

The following English translation of “住友大阪セメント コーポレートガバナンス基本方針” (the Japanese original) is prepared for your reference purpose only. If there are any discrepancies between this translation and the Japanese original, the Japanese original will prevail. Sumitomo Osaka Cement Co.,Ltd. provides this translation without any warranty as to its accuracy or otherwise.

21 December 2018

SUMITOMO OSAKA CEMENT CORPORATE GOVERNANCE POLICY

Sumitomo Osaka Cement Co., Ltd.

Chapter 1 - Introduction

1.1 Purpose

SUMITOMO OSAKA CEMENT CORPORATE GOVERNANCE POLICY is to set our basic policies, frameworks and guidelines with regard to corporate governance of Sumitomo Osaka Cement Co., Ltd. (“the Company”, “we” or “our”) with the aim to achieve sustainable growth and increase our corporate value over the mid- to long-term.

1.2 Basic Views on Corporate Governance

We believe that corporate governance is a structure for proper decision-making by the Company, and that a primary objective of corporate governance is to constantly enhance our corporate value by increasing management efficiency, and by securing soundness and transparency in every phrase of business activities. We, therefore, recognise the fulfilment of this aim as our most important management issue.

Chapter 2 – Stakeholders Relations

2.1 Stakeholders Relations

(1) Business Principles

In order to contribute to the sustainment and ongoing development of a prosperous society, while giving due consideration to all stakeholders, we write and maintain the Corporate Philosophy and the Code of Conduct, as the basic for our activities and the foundation of our corporate value creation over the mid- to long-term.

2.2 Shareholders Relations

(1) Securing the Rights of Our Shareholders

- ① The Company takes appropriate measures to fully secure shareholder rights, including voting rights at general meetings of shareholders of the Company (“General Meeting”).
- ② Given the importance of shareholder rights, we ensure that the exercise of shareholder rights is not impeded. The Company secures effective

equal treatment of all shareholders, including particularly minority shareholders and foreign shareholders, and ensures that the rights of all shareholders are adequately exercised.

(2) General Meetings

- ① We recognise that General Meetings are the highest decision-making organ of the Company and take the following appropriate measures to ensure the exercise of shareholder rights at General Meetings. In addition, we recognise such meetings as an opportunity for constructive dialogue with our shareholders, and therefore sufficiently explain our proposals and facilitate constructive dialog with our shareholders at such meetings.
 - (i) providing accurate information to shareholders as necessary in order to facilitate appropriate decision-making at General Meetings,
 - (ii) sending notices of General Meetings as well as disclosing such notices by electronic means through TDnet and our website early enough to give our shareholders sufficient time to consider the agenda,
 - (iii) determining the date of General Meeting and any associated dates in consideration of facilitating sufficient constructive dialogue with our shareholders and ensuring the accuracy of information necessary for such dialogue,
 - (iv) using electronic proxy voting platform services, and providing English translations of notices of General Meetings, and
 - (v) when institutional investors who hold shares in street name express an interest in attending a General Meeting in advance, the Company will, upon consultation with trust banks and/or custodial institutions, take appropriate measures.
- ② When proposing to our shareholders that certain powers of General Meeting be delegated to the board of directors of the Company (“Board of Directors”), the Company will first carefully consider the adequacy of our corporate governance structure and the desirability of delegating such power to Board of Directors from the perspective of agile decision-making and expertise in business judgement, and then, pursuant to relevant legislations, will propose such delegation to our shareholders at General Meeting.
- ③ When Board of Directors recognises that a considerable number of votes have been cast against a proposal by the Company and the proposal was approved, Board of Directors will analyse the reasons

behind opposing votes and why many shareholders opposed, and will consider the need for shareholder dialogue and other means.

(3) Basic Strategy for Capital Policy

- ① While maintaining adequate level of capital ratio in order to respond to changes in market and business associated risks, the Company, after accurately identifying the Company's cost of capital, enhances profitability and effective use of assets by taking measures to achieve sustainable growth and increase our corporate value over the mid- to long-term. The Company, in timely manner, explains the allocation of management resources such as fixed assets investments and R&D investment in the Company's mid-term management plans, results briefings, business reports and/or consolidated financial results.
- ② With respect to our capital policy that could result in the change of control or in significant dilution, Board of Directors and the company auditors of the Company ("Company Auditors") carefully examine the necessity and rationale in order not to unfairly harm the existing shareholders' interests, ensure appropriate procedures, and provide sufficient explanations to our shareholders.

(4) Cross-Shareholdings

- ① The Company holds shares of other listed companies as cross shareholdings ("Cross-Shareholdings Shares") necessary in order to maintain and enhance business relationships, and create business opportunities. The Company, by taking into consideration of adverse impact on the market and other factors, will reduce the number of Cross-Shareholdings Shares that we determine to be nonessential to hold.
- ② From the perspective of increasing our corporate value over the mid- to long-term through maintaining and enhancing business relationships, and creating business opportunities, the Company will annually assess at Board of Directors whether or not to hold each individual Cross-Shareholdings Shares, specifically by examining whether the purpose is appropriate and whether the benefits and risks from each Cross-Shareholdings Shares cover the Company's cost of capital, and will disclose the results of annual assessment.
- ③ Regarding the exercise of voting rights of Cross-Shareholdings Shares, the Company will duly exercise such voting rights by taking into comprehensive consideration, among other matters, whether each proposal contributes toward sustainable growth of issuing company of

Cross-Shareholdings Shares and increase in their corporate value over the mid- to long-term, and whether such proposal also align with the Company's policy in force with respect to cross shareholdings.

- ④ When cross-shareholders of the Company (i.e., shareholders who hold the Company's shares for the purpose of cross-shareholdings) indicate their intention to dispose of their holdings, the Company will not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.
- ⑤ The Company will not conduct transactions with cross-shareholders of the Company which may harm the interests of the Company or the common interests of its shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

(5) Anti-Takeover Measures

- ① With respect to the adoption or implementation of anti-takeover measures, Board of Directors and Company Auditors carefully examine the necessity and rationale of such measures, ensure appropriate procedures, and provide sufficient explanations to our shareholders.
- ② In case of a tender offer, Board of Directors will clearly explain the position of Board of Directors, including measures further to increase our corporate value and will not frustrate shareholder rights to sell their shares in response to the tender offer.

(6) Related Party Transactions

The Company will not engage in transactions for the benefits of the director of the Company ("Director") or any particular third parties, which could potentially harm the interests of the Company or the common interests of our shareholders. When a Director intends to engage in transactions with the Company for himself or herself, or any third parties, such Director must obtain an approval of Board of Directors pursuant to relevant legislations and the rules of Board of Directors.

2.3 Other Stakeholders Relations

(1) Society and Environment

- ① Bearing our strong tie with the society in mind, we cooperate and coordinate with local communities through our economic contributions as well as environmental and social activities.

- ② The Company, in order to achieve sustainable growth and increase our corporate value over the mid- to long-term, as a good corporate citizen, positively and proactively plays a role in dealing with economic, environmental, and social issues.
- ③ Board of Directors establishes the CSR Committee chaired by the president of the Company and takes measures to facilitate and promote "the cooperation and coordination with local communities" and "the sufficient dialogue with our stakeholders".

(2) Employees

- ① The Company recognises that diversity of personnel, including women, contributes to increase our corporate value over the mid- to long-term, and actively promotes the hiring of personnel with varied characteristics, experience and skills. In addition, the Company, as a measure making a workplace more workable and satisfactory for women to continue working, makes efforts to increase awareness of and to effectively implement the personnel policies of the Company, including affirmative actions supporting personnel with a child and offering the suitable work/life balance.
- ② The Company establishes an appropriate framework for whistleblowing such that our employees can report illegal or inappropriate behaviour, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment from the Company. The Company takes measures to ensure that such framework allows an objective assessment and appropriate response to the reported issues. Board of Directors ensures and monitors the enforcement of such framework.
- ③ As a part of establishing the framework for whistleblowing, the Company establishes a point of contact that is independent of the management and provides the internal rules to secure confidentiality of the whistleblower and to prohibit any disadvantageous treatment of the whistleblower.
- ④ The Company, by displaying the Corporate Philosophy and the Code of Conduct in work areas, facilitates and promotes the work environment that the Corporate Philosophy and the Code of Conduct are sufficiently complied.

(3) Roles as an Asset Owner of Corporate Pension Fund

The Company takes and discloses measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment

management expertise, thus making sure that the roles expected to it as an asset owner are duly performed. The Company ensures that conflicts of interest which could arise between pension fund beneficiaries and the Company are appropriately managed.

Chapter 3 – Ensuring Appropriate Information Disclosure and Transparency

3.1 Full Disclosure

(1) Information Disclosure Systems

- ① The Company discloses the Corporate Philosophy and the mid-term management plans on our website, in CSR Reports, and by other means.
- ② Board of Directors recognises that full disclosure is one of our important management issues. Board of Directors, therefore, in the course of providing accurate information to stakeholders, including our shareholders, ensures that information disclosed is not boiler-plate or lacking in detail.
- ③ The Company, bearing in mind the ratio of foreign shareholders, provides our website in English and discloses information in English for foreign shareholders.

3.2 Transparency

(1) Financial Auditor of the Company (“Financial Auditor”)

- ① The Company takes appropriate steps to secure the execution of proper and high quality audits by Financial Auditor.
- ② The board of Company Auditors of the Company ("Board of Company Auditors"), to secure the execution of proper and high quality audits by Financial Auditor, ensures the following:
 - (i) establishing standards for appropriate selection of Financial Auditor candidates and proper evaluation of Financial Auditor; and
 - (ii) verifying whether Financial Auditor possesses necessary independence and expertise to fulfil their responsibilities.
- ③ Board of Directors and Board of Company Auditors, to secure the execution of proper and high quality audits by Financial Auditor, ensures the following:
 - (i) giving Financial Auditor adequate time to ensure high quality audits;
 - (ii) will ensure, if requested, that the Financial Auditor has access to the senior management of the Company;
 - (iii) ensuring adequate coordination between Financial Auditor and

- each of Company Auditors, the internal audit department and outside Directors of the Company (“Outside Director”); and
- (iv) ensuring that the Company adequately responds to any misconducts, inadequacies or concerns identified by Financial Auditor.

Chapter 4 – Corporate Governance Framework

4.1 Fiduciary Responsibility

(1) Directors, Company Auditors and Management

With due attention to their fiduciary responsibilities to our shareholder, Directors, Company Auditors and the management of the Company, in accordance with relevant legislations, the articles of incorporation, and the internal rules of the Company, fulfil their roles and responsibilities for the interest of the Company and the common interests of our shareholders.

4.2 Board of Directors and Directors

(1) Framework of Board of Directors

- ① The Company, in order to balance well in knowledge, experience and skills throughout the Board of Directors as well as to achieve diversity in it, including gender and international experience, establishes policies and procedures for nominating Directors.
- ② The Company nominates at least 2 Outside Directors sufficiently independent of the management and controlling shareholders who could fulfil their roles and responsibilities with the aim of contributing to sustainable growth of the Company and increasing our corporate value over the mid- to long-term.
- ③ Directors, including Outside Directors devote sufficient time and effort required to appropriately fulfil their respective roles and responsibilities. Where Directors also serve as directors, company auditors or the management of other companies, a number of positions served at the same period of time will reasonably be limited and the Company discloses the number and other information with regard to such positions each year.

(2) Roles and Responsibilities of Board of Directors

- ① Board of Directors engages in making business strategies and other major operational decisions in order to fulfil the Corporate Philosophy and to enhance the common interests of our shareholders over the long-term.

- ② Board of Directors, in accordance with relevant legislations, the articles of incorporation, and the internal rules of the Company, engages in making decisions with respect to the matters delegated to Board of Directors and overseeing proper business execution by the management. Board of Directors, to ensure adequate and effective decision-making by the management, clearly specifies, in the internal rules, the matters delegated to the management and the procedures for such decision-making by the management.
 - ③ Board of Directors establishes an environment that supports appropriate risk-taking by the senior management.
 - ④ Board of Directors and the senior management, in order to adequately and effectively respond to the changes in market, make the mid-term management plans specifying targets and business strategies achieving such targets, and take measures to deliver on the mid-term management plans. Board of Directors and the senior management, in the course of making a mid-term management plan for the ensuing years, fully review the previous mid-term management plan, take into account of analytic findings from such review, and provide an appropriate explanation to our shareholders.
 - ⑤ Board of Directors engages in oversight activities in order to ensure timely and accurate information disclosure.
 - ⑥ Board of Directors appropriately deals with any conflict of interests that may arise between the Company and its related parties, including the management and controlling shareholders.
- (3) Internal Control and Risk Management Systems
- ① Board of Directors establishes appropriate internal control and proactive risk management systems for compliance and financial reporting.
 - ② Board of Directors periodically reviews reports from the Compliance Committee and the Risk Management Committee, appropriately oversees the operation of internal control and risk management systems, and evaluates the effectiveness of such operation.
- (4) Operation of Board of Directors
- ① Board of Directors endeavours to facilitate, at the meetings of Board of Directors, free, open and constructive discussions and exchanges of views, including the raising of concerns by Outside Directors to take place.
 - ② Board of Directors distributes materials for the meetings of Board of

Directors sufficiently in advance of the meeting date in order to promote active deliberations including constructive opinions, concerns and questions.

- ③ Board of Directors appropriately sets the number of agenda items, the frequency and sufficient time for deliberations of the meetings of Board of Directors.
- ④ Board of Directors determines the schedule of the meetings for the current year and anticipated agenda items in advance and notifies such schedule and anticipated agenda items to Directors and Company Auditors in advance.
- ⑤ Each year Board of Directors analyses and evaluates its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each Director, and discloses a summary of the results.

(5) Roles and Responsibilities of Directors

- ① In order to fulfil the roles and responsibilities, Directors gather sufficient information, request as necessary Board of Directors to additionally explain, and promote active deliberations by expressing their opinions at the meetings of Board of Directors.
- ② Directors, including Outside Directors, proactively collect information and request the management to provide additional information as necessary in order to sufficiently fulfil the roles and responsibilities.

(6) Nomination of Director Candidates and Appointment of Senior Management

- ① In light of ensuring the fair and highly transparent procedures with respect to the nomination of candidates for Directors and the appointment and dismissal of senior management, the Company establishes a voluntary advisory committee reporting to the Board of Directors (“Nomination and Remuneration Committee”), a majority of which is composed of Outside Directors and independent experts additionally appointed as necessary. The Committee deliberates and makes recommendations to Board of Directors on nominations of Director candidates and appointments and dismissals of senior management by considering whether such Director candidates could engage in decision-making in good faith while taking into account of future earnings, sustainable growth and our corporate value and whether such senior management members could properly engage in decision-makings and execution of the matters delegated to the senior

management.

- ② Board of Directors nominates Director candidates and appoints and dismisses the senior management based on the recommendations of Nomination and Remuneration Committee.
 - ③ In order to nominate the chairman, the president and other senior management members who are appropriate for the position taking into account their personality, knowledge and experience and who could contribute to further and sustainable growth of the Company, Board of Directors consults with Nomination and Remuneration Committee about formulation of succession plans. Based on recommendations of the Committee, Board of Directors proactively engages in the establishment and implementation of a succession plan and appropriately oversees the systematic development of succession candidates, deploying sufficient time and resources.
 - ④ The Company consults with Nomination and Remuneration Committee about nominations of chairman, president and other senior management members and Nomination and Remuneration Committee thereby makes recommendations to Board of Directors about the nominations based on their personality, variously experience and achievements, and knowledge obtained therefrom. By placing due weight on the recommendations upon making the decision, the Company ensures the appointments of the chairman, president and others are done through objective, timely and transparent procedures.
 - ⑤ The Company consults with Nomination and Remuneration Committee about dismissals of chairman, president or other senior management members and Nomination and Remuneration Committee thereby makes recommendations to Board of Directors about the dismissals by considering performance of the Company and evaluating the contribution made by such chairman, president or others towards it. By placing due weight on the recommendations upon making the decision, the Company ensures the dismissal of such chairman, president or others are done through objective, timely and transparent procedures.
 - ⑥ The Company provides explanations with respect to individual nominations of Director Candidates in the reference materials for General Meeting.
- (7) Remuneration of Directors and Senior Management
- ① The Company, in light of ensuring the adequacy of the remuneration level, and the fairness and transparency of performance evaluation, consults with Nomination and Remuneration Committee about the

remuneration of Directors and the senior management. The Committee, taking their performance and contribution toward sustainable growth of the Company into account, makes recommendations to Board of Directors as to the remuneration of Directors and the senior management.

- ② Board of Directors determines the remuneration of Directors and the senior management based on the recommendations of Nomination and Remuneration Committee.
- ③ Board of Directors engages in the effective oversight of overall business management, appropriately evaluates the Company's performance, and reflects such evaluation in assessment of the senior management.

4.3 Company Auditors and Board of Company Auditors

(1) Frameworks of Company Auditors and Board of Company Auditors

- ① Given that not less than half of Board of Company Auditors must be composed of the outside company auditor of the Company (“Outside Company Auditors”) and that at least one full-time Company Auditor must be appointed in accordance with the Companies Act, Board of Company Auditors, from the perspective of fully executing its roles and responsibilities, increases its effectiveness through an organisational combination of the independence of the former and the information gathering power of the latter. In addition, Company Auditors and Board of Company Auditors secure cooperation with Outside Directors so that such Outside Directors can strengthen their capacity to collect information without having their independence jeopardised.
- ② Board of Directors establishes policies and procedures for nominating Company Auditors.
- ③ The Company, in light of ensuring the fair and highly transparent procedures to nominate those who could fulfill their roles and responsibilities, consults with Nomination and Remuneration Committee about the nomination of candidates for Company Auditor. The Committee deliberates and makes recommendations to Board of Directors on the nomination of Company Auditor candidates who are persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and law and, in particular, include at least one person who has appropriate expertise on finance and accounting.
- ④ Board of Directors, upon obtaining a prior consent of Board of Company Auditors, nominates Company Auditor candidates based on the recommendations of Nomination and Remuneration Committee

- ⑤ The Company provides explanations with respect to the individual nominations of Company Auditor Candidates in the reference materials for General Meeting.
 - ⑥ Company Auditors, including Outside Company Auditors devote sufficient time and effort required to appropriately fulfil their respective roles and responsibilities. Where Company Auditors also serve as directors, company auditors or the management of other companies, a number of positions served at the same time will be reasonably limited and the Company discloses the number and other information with regard to such positions each year.
- (2) Roles and Responsibilities of Company Auditors and Board of Company Auditors
- ① Company Auditors and Board of Company Auditors bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of Directors' duties, appointment and dismissal of Financial Auditor and the determination of auditor remuneration.
 - ② Company Auditors, at the meetings of Board of Directors and other important management meetings, positively and proactively exercise their rights and express their views to Directors and to the management.
 - ③ In order to fulfil the roles and responsibilities, Company Auditors proactively collect information, and as necessary, request the Company to provide additional information.

4.4 Outside Directors and Outside Company Auditors

(1) Information Exchange among Outside Directors and Outside Company Auditors

The Company facilitates occasions/sessions, in which Outside Directors and Outside Company Auditors can freely exchange information and/or opinions to promote the information exchanges and the development of a shared awareness among them.

(2) Roles and Responsibilities of Outside Directors

- ① The Company, by facilitating proper, independent and objective execution of the roles and responsibilities of Outside Directors with substantial knowledge and wide experience who are neither involved in business execution nor have close ties with the management of the Company, ensures effective, independent and objective oversight of the

management by Board of Directors.

- ② The Company, with the belief that Outside Directors should particularly fulfil the following roles and responsibilities, ensures effective utilisation thereof:
 - (i) provision of advice, based on their substantial knowledge and wide experience, with the aim to promote the Company's sustainable growth and increase our corporate value over the mid- to long-term;
 - (ii) monitoring of the management through important decision-making at Board of Directors, including the appointment and dismissal of the management;
 - (iii) monitoring of conflicts of interest between the Company and the management or controlling shareholders; and
 - (iv) appropriately representing the views of minority shareholders and other stakeholders at the meetings of Board of Directors from a standpoint independent of the management and controlling shareholders.
- ③ The Company establishes frameworks for facilitating effective communications between Outside Directors and the management and their cooperation with Company Auditors and Board of Company Auditors.

(3) Criteria for Assessing Independence

For Outside Directors and Outside Company Auditors, Board of Directors nominates candidates who does not fall into any of (i), (ii), (iii), (iv) or (v) below, but satisfies both (vi) and (vii) below:

- (i) a person who has the Company as a major business partner for, or a person who executes business for a company/firm which has the Company as a major business partner;
- (ii) a major business partner of the Company, or a person who executes business for such business partner;
- (iii) a person (in cases where such person is a legal entity, association or other organisation, including members of such organisation) who is a consultant, accounting professional or legal professional that has received a large sum of money or other property from the Company;
- (iv) a person who, until recent years, had fallen into (but who currently does not fall into) any of (i), (ii) or (iii) above; or
- (v) a person who is a close relative of any of the following (a) to (d);
 - (a) a person listed in (i), (ii), (iii) or (iv) above,

- (b) a person who executes business for a subsidiary of the Company;
- (c) a person who is a non-executive director of the said subsidiary;
- (d) a person who, until recent years, had fallen into (but who currently does not fall into) any of (b), (c) above or a person who executes business for the Company (where nominating for Outside Company Auditor, non-executive Director is included); but
- (vi) a person who could properly fulfil the roles and responsibilities from an objective standpoint by utilising knowledge and experience in business management, laws, accounting and/or academic activities; and
- (vii) a person who could contribute to sustainable growth of the Company.

4.5 Support Structures for Directors and Company Auditors

(1) Support Structures

- ① Directors and Company Auditors will consult with external specialists at the Company's expense, when they deem it necessary.
- ② The Company ensures coordination between the internal audit department, Directors and Company Auditors. In addition, the Company takes measures to adequately provide necessary information to Outside Directors and Outside Company Auditors.
- ③ The Company establishes a support structure for Directors and Company Auditors, including providing sufficient supporting staff. Board of Directors and Board of Company Auditors verify whether information requested by Directors and Company Auditors is provided smoothly.
- ④ The Company provides opportunities suitable to each Director and Company Auditor, depending on their knowledge, experience, skill and background, to deepen their understanding of their roles and responsibilities, at the time of appointment and continuously during the term of office. In addition, the Company provides Director and Company Auditors with opportunities to acquire necessary knowledge on our business, finances, organisation and other matters. Outside Directors and Outside Company Auditors have continuing opportunities to renew and update the Company's business, finance, organisation and other necessary information.

Chapter 5 – Constructive Dialogue with Our Shareholders

5.1 Constructive Dialogue with Our Shareholders

(1) Policy for Constructive Dialogue with Our Shareholders

The Company, at General Meetings and other occasions, promotes constructive dialogue with our shareholders in order to achieve sustainable growth and increase our corporate value over the mid- to long-term.

(2) Structure Promoting Constructive Dialogue with Our Shareholders

- ① The Company appoints a member of the senior management who oversees constructive dialogue with our shareholders. Furthermore, the investor relation department ensures positive cooperation with the finance, accounting and corporate planning departments by sharing information with the aim of supporting dialogue.
- ② The Company engages in small meetings, phone conference and other means of dialogue with our shareholders and potential investors. In addition, the Company half-yearly conducts the Company's results briefings and disclose materials for such briefings on our website.
- ③ The Company utilises investor conference and meetings arranged by securities firms and other firms.
- ④ The Company appropriately and effectively relays shareholder views leaned through dialogue to the senior management and Board of Directors, and reflects such views in the mid-term management plans.
- ⑤ The Company takes appropriate measures to control insider information when engaging in dialogues with our shareholders.
- ⑥ The Company, with the aim of supporting constructive dialogue with our shareholders, conducts shareholder identification by a service provider to identify our shareholder ownership structure.