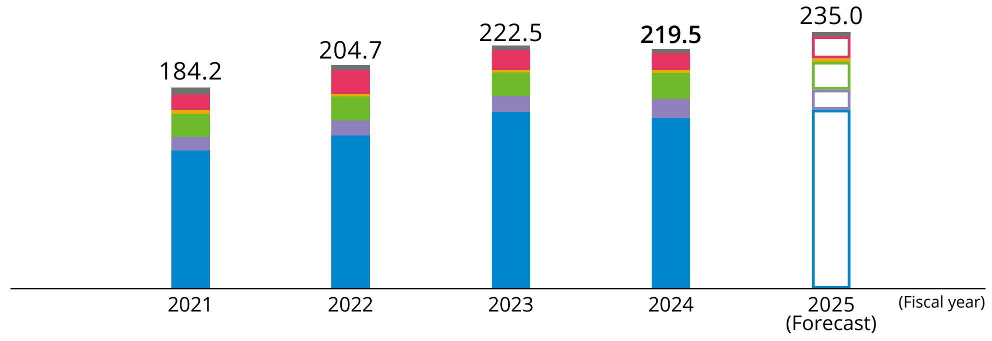
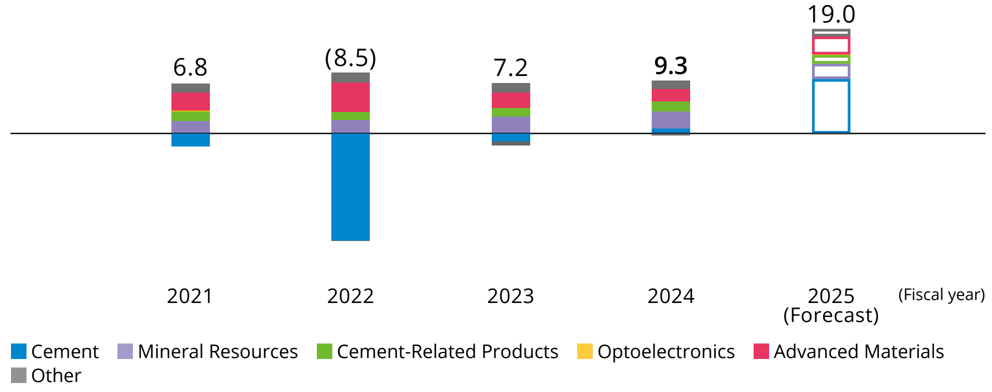
Value Creation Strategy

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.

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.

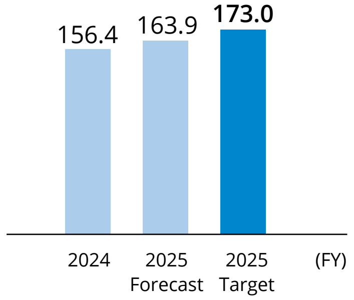
Sumitomo Osaka Cement Group Overview by Segment

Cement Business

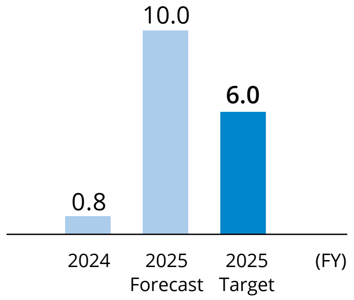
Products and Services

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

Net sales
(Billions of yen)



Operating income
(Billions of yen)



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 CO_2 emissions reduction plan.

In 2024, we installed large-scale waste plastic preprocessing and feed-in equipment at our Ako 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 CO_2 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

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 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.

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

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.

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

Cement business (international)

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.

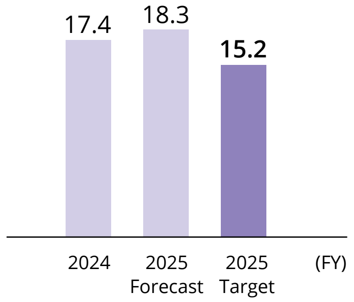
Yoshinori Manabe
Executive Officer
Responsible for the International Business Department, Head of International Business Department

Mineral Resources Business

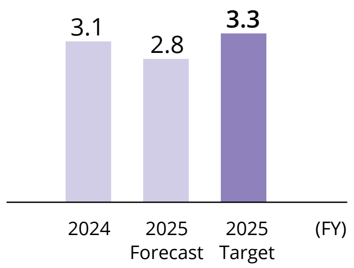
Products and Services
- Limestone
- Dolomite
- Aggregate
- Silica powder
- Calcium carbonate

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

Net sales
(Billions of yen)



Operating income
(Billions of yen)



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.

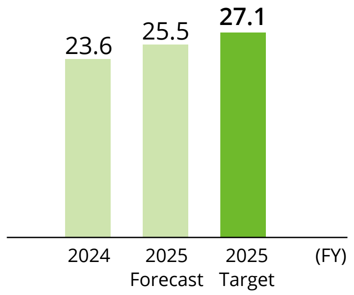
At the Karasawa Mine (Sano City, Tochigi Prefecture), we are pursuing collaborative extraction with two companies whose mining areas are adjacent to ours, thus ensuring the most effective use of resources.

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.

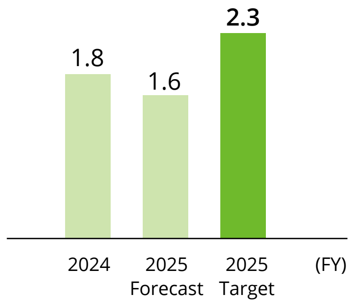
Each of the mines has already begun utilizing AI, and by pursuing digital transformation, such as the use of drones, the mines are working to reduce extraction costs and increase revenue. Furthermore, to secure stable resources over the long term, we are drawing up plans to develop new mining areas at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

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

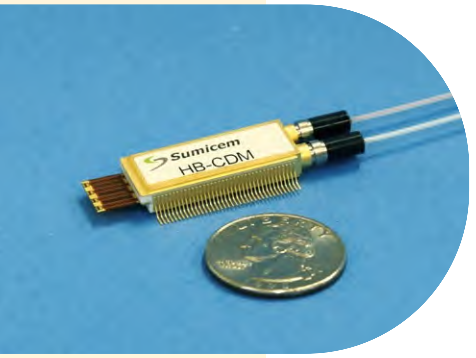
The Cement-Related Products business is developing a broad array of cement-related products, with repair and reinforcement materials for concrete structures comprising the core. In recent years, there has been a greater need for maintenance and renovation of a wide range of aging social infrastructures, 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

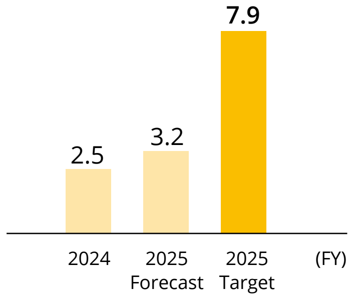


Optoelectronics Business

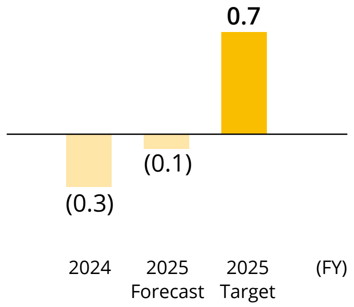
Products and Services

- Optical communications components and optical measurement equipment

Net sales
(Billions of yen)



Operating income (loss)
(Billions of yen)



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.

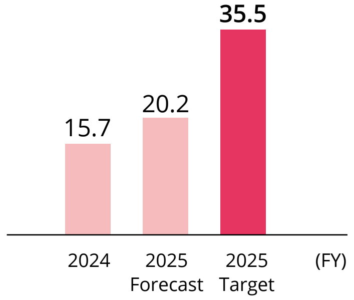
Akihiko Ono
Director, Managing Executive Officer
Responsible for the Optoelectronics Business Division, Advanced Materials Division, New Technology Research Laboratory, and Administration officer for High-Performance Products Business

Advanced Materials Business

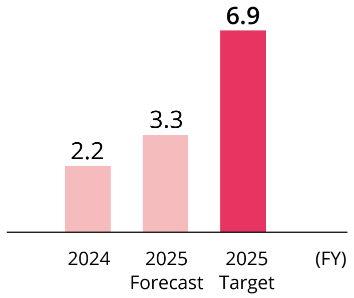
Products and Services

- Ceramic components for semiconductor manufacturing equipment
- Nanoparticle materials

Net sales
(Billions of yen)



Operating income
(Billions of yen)



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.

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