Sustainability Advancement Framework

Basic Approach

Among the materiality issues we believe should be tackled through our corporate activities, we have identified "care for the global environment," "contribute to the development of a recycling-based society," and "develop and utilize human resources" as priority social issues (→P.21).

We have established a Sustainability Committee, chaired by the President, with the aim of achieving sustainable growth for the Company and strengthening efforts to ensure that we continue to contribute to solutions to these social issues.

We have established two dedicated subcommittees under the Sustainability Committee. The Carbon Neutral and Environment Subcommittee primarily focuses on formulating and executing strategies for reducing greenhouse gas (GHG) emissions and achieving carbon neutrality, as well as addressing other environmental challenges, while the Labor and Social Affairs Subcommittee is engaged in efforts to improve working conditions and ensure respect for human rights throughout the supply chain (→P.40).

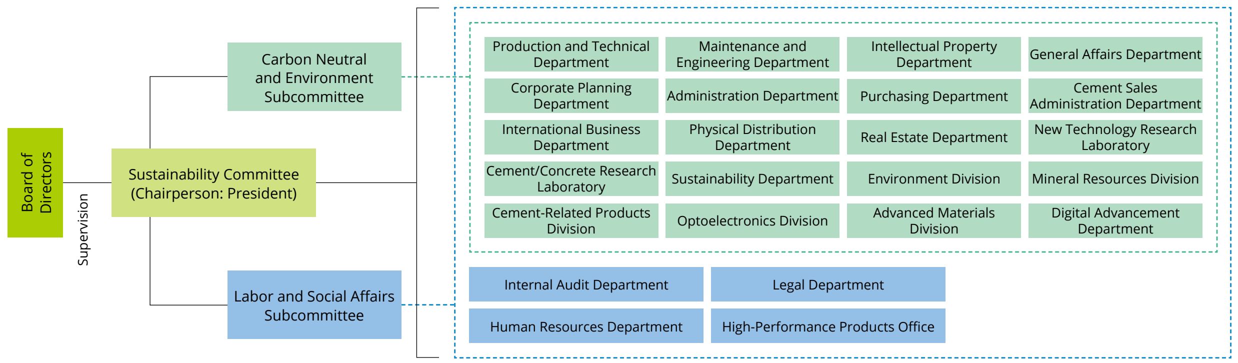
Sustainability Promotion Framework

December	2020	Formulated the 2050 Carbon Neutral Vision, "SOCN2050," under the Sustainable Measures Committee
April	2021	Established the Sustainability Department
April	2023	Established the Sustainability Committee, in tandem with the development of the Sustainable Measures Committee, under which the Carbon Neutral and Environment Subcommittee and the Labor and Social Affairs Subcommittee were established
April	2025	Reconfigured the Sustainability Promotion Office as the Sustainability Promotion Department to strengthen the organizational structure.

Sustainability Committee

The Sustainability Committee, which is chaired by the President, was established with the purpose of strengthening company-wide sustainability initiatives and to encourage related activities across the entire Company. 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



Carbon Neutral and Environment Subcommittee

To achieve carbon neutrality, the Carbon Neutral and Environment Subcommittee promotes the Group's initiatives, gathers information, assesses and responds to risks, raises awareness throughout the Company, and provides internal training and education programs, as well as manages action plans and progress, based on our 2050 Carbon Neutral Vision, "SOCN2050." In addition, this subcommittee is taking the lead in working to resolve environmental issues related to other natural capital.

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 enhancements, 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 puts plans into effect across all divisions in relation to respect for human rights in the Group's supply chain and other areas.

Sustainability Strategy

Taking on the challenge of achieving carbon neutrality through a "reduction mix" that mobilizes and combines 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

First, maximize reductions in fossil fuel–based CO_2 emissions while concurrently focusing on "reduction mix" technological innovation

As a major greenhouse gas emitter, the Sumitomo Osaka Cement Group recognizes that a comprehensive "reduction mix," mobilizing and combining all domestic and international measures through 2050, is essential for achieving carbon neutrality. The first step in undertaking this challenge is to maximize the use of existing technologies to reduce CO_2 emissions from fossil fuels in cement production, then to further refine and advance those methods to determine the full extent of our reduction capabilities.

As an interim target through fiscal 2030, we set the ambitious goals of achieving an 80% fossil energy substitution rate at four of the eight kilns across five plants, and an average substitution rate of 50% across all kilns. To achieve these targets, we have been steadily implementing carbon neutral investments over the five years covering fiscal 2020 to fiscal 2025 to expand the collection and use of alternative thermal energy waste. For the subsequent five years, we plan to undertake further capital investments. In parallel, we will accelerate our pursuit and implementation of carbon neutral technological innovation. Of those various technologies, we believe that carbon capture and utilization (CCU) technology is essential, as it recycles and utilizes CO_2 without incurring significant energy or capital costs for CO_2 separation, capture, and storage. We are conducting research on the use of CO_2 recycling artificial limestone—which is the result of research under the Green Innovation Fund project—as a raw material across a number of product sectors. Additionally, a pilot-scale manufacturing test facility for CO_2 recycling artificial limestone (annual production capacity: 270 tons) began operations in April 2025 within our Tochigi Plant site. Thus, we are steadily advancing toward the practical implementation of this new technology.

Revision of our SOCN2050 Carbon Neutral Vision and strategy amid major environmental changes

Japan has revised its Strategic Energy Plan and its Plan for Global Warming Countermeasures, and—in addition to the existing reduction targets for fiscal year 2030—the government has now set Nationally Determined Contributions (NDCs) aimed at reducing greenhouse gas (GHG) emissions by 60% and 73% from 2013 levels by fiscal years 2035 and 2040, respectively. The NDCs were submitted to the United Nations in February 2025. Additionally, the revised GX Promotion Act has announced the introduction of programs such as the CO_2 emissions trading scheme (GX-ETS) starting in fiscal 2026, the fossil fuel levy (fiscal 2028 onwards), and the auctioning of emissions allowances for the power generation sector (fiscal 2033 onwards). Blueprints for these programs are currently being drawn up.

Meanwhile, the Sumitomo Osaka Cement Group released its SOCN2050 in 2020, setting out our strategy for carbon neutrality in 2050, and it is now essential that we review that vision in light of these major policy changes. We also need to fully take stock of the ongoing decline in domestic cement demand, the Ministry of Land, Infrastructure, Transport and Tourism's clarification of its policy to promote low-carbon concrete, and changes in the international external environment in relation to energy and economic security.

We are currently in the process of formulating our FY2026–28 Medium-term Management Plan, in conjunction with which we are reevaluating our carbon neutral investments and accelerating the process of revising our 2050 Carbon Neutral Vision and strategy. These revisions are aimed at presenting an updated SOCN2050 that will incorporate new targets and KPIs aligned with our management plan. We plan to compile the information internally within the current fiscal year and are considering an early release in fiscal 2026.