

Integrated Report 2025

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

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 **SUMITOMO OSAKA CEMENT**



Monjuin Shiigaki (photo courtesy of Sumitomo Historical Archives)

Sumitomo Business Spirit

The origins of the Sumitomo Business Spirit can be traced back to around 1650, to the “Monjuin Shiigaki” (“The Aphorisms of Monjuin,” made up of five articles) bequeathed by our founder, Masatomo Sumitomo. His teachings have been passed down as the Sumitomo Group’s Business Spirit through the Company’s modern-day “Business Principles,” and these principles form the foundation of the Sumitomo Osaka Cement Group’s corporate philosophy.

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)

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 a means of enhancing our corporate value.
5. We will create safe and vibrant working environments where human rights are fully respected.
6. We will value and respect all employees.

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Reference Guidelines

- GRI Standards
- “Environmental Reporting Guidelines, 2018” from the Ministry of the Environment (Japan)
- “Guidance for Collaborative Value Creation 2.0” from the Ministry of Economy, Trade and Industry (Japan)

Reporting Scope

Reporting period: April 1, 2024 to March 31, 2025
Reporting entities: Sumitomo Osaka Cement Co., Ltd. and Group companies

Aiming to be a Company with a Strong Presence

A journey connecting the past, present, and future

For over 100 years, the Sumitomo Osaka Cement Group has contributed to the development of the social infrastructure through the stable supply of cement. Based on this history, as well as our technological capabilities, we have expanded our business into a wide range of fields, including Mineral Resources, Cement-Related Products, Optoelectronics, and Advanced Materials. In recent years, as part of our efforts to reduce environmental impact and to realize a recycling-oriented society, we have been focusing on next-generation technologies. We aspire to contribute to solving social issues, and to achieve further growth and increased corporate value as a company that supports the future.

Medium- to Long-Term Vision “SOC Vision 2035”

Our “SOC Vision 2035” depicts the ideal position of the Sumitomo Osaka Cement Group in 2035, under which “environmental solutions” is the key concept for each of our lines of business. In addition, by achieving ongoing growth through differentiation and our own unique style, we intend to become a “company with a strong presence” that is essential to society.

Working to Deliver Medium- to Long-Term Value Creation → P.14



Present-day initiatives that are building pathways to the future

Cement terminal in Australia comes onstream

As part of our growth strategy for our overseas cement business, we invested in a cement terminal in New South Wales, Australia, in collaboration with a local partner. The terminal came onstream in 2021. Australia is currently one of our main cement export destinations, and we will work to expand the handling volume and revenue of this cement terminal by entering into downstream businesses.



Sumitomo Osaka Cement Group Overview by Segment → P.26

Shuho Mine shipping berth extension

Shuho Mine possesses one of the highest-quality and most abundant limestone resources in Japan, and has maintained steady production and a reliable shipping system for many years. Currently, with the aim of strengthening our stable supply framework for limestone, we are in the process of building an extension to the shipping berth (ship docking facility) at Senzaki Port, with completion scheduled for fiscal 2025. This will enable us to achieve continuous dependable supply through more efficient shipping and logistics.



Strategy progress, achievements, and challenges → P.17
Sumitomo Osaka Cement Group Overview by Segment → P.26

Construction of a new electrostatic chuck manufacturing facility

Electrostatic chucks, a core product of our Advanced Materials business, is a key component of semiconductor manufacturing equipment that employs our unique nanotechnology. Full-scale production began in 1999 at our Ichikawa Plant. In anticipation of future market expansion, we are constructing a new manufacturing building at the Ichikawa Plant with the objective of commencing shipments in the first half of fiscal 2026, thereby increasing production capacity, while simultaneously promoting laborsaving initiatives and automation.



Strategy progress, achievements, and challenges → P.17
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History Timeline

1900-

- 1907 Founded as Iwaki Cement Co., Ltd.
- 1925 Merged with Hinode Cement Co., Ltd. (Current Hachinohe Cement Co., Ltd.)
- 1940 Merged with Fukoku Cement Co., Ltd. (Current Tochigi Plant)

- 1916 Founded as the Cement Division of Osaka Yogyo Co., Ltd.
- 1926 Established Osaka Yogyo Cement Co., Ltd.

1950-

- 1960 Merged with Kawasaki Cement Co., Ltd. (Current Gifu Plant)
- 1963 Company name changed to Sumitomo Cement Co., Ltd.
- 1966 Newly established Ako Plant
- 1991 Launch of the Advanced Materials business
- 1992 Launch of the Optoelectronics business

- 1961 Newly established Kochi Plant
- 1963 Company name changed to Osaka Cement Co., Ltd.

1994

Sumitomo Cement Co., Ltd. and Osaka Cement Co., Ltd. merge to form Sumitomo Osaka Cement Co., Ltd.

1995-

- 1997 Construction of a new plant for mass production of silicon carbide (SiC) products
- 2002 Completed the New Technology Research Laboratory, “Nano Tera Technology Center”
- 2009 Commenced operation of biomass power generation facilities (Tochigi Plant)
- 2010 Launch of the cement recycling business using soot and ash from incinerated waste (Ako Plant)
- 2012 Commenced processing of disaster waste from a wide area due to the Great East Japan Earthquake

2020-

- 2020 Announcement of our 2050 Carbon Neutral Vision “SOCN2050”
- 2023 Announcement of our Medium- to Long-term Vision for 2035, “SOC Vision 2035”

Acceptance of disaster waste from the Noto Peninsula earthquake

Since the Great East Japan Earthquake in 2011, the Sumitomo Osaka Cement Group has been actively engaged in accepting disaster waste. In the case of the 2024 Noto Peninsula earthquake, we took in wood debris generated by the disaster via marine transport and achieved 100% recycling by putting it to use as a cement raw material and a source of thermal energy. We will continue to contribute to the early recovery and reconstruction of disaster-stricken areas by accepting disaster waste.



Contributing to the Development of a Recycling-Based Society → P.64

Adopting AI solutions for cement shipping planning

Conventional cement shipping operations have been hampered by numerous constraints and adjustments, but we have successfully conducted a proof-of-concept study using ALGO ARTIS CORPORATION’s AI solution “Optium,” and we mean to fully implement AI-based shipping planning starting in April 2026. We will continue to contribute to the promotion of DX, cost reductions, and CO₂ emissions reduction, along with improving the efficiency and flexibility of shipping operations.



Completion of test facilities for manufacturing recycled CO₂ artificial limestone at our Tochigi Plant

In April 2025, the NEDO Green Innovation Fund project, “Recycled CO₂ Artificial Limestone Pilot-Scale Test Facility,” began operations on the grounds of the Tochigi Plant. With an annual production capacity of 270 tons, we are accumulating knowledge for the design of future full-scale plants. We will continue to make use of this facility to advance our technology and promote its implementation in society.



CCU Using CO₂ Recycling Artificial Limestone → P.54

Sumitomo Osaka Cement's two major businesses

The distinctive feature of our business is that it consists of two major pillars. Our Cement-related business encompasses cement and related areas that are essential for social infrastructure such as buildings, bridges, and roads, while our High-Performance Products business consists of semiconductors, optical communications, and other products that support an IoT/ICT-driven society. With “environmental solutions company” as our keywords, we will provide a range of solutions to society through diverse manufacturing and services.

Cement-Related Business



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.



Mineral Resources

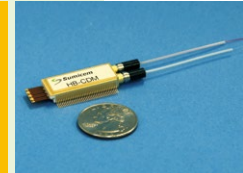
Leveraging one of the largest scales of high-quality and abundant limestone resources in Japan, Sumitomo Osaka Cement supplies limestone used as an industrial resource in a wide range of fields, including steelmaking, chemistry, and aggregate and cement resources.



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.

High-Performance Products Business



Optoelectronics

Taking advantage of cutting-edge optical communications technology, Sumitomo Osaka Cement is mainly involved in the development, manufacture and sale of lithium niobate (LN) modulators, which carry out the role of converting electrical signals to optical signals, a critical component for high-capacity optical communications systems.



Advanced Materials

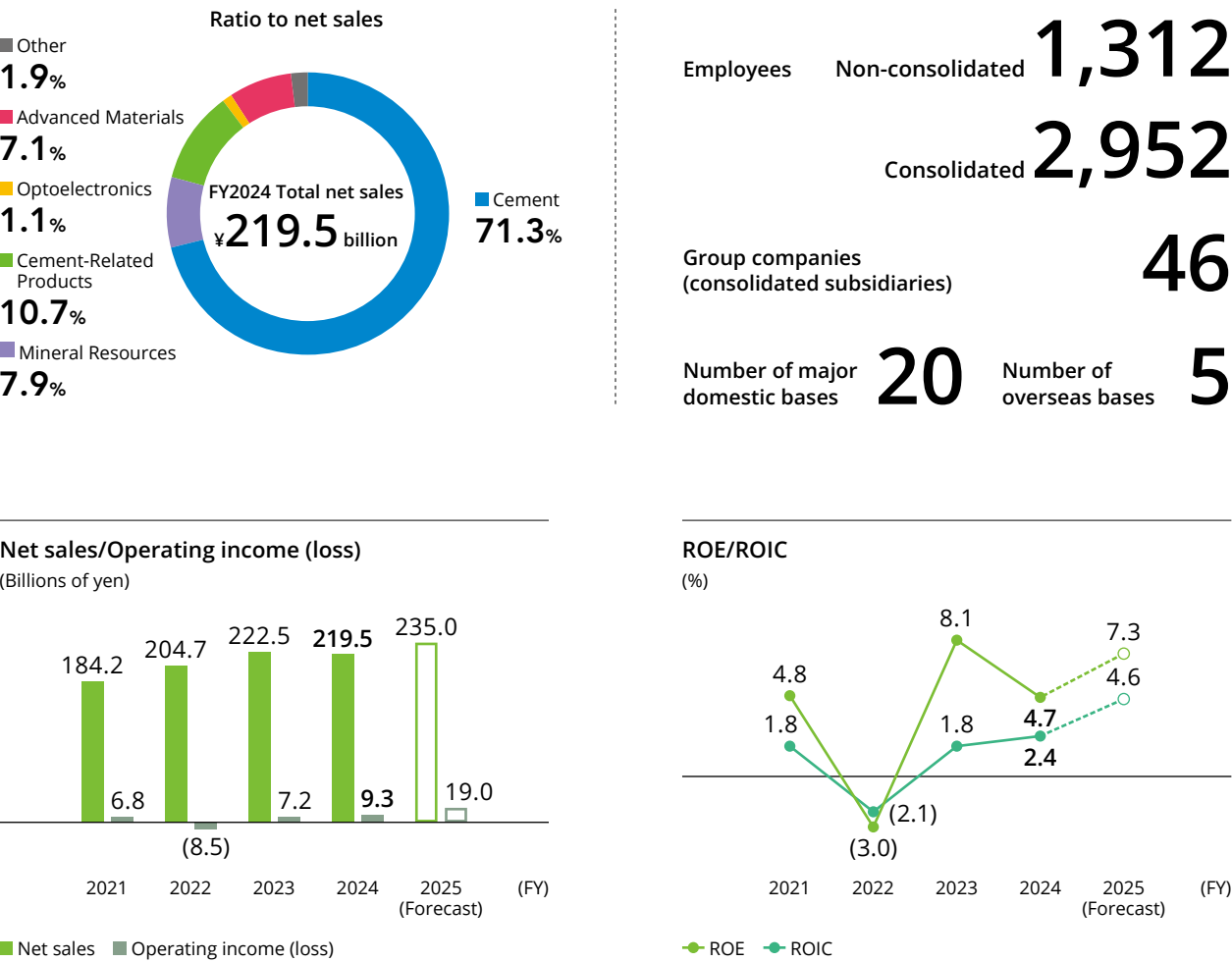
Leveraging skills in proprietary nanoparticle manufacturing technology, Sumitomo Osaka Cement pursues the development, manufacture, and sale of functional materials such as cosmetics materials, paints and coatings, and antibacterial agents. In addition, our ceramics that utilize special functional particles have been adopted for use in semiconductor manufacturing equipment and other applications.



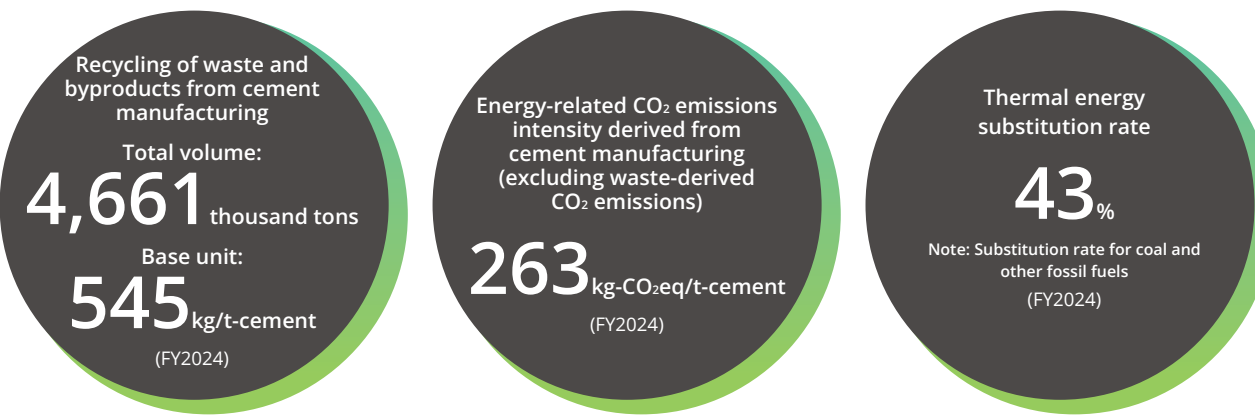
Other

Operations here include real estate leasing of Group-owned idle land and information processing services.

Performance Summary



Non-financial information summary



Value Creation Story

We will continue to pursue value creation that contributes to the sustainment and ongoing development of a prosperous society, building on the technology and trust cultivated since our founding, as we work to achieve our SOC Vision 2035.

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SOC Vision2035

Vision: To be a company with a strong presence

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.

Management Vision

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

Management Targets

	FY2023–25 Medium-term Management Plan Targets	FY2035 targets
Net sales	¥265.0 billion	¥400.0 billion
Operating income	¥21.4 billion	¥40.0 billion or more
ROE	8.0% or higher	10% or higher
ROIC	5.0% or higher	6.5% or higher

Management Strategy

Overview of the FY2023–25 Medium-term Management Plan

Improve profitability of existing businesses and build a foundation for growth

Message from the President

We are formulating a medium-term management plan for fiscal 2026–28, with the second step of “SOC Vision 2035” being “implementation of business portfolio reform.”

Achievements and challenges of the current medium-term management plan, and its relevance to the fiscal 2026–28 medium-term management plan

Under our FY2023–25 Medium-term Management Plan (“current medium-term plan”), we are focusing on “improving profitability of existing businesses” and “building foundations for growth” as the strategic pillars that serve as the first step toward achieving our SOC Vision 2035. In the Cement business, sales prices were raised, while in the Advanced Materials business, demand for electrostatic chucks is also recovering.

At this time, we expect to face difficulties in achieving the targets of consolidated net sales of ¥265 billion, operating income of ¥21.4 billion, ROE of 8.0% or more, and ROIC of 5.0% or more in fiscal 2025, the final year of our current medium-term management plan. However, in the Cement business, we will continue to proactively negotiate sales price increases with our customers in

order to reap the benefits of price hikes as quickly as possible, and will also work to maximize the results of our carbon neutral investments. We are determined to see these efforts through to completion.

In addition, measures that will form the foundation of the FY2026–28 Medium-term Management Plan (“next medium-term plan”) are also underway, including the construction of a new electrostatic chuck manufacturing building to accommodate future sales expansion. Thus, we are steadily laying the foundations for transforming our business portfolio, with which we aim to achieve a 50:50 sales ratio between the Cement business and other businesses by fiscal 2035, and to expand net sales to ¥400 billion and operating income to ¥40 billion or more.

Taking on the challenge of the second step toward realizing SOC Vision 2035

Our next medium-term plan, which constitutes the second step toward realizing our SOC Vision 2035, will feature the slogan “implementation of business portfolio reform,” based on the goal of stabilizing income in the Cement business. We believe we are now at the stage where we can embark on portfolio transformation by expanding growth areas and making preparations to commercialize the fruits of our research.

Notably, the Sustainability Department and the Cement/Concrete Research Laboratory have been spearheading our carbon business, which focuses on CO₂ recycling artificial limestone. The seeds of this new business were planted during the current medium-term management plan, and those seeds are now beginning

to sprout. Going forward, our individual sales departments and plants will unite to fully implement this company-wide initiative to commercialize the business.

Alongside this, we will concentrate on further expanding our Australian cement business and developing new overseas businesses, as well as explore new businesses in the environmental (recycling of waste and byproducts) and building materials fields. To accomplish this, we are encouraging our young employees to brainstorm new ideas and, since support from superiors is also vital, we are working to create a corporate culture that is conducive to this.

Regarding shareholder returns, under the business outlook we announced in May 2025, we project

Hirotsune Morohashi

President, Representative Director

Message from the CEO



Message from the CEO

that—including the share buyback in fiscal 2025—the total payout ratio during the current medium-term management plan will be 57% on average over the three years, which is on track to achieve our target of 50% or

“SOCN2050”: Undertaking the challenge of technological innovation toward carbon neutrality by 2050

In 2020, we launched SOCN2050, the vision of our path to carbon neutrality. This sets a target of increasing our fossil fuel substitution rate, primarily for coal, to more than 50% by 2030, and we are steadily implementing a range of initiatives to achieve that goal. That said, more than four years have elapsed since we formulated that vision, and the external environment has changed significantly, with the government announcing new emissions reduction targets (Nationally Determined Contributions, or NDCs) in December 2024, and an emissions trading scheme (GX-ETS) to be launched in fiscal 2026. As such, we are currently reassessing our vision. We will carefully examine and reflect our future carbon neutral investment plans in the formulation of our next medium-term management plan.

The cement industry is known as one that faces particular challenges in terms of reducing emissions, since approximately 60% of CO₂ emissions come from the process of decarbonating limestone, the main raw material. It is for that very reason that I believe tackling this issue head-on is our primary mission as an “environmental solutions company.” To reduce these process-related CO₂ emissions, we aim to harness as much CO₂ as possible through carbon capture and utilization (CCU). To that end, we are conducting production tests on artificial limestone made from recycled CO₂, which is

more. We will also carefully consider our shareholder return policy for the next medium-term plan, taking into account our income levels and investment plans.

the result of research into carbonate generation in a project that has been adopted by the NEDO Green Innovation Fund, and we have initiated research and development into its use in various applications. In April 2025, we constructed a manufacturing and testing facility at our Tochigi Plant (Sano City, Tochigi Prefecture) with an annual production capacity of 270 tons, a tenfold increase from our existing manufacturing and testing facility (Taisho Ward, Osaka City). Through collaboration with other industries, it has now become clear that CO₂ recycling artificial limestone has potential uses in a whole sweep of product areas.

Since the majority of the CO₂ emissions in cement production occur during the process of burning clinker (an intermediate product), reducing the clinker ratio in cement and replacing it with other materials is one effective method of reducing emissions. The revisions to the JIS (Japanese Industrial Standards), which the Japan Cement Association, in particular, has been pushing for, are expected to establish new standards within fiscal year 2025 that will align with the revised limit for minor mixed ingredients—such as limestone in ordinary Portland cement—which will be raised from 5% to 10%. We are working to build a production system that aligns with these new standards. In addition, the individual regional development bureaus of Japan’s Ministry of Land, Infrastructure, Transport and Tourism are promoting construction using low-carbon concrete blocks that utilize at least 55% slag and other materials, and we believe that this trend will continue to accelerate. We are conducting feasibility studies on strengthening our mixed cement production system.

We will also pursue a number of approaches to decarbonization, including innovative technologies such as carbon capture and storage (CCS), and aim to achieve an optimal reduction mix through various CCU measures.

Collaboration and integrated management with Group companies

To realize our vision as a Group, it is essential that each Group company grows and fulfills its role. Each

company has achieved steady results thus far, and going forward we will continue to work together in tandem to achieve even higher growth targets.

In promoting Group management integration, it is important to balance the establishment of a governance

system with respect for the autonomy of each company. Under a shared management philosophy, we will support flexible and speedy management while leveraging each other’s strengths.

The evolution of people and organizations will shape the future

The most vital asset in realizing our vision is our human resources. We continue to invest in employee growth and to raise salary levels. Over and above that, grounded in our firm belief that the growth of each individual employee is directly linked to the growth of the company, we are promoting organizational change through the reform of personnel systems, the strengthening of training mechanisms, the recruitment of external talent, and the expansion of autonomous human resources, under the keywords “change and challenge,”

“teamwork,” and “professionalism.”

Having taken into account the issues that emerged from the employee engagement survey conducted in 2024, we are currently revising our personnel system to enable our employees to feel secure and to fully utilize their abilities. We will also modify our personnel evaluation system to one that actively supports and commends employees who take the initiative in thinking and acting autonomously.

Strengthening governance: The framework that supports change

Robust governance is essential for ongoing transformation. Our Nomination and Remuneration Committee held numerous discussions over the course of 2024, and has redefined and clarified the requisite skills in the skills matrix of directors in order for the Board of Directors to more productively achieve our SOC Vision 2035, our medium-term management plan, and SOCN2050. Each director will reaffirm their mission, which will form the basis for future succession planning. In this context, we have revised our directors’ remuneration system to ensure that performance and contributions to medium-to long-term growth are reflected in their remuneration, thereby creating a system that commits directors more thoroughly to the growth of the Group.

In the evaluation of the effectiveness of the Board of Directors conducted for all directors and Audit & Supervisory Board members from March to May 2025, the need to strengthen collaboration with experts well versed in the High-Performance Products business was identified as a notable issue. We believe that obtaining advice and opinions from external experts will help us respond to rapid changes in the market environment and to prevail over the competition, and we will therefore work to enhance this process. There is also demand for an increase in the number of outside directors and female executives, and we will continue to give careful consideration to these issues for the future.

To our stakeholders: Building the future that lies beyond reform

Fiscal 2025 is the final year of our current medium-term management plan, and marks an important milestone as we transition to the next medium-term plan. First of all, we will concentrate on increasing income toward meeting the targets set out in the current medium-term plan, thus building momentum for our next medium-term plan. Furthermore, to steadily implement “business portfolio reform” in the next medium-term management plan, we will formulate goals and action plans that all Group employees can share as their own.

It is often said that “your results are proportional to the ideals you have set for yourself.” I believe that the

stronger your passion, the more likely you are to achieve your goals. Despite ongoing changes in the business environment, such as shrinking domestic cement demand, accelerating decarbonization, and advanced information technology, we will continue to make course corrections and move forward as a Group toward our ultimate goal of SOC Vision 2035.

We look forward to your continued support and contribution to our Group’s future. Thank you.



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.



► Intensifying natural disasters

► Aging social infrastructure

► Creating a recycling-based society

► Building an IoT/ICT-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*1	¥353.0 billion
Net assets*1	¥193.7 billion
Equity ratio*1	54.1%

Manufacturing capital	
Cement production volume*2	8,553,000 tons
Clinker production volume*2	7,339,000 tons
Cement plants	Six plants
(Four plants owned by the Company, plus Hachinohe Cement Co., Ltd. and Wakayama Slag Cement Co., Ltd.)	

Human capital	
Employees (Non-Consolidated)*1	1,312
Employees (Consolidated)*1	2,952

Intellectual capital	
Number of patents held*1	1,944
R&D expenses (Consolidated)*2	¥3.6 billion

Social capital	
Logistics network comprising 58 service stations and 21 cement tankers and trucks under our control*1	

Natural capital	
Owned mines	Eight mines
Volume of waste and byproducts received*2	4,661,000 tons

*1 As of March 31, 2025
*2 Fiscal year 2024

FY2023–25 Medium-term Management Plan

OUTPUT

Improving profitability of existing businesses

- Recovery of profitability in the Cement business
- Improve profitability by gaining market share for next-generation optical communications components

Building foundations for growth

- Expand scale and strengthen profitability by concentrating resources on the electronics materials business for semiconductor manufacturing equipment
- Overseas business expansion (Australian business)
- New business development in the decarbonization field

Business Activities

Cement Business

- Recovery of profitability, foundation building, and promotion of decarbonization

Mineral Resources Business

- Business expansion through investment in increased production
- Securing resources for business sustainability

Cement-Related Products Business

- Environment-friendly product development and response to new needs
- Entry into urban construction and civil engineering work

Optoelectronics Business

- Gain market share of LN modulators (1.2T/1.6T)
- Create contract manufacturing model in the non-communication area

Note: 1.2T (Tbps): 1.2 trillion bits of data transfer per second

Advanced Materials Business

- Business expansion by concentrating resources on the electrostatic chuck business
- Expansion of products other than electrostatic chucks, including zinc oxide for cosmetics, functional paints, etc.

Strengths	Stable supply system Efficient operations and logistics platform Rich mineral content and high-purity limestone	Technologies and competitive edge Cement, concrete, and technology related to optoelectronics and advanced materials Competitive patent portfolios
	Human talent Sumitomo Business Spirit Human resources with a high level of expertise	Financial indicators Stable financial position

Foundation to Support Value Creation

- Contribute to the sustainment and ongoing development of a prosperous society
- Care for the global environment
- Contribute to the development of a recycling-based society
- Develop and utilize human resources
- Enhance governance
- 2050 Carbon Neutral Vision “SOCN2050”

SOC Vision2035

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 businesses in the decarbonization field our new business pillars.

Working to Deliver Medium- to Long-Term Value Creation

In anticipation of future changes in the business environment, further progress toward a decarbonized society, and growth in the semiconductor market, the Sumitomo Osaka Cement Group formulated its Medium- to Long-term Vision, "SOC Vision 2035." The first step toward that vision, our FY2023–25 Medium-term Management Plan, is now in its final year. In this context, we are steadily implementing initiatives to usher in our next medium-term plan, FY2026–28 Medium-term Management Plan, with a view to achieving SOC Vision 2035.

Roadmap to SOC Vision 2035

FY2023–25

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 the Australian business
- Advanced Materials business** — Preparation for Growth
- Invest in expansion of electrostatic chuck (ESC) production capacity
- New businesses** — Sowing the Seeds for Commercialization
- Promote multiple R&D projects that will be the foundation of a new carbon business

FY2026–28

Implementation of business portfolio 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 businesses** — Preparation for the Commercialization of Research Results
- Commence investments to realize the new carbon business

FY2029–31

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 ESCs
 - Bring to fruition new research fields such as photocatalysts for artificial photosynthesis
- New businesses** — 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 Vision2035

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

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Business portfolio reform

Cement business	50%
Non-cement businesses	50%
(based on net sales)	

Investment Policy

We will invest approximately ¥500 billion in carbon neutral (CN) investment and growth investment during the period from FY2023 to FY2035 with the goal 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.

Our vision for each business line

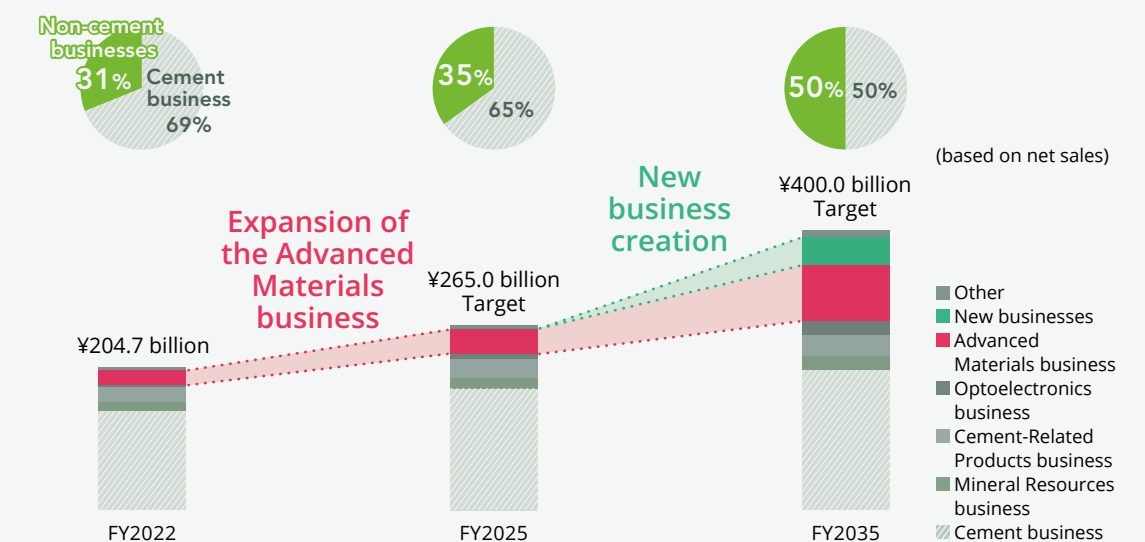
As a "company with a strong presence," Sumitomo Osaka Cement aspires to be an "environmental solutions company" that creatively addresses various social and environmental issues in each of its lines of business through business activities that center on the keyword "environment."



	SOC's unique features	Features of SOC's environmental solutions
Cement	Securing stable revenue, strengthening marine transport capabilities, and taking the lead in decarbonization initiatives	Practical application of low-carbon cement
Mineral Resources	Expanding the scale of mining resources, increasing value-added, and securing resources while taking the environment into consideration	Environment-friendly mining operations through greening
Optoelectronics	Enhancing the functionality of lithium niobate (LN) material device technology	Provision of low-power consumption products
Advanced Materials	Functional materials and devices using nanoparticle synthesis, as well as dispersion and microfabrication technologies	Contribution to low-power consumption semiconductor manufacturing
Cement-Related Products	ICT-based construction techniques, environment-friendly products	Reduction of environmental impact through labor-saving and manpower-saving construction methods
New businesses	Carbon business	CO ₂ and waste recycling

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.



Overview of the FY2023–25 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 our current medium-term management plan.

Improving profitability of existing businesses	● Recovery of profitability in the Cement business ● Improve profitability by gaining market share in next-generation optical communications components
Building foundations for growth	● Expand scale and strengthen profitability by concentrating resources on the electronics materials business for semiconductor manufacturing equipment ● Overseas business expansion (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 businesses in the Optoelectronics business and the 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

Overview of fiscal 2024

In fiscal 2024, our Cement business returned to profitability thanks to full-year contributions from price increases, but overall operating income came to just ¥9.4 billion, attributable to factors such as the delayed recovery in sales of electrostatic chucks in our Advanced Materials business.

Outlook for fiscal 2025

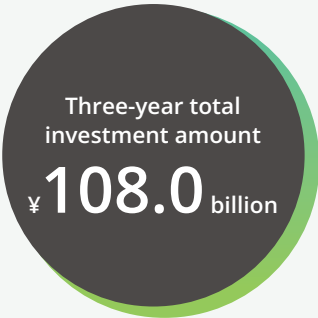
The foundation for the next medium-term management plan is taking shape through developments such as further price increases in the Cement business, a recovery in sales of electrostatic chucks in the Advanced Materials business from the second half of fiscal 2025, and production capacity expansion in response to ongoing sales growth.

Management targets	FY2024 results	Fiscal 2025 outlook	Final-year goals of the Medium-term Management Plan*	SOC Vision 2035 targets
Net sales	¥219.5 billion	¥235.0 billion	¥265.0 billion	¥400.0 billion
Operating income	¥9.4 billion	¥19.0 billion	¥21.4 billion	¥40.0 billion or more
ROE	4.7%	7.3%	8.0% or higher	10% or higher
ROIC	2.4%	4.6%	5.0% or higher	6.5% or higher

* FY2023–25 Medium-term Management Plan

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	● 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



Strategy progress, achievements, and challenges

In the strategic framework of our FY2023–25 Medium-term Management Plan, we anticipate progress and achievements in each of our businesses in terms of improving existing business profitability and building a foundation for growth. Notably, we expect to achieve our targets in the Cement business by securing fair prices. To strengthen our management foundation, we are promoting human resources and digital transformation strategies that will support our business. In the Optoelectronics business, we are currently facing challenges in launching sales of next-generation LN modulators and achieving mass production, but we will continue to work toward accomplishing these goals as quickly as possible.

Strategic framework of the FY2023–25 Medium-term Management Plan		Progress and achievements
Improving Profitability of Existing Businesses	Cement business	● Securing fair prices ● Expanding the use of fossil fuel alternatives ● Acquiring and securing new customers for limestone sales
	Mineral Resources business	
Building Foundations for Growth	Cement-Related Products business	● Start of construction of the Shuho Mine shipping berth extension ① ● Expanding the concrete repair and reinforcement materials business
	Advanced Materials business	● Start of construction of the new manufacturing building for electrostatic chucks ② ● Product development using artificial limestone (adopted at EXPO 2025 Osaka, Kansai, Japan)
	New businesses	
Strengthen Management Foundation	Human resources strategy DX strategy	● Drawing up a basic human resources policy, examining potential personnel system revisions, and strengthening recruitment and training ● Development of a system to optimize shipping logistics through the use of AI ③
Challenges	Optoelectronics business	● Launch of next-generation LN modulator sales and configuration of mass production framework

① Start of construction of the Shuho Mine shipping berth extension



Extension work on the shipping berth at Senzaki Port (Nagato City, Yamaguchi Prefecture)

② Start of construction of the new manufacturing building for electrostatic chucks



New electrostatic chucks manufacturing building under construction (Ichikawa City, Chiba Prefecture)

③ DX Strategy

In April 2025, we established a new Digital Advancement Department to promote digital transformation (DX) and to strengthen cybersecurity, with the objective of enhancing our corporate value through business transformation and the creation of new businesses.

This department will advance the formulation of DX strategies and support for individual business divisions with a view to obtaining DX certification as defined by the Ministry of Economy, Trade and Industry. Concurrently, we will work to improve productivity and to strengthen employee engagement through fundamental reforms of our operations, organization, and processes.

In addition, we will focus on the systematic development of DX and cybersecurity personnel as a foundation for accelerating DX and augmenting cybersecurity systems.

Furthermore, with a view to ensuring reliability throughout our supply chain, we will work to build cybersecurity, auditing, and diagnostic systems directed at earning greater trust from our stakeholders and enhancing our sustainable corporate value.

We will build a foundation for growth by investing steadily and by returning profits to shareholders, using the cash generated through expanded earnings and the reduction of cross-shareholdings.



Masaki Sekimoto

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

FY2024 Performance and Outlook for the Final Year of Our Medium-term Management Plan

In fiscal 2024, the Cement business experienced a decline in sales volume precipitated by lower domestic demand, but we made further improvements in profitability thanks largely to the ongoing benefits of higher selling prices and lower energy prices since fiscal 2023, resulting in an increase in consolidated operating income in fiscal 2024, compared with the previous fiscal year. In consequence, the Cement business achieved profitability for the first time since fiscal 2020.

In terms of cash flow, our sustained proactive sale of cross-shareholdings, in combination with our recovery in business performance, resulted in a positive free cash flow. Furthermore, although our interest-bearing debt has increased since fiscal 2023 as we make necessary investments, our debt-to-equity ratio is

below 0.5, and we are working to ensure financial stability while continuing to pay stable dividends.

Fiscal 2025 is the final year of our current Medium-term Management Plan. However, owing to the decline in domestic demand in the Cement business and a delayed recovery in sales of electrostatic chucks in the Advanced Materials business, we expect a need to make further gains on our income targets and indicators (ROE and ROIC). The foundation for our next Medium-term Management Plan is taking shape, and we will meanwhile continue to work toward the current plan's final-year goals by securing the early realization of the benefits of the new price increases in the Cement business, expanding the use of fossil fuel alternatives, and further boosting earnings in the Advanced Materials business.

Capital Allocation

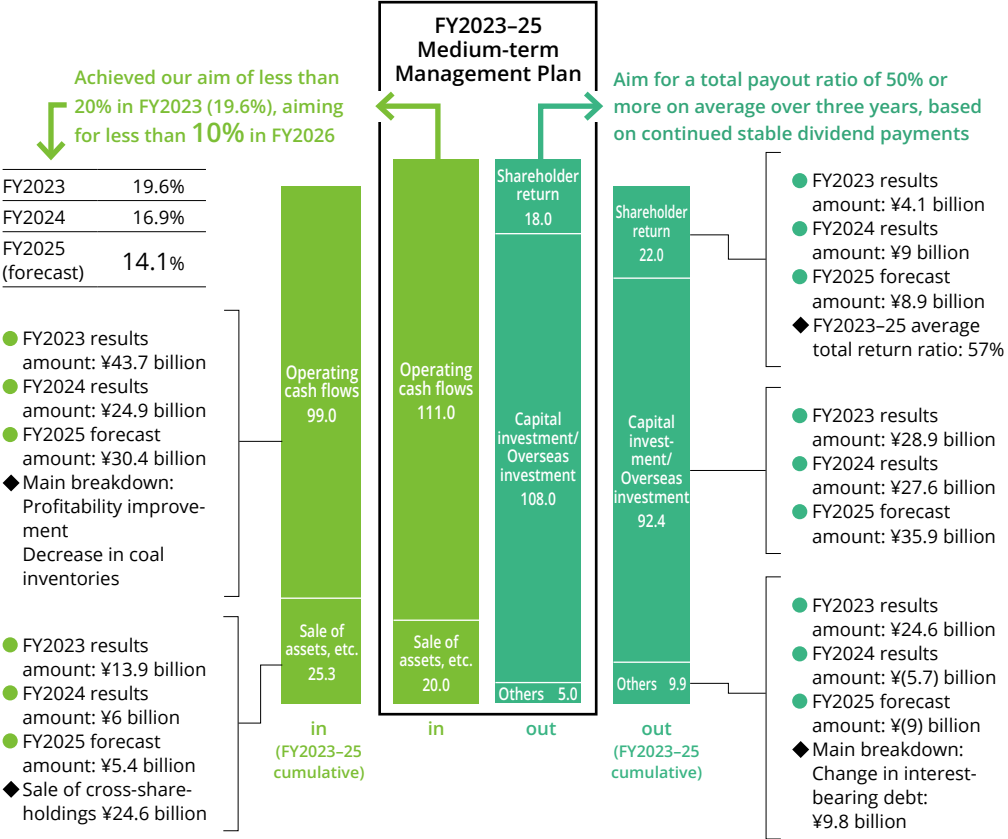
The financial policy of our FY2023–25 Medium-term Management Plan is to maximize income through business expansion and asset reduction, and to allocate the cash acquired in a balanced manner to investments for sustainable growth and shareholder returns. The status of our progress is as follows.

Operating cash flows were stable in fiscal 2024, thanks mainly to improved earnings in the Cement business. In fiscal 2025, we will continue

our efforts to generate cash flow by working to enhance profitability while taking steps to reduce inventories and improve the cash conversion cycle.

In terms of asset sales, we made steady progress toward our target for reducing cross-shareholdings, with ¥5.8 billion sold in fiscal 2024, for a cumulative total of ¥19.7 billion for the two-year period from fiscal 2023. Our ratio of cross-shareholdings to net assets was 19.6% at fiscal

Capital Allocation
(Billions of yen)



2023 year-end, thus achieving the primary target of less than 20%, and we further reduced the ratio to 16.9% at fiscal 2024 year-end. In fiscal 2025, we will also continue to exceed our initial targets for selling off cross-shareholdings, and will persist in our efforts to reduce our ratio of cross-shareholdings to net assets to less than 10%, which is our next target. For the period of the FY2023–25 Medium-term Management Plan,

cash provided by operating activities, in combination with our sale of assets, is expected to generate cash inflows of ¥124.3 billion.

Although some investment timelines have been revised in light of the business environment and other factors, we are proceeding as planned with maintenance and renewal investments, high-yield carbon-neutral investments, and growth investments.

Shareholder Returns

Under our FY2023–25 Medium-term Management Plan, our basic policy on shareholder returns is to provide stable dividends, while also implementing flexible share buybacks to return income to shareholders. On that basis, we aim for a three-year average total return ratio of at least 50%.

Regarding dividends, we paid a stable annual dividend of ¥120 per share in both fiscal 2023 and fiscal 2024, and we expect to pay an annual divi-

dend of ¥120 yen per share in fiscal 2025 as well.

We also repurchased ¥5 billion of our own stock in fiscal 2024, and have announced that we will also implement ¥5 billion in share buybacks in fiscal 2025.

This will result in total shareholder returns over the three-year period of ¥22 billion, while our three-year average total return ratio is expected to be 57%, compared with our target of at least 50%.

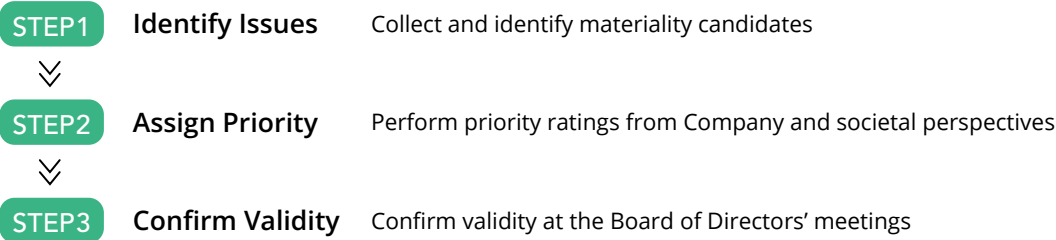
Materiality

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.

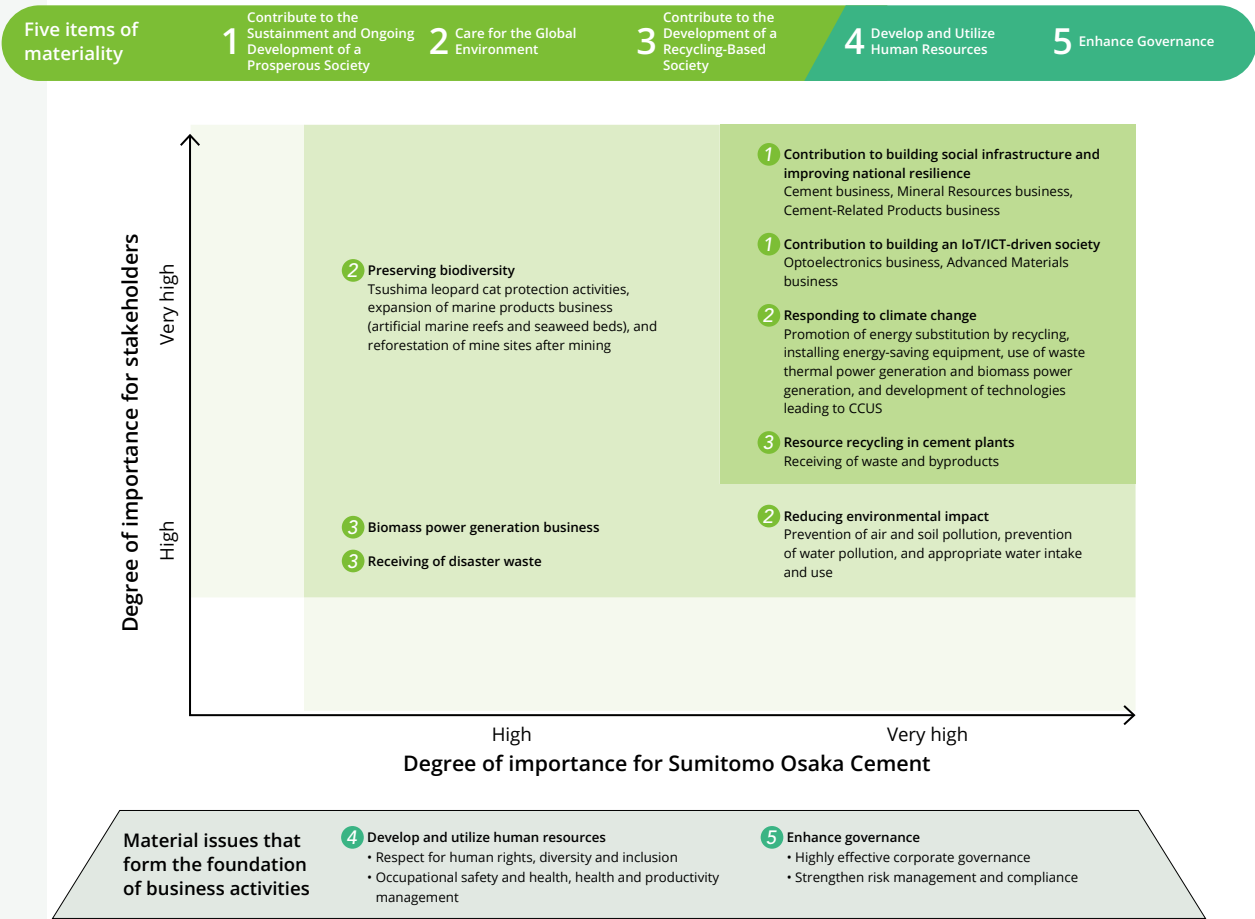
The materiality initiatives help balance the growth of the Group with solutions for social issues, and form a foundation for our medium- to long-term management strategies.

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.



Materiality matrix



Materiality of the Sumitomo Osaka Cement Group



1	Contribute to the Sustainment and Ongoing Development of a Prosperous Society	▶ 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	▶ 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	▶ Resource recycling in cement plants Receiving of waste and byproducts ▶ Receiving of disaster waste ▶ Biomass power generation business
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

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.

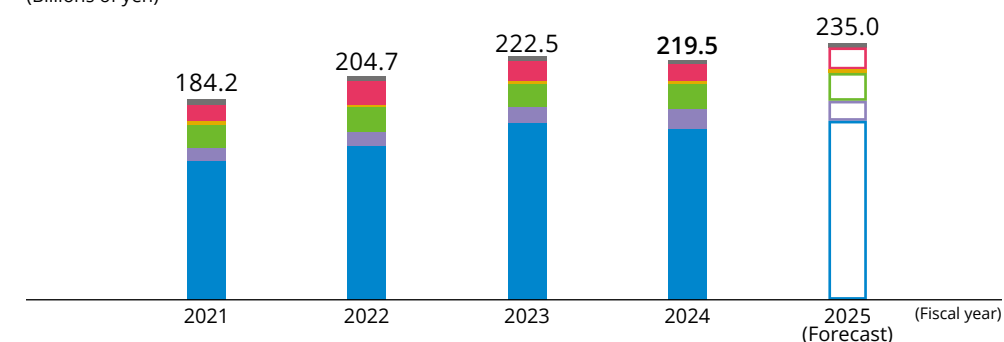
	Materiality	Risks	Opportunities	The Company's response (FY2024)
Contribute to the Sustainment and Ongoing Development of a Prosperous Society	Contribution to building social infrastructure and improving national resilience	Contraction of domestic cement market	Increase in renewal demand due to aging of existing infrastructure	- Carry out business portfolio reform - Secure and maintain fair cement prices - Expand the Australian Cement business
	Contribution to building an IoT/ ICT-driven society	- 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)	- 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)	- 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	In the event that the appropriate response is not taken: - Air pollution and water pollution arises in the environment near the plants - Reputational damage	- Preserve the environment in the vicinity of cement plants - Continued operation of plants	- 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	Transition risks - 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. Physical risks - Impact of accidents at cement plants, etc.	Transition opportunities - 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. Physical opportunities - Increase in demand for infrastructure due to measures for national resilience, and increase in the maintenance, renewal, and repair of concrete, etc.	- 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	Reputational damage if appropriate response is not taken	- Increase in demand for marine products due to heightened social interest - Gain social trust	- 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	Intensified competition in waste collection associated with the shift from fossil energy to thermal energy-related waste	Increased acceptance of diverse waste materials due to the enhancement of recycling facilities	- 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	Shutdown of cement plants due to large-scale disasters	- Prompt acceptance of disaster waste - Assisting with early recovery by supplying cement and cement-related products	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	Intensified competition of biomass fuel collection associated with the shift from fossil energy to thermal energy-related waste	Expansion of new biomass fuel use	Enhance facilities using new biomass fuel
Develop and Utilize Human Resources	Respect for human rights, diversity and inclusion	In the event that the appropriate response is not taken: - 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	- 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	- 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	In the event that the appropriate response is not taken: - Outflow of human resources, recruitment difficulty - Lower labor productivity caused by illness and injury, increase in health-related costs - Increase in work-related accidents	- 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)	- 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	Decline in corporate value due to the decline in the effectiveness of the governance system, reputational damage	Improve corporate value by building a highly effective governance system, gain social trust	- Review directors' remuneration system - Review the skills matrix for directors - Stimulate discussion at Nomination and Remuneration Committee meetings
	Strengthen risk management and compliance	- Reputational damage due to violation of laws and/or regulations, and to compliance breaches - Business continuity risks	- Gain social trust by observing laws and regulations, and by being compliant - Sustained continuation of business	- 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

Value Creation Strategy

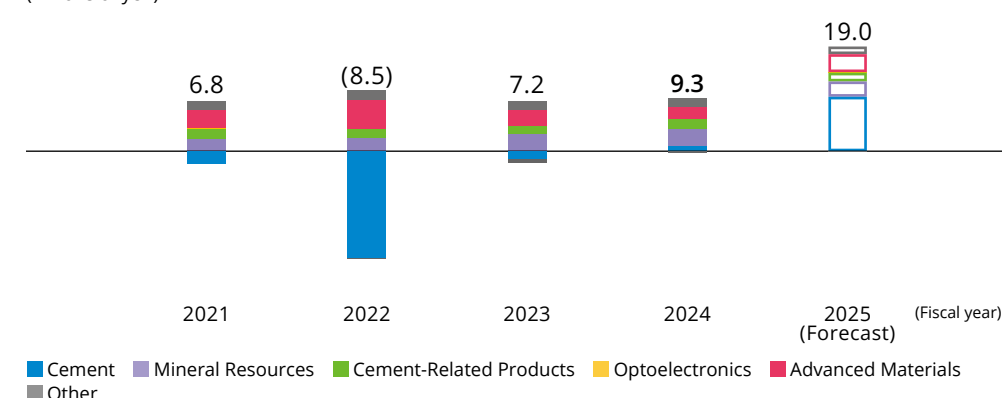
We are steadily implementing our individual business strategies in order to accomplish our “SOC Vision 2035,” while also focusing on strengthening the human resources, research, and intellectual property strategies that support our business.

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- 45 Intellectual Property

Net sales by business segment
(Billions of yen)



Operating income (loss) by business segment
(Billions of yen)



Human Resources Strategy

To help accomplish our SOC Vision 2035, we are investing in talent who will support our business growth, as well as implementing new human resources strategies.

R&D

Based on our fundamental philosophy of continually developing original technologies, we are pursuing research and development across a wide range of areas, from existing to new businesses.

Intellectual Property

We will implement intellectual property activities in line with our business strategy to enhance corporate value over the medium to long term.

Sumitomo Osaka Cement Group Overview by Segment



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 - Plant locations adjacent to major economic zones that contribute to the circular economy - High level of waste and byproduct usage - High thermal energy substitution rate - High biomass ratio for in-house thermal energy generation (Tochigi and Kochi) - Unified management of all marine transportation (SOC Logistics Co., Ltd.)
Opportunities	- Demand for national resilience, defense-related construction, and social infrastructure renewal - Demand for disaster prevention and mitigation, and large-scale construction projects - Expanding demand in a number of countries in Asia and Oceania - Expansion of the circular economy and growing interest both domestically and internationally

Cement business (production, facilities, environment)

Outlook for the final year of the medium-term management plan and prospects for SOC Vision 2035

In line with our Medium- to Long-term Vision, SOC Vision 2035, which takes on the challenge of phasing out coal, we are actively investing in facilities to achieve the 2030 targets set out in our SOCN2050 CO₂ emissions reduction plan.

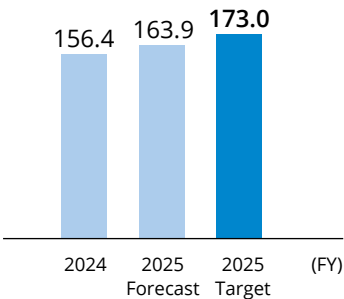
In 2024, we installed large-scale waste plastic preprocessing and feed-in equipment at our Aiko and Kochi plants, and started collecting waste from across a wide area, including the Kanto region. We also fortified safety measures and processing capacity for waste oil tanks at all our plants, making it possible for us to handle a variety of waste oils, including the increasing amount of waste oil from the semiconductor industry. In addition, taking advantage of the convenience of our cement plant's proximity to urban areas, we will steadily increase our use of waste clay (oil-contaminated sludge), which we have been collecting at a rate higher than that of other companies.

2030 targets	- Reduce CO₂ emissions from fossil fuels by 30% (compared with fiscal 2005 levels) - Achieve a fossil fuel substitution rate of 50% or more on average across all five plants and eight kilns
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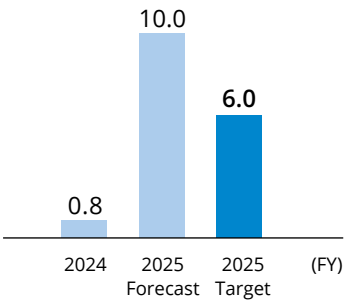
The increased use of waste affects dust emissions from chimneys and chlorine concentrations in products, but we are taking measures to reduce these through installing bag filters for kiln exhaust gas and expanding our chlorine reduction equipment. The conversion to bag filters is scheduled to be completed at Kiln No. 1 at the Gifu Plant in fiscal 2025, bringing the total number of bag filters installed to five of the eight kilns.

Meanwhile, the Company is working to fulfill its mission to be an "environmental solutions company." One example of this is the widespread use of general waste incineration ash generated by local municipalities in the Kanto region. Extending the life of final waste disposal sites and securing new ones are pressing issues for local governments in the Kanto region. In 2023, we established a wide-area, large-scale utilization system in which waste is preprocessed at our Ichikawa Works and transported by ship

Net sales
(Billions of yen)



Operating income
(Billions of yen)



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



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



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

to our Kochi Plant for conversion into cement raw materials. Prompt acceptance of disaster waste at our plants enables early recovery and reconstruction of disaster-stricken areas. In fiscal 2025, we are accepting wood chips from houses demolished due to the Noto Peninsula earthquake and the heavy rainfall in the same region in 2024. We have signed cooperation agreements with several local municipalities, including those where our plants are located, with the aim of facilitating the smooth disposal of disaster waste. Going forward, we will continue to work closely with individual local governments to help address their challenges and to contribute to local communities in various ways, with the goal of becoming a trusted environmental solutions company.

Cement business (sales, logistics)

Outlook for the final year of the medium-term management plan and prospects for SOC Vision 2035

The environment in which our Cement business operates remains extremely challenging in terms of domestic demand, compounded by chronic labor shortages in the construction and logistics industries, plus delays and longer construction times resulting from the expansion of the two-day weekend system as part of work style reforms. However, we believe there will be solid demand in the medium to long term for projects such as national resilience measures, defense-related construction, and social infrastructure renewal.

Against this backdrop, our company will persist with negotiations to revise sales prices, and to preserve and secure appropriate prices, in order to restore profitability, as outlined in our FY2023–25 Mid-term Management Plan. At the same time, we will establish an optimal transportation system by maintaining and updating logistics facilities, securing transportation personnel, introducing AI into cement ship allocation plans, and strengthening logistics collaboration with industry peers, and will maintain our domestic sales share by continuing to provide stable supply to our users.

In addition, as part of the second step of SOC Vision 2035, we will promote our business portfolio reform in the FY2026–28 Medium-term Management Plan, including through the manufacture and sale of carbon-neutral mixed cement. We will also work to boost income by reinforcing our internal sales structure, and by expanding transportation outside the Group in logistics operations.

Cement business (international)

Outlook for the final year of the medium-term management plan and prospects for SOC Vision 2035

The cement terminal in Sydney, Australia, in which we have invested, is now running smoothly. Going forward, we plan to leverage the terminal to build a vertically integrated business model that also encompasses downstream operations, with the goal of entering into the cement and ready-mixed concrete business in Sydney.

Our investment in a cement plant in Yunnan Province, China, is facing challenges due to an ongoing decline in government public investment and a sluggish real estate market, but local efforts have nevertheless ensured profitability.

Besides these existing investment projects, we are currently examining potential projects with a view to acquiring new investment opportunities in the Asia-Oceania region. There are also a number of promising projects with good prospects for early commercialization, and we will continue to proactively engage in them.

In parallel, owing to sluggish domestic demand, our cement export volumes are expected to continue to increase in the future. Based on the trust we have built up with our business partners over many years, we are working to develop products exclusively for export, including mixed cement, with the aim of securing volume and improving profitability. We will also press on with developing a framework that enables flexible response, while keeping the balance with domestic production systems in mind.



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
- Synergies with cement plants (operations, processing of byproducts)

Opportunities

- Growing number of inquiries from neighboring Asian countries
- Rising demand for limestone aggregates
- Promotion of new technologies such as AI and DX

Outlook for the final year of the medium-term management plan and prospects for 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 for use as raw materials in steelmaking and chemicals, as well as aggregates and powders, to external parties.

At the main Shuho Mine (Mine City, Yamaguchi Prefecture) we are making full use of the advantages conferred by the location and the quality of the limestone produced there, and are working to increase production of high-value-added products in response to new export inquiries from neighboring 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 have commenced shipping berth extension work as an infrastructure development. Progress is proceeding in line with our current medium-term management plan, with completion scheduled for fiscal 2025.

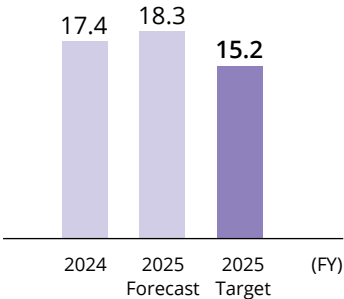
Our joint venture operation with Mitsubishi UBE Cement Corporation at the Kokura Mine (Kitakyushu City, Fukuoka Prefecture) continues to operate smoothly, thanks to successful efforts to ensure stable operations and efficient production processes.

At the Karasawa Mine (Sano City, Tochigi Prefecture), we are pursuing collaborative extraction with two companies whose mining areas are adjacent to ours, thus ensuring the most effective use of resources.

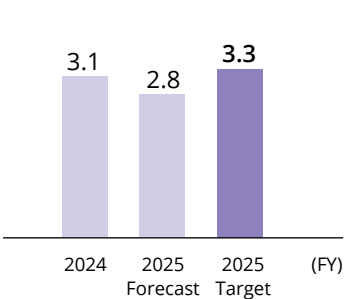
The Ibuki Mine (Maibara City, Shiga Prefecture) is working to increase production and expand sales of aggregates to provide additional supply to compensate for the progressive depletion of resources at neighboring mines.

Each of the mines has already begun utilizing AI, and by pursuing digital transformation, such as the use of drones, the mines are working to reduce extraction costs and increase revenue. Furthermore, to secure stable resources over the long term, we are drawing up plans to develop new mining areas at existing mines.

Net sales
(Billions of yen)



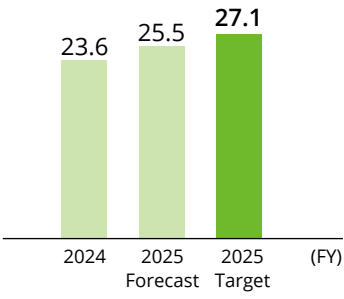
Operating income
(Billions of yen)



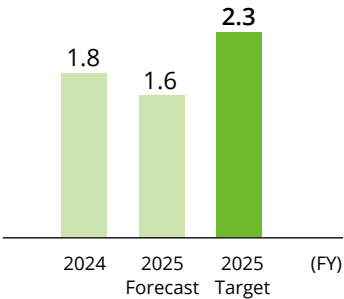
Yasutarou Hashimoto

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)



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-Related Products



Products and Services

- Repair and reinforcement products for concrete structures
- Cathodic protection for concrete structures (ELGARD SYSTEM)
- Ground improvement and repair work
- Materials to counteract heavy metal pollution
- Artificial marine reefs
- Manufacture and sale of prestressed concrete (PC) products

Strengths

- Diverse product lineup
- Extensive contributions to social infrastructure and proven track record
- In-house construction methods compatible with DX and labor-saving measures

Opportunities

- Expansion of the market for reinforcement and repair of aging infrastructure
- Demand for environment-friendly products driven by acceleration of ESG investments
- Growing demand for national resilience measures

Outlook for the final year of the medium-term management plan and prospects for SOC Vision 2035

The Cement-Related Products business is developing a broad array of cement-related products, with repair and reinforcement 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 ongoing 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.

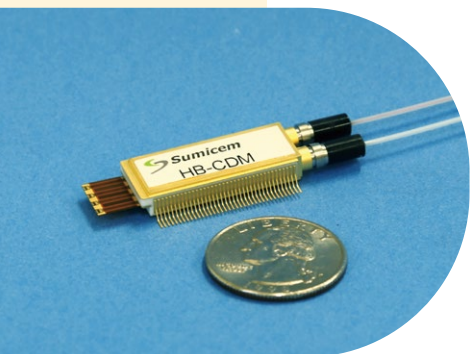
Against this backdrop, we aim to be “a company that provides the construction industry with environment-friendly product development and new construction techniques that utilize ICT, thereby reducing the environmental impact through recycling and life extension, as well as through labor-saving and manpower-saving measures.” To this end, we have focused on the key strategies outlined in our FY2023–25 Medium-term Management Plan to develop new products, respond to needs, expand into urban infrastructure construction, and develop construction methods that boost productivity. However, the business environment is becoming increasingly challenging due to the reduction of construction time and delays in construction schedules resulting from work style reforms in the construction industry, as well as the downsizing and restructuring of business partners due to rising costs. Nevertheless, we will prioritize compliance and work to achieve our goals with flexibility.

Estec Co., Ltd. and Noma Sangyo Co., Ltd, whose main business is ground improvement work, will 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 to 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,*2 are expediting the installation of development and manufacturing technologies for prestressed concrete products, which they position as their next core business, and the Group is also united in its efforts to develop and commercialize carbon-neutral products.

*1 GNSS: Global Navigation Satellite System

*2 Prestressed concrete products: Concrete products that are prestressed and hardened off-site at plants or construction sites



Optoelectronics Business

Products and Services

- Optical communications components and optical measurement equipment

Strengths

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

Opportunities

- Continuous increase in data traffic demand due to IoT, 5G, and the expansion of cloud computing
- Expansion of applications in new markets such as AI and autonomous driving

Outlook for the final year of the medium-term management plan and prospects for SOC Vision 2035

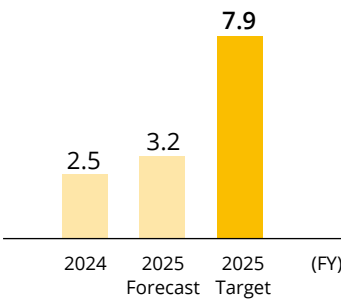
The optical communications market is growing rapidly due to advances in AI technology, increased demand for large-scale data processing, such as that of video and image data, and expanded demand for data centers accompanying the proliferation of cloud computing. Consequently, the importance of optical communication components such as LN modulators, a key product of the Optoelectronics business, is also taking on increased significance.

We have developed a compact integrated modulator that supports high-speed, large-capacity communications of 1 terabit (1T) or more by utilizing element miniaturization and integrated mounting technology. With the evolution of AI and the advent of autonomous driving, the amount of data handled by society as a whole is increasing dramatically, and the next-generation communications market demands even higher speeds and lower power consumption. To meet these needs, we are pursuing the development of ultra-high-speed products.

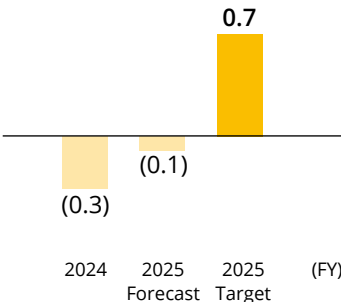
In addition, with the widespread use of optical high-precision measuring instruments and sensors, we are working on the development of optical application components by leveraging our accumulated design technologies for high-frequency and optical components, as well as our optical mounting technologies that support various wavelength ranges. We are also actively engaged in the optoelectronics equipment business, including the mounting of complex optical components, among others.

To accomplish our SOC Vision 2035, we will accurately identify market needs and grow our business through the advancement of compact integrated modulators and the market deployment of applied products such as optoelectronic devices. We will also contribute to the realization of an ultra-smart society by taking full advantage of our low-power consumption technologies.

Net sales
(Billions of yen)

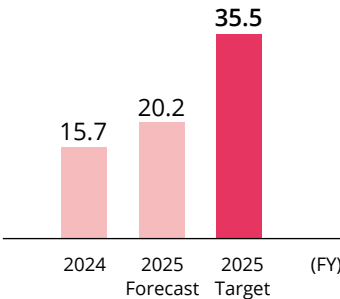


Operating income (loss)
(Billions of yen)

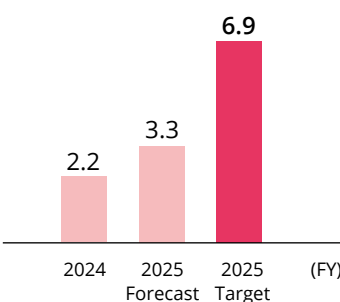


Akihiko Ono
Director, Managing Executive Officer
Responsible for the Optoelectronics Business Division, Advanced Materials Division, New Technology Research Laboratory, and Administration officer for High-Performance Products Business

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 Administration officer for High-Performance Products Business

Advanced Materials Business

Products and Services

- Ceramic components for semiconductor manufacturing equipment
- Nanoparticle materials



Strengths

- New product development based on proprietary nanoparticle synthesis technology
- Product lineup applicable to diverse markets, including the semiconductor market and the cosmetics market

Opportunities

- Semiconductor market: Ongoing expansion due to digital transformation, AI, autonomous driving, and others
- UV shielding materials (cosmetics materials): Increasing demand for inorganic materials in the interest of safety and environmental protection

Outlook for the final year of the medium-term management plan and prospects for 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 semiconductors. We are positioning the Advanced Materials Division, centered on electronics materials for semiconductor manufacturing equipment, as a core business in the non-cement field, as outlined in our Medium- to Long-Term Vision, "SOC Vision 2035."

Data handling volumes will increase exponentially in the future with the spread of digital transformation (DX) and generative AI, among others. Meanwhile, the market for semiconductor manufacturing equipment will also surge, and we forecast this to more than double by 2035. We will invest concentrated resources into this growth area to maximize 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 helped improve the anisotropic etching performance of silicon wafers required in state-of-the-art dry etching microfabrication processes. As the performance required of electrostatic chucks continues to increase, we will accelerate product development and respond to customer demands by anticipating future technologies that will be necessary in three to five years.

In addition, to respond to future increases in semiconductor demand and ensure a stable supply to our customers, we are investing in the expansion of our electrostatic chuck production capacity, including the construction of a new manufacturing facility in Ichikawa City, Chiba Prefecture. Production is scheduled to begin in the first half of fiscal 2026, with capacity expected to double. Concurrently, we will incorporate new automation equipment and production management systems to strengthen our ability to respond to fluctuations in demand, and will pursue high quality, low cost, and short delivery times.

We also manufacture and sell cosmetic UV-protection materials that utilize our core competency in nanotechnology, as well as coatings that impart anti-fouling properties to kitchen sinks. Not only are we expanding sales of these products, we are also working on the development of a wide variety of materials that contribute to carbon neutrality, thus ensuring stable income while contributing to a sustainable society.

Human Resources Strategy



We will accelerate our human resources strategy initiatives to achieve “SOC Vision 2035.”

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

Sumitomo Osaka Cement is engaged in “investment in people to support business growth and operation of a new human resources policy” as part of our human resources strategy to achieve SOC Vision 2035. In fiscal 2024, we conducted an employee engagement survey to determine the degree of employee satisfaction with their own work and with the Company’s goals and values.

The survey results revealed that criteria such as “support for management and workplace vision,” “contribution to achieving workplace goals and willingness to learn,” and “socially ethical behavior & regulatory compliance,” were highly evaluated by employees across the Company, indicating that these are our strengths.

On the other hand, the survey also indicated that employees have a low level of satisfaction in relation to the following issues: “realization of career vision through work duties,” “sense of belonging to the Company and degree of motivation provided by supervisors to team members,” and “personnel systems (salary and promotion evaluation criteria, work location, and other such matters).” To resolve these issues, we are currently working on strengthening management and revising our personnel system.

First, in terms of strengthening management, we are working to support and empower managers through our human resources management training introduced in fiscal 2023. In addition, individual departments will examine and implement initiatives to improve engagement based on the results of the survey. We plan to continuously apply the plan-do-check-act (PDCA) cycle to further enhance engagement, taking into account the

survey findings, and to measure the effectiveness of those initiatives in the next survey.

Next, regarding the revision of our personnel system, it is now 20 years since this system was last modified, in 2005. The Company’s business environment and employee lifestyles, upon which the design of the original system was based, have changed significantly since that time, making it necessary to revise the system to align with the needs of today. In addition, we need to reorient and revamp our human resources system to one that can support the challenges the Company seeks to undertake, including transforming our business portfolio, and expanding our Advanced Materials business and new businesses. While considering how to integrate the resolution of a number of issues identified in the engagement survey into organizational management and human resources development initiatives, we will remodel the system to ensure that each employee feels rewarded and fulfilled in their work.

In addition to those initiatives, we have also accelerated the recruitment of new graduates and experienced staff, centered on the Advanced Materials business, which we plan to further expand in the future. We also launched the Digital Advancement Department, which is responsible for digital transformation (DX), and fortified our human resources development through augmenting our training programs. We will reinforce our human resources strategy initiatives to achieve our SOC Vision 2035 and boost the value of our human capital, while linking these efforts to individual business plans from the short-, medium-, and long-term perspectives.

Human Resources Strategy

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 forms 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 our 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 we 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 who thereby 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 the Company's 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 Approach."

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 build a foundation for providing high-added-value products and services as an environmental solutions company by creating a culture of teamwork that transcends hierarchical relationships between employees in terms of superiors and subordinates, as well as transcending age, gender, and nationality, and in which all 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	• Training for new employees • Induction training for new employees • Plant and laboratory tours • Follow-up training	• Annual training for young employees • Information exchange forums for young employees • Roundtable discussions with senior employees	• Training for new chiefs • Follow-up training	• Training for new leaders • Follow-up training	• Training for new managers • Follow-up training • Various study sessions	• Training for new deputy advisers • Follow-up training • Various study sessions	• Training for new advisers • 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						
			e-learning			In-house video content	
Overseas training	Short-term overseas study training						
Department-specific training	Compliance training						
	Organizational revitalization and communication training						
	Business knowledge and skills study sessions						
Support for self-development	External education course attendance support system						
	Correspondence course subsidy system						
	Official qualification acquisition bonus system						

Diversity

To further advance women's participation in the workforce, the Diversity Promotion Group has set clear goals for the three-year period from fiscal 2024 to fiscal 2026.

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

	Result	FY2024 to FY2026 target	
① Percentage of women among all new general-career-track hires	April 2025:	18.5%	20% or more
② Percentage of female managers	End of FY2024:	3.7%	4.0% or more
③ Percentage of male employees taking childcare leave*	FY2024:	77.8%	75%
④ Annual paid leave utilization rate (labor union member average)	FY2024:	85.5%	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, and more, 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.

Initiatives for Health and Productivity Management

In order to maintain and enrich 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." This fiscal year, we were once again recognized as a Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category), for 2025, following our initial recognition in fiscal 2022.

To enable each and every employee to maximize their capabilities, we have set targets and have upgraded our activities for individual items, such as for "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 fulfilling specific initiatives.



Seminar on women's health issues

Health Management

To ensure our employees can continue to work in good health, and to safeguard the continuance of well-being in the workplace, Sumitomo Osaka Cement assists its employees through a number of measures, including arranging regular health examinations in cooperation with the health insurance association and subsidizing a range of comprehensive medical checkups. The Company also makes use of a stress-check system designed to detect and prevent mental health concerns before they occur. Through lectures on occupational health by industrial health physicians, as well as seminars on mental health and other topics, we intend to elevate health literacy and to deepen understanding of stress among our entire workforce, enhancing our support system for helping our employees build minds and bodies defined by health and vigor.

Message from the Plant Managers

Initiatives to recruit and cultivate human resources at our plants

The Sumitomo Osaka Cement Group has five cement plants across Japan, each supported by approximately 80 to 160 employees who maintain daily operations.

As society at large faces a serious labor shortage, the Group is focusing not only on securing human resources, but also on creating a workplace environment in which each and every employee can work with enthusiasm over the long term. In that vein, we are actively recruiting and training human resources at each of our plants.

As part of these efforts, we would like to share with you a number of messages from our factory managers, as well as from our young on-site employees.



Akio Hamada
General Manager,
Tochigi Plant

Shion Kobayashi
Accounting and
Purchasing Sub
Section, General
Affairs Section

Hamada
Sano City, where the Tochigi Plant is located, is experiencing a declining birth-rate and aging population, making it difficult to recruit young talent. In our recruitment activities, we are expanding the number of schools we visit, and are making efforts to inform school teachers and students about the role of cement plants and their contribution to society through internships and other such programs.

In addition, since the Tochigi Plant is located in the populous Kanto region, we receive many requests for interviews and plant tours. In 2024, the President's dialogue with the Japan Cement Association was featured in the popular "Outside Director Kosaku Shima" manga series. Furthermore, in 2025, the Company was showcased on TV Tokyo's program "Shirarezaru Gariba (The Unknown Gulliver)." These developments have broadened the opportunities for people to get to know our Company through books and television programs, and have also afforded us an advantage in recruiting human resources.

Last but not least, plants must be safe places for people to work, and continuing to ensure that remains the case requires awareness and knowledge of safety issues. Our daily safety inspections, for example, pair younger employees with veterans, who provide guidance and training. Along with passing on skills, this also serves as a unique opportunity for these employees to get to know each other better, as well as being an additional forum for communication within the workplace.

Kobayashi
Thanks to our daily safety inspections, I have learned more about safety and have gained knowledge of certain equipment that I am not usually involved with in my normal day-to-day work.

I am in charge of receiving shipments of raw materials and fuel, and what I have discovered through these safety inspections has been very useful in my line of work. I am now better able to grasp the situation, and to report and communicate more accurately, if a problem occurs. In addition, because we conduct patrols with other team members from departments with whom we seldom have much opportunity to interact, it has become much easier to cooperate and to seek advice within the plant when confronted with on-the-job issues.



Plant safety inspections



Masahiko Sasaki
General Manager,
Gifu Plant

Ren Yamada
Manufacturing Sub
Section,
Production Section

Sasaki
The high school students of today rely on a wide diversity of routes to seek out companies to join, so we are working to raise awareness of the Gifu Plant by utilizing a broad range of media and community contribution activities.

In order to be perceived by students as a "company of choice" and a "place where people grow with peace of mind," we make every effort to ensure that when they visit our plant for workplace tours or internships, they have the opportunity to experience the actual work environment for themselves, thus allowing them to more easily visualize their potential future careers.

One initiative for improving the workplace environment at our plant was the renovation of the central control room. Partition walls have been removed to create a single floor with a clear and open view, and we have devised a clever way to divide the operational space from the meeting and rest spaces using a floor design that allows for the separation of spaces without walls. We are also pursuing digital transformation by digitizing work shift handovers and machinery operating schedules, enabling them to be checked via smartphones. In addition, Fresh Sumitomo Osaka (FSO) activities (small group activities) provide a platform where young employees can learn leadership skills, and their fresh energy and perspectives have led to many improvements at our plant.

We will continue to do our utmost to create an environment in which each and every one of our employees can vigorously develop their skills and hone their abilities.

Yamada
In my FSO activities, I worked as a leader to solve on-site problems under the theme of improving raw material-related facilities. In my third year, I took on an organizational role, and, as well as receiving detailed training in equipment and operations from my supervisors and seniors in my daily work, I also received advice from many different team members during my activities, which allowed me to gain knowledge and experience that will help me grow as a person. Looking ahead, I aim to collaborate with those around me to solve whatever operational problems we may encounter.



A meeting being held at the renovated central control room

Ohashi
The Ako Plant's workforce consists mainly of people in their 30s and 40s, and we are currently facing a challenge in securing new graduates, which means that future staffing levels have become an issue.

Our plant is located between Hyogo and Okayama prefectures, and we are finding it difficult to recruit fresh graduates because most graduates from nearby high schools tend to seek employment in urban areas such as Kobe, Himeji, and Okayama. As part of our recruiting activities, we are endeavoring to increase points of contact with the community and to make our plant known to as many people as possible by (1) visiting high schools in Hyogo and Okayama prefectures on a regular basis, (2) participating in joint company information sessions hosted by the private sector and local governments, and (3) participating in bus tours of plants hosted by Ako City.

During induction ceremonies, we emphasize the importance of not hesitating to ask your senior staff any questions you may have. The reason for this is that, while it is natural for new hires to learn new skills from their seniors, we believe that communication should be a two-way street, and that by actively encouraging such interaction between new hires and senior staff, this will foster an open work environment and a culture of mutual respect. We also encourage FSO activities as a means of personal development. We believe that people grow by boldly taking on challenges, without fear of failure, and by gaining experience through various successes. We will continue to create a comfortable and supportive work environment for our employees.

Kawakami
Now in my third year since joining the Company, I am responsible for the delivery of thermal energy and recycled products, as well as documentation and on-site procedures related to new contracts. Thanks to my experience with both on-site and administrative work, I am increasingly being entrusted with tasks on a solo basis, which is both challenging and rewarding as I develop my ability to assume more responsibilities and to make crucial decisions. I enjoy all aspects of communication, such as reporting, contacting people, and consulting, and aspire to be someone who can support not only my own growth but also the growth of my juniors, thereby helping to create a vibrant workplace.



Delivery operations for recycled goods

Message from the Plant Managers

Message from the Plant Managers



Masato Hiroshima
General Manager,
Kochi Plant

Ryoya Hashida
Manufacturing
Sub Section,
Production Section

Hiroshima
Recruiting talent remains challenging due to the current increase in job openings, the rising enrollment rates in higher education, and an upsurge in the number of people seeking employment outside Kochi Prefecture. In response, we are expanding our recruitment activities beyond high schools near our factories to raise awareness of our Company throughout the prefecture. For new graduate recruitment, we are stepping up the number of regular school visits, and are actively participating in job fairs run by employees who hail from the region, as well as offering internship opportunities, to help shape the aspirations of prospective employees. We are also engaged in a number of initiatives, such as being featured in various company brochures, hosting government-sponsored outreach classes for elementary school students, and conducting factory tours for high-school career guidance counselors throughout the prefecture. For mid-career recruitment activities, we focus on securing personnel through referral recruitments, as well as recruitment via our website.

The training of employees working nationwide involves not only cultivating knowledge and a sense of responsibility under the guidance of senior employees (trainers), but also providing them with ample experience for the future, thus encouraging them to discover the kind of work that best suits their future aspirations and personal characteristics. Because our Kochi-based personnel are valued figures who have supported the factory for many years, we offer them educational support to improve operational capabilities through the provision of safety-related activities and technical knowledge.

Hashida
The Kochi Plant has a great deal of equipment and there is a lot to learn, so the Production Section conducts comprehensive training for about a year, during which time the employees are familiarized with the names and operating methods of the machinery, troubleshooting protocols, and safety education, before gaining first-hand experience of operating duties through on-the-job training. My duties range from receiving and transferring raw materials and calorific value, operating the cement finishing process, and transferring shipments to silos, and thanks to the support



Operation of cement manufacturing equipment

of my senior colleagues I am able to carry out my work with peace of mind. Looking ahead, I would like to take on other tasks and gain more experience.



Tomoya Akeshiro
President,
Hachinohe
Cement Co., Ltd.

Aoi Mitsuke
Production Section,
Production Division

Akeshiro
With half of our employees in their 50s or older, securing and training human resources at an early stage is a critical issue in terms of passing on technology, skills, and experience. As such, we are promoting Hachinohe Cement by utilizing corporate introduction pamphlets for high school students organized by local newspapers, as well as placing advertisements on the sides of local buses. We actively participate in every opportunity to familiarize people with our company, and make it our number one priority to encourage interest in what we do.

I also believe that for a person to grow, they need to feel a sense of satisfaction and accomplishment on a daily basis. At Hachinohe Cement, we aim to create a workplace where every individual's opinions are respected and in which challenges can be willingly undertaken, where minor mistakes are tolerated and where communication is fostered, as well as where respect for colleagues is the norm. For example, in our suggestion box system and at individual meetings, we carry out recommendations based on the constructive exchange of opinions, follow up on the results, gain experience, and try to create a virtuous cycle by obtaining even minor successes. Additionally, our young employees are taking the lead in planning social gatherings, which is something the company fully endorses.

Mitsuke
With the support of the company, we have many opportunities to communicate with supervisors and colleagues. These efforts have deepened mutual understanding among employees, leading to an "active and free exchange of opinions." Moreover, by taking on and implementing challenges based on the free exchange of opinions, we acquire a range of different experiences and successes, and thereby obtain a sense of personal growth and satisfaction on a daily basis. We will continue to work toward creating a workplace where active communication means everyone's opinion is respected and everyone can take on bold challenges.



Advertisements on Hachinohe City bus routes as part of corporate PR efforts to bolster recruitment

Safety Initiatives

The Sumitomo Osaka Cement Group strives to create comfortable work environments with health and safety at the forefront, 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 believes that occupational health and safety underpins corporate existence, and that securing this is an essential corporate responsibility. As a Group with strict safety standards, we are committed to creating an uncompromising culture of safety and to targeting a goal of zero accidents. To this end, we will continue to work with partner companies to eliminate risky behavior and unsafe working conditions through various on-site inspections and training sessions, thereby further improving occupational health and safety standards as part of our objective of creating and maintaining a favorable work environment.

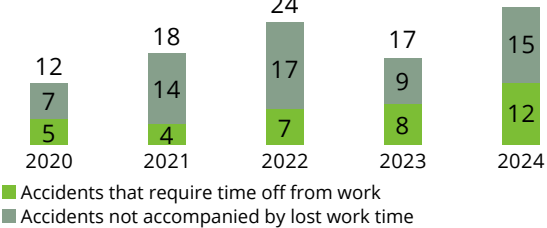
Enactment Priorities for Fiscal 2025

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 (FY2024 result: 0)
- Reduce the number of sites with lost time incidents to 20% or less at all sites (FY2024 result: 22%)
- Reduce the number of sites where accidents occur (including incidents without lost time) to 30% or less at all sites (FY2024 result: 44%)

Number of Accidents (Incidents)



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. Through regular meetings held by the Chairman of the Safety and Health Committee, we are working on accident prevention from both the equipment and the human perspectives, such as through strengthening safety measures for drive parts and surrounding areas, 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 step up efforts aimed at those with less experience, such as by 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 have occurred every year since 2018 at Sumitomo Osaka Cement, and we have taken measures to address this issue 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 are implementing initiatives to control core body temperature (internal body temperature), such as by using ice slurry.

Safety Education

Sumitomo Osaka Cement is channeling energy into safety education and group training at every level to embed a culture of safety within a greater corporate culture that prioritizes worker health and safety. We are also working to enhance safety education for support staff during regular repairs, using on-site training and danger simulation equipment.

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

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. Based on the above Policy, the Labor and Social Affairs Subcommittee—established within the Sustainability Committee, which is chaired by the President and comes under the supervision of the Board of Directors—will collaborate with each department to formulate plans and manage their progress in order to comply with our commitment to respecting human rights.

Human Rights Policy <https://www.soc.co.jp/csr/csr12/>

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.

		FY2024	FY2025	
Human rights due diligence	- Human rights risk assessment map - Questionnaires for affiliated companies and key business partners - Interview surveys			Ongoing
Correction/Remedy	Launch of a human rights hotline			
Dialogue	- Labor-management dialogue - Engagement surveys - Business and Human Rights Working Groups			
Promotion of understanding and education	- Seminars for Group employees - Seminars for management - Notifications to business partners			

Human Rights Seminar and Working Group

Representatives from individual departments gathered to hold a working group on “Business and Human Rights.” During the most recent session, they examined case studies focusing on potential harassment scenarios, and held discussions under the supervision of a human rights adviser to determine what specifically constitutes a violation of human rights.



In the supply chain, human rights violations such as harassment can occur against external stakeholders, so we believe it is important to take respect for human rights seriously and to reflect it in our daily duties.

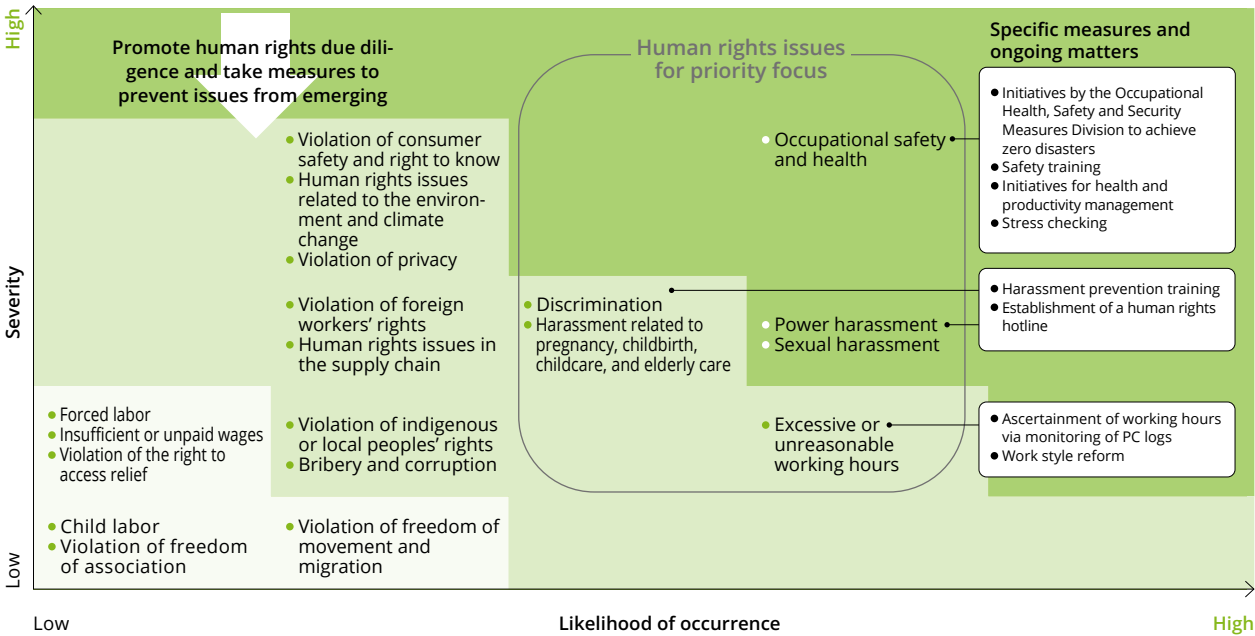
Human Rights Seminars for Management

We conducted a human rights seminar for management for all executives, including both inside and outside directors, as well as for Audit & Supervisory Board members. The seminar featured an external expert who spoke on business and human rights, focusing on the theme of addressing human rights as a management issue. The event reinforced the executives’ commitment to taking responsibility for respecting human rights throughout the value chain, along with the importance of routine risk management and rapid crisis response during emergencies.

Formulation of Human Rights Risk Assessment Map

In line with our Human Rights Policy, we developed a human rights risk assessment map to advance efforts to respect human rights within our Group and our supply chain. We convened a working group comprised of mid-level employees from individual departments 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 diagram below, we have identified human rights risks that have a significant impact on our Group and specified our measures to address them. We will continue to work on these priority issues while conducting regular reviews.

Human rights risk assessment map (Sumitomo Osaka Cement Group)



[Supplementary explanation of risk items in the assessment map]

- Forced labor = Coercion of work through threat of punishment
- 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

Conducting Human Rights Due Diligence at Affiliated Companies (Domestic Group Companies)

In fiscal 2024, we conducted human rights-related surveys at 26 affiliates. The results demonstrated that efforts such as our human rights seminars and raising awareness of compliance have been highly effective in fostering a solid understanding of the importance of having a good work environment and of prohibiting bad workplace behavior (prevention of harassment). Going forward, we will work to steadily correct and remedy any issues, focusing on the results of our due diligence and the priority human rights issues identified in our human rights risk assessment map.

Enhancing Access to Corrective and Remedial Actions (Establishment of a Human Rights Hotline)

We established our Human Rights Hotline in fiscal 2024 as a new point of contact for correction and remedy. Cases brought to our attention via the hotline were investigated by the Human Resources Department, along with other relevant departments, and measures were taken to resolve the issues.

Opening of consultation desks	
Human Rights Hotline	Consultations on general harassment, discrimination, and human rights violations in the workplace
Compliance Hotline	Reporting and consultations on misconduct that violates laws and regulations
Diversity Hotline	Individual consultations on the use of work-life balance support systems and work style reforms

Multi-Stakeholder Communication

Multi-Stakeholder Policy

Sumitomo Osaka Cement is committed to proper collaboration with multiple stakeholders in light of the growing importance in corporate management of cocreating value, not only with shareholders but also with a diverse range of stakeholders, including employees, business partners, customers, creditors, and local communities. In addition, from the standpoint that the befitting distribution to multiple stakeholders of earnings and results generated through collaborative value creation and productivity improvements will lead to sustained momentum for wage increases and sustainable economic development, and recognizing the importance of returning profits to employees, as well as taking our business partners into consideration, we will pursue the following initiatives.

1. Returns to Our Employees

We will focus on maximizing added value by concentrating management resources on growth areas, and by developing and enhancing the skills and capabilities of our employees, thereby helping to achieve sustainable growth and improved productivity. Based on the earnings and results generated, we will increase wages in an appropriate manner in accordance with Japan's Principles of Wage Determination and taking into account our company's circumstances. At the same time, as a comprehensive measure to improve working conditions, we aim to provide continuous returns to our employees through proactive efforts in areas such as education and training to improve employee engagement and productivity.

Specifically, beyond raising wages, we have introduced a stock compensation program for employees and are working on measures to further improve working conditions, following on from past improvements in compensation, while keeping social conditions and the business environment in mind. Regarding education and training, we are working to enhance various human resources development programs, including promoting the active participation of women, and we will continue to provide sustainable returns to employees through the continuous improvement of compensation and the provision of opportunities to improve their skills through various education and training programs.

2. Consideration for Our Business Partners

Sumitomo Osaka Cement will continue to make efforts to comply with the contents of the Partnership Building Declaration. In the event that the Company is removed from listing on the Partnership Building Declaration portal site, we will voluntarily withdraw the publication of our Multi-Stakeholder Policy.

Furthermore, with regard to business relationships with consumption tax-exempt businesses, we will work to establish suitable relationships by referring to the government's published guidelines on how tax-exempt businesses and their business partners should respond to the invoice reporting system. We will continue to make steady efforts to address these issues while confirming the status of initiatives.

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

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

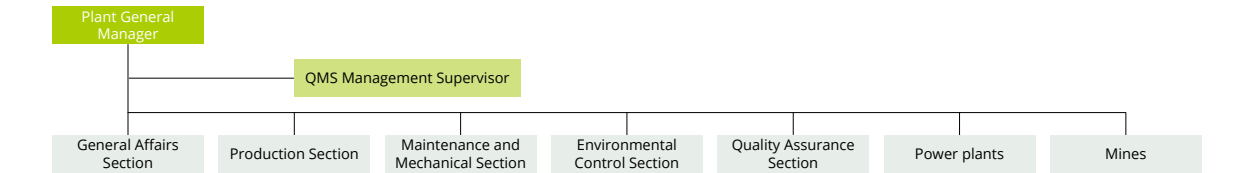
Our Group's cement production plants have acquired quality management system (QMS) certification in accordance with ISO 9001 (international guidelines on quality assurance), and have built and maintain quality control frameworks, while continuing to work on quality improvement. The five production plants of Tochigi, Gifu, Ako, 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)

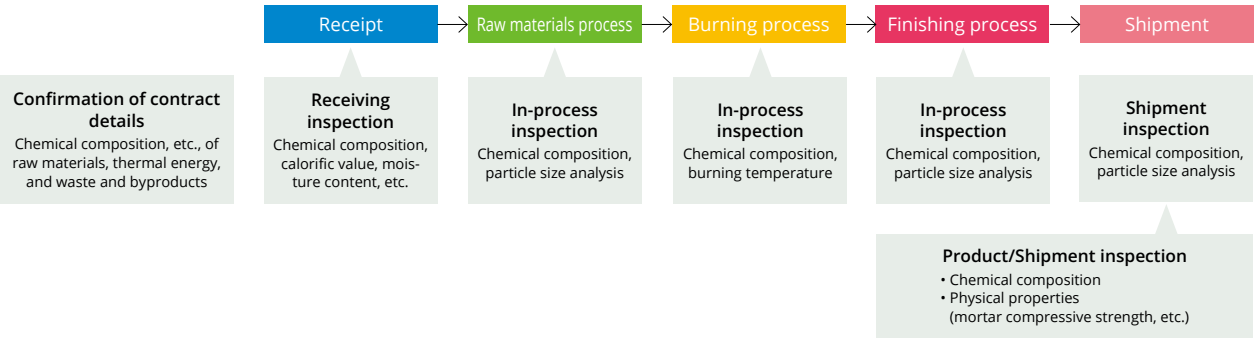
The QMS of each plant is operated under defined responsibilities and the authority of each division, as shown in the plant organization chart below. The production flow chart shows how the quality control of the plant is consistently applied from the receiving inspection of raw materials, thermal energy, 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 Ako 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.



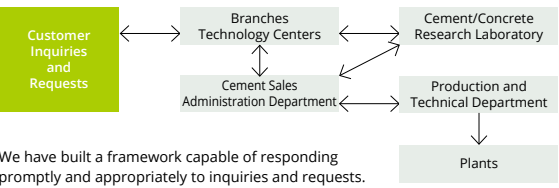
Production Flow and Quality Control at Plants



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)

All our branches organize technical associations led by concrete engineers in each region. Currently, we have a total of 45 technical associations active nationwide, facilitating the exchange of information on concrete technology, hosting various training seminars, and conducting study tours. Additionally, to promote cross-regional exchange and technical development, the Group holds its Sumitomo Osaka Cement Technical Report Meeting every two years for cement technical associations from across Japan. At this meeting, members of the technical associations from each region present their research findings, while academic experts are invited to give technical lectures. Through these activities, we will continue to collaborate with our customers to mutually enhance our technical capabilities.

R&D

The Sumitomo Osaka Cement Group actively engages in a wide range of research and development activities, in line with its basic philosophy of developing innovative technologies. These activities range from R&D in new technologies and new products in its core cement and concrete business and related fields, to R&D in the optoelectronics and advanced materials business fields, based on the fundamental technologies of its core businesses.

The Cement/Concrete Research Laboratory is working to improve productivity in existing businesses and to promote the utilization of unused resources, as well as to meet the needs of national resilience, labor-saving measures, and digital transformation initiatives. The Laboratory is also taking action on a wide range of technical issues, such as achieving carbon neutrality and a recycling-oriented society, and is involved in the development of core technologies for providing technical support to existing businesses, as well as for creating new businesses.

The New Technology Research Laboratory is committed to bringing innovation to fields such as energy, the environment, information and communications, and electronics. It develops optoelectronic devices and equipment centered on optical information and communications technology, as well as components for semiconductor manufacturing equipment and various functional materials centered on nanoparticle material technology, thereby reinforcing the Optoelectronics and Advanced Materials businesses.

Cement/Concrete Research Laboratory R&D Policy

“Based on the philosophy of ‘under one roof’, we will implement technologies to advance the added value of our core business.”

- 1 Technological innovation for the advancement of cement manufacturing processes and carbon neutrality
- 2 Technological innovation related to “carbon recycling & utilization of unused resources” using CO₂ as a resource
- 3 Technological innovation to strengthen the competitiveness of cement, solidification materials, concrete, and Cement-related products, and to promote the development of low-carbon products
- 4 Technology innovation to improve productivity through conservation of power, labor saving, and automation at construction sites
- 5 Technological innovation in materials and construction methods with a view to bolstering national resilience and extending the lifespan of infrastructure in preparation for large-scale disasters

New Technology Research Laboratory R&D Policy

“In accord with the current medium-term plan, we will gain customer adoption and facilitate the transition to new products by realizing high-performance and low-cost processes, and will efficiently pursue R&D for next-generation products and advanced technologies on the path to 2035.”

- 1 Timely development of new products, including compact integrated modulators and electrostatic chucks
- 2 R&D for new products and other applications aimed at expanding business areas
- 3 Enhance competitiveness through the development of low-cost technologies and automation/labor-saving technologies
- 4 Technological development of new products that contribute to sustainability

COLUMN R&D in Action

Supporting the concrete industry is one of the main themes of the Cement/Concrete Research Laboratory. As part of this effort, we have developed a concrete mix design system called “Nerisapo” to assist technicians in the concrete manufacturing industry. In general, concrete mix design requires engineers to apply their knowledge and experience to perform trial mixing and compounding

calculations on a frequent basis. “Nerisapo” incorporates AI that has learned various concrete mix designs, allowing technicians to effortlessly design mixes by simply inputting the concrete parameters. We will continue to undertake technological development to contribute to further progress in the concrete industry.

Material data

Compounding parameters

Cement

Fine aggregate

Coarse aggregate

Strength

Slump

Air content

AI compounding design

Unit quantity (kg/m ³)			
Water	Cement	Fine aggregate	Coarse aggregate
165	350	950	1,015

Intellectual Property

We believe that activities to create, protect, 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 FY2023–25 Medium-term Management Plan, we are implementing 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 strategically create, protect, and utilize intellectual property, while remaining vigilant of the changing environment (“human resources with intellectual property skills”). We provide education, from basic training to specialized courses, to help employees reach the skill standards set by department, job type, and rank. In particular, under the FY2023–25 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 to capture business trends by combining environment, economy, and society with intellectual property. We 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

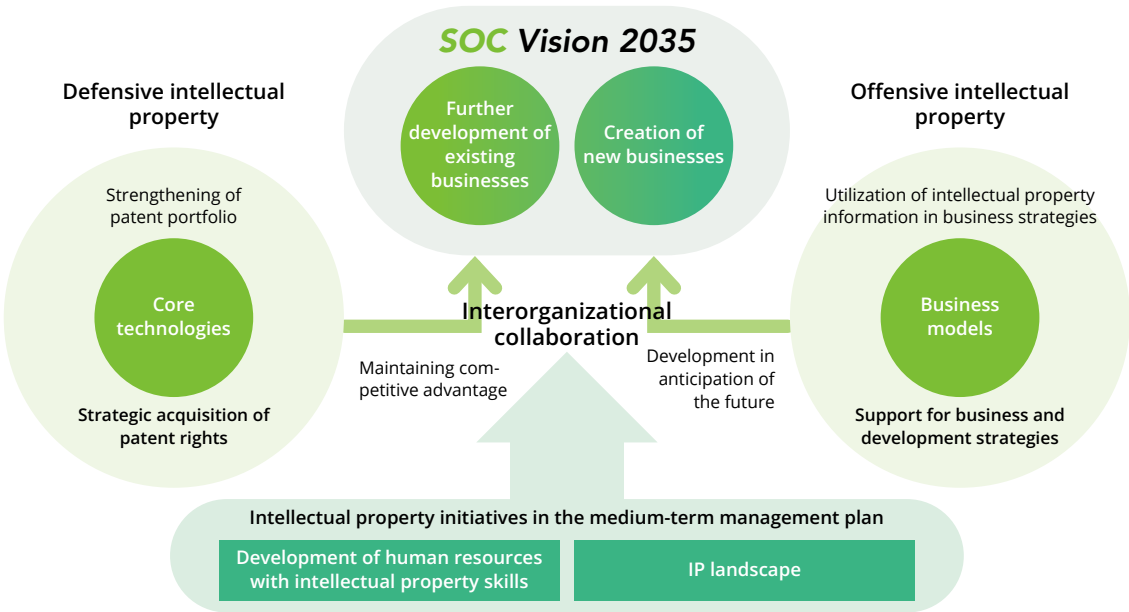
Defensive Intellectual Property (Strengthening the Patent Portfolio)

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

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 (IPL). We support the development strategy for carbon neutral technology and focus on creating intellectual property that will form the foundation of new businesses (carbon businesses). Concurrently, in the high-performance products field, key personnel from the business, research, and intellectual property departments are working together to develop an IPL methodology that anticipates future technologies. In addition, by registering our patents with WIPO/GREEN*¹ and INPIT*² and making them available to third parties, as well as by utilizing intermediaries, we are exploring the possibility of making further use of 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



Sustainability

To help achieve a recycling-oriented and decarbonized society, and to respond to the needs of the times by providing solutions to environmental issues as an “environmental solutions company,” we are pursuing initiatives aimed at balancing the sustainable and healthy development of the Group with the resolution of social issues.

- 47 Our Initiatives Toward Carbon Neutrality in the Cement Industry
- 48 Sustainability Advancement Framework
- 49 Sustainability Strategy
- 50 Greenhouse Gas (GHG) Reduction Targets for 2030 and Status of Initiatives
- 52 11 Steps to Carbon Neutrality by 2050
- 54 CCU Using CO₂ Recycling Artificial Limestone
- 58 TCFD-Based Information Disclosure
- 60 Scenario Analysis and Impact Evaluation Related to Climate Change
- 62 Responding to a Wide Range of Rule-making Activities
- 64 Contributing to the Development of a Recycling-Based Society
- 66 Environmental Management
- 67 Environmental Initiatives
- 70 Biodiversity and Natural Capital Initiatives

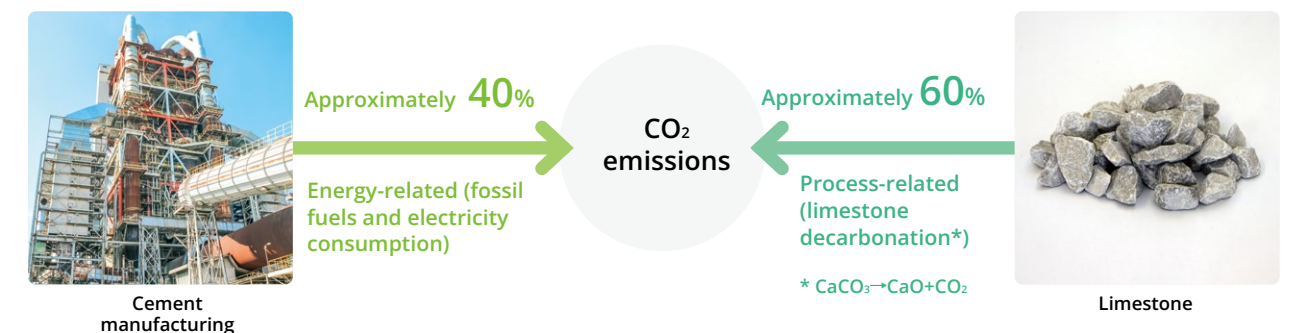
Our Initiatives Toward Carbon Neutrality in the Cement Industry

Japan's Cement Industry and CO₂ Emissions

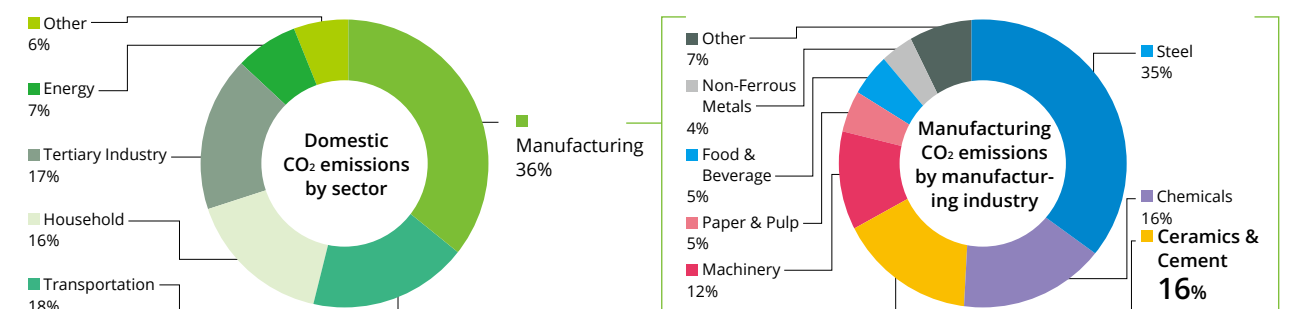
The majority of the raw materials for cement consists of limestone. Japan is one of the world's leading countries in terms of both the volume and quality of its limestone resources. For over 100 years, Japan's cement industry has contributed to the construction of the country's infrastructure by leveraging these abundant limestone resources.

In cement manufacturing, limestone is blended with raw materials containing silica and alumina, along with iron ore, and then fired at 1,450°C in a rotary kiln. In addition to the CO₂ emissions generated by the combustion of fossil fuels during this process, CO₂ is also released by the decarbonation reactions that the limestone undergoes. The former is known as energy-related emissions, while the latter is referred to as process-related emissions. Process-related emissions account for approximately 60% of the CO₂ emissions at cement plants.

Current Status of CO₂ Emissions from the Cement Industry



Japan's Greenhouse Gas Emissions Data: Final Figures for Fiscal 2020 (Source: National Institute for Environmental Studies)



Our Progress Toward Reducing Greenhouse Gases

Following the Japanese government's "2050 Carbon Neutral Declaration" in October 2020, in December 2020 the Company formulated and announced SOCN2050, outlining its roadmap toward carbon neutrality by 2050, as well as specific reduction targets for 2030. Since then, we have been working to reduce greenhouse gases (GHGs) in several ways, including through being selected for the Green Innovation Fund project operated by NEDO (New Energy and Industrial Technology Development Organization), and participating in the GX League led by the Ministry of Economy, Trade and Industry. Furthermore, we launched operations at a pilot-scale manufacturing test facility for CO₂ recycling artificial limestone in April 2025, and have been reconfiguring our organization to strengthen our framework.

Meanwhile, the government has revised its Strategic Energy Plan and its Plan for Global Warming Countermeasures, and submitted new emissions reduction targets for Japan—its Nationally Determined Contributions (NDCs)—to the United Nations in February 2025. Furthermore, various programs, such as an emissions trading scheme, are scheduled to be introduced over time under the revised GX Promotion Act. In light of these changes in the external environment and other factors, we are currently working on revising our SOCN2050.



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).

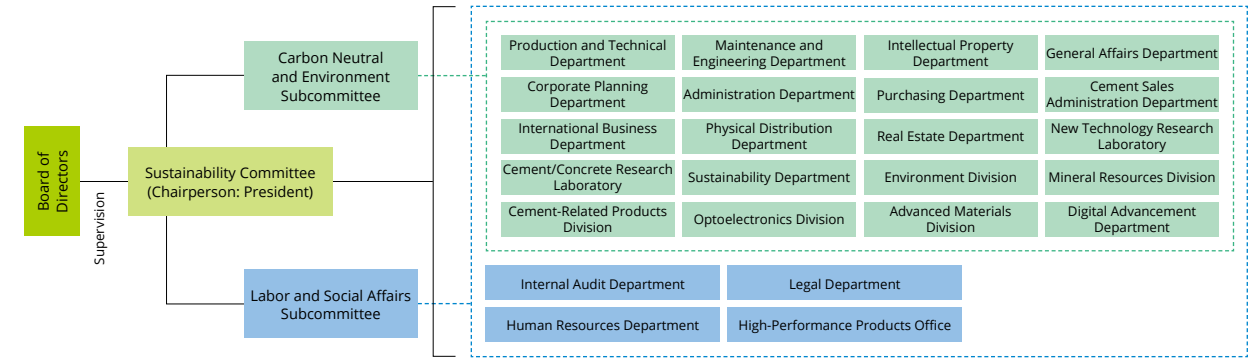
Sustainability Promotion Framework

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 CO₂ 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 CO₂ 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 CO₂ without incurring significant energy or capital costs for CO₂ separation, capture, and storage. We are conducting research on the use of CO₂ 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 CO₂ 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 CO₂ 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.

Greenhouse Gas (GHG) Reduction Targets for 2030 and Status of Initiatives

Greenhouse Gas (GHG) Emissions Status and Reductions Achieved

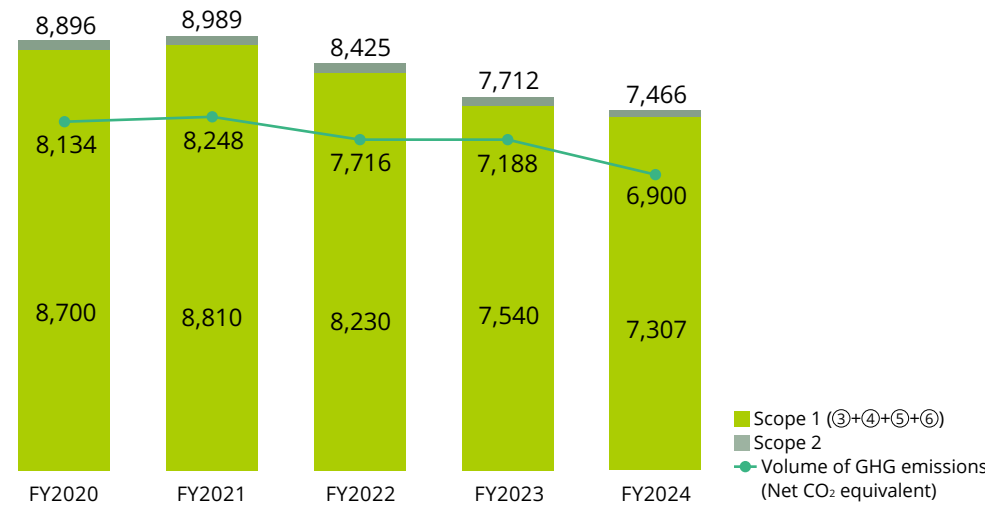
The Group has declared “Care for the global environment” to be one of the items of materiality—the primary social issues the Group aims to tackle through its corporate activities—and has taken steps to help mitigate global warming, including the promotion of energy alternatives through recycling and the use of biomass power generation.

In December 2020, we formulated “SOCN2050,” our vision outlining the path to carbon neutrality for the Sumitomo Osaka Cement Group by 2050, and set a number of specific medium-term targets. Through the implementation of a variety of measures up to 2050, we are taking on the challenge of making the Group’s corporate activities carbon neutral, while advancing initiatives that contribute to the decarbonization of society as a whole through our supply chain.

The Group’s greenhouse gas (GHG) emissions status is shown below. It should be noted that, due to significant changes in the external environment—including the recent announcement by the Japanese government of new emissions reductions targets (Nationally Determined Contributions, or NDCs) for 2025, as well as the anticipated launch of the CO₂ emissions trading scheme (GX-ETS) starting in fiscal 2026—we are proceeding with revisions to SOCN2050, aiming for an early announcement in fiscal 2026.



Greenhouse Gas Emissions Volume of the Sumitomo Osaka Cement Group
(1,000 t-CO₂eq)



		FY2020	FY2021	FY2022	FY2023	FY2024
Energy-related CO ₂	①	3,654	3,706	3,380	3,684	3,586
Of which, energy-related CO ₂ (derived from waste):	②	—	—	—	524*	566*
Scope1	③	3,458	3,527	3,185	3,512	3,427
Scope2		196	179	195	172	159
Non-energy-related CO ₂ (derived from processes)	④	4,260	4,320	4,130	3,930	3,780
Non-energy-related CO ₂ (derived from waste)	⑤	762	741	709	—*	—*
Other GHGs	⑥	220	222	206	98	100
Volume of GHG emissions (CO ₂ equivalent)	①+④+⑤+⑥	8,896	8,989	8,425	7,712	7,466
Volume of GHG emissions (net CO ₂ equivalent)	①+④+⑥-②	8,134	8,248	7,716	7,188	6,900

Note: Scope 1: Direct emissions of GHGs via business operators (burning of energy, manufacturing processes)
Note: Scope 2: Indirect emissions of GHGs 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

Greenhouse Gas Emissions in the Value Chain: Scope 3 (Fiscal 2024)

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	42
2 Capital goods	Calculated by multiplying the recorded amount of new non-current assets by the CO ₂ basic unit	73
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	290
4 Transportation and delivery (upstream)	Periodically reported figure based on the Act on Rationalizing Energy Use (measures pertaining to consignors and transportation operators)	25
5 Waste generated in operations	Calculated by multiplying the amount of waste outsourcing fees, etc., by the CO ₂ basic unit	0.4
6 Business travel	Calculated by multiplying total travel expenses for business trips by the CO ₂ basic unit	2
7 Employee commuting	Calculated by multiplying total travel expenses for commuting by the CO ₂ basic unit	0.4
9 Transportation and delivery (downstream)	Periodic report values based on the Energy Conservation Act (measures pertaining to shipping and transportation companies)	110
10 Processing of sold products	Calculated by multiplying the volume of cement sold by the CO ₂ basic unit	58
12 Waste from sold products	Calculated by multiplying the volume of cement sold converted into concrete by the CO ₂ basic unit	477
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		1,079

<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 for 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)
Note: The calculated values for categories 4 and 9 include emissions from transportation by Group company SOC Logistics Co., Ltd., which overlap with the calculated values for Scope 1 and Scope 2 emissions.

Initiatives Toward Achieving the 2030 Reduction Targets

FY2030 reduction targets

30% reduction in energy-related CO₂ emissions intensity derived from cement manufacturing, compared with fiscal 2005 levels (equivalent to a 45% reduction in emissions)

(kg-CO₂/t-cement)

Energy-related CO ₂ emissions intensity derived from cement manufacturing (excluding waste-derived CO ₂ emissions)	Results	Targets
	FY2005 316	FY2024 263
		FY2030 220

- ① Maintain top-class fossil energy substitution rate by further expanding use of recyclable materials
Fossil fuel substitution rates at both our Tochigi and Gifu plants in fiscal 2024 reached the 65 to 69% range, placing them among the leaders in the industry.

Results

FY2005 17%

Results

FY2024 43%

Targets

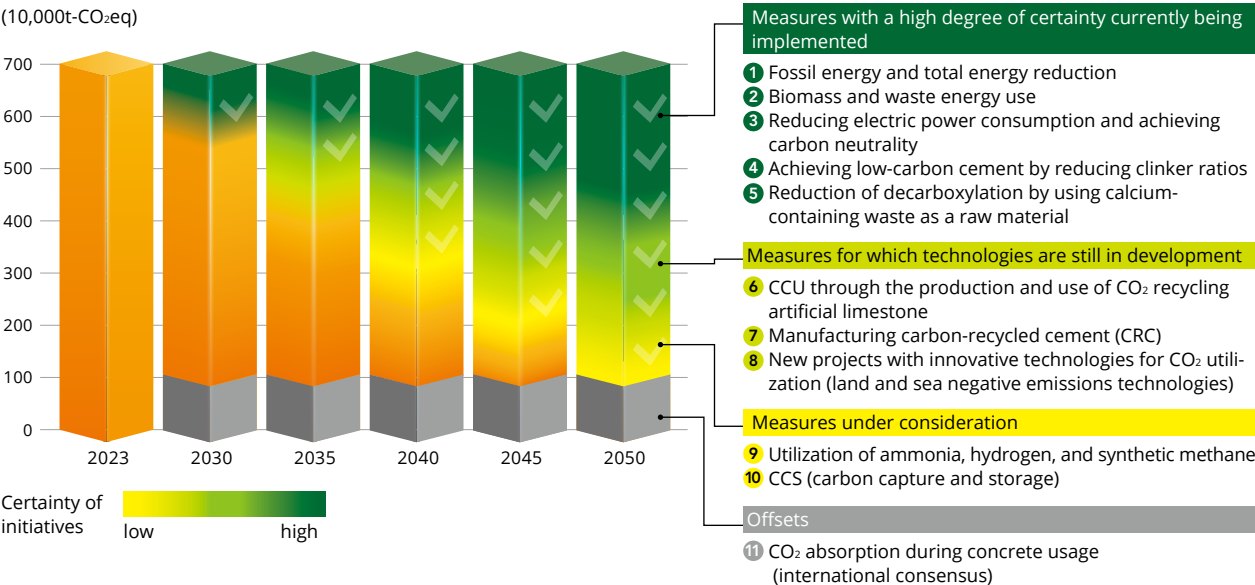
Achieve more than 50% average fossil energy substitution rate company-wide

- 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)

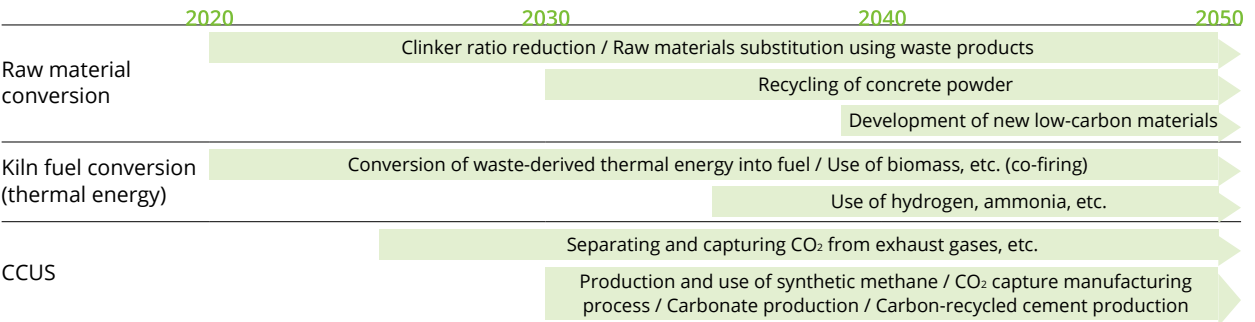
11 Steps to Carbon Neutrality by 2050

Achieving carbon neutrality in the cement industry requires a “reduction mix” that combines multiple measures. Our technology roadmap (see diagram below) shows the reduction mix measures divided into three stages, each corresponding with the phase of development. This roadmap was formulated with reference to national policies and roadmaps aimed at achieving carbon neutrality by 2050 (→P.62).

Our Technology Roadmap for Achieving Carbon Neutrality by 2050



[Reference] Excerpt from the Ministry of Economy, Trade and Industry's “Technology Roadmap for ‘Transition Finance’ in the Cement Sector” (March 2022)



Note: This roadmap was formulated with reference to national policies and international scenarios, and is consistent with the Paris Agreement.

Measures with a high degree of certainty currently being implemented

- 1 Fossil energy and total energy reduction**
To reduce energy-related CO₂ emissions, we are introducing energy-saving and high-efficiency equipment, including state-of-the-art raw material mills at our cement plants.
- 2 Biomass and waste energy use**
We are investing in related facilities at our cement plants, increasing our use of biomass and waste energy (waste plastics, waste tires, waste oil, etc.), and pursuing alternatives to fossil energy.
- 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, and we are working to maximize the use of non-fossil energy sources such as biomass.
Our utilization of the coal-free power generated by the Tochigi Plant's biomass power plant means the electricity used at our head office is now essentially carbon neutral. Going forward, we will continue to explore further fuel conversion away from coal.
- 4 Achieving low-carbon cement by reducing clinker ratios**
As a means of reducing clinker ratios, the industry is working in tandem to revise the JIS to raise the cap on minor mixed ingredients in cement from 5% to 10% (→P.62). We are also promoting the expansion of mixed cement use, such as by increasing the amount of blast furnace slag.
- 5 Reduction of decarboxylation by using calcium-containing waste as a raw material**
We are reducing our use of limestone by collecting calcium-containing waste such as general incinerator ash, waste concrete, plasterboard, and waste gypsum board, and using those as “calcium-based raw materials with zero CO₂ emissions.”

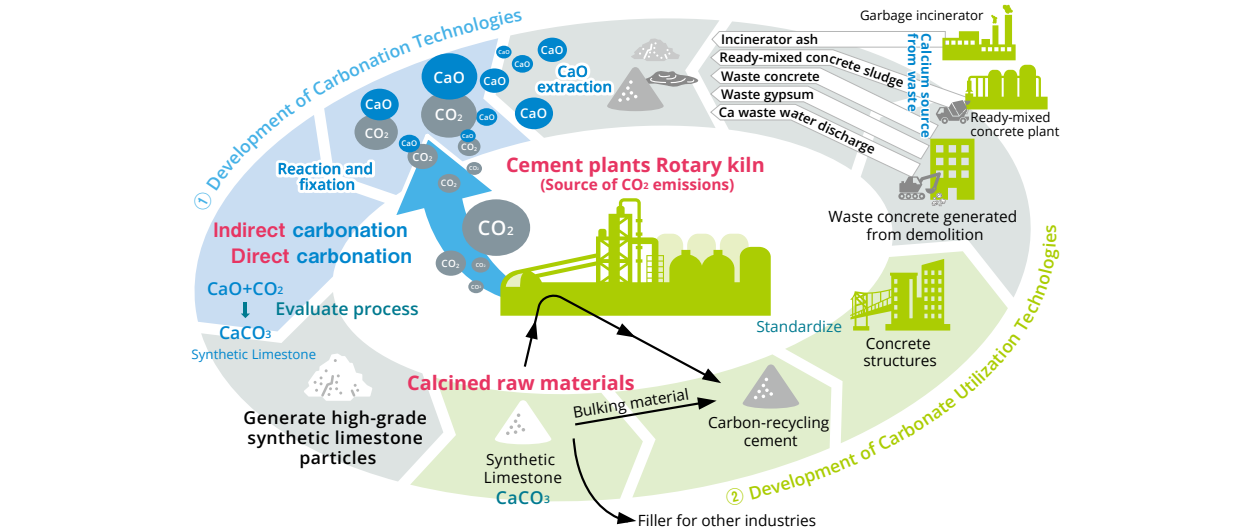
Measures for which technologies are still in development

With regard to the reduction of process-related CO₂, carbon capture, utilization, and storage (CCUS)—which captures CO₂ from exhaust gases for effective utilization—is indispensable.

- 6 CCU through the production and use of CO₂ recycling artificial limestone**
In the “Establishment of Carbonation Chlorination Technology Using Various Calcium Sources,” a project adopted by NEDO's*¹ Green Innovation Fund,*² as shown in the diagram below, we will achieve carbon capture and utilization (CCU) that extracts CaO from calcium-containing waste and recombines it with CO₂ in the exhaust gas from cement plants to produce artificial limestone (CaCO₃).*³ Looking ahead, we are initiating

research on raw material utilization and market assessments for social implementation, aiming to mass-produce CO₂ recycling artificial limestone and promote its use across various industries, including construction, paper manufacturing, resins, and rubber (→P.54–57)

*1 New Energy and Industrial Technology Development Organization (NEDO) (→P.124)
*2 Green Innovation Fund (→P.124)
*3 R&D project with a total budget of ¥7.3 billion through 2030



- 7 Manufacturing carbon-recycled cement (CRC)**
We will manufacture CRC using the recycled CO₂ artificial limestone produced in Step 6, and will market it to general contractors and secondary product manufacturers. At Expo 2025 Osaka Kansai, our CRC is being used in some of the buildings in the Sumitomo Pavilion (→P.57).

- 8 New projects with innovative technologies for CO₂ utilization (land and sea negative emissions technologies)**
We will pursue new businesses utilizing cement plants and power plants. We will also consider initiatives to utilize CO₂ in the exhaust gases from biomass power plants for seedling cultivation and other agricultural and forestry purposes, as well as CO₂ sequestration using blue carbon derived from evolved seaweed bed propagation reefs. Through these efforts, we will create new businesses and propose next-generation carbon neutral solutions (→P.72–73).

Measures under consideration

- 9 Utilization of ammonia, hydrogen, and synthetic methane**
We will study the development of a firing technology based on fossil energy and ammonia/hydrogen co-firing in cement kilns, 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 gases of cement plants, for use as fuel.
- 10 CCS (carbon capture and storage)**
CO₂ that cannot be effectively harnessed 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 being 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 therefore promising sources for mineral fixation of atmospheric CO₂, i.e. negative emissions technologies (NETs). Evaluations are underway both domestically and internationally to determine whether concrete structures can absorb and fix atmospheric CO₂ 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 now on the verge of practical application (→P.56). In the future, we are looking into the possibility of offsetting CO₂ emissions by reaching agreement on a quantitative evaluation method.



CO₂ absorption by concrete (video)

CCU Using CO₂ Recycling Artificial Limestone

TOPICS

The Sumitomo Osaka Cement Group views the heavy volume of CO₂ primarily emitted from cement plants as a resource, and, as part of its carbon capture and utilization (CCU) efforts to reduce emissions, we are engaged in the development of pilot-scale manufacturing test technology aimed at commercializing CO₂ recycling artificial limestone. The resultant CO₂ recycling artificial limestone is utilized as a firing raw material or extender in the production of carbon-recycled cement (CRC), in addition to which we are also advancing research and development to utilize it as a raw material for various products in collaboration with other industries. In this section, we showcase the initiatives undertaken at our pilot-scale manufacturing test facility for CO₂ recycling artificial limestone, which commenced operations in April 2025, along with research findings on the practical application of CO₂ recycling artificial limestone across numerous industrial sectors.

Pilot-Scale Manufacturing Test Facility for CO₂ Recycling Artificial Limestone at Our Tochigi Plant Site



Exterior and interior views of the pilot-scale recycled CO₂ artificial limestone manufacturing test facility at the Tochigi Plant

Target mineral sequestration effect of CO₂ recycling artificial limestone:

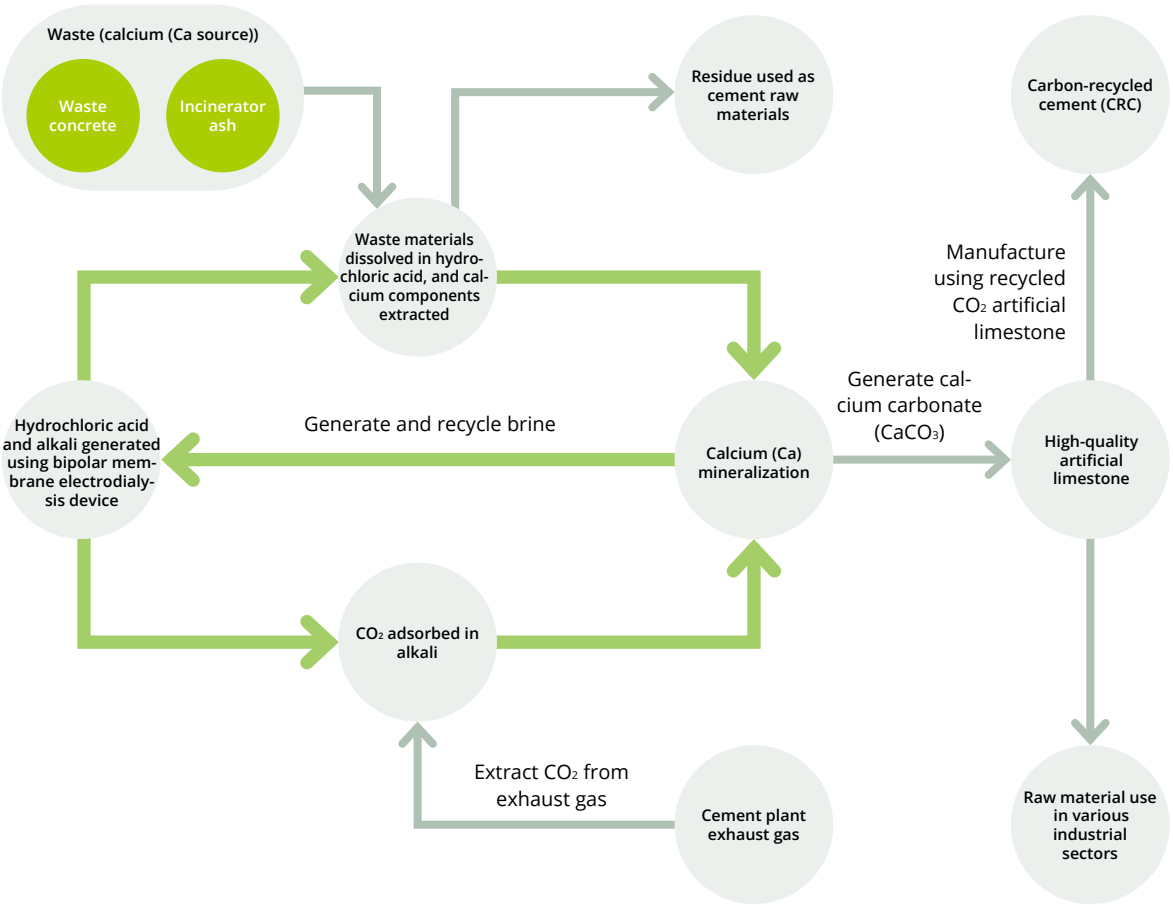
420 kg-CO₂/ton

Since 2022, we have been engaged in research and development aimed at the commercialization of CO₂ recycling artificial limestone as part of the “Establishment of Carbonation Chlorination Technology Using Diverse Calcium Sources” project (JPNP21023). This project is part of the NEDO (New Energy and Industrial Technology Development Organization) Green Innovation Fund's “Development of Concrete Manufacturing Technology Using CO₂” initiative. In this initiative, CO₂ contained in exhaust gases from cement plants is reacted with calcium extracted from externally collected waste to produce CO₂ recycling artificial limestone, which sequesters CO₂ within the minerals. We are developing technologies to use CO₂ recycling artificial limestone as a raw material in a variety of fields, including cement and concrete. This technology is the world's first “dual recycling” technology that recycles both calcium extracted from waste and CO₂ from cement plant exhaust gas. This contributes both to extended lifespans for landfill sites through waste recycling and to the reduction of CO₂ emissions.

Limestone is the primary raw material used in cement production, and CO₂ makes up nearly half of its mass. Consequently, the decarbonation reaction during the cement manufacturing process generates process-related CO₂ that originates from the limestone. This accounts for approximately 60% of the CO₂ emitted during cement manufacturing. The benefit of using CO₂ recycling artificial limestone is that it sequesters CO₂ from the exhaust gases emitted by the cement plants during the production process, at a rate of approximately 420 kilograms per ton, allowing the CO₂ to be fixed semi-permanently within the minerals.

Calcium carbonate (CaCO₃), the main component of limestone, is widely used not only as a raw material for cement and concrete but also as an extender in many industrial fields to improve physical properties. Replacing conventional limestone and synthetic calcium carbonate with the CO₂ recycling artificial limestone we have developed can reduce natural resource consumption and help cut CO₂ emissions thanks to its highly efficient mineral sequestration. The pilot-scale manufacturing test facility for CO₂ recycling artificial limestone, which began operations at our Tochigi Plant (Sano City, Tochigi Prefecture) site in April 2025, was built to verify the research results obtained from our previous bench-scale production tests in a scaled-up environment and to gain insights for the design of mass-production equipment. This facility has an annual production capacity of 270 tons, approximately 10 times that of our bench-scale manufacturing test facility (Taisho Ward, Osaka City). It produces CO₂ recycling artificial limestone by extracting calcium from diverse waste materials such as collected general incineration ash, and utilizes CO₂ from the exhaust gases emitted by the Tochigi Plant. Additionally, a portion of the residue remaining after calcium extraction is used as an alternative raw material for cement at our Tochigi Plant. At this pilot-scale facility, we will establish more efficient operating methods and conduct various demonstration tests, as well as advance technological development with the objective of applying this technology practically in society from fiscal 2030 onward.

Manufacturing Process for CO₂ Recycling Artificial Limestone



Conceptual diagram of the CO₂ recycling artificial limestone business →P.53

Development of Rubber Products Using Recycled CO₂ Artificial Limestone



Rubber rollers using CO₂ recycling artificial limestone (exhibited at the Sumitomo Pavilion, Expo 2025 Osaka Kansai)

In collaboration with Sumitomo Rubber Industries, Ltd., we have successfully developed rubber rollers for office automation equipment using CO₂ recycling artificial limestone. This marks the first joint product development initiative within the Sumitomo Group utilizing CO₂ recycling artificial limestone. By using a synthetic rubber compound made using CO₂ recycling artificial limestone in place of traditional limestone, the CO₂ is minerally sequestered, and it is estimated that universal application in all rubber rollers for office automation equipment produced by Sumitomo Rubber Industries would result in an annual CO₂ reduction of approximately 36 tons. Because CO₂ recycling artificial limestone intrinsically fixes CO₂, simply mixing it in as an extender acts as an advanced and highly efficient CCU mechanism. Going forward, Sumitomo Osaka Cement and Sumitomo Rubber Industries will accelerate development toward employing CO₂ recycling artificial limestone in automotive tires and a range of other rubber products.

TOPICS

► Development of Composite Polypropylene Resin Using CO₂ Recycling Artificial Limestone

Sumitomo Osaka Cement, in conjunction with Nissen Polytech Co., Ltd., has developed a composite polypropylene resin utilizing recycled CO₂ artificial limestone. This is the world's first composite polypropylene resin that uses recycled CO₂ artificial limestone as a raw material in place of natural limestone. We are also applying CO₂ recycling artificial limestone—made by recycling used plasterboard from construction waste—as a filler material for soft polypropylene resin used in clear document folders and similar products. Looking ahead, the two companies will continue to boost development toward applying CO₂ recycling artificial limestone to resins other than composite polypropylene resin, as well as to a variety of other products.



Composite polypropylene resin pellets



Clear document folders made of composite polypropylene resin

► Development of Paper Using CO₂ Recycling Artificial Limestone

Together with Oji F-Tex Co., Ltd. and Fukoku Paper Co., Ltd., we have developed "LOCABO Paper® (Low Carbon Paper)," a paper made from CO₂ recycling artificial limestone. This product is the world's first paper developed based on Oji F-Tex's premium printing paper (Gulliver Series) in which the raw material filler has been partially replaced with CO₂ recycling artificial limestone. LOCABO Paper® has the same strength as existing specialty papers and has passed printability tests. Going forward, the three companies will continue to explore ways to expand the application of CO₂ recycling artificial limestone, as well as technologies for stable supply of this product and its business development.



Low-carbon paper rolls



Low-carbon paper

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

Using CO₂ recycling artificial limestone, as well as carbon-recycled cement, which uses CO₂ recycling artificial limestone as an extender, we have developed a next-generation low-carbon semi-flexible pavement that combines two types of climate change mitigation measures, "CO₂ emissions reduction" and "carbon removal," in cooperation with 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 the 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. A significant reduction in CO₂ emissions is expected for semi-flexible pavements that use cement-based materials with a high CO₂ fixation potential.



Roadway using next-generation low-carbon semi-flexible pavement

► Application of CO₂ Recycling Artificial Limestone at Expo 2025 Osaka Kansai



Edging blocks made with CO₂ recycling artificial limestone

* RITE: Research Institute of Innovative Technology for the Earth

As an environmental solutions company, we are committed to developing innovative carbon offset technologies in the cement and concrete sectors. For Expo 2025 Osaka Kansai, the "Expo 2025 Green Vision" was formulated to create an exposition 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."

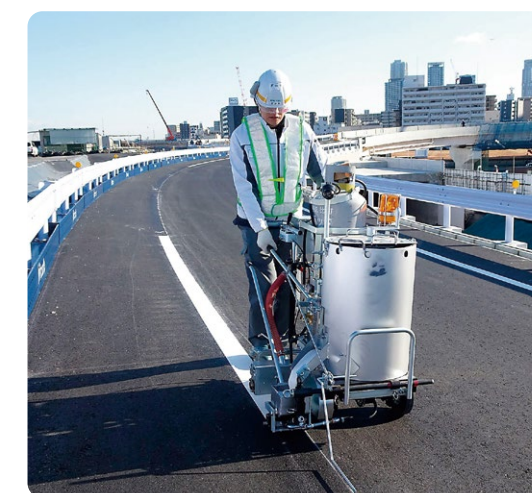
We support this vision and have supplied low-carbon precast concrete products using CO₂ recycling artificial limestone for the Sumitomo Pavilion building at Expo 2025 Osaka Kansai and for the road paving of the RITE* "Future Forest" constructed for the Expo. Additionally, the official Sumitomo Pavilion merchandise sold at the Expo site included memo pads and postcards fabricated from LOCABO Paper (Low Carbon Paper), that was made from CO₂ recycling artificial limestone and developed in collaboration with Oji F-Tex Co., Ltd. and Fukoku Paper Co., Ltd., as well as clear document folders made from composite polypropylene resin that incorporates CO₂ recycling artificial limestone, which was developed in collaboration with Nissen Polytech Co., Ltd. The recycled CO₂ artificial limestone used in these products was produced at our bench-scale manufacturing test facility in Taisho Ward, Osaka City, and was generated from calcium and CO₂ contained in waste plasterboard and other such materials.



Sumitomo Pavilion merchandise made with CO₂ recycling artificial limestone (above: notepads; below: polypropylene document folders)

► Development of the World's First Road Marking Paint Using CO₂ Recycling Artificial Limestone

In collaboration with KICTEC Inc., we have developed a road marking paint that uses CO₂ recycling artificial limestone. This new road marking paint is a product in which the extender has been partially replaced with CO₂ recycling artificial limestone during manufacturing, which results in mineral sequestration of CO₂. The minerally sequestered CO₂ is not released into the atmosphere and remains semi-permanently fixed even after the product has deteriorated or is naturally worn out after use. The use of CO₂ recycling artificial limestone results in color development, durability and other performance features on a par with products made from natural limestone, thus enabling the reduction of CO₂ emissions in the road sector. We are conducting demonstration tests of this product on the access route to Expo 2025 Osaka Kansai, and will further explore its use as road marking paint as we pursue market deployment, with the aim of contributing to society-wide carbon neutrality.



Applying road marking paint made from CO₂ recycling artificial limestone

TCFD-Based Information Disclosure

In August 2021, we endorsed 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 (P.48)

To promote the Group's efforts to address sustainability issues, including climate change, we established our Sustainability Committee, which is chaired by the President, together with its dedicated subcommittee, the Carbon Neutral and Environment Subcommittee, both of which meet regularly. The Board of Directors regularly receives reports from this committee and subcommittee on all proceedings, and then deliberates on important matters, thereby overseeing and working in tandem with management to address sustainability issues.

Metrics and Targets (P.50-51)

In December 2020, we formulated SOCN2050, which outlines our path toward achieving carbon neutrality by 2050 and sets specific medium-term targets. We are challenging ourselves to make the Group's corporate activities carbon neutral by 2050 through all possible measures, while also advancing initiatives that contribute to the overall decarbonization of society through our supply chain.

Under SOCN2050, we have set an interim CO₂ emissions reduction target for fiscal 2030 of decreasing our cement manufacturing energy-related CO₂ emissions intensity by 30%, compared with fiscal 2005 levels (equivalent to a 45% reduction in emissions volume), and are working to achieve this goal. We are also currently revising SOCN2050 in response to changes in the external environment.

Strategies (P.49)

■ Scenario analysis (P.59, P.60-61)

We conducted an analysis of the impact of climate change on all businesses of the Group, assuming a date of 2030, with reference to scenarios drawn up 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 identified items deemed to have a significant impact in terms of the respective risks and opportunities under scenarios in which the global average temperature rises by 1.5°C*¹ or 4°C*² compared with pre-industrial levels. 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.

In addition, with regard to carbon-neutral investments aimed at reducing fossil fuel energy consumption in cement production by fiscal 2030, we have quantitatively evaluated our investment plans and their anticipated returns, and have incorporated the associated financial impact into our SOC Vision 2035 and our current FY2023-25 Medium-term Management Plan.

■ Responding to a wide range of rule-making activities (P.62-63)

In cooperation with relevant government ministries and industry associations, we have submitted our opinions through the Japan Cement Association, an industry organization, regarding the government's proposals for the emissions trading scheme (GX-ETS), set to begin in fiscal 2026. Additionally, the Japan Cement Association has been pushing for revisions to the Japanese Industrial Standards (JIS) to reduce the clinker ratio in cement and to raise the proportion of minor mixed ingredients such as limestone. As these revised standards are expected to become effective within fiscal 2025, we are proceeding with building a production framework that aligns with these changes. Furthermore, we have established a company-wide Standardization Strategy Committee focused primarily on the cement and concrete fields, creating a structure to gather and analyze information on relevant standards and system designs.

■ R&D and collaboration with companies in other industries (P.52-57)

We have been making carbon-neutral investments aimed at reducing energy-related CO₂ emissions from the cement manufacturing process by fiscal 2030. However, reducing process-related CO₂ emissions from limestone—which account for approximately 60% of the CO₂ emissions from cement manufacturing—requires technological innovation. In terms of CCU-related technological developments for reducing process-related CO₂ emissions, we can count CO₂ recycling artificial limestone, which is one of our priorities and is the result of research related to the NEDO Green Innovation Fund project. In fiscal 2025, we constructed a pilot-scale manufacturing test facility for CO₂ recycling artificial limestone within the grounds of the Tochigi Plant site (Sano City, Tochigi Prefecture).

We are also conducting research and development in collaboration with other industries to utilize CO₂ recycling artificial limestone as a raw material for a wide range of products. We will pursue technological development aimed at societal implementation starting in fiscal 2030 by using our test facilities to establish efficient operating methods, conducting various demonstration tests, and proceeding with research and development on raw material utilization.

*1 Scenarios used: IEA "World Energy Outlook 2022" and "NZE2050 (Net Zero Emissions by 2050)"
*2 Scenarios used: IPCC "Fifth Assessment Report RCP8.5 Scenario," etc.

Risk Management (P.48)

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.

Financial Implications of the Risks and Opportunities Identified through Scenario Analysis

The challenge we have undertaken of accomplishing our Group's Carbon Neutral Vision for 2050, SOCN2050, includes targets for reducing energy-related CO₂ emissions in the cement manufacturing process by 2030 (→ P.51). To achieve those targets, we are focusing on reducing the use of fossil fuels, such as coal, and replacing them with alternative thermal energy sources, such as waste materials, thereby reducing CO₂ emissions, lowering costs, and growing revenue from recycling activities.

The intensifying competition in terms of the collection of waste plastics and waste oil due to the greater utilization of recycling of fossil fuel sources to generate thermal energy, including by other industries, has become a more obvious challenge. In response, by gradually making environmental investments, such as upgrading our salt-removal facilities at cement plants, and installing waste plastic pretreatment facilities, as well as 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. We have calculated the scale and returns on these carbon-neutral investments through fiscal 2030 as follows.

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

Risks	
● Capital investment for the 2030 reduction target in the "SOCN2050" Carbon Neutral Vision for 2050	Approx. ¥40.0 billion through 2030 2020-2022 ¥9.9 billion 2023-2025 ¥17.0 billion 2026-2028 ¥8.0 billion 2029-2030 ¥6.0 billion
● Decrease in costs due to lower coal consumption Effects will be realized in accordance with progress in capital investment 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	¥6.0 billion to ¥7.5 billion/year from FY2026 onward (Cumulative effect of ¥39.0 billion from 2020 to 2030)
● Increase in recycling revenue due to increase in alternative raw materials and thermal energy resulting from lower coal consumption, etc. Impact amount calculated at a unit price that takes into account the difficulty of procurement in the future	Approx. ¥1.0 billion/year from FY2026 onward (Cumulative effect of ¥8.0 billion from 2020 to 2030)

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

(Billions of yen)						
	FY2020-2022	FY2023-2025	FY2026-2028	FY2029-2030	Total	
Carbon-neutral investments	9.9	17.0	8.0	6.0	Approx. 40.0	
Investment effect	Depreciation	(1.9)	(10.0)	(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
	Total	(1.3)	(3.0)	+9.0	+10.0	Approx. +15.0

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

Our Medium- to Long-term Vision for 2035, SOC Vision 2035, sets a capital investment target of ¥100 billion in relation to carbon neutrality between fiscal 2023 and fiscal 2035 (→ P.15). Of this, the capital investment of approximately ¥30 billion, aimed at reducing CO₂ emissions from fossil energy sources, as mentioned above, is also incorporated

into our current FY2023-25 Medium-term Management Plan. Furthermore, we plan to invest approximately ¥70 billion in CCU and energy conversion technologies aimed at reducing process-related CO₂ emissions from limestone, the primary raw material accounting for about 60% of cement manufacturing CO₂ emissions, starting in fiscal 2030.

Sumitomo Osaka Cement Group's Internal Carbon Pricing (ICP) System	• Internal carbon price: ¥5,000/ton-CO ₂ • Target of the ICP System: Capital investment that would result in either an increase or a decrease in CO ₂ emissions. • Operation method: The internal carbon price is applied to the CO ₂ emissions associated with the target capital investment plan, and the converted cost is used as a reference for investment decisions.
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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
Transition Risks	Government policies and regulations	- 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.	- The Company's commitment to promoting of 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	R&D expenses for new technology and capital investment to realize carbon neutrality is expected to increase.	- 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
	Change in user activity	- 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.	- 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	- 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.	- 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		
	Optoelectronics business and Advanced Materials business	—	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
	Change in stakeholders' assessment	Difficulty in procuring funds is expected due to lower assessment of GHG emitter companies.	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	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.	- 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 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.	- 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

Responding to a Wide Range of Rule-making Activities

We recognize that achieving carbon neutrality in the cement sector requires substantial research and development costs and capital investment, along with the need to set clear standards (formulate regulations) for low-carbon products and to gain a broader understanding of the burden that will be placed on society, including on users of the products. It is also essential to advance infrastructure development for realizing a carbon-neutral society, including decarbonized power sources and hydrogen/ammonia supplies. We will therefore continue to engage with the government, relevant organizations, and companies within our supply chain, while also collaborating with the overall supply chain, other industries, and relevant ministries and agencies to advance our carbon neutral initiatives.

Responding to JIS Revisions (Increase in the Percentage of Minor Mixed Ingredients in Concrete)

The majority of CO₂ emissions in cement manufacturing originate from the process of firing clinker, an intermediate product of cement, through the combustion of fossil energy and the decarbonation reaction of limestone, the primary raw material. Therefore, reducing the clinker ratio in cement and increasing the content of minor mixed ingredients, including added limestone, directly contributes to the reduction of CO₂ emissions. However, making those changes requires amendments to the JIS. The Japan Cement Association, an industry group to which the Company belongs, has been compiling verification data and drafting proposals for revising JIS to increase the portion of minor mixed ingredients in ordinary Portland cement from the current 5% to 10%. Standards aligned with these revisions are expected to be established by or before the end of fiscal 2025. Accordingly, we will review related equipment at our plants and take steps to configure an optimal framework, with these new standards in mind.

Alignment with the Government's "Technology Roadmap for 'Transition Finance' in the Cement Sector"

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 achieving 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 each sector. While stating that "the technology to achieve carbon neutrality in the cement sector has not currently been established," METI 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.

METI's roadmap is in alignment with the Nationally Determined Contributions (NDCs) reduction targets set out under the Paris Agreement, and the cement industry as a whole is predominantly following this roadmap for technological development. The R&D initiatives and the emissions reduction targets promoted by our Group under SOCN2050 are also in line with the Paris Agreement.

Collaboration on the Design of the Emissions Trading Scheme (GX-ETS)

METI is currently working on the design of Japan's new domestic emissions trading scheme (GX-ETS), which is expected to commence in fiscal 2026. As a high-CO₂ emitting business, Sumitomo Osaka Cement is required to participate in the scheme, and this may impact the Company's future earnings performance. Detailed consultations are being held between METI and various industries on the proposed government guidelines for establishing specific regulations, such as a methodology for setting free emissions allowances for businesses and stipulations for carbon leakage-prone sectors. We are actively participating in these discussions, and we submit our opinions to METI through the Japan Cement Association. A government advisory council to determine the details of the scheme was launched in July 2025, and we will continue to closely monitor the progress of these deliberations and will take all necessary action as required.

GX League Participation and the Disclosure of Targets

We endorse the "GX League Basic Concept" announced by METI, and have been participating in the "GX League" (→P.124) since fiscal 2023. Accordingly, we have announced the following aggregate volume targets for reducing greenhouse gas (GHG) emissions. These targets are in line with the energy-related CO₂ emissions reduction targets for cement manufacturing by fiscal 2030 set forth in SOCN2050 (→P.51).

GHG Emissions Reduction Targets Announced in Conjunction with Participation in the GX League		
FY2030 GHG emissions reduction target (Scope 1 (net CO ₂ emissions))	16% reduction (compared with FY2013)	
FY2030 GHG indirect emissions reduction target (Scope 2)	16% reduction (compared with FY2013)	

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)

Sustainability Message

We actively participate in a number of rule-making activities and are pursuing R&D in new technologies, while simultaneously contributing to the provision of clear standardization measures, in order to enhance the feasibility of creating new businesses.

Noriyuki Kozakai

Managing Executive Officer
Responsible for the Sustainability Department and the Cement/Concrete Research Laboratory
Chairman of the Standardization Strategy Committee



1. Participation in a number of regulatory activities

We dispatch mid-career and young employees to regulatory forums and committees of numerous organizations, including Technical Committees of the International Organization for Standardization (ISO/TC) and Japanese Industrial Standards (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.

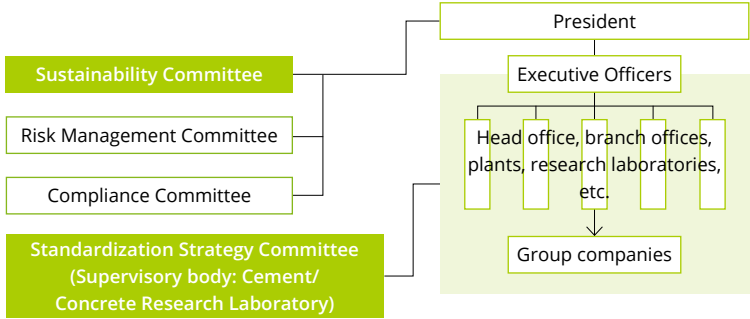
2. Operation of the Standardization Strategy Committee

In 2024, we established our 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 international standards and initiatives, and to evaluate their impact on the Japanese domestic market and our own business. In addition, we remain mindful of regulatory updates regarding such rapidly changing areas as decarbonization, low-carbon cement and concrete, carbon capture, utilization, and storage (CCUS), and the emissions trading scheme (GX-ETS), all of which we consider to be 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 the Ministry of Economy, Trade and Industry (METI)'s proposals for the "Japanese Standardization Acceleration Model" and the planned project for an open and closed strategy for exploiting academic knowledge (known as the OCEAN Project), as part of the recently revised "Act on Strengthening Industrial Competitiveness," we are engaging in the provision of "enlightenment, education, and opportunities" for young employees, primarily through our Standardization Strategy Committee. By doing so, we aim to cultivate the human resources necessary for clear standardization measures, which we believe to be one of the most important initiatives for implementing open and closed strategies.

We recognize the importance not only of formulating rules in the construction industry, but also of concurrently advancing standardization and intellectual property strategies when participating in R&D in various innovative technologies, including our work with the Green Innovation Fund (→P.124). As such, we are committed to implementing best organizational practices with the goal of establishing intellectual property rights for core technologies and new markets through open and closed strategies.



② OCEAN (Open & Close strategy with Exploiting Academic kNowledge) Project (METI)
https://www.meti.go.jp/policy/economy/hyojun-kijun/katsuyo/ocean_project/index.html (in Japanese only)

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 at 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.

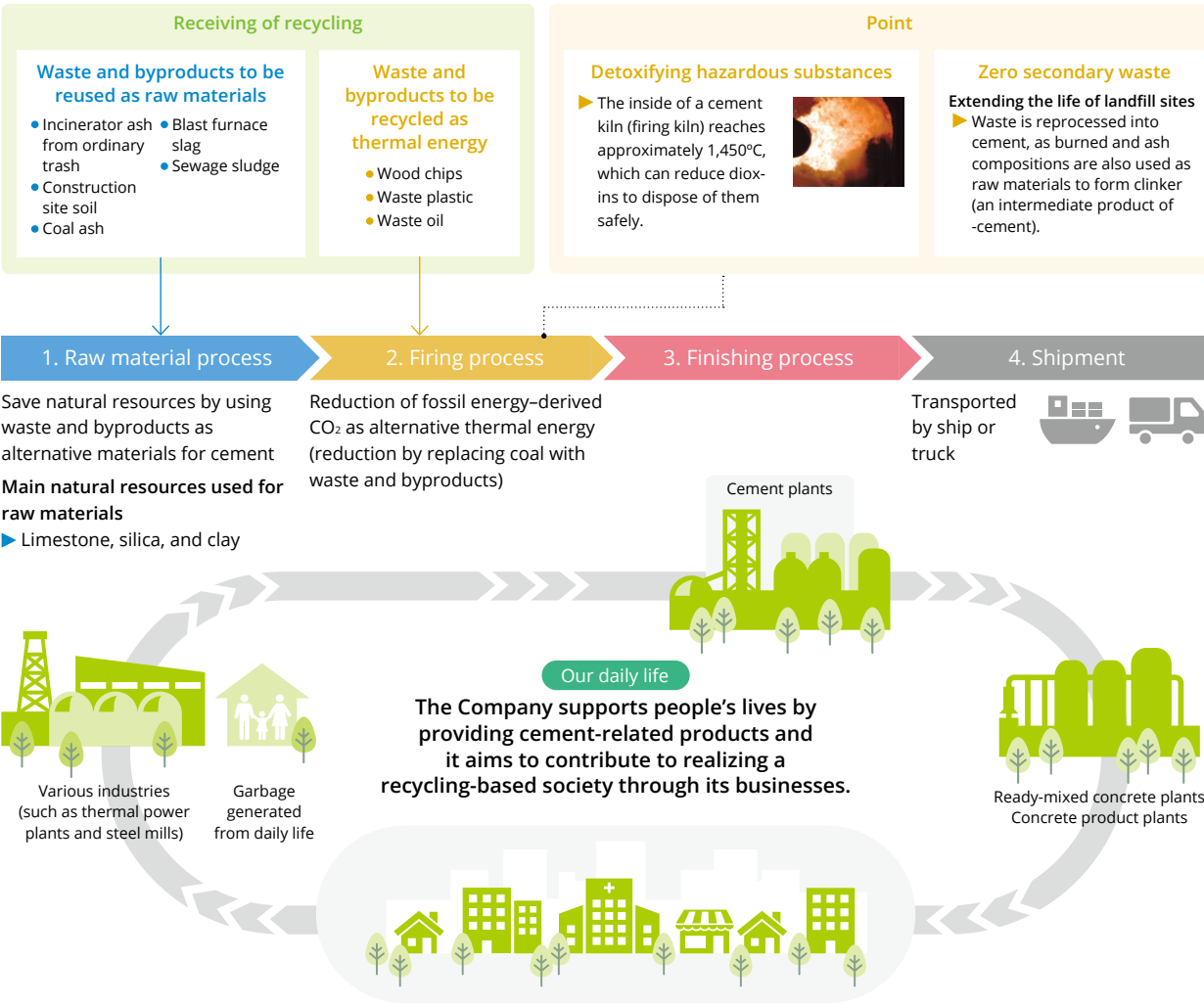
The main components are abundant in natural resources such as limestone, clay, and silica, but waste and byproducts also contain similar components so they can be used as a substitute for cement raw materials. Thanks to the recycling of waste and byproducts, we now no longer use natural clay in our cement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

Waste and byproducts—including wood chips, waste and recycled oil, and waste plastic—from other industries and local governments are used as an alternative to coal to generate the thermal energy needed for the firing process at 1,450°C. Since these waste and byproduct materials are fired directly inside the kiln, the ash and residue that remains after burning is also reused as a cement raw material, meaning that nothing is wasted as everything can be recycled into cement.

These recycling efforts, utilizing fossil energy substitutes, contribute to a reduction in the use of natural resources such as clay and coal, as well as to a reduction in CO₂ emissions, and help extend the life of landfill sites, which are the final waste disposal sites.

The Group also accepts disaster waste generated by earthquakes and flood damage, which is reusable as alternative raw materials and for generating 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 in June 2023 and the heavy rains caused by Typhoon No. 2 of 2023, we took in approximately 2,000 tons of disaster waste, including rubble and soil mixed with wood generated in Toyokawa City, Aichi Prefecture.



Wood chips generated by the 2024 Noto Peninsula Earthquake

Additionally, we accepted disaster waste (wood chips) generated by the 2024 Noto Peninsula Earthquake. This was conducted at both our Ako Plant and Group company Hachinohe Cement Co., Ltd., from April to August 2025, receiving a combined total of approximately 5,000 tons.

We will continue working to promptly accept disaster waste in order to support the recovery and reconstruction of affected areas.

Building a Cooperative System with Local Governments

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

In May 2024, the Company signed a comprehensive partnership agreement with Gifu Prefecture. To date, this brings the total number of agreements signed with local governments to 13. Under these agreements, in the event of a large-scale disaster, when a substantial 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 of 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 the 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 ceremony for the Comprehensive Partnership Agreement with Gifu Prefecture

Recycling of Disaster Waste <https://www.soc.co.jp/service/recycle/disasterwaste/>

Status of Waste and Byproduct Use

In fiscal 2024, we used 4,661,000 tons of waste and byproducts. This was approximately a 2% reduction from the volume used in fiscal 2023, mainly attributable to the decrease in cement production volume. However, our unit consumption rate exceeded that of fiscal 2023 and remains among the highest in the industry.

	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Raw material-related waste*1	1,000 t	2,739	2,717	2,605	2,496	2,405
Thermal energy-related waste*2	1,000 t	394	399	402	401	362
Byproducts*3	1,000 t	2,077	2,117	1,915	1,878	1,895
Subtotal	1,000 t	5,210	5,233	4,922	4,775	4,661
Cement production volume	1,000 t	10,041	10,085	9,546	8,850	8,553
Basic unit	Raw material-related	kg/ton-cement	273	269	273	282
	Thermal energy-related	kg/ton-cement	39	40	42	45
	Byproducts	kg/ton-cement	207	210	201	212
Total	kg/ton-cement	519	519	516	540	545

*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 chips, others

*3 Byproducts: Incinerator slag, byproduct gypsum, wood chips (including those for retail power generation), others

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 waste 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

FY2024: **36 locations** (in-house: 19 locations; affiliates: 17 locations)

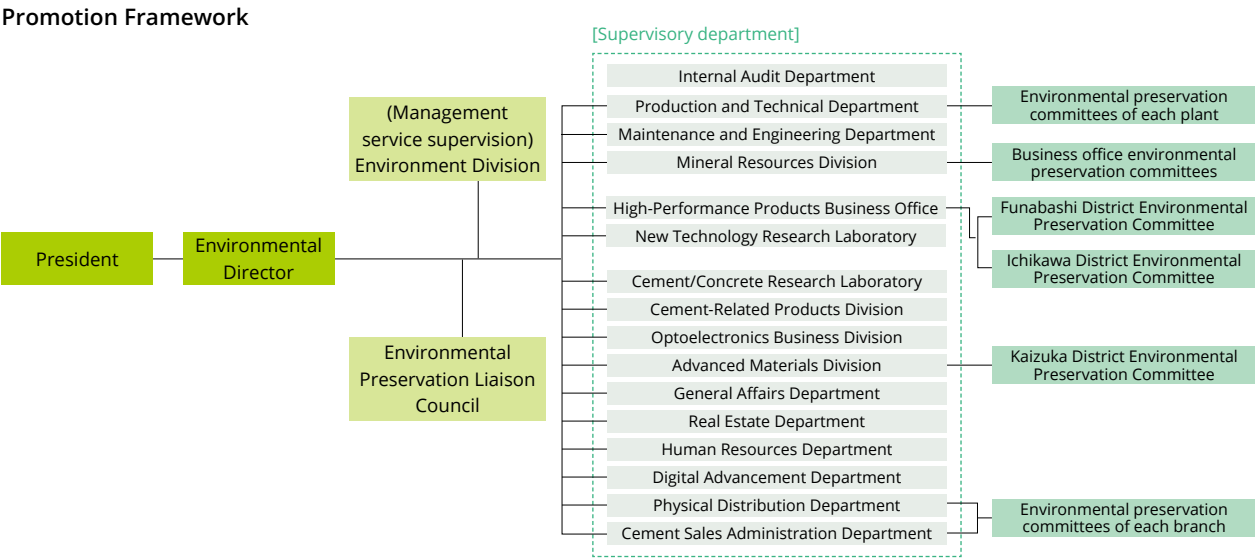
Note: Each fiscal year, audit sites are selected from all locations, and audits are conducted through systematic visits.

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

Including with plants and business sites, where environmental risk is considered to be high, we conduct environmental education by introducing training sessions led by external instructors and e-learning programs that also target relevant departments outside of the cement plants.



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

Carbon Neutrality Achieved at our Head Office by Using In-House Biomass-Generated Electricity

We have achieved carbon neutrality for the electricity used in the space we lease on the 20th floor of the Shiodome Sumitomo Building (Minato-ku, Tokyo) for our head office, by introducing non-fossil energy*¹ originating from our biomass power plant at our Tochigi Plant (Sano City, Tochigi Prefecture). Specifically, by utilizing the Feed-in-Tariff (FIT) Non-Fossil Certificate with Tracking system and the Green Power Plan*² for tenants established by Sumitomo Realty & Development Co., Ltd., we have achieved carbon neutrality for the electricity used at our head office through self-generated clean electricity.

*1 Non-fossil energy derived from the biomass power generation facilities at our Tochigi Plant (Sano City, Tochigi Prefecture): Value obtained by purchasing FIT non-fossil certificates with tracking in the renewable energy value trading market.

*2 Green Power Plan for tenants: A decarbonization plan for tenants set up by Sumitomo Realty & Development Co., Ltd. Its unique feature is that tenant companies can select the green power plan best suited to them from a variety of green power adoption methods, including not only net green power using general non-fossil certificates, but also net green power derived from tenant-owned power plants.

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 the Rational Use and Proper Management of Fluorocarbons. The plant accepts separated and collected fluorocarbons, eliminates them in a kiln, and contributes to the reduction of GHGs and the restoration of ozone holes. (GHG reduction contribution in fiscal 2024 = 155,000 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 firing at a high temperature of roughly 1,450°C, cement manufacturing facilities are known for their ability to carry out detoxification. While the operational situation of these facilities vary depending on the year, emission levels remain well below legally mandated emissions standards.

Trends in NO_x, SO_x, Particulate Matter, and Dioxin Emissions

	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
NO _x * ³ emissions (Cement business and power generation equipment)	tons	14,340	16,174	14,327	12,631	12,471
SO _x * ⁴ emissions (Cement business and power generation equipment)	tons	1,095	1,175	1,219	1,099	1,421
Particulate matter emissions (Cement business and power generation equipment)	tons	143	218	99	120	173
Dioxin* ⁵ emissions (Cement business)	g-TEQ	0.41	0.18	0.22	0.36	0.93

*3 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.

*4 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.

*5 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 emissions 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 emissions 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 emissions standards, we commission third-party entities to measure exhaust gases in accordance with the law, and confirm that there are no violations of emissions 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)				
	FY2022	FY2023	FY2024	
Water intake	Surface water	38	32	28
	Groundwater	4,265	4,234	3,793
	Water for industrial use/ Tap water	4,228	4,287	3,802
	Total freshwater intake volume	8,531	8,553	7,623
	Total seawater intake volume	5,820	4,012	4,496
Wastewater	Total water intake volume	14,351	12,565	12,119
	Total freshwater discharge volume	3,722	4,791	3,147
	Total other wastewater discharge volume	3,998	3,296	3,612
	Total wastewater discharge volume	7,721	8,087	6,759
	Freshwater usage volume	6,631	4,478	4,798

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, at 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	FY2024
Discharge volume	tons	198	220	196
Recycling rate	%	96	97	95

Scope of calculation: the Company

Environmental Accounting (Millions of yen)

Category		Environmental conservation investment			Environmental conservation costs		
		FY2022	FY2023	FY2024	FY2022	FY2023	FY2024
Costs within business area		7,055	8,644	3,188	2,007	2,469	2,816
Breakdown	Pollution prevention costs	859	710	596	328	446	629
	Environmental conservation costs	5,855	5,879	1,044	31	58	135
	Resource circulation costs	341	2,054	1,548	1,649	1,965	2,052
Upstream and downstream costs		—	—	—	503	441	365
Management activity costs		—	—	—	125	140	156
Research and development costs		—	—	—	46	37	71
Social activity costs		—	—	—	22	23	19
Environmental damage response costs		—	—	—	80	75	88
Other costs related to environmental conservation		—	—	—	57	56	56
Total		7,055	8,644	3,188	2,841	3,241	3,571

Scope of calculation: Sumitomo Osaka Cement and 48 major affiliates

Material Balance and Energy Balance (FY2024)

Inputs					
● Energy		● Raw materials			
Coal	1,051,000 tons	Natural resources		Waste and byproducts	
Petroleum coke	125,000 tons	Excavated limestone	16,900,000 tons	Byproduct gypsum	298,000 tons
Waste and byproducts	970,000 tons	Silica	547,000 tons	Coal ash	1,144,000 tons
Total	2,146,000 tons	Natural gypsum	20,000 tons	Soil from construction	193,000 tons
Heavy oil	4,000 kL	Total	17,467,000 tons	Sludge	348,000 tons
Light oil	12,000 kL			Blast furnace/ converter slag	792,000 tons
Kerosene	400 kL			Nonferrous slag	309,000 tons
Gasoline	100 kL			Others	607,000 tons
Total	1,650 kL			Total	3,691,000 tons
Purchased electricity	269,000 MWh				
● Materials		● Water intake			
Grinding aid	4,630 tons	Including seawater and river water	12,119,000 tons		
Gunpowder	2,310 tons				
Refractory	8,863 tons				
Grinding media and steel casings	549 tons				
Lubricants and chemicals	52 tons				
Total	16,404 tons				



Outputs					
● Mineral Resources business		● Cement business		● Volume of waste, etc., discharged	
Aggregates, etc.	4,331,000 tons	Cement production volume*2	8,553,000 tons	Waste, etc., outsourced for treatment	1,790 tons
Limestone products*1	3,339,000 tons	Retail electricity	774,000 MWh	Final disposal volume	686 tons
				(Final disposal volume includes Sumitomo Osaka Cement's four cement plants and Hachinohe Cement Co., Ltd.)*3	45 tons
				● Wastewater	
				Wastewater discharge volume	6,759,000 tons

Scope of data collection: The Group's six cement plants (Tochigi, Gifu, Aiko, 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, Aiko, Kochi)

Biodiversity and Natural Capital Initiatives

Given our 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.

Therefore, paying close attention to the global environment and minimizing the impact of our operations on biodiversity and natural capital are vital to maintaining our ability to operate as an enterprise. Furthermore, we recognize that for us to achieve sustainable growth and development as an environmental solutions company, it is essential that we contribute to resolving social issues by creating and expanding businesses related to biodiversity and natural capital, and we are pursuing initiatives accordingly.

Governance

We regularly convene the Sustainability Committee, a company-wide body chaired by the President, and its subcommittee, the Carbon Neutral and Environment Subcommittee, to advance initiatives for the conservation of biodiversity and natural capital. Along with these meeting agenda reports, important matters are submitted directly to the Board of Directors for deliberation. (Sustainability Advancement Framework P.48)

Risk and Impact Management

We recognize that because our cement-related businesses utilize natural resources, failure to appropriately address biodiversity and natural capital poses risks to our business continuity. The environmental philosophy of the Group can be summarized as follows: “The Sumitomo Osaka Cement Group strives to contribute to the preservation of the global environment and to create abundance in society by pursuing environmentally friendly manufacturing, power generation and distribution operations in order to maintain harmony between the environment and corporate activities.” Based on this philosophy, we continually work to restore the natural environment through greening and reforestation programs in mining areas where development has concluded to reduce the impact of our operations.

Additionally, because our cement plants use the water resources from surrounding areas as indirect cooling water for our plants and power facilities, we taking steps to identify potential future water risks, ensure the proper use of water resources, and prevent water pollution in our wastewater discharge. Using the Aqueduct tool released by the World Resources Institute, we have assessed our water risks, analyzing impacts across all Group facilities, and have confirmed that our Cement Division, which accounts for approximately 97% of the Group's total water consumption,

includes no areas subject to water stress in 2040 (→P.68). We will continue to evaluate these water risks and analyze their impacts on an ongoing basis.

Moving forward, we will identify and mitigate risks and impacts related to biodiversity and natural capital by employing analysis methodologies based on the Task Force on Nature-related Financial Disclosures (TNFD) recommendations. By doing so, we aim to clarify the Group’s dependence and impacts on natural capital within its business operations.

Strategies

As an environmental solutions company, we are engaged in the creation and expansion of businesses related to biodiversity and natural capital. We conduct research and development on cutting-edge seedling cultivation technology using CO₂ at our mines and factories, thus sowing the seeds for new business creation. Moreover, drawing on over 20 years of experience, we, together with Group company SNC Co., Ltd., develop seaweed beds and other marine products to help restore the marine environment, aiming to be nature positive, and we are proactively contributing to this goal by operating lines of business related to biodiversity and natural capital conservation. We will explore the formulation of strategies to further reduce the impact of our business activities on biodiversity and the natural environment, and to create and expand related business opportunities.

Metrics and Targets

Our Carbon Neutral and Environment Subcommittee spearheads our efforts to explore the introduction of metrics and targets based on the TNFD recommendations to reduce our impact on natural capital.

Evaluation of Impact and Dependence on Natural Capital in Business Operations

Business	Location	Dependence	Impact
Cement business	Cement plants, Power plants	Water resource utilization	Water resource usage, Discharge of wastewater into surrounding water bodies
Cement business Mineral Resources business	Mining	Mineral mining, Other natural capital	Soil remediation, Ecosystem remediation

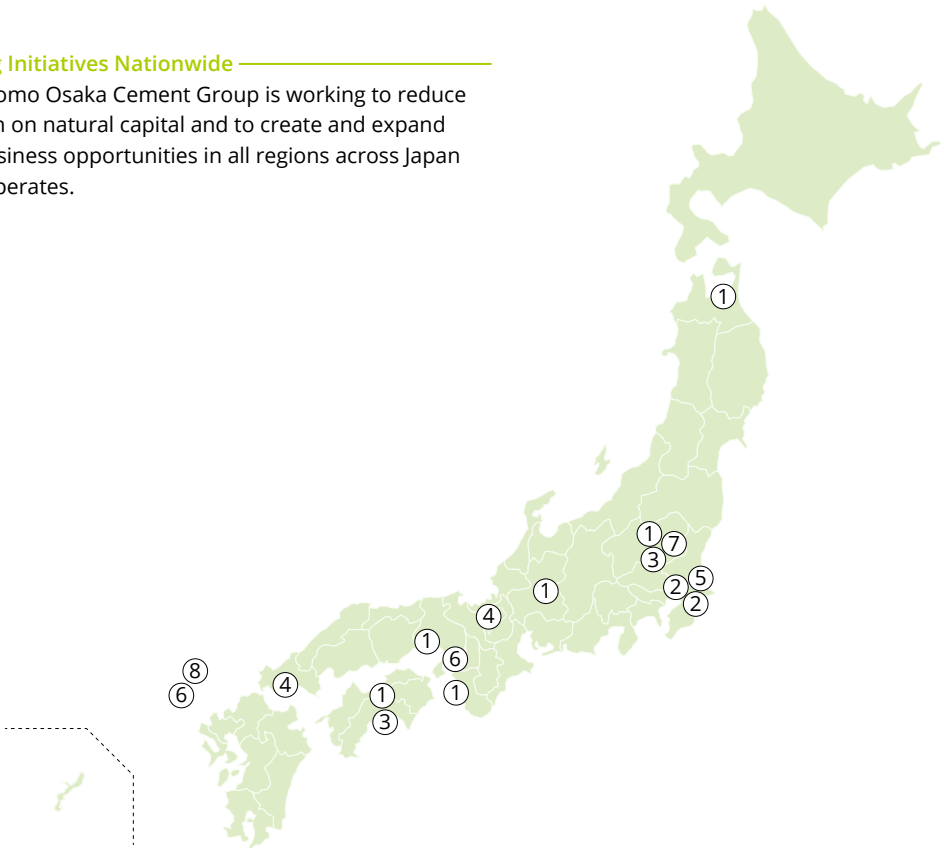
<Roadmap for Biodiversity and Natural Capital Initiatives>



* The LEAP approach is a four-step methodology (Locate, Evaluate, Assess, Prepare) for companies to evaluate their relationship with natural capital, and to identify, manage, and disclose nature-related risks and opportunities.

Expanding Initiatives Nationwide

The Sumitomo Osaka Cement Group is working to reduce the burden on natural capital and to create and expand related business opportunities in all regions across Japan where it operates.



Category	Initiatives	Location	Business
Reduction of impact on natural capital	① Water risk assessment, appropriate water intake and wastewater pollution prevention (→P.68)	Tochigi Plant, Gifu Plant, Kochi Plant, Ako Plant, Hachinohe Cement Co., Ltd., Wakayama Slag Cement Co., Ltd., Tochigi Biomass Power Plant, Kochi Power Plant, Ako Power Plant	Cement-Related Products
	② Wastewater pollution prevention	Funabashi Office/Ichikawa Office	High-Performance Products
	③ Reforestation programs in collaboration with local communities	Sano City, Tochigi Prefecture (Tochigi Plant) Susaki City, Kochi Prefecture (Kochi Plant)	Cement-Related Products
	④ Greening of idle mining areas (→P.73)	Ibuki Mine (Maibara City, Shiga Prefecture) Shuho Mine (Mine City, Yamaguchi Prefecture)	Cement-Related Products
	⑤ Waste pretreatment (extending landfill lifespans)	Ichikawa Recycling Center	Cement-Related Products
Business opportunities	⑥ Marine product business development (marine reefs and seaweed beds) (→P.72)	Tsushima City, Nagasaki Prefecture; Osaka Bay, Osaka Prefecture	Cement-Related Products
	⑦ Low-pollen cedar seedling cultivation using CO ₂ from cement plant exhaust gases (→P.73)	Tochigi Plant (Sano City, Tochigi Prefecture)	Cement-Related Products
Ecosystem conservation	⑧ Tsushima leopard cat protection activities (→P.74)	Shushi no Mori (Forest) (Tsushima City, Nagasaki Prefecture)	—

TOPICS

Business Opportunities

► Promoting Blue Carbon through the Development of “Moba-King” Multifunctional Artificial Reefs for Seaweed Bed Propagation

For over 20 years, the Sumitomo Osaka Cement Group has been developing and commercializing unique products to combat sea desertification in Japan's coastal areas, thus contributing to marine environmental conservation. To date, we have installed over 4,000 seaweed bed propagation reefs and delivered more than 300,000 seaweed bed growth plates. In 2024, we developed “Moba-King,” a new line of multifunctional artificial reefs for seaweed bed propagation that help promote blue carbon (the sequestration and storage of carbon by marine ecosystems). These reefs feature concrete bases compatible with low-carbon concrete, which significantly reduces CO₂ emissions during the manufacturing process, and, in addition to their primary purpose of seaweed bed propagation, they also help sequester CO₂ using the “Moba-King” seaweed bed cultivation system, thus helping to curb global warming, which is one of the attributed causes of sea desertification.

Moreover, the seaweed bed growth plates are made using marine biodegradable plastic, which gradually decomposes over time through biological processes carried out by marine microorganisms, thus helping solve the problem of marine plastic pollution, which has become a significant concern in recent years. Demand for blue carbon ecosystem conservation is expected to increase further in the months and years ahead, and we intend to help conserve biodiversity by continuing to supply marine products that achieve both efficient seaweed bed restoration and reduced environmental impact by cutting CO₂ emissions.



Seaweed bed growth plates made from marine-biodegradable plastic

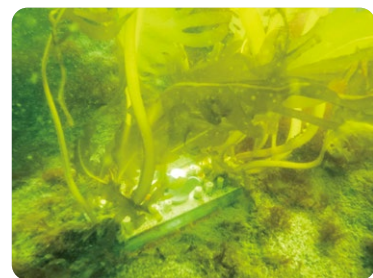


Artificial seaweed reefs deployed on the ocean floor
Note: In fiscal 2023, the Company purchased “J Blue Credits” issued by Goto City, Nagasaki Prefecture, for seaweed bed restoration activities.

► Participating in the Osaka Bay Seaweed Bed Restoration Project



BLUE OCEAN
INITIATIVE



Cultivated wakame seaweed

In 2024, Sumitomo Osaka Cement and Group company, SNC Co., Ltd., applied for and were granted subsidies for project to create blue carbon ecosystems in the waters surrounding the Expo 2025 Osaka Kansai site. We applied for the subsidies following our participation in the Blue Ocean Initiative, a network of industry, government, academia, and citizens undertaking various actions for marine environmental conservation.

The project, coinciding with Expo 2025 Osaka Kansai, involved creating a blue carbon ecosystem by cultivating seaweed beds on the artificial seawall (Sakishima West Seawall) located across from the Expo site. In January 2025, we took detachable seaweed bed growth plates on which we had cultivated mid-stage wakame seaweed, and installed them on the seawall to expand the seaweed beds. We carried out this project in collaboration with Kaneka Corporation and Rengo Co., Ltd., as well as with local seed thread producers Uzushio Shokuhin Co., Ltd. and Mukai-Kaisan Co., Ltd., and with the Tokushima Agriculture, Forestry and Fisheries Technology Support Center, a research institute. This collaborative project enabled us to create seaweed beds that specifically reduce environmental impact, thanks to our use of naturally derived marine biodegradable materials for the detachable seaweed bed growth plates and portions of the seed threads.

Monitoring surveys conducted after installation have confirmed that the planted wakame is growing steadily. We will leverage the insights gained from this project to continue working toward more efficient and environmentally sustainable seaweed bed restoration efforts.

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



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



Cedar-seedling forcing miniature greenhouse

We began a demonstration trial in 2024 as a step toward building a next-generation seedling cultivation system using Bioenergy with Carbon Capture and Storage (BECCS), which uses 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 which 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 Inc.

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

Impact Mitigation

► Trial Reforestation Project at Ibuki Mine

Ibuki Mine, which primarily extracts limestone for use as aggregate, has long been engaged in greening and reforestation efforts in former mining areas, under the management of Group company Shiga Kosan Co., Ltd. In 2023, we conducted a full-scale vegetation survey in collaboration with Sumitomo Forestry Co., Ltd. in the vicinity of Ibuki Mine at elevations between 1,000 meters and 1,200 meters. The survey revealed extensive damage to the underlying layer of vegetation caused by deer across a wide area. The loss of native plants covering Mount Ibuki as a whole, due to browsing by the deer, has led to bare patches on the forest soil surface, soil erosion, and ecosystem destruction. The Group concluded that effective deer-control measures and reforestation plans were necessary. Hence, in 2024, under the guidance of Kyoto University, we established three new test areas with distinct conditions, including the installation of deer-proof fences and tree shelters, and the planting of deer-resistant seedlings.

We also conducted trials to cultivate plants suitable for Mount Ibuki and plants that deer tend to avoid (deer-unpalatable species). A monitoring survey conducted in May 2025 at the test plots confirmed growth of the deer-unpalatable species planted there and the sustained protective effect of tree shelters on seedlings. We will continue to monitor the vegetation in the test plots, and to work with local municipalities and the Mount Ibuki Nature Restoration Council to advance the conservation of the area's unique biodiversity through the selection of optimal reforestation methods.



Deer-unpalatable plants growing in a test plot (May 2025)
Left: Japanese larch Right: Epaullette tree

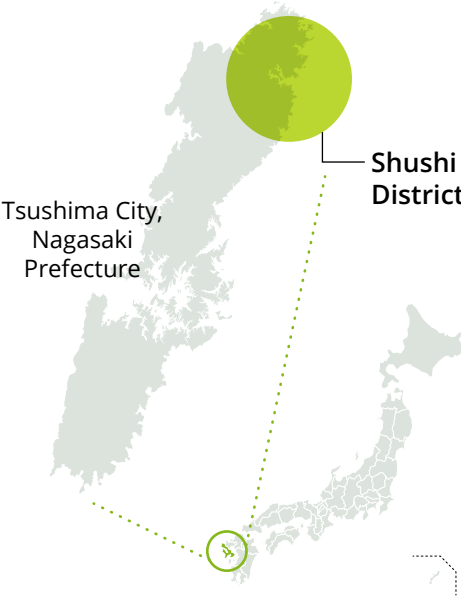
TOPICS

Ecosystem Conservation

► 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), the Company owns a forest (approximately 16 hectares) that we had designated for the extraction of clay, a cement raw material. However, as a result of the cement industry's active promotion of industrial waste recycling, 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 and started taking part in collaborative conservation programs. In cooperation with Tsushima residents, we have grown the forest considerably, thinning the area and planting deciduous trees, which produce acorns eaten by field mice, the small creatures that are the 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. In June 2023, game cameras installed in the "Shushi no Mori" forest captured images confirming the presence of a mother and cub of the Tsushima leopard cat in the area.



(Photo courtesy of Tsushima Wildlife Conservation Center)
National Endangered Species of Wild Fauna and Flora: Tsushima leopard cat, only found in Tsushima City, Nagasaki Prefecture.
The population is estimated to be at only around 90 to 100 animals.



Tsushima leopard cat papercraft using "LOCABO Paper," a paper made from CO₂ recycling artificial limestone (official merchandise for the Sumitomo Pavilion at the Expo 2025 Osaka Kansai)



Tsushima City, "Shushi no Mori" forest after tree planting (2007)



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

Governance

To achieve sustainable growth over the medium to long term, we are working to improve the effectiveness of our Board of Directors and to strengthen our corporate governance framework.

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Roundtable Discussion with Outside Directors

Deepening governance, human resources, and business strategies to accomplish our SOC Vision 2035



■
Tatsuya Inagawa
Outside Director

■
Mitsuko Makino
Outside Director

■
Yoshimi Morito
Outside Director

Evaluation of progress of business portfolio reforms, and management that takes the cost of capital and stock price performance into account

In this roundtable discussion with our Outside Directors, we would like to cover the topics that investors have shown particularly strong interest in this year. First, Mr. Morito, please share your thoughts on the business portfolio reforms, particularly regarding the feasibility of stabilizing income in the Cement business and expanding growth in the Advanced Materials business.

Morito The Company announced its “SOC Vision 2035” in May 2023, and simultaneously launched a new three-year medium-term management plan. Fiscal 2024, the second year of the current medium-term management plan, is a pivotal year in terms of achieving our goals. I will first focus on the fiscal 2024 results. To begin with, the current medium-term management plan is the first step toward accomplishing the Company’s vision, and the core of its strategy is to improve the profitability of existing businesses and to build a foundation for growth. The Company’s business portfolio consists of Cement, Mineral Resources, Cement-Related Products, Optoelectronics, Advanced Materials, and Others. We will therefore compare targets and results, concentrating on Cement as an existing business and Advanced Materials as a growth business.

First of all, although the Cement business has extricated itself from the losses of fiscal 2023, it needs to take further action to boost profitability if it hopes to reach its targets in the final fiscal year of the plan. Specifically, if it can steadily implement measures such as raising sales prices again, reduce variable costs through higher coal substitution rates, lower fixed costs, optimize production, and review electricity sales operations, I believe it will be able to reach its targets. Next, in the Advanced Materials business, the rate of progress for both net sales and operating income is currently at one-third, meaning it is not positioned to achieve the standard progress rate. This is a field that is greatly affected by global semiconductor demand, so the Company is currently expanding its production facilities in preparation for the market recovery and growth anticipated in fiscal 2025 and onward.

In terms of the business portfolio, the Mineral Resources and Cement-Related Products businesses are expected to meet their targets, as both sales and operating income in fiscal 2024 have exceeded the standard growth rate. However, the Optoelectronics business has been facing a severe business environment for some time, and it will be necessary to thoroughly discuss the future direction of that business.

In its March 2023 document, “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” the Tokyo Stock Exchange has made clear its expectation that all listed companies take the cost of capital and stock price performance into account. How do you assess the progress made by the Company in this regard?

Morito As part of its management approach that takes the cost of capital and stock price performance into consideration, the Company’s current medium-term management plan sets a target of achieving an ROE of 8.0% or higher, and it is working to maximize returns and optimize capital. One specific initiative is the introduction of return on invested capital (ROIC) management to focus on returns and costs, with a target of achieving an ROIC of 5.0% or higher. However, the actual results for fiscal 2024 were ROE of 4.7% and ROIC of 2.4%, thus falling short of the targets. We would like to see business divisions accelerate their efforts to meet those targets. In general, ROE indicates the overall performance of a company, while ROIC indicates the profitability of each business division. So, while ROIC is a meaningful management indicator from the perspective of business portfolio management, it has the disadvantage of being difficult to understand and implement at the ground level.

Indicators such as return on sales and invested capital turnover ratio, which are simply components of ROIC, are not directly related to day-to-day operations, so divisional staff would understandably have a hard time conceptualizing how to improve them. Looking ahead, I believe that breaking down the various KPIs (indicators that translate strategic goals into frontline metrics) that are handled on a daily basis at the ground level will lead to a better overall grasp of ROIC. In other words, it is important to break down ROIC into KPIs for each division using a reverse

tree approach. By making effective use of ROIC, the Company should be able to drive reforms to increase both profitability and the speed of business, which should enable more precise goal setting and performance evaluation.

Evaluation of Board effectiveness and the issues raised

In terms of verifying the progress of measures based on the management plan, ensuring the effectiveness of the Board of Directors is also a significant theme to zero in on. In this regard, and from your perspective as an overseer of management, what can you tell us about the issues raised in the fiscal 2024 Board evaluation?

Inagawa I believe that evaluating the effectiveness of the Board of Directors is essential for ongoing growth of the Company and to enhance corporate value, as it provides an objective assessment of whether the Board is fulfilling its roles and responsibilities appropriately. Based on that mindset, the Company has been implementing various measures to reinforce Board effectiveness for several years now. Measures involve upgrading explanatory board materials and methods, including advance materials, as well as extending support and information sharing for outside directors, alongside strengthening the Board of Directors’ Secretariat. Moreover, to make the Board evaluation more objective and accurate, we conduct interviews and enlist the services of an external evaluation organization, in addition to carrying out a questionnaire-based survey of the Board members. We also continue to make improvements based on the feedback we receive every year.

As a result, at recent Board meetings, there has been a lively exchange of opinions and questions focusing on crucial issues. In some cases, resolutions have been postponed to allow for additional materials or further investigation that had been requested. In that sense, I believe the Board of Directors is indeed fulfilling its role of providing appropriate oversight of the executive departments. This is substantiated by the fact that the effectiveness evaluation scores have been gaining ground year by year.

I have mentioned the positive aspects first, but of course there are also some issues that need to be addressed. In the previous Board evaluation, in fiscal 2023,

it was pointed out that discussions on key policy issues, such as monitoring of the medium-term management plan, operational policies for the High-Performance Products business, and future human resources policies, were insufficient. This year's Board evaluation reveals that, while regular progress reports and discussions were submitted and held in relation to monitoring of the medium-term management plan, deliberations in relation to the High-Performance Products business were probably not sufficient. Furthermore, in terms of the composition of the Board of Directors, there are insufficient personnel with expertise in the Advanced Materials business, which is expected to become a new pillar of the Company to supplement the Cement business. I think that some reinforcement in that area is required. Similarly, given that the Company aims to be an "environmental solutions company" and is looking to expand its overseas business, augmenting the Board with human resources with cutting-edge knowledge of environmental issues and expertise in overseas business development may also become a consideration for the future.

Makino Bolstering performance in the Advanced Materials business is an urgent task in terms of transforming our business portfolio, and it is critical that we secure professional human resources who can hit the ground running. We are always on the lookout for people who have a deep, operational-level knowledge of the high-performance products business field, and who are well versed in the market environment. The Board of Directors and the Nomination and Remuneration Committee have discussed this issue in depth, and have clearly communicated the urgent need to find and recruit individuals with an extensive understanding of this area to those on the front lines.

Evaluation of the human resources strategy

You mentioned securing human resources, but how does the Board of Directors assess what is needed for the Company's human resources strategy?
Inagawa In fiscal 2024, we conducted an employee engagement survey as a means to upgrade our personnel policies. Our analysis of the results clarified a number of pertinent issues. An appraisal of our human resources strategy was

also an element of our latest Board evaluation. My understanding is that the Human Resources Department is currently considering a comprehensive human resources strategy that encompasses employee recruitment, education and training, and career path development, and I acknowledge this as an issue for the Board of Directors to address in fiscal 2026 and beyond.
Makino Our first employee engagement survey, carried out in fiscal 2024, was a significant step for the Company. The survey results indicate that the workplace environment, as well as the relationships between supervisors and subordinates, are generally perceived in a positive light, and I am also very pleased to see that female employees feel that this is a comfortable place to work. Of course, the survey results cannot convey the full picture, so we need to use them as a reference point and to take a more multifaceted look at the workplace situation. We fully recognize that enabling employees to work with a sense of fulfillment, without experiencing hardship, is indispensable for the survival and growth of a company, and it was extremely beneficial that we could engage in such meaningful discussions on the value of human capital at the Board of Directors meeting following the results of the survey.

Evaluation of discussions held by the Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee as an advisory body to the Board of Directors is to ensure objectivity and transparency in the appointment and dismissal of our executives and management team, as well as in determining their remuneration and the provision of appropriate incentives. The status of this Committee has received critical attention, so what can you tell us about the progress of discussions held by the Nomination and Remuneration Committee in fiscal 2024?
Makino In fiscal 2024, the Nomination and Remuneration Committee met three times for in-depth discussions on a variety of topics. The greater frequency of meetings compared with previous years allowed the members to exchange opinions on more detailed matters and to enrich their discussions. First, regarding

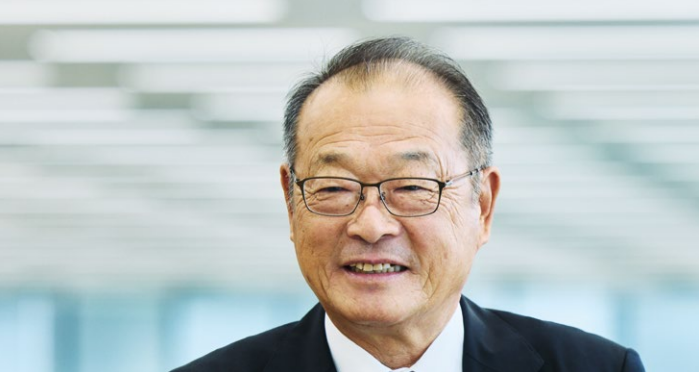


succession plans, a major development was the Committee's establishment of regulations in regard to the appointment of the next president. We held detailed discussions on the criteria and methods for selection, including the ideal characteristics of a next-generation leader, such as trustworthiness and extensive experience in multiple fields, and conducted rigorous deliberations prior to formulating our draft report on presidential succession plans. We believe that by carefully defining the selection method, selection criteria, and selection process for presidential candidates, we can successfully execute appropriate and transparent succession planning for a new president who will prove to be popular and well-received.

We also discussed the need to start training multiple people early on for senior management roles, so I think we will see concrete steps taken in that direction. On top of that, we spent a good amount of time appraising executive remuneration, with the aim of establishing a system that will more clearly highlight the correlation between executive remuneration and performance to help bring about sustained growth and the medium- to long-term enhancement of corporate value. In June 2020, the Company introduced a stock-based remuneration plan as a long-term incentive, in addition to basic remuneration, for non-outside directors, in order to raise awareness of the importance of contributing to the improvement of medium- to long-term performance and the enhancement of corporate value.

On the other hand, although the basic remuneration portion is determined on a monthly basis, depending on performance figures, there are some issues such as a lack of clarity about the link between performance and remuneration. Therefore, starting from fiscal 2025, we are clearly dividing the basic

remuneration portion into "basic remuneration," as a fixed remuneration, and "short-term incentives," which are determined in accordance with each fiscal year's performance.
Consequently, remuneration is now structured into basic remuneration (monetary remuneration), short-term incentives (monetary remuneration), and long-term incentives (stock-based remuneration). We selected consolidated operating income as the performance indicator linked to short-term incentives, and hope that the impact of this on overall remuneration will serve as a positive incentive.
Inagawa The Nomination and Remuneration Committee also discussed the Board of Directors' skills matrix in fiscal 2024. This matrix is a very effective tool for optimizing Board composition and strengthening governance. We reviewed the skills matrix this year, keeping an eye on SOC Vision 2035, and discussed succession plans, not only for the president but also for the directors. We submitted our report to the Board of Directors, who then set out a new policy. This has made it easier to discuss what skills are lacking in terms of achieving our medium- to long-term vision, and how to fill the skills gaps we envisage after the current directors reach the end of their tenure. At this point, it is difficult to give a definitive assessment of the skills matrix. However, as mentioned earlier, the Company is currently reevaluating our human resources strategy in order to address the challenges of securing appropriate talent. We believe we need to dig deeper into the skill gaps, and to aim for a more comprehensive skills matrix by flexibly combining the development of internal human resources, through reskilling and on-the-job training, with external procurement, such as through cultivating strategies for recruiting experts, as well as outside directors and advisors.



Promoting Women's Participation in the Workplace

Morito In terms of human resources diversity, as the government promotes the advancement of women as part of its growth strategy, it will become increasingly important for the Company to expand opportunities for women to play an active role if we are to attain sustainable growth and development. Along with proactively hiring women, the Company is pursuing various initiatives, such as teleworking and flexible working hours, to make employment more convenient, and is expanding certain systems that facilitate the balance between work and childcare or caregiving. We are also promoting awareness of these issues within the Company through training. Ms. Makino, could I ask you to share your thoughts on this from your perspective as a female director?
Makino Certainly, I'd be happy to share my thoughts. Female employees have recently been providing more advance input into board meeting agendas, and their unique perspectives as women are often expressed in their opinions, which is refreshing to see. As outside directors, we have the opportunity to interact with many women in managerial positions, which serves as a useful reference for us when examining the suitability of female executive candidates. We hope to have many more such opportunities in the future.

During our roundtable discussion last year, I mentioned the need to set up a training program to develop female managers. In fiscal 2024, several proactive steps were taken, including encouraging female employees who are not yet in a managerial position to participate in training programs designed for female managers. Employees who attended those training programs have remarked that they gained a lot of insight and inspiration. There is no doubt that we are slightly behind the times due to the fact that this has traditionally been a male-dominated industry, so it is imperative, in my view, that we steadily increase the number of female managers and executives through training programs like this, as well as seek guidance from external advisors.

Another positive trend is that the rate of male employees taking childcare leave

has risen dramatically in recent years. When men get involved in childcare, it elevates their understanding of those women who are raising children. When men support the creation of a comfortable work environment that encourages female participation, this leads to the further advancement of women in the workplace.

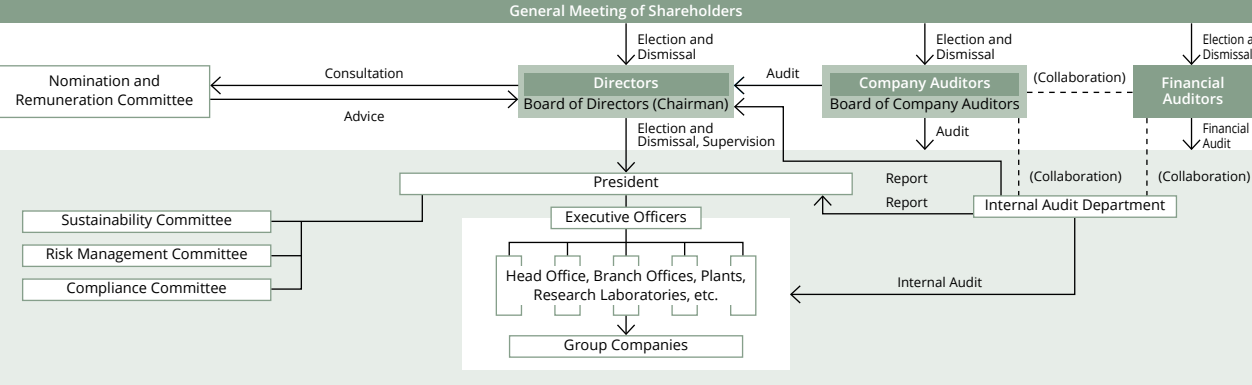
To conclude

Could you each share your expectations of the Board going forward, as well as your perspectives as outside directors?
Morito Maximizing profitability in the Cement business is essential for transforming our business portfolio. We will continue our methodical approach to verifying the status of progress in this regard. I believe it is necessary to break down the financial metrics into more functional KPIs and to strengthen education in order to promote ROIC management throughout the Company. I am convinced that creating a system that enables employees to understand management indicators in terms of everyday business operations, and to put them into practice, will lead to improved profitability for the entire Company.
Makino Enhancing human capital and promoting women's participation in the workplace are directly linked to the sustainable growth of companies. As an outside director, I will help create a better environment through ongoing dialogue with those on the front lines. Education from an early stage, along with support systems both inside and outside the Company, are particularly important for developing female executive candidates. I will continue to support the creation of a workplace in which diversity is respected and where everyone can thrive.
Inagawa It is vital that we maintain efforts to enhance the effectiveness of the Board of Directors. We will continue to augment the quality of our governance through objective evaluation. There are many topics that need to be discussed—such as business expansion outside the Cement business, strategies in relation to our human resources, and higher-quality risk management—and I look forward to participating in more of our in-depth discussions.

Corporate Governance System

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 enhance 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 a month, 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 its Remuneration Committee as an advisory body to the Board of Directors, and then, in January, 2018, remodeled this as the Nomination and Remuneration Committee to ensure the objectivity and transparency of performance evaluations, as well as the validity of remuneration standards of directors and executive officers, 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,

while the chairperson is an Outside Director elected by the committee members. The Committee deliberates on the nomination of candidates for the role of director and the appointment or dismissal of executive officers, as well as succession plans and the appointment or dismissal of the Chairman and President, and the policies on determination of remuneration and proposals for the remuneration of directors and executive officers. 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 2024, the Nomination and Remuneration Committee met three times and was attended by five members: Hirotsume 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 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, as well as environmental audits of multiple divisions and subsidiaries of the Company, based on an annual internal audit plan, and conducts joint audits with the Audit & Supervisory Board Members, as necessary.

Matters such as the audit results and the status of improvements made in response to audit findings are

compiled in audit reports, which are then presented to the Representative Director, Directors and Audit & Supervisory Board Members as appropriate. Furthermore, Internal Audit Department regularly check the status of improvements to any issues identified in the audits, and conduct follow-up surveys to ensure all remedial actions have been performed.

Risk Management Committee

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

The Risk Management Committee prepares an action plan for risk management each fiscal year and monitors its progress. Audits on the status of risk management are carried out by the Internal Audit Department, and the results are 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 and the Audit & Supervisory Board Members.

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 to ensuring the appropriateness of remuneration levels, and the objectivity and transparency of the earnings 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.

Revision to Policy for Determining Directors' Remuneration

To more closely link the remuneration of directors to the achievement of the Company's management objectives, at its meeting held in February 2025, the Board of Directors resolved to revise its policy for determining the details of remuneration for individual Company Directors, effective from April 2025 and onward. Prior to passing such resolutions, the Board consults and receives feedback from the Nomination and Remuneration Committee.

The revised remuneration for the Company Directors (excluding Outside Directors) will consist of 70% basic remuneration (monetary remuneration), 20% short-term incentives (monetary remuneration), and 10% long-term incentives (stock-based remuneration), while the remuneration for Outside Directors will consist only of basic remuneration. Basic remuneration (monetary remuneration), as in the previous system, will be a monthly fixed remuneration determined after taking into consideration position, responsibilities, and contribution to earnings performance and future sustainable growth, among other factors, while short-term incentives (monetary remuneration) will be a monthly remuneration determined by multiplying a base amount, set according to position, by an index coefficient, set in proportion to the consolidated operating income for each fiscal year. It should be noted that the long-term stock-based remuneration incentive (stock grant trust) using the previous trust system will be renamed, but will remain essentially unchanged.

Total Amount of Remuneration for Directors and Audit & Supervisory Board Members (FY2024)

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)	302 (32)	285 (32)	— (—)	16 (—)	11 (3)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	60 (25)	60 (25)	— (—)	— (—)	7 (4)

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.

Board of Directors and Board of Audit & Supervisory Board Members meeting attendance record (FY2024)

Position	Name	Number of times attended	
		Board of Directors	Audit & Supervisory Board Members
Directors	Fukuichi Sekine	16/16 (Attendance rate 100%)	—
	Hirotsume Morohashi	16/16(Attendance rate 100%)	—
	Ryoji Doi	16/16(Attendance rate 100%)	—
	Masaki Sekimoto	16/16(Attendance rate 100%)	—
	Akihiko Ono*1	13/13(Attendance rate 100%)	—
	Tatsuo Fukushima*1	13/13(Attendance rate 100%)	—
	Toshihiko Onishi*2	3/3(Attendance rate 100%)	—
Outside Directors	Mikio Konishi*2	3/3(Attendance rate 100%)	—
	Mitsuko Makino	16/16(Attendance rate 100%)	—
	Tatsuya Inagawa	16/16(Attendance rate 100%)	—
Audit & Supervisory Board Members	Yoshimi Morito	16/16(Attendance rate 100%)	—
	Takeya Okizuka	16/16(Attendance rate 100%)	13/13(Attendance rate 100%)
Outside Audit & Supervisory Board Members	Masahiro Yamazaki*1	13/13(Attendance rate 100%)	10/10(Attendance rate 100%)
	Kaname Ito*2	3/3(Attendance rate 100%)	3/3(Attendance rate 100%)
	Shoji Hosaka	16/16(Attendance rate 100%)	13/13(Attendance rate 100%)
	Taku Mitsui	16/16(Attendance rate 100%)	13/13(Attendance rate 100%)
Board Members	Keiji Ikeda*1	13/13(Attendance rate 100%)	10/10(Attendance rate 100%)
	Kazuo Suzuki*2	3/3(Attendance rate 100%)	3/3(Attendance rate 100%)

*1. Akihiko Ono and Tatsuo Fukushima were newly appointed as Directors, Masahiro Yamazaki was newly appointed as an Audit & Supervisory Board Member, and Keiji Ikeda was newly elected as an Outside Audit & Supervisory Board Member on June 26, 2024. Accordingly, the number of Board of Directors meetings and Audit & Supervisory Board meetings that they were required to attend differs from that of other officers.

*2. Toshihiko Onishi and Mikio Konishi retired as Directors, Kaname Ito retired as Audit & Supervisory Board Member, and Kazuo Suzuki retired as Outside Audit & Supervisory Board Member on June 26, 2024. Accordingly, the number of Board of Directors meetings and Audit & Supervisory Board meetings that they were required to attend differs from that of other officers.

Skills Matrix of Directors

To achieve the Group’s “SOC Vision 2035” Medium- to Long-term Vision for fiscal 2035, and the Medium-term Management Plan linked to that vision, as well as its carbon neutral vision “SOCN2050” for 2050, the Company will enhance the effectiveness of its Board of Directors’ supervisory functions. In addition to the existing skills matrix for directors, we have redefined the reasons for selecting each skill, with the aim of clarifying the skills required to achieve our vision.

Name	Current position	Skills								
		Corporate Management	Financial Strategy/ Accounting	International Business	Human Resources Development	Production, Technology, Research and Development	Sales/ Marketing	Legal Affairs, Intellectual Property, Compliance, Risk Management	Environment/ Sustainability	DX/IT
Fukuichi Sekine	Director, Chairman	●	●		●		●	●		
Hirotsune Morohashi	Representative Director, President	●	●		●		●	●	●	
Ryoji Doi	Representative Director, 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



Reasons for the selection of directors’ skills

Skills	Reasons for selection
Corporate Management	As the business environment continues to change dramatically, we believe that in order to respond swiftly to those changes, and to ensure the sustainable growth of our Cement and High-Performance Products businesses, we need to demonstrate our direction (corporate strategy) based on our corporate philosophy, and we must secure the necessary corporate management skills to administer our business portfolio and to make business decisions promptly.
Financial Strategy/ Accounting	We believe that knowledge and experience in the fields of finance and accounting are vital for implementing a financial strategy aimed at increasing long-term corporate value through proactive investment in the Cement business, as well as in the High-Performance Products business.
International Business	To advance the globalization of our business, we also consider it crucial to have skills and expertise in overseas business management and partnering strategies, along with an understanding of overseas cultures and environments.
Human Resources Development	Further, we believe that knowledge and experience in organizational development, as well as human resources education and training, are essential for implementing a human resources strategy that will strengthen our management foundation and support sustainable growth.
Production, Technology, Research and Development	To carry out the following two objectives, we believe it is indispensable to procure the skills and knowledge that contribute to the continuous development of environment-friendly production technologies. ・ To fulfill our SOCN2050 Carbon Neutral Vision ・ To expand our High-Performance Products business, and to create and grow new businesses
Sales/Marketing	We believe that skills and knowledge in developing pragmatic and specific business and marketing strategies are necessary for advancing the following two points. ・ The ability to ensure a stable supply of cement to our customers, which is indispensable for the development of social infrastructure, and to strengthen our management base by securing stable earnings while promoting decarbonization. ・ The ability to expand the High-Performance Products business through the use of our own technology, as well as to roll out new businesses.
Legal Affairs, Intellectual Property, Compliance, Risk Management	To ensure the long-term, stable growth of our Company, we believe it is necessary to have the legal skills and knowledge to conduct business development and risk management based on the Sumitomo Business Spirit, including through rigorous compliance with laws and regulations, ensuring transparency and fairness in the decision-making process, and effective implementation of our intellectual property strategies and risk management, in line with our corporate philosophy and code of conduct.
Environment/ Sustainability	We believe that achieving our corporate and environmental philosophies calls for skills and knowledge in manufacturing products that are friendly to both people and the environment, as a means to realize a sustainable, recycling-oriented society.
DX/IT	We are also certain that skills and knowledge in the field of digital technology are indispensable for improving operational efficiency so as to maintain and improve competitiveness through the use of DX and IT, to provide products and services based on customer needs, to further reduce costs through automation and efficiency, to generate new ideas and solutions, and to respond rapidly to changes in the marketplace.

Evaluation of the Effectiveness of the Board of Directors

1	Purpose of Evaluation
	In order to achieve ongoing corporate growth and to 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 which 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 2024, we conducted a questionnaire-based survey of all Directors and Audit & Supervisory Board Members from March to May 2025 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 Medium- to Long-term Vision, SOC Vision 2035, as well as our FY2023–2025 Medium-term Management Plan based on that vision. The Board of Directors then conducted deliberations based on the results of this analysis.
3	Overview of the Evaluation Results
	The results of the evaluation generally attest to the effectiveness of the Board of Directors. Specific items that were highly evaluated included (1) sharing the status of dialogue with shareholders and other stakeholders (feedback from investors), (2) composition and operation of the Board of Directors (use of Outside Directors), and (3) management evaluation and remuneration (effective supervision of nomination and remuneration). At the same time, with regard to the following issues identified in the previous fiscal year's evaluation, while continuous improvements were acknowledged, it was confirmed that further efforts are required to strengthen the effectiveness of the Board of Directors, such as the need for more thorough discussion on the High-Performance Products business and human capital. (i) Continue to further deepen discussions on the progress of the FY2023–25 Medium-term Management Plan and the status of efforts toward accomplishing our Medium- to Long-term Vision, SOC Vision 2025. (ii) Provide more 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, the Company will explore ways to improve the appropriateness of performance reports from executives and the proposals submitted to the Board for deliberation.
4	Forthcoming Initiatives
	In light of these expectations, we will work to make the following enhancements to ensure that the Board of Directors functions more effectively. (1) Examine potential training for inside Directors. (2) Create opportunities for the Board of Directors to discuss matters needing further attention, such as risk management. (3) Conduct in-depth discussions on policies to address human capital shortfalls. (4) Supervise strategies through collaboration with experts in the High-Performance Products business, and other such means. (5) Ensure diversity of the Board of Directors, based on an examination of Board of Director succession plans.

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. Guided by this Basic Policy, the General Affairs Department is designated as a corresponding administrative department that gathers information and works collaboratively with police and lawyers, when 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 against 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 circulate manuals on the in-house intranet and conduct compliance education through e-learning on a regular basis to ensure thorough communication and awareness.

Compliance

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

Compliance Promotion System

We set up 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. Moreover, 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 a Compliance Hotline—a whistleblower system that receives reports from any officer or employee, and which investigates the report and decides on any corrective measures to be taken. Information about the system is disseminated through the Company via the intranet, and efforts are being made to facilitate ease of use. The Compliance Hotline is being expanded to include consultations on all suspicions, as well as any act that violates laws, ordinances, or internal regulations, or which run the risk of doing so.

Details of Activities

Compliance Manual

We produced the Compliance Manual as a specific guideline for rigorous compliance, sharing it via the intranet, adding and changing when needed, and striving to ensure all employees are aware of it.

Raising Officers' and Employees' Awareness

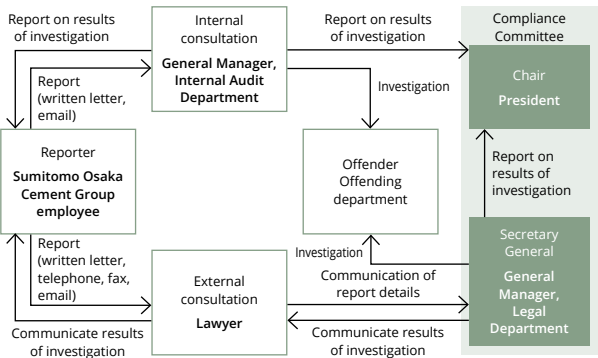
The Compliance Committee Secretariat conducts training and legal consultations about compliance for each department or Group company as follows.

- In fiscal 2024, we held a Compliance Supervisor Seminar for compliance supervisors, which featured discussions examining misconduct prevention based on internal audit results, and examples of incidents of misconduct taken from both inside and outside the Company.

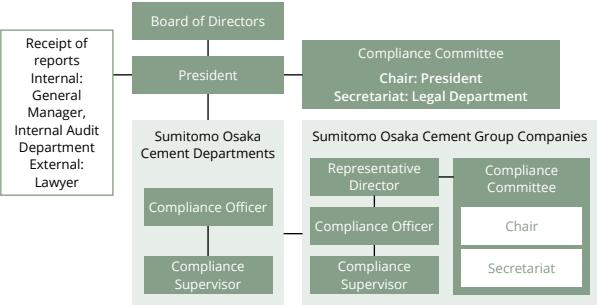
Compliance Committee

The Compliance Committee formulates a compliance action plan every fiscal year and monitors its progress. Compliance audits are carried out by the Internal Audit Department, and the results are 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 Audit & Supervisory Board Members.

Compliance Hotline System Flowchart



Overview of Compliance Promotion Framework



- A Compliance Supervisor Meeting for compliance supervisors of each division of the Company and each Group company is held once a year, at which external experts and other personnel from various departments of the Company are invited to give lectures on timely compliance-related topics. 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 2024) 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.

Corporate Officers (As of June 26, 2025)



Directors

- 1 Fukuichi Sekine**
Chairman
- 2 Hirotsume 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 Digital Advancement Department
- 5 Akihiko Ono**
Director, Managing Executive Officer
Responsible for the Optoelectronics Business Division, Advanced Materials Division, New Technology Research Laboratory, and Administration officer for High-Performance Products Business
- 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)

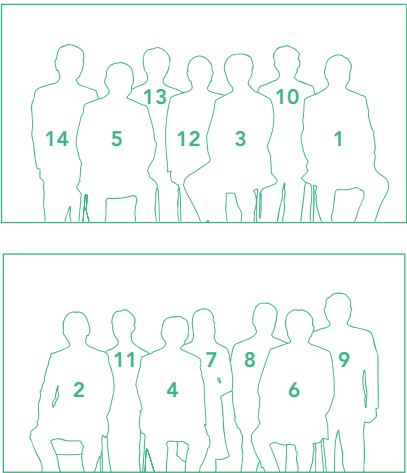
- 7 Mitsuko Makino**
Outside Director
Apr. 1993 Contract caster of Shizuoka Station, Japan Broadcasting Corporation
Oct. 2000 Contract reporter of Shizuoka Broadcasting System Co., Ltd.
Apr. 2009 Freelance announcer (to the present)
Jun. 2018 Director of the Company (to the present)
- 8 Tatsuya Inagawa**
Outside Director
Apr. 1983 Appointed as Public Prosecutor
Sep. 2016 Director-General of the Public Security Department of the 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

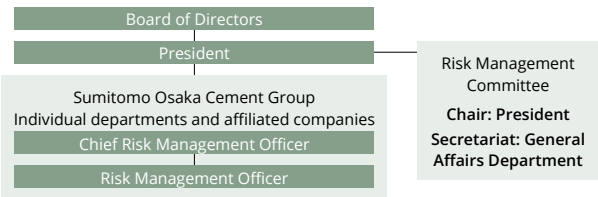
Risk Management Structure

Our Risk Management Committee, chaired by the President, was established 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 each fiscal year and monitors its progress. Audits on the status of risk management are carried out by the Internal Audit Department, and the results are 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, Ako, Tochigi, and Gifu plants, 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 its "Basic Rules on Information Security" for the purposes of

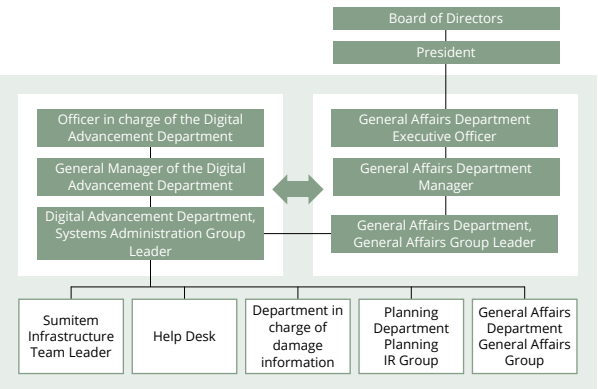
protecting tangible and intangible information assets, as well as information infrastructure related to business activities, from external threats, and of promoting business activities safely and smoothly. The Group is working on information security activities under a management system based on these rules.

Due to the need for timely response to external cyberattacks, 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 by establishing the infrastructure necessary to use them. Additionally, in response to cyberattacks 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



Major Initiatives in Fiscal 2024

July	2024:	Risk management review
September	2024:	Awareness survey on potential risks
November	2024:	Computer security incident response training (CSIRT training)
January	2025:	BCP formulation for the Tochigi and Gifu plants
March	2025:	Head Office BCP training (simulating a Nankai Trough earthquake: cooperation with sites on the Pacific side)

Note: In addition to the above, BCP and fire drills will continue at individual sites.

Review of Risk Management

The risk environment impacting the Company is changing, with natural disasters becoming both 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 to align with our "SOC Vision 2035" that we formulated in 2023, we revised our risk management framework in fiscal 2024.

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 rigorously implements the PDCA cycle by monitoring from various angles whether individual risk issues and corresponding mitigation measures are being properly applied, and will continue to manage progress using a countermeasures roadmap within the Group.

Moreover, to respond flexibly to changes in the business environment, we will continue to work toward

reducing the risks surrounding the Company by regularly identifying company-wide risks and reviewing the identification of priority risks on an annual basis.

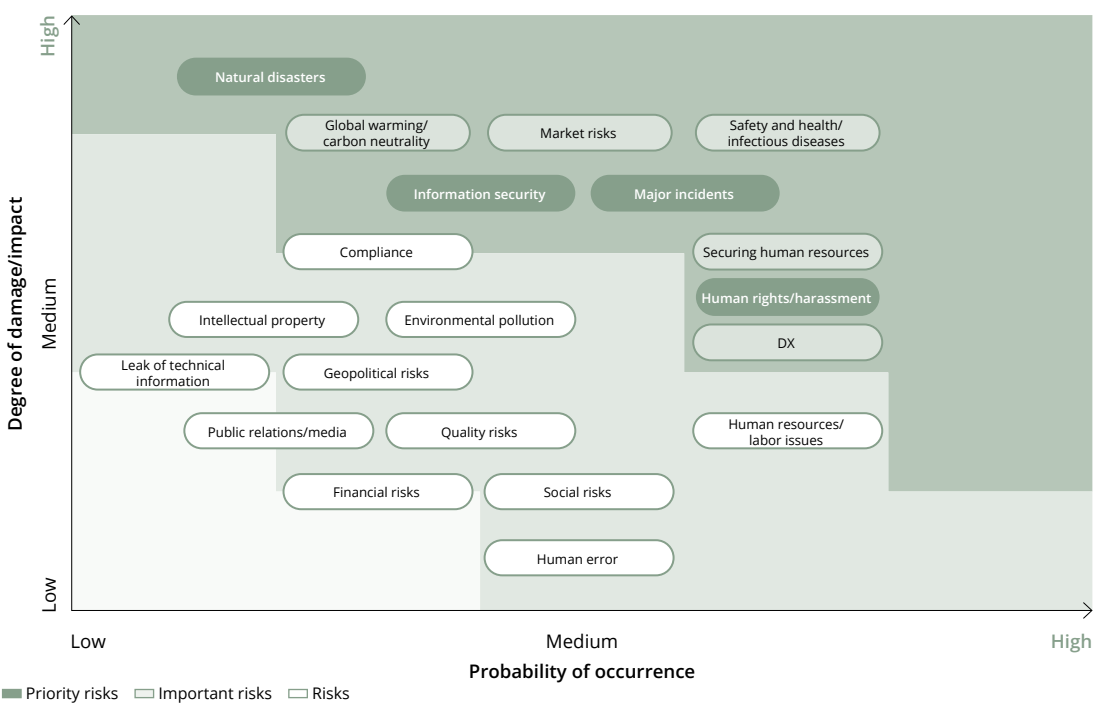
Status of Priority Risks

In our risk mapping process, we identify the significant risks that should be addressed as a priority, and in fiscal 2024 we pinpointed "natural disasters," "information security," and "human rights and harassment."

We work to mitigate risks by implementing a wide range of measures. For example, regarding natural disasters, the Tochigi and Gifu plants completed their integration of the BCP system. For information security, we established a dedicated Digital Advancement Department, while for human rights and harassment, we adopted human rights due diligence protocols and set up a human rights hotline.

In terms of priority risks for fiscal 2025, we will focus on taking measures against the same three risks as highlighted in fiscal 2024, but with the addition of "major incidents."

Risk Mapping



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."

Information 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 disclosure 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 website, 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 website 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 on 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 in the market and to improve corporate value by promoting prompt and fair information dissemination and dialogue with shareholders, other investors, and securities analysts, including sitting for individual interviews with 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 2024.

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 127 dialogue sessions with both domestic and foreign institutional investors, totaling approximately 87 companies.

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

Main themes and concerns during our dialogue sessions

Status of negotiations on 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.

Enhancement of financial results presentation materials

We endeavor to provide comprehensive financial results presentation materials to help deepen understanding of our business performance and management. We are working to improve these materials by including key points about our business performance, with an emphasis on clarity. Additionally, starting from the full-year results for fiscal 2024, we will be publishing transcripts of our financial results briefings for institutional investors and securities analysts—including Q&A sessions—on our website. This initiative aims to ensure fair information disclosure and to promote understanding, making the content accessible not only to attendees but also to a broader investor audience.

Explanatory Materials for Financial Results <https://www.soc.co.jp/ir/document/document03/>
[Explanation and Q&A] FY2024 (Ended March 31, 2025) Financial Results Briefing (External Website) <https://finance.logmi.jp/articles/381891> (in Japanese only)

Examples of topics discussed at our financial results briefings

- Cement price hikes and future outlook
- Electrostatic chucks in the Advanced Materials Business
- Differences between business-specific medium-term management plan targets and the current fiscal year plans

Third-Party Verification Report

Based on the assessment of an independent external third-party assessment organization on factual information on the fiscal 2024 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.

総合認証機関

JACO

Greenhouse Gas Emissions Verification Report

To: Sumitomo Osaka Cement Co., Ltd.

August 7, 2025

Japan Audit and Certification Organization
for Environment and Quality (JACO)
3-4 Kandakajicho Chiyoda-ku, Tokyo, Japan

President *Y. Okajima*
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 2024 (from April 1, 2024 to March 31, 2025) 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 2024" 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: 7,307 kt-CO₂e, Scope 2: 159 kt-CO₂e, Scope 3: 1,079 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.

Non-Financial Information Highlights

Economic

	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Production volume (Cement business)						
Cement production volume	1,000 t	10,041	10,085	9,546	8,850	8,553
Clinker production volume	1,000 t	8,480	8,606	8,240	7,626	7,339
Mixed cement	1,000 t	2,260	1,942	1,640	1,457	1,445

Environmental

	Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Environmental impact data (Group total)						
GHG emissions (CO ₂ equivalent)	1,000 t-CO ₂ eq	8,896	8,989	8,425	7,712	7,446
[Breakdown] Scope 1	1,000 t-CO ₂ eq	8,700	8,810	8,230	7,540	7,307
Scope 2	1,000 t-CO ₂ eq	196	179	195	172	159
[Reference] Total GHG emissions (net CO ₂ equivalent)	1,000 t-CO ₂ eq	8,134	8,248	7,716	7,188	6,900
Scope3	1,000 t-CO ₂ eq	1,198	1,213	1,229	1,060	1,079

(Cement business is as follows:)

Gross total GHG emissions intensity (CO ₂ equivalent)	kg-CO ₂ eq/t-cement	795	799	803	783	783
Of which, energy-related CO ₂ emissions intensity	kg-CO ₂ /t-cement	274	275	274	269	263
Total net GHG emissions intensity (CO ₂ equivalent)* ¹	kg-CO ₂ eq/t-cement	719	725	728	724	716
NOx (nitrogen oxide) emissions	tons	14,340	16,174	14,327	12,631	12,471
SOx (sulfur oxide) emissions	tons	1,095	1,175	1,219	1,099	1,421
Particulate matter emissions	tons	143	218	99	120	173
Dioxin emissions	g-TEQ	0.41	0.18	0.22	0.36	0.93
Total energy consumption related to cement manufacturing* ²	PJ	30.711	31.009	29.385	26.818	25.656
Total energy intensity related to cement production* ^{2, 3}	MJ/t-cement	3,059	3,075	3,078	3,030	3,000
Thermal energy substitution rate	%	31	31	30	39	43
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	1,232	1,272	1,144	1,063	1,051
[Breakdown] Cement manufacturing	1,000 t	651	694	641	565	542
Electricity generation	1,000 t	580	577	503	498	509
In-house power generation ratio* ⁷	%	78	79	77	78	78
Waste heat power generation ratio	%	7	7	9	7	7
Biomass power generation ratio	%	14	17	15	15	15

Resource recycling (Cement business)

Volume of waste and byproducts received* ⁸	1,000 t	5,210	5,233	4,922	4,775	4,661
Consumption rate	kg/t-cement	519	519	516	540	545
Volume of waste plastics received (recycled + purchased)	1,000 t	62	64	66	83	100
Volume of wood chips received (recycled + purchased)	1,000 t	401	429	399	407	392
Volume of ordinary incinerator ash received	1,000 t	61	62	61	74	85
Volume of disaster waste received	1,000 t	21	5	0	2	0

Preserving biodiversity

Regreened area of mine	1,000 m ²	52	22	4	22	14
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*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 the 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 seconded employees and contract employees, but including transferred-in employees and fixed-term employees)

*10 Number of temporary employees only includes contract employees

*11 Number of labor union members is based on the annual securities report at the end of the fiscal year (including seconded employees)

Social

		Unit	FY2020	FY2021	FY2022	FY2023	FY2024
Employment (Non-Consolidated)							
Employees (Non-Consolidated)* ^{9, 10}	Employees	Persons	1,203	1,232	1,243	1,254	1,312
	Temporary employees	Persons	118	114	110	110	118
Employees (Consolidated)	Employees	Persons	3,065	3,068	2,896	2,886	2,952
Ratio of female employees		%	11.3	12.1	13.0	13.1	14.1
Number of managers		Persons	441	439	433	414	410
Number of women in managerial positions		Persons	9	8	9	9	15
Ratio of women in managerial positions		%	2.0	1.8	2.1	2.2	3.7
Average years of service	Male	Years	18.5	19.4	19.1	19.2	18.9
	Female	Years	15.8	15.8	16.0	16.2	15.4
Age demographic	Under 30	Persons	257	214	222	226	254
	Age 30–39	Persons	262	288	283	271	279
	Age 40–49	Persons	342	294	273	273	269
	Age 50–59	Persons	333	411	429	431	447
	60 and over	Persons	9	25	36	53	63
Turnover within three years of joining the Company		%	9.1	14.0	0.0	11.9	8.1
Voluntary retirement ratio		%	1.2	2.3	1.8	2.6	1.8
Number of labor union members* ¹¹		Persons	819	830	828	834	831
Labor union membership rate (general employees)		%	100	100	100	100	100

Work style (Non-Consolidated)

Working hours (prescribed working hours 1,860)		Hours per	1,860	1,864	1,862	1,838	1,838
		year					
Number of paid vacation days taken*12		Days per	15.0	15.4	16.2	17.3	16.8
		year					
Ratio of annual paid vacation days taken*12		%	76.3	78.6	81.2	87.4	85.5
Ratio of new female graduate hires		%	26.1	19.4	13.8	18.4	18.5
(general career-track positions)							
Number of employees taking nursing care leave		Persons	0	0	0	0	0
Ratio of people with disabilities employed*13		%	1.83	2.07	2.62	2.65	2.72
Number of employees taking childcare	Male	Persons	1	5	11	12	9
leave	Female	Persons	5	6	4	4	7
Reinstatement rate after childcare leave		%	100	100	100	100	100
Education/training (hosted by headquarters)		Number of	26	55	54	48	65
		days					

Occupational safety and health*¹⁴

Number of fatal accidents	Direct employment	Incidents	0	0	0	0	0
	Indirect employment* ¹⁵	Incidents	0	0	0	0	0
Number of accidents that require time off from work	Direct employment	Incidents	2	3	4	3	2
	Indirect employment	Incidents	3	1	3	5	10
Number of accidents not accompanied by lost worktime	Direct employment	Incidents	3	3	9	1	7
	Indirect employment	Incidents	4	11	8	8	8
Accident frequency rate of directly employed employees	TRIR* ¹⁶	%	0.00	3.49	5.86	0.00	9.25
	LTIR* ¹⁷	%	0.00	0.00	2.34	0.00	1.16

Intellectual property data

Number of patent applications* ¹⁸	Number	251	153	178	186	218
Number of patents held* ¹⁸	Number	2,060	2,120	1,866	1,925	1,944

*12 Number of paid vacation days taken and ratio of annual paid vacation days taken are averages for labor union members

*13 As of June 1 survey

*14 Occupational safety and health figures are calculated on a calendar year basis

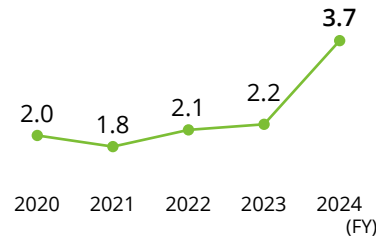
*15 Indirect employment: Workers who are not employees but whose work or workplace is under the control of the organization (partner companies)

*16 Total recordable incident rate (TRIR): Number of injuries per million working hours (aggregate of fatal accidents, time off from work, and no lost worktime) (Scope of data collection: The Company's four cement plants)

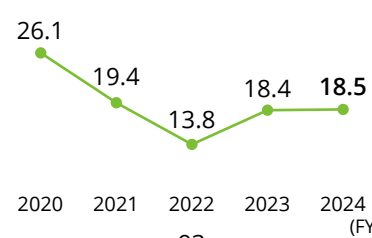
*17 Lost time incident rate (LTIR): Number of lost workday injuries or fatal accidents per million working hours (Scope of data collection: The Company's four cement plants)

*18 Figures are the aggregate for Japan and overseas.

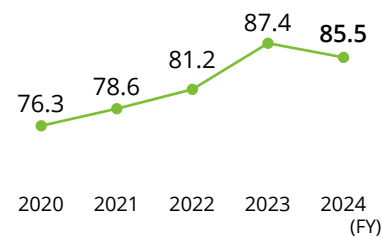
Ratio of women in managerial positions (%)



Ratio of new female graduate hires (%)

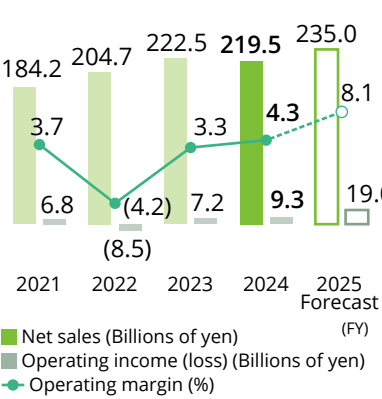


Ratio of annual paid vacation days taken (%)

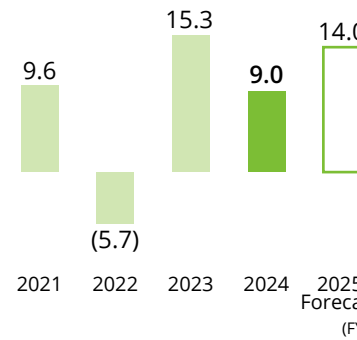


Consolidated Financial Highlights

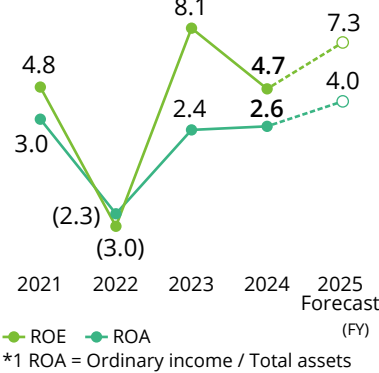
Net sales, operating income (loss) and operating margin
(Billions of yen) (%)



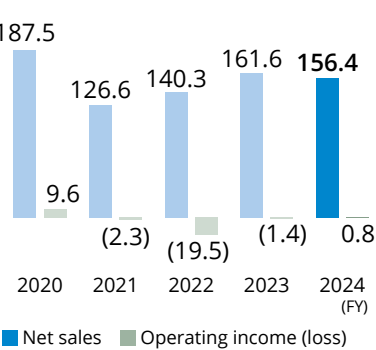
Net income (loss) attributable to owners of the parent
(Billions of yen)



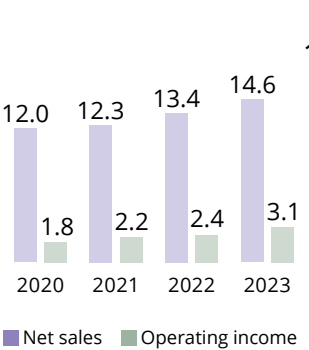
ROE/ROA*1
(%)



Cement Business Net sales/ Net sales/Operating income (loss)*5
(Billions of yen)



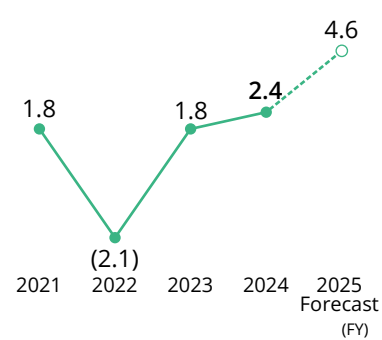
Mineral Resources Business Net sales/Operating income
(Billions of yen)



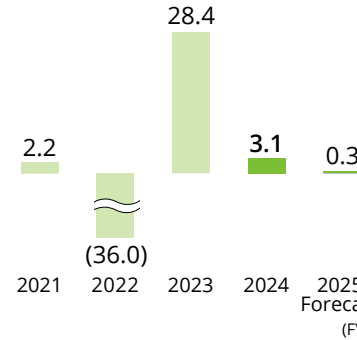
Cement-Related Products Business Net sales/Operating income
(Billions of yen)



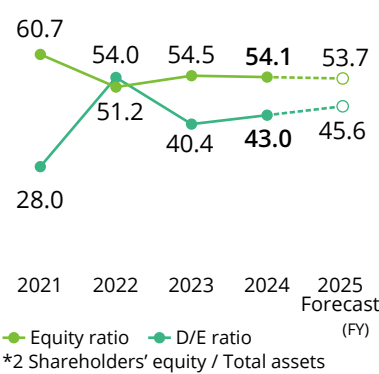
ROIC
(%)



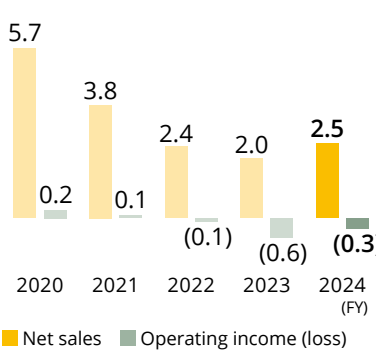
Free cash flow
(Billions of yen)



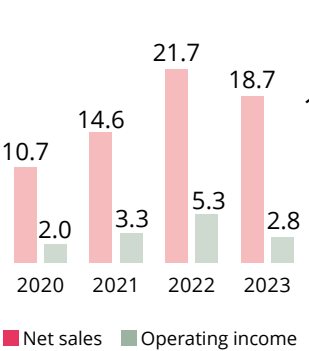
Equity ratio*2 and D/E ratio
(%)



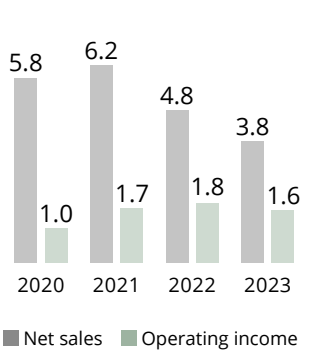
Optoelectronics Business Net sales/Operating income (loss)
(Billions of yen)



Advanced Materials Business Net sales/Operating income
(Billions of yen)



Other Net sales/Operating income *5, 6
(Billions of yen)



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021*4	FY2022	FY2023	FY2024
Net sales	234,192	234,062	244,826	251,061	245,159	239,274	184,209	204,705	222,502	219,465
Cost of sales	175,474	176,812	190,170	200,756	193,491	188,229	142,113	175,841	176,364	169,388
Selling, general and administrative expenses	35,103	35,719	35,664	36,126	35,539	34,413	35,217	37,419	38,886	40,725
Operating income (loss)	23,614	21,530	18,990	14,178	16,128	16,631	6,878	(8,555)	7,251	9,351
Ordinary income (loss)	24,560	22,627	20,153	15,799	16,947	17,641	9,834	(7,849)	8,476	9,367
Net income (loss) attributable to owners of the parent	16,110	16,210	14,659	7,799	10,922	11,719	9,674	(5,719)	15,339	9,008
Cash flow from operating activities	32,618	29,231	26,470	29,252	32,305	32,797	18,255	(16,146)	43,731	24,885
Cash flow from investing activities	(15,691)	(17,700)	(24,753)	(20,032)	(18,815)	(18,884)	(16,062)	(19,818)	(15,350)	(21,816)
Free cash flow	16,927	11,531	1,717	9,220	13,490	13,913	2,193	(35,964)	28,381	3,069
Cash flow from financing activities	(15,705)	(16,123)	(6,626)	(15,755)	(12,959)	(10,869)	(7,995)	37,292	(24,395)	(5,341)
Balance of cash and cash equivalents at end of period	31,378	26,672	22,072	15,270	15,799	18,600	13,085	14,500	18,662	16,511
At year-end:										
Net assets	177,247	195,869	204,157	194,138	198,699	205,827	203,173	184,591	196,775	193,660
Total assets	325,710	336,790	340,980	324,755	321,108	329,650	331,107	356,558	356,283	253,029
Per share data (yen):*3										
Net income (loss)	39.43	39.93	36.12	199.15	283.21	304.56	262.77	(166.79)	447.85	270.37
Cash dividends	8.0	10.0	11.0	110.0	120.0	120.0	120.0	120.0	120.0	120.0
Net assets	432.67	478.48	498.81	4,985.49	5,101.00	5,397.31	5,778.40	5,326.24	5,674.61	5,793.86

*3 The Company executed a 10-for-1 reverse stock split of its common stock on October 1, 2018. Income 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.

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

*5 Earnings from fiscal 2020 to fiscal 2022 include sales and operating income from the Battery Materials business. (The Battery Materials business was transferred on May 1, 2022.)

*6 From fiscal 2024, Chiyoda Engineering Co., Ltd., a Group company, has changed its reporting segment classification from "Other" to "Cement." The figures for fiscal 2023 have been restated to reflect this new classification.

Consolidated Balance Sheets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2024 and 2025

	Millions of yen	
	End of FY2023 (as of March 31, 2024)	End of FY2024 (as of March 31, 2025)
Assets		
Current assets		
Cash and deposits	*3 ¥18,724	*3 ¥16,554
Bills receivable and accounts receivable	*1, *7 43,334	*1 40,992
Electronically recorded monetary claims	*7 8,829	7,912
Goods and products	11,721	11,241
Work in process	94	70
Raw materials and supplies	23,771	23,482
Short-term loans receivable	380	377
Others	2,334	3,553
Allowance for doubtful accounts	(38)	(39)
Total of current assets	109,155	104,143
Non-current assets		
Tangible non-current assets		
Buildings and structures	*3, *5 180,341	*3, *5 183,038
Accumulated depreciation	(130,629)	(131,306)
Buildings and structures (net amount)	49,712	51,731
Machinery and equipment	*3, *5 492,651	*3, *5 508,169
Accumulated depreciation	(428,582)	(442,082)
Machinery and equipment (net amount)	64,068	66,087
Land	*3, *5 39,084	*3, *5 39,067
Construction in progress	12,962	16,280
Others	*3, *5 39,949	*3, *5 40,472
Accumulated depreciation	(21,279)	(21,849)
Others (net amount)	18,669	18,623
Total tangible non-current assets	184,499	191,789
Intangible assets		
Goodwill	63	31
Others	*5 3,580	*5 3,435
Total intangible assets	3,643	3,467
Investment and other assets		
Investment securities	*4 44,850	*4 39,372
Long-term loans	4,531	4,305
Deferred tax assets	994	1,014
Assets related to retirement benefits	3,803	4,171
Others	4,927	4,831
Allowance for doubtful accounts	(121)	(66)
Total investment and other assets	58,985	53,629
Total non-current assets	247,128	248,886
Total assets	¥356,283	¥353,029

	Millions of yen	
	End of FY2023 (as of March 31, 2024)	End of FY2024 (as of March 31, 2025)
Liabilities		
Current liabilities		
Notes and accounts payable	*3, *7 ¥30,801	*3 ¥28,266
Electronically recorded obligations	*7 2,828	2,356
Short-term borrowings	*3 25,273	*3 18,822
Commercial paper	—	5,000
Long-term borrowings to be repaid within a year	*3 8,228	*3 8,648
Income taxes payable	3,032	1,685
Bonus reserve	2,538	2,688
Others	*2 16,639	*2 16,275
Total of current liabilities	89,342	83,742
Non-current liabilities		
Corporate bonds	20,000	25,000
Long-term borrowings	*3 26,027	*3 25,863
Deferred tax liabilities	9,570	9,558
Reserve for retirement benefits for directors	122	125
Reserve for PCB waste disposal cost	2	1
Retirement benefit liability	922	1,013
Reserve for stock benefits	65	127
Asset retirement obligations	258	263
Others	13,196	13,672
Total non-current liabilities	70,166	75,626
Total liabilities	159,508	159,369
Net assets		
Shareholders' equity		
Capital	41,654	41,654
Capital surplus	10,488	10,466
Retained earnings	119,016	119,737
Treasury stocks	(311)	(992)
Total shareholders' equity	170,847	170,865
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,702	18,394
Foreign exchange adjustment amount	345	451
Accumulated adjustment for retirement benefits	1,450	1,385
Total of other accumulated comprehensive income	23,498	20,231
Non-controlling shareholder stake	2,430	2,562
Total net assets	196,775	193,660
Total liabilities and net assets	¥356,283	¥353,029

Consolidated Statements of Income and Comprehensive Income

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2024 and 2025

	Millions of yen	
	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)	Fiscal 2024 (Apr. 1, 2024 to Mar. 31, 2025)
Net sales	*1 ¥222,502	*1 ¥219,465
Cost of sales	176,364	169,388
Gross income	46,137	50,077
Selling, general and administrative expenses	*2, *3 38,886	*2, *3 40,725
Operating income	7,251	9,351
Non-operating income		
Interest income	118	138
Dividend income	1,399	1,300
Exchange gain	425	—
Investment gain on equity method	67	—
Rent received	127	188
Others	779	645
Total non-operating income	2,919	2,273
Non-operating expenses		
Interest expense	893	1,029
Foreign exchange loss	—	516
Investment loss on equity method	—	0
Others	800	711
Total non-operating expenses	1,693	2,258
Ordinary income	8,476	9,367
Extraordinary income		
Gain on sales of non-current assets	*4 27	*4 75
Gain on sales of investment securities	11,366	4,361
Total extraordinary income	11,393	4,436
Extraordinary loss		
Loss on removal of non-current assets	*5 1,229	*5 1,013
Loss on sales of non-current assets	*6 7	*6 2
Impairment loss	—	*7 14
Total extraordinary losses	1,236	1,030
Net income before income taxes	18,633	12,773
Corporate tax, resident tax and business tax	3,656	2,542
Corporate tax adjustment	(540)	1,022
Total corporate taxes	3,116	3,564
Net income	15,517	9,208
Net income attributable to non-controlling shareholders	178	200
Net income attributable to owners of the parent	¥15,339	¥9,008

	Millions of yen	
	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)	Fiscal 2024 (Apr. 1, 2024 to Mar. 31, 2025)
Net income	¥15,517	¥9,208
Other comprehensive income		
Valuation difference on available-for-sale securities	(394)	(3,309)
Foreign exchange adjustment amount	38	92
Adjustment amount for retirement benefits	1,068	(64)
Amount equivalent to equity in equity-method affiliates	71	16
Total other comprehensive income	* 784	* (3,266)
Comprehensive income	16,301	5,942
(Breakdown)		
Comprehensive income for parent company shareholders	16,122	5,741
Comprehensive income for non-controlling shareholders	¥179	¥200

Consolidated Statements of Changes in Net Assets

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2024 and 2025

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Capital	Capital surplus	Retained earnings	Treasury stocks	
Balance at April 1, 2023	¥41,654	¥10,551	¥107,791	¥(272)	¥159,724
Changes during the period					
Dividend of surplus			(4,114)		(4,114)
Net income attributable to owners of the parent			15,339		15,339
Acquisition of treasury stock				(71)	(71)
Disposal of treasury stock		21		32	53
Cancellation of treasury stock					—
Changes in parent company's equity in transactions with non-controlling shareholders		(84)			(84)
Transfer from retained earnings to capital surplus					—
Net changes during the period to items other than shareholders' equity					
Total changes during the period	—	(63)	11,225	(39)	11,122
Balance at March 31, 2024	¥41,654	¥10,488	¥119,016	¥(311)	¥170,847
Changes during the period					
Dividend of surplus			(4,037)		(4,037)
Net income attributable to owners of the parent			9,008		9,008
Acquisition of treasury stock				(5,176)	(5,176)
Disposal of treasury stock		0		224	224
Cancellation of treasury stock		(4,271)		4,271	(0)
Transfer from retained earnings to capital surplus		4,249	(4,249)		—
Net changes during the period to items other than shareholders' equity					
Total changes during the period	—	(21)	721	(680)	18
Balance at March 31, 2025	¥41,654	¥10,466	¥119,737	¥(992)	¥170,865

	Millions of yen					
	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Foreign exchange adjustment amount	Accumulated adjustment for retirement benefits	Total of other accumulated comprehensive income	Non-controlling shareholder stake	
Balance at April 1, 2023	¥22,093	¥239	¥382	¥22,714	¥2,152	¥184,591
Changes during the period						
Dividend of surplus						(4,114)
Net income attributable to owners of the parent						15,339
Acquisition of treasury stock						(71)
Disposal of treasury stock						53
Cancellation of treasury stock						—
Changes in parent company's equity in transactions with non-controlling shareholders						(84)
Transfer from retained earnings to capital surplus						—
Net changes during the period to items other than shareholders' equity	(390)	106	1,068	783	277	1,061
Total changes during the 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
Changes during the period						
Dividend of surplus						(4,037)
Net income attributable to owners of the parent						9,008
Acquisition of treasury stock						(5,176)
Disposal of treasury stock						224
Cancellation of treasury stock						(0)
Transfer from retained earnings to capital surplus						—
Net changes during the period to items other than shareholders' equity	(3,307)	106	(64)	(3,266)	132	(3,133)
Total changes during the period	(3,307)	106	(64)	(3,266)	132	(3,114)
Balance at March 31, 2025	¥18,394	¥451	¥1,385	¥20,231	¥2,562	¥193,660

Consolidated Statements of Cash Flows

SUMITOMO OSAKA CEMENT CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2024 and 2025

	Millions of yen	
	Fiscal 2023 (Apr. 1, 2023 to Mar. 31, 2024)	Fiscal 2024 (Apr. 1, 2024 to Mar. 31, 2025)
Cash flow from operating activities		
Net income before income taxes	¥18,633	¥12,773
Depreciation	21,660	22,573
Impairment loss	—	14
Amortization of goodwill	31	31
Increase (decrease) in retirement benefit liability	(374)	(341)
Increase (decrease) in allowance for directors' retirement benefits	6	2
Increase (decrease) in allowance for doubtful accounts	41	(35)
Interest and dividend income	(1,517)	(1,438)
Interest expense	893	1,029
Foreign exchange (gain) loss	(336)	51
Equity in loss (earnings) of affiliates	(67)	0
Gain on sales of non-current assets	(27)	(75)
Loss on sales of non-current assets	7	2
Loss on removal of non-current assets	287	186
(Gain) loss on sale of investment securities	(11,366)	(4,361)
(Increase) decrease in trade receivables	(3,020)	3,941
(Increase) decrease in inventories	12,544	788
Increase (decrease) in accounts payable	1,658	(3,011)
Others	5,904	(3,739)
Subtotal	44,960	28,393
Amount of interest and dividends received	1,542	1,445
Amount of interest paid	(860)	(993)
Amount of corporate tax, etc., paid	(1,911)	(3,960)
Cash flow from operating activities	¥43,731	¥24,885
Cash flow from investing activities		
Purchase of non-current assets	¥(28,882)	¥(27,645)
Proceeds from sales of non-current assets	68	111
Payments for acquisition of investment securities	(5)	(5)
Proceeds from sales of investment securities	13,820	5,849
Expenditure on loans	(697)	(681)
Income from loan collection	391	582
Others	(46)	(27)
Cash flow from investing activities	¥(15,350)	¥(21,816)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	¥(6,051)	¥(6,450)
Income from long-term borrowings	8,700	8,580
Expenditure for repayment of long-term borrowings	(7,847)	(8,323)
Proceeds from issuance of corporate bonds	—	5,000
Expenditure for redemption of bonds	(5,000)	—
Income from issuing commercial paper	29,000	5,000
Expenditure for redemption of commercial paper	(39,000)	—
Proceeds from sales of treasury stock	53	224
Payment for acquisition of treasury stock	(71)	(5,176)
Dividend payment amount	(4,114)	(4,037)
Amount of dividends paid to non-controlling shareholders	(44)	(67)
Others	(20)	(90)
Cash flow from financing activities	¥(24,395)	¥(5,341)
Exchange differences on cash and cash equivalents	176	121
Increase (decrease) in cash and cash equivalents	4,162	(2,150)
Beginning balance of cash and cash equivalents	14,500	18,662
Balance of cash and cash equivalents at end of period	* ¥18,662	* ¥16,511

Notes to the 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.

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 intercom-pany 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, income 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 income 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 from 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 state-ments. SOC OCEANIA PTY LTD. and one other company have a June 30 fiscal year-end date, and their financial statements are based on the provi-sional 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

Tangible non-current assets (excluding leased assets)

Depreciation is calculated based on the declining-balance method. (Note that the depreciation of in-house power generation facilities at the Ako Plant, the Kochi Plant and the Tochigi Plant, and tangible non-current assets 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 and equipment: 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 lease 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.
- Bonus reserve
 - A bonus reserve for employees is recorded based on the estimated payment amount.
- Reserve for retirement benefits for directors
 - 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.
- Reserve for stock benefits
 - To prepare for the delivery of the Company's shares, in accordance with the Share Delivery Rules, an estimated amount of the share awards payable as of the end of the fiscal year under review is provided.
- Reserve for PCB waste disposal cost
 - 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 and information processing services, etc.
 - 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: borrowings
- (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 using the straight-line method over the period during which its effects are expected to be realized. However, if the amount is insignificant, the entire amount is amortized in the fiscal year in which it is incurred.

(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 can 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 non-current assets

- (1) Amount recorded in the consolidated financial statements for the current fiscal year

	Millions of yen	
	Previous fiscal year	Current fiscal year
Tangible non-current assets	¥184,499	¥191,789
Of which, tangible non-current assets associated with the Company's Cement business	94,562	97,916
Impairment loss (Cement business)	—	—

- (2) Information on the details of significant accounting estimates for identified items
 - Applying impairment accounting for non-current assets entails determining whether to recognize an impairment loss with respect to asset groups that are deemed to show signs of impairment. Accordingly, if future undiscounted cash flows of any such asset group fall 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.
 - Regarding the Company's Cement business, although the revisions to sales prices of cement and cement-related solidification materials implemented up to the previous fiscal year yielded some price improvement effects, the business continued to incur losses from operating activities attributable to factors such as higher costs, including rising transportation costs due to what has been dubbed “Japan's 2024 Problem” (which places new limits on overtime hours for truck drivers), soaring prices of various materials, and increases in labor costs and construction costs related to investments, as well as to a decrease in domestic cement sales volumes precipitated by domestic demand for cement falling short of initial forecasts. This has led to indications of impairment of tangible non-current assets in the Cement business.
 - In the Cement business, we therefore further revised the sales prices of cement and cement-related solidification materials from April 1, 2025. After taking into account these price improvement effects, the assessment of the impairment of tangible non-current assets in the Cement business revealed that the total future undiscounted cash flows exceed the carrying amount of the non-current assets. The Company has therefore determined that no impairment loss shall be recognized.
 - The forecasts for the fiscal year ending March 31, 2026 (FY2025) and beyond contain key assumptions that include sales volumes based on cement demand estimates, the status of sales price revisions, coal and crude oil prices, and the impact of 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.

(Changes in Accounting Policies)

(Application of “Accounting Standard for Current Income Taxes” and related guidelines)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter “2022 Revised Accounting Standard”) and related guidelines from the beginning of the fiscal year ending March 31, 2026 (FY2025). Regarding the revision related to the classification of corporate taxes (taxation on other comprehensive income), the Company has adopted the transitional treatment prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard, and the proviso of Paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter “2022 Revised Guidance”). This change in accounting policy has no impact on the annual consolidated financial statements for the fiscal year under review. Furthermore, regarding the revision related to the treatment in the consolidated financial statements of deferred gains or losses for tax purposes arising from the sale of shares in subsidiaries between consolidated companies, the Company has applied the 2022 Revised Guidance from the beginning of the fiscal year under review. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been adjusted to reflect this retrospective application. However, this change in accounting policy has no impact on the consolidated financial statements for the previous fiscal year.

(Additional Information)

(1) Transactions involving the issuance of Company shares to employees, etc., via a trust

As part of its efforts to strengthen investment in human resources, which represent vital management capital, the Company has introduced a stock-based compensation plan (hereinafter referred to as “the Plan”) using a trust for its employees.

1. Overview of the Plan

The Plan aims to foster a sense of belonging and participation in management among employees, and to raise awareness of the Company's performance and stock price gains, thereby enhancing the Company's long-term corporate value.

Under the Plan, a trust established by the Company through monetary contributions (hereinafter referred to as “the Trust”) will acquire shares of the Company's common stock (hereinafter referred to as “the shares”), and the Company will grant to each employee, through the Trust, a number of shares equivalent to the number of points awarded to that employee, based on the Company's employee stock compensation regulations.

2. Shares of the Company remaining in the Trust

The Company's shares remaining in the trust are recorded as treasury stock in the net assets section at their carrying amount in the Trust (excluding the amount of incidental expenses). The carrying amount and the number of treasury shares at the end of the fiscal year ended March 31, 2025 were ¥156 million and 44,200 shares, respectively.

(Accounting standards not yet applied)

- “Accounting Standard for Leases, etc.” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases, etc.” (ASBJ Guidance No. 33, September 13, 2024)

Other revisions to related corporate accounting standards, corporate accounting standard application guidelines, practical response reports, and transfer guidelines

(1) Overview

Similar to international accounting standards, these stipulate that lessees should record all leases as assets and liabilities.

(2) Scheduled application date

Application is scheduled from the beginning of the year ending March 31, 2028.

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

The impact 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 bills receivable and accounts receivable, are as follows, respectively.

Millions of yen		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Bills receivable	¥5,165	¥3,797
Accounts receivable	36,681	35,808
Contract assets	1,487	1,386

*2. Contract liabilities included in “others” are as follows.

Millions of yen		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Contract liabilities	¥121	¥163

*3. Pledged assets and secured liabilities

Pledged assets and secured liabilities are as follows.

Millions of yen		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)*
Ordinary deposits	¥100	¥100 (–)
Current deposits	729	839 (–)
Tangible non-current assets		
Buildings and structures	4,343	4,127 (4,115)
Machinery and equipment	10,252	9,146 (6,639)
Land	3,779	3,779 (3,251)
Others	232	230 (230)
Total pledged assets	¥19,437	¥18,224 (14,237)

Millions of yen		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)*
Accounts payable	¥438	¥388 (–)
Short-term borrowings	380	370 (–)
Long-term borrowings to be repaid within a year	353	222 (–)
Long-term borrowings	1,900	1,678 (401)
Total secured liabilities	¥3,072	¥2,659 (401)

* Figures in parenthesis above indicate factory foundation mortgages and related debts.

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

Millions of yen		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Investment securities (stocks)	¥5,993	¥6,390

*5. Reduction entry

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

The reduction entry amounts corresponding to national subsidies were ¥500 million for buildings and structures, ¥4,918 million for machinery and equipment, ¥280 million for land, ¥3 million for other tangible non-current assets, and ¥0 million for other intangible non-current assets. These reduction entry amounts have been deducted from the carrying amounts of the assets presented on the consolidated balance sheets.

Current fiscal year (April 1, 2024 to March 31, 2025)

Reduction entries due to government subsidies, etc., totaled ¥528 million for buildings and structures, ¥5,142 million for machinery and equipment, ¥280 million for land, ¥3 million for other tangible non-current assets, and ¥0 million for other intangible non-current assets. The values recorded on the consolidated balance sheets exclude these reduction entries.

*6. Contingent liabilities

Guarantee obligations on bank loans, etc., are as follows.

(1) Guarantee obligations on bank loans (including re-guarantees)

Millions of yen			
Previous fiscal year (March 31, 2024)		Current fiscal year (March 31, 2025)	
Hachinohe Biomass Power Generation Co., Ltd.	¥1,044	Hachinohe Biomass Power Generation Co., Ltd.	¥924
Others (2 companies)	251	Others (2 companies)	198
Total	¥1,295	Total	¥1,122

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

Millions of yen			
Previous fiscal year (March 31, 2024)		Current fiscal year (March 31, 2025)	
Yoshida Kenzai Inc.	¥56	Tsukamoto Kenzai Co., Ltd.	¥55
Tsukamoto Kenzai Co., Ltd.	5	BLAST Co., Ltd.	37
Others (2 companies)	4	Others (2 companies)	38
Total	¥66	Total	¥131

*7. Notes maturing at the end 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 term 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		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Bills receivable	¥1,416	¥–
Electronically recorded monetary claims	2,085	–
Notes and accounts payable	285	–
Electronically recorded obligations	830	–

(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		
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Sales costs	¥12,060	¥13,787
Allowances and bonuses	8,489	8,979
Reserve for stock benefits	28	73
Transfer to bonus reserve	1,043	1,151
Retirement benefit expenses	217	158
Transfer to reserve for retirement benefits for officers	30	41
R&D expenses	3,523	3,552

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

Millions of yen	
Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
¥3,523	¥3,552

*4. Main gains on sales of non-current assets

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Buildings and structures	¥0	¥3
Machinery and equipment	10	47
Land	12	24
Tools, furniture and fixtures	4	0

*5. Main loss on removal of non-current assets

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Buildings and structures	¥32	¥47
Machinery and equipment	247	137
Machinery and equipment removal costs	943	826

*6. Main loss on sales of non-current assets

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Buildings and structures	¥-	¥1
Machinery and equipment	-	1
Land	7	-

*7. Impairment loss

Based on the categories of business assets and idle assets, the Group classifies its business assets based on the smallest segments used in management accounting and classifies idle assets individually.
Business assets that are rental properties for the real estate business are classified based on the corresponding property unit.

Previous fiscal year (April 1, 2023 to March 31, 2024)
Not applicable.

Current fiscal year (April 1, 2024 to March 31, 2025)
Omitted due to lack of significance.

(Notes to consolidated statements of comprehensive income)

*Reclassification adjustments, corporate income taxes, and tax effects related to other comprehensive income

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities:		
Amount incurred during the current fiscal year	¥10,795	¥(30)
Reclassification adjustments	(11,366)	(4,361)
Before adjustment for corporate income taxes and tax effects	(570)	(4,391)
Corporate income taxes and tax effects	176	1,081
Valuation difference on available-for-sale securities	(394)	(3,309)
Foreign exchange adjustment amount:		
Amount incurred during the current fiscal year	38	92
Accumulated adjustment for retirement benefits:		
Amount incurred during the current fiscal year	1,519	124
Reclassification adjustments	28	(189)
Before adjustment for corporate income taxes and tax effects	1,548	(64)
Corporate income taxes and tax effects	(479)	(0)
Adjustment amount for retirement benefits	1,068	(64)
Amount equivalent to equity in equity-method affiliates		
Amount incurred during the current fiscal year	71	16
Total other comprehensive income	¥784	¥(3,266)

(Notes to consolidated statements of changes in net assets)

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

1. Type and total number of outstanding shares and treasury stocks

	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 stocks				
Common stock (Notes 1, 2, 3)	76	18	13	81
Total	76	18	13	81

(Notes) 1. The amount of common stock held as treasury stocks includes the Company's stock (27,000 shares at the beginning of the previous fiscal year, 39,000 shares at the end of the previous 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 stocks 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 stocks 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

(Notes) 1. 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.
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 ended 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

(Note) Per resolution of the Ordinary General Meeting of Shareholders held on June 26, 2024, 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, 2024 to March 31, 2025)

1. Type and total number of outstanding shares and treasury stocks

	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)	34,329	-	1,092	33,237
Total	34,329	-	1,092	33,237

Treasury stock				
Common stock (Notes 1, 3, 4)	81	1,328	1,155	254
Total	81	1,328	1,155	254

(Notes) 1. The amount of common stock held as treasury stocks includes the Company's stock (39,000 shares at the beginning of the current fiscal year, and 36,100 shares at the end of the current fiscal year) held by the trust relating to the stock-based remuneration plan for officers, as well as the Company's stocks (44,200 shares at the beginning of the current fiscal year) held by the trust relating to the stock-based compensation plan for employees.
2. A breakdown of decreases in the outstanding shares of common stock is as follows:
Decrease due to the cancellation of treasury stocks based on the resolution of the Board of Directors: 1,092 thousand shares
3. A breakdown of increases in common stock held as treasury stocks is as follows:
Increase due to the acquisition of treasury stocks based on the resolution of the Board of Directors: 1,279 thousand shares
Increase in the number of Company shares held by the trust related to the stock-based compensation plan for employees: 44 thousand shares
Increase due to the acquisition of shares in amounts of less than one trading unit: 5 thousand shares
4. A breakdown of decreases in common stock held as treasury stocks is as follows:
Decrease due to the cancellation of treasury stocks based on the resolution of the Board of Directors: 1,092 thousand shares
Decrease due to stock-based compensation plan for employees: 44 thousand shares
Disposal of treasury stocks through third-party allotment to the Sumitomo Osaka Cement Employee Shareholding Association: 15 thousand shares
Decrease due to payments to retired officers related to the stock-based remuneration plan for officers: 3 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 26, 2024	Common stock	¥2,057	¥60.00	March 31, 2024	June 27, 2024
Board of Directors Meeting held on November 12, 2024	Common stock	¥1,980	¥60.00	September 30, 2024	December 3, 2024

(Notes) 1. Per resolution of the Ordinary General Meeting of Shareholders held on June 28, 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.
2. Per resolution of the Board of Directors at a meeting held on November 12, 2024, the total dividend amount includes ¥2 million in dividends associated with the Company's shares held by the trust related to the stock-based remuneration plan for officers.

(2) Dividends with the cut-off date falling in the year ended March 31, 2025, but with the effective date falling in the year ending March 31, 2026

(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, 2025	Common stock	¥1,983	Retained earnings	¥60.00	March 31, 2025	June 27, 2025

(Note) Per resolution of the Ordinary General Meeting of Shareholders held on June 26, 2025 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, as well as ¥2 million in dividends associated with the Company's shares held by the trust relating to the stock-based compensation plan for employees.

(Notes to consolidated statements of cash flows)

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

Millions of yen		
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Ending balance of cash and deposits	¥18,724	¥16,554
Time deposits with a maturity of over three months	(62)	(42)
Balance of cash and cash equivalents at end of period	¥18,662	¥16,511

(Lease transactions)

1. Finance lease transactions (lessee)

Finance lease transactions that do not transfer ownership

(1) Leased assets

Tangible non-current assets

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

(2) Leased asset depreciation method

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

2. Operating lease transactions

Future lease payments for non-cancelable operating leases

Millions of yen		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Within one year	¥479	¥464
Over one year	1,098	642
Total	¥1,577	¥1,107

(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 bills and accounts receivable and electronically recorded monetary claims, 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 mainly composed of stocks associated with business and capital alliances, and are subject to market risk.

Trade payables, such as notes and accounts payable, and electronically recorded obligations usually have a payment due date 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 principally taken out 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, 2023 to March 31, 2024)

Consolidated balance sheet amounts, estimated fair values and their differences are as follows. In addition, since cash and deposits, bills and accounts receivable, electronically recorded monetary claims, short-term loans receivable, notes and accounts payable, electronically recorded obligations, short-term borrowings, and commercial paper are settled in the short term, and the fair value is nearly equal to the carrying amount, their presentation has been omitted.

Millions of yen			
	Consolidated balance sheet amounts	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	¥36,919	¥36,919	¥–
(2) Long-term loans	4,531	4,568	37
(3) Corporate bonds	20,000	19,780	(219)
(4) Long-term borrowings	34,256	33,923	(332)

(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	¥7,931

Current fiscal year (April 1, 2024 to March 31, 2025)

Consolidated balance sheet amounts, estimated fair values and their differences are as follows. In addition, since cash and deposits, bills and accounts receivable, electronically recorded monetary claims, short-term loans receivable, notes and accounts payable, electronically recorded obligations, short-term borrowings, and commercial paper are settled in the short term, and the fair value is nearly equal to the carrying amount, their presentation has been omitted.

Millions of yen			
	Consolidated balance sheet amounts	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	¥31,051	¥31,051	¥–
(2) Long-term loans	4,305	4,194	(111)
(3) Corporate bonds	25,000	24,288	(712)
(4) Long-term borrowings	34,512	33,741	(770)

(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	¥8,321

3. Redemption schedule for receivables and redeemable securities with future redemption dates
Previous fiscal year (April 1, 2023 to 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	¥–	¥–	¥–
Bills receivable and accounts receivable	43,334	–	–	–
Electronically recorded monetary claims	8,829	–	–	–
Investment securities	–	–	–	–
Held-to-maturity securities	–	–	–	–
Redeemable available-for-sale securities	–	–	–	–
Short-term loans receivable	380	–	–	–
Long-term loans	0	2,780	1,460	289
Total	¥71,248	¥2,780	¥1,460	¥289

Current fiscal year (April 1, 2024 to March 31, 2025)

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	¥16,523	¥–	¥–	¥–
Bills receivable and accounts receivable	40,992	–	–	–
Electronically recorded monetary claims	7,912	–	–	–
Investment securities	–	–	–	–
Held-to-maturity securities	–	–	–	–
Redeemable available-for-sale securities	–	–	–	–
Short-term loans receivable	377	–	–	–
Long-term loans	548	2,017	1,450	287
Total	¥66,354	¥2,017	¥1,450	¥287

4. Redemption schedule for corporate bonds, long-term borrowings, and other interest-bearing liabilities with future redemption dates
Previous fiscal year (April 1, 2023 to March 31, 2024)

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 borrowings	¥25,273	¥–	¥–	¥–	¥–	¥–
Corporate bonds	–	–	5,000	10,000	–	5,000
Long-term borrowings	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

Current fiscal year (April 1, 2024 to March 31, 2025)

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 borrowings	¥18,822	¥–	¥–	¥–	¥–	¥–
Commercial paper	5,000	–	–	–	–	–
Corporate bonds	–	5,000	10,000	–	5,000	5,000
Long-term borrowings	8,648	7,599	6,759	4,092	4,043	3,368
Total	¥32,471	¥12,599	¥16,759	¥4,092	¥9,043	¥8,368

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 the consolidated balance sheet at fair value
Previous fiscal year (April 1, 2023 to March 31, 2024)

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

Current fiscal year (April 1, 2024 to March 31, 2025)

Millions of yen				
Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities	¥31,051	¥–	¥–	¥31,051
Available-for-sale securities				

(2) Financial assets and financial liabilities not at fair value for their carrying amount recorded on the consolidated balance sheet
Previous fiscal year (April 1, 2023 to March 31, 2024)

Millions of yen				
Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans	¥–	¥4,568	¥–	¥4,568
Corporate bonds	–	19,780	–	19,780
Long-term borrowings	–	33,923	–	33,923

Current fiscal year (April 1, 2024 to March 31, 2025)

Millions of yen				
Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans	¥–	¥4,194	¥–	¥4,194
Corporate bonds	–	24,288	–	24,288
Long-term borrowings	–	33,741	–	33,741

(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

The fair value of long-term loans is categorized as Level 2 fair value. Long-term loans 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).

Corporate bonds

The fair value of corporate bonds issued by the Company is calculated based on market price and categorized as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is categorized as Level 2 fair value. Long-term borrowings 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 borrowings 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 borrowings, and the fair value is included in the fair value of the relevant long-term borrowings (refer to “Long-term borrowings” above).

(Securities)

1. Available-for-sale securities

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

	Type	Millions of yen		
		Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on the 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 the 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

Current fiscal year (April 1, 2024 to March 31, 2025)

	Type	Millions of yen		
		Consolidated balance sheet amounts	Acquisition cost	Difference
Carrying amount on the consolidated balance sheet exceeds acquisition cost	(1) Stocks	¥31,044	¥4,170	¥26,874
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	31,044	4,170	26,874
Carrying amount on the consolidated balance sheet does not exceed acquisition cost	(1) Stocks	6	6	(0)
	(2) Bonds	—	—	—
	(3) Others	—	—	—
	Subtotal	6	6	(0)
Total		¥31,051	¥4,176	¥26,874

2. Sales of available-for-sale securities

Previous 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

Current fiscal year (April 1, 2024 to March 31, 2025)

Type	Millions of yen		
	Proceeds from sales	Total gains on sales	Total losses on sales
(1) Stocks	¥5,849	¥4,361	¥—
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	¥5,849	¥4,361	¥—

(Derivative transactions)

1. Derivative transactions not subject to hedge accounting

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

Not applicable.

Current fiscal year (April 1, 2024 to March 31, 2025)

Not applicable.

2. Derivative transactions subject to hedge accounting

Interest rate related

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

Not applicable.

Current fiscal year (April 1, 2024 to March 31, 2025)

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 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 obligations (excluding plans using the simplified method)

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Beginning balance of projected benefit obligation	¥13,839	¥13,313
Service cost	579	530
Interest cost	82	131
Actuarial gains and losses	(264)	(678)
Payment of retirements benefits	(922)	(878)
Ending balance of projected benefit obligation	¥13,313	¥12,419

(2) Reconciliation of beginning and ending balances of pension assets (excluding plans using the simplified method)

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Beginning balance of pension assets	¥15,242	¥16,474
Expected return on pension assets	304	329
Actuarial gains and losses	1,254	(553)
Employer contribution	580	588
Payment of retirements benefits	(907)	(859)
Ending balance of pension assets	¥16,474	¥15,980

(3) Reconciliation of beginning and ending balances of retirement benefit liability using the simplified method

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Beginning balance of retirement benefit liability	¥444	¥280
Retirement benefit expenses	124	424
Payment of retirements benefits	(102)	(122)
Contributions to the plan	(186)	(179)
Others	—	—
Ending balance of retirement benefit liability	¥280	¥403

(4) Reconciliation of projected benefit obligations and pension assets at year-end with retirement benefit liability and assets related to retirement benefits recorded in the consolidated balance sheet

	Millions of yen	
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Projected benefit obligation of funded plan	¥14,699	¥13,823
Pension assets	(18,594)	(18,086)
	(3,895)	(4,262)
Projected benefit obligation of unfunded plan	1,013	1,105
Net amount of liabilities and assets on the consolidated balance sheet	(2,881)	(3,157)
Retirement benefit liability	922	1,013
Assets related to retirement benefits	(3,803)	(4,171)
Net amount of liabilities and assets on the consolidated balance sheet	¥(2,881)	¥(3,157)

(5) Breakdown of retirement benefit cost

Millions of yen		
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Service cost	¥579	¥530
Interest cost	82	131
Expected return on pension assets	(304)	(329)
Amortization of actuarial loss	28	(189)
Retirement benefit cost calculated using simplified method	124	424
Retirement benefit cost of defined benefit pension	¥509	¥568

(6) Adjustment amount for retirement benefits

Components of adjustment amount for retirement benefits (before corporate income tax and tax effects) are as follows.

Millions of yen		
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Actuarial gains and losses	¥1,548	¥(64)
Total	¥1,548	¥(64)

(7) Accumulated adjustment for retirement benefits

Components of accumulated adjustment for retirement benefits (before corporate income tax and tax effects) are as follows.

Millions of yen		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Unrecognized actuarial loss/gain	¥(2,101)	¥(2,037)
Total	¥(2,101)	¥(2,037)

(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 (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Bonds	49%	53%
Stocks	33%	27%
General accounts	13%	13%
Others	5%	7%
Total	100%	100%

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

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

(9) Matters concerning actuarial assumptions

Principal actuarial assumptions

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Discount rate	0.6%	1.0%
Expected long-term investment return	2.0%	2.0%
Expected rates of salary increases	2.6% to 6.9%	2.6% to 6.9%

(Stock options)

Not applicable.

(Income tax accounting)

1. Significant components of deferred tax assets and liabilities

Millions of yen		
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Deferred tax assets		
Impairment loss	¥2,292	¥2,180
Tax loss carryforwards (Note 2)	1,836	1,074
Bonus reserve	812	857
Unrealized holding gain	419	415
Retirement benefit liability	305	333
Accrued business tax	313	228
Others	1,770	793
Subtotal for deferred tax assets	7,750	5,883
Valuation allowance related to tax loss carryforwards (Note 2)	(1,011)	(300)
Valuation allowance related to the total of deductible temporary differences	(2,733)	(2,379)
Subtotal for valuation allowance (Note 1)	(3,745)	(2,679)
Total deferred tax assets	4,005	3,203
Deferred tax liabilities		
Valuation difference for available-for-sale securities	(9,738)	(8,657)
Liability reserves under the Act on Special Measures Concerning Taxation	(1,145)	(1,214)
Others	(1,697)	(1,875)
Total deferred tax liabilities	12,851	(11,747)
Deferred tax liabilities (net amount)	¥(8,575)	¥(8,544)

(Notes)1. Significant changes in the amount deducted from deferred tax assets (valuation allowance) were mainly due to a 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 (April 1, 2023 to March 31, 2024)

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	Total
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

(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.

Current fiscal year (April 1, 2024 to March 31, 2025)

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	Total
Tax loss carryforwards (a)	¥43	¥35	¥46	¥37	¥21	¥889	¥1,074
Valuation allowance	(43)	(35)	(46)	(37)	(21)	(115)	(300)
Deferred tax assets	–	–	–	–	–	773	(b) 773

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

(b) Deferred tax assets of ¥773 million were recognized for tax loss carryforwards of ¥1,074 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 ¥773 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, 2024)	Current fiscal year (March 31, 2025)
Statutory effective tax rate	31.0%	31.0%
(Adjustment)		
Adjustments that are not temporary differences	(1.9)	(3.4)
Valuation allowance related to tax loss carryforwards	(13.6)	(5.6)
Valuation allowance related to the total of deductible temporary differences	(0.2)	(2.4)
Tax credit	(1.6)	(1.9)
Others	2.9	10.2
Effective tax rate after the application of tax effect accounting	16.6	27.9

3. Adjustments to deferred tax assets and deferred tax liabilities due to changes in the corporate income tax rates

The “Act for the Partial Amendment to the Income Tax Act, etc.” (Act No. 13 of 2025) was passed by the Diet on March 31, 2025, and consequently a “Special Defense Corporation Tax” will be levied from business years beginning on or after April 1, 2026. In response to the enactment, the effective statutory tax rate for deferred tax assets and deferred tax liabilities relating to temporary differences that are expected to be resolved in or after the fiscal year beginning on or after April 1, 2026 has been changed from 31.0% to 32.0%. The impact of this change on deferred tax liabilities (amount after deducting deferred tax assets) and corporate taxes – deferred for the current fiscal year is immaterial.

(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, 2024, rent received from rental property assets was ¥1,103 million (rental revenue is recorded under sales and rental costs are recorded under cost of sales), while loss on sales of non-current assets amounted to ¥7 million (recorded under extraordinary loss). During the fiscal year under review, ended March 31, 2025, rent received from rental property assets was ¥991 million (rental revenue is recorded under sales and rental costs are recorded under cost of sales), gain on sales of non-current assets amounted to ¥27 million (recorded under extraordinary income), loss on sales of non-current assets amounted to ¥16 million (recorded under extraordinary loss), and impairment losses amounted to ¥14 million (recorded under extraordinary loss).

The carrying amount of rental property, and changes in carrying amount and fair value, are as follows.

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Consolidated balance sheet amounts		
Opening balance	¥20,209	¥19,882
Change during the fiscal year	(326)	(403)
Closing balance	19,882	19,479
Fair value at the end of the fiscal year	¥31,372	34,579

(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 is 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, 2023 to March 31, 2024)

	Millions of yen						
	Reporting segments						
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total
Goods or services transferred at a point in time	¥159,339	¥14,555	¥8,294	¥2,042	¥18,712	¥3,840	¥206,785
Goods or services transferred over time	2,290	–	13,426	–	–	–	15,717
Revenue from contracts with customers	161,629	14,555	21,721	2,042	18,712	3,840	222,502
Other revenue	–	–	–	–	–	–	–
Net sales to outside customers	¥161,629	¥14,555	¥21,721	¥2,042	¥18,712	¥3,840	¥222,502

Current fiscal year (April 1, 2024 to March 31, 2025)

	Millions of yen						
	Reporting segments						
	Cement	Mineral Resources	Cement- Related Products	Optoelectronics	Advanced Materials	Other	Total
Goods or services transferred at a point in time	¥154,186	¥17,367	¥9,775	¥2,510	¥15,678	¥1,732	¥201,250
Goods or services transferred over time	2,253	–	13,816	–	–	–	16,070
Revenue from contracts with customers	156,440	17,367	23,591	2,510	15,678	1,732	217,321
Other revenue	–	–	–	–	–	2,144	2,144
Net sales to outside customers	¥156,440	¥17,367	¥23,591	¥2,510	¥15,678	¥3,876	¥219,465

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is omitted here because it is the same as the information described under “Basis of preparation of consolidated financial statements 6. Matters concerning accounting policies (5) Criteria for posting significant revenues and expenses.”

3. Matters concerning changes in reporting segments, etc.

Effective from the beginning of the current fiscal year, the Company has revised its segment classifications. Details are omitted here because they are provided in “Segment Information 3. Matters concerning changes in reporting segments, etc.” Information on the breakdown of revenues arising from contracts with customers for the previous fiscal year has been prepared based on the revised segment classification.

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

(1) Balances of contract assets and contract liabilities

	Millions of yen	
	Previous fiscal year	Current fiscal year
Receivables from contracts with customers (as of April 1, 2024)	¥48,438	¥50,676
Receivables from contracts with customers (as of March 31, 2025)	50,676	47,518
Contract assets (as of April 1, 2024)	1,473	1,487
Contract assets (as of March 31, 2025)	1,487	1,386
Contract liabilities (as of April 1, 2024)	113	121
Contract liabilities (as of March 31, 2025)	¥121	¥163

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 ¥4,728 million as of March 31, 2024. Unsatisfied and partially unsatisfied performance obligations amounted to ¥5,497 million as of March 31, 2025. Such performance obligations pertain to construction contracts with respect to which revenue is likely to be recognized within approximately 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. The 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, and engineering
Mineral Resources	Limestone, dolomite, calcium carbonate, aggregate, and silica powder
Cement-Related Products	Repair and reinforcement of concrete structures (materials and construction), various admixtures, heavy metal pollution control materials, 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, optical measurement equipment, and optoelectronics devices
Advanced Materials	Various ceramic products, various nanoparticle materials, antibacterial agents, cosmetics, and various functional paints
Other	Leasing of real estate, and development of software

2. Calculation method for net sales, income 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 income (loss) is based on operating income. Intersegment income and transfers are based on prevailing market prices.

3. Matters concerning changes in reporting segments, etc.

Effective from the beginning of the current fiscal year, the reporting segment classification for subsidiary Chiyoda Engineering Co., Ltd. has been changed from “Other” to “Cement.”
Segment information for the previous fiscal year has been prepared based on the revised segment classification.

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

Previous 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	¥161,629	¥14,555	¥21,721	¥2,042	¥18,712	¥3,840	¥222,502	¥–	¥222,502
(2) Intersegment sales or transfers	3,684	4,514	2,336	–	–	5,960	16,496	(16,496)	–
Total	¥165,313	¥19,070	¥24,058	¥2,042	¥18,712	¥9,801	¥238,998	¥(16,496)	¥222,502
Segment income (or loss)	(1,435)	3,141	1,511	(669)	2,893	1,658	7,099	151	7,251
Segment assets	259,252	38,917	20,783	1,623	17,028	20,584	358,190	(1,906)	356,283
Other items									
Depreciation	16,716	2,299	508	73	1,558	483	21,639	21	21,660
Amortization of goodwill	–	–	31	–	–	–	31	–	31
Increase in tangible non-current assets and intangible assets	¥22,659	¥4,208	¥599	¥141	¥1,668	¥74	¥29,352	¥–	¥29,352

(Notes) 1. The adjustment amount is as follows:
(1) Segment income/loss adjustment of ¥151 million is intersegment transaction elimination.
(2) The minus ¥1,906 million segment asset adjustment includes ¥26,634 million in company-wide assets not allocated to business segments and minus ¥28,540 million in intersegment transaction eliminations. Company-wide assets are mainly long-term investment funds (investment securities) of the Company and assets related to administrative departments.
(3) The depreciation adjustment amount of ¥21 million is depreciation of ¥41 million related to company-wide assets and intersegment elimination of minus ¥19 million.
2. Segment income/loss is under adjustment with operating income of the consolidated statement of income.

Current fiscal year (April 1, 2024 to March 31, 2025)

	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	¥156,440	¥17,367	¥23,591	¥2,510	¥15,678	¥3,876	¥219,465	¥–	¥219,465
(2) Intersegment sales or transfers	3,724	2,960	2,515	2	–	4,900	14,102	(14,102)	–
Total	¥160,164	¥20,328	¥26,107	¥2,512	¥15,678	¥8,777	¥233,568	¥(14,102)	¥219,465
Segment profit (or loss)	877	3,148	1,839	(355)	2,264	1,617	9,391	(39)	9,351
Segment assets	258,866	42,406	19,631	1,825	20,107	20,507	363,345	(10,315)	353,029
Other items									
Depreciation	17,520	2,530	516	97	1,403	473	22,542	31	22,573
Amortization of goodwill	–	–	31	–	–	–	31	–	31
Increase in tangible non-current assets and intangible assets	¥21,209	¥5,124	¥389	¥103	¥3,913	¥85	¥30,825	¥–	¥30,825

(Notes) 1. The adjustment amount is as follows:
(1) Segment income/loss adjustment of minus ¥39 million is intersegment transaction elimination.
(2) Adjustment of segment assets of minus ¥10,315 million is ¥20,593 million in company-wide assets that are not allocated to the business segment, and minus ¥30,909 million in intersegment transaction eliminations. Company-wide assets are mainly long-term investment funds (investment securities) of the Company and assets related to administrative departments.
(3) The depreciation adjustment amount of ¥31 million is depreciation of company-wide assets of ¥40 million and intersegment eliminations of minus ¥8 million.
2. Segment income/loss is under adjustment with operating income of the consolidated statement of income.

[Related information]

Previous 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 the net sales stated in the consolidated statements of income, information regarding geographical areas is omitted.

Tangible non-current assets

Because tangible non-current assets located in Japan account for over 90% of the tangible non-current assets stated in the consolidated balance sheets, information regarding geographical areas is omitted.

Current fiscal year (April 1, 2024 to March 31, 2025)

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 the net sales stated in the consolidated statements of income, information regarding geographical areas is omitted.

Tangible non-current assets

Because tangible non-current assets located in Japan account for over 90% of the tangible non-current assets stated in the consolidated balance sheets, information regarding geographical areas is omitted.

[Impairment loss on non-current assets by reporting segment]

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

Not applicable.

Current fiscal year (April 1, 2024 to March 31, 2025)

	Reporting segments							Adjustment amount	Consolidated
	Cement	Mineral Resources	Cement-Related Products	Optoelectronics	Advanced Materials	Other	Total		
Impairment loss	¥0	¥8	¥–	¥–	¥–	¥–	¥9	¥5	¥14

(Note) The adjustment amount of ¥5 million is related to the idle assets, etc., included in corporate assets.

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

Previous fiscal year (April 1, 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	¥–	¥–	¥–	¥31	¥–	¥31
Unamortized balance at end of the fiscal year	¥–	¥–	¥63	¥–	¥–	¥–	¥63	¥–	¥63

Current fiscal year (April 1, 2024 to March 31, 2025)

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

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

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

Not applicable.

Current fiscal year (April 1, 2024 to March 31, 2025)

Not applicable.

[Related party transaction information]

Previous 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 (Millions of yen)
						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	¥3,769

(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.

Current fiscal year (April 1, 2024 to March 31, 2025)

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 (Millions of yen)
						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	¥3,746

(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	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net assets per share	¥5,674.61	¥5,793.86
Income per share (yen)	447.85	270.37

(Notes) 1. Diluted income per share is not presented since there is no dilutive stock.
2. The Company's shares remaining in the trust that are recorded as treasury stocks in shareholders' equity are included in the treasury shares deducted from the calculation of the average number of shares during the period for the calculation of income per share, and are also included in the number of treasury shares deducted from the total number of shares issued at the end of the period for the calculation of net assets per share.
The average number of treasury shares deducted in calculating income per share was 78,617 shares for the previous fiscal year, and 675,475 shares for the current fiscal year. The number of treasury shares deducted in calculating net assets per share was 81,351 shares for the previous fiscal year, and 254,255 shares for the current fiscal year.
3. The basis for the calculation of income per share is as follows.

	Millions of yen	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net income attributable to owners of the parent	¥15,339	¥9,008
Amount not attributed to common shareholders	—	—
Income attributable to owners of the parent related to common stock	¥15,339	¥9,008
Average outstanding shares during the fiscal year (shares)	34,250,900	33,317,888

(Significant subsequent events)

(Acquisition of treasury stock)

At a meeting of the Board of Directors held on May 13, 2025, 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.

1. Purpose of the acquisition: To return income to shareholders through improved capital efficiency
2. Type of shares to be acquired: Common stock of the Company
3. Number of shares to be acquired: 1,500,000 shares (maximum)
4. Total acquisition cost: ¥5,000 million (maximum)
5. Period of share acquisition: From May 14, 2025 to September 30, 2025
6. 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 27, 2025, the Company resolved to issue the following domestic unsecured straight bonds, as follows:

1. Issue amount: ¥5 billion
2. Payment date: June 12, 2025
3. Maturity period: June 12, 2030
4. Issue price: ¥100 per ¥100 of each bond
5. Redemption amount: ¥100 per ¥100 of each bond
6. Interest rate: 1.524%
- 7 Interest payment dates: June 12th and December 12th of each year
8. Redemption method: Lump sum redemption at maturity
9. Use of funds: Expenditure for redemption of commercial paper
10. Special provisions: A negative pledge clause will be attached.

(Note) The contents of this financial section are an English translation of the Securities Report, prepared in Japanese, for the 162nd term (from April 1, 2024 to March 31, 2025) 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.

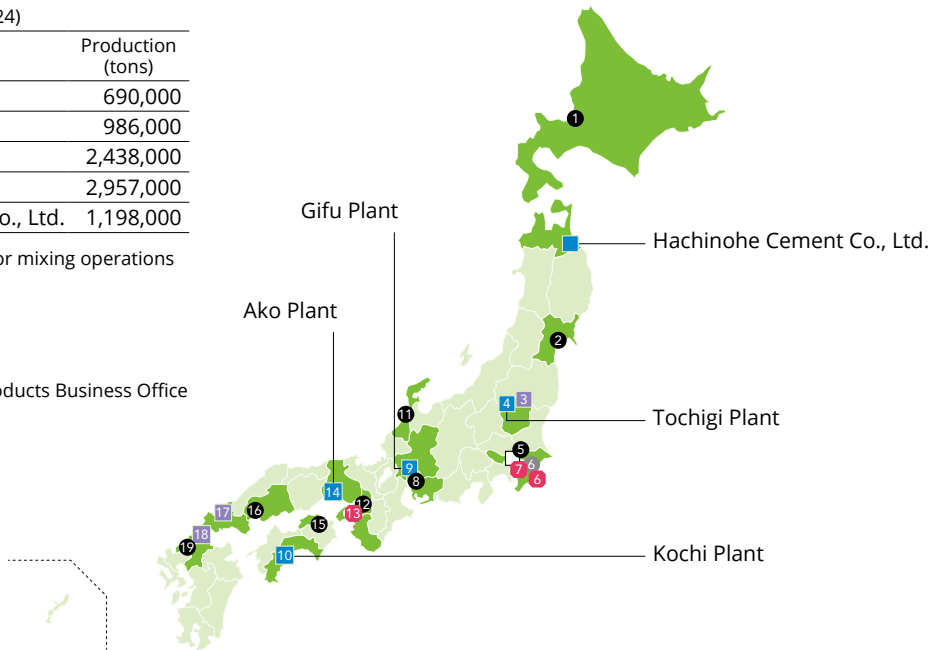
Network (as of March 31, 2025)

Cement Plants (FY2024)

Name	Production (tons)
Tochigi Plant	690,000
Gifu Plant	986,000
Ako Plant	2,438,000
Kochi Plant	2,957,000
Hachinohe Cement Co., Ltd.	1,198,000

Note: Excluding plants for mixing operations

- Head Office
- Branch
- Cement Plant
- Limestone Plant
- High-Performance Products Business Office
- Research Laboratory



Network in Japan

Name	Location
① Sapporo Branch	Sapporo City, Hokkaido
② Tohoku Branch	Sendai City, Miyagi Prefecture
③ Karasawa Mining Office	Sano City, Tochigi Prefecture
④ Tochigi Plant	Sano City, Tochigi Prefecture
□ Head Office	Minato-ku, Tokyo
⑤ Tokyo Branch	Minato-ku, Tokyo
⑥ Funabashi Office	Funabashi City, Chiba Prefecture
⑦ New Technology Research Laboratory	Funabashi City, Chiba Prefecture
⑧ Cement/Concrete Research Laboratory	Funabashi City, Chiba Prefecture
⑨ Ichikawa Office	Ichikawa City, Chiba Prefecture
⑩ Nagoya Branch	Nagoya City, Aichi Prefecture
⑪ Gifu Plant	Motosu City, Gifu Prefecture
⑫ Kochi Plant	Susaki City, Kochi Prefecture
⑬ Hokuriku Branch	Kanazawa City, Ishikawa Prefecture
⑭ Osaka Branch	Osaka City, Osaka Prefecture
⑮ Kaizuka Office	Kaizuka City, Osaka Prefecture
⑯ Ako Plant	Ako City, Hyogo Prefecture
⑰ Shikoku Branch	Takamatsu City, Kagawa Prefecture
⑱ Hiroshima Branch	Hiroshima City, Hiroshima Prefecture
⑲ Yamaguchi Mining Station	Nagato City, Yamaguchi Prefecture
⑳ Kokura Mining Station	Kitakyushu City, Fukuoka Prefecture
㉑ Fukuoka Branch	Fukuoka City, Fukuoka Prefecture

Overseas Network

Name	Location
Dongguan Sumi Sou Optoelectronics Technology., Co., Ltd.	Guangdong, China
Shanghai Representative Office	Shanghai
Sumilong Nanotechnology Materials (Shenzhen) Co., Ltd.	Guangdong, China
SOC America Inc.	New Jersey, US
SOC OCEANIA PTY LTD	New South Wales, Australia

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
Chiyoda Engineering Co., Ltd.	Equipment and facility installation
SO Engineering Co., Ltd.	Construction of electrical facilities
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

Glossary

General terminology

Greenhouse gases (GHGs)	Greenhouse gases (GHGs) are gases that exist in the atmosphere that produce the greenhouse effect by absorbing and reemitting infrared rays, which radiate from the Earth's surface and cause the surface temperature to rise. Typical GHGs include carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), and fluoro-carbons (HFCs, PFCs). These gases are emitted from the combustion of fossil fuels, agricultural activities, industrial processes, waste management, and other sources. The increase in GHGs is considered to be the main cause of global warming, and there are concerns about its impact on climate change and the environment. Reducing GHG emissions is crucial for achieving a sustainable future, and urgent efforts are being made to do so through international cooperation and technological innovation.
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Cement business

Kiln (cement rotary)	This refers to a rotary kiln used in cement manufacturing. Raw materials are continuously fed into the kiln, which produces clinker by burning these materials at high temperatures (up to 1,450°C) (the process of calcination). In addition to fossil fuels such as heavy oil and coal, other raw materials used as heat energy include a variety of alternative waste materials and byproducts. Kilns are important pieces of equipment that support efficient cement production, and which have a direct impact on cement quality and production volume. Our Group operates a total of eight kilns at five plants, namely the Tochigi Plant, Gifu Plant, Ako Plant, Kochi Plant, and Hachinohe Cement Co., Ltd.
Clinker	High-temperature calcination of raw materials in a kiln reaching up to 1,450°C, and the subsequent cooling of the limestone, clay, silica, iron oxide, and other waste materials and byproducts, produces a briquette known as a clinker brick. An intermediate product of cement, clinkers are an important factor in determining the strength and quality of the cement. The clinker is mixed and ground with small amounts of other components, including gypsum—which plays a role in adjusting the hardening speed of cement—and limestone to produce cement.
Process-related CO ₂	Of the CO ₂ generated in cement manufacturing, process-related CO ₂ is generated by the decarboxylation reaction of limestone—or calcium carbonate (CaCO ₃)—the main raw material of cement, which decomposes into calcium oxide (CaO) and CO ₂ when calcined at high temperatures in a kiln. This accounts for approximately 60% of the CO ₂ emissions from cement manufacturing, with the remaining 40% being energy-related CO ₂ generated by the use of fossil fuels such as coal. In the cement industry, efforts are underway to reduce CO ₂ emissions through CO ₂ capture and utilization (CCU) technologies, as well as through the use of alternative raw materials.
CO ₂ Recycling artificial limestone	Calcium carbonate (CaCO ₃) is artificially produced using a dual recycling technology that combines calcium (Ca) contained in waste materials—such as waste gypsum board and general incineration ash—with CO ₂ . This technology, which has been adopted as a project by NEDO's Green Innovation Fund, makes it possible to permanently fix CO ₂ as a mineral. By recycling waste and CO ₂ , we contribute not only to reducing CO ₂ emissions but also to building a recycling-oriented society by extending the life of final disposal sites. The Sumitomo Osaka Cement Group has constructed a test production facility for CO ₂ recycling artificial limestone at its Tochigi Plant, where it is conducting tests aimed at stable production, while promoting research and development for use as a cement raw material and as a filler in various industries.
Carbon-recycled cement (CRC)	As an alternative to natural limestone, which is traditionally used as a cement raw material, carbon-recycled cement is manufactured using CO ₂ recycling artificial limestone, which is generated from CO ₂ in the exhaust gases from cement factories and from calcium components derived from waste. The Sumitomo Osaka Cement Group is conducting research and development in manufacturing methods and applications for CRC. By reducing the amount of natural limestone used and replacing it with CO ₂ recycling artificial limestone, we can significantly cut the amount of CO ₂ generated in the manufacturing process, while also contributing to the recycling of waste materials.
Mineralization of CO ₂	This is a technology that fixes CO ₂ as a chemically stable carbonate mineral. By reacting CO ₂ with alkaline earth metals (such as calcium and magnesium), CO ₂ can be permanently fixed in minerals, and this method is expected to be a safe way to store CO ₂ over the long term.
Carbon capture and utilization (CCU)	This is a technology that captures CO ₂ and utilizes it effectively, without releasing it into the atmosphere. It is primarily used to capture CO ₂ from large-scale emissions sources, such as in the energy and heavy industries, and to manufacture chemicals and fuels, or to recover crude oil by injecting it into oil field reservoirs. CCU is attracting attention as a technology that contributes to the reduction of CO ₂ emissions and the building of a recycling-oriented economy.
Carbon capture and storage (CCS)	This is a technology that captures CO ₂ and stores it underground, without releasing it into the atmosphere. It is primarily used to capture CO ₂ from large-scale emissions sources, such as in the energy and heavy industries, and then to compress it and inject it into geological formations, such as aquifers and depleted oil and gas fields, thereby reducing GHG emissions. CCS technology is considered particularly important in the energy and heavy industry sectors, with demonstration projects underway in various countries.

Carbon capture, utilization, and storage (CCUS)	This is a general term for the effective utilization of CO ₂ using CCU technology and the underground storage of CO ₂ using CCS technology.
Blue carbon	This is carbon that is absorbed from the atmosphere by coastal and marine ecosystems through photo-synthesis, which is then accumulated on the seabed and in deep seas. While “green carbon” refers to terrestrial plants absorbing CO ₂ from the atmosphere through photosynthesis and storing it as organic carbon compounds, the main sources of blue carbon include seaweed beds, salt marshes, tidal flats, and mangrove forests. The conservation and expansion of these ecosystems are considered important mea-sures to combat global warming, and international efforts are being made to address this issue. Moreover, these ecosystems have multifaceted value, not only for absorbing CO ₂ but also for purifying water quality and preserving biodiversity.

Optoelectronics business

LN modulators	LN (lithium niobate) modulators for optical communications components play a role in converting (modu-lating) electrical signals into optical signals in optical communications systems (systems that transmit data using optical fiber cables) that extend throughout the world, and are one of the most important compo-nents, often referred to as the heart of an optical communications system. We have added a new modula-tor to our product lineup that supports high-speed, large-capacity transmission of 1T (terabyte) or more.
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Advanced Materials business

Electrostatic chuck	An electrostatic chuck (ESC) is a component installed in semiconductor manufacturing equipment that uses electrical force to attract and secure objects. Because it uses electrostatic force to hold objects, it is characterized by its ability to attract objects with uniform force even in a vacuum, with minimal scratches or damage. The ESCs manufactured and sold by Sumitomo Osaka Cement are made from a composite of silicon carbide (SiC) manufactured in-house and alumina, and therefore offer higher performance than simple alumina-based ESCs in terms of voltage resistance and adhesive force.
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Japan-specific terminology

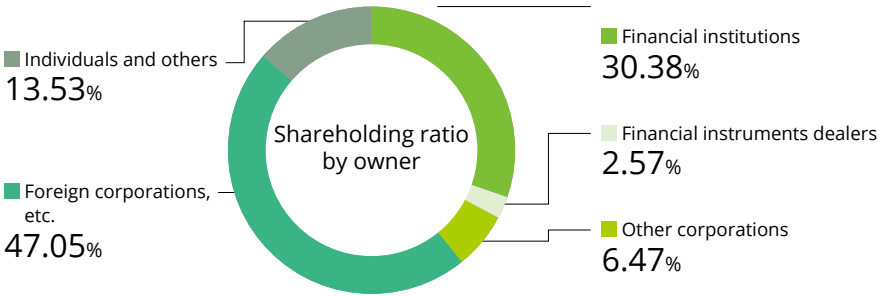
The 2024 logistics problem	A general term for various issues arising from the restriction of overtime work for truck drivers to 960 hours per year from April 2024, due to revisions to the Work Style Reform Act, among other factors. This has led to concerns about driver shortages and declining transportation capacity, while there is also a need to improve working conditions by reducing waiting, loading, and unloading times.
Green Transformation League (GX League)	A public-private partnership framework established under the leadership of the Ministry of Economy, Trade and Industry to achieve carbon neutrality in Japan by 2050. Businesses, governments, and academic institutions are working together to achieve a sustainable society. Its main activities include the formula-tion of systems and market regulations, such as the emissions trading system (GX-ETS), and support for the creation of business opportunities. Participating companies set their own GHG emissions reduction targets, and work to achieve both decarbonization and economic growth through the development of decarbonization technologies and the establishment of new business models. Sumitomo Osaka Cement has been participating since the establishment of the GX League in April 2023.
New Energy and Industrial Technology Development Organization (NEDO)	A national research and development agency that supports R&D in the fields of energy, the environment, and industrial technology in Japan. Its purpose is to promote the inception and social implementation of innovative technologies for the realization of a sustainable society. Its main activities include supporting technological development through commissioned research and grant provisions, promoting demonstra-tion testing, and facilitating collaboration between industry, academia, and government. Notably, it sup-ports the development of technologies that will form the basis of future industrial competitiveness in areas such as new energy, energy conservation, and carbon neutrality.
Green Innovation Fund (GI Fund)	A fund totaling ¥2,756.4 billion (as of November 2024) established by the Ministry of Economy, Trade and Industry with the goal of achieving carbon neutrality by 2050. Operated by NEDO, this program provides long-term support for up to 10 years for companies and research institutions engaged in R&D, demonstra-tion testing, and social implementation of new technologies. Technological development projects that con-tribute to carbon neutrality, such as renewable energy, next-generation solar cells, and the construction of a large-scale hydrogen supply chain, are eligible for support. In 2022, Sumitomo Osaka Cement proposed “Establishment of Carbonation Chlorination Technology Using Various Calcium Sources,” as a project theme for developing a carbon-capture cement manufacturing process under the GI Fund’s “Development of concrete manufacturing technology using CO ₂ .” This theme was then adopted, and CO ₂ recycling artificial limestone is one of the R&D achievements of this fund project.

Company Overview / Stock Information (as of March 31, 2025)

Company

Company	Sumitomo Osaka Cement Co., Ltd.	Capital	¥41,654 million
Established	November 29, 1907	Securities code	5232
Head Office	Shiodome Sumitomo Bldg. 1-9-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-8641, Japan	Stock exchange listing	Tokyo Stock Exchange
Telephone number	+81-3-6370-2700	Total number of authorized shares	130,000,000
Employees	Non-consolidated: 1,312 Consolidated: 2,952	Total number of shares outstanding (173,955 shares of treasury stock)	33,237,017

Shareholding ratio by owner



Status of Major Shareholders

Name	Number of shares owned (thousands of shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,945	14.96
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo Branch, Custody Department)	3,109	9.40
Custody Bank of Japan, Ltd. (Trust Account)	3,077	9.31
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo Branch, Custody Department)	1,612	4.88
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo Branch, Custody Department)	1,360	4.11
NORTHERN TRUST CO. AVFC RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Ltd., Tokyo Branch, Custody Department)	860	2.60
Sumitomo Life Insurance Company	852	2.58
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	775	2.35
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	515	1.56
Aya Nomura (Standing proxy: Mita Securities Co., Ltd.)	501	1.52

(Note) The ownership ratio is calculated based on the total number of shares outstanding minus the number of treasury stocks (173,955). Please note that the number of treasury stocks does not include 36,100 shares of the Company's stock held by the trust related to the stock-based remuneration plan for officers or 44,200 shares of the Company held by the trust related to the stock-based compensation plan for employees.