

Integrated Report 2024



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

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 **SUMITOMO OSAKA CEMENT**

PHILOSOPHY

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

ENVIRONMENTAL PHILOSOPHY

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

CODE OF CONDUCT

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



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Sumitomo Business Spirit

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



Monjuin Shiigaki (photo courtesy of Sumitomo Historical Archives)

Business Principles

Article 1

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

Article 2

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

Sumitomo’s Business Rules, the “Business Principles” established in 1928

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, 2023 to March 31, 2024
Reporting entities: Sumitomo Osaka Cement Co., Ltd. And Group companies

The Path to Becoming an Environmental Solutions Company

As a “company with a strong presence,”
we will strive to enhance corporate value by taking on the challenge of reforming our business portfolio.

Since the Company's establishment over 100 years ago, the Sumitomo Osaka Cement Group has consistently taken on the part of the responsibilities for the business in the public sector to develop social infrastructures through its supply of cement. The Company is currently engaged in a variety of businesses, ranging from the Mineral Resources business branched off from the Cement business, the Cement-Related Products business, the Optoelectronics business utilizing in-house optoelectronics and nanotechnology, to the Advanced Materials business

● Cement Business
● High-Performance Products business

2023

Announcement of “SOC Vision 2035,” Our Medium- to Long-term Vision

We have defined our Medium- to Long-term Vision, “SOC Vision 2035,” as the ideal vision for the Sumitomo Osaka Cement Group in 2035. With “environmental solutions” as the key concept for each of our lines of business, and by achieving ongoing growth through differentiation and our own unique style, we aim to become a “company with a strong presence” that is necessary to society.

Working to Deliver Medium- to Long-Term Value Creation → P.12



2020

Announcement of “SOCN2050,” Our Carbon Neutral Vision for 2050

The Sumitomo Osaka Cement Group is taking on the challenge of achieving carbon neutrality by 2050, and we have attained one of the highest fossil energy substitution and recycled product consumption rates in Japan. In addition to reducing CO₂ emissions from fossil energy sources by 2030, we are also working to reduce CO₂ emissions from processes using limestone, our main raw material, by 2050.

Progress of Our SOCN2050 Carbon Neutral Vision for 2050 → P.38



● Construction commences of a new electrostatic chuck (ESC) manufacturing building*
* Scheduled for completion in 2025
Initiatives to grow the Advanced Materials business → P.15



Representation of the completed new ESC manufacturing building

● Cement terminal in Australia comes onstream



● Launch of the cement recycling business using soot and ash from incinerated waste (Ako Plant)

2023

Start of operations at verification facilities for the manufacture of synthetic limestone (NEDO Green Innovation Fund project)



Right: U-shaped side ditch using carbon-recycled cement (CRC)
Left: Artificial limestone powder
Initiatives to Create New Businesses → P.15

2021

2012

● Commenced processing of disaster waste from a wide area due to the Great East Japan Earthquake

2010

2009

● Commenced operation of biomass power generation facilities (Tochigi Plant)

2002

● Completed New Technology Research Laboratory “Nano Tera Technology Center”

1997

● Construction of a new plant for mass production of silicon carbide SiC products

1994

● Merger of Sumitomo Cement Co., Ltd., and Osaka Cement Co., Ltd.
Company name changed to Sumitomo Osaka Cement Co., Ltd.



● 1992
Launch of Optoelectronics business

● 1991
Launch of Advanced Materials business

● 1966
Newly established Ako Plant

● 1963
Company name changed to Sumitomo Cement Co., Ltd.
Joined the Sumitomo Group

● 1960
Merged with Kawasaki Cement Co., Ltd. (Current Gifu Plant)

● 1940
Merged with Fukoku Cement Co., Ltd. (Current Tochigi Plant)

● 1925
Merged with Hinode Cement Co., Ltd. (Current Hachinohe Cement Co., Ltd.)

● 1907
Founded as Iwaki Cement Co., Ltd.

● 1963
Company name changed to Osaka Cement Co., Ltd.

● 1961
Newly established Kochi Plant

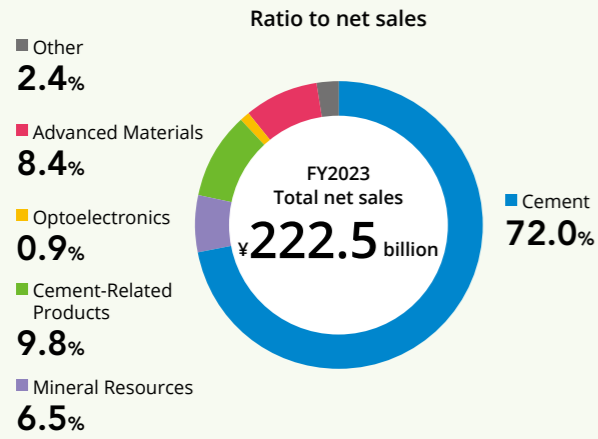
● 1926
Established Osaka Yogyo Cement Co., Ltd.

● 1917
Founded as Cement Division of Osaka Yogyo Co., Ltd.



At a Glance

Business Overview



Employees	Non-consolidated	1,254
	Consolidated	2,886
Group companies (consolidated subsidiaries)		46
Number of major domestic bases		19
Number of overseas bases		5

	Business overview	Net sales	Operating income (loss)
 Cement	This segment engages in the manufacture and sale of assorted cements and cement-related solidification materials. The business contributes to social infrastructure development through sophisticated technological capabilities and extensive quality control. It also actively works to develop a recycling-based society primarily through efforts to expand its collection of recyclable materials for use in the manufacturing process.	¥160.1 billion	¥(1.75) billion
 Mineral Resources	Leveraging one of the largest scales of high-quality and abundant limestone resources in Japan, Sumitomo Osaka Cement supplies limestone used as an industrial resource in a wide range of fields, including steelmaking, chemistry, and aggregate and cement resources.	¥14.6 billion	¥3.14 billion
 Cement-Related Products	This business encompasses the manufacture and sale of concrete repairing and reinforcing materials for concrete structures. Combining the experience with technological capabilities gained in the Cement business, the Group provides a one-stop service, from materials manufacturing to on-site construction.	¥21.7 billion	¥1.51 billion
 Optoelectronics	Taking advantage of cutting-edge optical communications technology, Sumitomo Osaka Cement is involved mainly in the development, manufacture and sale of LN modulators, which carry out the role of converting electric signals to optical signals, a critical component for high-capacity optical communications systems.	¥2.0 billion	¥(0.67) billion
 Advanced Materials	Leveraging skills in proprietary nanoparticle manufacturing technology, Sumitomo Osaka Cement pursues the development, manufacture and sale of functional materials such as cosmetics materials, paints and coatings, and antibacterial agents. In addition, our ceramics that utilize special functional particles have been adopted for use in semiconductor manufacturing equipment and other applications.	¥18.7 billion	¥2.89 billion
 Other	Operations here include real estate leasing of Group-owned idle land, information processing services and electrical equipment work.	¥5.4 billion	¥2.02 billion

Network (as of March 31, 2024)

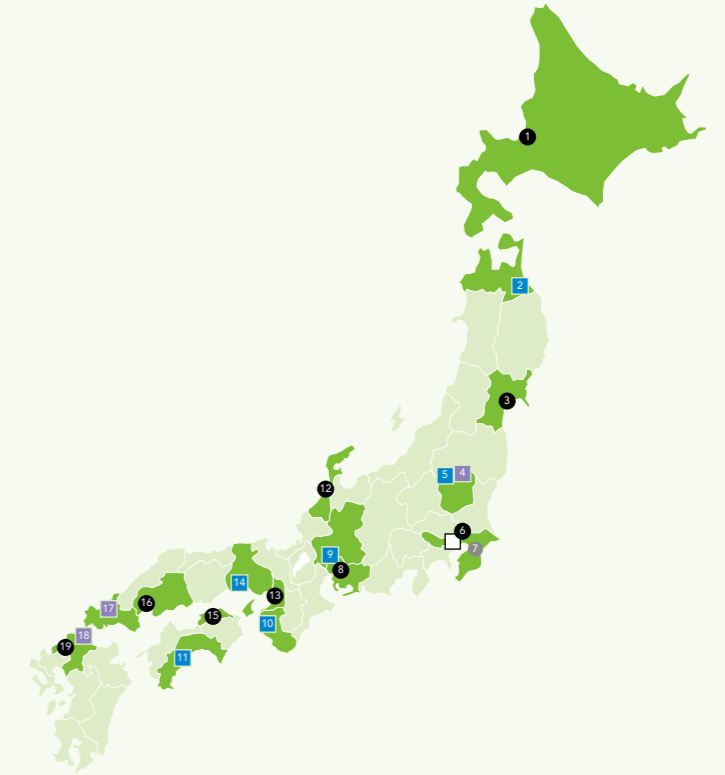
Network in Japan

- Head Office
- Branch
- Cement Plant
- Limestone Plant
- Research Laboratory

Cement Plant (FY2023)

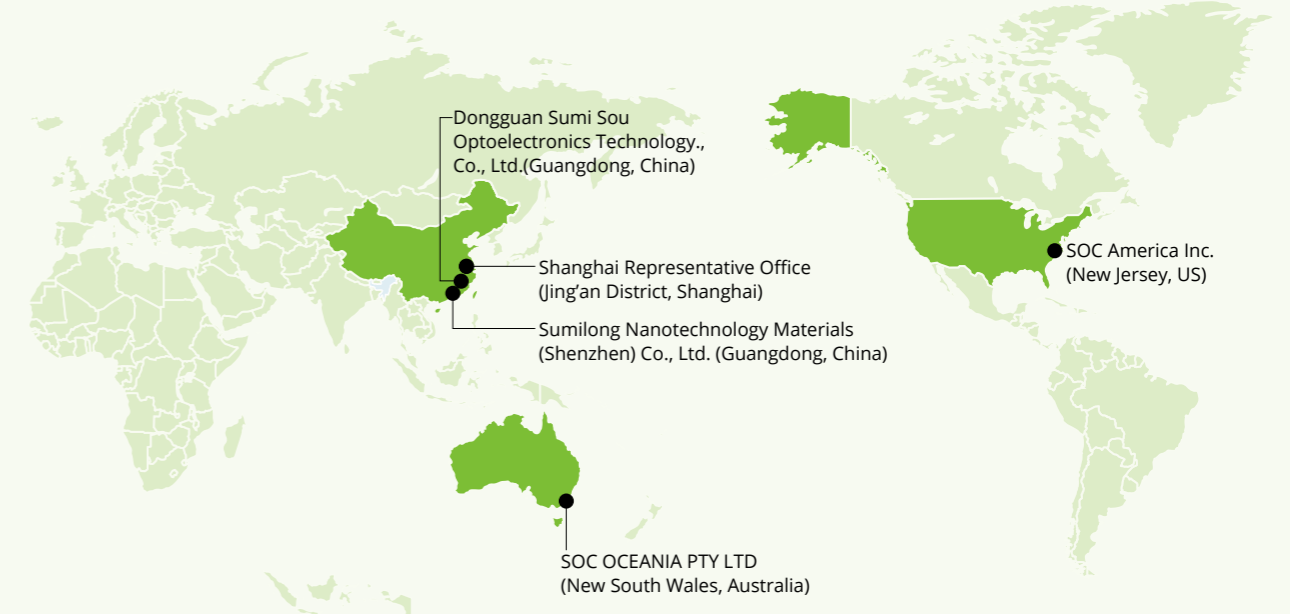
Name	Production (tons)
Tochigi Plant	722,000
Gifu Plant	1,051,000
Ako Plant	2,484,000
Kochi Plant	3,081,000
Hachinohe Cement Co., Ltd.	1,202,000

* Excluding plants for mixing operations



- 1 Sapporo Branch
- 2 Hachinohe Cement Co., Ltd.
- 3 Tohoku Branch
- 4 Karasawa Mining Office
- 5 Tochigi Plant
- Head Office
- 6 Tokyo Branch
- 7 Funabashi Office
- 8 Nagoya Branch
- 9 Gifu Plant
- 10 Wakayama Slag Cement Co., Ltd.
- 11 Kochi Plant
- 12 Hokuriku Branch
- 13 Osaka Branch
- 14 Ako Plant
- 15 Shikoku Branch
- 16 Hiroshima Branch
- 17 Yamaguchi Mining Station
- 18 Kokura Mining Station
- 19 Fukuoka Branch

Overseas network



Message from the President



We are actively promoting the first steps to achieving “SOC Vision 2035”, which are “Improving profitability of existing businesses” and “Building foundations for growth.”

Hirotsune Morohashi

President,
Representative Director

SOC Vision 2035 and FY2023–25 Medium-term Management Plan

It is now one year since we formulated “SOC Vision 2035,” our vision for the Sumitomo Osaka Cement Group in 2035, and our FY2023-25 Medium-term Management Plan, the initial impetus toward achieving that vision. Under this current medium-term management plan, our company-wide strategies are “Improving profitability of existing businesses” and “Building foundations for growth.” Although progress in the Advanced Materials business and the Optoelectronics business is lagging behind in terms of the numerical targets we set, we still aim to achieve the overall target (company-wide operating income of ¥21.4 billion in fiscal 2025).

The Cement business has been posting losses since fiscal 2021 due to factors such as accelerating coal prices, but after raising sales prices twice—increasing the price by ¥5,000 per ton—the business was finally on track to return to profitability in fiscal 2024. However, due to higher transportation costs caused by overtime work regulations, soaring prices for various materials, and rising facility construction costs, the business’s profit levels are far from sufficient. For our business to survive in the future, we need to achieve an operating profit of at least ¥10 billion in the Cement business. Accordingly, we will increase prices by ¥2,200 per ton or more from April 2025, thereby ensuring the future stability of the business.

Domestic demand for cement continues to be sluggish. This is likely attributable to a combination of factors, including delays in

construction starts and prolonged building schedules caused by the chronic labor shortage at construction sites. However, since cement is an essential part of the crucial infrastructure that protects people’s lives and property, it is unlikely that demand will continue to decline. It is not clear when demand will bottom out, but if it remains at the 34 million ton level as it was in fiscal 2023, plant operating rates can be maintained to a certain extent by measures such as boosting export volumes, so there will be no need to reassess our production system.

Electrostatic chucks, the main product of our Advanced Materials business, had seen steady growth in performance over the previous few years, but in fiscal 2023, sales and profits were down due to the stagnant semiconductor market. Although a turnaround is unlikely before fiscal 2025, this sector is expected to undoubtedly grow going forward, and will therefore play a vital role in the transformation of our business portfolio. We are currently investing ¥12 billion in construction to approximately double our production capacity, and the facilities will be operational in fiscal 2025. However, business expansion also requires the strengthening of our soft skills. We have already been investing in human capital in line with the growth of our business performance, and we will continue to actively recruit talent who are well versed in this sector. We will expand our business by concentrating management resources on both hard and soft

skills, developing next-generation products and pioneering new fields.

The Mineral Resources business and the Cement-Related Products business are expected to continue to generate steady earnings. The Mineral Resources business will achieve ongoing growth through the completion of the Shuho Mine shipping berth extension, which is currently under construction, and through developing new mineral resources.

The Cement-Related Products business will seek to expand orders for large-scale projects such as private sector capital investment and defense-related projects, as well as construction and civil engineering works in urban areas. In terms of construction, we will address the labor shortage by promoting labor-savings and productivity improvements through the use of construction ICT.

The Optoelectronics business has been struggling ever since it began to feel the impacts of the US-China trade friction. We are currently working on obtaining customer certification for our next-generation LN modulators, and we need to get that certification as soon as possible and to promptly commence sales.

Regarding shareholder returns, we are targeting a three-month average total payout ratio of 50% or more during the period of our current medium-term management plan. Because we repurchased stock in fiscal 2024, the two-year average total payout ratio for fiscal 2023 and fiscal 2024 is expected to be 51%. Returns in fiscal 2025 will depend on future profit levels, but we aim to fulfill our promise of a payout ratio of 50% or more over the three-year period.

Carbon Neutral Vision "SOCN2050"

In December 2020, we announced "SOCN2050," our vision for the path to carbon neutrality for the Sumitomo Osaka Cement Group.

We have set the goal of increasing the substitution rate for coal and other fossil energy sources to more than 50% by 2030, and are steadily implementing various measures to achieve this goal.

We are currently in the process of updating our vision, given that it is more than three years since it was announced, in addition to which the government's targets are now being reviewed in light of COP28. The cement industry is considered an industry that is challenged when it comes to reducing emissions, since the majority of its CO₂ emissions come from the decarbonation reaction of limestone, the primary raw material.

As a first step toward reducing CO₂ emissions from the cement production processes, we are working with the Japan Cement Association, an industry organization, to lobby for a revision of the JIS standard for cement set by the Japanese Standards

Association. The aim is to reduce the usage rate of clinker, an intermediate product of cement, and to raise the upper limit for minor mixed ingredients from 5% to 10%. If these revisions go through, the clinker ratio will be reduced, which will likely be effective in reducing CO₂ emissions to a certain degree.

Ultimately, we believe it is necessary to achieve carbon neutrality by developing our own unique reduction mix that combines a variety of measures, including carbon capture and storage (CCS). That said, the cost of implementing CCS and other innovative technologies will be significant. We therefore plan to utilize as much of the CO₂ that we emit as possible through carbon capture and utilization (CCU). To that end, we are focusing on research and development of carbonate generation (artificial limestone and carbon-recycled cement), which has been adopted by the NEDO Green Innovation Fund, and are continuing to study the verification and commercialization of the technology.

Human Resources Portfolio

"SOC Vision 2035" calls for the transformation of our business portfolio. This transformation

requires an optimal human resources portfolio and, because our current human



We aim to demonstrate relevance of our presence in society, achieve sustainable growth, and enhance our corporate value.



resources are insufficient in terms of both quality and quantity, we are proactively recruiting the necessary human resources and are enhancing our training programs to cultivate our employees.

It is now 30 years since we merged to become Sumitomo Osaka Cement. During that time, we have basically been using the same personnel system, although with some revisions and modifications. However, we now need a more innovative personnel system that is more attuned to our

transformation. We plan to conduct an employee engagement survey and to revise our personnel system, taking those results into account, and we are currently in the preparation stages for this.

We also want to invest in employee growth and raise salary levels. We are working to create a virtuous cycle in which employees are satisfied with the Company and can fully utilize their abilities, leading to improved Company earnings.

Enhancing Governance

We will also strengthen governance by introducing new, more up-to-date methods for evaluating the effectiveness of the Board of Directors, reviewing risk management processes, and taking measures to address risk items that have become priority issues.

We are being called on to increase the number of our outside directors and female executives and, in both cases, careful consideration must be given to further additions in the future.

Some shareholders have pointed out that the Nomination and Remuneration Committee doesn't meet frequently enough, even as the number of items it must discuss intensifies. However, we must examine other issues that require thorough deliberation, such as the ratio of stock in executive remuneration, incentive evaluation methods, and succession plans, so additional meetings are held whenever necessary on an ad hoc basis.

To Our Stakeholders

We aim to achieve ongoing, sustainable growth and to enhance our corporate value to meet the expectations of all stakeholders, including employees, customers, business partners, local communities, shareholders, and investors. Under "SOC Vision 2035," the Sumitomo Osaka Cement Group is determined to become a "company with a strong presence" by gaining an advantage through differentiation and unique style, by being an environmental solutions company that provides solutions to various environmental issues that evolve with the times, and by contributing to society through constant efforts

to shift away from coal. By demonstrating our presence in society to a greater extent than we have up till now, we aim to achieve sustainable growth and enhance our corporate value. In light of the business portfolio transformation we have proposed, we will first push through the new price hikes from April 2025 in order to restore profitability in the Cement business, and we will continue to focus our resources on the electrostatic chuck business, which is a growth area, thereby steadily implementing the transformation. We look forward to your continued support of our Group's future developments.

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.

2035
Medium- to
Long-term
Vision

SOC Vision
2035



- Social Issues**
- ▶ Intensifying natural disasters
 - ▶ Aging social infrastructure
 - ▶ Creating a recycling-based society
 - ▶ Building ICT/IoT-driven society
 - ▶ Climate change issues

- Opportunities**
- Increase revenue through advancement into overseas markets
 - Reduce greenhouse gas emissions
 - Enhance energy-saving equipment technology
 - Increase revenue through recycling promotion
 - Attain growth opportunities through the development of new technologies linked to CCUS

- Risks**
- Decrease in domestic cement demand
 - Enforcement of greenhouse gas emissions regulations
 - Variable energy prices
 - Market contraction due to technology innovation

Financial capital	
Total assets	¥356.3 billion
Net assets	¥196.8 billion
Equity ratio	54.5%
Manufacturing capital	
Cement production volume	8,850,000 tons
Clinker production volume	7,626,000 tons
Cement plants	6 plants
<small>(4 plants owned by the Company, Hachinohe Cement Co., Ltd., and Wakayama Slag Cement Co., Ltd.)</small>	
Human capital	
Employees (Non-consolidated)	1,254
Employees (Consolidated)	2,886
Intellectual capital	
Number of patents held	1,866
R&D expenses	¥3.5 billion
Social capital	
Logistics network comprising 58 service stations and 21 cement tankers and trucks under our control	
Natural capital	
Owned mines	8 mines
Volume of waste and byproducts received	4,775,000 tons

FY2023-25 Medium-term Management Plan

OUTPUT

Improving profitability of existing businesses	Building foundations for growth
<ul style="list-style-type: none"> • Recovery of profitability in the Cement business • Improve profitability by gaining market share for next-generation optical communications components 	<ul style="list-style-type: none"> • Expand scale and strengthen profitability by concentrating resources on the electronics materials business for semiconductor manufacturing equipment • Overseas business expansion (Australian business) • New business development in the decarbonization field

Business Activities

<p>Cement Business</p> <ul style="list-style-type: none"> • Recovery of profitability, foundation building and promotion of decarbonization <p>Mineral Resources Business</p> <ul style="list-style-type: none"> • Business expansion through investment in increased production, and securing resources for business sustainability <p>Cement-Related Products Business</p> <ul style="list-style-type: none"> • Environmentally friendly product development and respond to new needs, and entry into urban construction and civil engineering work 	<p>Optoelectronics Business</p> <ul style="list-style-type: none"> • Gain market share of LN modulator (1.2T/1.6T) • Create contract manufacturing model in the non-communication area <small>* 1.2T (Tbps): 1.2 trillion bits of data transfer per second</small> <p>Advanced Materials Business</p> <ul style="list-style-type: none"> • Business expansion by concentrating resources on the electrostatic chuck business • Expansion of products other than electrostatic chucks including zinc oxide for cosmetics, functional paints, etc.
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Strengths	<p>Stable supply system</p> <p>Efficient operations and logistics platform Rich mineral content and high-purity limestone</p>	<p>Technologies and competitive edge</p> <p>Cement, concrete, and technology related to optoelectronics and advanced materials Competitive patent portfolios</p>
	<p>Human talent</p> <p>Sumitomo Business Spirit Human resources with a high level of expertise</p>	<p>Financial indicators</p> <p>Stable financial position</p>

OUTCOME

[Economic value]

Medium-term Management Plan targets

Net sales	¥265.0 billion
Operating income	¥21.4 billion
ROE	8.0% or higher
ROIC	5.0% or higher

[Social value]

Shareholders and investors
Stable dividends
Swift and accurate disclosure

Customers
Stable supply of high-quality products
Respond to customer needs

Business partners
Fair and impartial trade

Local communities
Care for the environment and safety in the communities
Contribution to local economy and employment

Employees
Safe and healthy workplace
Development of diverse human resources

Vision:
To be a company with a strong presence

- ① Presence as a challenger with thorough differentiation and unique style
- ② An environmental solutions company that meets the needs of the times*
- ③ Challenge to coal phase out

* An environmental solutions company: A company that provides solutions (products and solutions) to environmental issues toward the realization of a recycling-based, decarbonized society

Target figures for 2035

Net sales	¥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 businesses	50%

In addition to 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.

Foundation to Support Value Creation

<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Develop and utilize human resources • Enhance governance • 2050 Carbon Neutral Vision "SOCN2050"
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Working to Deliver Medium- to Long-Term Value Creation

By 2035 we expect to see changes in the external environment surrounding the cement business and progress in realizing a decarbonized society. We will aim to achieve our plans by steadily implementing the business strategies set out in our FY 2023–25 Medium-term Management Plan, while always keeping our eye on SOC Vision 2035, our Group Medium- to Long-term Vision for fiscal 2035.

Roadmap to SOC Vision 2035

FY 2023–25

Improving profitability of existing businesses and building foundations for growth

- Cement business:** Recovery in Profitability
- Maintain and ensure fair prices
 - Deal with the 2024 logistics problem
 - Implement environmental investments to expand the collection and use of alternatives to fossil fuels
 - Consider downstream expansion of Australian business
- Advanced Materials business:** Preparation for Growth
- Invest in expansion of electrostatic chuck (ESC) production capacity
- New business:** Sowing the Seeds for Commercialization
- Promote multiple R&D projects that will be the foundation of a new carbon business

FY 2026–28

Implementation of business structure reform

- Cement business:** Stabilization of Profits
- Ensure fair prices
 - Manifest the effects of environmental investments
 - Expand downstream operations in Australia
- Advanced Materials business:** Evolution to a Second Pillar of Profits
- Manifest the effects of ESC production capacity expansion investments
 - Develop new ESC products and automate manufacturing lines
- New business:** Preparation for the Commercialization of Research Results
- Start investing to realize carbon business



FY 2029–31

Implementation and expansion of our business model as an environmental solutions company

- Cement business:** Ensuring Stable Profits
- Promote structural reform
 - Further expand overseas business
- Advanced Materials business:** Further Business Expansion
- Achieve further expansion through continued investment in the ESC business
 - Seek new applications for developed ESC
 - Bring to fruition new research fields such as photocatalysts for artificial photosynthesis
- New business:** A Third Pillar of Profits
- Develop synthetic limestone and carbon-recycled cement (CRC)
 - Develop diverse carbon businesses
 - Establish innovative technologies related to CCUS*
- * Carbon capture, utilization, and storage

SOC Vision 2035

Vision: To be a company with a strong presence

- 1 Presence as a challenger with thorough differentiation and unique style
- 2 An environmental solutions company that meets the needs of the times*
- 3 Challenge to coal phase out

* A Sumitomo Osaka Cement environmental solution company: A company that provides solutions (products and solutions) to environmental issues toward the realization of a recycling-based, decarbonized society

Target figures for FY2035

Net sales	¥400.0 billion
Operating income	¥40.0 billion or more
ROE	10% or higher
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Business portfolio reform

Cement business	50%
Non-cement businesses	50%

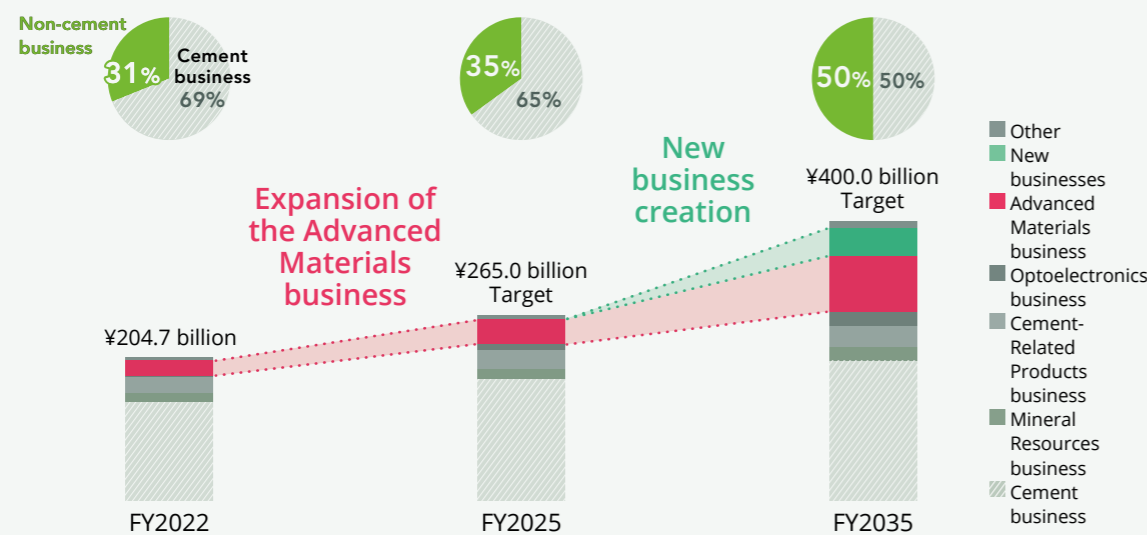
Investment Policy

We will invest approximately ¥500.0 billion in carbon neutral (CN) investment and growth investment during the period from FY2023 to FY2035 with the aim of achieving SOC Vision 2035

	Carbon neutral (CN) investment	Growth investment/Infrastructure development	Maintenance/Renewal
Key investment themes until FY2035	Approx. ¥100.0 billion CN response for plants and means of transport	Approx. ¥200.0 billion Advanced Materials: Diversification of the electronics materials business New businesses: Carbon business Overseas business: Australian business	Approx. ¥200.0 billion Strengthen the facilities in each plant, etc.

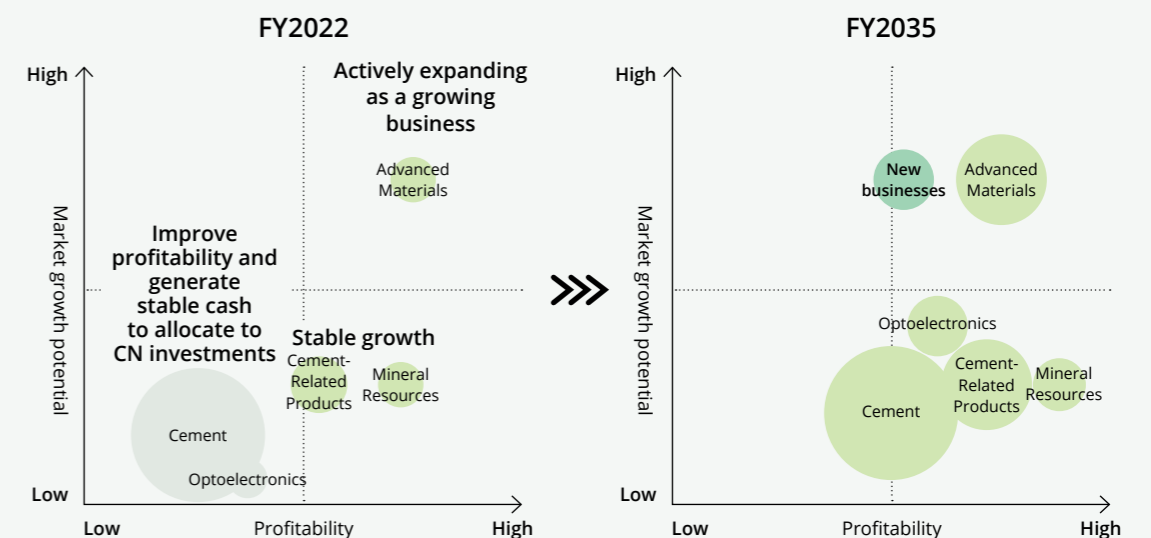
Business Portfolio Reform

We aim to expand company-wide net sales to ¥400.0 billion by fiscal 2035, and at the same time, we will work to transform our portfolio to achieve a 50:50 split in sales between the Cement business and non-cement businesses, with the advanced materials business and new businesses becoming new pillars of our business to supplement the Cement business.



Positioning of Individual Businesses:

We will transform our portfolio by focusing resources on growth businesses based on market growth and profitability of individual businesses.



Overview of 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	<ul style="list-style-type: none"> Recovery of profitability in the Cement business Improve profitability by gaining market share in next-generations optical communication components
Building foundations for growth	<ul style="list-style-type: none"> Expand scale and strengthen profitability by concentrating resources on the electronics materials business for semiconductor manufacturing equipment Overseas business expansion (Australian business) New business development in the decarbonization field

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 fields 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

Management targets

In the FY 2023–25 Medium-term Management Plan, we are advancing efforts to improve the profitability of existing businesses and build a foundation for growth as a company-wide strategy, while also strengthening our management foundation, in anticipation of the portfolio transformation set out in SOC Vision 2035. Based on the progress made in fiscal 2023, we will continue to make efforts to achieve our company-wide goals.

	2023 results	FY2025 targets	FY2035 targets
Net sales	¥222.5 billion	¥265.0 billion	¥400.0 billion
Operating income	¥7.3 billion	¥21.4 billion	¥40.0 billion or more
ROE	8.1%	8.0% or higher	10% or higher
ROIC	1.8%	5.0% or higher	6.5% or higher

Outline of numerical plan

Investment themes	Investment details	Investment amount
CN investment	CN response for each plant and power station and remodeling facilities	¥17.0 billion
Growth investment/Infrastructure development	<ul style="list-style-type: none"> Enhance the production capacity of the Advanced Materials business Expand Australian business Company-wide DX investment M&A and others 	¥41.0 billion
Maintenance/Renewal	Strengthen the facilities in each plant, etc.	¥50.0 billion

3-year total investment amount
¥108.0 billion

Progress in FY2023

Improving Profitability of Existing Businesses

To restore profitability in the Cement business, we completed our previous initiative of raising the price of cement by ¥5,000/t, which resulted in the Cement business returning to operating profitability from the third quarter. In the Optoelectronics business, we are working to obtain customer certification for a small integrated prototype modulator. We aim to obtain certification as soon as possible and begin sales.

Building Foundations for Growth

In the Advanced Materials business, sales of electrostatic chucks, a component of semiconductor manufacturing equipment, which we sell, decreased due to a slowdown in demand in the semiconductor market. This decrease in demand is expected to continue in fiscal 2024, but we are continuing construction to expand our electrostatic chuck production facilities in preparation for a market recovery in fiscal 2025. In addition, with the aim of creating new businesses, we are conducting research and development related to CCUS, including artificial limestone, through open innovation.

Strengthen Management Foundation

As part of our human resources strategy, we are considering new personnel measures aimed at the portfolio transformation outlined in SOC Vision 2035 and concentrating resources, including human capital, on the electrostatic chuck (ESC) business. We have also established a new Carbon Recycling Technology Research Group in the Cement & Concrete Research Laboratory, strengthening our research and development structure by placing the right people in the right positions. Furthermore, we are considering digital transformation in cement plants and logistics, and we are building a framework for taking action by developing personnel with intellectual property skills, establishing a new organization within the intellectual property department to oversee and execute the IP landscape, and assigning dedicated personnel.

Initiatives for business portfolio transformation

Initiatives to Grow the Advanced Materials Business

Demand for semiconductors is expected to continue to expand with the spread of Beyond 5G communications, the progress of digital transformation, and the expansion of next-generation AI and autonomous driving, and further growth is also expected in the semiconductor manufacturing equipment market.

Our electrostatic chucks are made from ultrafine silicon carbide (SiC) particles and have the characteristics of high purity, high thermal conductivity, high voltage resistance, and high durability, and are widely used as key components in semiconductor manufacturing equipment. So that we can respond to this market growth, we will invest approximately ¥12.0 billion over the three-year period from fiscal 2023 to fiscal 2025 to increase production capacity, including the construction of a new manufacturing building at our Ichikawa Works (Ichikawa City, Chiba Prefecture). Concurrently, going forward we will also invest in labor-saving and automation in production, ultimately doubling our current production capacity. Currently, demand for electrostatic chucks is declining, but we will continue to steadily promote growth investments to recover demand from fiscal 2025 onwards.



Electrostatic chuck

Initiatives to Create New Businesses

The Sumitomo Osaka Cement Group is developing technology to recombine CO₂ in the exhaust gas generated during the cement manufacturing process with various calcium-containing waste materials to produce carbonate, or artificial limestone, which can be used as an alternative to natural limestone. Since this technology is capable of producing high-quality artificial limestone, in addition to use in raw material for cement, it has become clear that the technology can also be applied to a variety of purposes, such as in extender and filler for other industries, and we are positioning it as a pillar of the Group's new business, the carbon business.

A demonstration facility for producing artificial limestone is in operation at our on-site research in Osaka Prefecture, and the materials produced here will be used in many products that contain calcium carbonate as a raw material, such as concrete products, plastics, and paper products to be used at EXPO 2025 in Osaka, Kansai. A manufacturing facility 10 times the size of the one in Osaka is scheduled to be completed at the Tochigi Plant during fiscal 2024. Going forward, the Group will continue to develop and create a variety of carbon businesses, including artificial limestone and carbon recycled-cement, which it will establish as new businesses.



Artificial limestone production demonstration facility (Taisho Ward, Osaka City)

Financial Strategy



66

We will work to achieve target returns and to secure stable cash by strengthening profitability and balance sheet management so as to accomplish the aims of our medium-term management plan.

Masaki Sekimoto

Director, Senior Managing Executive Officer
Responsible for the Legal Department, Corporate Planning Department, Administration Department, and Purchasing Department

FY2023 Performance and Progress on Our Medium-term Management Plan

In fiscal 2023, the Cement business succeeded in achieving profitability at the consolidated operating income level, thanks to a significant improvement in profit resulting from higher selling prices and lower energy prices. In terms of cash flow, recovery in business performance plus our aggressive sale of cross-shareholdings resulted in positive free cash flow. As a result, while continuing to make necessary investments and pay stable dividends, we are working to ensure financial stability by repaying interest-bearing debt, which expanded in the previous fiscal year.

Fiscal 2023 was the first year of our Medium-term Management Plan, and although the Company returned to profitability, we still need to build profits further to reach our plan's target profit for fiscal 2025. We will move forward to achieve our goals by securing appropriate prices and expanding the use of fossil energy alternatives in the Cement business, as well as by boosting earnings in the Advanced Materials business through increased facilities capacity.

Capital Allocation

The financial policy of our FY2023–25 Medium-term Management Plan is to maximize profits through business expansion and asset reduction, and to allocate the cash acquired in a balanced manner for investments for sustainable growth and shareholder returns.

Operating cash flow in fiscal 2023 improved significantly year on year, thanks to improved earnings in the Cement business and reduced coal inventories. In fiscal 2024 and beyond, we will continue to make efforts to improve profitability and generate cash flow. As for asset sales, our sale of cross-shareholdings is proceeding ahead of schedule, while our ratio of cross-shareholdings to net assets came to 19.6%, thus achieving our primary target of

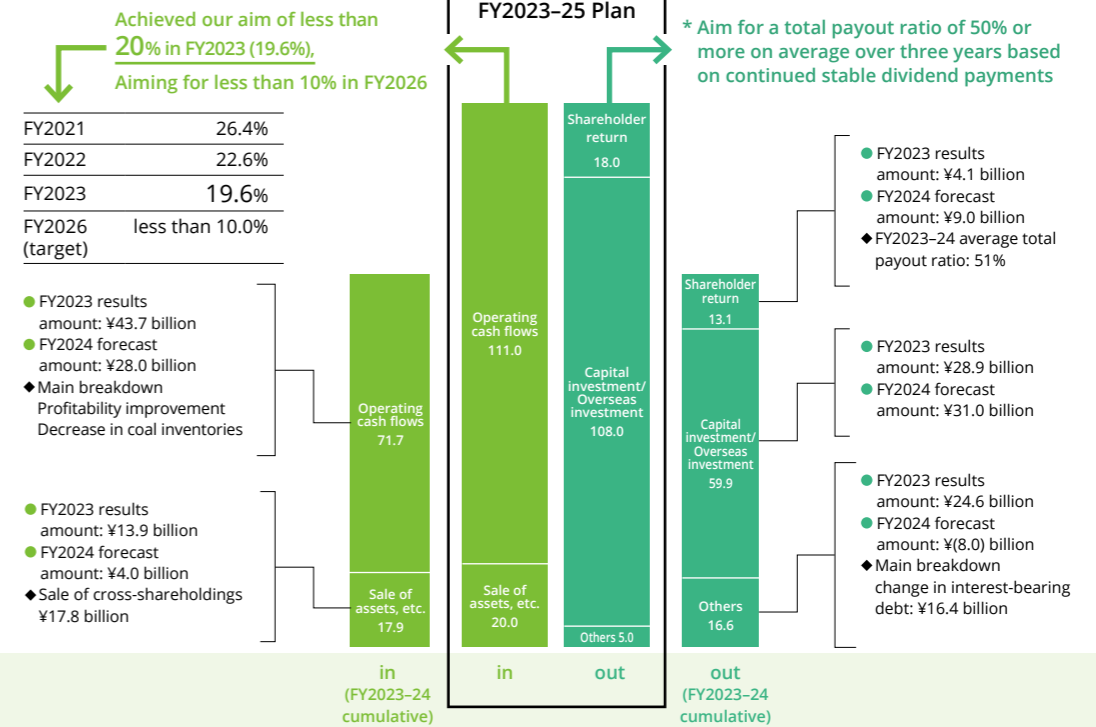
less than 20%. We will continue to reduce our cross-shareholdings in fiscal 2024 and onward in order to reach our next goal.

In terms of shareholder returns, in addition to ongoing stable dividends, we have repurchased ¥5.0 billion of our stock in FY2024. As a result, the average total return ratio for the two year period of fiscal 2023–2024 is expected to be more than 50%. In fiscal 2025, we will also continue to enhance shareholder returns while keeping an eye on profit levels.

With regard to investments, we are proceeding with our planned maintenance and renewal initiatives, as well as our investments to achieve carbon neutrality and business growth.

Capital Allocation

(Billions of yen)



Measures to Achieve Management that Takes the Cost of Capital and Stock Prices into Account

Our stock price has significantly underperformed on the Tokyo Stock Price Index (TOPIX) since the fiscal 2017, due to the fact that we belong to a sector that is harshly evaluated for its heavy CO₂ emissions, as well as the decline in our profit levels caused by shrinking demand for cement, as well as energy prices, foreign exchange rates, and other factors. Our price-to-book (P/B) ratio has also hovered at around 0.6 to 0.7 in recent years. We will work to raise ROE and improve our share prices and P/B ratio via the following measures.

Under our FY2023–25 Medium-term Management Plan, we have comprehensively taken into account the cost of shareholders' equity using capital the asset pricing model CAPM, historical equity profit yields, and our equity spread, and we are targeting ROE of at least 8.0%, while under our SOC Vision 2035 we are targeting ROE of at least 10%.

To achieve these targets, we will maximize returns by firmly implementing the measures outlined in our Medium-term Management Plan and our "SOC Vision 2035." We will also address the following four items of balance sheet management to ensure thorough opti-

mization of our capital.

- (1) Focus on managing capital costs and returns with the adoption of ROIC management.
(Our target for ROIC is 5.0% or higher under our FY2023–25 Medium-term Management Plan, and 6.5% or more under our "SOC Vision 2035.")
Setting of ROIC targets for each of our new business divisions.
- (2) Maintaining financial stability based on a 0.5 debt-to-equity (D/E) ratio in preparation for future environmental investments.
- (3) Continuing to reduce our cross-shareholdings ratio to less than 10% of net assets by fiscal 2026.
- (4) In terms of shareholder returns, we are aiming for an average total return ratio for the three years of our Medium-term Management Plan of 50% or more. We will balance stable dividends with investment in carbon neutrality and growth areas.

At the same time, we will work to enhance our corporate governance system with the support of the Nomination and Remuneration Committee, as well as by conducting evaluations of the effectiveness of our Board of Directors.

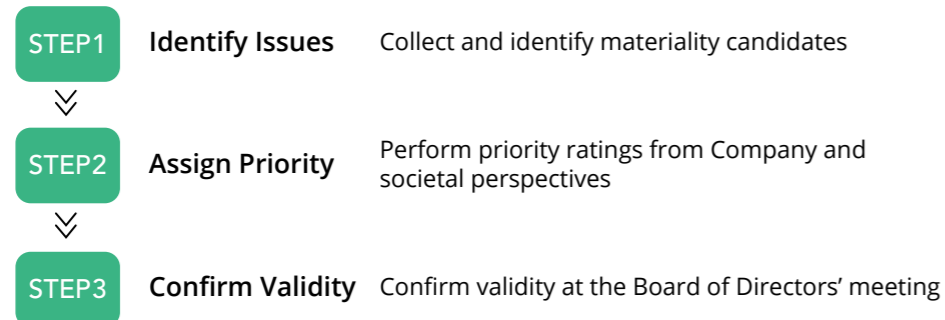
Materiality

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.

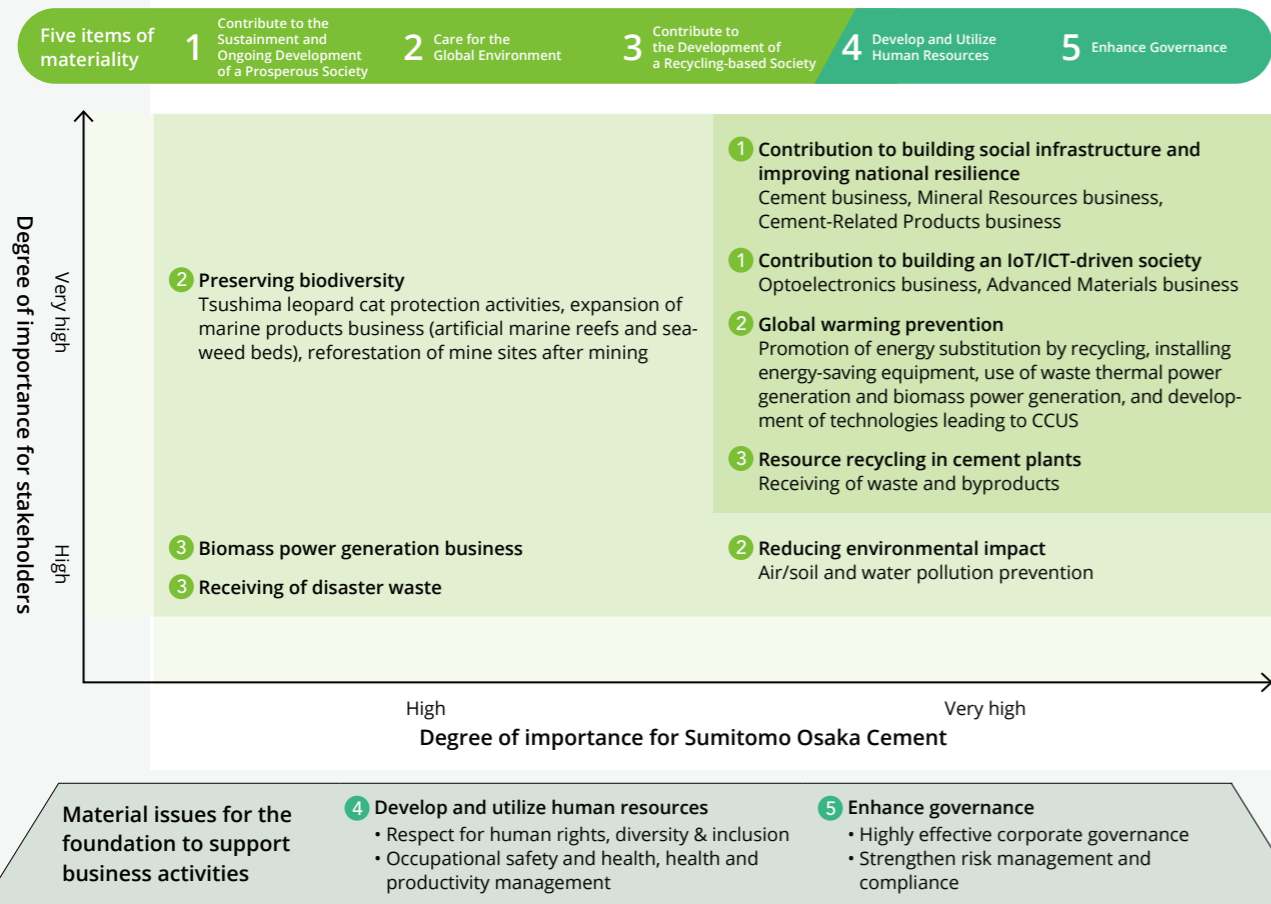
The materiality initiatives help balance a growth of the Group with solutions for social issues, and form a foundation for our medium- to long-term management strategies.

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



Materiality of the Sumitomo Osaka Cement










1 Contribute to the Sustainment and Ongoing Development of a Prosperous Society	<ul style="list-style-type: none"> Contribution to building social infrastructure and improving national resilience Cement business/Mineral Resources business/Cement-Related Products business Contribution to building an IoT/ ICT-driven society Optoelectronics business/Advanced Materials business 	 
2 Care for the Global Environment	<ul style="list-style-type: none"> Reducing environmental impact Air/soil and water pollution prevention Global warming prevention Promotion of energy substitution by recycling, installing energy-saving equipment, use of waste thermal power generation and biomass power generation, and development of technologies leading to CCUS Preserving biodiversity Tsushima leopard cat protection activities, expansion of marine products business (artificial marine reefs and seaweed beds), reforestation of mine sites after mining 	   
3 Contribute to the Development of a Recycling-based Society	<ul style="list-style-type: none"> Resource recycling in cement plants Receiving of waste and byproducts Receiving of disaster waste Biomass power generation business 	
4 Develop and Utilize Human Resources	<ul style="list-style-type: none"> Respect for human rights, diversity & inclusion Occupational safety and health, health and productivity management 	
5 Enhance Governance	<ul style="list-style-type: none"> Highly effective corporate governance Strengthen risk management and compliance 	

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.

Materiality	SDGs	Risks	Opportunities	The Company's response
Contribute to the Sustainment and Ongoing Development of a Prosperous Society	 	<ul style="list-style-type: none"> Contraction of domestic cement market 	<ul style="list-style-type: none"> Increase in renewal demand due to aging of existing infrastructure 	<ul style="list-style-type: none"> Carry out business portfolio reform Secure and maintain fair cement prices Expand the Australian Cement business
		<ul style="list-style-type: none"> Increase development difficulties associated with the sudden upgrading of technologies required by the market (Advanced Materials) Intensifying competition in high-value-added products with devices (Optoelectronics) 	<ul style="list-style-type: none"> Increase in semiconductor demand due to progress in automation and unmanned technologies in each industry (Advanced Materials) Increase in demand for high-capacity, high-quality transmission optical communications associated with the increase in data transmission volumes (Optoelectronics) Growing demand for energy-saving and power-saving devices (Optoelectronics) 	<ul style="list-style-type: none"> Enhance production facilities for electrostatic chucks (ESC), which are semiconductor manufacturing equipment components (Advanced Materials) Strengthen development and production systems through an increase in personnel (Advanced Materials) Advance into the 1.2T/1.6T market for optical communications equipment LN modulators (Optoelectronics)
Care for the Global Environment	   	<p>In the event that the appropriate response is not taken:</p> <ul style="list-style-type: none"> Air pollution and water pollution arises in the environment near the plants Reputational damage 	<ul style="list-style-type: none"> Preserve the environment in the vicinity of cement plants Continued operation of plants 	<ul style="list-style-type: none"> Take measures to prevent air pollutants contained in gas emissions, and keep emissions below legal standards (Cement) Prevent water pollution (sedimentation tanks, oil-water separation tanks, oil monitors) Identify water intake and discharge by source and respond to water risks
		<p>Transition risks</p> <ul style="list-style-type: none"> Introduce an impact fee system for carbon Increase research and development spending and capital investment to achieve carbon neutrality Change the recycling collection environment, etc. <p>Physical risks</p> <ul style="list-style-type: none"> Impact of accidents at cement plants, etc. 	<p>Transition opportunities</p> <ul style="list-style-type: none"> Reduce coal consumption and promote energy savings Create new businesses and carbon businesses Recycling market: Advancements in technologies using recycling and increase in accepted products Optoelectronics business and Advanced Materials business: Increased demand for optical communications components and semiconductor manufacturing equipment components, etc. <p>Physical opportunities</p> <ul style="list-style-type: none"> Increase in demand for infrastructure due to measures for national resilience, and increase in the maintenance, renewal and repair of concrete, etc. 	<ul style="list-style-type: none"> Implementation framework centered on the Sustainability Committee Participate in the GX League and promote SOC2050 Various research and development and demonstration experiments aimed at creating new businesses and carbon businesses TCFD-based information disclosure Promote blue carbon through the supply of marine products Application of internal carbon price (ICP) Greenhouse gas emissions reduction through fluorocarbon elimination treatment at cement plants
		<ul style="list-style-type: none"> Reputational damage if appropriate response is not taken 	<ul style="list-style-type: none"> Increase in demand for marine products due to heightened social interest Gain social trust 	<ul style="list-style-type: none"> Protect the marine habitat through the supply of marine products Tsushima leopard cat protection activities through cooperation with local governments Reforestation at abandoned mines Information sharing through participation and endorsement of initiatives
Contribute to the Development of a Recycling-based Society		<ul style="list-style-type: none"> Intensified competition of waste collection associated with the shift from fossil energy to thermal energy-related waste 	<ul style="list-style-type: none"> Increase acceptance of diverse waste materials due to the enhancement of recycling facilities (Optoelectronics) 	<ul style="list-style-type: none"> Expand the collection of waste and byproducts through aggressive capital investment such as the increase of chlorination infrastructure at each cement plant Establish ordinary trash treatment facilities (Ichikawa Recycle Center) Reduce emissions of industrial waste from plastic products and promote recycling, etc. Promote reduction in final waste disposal volume (four cement factories + Hachinohe Cement)
		<ul style="list-style-type: none"> Shutdown of cement plants due to large-scale disasters 	<ul style="list-style-type: none"> Prompt acceptance of disaster waste Assisting with early recovery by supplying cement and cement-related products 	<ul style="list-style-type: none"> Build strong cooperative relationships with local government bodies by entering into comprehensive partnership agreements in areas where factories and business offices are based
		<ul style="list-style-type: none"> Intensified competition of biomass fuel collection associated with the shift from fossil energy to thermal energy-related waste 	<ul style="list-style-type: none"> Expansion of new biomass fuel use 	<ul style="list-style-type: none"> Enhance facilities using new biomass fuel
Develop and Utilize Human Resources		<p>In the event that the appropriate response is not taken:</p> <ul style="list-style-type: none"> Violation of employee human rights through discrimination and harassment, outflow of human resources Procurement anxiety caused by human rights risks in the supply chain Reputational damage, the emergence of unanticipated costs 	<ul style="list-style-type: none"> Protect the human rights of employees and retain human resources by prohibiting all types of discrimination and preventing harassment Create innovation based on a variety of values and perspectives Continue stable procurement by building a healthy supply chain structure Gain social trust 	<ul style="list-style-type: none"> Implementation framework centered on the Sustainability Committee Implement human rights education to disseminate our "human rights policy" Develop a human rights risk assessment map Draw up a roadmap for efforts to respect human rights Update and undertake the "Plan of Action for the Promotion of Female Participation and Career Advancement"
		<p>In the event that the appropriate response is not taken:</p> <ul style="list-style-type: none"> Outflow of human resources, recruitment difficulty Lower labor productivity caused by illness and injury, increase in health-related costs Increase in work-related accidents 	<ul style="list-style-type: none"> Preventing workplace accidents through ongoing health and safety education and improving labor productivity through the promotion of health management Increasing employee motivation Secure and retain human resources by enhancing various systems (human resource development and easy-to-work workplaces) 	<ul style="list-style-type: none"> Each type of training system (training for new employees, rank-based training, OJT system) Implement safety training held by the headquarters and by each business office, and external safety training Enhance teleworking and flexible working hours, etc. Operate an online obstetrics/gynecology and pediatrics consultation service
Enhance Governance		<ul style="list-style-type: none"> Decline in corporate value due to the decline in the effectiveness of the governance system, reputational damage 	<ul style="list-style-type: none"> Improve corporate value by building a highly effective governance system, gain social trust 	<ul style="list-style-type: none"> Review the method of evaluating the effectiveness of the Board of Directors Increase the number of meetings of the Nomination and Remuneration Committee Implement training and information sharing for outside directors
		<ul style="list-style-type: none"> Reputational damage due to violation of laws and/or regulations, and breach of compliance Business continuity risks arise 	<ul style="list-style-type: none"> Gain social trust by observing laws and regulations, and being compliant Sustained continuation of business 	<ul style="list-style-type: none"> Formulate risk mapping by the Risk Management Committee Hold in-house briefings and workshops on risk management Hold compliance education Operate a whistleblowing contact point

Sumitomo Osaka Cement Group Overview by Segment

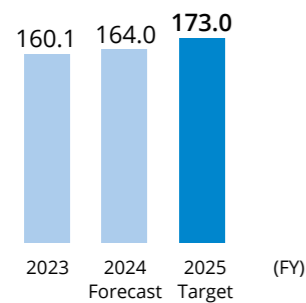


Keisuke Hosoda

Managing Executive Officer
Responsible for the Production and Technical Department, Maintenance and Engineering Department, and Environment Division

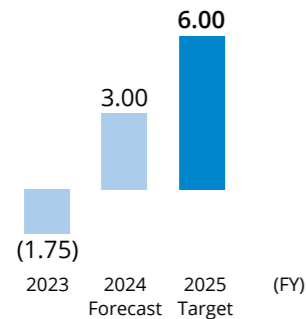
Net sales

(Billions of yen)



Operating income

(Billions of yen)



Cement Business

Products and Services

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

Strengths

- Marketing strength that leverages the Sumitomo brand
- Information-gathering capabilities based on direct contact with end users
- Well-balanced location of service stations across the country
- Well-balanced locations for plants
- High rate of in-house power generation (use of biomass/thermal power generation)
- High intensity of waste usage and byproduct usage, high thermal energy substitution rate
- Unified management of all overseas transportation (SOC Logistics Co., Ltd.)

Issues

- Aging of plant and service station facilities
- Supply capability for specialty cement
- Docking facilities for coastal plants
- Insufficient capacity at service stations in areas of demand

Cement business (production, facilities, environment)

Business strategy for achieving our "SOC Vision 2035"

In line with our Medium- to Long-term Vision, "SOC Vision 2035," which calls for taking on the challenge of phasing out coal, we are actively making capital investments to achieve the 2030 targets of our "SOCN2050" CO₂ emissions reduction plan.

- | 2030 targets | Targets |
|--|---------|
| ▶ Reduce energy-derived CO ₂ emissions intensity by 30% (compared with fiscal 2005) | |
| ▶ Increase fossil energy substitution rates at the eight kilns in all five plants to an average of 50% or higher, with a target of higher than 80%, on average, for four of those kilns. | |

The GX League's separate CO₂ emissions targets are also based on SOCN2050. In fiscal year 2024, our main accomplishments included the completion of waste oil tanks and waste plastic fuel production facilities. We designed the specifications of our waste plastic facilities to take into account an increasingly diverse mix of items to be collected in the future. Taking advantage of our plant locations near major metropolitan areas, notably the advantage of having the only cement plant in the Kansai region, as well as our ability to receive shipments by ocean freight, we will work hard to further expand the use of fossil energy alternatives with the trust and cooperation of our suppliers of waste oil and waste plastic.

Meanwhile, in 2023 at our Ichikawa Works we began comprehensive preprocessing of general waste incineration ash generated by local governments in the Kanto region and shipping it by sea to plants for widespread use. Local governments are transporting ash to other prefectures hundreds of kilometers away, and many are struggling to extend the life of or secure final disposal sites. This being the case, we believe that using the ash as a raw material for cement production is one potential environmental solution. We are doing our utmost to assist in the early recovery and reconstruction of disaster-stricken areas by using our plants to take in waste resulting from the frequent natural disasters that have occurred in recent years. We have concluded cooperative agreements with several local governments to ensure that such processing goes smoothly. We will continue to contribute to local communities in a variety of ways, while staying close to the issues faced by individual municipalities.

Cement business (sales, logistics)

Business strategy for achieving our "SOC Vision 2035"

In terms of the business environment with reference to the Cement business, domestic demand remains challenging due to soaring costs of materials, labor, and transportation and the resulting decline in construction volume, as well as prolonged construction work precipitated by labor shortages at construction sites and other areas. However, over the medium to long term, we believe there will be firm demand for redevelopment work in urban areas, as well as work related to the Linear Chuo Shinkansen Line, the Osaka Integrated Resort, and other projects, in addition to semiconductor-related investment, defense-related projects, and social infrastructure renewal.

Given this demand environment, we will persist in conducting negotiations to revise sales prices to restore profitability, as stated in our "FY 2023-25 Medium-term Management Plan," and will strive 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 issue of truck driver shortages, and build an optimal transportation system. By doing so, we will continue to provide a stable supply to users and maintain our domestic sales share. Moreover, as well as further strengthening our logistics alliance with NIPPON STEEL CEMENT Co., Ltd., we will keep exploring the possibilities of expanding our logistics alliances with industry peers.



Tatsuo Fukushima

Director, Managing Executive Officer
Responsible for the Real Estate Department, Cement Sales Administration Department, Physical Distribution Department, and Cement-Related Products Division

Cement business (international)

Business strategy for achieving our "SOC Vision 2035"

The cement terminal in Sydney, Australia, in which we have invested, began operations in 2021. During the start-up period, business struggled due to the Covid-19 pandemic and escalating ocean freight rates, but the situation has since improved and the business is now generating stable earnings and is a major cement export destination for the Company. One of the crucial initiatives in our current medium-term management plan is to bolster earnings by developing downstream businesses, including ready-mixed concrete, using this cement terminal as an origination point.

In addition, in terms of new overseas cement business, we are seeking and selecting investments mainly in Asia, where stable growth is expected in the future, and we are endeavoring to achieve prompt commercialization.

With regard to cement exports from Japan, we are working to expand volumes in the interest of maintaining plant operations, given that domestic demand remains sluggish. Fortunately, we have investments and blue-chip customers with whom we have been doing business for many years, and we will make efforts to boost both quality and quantity.



Yoshinori Manabe

Executive Officer
Responsible for the International Business Department, Head of International Business Department

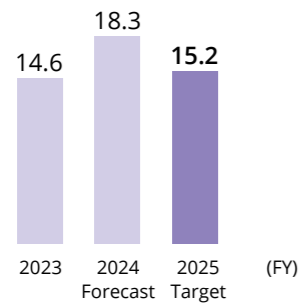


Yasutarou Hashimoto

Managing Executive Officer
Responsible for the General Affairs Department, Human Resources Department, and Mineral Resources Division
General Manager, Personnel Department

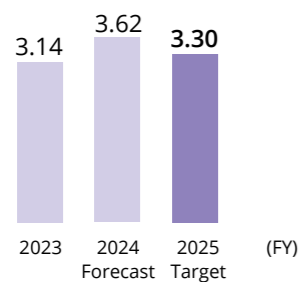
Net sales

(Billions of yen)



Operating income

(Billions of yen)



Mineral Resources Business

Products and Services

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

Strengths

- Limestone mines with an abundance of high-purity ore
- Shuho Mine's cost-competitiveness and advantageous location for exports
- Growing demand for limestone aggregates
- Synergies with cement plants (operating levels, processing of byproducts)

Issues

- Risk of demand fluctuation due to carbon neutrality and labor shortages
- Impact on profits due to further increases in energy and material costs

Business strategy for achieving our "SOC Vision 2035"

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 an 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 that 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-value-added 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 is working to reduce extraction costs and increase revenue. Furthermore, in order to secure stable resources over the long term, we are drawing up plans to develop new mining areas in existing mines.

We will pursue the following initiatives under our FY 2023–25 Medium-term Management Plan:

- ▶ High-value-added products from limestone resources
- ▶ Business expansion through investment in increased production in areas of demand
- ▶ Securing resources for business sustainability

Cement-Related Products

Products and Services

- Repairing and reinforcing products for concrete structures
- Cathodic protection for concrete structures (ELGARD SYSTEM)
- Ground improvement and repair work
- Materials for coping with heavy metal pollution
- Artificial marine reefs
- Manufacture and sale of pre-stressed concrete (PC) products

Strengths

- Extensive product lineup
- One-stop service from materials to construction
- Own manpower-saving and labor-saving construction methods

Issues

- Sales routes
- Plants

Business strategy for achieving our "SOC Vision 2035"

The Cement-Related Products business is developing a broad array of cement-related products, with repair and reinforcing materials for concrete structures comprising the core. In recent years, there has been a greater need for maintenance and renovation of a wide range of aging social infrastructures, and we expect further growth opportunities for this business. In contrast, given that we expect sharp increases in raw materials and secondary materials prices, as well as higher unit prices for transportation, fuel and labor, we have been working to maintain and ensure fair prices, in conjunction with measures to reduce costs by streamlining production and transportation.

Against this backdrop, we aim to be "a company that provides the construction industry with environment-friendly product development and new construction techniques that utilize ICT, thereby reducing the environmental impact through recycling and life extension, and labor-saving and manpower-saving measures." To this end, we are focusing on the key strategies outlined in our "FY 2023–25 Medium-term Management Plan" to develop new products, respond to needs, expand into urban infrastructure construction, and develop construction methods that boost productivity.

Specifically, we have begun selling "Refle Rust-proofing Coat ZN," a composite silicate-based rebar rust proofing material, as a product to combat salt damage, and we will provide durability enhancing materials as a technology for the maintenance, repair, and lifespan extension of concrete structures in infrastructure facilities.

Estec Co., Ltd. and Noma Sangyo Co., Ltd, whose main business is ground improvement work, will aim to enhance construction efficiency and quality by fully implementing construction positioning guidance technology such as GNSS*. They will also accelerate the technological development of large-diameter, high-pressure jet injection methods so as expand orders for the reconstruction of infrastructure in congested underground spaces in urban areas.

SNC Co., Ltd. and Kuricon Ltd., which manufacture prestressed concrete products, will continue to establish development and manufacturing technologies for prestressed concrete products, which they position as their next main business, and will also work to expand their repair work business.

* GNSS : Global Navigation Satellite System

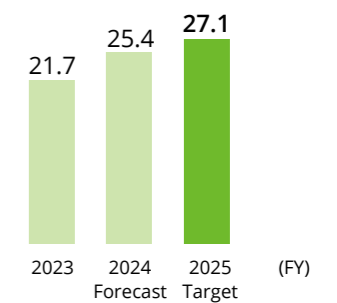


Tatsuo Fukushima

Director, Managing Executive Officer
Responsible for the Real Estate Department, Cement Sales Administration Department, Physical Distribution Department, and Cement-Related Products Division

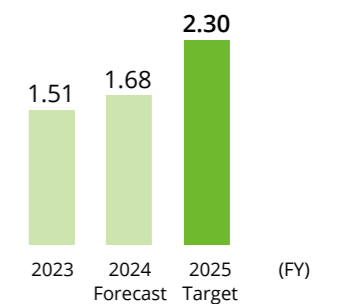
Net sales

(Billions of yen)



Operating income

(Billions of yen)





Akihiko Ono

Director, Managing Executive Officer Responsible for the Optoelectronics Business Division, Advanced Materials Division, New Technology Research Laboratory, and Funabashi Office

Optoelectronics Business

Products and Services

- Optical communications components and optical measurement equipment

Strengths

- High-quality transmission characteristics and low power consumption derived from LN (lithium niobate) material device technology

Issues

- Design, development and integration for the ever-evolving optical communications market
- Development of applications beyond communications

Business strategy for achieving our “SOC Vision 2035”

The proliferation of digital transformation (DX) and AI is accelerating the transition to a data-centric society. As a result, the optical communications market is growing rapidly, while the importance of LN (lithium niobate) modulators—an optical communications component that is the main product of our optoelectronics business—is consequently intensifying.

LN modulators excel at medium- to long-distance communications and are primarily used in trunk line data communications systems. In the fast-advancing optical communications market, issues such as increasing the speed, energy conservation, and miniaturization of optical communications systems are becoming more pressing. We have addressed these issues by leveraging the advantages of LN modulators, including high-speed, large-capacity transmission and low power consumption, and by using element miniaturization and integrated mounting technology to develop a compact integrated prototype modulator that supports high-speed, large-capacity data rates of 1T (terabyte) or more. We plan to make improvements to meet stringent market demands and to commence mass production and sales in fiscal year 2025.

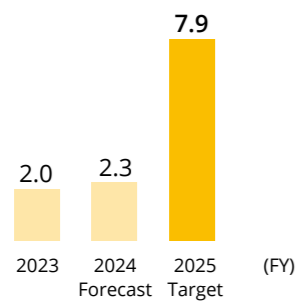
When it comes to production, we will secure a competitive advantage by introducing effective manufacturing processes consisting of new labor-saving technologies. Additionally, in terms of sales, we will deploy global sales activities with a focus on North America, which lies at the forefront of the optical communications market. Moreover, we will expand our business by establishing a production and sales structure for the global market.

In a world that handles vast amounts of data due to the evolution of IoT and AI, and the achievement of automated driving, optical communications will require even higher speeds and capacities, and our LN modulators, with their low power consumption and high speed, are becoming increasingly vital.

In order to accomplish our SOC Vision 2035, we will accurately identify market needs and grow our business through the development of compact integrated modulators and the market deployment of their applied products, and furthermore, we will contribute to the development of an ultra-smart society with our low power consumption and other cutting-edge technologies.

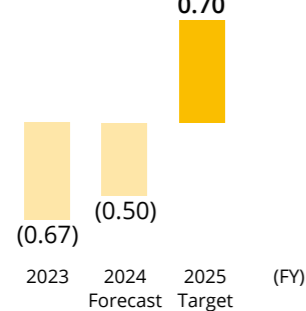
Net sales

(Billions of yen)



Operating income

(Billions of yen)



Advanced Materials Business

Products and Services

- Ceramic components for semiconductor manufacturing equipment
- Nanoparticle materials

Strengths

- Product development based on proprietary nanoparticle synthesis technology
- Product portfolio ranging from semiconductor manufacturing equipment to UV screening materials (cosmetics materials)

Issues

- Securing and nurturing human resources for design development and production technology

Business strategy for achieving our “SOC Vision 2035”

It is expected that there will be further growth in the semiconductor manufacturing equipment market, stimulated by progress in the digitalization of society and the need for higher performance from the semiconductors. As set forth in the medium-to long-term management vision, “SOC Vision 2035,” we are positioning the Advanced Materials Division as a core business that accounts for 50% of net sales from the non-cement businesses, with electronics materials for semiconductor manufacturing equipment as a pillar.

Data handling volumes will increase exponentially in the future with the spread of DX, generative AI, and Beyond5G, among others. Meanwhile, the market for semiconductors and manufacturing equipment will also surge, and we forecast the market to more than double by 2035. We will invest concentrated resources into this growth area, and will resolutely develop the business.

The Company’s electrostatic chucks, which use silicon carbide (SiC) nanoparticles, exhibit the features of nanocomposite ceramics that have excellent adsorption and voltage-resistant properties, and have been successful in improving the anisotropic etching performance of silicon wafers required in state-of-the-art dry etching microfabrication processes, as well as improving the etching yield all the way to the outer periphery of the silicon wafer. As requirements for the various performance features of electrostatic chucks become more exacting, we will meet customer demands by accelerating the speed of technological development, as well as by making full use of our strengths in materials technology development.

In fiscal 2024, while semiconductors remain in a phase of inventory adjustment, there are also some encouraging signs, such as a bottoming out of semiconductor memory prices and a sharp increase in demand for HBM (high bandwidth memory) for generative AI, in conjunction with the expectation that demand for electrostatic chucks will recover.

As demand for semiconductors tends to increase sharply once it starts trending upward, since fiscal 2023 we have been taking steps to enable us to respond swiftly, specifically by investing in expanded production capacity, including the construction of a new manufacturing facility in Ichikawa City, Chiba Prefecture, with production scheduled to begin in the second half of fiscal 2025.

In addition to this, we manufacture and sell materials for use in cosmetics and functional paints assigned with optical functionality, such as screening of UV light. As well as the expansion of sales of products that use nanotechnology—a core competency of the Company—we are developing materials for clean energy. We will therefore not only be able to secure stable revenue from the sale of such products, but will help contribute to a more sustainable society.

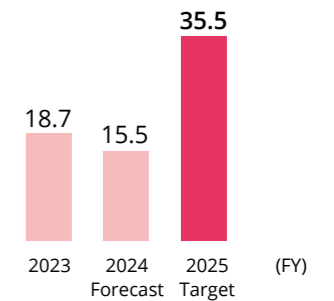


Akihiko Ono

Director, Managing Executive Officer Responsible for the Optoelectronics Business Division, Advanced Materials Division, New Technology Research Laboratory, and Funabashi Office

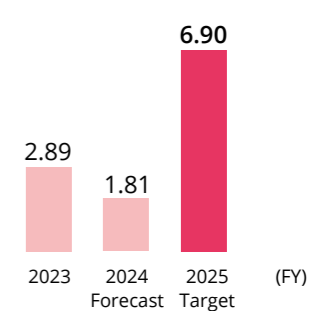
Net sales

(Billions of yen)



Operating income

(Billions of yen)



Special Feature

Message from Plant Managers “Coexistence with Local Communities”

Tochigi Plant



Akio Hamada
General Manager,
Tohigi Plant

The Kuzuu District of Sano City, where the Tohigi Plant is located, is rich in limestone and is home to many companies that make their living in the lime industry. Although the region has a long history, the population is declining due to the low birthrate and aging population, making it difficult to recruit young human resources locally. In these circumstances, to contribute to local communities and secure human resources, it is vital that we are considered to be a trusted company that is esteemed by the community.

As part of our efforts to gain this good reputation, we promote positive community relations activities, and actively participate in local festivals and events to contribute to the preservation and development of local culture, as well as to foster a greater understanding of the Company. In our recruitment activities, we are expanding the area of schools we visit and making efforts to let schools, teachers, and students learn more about the role of cement plants and their contribution to society, including through plant tours and internships.

In terms of initiatives within the plant, we also focus on creating a comfortable work environment. The cement plant operates 24 hours a day, and—with an eye to reducing the workload of shift workers—we are also working to automate equipment, save labor, and pursue digital transformation (DX).



Explanation of the site to
internship students

Gifu Plant



Masahiko Sasaki
General Manager,
Gifu Plant

The Gifu Plant, whose motto is “creating the future together with the local community,” is celebrating its 64th year of operation here Gifu, the land of pure streams. Fully leveraging the geographic advantages of the Chubu region, where manufacturing is thriving, we have achieved one of the industry’s best waste and byproduct consumption rate. We supply a wide variety of cement for infrastructure development, and play a key role in the recycling-oriented society of the Chubu region, in addition to which we have a system in place to process disaster waste.

The plant is located in Motosu City, at the northernmost end of the Nobi Plain. The area is blessed with both a rich natural environment and pleasant living conditions, and in order to continue to develop together with the local community, we aim to conduct sustainable business activities while remaining mindful of the global environment and the need to reduce CO₂ emissions.

In order to uphold our good relationships with the local residents, who are our valuable stakeholders, we maintain communication with the local government and neighborhood associations on a regular basis, and we also invite local residents to our annual summer festival, which is becoming a bigger and grander event year by year. Looking ahead, we would like to make the plant a “communication hub” and a plant that openly welcomes local residents, schools, and others.

By creating a comfortable a workplace and jobsites and creating a system that enables young employees to grow, we aim to create a plant where everyone can enjoy the excitement of “manufacturing” and where we can provide young human resources with dreams and hopes for the future.



Summer festival hosted by the
Gifu Plant

Ako Plant



Hiroshi Ohashi
General Manager, Ako Plant

2024 marks 58 years since the Ako Plant began operations in 1966. Ako City long ago prospered as a salt-producing area, but today numerous famous businesses have set up shop here. As such, in order to keep our operations going, it is important that we contribute to the local community and that we secure sufficient human resources. We actively participate in various local events and community activities, such as by picking up trash in the areas surrounding the plant every year. The illumination of our preheater during the new year holidays and other occasions has also become a tourist attraction in Ako, and is a source of enjoyment for the local community.

Regarding efforts for securing human resources, the plant invites local junior and senior high school students for internships and “Try-Yaru Week” (“experienceweek”) programs as part of their vocational training each year. While offering our cement plant as a forum for learning, we are also promoting the cement industry to young people as both an arterial and venous industry that contributes to society. We will continue to work to help people understand and become interested in cement plants through community contributions and tours, and work to make our cement plant a welcome addition to the City of Ako.



Ako Plant tour organized by the
Japan Cement Association

In recent years, securing human resources has become one of the most important issues. We have therefore expanded the scope of our recruitment activities, not only to Susaki City, where we have a plant, but also to all of Kochi Prefecture, and we will implement measures to further raise our Company’s profile going forward. We are in the process of actively increasing the number of internships, plant tours, and visits to high schools, with presentations of our operations provided by alumni. Also, as a contribution to the local community, we support the “Cooperative Forestbuilding Project,” an environmental conservation activity run by Kochi Prefecture to promote reforestation, and we promote the regeneration of forests and the use of thinned wood. We are also implementing a wide range of activities such as the conclusion of a comprehensive cooperation agreement with Susaki City regarding disaster waste in expectation of the Nankai Trough earthquakes, and giving on-site classes to local elementary school students. In terms of benefits, in 2023 we completed construction of company housing for single employees. The previous building was approximately 60 years old, and had shared toilets and baths. We are pleased to say that we have greatly improved our workers’ living environments by switching to apartment-style quarters. In addition, since last year, we have been using referral hiring and multiple job sites to recruit mid-career employees, including those originally from Kochi moving to back their hometowns and those relocated from elsewhere. Our partner companies are also finding it more difficult to recruit personnel who will be involved in tasks such as horizontal handling and loading raw fuel, and intend to start working on reducing the labor required for equipment in the future.



The newly completed Akasaki
company housing for single
employees

Kochi Plant



Masato Hiroshima
General Manager, Kochi Plant

Hachinohe Cement Co., Ltd.



Tomoya Akeshiro
President,
Hachinohe Cement Co., Ltd.

Founded in 1918 in the fisheries and industrial city of Hachinohe, Aomori Prefecture, Hachinohe Cement Co., Ltd., celebrates its 106th anniversary in 2024. Industrialist Eiichi Shibusawa, known as “the father of Japanese capitalism” and whose portrait was chosen for the new Japanese yen banknotes, was involved in our establishment.

As an essential building material, cement is also necessary in the construction of disaster prevention infrastructure facilities. In the production process, we make effective use of waste from various industries, sludge from treatment plants that process the water and sewage that are indispensable for daily life, and ash from waste incinerated from households at waste disposal plants. In the aftermath of the Great East Japan Earthquake, we took in approximately 100,000 tons of disaster waste, and contributed enormously to the recovery and reconstruction efforts.

In recognition of these achievements, in 2024 we received an award from the Japan Federation of Industrial Waste Management and Recycling Associations for excellence as a local facility.

As a contribution to the local community, we light up our preheater at the end of the year, as well as for New Year events, and during events held in the city. Our preheater is a popular landmark among the citizenry and has received the Hachinohe City Landscape Award from the city.

Since its invention 200 years ago, Portland cement has adapted to changing applications and environments. In tandem with the issuance of the new Japanese yen banknotes featuring one of our original inspirations, we hope to see us grow as a company that contributes further to society.



Our illuminated preheater

R&D

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.

The Cement/Concrete Research Laboratory engages in R&D in a wide range of topics, including technologies specializing in carbon neutrality in the cement and concrete industries in line with SOCN2050, technologies for using waste as raw fuel and resource circulation, high-performance concrete, high-performance concrete repair and reinforcement materials, and technologies for reducing environmental impacts related to cement plants, and it is promoting the development of new businesses.

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.

Cement/Concrete Research Laboratory R&D Policy

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

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

New Technology Research Laboratory R&D Policy

“Accelerating new product development by implementing elemental technologies and strengthening development of cost-reducing manufacturing processes.”

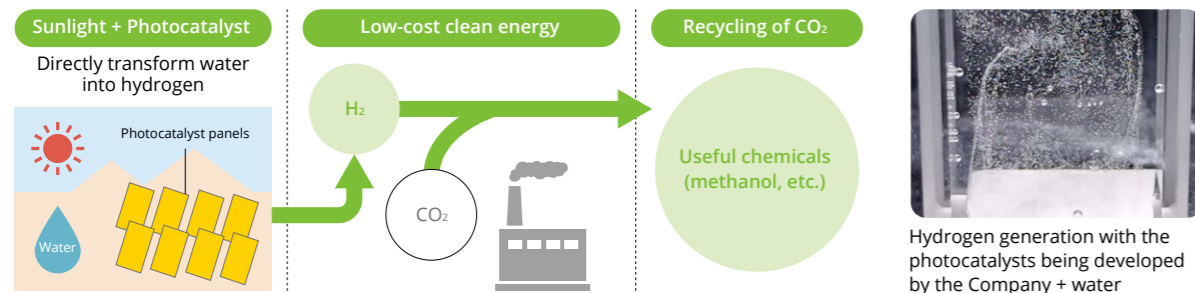
- 1 Timely development of new products, including compact integrated modulators and electrostatic chucks
- 2 Strengthening competitiveness through development of process automation/labor-saving technologies for modulators and electrostatic chucks
- 3 R&D aimed at expanding business areas
- 4 Sustainability initiative

Development of Artificial Photosynthesis Photocatalysts

At the Research Institute for New Technologies, we are pursuing R&D of photocatalysts for artificial photosynthesis that contribute to hydrogen production that is both economically rational and sustainable, aiming for carbon neutrality by 2050. While plants use light energy to synthesize organic matter from water and CO₂ through photosynthesis, artificial photosynthesis is a process in which hydrogen and

oxygen are produced by splitting water using sunlight and the power of a photocatalyst made using our proprietary technology, and this hydrogen is then used to synthesize useful substances such as methane from CO₂. It is expected that the synthesized methane will be used as a next-generation thermal energy source.

Photocatalysts for artificial photosynthesis able to manufacture hydrogen at low cost



TOPICS

Intellectual Property

We believe that activities to create and utilize intellectual property are important in building our future business foundations and securing our competitive advantage, and we will carry out intellectual property activities in line with our business strategies to enhance our medium- to long-term corporate value. In our FY 2023–25 Medium-term Management Plan, we are promoting the following initiatives as part of our efforts to strengthen our management foundation.

1. Development of Human Resources Skilled in Intellectual Property

We are working to develop human resources who can create and utilize intellectual property in anticipation of changes in the environment (“human resources with intellectual property skills”). We are carrying out education to help employees reach skill standards set by department, job type, and rank, and in particular, under our FY 2023–25 Medium-term Management Plan, we are developing and strengthening strategic skills such as those for dealing with intellectual property litigation.

2. Utilization of the Management Strategy for Intellectual Property Information Analysis (IP Landscape)

We conduct analysis of the external environment that detects risks and opportunities by combining policy, market, and technology with intellectual property, and analysis that leads to the creation of business models that capture business trends by combining environment, economy, and society with intellectual property. We have established a new organization within the Intellectual Property Department to oversee and execute the IP landscape, placed a dedicated officer in charge, adopted efficient analytical tools, and strengthened collaboration with related departments.

Intellectual Property Strategy for Fiscal 2024

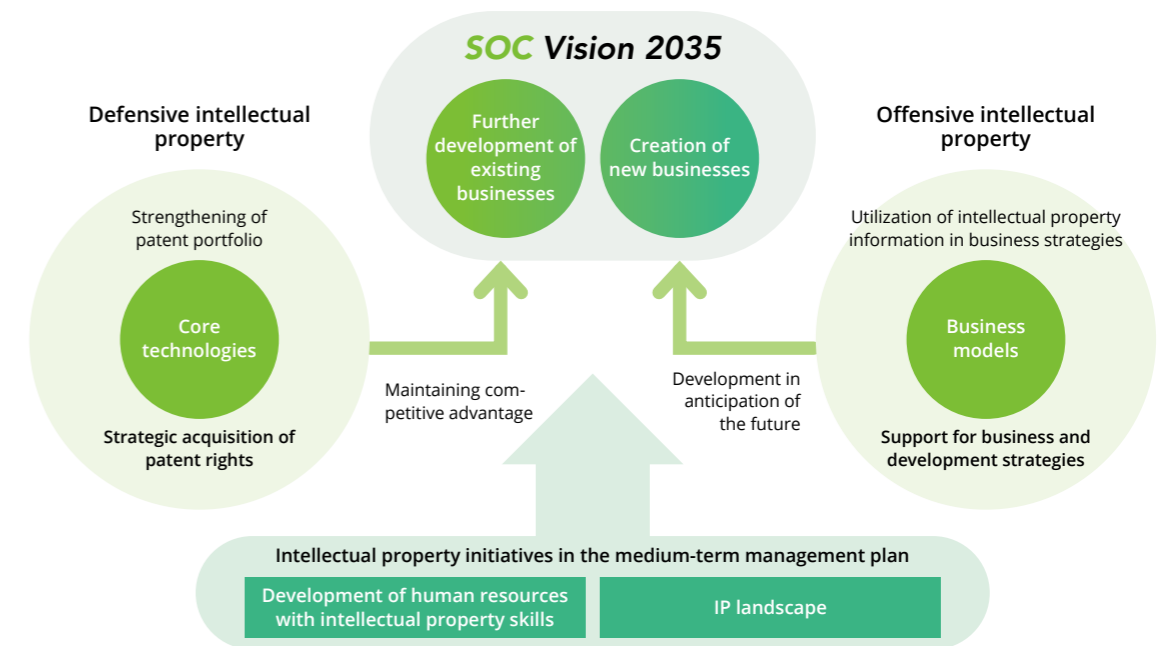
Defensive Intellectual Property (Strengthening the Patent Portfolio)

We clarify the core technologies and technical fields that need to be protected, and work to strategically acquire patent rights and strengthen our patent portfolio. To respect the intellectual property of third parties, we regularly conduct investigations to prevent infringement of other parties’ patents and clearance activities.

Offensive Intellectual Property (Utilizing IP Information in Business Strategies)

We contribute to the formulation of business and development strategies between related departments through IP landscaping. Notably, we support the development strategy for carbon neutral technology and focus on creating intellectual property to form the foundation of new businesses. By registering our patents with WIPO/GREEN*1 and INPIT*2 and making them available to third parties, we explore the possibility of further utilizing our intellectual property, such as through licensing.

*1 A database of licensable overseas patents related to environmental technologies operated by the United Nations World Intellectual Property Organization (WIPO)
*2 A database of licensable domestic patents operated by the National Center for Industrial Property Information and Training



Human Resources Strategy



“The Human Resources Department will carry out the following initiatives under the human resources strategy to achieve “SOC Vision 2035.”

Yasutarou Hashimoto

Managing Executive Officer
Responsible for the General Affairs Department, Human Resources Department, and Mineral Resources Division
General Manager, Personnel Department
Chair, Labor and Social Affairs Subcommittee, Sustainability Committee

Today’s business environment is changing at a dizzying pace. The current era has been described as one of “VUCA” (volatility, uncertainty, complexity, and ambiguity) in which the changes are so rapid that the environment everywhere is becoming increasingly complex, with unexpected events occurring more often, making it difficult to predict the future. Given this state of affairs where the future is uncertain and unpredictable, we are required to make accurate judgments and respond flexibly to the situation.

Against this backdrop, in our FY 2023–25 Medium-term Management Plan, which is a step on the way to SOC Vision 2035, we clearly set out our company-wide strategies to strengthen our management foundation and, as part of these strategies, we put forth a human resources strategy of “Investment in people to support business growth and operation of a new human resources policy.”

In parallel with our new personnel measures under consideration, we have recently formulated the “Human Resources Basic Policy” as a policy to maximize the potential of human resources—who are the growth engine of the Company—and to enhance our corporate value. This policy is based on Sumitomo Osaka Cement’s corporate philosophy and code of conduct, and is positioned as a concept that forms the core of our approach to human resources, as well as a human resources strategy that is linked to our management strategies, namely our Medium-term Management

Plan and Medium- to Long-term Vision.

The “Human Resources Basic Policy” is based on the principle of valuing each and every employee as an individual, and aims to achieve symbiosis between individual growth and the Company’s development. We have defined the specific employee vision required to achieve our management strategy in terms of three key concepts: “Change & Challenge,” “Teamwork,” and “Professionalism,” and have set criteria to be evaluated for each of these.

We will implement these policies and employee engagement surveys, and while we will continue to review our new personnel measures, we will also go one step further in terms of human capital investment to ensure fair and appropriate personnel evaluations and compensation commensurate with them, and to augment education and training to support autonomous career development. We also believe that creating a system that properly rewards the growth and achievements of each and every employee will ultimately improve work-life balance and better accommodate diverse work styles. By developing various systems related to work styles, promoting diversity and inclusion, and undertaking health management initiatives, among others, we will reinforce the value of our human capital by making all employees feel motivated and fulfilled in their work, leading to higher productivity and engagement.

Human Resources Basic Policy

Sumitomo Osaka Cement has established its Human Resources Basic Policy to maximize the potential of our human resources, who are the growth engine of the Company, and to enhance our corporate value. The Human Resources Basic Policy is the core concept of our approach to human resources, based on the Company’s corporate philosophy and code of conduct. With the foundational principle of valuing each and every employee, this policy lays out the vision of the kind of employees that we seek and the principles of our promises to our employees, and it is this policy that underpins our personnel measures, which are implemented to achieve both individual growth and the Company’s development.

The Employee Vision We Seek

Based on our corporate philosophy and code of conduct, we define the vision of the kind of employees that we require in order to achieve “SOC Vision 2035,” our Medium-term Management Plan, and other goals in terms of three key concepts.

Change & Challenge

People who, rather being satisfied with the status quo, enjoy change, and have new ideas and drive

- In times of upheaval and rapid change, people who are not bound by precedent, have a flexible mindset, and are willing to take on the challenge of change.
- A person who displays leadership in taking on new challenges with integrity and honesty.

Teamwork

People who continue to grow with the organization, while accepting and empowering each other

- People who respect all persons and contribute to the growth of the organization through their own growth, while helping and supporting each other to achieve their goals.
- People who collaborate with others in various positions and roles to create value that cannot be achieved individually.

Professionalism

People who take pride in, and are passionate about, their roles and who have the ambition to improve themselves

- People who hone their wisdom, skills, and spirit to meet the expectations of society and who work well with those around them.
- People who set high goals for themselves and bring them to fruition, and never give up.

Promises to Our Employees

While we expect each employee to deliver on this vision, we also promise the following to those who behave in accordance with these ideals.

Change & Challenge

We support employees who take on the challenge of change and commend their ambition

- We provide employees who have the ability to think and act autonomously in the midst of change with the opportunities and a work environment that allows them to more effectively take on challenges.
- We commend and value their courage to take the first step, as well as their willingness to take on challenges.

Teamwork

We aim to be a company where diverse people respect and support each other so that they can realize their potential

- We provide a psychologically safe environment where people can freely express their thoughts, accept the opinions of their peers, and engage in positive and constructive discussions.
- We value employees who actively support their peers so as to foster a culture of sharing, as well as the mutual bestowing of knowledge and skills.

Professionalism

We develop professional human resources by supporting self-learning and providing opportunities for growth

- We provide a variety of educational and experiential opportunities to promote the growth of all employees.
- We commend employees who proactively learn and grow on their own and achieve results.

Human Resources Development

Raising the Level of Employees through Individual Education and Training Programs

In addition to manufacturing, Sumitomo Osaka Cement actively invests in the development of human resources to serve as our growth engine. By providing training and various other educational and experiential opportunities, we aim to develop professional human resources with high market value who will make ongoing contributions to the development of our business as members of an environmental solutions company.

Training Policy

In accordance with our “Basic Human Resources Policy,” we are implementing various educational measures based on the following “Stance on Human Resources Cultivation” and “Basic Concepts.”

Stance on Human Resources Cultivation

As we put our corporate philosophy and corporate activities into practice, we will cultivate proud professionals with a strong sense of responsibility to complete their work, a generous and considerate heart, and a high level of professionalism.

Basic Approach to Human Resources Cultivation

Education in which the roles of “teacher” and “student” are not fixed, but rather the knowledge and skills of both parties are shared and bestowed on each other.

As each employee works as a professional in his or her field, they develop, refine, and accumulate knowledge and skills through daily practice. We believe that, if this practical repository of knowledge and skills is consolidated as expertise and is converted into theory, all of our employees will grow and our Company will continue to develop into the future. Our goal in cultivating human resources is to create a culture of teamwork that transcends hierarchical relationships between employees in terms of superiors and subordinates, as well as age, gender, and nationality, and in which employees recognize each other’s knowledge and skills in their respective fields of expertise, and communicate and share this with each other.

Training Structure

Through various training and support systems, including rank-based training, we are working to cultivate employees who can demonstrate leadership by making the most of their abilities and aptitudes.

	General employees				Management	
	1st year	2nd to 5th years	6th to 8th years	9th to 11th years	14th year and up	23rd year and up
Rank-based training	<ul style="list-style-type: none"> Training for new employees Induction training for new employees Plant and laboratory tours Follow-up training 	<ul style="list-style-type: none"> Annual training for young employees Information exchange forums for young employees Roundtable discussions with senior employees 	<ul style="list-style-type: none"> Training for new chiefs Follow-up training 	<ul style="list-style-type: none"> Training for new leaders Follow-up training 	<ul style="list-style-type: none"> Training for new managers Follow-up training Various study sessions 	<ul style="list-style-type: none"> Training for new deputy advisors Follow-up training Various study sessions
Management training	Human resources management training					
Objective-specific training	Trainer training					
	Cross-industry exchange training (next-generation leader development)			Cross-industry exchange training (next-generation manager development)		
	Second career training ① Second career training ②					
	Business English training					
	Human rights awareness training					
	Diversity awareness training					
	Mental health seminar					
Overseas training	e-learning		In-house video content			
Department-specific training	Short-term overseas study training					
	Compliance training					
	Organizational revitalization and communication training					
Support for self-development	Business knowledge and skills study sessions					
	External education course attendance support system					
	Correspondence course subsidy system					
	Official qualification acquisition bonus system					

Diversity

To promote women’s participation in the workforce, the Diversity Group set the following goals for the three-year period from fiscal 2021 to fiscal 2023.

Additionally, in order to further promote women’s participation in the workforce, we have established goals for the three-year period from fiscal 2024 to fiscal 2026.

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

	FY2021 to FY2023 target	Result	FY2024 to FY2026 target
① Percentage of women among all-new general-career-track hires	20% or more	April 2024: 18.4%	20% or more
② Percentage of female managers	2% or more	End of FY2023: 2.2%	4.0% or more
③ Percentage of male employees taking childcare leave*	25% or more	FY2023: 38.7%	75%
④ Annual paid leave utilization rate	Maintain 70% or more Aim for 80% or more	FY2023: 87.4%	Maintain 80% or more

* The target for FY2024 and beyond is the percentage of the total number of people who have taken childcare leave as well as leave systems for the purpose of childcare provided by business owners who employ male workers.

Welfare benefits/Human resources development system/Numerical data <https://www.soc.co.jp/saiyou/recruit/benefits/> (in Japanese only)

In addition to the active recruitment of women, we are expanding our systems to make employment more convenient, such as through teleworking and flexible working hours, thereby providing employees with greater peace of mind, and are implementing multiple systems that facilitate the balance between work and childcare, nursing care, etc., as well as providing training aimed at raising awareness within the Company. We will continue to encourage our employees to play an active role in the Company, and are working to create an organization and workplace in which each and every employee can work with vigor and enthusiasm over the long term, making the most of his or her abilities and aptitudes.

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 during the hiring interview about what amenities may be necessary, then prepare the workplace environment accordingly. In this way, we pay ample attention to creating work environments where employees with disabilities can shine to the greatest extent possible. We put every effort into promoting awareness-raising activities as a means of encouraging a greater understanding of our in-house policies, just as we encourage greater employment of people with disabilities.

Well-being

Initiatives for Health and Productivity Management

In order to maintain and promote the health of our employees, we established our Health Declaration, in which we state that “The Sumitomo Osaka Cement Group aims to be a vibrant company where all employees can work vigorously and energetically, in good physical and mental health.” In fiscal 2023, we were once again recognized as a 2024 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category), following our initial recognition in fiscal 2022.



To enable each and every employee to maximize their capabilities, we are setting targets and strengthening activities for individual items, such as “maintaining mental and physical health,” “improving lifestyle habits,” and “addressing health issues specific to women.”

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.

Health Management

To ensure employees are physically fit while they work, Sumitomo Osaka Cement supports them in creating good health by, among other measures, assisting employees to receive the full range of regular health checkups, including health examinations 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, enhancing our support system for helping our employees build minds and bodies defined by health and vigor.

Sustainability for the Sumitomo Osaka Cement Group

Sustainability Advancement Framework

Basic Approach

Based on the Sumitomo Business Spirit of “placing prime importance on integrity and sound management” and our corporate 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,” we have been working to resolve social issues through our business.

Initiatives to help 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 CO₂ emissions by 2050.

In addition, because we firmly believe that it is vital to incorporate widespread sustainability into management and to “respect human rights,” we created the following system for the Company and for our supply chain, and are working as one to promote this.

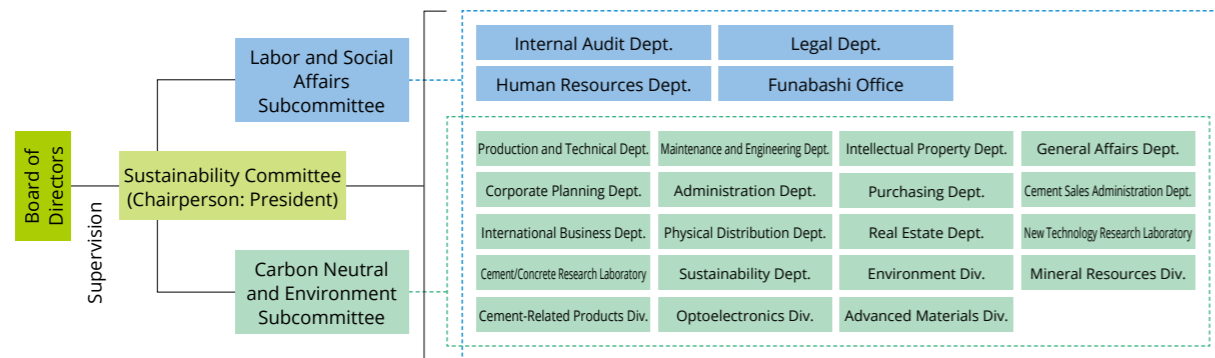
Promotion Framework

April 2020	Established the Sustainable Measures Committee
December 2020	Announced the 2050 Carbon Neutral Vision “SOCN2050”
April 2021	Established the Sustainability Department
April 2023	Established the Sustainability Committee, in tandem with the development of the Sustainable Measures Committee
	Under this, established the Carbon Neutral and Environment Subcommittee and established the Labor and Social Affairs Subcommittee

Sustainability Committee

The Sustainability Committee, which is chaired by the President, was established with the purpose of embedding and disseminating sustainability awareness, and to promote related activities across the entire Company. The agenda items are regularly reported to the Board of Directors and important matters are raised for discussion. The Board of Directors then provides direction and oversight, and works closely with management to address all pertinent sustainability issues.

Sustainability Committee Organization Chart



Labor and Social Affairs Subcommittee

As economic globalization continues apace, respect for human rights is becoming increasingly important, not only within the Company itself but also throughout our supply chain. To date, the Group has been involved in promoting human rights issues such as work-life balance and diversity. However, we are aware of the need for further promotion, both inside and outside the Company. The Labor and Social Affairs Subcommittee proactively gathers human rights-related information and conducts in-house awareness raising and education, and advances initiatives across all divisions in relation to respect for human rights in the Group’s supply chain and other areas.

Carbon Neutral and Environment Subcommittee

To achieve carbon neutrality, the Carbon Neutral and Environment Subcommittee undertakes promotion of the Group’s initiatives, information gathering, and risk assessments and response, as well as internal training and education programs, action plans, and progress management, based on the carbon neutral vision “SOCN2050.”



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

Ryoji Doi

Representative Director
Senior Managing Executive Officer
Responsible for the Sustainability Department and the Cement/Concrete Research Laboratory
Chair of the Carbon Neutral and Environment Subcommittee of the Sustainability Committee



Full focus on achieving an average fossil energy substitution rate of at least 50% by fiscal 2030

Cement is manufactured by firing raw materials at 1,450°C. One of our priority goals for fiscal 2030 is to reduce the use of coal and other fossil fuels used for this thermal energy. Specifically, the Company has set the goal of achieving a 50% fossil fuel substitution rate of at least across all five of its plants by 2030. While the industry average substitution rate in Japan is just over 20%, we are targeting a world-class substitution rate of over 80% for four of our eight kilns. To achieve this, we plan to invest over ¥40

billion and are working on an unprecedented expansion of our fossil fuel alternative facilities. Recently, both the kiln and the temporary incinerator furnace have successfully run completely coal-free clinker firing operations. Currently, our five plants, production division, environment division, facilities division, and research laboratories are all working together to achieve an average replacement rate of at least 50% by fiscal 2030.

2050: The challenge of moving to carbon neutral

Possession of high-grade and abundant domestic resources and limestone is a huge advantage for Japan’s cement industry. However, as long as that raw material is used, CO₂ will be generated from the calcination process, in which 44% of the limestone weight is emitted as CO₂. As much as 60% of total CO₂ emissions from cement plants comes from the decarboxylation of limestone. This is why the cement sector is considered a challenging sector for emissions reduction, both domestically and internationally, and why cement manufacturing is said to be an industry that faces severe hurdles to becoming carbon neutral.

In Northern Europe, thanks to the North Sea oil fields, the potential for carbon capture and storage (CCS) is high. In Japan’s case—which is disadvantaged in that regard—we recognize that it is essential to pursue the possibility of CCU (carbon capture and utilization, or carbon recycling). Limestone CaCO₃ is a chemically stable substance. Accordingly, stabilizing CaO, which is separated from CO₂ in cement manufacturing processes (CaCO₃ - CO₂ =

CaO), by recombining it with CO₂ after use is a rational approach from a carbon-neutral perspective. CaO contained in waste concrete after human use can be a valuable recycled resource for CO₂ fixation or reuse. Limestone, a domestic resource, has been a major raw material for concrete, shaping the infrastructure of our country. These structures are demolished and renewed in cycles of decades. However, in this carbon-neutral era, the CaO in the demolished materials should not be disposed of as waste or roadbed material, but should be captured and used effectively as a recycled resource that fixes and reuses CO₂.

Our concept for carbon recycling envisions a dual loop of CO₂ and calcium. Currently, under the government’s Green Innovation Fund project, we are progressing the development of technology for stable and high-quality production of synthetic limestone CaCO₃ by reacting various calcium-containing wastes with cement plant emissions. We look forward to a successful on-site demonstration in the near future.

Initiatives based on "SOCN2050"

2030 Greenhouse Gas Reduction Targets and Reduction Status

The Group has 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 mitigate 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 the future, we will further intensify with our challenge to achieve 2050 carbon neutrality in part through participation in the GX League (see page 44).

Initiatives toward Achieving the 2030 Reduction Targets

FY2030 reduction targets			
30% reduction in energy-related CO ₂ emissions from FY2005 levels on a carbon intensity basis (equivalent to 45% reduction in emissions)			
(kg-CO ₂ /t-cement)			
Energy-derived CO ₂ emissions intensity (excluding waste-derived materials)	Results		Targets
	FY2005	FY2023	FY2030
	316	269	220

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

Targets	Results
Achieve more than 50% average fossil energy substitution rate company-wide	FY2023 39%
(achieve more than 80% fossil energy substitution rate at the Group's five plants and four of its eight kilns)	

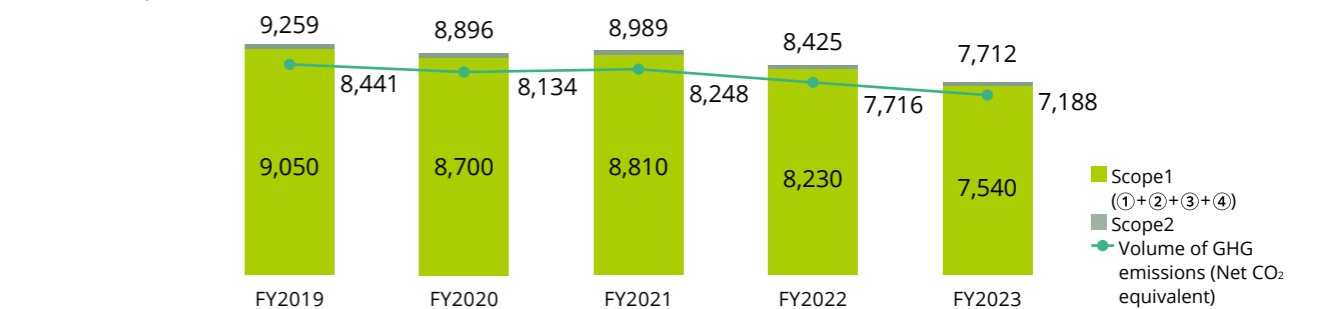
2 Reduce electric energy use through thermal efficiency and the minimization of electricity consumption (upgrade to cutting-edge raw material crushing process)

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



Greenhouse Gas Emission Volume of the Sumitomo Osaka Cement Group

(1,000 t-CO₂eq)



	FY2019	FY2020	FY2021	FY2022	FY2023	
Energy-related CO ₂	3,742	3,654	3,706	3,380	3,684	
Energy-related CO ₂ (Derived from waste)	—	—	—	—	524*	
Scope1	①	3,533	3,458	3,527	3,185	3,512
Scope2		209	196	179	195	172
Non-energy-related CO ₂ (Derived from processes)	②	4,470	4,260	4,320	4,130	3,930
Non-energy-related CO ₂ (Derived from waste)	③	818	762	741	709	—*
Other GHG	④	229	220	222	206	98
Volume of GHG emissions (CO ₂ equivalent)		9,259	8,896	8,989	8,425	7,712
Volume of GHG emissions (Net CO ₂ equivalent)		8,441	8,134	8,248	7,716	7,188

Note: Scope 1: Direct emissions of greenhouse gases via business operators (burning of energy, manufacturing process)

Note: Scope 2: Indirect emissions of greenhouse gases due to the use of electricity, heat and steam supplied by other companies

Note: Total GHG emissions (net CO₂ equivalent): CO₂ derived from recyclable materials such as biomass and waste is excluded from total GHG emissions, based on the World Business Council for Sustainable Development (WBCSD) concept of net CO₂ emissions.

* Starting from fiscal 2023 results, waste-derived emissions have been changed to Energy-related CO₂ (Derived from waste) due to the amendment of Japan's Energy Conservation Act.

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

CO₂ Emissions in the Value Chain: Scope 3 (Fiscal 2023)

Category	Calculation method	CO ₂ emissions (1,000t-CO ₂ eq)
1 Purchased goods and services	Calculated by multiplying the amount of natural materials for cement manufacturing purchased from non-Group companies by the CO ₂ basic unit	41
2 Capital goods	Calculated by multiplying the recorded amount of new noncurrent assets by the CO ₂ basic unit	69
3 Fuel- and energy-related activities not included in Scope 1 or 2	Calculated by multiplying the amount of thermal energy purchased for cement manufacturing and the amount of electricity purchases by the CO ₂ basic unit	251
4 Transportation and delivery (upstream)	Periodically reported figure based on the Act on Rationalizing Energy Use (measures pertaining to consignors and transportation operators)	26
5 Waste generated in operations	Calculated by multiplying the amount of waste outsourcing fees, etc., by the CO ₂ basic unit	1
6 Business travel	Calculated by multiplying total travel expenses for business trips by the CO ₂ basic unit	1
7 Employee commuting	Calculated by multiplying total travel expenses for commuting by the CO ₂ basic unit	1
9 Transportation and delivery (downstream)	Periodic report values based on the Energy Conservation Act (measures pertaining to shipping and transportation companies)	116
10 Processing of sold products	Calculated by multiplying the volume of cement sold by the CO ₂ basic unit	60
12 Waste from sold products	Calculated by multiplying the volume of cement sold converted into concrete by the CO ₂ basic unit	492
13 Leased assets (downstream)	Calculated by multiplying the floor area of the rented building by the CO ₂ emission unit per area	2
Scope 3 total		1,060

<Scope of data collection>

Categories 1 and 3: Sumitomo Osaka Cement, Hachinohe Cement Co., Ltd.

Category 9: Sumitomo Osaka Cement, Hachinohe Cement Co., Ltd., Wakayama Slag Cement Co., Ltd.

Other categories: Sumitomo Osaka Cement

Note: Source of basic unit

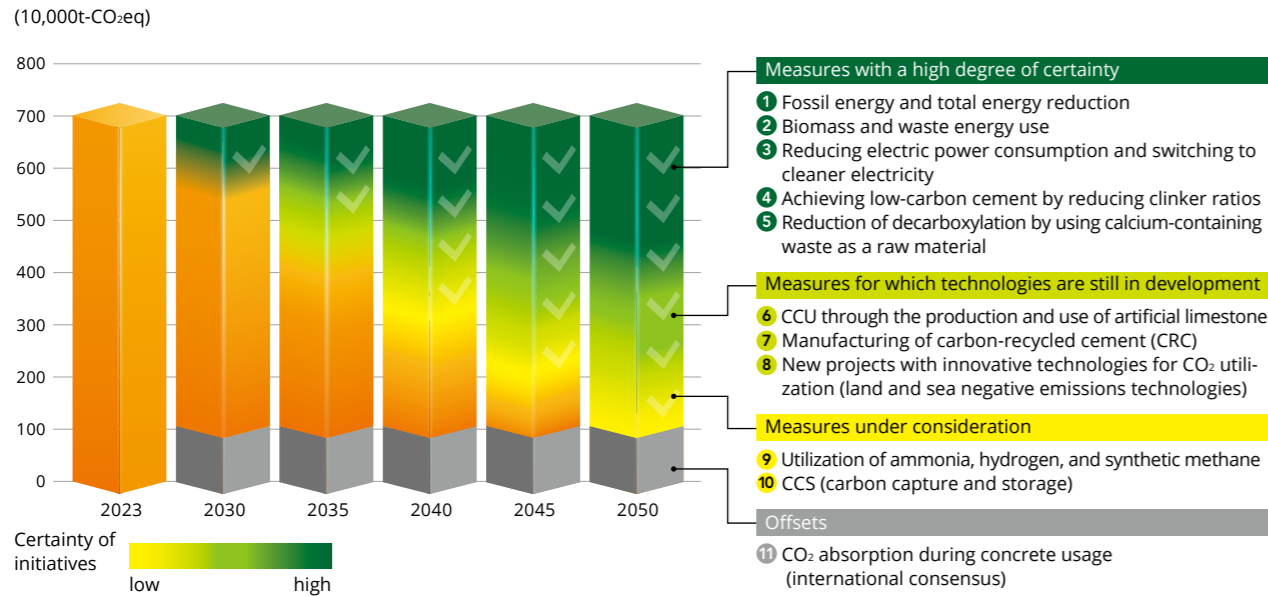
"Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables (3EID)" (National Institute for Environmental Studies, Japan)

"Inventory Database IDEA" (National Institute of Advanced Industrial Science and Technology)

"Database of Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.2)" (Ministry of the Environment)

"Explanations by Industry (Cement Production) for the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 1.0)" (Japan Cement Association)

Sumitomo Osaka Cement Group 11 Steps to 2050 Carbon Neutrality



To achieve carbon neutrality in the cement industry, it is necessary to consider a “reduction mix” that combines numerous measures. This roadmap describes those measures in three phases, each corresponding to the stage of development.

► Measures with a high degree of certainty

The following steps, which have a high degree of certainty, have already begun to be implemented.

① Fossil energy and total energy reduction

To reduce energy-derived CO₂ emissions, we will introduce energy-saving and high-efficiency equipment, including state-of-the-art raw material mills at our cement plants. The Group's fossil energy substitution rate is the highest in the industry, and we have achieved top-class efficiency in terms of energy consumption.

② Biomass and waste energy use

We are investing in recycling processing and receiving facilities at our cement plants to increase our use of biomass and waste energy (waste plastics, waste tires, waste oil, etc.), and are pursuing alternatives to fossil energy. At our Tochigi and Gifu plants, replacement rates exceeded 60% in fiscal 2023, ranking them in the top two positions in the industry.

③ Reducing electric power consumption and achieving carbon neutrality

Approximately 80% of the electricity used at our cement plants is supplied by in-house power generation facilities, and we are working to maximize the use of non-fossil fuel energy sources such as biomass.

The biomass power station at our Tochigi Plant is capable of coal-free electricity generation. In addition, thanks to this biomass power generation, the electricity used at our head office is now net carbon neutral. Furthermore, we will also continue to consider switching from coal to non-fossil energy sources.

④ Achieving low-carbon cement by reducing clinker ratios

The industry is working together to revise JIS to raise the cap on low-volume blended ingredients in cement from 5% to 10% and reduce the clinker ratio. We will also promote the expansion of the use of blended cement, such as by increasing the amount of blast furnace slag.

⑤ Reduction of decarboxylation by using calcium-containing waste as a raw material

We will reduce our use of natural limestone by collecting calcium-containing waste such as general incinerator ash, waste concrete, and plasterboard, and using those as “calcium-based raw materials with zero CO₂ emissions.”

► Measures for which technologies are still in development

With regard to the reduction of process-derived CO₂, CCU, which captures CO₂ from exhaust gases for effective utilization, is indispensable.

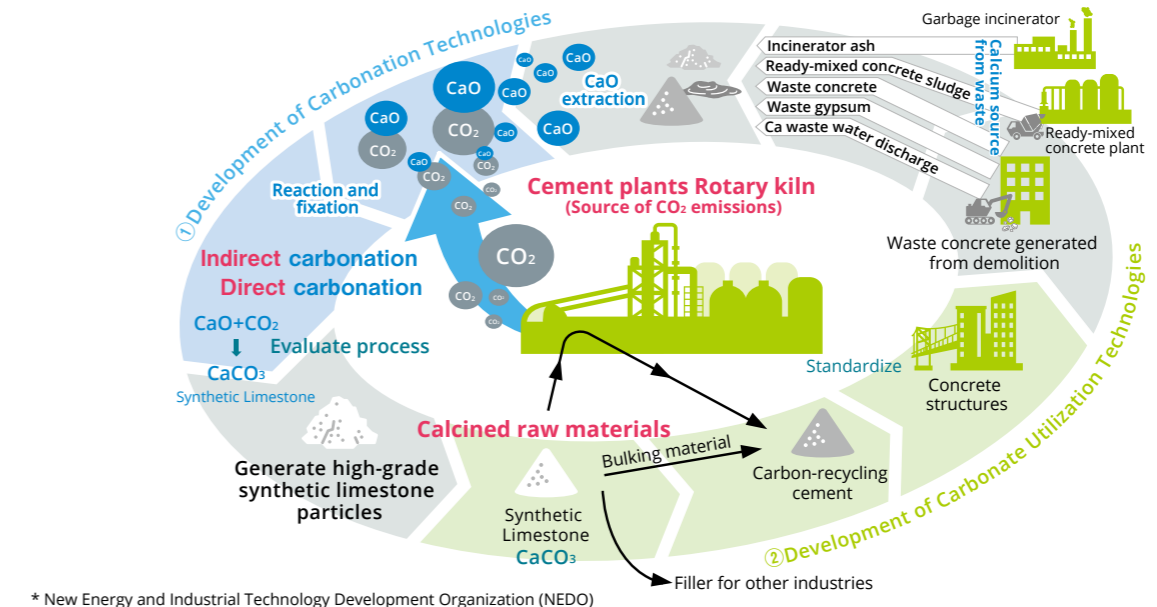
⑥ CCU through the production and use of artificial limestone

In the “Establishment of Carbonation Chlorination Technology Using Various Calcium Sources,” a project

adopted by the Green Innovation Fund of NEDO,* as shown in the figure on the right, we will achieve carbon capture and utilization (CCU) that generates artificial limestone (CaCO₃) through the use of a dual

recycling technology for calcium and CO₂ that extracts CaO from calcium-containing waste and recombines it with CO₂ generated during cement burning (an R&D project with a total project cost of ¥6.9 billion by

2030). We will mass-produce artificial limestone at our manufacturing facilities in Japan and sell it for use in the construction industry, as well as in various other industries.



⑦ Manufacturing carbon-recycled cement (CRC)

We will manufacture carbon-recycled cement using the artificial limestone produced in step ⑥, and market it to general contractors and secondary product manufacturers. At the 2025 Kansai/Osaka Expo, our CRC will be used in some of the buildings and items in the Sumitomo Pavilion (see page 45).

⑧ New projects with innovative technologies for CO₂ utilization (land and sea negative emissions technologies)

As an environmentally conscious company, we are

undertaking new businesses to maximize the use of cement plants and power plants (see page 49). We will also study initiatives to utilize CO₂ in the exhaust gas from biomass power plants for agriculture and forestry, evolve seaweed bed propagation reefs, and sequester CO₂ using blue carbon, which is rapidly attracting attention. Through these efforts, we will create a variety of new businesses and put forth a potential new concept for a next-generation cement industry.

► Measures under consideration

⑨ Utilization of ammonia, hydrogen, and synthetic methane

We will study the development of firing technology that uses fossil energy and ammonia/hydrogen co-firing for cement kiln combustion, and hope to put them into use by the latter half of the 2030s. We will also research the use of synthetic methane produced by separating and recovering CO₂ from the exhaust gas of cement plants for use as fuel.

⑩ CCS (carbon capture and storage)

CO₂ that cannot be effectively utilized by carbon capture and utilization (CCU) must be stored underground (CCS), but there are issues regarding the scale of facilities and costs. Studies are currently underway in various regions, and national laws are beginning to be formulated. Since it will be necessary to establish a supply chain, we are beginning to conduct joint feasibility studies with our partners.

► Offsets

⑪ CO₂ absorption during concrete usage (international consensus)

Concrete and cement products are rich in calcium, which is used for CO₂ mineral fixation, and are promising sources of mineral fixation of atmospheric CO₂, i.e. negative emissions technologies (NETs). Research is underway internationally to develop concrete structures that can absorb and immobilize CO₂ from the atmosphere throughout their

lifespan. We have succeeded in the development and testing of a product that implements NETs, with an atmospheric CO₂ absorption and fixation rate more than twice that of ordinary cement, and are on the verge of practical application (see page 45). In the future, we are looking into the possibility of offsetting CO₂ emissions by reaching a consensus on a quantitative evaluation method.



Medium- to long-term approach to initiatives

As a high-CO₂ producing company that emits 7.71 million tons of greenhouse gases per year (in fiscal 2023), the Sumitomo Osaka Cement Group recognizes the critical importance of medium- to long-term measures toward carbon neutrality.

Under SOCN2050, we have laid out a medium- to long-term roadmap to 2050, with specific CO₂ emissions reduction targets for 2030. Based on this strategy of carbon neutrality, we are making capital investments to reduce fossil energy, and are conducting research and development of carbon recycling technologies. To achieve carbon neutrality by 2050, we will work to reduce emissions through the introduction of innovative technologies centered on carbon capture, utilization and storage (CCUS), such as the carbon recycling technology currently being undertaken by the Green Innovation Fund project, a national research and development project, with the aim of commercializing this technology from 2030.

Cooperation with supply chains, other industries, and relevant government ministries and agencies

In March 2022, the Ministry of Economy, Trade and Industry (METI) designated industrial sectors such as cement and steel as being “high CO₂ emitting industries, in which alternative measures for zero emissions are not currently available technologically or economically, making the importance of transition high.” It also published a technology roadmap for “Transition Finance” for individual sectors. While stating that “the technology to achieve carbon neutrality in the cement sector has not currently been established,” the Ministry has outlined a roadmap for 14 technological fields in four areas, including the year that those technologies are likely to be implemented. Half of the innovative technologies in the roadmap, such as the generation of carbon-recycled cement, the use of hydrogen and ammonia, and the generation and use of synthetic methane, are expected to be put into practical use from the 2030s onwards.

The cement industry as a whole is basically following this roadmap for technological development. We recognize the importance of steadily persisting in our research and development efforts from a medium- to long-term perspective. Achieving carbon neutrality in the cement sector will require not only technological development but also standardization (formation of rules) regarding low-carbon products, as well as significant R&D costs and capital investment. We acknowledge that it is also necessary to gain an understanding of the broader burden on society as a whole, including for users.

It is also essential to develop infrastructure for decarbonized power sources and hydrogen/ammonia supply, and we will continue to lobby the national government and other government agencies, and work with the entire supply chain, other industries, and related ministries and agencies to promote these initiatives.

Information disclosure based on TCFD

We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), and disclose information in accordance with the TCFD framework.

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. Under that committee, we also established a specialized “Carbon Neutral and Environment Subcommittee,” which also meets regularly. (Please see page 36.)

Strategies

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

The risks posed by climate change can be categorized as risks associated with a transition to a low-carbon society (transition risks), and risks associated with physical impact (physical risks). We conducted a scenario analysis assuming a scenario in which the global average temperatures rise by 2°C or 4°C, compared with the 2021 levels, but then revised the settings in our analysis to rises of 1.5*¹ and 4,*² and we identified items deemed to have a significant impact in terms of the respective risks and opportunities. Based on this scenario analysis, we have evaluated the scale and degree of severity of the financial impact of the assumed risks and opportunities as of 2030. (See pages 46–48 for details.)

*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.

Risk Management

The Group drafts its plans for reducing CO₂ emissions through the Sustainability Committee’s “Carbon Neutral and Environment Subcommittee,” with progress being 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.



Making the most of our advanced knowledge, technological expertise, and diverse experience in cement and concrete, we actively participate in numerous regulatory activities, as well as cultivate the future talent necessary for clear standardization measures.



Noriyuki Kozakai
Managing Executive Officer
General Manager of the Sustainability Department and
General Manager of the Cement/Concrete Research
Laboratory
Standardization Strategy Committee Chairman

1. Participation in numerous regulatory activities

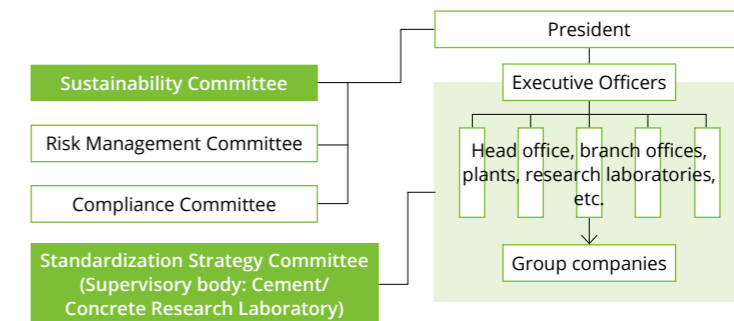
We dispatch mid-career and young employees to regulatory forums and committees of numerous organizations, including ISO/TC and JIS, as well as industry organizations such as the Japan Cement

Association, the Japan Concrete Institute, the Japan Society of Civil Engineers, and the Japanese Society for Non-Destructive Inspection, to actively propose ideas for rule revision and new rule formulation.

2. Establishment of the “Standardization Strategy Committee”

We have established a company-wide Standardization Strategy Committee, focusing on the cement and concrete fields, to closely monitor trends in standards relevant to our business, as well as to research overseas standards and international initiatives, and to evaluate their impact on the Japanese domestic market and our own business. Notably, we consider

efforts to formulate rules regarding decarbonization, low-carbon cement and concrete, CCUS, the Emissions Trading Scheme (ETS), and other areas undergoing rapid change to be particularly important, and we have a system in place to collect and analyze a wide range of related information.



3. Cultivation of standardization personnel, and open and closed strategies

In response to METI’s release of the “Japanese Standardization Acceleration Model,” we are pursuing the “provision of enlightenment, education, and opportunities” for young employees, primarily through our Standardization Strategy Committee. By doing so, we aim to cultivate the future talent necessary for clear standardization measures, which we believe to be one of the most important initiatives for advancing open and closed strategies going forward.

As an organization, we recognize the importance not only of formulating rules in the construction industry, but also of concurrently advancing standardization when participating in R&D of various innovative technologies, including our work with the Green Innovation Fund (see page 40). As such, we are committed to practical organizational efforts with the goal of creating core technologies and new markets through open and closed strategies.

TOPICS

GX League Participation and the Disclosure of Targets

We endorse 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 have now been participating in the “GX League”* since fiscal 2023.



* Established as a forum for companies actively engaged in green transformation (GX) to collaborate with government bodies, 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. There were 747 participants in fiscal 2024.

Disclosure of Greenhouse Gas (GHG) Emissions Reduction Targets in Conjunction with GX League Participation

2030 GHG emissions reduction target (Scope 1 (net CO ₂ emissions)) 16% reduction (compared with FY2013)	2030 GHG indirect emissions reduction target (Scope 2) 16% reduction (compared with FY2013)
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Note: These targets are consistent with the SOCN2050 CO₂ emissions intensity reduction target for energy-derived CO₂ emissions in fiscal 2030 (see page 38).
 <Scope of data collection> Total of Scope 1 (net CO₂ emissions) and Scope 2 (the Company plus Hachinohe Cement Co., Ltd., and Wakayama Slag Cement Co., Ltd.)
 [Reference] Japan Cement Association FY2030 Total CO₂ Emissions Reduction Target: 15% reduction (compared with FY2013)
 Source: “Cement Industry Carbon Neutral Action Plan Phase II Targets” (Japan Cement Association) (published in September 2022)

Verification of the Implementation of a System for the Fixation of Lumber Mill-Derived CO₂ into Recycled Roadbed Material

In collaboration with Maeda Road Construction Co., Ltd., and the Research Institute of Innovative Technology for the Earth, we have commenced verification testing aimed at implementing a CO₂ fixation system that uses CO₂ in exhaust gas from composite plants and recycled roadbed materials.



The Group’s ready-mixed concrete sludge used as raw material for recycled roadbed material

The three parties will bring together the technologies they have cultivated thus far to make use of the CO₂ contained in exhaust gases emitted from Maeda Road Construction Co., Ltd.’s composite lumber plant, and to utilize the carbonation reaction that occurs during the production of recycled roadbed material by crushing concrete blocks and ready-mixed concrete sludge that had been treated as waste.

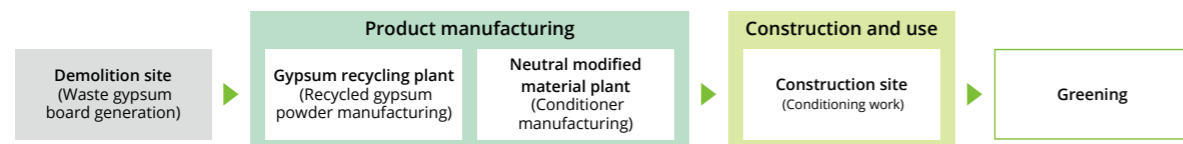
This system is a carbon-neutral technology that uses carbonation to achieve fixation of approximately 5 to 15 kilograms of CO₂ per ton of recycled roadbed material in an extremely short period of time, and we will be verifying the optimal conditions for fixation and recycling CO₂ in the ready-mixed concrete sludge that is the raw material used in this system.

Successful Development of a Soil Conditioner that Contributes to a Reduction of CO₂ Emissions

In collaboration with Fukuoka University and Chuo Kankyo Kaihatsu Co., Ltd., we have succeeded in developing a soil conditioner that enables the reduction of CO₂ emissions. This soil conditioner utilizes dihydrate gypsum derived from waste gypsum board, which is increasing in volume year by year. The lack of any firing process required during the manufacturing process means low CO₂ emissions, and the amount necessary to achieve the same performance is far less than that of conventional products. The upshot is that, including the entire process up to the construction and service stage, CO₂ emissions can be reduced by as much as 85% compared to that of conventional products.

Furthermore, the conditioned soil features excellent strength and resistance to re-silting, and can be used for vegetation and greening, thus making it suitable as a material for green landscaping.

Neutral Conditioner Flow Chart



Development and Successful Test Construction of “Next-Generation Low-Carbon Semi-Flexible Pavement” that Uses Recycled CO₂ Materials and Combines CO₂ Emissions Reduction and Carbon Removal

We are working on “Establishing carbonation technology using various calcium sources” under the NEDO Green Innovation Fund project. Using “artificial limestone” produced from the project, which is made by recycling CO₂, and “carbon recycled cement” which uses this as an extender, we have developed a next-generation low-carbon semi-flexible pavement that combines two types of climate change mitigation measures, “CO₂ emission reduction” and “carbon removal,” with the cooperation of NIPPO CORPORATION. We have successfully completed test construction and are now close to commercialization. Semi-flexible pavement is pavement with cement milk permeated into the voids of asphalt. It has excellent plastic deformation resistance and is used in areas where vehicles frequently stop and start, such as near intersections and bus terminals, and where the road surface is susceptible to damage from heavy loads and neglect. In the pavement field, efforts are being made to reduce CO₂ emissions, such as by lowering the temperature during the manufacture of asphalt composite materials, and large CO₂ reductions are expected for semi-flexible pavements that use cement-based materials with high CO₂ fixation potential.



Next-generation low-carbon semi-flexible pavement after use

Product Features

- CO₂ emissions reduction
 1. Reducing the clinker ratio in cement for semi-flexible pavement cement milk materials.
 2. Use of carbon recycled cement, which uses artificial limestone made from recycled CO₂ in exhaust gas as a bulking agent, in cement milk for semi-flexible pavement. Artificial limestone is used as part of the aggregate in the base asphalt mixture.
- Carbon removal
 3. Cement products are designed to maximize the rate at which they absorb and fix CO₂ from the atmosphere, resulting in carbonation reactions that are more than twice as fast as conventional products. (Negative emissions technologies (NETs).)
 - The combined CO₂ emissions of 1, 2 and 3 have been successfully reduced by 58% compared to our previous products. (Assuming an annual CO₂ emissions reduction of more than 2,000 tons and carbon removal of more than 130 tons.)
 - The atmospheric CO₂ fixed inside the semi-flexible pavement can be dismantled after use and reused as roadbed material and other such materials, allowing the CO₂ to be fixed semi-permanently (enabling CCS).
 - In terms of workability and usability, tests with actual vehicle traffic confirmed that the performance required to qualify as semi-flexible pavement structures is equivalent to that of conventional products.

2025 Osaka/Kansai Expo Use of our Artificial Limestone and Low-Carbon Precast Concrete Products

As an environmental solutions company, we are committed to developing innovative carbon offset technologies in the cement and concrete sectors. For the 2025 Osaka/Kansai Expo, the “EXPO 2025 Green Vision” was formulated to achieve an expo that takes into consideration decarbonization and recycling, based on the concept that “Our lives are connected to each other, supported by the universe, the seas and the earth as our vessels.”

We support this vision and are supplying low-carbon precast concrete products to the Sumitomo Pavilion at the Osaka/Kansai Expo, which is currently under construction. We will also provide low-carbon printing paper and resin molding products that utilize our proprietary artificial limestone technology for some of the goods sold at the Expo venue. This artificial limestone was produced at our demonstration unit in Taisho Ward, Osaka, and was made from calcium contained in waste plasterboard and CO₂.

We would like to provide visitors to the Expo with the opportunity to see and touch the artificial limestone in person.



Scenario Analysis and Impact Evaluation Related to Climate Change

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

Classification	Risks	Opportunities	1.5°C scenario		4°C scenario			
			Negative	Positive	Negative	Positive		
Government policies and regulations	Carbon tax hike, regulations on GHG emissions and fossil energy	<ul style="list-style-type: none"> As an industry consuming enormous amounts of energy, the cement industry is expected to see higher energy costs due to a rise in the price of fossil fuel energy. Retail electricity business can be downsized or discontinued if the electrical power plant owned by the Group falls under a non-efficient coal-fired power plant. Purchase of electricity used in plants from retail electricity suppliers as a result of decommissioning of the electric power plant is expected to increase electricity costs. 	<ul style="list-style-type: none"> The Company's commitment to promoting the use of coal alternatives (waste plastic, biomass fuel) is expected to help boost revenue in the waste collection business. With the possibility of using 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 the concept of addressing climate change issues through green electricity and green carbon. 	High	Medium	Medium		
	Technologies	New technology development	<ul style="list-style-type: none"> R&D expenses for new technology and capital investment to realize carbon neutrality is expected to increase. 	<ul style="list-style-type: none"> CO₂ emissions reduction technologies are expected to help bring in revenues. (Carbonate mineralization technology, artificial photosynthesis hydrogen production technology, ammonia/hydrogen utilization technology.) With advances in technologies that allow effective use of CO₂, along with the application of such technologies, a large amount of CO₂ can be stably immobilized, and expansion of new businesses is expected. (Methane, methanol, plastic material.) Owned unused patents can be used in new markets. 	Low	High		Low
Transition Risks	Change in user activity	<ul style="list-style-type: none"> It is expected that the usage amount of mixed cement will increase and production volumes of clinker will decrease. An influx of low-priced cement from countries with low carbon emission costs and a prevalence of low-carbon cement in the nation advanced in terms of climate change measures can strain cement share. Demand for low-carbon logistics can contribute to increasing logistical costs. 	<ul style="list-style-type: none"> 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 the application to low-carbon building structures that is expected to spread and grow will become more common and will expand the business. Concrete pavement with excellent LCA in terms of heat island effect reduction, fuel efficiency effect, and durability can become ubiquitous, and demand for cement may increase. 		High		Low	
	Market	Recycling market	<ul style="list-style-type: none"> 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. Fierce competition to procure biomass fuels will send the price soaring. 	<ul style="list-style-type: none"> Revenue from waste collection and recycling can be expected from an increase in receivable items that is underpinned by technological advancements in waste and byproducts treatment. The new business area to extract, refine, and sell resources from waste is expected to expand thanks to ownership of massive manufacturing infrastructure to collect various waste material and process raw fuel. 	Low	Low		
Physical Risks	Optoelectronics business and Advanced Materials business	—	<ul style="list-style-type: none"> An increase in data traffic due to the transformation of lifestyles and work styles induced by rising average temperatures and electricity supply shortages caused by non-fossil energy conversion will likely boost the need for high-capacity, high-speed, and high-power-saving devices, resulting in more demand for optical communications parts and semiconductor manufacturing equipment. 		Medium		Medium	
	Assessment	Change in stakeholders' assessment	<ul style="list-style-type: none"> Difficulty in procuring funds is expected due to lower assessment of GHG emitter companies. 	<ul style="list-style-type: none"> Fund procurement and employee hiring can become easily leveraged as a result of a higher evaluation of proactive climate change measures, new technological advancements in CO₂ recycling, promotion of new businesses, and waste/byproducts processing. 		Medium		Low
Physical Risks	Acute risks	Frequent and intensified natural disasters	<ul style="list-style-type: none"> Supply chain being cut off by frequent large typhoons and torrential rain, and the ensuing damage to production sites, is expected to increase costs incurred from the disruption to operations and those required for restoration. 	<ul style="list-style-type: none"> Demand for cement-related products is expected to increase due to infrastructure developments contributing to national resilience, maintenance/reinforcement/repair of structures, and the like. With requests for disaster waste treatment, a more important social role can be fulfilled. 	Medium	High	High	Low
	Chronic risks	Rising average temperature, recurring extreme weather	<ul style="list-style-type: none"> Rising temperatures are expected to adversely affect the health and security of employees at production sites. Higher sea levels can inflict damage caused by inundation, including high tide along the coast. 	<ul style="list-style-type: none"> Increasing demand for labor-saving methods, including those to shorten the construction period and make construction more efficient, is expected. Expansion in demand for marine products and business creation can potentially tap a new source of revenue. 			High	Low

Financial Impact with Respect to the Risks and Opportunities Identified through Scenario Analysis

Risks	
<ul style="list-style-type: none"> Capital investment for the 2030 reduction target in the "SOCN2050" Carbon Neutral Vision for 2050 	<p>Approx. ¥40.0 billion through 2030</p> <p>2020–2022 ¥9.9 billion 2023–2025 ¥17.0 billion 2026–2028 ¥8.0 billion 2029–2030 ¥6.0 billion</p>
<ul style="list-style-type: none"> Decrease in costs due to lower coal consumption <p>Effects will be realized in accordance with progress in capital investment due to increased acceptance of waste plastics, etc., resulting in a decrease in consumption of 200,000 tons per year from 2026 onward. Impact amount assuming coal price of \$200/t</p>	<p>¥6.0 billion to ¥7.5 billion/year</p> <p>from FY2026 onward (Cumulative effect of ¥39.0 billion from 2020 to 2030)</p>
<ul style="list-style-type: none"> Increase in recycling revenue due to increase in alternative raw materials and thermal energy resulting from lower coal consumption, etc. <p>Impact amount calculated at a unit price that takes into account the difficulty of procurement in the future</p>	<p>Approx. ¥1.0 billion/year</p> <p>from FY2026 onward (Cumulative effect of ¥8.0 billion from 2020 to 2030)</p>

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

	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

* Capital investments and effects are consistent with "SOC Vision 2035" and the FY2023–25 Medium-term Management Plan.

Recognition of Issues Regarding Environmental Investments through Fiscal 2030

Based on "SOCN2050" and "SOC Vision 2035," the Sumitomo Osaka Cement Group is focusing on reducing fossil energy by expanding the collection and use of alternative thermal energy, thereby reducing costs and growing recycling revenue. The challenge of intensifying competition for the collection of waste plastic and waste oil due to the increasing use of thermal recycling from fossil energy, including by other industries, is becoming manifest. In response, by gradually making environmental investments, such as upgrading desalination and salt removal facilities at cement plants, and installing waste plastic pretreatment facilities, and by realizing the benefits of these investments, we aim to ensure the achievement of our vision by securing the collection and use of quantities of waste, including waste that has traditionally been difficult to process.



Ako Plant: Switching from electrostatic precipitators to bag filters

Environmental Investments in the Cement Business

In the Cement business, we are working to expand raw material and thermal energy alternatives, and to implement environmental construction work in accordance with our investment plans. As part of our environmental investments, we have been working on switching from electrostatic precipitators to bag filters in the kilns of cement plants, which will lead to dust reduction measures and will expand the range of recycled products that can be collected.

Preserving Biodiversity

Deploying NETs (Negative Emission's Technologies) on Land and at Sea

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 on 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 aim to be nature positive and proactively contribute to the preservation of biodiversity through measures such as the implementation of cutting-edge seedling cultivation techniques using CO₂, greening and reforestation programs around our mines and factories, and the development of marine products that draw on over 20 years of experience to assist in the recovery of ocean environments.

Regarding the Task Force on Nature-related Financial Disclosures (TNFD), we will evaluate the impact of the commercialization of a wide range of NET-compliant products on the Group's natural capital and prepare disclosure in line with the TNFD framework.

Initiatives in Which We Are Currently Active

▶ Participation in the "30by30 Alliance for Biodiversity"

This is a goal of the Ministry of the Environment's biodiversity initiative 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 the Japan Business Federation (Keidanren)

This involves companies and organizations that engage in initiatives for many of the seven items that constitute the Keidanren Declaration on Biodiversity and Action Guidelines (revised edition), or that have endorsed the declaration's overall objectives.



▶ Participation in the Blue Ocean Initiative

This network brings together industry, government, academia, and citizens to take action to reduce marine plastics, conserve marine resources, and address marine climate change. The Sumitomo Osaka Cement Group is particularly active in a subcommittee that discusses methods for developing the Initiative's marine products.



TOPICS

Land NETs: Participation in Tochigi Forestry for the Next Century

In Tochigi Prefecture, where our cement factory and biomass power plant are located, we became a partner member of Tochigi Forestry for the Next Century in 2024. This initiative promotes activities that contribute to carbon neutrality and nature positivity through forest creation. We contribute to forest management by cooperating with the Tochigi Forest Association, which is actively involved in forestry.



Ocean NETs: Development of Marine Products Business

In collaboration with Group company SNC Co., Ltd., we have been applying our concrete precast technology to meet the need for measures to prevent sea desertification in Japan's coastal areas, and we have been engaged in the marine products business of manufacturing and installing fish reefs and seaweed beds for over 20 years. To date, we have installed over 3,800 seaweed beds, mainly in Nagasaki Prefecture, and sold over 300,000 seaweed bed growth plates.



Seaweed reef



Abalone in a seaweed reef

The Sumitomo Osaka Cement Group is utilizing the seaweed cultivation methods, technologies, and patents that it was the first in the world to successfully put into practical use to help solve environmental issues in Japan's oceans through ocean restoration and countermeasures against climate change. To that end, we are pursuing the nationwide expansion of our new marine products business, which combines low-carbon concrete, and will contribute to biodiversity conservation and CO₂ emissions reductions through cooperation with local governments.*1,2

The Company was the first in the world to successfully put into practical use the suspended intermediate cultivation method, a method of forcing seaweed into cultivation using seed threads and seaweed bed growth plates, which makes it possible to create reliable seaweed beds that can withstand damage from predation.

The K-hat Reef Beta Type multifunctional seaweed bed propagation reef functions as a nuclear seaweed bed that protects the lushly growing seaweed within the reef while supplying seaweed seeds to the surrounding rocky areas. In addition to regenerating the seaweed beds, it also provides a refuge for young spiny lobsters and abalone to protect themselves from predators.

*1 In fiscal 2023, we purchased J Blue Credits issued by Goto City, Nagasaki Prefecture for seaweed bed restoration activities.

*2 We applied for "Subsidies for the Creation of Blue Carbon Ecosystems around the Osaka Prefecture Expo Site," which aims to create a blue carbon ecosystem in the marine area surrounding the venue in conjunction with Osaka's EXPO 2025, and we were selected in August 2024.

Land NETs: Forcing of Low-Pollen Species Cedar Seedlings Using CO₂ Emissions from Wood Biomass Power Plants

Starting in 2024, we have begun a demonstration trial as a step toward building a next-generation seedling cultivation system using Bioenergy with Carbon Capture and Storage (BECCS), which will use CO₂ emitted from the wood biomass power plant at our Tochigi Plant to cultivate low-pollen cedar seedlings. This initiative represents a new direction for the cement industry and is the first of its kind in Japan's domestic cement industry. BECCS is one of the zero-carbon energy technologies that has been rapidly gaining attention in recent years, and has great potential in terms of advancing negative emissions technologies (NETs).

To verify the effects of CO₂ usage/non-usage on cultivation conditions, we erected two wooden state-of-the-art demonstration greenhouses in collaboration with the agricultural venture company Omnia Concerto.

To meet future increase in demand for low-pollen cedar seedlings in line with the government's low-pollen promotion measures, we will work with Omnia Concerto to build a next-generation, high-efficiency cultivation system that incorporates CO₂ utilization and other cutting-edge technologies, and we will develop new community-based solutions centered on biomass power plants.



Small-scale wooden agricultural greenhouses installed in the Tochigi plant for verification purposes



Cedar seedling forcing miniature greenhouse



Regreening of Ibuki Mine

Land NETs: Initiatives for Mine Regreening

Ibuki Mine, located in Maibara City, Shiga Prefecture, has been working on regreening mining sites since 1971, in what has been described as a pioneering example of a company taking the initiative in greening mines in Japan. In 1972, we signed a natural environment protection agreement with Shiga Prefecture, which calls for the regreening of mines. Greening of mine sites and collection areas is also being implemented at other mines around Japan.

Vegetation Survey at Ibuki Mine

In recent years, there have been concerns about the damage caused by deer to the ecosystems of Japan's mountain forests, and the disappearance of understory vegetation across Ibuki Mine has raised concerns about forest soil denudation and ecosystem destruction. In 2023, the Sumitomo Osaka Cement Group, with the cooperation of Sumitomo Forestry Co., Ltd., conducted a full-scale vegetation survey targeting areas around altitudes of 1,000m to 1,200m. Although the survey did confirm damage caused by deer, it also confirmed the presence of plants, including rare species endemic to the Ibuki Mine area, as well as mammals, birds, reptiles, amphibians, and insects. In the future, we will utilize the survey results to protect the diverse ecosystem of Ibuki Mine, such as by experimentally installing deer-proof fences and planting seedlings that are resistant to deer damage, and we will work with local governments and the Nature Regeneration Council to protect Ibuki Mine and promote greening.



Vegetation Survey at Ibuki Mine

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, the 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 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 of the Tsushima leopard cat. In these ways, we have been restoring the natural environment by fostering an ecosystem that will support the Tsushima leopard cat.



(Photo courtesy of Tsushima Wildlife Conservation Center) National Endangered Species of Wild Fauna and Flora: Tsushima leopard cat. only distributed in Tsushima City, Nagasaki Prefecture. The number of Tsushima leopard cats is estimated to be less than 100 (90 or 100), according to the Ministry of the Environment website.



Tsushima City Shushi no Mori after planting (2007)



About 17 years after planting (2024), the planted seedlings have grown into large trees.

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 the Company's 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 to ensure compliance with environmental laws and regulations, as well as with internal policies, and strives to improve the level of our environment-friendliness.

Number of Sites Where Environmental Audits Are Conducted
 FY2023: **34 locations** (in-house: 18 locations; affiliates: 16 locations)
 Note: Each fiscal year, audit sites are selected from all locations, and audits are conducted through systematic visits.

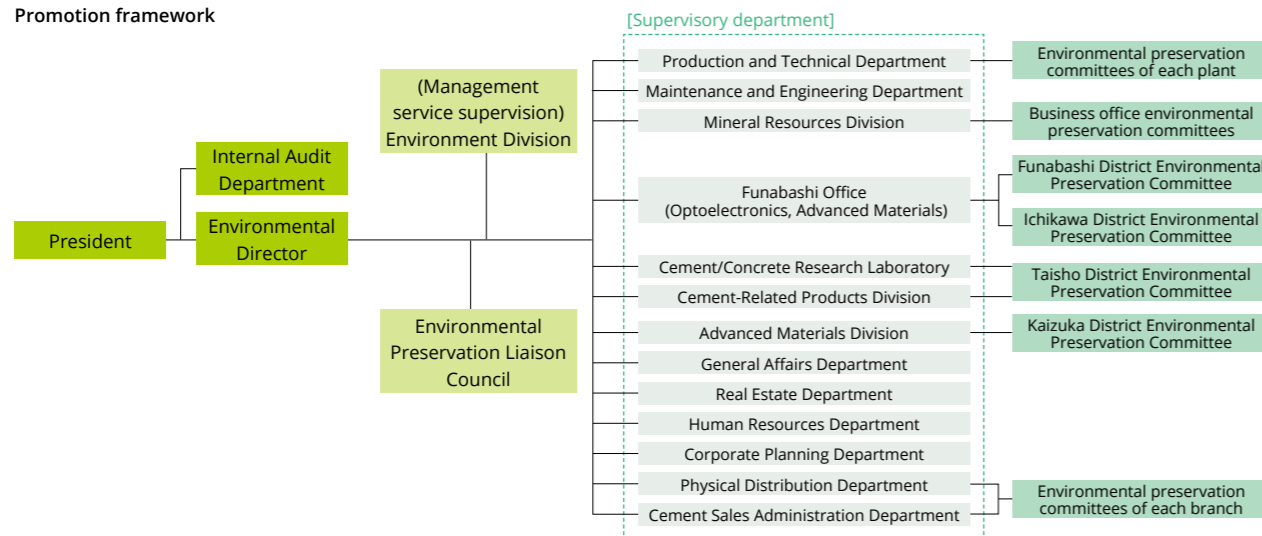
Status of Environmental Management System Certification

The Group has acquired ISO 14001 certification for all its cement plants, the Optoelectronics Business Division, the Advanced Materials Division, Hachinohe Cement Co., Ltd., and Sumitec Co., Ltd. Meanwhile, Wakayama Slag Cement Co., Ltd., 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 the cement plants.

Promotion framework



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 that are 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

Introduction of Internal Carbon Pricing System

We have introduced the Internal Carbon Pricing System ("ICP System") for capital investment in the Sumitomo Osaka Cement Group. The ICP System is a mechanism to create economic incentives for emissions reductions, promote low-carbon investment, and encourage responses to climate change by setting an internal carbon price and converting CO₂ 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 CO₂ emissions.

Sumitomo Osaka Cement Group ICP System

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

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 potent greenhouse gases with a global warming potential several hundred to over 10,000 times higher than CO₂. Therefore, the fluorocarbon emissions into the atmosphere must be controlled and reduced. Furthermore, CFC and HCFC, which are specific 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. The plant 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 2023 = 177,000 tons).

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

Preventing Air Pollution

As part of our pollution-reduction measures, the Group uses dust collectors and denitrification equipment to prevent the emissions of NO_x, SO_x, particulate matter and other air pollutants contained in gases emitted by cement manufacturing facilities and power generation equipment. Because dioxins and other hazardous substances in emitted gases are decomposed through burning at a high temperature of roughly 1,450°C, cement manufacturing equipment is known for its ability to 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 NO_x, SO_x, Particulate Matter, and Dioxin Emissions

	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
NO _x *1 emissions (Cement and power generation business)	tons	13,272	14,340	16,174	14,327	12,631
SO _x *2 emissions (Cement and power generation business)	tons	1,111	1,095	1,175	1,219	1,099
Particulate matter emissions (Cement and power generation business)	tons	136	143	218	99	120
Dioxin*3 emissions (Cement business)	g-TEQ	0.31	0.41	0.18	0.22	0.36

*1 NO_x: This refers to nitrogen oxide, which is a gaseous compound emitted from sources such as automobile exhausts and factory equipment that contributes to air pollution and photochemical smog. In Japan, emissions standards for NO_x are defined under the Air Pollution Control Act based on the scale and type of the equipment.

*2 SO_x: This refers to sulfur oxide, a gaseous compound that comes from burning petroleum and other sulfur-rich substances. SO_x is emitted from automobile exhausts and factory equipment, and is a contributor to acid rain and other air pollution. As with NO_x, emissions standards are set by law.

*3: Dioxins: The Act on Special Measures for Dioxins defines three types of dioxins: polychlorinated dibenzofurans, polychlorinated dibenzo-para-dioxins, and coplanar polychlorinated biphenyls.

Addressing Chemical Substance Risks

We recognize that failure to take appropriate measures to prevent the emission of chemical substances contained in exhaust gases from our cement manufacturing and power generation facilities runs the risk not only of adverse environmental impacts, but also of negative financial consequences, such as the suspension of operations due to violations of laws and regulations.

To comply with emission standards for chemical substances in exhaust gases, we 1) control the ingredients in raw materials and thermal energy, 2) manage operational indicators, and 3) operate equipment to reduce the emission of chemical substances. In addition, to verify our compliance with emission standards, we commission third-party entities to measure exhaust gas in accordance with the law, and confirm that there are no violations of emission standards.

Preventing Water Pollution

Wastewater from our cement plants primarily takes the form of rainwater, or 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.

Water Intake/Wastewater Results (Unit: 1,000t)

	FY2021	FY2022	FY2023	
Water intake	Surface water	38	38	32
	Groundwater	3,785	4,265	4,234
	Water for industrial use/ Tap water	4,325	4,228	4,287
	Total freshwater intake volume	8,148	8,531	8,553
	Total seawater intake volume	5,932	5,820	4,012
Wastewater	Total water intake volume	14,080	14,351	12,565
	Total freshwater discharge volume	3,157	3,722	4,791
	Total other wastewater discharge volume	4,154	3,998	3,296
	Total wastewater discharge volume	7,311	7,721	8,087
	Freshwater usage volume	6,769	6,631	4,478

Scope of data collection: the Company and 48 major affiliates

Basic Policy for Protection of Water Resources

To further promote initiatives to conserve limited water resources, we established a 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.

Response to Water Risks

We conducted water risk assessments for all of our Group facilities using the Aqueduct tool released by the World Resources Institute (WRI). We defined areas ranked "High" or higher in the Water Stress Index as water-stressed areas. Based on our assessment, we confirmed that there will be no water-stressed areas in the Cement Division (plants, power plants, and mines), which accounts for approximately 97% of the Group's total water intake, in 2040. Although there were no pressing issues, we will continue to strive for efficient water use by promoting measures such as water recycling and rainwater utilization.

Initiatives to Reduce Plastic Waste

In accordance with the Plastic Resource Circulation Act, the Sumitomo Osaka Cement Group, as a plastic waste producer, has established internal policies and targets to advance the reduction and recycling of industrial waste from products that use plastics.

Discharge of Industrial Waste from Products that Use Plastics

	Unit	FY2022	FY2023
Discharge volume	tons	198	220
Recycling rate	%	96	97

Scope of calculation: the Company

Environmental Accounting

(Millions of yen)

Category	Environmental conservation investment			Environmental conservation costs			
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	
Costs within business area	2,998	7,055	8,644	2,107	2,007	2,469	
Breakdown	Pollution prevention costs	792	859	710	263	328	446
	Environmental conservation costs	988	5,855	5,879	36	31	58
	Resource circulation costs	1,218	341	2,054	1,808	1,649	1,965
Upstream and downstream costs	—	—	—	7	503	441	
Management activity costs	—	—	—	133	125	140	
Research and development costs	—	—	—	71	46	37	
Social activity costs	—	—	—	26	22	23	
Environmental damage response costs	—	—	—	80	80	75	
Other costs related to environmental conservation	—	—	—	54	57	56	
Total	2,998	7,055	8,644	2,478	2,841	3,241	

Scope of calculation: Sumitomo Osaka Cement and 48 major affiliates

Material Balance and Energy Balance (FY2023)

Inputs

<p>● Energy</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Coal</td><td>1,063,000 tons</td></tr> <tr><td>Petroleum coke</td><td>107,000 tons</td></tr> <tr><td>Waste and byproducts</td><td>1,006,000 tons</td></tr> <tr><td>Total</td><td>2,176,000 tons</td></tr> <tr><td>Heavy oil</td><td>4,000 kl</td></tr> <tr><td>Light oil</td><td>10,000 kl</td></tr> <tr><td>Kerosene</td><td>200 kl</td></tr> <tr><td>Gasoline</td><td>100 kl</td></tr> <tr><td>Total</td><td>14,000 kl</td></tr> <tr><td>Purchased electricity</td><td>278,000 MWh</td></tr> </table>	Coal	1,063,000 tons	Petroleum coke	107,000 tons	Waste and byproducts	1,006,000 tons	Total	2,176,000 tons	Heavy oil	4,000 kl	Light oil	10,000 kl	Kerosene	200 kl	Gasoline	100 kl	Total	14,000 kl	Purchased electricity	278,000 MWh	<p>● Raw materials</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">Natural resources</td></tr> <tr><td>Excavated limestone</td><td>17,912,000 tons</td></tr> <tr><td>Silica</td><td>542,000 tons</td></tr> <tr><td>Natural gypsum</td><td>21,000 tons</td></tr> <tr><td>Total</td><td>18,475,000 tons</td></tr> </table>	Natural resources		Excavated limestone	17,912,000 tons	Silica	542,000 tons	Natural gypsum	21,000 tons	Total	18,475,000 tons	<p>Waste and byproducts</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Byproduct gypsum</td><td>278,000 tons</td></tr> <tr><td>Coal ash</td><td>1,214,000 tons</td></tr> <tr><td>Soil from construction</td><td>230,000 tons</td></tr> <tr><td>Sludge</td><td>362,000 tons</td></tr> <tr><td>Blast furnace/converter slag</td><td>830,000 tons</td></tr> <tr><td>Nonferrous slag</td><td>325,000 tons</td></tr> <tr><td>Others</td><td>530,000 tons</td></tr> <tr><td>Total</td><td>3,769,000 tons</td></tr> </table>	Byproduct gypsum	278,000 tons	Coal ash	1,214,000 tons	Soil from construction	230,000 tons	Sludge	362,000 tons	Blast furnace/converter slag	830,000 tons	Nonferrous slag	325,000 tons	Others	530,000 tons	Total	3,769,000 tons
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Total	18,475,000 tons																																															
Byproduct gypsum	278,000 tons																																															
Coal ash	1,214,000 tons																																															
Soil from construction	230,000 tons																																															
Sludge	362,000 tons																																															
Blast furnace/converter slag	830,000 tons																																															
Nonferrous slag	325,000 tons																																															
Others	530,000 tons																																															
Total	3,769,000 tons																																															
<p>● Materials</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Grinding aid</td><td>3,976 tons</td></tr> <tr><td>Gunpowder</td><td>2,340 tons</td></tr> <tr><td>Refractory</td><td>8,528 tons</td></tr> <tr><td>Grinding media and steel casings</td><td>665 tons</td></tr> <tr><td>Lubricants and chemicals</td><td>104 tons</td></tr> <tr><td>Total</td><td>15,613 tons</td></tr> </table>	Grinding aid	3,976 tons	Gunpowder	2,340 tons	Refractory	8,528 tons	Grinding media and steel casings	665 tons	Lubricants and chemicals	104 tons	Total	15,613 tons	<p>● Water intake</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Including seawater and river water</td><td>12,127,000 tons</td></tr> </table>	Including seawater and river water	12,127,000 tons																																	
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Sumitomo Osaka Cement Group Mines Cement plants Power plants

Outputs

<p>● Mineral Resources business</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Aggregates, etc.</td><td>4,827,000 tons</td></tr> <tr><td>Limestone products*1</td><td>3,471,000 tons</td></tr> </table>	Aggregates, etc.	4,827,000 tons	Limestone products*1	3,471,000 tons	<p>● Cement business</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Cement production volume*2</td><td>8,850,000 tons</td></tr> <tr><td>Retail electricity</td><td>812,000 MWh</td></tr> </table>	Cement production volume*2	8,850,000 tons	Retail electricity	812,000 MWh	<p>● Volume of waste, etc., discharged</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Waste, etc., outsourced for treatment</td><td>1,937 tons</td></tr> <tr><td>Final disposal volume (Final disposal volume includes Sumitomo Osaka Cement's four cement plants and Hachinohe Cement Co., Ltd.)*3</td><td>824 tons</td></tr> <tr><td></td><td>68 tons</td></tr> </table>	Waste, etc., outsourced for treatment	1,937 tons	Final disposal volume (Final disposal volume includes Sumitomo Osaka Cement's four cement plants and Hachinohe Cement Co., Ltd.)*3	824 tons		68 tons
Aggregates, etc.	4,827,000 tons															
Limestone products*1	3,471,000 tons															
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<p>● Wastewater</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Wastewater discharge volume</td><td>7,766,000 tons</td></tr> </table>			Wastewater discharge volume	7,766,000 tons												
Wastewater discharge volume	7,766,000 tons															

*1 Actual results from the Karasawa, Gifu, Tochikubo, Ibuki, Taga, Katsumori, Shuho and Kokura mines
 *2 Including clinker and cement exports
 *3 Final disposal volume target: 50 tons or less (target area: four of Sumitomo Osaka Cement's cement plants and Hachinohe Cement Co., Ltd.)

Scope of data collection: The Group's six cement plants (Tochigi, Gifu, Aka, Kochi, Hachinohe Cement Co., Ltd., Wakayama Slag Cement Co., Ltd.), eight mines (Karasawa, Gifu, Tochikubo, Ibuki, Taga, Katsumori, Shuho, Kokura), and three power plants (Tochigi, Aka, Kochi)

Contributing to the Development of a Recycling-Based Society

At the 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 the forefront of one part of the recycling-based society.

Social Role of Cement Recycling

Cement is a chemical substance characterized by a 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°C.

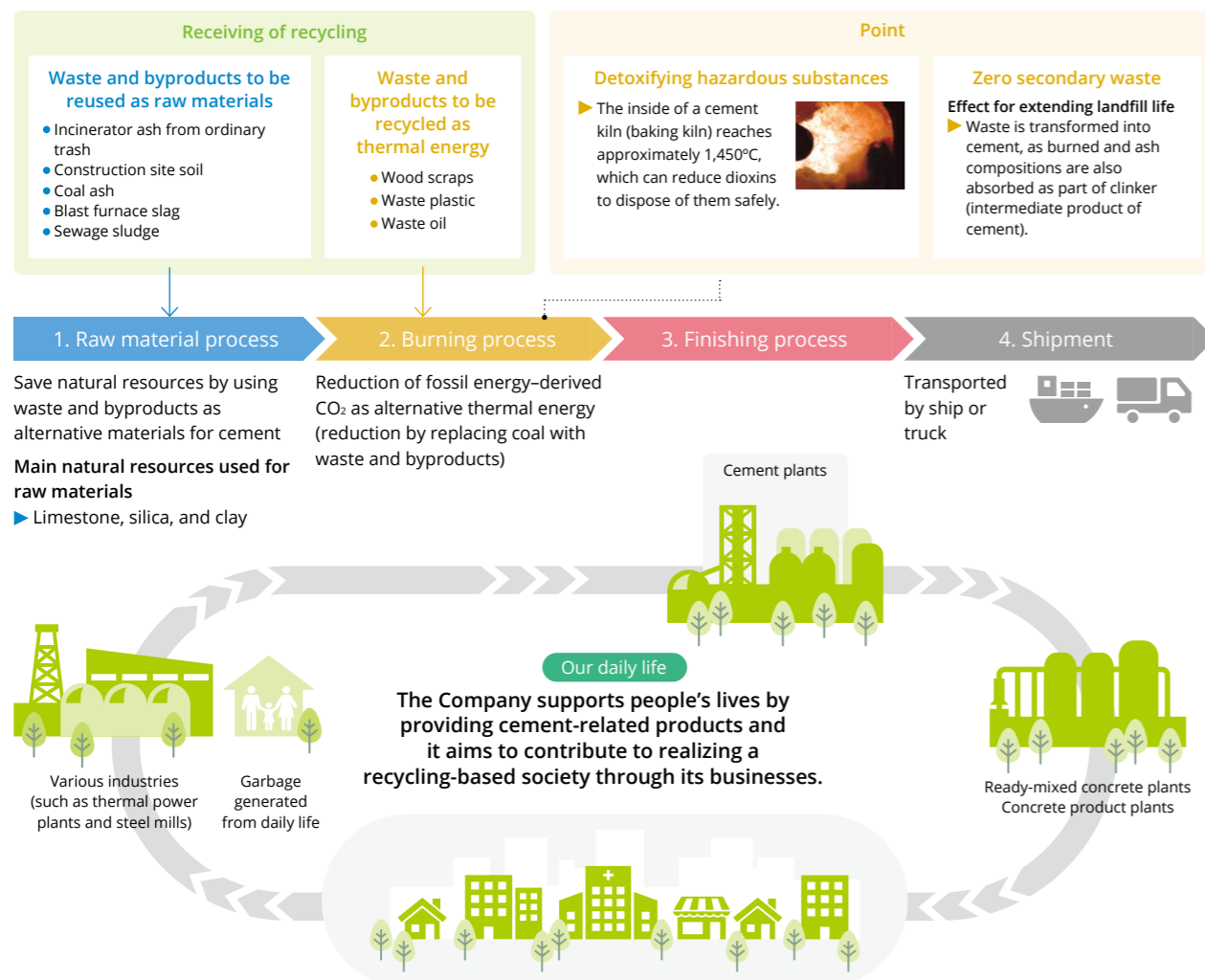
The main components are abundant in natural resources such as limestone, clay, and silica, but waste and byproducts also contain similar components so they can be used as a substitute for cement raw materials. Now we no longer use natural clay due to the recycling of waste and byproducts.

Waste and byproducts from other industries and local governments, including wood scraps, waste and recycled oil, and waste plastic, are used in combination with coal as thermal energy in the burning process at approximately 1,450°C. 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 the use of natural resources such as clay and coal, and also leads to CO₂ emissions 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.

Cement Recycling in Daily Life



Receiving Disaster Waste

The Sumitomo Osaka Cement Group takes in waste from disasters such as earthquakes and floods as usable materials and thermal energy sources.

To date, we have taken in a wide range of disaster waste, including rubble from the Great East Japan Earthquake in 2011 (approximately 100,000 tons); disaster waste (water inundated stockpiled rice, tatami mats, etc.) from Joso City, Ibaraki Prefecture, which occurred when the Kinugawa River levee collapsed due to the heavy rains in the Kanto and Tohoku regions in September 2015 (approximately 8,000 tons); wood chips (approximately 1,000 tons) generated in Kuji City, Iwate Prefecture, by Typhoon No. 10 in 2016; wood chips (approximately 18,000 tons) from houses destroyed in the Kumamoto Earthquake in 2016; sludge (approximately 40,000 tons) from the heavy rains of July 2018 (Western Japan Heavy Rains); and soil and rice straw (approximately 32,000 tons) generated by the 2019 East Japan Typhoon (Typhoon No. 19). During the rainy season June 2023 and the heavy rains caused by Typhoon No. 2 of 2023, we took in disaster waste (approximately 2,000 tons), such as rubble and soil mixed with wood generated in Toyokawa City, Aichi Prefecture.



Mud caused by the rainy season front in June 2023 and Typhoon No. 2 of 2023

In addition, following the Noto Peninsula earthquake in 2024, we are proactively looking into taking in disaster waste at the request of Ishikawa Prefecture.

Building a Cooperative System with Local Governments

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



Signing ceremony for the Comprehensive Partnership Agreement with Gifu Prefecture

In May 2024, the Company signed a comprehensive partnership agreement with Gifu Prefecture. Under this agreement, in the event of a large-scale disaster, when 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 cooperate closely on various issues such as reducing environmental impact through upcycling of waste into cement resources, promoting environmental education, revitalizing daily living in the local community, and improving services for prefectural residents toward realizing a sustainable society.

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
- May 2024 Gifu Prefecture Comprehensive Partnership Agreement

Status of Waste and Byproduct Use

In fiscal 2023, we used 4,775,000 tons of waste and byproducts. This was about a 3% reduction from the volume used in fiscal 2022, which was mainly due to the decrease in the volume of cement production. However, it remains among the best consumption rates in the industry on a basic unit basis.

	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Raw material-related waste*1	1,000 t	2,911	2,739	2,717	2,605	2,496
Thermal energy-related waste*2	1,000 t	378	394	399	402	401
Byproducts*3	1,000 t	2,190	2,077	2,117	1,915	1,878
Subtotal	1,000 t	5,479	5,210	5,233	4,922	4,775
Cement production volume	1,000 t	10,550	10,041	10,085	9,546	8,850
Basic unit	Raw material-related	kg/ton-cement	276	273	269	273
	Thermal energy-related	kg/ton-cement	36	39	40	42
	Byproducts	kg/ton-cement	208	207	210	201
Total	kg/ton-cement	519	519	519	516	540

*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

Human Rights

Sumitomo Osaka Cement Group Human Rights Policy

The Sumitomo Osaka Cement Group conducts its business activities with careful consideration accorded to social norms and corporate ethics, based on the Sumitomo business spirit and the Group's corporate philosophy. In this context, we recognize that respect for human rights is at the root of good management and is a key issue. With this in mind, in August 2023 we formulated the "Sumitomo Osaka Cement Group Human Rights Policy" (hereinafter "The Policy") to clearly stipulate our approach to acting fairly and equitably in all our business activities, and to ensure we do not violate human rights.

However, we recognize the potential that our business activities could have a direct or indirect negative impact on human rights. We therefore strive to promote ongoing initiatives across the Group to respect the human rights of all our executives, employees, and stakeholders.

Respect for International Guidelines

We adhere to the principles contained in the UN's "Guiding Principles on Business and Human Rights" and support and respect the following international guidelines.

- The International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights)
- The International Labour Organization (ILO)'s "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 guidelines, we pursue methods to respect internationally recognized human rights to the greatest extent possible.

Scope of Application

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

Human Rights Due Diligence

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

Correction/Remedy

We promote initiatives to correct or remedy through appropriate and effective procedures in the event that we have caused a negative impact on human rights through our business activities, or where such activities have clearly resulted in a negative impact.

Dialogue

To respond appropriately to the impacts on human rights, it is important to recognize that human rights can be affected by business activities, or that there are stakeholders that could be affected. We share human rights issues related to business activities with stakeholders at appropriate times, and we engage in activities such as ongoing two-way dialogues and discussions, and work towards solving any issues in a cooperative manner.

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 third parties, and make every effort for this to be understood and acknowledged.

To observe our commitment to respect for human rights based on this policy, the Labor and Social Affairs Subcommittee, which was established within the Sustainability Committee and chaired by the President, under the supervision of the Board of Directors, works with each division on drafting plans and managing the progress.

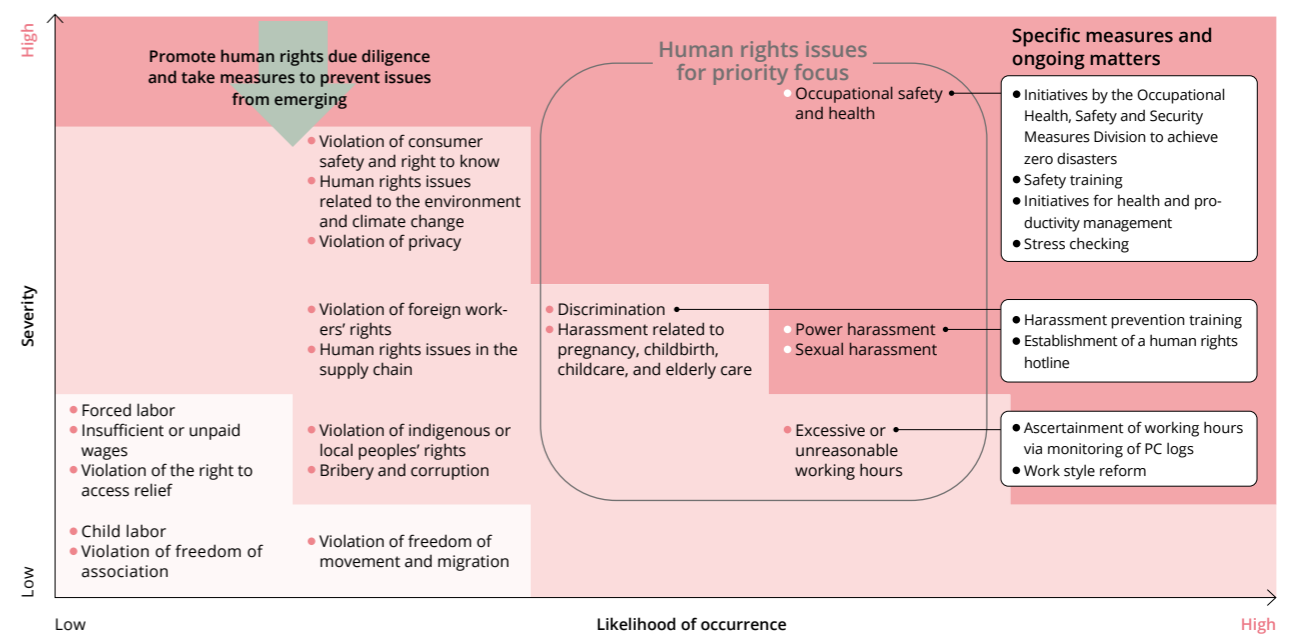
Human Rights Risk Assessment Map

In line with our Human Rights Policy, we have developed a human rights risk assessment map to promote efforts to respect human rights within our Group and our supply chain. We will continue to work on these priority issues by conducting regularly scheduled reviews.

Formulation Process

We convened a working group with mid-level staff from each department to identify human rights risks in our business, including in our supply chain. We analyzed the "severity" and "likelihood" of human rights risks and organized them across departments. As shown in the table below, we then identified the human rights risks that have a high impact on our Group and specified our countermeasures.

Human rights risk assessment map (Sumitomo Osaka Cement Group, FY2023)

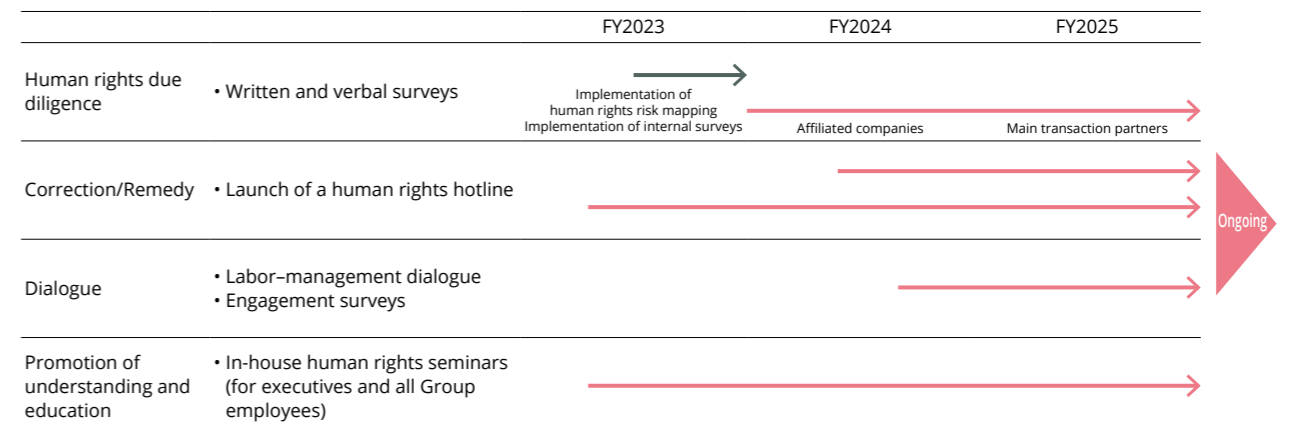


[Supplementary explanation of risk items in the assessment map]

- Forced labor = Coercion of work through threat of punishment
- Insufficient or unpaid wages = Intentional blocking of access to relief hotlines
- Violation of the right to access relief = Intentional blocking of access to relief hotlines
- Violation of freedom of association = Violation of the right to labor union affiliation, refusal to engage in collective bargaining, refusal to permit foreign membership
- Violation of consumer safety and right to know = Provision of products and services harmful to consumers' mental and physical health
- Human rights issues related to the environment and climate change = Environmental impact, and air, soil, and water pollution, for residents living near the plants
- Violation of privacy = Disclosure of personal information without the individual's consent
- Human rights issues in the supply chain = Harassment of employees of subcontractors committed by employees of business partners, human rights violations caused by business partners (upstream/downstream) within their own companies
- Violation of freedom of movement and migration = Decisions about individuals' place of residence or migration against their will, and evictions of residents for business land development
- Discrimination = Disadvantaging individuals on the basis of race, sex, language, religion, politics or other grounds

Initiatives Following the Formulation of Our Human Rights Policy

We are advancing our human rights initiatives by reviewing their content and expanding their scope in accordance with the roadmap below.



Quality

Approach to Quality

The Sumitomo Osaka Cement Group places great importance on quality in the Cement business, the Optoelectronics business, and the Advanced Materials business, and has established a quality control framework that responds promptly to customer needs.

In the Cement business, the use of cement is diversified from large structures, such as dams, to an array of concrete products. The cement performance must therefore be optimized, depending on the purpose of its use. The Sumitomo Osaka Cement Group, under a product assurance system built on 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 product quality.

Quality Control Framework

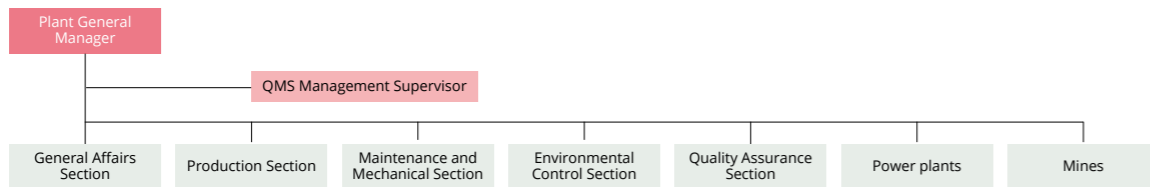
Our Group's cement production plants have acquired quality management system (QMS) certification in accordance with ISO 9001 (international guidelines on quality assurance), and have built and maintain quality control frameworks, while continuing to work on quality improvement. The five production plants of Tochigi, Gifu, Aiko, Kochi, and Hachinohe Cement Co., Ltd., the Optoelectronics Business Division, the Advanced Materials Business Division, and affiliates including Shuho Mining Co., Ltd., have all obtained ISO 9001 certification.

Quality Initiatives (Cement Business)

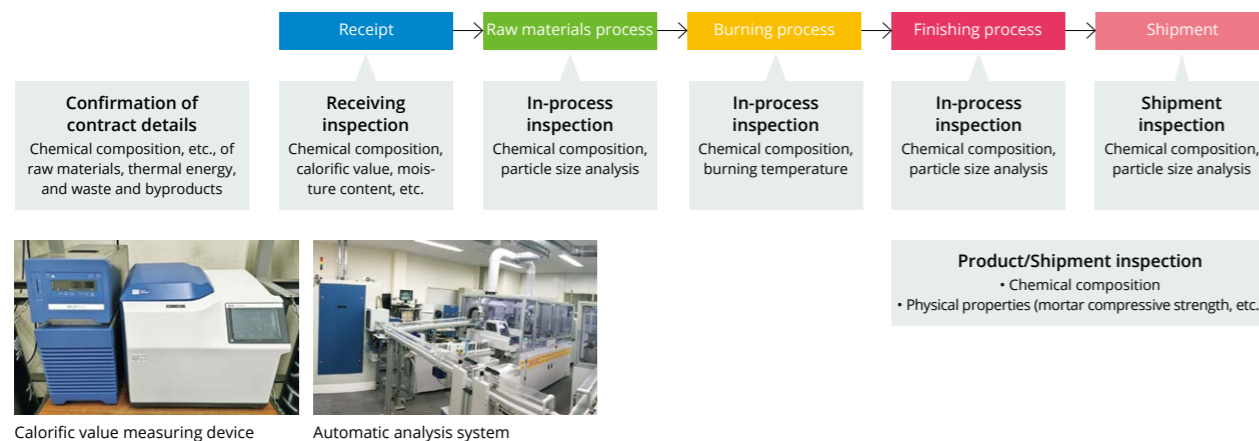
The QMS of each plant is operated under defined responsibilities and the authority of each division, as shown in the plant organization chart. The production flow chart shows how the quality control of the plant is consistently applied from the receiving inspection of raw materials, thermal energy, and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

Plant Organization

QMS Management Supervisors, as on-site plant general managers, work to establish and maintain the system by raising all employees' awareness of requests from customers, while ensuring that all employees in the plant are aware of and understand the plant's quality policy.



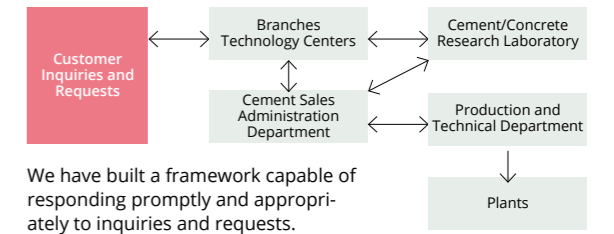
Production Flow and Quality Control at Plants



Relationship with Customers (Cement Business)

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

Quality Control Information Communication and Response Flow Chart



Technological Interaction with Customers (Cement Business)

With the aim of promoting the exchange of technology and people across regions, the Group holds its Sumitomo Osaka Cement Technical Report Meeting every two years. At these meetings, in addition to lectures on the latest topics and technical trends in the concrete field, customers we invite from all over the country also present valuable research results. Each meeting is attended by approximately 200 people. The Group also organizes technical meetings in each region, where we work closely with our customers to improve our technical capabilities.

Fair Trade

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

Basic Policy on Purchasing

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

Based on the above basic policy on purchasing, we require that our suppliers and other business partners respect human rights, do not engage in forced labor or child labor, and prevent discrimination based on nationality and gender, among others. 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 Japan's Cabinet Office and the Small and Medium Enterprise Agency. The Company as a whole is committed to increasing the added value of the entire supply chain by working closely with our business partners. At the same time, we seek to build mutual prosperity with our business partners through collaboration beyond existing business relationships and enterprise sizes. In addition, we have declared our pledge to build a forward-looking partnership by ensuring transactions are appropriately conducted, in terms of determining prices and payment terms, as well as by addressing work style reforms, thereby minimizing the economic impact of various factors as far as possible.



Sumitomo Osaka Cement Partnership Building Declaration <https://www.biz-partnership.jp/declaration/8152-05-13-tokyo.pdf> (in Japanese only)

Safety Initiatives

The Sumitomo Osaka Cement Group strives to create comfortable work environments that are safe and healthy, and in which employees are empowered 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 that securing this is an essential corporate responsibility. As a Group with an uncompromising commitment to safety, Sumitomo Osaka Cement is targeting a goal of zero accidents. Therefore, to rededicate ourselves to “the creation of an uncompromising climate for safety,” we will work with partner companies to weed out unsafe behavior and unsafe working conditions, and further improve occupational health and safety standards to create and maintain an amenable work environment.

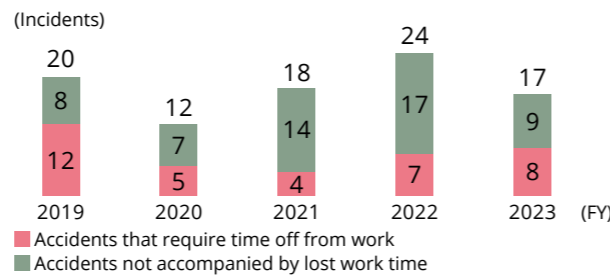
Enactment Priorities for Fiscal 2024

1. Eliminate accidents
 - 1) Prevent risky behavior due to laxity (carelessness and inattention)
 - 2) Eradication of repeated disasters
 - 3) Enhancement of safety standards in the workplace
 - 4) Improvement of the sense of safety (sensitivity to danger)
 - 5) Enforcement of heatstroke prevention measures
2. Develop healthy, people-friendly worksites
3. Eliminate traffic accidents (accidents during commutes)
4. Record and analyze labor accident data

Occupational Health and Safety Quantitative Targets

- Fatal accidents: 0 (FY2023 result: 0)
- Reduce the number of sites with lost time incidents to 20% or less at all sites (FY2023 result: 37%)
- Reduce the number of sites where accidents occur (including incidents without lost time) to 30% or less at all sites (FY2023 result: 47%)

Number of Accidents



Occupational Health, Safety, and Security Measures Division Management System

The Sumitomo Osaka Cement Group has established an Occupational Health, Safety, and Security Measures Division covering the entire company, which implements the plan-do-check-act (PDCA) cycle and holds cross-organizational liaison meetings as necessary to further strengthen safety initiatives.

Issues Identified and Initiatives Taken in Light of Disasters Occurring over the Past Five Years

A categorical analysis of accidents that have occurred within the Sumitomo Osaka Cement Group has revealed that the majority of accidents are caused by workers getting caught or injured by machinery, accounting for nearly 40% of all accidents. Unfortunately, such accidents do continue to occur, and the basic rule of “not touching machinery while it is in operation” is not being sufficiently adhered to. To prevent recurring accidents, we are working on accident prevention from both the equipment and the human perspectives, such as making the drive parts and surrounding areas safer, and by providing practical safety training to enable our workers to better comprehend the dangers.

In addition, after analyzing the occurrence of accidents in terms of years of experience on the job, we found that nearly 50% of accidents involve workers with less than five years of experience. We will therefore strengthen measures aimed at those with less experience, such as by providing more hands-on training and encouraging coworkers to offer assistance to these workers, who can easily be identified from their distinctive helmets, as well as by creating simple, straight-to-the-point safety pamphlets.

Heatstroke accidents, which are on the rise in Japan, have occurred every year since 2018 at Sumitomo Osaka Cement, and we have taken measures to prevent heatstroke through work environment management, work duties management, and health management. Such measures include installing fans in the workplace, providing work clothes with wet-bulb globe temperature (WBGT) meters and cooling features, and checking the health of employees before the start of work. In addition, we have begun a trial initiative to impede the rise in our workers’ core body temperature (internal body temperature), which is the cause of heatstroke, from fiscal 2024.

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 that prioritizes worker health and safety. It provides its partner companies with safety training, including entrance training and safety education using danger simulation equipment.

Details on our safety initiatives are available at the following link: <https://www.soc.co.jp/csr/csr09/>

Disclosure

Engagement with shareholders and investors requires that they have an understanding of the 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 (IR) 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 (Timely Disclosure Network) and press releases, as well as on the Company’s 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 as 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 their homepage and the media, if the Company deems that the information is useful for shareholders, investors, and other stakeholders.

Quiet Period

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

Feedback to Management

The Company actively engages in mutual communication with capital market participants such as shareholders, investors, and securities analysts. The division in

charge of IR conveys the opinions gleaned from such communication to management executives and the Board of Directors as feedback that is considered when formulating the management plans.

Status of Dialogue with Shareholders and Investors

We hold financial results briefings for our annual and interim results in order to foster understanding of the Group’s management status among institutional investors and analysts. In addition, we aim to reduce information asymmetry with the market and improve corporate value by promoting prompt and fair information dissemination and dialogue with shareholders, other investors, and securities analysts, including sitting for individual interviews by securities analysts and institutional investors, both from Japan and overseas. The following is a summary of the Company’s dialogue with shareholders and investors in fiscal 2023.

Main correspondents

- Financial results briefings: President, officers in charge of the Corporate Planning and Administration Departments, the division in charge of IR
- Individual dialogue: Officers in charge of the Corporate Planning and Administration Departments, the division in charge of IR

Overview of shareholders and investors with whom we have conducted dialogue

We held 121 dialogue sessions with both domestic and foreign institutional investors, totaling approximately 78 companies.

A detailed breakdown of our safety initiatives is available at the following link: <https://www.soc.co.jp/ir/disclosure/>

Main themes and concerns during our dialogue sessions

Progress in raising cement sales prices, trends in the price of coal used, trends in domestic cement demand, the state of the electrostatic chuck business, and our approach to shareholder returns, among others.

Status of feedback to management and the Board of Directors regarding views expressed during dialogue sessions

Opinions obtained through dialogue with shareholders and investors are reported to the Board of Directors on a quarterly basis, and are used to examine matters requiring improvement, as well as to formulate management plans and strategies.

Organizing a Plant Tour

In April 2024, we conducted a tour of our Ako Plant for institutional investors and securities analysts. During the tour, we guided our visitors around the factory floor and provided an overview of the Ako Plant, the cement production process, and the current status of capital investment in the Group’s efforts to expand the collection and use of waste plastic, waste oil, and other thermal energy-related waste. There was also a lively exchange of ideas between our plant employees and the institutional investors and securities analysts on the stock market’s view of the Company and future expectations for the cement business.



Ako Plant tour

Roundtable Discussion with Outside Directors



Mitsuko Makino
Outside Director

Outside Directors Makino, Inagawa, and Morito discuss their evaluation of the progress on the Sumitomo Osaka Cement Group's SOC Vision 2035 and FY2023-25 Medium-term Management Plan, as well as their assessment of the Company's efforts to address the issues raised in 2023's Outside Directors' Roundtable.

Evaluation of the Progress on SOC Vision 2035 and FY2023-25 Medium-term Management Plan



Tatsuya Inagawa
Outside Director

Makino: To begin with, it has been a year since SOC Vision 2035 and the FY2023-25 Medium-term Management Plan were formulated, so I would like to start by discussing the evaluation of progress on these efforts. Mr. Morito has experience in top management at other companies and was involved in formulating plans for the Sumitomo Osaka Cement Group for the first time in 2023. Mr. Morito, would you like to share your thoughts?

Morito: In 2023, the Company unveiled its SOC Vision 2035 and launched a three-year medium-term management plan. As outside directors, we receive progress reports twice a year, in December and May. The priority and key measures are essentially action plans, and although progress varies from measure to measure, we have been informed that approximately one-third of them were accomplished in fiscal 2023. As such, I would say that the medium-term management plan was off to a satisfactory start in its first year. Above all, the fact that we were able to extricate ourselves from the losses recorded in fiscal 2022 demonstrates the positive results of various initiatives, and I hope that this progress will continue.

The Company has also successfully implemented a capital allocation strategy in line with its medium-term management plan. Notably, it has been commendably proactive in selling cross-shareholdings and returning value to shareholders.

Yoshimi Morito
Outside Director



Makino: It's good that the Company is implementing a "not doing anything by half measures" policy and is regularly reporting on its progress. I think it's very important to carefully follow up on progress given the current circumstances. Although the Company has fallen behind somewhat on a few measures, I believe that the medium-term management plan, which was formulated based on SOC Vision 2035, is largely proceeding as planned. That said, discrepancies that may seem small at first can grow into substantial gaps over the months and years ahead, so I think we need to take a serious look at the fact that there are already some delays in the first year. While we can be patient for now, Optoelectronics business and Advanced Materials business are poised to take off significantly and will require capital investment for growth, so we need to monitor when the situation will improve.

In addition, as a measure to raise awareness of SOC Vision 2035, executives and department heads in charge of individual business units visited other departments to explain the plan. This was a groundbreaking first-time endeavor by the Company. We have heard feedback such as, "employees were able to interact with executives and department heads who they don't usually get to meet," and "we were able to reaffirm horizontal connections that transcend departmental boundaries and become more aware that we need to act with the overall Company in mind." I believe that the Company has succeeded in creating a sense of unity across the entire organization as it moves forward toward its 2035 goals. Next, Mr. Inagawa, what are your expectations and evaluations?

Inagawa: It is very difficult to sum up this past year in one word. While the core Cement business is anticipated to recover as expected, the Advanced Materials business is struggling, resulting in large differences in progress from business to business. There are also further uncertainties due to changes in the business environment, so it is difficult to evaluate the overall situation at this point. In addition, the medium-term management plan was created by backcasting based on SOC Vision 2035, which lays out what the Company wants to be by 2035. Therefore, rather than taking a quantitative perspective and looking at whether the Company achieved one-third progress in areas such as net sales and operating income in the first year, it is also important to look at whether it is moving toward its 2035 goals, and taking this into consideration makes evaluation even more challenging. In terms of management indicators, adjusting for differences between individual businesses, one could say that the Company has reached roughly one-third of its targets, but in my view, it is not as simple as that. In the end, my honest opinion is that all business units need to focus on achieving their immediate goals and give careful consideration to what steps they need to take now to achieve SOC Vision 2035, and then make every effort to reach even higher goals.

Morito: I agree. In 2023, I also spoke about the need to come up with action plans to improve the effectiveness of the medium-term management plan. While it is commendable that fiscal 2023 was a satisfactory start as the first year of the medium-term management plan, there have been changes in various conditions and the business

environment since the plan was created. During the time frame of the medium-term management plan, business strategies for improving the profitability of existing businesses are particularly important, so I believe that, in line with these changes in conditions and the business environment, the Company should review its priority and key measures, which are action plans focused on restoring the profitability of the Cement business in order for the plan to be a success.

In addition, the Company has set out strategies for human resources, research and development, intellectual property, and digital transformation to strengthen its management foundation in support of its wider business strategies. However, from the perspective of human capital management in particular, the human resources strategy has been highlighted as needing improvement, including in the evaluation of the effectiveness of the Board of Directors, so I believe that there should be more opportunities to discuss human capital management at Board of Directors meetings.

Inagawa: My general comments may have been rather severe, but there are also a number of individual initiatives that I believe the Company has been working hard on over the past year. For example, regarding carbon-neutral measures aimed at making the Company more environment-friendly, the Carbon Neutral and Environment Subcommittee, established under the Sustainability Committee and chaired by the President, frequently reviews the progress made and the issues faced by each business unit, and I believe that the Company as a whole is progressing steadily with its efforts to accomplish SOCN2050 and SOC Vision 2035. In addition, as

Mr. Morito mentioned, the capital allocation strategy in this medium-term management plan includes a reduction in the ratio of cross-shareholdings and a new policy for shareholder returns. With efforts spearheaded by the Planning Department, the Company is working to ensure that this policy is implemented from a management perspective that takes capital costs and stock prices into account. As an outside director, I would like to oversee this issue from a stakeholder perspective.

Evaluation of Initiatives Taken to Address Issues Raised at 2023's Outside Directors Roundtable Discussion

Makino: Looking at management indicators, the Company made solid progress with executing its management plan in fiscal 2023, the first year of the plan, but it needs to be vigilant and keep its eyes on its 2035 goals as it moves forward. Next, I would like to hear your evaluations of the efforts made over the past year in the areas we each identified as issues during 2023's roundtable discussion with outside

directors, such as strengthening governance, sharing information with and training outside directors, promoting the participation of women in the workplace, and discussions in the Nomination and Compensation Committee. Mr. Morito, please.

Morito: Regarding the topic of improving information sharing and training for outside directors, which was identified in 2023 as an issue, there is an information asymmetry between inside and outside directors when various discussions take place at Board of Directors meetings and other forums. Therefore, I would like to continue to take advantage of opportunities such as visits to business sites and research laboratories, as well as meetings with auditors, to share management information.

Specifically, I had the opportunity to visit and inspect the Kochi Plant, which is the core of the Cement business. We were able to exchange a wide range of information with plant personnel, including their perspectives on the implementation status of the medium-term management plan, progress on capital investment construction work in line with SOCN2050, and issues facing the plant. Additionally, at the High-Performance Products Division

R&D Results Presentation, we heard the latest information on the R&D themes supporting the creation of a foundation for growth as laid out in the Company's business strategies. We are also scheduled to participate in a results presentation session held by the Company's Cement/Concrete Research Laboratory, which handles innovative technologies aimed at achieving carbon neutrality.

Makino: What are your thoughts on this, Mr. Inagawa?

Inagawa: Previously, I have pointed out that the challenges lie in thorough risk management and strengthening the effectiveness of the Board of Directors that oversees it, so I would like to talk about progress in addressing these issues over the past year. In summary, I feel that there have been significant improvements in both risk management and the effectiveness of the Board of Directors.

First, in terms of risk management, I think it is a great achievement that over the past year the Company has thoroughly identified risks across the entire organization and has reaffirmed the foundations of its risk management strategy with the members of the Board of Directors, including creating a new risk map for SOC Vision 2035. The next task will be to monitor from various angles whether each of the priority risks the Company has assessed is being properly addressed and whether the remedial measures for each are being properly implemented. I intend to provide thorough oversight of these matters since this is one of the important roles of an outside director.

Regarding individual risks, I believe that significant progress has been made over the past year in responding to cybersecurity and

human rights risks. In terms of cybersecurity, measures against information leaks and external intrusions have been reinforced, and a system and procedures for responding in the event of an incident have been established.

Regarding the response to human rights risks, following the Company's publication of its human rights policy, it also created a roadmap for the policy's implementation. Over the past year, steady progress has been made in identifying human rights risks and implementing measures in the supply chain in line with that roadmap. Going forward, I believe the Company will need to further enhance the content of the measures taken thus far, while expanding the scope of its supply chain and enhancing dialogue with stakeholders.

Morito: It is true that there are more opportunities for discussion of risk management at Board of Directors meetings, and I believe that we are also having in-depth discussions on specific issues such as cybersecurity and human rights risks. These two risks, along with the risk of natural disasters, have now been identified as requiring priority measures, so going forward I would also like to closely monitor the consideration of measures to address the risk of natural disasters.

Inagawa: Regarding the effectiveness of the Board of Directors, which was another issue that was raised, significant improvements have been made over the past year, including strengthening the Board of Directors secretariat, providing more information to outside directors, and improving the preparation of materials for resolutions and reports. As a result, I believe that the supervisory function of the Board of Directors has improved

overall, with livelier discussions than before, as well as requests for additional reporting on some reported matters that were deemed not to have been given the level of consideration required. 2023's evaluation of the effectiveness of the Board of Directors was conducted based on questionnaires, individual interviews with executives, and evaluation and analysis by external experts, and the questionnaires and individual interviews indicated relatively positive results. This can be seen as the outcome of various initiatives we have undertaken over the past few years, but going forward, I hope we will further improve and strengthen the effectiveness of the Board of Directors, taking into account the issues pointed out by the external experts.

Makino: Listening to what you have both said, it seems like steady progress is being made in addressing these issues, and I look forward to seeing further progress in fiscal 2024.

Next, I would like to talk about promoting the active participation of women in the workplace and the discussions of the Nomination and Remuneration Committee. First, regarding the promotion of women's active participation in the workplace, the percentage of female new graduates (general career track positions) hired in fiscal 2024 is more than double that of the previous year, and the actual number of women joining the Company is also the highest in the last five years. The Human Resources Department is also focusing on holding Company information sessions for female students, and I hear they are seeing positive results.

The Company set a goal of increasing the percentage of female managers to 2% or more by March 2024, and it achieved this in fiscal 2022. Under its new plan, it has set

a goal of 4% or more by March 2027. It also has a comprehensive system that allows for flexible work styles, such as teleworking and flextime.

Next, the Nomination and Remuneration Committee will meet more frequently, and the opinions of outside directors will be reflected more than ever before in the selection of executives and managers, the remuneration system, and succession plans. In particular, when selecting officers, we believe it is best to understand their characters before discussing their suitability and reviewing their positions. Opportunities for members of the Nomination and Remuneration Committee to meet with candidates for the next generation of officers are increasing, which I believe will be helpful when selecting officers.

The Company also needs to consider training systems to develop the next president and future executives, and to promote the appointment of female executives. Effective measures include utilizing external executive training consultants and jointly creating training plans based on their advice, as well as providing education to female managers from an early stage to instill in them the ambition to become executives. I would like to see the Company make progress by taking into consideration examples from other companies.

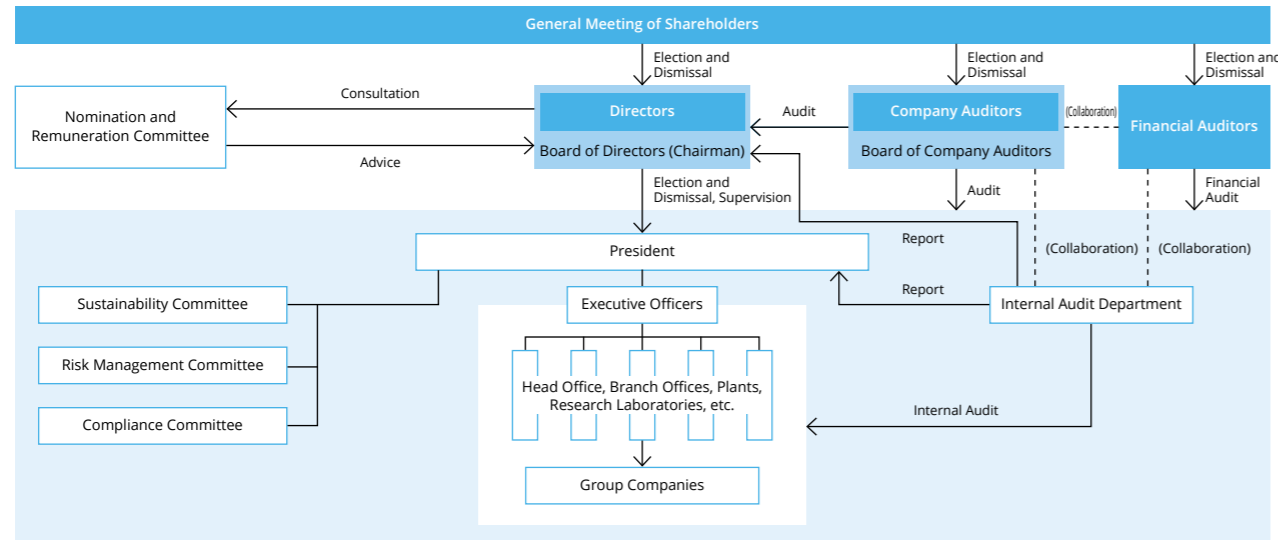
We are no longer in an era where good business performance alone defines a satisfactory company. Companies today are also being called on to deliver in other areas such as contributing to society and responding to climate change. We would like to put our heads together with the Company and provide supervision so that we can form a top team capable of responding to these demands.



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.

Corporate Governance System



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 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.

Nomination and Remuneration Committee

In January 2016, Sumitomo Osaka Cement established a Remuneration Committee as an advisory body to the Board of Directors, and then, in January, 2018, established a Nomination 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, in order to secure objectivity and transparency with regard to appointments of directors and executive officers, as well as for remuneration.

The Committee comprises a majority of Outside Directors and independent outside experts as necessary, and the chairperson is elected by the members. The chairman for fiscal 2023 was Tatsuya Inagawa (Outside Director). The Committee deliberates on the nomination of candidates for directors and the election/dismissal of executive officers, the succession plan for and election/dismissal of the chairman, president, etc., and policies on determination of remuneration, as well as proposals on remuneration for directors and executive officers. The Committee then reports on its decisions to the Board of Directors. 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.

In fiscal 2023, the Nomination and Remuneration Committee met once and was attended by five members: Hirotsumi Morohashi (Representative Director and President), Mitsuko Makino (Outside Director), Tatsuya Inagawa (Outside Director), Yoshimi Morito (Outside Director), and Susumu Takahashi (Outside Expert).

Internal Audit Department

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

The Internal Audit Department periodically conducts internal control audits and environmental audits of multiple divisions and subsidiaries of the Company based on an annual internal audit plan, and it conducts joint audits with the Audit & Supervisory Board Members as necessary.

Matters such as audit results and the status of improvements made in response to audit findings are compiled into audit reports and presented to the Representative Director, Directors and Company Auditors as appropriate. In addition, we regularly check the status of improvements to the issues pointed out in the audits and conduct follow-up surveys until the corrections are completed.

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.

Remuneration for Officers

The Board of Directors is the body holding decision-making authority in adopting policies concerning the determination of remuneration for the Directors of the Group and the calculation thereof. The Group has established the Nomination 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 Nomination and Remuneration Committee considers earnings performance and contribution to future sustainable growth and other factors, deliberates on proposals concerning remuneration for the Directors and management executives, and reports to the Board of Directors. The Board of Directors decides the remuneration of the Directors within the remuneration range approved and adopted by the General Meeting of Shareholders, based on a report from the Nomination and Remuneration Committee.

Introduction of Stock-Based Remuneration Plan

At the 157th Ordinary General Meeting of Shareholders held in June 2020, the Group passed a resolution to introduce a stock-based remuneration plan (the "Plan") that covers the Directors of the Group, excluding the Outside Directors, on top of the existing basic remuneration. The purpose of the 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, to enhance their awareness of contributing to the improvement of medium- to long-term business performance, as well as the increase in corporate value.

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.

Attendance at each committee meeting (FY2023 results)

Position	Name	Number of times attended	
		Board of Directors	Board of Company Auditors
Directors	Fukuichi Sekine	16/16 (Attendance rate 100%)	—
	Hirotsumi Morohashi	16/16 (Attendance rate 100%)	—
	Ryoji Doi	16/16 (Attendance rate 100%)	—
	Masaki Sekimoto	16/16 (Attendance rate 100%)	—
	Toshihiko Onishi	16/16 (Attendance rate 100%)	—
	Mikio Konishi	16/16 (Attendance rate 100%)	—
Outside Directors	Mitsuko Makino	16/16 (Attendance rate 100%)	—
	Tatsuya Inagawa	16/16 (Attendance rate 100%)	—
	Yoshimi Morito	16/16 (Attendance rate 100%)	—
Company Auditors	Kaname Ito	16/16 (Attendance rate 100%)	13/13 (Attendance rate 100%)
	Takeya Okizuka*1	13/13 (Attendance rate 100%)	10/10 (Attendance rate 100%)
	Yoshinori Takase*2	3/3 (Attendance rate 100%)	3/3 (Attendance rate 100%)
Outside Company Auditors	Shoji Hosaka	16/16 (Attendance rate 100%)	13/13 (Attendance rate 100%)
	Kazuo Suzuki	16/16 (Attendance rate 100%)	13/13 (Attendance rate 100%)
	Taku Mitsui	16/16 (Attendance rate 100%)	13/13 (Attendance rate 100%)

*1 Takeya Okizuka was newly appointed as an Audit & Supervisory Board Member on June 28, 2023. Accordingly, the number of Board of Directors meetings and Audit & Supervisory Board meetings that he was required to attend differs from that of other officers.

*2 Yoshinori Takase retired from his position as Audit & Supervisory Board Member on June 28, 2023. Accordingly, the number of Board of Directors meetings and Audit & Supervisory Board meetings that he was required to attend differs from that of other officers.

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 stocks 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, in principle, at their resignation from the Director's position.

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

Total Amount of Remuneration for Directors and Company Auditors (FY2023)

Classification	Total amount of remuneration (millions of yen)	Total amount by type of remuneration (millions of yen)			Number of applicable officers (persons)
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (of which Outside Directors)	301 (32)	282 (32)	- (-)	19 (-)	9 (3)
Company Auditors (of which Outside Company Auditors)	60 (25)	60 (25)	- (-)	- (-)	6 (3)

Note: 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.

Skills Matrix of Directors

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

Efforts to Strengthen Corporate Governance

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

Evaluation of the Effectiveness of the Board of Directors

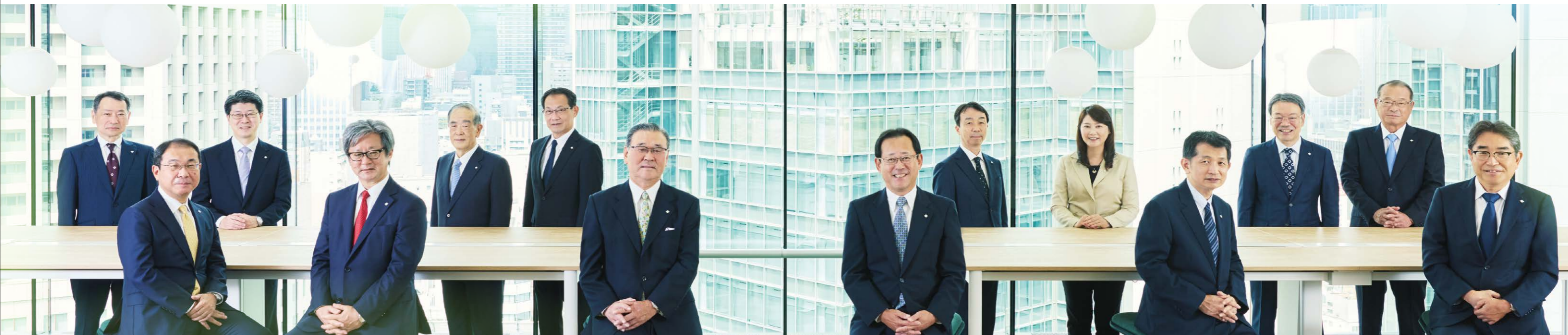
- 1 **Purpose of Evaluation**
In order to achieve ongoing corporate growth and enhance our medium- to long-term corporate value by addressing social issues through our business activities, we have established the Sumitomo Osaka Cement Corporate Governance Basic Policy, which emphasizes the establishment of a governance framework that ensures soundness and transparency in management and contributes to accelerated decision-making. In accordance with this policy, each year we analyze and evaluate the overall effectiveness of the Board of Directors and disclose an overview of the results.
- 2 **Method of Evaluation**
In fiscal 2023, we conducted a questionnaire-based survey as well as interviews from March to May 2024 to confirm that the Board of Directors and its advisory committee, the Nomination and Remuneration Committee, are fulfilling the roles expected of them by stakeholders, to review the results of efforts to strengthen corporate governance to date, and to understand the efforts being made by the Board of Directors to contribute more effectively to the accomplishment of our SOC Vision 2035 Medium- to Long-term Vision, as well as our FY2023-FY2025 Medium-term Management Plan based on that vision.
For the fiscal year under review, we utilized an external organization to ensure the objectivity of our evaluation on these themes.
The evaluation consisted of a survey of all directors and auditors, interviews with the chairman of the Board of Directors, the representative directors, and outside directors and outside company auditors (hereinafter referred to as "outside officers") for fiscal 2023, and deliberations at the Board of Director's meetings were based on the results of the analysis by the external consultant.
- 3 **Overview of the Evaluation Results**
As a result of the evaluation, it was confirmed that the Board of Directors is made up of outside officers with diverse knowledge and experience, that they are proactively committed to contributing to the sustainable growth of the Company, and that the management team respects and responds earnestly to the objective viewpoints of the outside officers. In addition, it was confirmed that initiatives have been built upon to address issues such as improving information-sharing with its outside officers, that they have fostered an appropriate sense of urgency based on trust between the management team and the outside officers, and that they are functioning effectively.
At the same time, it was confirmed that the following actions should be taken to further improve the effectiveness of the Board of Directors:
(i) Continue to deepen discussions on the progress of our medium-term management plan and the status of efforts toward accomplishing our Medium- to Long-term Vision.
(ii) Provide opportunities for discussion on human capital from the perspective of sustainability and the accomplishment of the Medium- to Long-term Vision.
(iii) With regard to the operation of the Board of Directors, study methods to improve the appropriateness of performance reports from executives and proposals submitted to the Board.
- 4 **Forthcoming Initiatives**
In light of these expectations, we will work to make improvements to ensure that the Board of Directors functions more effectively.

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

The Group shall resolutely stand up to anti-social forces that threaten the order and safety of civil society, and shall have no relationship with them. Based on this Basic Policy, the General Affairs Department 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 adhered to. 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.



Directors

1 Fukuichi Sekine
Chairman

2 Hirotsune Morohashi
President, Representative Director

3 Ryoji Doi
Representative Director
Senior Managing Executive Officer
Responsible for the Sustainability Department
and the Cement/Concrete Research
Laboratory

4 Masaki Sekimoto
Director, Senior Managing Executive Officer
Responsible for the Legal Department,
Corporate Planning Department,
Administration Department, and Purchasing
Department

5 Akihiko Ono
Director, Managing Executive Officer
Responsible for the Optoelectronics Business
Division, Advanced Materials Division,
New Technology Research Laboratory,
and Funabashi Office

6 Tatsuo Fukushima
Director, Managing Executive Officer
Responsible for the Real Estate Department,
Cement Sales Administration Department,
Physical Distribution Department, and
Cement- Related Products Division

Directors (Outside)

7 Mitsuko Makino
Outside Director
Apr. 1993 Contract caster of Shizuoka Station, Japan
Broadcasting Corporation
Oct. 2000 Contract reporter of Shizuoka
Broadcasting System Co., Ltd.
Apr. 2009 Freelance announcer (to the present)
Jun. 2018 Director of the Company (to the present)

8 Tatsuya Inagawa
Outside Director
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
Jun. 2021 Director of the Company (to the present)

9 Yoshimi Morito
Outside Director
Apr. 1974 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)

Company Auditors

10 Takeya Okizuka
Company Auditor (Full-time)

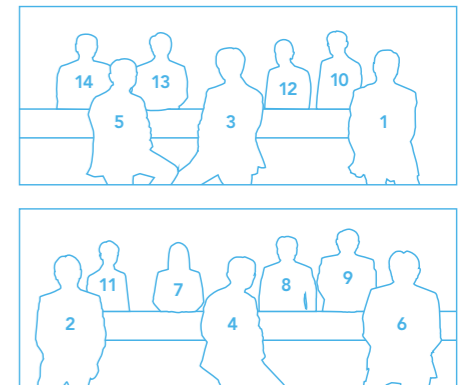
11 Masahiro Yamazaki
Company Auditor (Full-time)

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 Prifoods 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)

13 Taku Mitsui
Outside Company Auditor
Dec. 2012 Registered as Attorney at Law (to the present)
Dec. 2012 Joined Inoue Harutaka Law Office
(currently Inoue & Sakurai Law Office)
Dec. 2015 Established Mitsui Taku Law Office (to the present)
Jun. 2020 Company Auditor of the Company (to the present)

14 Keiji Ikeda
Outside Company Auditor
Oct. 1988 Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)
(to the present)
Mar. 1994 Registered as Certified Public Accountant (to the present)
Jun. 2010 Representative Partner of KPMG AZSA LLC
Jul. 2015 General Manager of General Affairs Dept. of KPMG AZSA LLC
Jun. 2023 Chairman of the Partners Meeting of KPMG AZSA LLC
Jun. 2024 Company Auditor of the Company (to the present)



Risk Management

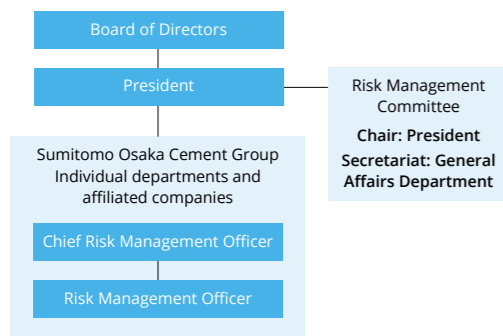
Risk Management Structure

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

The Risk Management Committee prepares a risk management action plan 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 those results, and reports the results of the audits to the Board of Directors.

Overview of the Risk Management Committee Implementation Framework



Business Continuity Initiatives

1) Natural disasters (large-scale earthquakes, etc.)

Since the introduction of its risk management framework in fiscal 2006, the Sumitomo Osaka Cement Group's business continuity planning (BCP) has been based on the assumption that a large-scale disaster, such as a major earthquake, would occur. Our BCP is formulated and implemented by our head office, the Kochi Plant, the Ako Plant, Hachinohe Cement Co., Ltd., and the Advanced Materials, Optoelectronics, and Cement-Related Products divisions. In the event of a major earthquake—in addition to our initial response measures to earthquakes and tsunamis—we take steps to maintain company-wide command and control functions, as well as to back up our system data.

Furthermore, for departments where we have adopted the BCP system, we conduct regular training at each facility every year, and make continuous improvements such as reviewing manuals to further reduce risk. In our head office BCP training, we conduct exercises to simulate information gathering and sharing by related divisions at the head office in the event that a Nankai Trough earthquake impacts our Kochi Plant, and confirm each division's understanding of their roles.

2) Information Security Measures

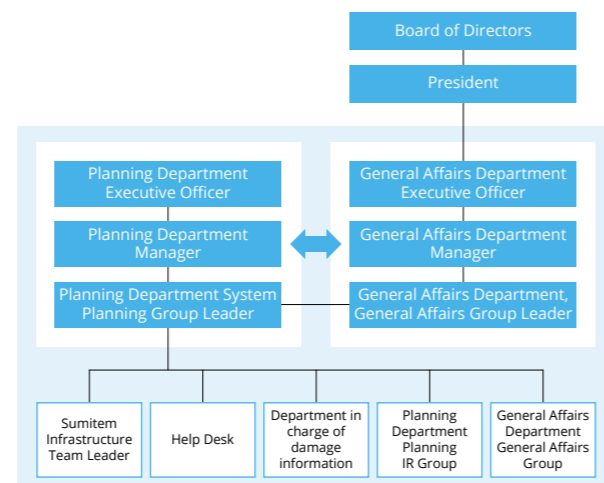
Under the "Basic Rules on Information Management," which defines the basic matters required for information management, the Group has established "Basic Rules on Information Security" for the purposes of protecting tangible and intangible information assets, as well as information infrastructure related 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.

Due to the need for timely response to external cyber attacks, which have become a major issue in recent years, we have been working to strengthen information security by appropriately introducing new security services and other such measures, and establishing the infrastructure necessary to use them. Additionally, in response to cyber attacks that are becoming increasingly sophisticated and diverse, we will conduct regular status assessments, and implement improvements and supplementary measures.

We will also strengthen measures against internal information leaks caused by employees, either intentionally or due to negligence, and build a safe and secure information system environment that takes business productivity into consideration.

Moreover, in the event of an information security incident, 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.

Computer Security Incident Response Team (CSIRT) Structure



Main Initiatives in FY2023

- September 2023 Information security incident response training (CSIRT training)
- Start of risk management review
- November 2023 Safe driving education (online videos to prevent drunk driving)

- December 2023 Introduction of company-wide management of alcohol checkers (in response to revised Road Traffic Act)
- March 2024 Head office BCP training (Nankai Trough earthquake scenario: in cooperation with the Kochi Plant)

Note: In addition to the above, BCP, fire drills and so on will continue to be conducted at each base.

Review of Risk Management

The risk environment impacting the Company is changing, with natural disasters becoming more frequent and more severe due to recent climate change, the emergence of new highly virulent infectious diseases, and the increased risk of information leaks due to rapid changes in work styles. Accordingly, in light of these circumstances, as well as our "SOC Vision 2035" that we formulated in 2023, we have revised our risk management.

We have identified company-wide risks and have selected key risks using the risk mapping diagram below, taking into account the impact of damage that would result from the occurrence of each risk, the likelihood of the risk occurring, and the status of countermeasures. We then identified risks for which countermeasures are insufficient as risks to be addressed as a priority.

Going forward, in order to flexibly respond to changes in the business environment, we will continue to work toward reducing the risks surrounding the Company by identifying company-wide risks every three years and reviewing the identification of priority risks on an annual basis. In addition, we will also use the results from an

employment engagement survey to understand potential risks from our employees' perspective and use that as a reference for management.

FY2024 Priority Risks

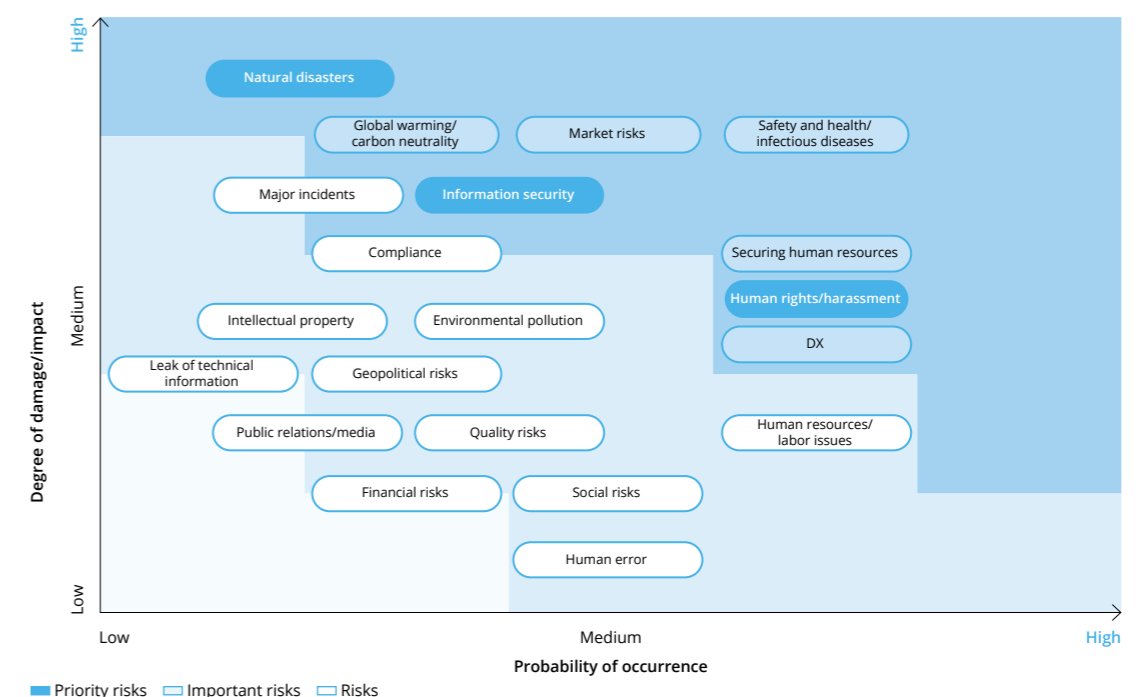
In our risk mapping process, we identify significant risks and risks that should be addressed as a priority, and in fiscal 2024 we will focus on taking measures to mitigate the impact of "natural disasters," "information security," and "human rights & harassment."

To minimize the frequency of risk occurrence and, in the unlikely event that a risk does manifest, to minimize the impact of the resulting damage, the Risk Management Committee will monitor from various angles whether individual risk issues and corresponding mitigation measures are being properly implemented, and we will continue to manage progress using a countermeasures roadmap within the Group.

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, we have established an in-house organizational structure for the proper handling and protection of personal information, as set out in our "Regulations for the Protection of Personal Information."

Risk Mapping



Compliance

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

Compliance Promotion System

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

Compliance Promotion Framework

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

- **Compliance Officer**
Each department head shall be the compliance officer responsible for management and supervision of compliance within the department.
- **Compliance Supervisor**
The compliance officer appoints the compliance supervisor, who shall convey information to the Compliance Committee Secretariat and disseminate information related to compliance in each department.

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

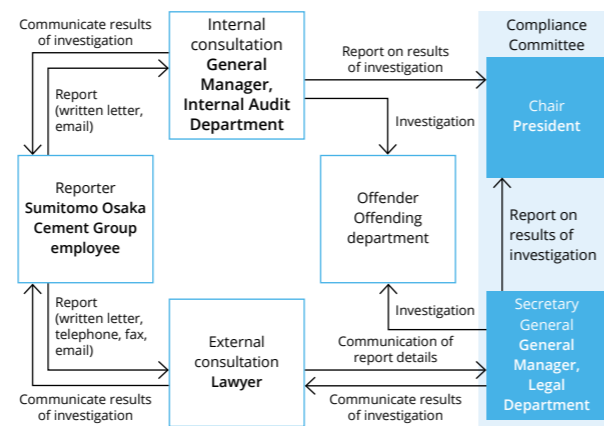
The Sumitomo Osaka Cement Group has also established the Compliance Hotline, a whistleblower system that receives reports from any officer or employee, investigates the report and decides on any corrective measures to be taken. Information on the system is disseminated through the Company via the intranet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

Compliance Committee

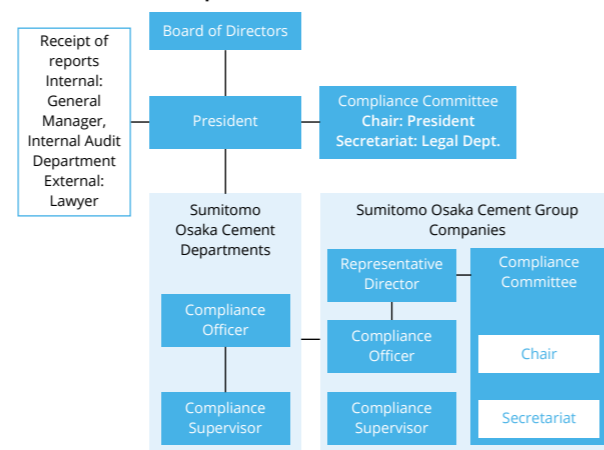
The Compliance Committee creates a compliance action plan every fiscal year and monitors its progress.

Compliance audits are carried out by the Internal Audit Department, with the results reported to the Compliance Committee. The Compliance Committee takes appropriate action, when necessary, based on the results, and reports the results of audits to the Board of Directors and Company Auditors.

Compliance Hotline System Flowchart



Overview of Compliance Promotion Framework



once a year to invite external experts and other such persons who are invited to give a lecture on newsworthy subjects on compliance. Compliance officers at each Group company conduct in-house training based on the content of these lectures.

- We provide an e-learning program to learn about compliance through videos to our officers and employees, as well as officers and staff at each of our Group companies.
- Rank-based training also includes education on compliance tailored to individual qualifications, and we are advancing the dissemination and establishment of compliance awareness. In addition, we provide compliance training to new full-time employees (twice in fiscal year 2023) when they join the company mid-career, and we also provide this training to new contract employees on a voluntary basis.
- We hold traveling legal consultations for each business facility and Group company, and we also hold legal seminars, etc.

Third-Party Verification Report

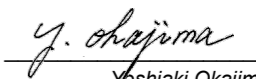
Based on the assessment of an independent external third-party assessment organization on factual information on the fiscal 2023 greenhouse gas emissions volume of the Group, including its domestic subsidiaries stated under this report, the Group obtained a guarantee for the appropriateness of the calculated value.

Greenhouse Gas Emissions Verification Report

To: Sumitomo Osaka Cement Co., Ltd.

August 2, 2024

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

President 
Yoshiaki Okajima

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 2023 (from April 1, 2023 to March 31, 2024) 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 at the Organization's 84 sites
- 2) Scope 3 Greenhouse gas emissions as defined by the Organization (Category 1-7, 9, 10, 12 and 13)

The Organization revised a part of the data in the "CO₂ Emissions fiscal year 2023" 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;
- Evaluation of the application of the accounting criteria, the method of data measurement, the assumptions adopted by the Organization as well as its basis, and the description of the GHG statement related to the information (data) used to determine the GHG emissions; and
- Verification by sampling in order to confirm accuracy of GHG emissions.

Verification activities applied in a limited level of assurance verification are less extensive in nature, timing and extent than in a reasonable level of assurance verification.

3. Conclusion

Based on the process and procedures conducted, there is no evidence that the Organization's GHG statement:

- is not materially correct and is not a fair representation of GHG data and information;
- has not been prepared in accordance with the related International Standards on GHG quantification, monitoring and reporting, or to relevant national standards or practices.

Verified greenhouse gas emissions

Scope 1: 7,540 kt-CO₂e, Scope 2: 172 kt-CO₂e, Scope 3: 1,060 kt-CO₂e

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

Japan Audit and Certification Organization for Environment and Quality
2-2-19 Akasaka Minato-ku, Tokyo 107-0052, Japan

Non-Financial Information Highlights

Economic

	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Production volume (Cement business)						
Cement production volume	1,000 t	10,550	10,041	10,085	9,546	8,850
Clinker production volume	1,000 t	8,903	8,480	8,606	8,240	7,626
Mixed cement	1,000 t	2,337	2,260	1,942	1,640	1,457

Environmental

	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Environmental impact data (Group's total)						
GHG emissions (CO ₂ equivalent)	1,000 t-CO ₂ eq	9,259	8,896	8,989	8,425	7,712
[Breakdown] Scope 1	1,000 t-CO ₂ eq	9,050	8,700	8,810	8,230	7,540
Scope 2	1,000 t-CO ₂ eq	209	196	179	195	172
[Reference] Total GHG emissions (net CO ₂ equivalent)	1,000 t-CO ₂ eq	8,441	8,134	8,248	7,716	7,188
Scope 3	1,000 t-CO ₂ eq	1,221	1,198	1,213	1,229	1,060
(Cement business is as follows)						
Gross total GHG emissions intensity (CO ₂ equivalent)	kg-CO ₂ eq/t-cement	792	795	799	803	783
Of which, energy-related CO ₂ emissions intensity	kg-CO ₂ /t-cement	268	274	275	274	269
Total net GHG emissions intensity (CO ₂ equivalent) *1	kg-CO ₂ eq/t-cement	714	719	725	728	724
NOx (nitrogen oxide) emissions	tons	13,272	14,340	16,174	14,327	12,631
SOx (sulfur oxide) emissions	tons	1,111	1,095	1,175	1,219	1,099
Particulate matter emissions	tons	136	143	218	99	120
Dioxin emissions	g-TEQ	0.31	0.41	0.18	0.22	0.36
Total energy consumption related to cement manufacturing*2	PJ	31,524	30,711	31,009	29,385	26,818
Total energy intensity related to cement production*2,3	MJ/t-cement	2,988	3,059	3,075	3,078	3,030
Thermal energy substitution rate	%	31	31	31	30	39
Note: Coal, etc. (fossil fuel) substitution rate*4,5						
Biomass fuel portion of thermal energy replacement rate*4,5,6	%	5	5	5	5	5
Coal consumption volume	1,000 t	1,268	1,232	1,272	1,144	1,063
[Breakdown] Cement manufacturing	1,000 t	689	651	694	641	565
Electricity generation	1,000 t	579	580	577	503	498
In-house power generation ratio*7	%	78	78	79	77	78
Waste heat power generation ratio	%	7	7	7	9	7
Biomass power generation ratio	%	15	14	17	15	15
Resource recycling (Cement business)						
Volume of waste and byproducts received*8	1,000 t	5,479	5,210	5,233	4,922	4,775
Consumption rate	kg/t-cement	519	519	519	516	540
Volume of waste plastics received (recycled + purchased)	1,000 t	56	62	64	66	83
Volume of wood chips received (recycled + purchased)	1,000 t	417	401	429	399	407
Volume of ordinary incinerator ash received	1,000 t	63	61	62	61	70
Volume of disaster waste received	1,000 t	44	21	5	0	2
Preserving biodiversity						
Regreened area of mine	1,000 m ²	17	52	22	4	22

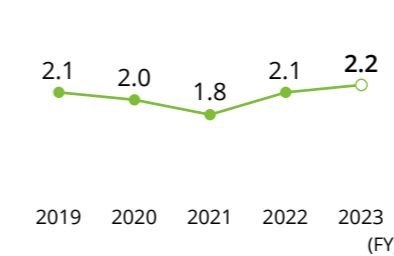
*1 Net total GHG emissions intensity (CO₂ equivalent) = Gross total GHG emissions intensity (CO₂ equivalent) - Non-fossil energy derived (waste derived) GHG emissions intensity (CO₂)
Excludes non-fossil energy derived (waste derived) GHG emissions intensity (CO₂) equivalent, such as biomass and waste, based on the World Business Council for Sustainable Development (WBCSD) concept of net CO₂ emissions
*2 Excluding non-fossil energy derived (based on periodic reports in accordance with the Act on Rationalizing Energy Use)
*3 In fiscal 2023, we achieved the benchmark for the cement manufacturing industry under the benchmark system based on the Energy Conservation Act.
*4 Calculation standards under the Revised Act on Rationalizing Energy Use, which went into effect in fiscal 2023, are applied (the evaluation method for calorific value of alternative thermal energy has been changed as of fiscal 2023 results).
*5 The calculation values for the manufacture of ordinary Portland cement, including the results of previous years, are now shown (previously, the substitution rate for the manufacture of all cement products was shown).
*6 Biomass fuel: woody biomass and sludge fuel
*7 In-house power generation ratio includes waste thermal power generation and biomass power generation

*8 Volume of waste and byproducts received includes the volume of waste plastics, wood chips, ordinary incinerator ash, and disaster waste
*9 Number of employees is based on the annual securities report as of the end of the fiscal year (excluding loaned-out employees and contract employees, but including transferred-in employees and fixed-term employees)
*10 Number of temporary employees is contract employees only
*11 Number of labor union members is based on the annual securities report at the end of the fiscal year (including seconded employees)
*12 Number of days of paid vacation taken and acquisition rate are averages for labor union members
*13 As of June 1 survey
*14 Indirect employment: workers who are not employees but whose work or workplace is under the control of the organization (partner companies)
*15 TRIR: number of injuries per 1 million working hours (aggregate of fatal, time off, and no lost worktime) (scope of data collection: the Company's four cement plants)
*16 LTIR = number of lost workday injuries or fatal accidents per 1 million working hours (scope of data collection: the Company's four cement plants)
*17 The figures are the aggregate for Japan and overseas.

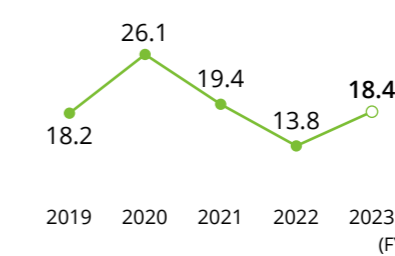
Social

	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Employment (Non-consolidated)						
Employees (Non-consolidated)*9,10	Employees	1,196	1,203	1,232	1,243	1,254
	Temporary employees	105	118	114	110	110
Employees (Consolidated)	Employees	3,005	3,065	3,068	2,896	2,886
Ratio of female employees	%	10.9	11.3	12.1	13.0	13.1
Number of managers	persons	435	441	439	433	414
Number of women in managerial positions	persons	9	9	8	9	9
Ratio of women in managerial positions	%	2.1	2.0	1.8	2.1	2.2
Average years of service	Male	19.0	18.5	19.4	19.1	19.2
	Female	16.8	15.8	15.8	16.0	16.2
Age demographic	Under 30	231	257	214	222	226
	Age 30-39	265	262	288	283	271
	Age 40-49	343	342	294	273	273
	Age 50-59	350	333	411	429	431
	60 and over	7	9	25	36	53
Turnover within three years of joining the Company	%	22.2	9.1	14.0	0.0	11.9
Voluntary retirement ratio	%	1.5	1.2	2.3	1.8	2.6
Number of labor union members*11	persons	816	819	830	828	834
Work style (Non-consolidated)						
Working hours (prescribed working hours 1,860)	Hours per year	1,861	1,860	1,864	1,862	1,838
Number of paid vacation days taken*12	Days per year	15.7	15.0	15.4	16.2	17.3
Ratio of annual paid vacation days taken*12	%	80.0	76.3	78.6	81.2	87.4
Ratio of new female graduate hires (general career-track positions)	%	18.2	26.1	19.4	13.8	18.4
Number of employees taking nursing care leave	persons	0	0	0	0	0
Ratio of people with disabilities employed*13	%	2.04	1.83	2.07	2.62	2.65
Number of employees taking childcare leave	Male	4	1	5	11	12
	Female	12	5	6	4	4
Reinstatement rate after childcare leave	%	100	100	100	100	100
Education/training (hosted by the headquarters)	Number of days	41	26	55	54	48
Occupational safety and health						
Number of fatal accidents	Direct employment	0	0	0	0	0
	Indirect employment*14	0	0	0	0	0
Number of accidents that require time off from work	Direct employment	2	2	3	4	3
	Indirect employment	10	3	1	3	5
Number of accidents not accompanied by lost worktime	Direct employment	2	3	3	9	1
	Indirect employment	6	4	11	8	8
Accident frequency rate of directly employed employees	TRIR*15	1.20	0.00	3.49	5.86	0.00
	LTIR*16	0.00	0.00	0.00	2.34	0.00
Intellectual property data						
Number of patent applications*17	Number	206	251	153	178	186
Number of patents held*17	Number	1,971	2,060	2,120	1,866	1,866

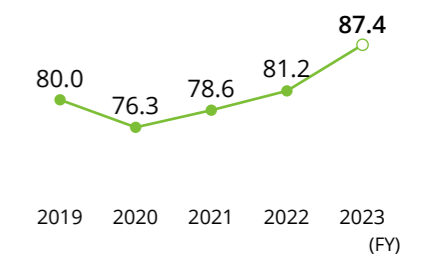
Ratio of women in managerial positions (%)



Ratio of new female graduate hires (%)

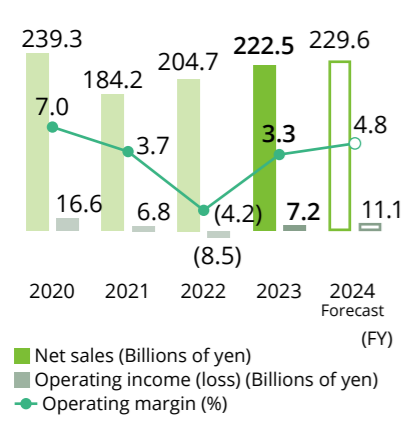


Ratio of annual paid vacation days taken (%)

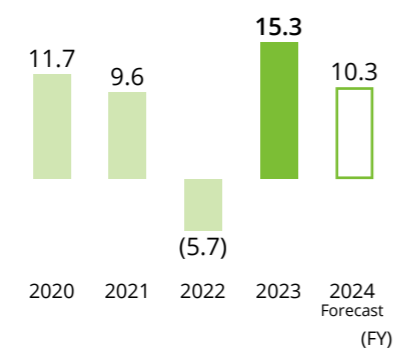


Consolidated Financial Highlights

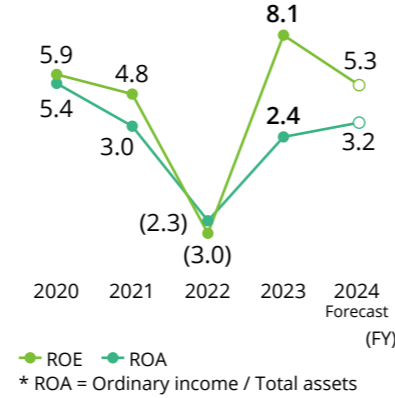
Net sales, operating income (loss) and operating margin



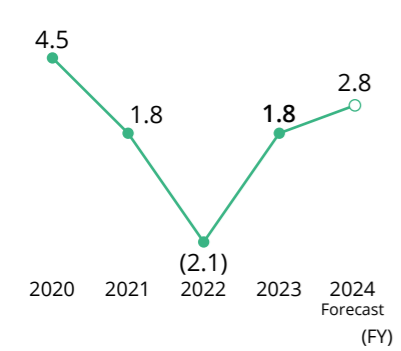
Profit (loss) attributable to owners of parent



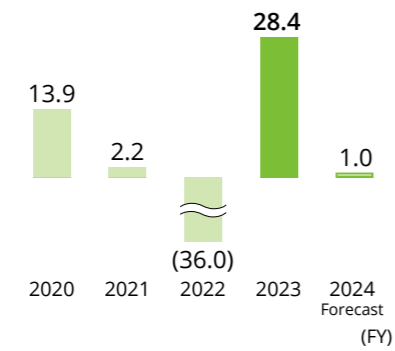
ROE / ROA*



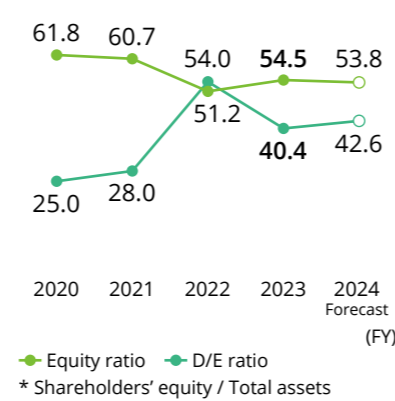
ROIC



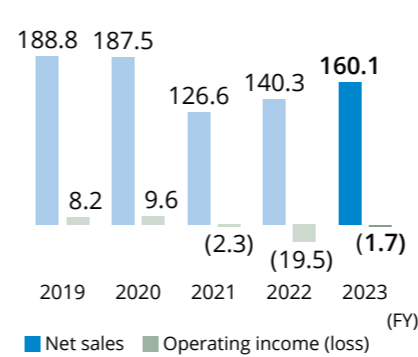
Free cash flow



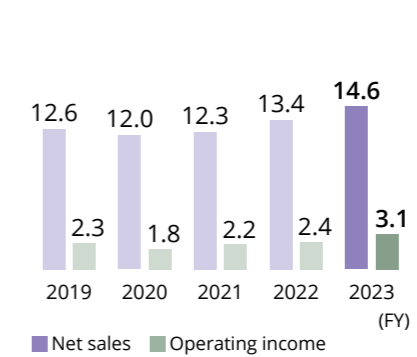
Equity ratio* and D/E ratio



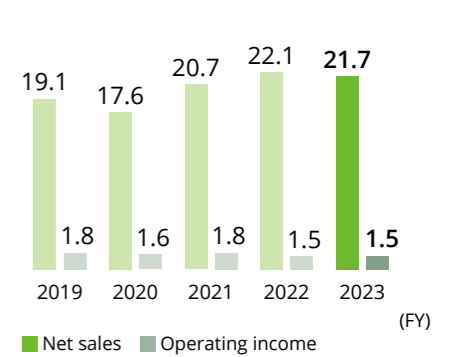
Cement Business Net sales/Operating income (loss)



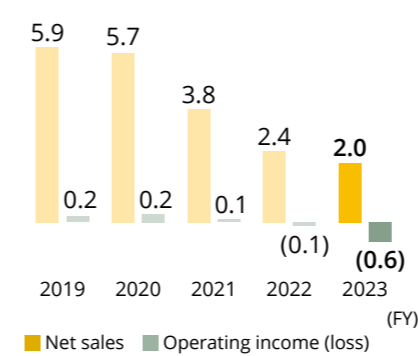
Mineral Resources Business Net sales/Operating income



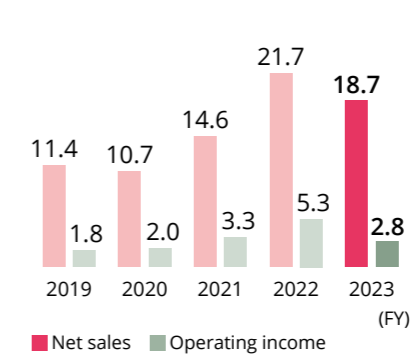
Cement-Related Products Business Net sales/Operating income



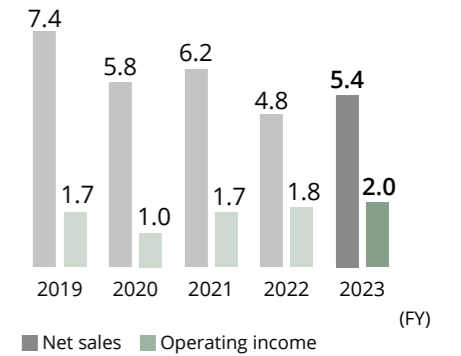
Optoelectronics Business Net sales/Operating income (loss)



Advanced Materials Business Net sales/Operating income



Other Net sales/Operating income*



* Earnings from fiscal 2019 to fiscal 2022 include sales and operating income from the Battery Materials business. (The Battery Materials business was transferred on May 1, 2022.)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021*2	FY2022	FY2023
Net sales	234,539	234,192	234,062	244,826	251,061	245,159	239,274	184,209	204,705	222,502
Cost of sales	177,158	175,474	176,812	190,170	200,756	193,491	188,229	142,113	175,841	176,364
Selling, general and administrative expenses	35,172	35,103	35,719	35,664	36,126	35,539	34,413	35,217	37,419	38,886
Operating income (loss)	22,207	23,614	21,530	18,990	14,178	16,128	16,631	6,878	(8,555)	7,251
Ordinary income (loss)	24,383	24,560	22,627	20,153	15,799	16,947	17,641	9,834	(7,849)	8,476
Profit (loss) attributable to owners of parent	13,337	16,110	16,210	14,659	7,799	10,922	11,719	9,674	(5,719)	15,339
Net cash provided by (used in) operating activities	30,256	32,618	29,231	26,470	29,252	32,305	32,797	18,255	(16,146)	43,731
Net cash used in investing activities	(16,043)	(15,691)	(17,700)	(24,753)	(20,032)	(18,815)	(18,884)	(16,062)	(19,818)	(15,350)
Free cash flow	14,213	16,927	11,531	1,717	9,220	13,490	13,913	2,193	(35,964)	28,381
Net cash provided by (used in) financing activities	(16,051)	(15,705)	(16,123)	(6,626)	(15,755)	(12,959)	(10,869)	(7,995)	37,292	(24,395)
Cash and cash equivalents at end of period	30,132	31,378	26,672	22,072	15,270	15,799	18,600	13,085	14,500	18,662
At year-end:										
Net assets	175,754	177,247	195,869	204,157	194,138	198,699	205,827	203,173	184,591	196,775
Total assets	335,981	325,710	336,790	340,980	324,755	321,108	329,650	331,107	356,558	356,283
Per share data (yen):*1										
Profit (loss)	32.05	39.43	39.93	36.12	199.15	283.21	304.56	262.77	(166.79)	447.85
Cash dividends	6.5	8.0	10.0	11.0	110.0	120.0	120.0	120.0	120.0	120.0
Net assets	418.68	432.67	478.48	498.81	4,985.49	5,101.00	5,397.31	5,778.40	5,326.24	5,674.61

*1 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 split.

*2 We applied the Accounting Standard for Revenue Recognition, etc., from the beginning of fiscal 2021.

Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	End of FY2022 (as of March 31, 2023)	End of FY2023 (as of March 31, 2024)	End of FY2023 (as of March 31, 2024) (Note 1)
Assets			
Current assets			
Cash and deposits	*3 ¥14,542	*3 ¥18,724	\$123,670
Notes and accounts receivable - trade, and contract assets	*1 41,922	*1,*7 43,334	286,206
Electronically recorded monetary claims - operating	7,989	*7 8,829	58,315
Merchandise and finished goods	10,043	11,721	77,418
Work in process	103	94	626
Raw materials and supplies	37,961	23,771	157,000
Short-term loans receivable	377	380	2,515
Other	4,047	2,334	15,421
Allowance for doubtful accounts	(9)	(38)	(251)
Total current assets	116,978	109,155	720,924
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	*3, *5 177,697	*3, *5 180,341	1,191,083
Accumulated depreciation	(128,217)	(130,629)	(862,751)
Buildings and structures, net	49,479	49,712	328,332
Machinery, equipment and vehicles	*3, *5 477,585	*3, *5 492,651	3,253,755
Accumulated depreciation	(414,993)	(428,582)	(2,830,608)
Machinery, equipment and vehicles, net	62,591	64,068	423,147
Land	*3, *5 37,128	*3, *5 39,084	258,139
Construction in progress	8,845	12,962	85,614
Other	*3, *5 39,235	*3, *5 39,949	263,850
Accumulated depreciation	(20,727)	(21,279)	(140,545)
Other, net	18,507	18,669	123,305
Total property, plant and equipment	176,552	184,499	1,218,539
Intangible assets			
Goodwill	95	63	419
Other	*5 3,556	*5 3,580	23,645
Total intangible assets	3,651	3,643	24,065
Investments and other assets			
Investment securities	*4 47,784	*4 44,850	296,218
Long-term loans receivable	4,022	4,531	29,927
Deferred tax assets	1,168	994	6,570
Net defined benefit asset	1,851	3,803	25,122
Other	4,661	4,927	32,542
Allowance for doubtful accounts	(113)	(121)	(804)
Total investments and other assets	59,375	58,985	389,577
Total noncurrent assets	239,579	247,128	1,632,181
Total assets	¥356,558	¥356,283	\$2,353,105

	Millions of yen		Thousands of U.S. dollars
	End of FY2022 (as of March 31, 2023)	End of FY2023 (as of March 31, 2024)	End of FY2023 (as of March 31, 2024) (Note 1)
Liabilities			
Current liabilities			
Notes and accounts payable - trade	*3 ¥29,676	*3,*7 ¥30,801	\$203,432
Electronically recorded obligations - operating	2,290	*7 2,828	18,683
Short-term loans payable	*3 31,316	*3 25,273	166,918
Commercial paper	10,000	—	—
Current portion of long-term loans payable	*3 7,237	*3 8,228	54,348
Current portion of bonds	5,000	—	—
Income taxes payable	1,364	3,032	20,027
Provision for bonuses	2,511	2,538	16,763
Other	*2 12,648	*2 16,639	109,893
Total current liabilities	102,044	89,342	590,067
Noncurrent liabilities			
Bonds payable	20,000	20,000	132,091
Long-term loans payable	*3 26,166	*3 26,027	171,898
Deferred tax liabilities	9,981	9,570	63,210
Provision for directors' retirement benefits	116	122	810
Provision for PCB waste disposal costs	12	2	14
Net defined benefit liability	893	922	6,094
Provision for share awards	38	65	435
Asset retirement obligations	253	258	1,706
Other	12,461	13,196	87,157
Total noncurrent liabilities	69,922	70,166	463,419
Total liabilities	171,966	159,508	1,053,487
Net assets			
Shareholders' equity			
Capital stock	41,654	41,654	275,107
Capital surplus	10,551	10,488	69,272
Retained earnings	107,791	119,016	786,053
Treasury stock	(272)	(311)	(2,060)
Total shareholders' equity	159,724	170,847	1,128,373
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	22,093	21,702	143,336
Foreign currency translation adjustments	239	345	2,280
Remeasurements of defined benefit plans	382	1,450	9,578
Total accumulated other comprehensive income	22,714	23,498	155,195
Non-controlling interests	2,152	2,430	16,049
Total net assets	184,591	196,775	1,299,618
Total liabilities and net assets	¥356,558	¥356,283	\$2,353,105

Consolidated Statements of Income and Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Fiscal 2022 (Apr. 1, 2022 to Mar. 31, 2023)	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)
Net sales	*1 ¥204,705	*1 ¥222,502	\$1,469,536
Cost of sales	175,841	176,364	1,164,814
Gross profit	28,864	46,137	304,721
Selling, general and administrative expenses	*2, *3 37,419	*2, *3 38,886	256,831
Operating income (loss)	(8,555)	7,251	47,889
Non-operating income			
Interest income	77	118	783
Dividend income	2,007	1,399	9,240
Foreign exchange gains	—	425	2,811
Share of profit of entities accounted for using equity method	—	67	448
Rent income	123	127	844
Other	997	779	5,150
Total non-operating income	3,206	2,919	19,279
Non-operating expenses			
Interest expenses	785	893	5,899
Foreign exchange losses	526	—	—
Equity in loss of affiliates	127	—	—
Other	1,060	800	5,285
Total non-operating expenses	2,500	1,693	11,184
Ordinary income (loss)	(7,849)	8,476	55,984
Extraordinary income			
Gain on sales of noncurrent assets	*4 1,738	*4 27	179
Gain on sales of investment securities	4,703	11,366	75,068
Total extraordinary income	6,441	11,393	75,248
Extraordinary loss			
Loss on retirement of noncurrent assets	*5 1,079	*5 1,229	8,117
Loss on sales of noncurrent assets	*6 15	*6 7	46
Impairment loss	*7 608	—	—
Total extraordinary losses	1,703	1,236	8,163
Profit (loss) before income taxes and non-controlling interests	(3,111)	18,633	123,068
Income taxes - current	1,706	3,656	24,150
Income taxes - deferred	801	(540)	(3,568)
Total income taxes	2,508	3,116	20,581
Profit (loss) before non-controlling interests	(5,619)	15,517	102,487
Profit attributable to non-controlling interests	100	178	1,177
Profit (loss) attributable to owners of parent	¥(5,719)	¥15,339	\$101,310
		Millions of yen	Thousands of U.S. dollars (Note 1)
	Fiscal 2022 (Apr. 1, 2022 to Mar. 31, 2023)	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)
Profit (loss) before non-controlling interests	¥(5,619)	¥15,517	\$102,487
Other comprehensive income			
Valuation difference on available-for-sale securities	(6,800)	(394)	(2,604)
Foreign currency translation adjustment	(40)	38	253
Remeasurements of defined benefit plans	(48)	1,068	7,055
Share of other comprehensive income of affiliates accounted for using equity method	82	71	475
Total other comprehensive income	* (6,806)	*784	5,179
Comprehensive income	(12,425)	16,301	107,666
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	(12,526)	16,122	106,484
Comprehensive income attributable to non-controlling interests	¥100	¥179	\$1,182

Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2023 and 2024

	Shareholders' equity					Total	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total		
Balance at April 1, 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	
Change of items during period							
Dividends from surplus			(4,114)			(4,114)	
Profit attributable to owners of parent for the period			15,339			15,339	
Purchase of treasury stock				(71)		(71)	
Disposal of treasury stock		21		32		53	
Retirement of treasury stock						—	
Change in scope of equity method						—	
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(84)				(84)	
Transfer from retained earnings to capital surplus						—	
Other, net						—	
Total change of items during period	—	(63)	11,225	(39)		11,122	
Balance at March 31, 2024	¥41,654	¥10,488	¥119,016	¥(311)		¥170,847	
		Accumulated other comprehensive income					
		Unrealized gain 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		¥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
Change of items during period							
Dividends from surplus							(4,114)
Profit attributable to owners of parent for the period							15,339
Purchase of treasury stock							(71)
Disposal of treasury stock							53
Retirement of treasury stock							—
Change in scope of equity method							—
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(84)
Transfer from retained earnings to capital surplus							—
Other, net		(390)	106	1,068	783	277	1,061
Total change of items during period		(390)	106	1,068	783	277	12,183
Balance at March 31, 2024		¥21,702	¥345	¥1,450	¥23,498	¥2,430	¥196,775

Thousands of U.S. dollars (Note 1)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at April 1, 2023	\$275,107	\$69,690	\$711,915	\$(1,802)	\$1,054,911
Change of items during period					
Dividends from surplus			(27,172)		(27,172)
Profit attributable to owners of parent for the period			101,310		101,310
Purchase of treasury stock				(471)	(471)
Disposal of treasury stock		142		213	356
Retirement of treasury stock					—
Change in scope of equity method					—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(561)			(561)
Transfer from retained earnings to capital surplus					—
Other, net					—
Total change of items during period	—	(418)	74,137	(257)	73,461
Balance at March 31, 2024	\$275,107	\$69,272	\$786,053	\$(2,060)	\$1,128,373

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2023	\$145,917	\$1,579	\$2,523	\$150,021	\$14,215	\$1,219,149	
Change of items during period							
Dividends from surplus						(27,172)	
Profit attributable to owners of parent for the period						101,310	
Purchase of treasury stock						(471)	
Disposal of treasury stock						356	
Retirement of treasury stock						—	
Change in scope of equity method						—	
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(561)	
Transfer from retained earnings to capital surplus						—	
Other, net	(2,581)	700	7,055	5,173	1,834	7,008	
Total change of items during period	(2,581)	700	7,055	5,173	1,834	80,469	
Balance at March 31, 2024	\$143,336	\$2,280	\$9,578	\$155,195	\$16,049	\$1,299,618	

Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2023 and 2024

Millions of yen

Thousands of U.S. dollars
(Note 1)

	Fiscal 2022 (Apr. 1, 2022 to Mar. 31, 2023)	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)
Cash flows from operating activities			
Profit (loss) before income taxes and non-controlling interests	¥(3,111)	¥18,633	\$123,068
Depreciation expense	20,214	21,660	143,061
Impairment loss	608	—	—
Amortization of goodwill	31	31	209
Increase (decrease) in net defined benefit liability	(173)	(374)	(2,472)
Increase (decrease) in provision for directors' retirement benefits	(23)	6	42
Increase (decrease) in allowance for doubtful accounts	(3)	41	275
Interest and dividends income	(2,084)	(1,517)	(10,023)
Interest expenses	785	893	5,899
Foreign exchange losses (gains)	(203)	(336)	(2,219)
Equity in loss (earnings) of affiliates	127	(67)	(448)
Gain on sales of noncurrent assets	(1,738)	(27)	(179)
Loss on sales of noncurrent assets	15	7	46
Loss on retirement of noncurrent assets	232	287	1,900
Loss (gain) on sales of investment securities	(4,703)	(11,366)	(75,068)
Decrease (increase) in notes and accounts receivable - trade	(3,800)	(3,020)	(19,947)
Decrease (increase) in inventories	(23,484)	12,544	82,847
Increase in notes and accounts payable - trade	1,952	1,658	10,955
Other, net	(598)	5,904	38,999
Subtotal	(15,957)	44,960	296,946
Interest and dividends income received	2,125	1,542	10,187
Interest expenses paid	(769)	(860)	(5,682)
Income taxes paid	(1,544)	(1,911)	(12,623)
Net cash provided by (used in) operating activities	¥(16,146)	¥43,731	\$288,828
Cash flows from investing activities			
Purchase of noncurrent assets	¥(27,913)	¥(28,882)	\$(190,756)
Proceeds from sales of noncurrent assets	1,867	68	453
Purchase of investment securities	(451)	(5)	(34)
Proceeds from sales of investment securities	6,692	13,820	91,280
Payments of loans receivable	(789)	(697)	(4,605)
Collection of loans receivable	386	391	2,587
Other, net	389	(46)	(309)
Net cash used in investing activities	¥(19,818)	¥(15,350)	\$(101,385)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥11,382	¥(6,051)	\$(39,968)
Proceeds from long-term loans payable	18,860	8,700	57,459
Repayment of long-term loans payable	(7,141)	(7,847)	(51,829)
Proceeds from issuance of bonds	15,000	—	—
Redemption of bonds	—	(5,000)	(33,022)
Proceeds from issuance of commercial paper	32,000	29,000	191,532
Redemption of commercial paper	(27,000)	(39,000)	(257,578)
Proceeds from sales of treasury stock	3	53	356
Purchase of treasury stock	(1,718)	(71)	(471)
Decrease (increase) in segregated deposits for purchase of treasury shares	187	—	—
Cash dividends paid	(4,145)	(4,114)	(27,172)
Cash dividends paid to non-controlling shareholders	(4)	(44)	(293)
Other, net	(132)	(20)	(132)
Net cash provided by (used in) financing activities	¥37,292	¥(24,395)	\$(161,119)
Effect of exchange rate change on cash and cash equivalents	76	176	1,165
Net increase (decrease) in cash and cash equivalents	1,403	4,162	27,488
Cash and cash equivalents at beginning of period	13,085	14,500	95,766
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	10	—	—
Cash and cash equivalents at end of period	* ¥14,500	* ¥18,662	\$123,255

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=¥151.41, the prevailing exchange rate on March 31, 2024.

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.

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.

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 moving-average method).

Shares that do not have a market value

Stated at cost using the moving-average method.

Derivatives

Stated at fair value.

Inventories

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

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

(2) Depreciation method of significant depreciable assets

Property, plant and equipment (excluding leased assets)

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

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

Buildings and structures: 2 to 75 years

Machinery, equipment and vehicles: 2 to 22 years

Intangible fixed assets (excluding leased assets)

Mining rights

Calculated by the unit-of-production method.

Others

Amortized by the straight-line method.

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

Leased assets

Leased assets under finance leases transactions that do not transfer ownership

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

(3) Criteria for posting significant reserves

Allowance for doubtful receivables

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

Provision for bonuses

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

Provision for directors' retirement benefits

To prepare for payments of retirement bonuses for directors, consolidated subsidiaries provide reserves in amounts equal to the full amounts to be paid at the end of the fiscal year based on internal rules.

Provision for share awards

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

Provision for PCB waste disposal costs

To prepare for payment of disposal costs for PCB (polychlorinated biphenyl) wastes that are held, the estimated disposal, collection, and transport expenses are posted.

(4) Accounting method for retirement benefits

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

The retirement benefit obligations are 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 business, the Group manufactures and sells a wide range of cement, ready-mixed concrete, and other such products. In its Mineral Resources business, it manufactures and sells limestone products, and in its Cement-Related Products business, it manufactures and sells repair materials for concrete structures, and also engages in related construction work. In its Optoelectronics business, the Group manufactures and sells optical communications components and optical measurement equipment, and in its Advanced Materials business, it manufactures and sells various ceramic components, and nanoparticle materials, among others. In its other businesses, the Group engages in real estate leasing, information processing services, and electrical engineering work.

Among these businesses, revenue from sales of products is recognized at the time of delivery of the products since it is determined that, based on the contract with the customer, control of the products is transferred to the customer at the time of delivery. 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 standard period.

As for the Company and its subsidiaries, revenue from transactions that fall under the category of agency transactions is recognized as the net amount of the 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. Because the costs incurred are deemed to be proportional to the progress made in satisfying the performance obligations, progress is measured based on the ratio of actual costs to estimated total costs (the input method). In addition, if it is not possible to reasonably estimate the progress of the fulfillment of performance obligations, but the costs incurred are expected to be recovered, revenue is recognized based on the cost recovery method.

(6) Accounting method for significant hedges

- (1) Hedge accounting method
Special treatment is applied for interest rate swaps that meet certain conditions.
- (2) Hedging instruments and hedged items
Hedging instruments and hedged items for which hedge accounting was applied for during the current fiscal year are as follows.
Hedging instruments: interest rate swaps
Hedged items: loans payable
- (3) Hedging policy
Hedged items are identified by transaction for assets or liabilities, and the hedged items and hedging instruments that are identified are associated and separately managed based on hedge designation at the time of the hedged transaction.
- (4) Assessment of hedge effectiveness
The effectiveness of hedges is assessed by comparing the cumulative change of cash flows or fair value of both hedging instruments and corresponding hedged items. However, the assessment of effectiveness is not conducted for interest rate swaps for which special treatment is applied.

(7) Amortization method and amortization period for goodwill

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

(8) Scope of 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	¥176,552	¥184,499	\$1,218,539
Of which, property, plant and equipment associated with the Company's Cement business	83,480	94,562	624,544
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 and crude oil prices, the Company has been working to pass on these higher costs through sales price revisions. During the fiscal year under review, ended March 31, 2024 (FY2023), the Company continued to implement steady sales price revisions, as it did in the previous fiscal year, and the effects of these price improvements gradually began to emerge. However, owing to factors including the disposal of high-priced coal from inventory at the end of the previous fiscal year and the depreciation of the yen, the business continued to incur losses from operating activities, and thus there were indications of impairment of property, plant and equipment in the business.

Coal and heavy fuel oil market prices, which had remained high since the fiscal year ended March 31, 2023 (FY2022), have recently shown a certain degree of stabilization. After taking into account the price improvement effects of the sales price revisions implemented up to the fiscal year under review, 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 the fiscal year ending March 31, 2025 (FY2024), and beyond contain key assumptions that include sales volumes based on cement demand assumptions, coal and crude oil prices, 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, along with other accounting standards and implementation guidance, on the consolidated financial statements is under evaluation at the time of preparation of these consolidated financial statements.

(Notes to consolidated balance sheets)

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Notes receivable - trade	¥5,422	¥5,165	\$34,116
Accounts receivable - trade	35,026	36,681	242,267
Contract assets	1,473	1,487	9,822

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Contract liabilities	¥113	¥121	\$800

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

Pledged assets and secured liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Ordinary deposits	¥100	¥100	\$665
Current deposits	409	729	4,814
Property, plant and equipment			
Buildings and structures	4,531	4,343	28,684
Machinery, equipment and vehicles	11,198	10,252	67,710
Land	3,779	3,779	24,964
Other	234	232	1,535
Total pledged assets	¥20,253	¥19,437	\$128,374

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Accounts payable - trade	¥311	¥438	\$2,896
Short-term loans payable	380	380	2,509
Current portion of long-term loans payable	282	353	2,332
Long-term loans payable	2,253	1,900	12,552
Total secured liabilities	¥3,228	¥3,072	\$20,291

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Investment securities (stocks)	¥5,880	¥5,993	\$39,584

***5. Reduction entry**

Previous fiscal year (March 31, 2023)

The reduction entry amounts corresponding to national subsidies were ¥510 million for buildings and structures, ¥4,868 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, 2024)

The reduction entry amounts corresponding to national subsidies were ¥500 million (US\$3,306 thousand) for buildings and structures, ¥4,918 million (US\$32,485 thousand) for machinery, equipment and vehicles, ¥280 million (US\$1,852 thousand) for land, ¥3 million (US\$26 thousand) for other tangible fixed assets, and ¥0 million (US\$2 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, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Hachinohe Biomass Power Generation Co., Ltd.	¥1,164	¥1,044	¥1,044	\$6,896
Others (2 companies)	278	251	251	1,658
Total	¥1,442	¥1,295	¥1,295	\$8,555

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

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Yoshida Kenzai Inc.	¥20	Yoshida Kenzai Inc.	¥56	\$370
Nohara Holdings, Inc.	14	Tsukamoto Kenzai Co.,Ltd.	5	37
Others (2 companies)	21	Others (2 companies)	4	28
Total	¥56	Total	¥66	\$436

*7. Notes due on the final day of the fiscal year

Notes maturing at the end of the fiscal year are treated as if they were settled on the maturity date.

In addition, since the final day of the fiscal year under review was a bank holiday, the following notes maturing on the final day of the fiscal year were treated as if they were settled on the maturity date.

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Notes and accounts receivable	¥-	¥1,416	\$9,356	
Electronically recorded monetary claims	-	2,085	13,773	
Notes and accounts payable	-	285	1,888	
Electronically recorded liabilities	-	830	5,484	

(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, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Sales costs	¥12,102	¥12,060	\$79,656	
Allowances and bonuses	8,383	8,489	56,071	
Provision for share awards	0	28	186	
Transfer to provision for bonuses	1,069	1,043	6,893	
Retirement benefit expenses	332	217	1,433	
Transfer to provision for retirement benefits for officers	47	30	201	
R&D expenses	3,092	3,523	23,269	

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

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
	¥3,092	¥3,523	\$23,269	

*4. Main gains on sales of noncurrent assets

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Buildings and structures	¥13	¥0	\$1	
Machinery, equipment and vehicles	603	10	69	
Land	1,078	12	80	
Quarry sites	42	-	-	
Tools, furniture and fixtures	-	4	28	

*5. Main losses on retirement of noncurrent assets

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Buildings and structures	¥76	¥32	\$214	
Machinery, equipment and vehicles	125	247	1,634	
Machinery, equipment and vehicles removal costs	846	943	6,233	

*6. Main losses on sales of noncurrent assets

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Buildings and structures	¥3	¥-	\$-	
Machinery, equipment and vehicles	0	-	-	
Land	-	7	46	
Tools, furniture and fixtures	12	-	-	

*7. Impairment loss

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

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

Previous fiscal year (April 1, 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	Type	Impairment loss (millions of yen)
Office buildings	Osaka City, Osaka Prefecture	Buildings and structures, etc.	¥594
Idle assets	Maibara City, Shiga Prefecture	Land and quarry sites	¥14

*Breakdown of impairment losses for each type

Application	Breakdown (millions of yen)
Office buildings	Buildings ¥590, structures ¥2, tools, furniture and fixtures ¥1 Total ¥594
Idle assets	Land ¥11, quarry sites ¥2 Total ¥14

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

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

(Notes to consolidated statements of comprehensive income)

*Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities:				
Amount incurred during the current fiscal year	¥(5,154)	¥10,795	\$71,298	
Reclassification adjustments	(4,701)	(11,366)	(75,068)	
Before adjustment for tax effects	(9,856)	(570)	(3,769)	
Tax effects	3,056	176	1,165	
Valuation difference on available-for-sale securities	(6,800)	(394)	(2,604)	
Foreign currency translation adjustments:				
Amount incurred during the current fiscal year	(40)	38	253	
Remeasurements of defined benefit plans:				
Amount incurred during the current fiscal year	(155)	1,519	10,034	
Reclassification adjustments	84	28	189	
Before adjustment for tax effects	(70)	1,548	10,224	
Tax effects	21	(479)	(3,169)	
Remeasurements of defined benefit plans	(48)	1,068	7,055	
Share of other comprehensive income of affiliates accounted for using equity method:				
Amount incurred during the current fiscal year	82	71	475	
Total other comprehensive income	¥(6,806)	¥784	\$5,179	

(Notes to consolidated statements of changes in net assets)

Previous 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

(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 ended 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

(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.

Current fiscal year (April 1, 2023 to March 31, 2024)

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	34,329	–	–	34,329
Total	34,329	–	–	34,329
Treasury stock				
Common stock (Notes 1, 2, 3)	76	18	13	81
Total	76	18	13	81

(Notes) 1. The number of common stock held as treasury stock includes the Company's stocks (27,000 shares at the beginning of the current fiscal year, 39,000 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 increases in common stock held as treasury stock is as follows.
 Increase in shares of the Company's stock held by the trust relating to the stock-based remuneration plan: 13 thousand shares
 Increase due to the acquisition of shares in amounts of less than one trading unit: 5 thousand shares
 3. A breakdown of decreases in common stock held as treasury stock is as follows.
 Decrease due to disposition to trustee relating to the stock-based remuneration plan: 13 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, 2023	Common stock	¥2,056	¥60.00	March 31, 2023	June 29, 2023
Board of Directors Meeting held on November 9, 2023	Common stock	¥2,057	¥60.00	September 30, 2023	December 1, 2023

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2023	Common stock	\$13,584	\$0.396	March 31, 2023	June 29, 2023
Board of Directors Meeting held on November 9, 2023	Common stock	\$13,584	\$0.396	September 30, 2023	December 1, 2023

(Notes) 1. Per resolution of the Ordinary General Meeting of Shareholders held on June 26, 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.
 2. Per resolution of the Board of Directors meeting held on November 9, 2023, the total dividend amount includes ¥2 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, 2024 and the effective date in the year ending March 31, 2025

(Resolution)	Type of shares	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2024	Common stock	¥2,057	Retained earnings	¥60.00	March 31, 2024	June 27, 2024

(Resolution)	Type of shares	Total dividend amount (thousands of U.S. dollars)	Source of dividends	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2024	Common stock	\$13,584	Retained earnings	\$0.396	March 31, 2024	June 27, 2024

(Note) Per resolution of the Ordinary General Meeting of Shareholders held on June 26, 2024, the total dividend amount includes ¥2 million in dividends associated with the Company's shares held by the trust relating to the stock-based remuneration plan for officers.

(Notes to consolidated statements of cash flows)

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

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Ending balance of cash and deposits	¥14,542	¥18,724	\$123,670
Time deposits with a maturity of over three months	(42)	(62)	(415)
Ending balance of cash and cash equivalents	¥14,500	¥18,662	\$123,255

(Lease transactions)

1. Finance lease transactions (lessee)

Finance lease transactions that do not transfer ownership

(1) Leased assets

Property, plant and equipment

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

(2) Leased asset depreciation method

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

2. Operating lease transactions

Future lease payments for non-cancelable operating leases

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Within one year	¥438	¥479	\$3,166
Over one year	1,412	1,098	7,252
Total	¥1,850	¥1,577	\$10,419

(Financial instruments)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

The Group procures necessary funds primarily through bank loans and the issuance of bonds in accordance with capital expenditure plans and financial plans mainly to engage in the business of producing and selling cement. Temporary surpluses are invested in low-risk financial instruments and bank loans provide short-term working capital. It is the Group's policy to use derivatives as a way to avoid the below-stated risks and to not engage in trading or speculative transactions.

(2) Types and risks of financial instruments and risk management

Trade receivables, such as notes and accounts receivable - trade and electronically recorded monetary claims - operating are subject to credit risk in relation to customers. In accordance with its internal policies for managing such risk, the Company has established a system that manages the due dates and outstanding balances by each customer. Investment securities are composed of mainly stocks associated with business and capital alliances, and are subject to market risk.

Trade payables, such as notes and accounts payable - trade 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 47 years from the balance sheet date. A certain portion of said liabilities have variable interest rates and are subject to interest rate fluctuation risk. However, to hedge such risks, the interest rates are fixed through the use of derivative transactions (interest rate swap transactions). Evaluation of the effectiveness of hedges is omitted since all of the interest rate swap transactions meet the specific matching criteria.

Derivative transactions are entered into and managed in accordance with internal policies, that determine the authority to undertake such transactions. To minimize credit risk, derivative transactions are entered into only with highly rated financial institutions. There were no derivative transactions outstanding at the end of the fiscal year under review.

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, 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 paper is 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	-	-	-

(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	¥7,799	

Current fiscal year (April 1, 2023 to March 31, 2024)

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 paper is 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	¥36,919	¥36,919	¥-
(2) Long-term loans receivable	4,531	4,568	37
(3) Bonds payable	20,000	19,780	(219)
(4) Long-term loans payable	34,256	33,923	(332)
(5) Derivative transactions	-	-	-

Thousands of U.S. dollars

	Consolidated balance sheet amounts	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	\$243,834	\$243,834	\$-
(2) Long-term loans receivable	29,927	30,172	244
(3) Bonds payable	132,091	130,641	(1,449)
(4) Long-term loans payable	226,246	224,053	(2,193)
(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	¥7,931	\$52,383

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

Previous fiscal year (March 31, 2023)

	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	¥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

Current fiscal year (March 31, 2024)

	Millions of yen			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	¥18,703	¥-	¥-	¥-
Notes and accounts receivable - trade, and contract assets	43,334	-	-	-
Electronically recorded monetary claims - operating	8,829	-	-	-
Investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	380	-	-	-
Long-term loans receivable	0	2,780	1,460	289
Total	¥71,248	¥2,780	¥1,460	¥289

Thousands of U.S. dollars

	Thousands of U.S. dollars			
	Within one year	Over one year and under five years	Over five years and under ten years	Over ten years
Cash and deposits	\$123,526	\$-	\$-	\$-
Notes and accounts receivable - trade, and contract assets	286,206	-	-	-
Electronically recorded monetary claims - operating	58,315	-	-	-
Investment securities	-	-	-	-
Held-to-maturity securities	-	-	-	-
Redeemable available-for-sale securities	-	-	-	-
Short-term loans receivable	2,515	-	-	-
Long-term loans receivable	3	18,365	9,644	1,913
Total	\$470,567	\$18,365	\$9,644	\$1,913

4. Redemption schedule for bonds payable, long-term loans payable and other interest-bearing liabilities with future redemption dates
Previous fiscal year (March 31, 2023)

Classification	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	¥31,316	¥-	¥-	¥-	¥-	¥-
Commercial paper	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

Current fiscal year (March 31, 2024)

Classification	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	¥25,273	¥-	¥-	¥-	¥-	¥-
Bonds payable	-	-	5,000	10,000	-	5,000
Long-term loans payable	8,228	7,253	6,204	5,363	2,697	4,508
Total	¥33,501	¥7,253	¥11,204	15,363	2,697	¥9,508

Classification	Thousands of U.S. dollars					
	Within one year	Over one year and under two years	Over two years and under three years	Over three years and under four years	Over four years and under five years	Over five years
Short-term loans payable	\$166,918	\$-	\$-	\$-	\$-	\$-
Bonds payable	-	-	33,022	66,045	-	33,022
Long-term loans payable	54,348	47,904	40,976	35,425	17,815	29,776
Total	\$221,266	\$47,904	\$73,999	\$101,471	17,815	\$62,799

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

When multiple inputs that have a material effect on the calculation of the fair value are used, fair value is categorized to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belong.

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

Previous fiscal year (March 31, 2023)

Classification	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥39,984	¥-	¥-	¥39,984

Current fiscal year (March 31, 2024)

Classification	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥36,919	¥-	¥-	¥36,919

Classification	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	\$243,834	\$-	\$-	\$243,834

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

Previous fiscal year (March 31, 2023)

Classification	Millions of yen			
	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

Current fiscal year (March 31, 2024)

Classification	Millions of yen			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥-	¥4,568	¥-	¥4,568
Bonds payable	-	19,780	-	19,780
Long-term loans payable	-	33,923	-	33,923

Classification	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	\$-	\$30,172	\$-	\$30,172
Bonds payable	-	130,641	-	130,641
Long-term loans payable	-	224,053	-	224,053

(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, 2023)

	Type	Millions of yen		
		Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	¥39,976	¥8,098	¥31,877
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	39,976	8,098	31,877
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	8	10	(1)
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	8	10	(1)
Total		¥39,984	¥8,108	¥31,876

Current fiscal year (March 31, 2024)

	Type	Millions of yen		
		Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	¥36,914	¥5,653	¥31,260
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	36,914	5,653	31,260
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	4	6	(1)
	(2) Bonds	-	-	-
	(3) Others	-	-	-
	Subtotal	4	6	(1)
Total		¥36,919	¥5,659	¥31,259

Thousands of U.S. dollars

	Type	Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	\$243,803	\$37,337	\$206,465
	(2) Bonds	–	–	–
	(3) Others	–	–	–
	Subtotal	243,803	37,337	206,465
Carrying amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	31	41	(9)
	(2) Bonds	–	–	–
	(3) Others	–	–	–
	Subtotal	31	41	(9)
Total		\$243,834	\$37,378	\$206,456

2. Sales of available-for-sale securities

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

Type	Millions of yen		
	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

Current fiscal year (April 1, 2023 to March 31, 2024)

Type	Millions of yen		
	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	¥13,820	¥11,367	¥1
(2) Bonds	–	–	–
(3) Others	–	–	–
Total	¥13,820	¥11,367	¥1

Thousands of U.S. dollars

Type	Thousands of U.S. dollars		
	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	\$91,280	\$75,078	\$9
(2) Bonds	–	–	–
(3) Others	–	–	–
Total	\$91,280	\$75,078	\$9

(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, 2023)

Hedge accounting method	Types of transactions	Major hedged items	Million of yen		
			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	¥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.

Current fiscal year (March 31, 2024)

Not applicable.

(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, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Beginning balance of projected benefit obligation	¥14,404	¥13,839	\$91,404			
Service cost	623	579	3,826			
Interest cost	57	82	542			
Actuarial gains and losses	(205)	(264)	(1,748)			
Payment of retirements benefits	(1,040)	(922)	(6,095)			
Ending balance of projected benefit obligation	¥13,839	¥13,313	\$87,929			

(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, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Beginning balance of pension assets	¥15,708	¥15,242	\$100,672			
Expected return on pension assets	314	304	2,013			
Actuarial gains and losses	(360)	1,254	8,286			
Employer contribution	608	580	3,832			
Payment of retirements benefits	(1,028)	(907)	(5,994)			
Ending balance of pension assets	¥15,242	¥16,474	\$108,810			

(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, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Beginning balance of net defined benefit liability	¥447	¥444	\$2,937			
Retirement benefit expenses	290	124	821			
Payment of retirements benefits	(104)	(102)	(675)			
Contributions to the plan	(188)	(186)	(1,229)			
Other	–	–	–			
Ending balance of net defined benefit liability	¥444	¥280	\$1,853			

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

	Millions of yen			Thousands of U.S. dollars		
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Projected benefit obligation of funded plan	¥15,177	¥14,699	\$97,081			
Pension assets	(17,173)	(18,594)	(122,806)			
	(1,996)	(3,895)	(25,724)			
Projected benefit obligation of unfunded plan	1,037	1,013	6,696			
Net amount of liabilities and assets on the consolidated balance sheet	(958)	(2,881)	(19,028)			
Net defined benefit liability	893	922	6,094			
Net defined benefit asset	(1,851)	(3,803)	(25,122)			
Net amount of liabilities and assets on the consolidated balance sheet	¥(958)	¥(2,881)	\$(19,028)			

(5) Breakdown of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Service cost	¥623	¥579	\$3,826
Interest cost	57	82	542
Expected return on pension assets	(314)	(304)	(2,013)
Amortization of actuarial loss	84	28	189
Retirement benefit cost calculated using simplified method	290	124	821
Retirement benefit cost of defined benefit pension	¥741	¥509	\$3,366

(6) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Actuarial gains and losses	¥(70)	¥1,548	\$10,224
Total	¥(70)	¥1,548	\$10,224

(7) Cumulative remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Unrecognized actuarial loss/gain	¥(553)	¥(2,101)	\$(13,882)
Total	¥(553)	¥(2,101)	\$(13,882)

(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, 2023)	Current fiscal year (March 31, 2024)
Bonds	53%	49%
Stocks	26%	33%
General accounts	15%	13%
Other	7%	5%
Total	100%	100%

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

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

(9) Matters concerning actuarial assumptions

Principal actuarial assumptions

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Discount rate	0.4%	0.6%
Expected long-term investment return	2.0%	2.0%
Expected rates of salary increases	2.7% to 5.2%	2.6% to 6.9%

(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, 2023)	Current fiscal year (March 31, 2024)	Current fiscal year (March 31, 2024)
Deferred tax assets			
Impairment loss	¥2,323	¥2,292	\$15,139
Tax loss carryforwards (Note 2)	3,935	1,836	12,127
Provision for bonuses	800	812	5,369
Unrealized holding gain	474	419	2,771
Net defined benefit liability	115	305	2,014
Accrued business tax	139	313	2,073
Other	1,581	1,770	11,693
Subtotal for deferred tax assets	9,370	7,750	51,190
Valuation allowance related to tax loss carryforwards (Note 2)	(3,595)	(1,011)	(6,678)
Valuation allowance related to the total of deductible temporary differences	(2,673)	(2,733)	(18,056)
Subtotal for valuation allowance (Note 1)	(6,269)	(3,745)	(24,735)
Total deferred tax assets	3,101	4,005	26,454
Deferred tax liabilities			
Valuation difference for available-for-sale securities	(9,915)	(9,738)	(64,318)
Liability reserves under the Act on Special Measures Concerning Taxation	(1,084)	(1,145)	(7,567)
Other	(914)	(1,697)	(11,208)
Total deferred tax liabilities	(11,913)	(12,581)	(83,094)
Deferred tax liabilities, net	¥(8,812)	¥(8,575)	\$(56,639)

(Notes) 1. Significant changes in the amount deducted from deferred tax assets (valuation allowance) were mainly due to an decrease 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, 2023)

	Millions of yen						Total
	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	
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

(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.

Current fiscal year (March 31, 2024)

	Millions of yen						Total
	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	
Tax loss carryforwards (a)	¥60	¥61	¥48	¥51	¥40	¥1,573	¥1,836
Valuation allowance	(60)	(61)	(48)	(51)	(40)	(748)	(1,011)
Deferred tax assets	–	–	–	–	–	824	(b) 824

	Thousands of U.S. dollars						Total
	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	
Tax loss carryforwards (a)	\$401	\$404	\$322	\$341	\$266	\$10,389	\$12,127
Valuation allowance	(401)	(404)	(322)	(341)	(266)	(4,940)	(6,678)
Deferred tax assets	–	–	–	–	–	5,448	5,448

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

(b) Deferred tax assets of ¥824 million were recognized for tax loss carryforwards of ¥1,836 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 ¥1,463 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

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Statutory effective tax rate	31.0%	31.0%
(Adjustment)		
Adjustments that are not temporary differences	(1.0)	(1.9)
Valuation allowance related to tax loss carryforwards	(99.9)	(13.6)
Valuation allowance related to the total of deductible temporary differences	(8.6)	(0.2)
Tax credit	–	(1.6)
Other	(2.1)	2.9
Effective tax rate after the application of tax effect accounting	(80.6)	16.6

(Rental real estate)

The Company and certain of its 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, 2023, rental income from rental property assets was ¥1,183 million (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 (recorded under extraordinary income), and impairment losses amounted to ¥14 million (recorded under extraordinary loss). Rental income from rental property assets during the fiscal year under review was ¥1,103 million (US\$7,286 thousand) (rental revenue is recorded under sales and rental costs are recorded under cost of sales), while loss on sales of noncurrent assets amounted to ¥7 million (US\$48 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, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2023 to March 31, 2024)
Consolidated balance sheet amounts			
Opening balance	¥20,463	¥20,209	\$133,476
Change during the fiscal year	(254)	(326)	(2,158)
Closing balance	20,209	19,882	131,317
Fair value at the end of the fiscal year	¥31,774	¥31,372	\$207,204

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

(Revenue recognition)

1. Information on disaggregation of revenue from contracts with customers

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

	Reporting segments							Total
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Other		
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	

Current fiscal year (April 1, 2023 to March 31, 2024)

	Reporting segments						Total
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Other	
Goods or services transferred at a point in time	¥159,306	¥14,555	¥8,294	¥2,042	¥18,712	¥3,873	¥206,785
Goods or services transferred over time	807	–	13,426	–	–	1,482	15,717
Revenue from contracts with customers	160,113	14,555	21,721	2,042	18,712	5,356	222,502
Other revenue	–	–	–	–	–	–	–
Net sales to outside customers	¥160,113	¥14,555	¥21,721	¥2,042	¥18,712	¥5,356	¥222,502

Millions of yen

	Reporting segments						Total
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Other	
Goods or services transferred at a point in time	\$1,052,150	\$96,133	\$54,784	\$13,489	\$123,589	\$25,583	\$1,365,729
Goods or services transferred over time	5,334	–	88,679	–	–	9,792	103,806
Revenue from contracts with customers	1,057,485	96,133	143,463	13,489	123,589	35,376	1,469,536
Other revenue	–	–	–	–	–	–	–
Net sales to outside customers	\$1,057,485	\$96,133	\$143,463	\$13,489	\$123,589	\$35,376	\$1,469,536

Thousands of U.S. dollars

2. Basic information for understanding revenue from contracts with customers

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

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

(1) Balances of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year	Current fiscal year	Current fiscal year
Receivables from contracts with customers (as of April 1, 2023)	¥44,698	¥48,438	\$319,916
Receivables from contracts with customers (as of March 31, 2024)	48,438	50,676	334,699
Contract assets (as of April 1, 2023)	854	1,473	9,732
Contract assets (as of March 31, 2024)	1,473	1,487	9,822
Contract liabilities (as of April 1, 2023)	110	113	751
Contract liabilities (as of March 31, 2024)	¥113	¥121	\$800

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.

Contract liabilities are mainly advance payments received from customers prior to the satisfaction of performance obligations under 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 amounted to ¥4,674 million as of March 31, 2023.

Unsatisfied and partially unsatisfied performance obligations amounted to ¥4,728 million (US\$31,233 thousand) as of March 31, 2024. 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 Other.

Main products for each reportable segment are as follows:

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

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

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

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

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

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

	Reporting segments							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

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

- Adjustments for segment profit (or loss) of ¥94 million include elimination of inter-segment profit and loss.
 - Adjustments for segment assets of ¥5,570 million include ¥32,735 million of corporate assets, which are not allocable to a reportable segment, and ¥(27,164) 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.
 - Adjustments for depreciation and amortization of ¥18 million include ¥40 million of depreciation and amortization for corporate assets and ¥(22) million 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.

Current fiscal year (April 1, 2023 to March 31, 2024)

	Reporting segments							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	¥160,113	¥14,555	¥21,721	¥2,042	¥18,712	¥5,356	¥222,502	¥-	¥222,502
(2) Intersegment sales or transfers	3,657	4,514	2,336	-	-	8,338	18,847	(18,847)	-
Total	¥163,771	¥19,070	¥24,058	¥2,042	¥18,712	¥13,694	¥241,350	¥(18,847)	¥222,502
Segment profit (or loss)	(1,752)	3,141	1,511	(669)	2,893	2,023	7,148	102	7,251
Segment assets	255,071	38,917	20,783	1,623	17,028	25,493	358,917	(2,634)	356,283
Other items									
Depreciation expense	16,707	2,299	508	73	1,558	492	21,639	21	21,660
Amortization of goodwill	-	-	31	-	-	-	31	-	31
Increase in property, plant and equipment and intangible assets	¥22,642	¥4,208	¥599	¥141	¥1,668	¥91	¥29,352	¥-	¥29,352

	Reporting segments							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	\$1,057,485	\$96,133	\$143,463	\$13,489	\$123,589	\$35,376	\$1,469,536	\$-	\$1,469,536
(2) Intersegment sales or transfers	24,157	29,818	15,432	-	-	55,072	124,480	(124,480)	-
Total	\$1,081,642	\$125,951	\$158,895	\$13,489	\$123,589	\$90,448	\$1,594,016	\$(124,480)	\$1,469,536
Segment profit (or loss)	(11,573)	20,748	9,983	(4,424)	19,109	13,367	47,210	679	47,889
Segment assets	1,684,639	257,033	137,266	10,725	112,467	168,371	2,370,502	(17,396)	2,353,105
Other items									
Depreciation expense	110,344	15,190	3,355	483	10,291	3,253	142,919	142	143,061
Amortization of goodwill	-	-	209	-	-	-	209	-	209
Increase in property, plant and equipment and intangible assets	\$149,544	\$27,792	\$3,958	\$935	\$11,020	\$606	\$193,858	\$-	\$193,858

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

- Adjustments for segment profit (or loss) of ¥(102) million (US\$(679) thousand) include elimination of intersegment profit and loss.
 - Adjustments for segment assets of ¥2,634 million (US\$17,396 thousand) include ¥26,634 million (US\$175,909 thousand) of corporate assets, which are not allocable to a reportable segment, and ¥(29,268) million (US\$(193,305) thousand) of elimination of intersegment profit and loss. Corporate assets mainly consist of long-term investment funds (investment securities) and assets attributable to administrative divisions.
 - Adjustments for depreciation and amortization of ¥21 million (US\$142 thousand) include ¥41 million (US\$273 thousand) of depreciation and amortization for corporate assets and ¥(19) million (US\$(130) thousand) of elimination of intersegment profit and loss.
2. Segment profit (or loss) has been adjusted to the operating income reported in the consolidated statements of income.

[Related information]

Previous fiscal year (April 1, 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

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, 2023 to March 31, 2024)

1. Information by product and service

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

2. Geographical information

Net sales

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

Property, plant and equipment

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

[Impairment loss on noncurrent assets by reporting segment]

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

	Reporting segments							Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Other	Total		
	Impairment loss	¥5	¥1	¥-	¥-	¥-	¥594		

(Note) The adjustment amount of ¥7 million is related to the idle assets, etc. included in corporate assets.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

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

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

	Reporting segments							Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Other	Total		
	Amortization in the fiscal year	¥-	¥-	¥31	¥-	¥-	¥-		
Unamortized balance at end of the fiscal year	¥-	¥-	¥95	¥-	¥-	¥-	¥95	¥-	¥95

Current fiscal year (April 1, 2023 to March 31, 2024)

	Reporting segments							Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Other	Total		
	Amortization in the fiscal year	¥-	¥-	¥31	¥-	¥-	¥-		
Unamortized balance at end of the fiscal year	¥-	¥-	¥63	¥-	¥-	¥-	¥63	¥-	¥63

Current fiscal year (April 1, 2023 to March 31, 2024)

	Reporting segments							Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Other	Total		
	Amortization in the fiscal year	\$-	\$-	\$209	\$-	\$-	\$-		
Unamortized balance at end of the fiscal year	\$-	\$-	\$419	\$-	\$-	\$-	\$419	\$-	\$419

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

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

Not applicable.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable.

[Related party transaction information]

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

Not applicable.

Current fiscal year (April 1, 2023 to March 31, 2024)

Attribute	Company name	Location	Capital	Type of business	Percentage of voting rights held (%)	Relationship with related parties		Type of transaction	Transaction amount	Item	Balance at the fiscal year-end
						Concurrent directors (no. of persons)	Business relationship				
Affiliate	Right Grand Investments Limited	British Virgin Islands	US\$0.1 thousand	Investment business in China*1	(Ownership) Direct 20.0	1	Dividend and interest income	Loans of funds*2	\$-	Loans receivable	\$28,230

(Notes)

*1 Indirect investment in a cement manufacturing business and slag grinding business in Yunnan Province, China

*2 Loans of funds are determined based on market interest rates and other factors.

(Per share information)

Item	Yen		U.S. dollars	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net assets per share	¥5,326.24	¥5,674.61	\$37.478	\$37.478
Profit (loss) per share	(166.79)	447.85	2.958	2.958

(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, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Profit (loss) attributable to owners of parent	¥(5,719)	¥15,339	\$101,310	\$101,310
Amount not attributed to common shareholders	-	-	-	-
Profit (loss) attributable to owners of parent related to common stock	(5,719)	15,339	101,310	101,310
Average outstanding shares during the fiscal year (shares)	34,295,232	34,250,900		

(Significant subsequent events)

(Acquisition of treasury stock)

At a meeting of the Board of Directors held on May 14, 2024, the Company resolved to implement a share repurchase in accordance with Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the said Act.

- Purpose of the acquisition: To return profits to shareholders through improved capital efficiency
- Type of shares to be acquired: Common stock of the Company
- Number of shares to be acquired: 1,500,000 shares (maximum)
- Total acquisition cost: ¥5,000 million (US\$33,022 thousand) (maximum)
- Period of share acquisition: From May 15, 2024, to August 30, 2024
- Acquisition method: Market purchase on the Tokyo Stock Exchange.

(Issuance of domestic unsecured straight bonds)

At a meeting of the Board of Directors held on May 30, 2024, the Company resolved to issue domestic unsecured straight bonds as follows.

- Issue amount: ¥5 billion (US\$33,022 thousand) or less (however, multiple issuances within this range are not prohibited)
- Maturity period: Within 7 years
- Payment amount: ¥100 per ¥100 of face value
- Redemption amount: ¥100 per ¥100 of face value
- Interest rate: Fixed interest rate, 1.5% or less
- Interest payment method: Interest is accrued from the day after the payment date until the redemption date, paid in semiannual installments (once every six months)
- Redemption method: Lump sum redemption at maturity
- Payment date: From July 1, 2024, to September 30, 2024
- Use of funds: Capital expenditures
- Special provisions: A negative pledge clause will be attached.
- Other: Decisions regarding matters set forth in the items contained in Article 676 of the Companies Act, as well as all other necessary matters concerning the bonds at the time of issuance, shall be left to the discretion of the President and Representative Director within the scope of the preceding items.

(Note) The contents of this financial section are an English translation of the Securities Report, prepared in Japanese, for the 161th term (from April 1, 2023 to March 31, 2024) 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, 2024)

Company Overview

Company	Sumitomo Osaka Cement Co., Ltd.	Securities code	5232
Established	November 29, 1907	Stock exchange listing	Tokyo Stock Exchange
Head Office	Shiodome Sumitomo Bldg. 1-9-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-8641, Japan	Total number of authorized shares	130,000,000
Telephone number	+81-3-6370-2700	Total number of shares outstanding	34,329,517 (41,751 shares of treasury stock)
Employees	Non-consolidated: 1,254 Consolidated: 2,886	Shareholders	21,505
Capital	¥41,654 million		

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

Status of Major Shareholders

Name	Number of shares owned (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,298	18.4
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	3,493	10.2
Custody Bank of Japan, Ltd. (Trust Account)	2,351	6.9
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,604	4.7
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	1,295	3.8
BNYM AS AGT/CLTS 10 PERCENT	1,131	3.3
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON-LENDING 15 PCT TREATY ACCOUNT	911	2.7
Sumitomo Life Insurance Company	852	2.5
J.P. Morgan Securities Japan Co., Ltd.	717	2.1
DFA INTL SMALL CAP VALUE PORTFOLIO	471	1.4

(Note) Ownership ratio is calculated using the number excluding 41,751 shares of treasury stock from the total number of shares outstanding. In addition, the number of treasury stock shares excludes 39,600 shares of the Company's stock held by the trust relating to the stock-based remuneration plan for officers.