



We lead the world with specialty acrylates

Osaka Organic Chemical Industry Ltd.

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Integrated Report

2023

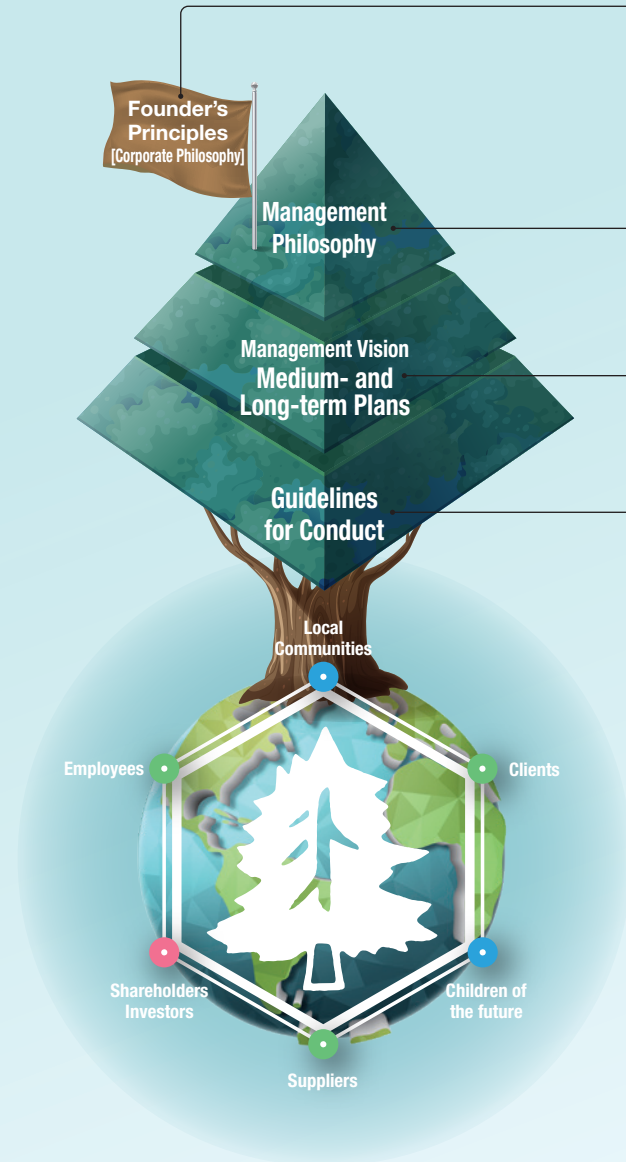


We lead the world with specialty acrylates

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OOO Group's Management Philosophy System and Founder's Vision



[Corporate Philosophy]

The Company and its employees form a single entity that works together and shares a single destiny. The Company's prosperity rests on the efforts of the employees; the happiness of the employees flows from the prosperity of the Company.

The Company's basic policies will always reject the errors of bias and self-righteousness. They will improve individual character through the integrity and unflagging efforts of each individual along with their mutual trust, assistance and devotion. They will serve and benefit the community through superior production activities.

[Management Philosophy]

We will place the highest value on each person's individuality and will contribute to the development of society together with our customers by providing materials with unique functions.

[Management Vision]

Providing value to the global market as a corporate leader in specialty acrylates

[Guidelines for Conduct] (excerpt)

- Together with all stakeholders**
- We will always keep our promises to stakeholders, and will face them with a stance of sincerity and humility.
- Together with employees and their families**
- We will make the most of each other's strengths, complement each other, and work as teams to demonstrate our abilities to their fullest.
- Together with customers and business partners**
- We will continue to provide materials with unique functions that can bring about innovation for our customers.
- Together with local communities**
- We will place the highest priority on safety and will aim for zero accidents and zero disasters.

Sustainability Policy

- We value the individuality of our employees and encourage employee engagement, while aiming for an environment where they can continue to maintain their physical and mental health.
- We continue to provide materials with unique functions that lead to innovation and contribute to solving social issues, and strive to improve our corporate value.
- We place top priority on safety and aim for the sustainable development of society together with our customers.

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[Founder's Vision]

OOO has always been an R&D-focused organization. The evolution into our present form began in 1941, when founder Tatsuo Shizume succeeded in the domestic production of Canada balsam adhesive used for optical lenses. His aim was to create a company that would be admired worldwide. It was an aim he pursued through a lifelong dedication to creating outstanding chemicals of benefit to consumers and the world at large. Passion was everything to him. He felt that outstanding results could arise from the pure application of effort. It was this conviction that drove him to work on bringing value to the world, as he pursued his vision and love of organic chemistry. We will continue to pursue the founder's vision while striving to create new value by looking ahead to the future.

Editorial policy

The OOO Group has published a CSR Report since 2020. From this fiscal year, however, we are publishing an Integrated Report that includes financial and non-financial information, including business results and strategies. It is created with the intention of communicating our value creation in an easy-to-understand manner to all stakeholders, including customers, employees, shareholders, and investors.

Organizations covered

This report covers initiatives carried out by Osaka Organic Chemical Industry Ltd. and Shinko Organic Chemical Industry Ltd. (a domestic consolidated OOO subsidiary). Some non-consolidated information of Osaka Organic Chemical Industry Ltd. is also included.





Time of publication

July 2023

Period covered by this report

The report covers the fiscal year from December 1, 2021 to November 31, 2022. Some environmental data includes data for the administrative reporting period from April 1, 2022 to March 31, 2023.

Separate Roles for Website and Booklet

Business and Financial Information		Sustainability Information	
			Integrated Report 2023
	Website Shareholder and Investor Information		Financial Results Annual Securities Report
			Sustainability This section introduces our sustainability activities from environmental, social, and governance perspectives. More detailed and comprehensive information is available.

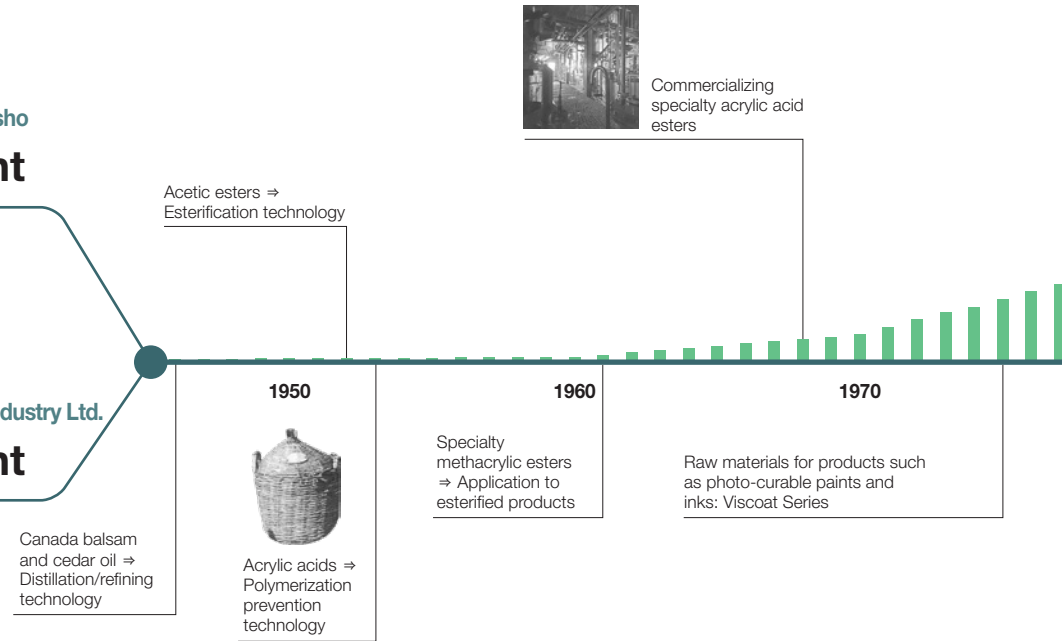
OOC's Value Creation

History and Strengths of Value Creation

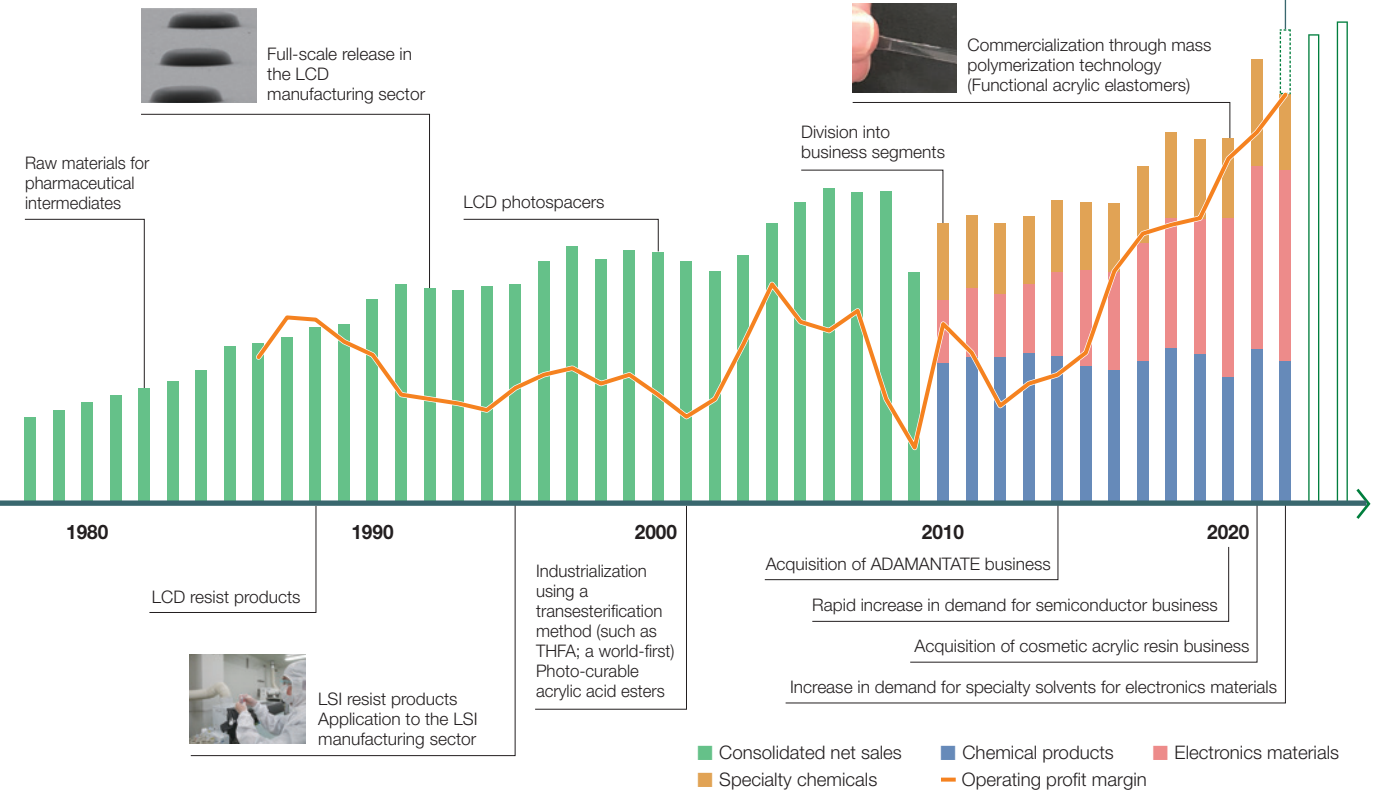
Osaka Organic Chemical Industry (OOC) was founded on a vision of using organic chemistry to benefit consumers and the world at large. Today, we continue to honor our founder's vision as we work to create new value.

1941
Osaka Yuki Kagaku Kogyosho
Establishment

1946
Osaka Organic Chemical Industry Ltd.
Establishment



Net sales in fiscal 2022: 32.2 billion yen (new Accounting Standard for Revenue Recognition)
37.4 billion yen (previous Accounting Standard for Revenue Recognition)



Strength 1
We possess a large number of products with high global market shares
Ability to respond



Wide variety / Small quantities
In order to respond to each and every detailed request from our customers, we have a flexible production system that can handle small amounts of a wide variety of products, and we have a large number of product groups that have the top global market share in niche business areas.

Automotive paints / Adhesives / Raw materials for UV inkjet inks



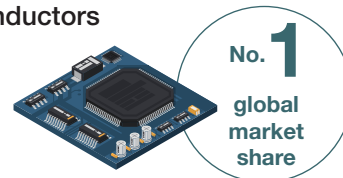
Materials for highly functionalized displays



Acrylic resin for cosmetics



ArF resist monomer, a raw material for advanced semiconductors



Strength 2
Technology with unique competitive advantage

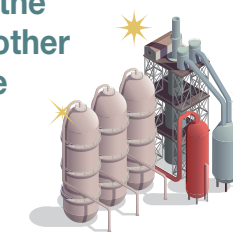
Technological strength



Top-level production technology in the industry
OOC is the industry leader in acrylic acid ester production technology (polymerization prevention and control technology). With bold ideas and a passion for manufacturing, we are constantly improving our technology and developing new technologies and products.

Strength 3
Unique strengths of the OOC Group that no other company can imitate

Supporting infrastructure



Human resource development through OYPM initiatives (Improving problem-solving skills)



Continuity is power, and the OYPM initiatives that have continued steadily for over 25 years are still evolving.

High quality control technology



We respond with sincerity to the need for continuation of business as usual and the increasing individualization, sophistication, and complexity of customer requirements.

The cleanest plant in Japan

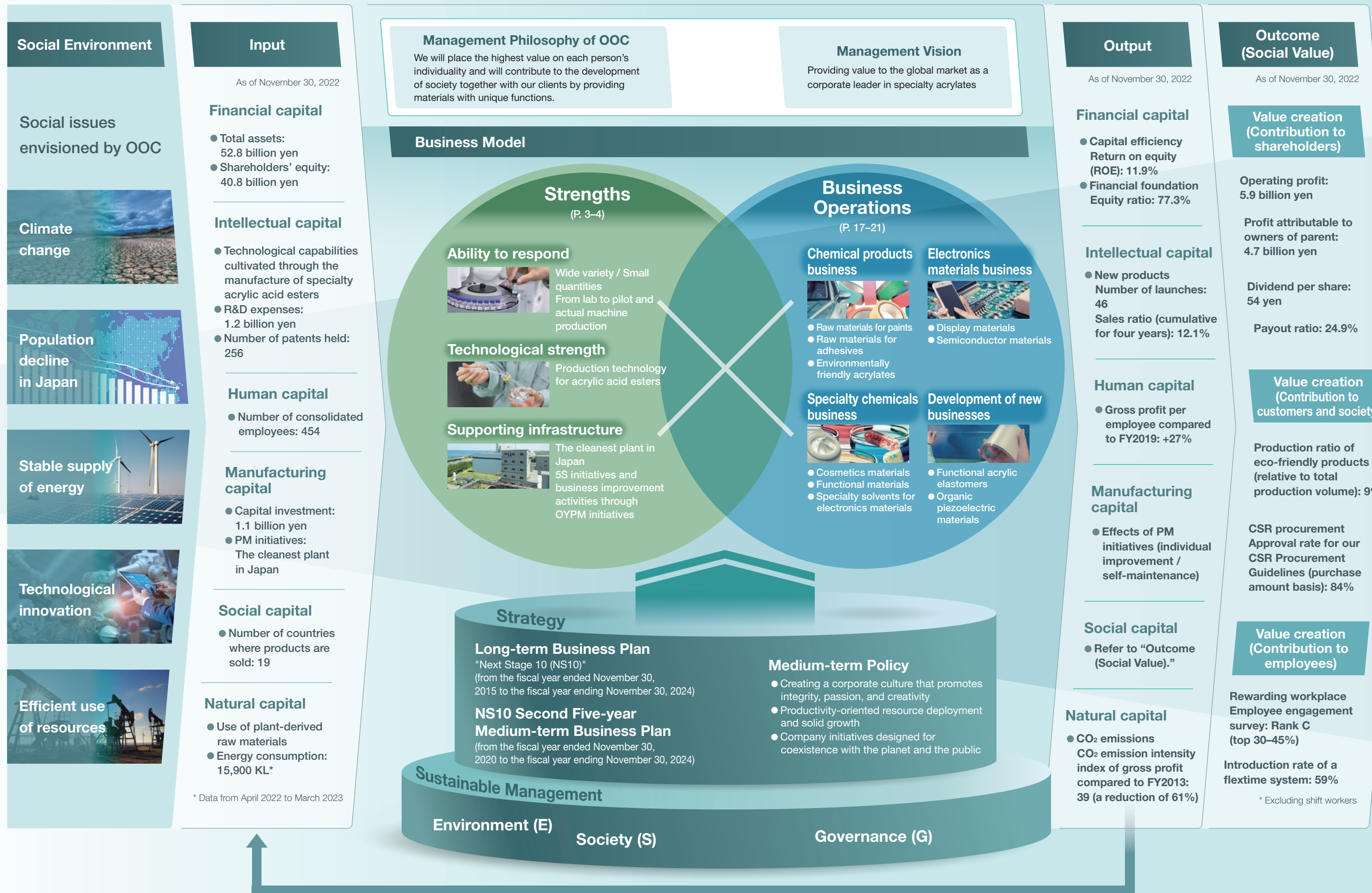
All employees participate in 5S initiatives in small groups, and these initiatives have been established as business improvement initiatives. We aim to make our plant the cleanest in Japan, and we are working on safety, quality improvement, and environmental conservation as our priority issues every single day.

Integrated support capability from R&D to industrialization

- Outstanding ability to make proposals and solve customer issues
- Provision of service solutions based on research and manufacturing technologies
- Functional representation of customer/client operations

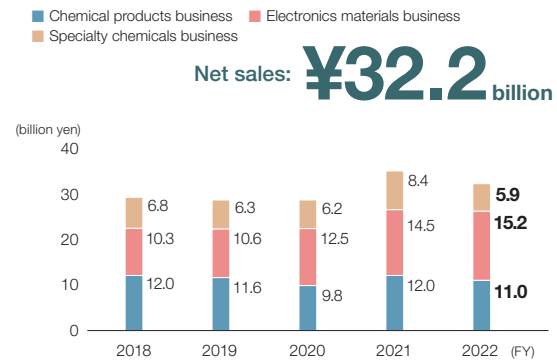


OOC's Value Creation Process



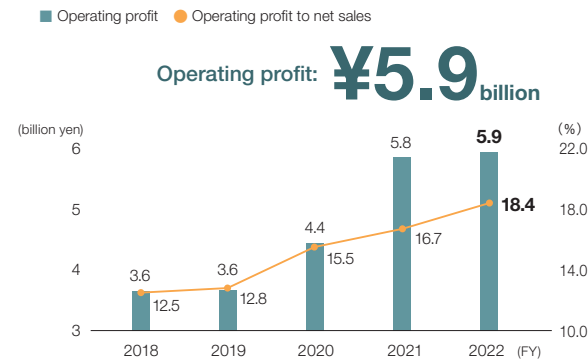
Financial Highlights

Net sales



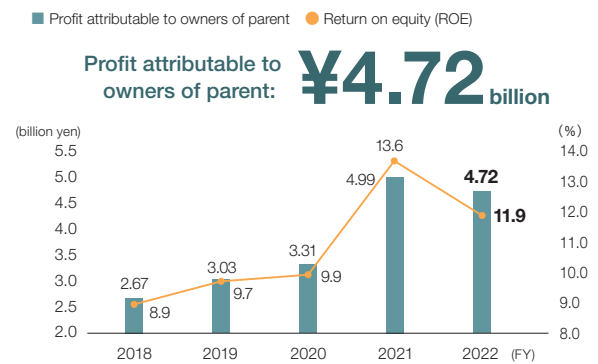
Net sales of each segment were strong. Semiconductor materials in particular continued to drive sales. Due to the application of the Accounting Standard for Revenue Recognition from this fiscal year, net sales for the current fiscal year were 32.2 billion yen. (An increase of 7.0% YOY under the previous accounting standards)

Operating profit / Operating profit to net sales



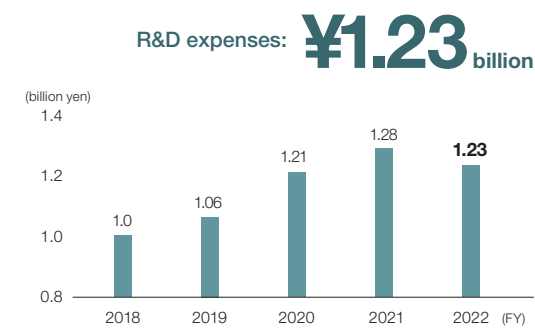
While raw material costs and fuel and electricity costs rose, operating profit was 5.9 billion yen, driven by the strong performance of semiconductor materials. (An increase of 1.4% YOY under the previous accounting standards)

Profit attributable to owners of parent / ROE



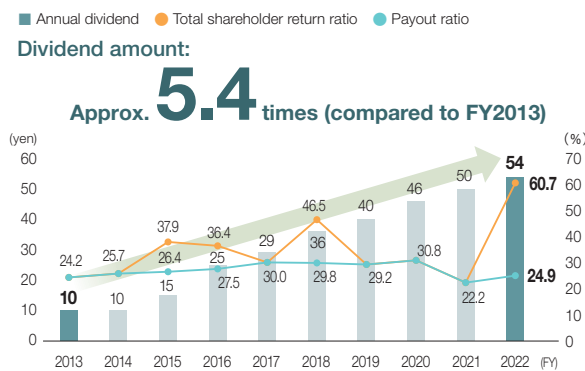
In the Medium-term Business Plan, we set a target of "ROE of over 10%" in November 2019. Although the Accounting Standard for Revenue Recognition is applied from this fiscal year, ROE has maintained the achievement of its target since the fiscal year ended November 2021.

R&D expenses



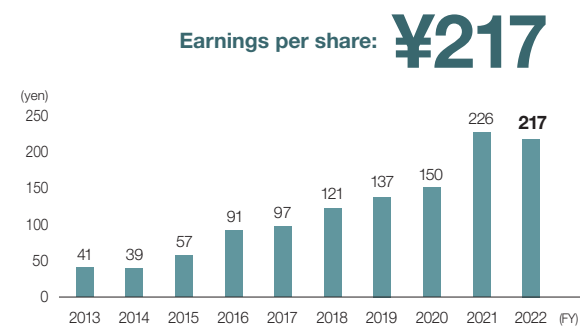
R&D expenses have been increasing at an average rate of about 6% per year.

Trends in shareholder return



The annual dividend has continued to increase over the past eight years, and the dividend amount has increased approximately five times. (compared to FY2013)

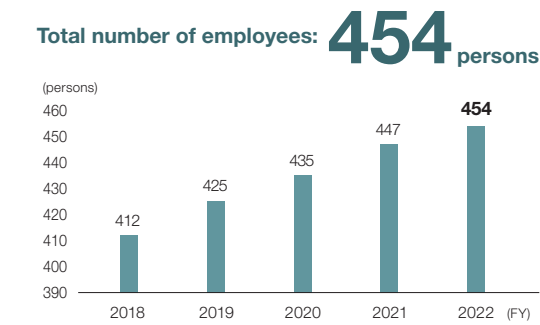
Earnings per share (EPS)



Earnings per share have trended upward over the past decade.

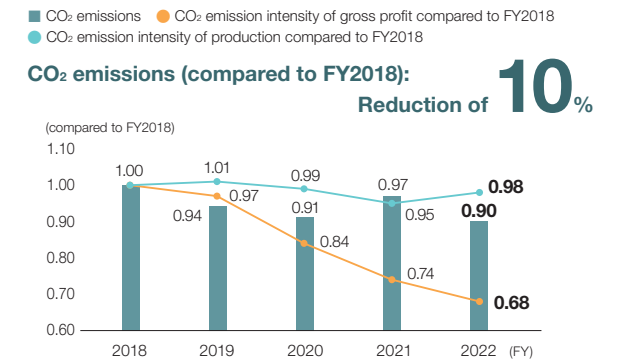
Non-Financial Highlights

Number of employees



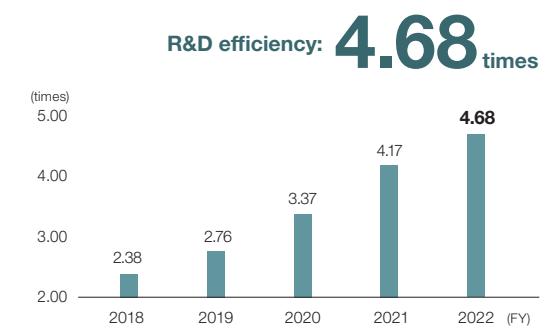
As the business expands, so does the number of employees.

CO₂ emissions



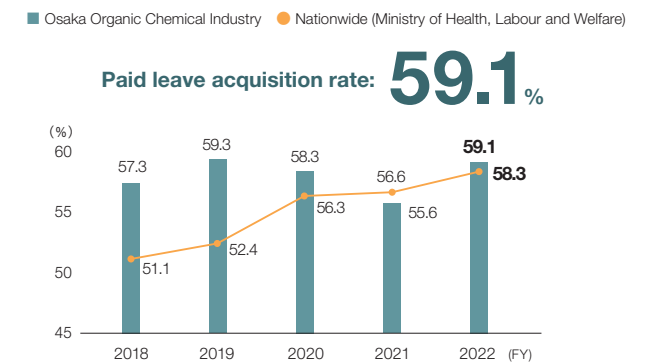
The shift to high-value-added products has led to a reduction in the emission intensity of sales profit.

R&D efficiency



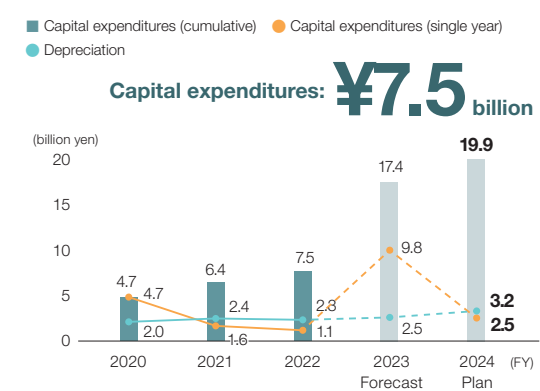
R&D efficiency shows an upward trend as we have focused our product development activities on developing high-value-added products for electronics material applications. R&D efficiency (times) = Five-year average operating profit / Five-year average R&D expenses starting from five years before the relevant five-year period

Paid leave acquisition rate



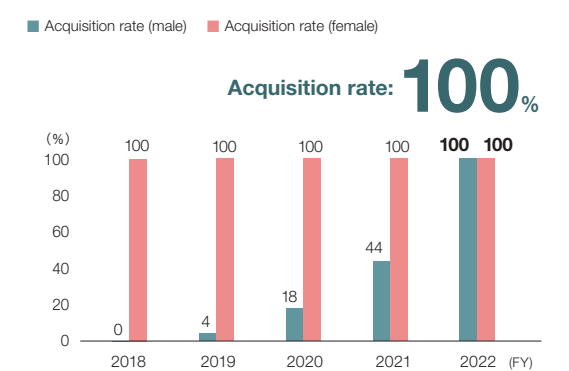
We strive to increase the paid leave acquisition rate by promoting use of the hourly paid program and other programs. National average: From the General Survey on Working Conditions [Ministry of Health, Labour and Welfare]

Capital expenditures / Depreciation



The Medium-term Business Plan envisions a total capital expenditure of about 20 billion yen from FY2020 to FY2024. A total of over 10 billion yen is planned to be invested for the remaining two years from FY2023 to FY2024.

Rate of taking childcare leave and leave for childcare purposes



When a child is born or when an application for childcare leave is made, we provide guidance on how to take childcare leave through interviews. With the revision of the Child Care and Family Care Leave Act in October 2022, a new program, "Postpartum Father's Childcare Leave (Childcare Leave at Birth)," was established. In response to this, we have also revised our regulations to create an environment that makes it easy for employees to take childcare leave.

OOC Products Used in Everyday Life

Our Products Are Invisible, but Used around You



Mobile terminals (displays)

Raw materials for color filters, adhesives, coatings, and other materials essential for product manufacturing

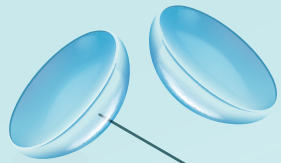
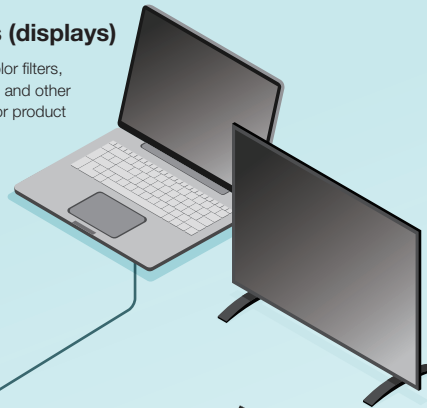
VR goggles

Raw materials for the display components of VR goggles, such as light control films and holographic optical elements



TVs and PCs (displays)

Raw materials for color filters, adhesives, coatings, and other materials essential for product manufacturing



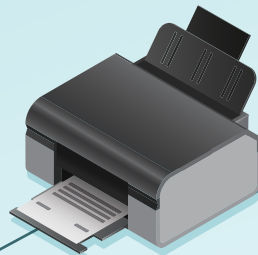
Contact lenses

Raw materials that provide contact lenses with oxygen permeability and wettability



Gel nails

Raw materials for nail products that harden quickly by being exposed to light for energy-saving purposes



Household printers

Solvents that adjust the surface tension of water-soluble inkjet printer ink



Hair care products

Raw materials that provide products with the ability to stiffen hair and add volume



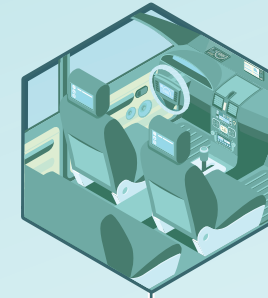
Cosmetics

Raw materials that help suppress odors, provide moisturizing and antibacterial effects, and do not require the use of paraben



Bathroom mirror films

Raw materials for anti-fogging and soil-resistant processing



Onboard vehicle monitors

Raw materials for onboard electronic device displays and integrated circuits



Monitoring cameras (rear-view monitors)

Raw materials for soil-resistant and anti-fogging processing for lenses, etc.



Vehicle top coats

Environmentally friendly and soil-resistant raw materials that provide the ability to automatically repair small scratches



Commercial refrigerator showcases

Raw materials that prevent fogging of showcase doors



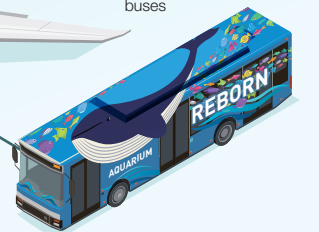
Surveillance cameras

Providing soil-resistant and anti-fogging materials



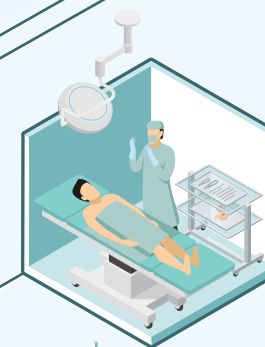
Wraps

Raw materials for UV inkjet printer ink for printing on 3D objects and curved surfaces, such as trains and buses



Paints for the bottoms of ships

Providing materials for paints used to prevent the adhesion of barnacles



Medical and surgical tapes

Raw materials used for adhesives for fixing bandages, gauze, and other dressings to affected areas



Masks and protective wear

Raw materials for processing the surface of masks for repelling water and oil



Protective eyewear

Raw materials for soil-resistant and anti-fogging processing



Cardboard

Raw materials for plastic sheets that enable printing on uneven surfaces

Top Message

We will realize sustainable growth for the long term as a company that contributes to solving social issues by demonstrating the power of chemistry unique to our company.

So far, we have communicated our business activities and have demonstrated our role as a company that contributes to society to our stakeholders through the publication of CSR Reports. From this fiscal year, we will publish an Integrated Report to provide information on our initiatives for value creation and medium- to long-term sustainable growth by reporting on our current financial and non-financial status. Since this is the first year of publication, I would like to inform you about our current management status and issues, including my thoughts, as a member of the top management, on Osaka Organic Chemical Industry Ltd. as a company



Masayuki Ando

Representative Director and CEO

A year of further focusing on customer-oriented sales and development amid market turmoil

First of all, looking back at 2022, I found that it was a year in which the distinction between business fields became clear. In the past few years, raw material and fuel costs have soared against the backdrop of the COVID-19 pandemic and geopolitical risks. Consequently, the raw material field for automobile-related paints and the flat display field were directly affected by this. Meanwhile, demand expanded in semiconductors, especially in the cutting-edge fields, due to progress in ICT, although the market was said to be in an adjustment phase. In addition, the year 2022 was characterized by extremely uncertain trends in overseas markets. We had thus far successfully exported our products to the European and U.S. markets. In 2022, however, due to supply chain turmoil, it continued to be difficult for us to know where and how much inventory was available for our customers' products, which interfered with the shipment of our products.

Under these difficult circumstances, we have strived to expand demand with one-on-one business development, or customer-oriented sales and development, as our strength. As part of our efforts, we have cooperated with our customers in various fields, especially in areas where they are more advanced. This has resulted in opportunities for us to create cutting-edge materials. Although demand for general-purpose chemicals fluctuated wildly due to turbulence in the market, we were able to do business largely unaffected by this turbulence by providing value in our products that only we could create.

Moreover, in addition to electronics materials, which have been making up an increasing proportion of our products in recent years, we provide materials that can be used as raw materials for various resins that support our lives in the fields of hair care products and housing construction materials. Accordingly, even if one business struggles, we can supplement our earnings with products in other fields. I believe that this is one of the factors that enabled us to overcome this difficult year.

Record-high profits achieved while maintaining a double-digit ROE

Although fiscal 2022 was a tough year, we were able to achieve a new record high for operating profit, while increasing the dividend for the ninth consecutive year. In addition, through continued efforts to improve ROE (return on equity attributable to owners of parent), which is one of our key management indicators, we achieved an ROE of 11.9% in the fiscal year ended November 30, 2022, reaching the double-digit level, which has been set as our target in the Second Medium-term Business Plan.

For the most recent results by segment, we have achieved good results in the chemical products business by concentrating investments on carefully selected categories to renew the product lineup. While discontinuing the handling of products with low profitability or insufficient competitiveness, we have expanded the fields in which we excel. Meanwhile, in the electronics materials business, we have strived to strengthen the development of next-generation semiconductor materials and expand sales of new display materials while being supported by the development of the digital industry. The market for these businesses has grown significantly over the past few years. In the specialty chemicals

business, we have worked to promote the development of functional polymers and expand sales of cosmetics materials and high-purity specialty solvents. One of the most significant achievements in this business was the acquisition of the acrylic resin business for cosmetics from Mitsubishi Chemical Corporation in 2020, which enabled us to develop a route for selling products to the global market. Although our sales were limited to the domestic market in the past, I expect that we will be able to develop our business with an eye on the global market in the future.

A corporate culture that honestly responds to customer issues as the backdrop to the development of highly profitable products

One of the factors that has enabled us to do business unaffected by turbulence in the market, which I mentioned at the beginning, is our history of taking on the challenge of developing products in line with growth fields in each era since our founding. When established immediately after World War II, our company was a manufacturer that mainly produced acetic esters used in paint solvents. Since then, we have refined our organic synthesis technology for making polymerization inhibitors through challenges such as becoming Japan's first domestic production of acrylic acid. Later, we started manufacturing pharmaceutical intermediate materials, and the technology cultivated through this business has led to the development of our current unique technology in the semiconductor field.

In my opinion, our strength in research and development is that we have valued opportunities in each era, rather than aiming at development in just one particular field. As I mentioned earlier, our company is characterized by customer-oriented sales and development. We have placed importance on honestly responding to customer issues and requests through close relationships with them. Before we knew it, we were often involved in development in the cutting-edge areas pursued by our customers. It can be said that our serious response to such development has led to our business development up to the present. Although considering profitability and growth potential as corporate managers, we have basically shared the desires of our customers, with the thinking that although the consequences are unknown, this is a development in an interesting field, so we will work on it to meet their expectations.

Among the roughly 500 different types of products that we have today, some products are manufactured in extremely small quantities with a lot size of only a few kilograms despite the fact that it takes a lot of time and effort to manufacture them. Although it may be pointed out that we are running an inefficient business as a chemical manufacturer, the spirit of craftsmanship is rooted in our company, where even small-lot products should be carefully manufactured to meet customer expectations. This is the foundation of our position as a corporate leader in specialty acrylates. In our company, we call the manufacture of small-lot products "takumi" (craftsmanship). While we naturally promote the automation of processes at manufacturing departments, for small-lot products, skilled operators carefully finish each item. Such high manufacturing capability at manufacturing sites is also one of our strengths. In addition to customer-oriented research and development, we have been steadily pursuing our unique production maintenance activities, the OYPM (Osaka Yuki Productive Maintenance) initiatives, for a quarter of a century. We have continued to work on these initiatives throughout the company under the slogan of "the cleanest

plant in Japan" based on the 5S principles (Sort, Set in order, Shine, Standardize, and Sustain). This has improved the ability and quality awareness of each employee, which in turn has led to the development and stable supply of products that meet customer expectations.

A new plan being formulated as a result of achieving the Long-term Business Plan targets ahead of schedule

Our current business performance is trending favorably, and at the same time, our Long-term Business Plan is progressing at a pace exceeding the initial estimate. Since we launched "Next Stage 10," a long-term business plan covering the 10-year period that began with the fiscal year ended November 2015, we have implemented various measures to accomplish the targets of this plan. As a result, it was expected that the targets would be achieved at an early stage, and we revised our targets in fiscal 2018. In addition, for the NS10 Second Five-year Medium-term Business Plan covering the period from the fiscal year ended November 2020 to the fiscal year ending November 2024 as well, which we are currently implementing, we have achieved all key management indicators two years ahead of schedule. Accordingly, we are now formulating a new long-term business plan. In this new business plan, we will set targets at least for 2030, and possibly for 2050, aiming for sustainable growth over the medium to long term, thereby hoping to meet the expectations of our investors. It is said that an invisible wall stands in the way of a company's growth when it comes to the scale of sales. One of our goals will be to break through the sales barrier of 50 billion yen through business expansion while maintaining our current high profitability. Going forward, we will continue to focus on our stakeholders, and at the same time, seek to retain earnings for investments for future growth and improve the treatment of employees, who are working hard to enhance our business performance. Through such well-balanced capital allocation, we aim to achieve sustainable growth.

Pioneering difficult fields that other companies cannot handle, without flinching from failure

In order to achieve sustainable growth in the future, it is important to further develop the creativity that we have cultivated since our founding. One of the organizational strengths of our company is that we have an environment where we can take on new challenges under

a free atmosphere with no barriers between employees. We are also good at perceiving the trends of the times and moving agilely. Looking back on our history, we have seized opportunities in growth fields in each era, such as industrial products, pharmaceuticals, and electronics materials. During that time, we have experienced many failures. However, the fact that we have continued to take on challenges without flinching from failure has resulted in the trust that our customers place in us today. Although we have found our way in various fields, we have not gone blindly. Our founder, Tatsuo Shizume, taught us to "pursue high-value-added products through the development of beneficial organic chemical products." Based on this teaching, we have developed highly profitable businesses through the development of products that other companies do not handle in any field. Our acrylic acid ester for photoresists used in a lithographic exposure process for semiconductors, which is one of our main sources of earnings, has a market share of approximately 60%. The manufacturing process is extremely complicated, and it is not easy to stably supply high-quality products. The manufacture of this product can only be achieved through customer-oriented sales, research and development, and the relentless pursuit of manufacturing on the shop floor. Furthermore, quick decision making in management, such as on the restructuring of organizations and the propriety of certain investments, is also a strength in building a competitive advantage in the market. The high degree of openness within the company, the inter-departmental collaboration born from this, good footwork, and quick decision making are the foundations of value creation at Osaka Organic Chemical Industry. This corporate culture should be adhered to even as we expand our business in the future.

Aiming to create a fourth portfolio by taking on social issues

Looking at existing businesses, we expect growth in monomers for EUV (extreme ultraviolet), which are suitable for writing finer circuits on substrates in the field of semiconductors. In the chemical products business, since we receive many requests for monomers in the non-petrochemical area, we will refine our technology so that we can create many products in the future. Although we have had limited opportunities to talk directly with our customers due to the COVID-19 pandemic over the past few years, we have actively worked on the development of new products. We have launched non-petrochemical products on the market in the chemical products business and have developed several materials for non-liquid crystal applications in the electronics materials business. Moreover, in the specialty chemicals business, there are products other than hair care products for which we could develop a market. This situation is very favorable to management. Meanwhile, as a challenge for further business expansion, we need to focus more on creating new businesses and improving technology. The business environment has changed significantly since we formulated "Next Stage 10" approximately 10 years ago. In terms of market changes, it has become essential to take on the challenge of addressing social issues, such as decarbonization and energy saving. Our products related to these issues include sensor-related products and energy conversion materials. As the demand for these products is growing rapidly, it is becoming more and more important for us to take advantage of our good footwork to respond agilely. In this context, I am fully aware that the major mission of management is to create a fourth portfolio following the chemical products business, the electronics materials business, and the specialty chemicals business. Furthermore, although we currently claim to be a corporate leader in specialty acrylates, I believe that creating opportunities in fields other than acrylic acid is also important in terms of business expansion. In order to sustainably expand our business in the future, it is necessary to create product groups that can be used not only in



Japan but also around the world and to build overwhelming production technology that can be used in the global market. Differentiation in R&D and production technology is a big challenge in the medium to long term. In fiscal 2022, we established a liaison office in South Korea, thereby taking a new step forward in overseas expansion following that in China. In the future, we will consider expanding into the U.S. and other countries.

Making fiscal 2023 a year to review our operations for new growth

While we believe that we have cleared the way for sustainable growth over the medium to long term, we are determined to persevere in fiscal 2023. The semiconductor market is expected to cool down in reaction to the special demand caused by the COVID-19 pandemic, and there are concerns that rising raw material and fuel costs will put pressure on profits. Consequently, there is a possibility that the steady increase in sales and profits that has continued for the past few years will come to an end. Nonetheless, rather than simply hunkering down and simply persevering, we would like to view the lull in performance as an opportunity to review the way in-house operations are conducted, thereby further eliminating operational waste and improving efficiency. As a chemical manufacturer, safety is our top priority. Accordingly, the maintenance of production equipment that has been in operation for a long time is also an important action that we should take. In addition, while aiming for new growth on this occasion, we will also focus on issues related to sustainability, such as employee education, improvement of the working environment, and responding to diversity. By accumulating organizational strength through these initiatives, we will move forward toward new growth. In this harsh market environment, I would like to talk about one positive topic. During the two years of the COVID-19 pandemic, we formulated a recycling plan for our production plants to cut costs, reduce energy consumption, and curb greenhouse gas emissions. As part of these activities, we have invested in initiatives such as the installation of boilers that use used solvents and reusing used solvents, which are already in progress. We expect that these initiatives will provide an opportunity to respond to social issues in the energy field in the future and contribute to our future growth.

Further promoting human capital management while leveraging the culture we have cultivated

Up until now, as stated in our Guidelines for Conduct, we have placed importance on dealing with all stakeholders with sincerity and humility. This is a set of values to which we should continue to adhere in the future. We always respond honestly to customer requests. We naturally meet the expectations of our investors and shareholders. We

are sincere in our dealings with local residents. We disclose necessary information as appropriate. Each of us, including all employees and management, will fulfill our mission with the awareness that society is always watching us. In the first year of issuing the Integrated Report, I would like all of us to reaffirm that fulfilling our responsibilities as a company in this way serves as the foundation for achieving sustainable growth. Further fostering a sincere and humble corporate culture is essential for strengthening human capital management. Recruiting, educating, and promoting human resources is one of our most important issues. It is my belief that creating a work environment where each and every employee can work comfortably, both physically and mentally, over the long term is essential for creating products with unique value. In particular, people working at production sites are more likely to be employed from communities near plants, and so they are both employees and members of the local community. It is precisely because these human resources are engaged in production activities with a high awareness of manufacturing that we are able to stably produce high-quality products with complex production processes. One of the things that I am proud of as a manager is that our company has a low employee turnover rate. This trend is not limited to business sites in Japan, but is also seen at overseas bases, such as a sales company in China that has long-term employees.

Chemistry is a "science of change" full of business potential

As I mentioned in last year's CSR Report, when we pursue growth as a corporate entity, it all boils down to how we improve each individual's esthetics. To this end, it is essential to maintain and improve a clean production site through 5S initiatives. As personal esthetics are enhanced through work, this naturally improves one's sense of ethics as a person. This eventually serves as a deterrent to misconduct in the organization. We aim to create an organization rich in psychological safety by improving personal ethics through work, thereby encouraging employees to respond sincerely to others. I believe that it is the duty of management to pursue a company where each and every employee can feel that it is fun to work at the company and that they can grow through their work, while trying to improve the treatment of employees. As someone who was originally a researcher, chemistry is a very interesting field for me, as it is said to be a "science of change," and is full of business potential. I would like all employees, including new employees, to feel this first hand. When I imagine the future of Osaka Organic Chemical Industry, I think that it is a really exciting company. Looking at the market environment, in the field of mobile communication, mobile communication standards are evolving to 5G and 6G. In the field of automobiles, electric vehicles and self-driving technology have made dramatic progress, and even flying cars have appeared. Meanwhile, there is an urgent need to address global warming, including environmental and energy issues. With all things considered, it is the power of chemistry that greatly contributes to the advancement of technology and the resolution of social issues. If our company can play a part in that, we can only look forward to it. Of course, we are fully aware that it is not easy to turn business opportunities into business realities to pursue profitability. However, I am confident that we will be able to open up a bright future for our company if each and every employee, led by management, honestly responds to customer requests while enjoying their work. Going forward, we intend to make even more proactive efforts to disclose information to investors and other stakeholders through the publication of Integrated Reports and other means. Meanwhile, the value and attractiveness of Osaka Organic Chemical Industry cannot be expressed in numbers alone. Now that the COVID-19 pandemic is winding down, we hope you will deepen your understanding of our business by experiencing it on-site through plant tours and other opportunities. We look forward to your continued support in the future.

Medium- to Long-term Business Plan



We started formulating a new Medium-term Business Plan, aiming to realize a sustainable society and further develop our group.

Tetsuya Watanabe
Director, Corporate Officer,
General Manager of Corporate Planning Division

Medium- to Long-term Business Plan Next Stage 10 NS10 (from FY11/15 to FY11/24)

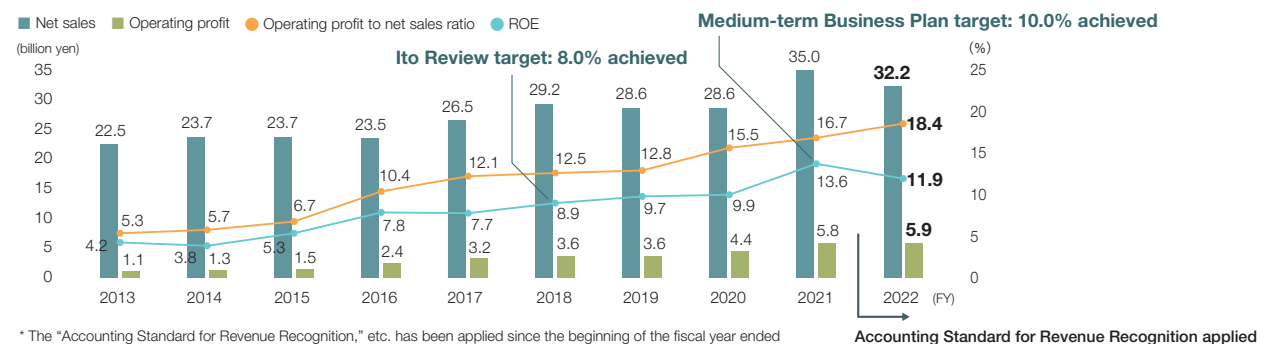
We formulated a 10-year Medium- to Long-term Business Plan (NS10) starting from the fiscal year ended November 30, 2015, and have been working on R&D, market cultivation, production system reinforcement and management foundation reinforcement. As a result, since we expected to achieve our originally set sales and operating profit targets ahead of schedule, we revised our numerical targets upward twice, in January 2018 and November 2019. Then, we formulated the NS10 Second Five-year Medium-term Business Plan (MTBP) starting from the fiscal year ended November 30, 2020 (from the fiscal year ended November 30, 2020 to the fiscal year ending November 30, 2024), aiming for further business expansion and higher profitability. In this Second MTBP, in addition to consolidated net sales and consolidated operating profit to net sales ratio, our group positioned ROE (return on equity attributable to owners of parent) as a key business indicator and set the following targets for the key indicators.

In recent years, there have been major changes in the business environment, including the COVID-19 pandemic, strained relationships between the U.S. and China, and the worsening situation in Ukraine. Even in this situation, we implemented various measures based on our Medium-term Business Plan, including acquisition of a hair cosmetics materials business, aggressive capital investment in the semiconductor-related business and establishment of a Korea Office. As a result, we steadily expanded our business performance and achieved our targets for FY2024 two years ahead of schedule. (The sales were calculated based on the previous accounting standards.) With NS10, we are now more prepared than ever before to tackle various issues from a medium- to long-term perspective. We have made dramatic progress in product consolidation, flexible production system establishment and cost reduction, which would have been difficult to achieve by short-term activities, leading to the realization of high profitability. Furthermore, we have been vigorously promoting initiatives on environmental issues, including the realization of carbon neutrality, which is an urgent and critical social issue. For example, we believe that we have been taking prompt measures to make various facilities more energy efficient and use renewable energy at plants, add biomass acrylates to the lineup in the sales field and begin acquiring new technologies that will significantly reduce carbon dioxide emissions in the research field.

Changes in Medium- and Long-term Targets

	Initial target (Announced January 2015)	Revised target (Announced January 2018)	Second MTBP target (Announced November 2019)
Net sales <small>(New accounting standards)</small>	—	—	—
<small>(Previous accounting standards)</small>	¥30.0 billion or more	¥35.0 billion or more	¥37.0 billion or more
Operating profit	¥3.0 billion or more	¥3.5 billion or more	¥5.0 billion or more
Operating profit to net sales ratio	10% or above	10% or above	13.5% or above
ROE	—	—	10% or above

Changes in Long-term Performance

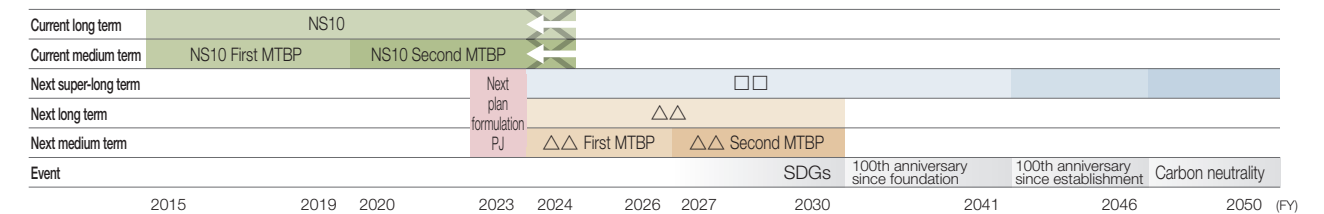


* The "Accounting Standard for Revenue Recognition," etc. has been applied since the beginning of the fiscal year ended November 30, 2022.

Next Medium-term Business Plan

In light of the fact that we achieved the numerical targets announced in the current Medium- to Long-term Business Plan (NS10) ahead of schedule as well as a change in accounting standards to conform to the Accounting Standard for Revenue Recognition, we had repeated discussions to revise the numerical targets. As a result, instead of revising the figures, we decided to terminate the current Medium-term Business Plan without waiting for the final fiscal year (FY2024) and to start the new Medium-term Business Plan one year ahead of schedule. We launched a project consisting mainly of young members who will lead the next generation and are currently formulating a new Medium-term Business Plan. With this plan, we intend to

demonstrate our strong will not only to further expand our business performance but also to proactively address social issues, such as the declining birthrate, the aging population, and diversity and inclusion, in addition to the aforementioned carbon neutrality, in order to realize a sustainable society. The results of and experience with NS10, which led to great achievements, gave the company and me tremendous confidence. I was involved in the plan from its formulation process. We will achieve the plan that we created ourselves, and then we will create an even better plan and pass it on to the next generation. I definitely want as many of our employees as possible to have this kind of experience in this project.



Digital Transformation (DX) Initiatives

We have been actively introducing and utilizing IT. As a result, we were able to go beyond mere operational improvements, such as increased work efficiency and accuracy through the use of digital data, and quickly expand into the analysis of quality and production data. We believe that this has contributed greatly to the huge strides of our semiconductor-related business, which requires strict production control. Furthermore, since we introduced TV and web conferencing systems and a remote work system significantly early on, we were able to respond quickly to emergencies during the COVID-19 pandemic, such as employees being forced to telecommute or unable to go on business trips. These systems not only helped to control the spread of infection but also contributed greatly to the continuation of order receipt, production and other operations without delay as well as a stable supply. They are also linked to the promotion of work style reforms for employees. In the meantime, to maintain global competitiveness and create further value for differentiation, we must go beyond this mere use of IT to promote DX. Therefore, in December 2021, we moved our

IT department to the Corporate Planning Division in order to establish our DX promotion system. At the same time, we also appointed a Manager in charge of DX. We have set up a system to consolidate company-wide information on digitization and IT with the Manager in charge of DX, who will take the lead in carrying out various projects. In August 2022, we formulated our "DX Policy" to show internally what DX is and what our priorities are within the company. At this point, we are still in the trial-and-error stage; however, by promoting digitization for overall optimization and effectively utilizing resulting data, we hope to create value for differentiation that is unique to our company by developing new materials and providing ultra-high-quality products. In particular, in order to maintain our competitiveness in the electronics materials business, where technological innovations are remarkable, we are eager to do whatever we can do, from the review of our core systems to accumulation and analysis of quality and manufacturing data and practical use of Materials Informatics.

- DX Policy - (excerpt)

To enhance resilience and attain sustainable development, our group will achieve the following items through the use of digital technology.

- 1. Safe operations**
Eliminate problems and errors to achieve safe operations.
- 2. Promotion of new product development**
Promote the development of new products through the introduction of Materials Informatics (MI) and other advanced technologies.
- 3. Increase in productivity**
Increase productivity and improve the company's competitiveness. Furthermore, achieve a work-life balance by improving work efficiency to reduce workload.
- 4. Improvement of quality**
Improve the accuracy and quality of deliverables through the use of digital data.
- 5. Reduction of environmental burden**
Obtain data affecting the environment in real time to strive to reduce environmental burden by GHG emissions control and other means.
- 6. Promotion of diversity**
Create a comfortable work environment for everyone by introducing AI, robots, etc.
- 7. Reinforcement of supply chain management (SCM)**
Promote IT across the entire supply chain to reinforce SCM.
- 8. Streamlining of sales activities and reinforcement of marketing**
Strive to improve and optimize the efficiency of sales operations. Furthermore, quickly grasp changes in customer needs and provide new value to customers.

Business Domains of the Osaka Organic Chemical Industry Group

Message from Corporate Officer Responsible for Business Operation

Based on acrylic acid esters, we provide materials that serve as raw materials for a variety of resins that support our daily lives.



Motomi Ogasahara

Director, Corporate Officer, General Manager of Business Operation Division and Manager of International Business Department

Business domains

Osaka Organic Chemical Industry has three business segments: chemical products, electronics materials and specialty chemicals. In the chemical products business, we offer acrylic acid esters that add functionality to automotive and architectural paint, photo-curable printing inks and coatings, and specialty adhesives for displays.

Products that we offer in the electronics materials business include resists used in the manufacture of liquid crystal displays (LCDs) for televisions, PCs, smartphones and other IT devices, and monomers for semiconductor resists, which are essential for the manufacture of advanced semiconductors, the brains and memory devices needed to run electronic devices.

Products that we offer in the specialty chemicals business include resins used in hair gel, hair wax, shampoo and other cosmetics, moisturizing ingredients for skin care cosmetics, special solvents for water-based inkjet inks, and hydrophilic coating materials to prevent lens fogging and fouling.

Our business areas are significantly broad and diverse, and all of our products are indispensable to our daily lives even though people rarely see them directly. While digitization and IoT are accelerating around the world, efforts are also needed to address climate change, reduce energy consumption and solve other social issues.

In this context, in the field of electronics materials, advanced

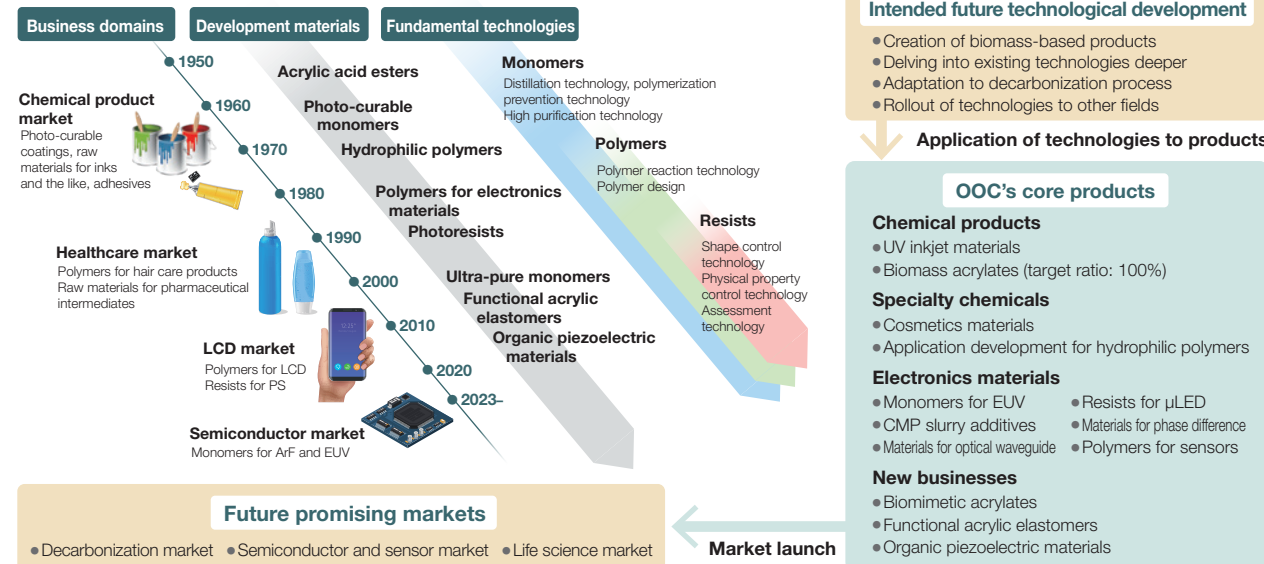
semiconductors that achieve high-speed processing of huge amounts of data with low power consumption are necessary for the further evolution of AI and digital control technologies and their widespread implementation in society. As advanced semiconductors are becoming increasingly finer patterned and packaged in high densities, manufacturing them requires a stable supply of high-performance, high-quality materials. We are committed to meeting our customers' expectations through the development and stable supply of a variety of materials.

Furthermore, the use of petrochemical feedstocks, which are fossil resources, produces carbon dioxide gas, which contributes to climate change. In the chemical products business, we provide specialty acrylic monomers to ink, paint, adhesive and various other fields. While shifting raw materials for these products from conventional petrochemical-based to biomass-based, we will continue to strive to realize a sustainable society by taking on the challenge of achieving carbon negativity through process and other technological innovations in the future.

In the cosmetics field of the specialty chemicals business, we place the highest priority on providing high-quality, safe and reliable cosmetics materials. We will continue to create products that make people happy, rich and impressed and deliver them from Japan to the world.

Osaka Organic Chemical Industry will continue to develop products that are never seen but meet our customers' expectations and contribute to a sustainable society.

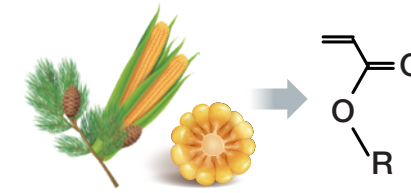
Development of In-house Technologies



Chemical Products Business



Raw materials for paint



Biomass acrylates

Please refer to the website for details of the products. <https://www.ooc.co.jp/products/chemical/>



[Products]

Raw materials for paint They are used in automotive, smartphone and other applications and can impart high reactivity, high adhesion and other functions that cannot be achieved with general-purpose products. Due to their high purity, they have low coloration, low viscosity and other advantages.

Raw materials for adhesives They can be used for regular solvents as well as UV-curable and anaerobic adhesives. Other advantages include low coloration, low viscosity and low odor, similar to those for paint.

Environmentally friendly acrylates As part of our initiatives to help achieve the Sustainable Development Goals (SDGs), we are developing acrylates made from biomass-derived (plant-derived) or recycled raw materials.

[External environment and company status]

		OOC's status	
		Opportunity	Threat
External environment	Strength	<ul style="list-style-type: none"> Market launch of new biomass acrylates Downstreaming of applications Low CO₂ emissions monomers 	<ul style="list-style-type: none"> Price offensive by China and Korea Technology leakage Compliance with CO₂ emissions regulations
	Weakness	<ul style="list-style-type: none"> Strengthening of overseas sites Import of biomass materials and bionaphtha Unclear concept that "CO₂ emissions reduction leads to increased customer value" 	<ul style="list-style-type: none"> Many new applications originating overseas Vulnerable to exchange rate fluctuations Response to foreign-currency advance payment transactions Compliance with local laws and regulations in overseas countries

[Strategy]

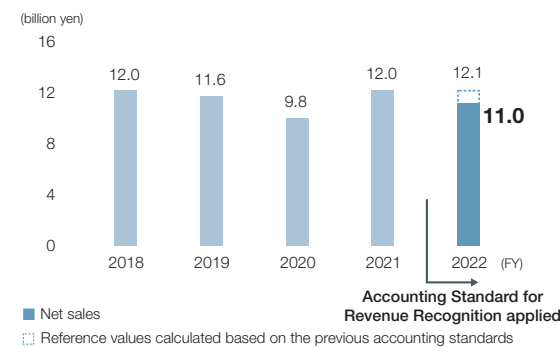
We will build an absolute position in the global market for specialty acrylic acid esters by concentrating our resources on high-purity products that stand out due to our outstanding distillation and purification technology and by continuously launching new products utilizing our organic synthesis technology.

[Medium-term plan]

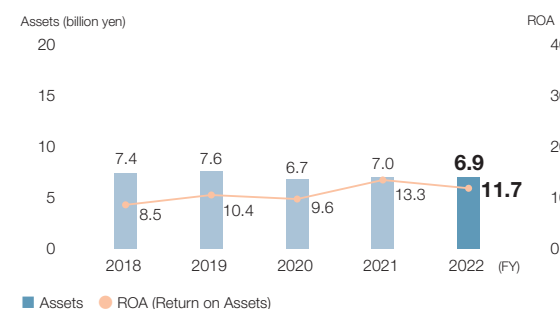
We are implementing product consolidation as a measure to improve the profitability of unprofitable items.

To make inroads into new markets and create environmentally friendly products, we have launched biomass acrylates (Viscoat #E series), low CO₂ emissions products.

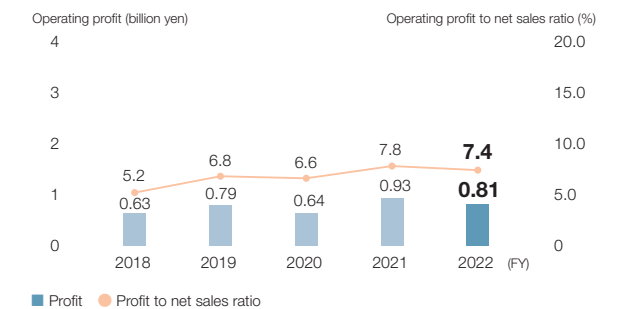
Net sales



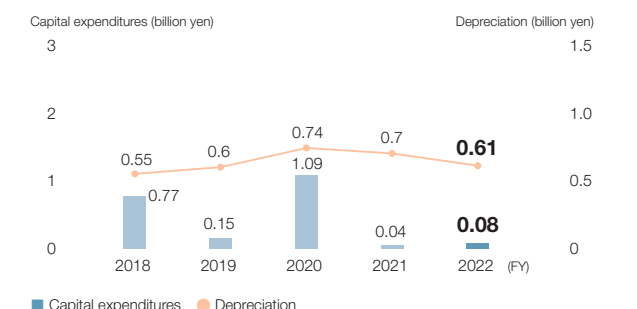
Assets / ROA



Operating profit / Operating profit to net sales ratio



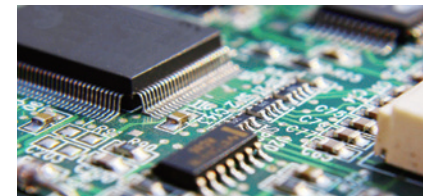
Capital expenditures / Depreciation



Electronics Materials Business



Display materials



Semiconductor materials

Please refer to the website for details of the products.
<https://www.ooc.co.jp/products/electronic/>



[Products]

Display materials We develop photo-curable resists, such as patternable materials and optical materials for displays and sensors with advanced functionality, as well as polymers for these resists.

Semiconductor materials We are developing new, high-quality acrylic monomers, including adamantyl monomers and lactone monomers, which are raw materials for resists used for manufacturing semiconductor materials.

[External environment and company status]

		OOC's status	
		Opportunity	Threat
External environment	Strength	<ul style="list-style-type: none"> Display materials: Reinforcement of development of next-generation display and sensor materials; Rapid development of innovative new products in line with customer demand Semiconductor materials: Supply chain including specialty raw materials; Unparalleled performance in the market 	<ul style="list-style-type: none"> Display materials: Proposal and development of environmentally friendly resists and other materials; Flexible material proposals and development of new applications by leveraging our ability to handle integrated production from raw materials Semiconductor materials: Too high market share
	Weakness	<ul style="list-style-type: none"> Display materials: Capturing demand as customers shift production to high-value-added small- and medium-sized displays; Sales and market share expansion in existing high-value-added fields; Development of new customers and new applications by taking advantage of overseas sites, etc. Semiconductor materials: Tools for gathering information overseas; Rise of alternative technologies 	<ul style="list-style-type: none"> Display materials: Development of raw material suppliers that are not dependent on specific countries; Promotion of consolidation of general-purpose LCD-related materials; Establishment of global alliances; Niche strategy for gaining benefits as remaining players Semiconductor materials: BCP (production, raw materials and products on consignment); Raw materials dependent on specific countries

[Strategy]

Display materials By utilizing our high quality control capabilities and core technologies developed in the existing business, we will further increase the ratio of high-value-added products in the existing business, expand new applications, develop next-generation materials and roll them out to peripheral materials.

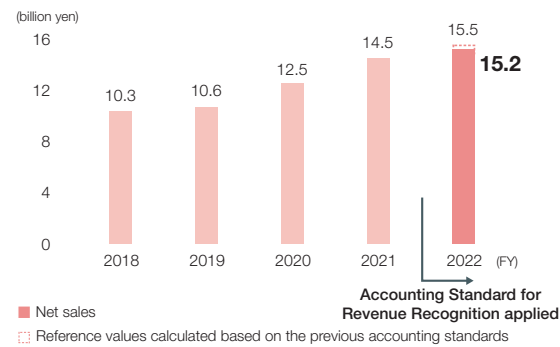
Semiconductor materials We will promote the development of new products and the enhancement of the competitiveness of existing products by leveraging our synthesis, production and quality control capabilities and our production flexibility, ranging from small-lot to mass production. Furthermore, we will promote the capturing of new needs arising from generational transitions and application developments, as well as the rollout to peripheral materials.

[Medium-term plan]

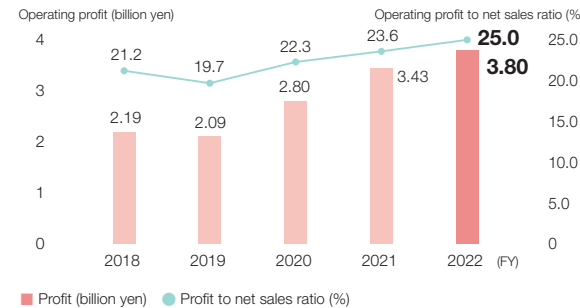
Display materials We aim to create new businesses by utilizing the technological capabilities cultivated in our existing businesses to promote the development of materials not only for next-generation displays but also for sensors and communications. We will promote the establishment of a supply chain and alliances with a medium- to long-term perspective to enhance competitiveness.

Semiconductor materials We will secure production capacity for the medium to long term through upfront capital investment. We will build a strong supply chain from a medium- to long-term perspective. We will actively develop new products to improve our technology and management capabilities. We will pay close attention to market trends and respond flexibly to market transitions.

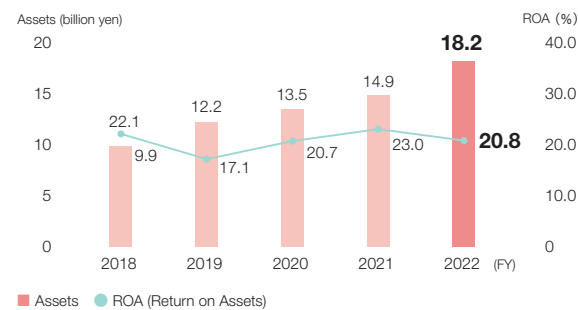
Net sales



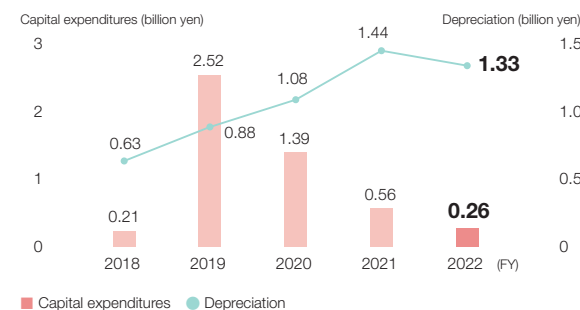
Operating profit / Operating profit to net sales ratio



Assets / ROA



Capital expenditures / Depreciation



Specialty Chemicals Business



Cosmetics materials



Functional materials

Please refer to the website for details of the products.
<https://www.ooc.co.jp/products/function/>



[Products]

Cosmetics materials We provide, domestically and internationally, acrylic resins for cosmetics used in hair styling, hair care, and hair coloring products as well as alkanediols for cosmetics used as a moisturizing ingredient in lotions and face masks.

Functional materials Using specialty acrylic acid esters, we provide super-hydrophilic coating materials, biocompatible materials and other materials. We also provide high-purity solvents for electronics materials by utilizing our high purification technology.

[External environment and company status]

		OOC's status	
		Opportunity	Threat
External environment	Strength	<ul style="list-style-type: none"> Increase in non-petroleum-derived products Increase in need for special functionality in the high-tech field High-purity products for electronics materials 	<ul style="list-style-type: none"> Numerous competitors Change in market trends Environmental issues
	Weakness	<ul style="list-style-type: none"> Overseas network Assessment technology for end-use applications 	<ul style="list-style-type: none"> Stricter management of chemical substances Environmental issues

[Strategy]

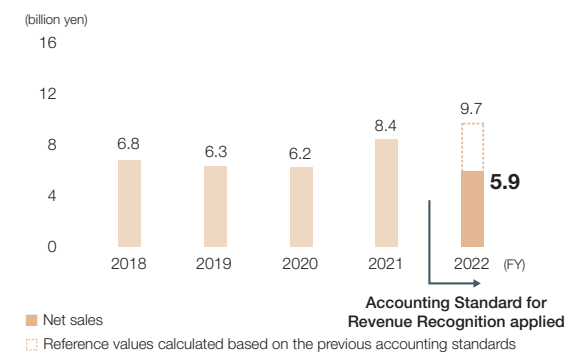
We will provide materials with special functionality to the global market by utilizing our specialty acrylic acid ester polymerization technology and high purification technology. We will work to develop non-petrochemical materials, carbon-recycling materials and biodegradable materials that are in accordance with the market trends changing with the growing interest in the SDGs.

[Medium-term plan]

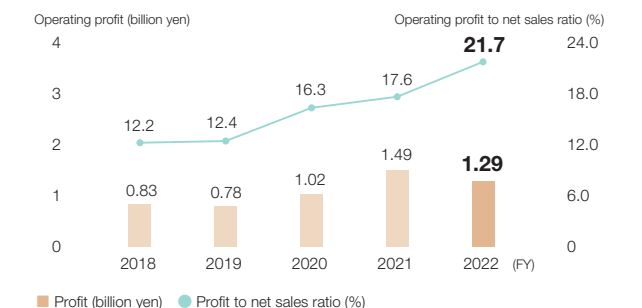
In the area of cosmetics materials, we will offer products that are in accordance with the trend to use paraben-free and sulfur-free products. We will also strengthen our sales network in ASEAN and other Asian nations that have high market growth rates to develop products tailored to the needs of each region.

In the area of functional materials, using specialty acrylic acid esters, we will promote the development of super-hydrophilic coating materials, biocompatible materials and other functional materials. Furthermore, we will leverage our strength in high purification technology to develop high-purity solvents for electronics materials and functional additives used in the semiconductor field.

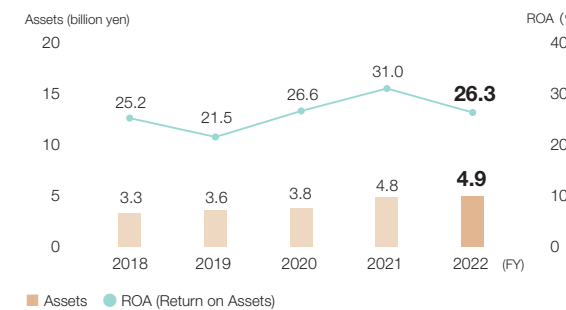
Net sales



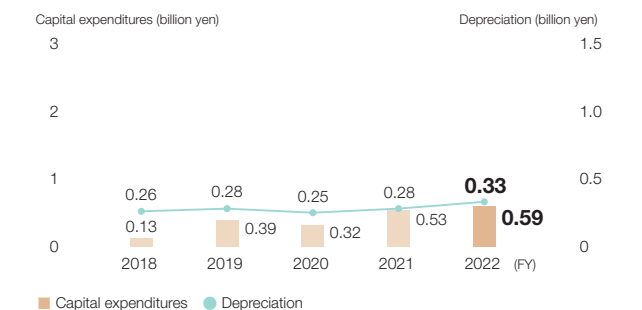
Operating profit / Operating profit to net sales ratio



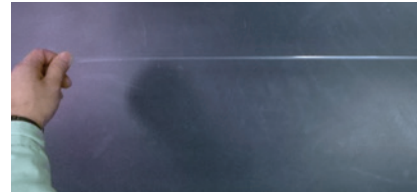
Assets / ROA



Capital expenditures / Depreciation



Research & Business Development Office



Functional acrylic elastomer materials



Organic piezoelectric materials

Please refer to the website for details of the products.
<https://www.ooc.co.jp/research/project/>



[Products]

Newly developed products

Using our proprietary acrylic acid esterification, specialty polymerization and compounding technologies, we developed stretchable acrylic elastomer materials with high stretchability and flexibility; stretchable conductive materials that are acrylic elastomers with conductivity; and organic piezoelectric materials with flexibility. We intend to roll them out as materials for the wearables, sensors, actuators and robotics fields. In addition to the above, we are also developing environmentally friendly functional materials made of biomass.

[External environment and company status]

		OOC's status	
		Opportunity	Threat
External environment	Strength	<ul style="list-style-type: none"> Development of highly stretchable acrylic elastomers and organic piezoelectric materials with both flexibility and piezoelectricity Owning acrylic monomers derived from biomass 	<ul style="list-style-type: none"> Promotion of development of various sensors and other devices for a smart society due to advancements in IoT and AI Acceleration of initiatives to achieve the SDGs and a decarbonized society
	Weakness	<ul style="list-style-type: none"> Insufficient knowledge of services (applications, software, etc.) in the target areas Insufficient knowledge of processing technologies, such as film and device fabrication 	<ul style="list-style-type: none"> Emergence of inexpensive competing products with similar characteristics Delayed launch in the wearables and robotics markets Rising prices of raw materials and infrastructure

[Strategy]

Through clarification of target markets and deep pursuit of joint development, we will create new value based on specialty acrylics and biomass to establish next-generation business pillars.

[Medium-term plan]

We are working to launch new products in new business areas, including elastomer-related materials and organic piezoelectric materials, and to establish new business areas with these product groups as pillars. We are also accelerating the development of new environmentally friendly products, including biomass-derived materials.

The 72nd "Industrial Technology Award" Received from the Osaka Industrial Research Association

Award theme: "Development of Highly Stretchable Acrylic Elastomers and Stretchable Conductive Materials"

<Background of the development>

We are promoting efforts to achieve the SDGs. UV-curable acrylic monomers are environmentally friendly materials that can reduce the environmental impact of volatile organic compounds (VOCs) because they do not require solvents during curing.

We were one of the first to recognize these monomers and have been developing them since the late 1970s.

Based on core technology, the Advanced Technology Research Institute designed and developed the "Suave" series of highly flexible, stretchable elastomers that fully utilize the characteristics of acrylic materials, with the aim of entering the wearables and robotics fields. We are also developing the "Suave-EL" series of stretchable conductive materials.



Award ceremony: May 20, 2022



Stretchable conductive material "Suave-EL" series

Message from Corporate Officer Responsible for R&D

OOC's Value Creation



Yusuke Tokuda

Corporate Officer, General Manager of R&D Division

We have major three business segments: chemical products, specialty chemicals and electronics materials (display materials and semiconductor materials). The products in these fields can be technically classified as monomers, water-soluble polymers, resist materials and specialty monomers for semiconductors, and in all of these fields, our core technologies of organic synthesis, monomer synthesis and polymer synthesis play a central role.

One of our key features is that our researchers interact directly with our customers to gain a firm grasp of their requirements and can propose solutions that meet their latent needs. Although the COVID-19 pandemic drastically reduced opportunities for face-to-face dialog, I feel that, on the contrary, the spread of web conferencing increased the frequency of meetings, which has speeded up the development process in some aspects.

Regarding specialty acrylic acid esters, we are actively developing biomass acrylates produced with less use of raw materials derived from petrochemical resources, and we are promoting proposals to the market. To achieve a BRC ratio of 100%, it is necessary to manufacture acrylic acid itself from biomass resources or to monomerize bio-based substances, and we are conducting research through these approaches. Although acrylic acid esters are difficult monomers to produce since they are extremely easy to polymerize, we can stably produce them thanks to our technology and know-how accumulated over more than 50 years. Furthermore, the production of high-quality acrylic acid esters requires a high level of purification technology, including the use of appropriate polymerization inhibitors, crystallization and distillation. In the development of new monomers with new functionality, there are many cases in which conventional know-how cannot be applied, and for this reason, we are continuously developing new polymerization prevention technologies and new purification methods. Furthermore, we are also examining the possibility of applying our expertise in water-soluble polymers as base materials for cosmetics to other fields by taking advantage of the characteristics of our proprietary carboxybetaine monomers. Specifically, they have good properties in terms of biocompatibility and pigment dispersion, and we are developing applications in each of these fields. In the display business field, we are developing microlens, barrier rib material and other products using the shape control technology for negative resists that we have cultivated. To expand the application to flexible substrates and components used for OLEDs, materials that cure at lower temperatures are required. Since this is an issue that cannot be broken through by the application of conventional technologies, we would like to achieve this goal with the help of external research institutions.

In the field of cutting-edge semiconductor materials, significantly high-purity products are required, and with finer patterned semiconductors due to the transition from ArF to EUV lithography, the market demands are stricter every year. To prevent the contamination of sub ppb-order metals and unknown impurities, it is necessary not only to control raw materials but also to properly select pipes, filters and other wetted parts. We are also working to identify substances that may be mixed in from parts and conducting research on equipment cleaning methods, thereby accumulating in-house know-how as manufacturing technologies. However, we have difficulty in making our own proposals for monomers for EUV resists and the pattern forming materials required beyond, and we would like to make proposals to our customers while incorporating external knowledge.

Since the Kanazawa Laboratory is located within the Kanazawa Plant site, where the bench plant and the production plant are located, we have a structure to quickly expand the scale from the laboratory to kilos and then to tons. Since know-how has accumulated within each segment and become more unique, it has become difficult to share know-how among segments, so we share our know-how through monthly meetings of research leaders, etc. At the Osaka Laboratory (CREO Research Center), completed in 2020, research and development of resist materials and products in new fields are conducted. In the development of new fields that are slightly different from the traditional business fields, our knowledge base tends to be smaller. Therefore, we conduct research and development activities from a medium- to long-term perspective, incorporating external knowledge, for example, through joint research with external research institutions, taking advantage of being located in Osaka. As an important KPI in R&D, we monitor the 4-year New Product Vitality Index (NPVI). This KPI is the ratio of the total sales of new products launched in the last four years to the total sales of all products. The NPVI in FY2022 was 12.1%. This is a significant increase over the past four years, when the rate was about 7%. In the semiconductor field, due in part to the rapid pace from development to mass production, the NPVI far exceeded the target of 10% in FY2022, largely owing to the impact of the adoption of materials for next-generation semiconductors. In the monomer and life science fields, however, the assessment period leading up to adoption of a product is long, and thus it takes approximately 10 years before it can contribute to sales. In this aspect, we believe that it is important to continuously propose new products to the market every year in the field of chemical products and specialty chemicals, and we review customer needs from the Business Operation Division and seeds proposals from the R&D Division once a quarter in order to formulate new themes.

Message from Corporate Officer Responsible for Finance

Through more effective use of equity capital, we aim to become a company that contributes to the development of society together with our customers.

Soichi Honda

Director, Corporate Officer,
General Manager of Administration Division



We will strive to further strengthen our investor relations activities, including the publication of integrated reports.

My name is Soichi Honda, the General Manager of the Administration Division at Osaka Organic Chemical Industry Ltd. ("OOC"). In addition to accounting, finance and investor relations areas, I am currently in charge of areas related to ESG management at OOC. In this section, I explain the financial situation at OOC as the corporate officer responsible for finance.

After joining OOC, I was engaged in research before moving to sales. In 2015, I became the General Manager of the Administration Division, and my scope of work has expanded along with the expansion of the business, including personnel system reforms, corporate governance and investor relations. Now, I am responsible for administrative operations, including accounting and finance.

With the publication of our first integrated report, we intend to further focus on investor relations for institutional investors and other stakeholders. In this role, as the General Manager of the Administration Division, I intend to focus on engagement with all of our stakeholders, leveraging the strengths of my comprehensive knowledge of personnel, products and money at OOC, from R&D to manufacturing and sales.

At the company information sessions for individual investors held in Tokyo and Osaka in January 2023, we received encouraging comments, such as "I would like you to talk more about dreams for the future of Osaka Organic Chemical Industry." We will strengthen our efforts to provide information to meet stakeholder expectations. We also intend to once again hold plant tours and other events that have been

suspended due to the COVID-19 pandemic, in an effort to help participants understand the appeal and future potential of OOC.

We have continued to increase dividends for eight consecutive years since 2015, and our total return ratio in 2022, including share buybacks, was approximately 60%.

During the COVID-19 pandemic, which lasted approximately three years, we almost doubled our cash and deposits to be prepared for unforeseeable circumstances, since the start of the spread of infection coincided with the time when we put new equipment into operation. Furthermore, we considered entering into a commitment line agreement; however, we did not do so as a result. Thanks to the strong performance of our electronics materials business, especially semiconductor materials, we were able to weather the COVID-19 pandemic without any financial difficulties.

Due to the application of the "Accounting Standard for Revenue Recognition," for the fiscal year ended November 30, 2022, figures were calculated using a different method from the previous one. Due to strong performance in the electronics materials business and the specialty chemicals business as well as price pass-through for raw materials in the chemical products business, overall revenues increased 7% over the previous year based on the previous standard. Operating profit and ordinary profit also increased 1.4% and 1.8%, respectively, while profit attributable to owners of parent decreased 5.5%. The reason for the decrease in profit from the previous fiscal year is that we had a gain on the sale of policy shareholdings in the previous fiscal year and we did not in FY2022.

With regard to dividends, we strive to pay stable and continuous dividends with a 30% payout ratio as a guideline while maintaining a sound financial position. We have continued to increase dividends for eight consecutive years since 2015. Furthermore, we repurchased approximately 1.7 billion yen of our own shares in 2022, bringing the total return ratio to approximately 60%.

With regard to the current equity ratio of nearly 80%, we are aware that some have pointed out that the ratio may be too high. However, as a corporate leader in specialty acrylates, since we often supply products that only we can manufacture or have a high market share in a one-to-one relationship with each customer, it is important to earn the trust of our customers, which also requires a sound financial situation. Furthermore, the semiconductor materials, which are today's top earners, have been commercialized after approximately a quarter of a century of research and development. A certain amount of equity capital is essential to enable continuous research and development over the long term. We maintained a double-digit return on equity (ROE) of 11.9% for the fiscal year ended November 30, 2022, as a result of our continued efforts to cultivate highly profitable fields, including semiconductor materials. We will continue to place emphasis on improving capital efficiency without settling for the status quo.

We are steadily making investments for medium- to long-term growth even in an environment where the market outlook is difficult to predict.

For FY2023, we believe that rising interest rates, exchange rate fluctuations and market turmoil caused by geopolitical risks could be negative factors for our performance. In the consolidated forecast announced on January 12, 2023, we had assumed that the chemical products business and electronics materials business would struggle in the first half and recover in the second half and that depreciation and amortization expenses would increase due to higher capital investment, resulting in an expected increase in revenue but a decrease in profit. However, due to the significant impact of sluggish demand, especially for electronics material applications, such as displays and semiconductors, we revised our consolidated forecast on April 7, 2023 to a decrease both in revenue and profit compared to the previous year.

Regarding capital investment, we are currently investing 7.5 billion yen to raise the production capacity of the Kanazawa Plant by 60% for semiconductor materials, for which demand is strong in FY2023. This is based on our plan from FY2020 and is intended to increase the production of monomers used in resists for semiconductors, which are one of our main products and indispensable for the manufacture of electronic devices around the world. Construction is generally proceeding according to schedule. With market conditions temporarily uncertain in FY2023, we will closely monitor sales conditions and steadily make investments for medium- and long-term growth while considering the optimal balance between cash on hand and debt financing.

Regarding the long-term business plan, we were able to achieve most of the key financial indicators, such as net

sales, profit to net sales ratio and ROE, as of last fiscal year, due in part to favorable market conditions. We are currently working on a new long-term business plan ahead of schedule.

We will focus on developing financial strategies and investor relations that meet the expectations of our stakeholders.

As for the future, firstly, we will strive to further improve our recent performance, but also to expand our business while maintaining a high level of profitability. In our company, the field of materials for semiconductors is growing and promising materials are appearing one after another in new areas. From a financial perspective, this means that we need to strengthen our financial position to enable us to invest in research and development to open up new areas of business. In the past, when the core of our business was contract manufacturing, the cost to sales ratio was about 80%, the SG&A to sales ratio was 12 to 13% and the operating margin was only the remaining few percent. In contrast, the cost to sales ratio has dropped to 70% over the past few years, resulting in an operating margin of around 15%. This allows us to continue to generate funds for future-oriented R&D and capital investment.

Going forward, we will firmly meet the expectations of institutional investors and other stakeholders by steadily promoting sustainable growth over the medium to long term through investments aimed at creating new value. Our management philosophy is "We will place the highest value on each person's individuality and will contribute to the development of society together with our customers by providing materials with unique functions." As the corporate officer responsible for finance, I would like to contribute to the development of products that are useful to society while further improving capital efficiency.

I was taught from time to time by my superiors who knew the founder that the most important mission of Osaka Organic Chemical Industry is to solve our customers' problems by creating new products and to make them happy. Inheriting this founding spirit, we will contribute to the development of the business of OOC. In this context, we intend to focus on investor relations so that we can answer the question "How will Osaka Organic Chemical Industry transform itself for the future?" We would like to ask for your continued support.



Promoting Sustainable Management ESG Management

The OOC Group has set key performance indicator (KPI) targets in the five fields of the environment (E), society (S), governance (G), productivity, and safety as its long-term business targets. The Group will steadily execute its long-term business plan and thus contribute to the achievement of the SDGs by implementing its medium-term policies, Guidelines for Conduct, and major initiatives based on its materiality, or material CSR issues.













Contributing to the creation of a sustainable future

	Materiality	Medium-term Policy	Guidelines for Conduct	Major Initiatives	Long-term Business Targets 2024
E: Environment	<ul style="list-style-type: none"> Dealing with climate change through decarbonization Managing waste and wastewater Allocating water resources Increasing sales of eco-friendly products Ensuring environmental compliance 	<ul style="list-style-type: none"> Use of renewable energy Managing and reducing chemicals and waste throughout product lifecycles Proactive use of resource recycling 	<ul style="list-style-type: none"> Making the climate crisis personal Reducing environmental impact Product development that considers the balance between nature and society 	<ul style="list-style-type: none"> Studying how to reduce CO₂ emissions throughout entire value chain Looking into the use of renewable energy Reducing water consumption Complying with environment laws and regulations of countries and regions around the world Environmental compliance Switching to more environmentally friendly modes of business Proactive use of resource recycling Disclosures compliant with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations 	<ul style="list-style-type: none"> CO₂ emissions (compared to FY2013) <ul style="list-style-type: none"> 15% or greater reduction Fiscal 2030 30% or greater reduction Fiscal 2050 Achieve carbon neutrality
S: Society	<ul style="list-style-type: none"> Workforce recruiting and training Respecting human rights Creating safe and pleasant workplaces Creating a diverse workforce CSR-oriented procurement Managing raw materials Giving back to the local area around each office Stakeholder engagement Improving consumer security and comfort 	<ul style="list-style-type: none"> Improving client satisfaction Improving employee satisfaction (Creating engaging workplaces) Proactive approach to diversity (values and variety) Coexistence with the planet and the public 	<ul style="list-style-type: none"> Ensuring product safety and quality Providing unique functional materials Respecting dignity and rights Creating a safe and healthy environment Maintaining fair and impartial business relationships that make the most of and complement each other's strengths Proactively participating in society Constructive dialogue for a win-win relationship 	<ul style="list-style-type: none"> Promoting health and productivity management Promoting sound work-life balance Initiatives for diversity Dealing with diversifying information and values Creating a CSR-oriented procurement system Ensuring stable procurement of raw materials for key products Ongoing interactions with local areas Promoting dialogue around sustainability 	<ul style="list-style-type: none"> Job satisfaction index <ul style="list-style-type: none"> Vibrant organization grade B (top 10% to 30%)
G: Governance	<ul style="list-style-type: none"> Sustainability management Improving corporate governance Business risk management Pursuing corporate ethics and integrity 	<ul style="list-style-type: none"> Building a global partnership for sustainable development Optimizing safe operations and management efficiency 	<ul style="list-style-type: none"> Contributing to the creation of a sustainable future Ensuring transparency Proactive, effective and fair disclosure Keeping our promises with sincerity and humility Ensuring systematic crisis management Placing safety as our top priority 	<ul style="list-style-type: none"> Solving issues of public concern by creating value Improving management transparency and making management systems more efficient Spread of our Management Philosophy Creating a risk management system 	<ul style="list-style-type: none"> Tokyo Stock Exchange Corporate Governance Code (CGC) compliance rate <ul style="list-style-type: none"> 100% (keeping a "higher quality of corporate governance") Lost-time injuries <ul style="list-style-type: none"> 0 cases/year

Contributing to the achievement of the Sustainable Development Goals (SDGs)





Initiatives for Materiality

Material Issue (materiality)	ESG area	Stakeholders					Main stakeholders	Major initiatives	Fiscal 2024 KPI target	Fiscal 2022		Relevant SDGs	
		Employees	Clients & suppliers	Investors & shareholders	Society	Children of the future				Actual results	Main activities		
Dealing with climate change through decarbonization	E	○	○	○	○	◎	Children of the future	Studying how to reduce CO ₂ emissions throughout entire value chain Looking into the use of renewable energy	CO ₂ emissions reduction: 15% or larger (compared to fiscal 2013)	12%	Installed equipment that meets the top-runner standards in a newly constructed facility Replaced all air conditioning equipment at the Kanazawa Laboratory Relocated the Head Office	     	
Managing waste and wastewater			○	○	◎	○	Society	Proactive use of resource recycling	Recycling rate: 25% or higher	20%	Reviewed the methods for solvent recovery and reuse and equipment cleaning Currently designing a waste oil boiler to be installed		
Allocating water resources				○	○	○	◎	Children of the future	Reducing water consumption	Water consumption: Maintain the current level (limit the increase to 5% or smaller compared to fiscal 2019)	-1.6%		Monitored and maintained the amount of groundwater drawn
Increasing sales of eco-friendly products				○	○	○	◎	Children of the future	Switching to more environmentally friendly modes of business	Production volume of environmentally friendly products: 15% or more of total production volume	8.9%		Expanded sales of acrylates made of biomass-derived or recycled raw materials
Ensuring environmental compliance				◎	○	○		Clients & suppliers	Complying with environment laws and regulations of	Comply with laws and regulations related to chemical substances			Revised Safety Data Sheets (SDSs) in line with the revised Japanese Industrial Standards (JIS) (completed); Surveyed chemical substances contained in products in line with the revised Industrial Safety and Health Act
			○			◎		Society	countries and regions around the world	Reduction in the amount of released substances included in the pollutant release and transfer register (PRTR): 60% or larger (compared to fiscal 2019)	19%		Measured and monitored losses due to the material balance Currently planning to install a volatile organic compounds (VOC) combustor
Workforce recruiting and training	S	◎			○		Employees	Increasing the level of name recognition of OOC	Increase in the number of job applicants from among prospective new graduates: 10% (compared to fiscal 2018)	97.0%	Actively participated in joint job fairs organized by the Society of Polymer Science, Japan, and universities		
		◎			○		Employees		Three-year retention rate: 100%	89%	Continued to interview new employees in some departments in their first, third, and sixth months of employment		
		◎					Employees	Improving workforce training	[Engagement] Training satisfaction score: 3.5 or higher out of 5	2.99	Divided courses in the stratified training program into compulsory ones and electives and launched a system that allows program applicants to attend the courses they like, resulting in a total of 239 employees attending electives		
Respecting human rights	S	◎	○	○	○		Employees	Combating harassment Dealing with diversifying information and values	Attendance at annual compliance education: 100%	100%	Invited lawyers as lecturers and held a total of eight training sessions, which comprised ones only for managers and the others only for general employees; Had all trainees submit training reports	   	
Creating safe and pleasant workplaces		◎					Employees	Promoting health and productivity management Promoting sound work-life balance	Engagement survey results: Vibrant organization grade B (top 10% to 30%)	Grade C (top 30% to 45%)			Conducted an engagement survey
		◎					Employees		Increase in gross profit per employee: 50% (compared to fiscal 2019)	27.1%			Improved the profitability of unprofitable products (by consolidating products and other means)
		◎					Employees		[Favorable working environment] Percentage of paid leave taken: 70% or higher	59.1%			Conducted a pilot operation of a new shift work system that enables even shift workers to take paid leave more easily
		◎					Employees		[Favorable working environment] Flexible work hours adoption rate (excluding shift workers)	59.2%			Ensured more widespread use of the system through awareness-raising efforts
		◎			○		Employees		[Health] Obtain certification as an outstanding organization in health and productivity management	Obtained			Participated in a walk rally
	◎			○		Employees	[Safety] Lost-time injuries: 0 cases/year	2 cases					

◎: Key stakeholders
○: Stakeholders involved

Initiatives for Materiality

Material Issue (materiality)	ESG area	Stakeholders					Main stakeholders	Major initiatives	Fiscal 2024 KPI target	Fiscal 2022		Relevant SDGs
		Employees	Clients & suppliers	Investors & shareholders	Society	Children of the future				Actual results	Main activities	
Creating a diverse workforce	S	◎		○	○		Employees	Initiatives for diversity	Percentage of mid-career hires: 20% or higher	29.4%	Increased the frequency of mid-career recruitment advertisements Appointed temporary staff to be regular employees	 
		◎		○	○		Employees		Percentage of female managers: 10% or higher (target for fiscal 2026)	2.4%	Invited female employees to luncheons with the president in order to have them exchange opinions on their workplace concerns	
		◎		○	○		Employees		Percentage of eligible male employees taking childcare leave or leave for childcare purposes: 20% or higher	100%	Number of male employees with newborn babies: 8 • Number of male employees who took childcare leave: 1 • Number of male employees who took special paid leave for childcare purposes: 7	
CSR-oriented procurement			◎		○		Clients & suppliers	Creating a CSR-oriented procurement system	Percentage of suppliers endorsing our CSR Procurement Guidelines: 80% or higher (on a purchase amount basis)	84%	Requested the largest suppliers (contract manufacturers) on a purchase amount basis to sign consent forms and collected those forms from them	 
Managing raw materials			◎		○		Clients & suppliers	Ensuring stable procurement of raw materials for key products	Identify supply risks (by mapping relevant manufacturing locations and suppliers)	4 per month	<ul style="list-style-type: none"> Selected key raw materials and tested samples with a view to diversifying raw-material suppliers Listed key raw materials in preparation for mapping manufacturers and suppliers 	
Giving back to the local area around each office			○		○	◎	Society	Ongoing interactions with local areas	Number of initiatives with local communities to solve social issues: 3 or more per month			Proactively promoted interactions with the local communities while paying full attention to COVID-19 infection control, against a backdrop of our heightened communication with them
Stakeholder engagement			○	○	◎	○	Investors & shareholders	Promoting dialogue around sustainability	Demonstrate the value of our existence by addressing sustainability in society (qualitative target)		Promoted sustainability-focused dialogue with each stakeholder	
Improving consumer security and comfort			○	○	○	◎	Society	Raising awareness of how to benefit the community through business activities	Percentage of sales from new products: 10% (four-year cumulant)	12.1%	Met increased demand for semiconductor and display materials	
Sustainability management			○	○	○	◎	Children of the future	Solving issues of public concern by creating value				
Improving corporate governance	G	○	○	◎	○	Investors & shareholders	Improving management transparency and making management systems more efficient	Number of serious violations of laws and regulations: 0 cases/year	0 cases	Built thorough employee awareness of legal compliance		
				◎		Investors & shareholders		Tokyo Stock Exchange Corporate Governance Code (CGC) compliance rate: 100% (keeping a "higher quality of corporate governance")	97.6%	Held ESG meetings with institutional investors Reduced cross-shareholdings		 
Business risk management			◎	○	○		Clients & suppliers	Creating a risk management system	Number of financial forecast revisions due to the realization of perceived risks: 0 cases/year	0 cases	Defined priority risks and disclosed proposed countermeasures (in the Annual Securities Report)	
Pursuing corporate ethics and integrity		◎	○	○	○	Employees	Spread of our Management Philosophy	Score in the penetration of our Management Philosophy: 4.0 or higher	3.4	Linked engagement survey questions to our Management Philosophy and quantified them		

◎: Key stakeholders
○: Stakeholders involved

Other detailed ESG data are available on our website.

OOC Viewed in Data
<https://www.ooc.co.jp/csr/data/>



ESG Datasheet Governance (G) Data
https://www.ooc.co.jp/csr/data/pdf/esg_governance.pdf?ver=1



Environment (E) Data
https://www.ooc.co.jp/csr/data/pdf/esg_environment.pdf?ver=2



Society (S) Data
https://www.ooc.co.jp/csr/data/pdf/esg_society.pdf?ver=2

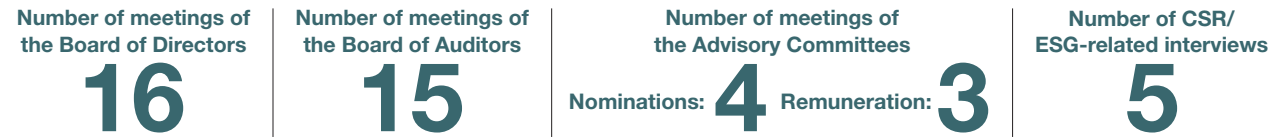


G Governance

Corporate Governance

Corporate governance is an area that the OOC Group works actively to improve and enhance. In this area, we devote efforts to ensuring the integrity of our business activities and increasing management transparency and the efficiency and speed of management systems. We view these efforts as a way to achieve both sustainable corporate growth and a medium- to long-term increase in our corporate value. Improving corporate governance is a material management issue for us to tackle based on the going-concern assumption (an assumption about the Group's business continuity) fully shared with stakeholders both inside and outside the Group.

Governance Highlights (as of November 30, 2022)



Material Issue: Improving Corporate Governance

Fiscal 2023 [Targets and issues]

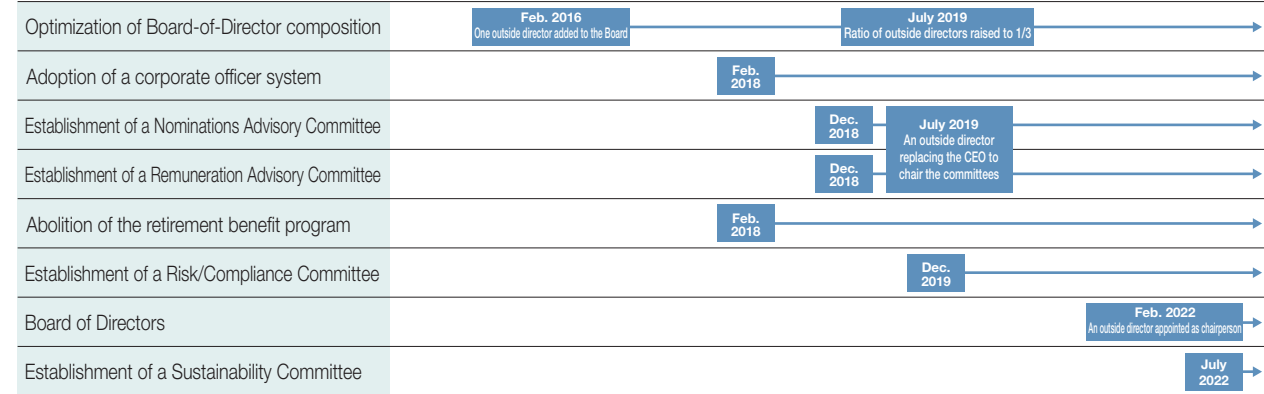
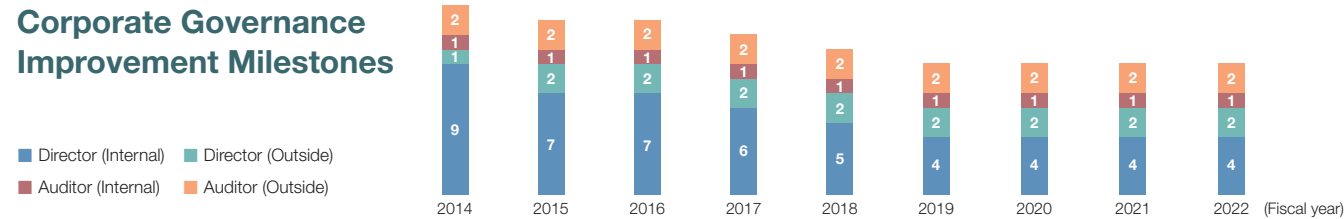
Improving management transparency and making management systems more efficient

- Addressing each issue to improve the effectiveness of the Board of Directors
- Responding to revised TSE Corporate Governance Code (CGC)
- Enhancing ESG disclosures and having proactive dialogues

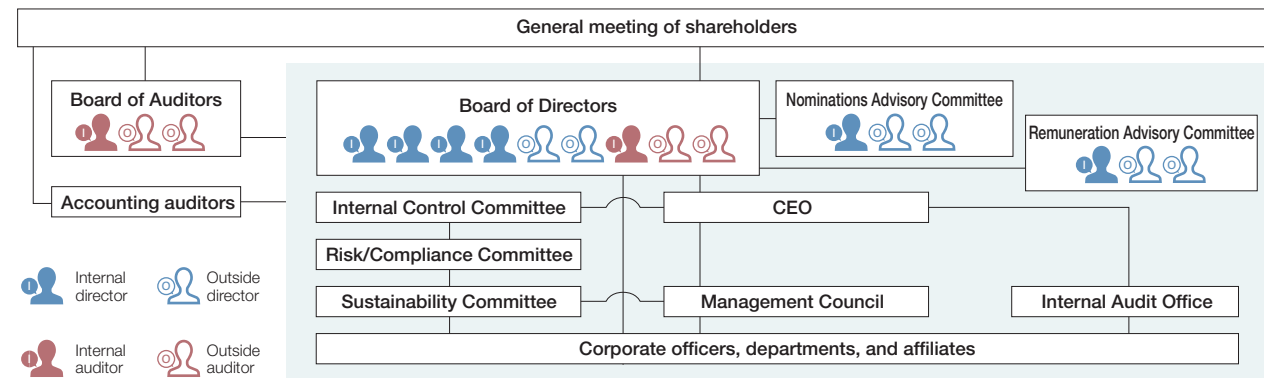


For more details, refer to our website.
[https://www.ooc.co.jp/ir/material/governance_doc/Corporate Governance Report](https://www.ooc.co.jp/ir/material/governance_doc/Corporate%20Governance%20Report)

Corporate Governance Improvement Milestones



OOC Group's Corporate Governance Organization



Executive Profiles (as of February 24, 2023)

Directors



Naoki Enomoto (Outside Director), Tetsuya Watanabe (Director), Soichi Honda (Director), Masayuki Ando (Representative Director and CEO), Motomi Ogasahara (Director), Takayuki Hamanaka (Outside Director)

Auditors



Yasuko Yoshida (Outside Auditor), Sobi Nagayanagi (Managing Auditor), Tomoko Takase (Outside Auditor)

Corporate Officers



Shigeji Eimura (Managing Corporate Officer, General Manager of the Production Division and Kanazawa Plant Director), Soichi Honda (Corporate Officer, General Manager of the Administration Division), Motomi Ogasahara (Corporate Officer, General Manager of the Business Operation Division and Manager of the International Business Department), Tetsuya Watanabe (Corporate Officer, General Manager of the Corporate Planning Division), Yusuke Tokuda (Corporate Officer, General Manager of the R&D Division), Kiyooki Shizume (Corporate Officer, Manager of the Research & Business Development Office), Shuichi Akita (Corporate Officer, Manager of the Production Department, Production Division)

Professional Backgrounds of Outside Directors

Takayuki Hamanaka (Outside Director): Apr. 1998: Registered as an attorney-at-law (Osaka Bar Association); Apr. 1998: Admitted to Showa Law Office (currently Habataki Law Office); July 2005: Earned EU Law LL.M. (Master of Laws) at the Faculty of Law, Katholieke Universiteit Leuven, Belgium; July 2005: Joined the Brussels Office of Linklaters and assigned to the EU Competition Law Department; Dec. 2007: Partner of Habataki Law Office (to date); Feb. 2016: Director of OOC (to date)

Naoki Enomoto (Outside Director): Apr. 1985: Joined the Ministry of Finance; July 1991: Director of the Seki District Tax Office; May 1999: Counselor, Japanese Embassy in Malaysia; July 2002: Director, Accounts Division, Minister's Secretariat, Ministry of Finance; July 2003: Director of the Collection Department, Tokyo Regional Taxation Bureau; July 2004: Director for the Defense Industry in the Aerospace and Defense Industry Division, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry; July 2006: Director of the Office of Balance of Payments & International Capital Markets, Foreign Exchange Markets Division, International Bureau, Ministry of Finance; July 2008: Director for Fiscal Investment and Loan Appropriation (in charge of the Cabinet; Finance; Agriculture, Forestry and Fisheries; the Environment; Economy, Trade and Industry; and Land, Infrastructure, Transport and Tourism), Financial Bureau, Ministry of Finance; July 2009: Director of the Finance Division, Bureau of Finance and Equipment, Ministry of Defense; July 2011: Director of the Government Financial Institutions Division, Minister's Secretariat, Ministry of Finance; Sep. 2012: Counselor, Office in Charge of the Nuclear Damage Compensation Facilitation Corporation, Cabinet Office; July 2014: Director-General of the Tohoku Local Finance Bureau; June 2015: Member of the Board of Directors and Managing Executive Officer, Development Bank of Japan Inc.; July 2017: Director-General, Fukuoka Regional Taxation Bureau; July 2018: Director-General, Osaka Regional Taxation Bureau; Aug. 2020: Director-General, Tokyo Custom-House; Nov. 2021: Adviser, Sompō Japan Insurance Inc. (to date); Feb. 2022: Director of OOC (to date); Aug. 2022: Adviser, The Nanto Bank, Ltd. (to date)

Professional Backgrounds of Outside Auditors

Yasuko Yoshida (Outside Auditor): Oct. 2000: Admitted to Asahi & Co. (currently KPMG AZSA LLC); May 2004: Registered as a certified public accountant; July 2005: Registered as a certified tax accountant; July 2005: Director of Yoshida Certified Public Accountant Office (to date); Feb. 2019: Auditor of OOC (to date); May 2021: Registered as a U.S. Certified Public Accountant (State of Washington); June 2021: Outside Member of the Audit & Supervisory Committee, Espec Corp.; June 2022: Outside Director (Audit & Supervisory Committee member), Espec Corp. (to date)

Tomoko Takase (Outside Auditor): April 2000: Registered as an attorney-at-law; April 2000: Joined Matsui Takao Law Office; June 2002: Joined Taiheiyō Law Offices; Oct. 2009: Joined Murata & Futaba Law Office (currently Arcus Partners) as a partner (to date); Feb. 2022: Auditor of OOC (to date)

Director and Auditor Skills Matrix

● Chairperson or committee chairperson ● Member ● Jury ● Expertise and experience

Job title	Name	Collegiate body								Knowledge, experience, and expertise										Careers, qualifications, etc.
		Board of Directors	Board of Auditors	Management Council	Internal Control Committee	Risk/Compliance Committee	Sustainability Committee	Nominations Advisory Committee	Remuneration Advisory Committee	Management	ESG	Sales	R&D	International experience	Finance and accounting	Risk and internal controls	Legal, regulatory, administrative, and other affairs			
Representative Director and CEO	Masayuki Ando	●		●	●	●	●	●	●	●									R&D, overseas business, and corporate planning	
Director	Soichi Honda	●		●	●	●	●												Sales, overseas business, and administration	
Director	Motomi Ogasahara	●		●	●														Sales and overseas business	
Director	Tetsuya Watanabe	●		●	●	●	●												R&D, sales, and corporate planning	
Outside Director	Takayuki Hamanaka	●		●	●			●	●	●									Attorney license; overseas business	
Outside Director	Naoki Enomoto	●		●	●			●	●	●									Ministry of Finance, Ministry of Economy, Trade and Industry, and Regional Taxation Bureaus	
Managing Auditor	Sobi Nagayanagi	●	●	●	●	●	●												R&D, management systems, and internal auditing	
Outside Auditor	Yasuko Yoshida	●	●	●	●														Certified tax and public accountant license	
Outside Auditor	Tomoko Takase	●	●	●	●														Attorney license	

Role and Authority of Independent Outside Directors and Advisory Committees

OOC has continued to strengthen its corporate governance system in accordance with the provisions about "Use of Optional Approach" (Supplementary Principle 4.10.1) in the TSE Corporate Governance Code. The specific measures we have adopted for that purpose include appointing independent outside directors and establishing Advisory Committees.

OOC currently has two independent outside directors, one of whom serves as chairperson of the Board of Directors. Both of them offer their opinions at meetings of the Board of Directors and provide advice to each of the other directors as necessary, leveraging their highly specialized knowledge and abundant experience. We will continue to

examine the possibility of having independent outside directors as a majority of the Board of Directors. We also have two Advisory Committees—the Nominations Advisory Committee and the Remuneration Advisory Committee—under the Board of Directors. These committees are responsible for deliberating on important matters, such as the nomination of OOC's directors and remuneration therefor. Each of these committees comprises two independent outside directors, one of whom chairs it, and the CEO. In these committees too, independent outside directors are involved appropriately and provide helpful advice.

Formulation and Implementation of a Succession Plan

From the perspective of sustainable growth of our business over the medium to long term, we recognize that the development of management personnel is one of the most important issues to be addressed. Therefore, the Board of Directors has taken the initiative in formulating and implementing a succession plan in accordance with the provisions about "Roles and Responsibilities of the Board" (Supplementary Principle 4.1.3) in the TSE Corporate Governance Code. Specifically, we recognize that the incumbent CEO himself/herself should be actively involved in the selection of a candidate for the successor and be responsible for planning the development of the prospective successor. If it is difficult for the incumbent to select a successor candidate, the Nominations Advisory Committee may play a leading role in his/her place.

On the other hand, if there is an option of reappointing the incumbent CEO, only the chairperson of the Nominations Advisory Committee and outside directors who are members of the committee will engage in deliberations on whether or not to reappoint the incumbent so that the fairness of the deliberations will be ensured. The Nominations Advisory Committee is also responsible for receiving sufficient reports from the CEO on the successor development plan and the nomination of a specific successor candidate, exchanging opinions, examining those

reports based on its evaluation of the CEO and OOC's management issues from an independent standpoint, and providing feedback. When the incumbent CEO selects and nominates a specific successor candidate, that candidate's aptitude for the post of CEO will be evaluated by the Nominations Advisory Committee from an independent and objective standpoint. The following are the Succession Planning Policy and Development Plan Policy formulated on January 22, 2021.

(1) Succession Planning Policy

The formulation and implementation of a CEO succession plan shall be the CEO's duty to be performed under his/her authority. The Nominations Advisory Committee shall define criteria for selecting candidates for the CEO, formulate a selection process and development plans, and confirm the overall process before monitoring the succession plan and reporting to the Board of Directors on the candidates or other matters.

(2) Development Plan Policy

To develop the next generation of management executives who will support OOC's continuous growth, the CEO shall always consider who can be promising successor candidates, mainly from among directors and corporate officers, and strives to develop them.

Efforts to Improve Management Transparency

■ Enhancement of Disclosures to Overseas Investors

We have made efforts to provide overseas investors with corporate information in English. Our website currently offers the following documents in English: the Notice of Convocation of the General Meeting of Shareholders, Financial Results, Financial Results Briefing Materials, and the CSR Report. Our financial disclosures in English (Summary of

Financial Results) are also available on the "Listed company details (basic information)" page in the "Listed Company Search" section of the website of Japan Exchange Group, Inc. We are thus striving to enhance our financial disclosures in English for overseas investors.

■ Executive Compensation System

OOC has established a remuneration system and remuneration levels for directors and auditors with a view to improving its business performance over the medium to long term and enhancing its corporate value in accordance with its Management Philosophy. The following resolutions have been adopted on remuneration for executives at past General Meetings of Shareholders. The 60th Ordinary General Meeting of Shareholders, held on February 23, 2007, resolved that the annual amount of remuneration for directors be up to 360 million yen (excluding portions paid as employee salaries). (As of the conclusion of that meeting, the number of directors was seven.) The 71st Ordinary General Meeting of Shareholders, held on February 27, 2018, resolved that the annual amount of restricted stock compensation additionally paid to internal directors be up to 10 million yen (excluding portions paid as employee salaries). (As of the conclusion of that meeting, the number of directors was six.) Moreover, the 75th Ordinary General Meeting of Shareholders, held on February 25, 2022,

resolved that the annual amount of performance-linked stock compensation additionally paid to internal directors be worth up to 40,000 shares. (As of the conclusion of that meeting, the number of directors was six.) Meanwhile, the 59th Ordinary General Meeting of Shareholders, held on February 24, 2006, resolved that the annual amount of remuneration for auditors be up to 40 million yen. (As of the conclusion of that meeting, the number of auditors was three.) The retirement benefit program for directors was abolished at the conclusion of the 71st Ordinary General Meeting of Shareholders held on February 27, 2018. Remuneration for directors consists of monthly remuneration as basic remuneration and three types of performance-linked remuneration: an annual bonus, performance-linked stock compensation, and restricted stock compensation. On the other hand, we only pay basic monthly remuneration to outside directors and auditors from the perspectives of their roles and independence.

Remuneration type	Objective and outline
Monthly remuneration	Monthly fixed cash remuneration whose amount is determined according to the position
Annual bonus	This is performance-linked cash remuneration paid to reward each director's contribution to steady achievement of targets each fiscal year. The amount of this type of remuneration is calculated based on year-on-year changes in consolidated results in key management indicators (net sales, operating profit, and EBITDA) to clarify each director's responsibility for the annual results. For fiscal 2022, we set a target of consolidated financial results being 103% of the fiscal 2021 levels and achieved the exact target. The payment rate was determined within the range from 0 to 200% of the base amount according to the level of target achievement. This type of remuneration is provided in a lump sum after the end of the relevant fiscal year.
Performance-linked stock compensation	This is grant-type performance-linked stock compensation paid to directors other than outside directors (hereinafter, "eligible directors"). The objectives of this type of remuneration are to offer eligible directors the incentive to work to constantly increase OOC's corporate value and to more clearly show linkage between remuneration for eligible directors on one hand and OOC's financial results and stock value on the other hand, thereby promoting further sharing of value with shareholders. The number of shares to be provided is determined within the range of 0% to 200% of the base amount according to the level of achievement of targets, including financial results during the three-year evaluation period. This type of remuneration is provided in a lump sum after the end of the relevant fiscal year. To link the performance targets used as standards for the determination of the remuneration amount to the targets set in the Second Five-Year Medium-term Business Plan, we set targets of a three-year average consolidated ROE of 10.0% or higher and a three-year average consolidated operating margin of 13.5% or higher (before the application of revenue recognition standards). The results for fiscal 2022 were consolidated ROE of 11.9% and consolidated operating margin of 15.8% (before the application of revenue recognition standards).
Restricted stock compensation	This is stock compensation paid to directors other than outside directors (hereinafter, "eligible directors"). (The period of restriction on transfer is three years.) The objective of this type of remuneration is to offer eligible directors the incentive to work to constantly increase OOC's corporate value, thereby promoting further sharing of value with shareholders.

Composition of basic remuneration and performance-linked remuneration

Director category		Basic remuneration	Performance-linked remuneration (base amount)			Ratio of basic remuneration to performance-linked remuneration
		Monthly remuneration	Annual bonus	Performance-linked stock compensation	Restricted stock compensation	
Directors (excluding outside directors)	Chairperson	100	36	24	17	100/77
	CEO	100	72	48	33	100/153
	Corporate officer	100	36	24	17	100/77

■ Reduction of Cross-shareholdings

(1) Policy for Reducing Cross-shareholdings

According to criteria defined for OOC's stock ownership, the Board of Directors annually reviews each company in which the Company has shares and makes decisions to reduce the number of its cross-shareholdings.

(2) Criteria for Stock Ownership

We hold shares only when we believe that it is reasonable to do so because, for example, it will help maintain and strengthen stable and long-term business relationships with clients and suppliers or help enhance our corporate value over the medium to long term. We periodically report on our holdings to the Board of Directors and assess the appropriateness of holding each stock by comprehensively considering its contribution to maintaining and strengthening a particular business relationship, the medium- to long-term benefits of our holding of it, and whether benefits and risks entailed by our holding of it deserve

the capital costs.

(3) Exercise of Voting Rights Entailed by Cross-shareholdings

To appropriately handle voting rights entailed by our cross-shareholdings, we have established specific criteria for the exercise of such rights so that we can comprehensively judge whether our exercise of voting rights will enhance the medium- to long-term corporate value of the client company or supplier and contribute to our sustainable growth and benefits. We exercise voting rights according to these criteria.

Fiscal 2022 results

Number of stocks acquired	1	Number of shares acquired	17,300	Acquisition cost	0.298 billion yen
Number of stocks sold	2	Number of shares sold	56,400	Selling price	0.061 billion yen

We will continue our efforts to reduce our cross-shareholdings.

Efforts to Improve Management Efficiency

Improving the Effectiveness of the Board of Directors

To assess the overall effectiveness of our Board of Directors, we conducted a questionnaire survey of directors and auditors on the operation, deliberation, and composition of the Board, the status of efforts to solve issues it faces, the support system for it, and its overall

rating. The survey results compiled were analyzed and evaluated by the Board of Directors itself, resulting in a "generally good" rating of its effectiveness.

The effectiveness of the Board has thus been confirmed.

Reasons for Confirming That the Effectiveness of the Board of Directors Is Generally Good

- While the composition of a Board of Directors should underpin its independence and objectiveness, OOO's Board of Directors had two independent outside directors out of its six members, with the ratio of outside directors being 1/3. In addition, an independent outside director has chaired the Board of Directors since February 2022. The Nominations Advisory Committee and the Remuneration Advisory Committee, which are advisory bodies to the Board of Directors, have been established, and an independent outside director has been appointed as the chairperson of each to ensure the supervisory function of the Board of Directors by providing appropriate reports.
- We have established the Risk Management and Compliance Committee under the Internal Control Committee, which is a subordinate organization of the Board of Directors, to strengthen the risk management system and establish a system whereby the Board of Directors monitors management risks. In 2022, we established the Sustainability Committee to ensure governance and risk management related to climate change. We have also launched the Carbon Neutralization Study Committee to promote our initiatives to realize a decarbonized society.
- At the end of February 2020, the Board of Directors resolved to abolish the anti-takeover measures after thorough discussions. The Board is currently striving to further enhance corporate value by taking measures to achieve the medium- to long-term business plan.
- In August 2020, we developed our philosophy system. We are

working to ensure that our philosophy will permeate the OOO Group and to strengthen ESG disclosures to our stakeholders by publishing an annual CSR Report. In addition, we disclose our financial results, financial presentation materials, convocation notices, and CSR Reports in not only Japanese but also English.

- We hold semi-annual company briefings and quarterly individual meetings with institutional investors to strengthen communication with investors. We ensure that our deliberations are highly conscious of all stakeholders by making quarterly reports to the Board of Directors and discussing and implementing improvements to employee working environments and the enhancement of our community and social contributions.
- The governance issues of succession planning and the adoption of performance-linked remuneration are currently in the phase of system establishment and operation after being discussed by the Nominations Advisory Committee and the Remuneration Advisory Committee.
- We strive to improve our way of information sharing with members of the Board of Directors in preparation for and during Board meetings so that the Board can have full discussions and deliberations.
- In addition to individual training for directors and auditors, we have provided quarterly group training on themes common to them to further strengthen our support system.

Deeper Involvement of Outside Directors in the Formulation of Medium- to Long-term Business Plans

In the process of formulating the past medium- to long-term business plans, we have sufficiently explained about those plans to outside

directors. We will also involve outside directors in in-depth discussions on the formulation of our next medium-term business plan.

Risk Management Measures

The Risk/Compliance Committee, a sub-organization of the Internal Control Committee, has been established to operate our risk management system. The Board of Directors has been monitoring the status of our risk management based on reports from the Internal

Control Committee. We will continue to enhance the Internal Control Committee and the Risk/Compliance Committee and to have the Board of Directors deeply discuss risks to our business based on the monitoring results.

Further Improvements to Agenda Handouts and Their Contents

We have improved handouts on the agenda and their contents. In the future, we will continue our efforts to improve the design and contents of

those handouts to help outside directors and auditors better understand agenda items and deepen their discussions.

Discussions about Governance Measures (Related to the Succession Plan, the Gender Composition of the Board of Directors, and the Introduction of Medium-term Performance-Linked Remuneration)

We have introduced a successor development plan and medium-term performance-linked stock compensation and have been monitoring their implementation. The gender composition of the Board of Directors still requires further discussions.

We recognize that the key to solutions to the aforementioned issues will remain communication among executives (directors and auditors). We will continue to improve and strengthen the effectiveness of the Board of Directors.

Risk Management

[Basic Risk Management Policy]

The OOO Group will promote risk management to prevent the occurrence of risks and to protect the safety of officers, employees, and local residents in the event of an emergency, and to ensure the continuation of business operations.

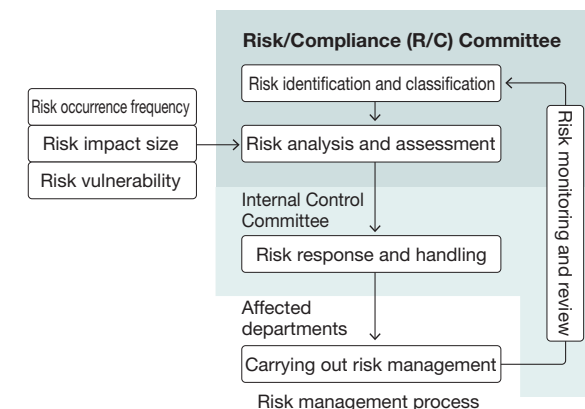
- The OOO Group's top priority is to ensure the safety of human life.
- We position risk management as an important management issue and work on activities from a company-wide perspective to prevent the occurrence of risks.
- We promptly report risk-related information and share it throughout the company.
- All officers and employees of the OOO Group shall improve their risk sensitivity and promote risk management with the participation of all employees.
- We will respond quickly and appropriately when risks arise and strive to minimize losses.

Objectives

- Ensuring the safety of human life
- Business continuity
- Loss avoidance through risk reduction
- Securing the trust of stakeholders
- Enhancing corporate value

Risk Management Process

- Identify and assess risks
Identify the risks that affect the business plan for each fiscal year and evaluate them in terms of their impact on management, frequency of occurrence, and vulnerability.
- Determine critical risks
Based on the results of the evaluation, select the OOO Group's priority risks, and consider and select the necessary countermeasures.
- Monitor the implementation status of risk measures, etc.
Monitor the key risks, including the implementation status of planned risk measures.



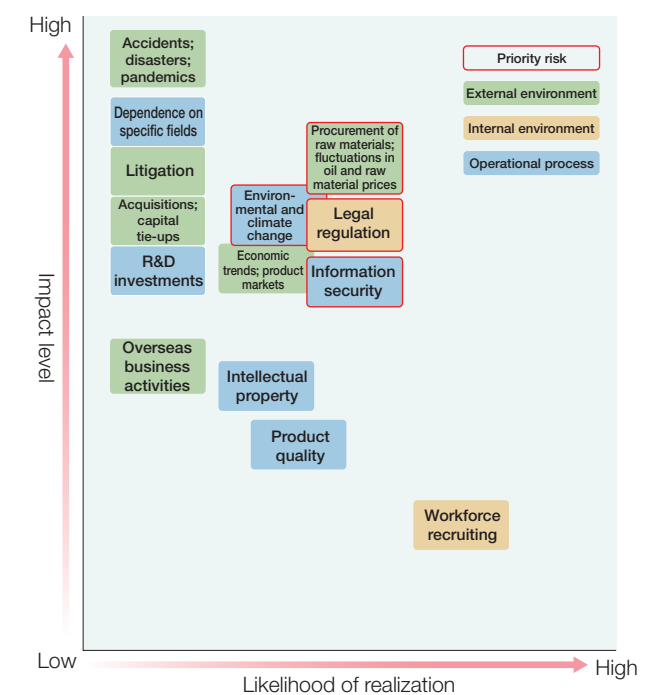
Designation of Business Risks and Priority Risks

We identified risks in consideration of the characteristics of each division and our business environment, including political, economic, and social conditions.

We then assessed those identified risks from the perspectives of the likelihood of their realization and the levels of their impacts. Based on the assessment results, we created a risk map and designated business risks and priority risks.

Risk Map

Likelihood of Realization × Impact Level



Business Risks and Priority Risks

Risk factor	Description	Risk mitigation measures
Priority risk (1) Procurement of raw materials; fluctuations in oil and raw material prices	Delayed or disrupted supply due to accidents, quality defects, bankruptcies, etc. at raw-material or contract manufacturers or due to U.S.-China trade friction, the war in Ukraine, or other geopolitical factors may hinder the production activities of OOC and its subsidiaries. In addition, significant fluctuations in crude oil and naphtha prices and consequently in raw material prices may affect the business performance of OOC and its subsidiaries.	OOO strives to ensure stable procurement of raw materials by securing multiple suppliers of raw materials. We are also working to reduce the impact through such measures as linking the status of raw-material supply to product prices and reducing costs.
(2) Impact on production due to accidents, disasters, and pandemics	Large-scale natural disasters, fires, accidental discharges of chemical substances, pandemics, or other events may cause the suspension of the production activities of OOC and its subsidiaries and consequently affect their business performance.	In addition to conducting regular inspections of manufacturing facilities and employee education and training, we have formulated a business continuity plan (BCP) and conduct periodic exercises to reduce risk in the event that the BCP should be put in motion. Since the COVID-19 pandemic broke out, we have been operating while implementing comprehensive infection prevention measures.
Priority risk (3) Legal regulation	The radical revision or enhancement of laws and regulations related to chemical substances in Japan and overseas may impose restrictions on the business activities, including production activities, of OOC and its subsidiaries and consequently affect their business performance.	We collect information on trends in the operation and revision of domestic and foreign laws and regulations, and we conduct our business operations in compliance with laws and regulations pertaining to chemical substances.
(4) Overseas business activities	Overseas business activities entail the potential risk of being affected by deterioration of political, economic, or security conditions, unexpected revisions to laws or other rules, war, terrorism, etc. Such events may hinder the business activities of OOC and its subsidiaries and consequently affect their business performance.	We will acquire and train excellent local human resources, minimize risk by quickly obtaining accurate information and responding appropriately, and promote the development of internal controls at our overseas bases.
(5) Dependence on specific fields	In the electronics materials business, which accounts for a major part of the OOC Group's business portfolio, the speed of technological innovation is fast, and customer needs are complex and diverse. Therefore, delayed responses to technological changes or demand fluctuations may affect the business performance of OOC and its subsidiaries.	We are developing new products and market-oriented products while working to optimize equipment and staff allocation. We are also striving to create highly functional materials needed in a decarbonized society.
(6) Trends in product markets due to economic fluctuations	The products of OOC and its subsidiaries are used in a wide range of fields and may be severely affected by demand fluctuations in each industry. A drop in product prices due to market fluctuations, the influx of low-priced products, the emergence of alternative products, etc. may cause a decrease in profitability and the resulting write-down of inventories and consequently affect the business performance of OOC and its subsidiaries.	Aiming for a profit structure that is less susceptible to demand trends and other factors, we are implementing product renewal and increasing the number of our highly functional, high-value-added product lines.
(7) Acquisitions; capital tie-ups	Failure to obtain initially expected synergy or other benefits from corporate or business acquisitions, capital tie-ups, etc. or the occurrence or discovery of new unexpected problems due to such events may affect the business performance of OOC and its subsidiaries.	When making corporate acquisitions, business acquisitions, capital tie-ups, and other arrangements, we conduct detailed research on the target company or business or other investment targets and carefully consider the risks involved. For investment projects, we check the deviation between actual business performance and initial plans and take countermeasures as necessary.
Priority risk (8) Information security	The suspension of business systems, information leaks, information system failures, etc. at OOC or its subsidiaries due to unauthorized access, infection with computer viruses, etc. may cause the suspension of their business activities or loss of their social trust and consequently affect the business performance of OOC and its subsidiaries.	In addition to establishing an information security policy, building an appropriate system management system, and implementing security measures, OOC strives to ensure thorough information management through ongoing employee education as needed.
(9) Litigation	Business operations entail the risk of being involved in conflict with a supplier or third party and consequently in a lawsuit or other legal proceedings. A major lawsuit filed against OOC or its subsidiaries may affect their business performance.	In addition to complying with laws and regulations, OOC strives to prevent disputes, litigation, and the realization of other risks. Moreover, we have a system in place to respond to lawsuits and other legal matters in cooperation with law firms and other parties.
(10) R&D investments	We continue to make a certain amount of R&D investment to maintain our technological advantage. However, failure to achieve expected outcomes may affect the business performance of OOC and its subsidiaries.	We have a system in place to respond quickly to market demands in order to provide products that take advantage of our advanced and proprietary technologies for specialty acrylic acid esters in a timely manner.
(11) Workforce recruiting	Failure to recruit a necessary workforce due to a decrease in the working population caused by the declining birthrate or failure to obtain and maintain competent human resources as planned, resulting in a labor shortage, may affect the business performance of OOC and its subsidiaries.	We review our recruitment methods at appropriate times to ensure that we have the necessary human resources. In addition to skill development through employee education and training, we are working to improve employees' work-life balance and health awareness to create a comfortable workplace.

Risk factor	Description	Risk mitigation measures
(12) Product quality	The occurrence of an unpredicted serious quality problem in a product manufactured by OOC or its subsidiaries may affect their business performance.	Based on our quality management system, we are striving to enhance our quality assurance system. OOC also carries product liability insurance to cover risks.
(13) Intellectual property	The occurrence of a problem related to intellectual property rights, such as leakage of proprietary technology or know-how or likely infringement of the intellectual property rights of other companies, may affect the business performance of OOC and its subsidiaries.	In addition to strictly managing our technology and expertise, we conduct thorough investigations to ensure that we and our subsidiaries do not infringe on the intellectual property rights of other companies, and we develop our business in such a way that we do not infringe on the rights of other companies.
Priority risk (14) Environmental and climate change	Damage from self-caused environmental pollution and from the consequent decline in social trust or an increase in the cost of processing increased waste may affect the business performance of OOC and its subsidiaries. The emergence of new legal and social responsibilities due to climate change or the transition to a decarbonized society may cause an increase in the cost of measures for legal compliance and consequently affect the business performance of OOC and its subsidiaries.	We not only comply with applicable laws and rules but also manage environmental pollutants and hazardous substances according to management standards we have defined, as well as working on waste reduction. In June 2022, we announced our adoption of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Aiming for a target of achieving zero greenhouse gas (GHG) emissions by fiscal 2050, we are implementing measures to address such issues as climate change and the decarbonization of society (including conducting energy conservation activities and utilizing renewable energy) to promote sustainable corporate management.

Basic Business Continuity Planning (BCP) Policy

In the event of a natural disaster, such as a major earthquake or storm or flood damage, or a serious crisis, such as the spread of a new strain of influenza, our management and employees will work together to ensure our business continuity in line with this Basic BCP Policy with the aim of fulfilling our responsibilities as a chemical company that supports the foundation for socioeconomic activities. We position the following as important duties to be performed to ensure our business continuity.

1. Put human life first

Our top priority is to confirm the safety of our employees and their families and ensure their security.

2. Ensure business continuity through early recovery

We will work to ensure a stable supply through early recovery so that the operations of our clients will not be suspended, in hope of being a company trusted by them.

3. Support the local community

As a member of the local community, we will make every possible effort to cooperate in evacuating and rescuing local residents.

Initial responses

Initial responses to a disaster include adopting measures to evacuate employees and prevent secondary disasters. Therefore, each of our manufacturing facilities conducts evacuation and other drills, whereby employees confirm the location of fire extinguishing equipment and how to use it.



Inter-site communication drill

In the event of a large-scale disaster, the use of landline and mobile phone calls will be restricted due to distribution control. Therefore, if a large-scale power outage occurs at our business locations, we will have no means of communication between them. Therefore, in preparation for large-scale disasters, we have installed IP communication equipment that enables inter-site communication at the OOC Group's six business locations in Japan (Head Office, Tokyo Office, Kanazawa Plant, Sakata Plant, Osaka Office, and Shinko Organic Chemical Industry Ltd.). We conduct periodical drills whereby employees confirm how to use IP communication equipment and multiple business locations are actually connected to each other so that inter-site communication will be ensured quickly in the event of a disaster.

Dialogue between Outside Directors

We are committed to activities that help increase OOC's corporate value in view of its sustainable growth over the medium to long term.

Here is a dialogue between our two outside directors. They speak on the history of OOC's corporate governance system and share their honest views on its current effectiveness. They also offer their opinions from the perspectives of their specialties on challenges OOC should tackle to achieve sustainable growth in the future.

Now that a governance system has been established, efforts are being made to improve its effectiveness.

Enomoto: Mr. Hamanaka, you have served as an outside director for about eight years. What is your view on the history of OOC's corporate governance?

Hamanaka: When I was appointed as an outside director in 2016, it was the era of CEO Shizume, the second CEO from the family of the Company's founder. Unlike today, the Company did not have a Nominations Advisory Committee, and its management system looked like that of a kind of family enterprise. In such a situation, my appointment increased the number of outside directors to two. After that, the Nominations Advisory Committee and the Remuneration Advisory Committee were established in 2018. Moreover, in 2019, it was decided that an outside director would serve as chairperson of each of these committees in place of the CEO. In 2020, the prescribed number of directors was reviewed to increase the ratio of outside directors to 1/3. I have the impression that rapid progress has been made in the enhancement of corporate governance for these several years. This progress has also made discussions by the Board of Directors and the Management Council more open.

Enomoto: It has been about a year since I was appointed as an outside director, and I recognize that OOC has in place a firmly



Naoki Enomoto
Outside Director



Takayuki Hamanaka
Outside Director

established corporate governance system. Starting this year, Mr. Hamanaka will serve as the chairperson of the Board of Directors, which I believe will help further increase management transparency. I believe that, from now on, one of our missions as outside directors is to further improve the effectiveness of corporate governance in the process of system establishment.

Hamanaka: If I have to refer to any corporate governance challenge OOC has tackled, I would mention that the Company has worked to meet requirements of the Corporate Governance Code by having the Nominations Advisory Committee formulate and implement a succession plan and having the Remuneration Advisory Committee devise remuneration measures. After making significant progress in these terms, the Company is now in the phase of considering how to make the PDCA cycle function well in the future. Now that we have greater opportunities to receive advice from investors on the nomination of management personnel and remuneration therefor, I have taken to heart that I must completely fulfill my accountability as a committee chairperson.

Making the Board of Directors a forum for discussions on improving corporate value

Enomoto: I believe that the key to improving the effectiveness of corporate governance is to make discussions of the Board of Directors more productive and, as a prerequisite for that, to improve discussions of the Management Council and meetings prior to it. I believe that, for that purpose, outside directors should check whether discussions within the organization are deepened effectively. In particular, I hope to make the Board of Directors a forum for in-depth discussions on essential questions in management: how to develop technologies as a chemical manufacturer and how to promote commercialization

and sales.

Hamanaka: Investors both inside and outside Japan often ask me, "Why are stock prices of Japanese companies so low?" I also sometimes hear complaints about the fact that many listed companies in Japan have a price-to-book ratio (P/B ratio) of 1 or lower. There may be various reasons, but we should not overlook corporate governance challenges left unsolved as one of those reasons. In that regard, I believe that an important role of outside directors is to increase OOC's corporate value by further enhancing corporate governance. However, as far as I know about the frontline of business execution, the Company is actively committed to complying with the Corporate Governance Code and disclosing of non-financial information. So, we as outside directors have never made any complaints. If anything, I believe that some measures should be adopted to ensure that the Board of Directors can function as a supervisory body focusing on corporate governance. One possible measure is to have the Management Council or other subordinate bodies discuss some of the resolutions that are now being discussed by the Board of Directors. I think this may be a challenge to be solved from now on. Moreover, OOC is currently a company with auditors, but accelerating global expansion in the future requires the Company to solve the challenge of becoming a company with an audit and supervisory committee. Discussions on how to solve it have already been initiated.

Enomoto: Without a doubt, all directors, whether internal or outside, share awareness of the challenges that stakeholders currently want the Company to solve or that will arise in the future, including the ones Mr. Hamanaka just mentioned. I believe that, from now on, we as directors should deepen our discussions on each of the challenges and accelerate initiatives to solve them.

Hoping to be an outside director who "proactively speaks out" in light of various management issues

Hamanaka: With regard to further deepening discussions of the Board of Directors, I would mention that OOC's outside directors attend not only each Board of Directors meeting but also the Management Council meeting held prior to the former to participate in discussions. Many other companies only give outside directors a briefing on the conclusions of a Management Council meeting before they attend the following Board of Directors meeting. Therefore, outside directors' participation in both kinds of meetings is one of the unique features of OOC. There would be a huge gap in the density of discussions of the Board of Directors between a company where outside directors attend a Board of Directors meeting after merely listening to a lecture on the conclusions of the Management Council meeting prior to it and a company where outside directors not only witness but also take part in spirited discussions of the Management Council.

I believe that, in this favorable environment, we as outside directors should be responsible for pointing out fundamental management issues from our perspective as a representative of shareholders and investors. One of the missions of outside directors in particular is to raise issues that people inside the Company are hesitant to talk about. Furthermore, although OOC's return on equity (ROE) is currently high, I believe we as outside directors should remain keenly aware of the need to improve capital efficiency. I myself hope to be an outside director who "proactively speaks out" about management issues in view of the Company's sustainable growth in the future.

Enomoto: As Mr. Hamanaka stated, it is important for outside directors to take the perspective of stakeholders, of course. As is often pointed out, outside directors have a mission of checking against management's reckless behavior, but I do not believe we have to fulfill that mission at OOC. Rather than that, it is crucial for us to accurately assess potential future risks to the Company from an external standpoint and discuss countermeasures with other members of the Board of Directors and the Management Council.

In addition, as symbolized by the Osaka Yuki Productive Maintenance (OYPM) activities, which I witnessed on a plant tour I made soon after I assumed the position of outside director, OOC is continuing high-quality production activities through the PDCA cycle. I believe that another mission of outside directors is to leverage such various underlying strengths of the Company to improve its corporate value. Going forward, I will fulfill my missions as an outside director, including enhancing the company's non-financial value by strengthening its workforce.



E Environment

Environmental Initiatives

Amid rising awareness of natural environment preservation and increasing activities for environmental protection, the OOC Group is working hard to contribute to the formation of a sustainable recycling-oriented society through initiatives designed to promote harmonious coexistence with the Earth and society. In view of the international trend in the management of chemicals, the Group's activities are designed not only to prevent environmental pollution in compliance with laws and regulations, but also to reduce environmental impact while promoting and improving the voluntary management of chemicals.

Medium-term Policy (2020–2024) Issues

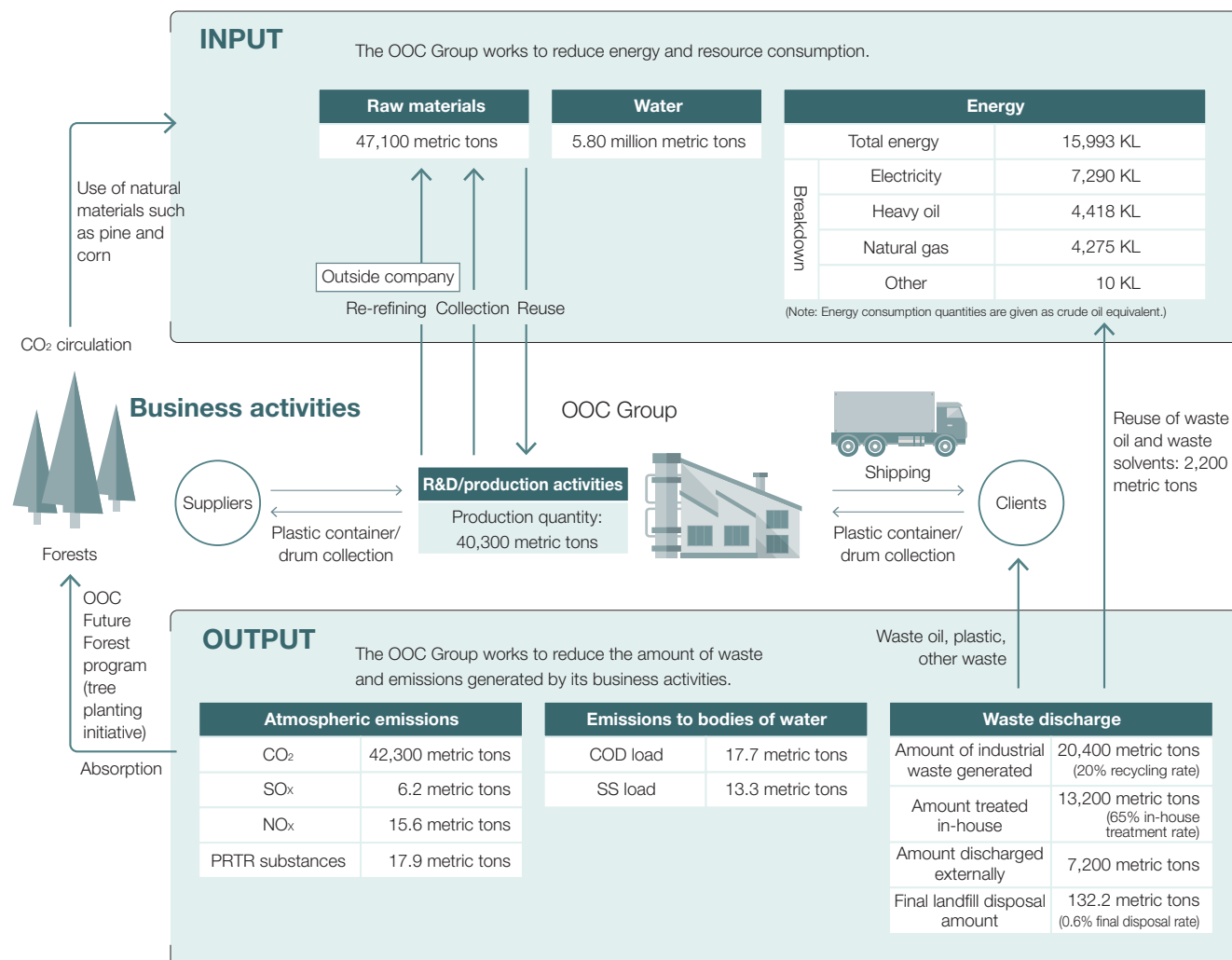
Company activities designed for coexistence with the Earth and society

- Building global partnerships to enable sustainable development
- Managing chemicals and reducing waste throughout product lifecycles
- Proactive use of resource recycling and use of renewable energy

State of Environmental Impact

The OOC Group works to accurately identify how we affect the environment through our business activities, from raw material procurement to production, disposal, and recycling. We work to reduce environmental impact by qualitatively and quantitatively

identifying how much we reduce or reuse the resources we consume and discharge. Various ESG data is available on our website.



Climate Change Initiatives

Responses to the TCFD Recommendations

In response to risks and opportunities related to climate change, the TCFD recommendations are recommendations for disclosure of information on the following four areas: Governance, Strategy, Risk Management, and Metrics and Targets.

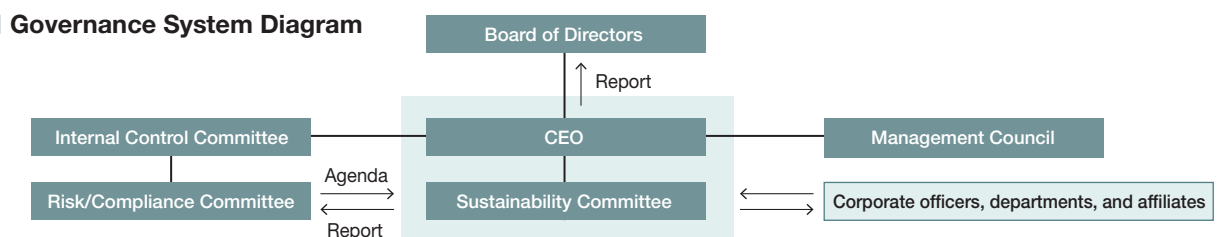
The OOC Group will strive to win the trust of society and stakeholders by incorporating the climate change-related initiatives it has conducted to date into a framework based on the TCFD recommendations and by disclosing information on the risks and opportunities it has analyzed.

Governance

The Sustainability Committee was established as an organization to carry out initiatives for building OOC resilience. This organization is composed of cross-organizational members led by the CEO. Important matters, such as basic policies, are deliberated and resolved by the Board of Directors while other matters are deliberated by the Sustainability Committee (twice a year), and deliberation results are reported to the Board of Directors.

(twice a year) for its deliberation and approval as necessary. Any new risks identified are discussed by the Risk/Compliance Committee first, and if deemed relevant to the TCFD, the Sustainability Committee conducts a scenario analysis and identifies key risks. The analysis results are reported to the Risk/Compliance Committee and the Board of Directors.

Governance System Diagram



Scenario Analysis

The OOC Group performed scenario analysis on opportunities and risks created by climate change for its business in accordance with the TCFD framework based on the conditions summarized below. For the analysis conditions, we developed two scenarios: 1.5°C scenario and 4.0°C scenario. The former represents the

situation where various measures are taken to curb climate change, and the latter represents the situation where no such measures are taken. We also identified opportunities and risks for the business segments of OOC under the same conditions.

Analysis Conditions

	Ref	1.5°C scenario		4.0°C scenario	
Reference conditions		IPCC:SSP1-1.9 IEA-WEO:NZE		IPCC:SSP5-8.5 IEA-WEO:STEPS	
Year	2020	2030	2050	2030	2050
Global CO ₂ emissions (Gt-CO ₂)		26	0	37	34
Carbon taxes (USD/t-CO ₂)		15 to 90	55 to 200	0	0
Ratio of electrical energy in total energy consumption (industry)	22%	28%	46%	23%	25%
Mix of power sources	Coal and petroleum: 38% Natural gas: 23% Nuclear energy: 10% Renewable energy: 28% Other: 1%	Coal and petroleum: 9% Natural gas: 17% Nuclear energy: 10% Renewable energy: 61% Other: 3%	Coal and petroleum: 0% Natural gas: 0% Nuclear energy: 8% Renewable energy: 88% Other: 4%	Coal and petroleum: 27% Natural gas: 21% Nuclear energy: 9% Renewable energy: 42% Other: 1%	Coal and petroleum: 14% Natural gas: 18% Nuclear energy: 8% Renewable energy: 60% Other: 0%
Sea level rise (through 2100)	0	0.28 to 0.55 m		0.63 to 1.01 m	
Average annual precipitation (through 2100)		Increase by 0 to 5%		Increase by 1 to 13%	

1.5°C Scenario

Transition/physical	Item	Risks / Opportunities	Description	Term	Impact	Responses
Transition	Policies and regulations	Opportunities	To reduce energy costs by increasing efficiency of production and transportation ● Lower prices of solar panels, wind power generation, and power storage equipment	Medium term	Small	● Diversify the sources of raw materials and transportation methods
			To reduce procurement costs as a result of the general acceptance of renewable energy ● Development of products suitable for resource saving	Short term	Small	● Curb electricity costs by introducing off-grid power generation equipment, such as solar power, wind power, etc. ● Purchase green electric power or electric power generated from renewable energy sources ● Develop products suitable for resource saving
		Risks	Increase in costs to meet tighter GHG regulations ● Increase in manufacturing and shipping costs due to soaring crude oil and electricity prices ● Increase in operating costs due to carbon pricing Estimated cost increases if GHG emissions are not reduced In 2030: 80 to 490 million yen In 2050: 300 to 1,080 million yen Estimated cost increases if GHG emissions are reduced in accordance with the reduction targets of OOC In 2030: 60 to 360 million yen In 2050: 0 yen	Short term	Medium	● Curb total GHG emissions by streamlining manufacturing processes
			Higher prices and/or procurement difficulty of certain materials to meet tighter GHG regulations ● Increase in costs of raw materials, such as naphtha ● Increase in disposal costs, such as cost of disposing of waste oil	Short term	Medium	● Consider switching raw materials ● Curb heavy oil consumption and reduce disposal cost by using heat from waste oil boilers and other sources
			Increase in business opportunities due to increase in demand for environmentally friendly technology			
		Technology	Opportunities	Increase in investment and R&D costs for environmentally friendly technology	Short term	Small
	Risks		Improvement of corporate image through enhanced disclosure of climate-related information	Short term	Small	
	Reputation	Risks	Decline in the value of corporate brand due to delay in responses	Short term	Medium	● Provide timely information disclosure
			Downgrades of external assessment due to a lack of information disclosure	Short term	Medium	● Enhance information disclosure

4.0°C Scenario

Transition/physical	Item	Risks / Opportunities	Description	Term	Impact	Responses
Physical	Acute	Risks	Decline in capacity utilization at business sites due to a sudden disaster ● Shutdown, fire, or leakage caused by a typhoon, tsunami, etc. ● Logistics disruption caused by heavy snowfall	Long term	Large	● Develop BCP measures at each site
			Interruption of operations due to disaster damage to supply chain ● Shutdown of suppliers and manufacturers due to disaster damage	Long term	Medium	● Implement supply chain management to achieve sustainable procurement
			Spread of an epidemic ● Decline in production and shipping efficiency due to epidemic infection of employees	Long term	Small	● Educate employees on symptoms, control measures, etc. of infectious diseases and prepare response flows
	Chronic	Risks	Chronic climate change (sea level rise, temperature rise, etc.)	Long term	Small	● Enhance resource-saving features of products
			Decrease in the precision of manufacturing processes and increase in management costs due to temperature rise ● Decline in production efficiency due to the deterioration of working environment or work-related injuries at manufacturing sites ● Increase in electricity costs due to need for stronger air conditioning ● Decline in preservation stability in non-refrigerated warehouses due to storage temperature rise ● Decline in product stability during transportation	Long term	Small	● Enhance break rooms and install local cooling fans ● Establish management standards that take account of climate change and consider the use of 25°C temperature warehouses ● Evaluate the necessity for temperature management during transportation
			Destabilization of supply of natural resources, water, electric power, raw materials, etc.	Long term	Medium	● Monitor and address water risk and diversify the sources of raw materials

Opportunities and Risks Related to Business

Business domains	Risks / Opportunities	Description	Term	Impact	Responses
Common	Opportunities	Increase development projects or obtain new themes by adding new functions, such as energy saving and efficiency improvement	Short term	Small	● Obtain market information on an ongoing basis and strengthen development on new themes
	Risks	Decline in product competitiveness due to soaring heavy oil prices, increase in raw material, process, and transportation costs, and soaring product prices caused by GHG emission regulations	Short term	Medium	● Reduce the man-hours in heavy oil processes or replace them with electric processes
Chemical products	Opportunities	Replace raw materials for existing products with bio-derived raw materials Expand OOC's share of materials for UV curing by capitalizing on increase in demand for energy saving processes	Medium term	Medium	● Expand the line-up of products that use bio-derived raw materials, such as biomass acrylate ● Promote the sales of materials for UV curing
	Risks	Decline in product competitiveness due to increase in the cost of distillation processes Supply shortage of biomass raw materials due to increase in demand for them	Short term	Medium	● Reduce the man-hours in heavy oil processes or replace them with electric processes ● Secure and diversify the supply sources of biomass raw materials
Specialty chemicals	Opportunities	Increase own product sales by capitalizing on increase in demand for cosmetics with reduced environmental impact	Short term	Small	● Develop materials for cosmetics with reduced environmental impact
		Increase own product sales by capitalizing on increase in demand for cosmetics for heat care, such as cooling cosmetics	Short term	Small	● Promote the sales of cosmetics for heat care
Electronics materials	Opportunities	Increase in demand for semiconductor products resulting from the shift to high-speed communications, larger data volume, and faster processing, which is caused by increase in demand for power saving Increase in demand for semiconductors due to the advancement of indoor IoT as a result of increase in indoor activities	Short term	Large	● Enhance manufacturing facilities for materials for semiconductors
	Risks	Major changes in manufacturing methods due to increase in energy costs and associated significant decrease in demand for materials	Long term	Medium	● Obtain industry information from customers on an ongoing basis
Shinko Organic	Opportunities	Increase in demand for solvents for semiconductors due to increase in demand for semiconductors	Short term	Medium	● Consider enhancing manufacturing facilities
	Risks	Decrease in demand for solvents for paints due to increase in demand for energy saving processes	Short term	Medium	● Obtain market information on an ongoing basis and develop new themes

CO₂ Emission Reduction Targets and Measures

The OOC Group has recognized the importance of addressing climate change through a transition to a decarbonized society, and medium- to long-term targets have been set by OOC's Carbon Neutralization Study Committee established in 2021. For the business segments of the Company, we have also

identified specific measures to achieve the targets as shown in the table below, in addition to those rationalization and energy saving measures that we have been implementing. We will strive to achieve carbon neutrality by meeting these targets.

	Reduction targets (as compared with fiscal 2013)	Specific measures
Short term	15% or more by fiscal 2024	● Reduce environmental impact and Scope 1 CO ₂ emissions through the reuse of waste solvents ● Develop biomass products ● Reduce Scope 2 CO ₂ emissions by introducing renewable energy sources (such as solar panels) ● Reduce Scope 2 CO ₂ emissions through the purchase of green electricity
Medium term	30% or more by fiscal 2030	● Reduce Scope 1 CO ₂ emissions by promoting the shift of energy sources from heavy oil to electricity
Long term	100% or more by fiscal 2050	● Reduce Scope 1 CO ₂ emissions by considering the introduction of energy sources that use carbon-free fuels (such as H ₂ and NH ₃) ● Reduce Scope 1 CO ₂ emissions by reusing CO ₂ by way of fixation and conversion of CO ₂ into valuables

Metrics and Targets

Toward a decarbonized society, we have set the following measurement and reduction targets for CO₂ emissions from the Company's own activities (Scopes 1 and 2) and indirect CO₂ emissions (Scope 3):

Scope 1 + 2	● Reduce CO ₂ emissions by 30% by 2030 (as compared with fiscal 2013) ● Reduce CO ₂ emissions by 100% by 2050 (as compared with fiscal 2013)
Scope 3	● Measure Scope 3 CO ₂ emissions by 2023 ● Announce a reduction roadmap by 2025 ● Reduce CO ₂ emissions by 100% by 2050 (as compared with fiscal 2023)

Initiatives to Achieve Carbon Neutrality

Climate change caused by global warming and the sustainability of modern society have emerged as international concerns. As part of measures to address this urgent issue, the Paris Agreement and related decisions obligated all countries to make efforts to formulate and submit a long-term strategy for achievement of lower GHG emissions. In response to this, the Japanese government declared in October 2020 that it would aim to achieve carbon neutrality by 2050. The chemical industry is the industrial sector with the second highest CO₂ emissions, behind only the steel industry. The OOC Group also consumes a large amount of energy in conducting its business. The Group is working toward a carbon-neutral, decarbonized society with a long-term goal of resolving significant decarbonization issues while considering the effective use of waste as energy sources in the medium term and implementing the introduction of solar power generation equipment and the purchase of green electricity in the short term.

Past Steps toward a Decarbonized Society

Under the Long-term Business Plan that started in fiscal 2015 (Next Stage10), the OOC Group has focused on electronics materials while promoting business reforms by reviewing unprofitable businesses. As the Group continues to achieve sales and profit growth, heavy oil usage has decreased while electricity usage has increased. As a result, CO₂ emissions have been consistently declining.

OOC Group's CO₂ Reduction Measures

The Group will work to use energy more efficiently by pursuing the goal of improving the energy consumption efficiency rate by 1% or more every year (by 8% over five years as a medium-term plan target for plants) in accordance with the guidelines provided for by the Act on the Rational Use of Energy. As energy consumption continues to rise every year, the Group also plans to install solar power generation equipment (Sakata Plant) and a combustion boiler for waste solvents (Kanazawa Plant).

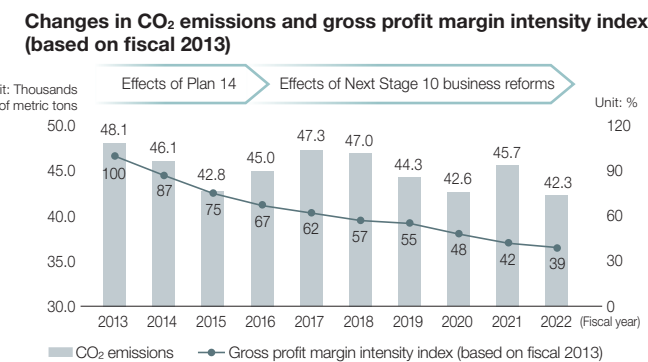
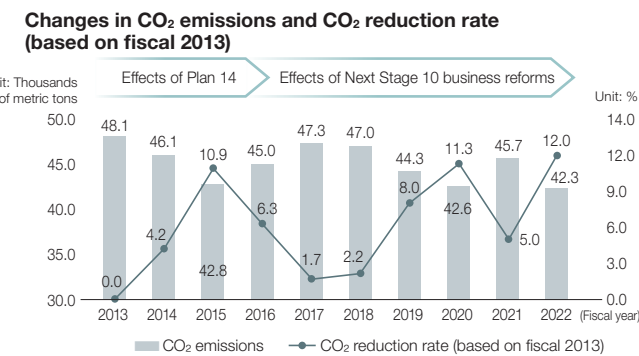
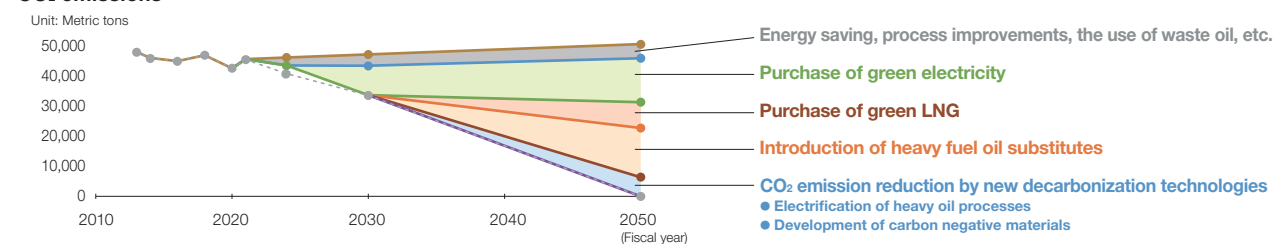
Kanazawa Plant, Sakata Plant	<ul style="list-style-type: none"> Recycled use of solvents Use of waste solvents as boiler fuel Solar power generation facility installation plan (Sakata Plant) Use of exhaust heat from drains Regular inspections and maintenance of steam traps Construction of new facilities (introduction of equipment satisfying the Top Runner Standard)
Osaka Office, Kanazawa Laboratory	<ul style="list-style-type: none"> Development of manufacturing technologies and products that contribute to resource/energy saving Replacement of air conditioners (Kanazawa Laboratory)
Head Office Plant of Shinko Organic Chemical Industry	<ul style="list-style-type: none"> Introduction of energy saving equipment (such as inverter-controlled high-efficiency heaters) as part of equipment renewal Reduction of energy consumption rate through manufacturing process improvements
Head Office	<ul style="list-style-type: none"> Reduction of electricity usage by 50% through head office relocation (including the effect of increased working from home)
All offices	<ul style="list-style-type: none"> Energy saving measures implemented through temperature management of air conditioning and rationalization of indoor/outdoor lighting

Sustainability Committee

A Sustainability Committee has been established to deal with issues related to sustainability in general following the establishment of the Carbon Neutralization Study Committee in 2022. The Sustainability Committee will also discuss any measures toward carbon neutrality.

Fiscal 2022 result	Fiscal 2023 target	Fiscal 2024 (medium-term target)	Fiscal 2030 (medium-term target)	Fiscal 2050 (long-term target)
12%	14%	15% or more	30% or more	Net zero

CO₂ emissions



Initiatives to Reduce Environmental Impact

Products we see and use every day use many materials made from chemicals. Chemicals are indispensable for us to lead an affluent life and maintain convenient and comfortable living conditions. On the other hand, we consume raw materials derived from oil as well as a large amount of energy in the course of producing such materials. The produced materials are discharged into the environment, such as the air, rivers, seas and other waters, and soil, after they are used in our daily lives and business activities. While environmental issues have changed rapidly in recent years, the OOC Group as a material manufacturer continues to conduct its activities aiming to ensure product safety and reduce environmental impact, as well as to prevent environmental pollution in production processes in compliance with laws and regulations. As in previous years, there was no serious environmental compliance violation, such as a disaster, in fiscal 2022. In order to ensure business continuity, the Group will continue to conduct its activities in a manner friendly to the global environment by ensuring that each employee understands the importance of legal compliance and disposing of any waste by appropriate methods as it arises.

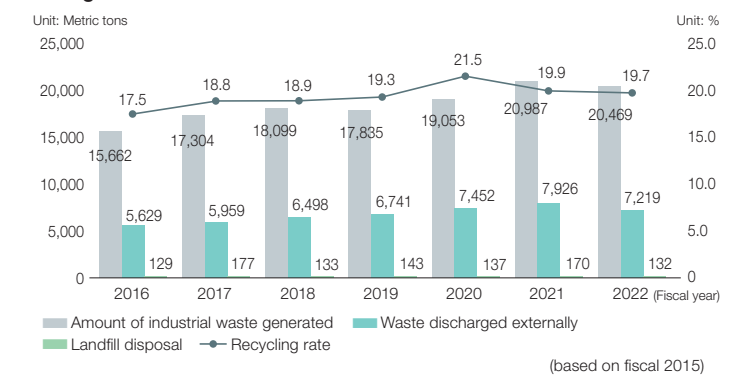
Curbing the Discharge of Industrial Waste

The Group works to further reduce environmental impact through activities that put the three Rs (reduce, reuse, recycle) into practice. These activities are designed to reduce the amount of industrial waste generated while making effective use of limited resources by consistently sorting generated waste and recycling more of it. We have always promoted in-house recycling by using byproduct oil treatment systems to turn waste oil into fuel and waste solvents into boiler fuel. The recycling rate for fiscal 2022 was nearly the same as in the previous year at 19.7% (down 0.2 percentage points).

As part of activities to promote resource recycling, we plan to install a boiler that uses waste solvents as fuel after evaluating various waste oil disposal methods. Having completed environmental assessment this fiscal year, we aim to start actual operation next fiscal year.

Recycling rate Fiscal 2022 result: 19.7% | Fiscal 2024 target: 25% or more

Changes in waste data



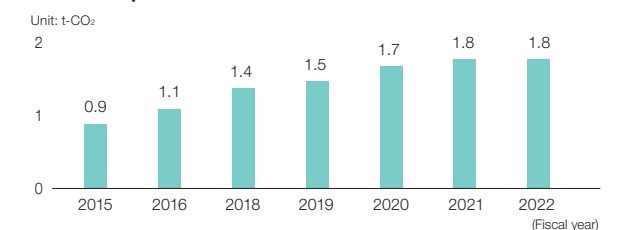
OOC Future Forest Program

Ishikawa Prefecture is undertaking the "Corporate Forest Support Promotion Project" in order to support forest conservation activities by businesses. OOC's Kanazawa Plant has participated in these activities every year since 2010.



In 2022, 20 people (14 employees and six family members) participated in forest conservation activities, including supplementary planting of 30 trees and additional fertilization, after implementing measures to prevent coronavirus infection.

CO₂ absorption



Preventing Air Pollution

Preventing air pollution through measures such as rationalizing the operation of boilers and incinerators has always been an area of focus for the Group. We are also working on further

reducing atmospheric emissions of hazardous substances. In the future, we will continue to monitor emission equipment on an ongoing basis and make efforts to reduce our emissions.

Preventing Water Pollution

The Group's wastewater treatment processes are continually monitored as we work to prevent water pollution by meeting regulatory values. As part of this work, we make ongoing efforts to reduce environmental impact on bodies of water by

rationalizing the operation of activated sludge treatment facilities and wastewater incinerators. Although the level is well below the regulatory value, we will continue to work on reducing it further through steady monitoring.

S Society

Occupational Health and Safety

The main objectives of occupational safety and health are to maintain the safety and health of employees and to prevent disasters and accidents.

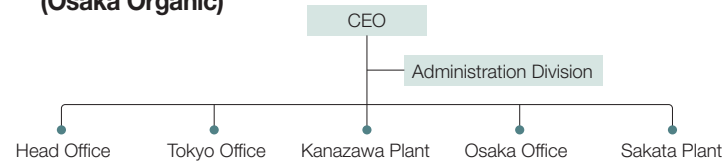
In addition to complying with the Industrial Safety and Health Act and related laws and regulations, the OOC Group is committed to promoting the health of its employees. As a result, we are working to improve the health of our employees and our organizational culture because healthy employees and a healthy organization lead to higher labor productivity.

Number of lost time injuries in the OOC Group

2

(Dec. 2021 to Nov. 2022)

Organizational Structure for Occupational Safety and Health (Osaka Organic)



Subordinate organizations and their main roles

Fire Fighting Subcommittee	Fire and disaster prevention planning and promotion for plants and maintenance and management of fire extinguishing systems, fire extinguishers, hazardous materials facilities, etc.
Environmental Sanitation Subcommittee	Planning and advice on maintaining the workplace environment, inspection and investigation of safety and health and protective equipment, guidance on first-aid equipment inspection, etc.
Health Promotion Subcommittee	Planning and promotion of sports events for all employees to participate in for the purpose of promoting health
Inspection Subcommittee	Premises inspection planning, implementation, and follow-up
Zero Accident Education Subcommittee	Assessing and summarizing the status of Zero Accident Team initiatives, planning participation in external training sessions, etc.

Head Office

Installation of an AED

We installed an AED inside the head office.



All Business Sites

Installation of IP communication devices

In order to secure means of communication in emergency situations, we installed small IP communication devices at each business site.



Osaka Office

Aiming to create a safe and comfortable work environment, the Osaka Office is conducting improvement activities based on discussions at the monthly meetings of the Safety and Health Committee. In addition, it holds various education and training sessions, such as emergency drills and education on fire prevention and firefighting equipment, in accordance with the annual safety and security management plan.

General disaster preparedness drills



In this fiscal year, everybody at the Osaka Office participated in firefighting drills using fire extinguishers and indoor fire hydrants, evacuation drills using emergency ladders, and reporting drills based on a mock fire in the research building.

Fiscal 2022 Safety, Security, and Disaster Preparedness Training Results (OOC Group)

Period covered: December 2021 to November 2022

	Kanazawa Plant	Sakata Plant	Osaka Office	Shinko Organic
Poisonous Materials Handling Education & Training	●		●	
Carrier Service Staff Education & Training	●	●	●	
Static Electricity Education & Training	●	●	●	●
Evacuation Drills	●			●
Firefighting Drills	●	●	●	●
Emergency Response Test (Odors, leakage, fires, polymerization hazard, etc.)	●	●	●	
Fire Fighting Equipment Education & Training (Fire hydrants, automatic fire alarms, etc.)	●		●	●
High-Pressure Gas Education & Training	●			
Health & Hygiene Education & Training	●			●
Risk Assessment Education & Training			●	
Emergency/First Aid/Protective Gear Education & Training	●		●	●
Education on Carcinogenicity Guidelines		●		
Health Risks from Chemical Substances				●
Terminal Recovery Training			●	
Prevention Regulations		●	●	
Welding Fumes Education & Training				●
Training in Handling Fire Extinguishing Equipment	●			●
Fire Fighting Equipment Education & Training (Chemical firefighting truck)	●			
General Disaster Preparedness Drills	●		●	●
Safety Control Techniques	●			

Waterway cleaning in the premises

Waterways flowing through the premises of the Osaka Office were cleaned. As weed and sand were removed, it became easier to monitor the waterways. As a result, infestation of fly larvae was prevented and the work environment improved.



Kanazawa Plant

The Kanazawa Plant holds education and training sessions on such topics as safety and health and disaster prevention in accordance with the annual safety and security plan. The Plant also established a Disaster Prevention and Safety Division in December 2021 to start initiatives on its specific business continuity and disaster prevention responses to any unprecedented disasters.

Disaster prevention drills

The Kanazawa Plant has established an in-house fire brigade consisting of headquarters units and divisional units assigned to each workplace. Leaders of headquarters units are required to complete a firefighting training program, and leaders of divisional units are also encouraged to complete the program.



COVID-19 prevention measures

Rice scoops, which had been shared among employees to scoop rice, were replaced with automatic rice scooping machines in the employee cafeteria to eliminate any risk of infection arising from the sharing of rice scoops.

Before improvement



After improvement



Sakata Plant

The Sakata Plant prepares an annual security management plan at the beginning of each year and conducts various education and training sessions such as firefighting drills, leakage control drills, and 4RKYT (four-round hazard prediction training). Also, through monthly health and safety meetings, we uncover near-misses and share information on new raw materials and equipment, and through risk assessments, we reduce sources of danger to create a safe and secure environment.

Leakage control drills



Leakage control drills are conducted each shift, including regular work, to prepare for any leakage of chemical solutions.

Firefighting drills



Firefighting drills are conducted each shift, including regular work, by assigning specific roles to individuals and assuming the occurrence of an earthquake and fire.

COVID-19 prevention measures



In the third year of the pandemic, the Plant's COVID-19 prevention measures included regular temperature check, hand disinfection, and the use of acrylic plate partitions and air purifiers with a HEPA filter, as well as ventilation and disinfection in site offices at the time of shift handover and in the cafeteria and changing rooms in the morning and at lunch time. In addition, group influenza vaccination in the plant is available for those who wish to receive it.



Chokai One-day March

"Two-day march" is an excursion event that is held nationwide in Japan. However, as part of efforts to control COVID-19, the town of Yuza held a similar event in the form of a one-day walk this year. The Plant participated in this event to encourage exercise for health promotion.

Shinko Organic

As a company that handles chemicals, Shinko Organic strives to ensure safe plant operations, with its first priority on the prevention of fire, but also without failing to prepare for natural disasters, such as earthquake, high tide, and storm.

Joint comprehensive disaster prevention drills

A comprehensive disaster prevention drill ("Kobe Area Petrochemical Complex Special Disaster Prevention Council East Area Comprehensive Disaster Prevention Drill in 2022") was conducted jointly by the local fire station (Higashinada-ku, Kobe), Shinko Organic's in-house fire brigade, and nearby OOC business sites for rehearsing responses at petrochemical facilities during a Tonankai Trough earthquake.



Interactions with Local Communities (Contribution to Regions in Which OOC Business Sites Are Located)

Kanazawa Plant Reducing environmental impact and improving the safety of our operations at this main plant

The Kanazawa Plant began operating in 1981 as the OOC Group's second factory, and since then it has developed to become our main plant. The Kanazawa Plant faces the holy mountain Mount Haku and effectively uses the precious resource of underground water from there in its production activities. We use the plant's state-of-the-art technology to carry out manufacturing activities that contribute to society. We are also actively moving forward with a range of initiatives for achieving sustainable manufacturing that is energy efficient and eco-friendly. These include improving production processes, installing energy-saving equipment, and using renewable energy sources. Additionally, through organizing and taking part in various community social action programs, Kanazawa Plant employees are establishing closer ties with local residents.



Kanazawa Plant (including the Kanazawa Laboratory)

- Location: 1600-1 Matsumoto-machi, Hakusan-shi, Ishikawa
- Established: June 1981
- Employees: 241 (as of November 30, 2022)
- Main products: Semiconductor materials, coating and adhesive materials, resin raw materials, etc.



Blood donation drives

As a member of the Matsumoto Industrial Park Council, the Kanazawa Plant has been cooperating with the Ishikawa Prefecture Red Cross Blood Center in blood donation activities since 2010 by offering a venue inside the Plant. Although it has been difficult to secure sufficient blood in recent years due to the COVID-19 pandemic, we will continue to conduct blood donation activities going forward in order to save the lives of as many people as possible.



Clean Beach Ishikawa in Hakusan

Clean Beach Ishikawa is a movement to protect the coastline of Ishikawa Prefecture, which extends 583 km. Each municipality along the coastline conducts cleaning activities on their respective cleaning days. The Kanazawa Plant participated in cleaning activities conducted along Tokumitsu Beach in Hakusan City in May.

Donation of emergency rations



<Food drive>

In June, the Company donated preserved food (250 servings of shrimp pilaf) whose best-before date is August 2022 as part of cooperation with the local food drive organized by the Hakusan Chamber of Commerce under the campaign to collect surplus food from households and other sources and donate it to the local social welfare council as relief supplies to needy people.



<Childcare Section and Welfare Overall Coordination Office, Health and Welfare Division, Hakusan City>

In August, the Plant donated 10 boxes of cookies to the Childcare Section, Health and Welfare Division, Hakusan City. The cookies were donated in turn by the Childcare Section to the children's cafeteria in the city.



<Received an appreciation letter from Hakusan City>

The Plant received a letter of appreciation from Hakusan City in October in appreciation of these activities.

Osaka Office A hybrid office functioning as a West Japan distribution center and information-intensive laboratory

The Osaka Office currently operates mainly as a laboratory and a distribution center. Employees working there are mostly R&D personnel and pursue sustainable manufacturing in order to reduce environmental impact. The Osaka Office started operation in 1961 and became a foundation for the subsequent growth of the Company. Although its handling volume of hazardous materials has decreased following the reorganization of production bases, the Osaka Office continues to conduct safety and health activities to protect the safety of the local community, including regular firefighting drills.



Osaka Office (including Osaka Laboratory/Advanced Technology Research Institute)

- Location: 18-8 Katayama-cho, Kashiwara-shi, Osaka
- Established: July 1961
- Employees: 47 (as of November 30, 2022)



Softball tournament organized by the Kashiwara City Crime Prevention Association

Under a blue sky, 10 employees of the Osaka Office participated in a softball tournament organized by the Kashiwara City Crime Prevention Association.



Cleaning around the office

The Osaka Office conducts cleaning and weeding activities around the office on a monthly basis as part of its safety and health activities.



In January 2023, a new year's parade of firefighters was held jointly by the Kashiwara Habikino Fujiedera Firefighting Association and local constituents for the first time in the last three years. OOC participated in the parade as a corporate constituent.

Sakata Plant Production that also values precious natural capital

The OOC Group started operations at the Sakata Plant in July 2000 as its then-third plant with a floor area of 114,000 m². Overlooking Mount Chokai, which is also called the Dewa Fuji, and located on the Shonai Plain fed by the Mogami River, the industrial park is situated on stable ground with little risk of natural disasters, and aims to be a forest plant that coexists with the local community. As a chemical manufacturer, we implement safety-first production initiatives while being conscious of the need to reduce our environmental impact and save energy. Furthermore, we are committed to living in harmony with the local community and participate in various social contribution initiatives to deepen our interaction with the community.



Sakata Plant

- Location: 157-23 Shigerimatsu, Fujisaki, Yuza-machi, Akumi-gun, Yamagata
- Established: July 2000
- Employees: 41 (as of November 30, 2022)
- Main products: Patterning materials for liquid crystal displays, cosmetics materials, coating resin raw materials, etc.



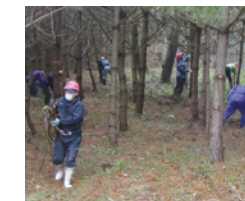
Blood donation drives

The Sakata Plant conducted blood donation activities inside the plant in cooperation with the Yamagata Prefecture Red Cross Blood Center. Plant employees and employees of companies in the neighborhood participated in blood donation.



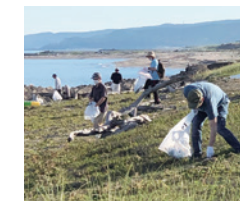
Shonai My Road Support project

The Plant participated in the project again this year, and beautiful daffodils bloomed along the road adjacent to the Plant as a result of planting.



Forest maintenance volunteer activities (Nishiyama Venue)

The Plant conducted forest maintenance volunteer activities as its annual event. The plant employees worked with many local residents and children to maintain the pine forest, which serves as a windbreak, by pruning the lower branches of the pine trees. As the work was completed, the pine forest became neat with a clear view.



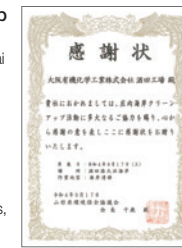
Yuza Whole Town Beautification movement (Sea cleaning movement)

The town of Yuza organized cleaning activities also this year, and the Plant participated in the cleaning of beaches in the Hattori Koya area. Plant employees collected a truckload of garbage as a result of activities that started in the early morning.



Shonai Beach clean-up activities

The Plant participated in Shonai Beach clean-up activities organized by the Yamagata Prefecture Environmental Conservation Association and cleaned up Ohama Beach in Sakata City. A workshop was held after the clean-up activities, and the Plant participated in a lecture titled "Marine Plastic Waste Problem - Thinking about the Future from the Perspective of the Connection between Town, River, and Sea."



Yuza Commerce and Industry Fair

The Plant participated in the Fair and held an exhibition booth for company introduction.

Head Office Plant of Shinko Organic Chemical Industry

Steps toward becoming a small, but safe and state-of-the-art chemicals manufacturing plant

Shinko Organic Chemical Industry is a chemicals manufacturing plant that has been operating for 52 years in the coastal area of Higashinada-ku, Kobe City, Hyogo Prefecture located at the foot of the Rokko Mountain Range. The company supplies various materials, such as acetic esters, organic solvents, and high-purity solvents, to a wide range of fields, such as paints/printing, LCD panel materials, and semiconductors, by utilizing distillation technology that it has developed since its foundation. The company also plays a part in the supply chain for certain key supplies manufactured in Japan. It also works to reduce energy consumption on an ongoing basis through Kaizen (improvement) activities for a better future for the global environment.



Regional council cleaning activities

The company participated in the cleaning activities organized by the regional council operated jointly by business sites in the neighborhood and cleaned up the area around the plant.



Corporate training for high school students

The company accepted nine sophomores majoring in industrial chemistry from Yame Technical High School in its corporate training program during their school trip to the Kansai area. After a tour of the chemicals manufacturing plant, a briefing on shiftwork, etc., they commented that the training program was very useful in considering their post-graduation employment.



Shinko Organic Chemical Industry Ltd.

- Location: 18-26 Sumiyoshihama-machi, Higashinada-ku, Kobe-shi, Hyogo
- Established: April 1969
- Employees: 49 (as of November 30, 2022)
- Main products: Solvents for electronics materials, cosmetics materials, solvents for coatings/adhesives, etc.

Workforce Recruiting and Training

Recruitment Activities

In our recruitment activities for fiscal 2022 (March 2023 graduates), we continued to hold company information sessions and screenings online, considering the health and prevention of infection of students as our top priority due to the COVID-19 pandemic that began in 2020. In addition, plant and laboratory tours were conducted at the Kanazawa Plant and Osaka Office in and after summer 2022. We plan to continue this program in the next fiscal year as well, while confirming the status of the pandemic.

Internships

The OOC Group regularly offers internships to applicants who are keen to know more about working at a chemical plant. In fiscal 2022, we continued to conduct online and onsite tours of plants and laboratories while implementing strict countermeasures against COVID-19 infection. Despite the short time frame, many students participated.

Participation in On-campus Information Sessions

In 2022, we exhibited at 11 schools and were visited by many students.

Empowering Women in the Workplace

In order to achieve the target of raising the percentage of female managers (and equivalent) to at least 10% by the end of March 2026, the Company supports the empowerment of female employees in various ways for the purpose of helping them play active roles and improve their skills. In fiscal 2022, we promoted certain contract employees to permanent employees. We also conduct career interviews with all employees twice a year to review the career development of individual employees and provide advice and support from their supervisors.

Laboratory Tour for the Chemical Society of Japan

We held a laboratory tour on the theme of "informing the work of a company without a household name that is unseen, but is close to you," and 10 students majoring in chemistry who belong to the Society participated in the tour. After a general introduction of the Company and its products, the participants were informed specifically of the job duties and the atmosphere of the laboratory in the round-table talk with young researchers. After that, the participants took a tour of the CREO Research Center, which was newly established in 2020, and visited its state-of-the-art manufacturing site to deepen their understanding of chemicals manufacturing. We received from the participating students such comments as "I learned in detail about the research and physical properties evaluation conducted at the Company. In particular, I was overwhelmed by the laboratory that was so clean" and "I want to work for such a clean company."



Promotion of Temporary Employees to Permanent Employees

Background of employment

I worked for OOC as a temporary employee for four years. After two years had passed, I felt that I would like to work for the Company for many years and strived to become a permanent employee.

Impression of OOC

On my first day at OOC as a temporary employee, I saw that top management outreach was conducted. I was very impressed by the friendly and warm atmosphere. It appeared that there was no gap between the Company and its employees.

Atmosphere

I think that the Company provides an environment in which employees can consult with their seniors regardless of their age, and employees with little experience, like me, are supported firmly by their seniors so that they can solve problems by themselves.

Future aspiration

As the scope of my work was expanded after becoming a permanent employee, I would like to target new goals with enthusiasm and achieve results.



Ms. Maeda
Kanazawa Laboratory

Listening to the Opinions of Employees Directly

Lunch Meeting with the CEO

Lunch meetings with the CEO have started in this fiscal year for the CEO to directly listen to the opinions of young employees of each business site. The CEO had frank talks with those employees who do not have many opportunities to

speak to the CEO in their daily work and derived from them many ideas to improve the Company going forward, such as their problems at work and programs that they would like the Company to start.

Respecting Human Rights

Opened More Hotline Reporting Channels

The OOC Group's policy on human rights is never to condone any human rights violation. Under this policy, the Group operates its business in a manner to respect human rights. In order to eradicate various forms of harassment, the Group had opened three reporting channels outside the Company and two reporting channels in the Company. In this fiscal year, the Group opened another internal reporting channel to encourage employees to feel free to report any concerns.

Support system for creating a pleasant working environment



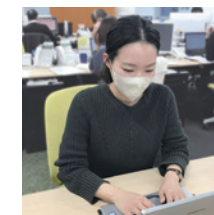
Creating a Diverse Workforce / Creating Safe and Pleasant Workplaces

Changes in the Work Environment

The Group abolished uniforms for female employees working in offices to change the work environment. In a society oriented toward gender equality, the Company will enhance programs to help employees work actively regardless of their gender and age.

Abolishment of Office Workers' Uniform

A uniform (vest, skirt, cardigan, shoes, etc.) had been supplied to female office workers since I joined the Company. In recent years, even banks and department stores are abolishing uniforms. The Company has also allowed business casual attire at the office in order to embrace diversity and realize an environment in which all employees can work actively regardless of their gender. We realized a smooth transition through a transition period in which either a uniform or business casual attire could be worn. Business casual clothes are usual in the office now, with uniforms a thing of the past.



Ms. Higashida
General Affairs Department (Head Office)

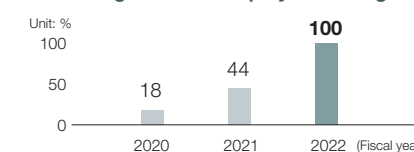
Initiatives for Diversity

Childcare Leave for Male Employees

The Company, based on the general action plan under the Act to Advance Measures to Support Next-Generation Child-Rearing, is working to raise the percentage of employees who take childcare leave or leave for childcare purposes. While the percentage of female employees taking childcare leave remains at 100%, the low percentage of male employees taking childcare leave has been a problem. We have been actively promoting awareness of the program since 2019 and informing employees of childcare leave or leave for childcare purposes available at the time of birth of each child.

Male Employees Taking Childcare Leave

Percentage of male employees taking childcare leave



A Male Employee Who Took Childcare Leave

What made you take childcare leave?

I took childcare leave when my third child was born. Based on the previous experience with the first two children, I knew that if another child were to be born, it would be difficult for me and my wife alone to take good care of the child. Therefore, I had already made up my mind to take childcare leave in order to support my family as much as possible.

What did you think during the leave?

Both I and my wife looked after the child, but I did not feel that the child was perfectly taken care of. I keenly felt that childcare is truly hard work. It was hard for me to be deprived of sleep, and I was sometime depressed as I had to stay at home all the time. (To avoid that situation, I frequently asked the children to come with me to go for a walk, ha ha.) I also thought that couples should agree on the division of roles between husband and wife in advance, because I quarreled with my wife about that.

I was surprised at the amount of childcare leave benefits that I received, which was more generous than I expected. (Company newsletter said that social insurance premiums are exempted, and perhaps for that reason, I felt that the take-home amount was more than expected.) The child was born before the expected date of birth. I had taken leave since a few days before that date. I was very impressed by the help of the staff at the General Affairs Section. They prioritize the needs of employees and helped me to decide whether to take that leave as special leave or paid leave. When I planned to return to work, they also advised me on the date of return by taking account of the salary implications. As I am not familiar with such matters, they were very reassuring and helpful.

Future challenges and other thoughts

More and more male employees are taking childcare leave than before. However, I hope that they take childcare leave for a longer period as it can be taken only by the week, such as one week or two weeks. (It is, of course, difficult for some people to take a long leave after adjusting their work responsibilities, but it is a waste not to take leave for a period of one month, two months, etc., as you can receive leave benefits in full only if you take leave for such a monthly period.) It is also difficult to know who is taking leave. As a result, there may



Mr. Ikeda
Kanazawa Laboratory

be some people who do not know whether they are permitted to take leave. In fact, when I returned to work, there were many people who did not know that I had been on childcare leave. That said, whether employees feel free to take leave depends on their supervisors. I intended to take leave no matter what although I felt easy to do so because my supervisor was supportive.

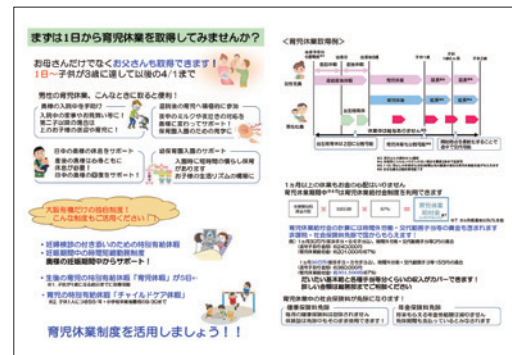
■ Revision of Paternity Leave Regulations

The Child Care and Family Care Leave Act was amended in October 2022 to introduce paternity leave (parental leave)*. In response to this development, the Company has revised the applicable regulations to create an environment in which employees feel free to take leave.

* The leave can be taken for a period of up to four weeks within eight weeks from the childbirth.

At the time of childbirth and when an application for childcare leave is submitted, the Company holds an interview with the employee to inform the employee how to take leave.

■ Enlightenment Activities (Enlightenment Brochure)



Promoting Health Management

■ Fiscal 2023 Health Management Survey

This year, we were recognized as one of the "2023 Health & Productivity Management Outstanding Organizations (Large Enterprise Category)" under the Certified Health & Productivity Management Outstanding Organizations Recognition Program designed by the Ministry of Economy, Trade and Industry and administered by the Nippon Kenko Kaigi (Japan Health Council). Health management initiatives contribute to the reform of work styles and the building of an environment to enhance productivity, which is necessary to create an organization that supports growth, such as improving employee health literacy and revitalizing communication.



Changes in assessment results

Fiscal year	2020	2021	2022
Overall assessment	40.3	50.3 (↑ 10.0)	53.5 (↑ 3.2)
Certification as an excellent health management corporation	—	Certified	Certified

Focus of activities in this fiscal year

1. Reducing the number of employees with and at risk of metabolic syndrome

Issue: The number of employees with and at risk of metabolic syndrome is markedly increasing.
 Employees with metabolic syndrome: 16.3% on average over the last four years
 Employees at risk of metabolic syndrome: 17.1% on average over the last four years

Countermeasures: Encourage applicable employees to take a follow-up examination.
 If necessary, internal regulations will be established to require supervisors to encourage them to take a follow-up examination.

Require or encourage applicable employees to participate in specific health guidance.

2. Enhancing infection prevention measures

Issue: Prevention of infectious diseases is necessary to reduce the risk of concurrent epidemic of COVID-19, seasonal flu, etc.

Countermeasures: Provide financial assistance to cover the cost of flu vaccination in full.
 Eligible persons: Employees and their family dependents and family members living together, temporary employees, and prospective employees
 Eligible persons are also permitted to receive the vaccination at their workplace.

■ Introduction of Suntory Vending Machines

As part of health management, the Company has introduced Suntory Plus vending machines at all business sites (excluding the Tokyo Office). We support health promotion that is fun and easy to continue by combining a dedicated application, vending machines, and health drinks.

By performing easy health promotion tasks every day, employees can control their body fat, blood pressure, cholesterol, and blood sugar.



■ Walking Events

The Company held monthly walking events for health maintenance. In total, 48 employees from all business sites participated in this event. On average, participants walked about 6,000 steps per day. We have received from the participants such comments as "I have had few occasions to walk lately and have not exercised enough, but walking has become a habit through the walking event. I would like to continue walking going forward."

Procurement Activities and Management of Raw Materials

Procurement Activities

The OOC Group, in order to realize its Management Philosophy and Vision, has established a Purchasing Policy on the procurement of raw materials in accordance with its Guidelines for Conduct, promotes raw material procurement activities, and strives to build and maintain a sound and mutually prosperous relationship with suppliers.

[Purchasing Policy]

In accordance with its Guidelines for Conduct, the OOC Group puts the following Purchasing Policy into practice in order to realize its Management Philosophy and Vision:

1. Fair and equitable transactions

We provide suppliers with fair and equitable entry opportunities without being constrained by conventional business practices and conduct purchasing activities that are open to both domestic and international suppliers.

We comprehensively evaluate the quality, price, stable supply capability, technology development capability, management reliability, etc. of each supplier, and execute best and optimum purchases.

2. Compliance with laws and regulations

We comply with applicable domestic and overseas laws and regulations, social norms, corporate ethics, and their spirit.

3. Building partnerships

We strive to build and improve a firm relationship of mutual trust with suppliers based on the fundamental understanding that all suppliers are our partners in business execution. We do not divulge any information obtained in the course of business unless it is in the public domain.

4. CSR initiatives

We aim for sustainable development together with our suppliers in order to fulfill our corporate social responsibility and answer to the social demand for value creation.

Management

Any delay or disruption in supplies due to an accident or any other emergency situation at our suppliers (manufacturers of raw materials and contract manufacturers) may cause disruption in our own manufacturing activities. For this reason, we strive to ensure stable procurement by monitoring the supply risk (such as production bases of suppliers) of the main raw materials for our products.

CSR Procurement

Toward the realization of a sustainable society, the OOC Group, in order to continue to fulfill its social responsibility throughout the supply chain, has established CSR-Oriented Procurement Guidelines based on its Purchasing Policy, which is the basic policy on procurement activities for raw materials. The Guidelines specifically list matters on which we would like our suppliers to work with us. We will ensure that suppliers understand them and work with them to promote CSR-oriented procurement throughout the supply chain.

[CSR Procurement Guidelines]

1. Sound corporate management

Establish a management system to ensure effectiveness and efficiency in operations, reliability of financial reporting, compliance with corporate ethics in both letter and spirit, and

preservation of assets, and promote sound and transparent corporate management.

Eliminate any relationship with antisocial forces and do not provide any benefit to such parties.

2. Compliance with laws and regulations

Comply with domestic and international laws and regulations, social norms, and corporate ethics, in both letter and spirit, in relation to business activities.

3. Respect for human rights and building a good working environment

Support the protection of internationally proclaimed human rights and respect such rights.

Do not engage in inhumane labor practices, such as forced labor, child labor, and low-wage labor.

Eliminate discrimination and strive to achieve equal opportunity and fairness in treatment among employees.

Prevent harassment and acts of violence in the workplace.

4. Ensuring safety and health

Prevent occupational accidents and occupational diseases by maintaining a safe and clean working environment and paying attention to employees' health management.

Prepare for possible disasters and accidents and formulate emergency response measures for the protection of both employees and the local community.

5. Environmental conservation

Appropriately manage chemical substances as required by laws and regulations.

Work to reduce environmental impact by conserving resources and energy, reducing CO₂ emissions, and reducing waste. Conduct business activities in consideration of the protection of the global environment and the preservation of biodiversity.

6. Improvement of quality and safety

Strive to provide safe products that meet the required quality standards and provide accurate information about products and services.

7. Stable supply and flexible response to changes

Strive to meet agreed-upon deadlines and ensure stable supply.

Establish a business continuity plan (BCP) system to respond to unforeseen circumstances such as natural disasters and accidents.

8. Information security management

Appropriately manage the confidential information of customers, suppliers, our company, and others, and strive to prevent leaks.

Take defensive measures against threats on computer networks and manage them so as not to cause damage to business partners.

Appropriately manage and protect the personal information of customers, suppliers, employees, etc.

9. Contribution to local communities

Strive to cooperate with local communities and to contribute to the development of said communities.

10. Promotion of CSR and its application to the supply chain

Promote CSR activities that contribute to the development of local communities and the international community.

Promote the application of these CSR activities to the supply chain.

Ensure responsible procurement when it comes to social issues that require compliance with laws and regulations (such as regulations regarding conflict minerals).

Stakeholder Engagement

[Basic Approach]

Through constructive dialogue with our stakeholders, the OOC Group will work together with them to create a sustainable society where the children of the future can live happy lives.

Stakeholder Engagement Initiatives

Stakeholders	Main methods and opportunities for dialogue	Main dialogue contact
Clients	<ul style="list-style-type: none"> ● Daily sales initiatives ● R&D/quality meetings: 4 to 5/month ● Quality audit: About 1/month 	Business Operation Division Quality Assurance Office
Trading partners	<ul style="list-style-type: none"> ● Daily procurement initiatives ● Supplier audit: About 1/month ● Technical and quality meetings: 1 to 2/month ● Safety seminar (for logistics companies) Kanazawa Plant, Sakata Plant, Osaka Office: 1/year each 	Purchasing Department Engineering Department Quality Assurance Office Logistics Department (Transportation)
Shareholders and investors	<ul style="list-style-type: none"> ● General meeting of shareholders ● Briefings for individual investors in Osaka: 1/year ● Briefings for institutional investors in Tokyo: 1/year ● ONE-on-ONE meetings: 30 to 50/quarter ● Business Report/Annual Securities Report 	IR & PR Group Corporate Planning Division
Employees	<ul style="list-style-type: none"> ● Employee engagement surveys: 1/year ● Interviews with supervisors: 6/year ● Interviews with employees who have been with the company for three years or less: 1/year ● Internal newsletter: 2/year (2022) 	General Affairs Department Corporate Planning Division
Local communities	<ul style="list-style-type: none"> ● Participation in community groups and events: 3 to 4/month ● Joint research with universities: 3 topics ● Dialogue with students: 2/year 	Production plants & offices R&D Division Business Operation Division and Corporate Planning Division

Lectures at a University (Hokkaido University)

I have been offering lectures as a visiting associate professor at the Faculty of Advanced Life Science, Hokkaido University since 2018. In these lectures, I teach the basics of polymer chemistry using the electron theory and prerequisites for innovation. As there are many students majoring in biology, the former topic is designed to help those students develop an ability to study polymer chemistry from the perspective of organic chemistry. The latter topic is based on my wish that students become bold researchers and is designed to teach the preciousness of challenges by introducing products and technologies that were born out of failures. At Hokkaido University, lecture videos are created by lecturers and are made available on a server as online classes to make sure that students can attend the class even if their network environment is poor. For a lecturer, this method is a little boring. However, at an academic conference held in fall, I bumped into a student who took my class and I received feedback on the class. (The student said that my lectures were interesting although it is possible that the student was just being polite.) I would like to continue to contribute to higher education going forward from the standpoint of a business person.

Lectures at a University: Trends in Non-financial Information Disclosure by Businesses (Doshisha University)

Lectures were given on the theme of trends in non-financial information disclosure by businesses. The students were given an introduction to the information posted on the website of the Company, as well as to recent domestic and global developments in the disclosure of non-financial information. The students were then asked to discuss, in a group discussion format, non-financial information items that are expected to become important going forward, and each group made a presentation at the end of the discussion. In addition, each student is asked to prepare a report on the same theme and to submit it at a later date.

The reports submitted by the participating students discussed such disclosure from the perspectives of recruitment, climate change, human capital, etc., providing opportunities for students to think about the social value of businesses.



Data

Consolidated Balance Sheet

Assets

(Thousands of yen)

	FY11/21 (As of Nov. 30, 2021)	FY11/22 (As of Nov. 30, 2022)
Current assets		
Cash and deposits	9,923,730	8,094,541
Notes and accounts receivable-trade	9,054,341	—
Notes receivable-trade	—	7,311
Electronically recorded monetary claims-operating	419,513	357,804
Accounts receivable-trade	—	8,838,444
Contract assets	—	978,344
Finished goods	4,886,661	4,625,496
Work in process	2,038,298	1,985,897
Raw materials and supplies	1,706,178	2,437,106
Other	74,077	772,651
Allowance for doubtful accounts	(14,101)	(15,329)
Total current assets	28,088,700	28,082,267
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,568,717	17,378,700
Accumulated depreciation	(9,877,562)	(10,209,064)
Buildings and structures, net	7,691,154	7,169,635
Machinery, equipment and vehicles	27,921,299	28,621,245
Accumulated depreciation	(23,570,739)	(24,747,678)
Machinery, equipment and vehicles, net	4,350,559	3,873,567
Land	2,179,304	2,173,661
Construction in progress	807,185	4,785,912
Other	3,161,370	3,290,266
Accumulated depreciation	(2,579,886)	(2,822,212)
Other, net	581,484	468,053
Total property, plant and equipment	15,609,688	18,470,830
Intangible assets		
Goodwill	83,333	63,333
Other	58,263	53,358
Total intangible assets	141,596	116,692
Investments and other assets		
Investment securities	5,642,873	5,619,707
Retirement benefit asset	146,509	353,157
Deferred tax assets	36,052	420
Other	202,932	193,660
Total investments and other assets	6,028,369	6,166,945
Total non-current assets	21,779,654	24,754,468
Total assets	49,868,355	52,836,735

Liabilities

(Thousands of yen)

	FY11/21 (As of Nov. 30, 2021)	FY11/22 (As of Nov. 30, 2022)
Current liabilities		
Notes and accounts payable-trade	4,192,756	4,522,059
Current portion of bonds payable	—	25,000
Current portion of long-term borrowings	759,920	1,795,832
Accounts payable-other	1,399,135	1,066,907
Income taxes payable	1,615,908	1,036,437
Contract liabilities	—	3,225
Provision for bonuses for directors (and other officers)	73,200	34,715
Other	646,916	685,491
Total current liabilities	8,687,838	9,169,669
Non-current liabilities		
Bonds payable	—	25,000
Long-term borrowings	1,494,463	1,736,327
Deferred tax liabilities	458,403	410,366
Provision for share awards for directors (and other officers)	—	10,591
Other	102,591	90,405
Total non-current liabilities	2,055,458	2,272,690
Total liabilities	10,743,296	11,442,359

Net assets

(Thousands of yen)

	FY11/21 (As of Nov. 30, 2021)	FY11/22 (As of Nov. 30, 2022)
Shareholders' equity		
Share capital	3,600,295	3,600,295
Capital surplus	3,512,539	3,513,544
Retained earnings	30,004,244	33,861,607
Treasury shares	(433,016)	(2,123,303)
Total shareholders' equity	36,684,063	38,852,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,101,591	1,913,210
Foreign currency translation adjustment	33,236	78,564
Remeasurements of defined benefit plans	(173,194)	(17,619)
Total accumulated other comprehensive income	1,961,634	1,974,155
Non-controlling interests	479,361	568,076
Total net assets	39,125,059	41,394,375
Total liabilities and net assets	49,868,355	52,836,735

Consolidated Statement of Income

(Thousands of yen)

	FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)	FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)
Net sales	35,027,956	32,236,826
Cost of sales	24,778,402	21,947,772
Gross profit	10,249,553	10,289,053
Selling, general and administrative expenses	4,396,575	4,354,525
Operating profit	5,852,978	5,934,528
Non-operating income		
Interest income	1,663	1,263
Dividend income	134,987	198,199
Foreign exchange gains	70,850	110,759
Subsidy income	115,300	—
Surrender value of insurance policies	—	34,383
Other	85,232	107,895
Total non-operating income	408,033	452,500
Non-operating expenses		
Interest expenses	6,944	5,915
Commission for purchase of treasury shares	—	13,948
Other	492	2,017
Total non-operating expenses	7,437	21,881
Ordinary profit	6,253,574	6,365,146
Extraordinary income		
Gain on sales of non-current assets	118,796	426,995
Gain on sales of investment securities	814,657	35,769
Total extraordinary income	933,453	462,764
Extraordinary losses		
Loss on sales of non-current assets	—	207
Loss on retirement of non-current assets	9,990	18,493
Total extraordinary losses	9,990	18,701
Profit before income taxes	7,177,037	6,809,209
Income taxes-current	2,151,359	2,087,265
Income taxes-deferred	(89,473)	(103,190)
Total income taxes	2,061,885	1,984,075
Profit	5,115,151	4,825,134
Profit attributable to non-controlling interests	116,261	99,232
Profit attributable to owners of parent	4,998,890	4,725,901

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)	FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)
Profit	5,115,151	4,825,134
Other comprehensive income		
Valuation difference on available-for-sale securities	(63,765)	(184,721)
Foreign currency translation adjustment	48,478	45,327
Remeasurements of defined benefit plans, net of tax	65,852	158,917
Total other comprehensive income	50,565	19,523
Comprehensive income	5,165,717	4,844,658
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,045,191	4,738,422
Comprehensive income attributable to non-controlling interests	120,526	106,235

Consolidated Statement of Changes in Equity

FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)

(Thousands of yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at beginning of period	3,600,295	3,508,891	26,068,688	(435,195)		32,742,680
Cumulative effect of changes in accounting policies						—
Restated balance	3,600,295	3,508,891	26,068,688	(435,195)		32,742,680
Changes during period						
Dividends of surplus			(1,063,334)			(1,063,334)
Profit attributable to owners of parent			4,998,890			4,998,890
Purchase of treasury shares				(1,193)		(1,193)
Disposal of treasury shares		3,647		3,372		7,020
Net changes in items other than shareholders' equity						
Total changes during period	—	3,647	3,935,555	2,178		3,941,382
Balance at end of period	3,600,295	3,512,539	30,004,244	(433,016)		36,684,063

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,168,185	(15,242)	(237,610)	1,915,333	367,259	35,025,273
Cumulative effect of changes in accounting policies						—
Restated balance	2,168,185	(15,242)	(237,610)	1,915,333	367,259	35,025,273
Changes during period						
Dividends of surplus						(1,063,334)
Profit attributable to owners of parent						4,998,890
Purchase of treasury shares						(1,193)
Disposal of treasury shares						7,020
Net changes in items other than shareholders' equity	(66,594)	48,478	64,415	46,300	112,102	158,403
Total changes during period	(66,594)	48,478	64,415	46,300	112,102	4,099,785
Balance at end of period	2,101,591	33,236	(173,194)	1,961,634	479,361	39,125,059

FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)

(Thousands of yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares		
Balance at beginning of period	3,600,295	3,512,539	30,004,244	(433,016)		36,684,063
Cumulative effect of changes in accounting policies			274,088			274,088
Restated balance	3,600,295	3,512,539	30,278,333	(433,016)		36,958,151
Changes during period						
Dividends of surplus			(1,142,627)			(1,142,627)
Profit attributable to owners of parent			4,725,901			4,725,901
Purchase of treasury shares				(1,699,127)		(1,699,127)
Disposal of treasury shares		1,004		8,840		9,845
Net changes in items other than shareholders' equity						
Total changes during period	—	1,004	3,583,274	(1,690,287)		1,893,991
Balance at end of period	3,600,295	3,513,544	33,861,607	(2,123,303)		38,852,143

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,101,591	33,236	(173,194)	1,961,634	479,361	39,125,059
Cumulative effect of changes in accounting policies						274,088
Restated balance	2,101,591	33,236	(173,194)	1,961,634	479,361	39,399,147
Changes during period						
Dividends of surplus						(1,142,627)
Profit attributable to owners of parent						4,725,901
Purchase of treasury shares						(1,699,127)
Disposal of treasury shares						9,845
Net changes in items other than shareholders' equity	(188,381)	45,327	155,574	12,520	88,715	101,236
Total changes during period	(188,381)	45,327	155,574	12,520	88,715	1,995,228
Balance at end of period	1,913,210	78,564	(17,619)	1,974,155	568,076	41,394,375

Consolidated Statement of Cash Flows

(Thousands of yen)

	FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)	FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	7,177,037	6,809,209
Depreciation	2,435,011	2,284,165
Amortization of goodwill	16,666	19,999
Increase (decrease) in allowance for doubtful accounts	1,714	1,228
Increase (decrease) in provision for bonuses	(43,000)	—
Increase (decrease) in provision for bonuses for directors (and other officers)	9,120	(38,485)
Increase (decrease) in provision for share awards for directors (and other officers)	—	10,591
Decrease (increase) in retirement benefit asset	32,214	22,010
Interest and dividend income	(136,650)	(199,462)
Interest expenses	6,944	5,915
Foreign exchange losses (gains)	(63,772)	(109,566)
Loss (gain) on sales of non-current assets	(118,796)	(426,787)
Loss on retirement of non-current assets	9,990	18,493
Loss (gain) on sales of investment securities	(814,657)	(35,769)
Subsidy income	(115,300)	—
Decrease (increase) in trade receivables	(1,294,947)	—
Decrease (increase) in trade receivables and contract assets	—	402,169
Decrease (increase) in inventories	(1,293,716)	(1,507,738)
Increase (decrease) in trade payables	953,270	293,262
Other	117,530	(325,831)
Subtotal	6,878,660	7,223,406
Interest and dividends received	136,775	156,878
Interest paid	(6,707)	(5,401)
Subsidies received	115,300	—
Income taxes (paid) refund	(1,286,320)	(2,647,736)
Net cash provided by (used in) operating activities	5,837,707	4,727,146
Cash flows from investing activities		
Payments into time deposits	(630,000)	(330,000)
Proceeds from withdrawal of time deposits	1,310,000	630,000
Purchase of property, plant and equipment	(2,313,825)	(5,500,648)
Proceeds from sales of property, plant and equipment	164,886	434,250
Purchase of intangible assets	(17,037)	(15,975)
Purchase of investment securities	(708,453)	(298,709)
Proceeds from sales of investment securities	1,236,027	61,971
Proceeds from redemption of investment securities	200,000	—
Proceeds from liquidation of subsidiaries and associates	—	54,116
Purchase of insurance funds	(3,521)	(1,192)
Proceeds from maturity of insurance funds	—	118,208
Payments for acquisition of businesses	(245,520)	—
Other	(35,863)	(4,538)
Net cash provided by (used in) investing activities	(1,043,306)	(4,852,517)
Cash flows from financing activities		
Proceeds from long-term borrowings	250,000	2,300,000
Repayment of long-term borrowings	(993,660)	(1,022,224)
Proceeds from issuance of bonds	—	50,000
Repayments of lease obligations	(14,049)	(18,904)
Purchase of treasury shares	(1,193)	(1,713,076)
Dividends paid	(1,063,334)	(1,142,627)
Dividends paid to non-controlling interests	(8,424)	(17,520)
Net cash provided by (used in) financing activities	(1,830,661)	(1,564,352)
Effect of exchange rate change on cash and cash equivalents	118,231	160,534
Net increase (decrease) in cash and cash equivalents	3,081,969	(1,529,189)
Cash and cash equivalents at beginning of period	6,511,760	9,593,730
Cash and cash equivalents at end of period	9,593,730	8,064,541

Ten-Year Summary

Fiscal year	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21	FY11/22
Operating results										
Net sales (millions of yen)	22,559	23,790	23,707	23,586	26,562	29,257	28,638	28,681	35,027	32,236
Operating profit (millions of yen)	1,185	1,358	1,578	2,441	3,208	3,660	3,663	4,442	5,852	5,934
Ordinary profit (millions of yen)	1,366	1,468	1,751	2,596	3,364	3,935	3,833	4,612	6,253	6,365
Profit attributable to owners of parent (millions of yen)	946	891	1,300	2,044	2,161	2,677	3,035	3,313	4,998	4,725
Financial condition										
Total assets (millions of yen)	31,315	34,435	33,427	35,840	39,479	40,476	43,848	45,324	49,868	52,836
Net assets (millions of yen)	23,248	24,141	25,851	26,972	29,698	30,662	32,546	35,025	39,125	41,394
Equity ratio (%)	73.6	69.5	76.7	74.6	74.7	75.1	73.5	76.5	77.5	77.3
Cash flow										
Cash flows from operating activities (millions of yen)	2,596	1,038	2,898	3,322	3,537	3,479	3,506	4,799	5,837	4,727
Cash flows from investing activities (millions of yen)	(774)	(2,459)	(2,430)	(2,903)	(597)	(1,737)	(2,739)	(4,434)	(1,043)	(4,852)
Cash flows from financing activities (millions of yen)	(1,154)	140	(738)	642	(987)	(1,738)	432	(648)	(1,830)	(1,564)
Cash and cash equivalents at end of period (millions of yen)	3,747	2,450	2,173	3,225	5,180	5,177	6,342	6,511	9,593	8,064
Per-share information										
Net income per share (yen)	41.3	38.9	56.81	91.07	96.51	120.67	137.05	149.59	225.65	216.87
Net assets per share (yen)	1,004.68	1,043.33	1,129.35	1,193.90	1,315.71	1,372.88	1,455.38	1,564.57	1,744.45	1,893.39
Dividend (yen)	10	10	15	25	29	36	40	46	50	54
Payout ratio (%)	24.2	25.7	26.4	27.5	30.0	29.8	29.2	30.8	22.2	24.9
Other indicators										
Return on equity (ROE) (%)	4.2	3.8	5.3	7.8	7.7	8.9	9.7	9.9	13.6	11.9
Return on assets (ROA) (%)	4.5	4.5	5.2	7.5	8.9	9.8	9.1	10.3	13.1	12.3
Operating profit to net sales (%)	5.3	5.7	6.7	10.4	12.1	12.5	12.8	15.5	16.7	18.4
Price earnings ratio (PER) (times)	10.7	12.5	11.0	8.8	13.6	11.5	10.2	19.3	16.1	9.7
Debt equity ratio (%)	2.8	4.8	3.7	9.0	7.1	4.8	8.6	9.2	6.1	9.2
Capital investment (millions of yen)	920	2,472	1,130	2,667	1,291	1,741	3,570	4,776	1,646	1,169
Depreciation (millions of yen)	1,515	1,409	1,530	1,538	1,495	1,458	1,771	2,085	2,435	2,284
Research and development expenses (millions of yen)	992	982	974	950	943	1,003	1,064	1,210	1,289	1,233
Number of employees at end of period (persons)	410	414	403	395	401	412	425	435	447	454

Company and Shareholder Information

Company Profile

Company name (trade name) Osaka Organic Chemical Industry Ltd.
Foundation December 8, 1941
Incorporated December 21, 1946
Representative Masayuki Ando, Representative Director and CEO
Share capital 3,600,295 thousand yen
Number of employees 454 (consolidated, as of November 30, 2022)
Listings Prime Market, Tokyo Stock Exchange (Securities code: 4187)



Head Office



Tokyo Office

Locations

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In order to expand and strengthen its business, OOC opened the Korea Office in October 2022 as a base for market research and information gathering in the Republic of Korea.

Group Companies

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Osaka Sales Office 11F Nomura Real Estate Osaka Building, 1-8-15 Azuchi-machi, Chuo-ku, Osaka 541-0052
 TEL +81-6-6264-0491 FAX +81-6-6264-8229



Share capital 55 million yen
Number of employees 49
Business description Manufacture and sales of acetic esters, among other things

[China]

Osaka Organic Chemical (Shanghai) Trading Ltd.

Office 2801, 2299 Yan An Xi Road, Chang Ning District, Shanghai
 TEL +86-21-5212-7410 FAX +86-21-5212-7413

Share capital 210 million yen
Number of employees 6

Business description International trade and sales of products related to organic chemicals



Status of Shares As of November 30, 2022

Total number of issued shares	22,410,038
Total number of voting rights	215,485
Number of shareholders	8,163

Major Shareholders (10 largest shareholders excluding treasury shares)

Name	Investment in OOC	
	Number of shares held (in thousands of shares)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,006	9.31 %
Western Red Cedar K.K.	1,110	5.15 %
Custody Bank of Japan, Ltd. (Trust Account)	721	3.34 %
JSR Corporation	700	3.25 %
Yoshitaka Yasukawa	671	3.11 %
Osaka Organic Chemical Employees' Stock Ownership Association	625	2.90 %
Mitsubishi Chemical Corporation	587	2.73 %
Toagosei Co., Ltd.	521	2.42 %
Yuko Tanikawa	427	1.98 %
Tokyo Ohka Kogyo Co., Ltd.	426	1.98 %

(Note) Shareholding ratio is calculated after deducting 847 thousand treasury shares.

Shareholder Composition

