Explanatory Materials

(for the 1st Half of the fiscal year ending March 31, 2023)

November 9, 2022

SUMITOMO OSAKA CEMENT CO., LTD.

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(1)FY2022 Financial summary
(Comparison with the initial announcement (May))

Unit : 100 million yen

	FY 2022			Changes from the beginning of the year (May)		
	1st Half	2nd Half Forecast	Year	1st Half	2nd Half	Year
Net sales	957	1,117	2,074	▲23	39	16
Operating income	▲61.1	5.6	▲55.5	▲51.1	▲61.4	▲112.5
Ordinary income	▲54.9	8.9	▲46.0	▲56.9	▲61.1	▲118.0
Quarterly net Profit(loss) attributable to owners of parent	▲29.1	23.1	▲6.0	▲34.1	▲40.0	▲74.0

(2) FY2022 Measures progress status
(Basic policy for FY2022 measures)

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In FY2022, we will focus on rebuilding our structure in order to create a flow to the next mid-term plan.

(Announced in May, 2022)

① Business strategy for maximizing operating cash flow

- Increasing profitability of the cement business
- Strengthen businesses other than cement

② Capital allocation policy

- Generate cash by selling cross-shareholdings
- Maintain and enhance investments including environment
- Stable dividend

(2) FY2022 Measures progress status

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①Business strategy for maximizing operating cash flow

Cement sales price 2,000 JPY/t Expected price increase
Building up coal stocks

Cement-Related Business

Raising the cement sales price due to cost increase

・We acquired paid answers from almost all users.
・We aim to early acquire the amount that is less than the full amount and the additional price increase of 3,000 JPY/t.

Stable procurement of coal

・We decreased the ratio of the Russian coal and built up inventories for half a year.
・Most of procurement volume for this year has already been contracted.

High-Performance Product Business

Earnings increase by early response to expanding demand for ESC（electrostatic chuck）

・We have been building system to increase production from the 2nd half of FY2021.

(2) FY2022 Measures progress status
② Capital allocation

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Capital investment and shareholder returns by selling interest-bearing liabilities and cross-share holdings amid shrinking operating cash flow

Initial plan

IN

Financial CF : 13 billion yen
- Interest-bearing liabilities

Operating CF : 21.2 billion yen
- Operating income 5.7 billion yen
- Depreciation 20.9 billion yen
- Others ▲5.4 billion yen

Investment CF : 5 billion yen
- Sales of cross-share holdings

OUT

Investment CF : 33.6 billion yen
- Environment investment 7 billion yen
- Maintenance update etc., 26.6 billion yen

Shareholder returns : 5.6 billion yen
- Dividend 4.1 billion yen
- Acquisition of own shares 1.5 billion yen

Forecast for the current FY

IN

Financial CF : 43 billion yen
- interest-bearing liabilities

Operating CF : ▲4.4 billion yen
- Operating income ▲5.5 billion yen
- Depreciation 20.5 billion yen
- Others ▲ 19.4 billion yen

Investment CF : 6.7 billion yen
- Sales of cross-share holdings

OUT

Investment CF : 36.8 billion yen
- Environment investment 7 billion yen
- Maintenance update etc., 29.7 billion yen

Shareholder returns : 5.6 billion yen
- Dividend 4.1 billion yen
- Acquisition of own shares 1.5 billion yen

(2) FY2022 Measures progress status
Reduction of cross-shareholdings status

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Target reduction of cross-shareholdings

Less than 20% of net assets in the next two years
Less than 10% of net assets in the next five 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)

(Announced in May, 2022)

A reduction planned for FY2022 is 6.7 billion yen.
(2.3 billion yen as the 1st half achievement)

(3) Shareholder return

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■ Basic Policy on dividends
Based on the principle of continuing stable dividends, decisions will be made based on comprehensive consideration of the business environment, earnings forecasts, and the status of dividends paid in the previous fiscal year.

■ Regarding the acquisition of treasury stock, we will consider the situation of post-dividend cash flow, including business performance trends and the sale of cross-shareholdings.

Unit : Yen/Share

	FY2018	FY2019	FY2020	FY2021	FY2022 Forecast
Interim dividend	55	60	60	60	60
Year-end dividend	55	60	60	60	60
Total	110	120	120	120	120

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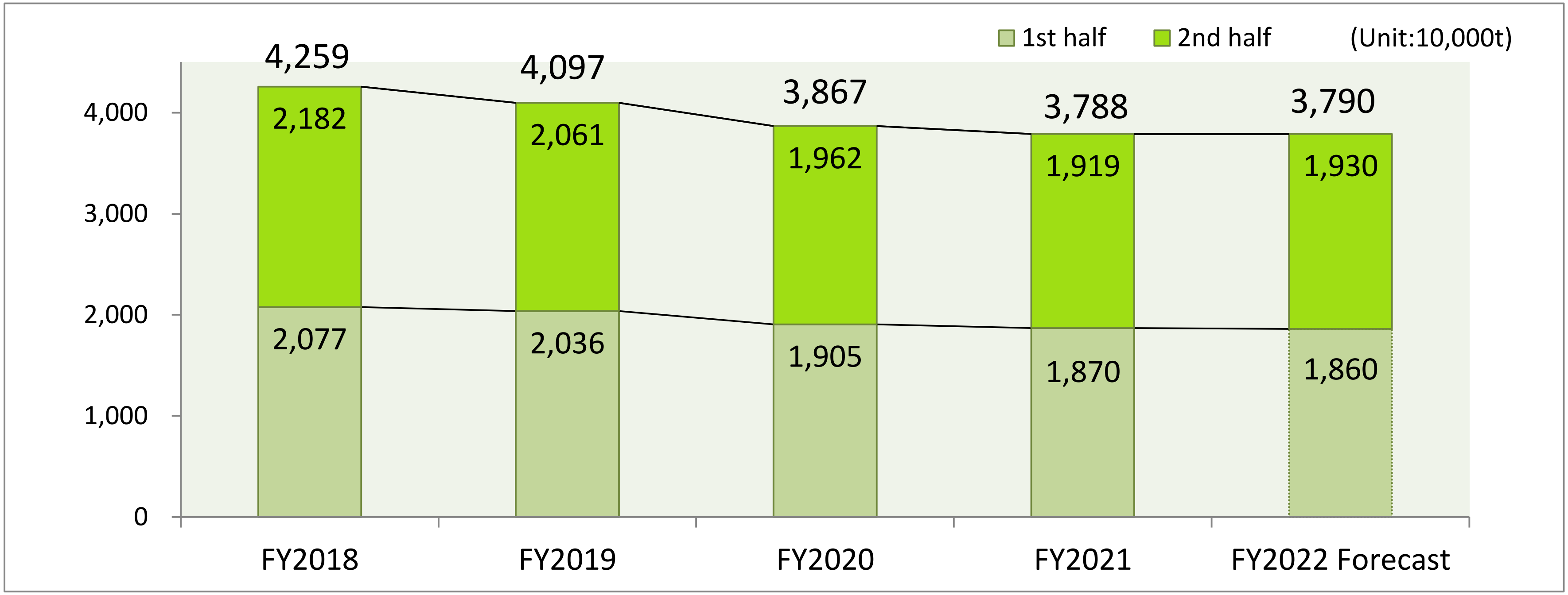
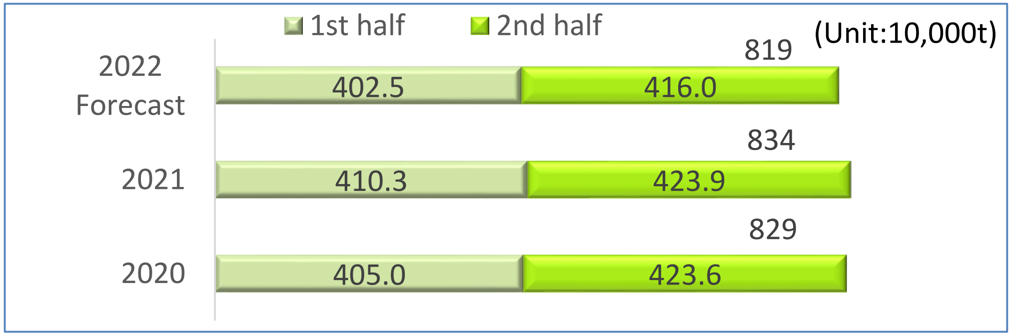
(1) Domestic cement demand / Our sales volume

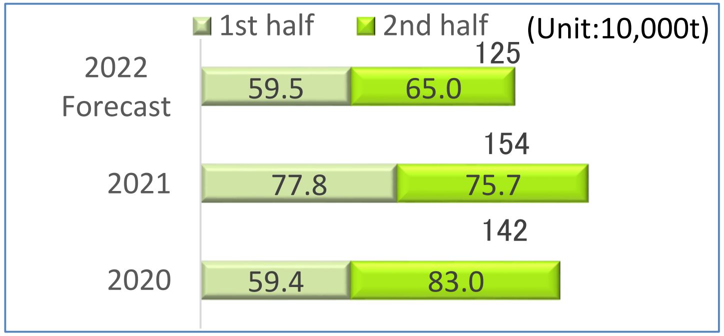
Domestic cement demand



Our domestic sales volume



Our export volume



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(2) FY2022 Financial results(forecast) overview

Unit : 100 million yen

	FY2022			Year-on-year change			Change from initial announcement		
	1st Half	2nd Half Forecast	Year	1st Half	2nd Half	Year	1st Half	2nd Half	Year
Net sales	957	1,117	2,074	66	166	232	▲23	39	16
Operating income	▲61.1	5.6	▲55.5	▲112.9	▲11.4	▲124.3	▲51.1	▲61.4	▲112.5
Ordinary income	▲54.9	8.9	▲46.0	▲124.7	▲19.7	▲144.4	▲56.9	▲61.1	▲118.0
Quarterly net Profit(loss) attributable to owners of parent	▲29.1	23.1	▲6.0	▲89.5	▲13.2	▲102.8	▲34.1	▲40.0	▲74.0

(2) FY2022 Financial results(forecast) (Sales by segments)

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Net sales

Unit: 100 million yen

	FY2022			Year-on-year change			Change from initial announcement		
	1st Half	2nd Half Forecast	Year	1st Half	2nd Half	Year	1st Half	2nd Half	Year
Cement	650	758	1,408	36	106	141	▲29	21	▲8
Mineral Resources	68	71	139	8	7	16	3	8	11
Cement-Related Products	103	122	225	3	15	18	1	14	15
Total of Cement-Related Business	821	950	1,772	47	128	175	▲25	42	18
Optoelectronics	11	12	24	▲6	▲8	▲14	▲3	▲1	▲4
Advanced Materials	102	132	234	34	54	88	4	2	6
Total of High-Performance Product Business	113	144	257	27	46	74	1	1	2
Others	22	23	45	▲9	▲8	▲17	▲1	▲4	▲5
Total	957	1,117	2,074	66	166	232	▲23	39	16

(2) FY2022 Financial results(forecast) (Operating income by segments)

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Operating income

Unit : 100 million yen

	FY2022			Year-on-year change			Change from initial announcement		
	1st Half	2nd Half Forecast	Year	1st Half	2nd Half	Year	1st Half	2nd Half	Year
Cement	▲114.0	▲57.7	▲171.7	▲122.7	▲25.1	▲147.8	▲58.0	▲57.7	▲115.7
Mineral Resources	12.6	11.4	24.0	1.7	▲0.3	1.4	1.1	▲0.8	0.3
Cement-Related Products	7.0	14.3	21.2	▲1.3	4.3	3.1	▲2.0	2.0	0.0
Total of Cement-Related Business	▲94.4	▲32.0	▲126.4	▲122.3	▲21.1	▲143.4	▲58.9	▲56.5	▲115.4
Optoelectronics	▲1.5	▲1.7	▲3.2	▲2.0	▲2.2	▲4.2	▲0.6	▲1.4	▲2.0
Advanced Materials	26.8	30.3	57.2	13.2	10.9	24.1	9.4	▲3.7	5.8
Total of High-Performance Product Business	25.3	28.6	53.9	11.3	8.6	19.9	8.8	▲5.1	3.8
Others	8.7	8.9	17.7	▲0.7	1.3	0.7	▲0.3	0.2	▲0.1
Total	▲61.1	5.6	▲55.5	▲112.9	▲11.4	▲124.3	▲51.1	▲61.4	▲112.5

(2) FY2022 Financial results(forecast) (Cement operating income change breakdown)

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Unit : 100 million yen

	FY2021 to FY2022			Change from initial announcement
	1st Half	2nd Half Forecast	Year	Year
Sales and production volume	▲ 5	▲ 4	▲ 8	▲ 5
Sales prices	24	76	100	▲ 22
Coal and crude oil prices	▲101	▲ 67	▲168	▲ 68
Electricity and raw material prices	▲ 13	▲ 19	▲ 32	▲ 11
Recycling and rationalization	0	2	2	0
Foreign exchange rate	▲ 22	▲ 38	▲ 60	▲ 35
Others	▲ 6	25	18	25
Change in operating income for Cement	▲123	▲ 25	▲148	▲116

Sensitivity	Coal	1$/t Rising	120 million yen/Year Worse
	Crude oil	1$/bbl Rising	50 million yen/Year Worse
	Foreign exchange rate	1円/$ Cheap yen	250 million yen/Year Worse

(3) Status of assets and liabilities

Unit : 100 million yen

	End of March, 2022 Results	End of September, 2022 Results	End of March, 2023 Forecast
Cash / Deposits	131	173	160
Tangible fixed assets	1,692	1,738	1,804
Investment securities	594	480	436
Other assets	893	1,135	1,166
Total assets	3,311	3,526	3,566
Interest-bearing liabilities	566	891	996
Other liabilities	713	745	678
Total liabilities	1,279	1,636	1,675
Net assets	2,032	1,889	1,891
Total liabilities & net assets	3,311	3,526	3,566

(3) Cash flow status

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Unit : 100 million yen

	FY2022 1st Half Results	FY2022 2nd Half Forecast	FY2022 Annual Forecast
Net income before income taxes and minority interests	▲ 42	41	▲ 2
Depreciation	94	111	205
Change in claims and liabilities, corporate tax etc.	▲ 210	▲ 39	▲ 248
Operating cash flow	▲ 158	113	▲ 44
Fixed assets acquisition	▲ 117	▲ 260	▲ 378
Sales of assets, etc.	24	51	75
Others	2	▲ 1	2
Investment cash flow	▲ 91	▲ 210	▲ 301
Free cash flow	▲ 249	▲ 97	▲ 345
Change in interest-bearing liabilities	325	105	430
Acquisition of treasury stock (including deposit payment)	▲ 15	0	▲ 15
Dividend payment, etc.	▲ 22	▲ 21	▲ 43
Financial cash flow	288	84	372
Increase/decrease in cash & cash equivalents	41	▲ 12	29

(3) Status of capital investment

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Unit : 100 million yen

	FY2021 Results	FY2022 Forecast
Capital investment	207	324
Depreciation	194	205
R&D expenses	31	30

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3. Supplementary material (Changes in performance, etc.)

Unit : 100 million yen

	FY2018	FY2019	FY2020	FY2021	FY2022 Forecast
Net sales	2,511	2,452	2,393	1,842	2,074
Cement-Related	2,249	2,205	2,170	1,597	1,772
High-Performance product	196	185	172	196	257
Others	65	61	51	50	45
Operating income	141.8	161.3	166.3	68.8	▲ 55.5
Ordinary income	158.0	169.5	176.4	98.3	▲ 46.0
Profit (loss) attributable to owners of parent	78.0	109.2	117.2	96.7	▲ 6.0
Total assets	3,248	3,211	3,297	3,311	3,566
Interest-bearing liabilities	611	526	514	566	996
Net assets	1,941	1,987	2,058	2,032	1,891

3. Supplementary material (Changes in performance, etc.)

		FY2018	FY2019	FY2020	FY2021	FY2022 Forecast
ROA	(%)	4.8	5.2	5.4	3.0	▲ 1.3
ROE	(%)	4.0	5.6	5.9	4.8	▲ 0.0
D／E	(%)	31	26	25	28	53
FCF	(100 million yen)	92	135	139	22	▲345
Capital investment	(100 million yen)	190	202	215	207	324
Depreciation	(100 million yen)	185	183	188	194	205
R&D Expenses	(100 million yen)	32	31	32	31	30
Financial balance	(100 million yen)	10	10	10	20	13
Number of employees at the end of the period	(Persons)	2,974	3,005	3,065	3,068	–

3. Supplementary material (FY2022 non-consolidated financial results)

Non-consolidated sales

Unit : 100 million yen

	FY2022 1st Half	FY2022 2nd Half Forecast	FY2022 Annual Forecast
Cement-Related	655	774	1,429
High-Performance Product	109	140	250
Others	13	13	26
Total	778	927	1,705

Non-consolidated profit and loss

Operating income	▲ 73.4	▲ 26.1	▲ 99.6
Ordinary income	▲ 68.0	▲ 22.4	▲ 90.4
Net income	▲ 37.5	1.5	▲ 36.0

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.