Explanatory Material

(for the 1st Half of the fiscal year ending March 31, 2021)

November 11, 2020

SUMITOMO OSAKA CEMENT CO., LTD.

SUMITOMO OSAKA CEMENT

1. Demand for Cement and Sumitomo Osaka Cement's Sales Volume

Fiscal 2019: April 1, 2019–March 31, 2020
Fiscal 2020: April 1, 2020–March 31, 2021

【Demand for Cement】

(Thousand tons)

	Fiscal 2019			Fiscal 2020			YoY			Fiscal 2020 Initial Forecast		
	First Half	Second Half	Total	First Half	Second Half Forecast	Total	First Half	Second Half	Total	First Half	Second Half	Total
Domestic Manufacturers	−1.7%	−5.5%	−3.6%	−6.4%	−2.9%	−4.7%				−6.7%	−2.9%	−4.8%
	20,352	20,595	40,948	19,045	19,990	39,035	▲ 1,307	▲ 605	▲ 1,912	18,990	19,990	38,980
Import	11	11	22	5	10	15	▲ 6	▲ 1	▲ 7	10	10	20
Domestic demand	−2.0%	−5.6%	−3.8%	−6.4%	−2.9%	−4.7%				−6.7%	−2.9%	−4.8%
	20,364	20,606	40,970	19,051	20,000	39,051	▲ 1,313	▲ 606	▲ 1,919	19,000	20,000	39,000
Export	5,017	5,515	10,532	5,259	5,800	11,059	242	285	527	5,200	5,800	11,000

【Sumitomo Osaka Cement's Sales Volume】

	Fiscal 2019			Fiscal 2020			YoY			Fiscal 2020 Initial Forecast		
	First Half	Second Half	Total	First Half	Second Half Forecast	Total	First Half	Second Half	Total	First Half	Second Half	Total
Domestic	1.0%	−4.5%	−1.8%	−7.7%	−2.4%	−5.1%				−7.7%	−2.5%	−5.1%
	4,391	4,373	8,764	4,050	4,270	8,321	▲ 340	▲ 103	▲ 443	4,054	4,264	8,318
Export	594	701	1,295	594	750	1,344	0	49	49	629	750	1,379
Total	4,984	5,074	10,058	4,644	5,020	9,664	▲ 340	▲ 54	▲ 394	4,683	5,014	9,697

2. Net Sales

(1) Consolidated

(100 million yen, %)

	Fiscal 2019			Fiscal 2020			YoY			Fiscal 2020 Initial Forecast		
	First Half	Second Half	Total	First Half	Second Half Forecast	Total	First Half	Second Half	Total	First Half	Second Half	Total
Cement	934	954	1,888	885	929	1,814	− 5.3% ▲ 49	−2.6% ▲ 25	−3.9% ▲ 74	864	926	1,789
Mineral Resources	64	62	126	57	64	121	−11.1% ▲ 7	3.0% 2	−4.2% ▲ 5	60	62	122
Cement-Related Products	76	115	191	70	112	182	−7.8% ▲ 6	−2.8% ▲ 3	−4.8% ▲ 9	65	102	167
Cement-related business	1,074	1,132	2,205	1,011	1,105	2,116	−5.8% ▲ 62	−2.3% ▲ 27	−4.0% ▲ 89	989	1,090	2,079
Optoelectronics	32	27	59	30	26	56	−4.4% ▲ 1	−3.2% ▲ 1	−3.9% ▲ 2	30	28	58
Advanced Materials	57	57	114	51	55	106	−10.9% ▲ 6	−3.2% ▲ 2	−7.1% ▲ 8	52	54	106
Battery Materials	7	5	13	2	4	6	−75.2% ▲ 5	−24.9% ▲ 1	−53.8% ▲ 7	3	7	10
High-Performance Product business	96	89	185	83	85	168	−13.6% ▲ 13	−4.5% ▲ 4	−9.2% ▲ 17	85	89	173
Others	29	33	61	27	30	56	−6.5% ▲ 2	−8.6% ▲ 3	−7.6% ▲ 5	22	27	48
Total	1,198	1,253	2,452	1,121	1,220	2,341	−6.4% ▲ 77	−2.7% ▲ 33	−4.5% ▲ 111	1,095	1,205	2,300

(2) Non-Consolidated

Cement-related business	658	679	1,338	613	664	1,278	−6.8% ▲ 45	−2.2% ▲ 15	−4.5% ▲ 60	619	665	1,284
High-Performance Product business	93	87	181	80	83	163	−14.1% ▲ 13	−4.8% ▲ 4	−9.6% ▲ 17	82	86	169
Others	22	19	41	17	19	36	−21.9% ▲ 5	−0.8% ▲ 0	−12.2% ▲ 5	19	19	37
Total	774	785	1,559	711	766	1,477	−8.1% ▲ 63	−2.5% ▲ 19	−5.3% ▲ 82	720	770	1,490

3. Profit and Loss

(1) Consolidated

(100 million yen, %)

	Fiscal 2019			Fiscal 2020			YoY			Fiscal 2020 Initial Forecast		
	First Half	Second Half	Total	First Half	Second Half Forecast	Total	First Half	Second Half	Total	First Half	Second Half	Total
Cement	28.6	53.9	82.5	33.1	57.9	91.0	15.9% 4.5	7.4% 4.0	10.3% 8.5	27.6	59.7	87.3
Mineral Resources	12.2	11.7	23.9	8.5	9.6	18.1	−30.4% ▲ 3.7	−17.7% ▲ 2.1	−24.2% ▲ 5.8	9.1	9.0	18.1
Cement−Related Products	4.9	13.3	18.2	3.3	11.0	14.3	−33.1% ▲ 1.6	−17.5% ▲ 2.3	−21.7% ▲ 4.0	1.3	9.0	10.3
Cement−related business	45.7	78.9	124.6	44.9	78.5	123.4	−1.7% ▲ 0.8	−0.5% ▲ 0.4	−1.0% ▲ 1.2	38.0	77.7	115.7
Optoelectronics	0.3	1.7	2.0	2.1	1.2	3.3	652.5% 1.9	−28.1% ▲ 0.5	70.9% 1.4	1.7	2.1	3.7
Advanced Materials	9.5	9.0	18.5	7.9	9.0	16.9	−16.3% ▲ 1.5	−0.4% ▲ 0.0	−8.5% ▲ 1.6	7.7	9.0	16.7
Battery Materials	▲ 0.2	▲ 1.3	▲ 1.5	▲ 3.3	▲ 3.9	▲ 7.2	--- ▲ 3.1	--- ▲ 2.6	--- ▲ 5.7	▲ 2.1	▲ 1.7	▲ 3.8
High−Performance Product business	9.6	9.4	19.0	6.8	6.3	13.1	−29.4% ▲ 2.8	−32.8% ▲ 3.1	−31.1% ▲ 5.9	7.3	9.3	16.6
Others	8.7	9.9	18.6	8.0	5.7	13.7	−8.0% ▲ 0.7	−42.5% ▲ 4.2	−26.4% ▲ 4.9	6.2	6.5	12.7
Total	63.6	97.6	161.3	60.2	89.8	150.0	−5.4% ▲ 3.4	−8.0% ▲ 7.8	−7.0% ▲ 11.3	51.5	93.5	145.0
Ordinary profits	68.6	100.9	169.5	65.9	89.1	155.0	−3.9% ▲ 2.7	−11.7% ▲ 11.8	−8.5% ▲ 14.5	59.0	96.0	155.0
Profit (loss) attributable to owners of parent	45.6	63.7	109.2	45.0	55.0	100.0	−1.2% ▲ 0.5	−13.6% ▲ 8.7	−8.4% ▲ 9.2	38.0	62.0	100.0

(2) Non−Consolidated

	Fiscal 2019			Fiscal 2020			YoY			Fiscal 2020 Initial Forecast		
	First Half	Second Half	Total	First Half	Second Half Forecast	Total	First Half	Second Half	Total	First Half	Second Half	Total
Operating income	47.7	65.6	113.3	51.0	67.0	118.0	6.8% 3.3	2.1% 1.4	4.1% 4.6	45.0	73.0	118.0
Ordinary profits	57.2	66.9	124.1	57.8	72.2	130.0	1.0% 0.6	8.0% 5.3	4.8% 5.9	55.0	75.0	130.0
Profit (loss) attributable to owners of parent	38.6	43.0	81.6	40.7	44.3	85.0	5.4% 2.1	3.2% 1.4	4.3% 3.5	35.0	50.0	85.0

(3) Breakdown of Operation Income in the Cement Business

100 million yen

	Fiscal 2019 → 2020 First Half	Fiscal 2019 → 2020 Second Half Forecast	Fiscal 2019 → 2020 Total
Sales and production volume	-12	-9	-21
Sales prices (Domestic)	0	0	0
Coal and oil costs	25	12	37
Electricity and raw materials	0	1	1
Recycle, Rationalization(※)	-3	-3	-6
Others	-5	3	-2
Increase(decrease) in operating income	5	4	9
Comparison with the initial forecast	6	▲ 2	4

(※) Recycle, Rationalization

100 million yen

	Fiscal 2019 → 2020 First Half	Fiscal 2019 → 2020 Second Half Forecast	Fiscal 2019 → 2020 Total
Recycle	▲ 3	▲ 3	▲ 6
Rationalization	0	0	0
Total	▲ 3	▲ 3	▲ 6

Sensitivity

Coal	**1$/t up**	**120 million yen/year negative impact**
Crude oil	**1$/bbl up**	**40 million yen/year negative impact**
Foreign Exchange Rate	**1yen/$ down**	**130 million yen/year negative impact**

4. Balance Sheets

100 million yen

	Mar '20	Sep '20	Mar '21 forecast
Cash and deposits	159	219	215
Property, plant and equipment	1,664	1,677	1,696
Investment securities	541	515	515
Other	847	824	834
Total assets	3,211	3,234	3,260

	Mar '20	Sep '20	Mar '21 forecast
Interest-bearing liabilities	526	540	557
Other	698	700	677
Total liabilities	1,224	1,241	1,234
Total net assets	1,987	1,994	2,026
Total liabilities + Total net assets	3,211	3,234	3,260

5. Cash Flows

100 million yen

	Fiscal 2020 First Half	Fiscal 2020 Second Half forecast	Fiscal 2020 forecast
Income before income taxes and minority interests	65	79	144
Depreciation and amortization	89	101	190
Income taxes paid and other	▲ 3	▲ 45	▲ 47
Net cash provided by operating activities	151	136	287
Purchases of property, plant and equipment	▲ 85	▲ 124	▲ 209
Proceeds from sales of property	6	0	6
Other	▲ 3	▲ 10	▲ 13
Net cash used in investing activities	▲ 82	▲ 134	▲ 216
Free cash flow (Net cash provided by operating activities + Net cash used in investing activities)	69	2	71
Net increase (decrease) in interest-bearing liabilities	14	17	31
Cash dividends paid and other	▲ 24	▲ 24	▲ 48
Net cash provided by financing activities	▲ 9	▲ 7	▲ 16
Increase (decrease) in cash and cash equivalents	60	▲ 6	54

6. Actual Results

		Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 Forecast
Net sales	100 million yen	2,341	2,448	2,511	2,452	2,341
Cement business		2,118	2,204	2,249	2,205	2,116
High-Performance Product business		171	185	196	185	168
Others		51	59	65	61	56
Operating income	100 million yen	215.3	189.9	141.8	161.3	150.0
Ordinary profits		226.3	201.5	158.0	169.5	155.0
Profit (loss) attributable to owners of parent		162.1	146.6	78.0	109.2	100.0
Total assets	100 million yen	3,368	3,400	3,248	3,211	3,260
Interest-bearing debt		642	618	611	526	557
Net assets		1,959	2,042	1,941	1,987	2,026
ROA	%	6.8	6.0	4.8	5.2	4.8
ROE		8.8	7.4	4.0	5.6	5.0
Debt Equity Ratio		33	30	31	26	28
Free cash flow (Net cash provided by operating activities + Net cash used in investing activities)		115	17	92	135	71
Capital investment	100 million yen	209	251	190	202	224
Depreciation and amortization		170	177	185	183	190
R&D expenses		30	30	32	31	33
Net financial income		12	15	10	10	10
Number of employees at fisca	(people)	2,973	2,987	2,974	3,005	–