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Company name: Sumitomo Osaka Cement Co., Ltd.
Name of representative: Hirotsune Morohashi, Director and President
(Securities code: 5232; TSE Prime Market)
Inquiries: Masahiko Ebisui, General Manager of the Corporate Planning Department
(Telephone: +81-3-6370-2725)

Notice Concerning Partial Revision and Continuation of the Share-Based Remuneration System in Connection with the Addition of Performance-Linked Elements

Sumitomo Osaka Cement Co., Ltd. (the “Company”) hereby announces that it has resolved, at a meeting of the Board of Directors held today, to continue the share-based remuneration system (the “System”), using a trust, for the Company’s Directors (“the Directors”; excluding External Directors; the same applies hereinafter), with partial revision in connection with the addition of performance-linked elements. The proposal for the continuation with partial revision of the System (the “Proposal”) will be submitted to the 163rd Annual General Meeting of Shareholders (the “General Meeting”) scheduled to be held in June 2026. The details are described below.

1. Partial Revision to the System

The Company, at the 157th Annual General Meeting of Shareholders held on June 26, 2020, approved the proposal to introduce the System, with the aim of enhancing awareness of contributions to improved medium- and long-term business performance and increased corporate value, by more clearly linking the Directors’ remuneration with the Company’s share value, while having the Directors share the benefits and risks of share price fluctuations with shareholders.

The Company has been operating the System based on the above-mentioned 157th General Meeting; and now, subject to approval at the General Meeting, will continue the System with partial revision to its content.

This partial revision aims to provide the Directors with incentives to further achieve business targets and sustainably enhance corporate value, by newly adding performance-linked elements to the System that are linked to management targets.

If the General Meeting approves the partial revision and continuation of the System, the Company also plans to continue the share-based remuneration system for the Company’s Executive Officers, with similar partial revision.

2. Overview of the System

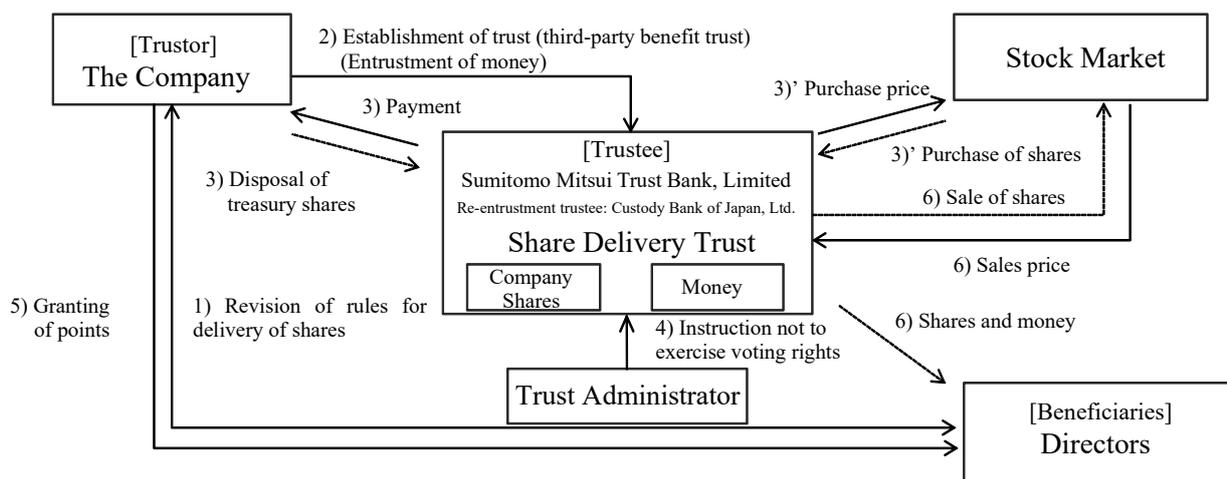
An overview of the System after revision is as described below.

(1) Structure of the System

The System is a share-based remuneration system in which a trust (the “Trust”), established with money contributed by the Company, will acquire common shares of the Company (“Company Shares”) and, through the Trust, Company Shares corresponding to the number of points granted by the Company to each Director will be delivered to the respective Directors. (Note, the Company established the Trust here described on August 26, 2020, and it continues to operate today for the purposes of the System.)

In principle, the Directors will receive delivery of the Company Shares when they retire from office.

< Overview of the Structure of the System >



- 1) The Company will revise the share delivery rules for the Directors (note that the Company plans to revise the already-established rules by resolution of the Board of Directors).
- 2) With respect to the Trust, which was established on August 26, 2020, with the Directors who satisfy certain requirements as the beneficiaries, the Company will extend the trust period and make an additional contribution (additional entrustment) of an amount of money equivalent to the funds for the acquisition of Company Shares for delivery to the Directors based on the System during the Eligible Period described in 3) below (however, the amount shall be within the scope of the amount approved by the General Meeting).
- 3) The trustee, using as its funding source the funds within the Trust (which includes, not only the additional funds entrusted by the Company as described in 2) above, but also the remaining funds in the Trust prior to the additional entrustment) acquires, in a single tranche, the number of Company Shares sufficient for the expected delivery of shares in the future (the acquisition shall be through disposal of treasury shares or acquisition from the stock market (including off-auction trading)).
- 4) A trust administrator (who must be independent from the Company and its officers) is appointed to protect the interests of the beneficiaries who are covered by the share delivery rules and supervise the trustee, throughout the trust period. Note, with respect to the Company Shares held in the Trust, the trust administrator instructs the trustee not to exercise any voting rights and, based on this instruction, the trustee shall not exercise voting rights throughout the trust period.
- 5) The Company grants points to the Directors based on the share delivery rules.
- 6) The Directors who satisfy the requirements stipulated in the share delivery rules and the trust agreement pertaining to the Trust, acquire beneficial rights in the Trust and, as beneficiaries of the Trust, receive delivery of the Company Shares from the trustee corresponding to the points granted to them. Note, in certain cases set forth in advance in the share delivery rules / trust agreement, a portion of the Company Shares to be delivered will be sold on the stock market, and money will be delivered.

It is planned that the Company Shares that are residual assets of the Trust at the time of the Trust's termination will be acquired by the Company in full, without compensation, and then cancelled by resolution of the Board of Directors.

Also, it is planned that a certain amount of money from the residual assets of the Trust at the time of the Trust's termination will be donated to a special public-interest promotion corporation, with which the Company's officers have no relationship of interest, as provided for in advance in the share delivery rules and the trust agreement.

Sumitomo Mitsui Trust Bank, Limited which will be the trustee under the System, will delegate (re-entrust) management of the trust assets to Custody Bank of Japan, Ltd.

(2) Entrustment of money to the Trust

Subject to approval of the proposal at the General Meeting, the Company will entrust additional funds to the Trust by contributing the funds necessary for the Trust to acquire, in advance, the Company Shares in a number reasonably expected to be required for delivery in accordance with (6) below. As described in (5) below, the Trust will acquire

the Company Shares using the funds contributed by the Company as its funding source (which includes, not only the additional funds entrusted by the Company as described above, but also the remaining funds in the Trust prior to the additional entrustment).

Sumitomo Mitsui Trust Bank, Limited, which will be the trustee under the System, will delegate (re-entrust) management of the trust assets to Custody Bank of Japan, Ltd.

(3) Eligible Period and trust period

Under the partially revised System, share-based remuneration will be granted to the Directors who are in office during the period from the fiscal year ending on the final day of March 2027 until the fiscal year ending on the final day of March 2029 (the "Eligible Period").

In addition, the trust period for the already-established Trust will be extended to the final day of August 2029 (scheduled). However, the Eligible Period and the trust period may be further extended as described in (4) below.

(4) Upper limit on trust money that may be contributed to the Trust as funds for the acquisition of shares

The Company will extend the trust period for the already-established Trust and will additionally entrust money, as remuneration for the Directors in office during the Eligible Period, up to an upper limit of 210 million yen in total to fund the acquisition of the Company Shares as necessary for delivery to the Directors under the revised System. The Trust will, using the monies entrusted by the Company (which includes not only the additional funds entrusted by the Company as described above, but also the funds remaining in the Trust prior to the additional entrustment) as the source of funds, acquire the Company Shares by means of disposal of treasury shares from the Company or by means of acquisition from the stock market (including off-auction trading).

Note: In addition to the funds for acquiring the Company's shares detailed above, amounts for necessary expenses such as trust fees, trust administrator fees, etc., will also be additionally entrusted. Further, as described above, if the share-based remuneration system operated for Executive Officers is similarly continued with partial revision, funds for acquiring the Company Shares necessary for delivery to the Executive Officers will also be additionally entrusted.

In addition, the Company may, by decision of the Board of Directors, extend the Eligible Period for periods of up to 5 years, as determined each time and, with this, extend the trust period (this includes effectively extending the trust period by transferring the trust assets of the Trust to a trust that the Company establishes with the same purpose as the Trust; the same applies below), and thereby have the System continue. In such cases, during the extended Eligible Period, the Company will make additional entrustment to the Trust up to the amount obtained by multiplying the number of fiscal years of the extended Eligible Period by 70 million yen, to fund acquisition of additional Company Shares to be delivered to the Directors under the System, and will continue to grant points and deliver the Company Shares as described in (6) below.

Also, even if the Eligible Period is not extended as set out above, and the System is thus discontinued, in the event that, at the time of expiration of the trust period, there are Directors who have already been granted points but have not yet retired from office, the trust period of the Trust may be extended until such Directors retire from office and the delivery of Company Shares is completed.

(5) Method of acquisition of Company Shares by the Trust

It is planned that the acquisition of Company Shares by the Trust, with the scope of the upper limit on the funds for the acquisition of shares as described in (4) above, will be through disposal of treasury shares from the Company or acquisition from the stock market. Details about the method of acquisition will be decided on after the resolution of the General Meeting and disclosed.

Note, if, during the trust period, the number of Company Shares held in the Trust may become insufficient for the number of shares corresponding to the points granted to the Directors, due to an increase in the number of the Directors or other reason, additional money may be entrusted to the Trust, within the scope of the upper limit on trust funds as described in (4) above, and additional Company Shares may be acquired.

- (6) Method of calculation and upper limit on the number of Company Shares to be delivered to Directors
- (i) Method of granting points to the Directors

The Company will grant points to each Director on the points-granting dates during the trust period as specified in the share delivery rules, in accordance with their position, degree of achievement of performance targets, etc., based on the share delivery rules established by the Board of Directors. Note that, for the initial Eligible Period after the partial revision, the Company plans to adopt “consolidated ROIC (Return on Invested Capital)”, “energy-derived CO₂ emission intensity per unit of cement production”, “employee engagement index”, and “ratio of female managers” as performance linked indicators.

However, the total number of points to be granted to the Directors by the Company will have an upper limit of 23,000 points per fiscal year

- (ii) Delivery of Company Shares corresponding to the number of points granted

Directors will receive delivery of Company Shares corresponding to the number of points granted under item (i) above (note that this includes points granted based on the System prior to the partial revision), in accordance with the procedure set forth in item (iii) below. However, if a Director resigns for personal reasons, etc., any points granted up to then will be extinguished, in whole or in part, and Company Shares corresponding to the points extinguished will not be delivered.

One point will correspond to one share of the Company. However, if circumstances arise with respect to the Company Shares in which it may be reasonable to adjust the number of Company Shares to be delivered, such as stock split or reverse stock split, etc., then adjustment will be made in accordance with the stock split ratio, reverse stock split ratio, etc.

- (iii) Delivery of Company Shares to the Directors

In principle, each Director will, at the time of their retirement, conduct prescribed procedures to acquire beneficial rights in the Trust and, as a beneficiary of the Trust, receive delivery of Company Shares from the Trust as described in item (ii) above.

However, with respect to a certain portion of the Company Shares, the Trust may sell and convert them to cash for the purpose of the Company making deductions at source for tax payments, such as withholding income tax, etc., and, in such cases, delivery may be made in cash instead of Company Shares. Also, if the Company Shares held in the Trust are converted into cash, such as in the case of a tender offer where there is settlement of Company Shares held in the Trust, delivery may be made in cash instead of Company Shares.

- (7) Exercise of voting rights

Based on the instructions of the trust administrator, who will be independent of the Company and its officers, none of the voting rights of the Company Shares held in the Trust may be exercised. The purpose of this is to ensure the neutrality of the Trust from the Company’s management regarding the exercise of voting rights in the Company Shares held in the Trust.

- (8) Handling of dividends

Dividends on the Company Shares held in the Trust will be received by the Trust, and will be applied to the acquisition price of Company Shares, as well as trust fees payable to the trustee in connection with the Trust, etc.

- (9) Handling of Company Shares and money at the time of termination of the Trust

It is planned that Company Shares that are residual assets of the Trust at the time of the Trust’s termination will be acquired by the Company in full, without compensation, and then cancelled by resolution of the Board of Directors.

Also, it is planned that a certain amount of money from the residual assets of the Trust at the time of the Trust’s termination will be donated to a special public-interest promotion corporation, with which the Company’s officers have no relationship of interest, as provided for in advance in the share delivery rules and the trust agreement.

(Reference) Overview of the Trust Agreement for the Trust

Trustor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-entrustment trustee: Custody Bank of Japan, Ltd.)
Beneficiaries	Directors and Executive Officers who satisfy the beneficiary requirements
Trust administrator	A third party that is independent of the Company and its officers
Exercise of voting rights	The voting rights of the shares held in the Trust will not be exercised at any time during the trust period.
Type of trust	Trust of money other than “money trust” (<i>kinsen-shintaku</i>) (third-party-benefit trust)
Date of trust agreement	August 26, 2020(scheduled)
Trust period (after extension)	August 26, 2020 ~ final day of August 2029 (scheduled)
Trust purpose	To deliver the Company Shares to the beneficiaries based on the share delivery rules