resources	Vision for the 2035 business	Business Strategies
Please see page 25 for	High-added value products from limestone resources	<ul> <li>Business expansion through investment in increased</li> </ul>
the details		production
		<ul> <li>Securing resources for business sustainability</li> </ul>
	Vision for the 2035 business	Business Strategies
Cement-Related		Dusiliess Strategies
Cement-Related Products	Realize a people and environmentally-friendly business model	Environmentally friendly product development, response
		<ul> <li>Environmentally friendly product development, response to new needs</li> </ul>
Products		Environmentally friendly product development, response
Products Please see page 26 for		<ul> <li>Environmentally friendly product development, response to new needs</li> </ul>
Products Please see page 26 for the details		<ul> <li>Environmentally friendly product development, response to new needs</li> </ul>
Products Please see page 26 for the details Optoelectronics	Realize a people and environmentally-friendly business model	<ul> <li>Environmentally friendly product development, response to new needs</li> <li>Entry into urban construction and civil engineering work</li> </ul>
Products Please see page 26 for the details	Realize a people and environmentally-friendly business model Vision for the 2035 business	<ul> <li>Environmentally friendly product development, response to new needs</li> <li>Entry into urban construction and civil engineering work</li> <li>Business Strategies</li> <li>Gain market share in LN modulators (1.2T*/1.6T)</li> <li>Create contract manufacturing model in the</li> </ul>
Products Please see page 26 for the details Optoelectronics Please see page 27 for	Realize a people and environmentally-friendly business model Vision for the 2035 business	<ul> <li>Environmentally friendly product development, response to new needs</li> <li>Entry into urban construction and civil engineering work</li> <li>Business Strategies</li> <li>Gain market share in LN modulators (1.2T*/1.6T)</li> <li>Create contract manufacturing model in the non-communication area</li> </ul>
Products Please see page 26 for the details Optoelectronics Please see page 27 for	Realize a people and environmentally-friendly business model Vision for the 2035 business	<ul> <li>Environmentally friendly product development, response to new needs</li> <li>Entry into urban construction and civil engineering work</li> <li>Business Strategies</li> <li>Gain market share in LN modulators (1.2T*/1.6T)</li> <li>Create contract manufacturing model in the</li> </ul>
Products Please see page 26 for the details Optoelectronics Please see page 27 for the details	Realize a people and environmentally-friendly business model Vision for the 2035 business	<ul> <li>Environmentally friendly product development, response to new needs</li> <li>Entry into urban construction and civil engineering work</li> <li>Business Strategies</li> <li>Gain market share in LN modulators (1.2T*/1.6T)</li> <li>Create contract manufacturing model in the non-communication area</li> </ul>
Products Please see page 26 for the details Optoelectronics Please see page 27 for	Realize a people and environmentally-friendly business model Vision for the 2035 business Realize a super smart society through original technologies Concept Through open innovation, shift from being a CO <sub>2</sub> emitting	<ul> <li>Environmentally friendly product development, response to new needs</li> <li>Entry into urban construction and civil engineering work</li> <li>Business Strategies</li> <li>Gain market share in LN modulators (1.2T*/1.6T)</li> <li>Create contract manufacturing model in the non-communication area</li> <li>*1.2T (Tbps): 1.2 trillion bits of data transfer per second</li> </ul>
Products Please see page 26 for the details Optoelectronics Please see page 27 for the details	Realize a people and environmentally-friendly business model Vision for the 2035 business Realize a super smart society through original technologies Concept	<ul> <li>Environmentally friendly product development, response to new needs</li> <li>Entry into urban construction and civil engineering work</li> <li>Business Strategies</li> <li>Gain market share in LN modulators (1.2T*/1.6T)</li> <li>Create contract manufacturing model in the non-communication area</li> <li>*1.2T (Tbps): 1.2 trillion bits of data transfer per second</li> <li>Priority theme</li> </ul>

# > Outline of numerical plan



Net sales Operating income Operating margin 8.1% **¥265.0** billion **¥21.4** billion

# Outline of investment plan

Investment themes	Investment details
CN investment	CN response for each plant and power station and
Growth investment / Infrastructure development	<ul> <li>Enhance the production capacity of the Advance</li> <li>Expand Australian business</li> <li>Company-wide D</li> <li>M&amp;A and others</li> </ul>
Maintenance/renewal	Strengthen the facilities in each plant, etc.

# Shareholder Return Policy

Improve profitability, provide continuous stable dividends and enhance return to shareholders (total return ratio of 3-year average of 50% or higher).

# Capital Allocation

Have a good balance between investment and returns to shareholders using the cash generated from operating cash flow created through improved profitability and sales of cross-shareholdings. (Please see page 22 for the details)



# > New businesses

Take the emitted CO<sub>2</sub> to be a management resource and promote research and development and demonstrations through open innovation to turn CO<sub>2</sub> and waste into resources, with the aim of commercialization.

#### **Related cases**

- 1. Launch and sales of CO<sub>2</sub> absorption and low-carbon products · Launch and commercialization of new products based on CN thinking, leveraging the sales performance of Low-carbon Cement<sup>™</sup> products since 2011
- 2. Development and demonstration of CO<sub>2</sub> separation and capture technology
- Development and demonstration of original efficient CO<sub>2</sub> separation and recovery system
- 3. CO<sub>2</sub> Recycling
- as a NEDO Green Innovation Fund Project, launch and expand sales of new products, mainly the world's first waste-derived synthetic limestone with recycled CO<sub>2</sub>.

(Examples: Various cement-related products using carbon-recycling cement, concrete, etc.)





• Starting with the social implementation of the achievements of "Establish carbonatation technology with various Ca sources"



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

We will maximize profits from business expansion, promote asset reduction, and distribute acquired cash in a balanced manner for sustainable growth.

Director, Managing Executive Officer Masaki Sekimoto

## Looking Back on Performance in Fiscal 2022

Energy costs, which had been rising since fiscal 2021, rose even more in fiscal 2022. Therefore, we have been working to improve profitability through additional price increases in November 2021 and again in July 2022. However, in addition to energy costs, the rise in prices of raw materials and other various materials as well as the impact of the depreciation of the yen against the U.S. dollar resulted in a significant loss in the Cement business, with costs increasing faster than progress from price increases. Increased profits in the Advanced Materials business and other factors were unable to compensate for this loss. As a result, the consolidated operating income in the previous fiscal year could not be maintained and a consolidated operating loss was posted.

Cash flow from operating activities was also negative due to an increase in working capital resulting from efforts to secure alternative procurement and inventory from sources other than Russia due to the situation in Russia and Ukraine. Against this backdrop, we have steadily made investments to increase the acceptance of recyclable materials as alternatives to fossil energy, as stated in the "2050 Carbon Neutral" SOCN2050," as this leads to cost curtailment and profitability improvement. Therefore, any cash shortfall is covered through interest-bearing debt procurement.

Although interest-bearing debt has increased compared to the past, the debt-to-equity (D/E) ratio is around 0.5, maintaining financial stability. Under this business environment, we have made steady progress on our reduction target for cross-shareholdings that was announced last year, while also striving to provide stable returns to shareholders.

FY2022 results		(Bi	llions of yen)
	FY2022	FY2021	Change
Net sales	204.7	184.2	20.5
Operating income (loss) [of which Cement business]	(8.5) [(19.5)]	6.8 [(2.3)]	(15.4) [(17.1)]
Non-operating income (loss)	0.7	2.9	(2.2)
Ordinary income (loss)	(7.8)	9.8	(17.6)
Extraordinary income (loss)	4.7	2.1	2.5
Profit (loss) attributable to owners of parent	(5.7)	9.6	(15.3)
Dividends per share (yen)	120	120	-

Status of Cash Flow		(Billions of yen)
	FY2022 results	FY2021 results
Profit (loss) before income taxes and non-controlling interests	(3.1)	12.0
Depreciation expense (including amortization of goodwill)	20.2	19.4
Changes in receivables and payables, income taxes, etc.	(33.2)	(13.1)
Operating cash flow	(16.1)	18.3
Purchase of property, plant and equipment	(27.9)	(20.9)
Sale of assets, etc.	8.6	5.2
Others	(0.5)	(0.4)
Investing cash flow	(19.8)	(16.1)
Free cash flow	(36.0)	2.2
Change in interest-bearing debt	43.1	5.1
Purchase of treasury stock (including payments of segregated deposits)	(1.5)	(8.5)
Dividends paid and others	(4.3)	(4.6)
Financing cash flow	37.3	(8.0)
Net increase (decrease) in cash and cash equivalents	1.4	(5.7)

# **Capital Allocation**

In the FY 2023-25 Medium-term Management Plan, we will strengthen our management foundation by positioning Specifically, we aim to increase net sales by approximately ¥60.0 billion to ¥265.0 billion and operating income by

improving profitability of existing businesses and building foundations for growth as company-wide strategies in anticipation of SOC Vision2035. In this context, our financial policy is to maximize profits from business expansion and to promote asset reduction. We aim to achieve ROE of at least 8.0% and ROIC of at least 5.0% through thorough capital optimization by balancing the use of acquired cash for sustainable growth investment and shareholder returns. approximately ¥30.0 billion to ¥21.4 billion in fiscal 2025 compared to fiscal 2022. Doing so will generate operating cash flow of ¥111.0 billion over the three-year period. In terms of asset reduction, we aim to reduce the ratio to less than 20% of net assets in FY 2023 and less than 10% of net assets in FY 2026 through the sale of cross-shareholdings. We plan to use the cash generated from business profits and asset reduction to fund capital investment of ¥108.0 billion over the three-year period.

This includes ¥17.0 billion for carbon neutral investments to reduce CO<sub>2</sub> emissions by reducing coal consumption, and increase the volume of recyclable materials received to expand alternative raw materials and thermal energy. It also includes ¥41.0 billion in growth and infrastructure development investment to enhance the production capacity of the Advanced Materials business, expand the Australian business (downstream development), invest in DX (development of common systems for cement plants, automation of operations at production facilities for electrostatic chucks, and reform of work styles at headquarters), etc. We also expect to invest ¥50.0 billion in maintenance and renewal to strengthen facilities at each plant, etc. In regard to shareholder returns, we aim to increase the total return ratio of three-year average of 50% or higher by increasing the dividend and acquiring treasury stock, in light of the status of improvement in profitability with a base for stable dividends of ¥120 per share.





# Sumitomo Osaka Cement Group Overview by Segment

# **Cement Business** (sales, international, logistics)



Representative Director Executive Vice President Responsible for Real Estate 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, work related to the Chuo Shinkansen (Superconducting Maglev train), 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, coal and oil prices and ocean freight rates are expected to continue to fluctuate sharply in the future due to the uncertain global situation. Other costs such as raw fuel, electricity, materials, and labor have also increased.

Under these circumstances, we will steadily implement sales price revisions to restore profitability as stated in the FY 2023-25 Medium-term Management Plan, and work to maintain and secure appropriate prices. At the same time, we will carry out 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 crews, and service station workers), including those to address the 2024 problem, 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 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 we invested became operational in 2021, becoming a stable export destination for us. We will use the terminal as a base in Australia to focus on downstream business expansion in the future. We will establish our foundation to develop overseas business where we can take advantage of synergies with our cement technology and exports in other overseas regions as well.

#### Business Strategies

Under "SOCN2050," which outlines the Company's plan to reduce CO2 emissions, we are focusing capital investment in areas to achieve the near term 2030 target.

Toward 2030, we aim to (1) reduce fossil energy-derived CO<sub>2</sub> emission intensity by 30% (compared to fiscal 2005), and (2) increase fossil energy substitution rates at the eight kilns in all plants to an average of 50% or higher, with a target of 80% or higher for four of those kilns.

To achieve the target fossil energy substitution rate, we have been steadily promoting initiatives to achieve the most reductions of coal consumption as possible, even if it is as little as one ton, such as increasing waste plastics processing facilities, to capture and use a diverse range of alternative heat sources.

In our environmental business, we will strengthen our efforts to recycle cement resources by accepting a wide range of waste products and byproducts as raw materials. In addition, in terms of environmental investments, we have advanced the conversion of dust collection equipment to enable the use of bag filters at all plants, which enhances dust collection performance while also making it possible to further expand our acceptance of waste products and byproducts that are difficult to process. The ordinary incinerator ash that we receive from local governments also contributes to carbon neutrality as an alternative to limestone raw materials. In order to expand the amount of ash we receive, we have established a pretreatment and marine transportation base in Ichikawa City, Chiba Prefecture, at the end of fiscal 2022. In recent years, we have concluded partnership agreements with many related local governments for the acceptance of disaster waste from repeated natural disasters in order to assist in matters such as facilitating smooth administrative procedures, procuring materials during disasters, and preserving the environment. 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		Positive factors Negative factors				
Interna factors	Suenguis	<ul> <li>Marketing strength that leverages the Sumitomo brand</li> <li>Information-gathering capabilities based on direct contact with end users</li> <li>Distribution of service stations providing coverage of nearly the whole of the country</li> <li>Well-balanced locations for plants</li> <li>High rate of in-house power generation (use of biomass/thermal power generation)</li> <li>High intensity of waste usage and byproduct usage, high thermal energy substitution rate</li> <li>Unified management of all overseas transportation (SOC Logistics Co., Ltd.)</li> </ul>	Weakhesses	<ul> <li>Aging of plant and service station facilities</li> <li>Supply capability for specialty cement</li> <li>Docking facilities for coastal plants</li> </ul>	<ul> <li>Insufficient capacity at service stations in areas of demand</li> </ul>	Net sales (Billio 140.3	ons of yen) 160.9
Externa factors	opportunities	<ul> <li>Disaster prevention/mitigation, demand for major construction projects</li> <li>Rising demand in developing countries</li> <li>Rising environmental awareness around the globe</li> </ul>	Threats	<ul> <li>Declining domestic demand for cement</li> <li>Stronger regulation of companies emitting CO2</li> <li>Higher repair costs caused by aging of facilities, labor shortages</li> <li>Shortages of alternative thermal energy sources such as waste plastics and biomass fuels</li> </ul>	<ul> <li>Labor shortages and aging of personnel involved in transportation (drivers/ship's crews/ service station workers)</li> <li>Global logistics disruptions and soaring ocean freight rates</li> <li>Sharp increase in energy prices</li> <li>Sharp fluctuations in exchange rates</li> </ul>	FY2022	FY2023 Forecast

# **Cement Business** (production, facilities, environment)



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

# Ryoji Doi



#### Operating income (loss) (Billions of yen)

# Sumitomo Osaka Cement Group Overview by Segment

# **Mineral Resources** Business



Managing Executive Officer Responsible for Mineral Resources and Products Div., Optoelectronics Business Div., and Advanced Materials 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 for shipments at Senzaki Port (Nagato City, Yamaguchi Prefecture), which is the port of dispatch for Shuho Mine, that enables loading 24 hours a day, and commenced shipping berth extension work as infrastructure development. 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 high-added value 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 increase production and 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.

#### 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 has been a rising need for maintenance and renovation of aging social infrastructure such as roads, tunnels, railway lines, bridges, water and sewage facilities, port 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 railroad and road 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 and contracts work from the manufacturing of materials to on-site construction by enlisting collaboration with Group companies such as Estec Co., Ltd., SNC Co., Ltd., KURICON, LTD., Noma Sangyo Co., Ltd., and Chuken Consultant Co., Ltd. which is involved in surveying and diagnostic work for concrete structures.





# **Cement-Related Products Business**



Representative Director **Executive Vice President** Responsible for Real Estate Dept., Cement Sales Administration Dept., International Business Dept., Physical Distribution Dept and Cement-Related Products Div

# Toshihiko Onishi



Operating income (Billions of yen)



 Sharp increase in prices for raw and secondary materials

# Sumitomo Osaka Cement Group Overview by Segment

# **Optoelectronics** Business



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

# Mikio Konishi

#### Business Strategies

LN (lithium niobate) modulators, which are optical communication components that are the mainstay product of the Optoelectronics business, provide superior performance for medium- to long-distance communications, and are used primarily in backbone networks. At a global level, the recent promotion of teleworking and so on has resulted in further increases in internet traffic (data transmission volumes), and the market is expected to grow further. In addition, we anticipate that high value-added optical modulators will be required for Beyond 5G/6G, which is the foundation for next-generation information communication.

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 labor-saving technologies.

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, in regard to existing products, we are also working on the development of new products by applying the optical device technology we have cultivated over many years, adding some modifications and advancing in non-communication areas such as satellite communication and the high frequency wireless field.



#### Business Strategies

We expect further growth in the semiconductor manufacturing equipment market due to the progress in digitalization of society and needs for higher performance from semiconductors. We are targeting for the Advanced Materials Division, with electronic materials for semiconductor manufacturing equipment as a pillar, to be a core business accounting for the 50% of net sales from non-cement businesses set forth in the mediumto long-term management vision "SOC Vision2035."

Data handling volumes will increase exponentially in future with the spread of 5G, DX and AI, etc. Meanwhile, the market for semiconductors and manufacturing equipment will also increase, and we forecast the market to more than double by 2035. We will invest concentrated resources into this growth area, and definitely develop the business. The Company's electrostatic chucks, which use SiC nanoparticles, have the features of nano-composite ceramics that excel in surface assimilation and resistance to voltage, and improve the 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. Amid the growing demand for various features required in electrostatic chucks, we will meet customer demands by accelerating the speed of technological development in addition to the attributes of materials in which the Company has strength.

This fiscal year is the start of the FY 2023-25 Medium-term Management Plan. At present, all semiconductor manufacturers have been forced to reduce production with ongoing adjustments in semiconductor inventories, but there is no change to the rising trend in transmission volume due to the proliferation of 5G communication and the advancement of DX, and we forecast demand for semiconductors for memory and logic used in data centers and mobile devices, etc. and for semiconductor manufacturing equipment to recover in fiscal 2024 and subsequently surge ahead.

We will invest aggressively so that we can respond without delay to a surge in demand for electrostatic chucks and our plan is to start increasing manufacturing capacity.

In addition to this, we manufacture and sell cosmetics materials and functional paints assigned with optical functionality such as screening of UV light. In addition to the expansion of sales pf products that use nanotechnology, a core competency of the Company, we are developing materials for clean energy, and will not only secure stable revenues, but contribute to a sustainable society.



# **Advanced Materials Business**

# human resources for design development and production

to meet quality needs that rise every year, is an issue

 Synchronization with the semiconductor market with its rapid pace of innovation

Need improvements in materials and production development in a timely



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



#### Operating income (Billions of yen)



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# **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 Optoelectronics business 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 highperformance concrete, concrete paving technology, as well as ultra-rapid hardening materials and methods for repairs, along with technologies with a lower environmental impact, among others.

Cement/Concrete Research Laboratory R&D Policy

- "Strive for the implementation of technologies to actualize the higher value-added core business under one roof."
- 1) Maximize profitability of the recycling business and realize facility efficiency that contributes to a low-carbon society
- 2) Enhance construction site productivity and develop concrete technologies with an eye on the conservation of power and labor, and automation
- 3) Develop carbon recycling technology using CO<sub>2</sub> 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**

Intellectual Property Dept. will promote the following efforts in order to strengthen our management foundation to support the sustainable growth of the Group

- 1) Strengthen the development of human resources skilled in intellectual property
- 2) Utilization of intellectual property information analysis for management strategy (IP Landscape)

Executive Officer

Tomomi Yanagimachi

# 1. Strengthen the development of human resources skilled in intellectual property

We will strengthen the development of personnel able to strategically create and utilize intellectual property (human resources skilled in intellectual property) to strengthen the management foundation that supports the Group's sustained growth. Specifically, we will develop people able to create an image of utilizing intellectual property for the future in a continuously changing business environment, and people who form intellectual property rights, tenaciously thinking about what types of intellectual property to create for such images. In addition to the increase in the development of such human resources itself strengthening the management foundation, we expect that the created intellectual property will definitely lead to management value in future. We would like as many employees as possible to become such human resources, and will implement refined development of Human resources skilled in intellectual property in conjunction with the occupational category and class.

# 2. Utilization of the management strategy for intellectual property information analysis (IP landscape)

We will conduct Intellectual property information analysis for the purpose of utilization in formulation of the management strategy. For example, we will anticipate changes to the environment surrounding the business through analysis that fuses information on "policies, market and technologies" with intellectual property, and present the risks and propose opportunities from an intellectual property perspective. In addition, we contribute to the formulation and expansion of our own business model to provide solutions to environmental issues by analyzing the intellectual property information in line with the trends in "environment, economy and society" relating to our own business and by providing this to relevant internal divisions.

We will promote the creation and utilization of intellectual property looking ahead to the SOC Vision2035, by analyzing intellectual property information from a medium- to long-term perspective, and providing useful information for creating technologies with competitive advantages and intellectual property in future domains.

#### Image of the IP landscape



Responsible for Intellectual Property Dept General Manager, Intellectual Property Department

# Sustainability for the Sumitomo Osaka Cement Group

# **Basic Approach**

Based on Sumitomo's business spirit of "placing prime importance on integrity and sound management" and philosophy of "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," the Sumitomo Osaka Cement Group has been working to resolve social issues through its business.

Initiatives to solve material social issues of "achieving carbon neutrality" and "preventing global warming" are imperative for the sustainable and sound development of the Group. In 2020, we announced in our carbon neutral long-term vision "SOCN2050," our challenge to achieve net zero CO<sub>2</sub> emissions by 2050.

In addition, under the belief that we need to incorporate widespread sustainability into management, we created the following system in order to handle initiatives for the "respect for human rights" in the Company and in its supply chain, and are working as one to promote this system.

# > Promotion Framework

Apr. 2020 Established the Sustainable Measures Committee

- Dec. 2020 Announced 2050 "Carbon Neutral" Vision "SOCN2050"
- Apr. 2021 Established Sustainability Department
- Apr. 2023 Established the "Sustainability Committee" with the development of the Sustainable Measures Committee Established the "Carbon Neutral and Environment Subcommittee"
  - and under this, established the "Labor and Social Affairs Subcommittee"

## **Sustainability Committee**

This Committee has been established for the purpose of trying to establish and spread sustainability awareness and to promote activities. The structure of the activities, has the President as the chairperson in an organization that spans the entire company. The agenda details are regularly reported to the Board of Directors with important matters discussed so that the Board of Directors provides direction and works as one with the management on initiatives surrounding sustainability issues.



# Labor and Social Affairs Subcommittee

Amid the continuing globalization of the economy, the focus on respect for human rights shines not only the Company itself but also the supply chain. The Group has to date been involved in human rights issues including work life balance and diversity. However, it is aware of the need for further promotion both inside and outside the Company. This subcommittee will gather human rights-related information and conduct inhouse awareness raising, while actively promoting initiatives across all divisions concerning respect for human rights in the Group's supply chain, etc.

## **Carbon Neutral and Environment Subcommittee**

For the realization of carbon neutrality, this subcommittee undertakes promotion, information gathering, risk assessment and formulation of response, internal training and education programs, action plans and progress management of the Group's initiatives, etc. based on the long-term vision "SOCN2050."

We will tackle the challenge of achieving carbon neutrality by using all possible domestic and international measures.

# Full focus on achieving a coal substitution rate of 50% by 2030

The immediate goal is to achieve a coal substitution rate of 50% across all five plants by 2030, by which time the Company will have invested more than 40 billion yen. Additionaly, we are aiming for a substitution rate of 80%, which is even a high-level target globally, for four of the eight kilns. We have upheld world class substitution rates to date, and we are currently gearing up investment, working on unprecedented expansion of our facilities. Recently, both the kiln and temporary incinerator furnace have successfully run completely coal-free clinker firing operations. Currently, all divisions, including the five plants, production, environment, facilities, and research laboratories, are fully focused on achieving a coal substitution rate of 50% by 2030.

# 2050: The challenge of moving to carbon neutral

Possession of high-grade and abundant domestic resources and limestone is an unshakeable advantage of Japan's cement industry. However, as long as that raw material is used, CO2 will be generated from the calcination process. 44% of limestone is emitted as CO<sub>2</sub>. 60% of total CO<sub>2</sub> emissions from cement plants including those from the burning process at 1,450°C are from limestone calcination. This is why the cement sector is referred to as a difficult sector for emissions reduction, both domestically and internationally, and why cement manufacturing is said to be an industry with high hurdles to becoming carbon neutral.

In Europe, the North Sea oil fields are nearby, and the potential for carbon capture and storage (CCS) is high. In Japan, which is disadvantaged in that regard, we are recognizing that it is essential to pursue the possibility of CCU (carbon capture and utilization, or carbon recycling). Limestone CaCO<sub>3</sub> is a chemically stable substance. Accordingly, stabilizing CaO (CaCO<sub>3</sub>-CO<sub>2</sub> = CaO) separated from CO<sub>2</sub> in industrial processes by recombining it with CO<sub>2</sub> after use is rational from a carbon-neutral perspective. CaO contained in waste streams after decarbonation and human use should be considered a valuable recycled resource for CO<sub>2</sub> fixation or reuse. Limestone CaCO<sub>3</sub>, a domestic resource, has been a major raw material for concrete for hundreds of years, shaping the infrastructure structures of our country. These structures are demolished and recycled in cycles of decades. However, in this carbon-neutral era, the CaO in the demlished materials should not be used as roadbed material or recycled aggregate but captured and used effectively as a recycled resource that fixes and reuses CO<sub>2</sub>. For this reason, we believe it is important to reform the vein system. Our concept of carbon recycling envisions a dual loop of CO2 and calcium. Currently, under the national Green Innovation Fund project, we are progressing the development of technology for stable and high-quality production

of synthetic limestone CaCO<sub>3</sub> by reacting various Ca-containing wastes with cement plant emissions. We are looking forward to a successful demonstration at the actual plant.

Representative Director Senior Managing Executive Officer Responsible for Production and Technical Dept., Maintenance and Engineering Dept., Sustainability Dept., Environment Div., and Cement/Concrete Research Laboratory Chair of Carbon Neutral and Environment Subcommittee of Sustainability Committee

## Ryoji Doi

F

Environment

# **Response to Climate Change**

# Greenhouse Gas Emission Volume of the Sumitomo Osaka Cement Group



	FY2018	FY2019	FY2020	FY2021	FY2022
Energy-related CO <sub>2</sub>	3,856	3,742	3,654	3,706	3,380
[Breakdown] Scope1	3,643	3,533	3,458	3,527	3,185
Scope2	213	209	196	179	195
Non-Energy-related CO <sub>2</sub> (Derived from processes)	4,590	4,470	4,260	4,320	4,130
Non-Energy-related CO <sub>2</sub> (Derived from waste)	812	818	762	741	709
Other GHG	235	229	220	222	206
Volume of GHG emissions (CO <sub>2</sub> equivalent)	9,493	9,259	8,896	8,989	8,425
Scope1 (net CO <sub>2</sub> emissions)	8.468	8.232	7.938	8.069	7.521

\*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 1 netCO<sub>2</sub> emissions: CO<sub>2</sub> derived from recyclable materials such as biomass and waste is excluded from energy-related CO<sub>2</sub>, based on the WBCSD (World Business Council for Sustainable Development) concept of net CO<sub>2</sub> emissions

<Scope of data collection> The Company and 48 major affiliates



# CO<sub>2</sub> Emissions in the Value Chain: Scope 3 (Fiscal 2022)

Category		CO <sub>2</sub> emissions (1,000 t-CO <sub>2</sub> )	Calculation method*
1	1 Purchased goods and services		Calculated by multiplying the amount of natural materials for cement manufacturing purchased from non-Group companies by the CO <sub>2</sub> basic unit
2	Capital goods	66.5	Calculated by multiplying the recorded amount of new noncurrent assets by the CO <sub>2</sub> basic unit
3	Fuel and energy related activities not included in Scope 1 or 2	369.2	Calculated by multiplying the amount of thermal energy purchased for cement manufacturing and the amount of electricity purchases by the CO <sub>2</sub> basic unit
4,9	Transportation and delivery (upstream, downstream)	154.3	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 <sub>2</sub> basic unit
6	Business travel	2.2	Calculated by multiplying the total travel expenses for business trips by the CO <sub>2</sub> basic unit
7	Employee commuting	0.9	Calculated by multiplying the total travel expenses for commuting by the CO <sub>2</sub> basic unit
10	Processing of sold products	64.1	Calculated by multiplying the volume of cement sold by the CO <sub>2</sub> basic unit
12	Waste from sold products	524.2	Calculated by multiplying the volume of cement sold converted into concrete by the CO <sub>2</sub> basic unit

<Scope of data collection> The Company

"Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables (3EID)" (National Institute for Environmental Studies, Japan) \*Source of basic unit "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 Chair (Ver. 1.0)" (Japan Cement Association)

# Progress of the 2050 "Carbon Neutral" vision "SOCN2050"

# 2050 "Carbon Neutral" Vision "SOCN2050"

The CO<sub>2</sub> generated when producing cement consists of CO<sub>2</sub> originating from energy necessary for cement clinker burning and process-derived CO<sub>2</sub> 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 "SOCN2050" 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





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

# GX League Participation and the Disclosure of New Targets

We endorsed the "GX League Basic Concept" announced by the Ministry of Economy, Trade and Industry as well as steady initiatives for the Group's "SOCN2050" initiative, and are now participating in the "GX League\*," which will be fully operational from fiscal 2023.

\* Established as a forum for companies actively engaged in green transformation (GX) to collaborate with government, universities, public research institutions, and financial institutions to discuss the transformation of the entire economic and social system and to put the creation of new markets into practice.

# GHG Emission Reduction Targets Announced in Conjunction with GX League Participation

2030 GHG direct emission reduction target (Scope 1 (net CO<sub>2</sub> emissions))

16% reduction (compared to FY2013)

<Scope of data collection> Total of Scope 1 (net CO2 emissions) and Scope 2 (the Company + Hachinohe Cement Co., Ltd. + Wakayama Slag Cement Co., Ltd.) [Reference] Japan Cement Association FY2030 Total CO2 Emissions Reduction Target: 15% reduction (compared to FY2013) Source: "Cement Industry Carbon Neutral Action Plan Phase II Targets" (Japan Cement Association) (published September 2022)



(Unit: kg-CO2/t)

Res	ults	Targets
005	FY2022	FY2030
16	<b>274</b>	<b>220</b>



## 2030 GHG indirect emission reduction target (Scope 2)

16% reduction (compared to FY2013)

### Roadmap to 2050 carbon neutral

The Group is committed not only to reducing energy-derived CO<sub>2</sub>, but also to technological innovation through investment in research and development in order to achieve carbon neutrality by 2050. The Group will also reduce CO2 including process-derived CO<sub>2</sub> from limestone, the primary ingredient of cement, through the following measures.

### **Conceptual Image of Reducing GHG Emissions toward Achieving Carbon Neutrality**



# An example of an innovative technology to achieve 2050 carbon neutrality —

# "Dual recycling" of calcium and CO<sub>2</sub>

Various technological innovations are required to achieve carbon neutrality in the cement industry, which is one industry with a high volume of CO<sub>2</sub> emissions. In addition to CCS, we believe it is essential to put into practical application technology referred to as CCU, technology for the reuse and fixing of CO2 as a resource. Among the various CU technologies, "mineral fixation" of CO2 is promising as a technology that can be implemented in society relatively quickly. As a proprietary technology, we have started development on a technology to recycle CO<sub>2</sub> as synthetic limestone by directly reacting calcium extracted from various calciumcontaining wastes with CO<sub>2</sub>, and we are working towards implementation in cement plants. (Please see page 37 for the details)





### **Topics**

# **Development of artificial photosynthesis photocatalysts**

Compared to "photosynthesis," where plants synthesizes organic matter from water and CO2 using light energy, "artificial photosynthesis" is where hydrogen and oxygen are created by disassembling water with the power of sunlight and our proprietary photocatalyst technology, and useful substances such as methane are synthesized through CO<sub>2</sub> using that hydrogen. At the Company's New Technology Research Laboratory, research is being carried out on photocatalyst for artificial photosynthesis in

the manufacture of hydrogen to achieve both economic rationalism and sustainability.



Development of photocatalysts for artificial photosynthesis able to manufacture hydrogen at low cost



Hydrogen generation with the photocatalysts being developed by the Company + water

# Initiatives for 2050 (cement manufacturing)

Development of CO<sub>2</sub> recovery-type cement manufacturing processes "Establishment of carbonation technologies using various calcium sources" (Adopted by NEDO Green Innovation Fund Project, research and development in progress)

# Purpose and Outline of the Project

Cement (main component: CaO) is industrially produced through a decarboxylation reaction (CO<sub>2</sub> separation) of natural limestone (CaCO<sub>3</sub>). However, it is possible to produce Carbon-Recycling Cement (CRC)\*1 with synthetic limestone (CaCO<sub>3</sub>) by extracting CaO from various types of calcium-containing waste, such as waste concrete or ordinary incinerator ash, and recombining it with separated CO<sub>2</sub> in the cement production process. We are aiming for carbon-neutral in the cement industry by using this carbonation process.



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 CO<sub>2</sub> fixation.

# **Development of Carbonate Utilization Technologies**

We will verify whether the carbonate generated can be used as a calcined raw material for carbonrecycling 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.

# > Business Image



Implementation System	<ul> <li>Development of Carbonation T Sumitomo Osaka Cement Co., Ltd., of Technology (IDC method), Mitsubis</li> </ul>
	2 Development of Carbonate Util Sumitomo Osaka Cement Co., Ltd.
Project Scale, etc.	Scale of project (1+2): Approx. ¥ [Subsidy rate: (Commissioning) $9/10 \rightarrow (2)$ (Scheduled to shift to the subsidy project period a
Project Period	1, 2 FY2021 - FY2030 (ten years)
Synthetic limestone can be used	Cement (CRC) cycling of carbonate = synthetic limestone, an alterr d not only as a raw material for cement (calcined raw

Im

\*2: Indirect (IDC)/Direct (DC) method CaO extraction/CO2 fixation IDC method: carbonate generation using bipolar membrane electrodialysis\*<sup>3</sup> 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 CO<sub>2</sub> through pretreatment of waste, etc.

\*3: About Bipolar Membrane Electrodialysis (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.



## Topics

# Pca products utilizing Carbon-Recycling Cement (CRC) are a trial application in the direct control project of the Ministry of Land, Infrastructure, Transport and Tourism

Concrete products (U-shaped side ditch) manufactured through CO2 mineral fixation technologies have been installed in a trial application in the construction by Taisei Corporation of the "Naruse Dam Raw Stone Mountain Extraction Work (Phase 1)," a direct control project of the Ministry of Land, Infrastructure, Transport and Tourism in 2022.

This current technology for the mineral fixation of  $CO_2$  used the Ca contained in waste gypsum board to fix CO<sub>2</sub>, so it is a proprietary method referred to as "conversion." It is as world first technology as recycling of CO<sub>2</sub>, and since it simultaneously uses the Ca from waste gypsum board, it is technology that can be called the twin recycling of CO<sub>2</sub> and Ca. We established the verification facilities for the manufacture of synthetic limestone in Taisho-ku, Osaka in May 2023 and have commenced operations.

in other waste and for trial construction of CRC.

Manufacturing process for synthetic limestone and U-shaped groove



Waste gypsum board

processing

#### Technologies

, Yamaguchi University, Kyoto Institute of Technology, Tokyo Institute shi UBE Cement Corporation, The University of Tokyo (DC method)

#### ilization Technologies ., TAISEI CORPORATION

## ¥6.9 billion Scale of support (①+②): Approx. ¥5.1 billion

(subsidy) 1/2] after the five-year commissioning period)

native to natural limestone, which is the current raw material for cement. aw material), but also as a bulking material or filler for other industries.

In future, we will advance the application to the manufacture of synthetic limestone using calcium sources



Manufacturing synthetic limestone





U-shaped groove installed at the site of the direct control project



Manufacture of U-shaped grooves by using concrete

# **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 Comr 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 as well as measures for preventing global warming, 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

# Electricity used at Headquarter offices to become carbon neutral with the use of inhouse generated biomass electricity

The electricity used for the Company's own rental space on the 20th floor of the Shiodome Sumitomo Building (Minato-ku, Tokyo) to which the Headquarters transferred on November 28, 2022 is carbon neutral with the purchase of non-fossil valued derived from the Company's own Tochigi Plant biomass power station (Sano City, Tochigi Prefecture)\*1. Specifically, the electricity used in the Headquarter offices was made carbon neutral through inhouse generated clean electricity via the Green Power Plan for tenants \*2 provided by Sumitomo Reality & Development Co., Ltd., utilizing the FIT non-fossil fuel energy certification system with tracking information

- \*1 Non-fossil value derived from the Company's Tochigi Plant biomass power station (Sano City, Tochigi Prefecture): The value obtained through purchase of FIT non-fossil fuel energy certificates with tracking information in the renewable energy value trading market.
- \*2 Green Power Plan for tenants: A decarbonization plan for tenants offered by Sumitomo Reality & Development Co., Ltd., that features not only the conventional effectively green power scheme involving non-fossil fuel energy certificates, enabling each tenant to select its most appropriate green power plan from among several methods for purchasing green power including effectively green power generated at power plants owned by tenant companies.

## 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 CO<sub>2</sub> emissions into costs. 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions
- Operation method: the internal carbon price is applied to the CO<sub>2</sub> emissions associated with the target capital investment
- plan, and the converted cost is used as a reference for investment decisions.

## About the Destruction of Fluorocarbons

Fluorocarbons (CFC, HCFC, HFC) are widely used as refrigerants in air conditioners, refrigerators, and many other types of freezing and refrigeration equipment. They are powerful greenhouse gases with a global warming potential several hundred to over 10,000 times higher than CO<sub>2</sub>. Therefore, the emission of fluorocarbons into the atmosphere must be controlled and reduced. Furthermore, CFC and HCFC, which are specified fluorocarbons, are also substances that destroy the ozone layer.

Our Kochi Plant is the only cement plant in Japan to be licensed as a fluorocarbons destruction operator under the Act on Rational Use and Appropriate Management of Fluorocarbons. It accepts separated and collected fluorocarbons, eliminates them in a kiln and contributes to the reduction of greenhouse gases and the restoration of ozone holes (GHG reduction contribution in fiscal 2022 = 214,000 tons).

We also provide technical guidance on the treatment of fluorocarbons in Asian countries, contributing to the destruction of fluorocarbons overseas.

#### **Environmental Initiatives**

#### > Preventing Air Pollution

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

#### (Unit: t) (Unit: t) NOx\*1 emissions Particulate matter emissions (Cement and power (Cement and power generation business) on business) 218 16,174 191 14,340 14 327 13,873 13.272 143 136 99 FY2018 FY2019 FY2020 FY2021 FY2022 FY2018 FY2019 FY2020 FY2021 FY2022 (Unit: t) (Unit: g-TEQ) Dioxin\*<sup>3</sup> emissions SOx\*2 emissions (Cement and power generation business) (Cement business) 0.41 1,219 1.175 1,120 1,111 1 0 9 5 0.31 0.27 0.22 0.18 FY2018 FY2019 FY2020 FY2021 FY2022 FY2018 FY2019 FY2020 FY2021 FY2022

\*1: 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

\*2: 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.

\*3: 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.

#### Water Intake/Wastewater Results

		(Ur	nt: 1,000 t)	
		FY2021	FY2022	We
Water intake	Surface water	38	38	the
	Groundwater	3,785	4,265	We
	Water for industrial use/Tap water	4,325	4,228	as v
	Total freshwater intake volume	8,148	8,531	tha
	Total seawater intake volume	5,932	5,820	
	Total water intake volume	14,080	14,351	(pla
Wastewater	Total freshwater discharge volume	3,157	3,722	979
	Total other wastewater discharge volume	4,154	3,998	we
	Total wastewater discharge volume	7,311	7,721	use
	Freshwater usage volume	6,769	6,631	+:

Scope of data collection: the Company and 48 major affiliates

# Material Balance and Energy Balance

Scope of data collection: The Group's 6 cement plants (Tochigi, Gifu, Ako, Kochi, Hachinohe Cement Co., Ltd., Wakayama Slag Cement Co., Ltd.), 8 mines (Karasawa, Gifu, Tochikubo, Ibuki, Taga, Katsumori, Shuho, Kokura), 3 power plants (Tochigi, Ako, Kochi)

			Input
• Energy		• Raw ma	terials
Coal	1,144,000 tons	Natural res	OURCOS
Petroleum coke	111,000 tons	Excavated li	
Waste and byproducts	999,000 tons	Silica	mestone
Total	2,254,000 tons	Natural gyp	sum
Heavy oil	4,000 kl	Total	
Light oil	34,000 kl		
Kerosene	100 kl		
Gasoline	2,000 kl		
Total	40,000 kl		
Purchased electricity	312,000 MWh	• Water in	ntake
		Incl. seawat	er and rive
<ul> <li>Materials</li> </ul>			
Grinding aid	5,183 tons		
Gunpowder	2,419 tons		
Refractory	9,034 tons		
Grinding media and steel	5		
Lubricants and chemica	lls 83 tons		
Total	17,347 tons		
			-
			· ·
Sumiton	no Osaka Cem	ent Group	Min
			Outpu
Minoral Pacourco	husinoss	Comont	husinoss

#### • Mineral Resources business

5,250,000 tons Aggregates, etc. Limestone products 3,259,000 tons

#### Cement business Cement production volume 9,546,000 tons \*Incl. clinker and cement exports Retail electricity

\*Actual results from the Karasawa. Gifu Tochikubo, Ibuki, Taga, Katsumori, Shuho and Kokura mines

### **Response to Water Risks**

conducted water risk assessments for all of Group facilities using Aqueduct tool released by the World Resources Institute (WRI). defined areas ranked "High" or higher in the Water Stress Index water-stressed areas. Based on our assessment, we confirmed at there will be no water-stressed areas in the cement division ants, power plants, and mines), which accounts for approximately % of the Group's total water intake, in 2040. Although there re no pressing issues, we will continue to strive for efficient water by promoting measures such as water recycling and rainwater utilization.

	Waste and byproducts	
18,788,000 tons	Byproduct gypsum	287,000 tons
589,000 tons	Coal ash 1	,321,000 tons
25,000 tons	Soil from construction	216,000 tons
19,402,000 tons	Sludge	352,000 tons
., . ,	Blast furnace/converter slag	874,000 tons
	Nonferrous slag	339,000 tons
	Others	535,000 tons
	Total	3,924,000 tons
er water		

13,964,000 tons Cement plants Power plants nes Volume of waste, etc. discharged Waste, etc. outsourced for treatment 1,793 tons 718,000 MWh Final disposal volume 636 tons Wastewater Wastewater discharge volume 7,516,000 tons Integrated Report 2023

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# 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 Cement business that accounts for the majority of the CO<sub>2</sub> emitted by the Group.



## **>** Governance

As a body to promote initiatives to address sustainability issues such as the Group's climate change issues, the "Sustainability Committee" convenes regularly, chaired by the President. The "Sustainability Committee" has established the expert subcommittee "Carbon Neutral and Environment Subcommittee" as a subordinate body. The "Carbon Neutral and Environment Subcommittee" is chaired by the Director with overall responsibility for both the Production and Technical Department and the Sustainability Department and meets four times a year (every quarter) to formulate annual action plans, including information gathering on climate change issues, risks assessment, formulation of measures, and promotion of in-company training and education programs and manage the progress. Following deliberation at the Subcommittee, important matters deliberated at the Sustainability Committee are reported to the Board of Directors, and initiatives for the Group's 2050 carbon neutrality are managed and supervised through deliberation.

In addition, we have established the Sustainability Department designated to handle matters concerning sustainability issues centered on initiatives for carbon neutrality and biodiversity as a standing organization to administer the Sustainability Committee. (Please see the Sustainability Committee Organizational Chart on page 31)

# Strategies (Risks and Opportunities)

We analyzed the impact of climate change on all businesses of the Group on the premise that it was 2030 with reference to scenarios written by bodies such as IPCC (Intergovernmental Panel on Climate Change) and IEA (International Energy Agency).

Risks posed by climate change can be distinguished between the risks associated with a transition to a low carbon society (transition risks) and physical impact (physical risks). We analyzed adopting scenarios that assumed an average global temperature rise of 2 degrees Celsius and 4 degrees Celsius compared to 2021, but then revised the setting in our scenarios to rise of 1.5 degree Celsius<sup>\*1</sup> and 4 degrees Celsius<sup>\*2</sup>, and we identified items deemed to have a substantial impact in terms of the respective risks and opportunities.

#### [1.5°C scenario ]\*1

A scenario for temperatures to rise relative to the levels at the time of the industrial revolution by no more than about 1.5°C in the year 2100, by taking strict measure to address climate change.

#### [4°C scenario]\*2

A scenario for temperatures to rise relative to the levels at the time of the industrial revolution by about 4°C in 2100, with no strict measures taken to address climate change.

\*1: The scenario used in the analysis is from the IEA "World Energy Outlook 2022" "NZE2050 (Net Zero Emissions by 2050)"

\*2: The scenario used in the analysis is from the IPCC "Fifth Assessment Report RCP8. 5 scenario," etc.

	Clas	ssification	Risks	Opportunities
	Government policies/ regulations	Carbon tax hike, regulations on greenhouse gas emissions and fossil energy	<ul> <li>As an industry consuming enormous energy, the cement industry is expected to see higher energy costs due to a rise in the price of fossil fuel energy.</li> <li>Retail Electricity business can be downsized or discontinued if the electrical power plant owned by the Group falls under a non-efficient coal-fired power plant. Purchase of electricity used in plants from retail electricity suppliers as a result of decommissioning of the electric power plant is expected to increase electricity costs.</li> </ul>	<ul> <li>The Company's commitment to promote of the use of coal alternatives (waste plastic, biomass fuel) is expected to help boost revenue in the waste collection business.</li> <li>With a possibility to use idle owned lands, such as sites where a factory previously stood, for building new electricity generation plants, including those to generate renewable energy power, new business is expected to be created with a conception of addressing climate change issues through green electricity and green carbon.</li> </ul>
	Technologies	New technology development	<ul> <li>R&amp;D expenses for new technology and capital investment to realize carbon neutrality is expected to increase.</li> </ul>	<ul> <li>CO<sub>2</sub> emission reduction technology is expected to help bring in revenues. (Carbonate mineralization technology artificial photosynthesis hydrogen production technology, ammonia /hydrogen utilization technology)</li> <li>With the advancement in technology that allows effective use of CO<sub>2</sub> along with an application of such a technology, a large amount of CO<sub>2</sub> can be stably immobilized, and expansion of new businesses is expected. (Methane, methanol, plastic material)</li> <li>Owned unused patents can be used in new markets.</li> </ul>
Transition Risks		Change in user activity	<ul> <li>It is expected that the usage amount of mixed cement will increase and production volume of clinker will decrease</li> <li>An influx of low-priced cement from countries with low carbon emission costs and prevalence of low carbon cement in the nation advanced in terms of climate change measures can strain cement share.</li> <li>Demand for low-carbon logistics can contribute to increasing logistical costs.</li> </ul>	<ul> <li>Further development, spread, and promotion of low carbon cement and low carbon concrete that the Group has been working on for a long time will accelerate product differentiation, and application to low carbon building structure that is expected to spread and grow will become more common and expands a business.</li> <li>Concrete pavement with excellent LCC in terms of heat island effect reduction, fuel efficiency effect, and durability can become ubiquitous, and demand for cement may increase.</li> </ul>
	Market	Recycling market	<ul> <li>Reduced waste/byproducts (waste oils, waste plastics, coal ash, flue gas desulfurization gypsum, etc.) can bring about intensified competition of waste collection, deterioration of quality, a decline in processing costs, and soaring prices.</li> <li>Fierce competition to procure biomass fuels will send the price soaring.</li> </ul>	<ul> <li>Revenue from waste collection and recycling can be expected from an increase in receivable items that is underpinned by technological advancement in waste an byproducts treatment.</li> <li>The new business area to extract, refine, and sell resources from wastes is expected to expand thanks to ownership of massive manufacturing infrastructure to collect various wastes and process raw fuels.</li> </ul>
		Optoelectronics Business and Advanced Materials Business		<ul> <li>An increase in data traffic due to transformation of life style and work style induced by rising average temperature and electricity supply shortage caused by non-fossil energy conversion will likely boost needs for high capacity, high-speed, and high power- saving devices, resulting in more demand for optical communication parts and semiconductor manufacturing equipment.</li> </ul>
	Assessment	Change in stakeholders' assessment	• Difficulty in procuring funds is expected due to lower assessment of greenhouse gas emitter companies.	<ul> <li>Fund procurement and employee hiring can become easily leveraged as a result of a higher evaluation of proactive climate change measures, new technological advancement in CO<sub>2</sub> recycling, promotion of new business, and waste/byproducts processing.</li> </ul>
Physic	Acute risks	Frequent and intensified natural disasters	<ul> <li>Supply chain being cut off by frequent large typhoons and torrential rain and ensuing damage to production sites are expected to increase costs incurred in disruption to operations and those required to restoration.</li> </ul>	<ul> <li>Demand for cement-related products is expected to increase due to infrastructure development contributing to national resilience, maintenance/reinforcement/repair of structures, and the likes.</li> <li>With request for disaster waste treatment, more important social role can be fulfilled.</li> </ul>
Physical Risks	Chronic risks	Rising average temperature, reoccurring extreme weather	<ul> <li>Rising temperature is expected to affect the health and security of employees at production sites adversely.</li> <li>Higher sea levels can inflict damage caused by inundation, including high tide along the seaside.</li> </ul>	<ul> <li>Increasing demand for labor-saving methods, including those to shorten the construction period and make efficient construction, is expected.</li> <li>Expansion in demand for marine products and business creation can potentially tap a new source of revenue.</li> </ul>

## Information Disclosure Based on TCFD Recommendations

## Risk Management

The Group drafts the plan for reducing CO<sub>2</sub> emissions at the "Sustainability Committee Carbon Neutral and Environment Subcommittee," which has the Sustainability Department as their secretariat, with the progress managed across the Group. To identify and assess the impact of climate change on the Group's business, we extract and analyze the climate change risks and opportunities, and take appropriate action through the "Sustainability Committee" and Board of Directors, as necessary.

### Impact evaluation of risks and opportunities

We evaluated the size of the financial impact of anticipated risks and opportunities as of 2030 based on the scenario analysis of the impact of climate change for all the Group's businesses on page 44, and evaluated the level of impact.

Classification		Classification	Dieles (apportunities	Impact of 1.	5°C scenario
	classification		Risks /opportunities	Negative ←	→ Positive
	Government policies/ regulations	Carbon tax hike, stricter regulations on greenhouse gas emissions and fossil energy	<ul><li>[Risks]</li><li>Introduction of a levy system</li><li>[Opportunities]</li><li>Promotion of reduced coal consumption and energy savings</li></ul>		
Transition Risks	Technologies	New technology development	<ul> <li>[Risks]</li> <li>Increase in R&amp;D expenses and capital investment to realize carbon neutrality</li> <li>[Opportunities]</li> <li>Creation of new businesses and carbon businesses</li> </ul>		
	Market	Recycling market	<ul> <li>[Risks]</li> <li>Change in recycling collection environment</li> <li>[Opportunities]</li> <li>Progress in technologies using recycling and increase in accepted products</li> </ul>		
		Optoelectronics Business and Advanced Materials Business	<ul> <li>[Opportunities]</li> <li>Increased demand for optical communication components and semiconductor manufacturing components due to heightened needs for high capacity, high-speed, power-saving devices.</li> </ul>		
Physical Risks	Acute risks	Frequent and intensified natural disasters	<ul> <li>[Risks]</li> <li>Impact of cement plant accidents</li> <li>[Opportunities]</li> <li>Increase in demand for infrastructure due to measures for National Resilience, and increase in the maintenance, renewal and repair of concrete, etc.</li> </ul>		

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

#### Risk

 Capital investment for the 2030 reduction target in "SOCN2050" carbon neutral vision for 2050

#### • Decrease in costs due to lower coal consumption

Effects will be realized in accordance with progress in capital invest due to increased acceptance of waste plastics, etc., resulting in a in consumption of 200,000 tons/year from 2026 onward. Impact amount assuming coal price of \$200/t

• Increase in recycling revenue due to increase in alternative raw materials and thermal energy resulting from lower coal consumption, etc.

Impact amount calculated at a unit price that takes into account the difficulty of procurement in the future

# Capital Investment Amount and Effect for 2030 Reduction Target in the "SOCN2050" Carbon Neutral Vision for 2050

					(Billions of yen)
	FY2020-2022	FY2023-2025	FY2026-2028	FY2029-2030	Total
Environmental investment	9.9	17.0	8.0	6.0	Approx. 40.0
Depreciation	(1.9)	(10.0)	(13.0)	(7.0)	(32.0)
Coal reduction	+0.4	+4.5	+19.0	+15.0	+39.0
Recycling increase	+0.1	+2.5	+3.0	+2.0	Approx. +8.0
Investment effect	(1.3)	(3.0)	+9.0	+10.0	Approx. +15.0

# Indicators and targets

The Group declared "Care for the global environment" to be one of the items of materiality, the primary social issues the Group aims to tackle through its corporate activities, and it has taken initiatives to prevent global warming, including the promotion of energy alternatives through recycling and the use of biomass power generation. In addition, in December 2020, we formulated specific medium-term targets towards "2050 carbon neutrality" and the 2050 "Carbon Neutral" vision "SOCN2050," which is our long-term action policy. Through various measures up until 2050, we will take on the challenge for the Group's corporate activities to be carbon neutral, while advancing initiatives that contribute to the decarbonization of society as a whole through the supply chain. In future, we will further promote our challenge to achieve 2050 carbon neutrality through participation in the GX League.

(S			
the	Approx. ¥ <b>40.0</b> bil	lion thro	ough 2030
	20	020-2022	¥9.9 billion
	20	023-2025	¥17.0 billion
	20	026-2028	¥8.0 billion
	20	029-2030	¥6.0 billion
estment decrease	¥ <b>6.0</b> billion to from (Cumulative effect of ¥39.0 b	m FY202	6 onward
			1.1

Approx. ¥ <b>1.0</b> billion/year
from FY2026 onward
(Cumulative effect of ¥8.0 billion from 2020 to 2030)

# **Message from Plant Managers**

# Small group improvement intiatives at each plant

We are carrying out "FSO activities" \*1 at each of the Group's cement plants and Group company Hachinohe Cement Co., Ltd. is carrying out small group improvement activities called "DH activities."\*2 Every year, we form small teams for

each partner company resident within each division and location, determine activity themes from items such as energy saving, reducing CO<sub>2</sub> emissions, improvements in daily operations, improving work efficiency, health and safety and cooperate to carry out improvement activities. In addition, the best performing teams from each plant compete for the top peformance award announced at an annual company-wide presentation. Through such activities, we aim to improve autonomy and problemsolving ability and to further foster teamwork.

\*1 FSO activities: the abbreviation of Fresh Sumitomo Osaka activities \*2 DH activities: the abbreviation of Development Hachinohe activities

#### Initiatives of "FSO activities"

#### Tochigi Plant



General Manager, Tochigi Plant Hiroshi Ohashi Tochigi plant is encouraging FSO activities for 10 groups of employee worksites and three groups of partner companies. In fiscal 2022, the initiatives were on themes including reducing workload and improving the facilities and the environment. This time, we introduce the initiative of the electricity-related group "Energy savings through revision of No.3K lighting facilities." No.3K was constructed 30 years ago, and with the aging of the lighting facilities, and the installation of new facilities, there are many places where the light does not illuminate that are

dark at night and dangerous. So, the activities have the purpose of improving the work environment, improving safety and saving energy. As a preliminary investigation, the power consumption of lighting facilities was measured, and the best places to locate lighting were investigated with mobile lighting facilities, and lighting facilities were newly relocated based on the results. Mercury lamps with high power consumption were replaced with LED lights and the rules for turning on and off lights were revised. The plan was to improve the work environment and improve safety through these activities, but success was also achieved by reducing the power consumption of lighting facilities by 29%. Hidden waste will continue to be discovered and improvements made through these FSO activities.



No.3K facilities, which changed to LED lighting

Initiatives of "FSO activities"

# Gifu Plant



General Manager, Gifu Plant Tetsuo Yokobori

In the FSO of the Gifu Plant, the handmade feeling of participants is valued. They think by themselves and take action, and implement improvement activities through their own efforts. Looking at the plants, there are places and equipment that have been improved by many FSO. In addition, the basis for plant operations is the 5S framework (Seiri (Sort), Seiton (Set in order), Seisou (Shine/clean), Seiketsu (Standardize) and Shitsuke (Sustain)),

and we have made it possible to promote the 5S even in FSO activities. This time we are introducing the theme of "Establishment of a method to utilize simple vacuum" that involved Gifukousan, Inc. This is the simple vacuum introduced last year, and although it had easy aspects, it also had aspects that made it difficult to use and inefficient. By devising various attachments and tools for cleaning, the efficiency was greatly improved and the features were improved so that it would fit in a vacuum truck. Now, the vacuum truck and the simple vacuum are used together and contribute greatly to the cleanliness and beautification of plants.

We plan to continue promoting cost reduction at plants, 5S and safety measures, enlivening FSO with wisdom and devices.



Testing the simple vacuum







Ako Plant Akio Hamada A total of 19 groups of employees and partner companies are active at the Ako Plant. Among Ako Plant's activities are improvement activities at waste plastic transportation facilities, a source of coal alternatives. Waste plastic come in various types, big and small, and have different weights and properties. Waste plastic is measured, loaded onto a belt conveyor and used in a temporary incinerator furnace, but the volume transported is not equal due to the types and properties of the waste plastic, so the volume becomes large when the plastics are particularly light, resulting in spillage. Spilled waste plastic is scattered by the wind and has a negative impact on the environment. Therefore, operations were conducted by suppressing the volume of waste plastic used. In this activity, the following improvements were implemented.

① Acceleration of the belt conveyor ② The waste plastic heaped on the conveyor is smoothed to an equal level of thickness

with a scraper

③ A board is installed at the bottom of the belt conveyor to prevent wind As a result, spillage was eliminated and waste plastic could be used to the maximum stability possible. Reducing coal consumption and greatly contributing to the beautification incorporate themes that link to decarbonization in FSO activities.

of the environment near facilities, and this impact continues today. In future, we will also

## Initiatives of "FSO activities"

## Kochi Plant



leader for each group, determine a theme and undertake activities. This time, we introduce an award-winning activity from fiscal 2022. The theme is to "Prevent trouble in slag mill supply transport equipment." This supply transport equipment comprises a flex belt conveyor that transports slag and plaster and a scraper that transports anything that is spilled. The flex belt conveyor is inside a steel case and lumps of the transported material that stick to the case during transport drop and repeatedly damaged the scraper. The leader was a new employee, but had success. Without deciding that the transported materials were sticking, the trouble was solved by investigating literature about why things stick and testing was done on how to advance items that were stuck, with the implementation of a number of appropriate measures that solved the problem. At present, the slag mill can operate without night shift patrols, and the impact of this activity was very large.

Kochi Plant Masato Hiroshima

#### Initiatives of "DH activities"

# Hachinohe Cement Co., Ltd.



President, Hachinohe Cement Co., Ltd. Tomoya Akeshiro

Hachinohe) activities from 1983, and are now in their 45th year. Activities span various measures including stable operations, energy savings, improvements to the workplace environment, and measures to address safety, quality and the environment. Here we introduce activities that were initiated last fiscal year. The theme of the activity is "slag mills - improving the method for adjusting material guides." The company manufactures the slag powder used in blast furnace cement inhouse. There needs to be facilities which can be adjusted in a short period of time, and that maintain optimal settings to product stable operations and high energy efficiency. This time, the company implemented improvements to the method for adjusting material guides and revised the abrasion prevention measures. As a result of achieving the target, this led to stable supply as well as improvement in the energy basic unit. Furthermore, the company also obtained improvements in the work environment as well as improvements in safety aspects. In future, the company will build a company that it trusted by the region through DH activities.



Belt convevor adjustment work

At the Kochi Plant, a total of 19 groups of the Company's employees and partner companies every year select a



Lower section of the flex BC

At Hachinohe Cement, QC circle activities commenced from 1979, with the name changed to DH (Development



State of onsite work

# **Resource Recycling**

At Sumitomo Osaka Cement Group, when manufacturing cement, we use waste and byproducts that arise from various industries and local governments, which has put us in charge of one part of the "recycling-based society."

### 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, alumina 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 components so they can be used as a substitute for cement raw 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 CO<sub>2</sub> emission reduction as a substitute for fossil energy, and contributes to prolonging the life of the landfill, which is the final waste disposal yard.

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



# Ichikawa Recycle Center/Completion of ordinary trash treatment facilities

Coal ash derived from coal-fired power stations as an alumina source, which is one main component of cement, is often used, but with the transition to an international decarbonized society, we anticipate that coal ash will be reduced over time. Meanwhile, the Company is involved in increasing the volume of incinerator ash emitted from incinerator facilities such as for household trash collected by local governments as individual alumina sources as alternatives to coal ash. Incinerator ash is stably available alumina source, while also including CaO (Calcium oxide), so we also forecast it will have the effect of reducing process-derived CO<sub>2</sub>. On the other hand, incinerator ash requires pre-treatment such as foreign matter removal for it to be effectively used as a cement raw material.

At the treatment facilities installed at the Ichikawa Recycle Center in February 2023, incinerator is sorted and crushed with processing capacity of 640t per day. In addition, the

warehouse attached to the treatment facilities have a maximum storage capacity of 2,600t, so incinerator ash can be stably received. The total volume of treated incinerator ash is transported to the Group's cement plants and recycled as cement raw material.

#### **Building a Cooperative System with Local Governments**

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

In 2022, the Company and the group company Hachinohe Cement Co., Ltd. respectively concluded "Comprehensive Cooperation Agreements" with Hachinohe City, Aomori Prefecture in March and Aomori Prefecture in December, while the Company concluded a "Comprehensive Cooperation Agreement" with Sano City, Tochigi Prefecture in June.

Under these agreements, in the event of a large-scale disaster and a large volume of disaster waste is generated in the prefecture or the city 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.



# Status of Waste and Byproduct Use

In fiscal 2022, we used 4,922,000 t of waste and byproducts. This was about a 6% reduction from the volume used in FY2021, which was mainly due to the decrease in the volume of cement production, however it is among the best consumption rates in the industry on a basic unit basis.

		FY2018	FY2019	FY2020	FY2021	FY2022	Ι.
Raw material-related waste*1	(Unit: 1,000 t)	2,883	2,911	2,739	2,717	2,605	
Thermal energy-related waste*2	(Unit: 1,000 t)	367	378	394	399	402	-
Byproducts <sup>*3</sup>	(Unit: 1,000 t)	2,289	2,190	2,077	2,117	1,915	-
Subtotal	(Unit: 1,000 t)	5,538	5,479	5,210	5,233	4,922	Ι.
Cement production volume	(Unit: 1,000 t)	10,758	10,550	10,041	10,085	9,546	
	Raw material-related	268	276	273	269	273	_
Basic unit (kg/ton-cement)	Thermal energy-related	34	36	39	40	42	,
	Byproducts	213	208	207	210	201	-
Total (kg/ton-cement)		515	519	519	519	516	

Topics

In March 2023, the Company commenced verification testing at the Tochigi Plant of recycling unwanted carpets and futons (mattresses) collected by Nitori Co., Ltd. following interim treatment (crushing) by Takeei Corporation as raw materials and thermal energy when firing cement.



Ichikawa Recycle Center Ordinary trash treatment facilities

#### • Signing parties of the agreement on the treatment of disaster waste

- September 2019 Ako City, Hyogo Prefecture "Agreement on Cooperation in the Establishment of Temporary Sites for Disaster Waste Storage" October 2019
- Kochi Prefecture and Susaki City, Kochi Prefecture "Agreement on Cooperation in the Disposal of Disaster Waste'
- March 2020 Funabashi City, Chiba Prefecture "Basic Agreement on Disposal of Disaster Waste"
- October 2020 Miyagi Prefecture "Comprehensive Cooperation Agreement"
- December 2020 Tochigi Prefecture "Comprehensive Cooperation Agreement"
- July 2021 Ako 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"
- December 2022 Aomori Prefecture "Comprehensive Cooperation Agreement"
- - \*1 Raw material waste: coal ash waste soil from construction work, waste sludge, burnt husks and dust, sludge, rubble, waste acid, waste alkali, slag, others
  - \*2 Thermal energy waste: waste plastic, waste clay, waste oil, waste tires, wood scraps, others
  - \*3 Byproducts: incinerator slag, byproduct gypsum, wood chips (including those for retail power generation), others



Collected unwanted carpets and futon

# **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.

#### **Expansion of Marine Products Business**

The Company commenced the marine products business to manufacture and install marine reefs and seaweed beds, applying concrete precast technologies, more than 40 years ago.

Sea desertification, where seaweed disappears due to the effects of global warming and other causes, has become evident along Japan's coasts since about 2000. Since the catch is ultimately declining as a result of the decrease in fish spawning grounds and fry hiding place, the Company commenced the business of manufacturing and installing seaweed beds due to the need to revive seaweed beds. K-hat Reef Beta is a multifunctional seaweed cultivation artificial marine reef that utilizes the Group's proprietary nursery type seaweed cultivation technology. The reef functions as a "core seaweed bed," where seaweed grown inside the reef supplies the seeds for more plants to revive seaweed beds. This is a revolutionary initiative for marine public works projects, and to date, more than 3,800 seaweed beds have been sunk, mainly in Nagasaki Prefecture. Sumitomo Osaka Cement is currently working with its subsidiary SNC Co., Ltd. to establish these marine products businesses in an effort to preserve the ocean's environment.

In recent years, the value of seaweed beds has risen with the awareness of the absorption and fixation of CO<sub>2</sub>= blue carbon, and we anticipate an increase in local governments and private-sector companies taking initiatives in the creation of seaweed beds. We are committed to assisting in the creation of seaweed beds by making full use of our experience and know-how accumulated in our

seaweed cultivation business over the past 20 years, since before the term "blue carbon" even existed.

In addition, the Company purchased "blue carbon credits" issued by Goto City, Nagasaki Prefecture for the purpose of seaweed beds reviving activities in July 2023. Together with further promoting the development of the marine products business, we will further contribute to preserving the biodiversity and reducing CO<sub>2</sub> emissions through cooperation with local governments.



Seaweed bed sinking work



Seaweed bed placed on the seafloor

## Participation in the "30by30 Alliance for Biodiversity"

The Company participates in the "30by30 Alliance for Biodiversity." 30by30 is an international target to support biodiversity with countries aiming to conserve and protect at least 30% of their land and sea areas, with a goal of halting and reversing losses to biodiversity in Japan as a whole by 2030.

## **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 is consistent with the philosophy of the Declaration of Biodiversity by Keidanren. For preserving biodiversity, we have been engaged in regreening of former mines, developing marine products business (artificial marine reefs and seaweed beds) and conserving Tsushima leopard cats.

\* 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.





**Preserving Biodiversity** 

# **Tsushima Leopard Cat Protection Activities**



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

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

This idle land, as it turns out, is the habitat of one of Japan's most endangered species, the Tsushima leopard cat. In 2007, Sumitomo Osaka Cement Group began protecting the natural environment of this forest in the idle land and started taking part in collaborative protection programs. In cooperation with local Tsushima residents, we have grown the forest substantially, clearing away brush and planting deciduous trees, which drop acorns eaten by field mice, the small creatures that are prey for the Tsushima leopard cat. In these ways, we have been restoring the natural environment by preparing an environment from the ecosystem up that the Tsushima leopard cat will find welcoming.

# Participation in Nature Conservation and Observation Tour in the Shushi Forest

On May 28, 2023, following on from last year, a nature watching event was held by the Committee promoting the creation of the Shushi Forest, with participation by Group employees. On the day of the event, a total of 29 participants, including 15 general participants, the Tsushima City Hall, the Shushi District Special Committee, and the Wildlife Conservation Center, participated. On the day, a large age range of participants attended from children to the elderly, who observed while enjoying fine weather. The Committee promoting the creation of the Shushi Forest introduced the Tsushima leopard cat protection activities

being carried out at the Shushi Forest and provided explanation about the types and features of the wild grasses that are being grown, while participants took a gentle stroll through the Shushi Forest.

We will continue to promote our conservation activities by participating in Tsushima leopard cat-related events such as nature observation tours.



Participants at the Shushi Forest Nature Conservation and Observation Tour





Explanation to participants



# **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.

Annual Training for Young Employees

We are conducting training for employees in their second to fourth year of employment, aimed at arming young employees with the tools they need as early as possible, to help them acquire the necessary skills for each year and take a systematic approach to their training.

# **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.

## 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 implements 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 are implementing 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.

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



# > 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.

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.

We are conducting training to support post-retirement life including the aspects of (1) life planning, (2) money planning, and (3) career planning. In addition, starting from 2022, we are offering a career training program with a career design series for 57 years old and a mindset series for rehired workers.

## **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 awarenessraising activities more than ever before to continue to encourage understanding of our policies inhouse, as we promote greater employment of people with disabilities.

(As of June 1) (Unit: %)

1.97





Change in Percentage of Company Employees who are People with Disabilities

# **Diverse Work Styles**

## > 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. We also revise the guidebook as needed to comply with revisions to the Child Care and Family Care Leave Act.

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.





# Well-being

## > 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." We were recognized again as a 2023 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category), following our initial recognition in fiscal 2022.

As a specific activity for fiscal 2023, we held a walking event on an original course using smartphones at our domestic sites for about a month from late April to the end of May. Over 580 employees, including

many from our subsidiaries and affiliates, participated in the event. It received positive comments such as "It helped me create an exercise habit" and "It revitalized communication," and we plan to hold it again on a regular basis going forward.

In addition, a ready-made company cafeteria supervised by a nutritionist will be set up on the office floor of the new headquarters to provide well-balanced meals at any time, and various health-conscious dietary initiatives have been 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.



# **Safety Initiatives**

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.

## **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 2023**

- 1. Fliminate accidents
- 1) 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, 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> <li>Safety education for new hires</li> <li>Safety education for younger employees</li> <li>Safety education by occupational class New chief / New leader / New manager</li> </ul>	<ul> <li>Foreman and team leader education Team leaders from all factories gathered to exchange opinions and have discussion</li> <li>Hands-on safety education</li> <li>Work safety supervisor education</li> </ul>	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.

- **Occupational Health and Safety Ouantitative Targets**
- Fatal accidents: 0 (2022 result: 0)
- Reduce the number of sites with lost time incidents to 20% or less of all sites (2022 result: 21%)
- Reduce the number of sites where accidents, including incidents without lost time, occur, to 30% or less of all sites (2022 result: 42%)



FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 FY2022

# **Human Rights Policy**



# > Policy

We, the Sumitomo Osaka Cement Group, have an underlying stance to conduct our business activities with a high awareness of social norms and a philosophy based on the Sumitomo business spirit and the Group's philosophy. Meanwhile, we recognize that respect for human rights is the root of management and one of the most important issues, and have recently formulated the "Sumitomo Osaka Cement Group Human Rights Policy." This policy clarifies the ideas for fair and just behavior so that we do not violate human rights in our business activities.

We recognize that there is possible direct and indirect negative impact of the Group's business activities on human rights and we work for the Group as a whole to promote ongoing initiatives so that all officers and employees of all Group companies as well as our stakeholders will respect human rights.



Source: Karna I td.

We adhere to the ideas of the UN "Guiding Principles on Business and Human Rights" and support and respect the following international norms.

• International Labour Organization (ILO) "Declaration on Fundamental Principles and Rights at Work"

We also understand and comply with laws and regulations applicable not only in Japan but also in the countries and regions in which we operate. Even when such laws and regulations conflict with international norms, we pursue methods to respect internationally recognized human rights the greatest extent possible.

### **Scope of Application**

We recognize that all officers and employees of each Group company are in positions to have their human rights respected and are in positions that should respect human rights, and promote initiatives for the respect of human rights based on this policy. In addition, we also expect that business partners and other parties will also understand and support this policy and promote initiatives for the respect of human rights similar to ourselves.

#### **Human Rights Due Diligence**

We work to identify, assess, prevent and mitigate the possible direct and indirect negative impact of the Group on human rights through a framework of human rights due diligence. In addition, we continuously monitor and improve the effectiveness of initiatives.

### Correction/Remedy

We promote Initiatives to correct/remedy through appropriate and effective procedures in the event that we have caused a negative impact on human rights through such business activities or that it has clearly promoted such impact.

#### Dialogue

To respond appropriate to the impacts on human rights, it is important to recognize that human rights are affected by business activities or there are stakeholders that could be affected. We share human rights issues related to business activities with stakeholders at the appropriate timing, and engage in activity such as ongoing two-way dialogue and discussion, and work towards solving in cooperation.

#### Disclosure

We disclose the status of initiatives for the respect of human rights based on this policy through the Company website, Integrated Report, etc.

## Promotion of understanding and education

We incorporate this policy in all business activities and conduct wide-ranging education and awareness-raising for all officers and employees for effective implementation. We also share this policy with business partners and other parties, and work for it to be understood and promoted.

To observe the commitment towards respect for human rights based on this policy, the Labor and Social Affairs Subcommittee (please see page 31), which has been established within the Sustainability Committee and chaired by the President, under the supervision of the Board of Directors, works with each Division on drafting the plan and managing the progress.

- International Bill of Human Rights (International Declaration of Human Rights and International Covenants on Human Rights)

# Quality

## **Approach to Quality**

The Sumitomo Osaka Cement Group places importance on quality in the Cement business, the Optoelectronics business, and the Advanced Materials business, and has established a guality 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 guality assurance), have built and maintain guality 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 guality control communication and response flow charts and forming a system for assured internal communication of customer information. We also utilize this system for product development and response to customer complaints.

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 tra- but also always strive to p As a result, we always dis
Fairness	We always select business comprehensive view into sales service, technologica
Compliance with Laws and Regulations	We always obey all rules duties while respecting the
Mutual Trust	We aim to build sound re by engaging in fair purch
Contribution to Society	We believe it is important engaging in fair purchase

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 構築宣言冊 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)



## **Technological Interaction with Customers (Cement Business)**

ade relationships with business partners that have outstanding records, purchase from new business partners.

lisclose information related to material procurement.

ess partners based on a fair and just assessment that takes a account including quality, price, delivery time, stable supply, aftercal compatibility with existing facilities and business results.

s and regulations when engaging in purchase transactions and carry out that spirit.

relationships based on trust with the people from our business partners hase transactions

nt to contribute to society with people from our business partners by se transactions



🕰 パートナーシップ



G

# 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.

#### 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 conducts

audits together with Company Auditors as necessary based on the annual internal audit plan and cooperatively shares information and opinions. It also investigates and reports on specific matters at the request of the Company Auditors. Matters such as audit results and the status of improvements made in response to audit findings are reported to the Representative Director, Directors and Company Auditors as appropriate, based on the establishment of a dual reporting system

#### **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.



## > Efforts to Strengthen Corporate Governance



# Evaluation of the Effectiveness of the Board of Directors

#### **Analysis and Evaluation Methods**

In fiscal 2022, the Company conducted a questionnaire for all Directors and Company Auditors centered around the following items. The results were compiled and reported at the Board of Directors meeting in May 2023, along with deliberations on initiatives for fiscal 2023.

- discussion environment, etc.)

## **Summary of Evaluation Results**

The results of the evaluation showed that the operation of the Board of Directors, etc., the support system for the Board of Directors, etc., and governance, etc., were generally appropriate and that no problems were found.

#### **Future Initiatives**

3

The following initiatives will be considered and implemented to contribute to further improvement of the effectiveness of the Board of Directors based on the evaluation of its effectiveness conducted in fiscal 2022.

- Change in guestionnaire methodology to improve efficiency of responses and analysis
- Identification of issues by conducting interviews with officers based on questionnaire results

2016	Established the Remuneration Committee
2018	Established the Nominating and Remuneration Committee
2019	The Nominating and Remuneration Committee comprises the President, two Outside Directors, and one outside expert, in a total of four members
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

• Operation of Board of Directors meetings, etc. (Frequency of meetings, deliberation time, content of materials,

• Support systems for Directors, etc. (Provision of appropriate information, officer communication, etc.) • Governance, etc. (Compliance, internal controls, risk management, dialogue with shareholders and investors, etc.)

#### **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 stockbased remuneration plan (the "Plan") that covers the Directors of the Group excluding the Outside Directors, on top of the existing basic remuneration. The purpose of the introduction of the Plan is to clarify the correlation between Directors' remuneration and the Company's stock value, and encourage Directors to share the benefits and risks arising from stock price fluctuations with shareholders and, as a result, enhance their awareness of contributing to the improvement of medium- to long-term business performance as well as the increase in corporate value.

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

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.

In light of business performance in FY2022, each director declined to receive points under the stock-based remuneration plan through the trust scheme (Employee Stock Ownerhsip Plan).

#### **Total Amount of Remuneration for Directors and Company Auditors**

	Total amount of	Total amount b	Number of		
Classification	remuneration (millions of yen)	Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	applicable officers (persons)
Directors (of which Outside Directors)	270 (32)	270 (32)		_	9 (3)
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 threat the order and safety of civil society, and shall have no relationship with them. Based on this Basic Policy, General Affairs Dept. is designated as a corresponding administrative department that gathers information and works together with police and lawyers collaboratively if necessary.

# 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.

#### **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.

#### **Compliance Committee**

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



# **Risk Management**

#### **Risk Management Structure**

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

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

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

#### **Fiscal 2022 Initiatives**

We conducted a risk assessment of the new Headquarters buildings when relocating the headquarters at the end of November 2022, and updated various manuals including the Basic Guidelines for Emergency Response and the Guidelines for Initial Response to Major Earthquakes, etc. For major drills, we simulated an initial response for the Headquarters disaster response task force at the new Headquarters based on a disaster at the Headquarters and business offices in the Tokyo Metropolitan Area caused by an earthquake under the Tokyo Metropolitan Area, for purposes such as ensuring members of the disaster response task force secretariat and subordinate organizations (employee support teams, information and public relations team, system team, and the task force support team) reconfirm their own roles, and also utilized Zoom on the premise that there would also be people working from home when an earthquake strikes.

#### Holding In-House Briefings and Workshops on Risk Management

022	October	Information security incident response training
023		
	January	Joint meeting and lecture for risk management supervisors from each department, location and affiliated company (online)
	March	Safety driving education (online) Headquarters disaster response task force training (initial response) (in person + online)

#### **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.

Since a timely response to cyber attacks, which have become a social problem in recent years, has become necessary, we have installed new security services, etc. and implemented core infrastructure development to use them, with plans for continuation.

#### **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.

The main purpose of the above is to function properly during an emergency and we conduct regular training.

#### **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.

# **Skills Matrix of Directors**

# Skills Matrix of Directors

Name	Position	Corporate Management	Financial Strategy/ Accounting	l	
Fukuichi Sekine	Chairman	$\bigcirc$	$\bigcirc$		
Hirotsune Morohashi	President, Representative Director	0	0		
Toshihiko Onishi	Representative Director Executive Vice President	0			
Ryoji Doi	Representative Director Senior Managing Executive Officer	0			
Mikio Konishi	Director, Senior Managing Executive Officer	0			
Masaki Sekimoto	Director, Managing Executive Officer	0	0		
Mitsuko Makino	Outside Director				
Tatsuya Inagawa	Outside Director				
Yoshimi Morito	Outside Director	0	0		

K	nowledge,	Experienc	e, Skills, et	C.		
International Business	Human Resources/Labor Management/ Occupational Safety and Health	Production/ Engineering	Research and Development	Sales/ Marketing	Legal/ Compliance/ Risk Management	Environment/ Sustainability
	$\bigcirc$			$\bigcirc$	$\bigcirc$	
	$\bigcirc$			$\bigcirc$	$\bigcirc$	$\bigcirc$
0				0		
$\bigcirc$	0	0	0			0
0		0	0	0		
				0	0	0
	0			0		
					$\bigcirc$	0
	0	0		0		

# Our Management Team (As of June 28, 2023)





### **Company Auditors**

10 Kaname Ito Company Auditor (Full-time) 11 Takeya Okizuka Company Auditor (Full-time)

present)

### **Company Auditors (Outside)**

12 Shoji Hosaka Outside Company Auditor

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

ShinNihon LLC) Mar. 1977 Registered as Certified Public May 1995 Representative Partner May 2004 Executive Director May 2008 Managing Director Sep. 2008 Senior Advisor Jul. 2009 Established Suzuki CPA Jun. 2010 Company Auditor of the

# President, Representative Director

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

#### 3 Toshihiko Onishi

Representative Director Executive Vice President Responsible for Real Estate Dept., Cement Sales Administration Dept., International Business Dept., Physical Distribution Dept., and Cement-Related Products Div.

# Masaki Sekimoto

6

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

#### Apr. 1983 Appointed as Public Prosecutor Sep. 2016 Director-General of the Public Security Department of Supreme

- Public Prosecutors Office
- Mar. 2017 Superintending Public Prosecutor of the Takamatsu High Public
- Prosecutors Office Jan. 2018 Superintending Public Prosecutor of the Hiroshima High Public
- Prosecutors Office Nov. 2019 Registered as Attorney at Law
  - and joined Takahashi Sogo Law Office (to the present)
- Jun. 2020 Outside Company Auditor of FUJIFILM Holdings Corporation
  - (to the present)
- Jun. 2021 Director of the Company (to the

#### 9 Yoshimi Morito Outside Director

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

#### 14 Taku Mitsui Outside Company Auditor Jan. 1973 Joined Tetsuzo Ota & Co. Dec. 2012 Registered as Attorney at Law (to (currently Ernst & Young the present) Dec. 2012 Joined Inoue Harutaka Law Office (currently Inoue & Sakurai Accountant (to the present) Law Office) Dec. 2015 Established Mitsui Taku Law Office (to the present) Jun. 2020 Company Auditor of the Company (to the present) accounting office (to the present) Company (to the present)

# **Round-Table Discussion with Outside Directors**

<u>Tatsuya Inag</u>awa

**Outside Director** 

Outside Director Mitsuko Makino

Yoshimi Morito

Outside Director

Outside Directors Makino, Inagawa, and Morito spoke about matters such as the Sumitomo Osaka Cement Group's medium- to long-term vision, Medium-term Management Plan, and efforts to strengthen governance.

# About the Medium- to Long-Term Vision and Medium-term Management Plan

What are your expectations for the new medium- to long-term vision and Medium-term Management Plan, and what is your role as an Outside Director in achieving those plans?

**Makino:** I would like to start off by discussing expectations and evaluations of the medium- to long-term vision. I would like to hear from Director Morito on this point. What do you think?

**Morito:** Last year I had the opportunity to participate in the creation of the medium- to long-term vision and Medium-term Management Plan for the first time since assuming the position of Outside Director, which was a valuable experience for me. Moreover, the business environment surrounding the Company was also created under difficult circumstances that we have never experienced before.

"SOC Vision2035" states that we aim to be an environmental solutions company that meets the needs of the times, with a presence as a challenger with thorough differentiation and unique style. One thing I pay particular attention to is the fact that business portfolio transformation is stated in the 2035 vision. The key to achieving this vision will be to make progress in advanced materials business fields and new business fields other than the Cement business, with the Cement business accounting for 50% of net sales and other than the Cement business accounting for the other 50%. As a future discussion, we must clarify the gaps between the targets we should aim for and the current situation, and then further strengthen our research and analysis of strategies, human resources, technological development, and external partnerships to fill these gaps, as well as further enhance our verification of business feasibility.

**Makino:** I participated in many discussions as an Outside Director, so I was deeply moved when the vision was finally completed. I was also surprised by the rather bold vision of aiming to become an environmental solutions company by demonstrating our presence as a challenger with unique style in order to become "a company with a strong presence," and the portfolio transformation of doubling sales by 2035 and splitting the net sales ratio of the Cement business and the other than the Cement business in half. However, I feel that having the conviction that "it's not just a dream" by setting high targets and clarifying processes will help the company grow.

I also believe that particular consideration should be given to ensuring that the difference in enthusiasm between management and people on the front lines does not become too great. As we have communicated at Board of Directors meetings and meetings to discuss the mediumto long-term vision, I feel it is necessary for management to constantly pay attention to employees with regard to the high targets they have set, and to show each other that the company is working together as one toward these targets, little by little.

What are your expectations and evaluations, Director Inagawa?

**Inagawa:** With regard to the content of the medium- to long-term vision, as you both have already touched on, I also commend the establishment of a "management vision" that aims to have a strong presence as a challenger and become an environmental solutions company, as well as the "portfolio reform" to have 50% of our business as other than the Cement business. I believe that these are appropriate directions that take into account the position of the Company and the trends of the time.

I personally evaluate not only the content, but also the methodology and discussion process for creating the medium- to long-term vision as being appropriate and meaningful. Specifically, the President himself took the initiative in setting a major direction, the project team added substance to the direction set by the President in consultation with outside experts, all business and administrative divisions participated in these discussions and actively shared their opinions, making revisions and additions to the content, and then we, external officers, participated in multiple rounds of discussions and expressed various opinions, including on wording. In other words, it is the medium- to long-term vision that was created through thorough discussions throughout the entire company. As a result, I felt that all the employees were able to successfully summarize what they really want to do and what they should do, and that dreams for the future are not simply dreams but concrete targets for future corporate activities at a level that can be fully realized with effort. In this sense, I strongly expect that the management vision and targets will be integrated among all employees and Group companies, and that all employees will work together to implement the Medium-term Management Plan created based on this vision and these targets.

**Makino:** Certainly, it is important to first integrate and disseminate the medium- to long-term vision among all employees, including those at Group companies, in order to achieve it.

I would now like to move on to a discussion of the Medium-term Management Plan and our roles as Outside Directors in achieving it. This Medium-term Management Plan was put together through backcasting based on the medium- to long-term vision that was previously studied and created. In light of this, what are your thoughts on the content and the role that we, as Outside Directors, will play in accomplishing this plan?

**Inagawa:** In terms of the content of the Medium-term Management Plan, we are still focusing on whether the profitability of the Cement business will recover and whether the expansion of the electrostatic chuck business will proceed as planned. In addition, we have put forth a human resources strategy as a measure to strengthen
## **Round-Table Discussion with Outside Directors**



the management foundation, and we recognize that this is an extremely important strategy as it will serve as the foundation for future business expansion.

In terms of our role in achieving the plan, first of all, as Ms. Makino mentioned, the Medium-term Management Plan was created through backcasting based on the mediumto long-term vision toward 2035. So, while it is certainly important to achieve the revenue targets and other figures stated in the plan, I don't think that alone will be enough. While keeping an eye on the medium- to long-term vision, we also need to plant the seeds for the next Medium-term Management Plan. This is especially necessary for new businesses that are being launched, and thus we must fully consider the new risks involved. So in that sense, it is essential for each business division to strive to achieve its targets in order to achieve the plan. However, at the same time, I feel that it is also essential for each business division to make a thorough identification of various risks in light of the Medium-term Management Plan, and to conduct proper risk management that includes all Group companies. I believe that our role as Outside Directors is to check and supervise, from our respective standpoints and perspectives, whether the executive side is appropriately managing and implementing this risk management, while also keeping in mind the medium- to long-term vision. In my case, I would like to play my part by overseeing primarily compliance risks and ESG-related risks from a stakeholder's perspective from my position as a legal professional.

**Morito:** I believe that the announcement of our mediumto long-term vision and Medium-term Management Plan amidst an unprecedentedly severe business environment is, in a sense, an opportunity. We must seize this opportunity to raise the awareness of all members of the Group by holding workplace roundtable discussions and other meetings with management executives at an early stage. The Medium-term Management Plan must also be further developed into a detailed action plan using various KPIs. Going forward, I would like to be involved in supervision and oversight, including the continuous monitoring of management, as the business operation PDCA cycle is developed in line with the Medium-term Management Plan. In addition, since there is certainly an asymmetry of information between internal and external officers in various discussion situations, I would like to take opportunities such as business site visits and meetings with Company Auditors to share management information. It is also worth considering the use of "free discussion training camps" and other methods focused on themes of company direction and business strategy. which have already been adopted by some companies.

**Makino:** As you both mentioned, one of our roles is to manage and oversee the achievement of the targets set in the Medium-term Management Plan by examining risks in terms of execution and monitoring progress on an ongoing basis.

I am primarily focused on ESG. What I expect from a carbon neutrality perspective is for the Company to conduct research and development at a rapid pace so that CO<sub>2</sub> can be converted into energy efficiently. Achieving "CO<sub>2</sub> recycling," which is a key theme for new businesses in the Medium-term Management Plan, will lead to tremendous opportunities. New businesses are also at the core of our medium- to long-term vision, so my role is to help establish them over the three years of the Medium-term Management Plan.

In addition, our Medium-term Management Plan calls for the promotion of diversity by increasing the ratio of women in new graduate general-career-track positions and the ratio of women in managerial positions toward 2025. I believe that many women at our company should also assume responsible positions and gain a variety of experience. As the saying goes, "Experience is the best teacher." Rather than shying away from roles due to a lack of confidence, I look forward to the possibility for growing into the right person for the role. To achieve this, it is necessary for the people around these women to provide support and follow up on their concerns. I also believe we must incorporate programs for female officers and career development. I have the opportunity to speak individually with female executive officers and managers, and I believe it is my role to encourage women to shine without undue pressure.

### **Towards Strengthening Governance**

What are the governance challenges facing the Sumitomo Osaka Cement Group and what efforts are being made to strengthen it?

**Makino:** Keeping in mind the medium- to long-term vision and Medium-term Management Plan that we have been discussing, I would now like to move on to the issue of governance challenges and how to strengthen governance in order to realize this vision and plan.

On this point, I would like to hear from Director Morito, who has a long history of implementing corporate governance at another company.

**Morito:** We are working on various management reforms, such as improving the method of evaluating the effectiveness of the Board of Directors, in order to achieve "sustainable growth of the company and enhance corporate value over the medium to long term." However, since we are still in the process of development, I believe we need to continue to enhance our discussions.

In particular, with regard to the operation of the Board of Directors, I would like to deepen discussions on management issues such as management strategies, succession plans, and capital policies when selecting agenda items. We must also improve the asymmetry of information between internal and external officers by further accelerating the distribution of materials in advance, even in draft form, and by sharing more accurate, objective, and vivid discussions at management meetings. Furthermore, I expect internal officers to be active as company-wide management supervisors without being restricted to their own responsibilities.

In terms of training for Outside Directors, I believe that we can further deepen our knowledge of the industry and of the Sumitomo Osaka Cement Group by visiting sites (development, production, sales, logistics, and service) and receiving the latest information from executive officers in charge, attending research presentations, and participating in product exhibitions.

With respect to the Nominating and Remuneration Committee, I believe it is necessary for the Committee to regularly deliberate on matters related to the succession plan for the President, including the appropriateness of the plan and a review of the candidates.





Inagawa: In this era of VUCA, when the future is unpredictable, I believe that strong leadership from the top, flexible management decision-making in response to changing circumstances, and strengthened governance are essential to achieve the new Medium-term Management Plan and to link it to the medium- to longterm vision. In general terms, systems and methods for strengthening corporate governance include establishing and implementing a philosophy, code of conduct, and internal rules; improving internal control systems, including risk management; enhancing internal audits; thoroughly educating employees; and strengthening the effectiveness of the Board of Directors and Board of Company Auditors. In this context, if we are to transform our business portfolio to become a company with a strong presence, as indicated in our medium- to long-term vision, I believe that thorough risk management and strengthening the effectiveness of the Board of Directors and Board of Company Auditors, which supervise and audit risk management, are the most important points for strengthening governance.

As an Outside Director, I am directly responsible for strengthening the effectiveness of the Board of Directors, so I have been making proposals to achieve this such as active contributions by external officers. I recognize that the effectiveness of the Board of Directors is gradually being strengthened, but I would like to work on further strengthening it going forward. In addition, the Nominating and Remuneration Committee was established as an advisory body to the Board of Directors. I believe that personnel policies, such as succession plans for top management and the appointment of executives, will become even more important in the future, so as a member of this committee, I will work to strengthen its role and functions.

**Makino:** I believe that the Board of Directors has very productive discussions based on the various insights of each officer. Director Inagawa has experience as a legal professional and Director Morito has experience as a manager. I believe that you possess both deep insight accumulated over the years and ideas from new perspectives.

In addition, the Nominating and Remuneration Committee may need to consider enhancing education for successors to the President and incorporating development programs not only for the President but also for other officers in the future. The Nominating and Remuneration Committee will continue to discuss these issues in light of this.

# **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 boilerplate or lacking in detail.

## **Disclosure Methods**

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

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

## **Ouiet 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.

In May 2023, we announced the Fiscal 2022 Financial Results (fiscal year ended March 31, 2023) and the Fiscal 2023-25 Medium-term Management Plan, and in addition to holding an explanatory meeting at the BelleSalle Shiodome Conference Center, we broadcast it simultaneously online using an online conference system, with participation by many.



Explanatory Meeting for the FY2022 Financial Results and the Medium-term Management Plan







5.6

5.2

- ROA

7.4



(3.0)

FY2017 FY2018 FY2019 FY2020 FY2021 FY2022 FY2023 Forecas

FY2017 FY2018 FY2019 FY2020 FY2021 FY2022 FY2023

	FY2017
Net sales	244,826
Cost of sales	190,170
Selling, general and administrative expenses	35,664
Operating income (loss)	18,990
Ordinary income (loss)	20,153
Profit (loss) attributable to owners of parent	14,659
Net cash provided by operating activities	26,470
Net cash used in investing activities	(24,753)
Free cash flow	1,717
Net cash used in financing activities	(6,626)
Cash and cash equivalents at end of period	22,072
At year-end:	
Net assets	204,157
Total assets	339,958
Per share data (yen):*	
Profit	36.12
Cash dividends	11.0
Net assets	498.81

\*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

# **Consolidated Financial Highlights**







Forecast

Profit (loss) attributable to owners of parent (Billions of yen)







FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
						Forecast

(Millions of yen)

				(initiality of year)
FY2018	FY2019	FY2020	FY2021	FY2022
251,061	245,159	239,274	184,209	204,705
200,756	193,491	188,229	142,113	175,841
36,126	35,539	34,413	35,217	37,419
14,178	16,128	16,631	6,878	(8,555)
15,799	16,947	17,641	9,834	(7,849)
7,799	10,922	11,719	9,674	(5,719)
29,252	32,305	32,797	18,255	(16,146)
(20,032)	(18,815)	(18,884)	(16,062)	(19,818)
9,220	13,490	13,913	2,193	(35,964)
(15,755)	(12,959)	(10,869)	(7,995)	37,292
15,270	15,799	18,600	13,085	14,500
194,138	198,699	205,827	203,173	184,591
324,755	321,108	329,650	331,107	356,558
199.15	283.21	304.56	262.77	(166.79)
110.0	120.0	120.0	120.0	120.0
4,985.49	5,101.00	5,397.31	5,778.40	5,326.24

# Non-financial Information Highlights

Economic		_					
Economic		Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Production	Cement production volume	Т	10,757,727	10,549,830	10,040,723	10,085,469	9,545,518
Volume	Clinker production volume	Т	9,138,702	8,902,629	8,480,155	8,605,630	8,239,963
(Cement business)	Mixed cement	Т	2,151,598	2,336,717	2,260,466	1,942,106	1,640,270
Environm	ental	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Environmental	GHG emissions (CO <sub>2</sub> equivalent)	1,000 t-CO2eq	9,493	9,259	8,896	8,989	8,425
impact data (Group's total)	[Breakdown] Scope 1	1,000 t-CO2eq	9,280	9,050	8,700	8,810	8,230
(Group's total)	Scope 2	1,000 t-CO2eq	213	209	196	179	195
	[Reference] Scope 1 (Net CO <sub>2</sub> emissions)	1,000 t-CO2eq	8,468	8,232	7,938	8,069	7,521
(Cement business is	NOx (nitrogen oxides) emissions	Т	13,873	13,272	14,340	16,174	14,327
as follows)	SOx (sulfur oxides) emissions	Т	1,120	1,111	1,095	1,175	1,219
	Particulate matter emissions	Т	191	136	143	218	99
	Dioxin emissions	g-TEQ	0.27	0.31	0.41	0.18	0.22
	Total energy consumption related to cement manufacturing (Based on periodic reports in accordance with the Act on Rationalizing Energy Use)	PJ	32.618	31.524	30.711	31.009	29.385
	Thermal energy substitution rate *Coal (fossil fuel) substitution rate	%	29	28	29	27	27
	In-house power generation ratio*1	%	79	78	78	79	77
	Waste heat power generation ratio	%	7	7	7	7	9
	Biomass power generation ratio	%	16	15	14	17	15
	Volume of waste and byproducts received*2	1,000 t	5,538	5,479	5,210	5,233	4,922
	Consumption rate	kg/tcem	515	519	519	519	516
Resource recycling	Volume of waste plastics received (recycled + purchased)	1,000 t	48	56	62	64	66
(Cement business)	Volume of wood chips received (recycled + purchased)	1,000 t	451	417	401	429	399
	Volume of ordinary incinerator ash received	1,000 t	62	63	61	62	61
	Volume of disaster waste received	1,000 t	3	44	21	5	0

Preserving biodiversity Re-greened area of mine

\*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



\*Coal (fossil fuel) substitution rate 29 27 FY2018 FY2019 FY2020 FY2021 FY2022

Thermal energy substitution rate (%)

m²

24,943

16,652

5,538

51,915

21,938

5,479 5,210 5,233 4,922

Volume of waste and byproducts received  $_{\left( 1,000\text{ t}\right) }$ 

(%)

Ratio of women in managerial positions (%)







FY2018 FY2019 FY2020 FY2021 FY2022

FY2018 FY2019 FY2020 FY2021 FY2022

FY.

76.3

Y2018 FY2019 FY2020 FY2021 FY2022	Y2018	FY2019	FY2020	FY2021	FY2022	
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FY2020	FY2021	FY2022	

81.2

78.6

3,517

Social			Unit	FY2018	FY2019	FY2020	FY2021	FY2022
	Employees (Non-consolidated)	*3 *4 Employees		1,186	1,196	1,203	1,232	1,24
		Temporary employees		95	105	118	114	11
	(Consolidated)	Employees	persons	2,974	3,005	3,065	3,068	2,89
	Ratio of female employees		%	10.5	10.9	11.3	12.1	13.
	Number of managers		persons	432	435	441	439	43
	Number of women in man	agerial positions	persons	8	9	9	8	
	Ratio of women in manage	erial positions	%	1.9	2.1	2.0	1.8	2
Employment	Average years of service	Vale	Years	18.8	19.0	18.5	19.4	19
		emale	Years	17.5	16.8	15.8	15.8	16
	Age demographic	Jnder 30	persons	222	231	257	214	22
		Age 30-39	persons	270	265	262	288	28
		Age 40-49	persons	373	343	342	294	27
		Age 50-59	persons	316	350	333	411	42
		Over 60	persons	5	7	9	25	3
	Turnover within three years after joining the Company		%	11.9	22.2	9.1	6.9	0
	Voluntary retirement ratio	%	2.0	1.5	1.2	2.3	1	
	Working hours (prescribed working hours 1,860)		Hours per year	1,868	1,861	1,860	1,864	1,86
	Number of paid vacation days taken*5		Days per year	15.2	15.7	15.0	15.4	16
	Ratio of annual paid vacation days taken*5		%	77.1	80.0	76.3	78.6	81
	Ratio of new graduate hires (general career-track		%	17.4	18.2	26.1	19.4	13
Alexie et de		ng nursing care leave	persons	0	0	0	0	
			%	1.97	2.04	1.83	2.07	2.6
					4	1	5	
		-			12	5	6	
Employees (Non-consolidated)*** Employees         1,186         1,199           Temporary employees         persons         2,974         3,000           (Consolidated)         Employees         %         10.5         10.0           Ratio of female employees         %         10.5         10.0           Number of managers         persons         4.32         4.33           Number of women in managerial positions         persons         8         2.9           Average years of service         Male         Years         18.8         19.4           (Non-consolidated)         Female         Years         18.8         19.4           Average years of service         Male         Years         18.8         19.4           Average years of service         Male         Years         17.5         16.4           Age donographic         Under 30         persons         2.2         2.3           Age 30-39         persons         3.16         359           Over 60         persons         5         5         5           Turnover within three years after joning the Company         %         11.9         2.2           Voluntary retirement ratio         %         2.0         13.5      <	100	100	100	10				
				41	41	26	55	E
		· · ·		0	0	0	0	
			incidents	0	0	0	0	
	Number of accidents that				2	2	3	
	require time off from work		Incidents	4	10	3	1	
	Number of accidents not				2	3		
	accompanied by lost workti	me Indirect	Incidents		6	4		
	Accident frequency rate of					0.00	214 288 294 411 25 6.9 2.3 1,864 15.4 78.6 19.4 0 2.07 5 6 100 2.07 5 6 100 2.07 5 6 100 2.07 3 100 3 100 3 11 3 11 3 11 0.00 0 0.00 153 2,120	0.0
		<*8	%					
	Number of nature in the	time off from work	Numera			0.00		2.3
		ons*9			206	251		17
	Number of patents held*9		Incidents	1,824	1,971	2,060	2,120	1,87

\*4 Number of temporary employees is contract employees only \*5 Number of days of paid vacation taken and acquisition rate are averages for union members

\*6 As of June 1 survey

\*7 Indirect employment: workers who are not employees but whose work or workplace is under the control of the organization (partner companies)
 \*8 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) \*9 The figures are the aggregate for Japan and overseas



80.0

# **Consolidated Balance Sheets**

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES March 31, 2022 and 2023

		Millions of yen	Thousands of U.S. dollars (Note 1)
	End of FY2022 (as of March 31, 2022)	End of FY2023	End of FY2023
ssets			
Current assets			
Cash and deposits	* <sup>3</sup> ¥13,148	* <sup>3</sup> ¥14,542	\$108,909
Notes and accounts receivable - trade, and contract assets	*1 39,396	*1 41,922	313,954
Electronically recorded monetary claims - operating	6,156	7,989	59,835
Merchandise and finished goods	8,024	10,043	75,212
Work in process	230	103	773
Raw materials and supplies	17,005	37,961	284,295
Short-term loans receivable	800	377	2,825
Other	3,016	4,047	30,311
Allowance for doubtful accounts	(22)	(9)	(72)
Total current assets	87,756	116,978	876,043
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	* <sup>3,</sup> * <sup>5</sup> 177,463	* <sup>3,</sup> * <sup>5</sup> 177,697	1,330,765
Accumulated depreciation	(128,368)	(128,217)	(960,212)
Buildings and structures, net	49,094	49,479	370,552
Machinery, equipment and vehicles	* <sup>3,</sup> * <sup>5</sup> 462,747	* <sup>3,</sup> * <sup>5</sup> 477,585	3,576,616
Accumulated depreciation	(405,895)	(414,993)	(3,107,869)
Machinery, equipment and vehicles, net	56,852	62,591	468,747
Land	* <sup>3,</sup> * <sup>5</sup> 37,157	* <sup>3,</sup> * <sup>5</sup> 37,128	278,050
Construction in progress	7,834	8,845	66,240
Other	* <sup>3,</sup> * <sup>5</sup> 38,748	* <sup>3,</sup> * <sup>5</sup> 39,235	293,833
Accumulated depreciation	(20,476)	(20,727)	(155,229)
Other, net	18,271	18,507	138,603
Total property, plant and equipment	169,211	176,552	1,322,194
Intangible assets			
Goodwill	127	95	714
Other	*5 3,317	*5 3,556	26,633
Total intangible assets	3,444	3,651	27,347
Investments and other assets			
Investment securities	*4 59,401	*4 47,784	357,854
Long-term loans receivable	3,074	4,022	30,123
Deferred tax assets	1,094	1,168	8,752
Net defined benefit asset	1,748	1,851	13,869
Other	5,496	4,661	34,911
Allowance for doubtful accounts	(119)	(113)	(850)
Total investments and other assets	70,695	59,375	444,660
Total noncurrent assets	243,351	239,579	1,794,202
Total assets	¥331,107	¥356,558	\$2,670,246

Millions of yen         (Note 1)           End of FY2022 (as of March 31, 2022)         End of FY2023 (as of March 31, 2023)         End of FY2023 (as of March 31, 2023)           **3 ¥28,344         **3 ¥29,676         \$222,244           1,707         2,290         17,149           **3 19,972         **3 31,316         234,524           5,000         10,000         74,889           **3 5,843         **3 7,237         54,200           -         5,000         37,444           1,171         1,364         10,219           2,523         2,511         18,806           *2 10,916         *2 12,648         94,723           10,000         20,000         149,779           *3 15,825         *3 26,166         195,956           12,183         9,981         74,751
*3 ¥28,344         *3 ¥29,676         \$222,244           1,707         2,290         17,149           *3 19,972         *3 31,316         234,524           5,000         10,000         74,889           *3 5,843         *3 7,237         54,200           -         5,000         37,444           1,171         1,364         10,219           2,523         2,511         18,806           *2 10,916         *2 12,648         94,723           75,479         102,044         764,203           10,000         20,000         149,779           *3 15,825         *3 26,166         195,956
1,7072,29017,149*3 19,972*3 31,316234,5245,00010,00074,889*3 5,843*3 7,23754,200-5,00037,4441,1711,36410,2192,5232,51118,806*2 10,916*2 12,64894,72375,479102,044764,20310,00020,000149,779*3 15,825*3 26,166195,956
1,7072,29017,149*3 19,972*3 31,316234,5245,00010,00074,889*3 5,843*3 7,23754,200-5,00037,4441,1711,36410,2192,5232,51118,806*2 10,916*2 12,64894,72375,479102,044764,20310,00020,000149,779*3 15,825*3 26,166195,956
1,7072,29017,149*3 19,972*3 31,316234,5245,00010,00074,889*3 5,843*3 7,23754,200-5,00037,4441,1711,36410,2192,5232,51118,806*2 10,916*2 12,64894,72375,479102,044764,20310,00020,000149,779*3 15,825*3 26,166195,956
*3 19,972       *3 31,316       234,524         5,000       10,000       74,889         *3 5,843       *3 7,237       54,200         -       5,000       37,444         1,171       1,364       10,219         2,523       2,511       18,806         *2 10,916       *2 12,648       94,723         75,479       102,044       764,203         10,000       20,000       149,779         *3 15,825       *3 26,166       195,956
5,000         10,000         74,889           *³ 5,843         *³ 7,237         54,200           -         5,000         37,444           1,171         1,364         10,219           2,523         2,511         18,806           *² 10,916         *² 12,648         94,723           75,479         102,044         764,203           10,000         20,000         149,779           *³ 15,825         *³ 26,166         195,956
*3 5,843       *3 7,237       54,200         -       5,000       37,444         1,171       1,364       10,219         2,523       2,511       18,806         *2 10,916       *2 12,648       94,723         75,479       102,044       764,203         10,000       20,000       149,779         *3 15,825       *3 26,166       195,956
-         5,000         37,444           1,171         1,364         10,219           2,523         2,511         18,806           *2 10,916         *2 12,648         94,723           75,479         102,044         764,203           10,000         20,000         149,779           *3 15,825         *3 26,166         195,956
1,1711,36410,2192,5232,51118,806*2 10,916*2 12,64894,72375,479102,044764,20310,00020,000149,779*3 15,825*3 26,166195,956
2,5232,51118,806*2 10,916*2 12,64894,72375,479102,044764,20310,00020,000149,779*3 15,825*3 26,166195,956
*2 10,916         *2 12,648         94,723           75,479         102,044         764,203           10,000         20,000         149,779           *3 15,825         *3 26,166         195,956
75,479         102,044         764,203           10,000         20,000         149,779           *3 15,825         *3 26,166         195,956
10,000 20,000 149,779 * <sup>3</sup> 15,825 * <sup>3</sup> 26,166 195,956
* <sup>3</sup> 15,825 * <sup>3</sup> 26,166 195,956
* <sup>3</sup> 15,825 * <sup>3</sup> 26,166 195,956
139 116 870
26 12 92
892 893 6,690
40 38 286
1,003 253 1,895
12,343 12,461 93,324
52,454 69,922 523,646
127,934 171,966 1,287,850
41,654 <b>41,654 311,945</b>
10,459 <b>10,551 79,022</b>
127,896 <b>107,791 807,24</b> 2
(8,566) (272) (2,043)
171,443 159,724 1,196,167
28,892 22,093 165,456
197         239         1,791
431 382 2,861
29,520 22,714 170,109
2,209 2,152 16,119
203,173 184,591 1,382,396
¥331,107 <b>¥356,558 \$2,670,246</b>

# **Consolidated Statements of Income and Comprehensive Income**

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES For the years ended March 31, 2022 and 2023

	Thousands of U.S. dollar Millions of yen (Note 1)			
	Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)	Fiscal 2023 (Apr. 1, 2022 to Mar. 31, 2023)	Fiscal 2023 (Apr. 1, 2022 to Mar. 31, 2023)	
Net sales	*1 ¥184,209	* <sup>1</sup> ¥204,705	\$1,533,031	
Cost of sales	142,113	175,841	1,316,867	
Gross profit	42,096	28,864	216,164	
Selling, general and administrative expenses	* <sup>2,</sup> * <sup>3</sup> 35,217	* <sup>2,</sup> * <sup>3</sup> 37,419	280,235	
Operating income (loss)	6,878	(8,555)	(64,070)	
Non-operating income				
Interest income	104	77	582	
Dividend income	2,522	2,007	15,031	
Foreign exchange gains	412	-	-	
Equity in earnings of affiliates	242	-	-	
Rent income	126	123	924	
Other	853	997	7,473	
Total non-operating income	4,260	3,206	24,011	
Non-operating expenses				
Interest expenses	577	785	5,880	
Foreign exchange losses	-	526	3,945	
Equity in loss of affiliates	-	127	955	
Other	727	1,060	7,942	
Total non-operating expenses	1,305	2,500	18,724	
Ordinary income (loss)	9,834	(7,849)	(58,783)	
Extraordinary income				
Gain on sales of noncurrent assets	*4 629	*4 1,738	13,018	
Gain on sales of investment securities	2,471	4,703	35,224	
Total extraordinary income	3,101	6,441	48,243	
Extraordinary loss				
Loss on retirement of noncurrent assets	*5 895	*5 1,079	8,083	
Loss on sales of noncurrent assets	*6 13	*6 15	119	
Impairment loss	*7 12	*7 608	4,557	
Total extraordinary losses	922	1,703	12,761	
Profit (loss) before income taxes and non-controlling interests	12,013	(3,111)	(23,301)	
Income taxes - current	3,039	1,706	12,777	
Income taxes - deferred	(817)	801	6,005	
Total income taxes	2,222	2,508	18,783	
Profit (loss) before non-controlling interests	9,791	(5,619)	(42,084)	
Profit attributable to non-controlling interests	116	100	751	
Profit (loss) attributable to owners of parent	¥9,674	¥(5,719)	\$(42,836)	

		Millions of yen	Thousands of U.S. dollars (Note 1)
	Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)	Fiscal 2023 (Apr. 1, 2022 to Mar. 31, 2023)	Fiscal 2023 (Apr. 1, 2022 to Mar. 31, 2023)
Profit (loss) before non-controlling interests	¥9,791	¥(5,619)	\$(42,084)
Other comprehensive income			
Valuation difference on available-for-sale securities	2,422	(6,800)	(50,925)
Foreign currency translation adjustment	(227)	(40)	(302)
Remeasurements of defined benefit plans	220	(48)	(366)
Share of other comprehensive income of affiliates accounted for using equity method	0	82	621
Total other comprehensive income	* 2,416	* (6,806)	(50,973)
Comprehensive income	12,207	(12,425)	(93,057)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	12,090	(12,526)	(93,807)
Comprehensive income attributable to non-controlling interests	¥116	¥100	\$749

# **Consolidated Statements of Changes in Net Assets**

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES For the years ended March 31, 2022 and 2023

					Millions of yen
		Shai	reholders' eq	uity	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at April 1, 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	-
Change in scope of equity method					-
Change in treasury shares of parent arising from transactions with non-controlling shareholders					_
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
Change of items during period					
Dividends from surplus			(4,145)		(4,145)
Loss attributable to owners of parent for the period			(5,719)		(5,719)
Purchase of treasury stock				(1,718)	(1,718)
Disposal of treasury stock		0		3	3
Retirement of treasury stock		(10,008)		10,008	-
Change in scope of equity method			(231)		(231)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		92			92
Transfer from retained earnings to capital surplus		10,008	(10,008)		-
Other, net					
Total change of items during period	-	92	(20,105)	8,293	(11,719)
Balance at March 31, 2023	¥41,654	¥10,551	¥107,791	¥(272)	¥159,724

	Accum	ulated other c	omprehensive inc	ome		
	Valuation difference on available-for- sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at April 1, 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						-
Change in scope of equity method						-
Change in treasury shares of parent arising from transactions with non-controlling shareholders						-
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
Change of items during period						
Dividends from surplus						(4,145)
Loss attributable to owners of parent for the period						(5,719)
Purchase of treasury stock						(1,718)
Disposal of treasury stock						3
Retirement of treasury stock						-
Change in scope of equity method						(231)
Change in treasury shares of parent arising from transactions with non-controlling shareholders						92
Transfer from retained earnings to capital surplus						-
Other, net	(6,798)	41	(48)	(6,806)	(56)	(6,862)
Total change of items during period	(6,798)	41	(48)	(6,806)	(56)	(18,582)
Balance at March 31, 2023	¥22,093	¥239	¥382	¥22,714	¥2,152	¥184,591

### Millions of yen

			٦	Thousands of U.S.	dollars (Note 1)
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at April 1, 2022	\$311,945	\$78,327	\$957,814	\$(64,154)	\$1,283,932
Change of items during period					
Dividends from surplus			(31,044)		(31,044)
Loss attributable to owners of parent for the period			(42,836)		(42,836)
Purchase of treasury stock				(12,871)	(12,871)
Disposal of treasury stock		0		25	25
Retirement of treasury stock		(74,956)		74,956	-
Change in scope of equity method			(1,734)		(1,734)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		695			695
Transfer from retained earnings to capital surplus		74,956	(74,956)		
Other, net					
Total change of items during period	-	695	(150,571)	62,110	(87,765)
Balance at March 31, 2023	\$311,945	\$79,022	\$807,242	\$(2,043)	\$1,196,167

Thousands of U.S. dollars (Note 1)

	Accum	ulated other of	comprehensive in	come		
	Valuation difference on available-for- sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	Total net assets
Balance at April 1, 2022	\$216,372	\$1,480	\$3,228	\$221,080	\$16,544	\$1,521,558
Change of items during period						
Dividends from surplus						(31,044)
Loss attributable to owners of parent for the period						(42,836)
Purchase of treasury stock						(12,871)
Disposal of treasury stock						25
Retirement of treasury stock						-
Change in scope of equity method						(1,734)
Change in treasury shares of parent arising from transactions with non-controlling shareholders						695
Transfer from retained earnings to capital surplus						-
Other, net	(50,915)	310	(366)	(50,970)	(425)	(51,396)
Total change of items during period	(50,915)	310	(366)	(50,970)	(425)	(139,162)
Balance at March 31, 2023	\$165,456	\$1,791	\$2,861	\$170,109	\$16,119	\$1,382,396

# **Consolidated Statements of Cash Flows**

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES For the years ended March 31, 2022 and 2023

		Millions of yen	Thousands of U.S. do (Note 1)
	Fiscal 2022 (Apr. 1, 2021 to Mar. 31, 2022)	Fiscal 2023 (Apr. 1, 2022 to Mar. 31, 2023)	Fiscal 2023 (Apr. 1, 2022 to Mar. 31, 2023)
Cash flows from operating activities			± (== =
Profit (loss) before income taxes and non-controlling interests	¥12,013	¥(3,111)	\$(23,30
Depreciation expense	19,336	20,214	151,38
Impairment loss	12	608	4,5
Amortization of goodwill	31	31	23
Increase (decrease) in net defined benefit liability	(402)	(173)	(1,29
Increase (decrease) in provision for directors' retirement benefits	(14)	(23)	(17
Increase (decrease) in allowance for doubtful accounts	14	(3)	(1
Interest and dividends income	(2,626)	(2,084)	(15,6)
Interest expenses	577	785	5,8
Foreign exchange losses (gains)	(697)	(203)	(1,5
Equity in loss (earnings) of affiliates	(242)	127	9
Gain on sales of noncurrent assets	(629)	(1,738)	(13,0
Loss on sales of noncurrent assets	13	15	1
Loss on retirement of noncurrent assets	205	232	1,7
Loss (gain) on sales of investment securities	(2,471)	(4,703)	(35,2
Decrease (increase) in notes and accounts receivable - trade	1,147	(3,800)	(28,4
Decrease (increase) in inventories	(4,195)	(23,484)	(175,8
Increase in notes and accounts payable - trade	1,621	1,952	14,6
Other, net	(2,106)	(598)	(4,4
Subtotal	21,589	(15,957)	(119,5
Interest and dividends income received	2,640	2,125	15,9
Interest expenses paid	(573)	(769)	(5,7
Income taxes paid	(5,400)	(1,544)	(11,5
Net cash provided by (used in) operating activities	¥18,255	¥(16,146)	\$(120,9
Cash flows from investing activities			
Purchase of noncurrent assets	¥(20,921)	¥(27,913)	\$(209,0
Proceeds from sales of noncurrent assets	1,347	1,867	13,9
Purchase of investment securities	(375)	(451)	(3,3
Proceeds from sales of investment securities	3,869	6,692	50,1
Payments of loans receivable	(738)	(789)	(5,9
Collection of loans receivable	767	386	2,8
Other, net	(11)	389	2,9
Net cash used in investing activities	¥(16,062)	¥(19,818)	\$(148,4
Cash flows from financing activities	VF27	V11 202	¢or o
Net increase (decrease) in short-term loans payable	¥537	¥11,382	\$85,2
Proceeds from long-term loans payable	6,300	18,860	141,2
Repayment of long-term loans payable	(6,757)	(7,141)	(53,4
Proceeds from issuance of bonds	-	15,000	112,3
Proceeds from issuance of commercial papers	5,000	32,000	239,6
Redemption of commercial papers	-	(27,000)	(202,2
Proceeds from sales of treasury stock	8	3	(42.0
Purchase of treasury stock	(10,366)	(1,718)	(12,8
Decrease (increase) in segregated deposits for purchase of treasury shares	1,867	187	1,4
Cash dividends paid	(4,498)	(4,145)	(31,0
Cash dividends paid to non-controlling shareholders	(4)	(4)	(
Other, net	(82)	(132)	(9
Net cash provided by (used in) financing activities	¥(7,995)	¥37,292	\$279,2
Effect of exchange rate change on cash and cash equivalents	146	76	5
Net increase (decrease) in cash and cash equivalents	(5,656)	1,403	10,5
Cash and cash equivalents at beginning of period	18,600	13,085	97,9
ncrease in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	141	10	

# Flows

## 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=¥133.53, the exchange rate prevailing on March 31, 2023.

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: 38

- (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.

### (3) Changes in scope of consolidation

SOC Vietnam Co., Ltd. has been excluded from the scope of consolidation because it was transferred to another company during the current fiscal year

SOC OCEANIA PTY LTD. and one other company have been included in the scope of consolidation due to their increased importance from the current fiscal year.

### 4. APPLICATION OF THE EQUITY METHOD

- (1) Number of non-consolidated equity-method subsidiaries: 0
- (2) Number of equity-method affiliates: 4
- (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.

(4) Significant changes in the scope of application of the equity method

FALCON CP (NSW) PTY LTD. has been included in the scope of application of the equity method due to its increased importance from the current fiscal year.

### 5. MATTERS CONCERNING THE FISCAL YEARS OF CONSOLIDATED SUBSIDIARIES

The consolidated subsidiaries 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. SOC OCEANIA PTY LTD. and one other company have a June 30 fiscal year-end date, and their financial statements are based on the provisional settlement of accounts conducted as of December 31. Regarding these consolidated subsidiaries, the required adjustments for consolidation have been made for material transactions that have occurred from the fiscal year-end date or the provisional fiscal year-end date 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 movingaverage 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 guarry 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, and nanoparticle 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.

### Consolidated Financial Data

### (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 cash and cash equivalents in 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	¥169,211	¥176,552	\$1,322,194
Of which, property, plant and equipment associated with the Company's Cement business	82,965	83,480	625,181
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 Cement business, amid higher cement manufacturing costs due to soaring coal prices and crude oil prices, the Company worked to pass on the higher costs to sales prices with price revisions. However, with the delay in price pass-throughs, the further rise in coal prices due to the situation in Russia and Ukraine, and the continued yen depreciation, the business continued to incur losses from operating activities in the fiscal year ended March 31, 2023, following the previous fiscal year, and thus there were indications of impairment of property, plant and equipment in the business.

The Company has continued to revise cement sales prices with the aim of securing revenue going forward and ensuring business continuity. The assessment of the impairment of property, plant and equipment in the Cement business revealed that the total future undiscounted cash flows exceed the carrying amount of the noncurrent assets. Therefore, the Company has determined that no impairment loss shall be recognized.

The forecasts for Fiscal 2024 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 coal and crude oil prices reflecting prevailing international developments involving Russia and Ukraine, and foreign exchange rates. Accordingly, any significant deviations from these assumptions caused by changes in factors such as the market environment could have a material impact on the consolidated financial statements

### (Accounting standards not yet applied)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

### (1) Overview

These stipulate the classification of income taxes when applied to other comprehensive income and the treatment of tax effects related to the sale of shares in subsidiaries, etc. when the group tax sharing system is applied.

### (2) Scheduled application date

Application is scheduled from the beginning of the year ending March 31, 2025.

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

The impact of the application of the Accounting Standard for Current Income Taxes and other accounting standards and implementation guidance on the consolidated financial statements is currently being evaluated.

### (Changes in presentation)

### (Notes to consolidated balance sheets)

"Electronically recorded obligations - operating," which was included in "Notes and accounts payable - trade" under "Current liabilities" 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, ¥30,051 million that was presented as "Notes and accounts payable - trade" under "Current liabilities" in the consolidated balance sheet for the previous fiscal year has been reclassified as "Notes and accounts payable - trade" of ¥28,344 million and "Electronically recorded obligations - operating" of ¥1,707 million.

(Notes to consolidated balance sheets)

- trade, and contract assets are as follows, respectively.

lotes receivable - trade
Accounts receivable - trade
ontract assets

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

Contract liabilities	

### \*3. Pledged assets and secured liabilities Pledged assets and secured liabilities are as follows.

5			
		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
Ordinary deposits	¥50	¥100	\$754
Current deposit	412	409	3,062
Property, plant and equipment			
Buildings and structures	4,729	4,531	33,938
Machinery, equipment and vehicles	10,168	11,198	83,862
Land	3,806	3,779	28,307
Other	236	234	1,754
Total pledged assets	¥19,403	¥20,253	\$151,680
		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
Accounts payable - trade	¥225	¥311	\$2,333

Short-term loans payable

Current portion of long-term loans payable

Long-term loans payable

Total secured liabilities

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

Investment securities (stocks)

### \*5. Reduction entry

Previous fiscal year (March 31, 2022)

The reduction entry amounts corresponding to national subsidies were ¥510 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, 2023)

The reduction entry amounts corresponding to national subsidies were ¥510 million (US\$3,824 thousand) for buildings and structures, ¥4,868 million (US\$36,459 thousand) for machinery, equipment and vehicles, ¥280 million (US\$2,099 thousand) for land, ¥4 million (US\$32 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, 2022)			Current fiscal year (March 31, 2023)	
Hachinohe Biomass Power Generation Co., Ltd.	¥1,248	Hachinohe Biomass Power Generation Co., Ltd.	¥1,164	\$8,719
Others (2 companies)	591	Others (2 companies)	278	2,086
Total	¥1,840	Total	¥1,442	\$10,806

### \*1. Amounts of receivables and contract assets arising from contracts with customers included in notes and accounts receivable

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
¥5,866	¥5,422	\$40,608
32,675	35,026	262,309
854	1,473	11,035

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
¥110	¥113	\$851

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
¥225	¥311	\$2,333
380	380	2,845
282	282	2,117
2,536	2,253	16,878
¥3,425	¥3,228	\$24,174

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
¥5,653	¥5,880	\$44,040

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

		Millions of yer	ı	Thousands of U.S. dollars
Previous fiscal year (March 31, 2022)		Current fiscal ye (March 31, 202		Current fiscal year (March 31, 2023)
BLAST Co., Ltd.	¥83	Yoshida Kenzai Inc.	¥20	\$151
Others (3 companies)	32	Nohara Holdings, Inc.	14	110
		Others (2 companies)	21	158
Total	¥116	Total	¥56	\$421

(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, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Sales costs	¥11,183	¥12,102	\$90,637
Allowances and bonuses	8,389	8,383	62,784
Provision for share awards	25	0	0
Transfer to provision for bonuses	1,110	1,069	8,009
Retirement benefit expenses	329	332	2,487
Transfer to provision for retirement benefits for officers	34	47	353
R&D expenses	3,052	3,092	23,158

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

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
¥3,052	¥3,092	\$23,158

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

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Land	¥3	¥1,078	\$8,080
Quarry sites	9	42	317
Buildings and structures-	-	13	97
Machinery, equipment and vehicles	616	603	4,523

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

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Buildings and structures	¥24	¥76	\$571
Machinery, equipment and vehicles	186	125	940
Machinery, equipment and vehicles removal costs	682	846	6,336

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

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Land	¥3	¥–	\$-
Machinery, equipment and vehicles	1	0	0
Buildings and structures	8	3	25
Tools, furniture and fixtures	-	12	94

#### \*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.

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Previous fiscal year (April 1, 2021 to March 31, 2022) This information is omitted as it is immaterial.

Current fiscal year (April 1, 2022 to March 31, 2023)

With respect to some office buildings scheduled to be demolished and disposed of among the assets held by the Group, the recoverable amount significantly decreased, and their carrying amount has been reduced to the memorandum value, and this reduction has been recorded under extraordinary loss as an impairment loss (¥594 million [US\$4,451 thousand]).

For idle assets with a recoverable amount lower than the carrying amount, the carrying amount has been reduced to the recoverable amount, and this reduction has been recorded under extraordinary loss as an impairment loss (¥14 million [US\$105 thousand]). A breakdown of impairment losses is as follows.

Application	Location	Туре	Impairment loss (millions of yen)	Impairment loss (thousands of U.S. dollars)
Office buildings	Osaka City, Osaka Prefecture	Buildings and structures, etc.	¥594	\$4,451
Idle assets	Maibara City, Shiga Prefecture	Land and quarry sites	¥14	\$105

### \*Breakdown of impairment losses for each type

Application	Breakdown (millions of yen)	Breakdown (thousands of U.S. dollars)
Office buildings	Buildings ¥590, structures ¥2, tools, furniture and fixtures ¥1	Buildings \$4,418, structures \$20, tools, furniture and fixtures \$12
-	Total ¥594	Total \$4,451
Idle assets	Land ¥11, quarry sites ¥2	Land <b>\$89</b> , quarry sites <b>\$16</b>
IUIE 922612	Total ¥14	Total \$105

Recoverable amounts for idle assets are measured using respective net selling prices. However, net selling prices for land are assessed based on real estate appraisal valuations.

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

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:			
Amount incurred during the current fiscal year	¥5,981	¥(5,154)	\$(38,602)
Reclassification adjustments	(2,471)	(4,701)	(35,210)
Before adjustment for tax effects	3,510	(9,856)	(73,813)
Tax effects	(1,087)	3,056	22,888
Valuation difference on available-for-sale securities	2,422	(6,800)	(50,925)
Foreign currency translation adjustments:			
Amount incurred during the current fiscal year	(227)	(40)	(302)
Remeasurements of defined benefit plans:			
Amount incurred during the current fiscal year	227	(155)	(1,163)
Reclassification adjustments	92	84	632
Before adjustment for tax effects	320	(70)	(531)
Tax effects	(99)	21	164
Remeasurements of defined benefit plans	220	(48)	(366)
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount incurred during the current fiscal year	0	82	621
Total other comprehensive income	¥2,416	¥(6,806)	\$(50,973)

(Notes to consolidated statements of changes in net assets) Previous 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

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DIVE	Income

### 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

(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 ended 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

(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.

### Current fiscal year (April 1, 2022 to March 31, 2023)

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)	37,243	-	2,913	34,329
Total	37,243	-	2,913	34,329
Treasury stock				
Common stock (Notes 1, 3, 4)	2,464	526	2,914	76
Total	2,464	526	2,914	76

(Notes) 1. The number of common stock held as treasury stock includes the Company's stocks (28,000 shares at the beginning of the current fiscal year,

- 27,000 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: 2,913 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: 521 thousand shares Increase due to the acquisition of shares in amounts of less than one trading unit: 4 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: 2,913 thousand shares

Decrease due to Employee Stock Ownership Plan: 0 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 28, 2022	Common stock	¥2,088	¥60.00	March 31, 2022	June 29, 2022
Board of Directors Meeting held on November 9, 2022	Common stock	¥2,056	¥60.00	September 30, 2022	December 1, 2022
(Resolution)	Type of	Total dividend amount	Dividends per share	Cut-off date	Effective date

(Resolution)	shares	(thousands of U.S. dollars)	(U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2022	Common stock	\$15,639	\$0.449	March 31, 2022	June 29, 2022
Board of Directors Meeting held on November 9, 2022	Common stock	\$15,404	\$0.449	September 30, 2022	December 1, 2022

(Notes) 1. 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.

2. Per resolution of the Board of Directors meeting held on November 9, 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.

(2) Dividends with the cut-off date in the year ended March 31, 2023 and the effective date in the year ending March 31, 2024

(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, 2023	Common stock	¥2,056	Retained earnings	¥60.00	March 31, 2023	June 29, 2023
(Decolution)	Type of	Total dividend amount	Source of	Dividends per share		
(Resolution)	shares	(thousands of U.S. dollars)	dividends	(U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2023	Common stock	\$15,403	Retained earnings	\$0.449	March 31, 2023	June 29, 2023

(Note) Per resolution of the Ordinary General Meeting of Shareholders held on June 28, 2023, 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

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Ending balance of cash and deposits	¥13,148	¥14,542	\$108,909
Time deposits with a maturity of over three months	(62)	(42)	(319)
Ending balance of cash and cash equivalents	¥13,085	¥14,500	\$108,589

#### (Lease transactions)

1. Finance lease transactions (lessee)

Finance lease transactions that do not transfer ownership

- (1) Leased assets
- Property, plant and equipment
- Mainly consist of production facilities (structures and machinery, equipment and vehicles) in the Cement business (2) Leased asset depreciation method

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

#### 2. Operating lease transactions

### Future lease payments for non-cancelable operating leases

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
Within one year	¥48	¥438	\$3,280
Over one year	86	1,412	10,578
Total	¥134	¥1,850	\$13,858

### (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 lowrisk 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 and Electronically recorded obligations - operating 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 32 years from the balance sheet date. A certain portion of said liabilities have variable interest rates and are subject to interest rate fluctuation risk. However, to hedge such risks, the interest rates are fixed through the use of derivative transactions (interest rate swap transactions). Evaluation of the effectiveness of hedges is omitted since all of the interest rate swap transactions meet the specific matching criteria.

- undertake such transactions. To minimize credit risk, derivative transactions are entered into only with highly rated financial institutions. 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, 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	-	-	-

Derivative transactions are entered into and managed in accordance with internal policies, which determine the authority to

(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
Classification	Consolidated balance sheet amounts
Unlisted securities	¥7,537

### Current fiscal year (April 1, 2022 to March 31, 2023)

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, Electronically recorded obligations - operating, 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	¥39,984	¥39,984	¥–
(2) Long-term loans receivable	4,022	4,185	162
(3) Bonds payable	25,000	24,823	(176)
(4) Long-term loans payable	33,403	33,216	(186)
(5) Derivative transactions		_	-

	Consolidated balance sheet amounts	Fair value	Thousands of U.S. dollars Difference
(1) Investment securities Available-for-sale securities	\$299,444	\$299,444	\$-
(2) Long-term loans receivable	30,123	31,341	1,218
(3) Bonds payable	187,223	185,902	(1,321)
(4) Long-term loans payable	250,157	248,760	(1,397)
(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	¥7,799	\$58,409

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

Previous 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

### Current fiscal year (March 31, 2023)

				IVIIIIOUS OF YELL
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥14,517	¥–	¥–	¥–
Notes and accounts receivable - trade, and contract assets	41,922	-	-	-
Electronically recorded monetary claims - operating	7,989	-	-	-
Investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	377	-	-	-
Long-term loans receivable	1	2,198	700	1,121
Total	¥64,808	¥2,198	¥700	¥1,121

Millions of ven

	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	\$108,721	\$-	\$-	\$-
Notes and accounts receivable - trade, and contract assets	313,954	-	-	-
Electronically recorded monetary claims - operating	59,835	_	-	-
Investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	2,825	-	-	-
Long-term loans receivable	12	16,463	5,248	8,399
Total	\$485,349	\$16,463	\$5,248	\$8,399

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

Previous 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

Current fiscal year (March 31, 2023)

	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	¥31,316	¥–	¥–	¥–	¥–	¥–
Commercial papers	10,000	-	-	-	-	-
Bonds payable	5,000	-	-	5,000	10,000	5,000
Long-term loans payable	7,237	6,628	5,553	4,704	3,863	5,415
Total	¥53,553	¥6,628	¥5,553	¥9,704	¥13,863	¥10,415

	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	\$234,524	\$-	\$-	\$-	\$-	\$-
Commercial papers	74,889	-	-	-	-	-
Bonds payable	37,444	-	-	37,444	74,889	37,444
Long-term loans payable	54,200	49,643	41,588	35,229	28,935	40,559
Total	\$401,059	\$49,643	\$41,588	\$72,674	\$103,825	\$78,004

### 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 Previous fiscal year (March 31, 2022)

				Millions of yen
		Fair value	e	
Classification	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥51,863	¥–	¥–	¥51,863

### Millions of yen

### Thousands of U.S. dollars

### Current fiscal year (March 31, 2023)

				Millions of yen
		Fair val	ue	
Classification	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥39,984	¥–	¥–	¥39,984
				Thousands of U.S. dollars
		Fair val	ue	
Classification	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	\$299,444	\$-	\$-	\$299,444

(2) Financial assets and financial liabilities not at fair value for their carrying amount recorded on consolidated balance sheet Previous fiscal year (March 31, 2022)

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

Current fiscal year (March 31, 2023)

				Millions of yen
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥–	¥4,185	¥–	¥4,185
Bonds payable	-	24,823	-	24,823
Long-term loans payable	-	33,216	-	33,216

Thousands of U.S. dollars

	Fair value				
Classification	Level 1	Level 2	Level 3	Total	
Long-term loans receivable	\$-	\$31,341	\$-	\$31,341	
Bonds payable	-	185,902	-	185,902	
Long-term loans payable	-	248,760	-	248,760	

(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, 2022)

			Millions of yen
Туре	Consolidated balance sheet amounts	Acquisition cost	Difference
(1) Stocks	¥51,655	¥9,857	¥41,798
(2) Bonds	-	-	-
(3) Others	-	-	-
Subtotal	51,655	9,857	41,798
(1) Stocks	207	236	(28)
(2) Bonds	-	-	-
(3) Others	-	-	-
Subtotal	207	236	(28)
	¥51,863	¥10,093	¥41,769
	(1) Stocks (2) Bonds (3) Others Subtotal (1) Stocks (2) Bonds (3) Others	Type         sheet amounts           (1) Stocks         ¥51,655           (2) Bonds         -           (3) Others         -           Subtotal         51,655           (1) Stocks         207           (2) Bonds         -           (3) Others         -           (3) Others         -           (3) Others         -           (3) Others         -           Subtotal         207	Type         sheet amounts         Acquisition cost           (1) Stocks         ¥51,655         ¥9,857           (2) Bonds         -         -           (3) Others         -         -           Subtotal         51,655         9,857           (1) Stocks         207         236           (2) Bonds         -         -           Subtotal         51,655         9,857           (1) Stocks         207         236           (2) Bonds         -         -           (3) Others         -         -           Subtotal         207         236

### Current fiscal year (March 31, 2023)

	Туре
	(1) Stocks
Carrying amount on consolidated balance sheet	(2) Bonds
exceeds acquisition cost	(3) Others
	Subtotal
	(1) Stocks
Carrying amount on consolidated balance sheet	(2) Bonds
does not exceed acquisition cost	(3) Others
	Subtotal
Total	

	Туре
	(1) Stocks
Carrying amount on consolidated balance sheet	(2) Bonds
exceeds acquisition cost	(3) Others
	Subtotal
	(1) Stocks
Carrying amount on consolidated balance sheet	(2) Bonds
does not exceed acquisition cost	(3) Others
	Subtotal
Total	

### 2. Sales of available-for-sale securities

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

			Millions of yen
Туре	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	¥–

### Current fiscal year (April 1, 2022 to March 31, 2023)

			Millions of yen
Туре	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	¥6,692	¥4,722	¥18
(2) Bonds	-	-	-
(3) Others	-	-	-
Total	¥6,692	¥4,722	¥18
			Thousands of U.S. dollars
Туре	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	\$50,120	\$35,366	\$141
(2) Bonds	-	-	-
(3) Others	-	-	-
Total	\$50,120	\$35,366	\$141

### (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, 2022)

				Ν	Aillions 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)

(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.

Millions of yen

		,
Consolidated balance sheet amounts	Acquisition cost	Difference
¥39,976	¥8,098	¥31,877
-	-	-
-	-	-
39,976	8,098	31,877
8	10	(1)
-	-	-
-	-	-
8	10	(1)
¥39,984	¥8,108	¥31,876

Thousands of U.S. dollars

Consolidated balance sheet amounts	Acquisition cost	Difference
\$299,380	\$60,651	\$238,729
-	-	-
-	-	-
299,380	60,651	238,729
63	75	(11)
-	-	-
-	-	-
63	75	(11)
\$299,444	\$60,726	\$238,717

### Current fiscal year (March 31, 2023)

			Ν	Aillions of yen
Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Interest rate swap transactions Pay fixed; receive floating	Long-term loans payable	¥300	¥–	(Note)
			Thousands (	of U.S. dollars
Types of transactions	Major hedged items	Contract amount	Contract amount over one year	Fair value
Interest rate swap transactions Pay fixed; receive floating	Long-term loans payable	\$2,246	\$-	(Note)
	Interest rate swap transactions Pay fixed; receive floating Types of transactions Interest rate swap transactions	Interest rate swap transactions Pay fixed; receive floating     Long-term loans payable       Types of transactions     Major hedged items       Interest rate swap transactions     Long term loans payable	Types of transactions     Major hedged items     Contract amount       Interest rate swap transactions Pay fixed; receive floating     Long-term loans payable     ¥300       Types of transactions     Major hedged items     Contract amount       Interest rate swap transactions     Major hedged items     Contract amount	Types of transactions     Major hedged items     Contract amount over one year       Interest rate swap transactions Pay fixed; receive floating     Long-term loans payable     ¥300     ¥–       Types of transactions     Major hedged items     Contract amount over one year       Types of transactions     Major hedged items     Contract amount over one year       Interest rate swap transactions     Major hedged items     Contract amount over one year

(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, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Beginning balance of projected benefit obligation	¥14,375	¥14,404	\$107,876
Service cost	661	623	4,670
Interest cost	42	57	427
Actuarial gains and losses	(138)	(205)	(1,536)
Payment of retirements benefits	(536)	(1,040)	(7,794)
Ending balance of projected benefit obligation	¥14,404	¥13,839	\$103,643

(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, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)	
Beginning balance of pension assets	¥14,981	¥15,708	\$117,639	
Expected return on pension assets	299	314	2,352	
Actuarial gains and losses	89	(360)	(2,699)	
Employer contribution	867	608	4,559	
Payment of retirements benefits	(529)	(1,028)	(7,699)	
Ending balance of pension assets	¥15,708	¥15,242	\$114,152	

(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, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)	
Beginning balance of net defined benefit liability	¥473	¥447	\$3,351	
Retirement benefit expenses	247	290	2,175	
Payment of retirements benefits	(78)	(104)	(781)	
Contributions to the plan	(194)	(188)	(1,414)	
Other	-	-	-	
Ending balance of net defined benefit liability	¥447	¥444	\$3,330	

(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

Projected benefit obligation of funded plan Pension assets

Projected benefit obligation of unfunded plan Net amount of liabilities and assets on the consolidated balance sheet

### Net defined benefit liability Net defined benefit asset

Net amount of liabilities and assets on the consolidated balance sheet

(5) Breakdown of retirement benefit cost

### Service cost

Interest cost

Expected return on pension assets

Amortization of actuarial loss

Retirement benefit cost calculated using simplified method

Retirement benefit cost of defined benefit pension

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

Actuarial gains and losses		
	Total	

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

Unrecognized actuarial loss/gain
Total

(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, 2022)	Current fiscal year (March 31, 2023)
Bonds	49%	53%
Stocks	30%	26%
General accounts	15%	15%
Other	7%	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

Discount rate

Expected long-term investment return Expected rates of salary increases

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
¥15,730	¥15,177	\$113,662
(17,603)	(17,173)	(128,612)
(1,873)	(1,996)	(14,949)
1,017	1,037	7,771
(856)	(958)	(7,178)
892	893	6,690
(1,748)	(1,851)	(13,869)
¥(856)	¥(958)	\$(7,178)

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
¥661	¥623	\$4,670
42	57	427
(299)	(314)	(2,352)
92	84	632
247	290	2,175
¥743	¥741	\$5,552

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
¥320	¥(70)	\$(531)
¥320	¥(70)	\$(531)

	Millions of yen	Thousands of U.S. dollars
Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
¥(624)	¥(553)	\$(4,147)
¥(624)	¥(553)	\$(4,147)

Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)
0.3%	0.4%
2.0%	2.0%
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, 2022)	Current fiscal year (March 31, 2023)	Current fiscal year (March 31, 2023)
Deferred tax assets			
Impairment loss	¥2,155	¥2,323	\$17,399
Tax loss carryforwards (Note 2)	606	3,935	29,475
Provision for bonuses	804	800	5,995
Unrealized holding gain	425	474	3,555
Net defined benefit liability	93	115	861
Accrued business tax	134	139	1,047
Tax effect of investment and loans to subsidiaries	1,139	-	-
Other	1,446	1,581	11,842
Subtotal for deferred tax assets	6,806	9,370	70,178
Valuation allowance related to tax loss carryforwards (Note 2)	(606)	(3,595)	(26,929)
Valuation allowance related to the total of deductible temporary differences	(2,393)	(2,673)	(20,024)
Subtotal for valuation allowance (Note 1)	(3,000)	(6,269)	(46,953)
Total deferred tax assets	¥3,805	¥3,101	\$23,224
Deferred tax liabilities			
Valuation difference for available-for-sale securities	(12,971)	(9,915)	(74,255)
Liability reserves under the Act on Special Measures Concerning Taxation	(1,063)	(1,084)	(8,121)
Other	(860)	(914)	(6,846)
Total deferred tax liabilities	(14,895)	(11,913)	(89,222)
Deferred tax liabilities, net	¥(11,089)	¥(8,812)	\$(65,998)

(Notes) 1. Significant changes in the amount deducted from deferred tax assets (valuation allowance) were mainly due to an increase in valuation allowance related to tax loss carryforwards.

2. The amounts of the tax loss carryforwards and the respective amounts of deferred tax assets by maturity date

### Previous fiscal year (March 31, 2022)

							iviilions 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	-	-	-	-	-	_	_

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

### Current fiscal year (March 31, 2023)

							iviilions 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)	¥54	¥60	¥66	¥48	¥51	¥3,652	¥3,935
Valuation allowance	(54)	(60)	(66)	(48)	(51)	(3,312)	(3,595)
Deferred tax assets	_	_	_	_	_	340	(b) 340

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)	\$410	\$455	\$501	\$365	\$387	\$27,354	\$29,475
Valuation allowance	(410)	(455)	(501)	(365)	(387)	(24,808)	(26,929)
Deferred tax assets	-	_	-	-	-	2	2

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

(b) Deferred tax assets of ¥340 million were recognized for tax loss carryforwards of ¥3,935 million (amount multiplied by the effective statutory tax rate). The deferred tax assets were recognized for a portion of the total tax loss carryforwards of ¥3,491 million (amount multiplied by the effective statutory tax rate). No valuation allowance is recognized for the portion of such tax loss carryforwards that are deemed recoverable based on expected future taxable income.

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

application of tax effect accounting		
	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Statutory effective tax rate	31.0%	31.0%
(Adjustment)		
Adjustments that are not temporary differences	(2.7)	(1.0)
Valuation allowance related to tax loss carryforwards	(0.5)	(99.9)
Valuation allowance related to the total of deductible temporary differences	0.1	(8.6)
Tax credit	(1.4)	-
Tax effect of investment and loans to subsidiaries	(9.5)	-
Other	1.5	(2.1)
Effective tax rate after the application of tax effect accounting	18.5	(80.6)
<ol> <li>Overview the business divestiture         <ol> <li>Name of the succeeding company Sumitomo Metal Mining Co., Ltd. (Sumitomo Metal Mining)</li> <li>Description of business divested The lithium iron phosphate (LFP) battery materials business (inclu Research Laboratory, and a subsidiary SOC Vietnam Co., Ltd.)</li> <li>Main reason for the business divestiture The Company has developed LFP battery materials using the orig 1980s. It completed a mass-production plant in Vietnam in Dece performance LFP battery materials featuring highly stable quality LFP battery materials are poised to encounter mounting dem vehicles and batteries for stationary energy storage. Amid this so Sumitomo Metal Mining, which already has a lineup of nickel ca structure capable of increased production, given the notion that business growth.</li> </ol> </li> </ol>	ginal nanoparticle synthesis techno ember 2012 and has since been su , and going forward, particularly for enario, the Company has opted to thode material products and has b	plogy it has cultivated since the pplying the market with high- r their applications in electric pentrust this business to peen making progress with a
<ul> <li>(4) Date of the business divestiture May 1, 2022</li> <li>(5) Overview of the divestiture including legal form Business transfer in which the consideration received is cash or construction.</li> </ul>	other property only	

## (2) Overview the accounting treatment implemented

(1) Amount of gain or loss on transfer

(F B (1

> The impact of the business transfer on the consolidated financial statements is immaterial. (2) Appropriate carrying amounts of assets and liabilities in relation to the business transferred and their major components

	Millions of yen	Thousands of U.S. dollars
Current assets	¥947	\$7,092
Noncurrent assets	822	6,156
Total assets	¥1,770	\$13,255
Current liabilities	162	1,213
Noncurrent liabilities	781	5,849
Total liabilities	¥944	\$7,070

### (3) Accounting treatment

The difference between the consolidated carrying amount of the Company's LFP battery materials business and the sale price, less costs related to the sale, was accounted for as non-operating income or loss.

### (3) Reporting segment in which the divested business was included Other segment

The classification of reporting segments was changed in the current fiscal year. Please refer to "(Segment information)" for details.

income for the fiscal year ended March 31, 2023 This information is omitted as it is immaterial.

## (4) Approximate amounts of profits and losses related to the divested business recorded in the consolidated statements of

### (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, 2022, rental income from rental property assets was ¥1,169 million (rental revenue is recorded under sales and rental costs are recorded under cost of sales), and impairment losses amounted to ¥12 million (recorded under extraordinary loss). During the current fiscal year ended March 31, 2023, rental income from rental property assets was ¥1,183 million (US\$8,866 thousand) (rental revenue is recorded under sales and rental costs are recorded under cost of sales), gain on sales of noncurrent assets amounted to ¥59 million (US\$445 thousand) (recorded under extraordinary income), and impairment losses amounted to ¥14 million (US\$105 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, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Consolidated balance sheet amounts			
Opening balance	¥21,136	¥20,463	\$153,252
Change during the fiscal year	(673)	(254)	(1,903)
Closing balance	20,463	20,209	151,348
Fair value at the end of the fiscal year	¥32,114	¥31,774	\$237,958

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

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

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

							Millions of yer		
		Reporting segments							
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total		
Goods or services transferred at a point in time	¥125,973	¥12,310	¥7,848	¥3,767	¥14,595	¥4,917	¥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	6,191	184,209		
Other revenue	-	-	-	-	-	-	-		
Net sales to outside customers	¥126,620	¥12,310	¥20,723	¥3,767	¥14,595	¥6,191	¥184,209		
Net sales to outside customers	¥126,620	¥12,310	¥20,723	¥3,/b/	¥14,595	¥6,191	¥184		

Current fiscal year (April 1, 2022 to March 31, 2023)

							Millions of yen
			Reporting	g segments			
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total
Goods or services transferred at a point in time	¥139,833	¥13,370	¥8,187	¥2,385	¥21,678	¥3,621	¥189,078
Goods or services transferred over time	511	-	13,920	-	-	1,196	15,627
Revenue from contracts with customers	140,344	13,370	22,107	2,385	21,678	4,818	204,705
Other revenue	-	-	-	-	-	-	-
Net sales to outside customers	¥140,344	¥13,370	¥22,107	¥2,385	¥21,678	¥4,818	¥204,705

Thousands of U.S. dollars

						measan	us or 0.5. uonars
			Reporting	g segments			
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total
Goods or services transferred at a point in time	\$1,047,208	\$100,134	\$61,317	\$17,864	\$162,349	\$27,122	\$1,415,996
Goods or services transferred over time	3827	-	104,246	-	_	8,960	117,034
Revenue from contracts with customers	1,051,036	100,134	165,564	17,864	162,349	36,082	1,533,031
Other revenue	-	-	-	-	-	-	-
Net sales to outside customers	\$1,051,036	\$100,134	\$165,564	\$17,864	\$162,349	\$36,082	\$1,533,031

### 2. Matters related to changes in reportable segments, etc.

As stated in "(Segment information)" above, "Battery Materials," which had been separately presented until the previous fiscal year, has been included in "Other" from the current fiscal year because its significance has decreased. Information on disaggregation of revenue from contracts with customers for the previous fiscal year is presented based on the segmentation after the change.

3. 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."

### 4. 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
	Previous fiscal year	Current fiscal year	Current fiscal year
Receivables from contracts with customers (as of April 1, 2022)	¥46,135	¥44,698	\$334,745
Receivables from contracts with customers (as of March 31, 2023)	44,698	48,438	362,754
Contract assets (as of April 1, 2022)	823	854	6,396
Contract assets (as of March 31, 2023)	854	1,473	11,035
Contract liabilities (as of April 1, 2022)	597	110	827
Contract liabilities (as of March 31, 2023)	¥110	¥113	\$851

Contract assets are mainly unbilled receivables for revenue recognized based on the measurement of progress in construction contracts. Contract assets are reclassified to receivables arising from contracts with customers when the Group's rights to the consideration become unconditional upon billing or delivery.

- construction contracts, and are reversed when revenue is recognized due to the satisfaction of performance obligations.
- Contracts have no normal payment due date, as payment terms vary by individual contract.

(2) Transaction price allocated to the remaining performance obligations Unsatisfied and partially unsatisfied performance obligations amount to ¥2,182 million as of March 31, 2022.

Unsatisfied and partially unsatisfied performance obligations amount to ¥4,674 million (US\$35,006 thousand) as of March 31, 2023. 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]

#### 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 six reportable segments are: Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials and

#### Others.

Main products for each reportable segment are as follows:

Reporting segments	
Cement	Assorted cement, cement-related solidifica and recycling of raw materials and fuel
Mineral Resources	Limestone, dolomite, calcium carbonate, a
Cement-Related Products	Repair and reinforcement of concrete struct metal pollution control material, fish beds ground improvement work, PC (products,
Optoelectronics	Optical communications devices and comp
Advanced Materials	Various ceramic products, various nanopar functional paints
Other	Leasing of real estate, engineering, and de

(Matters related to changes in reportable segments, etc.)

"Battery Materials," which had been separately presented until the previous fiscal year, has been included in "Other" from the current fiscal year, because its significance has decreased due to the business transfer to Sumitomo Metal Mining Co., Ltd. on May 1, 2022. The segment information for the previous fiscal year is based on the segmentation after the change.

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.

Contract liabilities are mainly advance payments received from customers prior to the satisfaction of performance obligations under

### Main products

ation materials, ready-mix concrete, supply of electrical power,

### aggregate, and silica powder

actures (materials and construction), various admixture, heavy and seaweed beds, electrolytic protection methods, various settings), and various hume concrete pipes

ponents, and optical measurement equipment

rticle materials, antibacterial agents, cosmetics, and various

### levelopment of software

### 3. Information on net sales, profit or loss, assets, liabilities, and other items by reporting segment Previous fiscal year (April 1, 2021 to March 31, 2022)

								M	lillions of yen
			Rej	porting segme	nts			Note 1	Note 2
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total	Adjustment amount	Consolidated
Net sales and operating income									
Net sales									
(1) Net sales to outside customers	¥126,620	¥12,310	¥20,723	¥3,767	¥14,595	¥6,191	¥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	¥12,676	¥199,803	¥(15,593)	¥184,209
Segment profit (or loss)	(2,382)	2,264	1,818	99	3,304	1,700	6,804	74	6,878
Segment assets	222,132	33,996	18,915	2,872	12,437	26,392	316,747	14,360	331,107
Other items									
Depreciation expense	15,026	2,279	539	67	815	588	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	¥134	¥20,684	¥-	¥20,684

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

(1) Adjustments for segment profit (or loss) of ¥74 million include elimination of inter-segment profit and loss.

(2) Adjustments for segment assets of ¥14,360 million include ¥39,223 million of corporate assets, which are not allocable to a reportable segment, and ¥(24,862) 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 ¥18 million include ¥41 million of depreciation and amortization for corporate assets and ¥(23) 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.

### Current fiscal year (April 1, 2022 to March 31, 2023)

								Μ	illions of yen
			Rep	orting segme	ents			Note 1	Note 2
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total	Adjustment amount	Consolidated
Net sales and operating income									
Net sales									
(1) Net sales to outside customers	¥140,344	¥13,370	¥22,107	¥2,385	¥21,678	¥4,818	¥204,705	-	¥204,705
(2) Intersegment sales or transfers	3,326	4,324	2,726	5	-	10,831	21,215	(21,215)	-
Total	¥143,671	¥17,695	¥24,834	¥2,391	¥21,678	¥15,649	¥225,921	¥(21,215)	204,705
Segment profit (or loss)	(19,542)	2,448	1,511	(129)	5,384	1,867	(8,460)	(94)	(8,555)
Segment assets	248,784	39,827	20,465	2,022	16,530	23,357	350,987	5,570	356,558
Other items									
Depreciation expense	15,751	2,078	510	66	1,299	490	20,195	18	20,214
Amortization of goodwill	-	-	31	-	-	-	31	-	31
Increase in property, plant and equipment and intangible assets	¥22,570	¥3,005	¥466	¥220	¥3,184	¥219	¥29,666	¥-	¥29,666

							1	Thousands o	f U.S. dollars
			Rep	orting segme	ents			Note 1	Note 2
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total	Adjustment amount	Consolidated
Net sales and operating income									
Net sales									
(1) Net sales to outside customers	\$1,051,036	\$100,134	\$165,564	\$17,864	\$162,349	\$36,082	\$1,533,031	\$-	\$1,533,031
(2) Intersegment sales or transfers	24,913	32,387	20,421	42	-	81,117	158,882	(158,882)	-
Total	\$1,075,950	\$132,521	\$185,985	\$17,907	\$162,349	\$117,200	\$1,691,914	\$(158,882)	\$1,533,031
Segment profit (or loss)	(146,353)	18,335	11,320	(972)	40,325	13,982	(63,363)	(707)	(64,070)
Segment assets	1,863,134	298,263	153,267	15,143	123,792	174,924	2,628,527	41,719	2,670,246
Other items									
Depreciation expense	117,960	15,562	3,820	495	9,734	3,672	151,245	138	151,384
Amortization of goodwill	-	-	238	-	-	-	238	-	238
Increase in property, plant and equipment and intangible assets	\$169,032	\$22,506	\$3,491	\$1,648	\$23,848	\$1,644	\$222,171	\$-	\$222,171

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

(1) Adjustments for segment profit (or loss) of ¥(94) million (US\$(707) thousand) include elimination of inter-segment profit and loss.

(2) Adjustments for segment assets of ¥5,570 million (US\$41,719 thousand) include ¥32,735 million (US\$245,154 thousand) of corporate assets, which are not allocable to a reportable segment, and ¥(27,164) million (US\$(203,435) 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\$138 thousand) include ¥40 million (US\$306 thousand) of depreciation and

amortization for corporate assets and ¥(22) million (US\$(167) thousand) of elimination of inter-segment profit and loss.

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

### [Related information]

Previous 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.

Current fiscal year (April 1, 2022 to March 31, 2023)

#### 1. Information by product and service

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

2. Geographical information

Net sales

Impaii

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]

(; ) (A ; ) A 2024 ; AA | 24 24

Mineral	Cement-		A aluana and			Adjustment	
Mineral Resources	Related Products	Optoelectronics	Advanced Materials	Other	Total	amount	Consolidated
¥4	¥-	- ¥–	¥–	¥–	¥10	¥2	¥12
		Products	Products	Products	Products	Products	Products

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

### Current fiscal year (April 1, 2022 to March 31, 2023)

							M	illions of yen	
		Reporting segments							
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total	Adjustment amount	Consolidated
Impairment loss	¥5	¥1	¥–	¥–	¥–	¥594	¥601	¥7	¥608

### Current fiscal year (April 1, 2022 to March 31, 2023)

	Reporting segments								
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total	Adjustment amount	Consolidated
irment loss	\$41	\$9	\$-	- \$-	\$-	\$4,452	\$4,503	\$54	\$4,557

(Note) The adjustment amount of ¥7 million (US\$54 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, 2021 to March 31, 2022)

								N	lillions of yen
			Re	porting segme	nts				
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total	Adjustment amount	Consolidated
Amortization in the fiscal year	¥–	¥–	¥31	¥–	¥–	¥–	¥31	¥–	¥31
Unamortized balance at end of the fiscal year	¥–	¥–	¥127	¥–	¥–	¥–	¥127	¥–	¥127

Thousands of U.S. dollars

current riscal year (April 1, 2022 to March 31, 2023)							N	Millions of yen	
		Reporting segments							
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total	Adjustment amount	Consolidated
Amortization in the fiscal year	¥–	¥–	¥31	¥–	¥–	¥–	¥31	¥–	¥31
Unamortized balance at end of the fiscal year	¥–	¥–	¥95	¥–	¥–	¥–	¥95	¥–	¥95

Current fiscal year (April 1, 2022 to March 31, 2023)

Current fiscal year (April 1, 2022 to March 31, 2023)							Thousands o	of U.S. dollars	
Reporting segr		orting segme	ents						
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total	Adjustment amount	Consolidated
Amortization in the fiscal year	\$-	\$-	\$238	\$-	\$-	\$-	\$238	\$-	\$238
Unamortized balance at end of the fiscal year	\$-	\$-	\$714	\$-	\$-	\$-	\$714	\$-	\$714

[Information relating to gains incurred from negative goodwill by reporting segment] Previous fiscal year (April 1, 2021 to March 31, 2022) Not applicable.

Current fiscal year (April 1, 2022 to March 31, 2023) Not applicable.

[Related party transaction information]

Previous fiscal year (April 1, 2021 to March 31, 2022) Not applicable.

Current fiscal year (April 1, 2022 to March 31, 2023) Not applicable.

(Per share information)

		Yen	U.S. dollars
Item	Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Net assets per share	¥5,778.40	¥5,326.24	\$39.888
Profit (loss) per share	262.77	(166.79)	(1.249)

(Notes) 1. Diluted profit per share is not presented since there is no dilutive stock.

2. The basis for the calculation of profit (loss) per share is as follows.

		Millions of yen	Thousands of U.S. dollars
	Previous fiscal year (April 1, 2021 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2022 to March 31, 2023)
Profit (loss) attributable to owners of parent	¥9,674	¥(5,719)	\$(42,836)
Amount not attributed to common shareholders	-	-	-
Profit (loss) attributable to owners of parent related to common stock	9,674	(5,719)	(42,836)
Average outstanding shares during the fiscal year (shares)	36,816,557	34,295,232	

(Significant subsequent events)

(Sales of investment securities)

At the Board of Directors meeting held on June 28, 2023, the Company resolved to sell investment securities held by the Company. Details of sale of investment securities

Securities to be sold:	A listed security
Date of gain on sales of investment securities:	Scheduled for the end of June 2023 (or possibly July 2023 depending on circumstances)
Gain on sales:	Approx. ¥4.2 billion (US\$31,453 thousand) (estimate) The gain on sales of investment securities is an estimated amount calculated based on the current price of the security, and is subject to change.
Purpose of sale:	To review cross-shareholdings and improve capital efficiency based on the Corporate Governance Basic Policy.

(Note) The contents of this financial section are an English translation of the Securities Report, prepared in Japanese, for the 160th term (from April 1, 2022 to March 31, 2023) 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, 2023)

Company	Sumitomo Osaka Cement Co., Ltd.
Established	November 29, 1907
Head Office	Shiodome Sumitomo Bldg. 1-9-2 Higashi-Shimbashi,
	Minato-ku, Tokyo 105-8641, Japan
	Telephone number +81-3-6370-2700

### 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	34,329,517 (49,373 shares o
Shareholders	21,354

### Status of Major Shareholders

Name	Number of shares owned (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,804	16.9
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	3,632	10.6
Custody Bank of Japan, Ltd. (Trust Account)	2,279	6.6
NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS	1,547	4.5
THE KILTEARN GLOBAL EQUITY FUND	1,255	3.7
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,239	3.6
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	1,193	3.5
STATE STREET BANK AND TRUST COMPANY 505103	873	2.5
Sumitomo Life Insurance Company	852	2.5
DFA INTL SMALL CAP VALUE PORTFOLIO	673	2.0

(Note) Ownership ratio is calculated using the number excluding 49,373 shares of treasury stock from the total number of shares outstanding. In addition, the number of treasury stock excludes 27,300 shares of the Company's stocks held by the trust relating to the stock-based remuneration plan for officers.

Employees	mployees Non-consolidated:	
	Consolidated:	2,896
Capital	¥41.6 billion	

of treasury stock)

## Network (as of March 31, 2023)



Overseas network



# **Third-Party Verification Report**

Based on the assessment by an independent external third-party assessment organization on factual information on the fiscal 2022 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.

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.

1. Purpose and scope of verification

With regard to GHG emissions information for the fiscal year 2022 (from April 1, 2022 to March 31, 2023) reported to the report, the verification was conducted. The aim of this verification is to consider the reliability and accuracy of the GHG emissions data and to provide a verification opinion.

- 1) Scope 1 and Scope 2 Greenhouse gas emissions

The Organization revised a part of the data in the "CO2 Emissions fiscal year 2022" 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.

2. 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;
- Verification by sampling in order to confirm accuracy of GHG emissions.
- 3. 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: 8,230 ktCO2e, Scope 2: 195 ktCO2e

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

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August 21, 2023 Japan Audit and Certification Organization for Environment and Quality (JACO) 2-2-19 Akasaka Minato-ku, Tokyo, Japan

D. Onodena Presider

CO2 emissions from energy consumption by business activities at the Organization's 84 sites Greenhouse gas emissions from production processes at 34 domestic factories and mines.

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



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