Explanatory material

(for the fiscal year ended March 31, 2022)

May 12, 2022

SUMITOMO OSAKA CEMENT CO., LTD.

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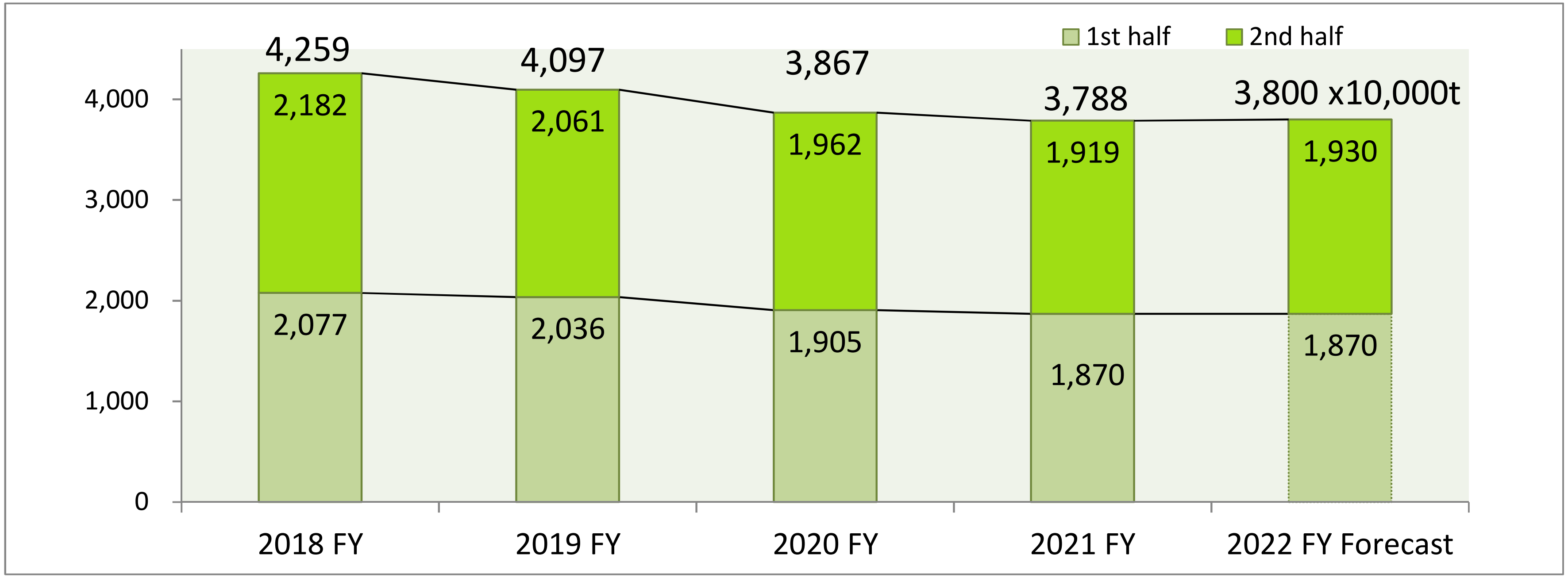
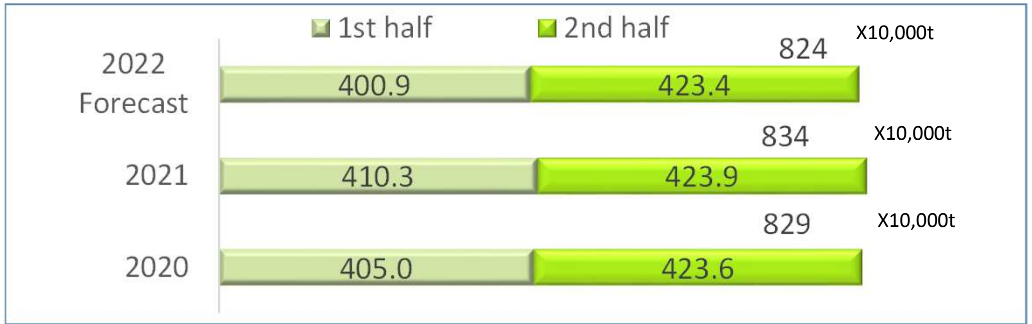
(1) Domestic Demand for Cement and Sumitomo Osaka Cement's Sales Volume

SUMITOMO OSAKA CEMENT

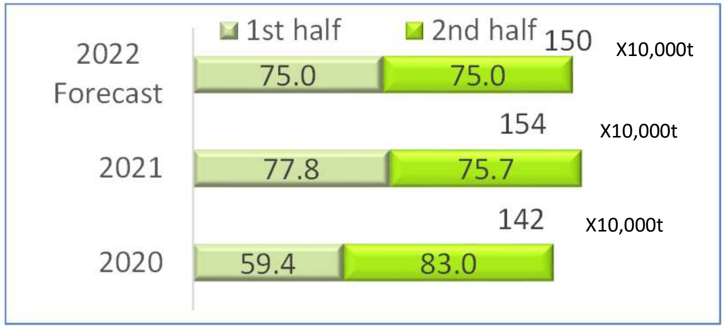
Domestic Cement Demand



Sumitomo Osaka Cement's Domestic Sales Volume



Sumitomo Osaka Cement's Export Volume



(2) Outline of Fiscal 2021 Financial Results

SUMITOMO OSAKA CEMENT

(1) Net Sales

・Impact of the application of Accounting Standards for Revenue Recognition -58.4 billion yen

・Increase in revenue for Cement-related business and High-Performance Product business, when ignoring the above impact

(2) Operating Income

・Significant reduction in income of Cement Business due to the impact of increased prices of coal and crude oil

(3) Non-operating Income and Expenses

・Due to increase in dividend income

(4) Extraordinary Income and Loss

・Sales of assets like cross-share holdings

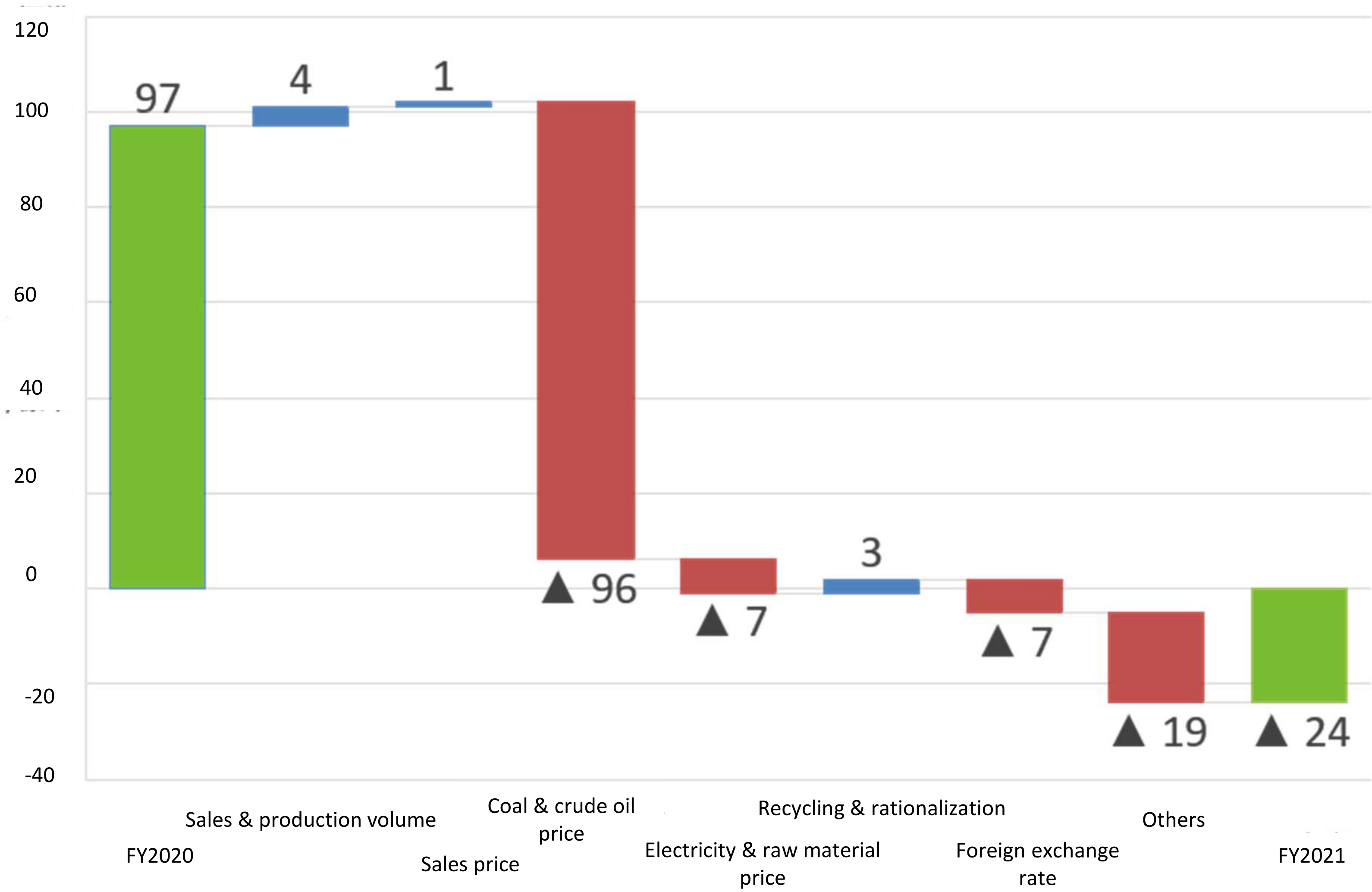
Units: million yen

	FY2021	FY2020	Change
Net sales	1,842	2,393	-551
Operating income (Cement Business)	68.8 (-23.8)	166.3 (96.7)	-97.5 (-120.6)
Non-operating income and expenses	29.6	10.1	19.5
Ordinary income	98.3	176.4	-78.1
Extraordinary income and loss	21.8	-6.2	28.0
Net income	96.7	117.2	-20.5
Dividends per share	120 yen	120 yen	-

(2) FY2021 Breakdown of Operating Income in the Cement Business

SUMITOMO OSAKA CEMENT

Units: 100 million yen



(2) FY2021 Segment Sales and Operating Income

SUMITOMO OSAKA CEMENT

Net sales | **Operating income** Units: 100 million yen

	Net sales FY2021	Net sales FY2020	Net sales Change	Impact of Revenue Recognition	Net Change	Operating income FY2021	Operating income FY2020	Operating income Change
Cement	1,266	1,875	-608	-584	-24	-23.8	96.7	-120.6
Mineral Resources	123	120	3	-8	11	22.6	18.4	4.2
Cement-Related Products	207	176	31	8	24	18.2	16.6	1.6
Total of Cement-related Business	1,597	2,170	-574	-584	10	17.0	131.7	-114.7
Optoelectronics	38	57	-20	-	-20	1.0	2.7	-1.7
Advanced Material	146	107	39	-	39	33.0	20.7	12.4
Battery Materials	12	7	5	-	5	-0.3	-5.7	5.5
Total of High-Performance Product Business	196	172	24	-	24	33.8	17.6	16.1
Others	50	51	-1	0	-1	17.3	16.4	0.8
Total	1,842	2,393	-551	-584	33	68.8	166.3	-97.5

(3) Forecast for Fiscal 2022 Financial Results

SUMITOMO OSAKA CEMENT

(1) Net Sales

・ Increase revenue by raising price of cement sales

(2) Operating Income

・ Increase in profits for the Advanced Material Business as well as overall profits due to decrease in Cement Business profits caused by higher prices of coal and crude oil

(3) Non-operating Income and Expenses

・ Impact of financial income and expenses, foreign exchange profit or loss, and others

(4) Extraordinary Income and Loss

・ Sales of assets like cross-share holdings

(5) Dividends

・ Deferment

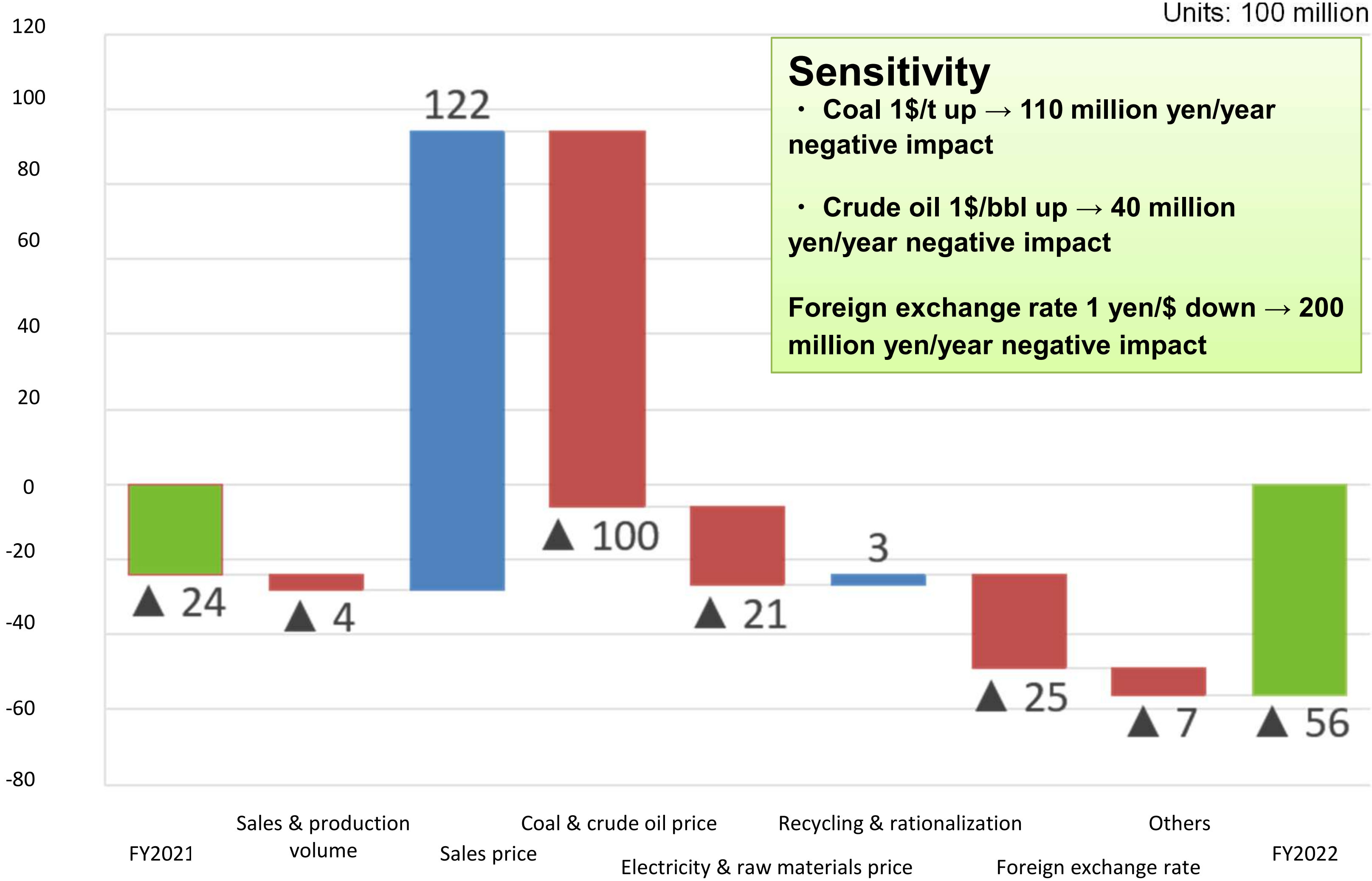
Units: 100 million yen

	FY2022	FY2021	Change
Net sales	2,058	1,842	216
Operating income (Cement Business)	57.0 (-56.0)	68.8 (-23.8)	-11.8 (-32.1)
Non-operating income and expenses	15.0	29.6	-14.6
Ordinary income	72.0	98.3	-26.3
Extraordinary income and loss	25.5	21.8	3.7
Parent company shareholder Net income	68.0	96.7	-28.7
Dividends per share	120 yen	120 yen	-

(3) FY2022 Breakdown of Operating Income in the Cement Business

SUMITOMO OSAKA CEMENT

Units: 100 million yen



Sensitivity

- **Coal 1$/t up → 110 million yen/year negative impact**
- **Crude oil 1$/bbl up → 40 million yen/year negative impact**

Foreign exchange rate 1 yen/$ down → 200 million yen/year negative impact

(3) FY2022 Segment Sales and Operating Income Forecast

SUMITOMO OSAKA CEMENT

Net sales / **Operating income** Units: 100 million yen

	Net sales 2022 Full-year Forecast	Net sales 2021 Full-year Results	Net sales Change	Operating income 2022 Full-year Forecast	Operating income 2021 Full-year Results	Operating income Change
Cement	1,416	1,266	150	-56.0	-23.8	-32.1
Mineral Resources	128	123	5	23.7	22.6	1.1
Cement-Related Products	210	207	3	21.2	18.2	3.1
Total of Cement-related Business	1,754	1,597	158	-11.0	17.0	-28.0
Optoelectronics	27	38	-11	-1.2	1.0	-2.2
Advanced Material	228	146	82	51.4	33.0	18.4
Total of High-Performance Product Business	255	184	71	50.2	34.0	16.2
Others	50	62	-12	17.7	17.0	0.7
Total	2,058	1,842	216	57.0	68.8	-11.8

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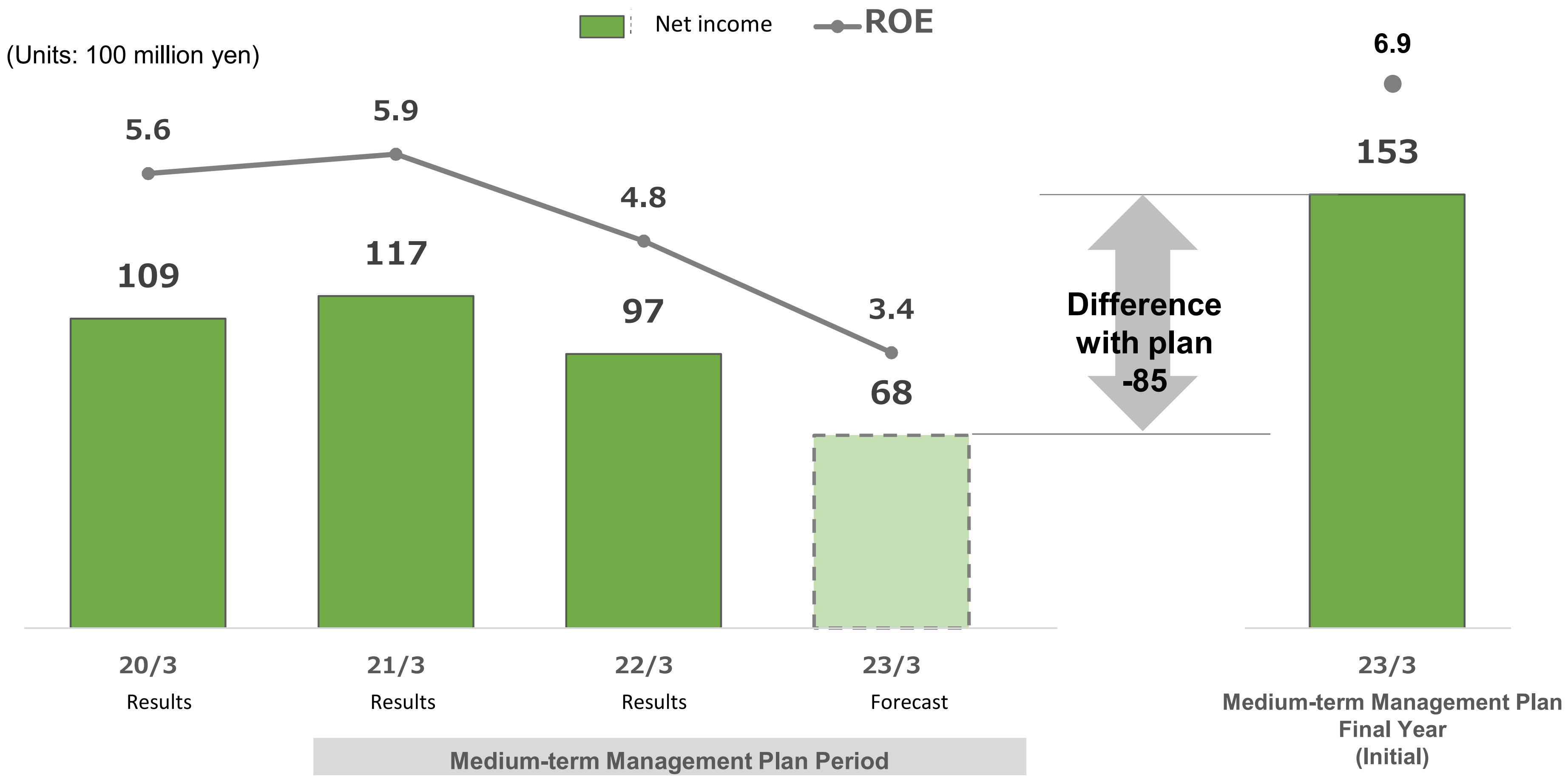
(1) Fiscal 2020-2022 Medium-term Management Plan Numerical Progress(Consolidated Results)

SUMITOMO OSAKA CEMENT

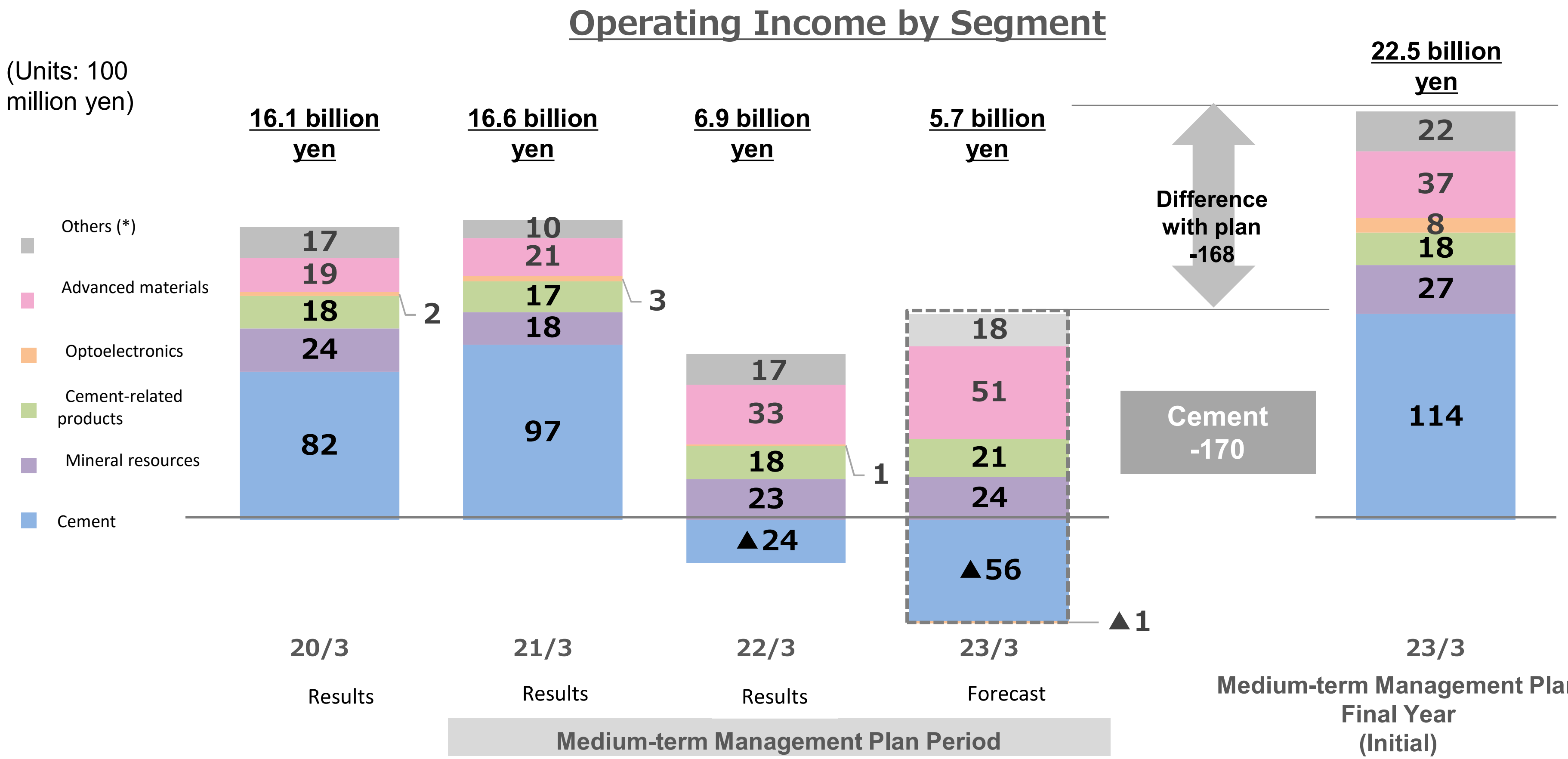
Plans for the final year of the medium-term management plan (ending March 31,2023) not forecast to be achieved due to the unexpected scale of changes in the business environment



(1) Fiscal 2020-2022 Medium-term Management Plan Numerical Progress(Segment Results)

SUMITOMO OSAKA CEMENT

The Cement Business had a major impact on failing to achieve the plan, and segments other than Cement are progressing mostly as planned



* Others includes the Battery Materials Business. Note that the Battery Materials Business was transferred to Sumitomo Metal Mining Co., Ltd. effective May 1, 2022.

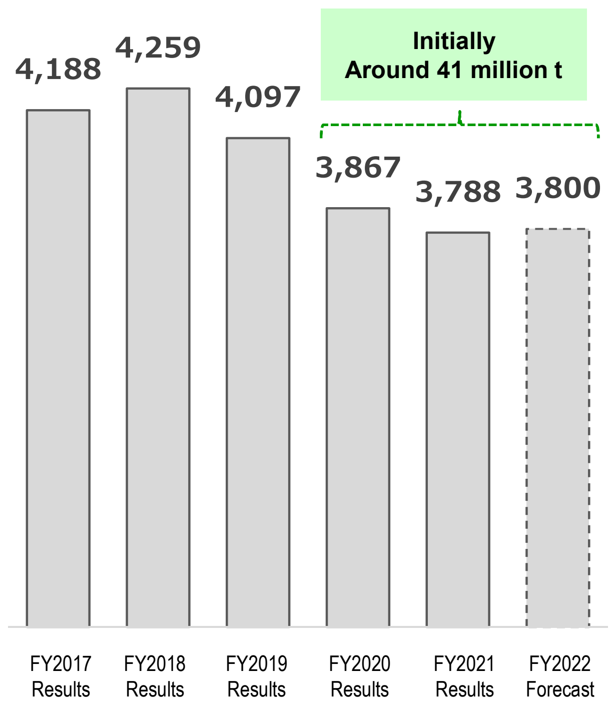
(1) Fiscal 2020-2022 Medium-term Management Plan Numerical Progress (Main Causes of Shortfall)

SUMITOMO OSAKA CEMENT

Domestic Cement Demand Slowdown

Domestic Cement Demand

(Units: 10,000 tons)

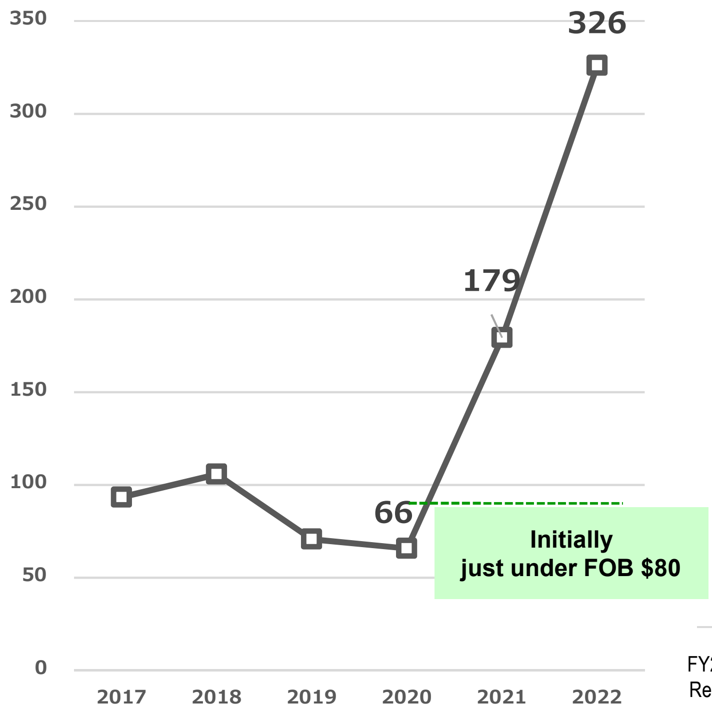


Source: Japan Cement Association

Increased Costs

Coal Market

(Units: $/ton)



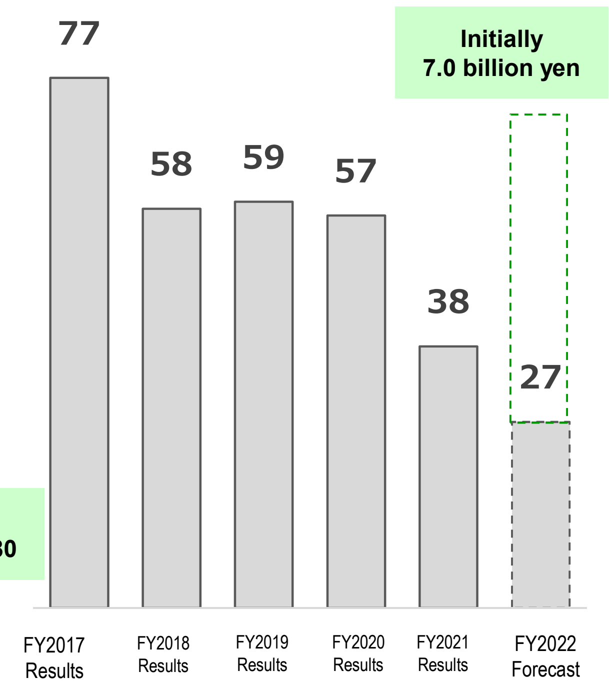
* FY2022 shown with preliminary figures of current year (average of April figures)

Source: GCI/Newc Index FOB spot price trend (annual average)

Impact of US-China Trade Friction

Optoelectronics Business Net Sales

(Units: 100 million yen)



(1) Fiscal 2020-2022 Medium-term Management Plan Numerical Progress (Consolidated Cash Flow)

SUMITOMO OSAKA CEMENT

Shortfall in cash flows from operating activities, capital investment is as planned, cross-share holdings will be sold to improve shareholder returns

Initial Plan

Units: 100 million yen

		3 year plan
CF from operating activities		1,000
(Depreciation)		(594)
	Growth & increased competitiveness	▲ 150
	Maintenance, upgrades, etc.	▲ 500
CF from investing activities		▲ 650
FCF		350

Dividends to shareholders	▲ 140
Free CF after dividends	210

* Dividends calculated at 120 yen/share

Environment Investment | Overseas business | Shareholder returns

Results and Forecast

Units: 100 million yes

		FY21 Results	FY22 Results	FY23 Forecast	3 Year Plan
Cash flows from operating activities		328	183	212	723
Cash flows from investing activities	Environmental investment	-18	-26	-70	-113
	Maintenance, upgrades, etc.	-189	-174	-266	-629
	Sale of cross-share holdings	18	39	50	107
		-189	-161	-286	-636
FCF		139	22	-73	88
Cash flows from financing activities	Interest-bearing liabilities	-11	51	130	170
	Dividends	-46	-45	-41	-132
	Purchase of treasury stock	-50	-85	-15	-150
		-109	-80	74	-115
Net increase(decrease) in cash and cash equivalents		28	-57	0	-29

(1) Fiscal 2020-2022 Medium-term Management Plan Numerical Progress (Environmental Investment)

SUMITOMO OSAKA CEMENT

Environmentally related investments of 11.3 billion will be made between FY2020-2022 in accordance with "SO-CN2050"

11.3 billion yen environmental investment (FY2020-2022)

- Increase use of raw material alternatives — **1.9 billion yen**
- Increase use of thermal energy alternatives — **2.1 billion yen**
- Improve construction efficiency — **800 million yen**

→ **Increase use of alternatives, energy efficiency 4.8 billion yen**

- Improve waste gas dust collection for kilns — **3.2 billion yen**
- Enhance measures for chlorine — **3.3 billion yen**

→ **Infrastructure development 6.5 billion yen**

- Environmental improvements (dust generation)
- Quality retention

Increase profitability, reduce CO_2

(1) Fiscal 2020-2022 Medium-term Management Plan Review of Implemented Policies

SUMITOMO OSAKA CEMENT

Fiscal 2020-2022 Medium-term Management Plan Basic Policy		Results
Cement-related Business	Increase profitability of cement and solidification materials, and enhance the business base	● Environmental investment (alternatives to raw materials, capital investment to increase thermal energy) ● Maintain domestic sales volume, clear 1.5 million ton export target
	Expand Cement-related Business Overseas Cement Business, Mining Resources Business, Cement-Related Product Business	● More logistics streamlining (coordinate ship allocation with Nippon Steel Cement) ● Increase sales by developing system for increased production of aggregate (Mineral Resources Business) ● Expand into Australian market (operation of cement terminals)
High-Performance Product Business	Ensure existing core products have a competitive advantage and develop new products	● Develop system for increased production of ESC (electrostatic chucks) ● Increase management of business portfolios (sell Battery Materials Business)
Others		● Improve shareholder returns (stable dividends + stock buy-back)
Challenges		● Increase profits of Cement Business ● Ensure profitability of Optoelectronics Business ● Increase investment overseas and M&A

(1) Fiscal 2020-2022 Medium-term Management Plan Final Year Forecast

SUMITOMO OSAKA CEMENT

Unprecedented and unexpected changes in market environment that Sumitomo Osaka Cement operates in due to COVID-19 and international political instability

Significant deviation from targets forecast for FY2022, the final year of the Medium-term Management Plan

FY2022 will focus on reorganizing the company position in preparation for the next medium-term management plan (FY2022 policies)

New medium-term management plan to be announced in May 2023

(2) Fiscal 2022 Policies Basic Policy

SUMITOMO OSAKA CEMENT

(1) Business strategy for maximizing cash flows from operating activities

- Increase profitability of Cement Business
- Strengthen businesses other than cement

(2) Capital allocation policy

- Generate cash by selling cross-share holdings
- Maintain and enhance investments including environment measures
- Stable dividends

Fiscal 2022 Policies
(1) Business Strategy for Maximizing Cash Flows from Operating Activities

SUMITOMO OSAKA CEMENT

Prioritize response to recent changes occurring in the business environment, and reorganize the company position in preparation for the next medium-term management plan

Cement-related Business

Raise cement prices to address cost increases

- Sudden increases in energy costs, soaring material and personnel expenses
- Ensure sufficient resources for environmental investment to cover responsibilities in the future
- Increase to 2,400yen/t as soon as possible

Reliable procurement of coal

- Decentralize sources while factoring in the balance with procurement costs

High-Performance Product Business

Increase profits by responding quickly to growing demand for ESC (electrostatic chucks)

- Construction for increasing production capacity and boosting supply by ensuring sufficient personnel

Fiscal 2022 Policies
(2) Capital Allocation Policy

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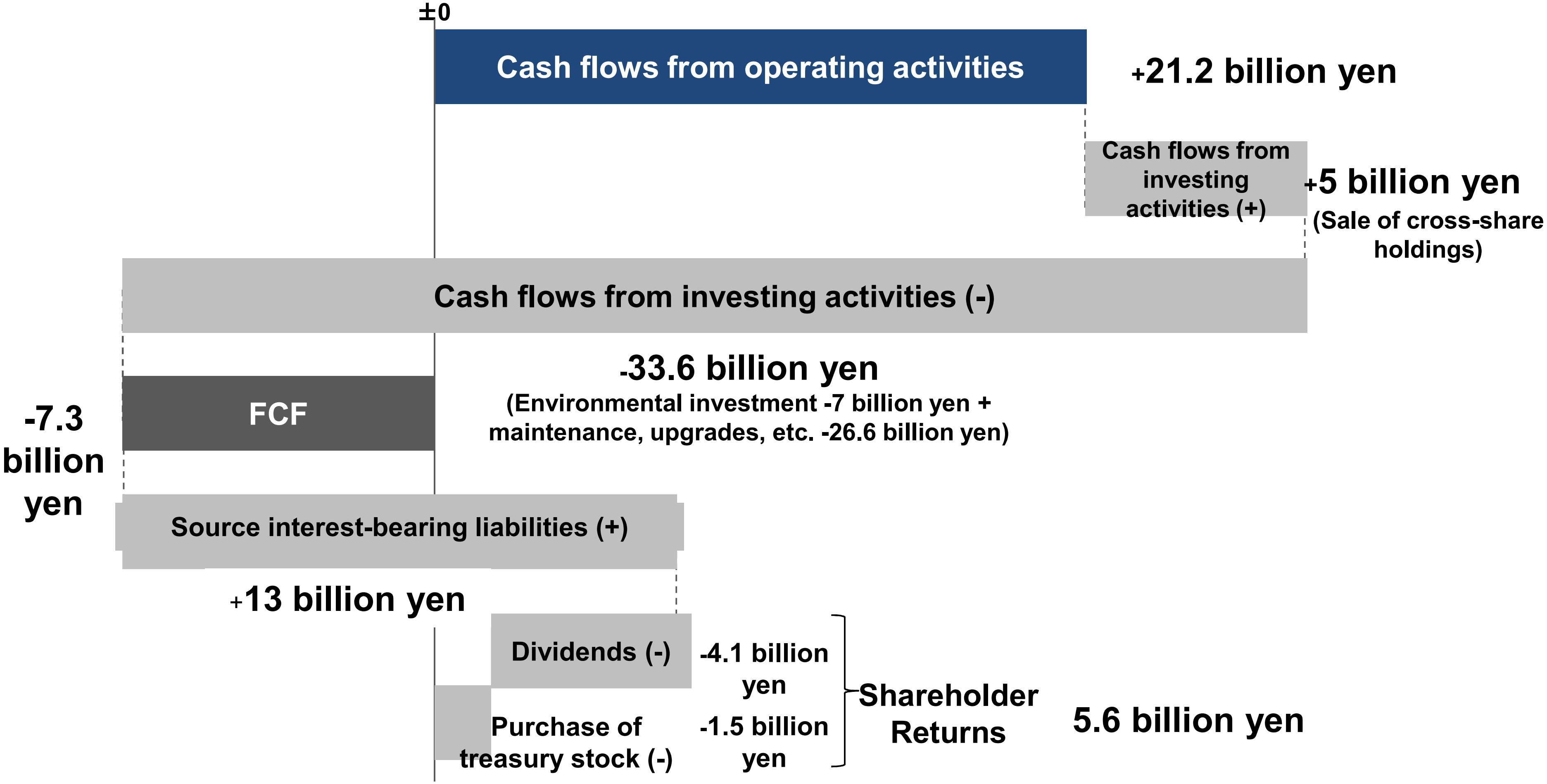
As cash flows from operating activities decrease, sell cross-share holdings and source interest-bearing liabilities for investments and shareholder returns



(3) Future Policies Goals and Effects of Environmental Investments

SUMITOMO OSAKA CEMENT

Achieve target reductions in CO_2 emissions by 2030 in line with "SO-CN2050" (*)

(1) Reduce CO_2 emissions by reducing amount of coal used

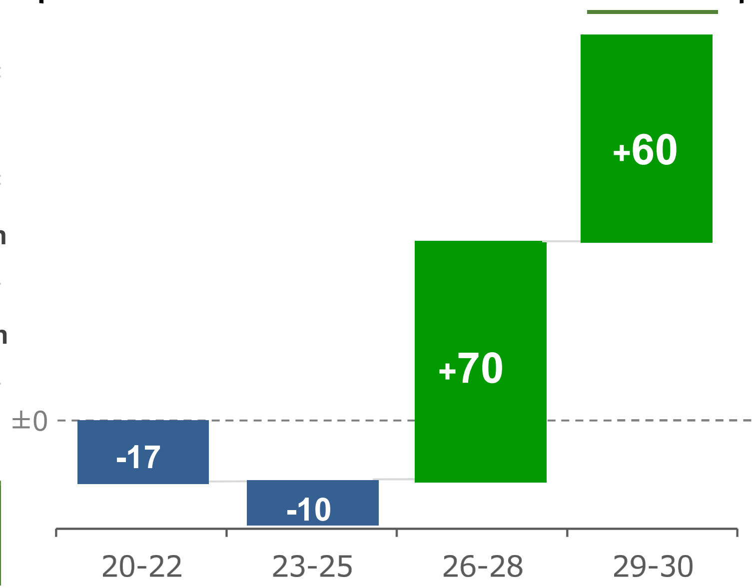
(2) Increase amount of recycling in order to increase use of alternatives to raw materials and thermal energy

(*) 30% reduction in energy-related CO2 emissions from 2005 levels on a carbon intensity basis

FY	20-22	23-25	26-28	29-30	Total
Environmental investment	113	110	40	40	300 (100 million yen)
Depreciation	-21	-90	-80	-40	-230 (100 million yen)
Reduce amount of coal used	+3	+50	+120	+80	+250 (100 million yen)
Increase amount of recycling	+1	+30	+30	+20	+80 (100 million yen)
Investment effects (*)	-17	-10	+70	+60	+100 (100 million yen)

(*) Effects compared to FY2020

Investment effects **10 billion yen**



(3) Future Policies
Basic Approach Related to cross-share holdings

SUMITOMO OSAKA CEMENT

Target reduction of cross-share holdings

Less than 20% of net assets in the next 2 years
Less than 10% of net assets in the next 5 years

Expected reduction of 13.5 billion yen in the next 2 years
Expected reduction of 33.5 billion yen in the next 5 years

(Amounts of reduction compared to baseline prices in March 2022)

The proceeds from sale will be allocated as shareholder returns factoring in a balance with environmental investments and growth investments

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SUMITOMO OSAKA CEMENT

3. Additional Materials 2022 First/Second Half Forecasts by Segment

SUMITOMO OSAKA CEMENT

Net sales / Operating income

Units: 100 million yen

	Net sales: 2022 First Half Forecast	Net sales: 2022 Second Half Forecast	Net sales: 2022 Full-year Forecast	Operating income: 2022 First Half Forecast	Operating income: 2022 Second Half Forecast	Operating income: 2022 Full-year Forecast
Cement	679	737	1,416	-56.0	0.0	-56.0
Mineral Resources	65	63	128	11.5	12.2	23.7
Cement-Related Products	102	108	210	9.0	12.3	21.2
Total of Cement-related Business	846	908	1,754	-35.5	24.5	-11.0
Optoelectronics	14	13	27	-0.9	-0.3	-1.2
Advanced Materials	98	130	228	17.4	34.0	51.4
Total of High-Performance Product Business	112	143	255	16.6	33.7	50.2
Others	23	27	50	9.0	8.7	17.7
Total	980	1,078	2,058	-10.0	67.0	57.0

3. Additional Materials 2022 First/Second Half Breakdown of Operating Income by Segment

SUMITOMO OSAKA CEMENT

Units: 100 million yen

	Fiscal 2021 → 2022		
	First Half Forecast	Second Half Forecast	Full-year Forecast
Sales and production volume	- 4	0	- 4
Sales price	43	79	122
Coal and crude oil price	- 67	- 33	- 100
Electricity and raw material price	- 12	- 9	- 21
Recycling and rationalization	- 1	4	3
Foreign exchange rate	- 15	- 10	- 25
Others	- 9	2	- 7
Change in operating income for Cement	- 65	33	- 32

Sensitivity	Coal	1$/t up	110 million yen/year negative impact
	Crude oil	1$/bbl up	40 million yen/year negative impact
	Foreign exchange rate	1 yen/$ down	200 million yen/year negative impact

3. Additional Materials Assets and Liabilities Position

SUMITOMO OSAKA CEMENT

Units: 100 million yen

	FY2021 Results	FY2022 Results	FY2023 Forecast
Cash and deposits	187	131	131
Property, plant and equipment	1,677	1,692	1,796
Investment securities	571	594	544
Other assets	862	893	967
Total investments	3,297	3,311	3,439
Interest-bearing liabilities	514	566	696
Other liabilities	724	713	701
Total liabilities	1,238	1,279	1,397
Net assets	2,058	2,032	2,042
Total liabilities and net assets	3,297	3,311	3,439

3. Additional Materials　Cash Flow Position

SUMITOMO OSAKA CEMENT

Units: 100 million yen

	FY2021 Results	FY2022 Forecast
Net income before income taxes and minority interests	120	98
Depreciation (including amortization)	194	209
Changes in claims and obligations, corporate tax, etc.	-131	-94
Cash flows from operating activities	183	212
Purchases of property, plant and equipment	-209	-341
Proceeds from sales of property	52	56
Others	-4	-1
Cash flows from investing activities	-161	-286
FCF	22	-73
Change in interest-bearing liabilities	51	130
Share buyback (including deposit payments)	-85	-15
Dividend payments, etc.	-46	-41
Cash flows from financing activities	-80	74
Net increase(decrease) in cash and cash equivalents	-57	0

3. Additional Materials Changes in Actual Results

SUMITOMO OSAKA CEMENT

Units: 100 million yen

	FY2018	FY2019	FY2020	FY2021	FY2022 Forecast
Net sales	2,511	2,452	2,393	1,842	2,058
Cement-related Business	2,249	2,205	2,170	1,597	1,754
High-Performance Product	196	185	172	196	255
Others	65	61	51	50	50
Operating income	141.8	161.3	166.3	68.8	57.0
Ordinary income	158.0	169.5	176.4	98.3	72.0
Profit (loss) attributable to owners of parent	78.0	109.2	117.2	96.7	68.0
Total assets	3,248	3,211	3,297	3,311	3,439
Interest-bearing liabilities	611	526	514	566	696
Net assets	1,941	1,987	2,058	2,032	2,042

3. Additional Materials
Changes in Actual Results

SUMITOMO OSAKA CEMENT

		FY2018	FY2019	FY2020	FY2021	FY2022 forecast
ROA	(%)	4.8	5.2	5.4	3.0	2.1
ROE	(%)	4.0	5.6	5.9	4.8	3.4
D/E	(%)	31	26	25	28	34
FCF	(100 million yen)	92	135	139	22	-73
Capital investment	(100 million yen)	190	202	215	207	317
Depreciation	(100 million yen)	185	183	188	194	209
R&D expenses	(100 million yen)	32	31	32	31	31
Net financial income	(100 million yen)	10	10	10	20	16
Number of employees at fiscal year-end	(persons)	2,974	3,005	3,065	3,068	–

3. Additional Materials　Forecast of Non-Consolidated Financial Results for FY2022

SUMITOMO OSAKA CEMENT

Net sales

Units: 100 million yen

	2022 First Half Forecast	2022 Second Half Forecast	2022 Full-year Forecast
Cement-related Business	672	747	1,419
High-Performance Product	109	142	251
Others	14	13	27
Total	795	902	1,697

Profit and loss

Operating income	-29.0	39.0	10.0
Ordinary income	-16.0	43.0	27.0
Net income	-7.0	45.0	38.0

Precautions

Forward-Looking Statements

・ This annual report contains forward-looking statements that reflect Sumitomo Osaka Cement Co., Ltd.'s current views and judgments 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.