Explanatory Material

(for the 1st Half of the fiscal year ending March 31, 2022)

November 12, 2021

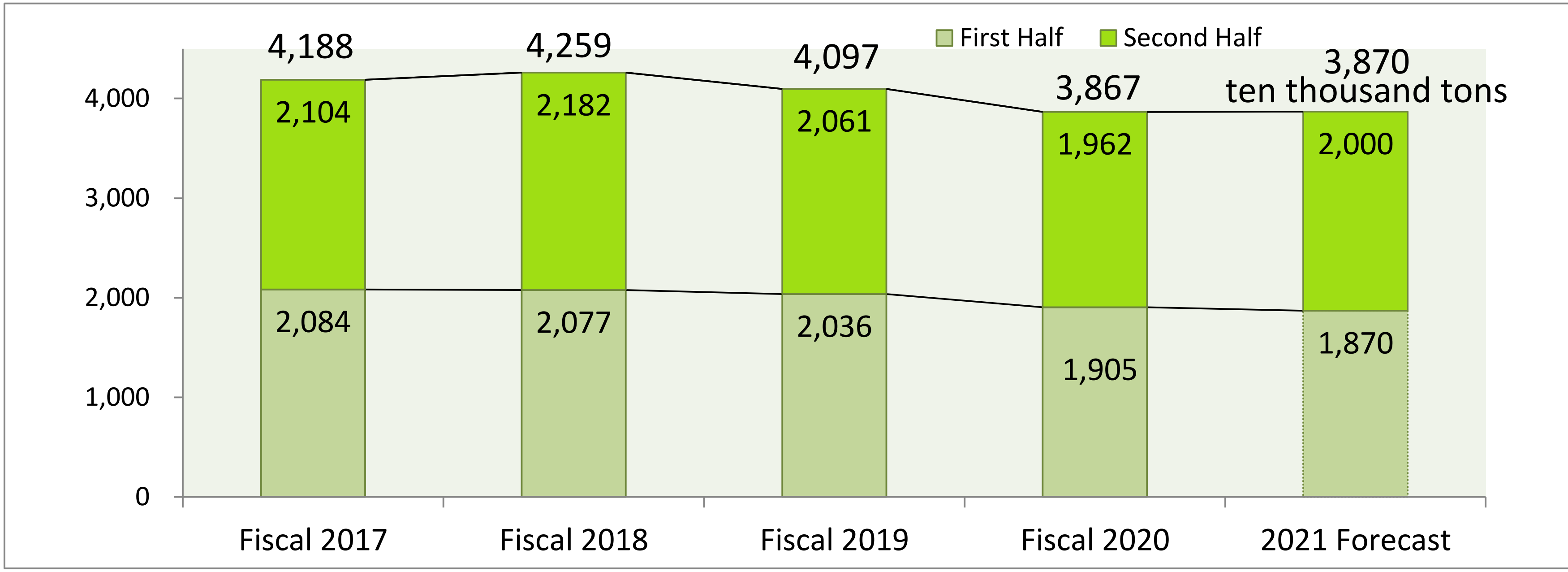
SUMITOMO OSAKA CEMENT CO., LTD.

Contents

1．Domestic Demand for Cement and Sumitomo Osaka Cement´s Sales Volume

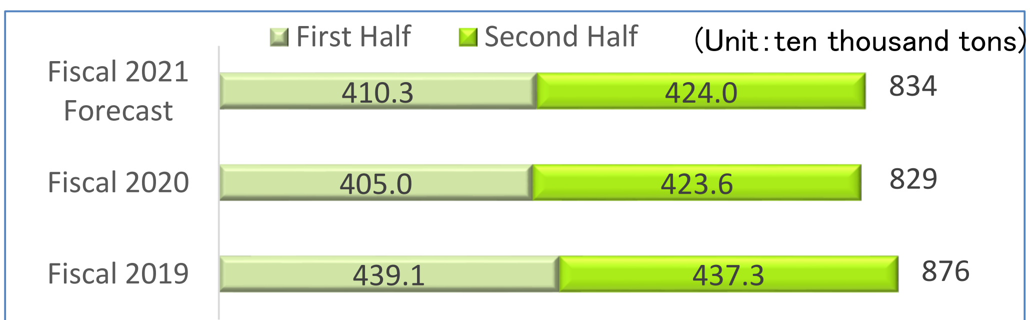
SUMITOMO OSAKA CEMENT

Domestic Demand for Cement



Sumitomo Osaka Cement´s Sales Volume

Domestic



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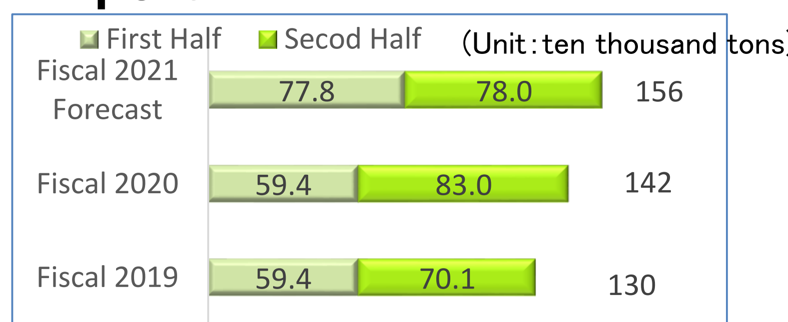

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2. Fiscal 2021 Financial Results

Unit : 100 million yen

	Fiscal 2021			Year over Year			Change From the Previous Announcement		
	First Half	Second Half Forecast	Total	First Half	Second Half	Total	First Half	Second Half	Total
Net sales	891 (▲289)	972 (▲290)	1,863 (▲579)	▲230 (59)	▲299 (▲9)	▲530 (50)	9	▲1	8
Operating income	51.8	33.2	85.0	▲8.4	▲72.9	▲81.3	7.8	▲7.8	–
Ordinary income	69.8	30.2	100.0	3.9	▲80.3	▲76.4	19.8	▲19.8	–
Quarterly net profit attributable to owners of the parent	60.4	19.6	80.0	15.4	▲52.6	▲37.2	20.4	▲20.4	–

（Notice）

The amount in parentheses in the “Fiscal 2021" column is the amount of impact on sales due to the application of revenue recognition standards.
The amount in parentheses in the "Year over Year" column indicate the net change excluding impact of applying the revenue recognition accounting standard.

2. Fiscal 2021 Financial Results (Net Sales by Segment)

SUMITOMO OSAKA CEMENT

Net Sales

Unit : 100 million yen

	Fiscal 2020			Fiscal 2021			Year over Year		
	First Half	Second Half	Total	First Half	Second Half Forecast	Total	First Half	Second Half	Total
Cement	885	990	1,875	614 (▲292)	658 (▲288)	1,272 (▲580)	▲270 (22)	▲332 (▲45)	▲603 (▲23)
Mineral Resources	57	63	120	60 (▲4)	59 (▲5)	119 (▲9)	3 (7)	▲4 (1)	▲1 (8)
Cement-Related Products	70	106	176	100 (6)	125 (2)	225 (8)	31 (24)	19 (17)	49 (41)
Cement-Related business	1,011	1,159	2,170	774 (▲290)	842 (▲290)	1,616 (▲580)	▲237 (53)	▲317 (▲27)	▲554 (26)
Optoelectronics	30	27	57	18	20	38	▲13	▲7	▲19
Advanced Materials	51	56	107	68	81	149	17	25	42
Battery Materials	2	5	7	6	5	11	4	▲0	4
High-Performance Product business	83	89	172	92	106	198	9	18	26
Others	27	24	51	25 (1)	24 (0)	49 (1)	▲2 (▲3)	▲0 (0)	▲2 (▲3)
Total	1,121	1,272	2,393	891 (▲289)	972 (▲290)	1,863 (▲579)	▲230 (59)	▲299 (▲9)	▲530 (50)

（Notice）The amount in parentheses in the “Fiscal 2021" column is the amount of impact on sales due to the application of revenue recognition standards.
The amount in parentheses in the "Year over Year" column indicate the net change excluding impact of applying the revenue recognition accounting standard.

2. Fiscal 2021 Financial Results (Operating Income by Segment)

SUMITOMO OSAKA CEMENT

Operating Income

Unit : 100 million yen

	Fiscal 2020			Fiscal 2021			Year over Year		
	First Half	Second Half	Total	First Half	Second Half Forecast	Total	First Half	Second Half	Total
Cement	33.1	63.6	96.7	8.7	▲12.2	▲3.5	▲24.4	▲75.8	▲100.2
Mineral Resources	8.5	9.9	18.4	10.9	10.2	21.1	2.4	0.2	2.7
Cement-Related Materials	3.3	13.3	16.6	8.2	14.0	22.2	4.9	0.7	5.6
Cement-Related business	44.9	86.8	131.7	27.9	11.9	39.8	▲17.0	▲74.9	▲91.9
Optoelectronics	2.1	0.6	2.7	0.5	0.5	1.0	▲1.7	▲0.1	▲1.7
Advanced Materials	7.9	12.8	20.7	13.6	17.1	30.7	5.7	4.3	10.0
Battery Materials	▲3.3	▲2.5	▲5.7	0.2	▲1.8	▲1.6	3.5	0.6	4.1
High-Performance Product business	6.8	10.9	17.6	14.3	15.8	30.1	7.6	4.9	12.5
Others	8.0	8.4	16.4	9.1	6.0	15.1	1.1	▲2.5	▲1.3
Total	60.2	106.1	166.3	51.8	33.2	85.0	▲8.4	▲72.9	▲81.3

2. Fiscal 2021 Financial Results (Breakdown of Operating Income in the Cement Segment)

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Unit : 100 million yen

	Fiscal 2020 → Fiscal 2021 Forecast		
	First Half	Second Half Forecast	Total
Sales and production volume	4	1	5
Sales price (Domestic)	0	0	0
Coal and oil cost	▲ 26	▲ 54	▲ 80
Electricity and raw materials	0	▲ 4	▲ 4
Recycle	3	0	3
Others	▲ 5	▲ 19	▲ 24
Decrease in operating income in the cement segment	▲ 24	▲ 76	▲ 100

Sensitivity	Coal	1$/t up	110 million yen per year (Decrease in profit)
	Oil	1$/bbl up	40 million yen per year (Decrease in profit)
	Exchange	1yen/$ weaker yen	100 million yen per year (Decrease in profit)

3. Assets and Liabilities

Unit : 100 million yen

	Mar´2021	Sep´2021	Mar´2022 Forecast
Cash and deposits	187	170	190
Property, plant and equipment	1,677	1,702	1,717
Investment securities	571	559	549
Others	862	819	833
Total assets	3,297	3,249	3,289
Interest-bearing liabilities	514	482	510
Others	724	695	710
Total liabilities	1,238	1,177	1,221
Total net assets	2,058	2,072	2,068
Total liabilities and net assets	3,297	3,249	3,289

3. Cash Flows

Unit : 100 million yen

	Fiscal 2021 First Half	Fiscal 2021 Second Half Forecast	Fiscal 2021 Total Forecast
Income before income taxes and minority interests	85	27	112
Depreciation and amortization	92	102	194
Income taxes paid and other	▲55	▲18	▲73
Net cash provided by operating activities	122	111	233
Purchase of property, plant and equipment	▲109	▲105	▲214
Proceeds from sales of property	24	10	34
Others	▲2	1	▲1
Net cash used in investing activities	▲86	▲94	▲180
Free cash flow	36	17	53
Net increase(decrease) in interest-bearing liabilities	▲33	29	▲4
Cash dividends paid and so forth	▲23	▲22	▲45
Net cash used in financing activities	▲56	7	▲49
Increase(decrease) in cash and cash equivalents	▲18	22	4
Cash and cash equivalents	Mar´2021 186	Sep´2021 169	Mar´2022 190

3. Capital Investment and so forth

Unit : 100 million yen

	Fiscal 2020	Fiscal 2021 Forecast
Capital investment	215	234
Depreciation and amortization	188	194
R&D expenses	32	32

4. Shareholder Returns

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■Basic approach of dividends
Based on the continuation of stable dividends, the decision will be made by comprehensively considering the business environment, business outlook, previous year's dividend status and so forth.

■Dividends and share buyback…
Will be examined to suit the state of cash flow after dividend payments, as well as business performance trends and selling strategic-holding stocks.

Unit : yen per share

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021 Forecast
Interim dividend	55	55	60	60	60
Year-end dividend	55	55	60	60	60
Total	110	110	120	120	120

5. Additional Materials (Trends in Business Performance and so forth)

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Unit : 100 million yen

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021 Forecast
Net sales	2,448	2,511	2,452	2,393	1,863
Cement-Related business	2,204	2,249	2,205	2,170	1,616
High-Performance Product business	185	196	185	172	198
Others	59	65	61	51	49
Operating income	189.9	141.8	161.3	166.3	85.0
Ordinary income	201.5	158.0	169.5	176.4	100.0
Profit attributable to owners of parent	146.6	78.0	109.2	117.2	80.0
Total assets	3,400	3,248	3,211	3,297	3,289
Interest-bearing liabilities	618	611	526	514	510
Total liabilities and net assets	2,042	1,941	1,987	2,058	2,068

5. Additional Materials (Trends in Business Performance and so forth)

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	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021 Forecast
ROA (%)	6.0	4.8	5.2	5.4	3.0
ROE (%)	7.4	4.0	5.6	5.9	3.9
D／E (%)	30	31	26	25	25
FCF (100 million yen)	17	92	135	139	53
Capital investment (100 million yen)	251	190	202	215	234
Depreciation and amortization (100 million yen)	177	185	183	188	194
R&D expenses (100 million yen)	30	32	31	32	32
Net financial income (100 million yen)	15	10	10	10	21
Number of employees at the end of fiscal year	2,987	2,974	3,005	3,065	–

5. Additional Materials (Fiscal 2021 Non-Consolidated Fiscal Results)

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Non-Consolidated Net Sales

Unit : 100 million yen

	Fiscal 2021 First Half	Fiscal 2021 Second Half Forecast	Total Forecast
Cement-Related business	605	634	1,239
High-Performance Product business	88	105	193
Others	12	13	25
Total	706	751	1,457

Non-Consolidated Income

Operating income	33.9	7.1	41.0
Ordinary income	53.4	1.6	55.0
Net income	48.9	11.1	60.0

Precaution Statement

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About forward-looking statements

・This document contains forward-looking statements that reflect Sumitomo Osaka Cement Co., Ltd.´s current views and judgements with respect to current plans, strategies and beliefs. They are based upon currently available information, and do not constitute promises, commitments or guarantees.

・The forward-looking statements involve both real and potential risks and uncertainties that can cause actual events and results to differ materially from those anticipated in these statements.

SUMITOMO OSAKA CEMENT CO., LTD.