

May 30, 2024

To Our Shareholders and Investors

Company name: Sumitomo Osaka Cement Co., Ltd.
Representative: Hirotsune Morohashi
President and Representative Director
(Securities code: 5232; TSE Prime)
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Supplementary Information Regarding Item 2 to Be Proposed at the 161st Annual General Meeting of Shareholders and the Company's Opinion Regarding Proxy Advisor ISS's Recommendation "Against"

It has come to our attention that proxy advisor Institutional Shareholder Services Inc. ("ISS") has issued a report recommending votes "Against" nominees for director Fukuichi Sekine (nominee No. 1) and Hirotsune Morohashi (nominee No. 2) in Item 2 (Election of 9 Directors) to be proposed at the 161st Annual General Meeting of Shareholders, scheduled to be held on June 26, 2024. The following explanation gives our opinion regarding the proposal, including our view that despite ISS's claim that the Company is in violation of ISS's criterion on cross-shareholdings, the Company is, in fact, not in violation of that criterion.

We ask that shareholders and investors read this explanation to gain a correct understanding of the proposal before you exercise your voting rights.

Details

(1) Details of ISS's recommendation

ISS has set a criterion to the effect of recommending votes "Against" nominees for director, a top executive, when the amount of cross-shareholdings held by a company is 20% or more of the company's net assets.

As explained on P. 15 of the English translation of the Notice of the 161st Annual General Meeting of Shareholders, the Company is making progress in reducing our cross-shareholdings. We have reduced cross-shareholding as a percentage of consolidated net assets from 22.6% as of the end of fiscal 2022 (the previous fiscal year) to 19.6% as of the end of fiscal 2023 (the fiscal year under review), bringing the ratio below 20%.

Notice of the 161st Annual General Meeting of Shareholders

<https://www.soc.co.jp/sys/wp-content/themes/soc/assets/pdf/ir/document/document04/161teizikabunusi.pdf>

Nevertheless, ISS is recommending a vote "Against" the proposed nominees for director, a top executive, on the basis of the ratio as of the end of the previous fiscal year, not the ratio of the fiscal year under review.

(2) Company's opinion and supplementary explanation

According to the 2024 edition of ISS's Proxy Voting Guidelines and Benchmark Policy Recommendations for Japan, the determination of the status of holdings in cross-shareholdings is in principle made using the information on cross-shareholdings included in the company's annual securities report (*yukashoken hokokusho*). We therefore surmise that ISS's recommendation was made based on the report for the previous fiscal year, submitted in June 2023. Under these guidelines, the specific criterion for a recommendation "Against" is whether the total balance sheet amount of investment security shares held for purposes other than pure investment and other shareholdings deemed to be held by the company (known as *minashi hoyu kabushiki* in Japanese) is equivalent to 20% or more of consolidated net assets. However, as shown in the table below, the Company is not in violation of this criterion as of the end of the fiscal year under review.

Status of cross-shareholdings

	FY2022 (previous fiscal year)		FY2023 (fiscal year under review)	
	No. of issuers (issuers)	Total value shown on balance sheet (million yen)	No. of issuers (issuers)	Total value shown on balance sheet (million yen)
Non-listed shares	41	1,859	40	1,878
Shares other than non-listed shares	27	39,835	22	36,740
Total	68	41,694	62	38,619
Consolidated net assets	—	184,591	—	196,775
Cross-shareholdings as a percentage of consolidated net assets	—	22.6%	—	19.6%

Note: There are no other shareholdings deemed to be held by the Company (*minashi hoyu kabushiki*).

In May 2022, the Company announced a plan to reduce the outstanding amount of cross-shareholdings to less than 20% of consolidated net assets by the end of fiscal 2023, and to less than 10% by the end of fiscal 2026, with the aim of making more effective use of capital and raising capital efficiency.

Under this plan and as shown above, the Company reduced the outstanding amount of cross-shareholdings as a percentage of consolidated net assets to 19.6% as of the end of the fiscal year under review. We will continuously reduce this amount from fiscal 2024 to bring the outstanding amount of cross-shareholdings to less than 10% of consolidated net assets by the end of fiscal 2026.

On the basis of the fact that we have reduced the outstanding amount of cross-shareholdings to 19.6% of consolidated net assets as of the end of the fiscal year under review, and that we have clearly stated our intention to continue this reduction, we ask that shareholders and investors have a correct understanding of the proposal before you exercise your voting rights.

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