

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.

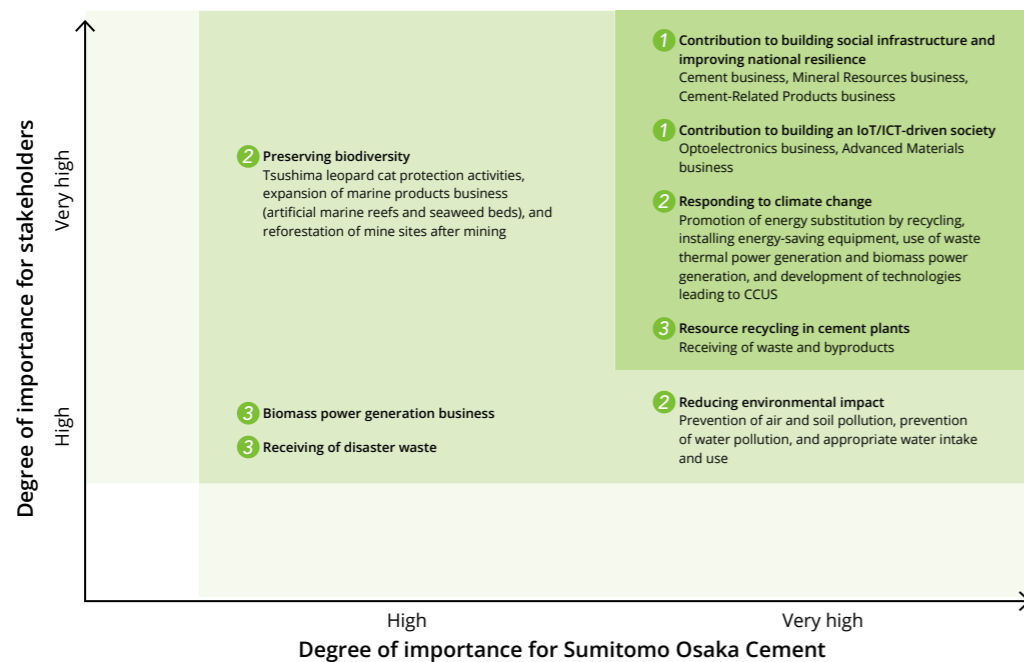
The materiality initiatives help balance the growth of the Group with solutions for social issues, and form a foundation for our medium- to long-term management strategies.

Process of identifying materiality

In light of the Sumitomo Osaka Cement Group's corporate philosophy, and based on our 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.

- STEP1 Identify Issues** Collect and identify materiality candidates
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- STEP2 Assign Priority** Perform priority ratings from Company and societal perspectives
- ⇓
- STEP3 Confirm Validity** Confirm validity at the Board of Directors' meetings

Materiality matrix



Material issues that form the foundation of business activities

- 4 Develop and utilize human resources
 - Respect for human rights, diversity and inclusion
 - Occupational safety and health, health and productivity management
- 5 Enhance governance
 - Highly effective corporate governance
 - Strengthen risk management and compliance

Materiality of the Sumitomo Osaka Cement Group



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 Prevention of air and soil pollution, prevention of water pollution, and appropriate water intake and use ▶ Responding to climate change 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), and 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 and 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	Risks	Opportunities	The Company's response (FY2024)
Contribute to the Sustainment and Ongoing Development of a Prosperous Society	Contribution to building social infrastructure and improving national resilience	<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
	Contribution to building an IoT/ICT-driven society	<ul style="list-style-type: none"> Increased development difficulties associated with the rapid upgrading of technologies required by the market (Advanced Materials) Intensified competition in high-value-added products and 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 (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	Reducing environmental impact	<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
	Responding to climate change	<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 recycling technologies and an 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 Consider potential revisions to SOCN2050 Undertake various research and development activities with the goal of creating new businesses Install test production facilities for recycling CO₂ into artificial limestone (Tochigi Plant) TCFD-based information disclosure Generate 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
	Preserving biodiversity	<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"> Prepare for TNFD-based information disclosure Protect marine habitats through the supply of marine products Tsushima leopard cat protection activities through cooperation with local governments Reforestation at abandoned mines (Shuho Mine, Ibuki Mine, etc.) Next-generation CO₂ seedling cultivation technology using BECCS (bioenergy with carbon capture and storage)
Contribute to the Development of a Recycling-Based Society	Resource recycling in cement plants	<ul style="list-style-type: none"> Intensified competition in waste collection associated with the shift from fossil energy to thermal energy-related waste 	<ul style="list-style-type: none"> Increased acceptance of diverse waste materials due to the enhancement of recycling facilities 	<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 Reduce emissions of industrial waste from plastics products and promote recycling, etc. Promote reduction in final waste disposal volume (four cement factories + Hachinohe Cement)
	Receiving of disaster waste	<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
	Biomass power generation business	<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	Respect for human rights, diversity and inclusion	<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 Conduct human rights due diligence at affiliated companies (domestic Group companies) Promote initiatives related to the Plan of Action for the Promotion of Female Participation and Career Advancement
	Occupational safety and health, health and productivity management	<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"> Prevent workplace accidents through ongoing health and safety education, and improve labor productivity through the promotion of health management Increase employee motivation Secure and retain human resources by enhancing various systems (human resource development and a good work environment) 	<ul style="list-style-type: none"> Apply various training systems (training for new employees, rank-based training, on-the-job training) Implement safety training held by 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	Highly effective corporate 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 directors' remuneration system Review the skills matrix for directors Stimulate discussion at Nomination and Remuneration Committee meetings
	Strengthen risk management and compliance	<ul style="list-style-type: none"> Reputational damage due to violation of laws and/or regulations, and to compliance breaches Business continuity risks 	<ul style="list-style-type: none"> Gain social trust by observing laws and regulations, and by being compliant Sustained continuation of business 	<ul style="list-style-type: none"> Review risk mapping by the Risk Management Committee Head office business continuity planning (BCP) training and CSIRT training Formulate BCP at the plants Conduct compliance education Operate a whistleblowing hotline