

# Presentation Materials for Financial Results and Information Meetings for the Fiscal Year Ended November 30, 2019

January 9, 2020    Announcement of results of operations and associated materials  
January 10, 2020    Financial results meeting for institutional investors (Tokyo)  
February 4, 2020    Information meeting for individual investors (Tokyo)  
February 12, 2020    Information meeting for individual investors (Osaka)



OSAKA ORGANIC CHEMICAL INDUSTRY LTD.

Securities code: 4187

URL <https://www.ooc.co.jp/en>

## Contents



OSAKA ORGANIC CHEMICAL INDUSTRY LTD.

2

### ◆ FY11/19 Results of Operations

#### ◆ Company Overview

#### ◆ FY11/19 Financial Summary

#### ◆ FY11/20 Financial Targets

### ◆ The Next Stage 10 Long-term Business Plan

#### ◆ Summary of the Second Five-year Medium-term Business Plan

Company name (trade name)	OSAKA ORGANIC CHEMICAL INDUSTRY LTD. ("OOC")
Founded	December 8, 1941
Established	December 21, 1946
Representative	Taiji Kanbayashi, Representative Director and CEO
Head office	1-7-20 Azuchi-machi, Chuo-ku, Osaka City
Capital	¥3,629 million
Number of employees	425 (consolidated)
Listing	Tokyo Stock Exchange, First Section (securities code: 4187)

## Business Sites

**Kanazawa Plant**

**Sakata Plant**

- Offices
- Plants
- Group companies

Osaka Organic Chemical (Shanghai) Trading Ltd.

Shinko Organic Chemical Industry Ltd.

Kanazawa Plant

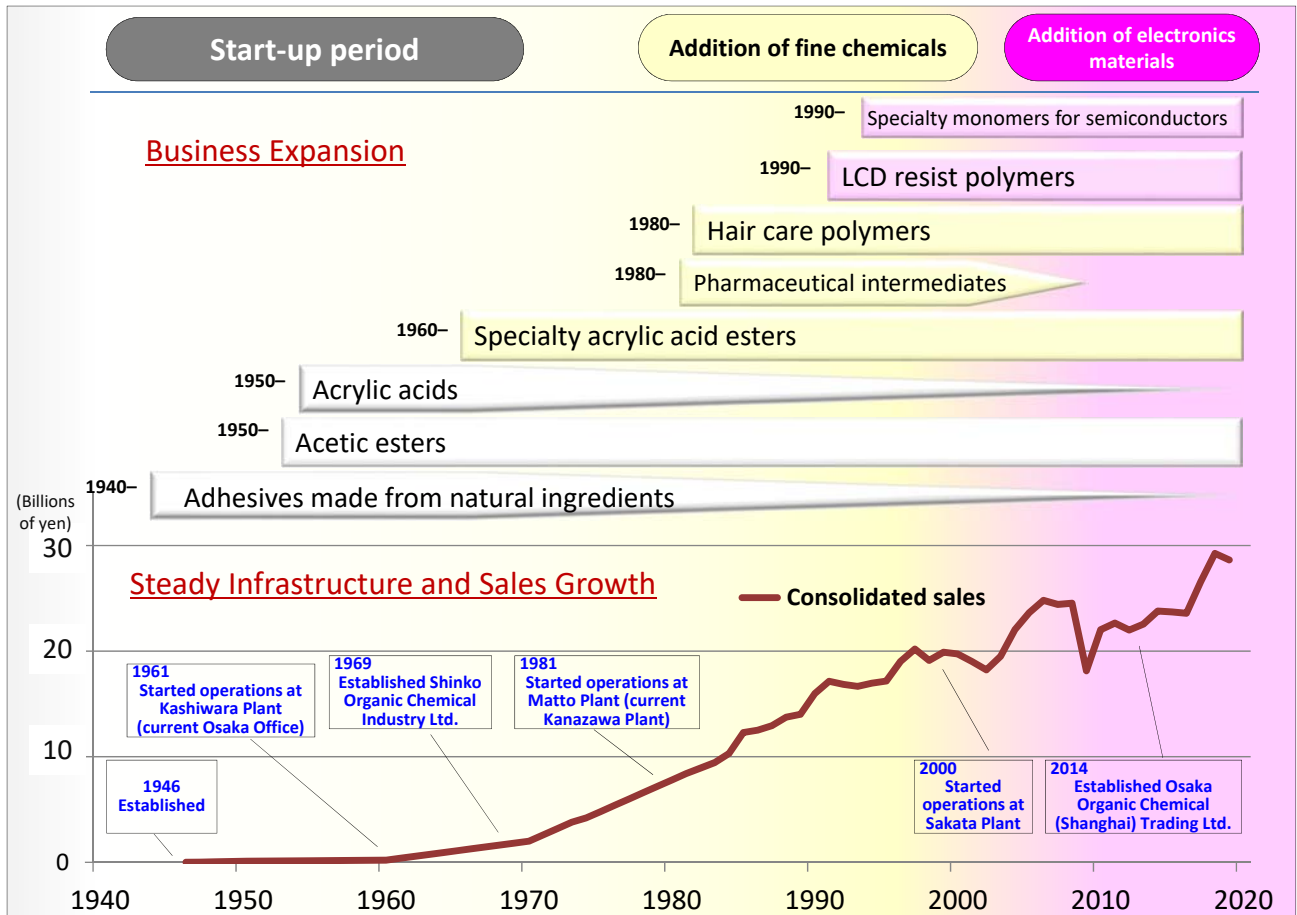
Sakata Plant

Yachiyo Logistics Office

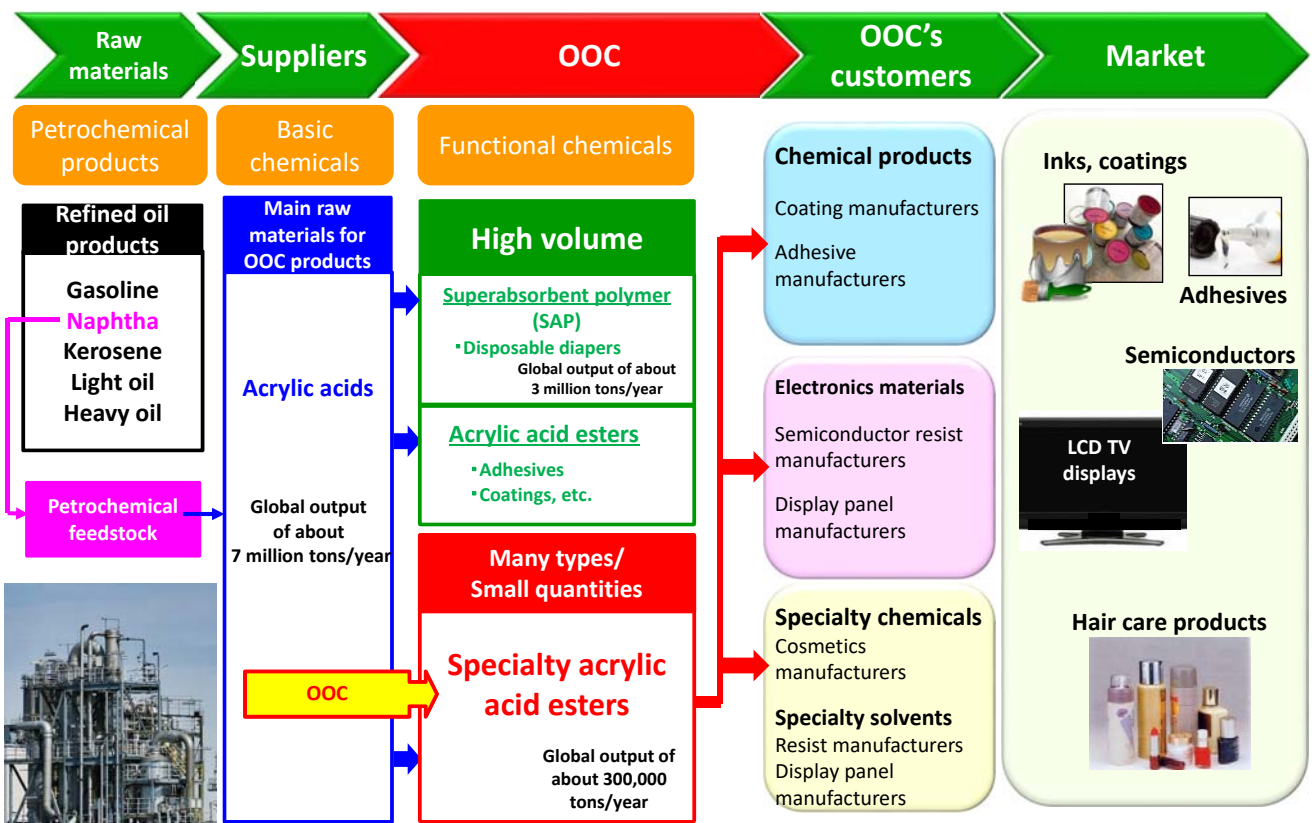
Tokyo Office

Head Office

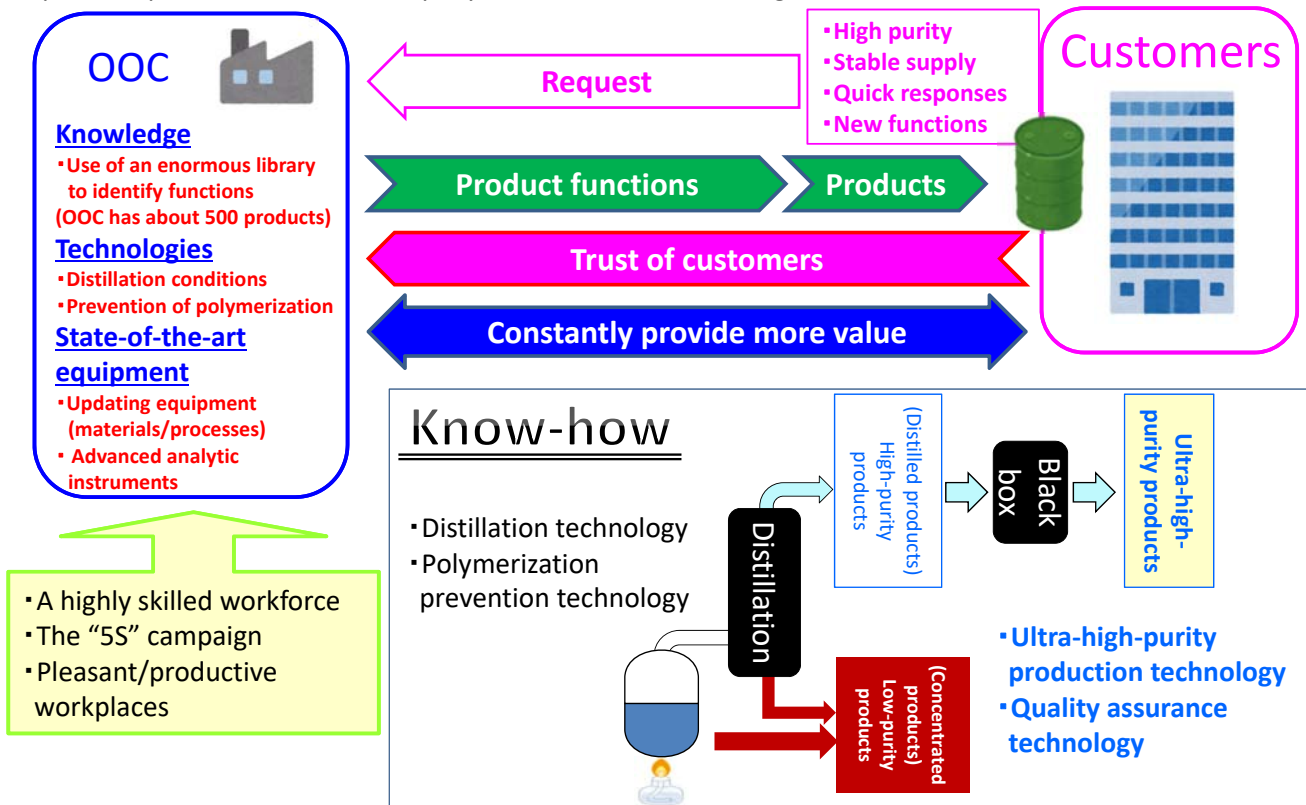
Osaka Office



\* A B-to-B manufacturer able to produce many types of specialty acrylic acid esters in small quantities. A diverse product lineup including many items where OOC is the world's largest supplier.



Focused on traditional business with close customer ties and dedicated to **constantly upgrading technologies, accumulating know-how and using advanced instruments and equipment** in order to produce products no other company can match to earn even greater customer trust.



OOC has issued an **Environmental & Social Report** every year since 2008 to introduce its CSR activities.

## - Environment -

Environmental & Social Reports  
 \* Reports are posted on the OOC website:  
<https://www.ooc.co.jp/csr/report/>

- ◆ The Sakata and Kanazawa Plants received ISO14001 (**environmental management system**) certification in FY11/06 and since then have been consistently establishing new goals for further environmental impact reductions.

### Major environmental initiatives

- Use less energy
- Lower CO2 emissions
- Air pollution prevention
- Water pollution prevention
- Environmentally responsible products

### Examples of environmental impact reductions

Industrialize acrylic acid ester production process that lowers waste materials

Develop and use a boiler fueled by byproduct (waste) oils



## - Social -

### Major social initiatives

- Workplace health and safety
- Disaster and accident readiness and prevention
- Community activities

## - Governance -

To strengthen corporate governance, OOC has increased the number of outside directors, started a stock compensation plan for executives, and established advisory committees for nominations and remuneration.

In July 2019, the composition of these committees was changed to strengthen the oversight of management by outside directors.

Date	Before change	After change
February 2016	Number of Outside Directors: 1	Number of Outside Directors: 2
February 2018	None	Started executive officer system
	Retirement benefit program	Ended a retirement benefit program
	None	Started a restricted stock compensation plan
December 2018	No advisory committees	Established a Nominations Advisory Committee
		Established a Remuneration Advisory Committee
July 2019	Nominations Advisory Committee Chairperson: Inside Director Members: Three Inside Directors Two Outside Directors	Nominations Advisory Committee Chairperson: Outside Director Members: One Inside Director Two Outside Directors
	Remuneration Advisory Committee Chairperson: Inside Director Members: One Inside Director Two Outside Directors	Remuneration Advisory Committee Chairperson: Outside Director Members: One Inside Director Two Outside Directors

## ◆ FY11/19 Results of Operations

◆ Company Overview

◆ FY11/19 Financial Summary

◆ FY11/20 Financial Targets

## ◆ The Next Stage 10 Long-term Business Plan

◆ Summary of the Second Five-year Medium-term Business Plan

- ◆ Net sales **decreased 2.1% to ¥28,638 million** as electronics materials sales increased and sales of chemical products and specialty chemicals decreased.
- ◆ Operating profit **increased 0.1% to ¥3,663 million** because of declines in manufacturing expenses and selling, general and administrative expenses.

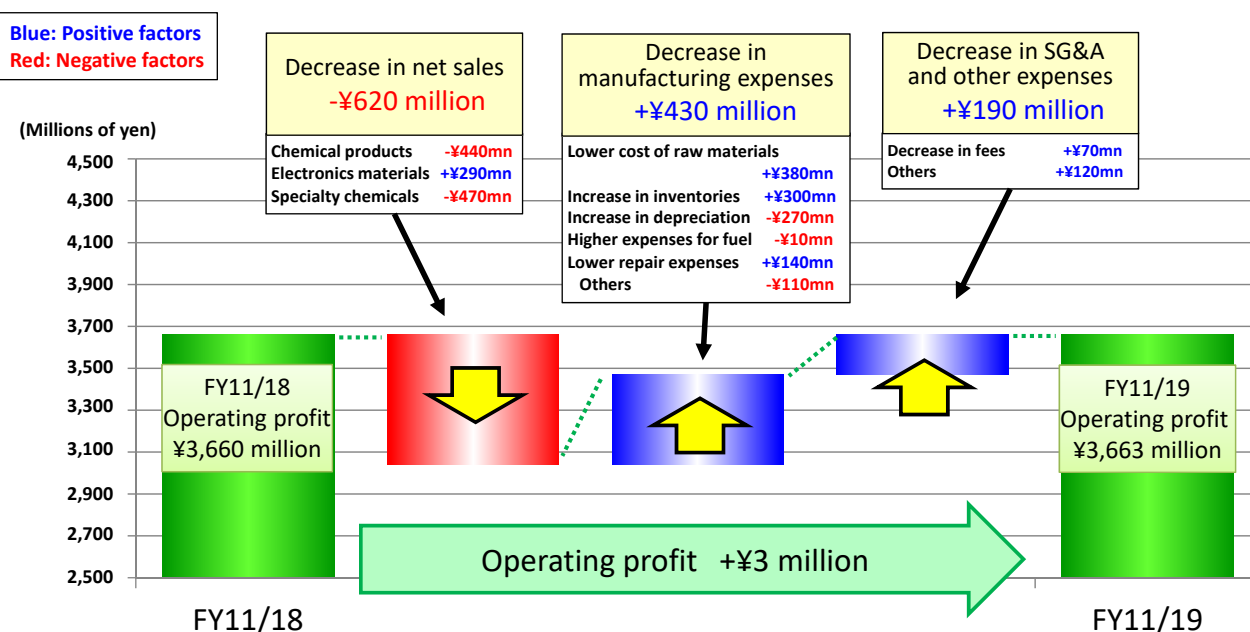
(Millions of yen)

	FY11/18 Results	FY11/19 Forecasts	FY11/19 Results	YoY change	
				Amount	%
Net sales	29,257	30,821	28,638	-619	97.9%
Operating profit	3,660	3,674	3,663	+3	100.1%
Ordinary profit	3,935	3,882	3,833	-102	97.4%
Profit attributable to owners of parent	2,677	2,688	3,035	+358	113.3%
Price of naphtha in Japan (Yen/KL)	51,000	50,000	*42,000	-	-
Exchange rates (Yen/USD)	110	111	110	-	-

\*Not yet finalized

## Analysis of Change in Operating Profit

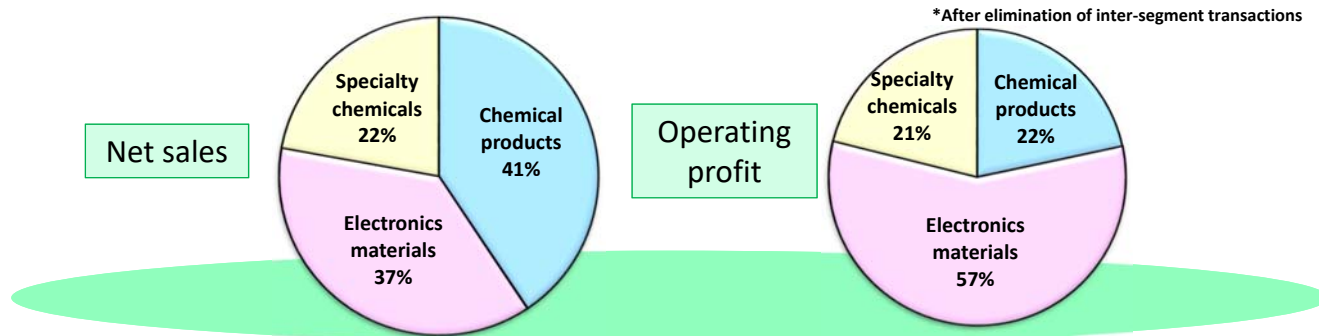
- Net sales were lower, although there was an increase in sales of electronics materials. However, operating profit was basically unchanged because of declines in manufacturing expenses and in fees and other expenses.





Chemical products	Electronics materials	Specialty chemicals
<b>Sales down</b> due to higher sales of acrylic acid esters and lower sales of methacrylic acid esters. <b>Earnings up</b> because of a decrease in SG&A expenses.	<b>Sales up</b> due to lower sales of display materials and higher sales of semiconductor materials. Increase in expenses due to the start of operation of new semiconductor equipment and other reasons <b>brought down earnings</b> .	<b>Sales down</b> due to lower sales of cosmetics raw materials and functional materials. A decrease in the share of sales from high-margin products caused <b>earnings to decline</b> .
<b>Net sales</b> <b>¥11,636 million</b> (-3.7% YoY)	<b>Net sales</b> <b>¥10,660 million</b> (+2.8% YoY)	<b>Net sales</b> <b>¥6,340 million</b> (-6.8% YoY)
<b>Segment profit</b> <b>¥793 million</b> (+25.4% YoY)	<b>Segment profit</b> <b>¥2,097 million</b> (-4.4% YoY)	<b>Segment profit</b> <b>¥772 million</b> (-7.3% YoY)

\*After elimination of inter-segment transactions



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◆ Company Overview

◆ FY11/19 Financial Summary

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## ◆ The Next Stage 10 Long-term Business Plan

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Major Initiatives

The goal is to raise the utilization rate of new equipment (for semiconductor materials and chemical products) in order to meet customers' requirements for these materials and raise the market share of key products.

(Millions of yen)

	FY11/19 (results)	FY11/20 (targets/forecasts)	YoY change (amount)	YoY change (%)
Net sales	28,638	29,643	+1,005	103.5%
Operating profit	3,663	3,700	+37	101.0%
Ordinary profit	3,833	3,912	+79	102.1%
Profit attributable to owners of parent	3,035	2,660	-375	87.6%
Operating profit to net sales (%)	12.8	12.5	-	-
ROE (%)	9.7	At least 8.0	-	-
Net income per share (yen)	137.05	120.11	-	-

Chemical Products

FY11/20 Goals

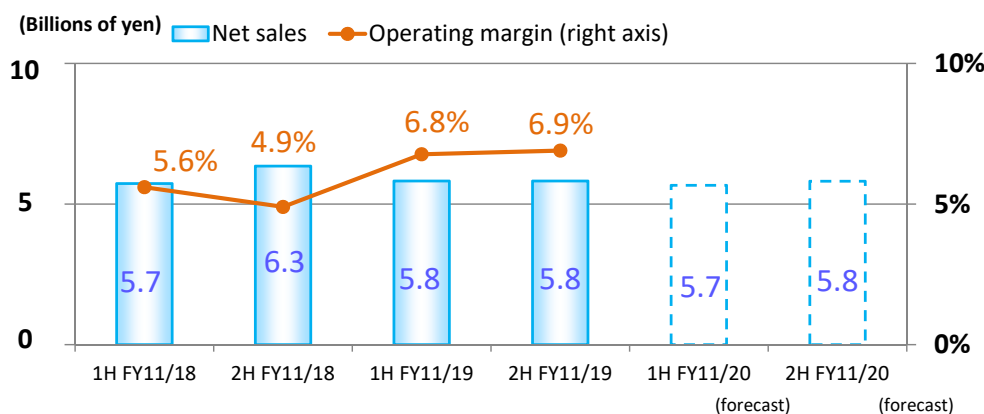
- **A more profitable product lineup**  
Combine/eliminate low-purity (concentrated) products to raise profitability
- **Commercial launch of products with substantial added value**  
Develop new high-purity (distilled) products
- **Growth outside Japan**  
Products for UV inkjet printing

Issues

- Locate stable sources of raw materials (prices, quality)
- Register/submit applications to comply with chemical laws and regulations in other countries

**Capital expenditures for distilled products**  
Starting production in spring 2020 with capacity of about 1,000 tons/year

Results and forecasts





## FY11/20 Goals

### ● Semiconductor materials

Capture the leading monomer market share by achieving quality needed for developing next-generation semiconductor materials

Expand lineup of ArF/EUV monomer products and develop new peripheral materials

Start full-scale operation of new plant completed in 2019; **production capacity 50% higher than in FY11/18**

### ● Display materials

Increase sales of new display materials

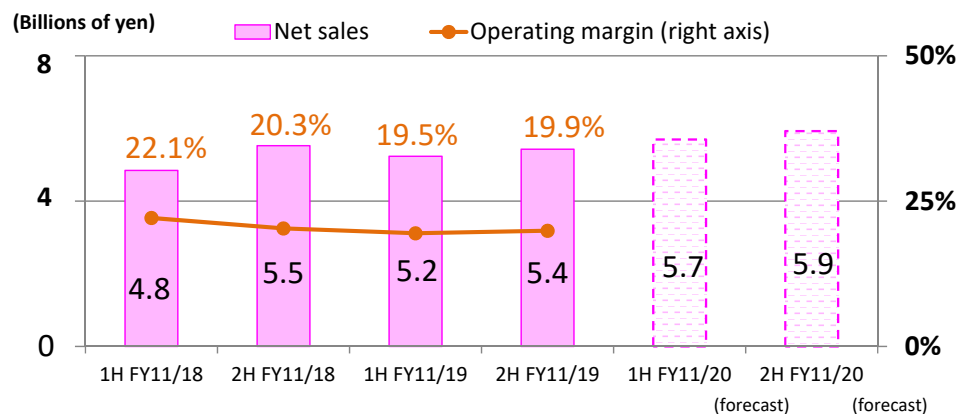
Develop polarizing, wiring and other materials for micro LED and EL displays

## Issues

● Competition from manufacturers in other countries

● Need to establish a highly advanced quality assurance framework

## Results and forecasts



# Specialty Chemicals

## FY11/20 Goals

### ● Functional polymers

Develop functional polymers, including super-hydrophilic polymers

### ● Specialty solvents

Increase sales of high-purity specialty solvents that match customers' requirements

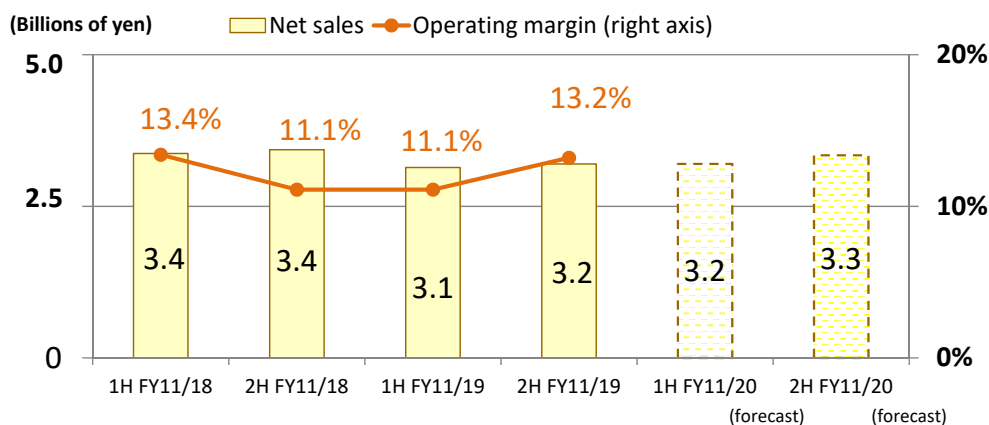
### ● Cosmetics raw materials

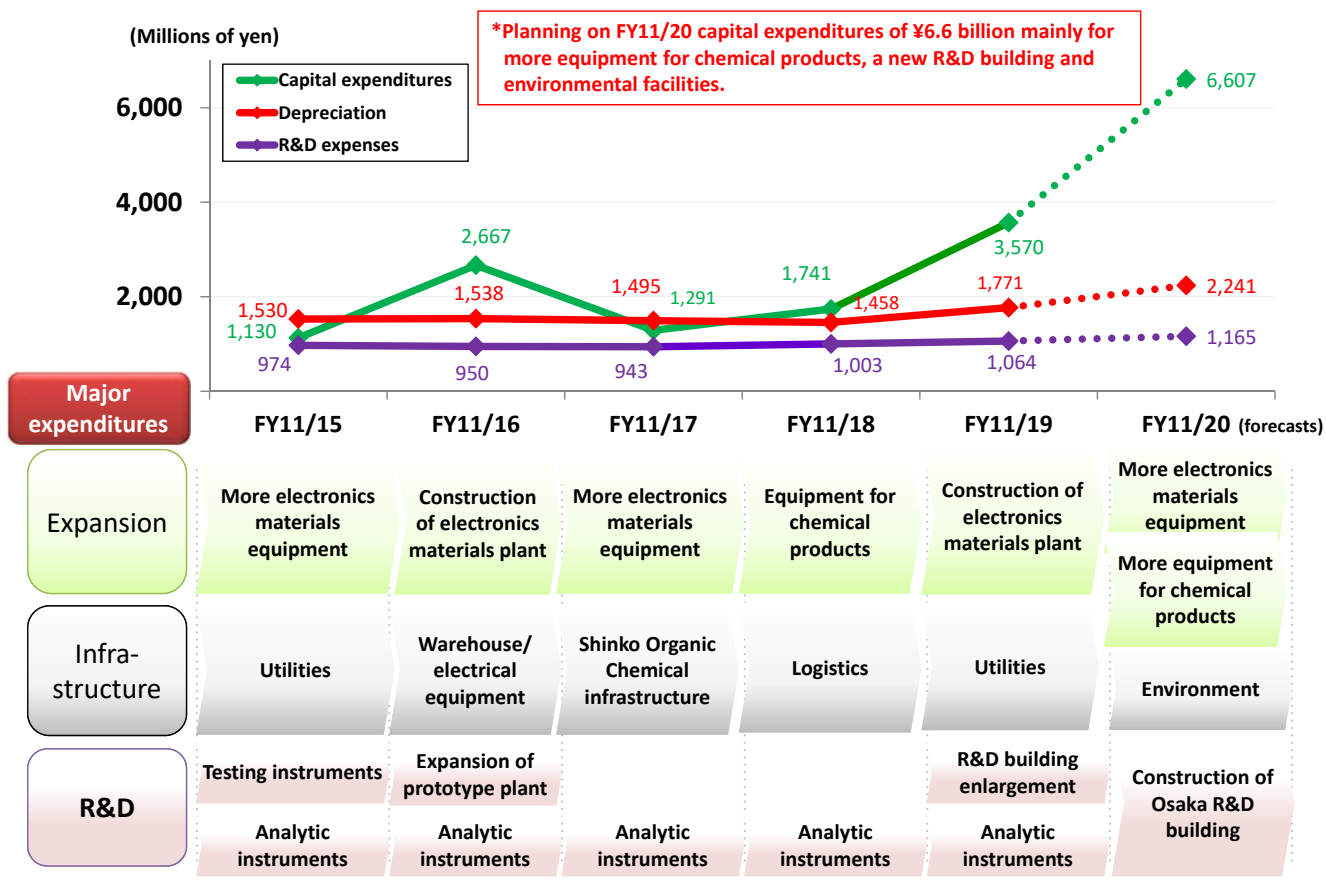
Increase sales, mainly in Asia, and develop new products with moisture-retention properties

## Issue

● High level of customers' demands involving evaluations and technologies

## Results and forecasts





## ◆ FY11/19 Results of Operations

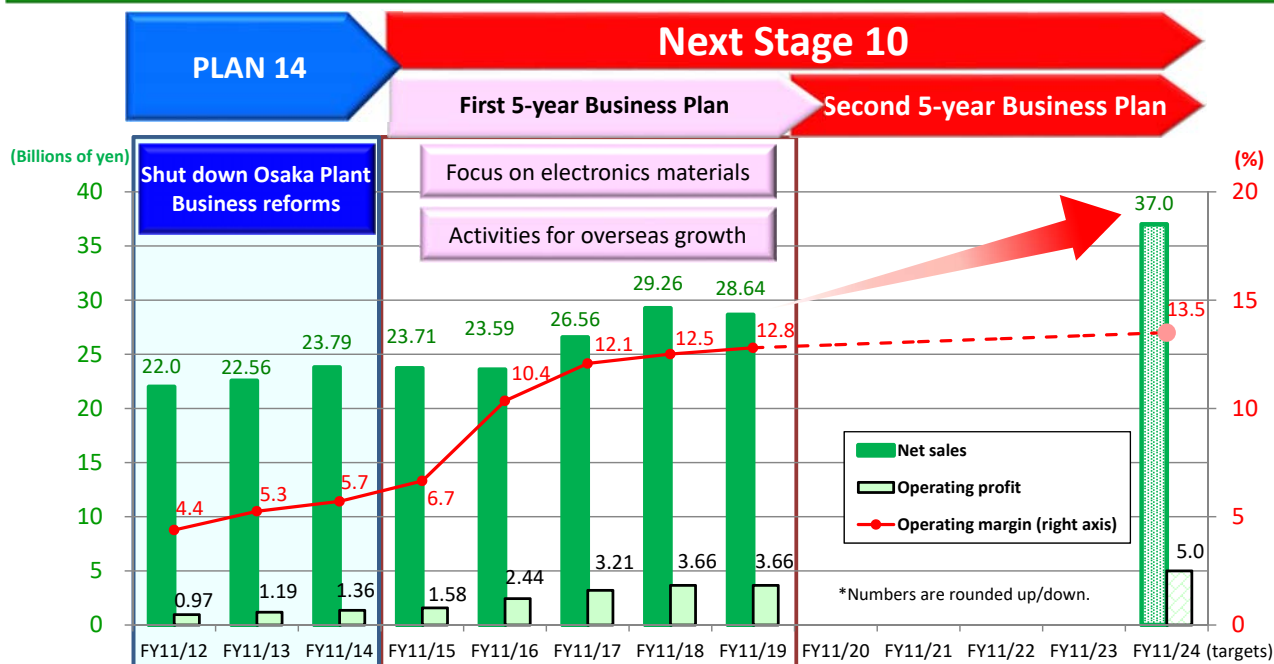
◆ Company Overview

◆ FY11/19 Financial Summary

◆ FY11/20 Financial Targets

## ◆ The Next Stage 10 Long-term Business Plan

◆ Summary of the Second Five-year Medium-term Business Plan



- ◆ Started Next Stage 10 in FY11/15  
The reallocation of resources raised the operating margin. Sales of existing and new products expanded due to increasing sales activities targeting customers outside Japan. Electronics materials (especially semiconductor materials) made a big contribution to sales growth.
- ◆ Increased targets in FY11/18 and established a sales target of ¥35 billion for FY11/24.
- ◆ The Second Five-Year Medium-term Business Plan has even higher goals for FY11/24: Sales of at least ¥37 billion and an operating margin of at least 13.5%. Also adds the new KPI target of an ROE of at least 10%.

## Second Five-Year Medium-term Business Plan Primary Strategic Goals

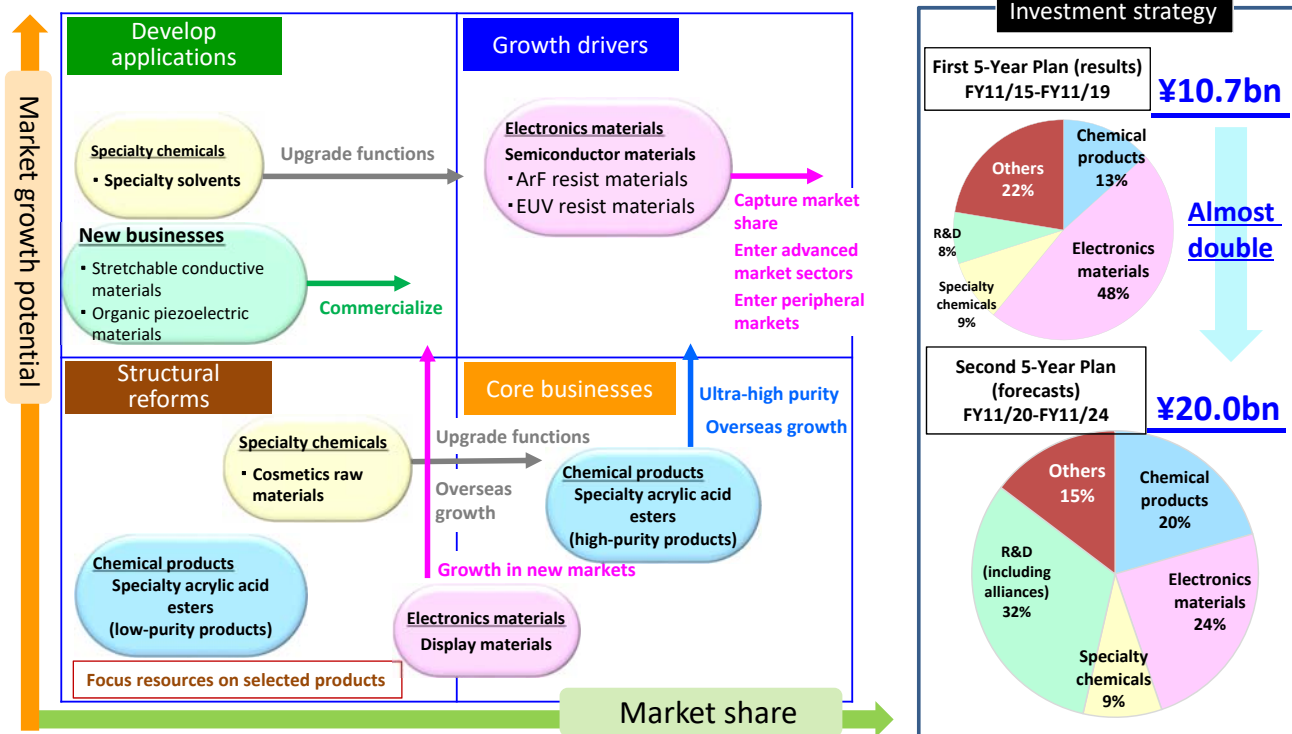
- Use specialty acrylic acid esters as the base for a profitable chemicals business
- Use a downstream strategy to extend operations to new business sectors
- Increase sales activities in other countries and raise the awareness of Osaka Organic Chemical Industry in global markets

### Targets for FY11/24

	Initial targets (announced in January 2015)	Revised targets (announced in January 2018)	Second 5-Year Plan targets (announced in November 2019)
Net sales	At least ¥30 billion	At least ¥35 billion	At least ¥37 billion
Operating profit	At least ¥3.0 billion	At least ¥3.5 billion	At least ¥5.0 billion
Operating margin	At least 10%	At least 10%	At least 13.5%
ROE	-	-	At least 10%

Clearly define what differentiates OOC's materials and fully utilize these advantages

- ◆ For semiconductor materials, more growth of sales of cutting-edge materials
- ◆ For specialty acrylic acid esters, focus resources only on selected products in the low-purity category; increase overseas sales of high-purity products and raise purity to add more value to products
- ◆ For specialty chemicals, increase the contribution to earnings by upgrading functions and increasing sales outside Japan
- ◆ For new businesses, establish a powerful R&D infrastructure for the development of new applications for OOC materials



FY11/24 Target	◆ Net sales ¥14.6 billion (FY11/19 net sales ¥11.6 billion)
Business goals	◆ Become the global leader in the market for specialty acrylic acid esters
Specialty acrylic acid esters High-purity products (distilled products)	◆ For high-purity products, build a framework (manufacture, sales, research) for competing with companies worldwide • Make capital expenditures for competitive superiority • Start operating new production equipment in spring 2020; production capacity of 1,000 tons/year • Launch new products in the adhesives, UV inkjet and other growing markets ◆ Increase sales of IBXA, 4HBA and other core products
Specialty acrylic acid esters Low-purity products (concentrated products)	◆ Improve some products and eliminate others to improve profitability ◆ Eliminate unprofitable products with actions that may include the sale or outsourcing of selected products to other companies
Strengths	◆ Produce high-purity specialty acrylic monomers by combining expertise involving synthesis and distillation technologies ◆ Increase sales of raw materials for UV inkjet printer ink ◆ Develop new high-quality acrylic monomers
Initiatives	Example: Inkjet ink acrylic acid ester market growth and OOC sales volume growth (approximate) 





<b>FY11/24 Target</b>	◆ <b>Net sales ¥14.5 billion (FY11/19 net sales ¥10.6 billion)</b>	
<b>Business goals</b>	◆ Mainly by using joint development activities with key customers, increase sales of current materials and constantly enter new market sectors (next-generation materials, peripheral materials, etc.) to aim for consistent sales growth	
<b>Semiconductor materials</b>	<b>Goals</b>	<ul style="list-style-type: none"> <li>◆ Enter new market sectors, such as EUV resist monomers and under-coat film and other peripheral materials</li> <li>◆ Target the market for nanoscale resist</li> </ul>
	<b>Initiatives</b>	<ul style="list-style-type: none"> <li>◆ Expand and upgrade equipment to reinforce sales activities</li> <li>◆ Meet the demand for cutting-edge EUV monomers</li> <li>◆ Supply LSI materials</li> <li>◆ Establish a highly sophisticated quality management framework</li> </ul>
<b>Display materials</b>	<b>Goals</b>	<ul style="list-style-type: none"> <li>◆ Shift emphasis to micro-LED and other next-generation materials, and wiring materials and other peripheral materials</li> <li>◆ Target the markets for micron-scale resist and coatings</li> </ul>
	<b>Initiatives</b>	<ul style="list-style-type: none"> <li>◆ Increase applications for insulation film materials for touch screens</li> <li>◆ Step up activities for developing flexible display materials</li> <li>◆ Step up activities for developing micro-LED materials</li> </ul>



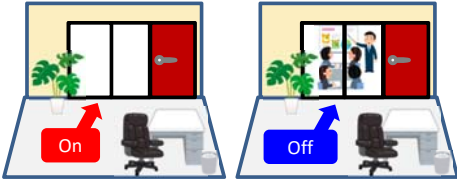

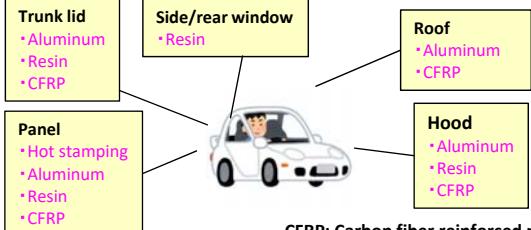
**Approximate sales and market growth from FY11/14 to FY11/24**

**FPD Market Growth Forecast (Billions of USD)**

<b>FY11/24 Target</b>	◆ <b>Net sales ¥7.3 billion (FY11/19 net sales ¥6.3 billion)</b>	
<b>Business goals</b>	◆ Launch functional materials that use specialty acrylic acid esters	
<b>Cosmetics raw materials</b>	◆ Increase sales of cosmetics raw materials with moisture retention and no parabens, ideal properties for facial sheet masks, a growing product category in Asia	
<b>Functional materials</b>	<ul style="list-style-type: none"> <li>◆ Sell super-hydrophilic coating materials, which prevent clouding and are self-cleaning, to lens manufacturers. Also sell products that meet the increasingly diverse range of needs for super-hydrophilic materials</li> <li>◆ Quickly launch medical biocompatible materials that help improve the quality of life</li> </ul>	
<b>Specialty solvents</b>	◆ Increase sales of solvents for electronics materials and proactively replace solvent products with others	
<b>Priority markets</b>	<p><b>No lens clouding (super-hydrophilic coating materials)</b></p> <p>(Millions of unit)</p>	<p><b>Facial sheet masks (Cosmetics raw materials)</b></p> <p>(Billions of USD)</p>

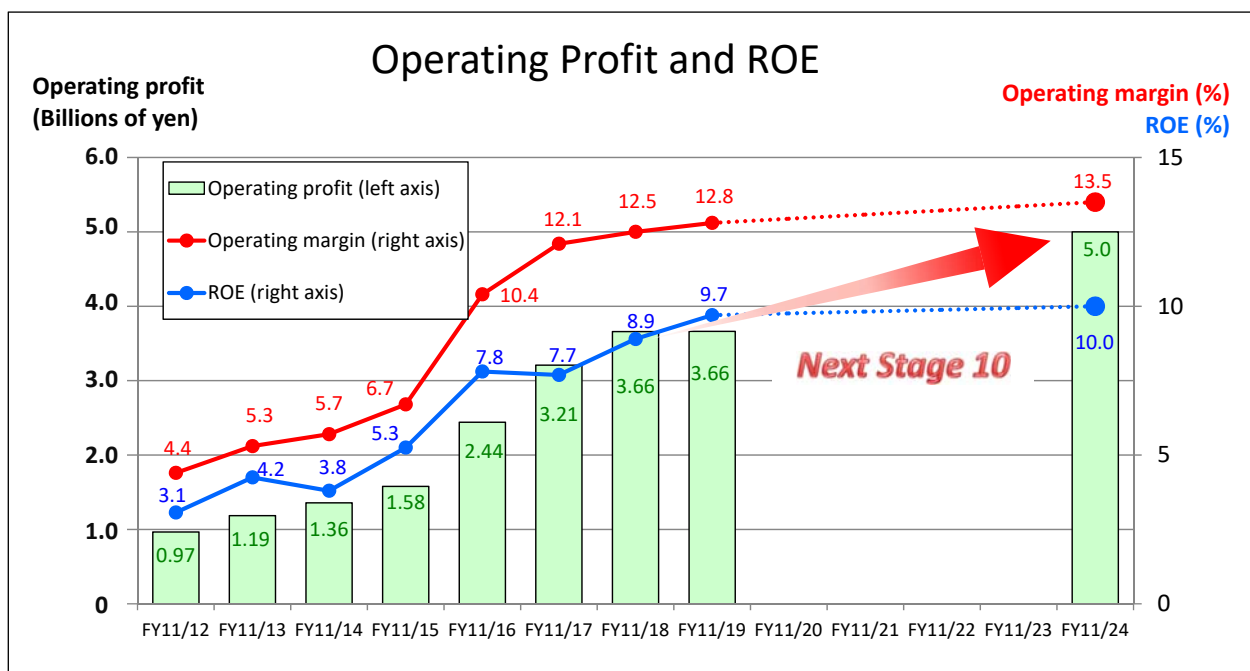


<b>Overview</b>	<ul style="list-style-type: none"> <li>◆ Location 18-8 Katayama-cho, Kashiwara City, Osaka</li> <li>◆ Structure 2-story steel-frame building; total floor area: approx. 3,300m<sup>2</sup> (Adjacent employee services building: one story; total floor area: approx. 500m<sup>2</sup>)</li> <li>◆ Completion November 2020 (scheduled)</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>◆ <b>The new building creates a new R&amp;D environment suitable for creating new businesses and products</b></li> <li>• Convenient location in the Osaka area will strengthen lines of communication with customers</li> <li>• The goal is to shorten the time between the input of challenges and the output of solutions by strengthening communications between R&amp;D and sales sections</li> <li>• The new building will help recruit skilled research personnel and reinforce training programs for these people, which will make the entire OOC organization stronger</li> </ul>
<b>Ongoing projects</b>	<ul style="list-style-type: none"> <li>◆ Activities to increase sales of functional elastomers and stretchable conductive materials</li> <li>◆ Development and commercial launch of organic piezoelectric materials (joint research with a university)</li> <li>◆ Activities to enter photochromatic materials market (joint development with National Institute of Advanced Industrial Science and Technology and Kobe City College of Technology)</li> <li>◆ Activities for the mass production and higher sales of adhesion promoting monomers</li> </ul>
<b>Design</b>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Exterior</p> </div> <div style="text-align: center;">  <p>Employee services building (adjacent)</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">  <p>Foyer</p> </div> <div style="text-align: center;">  <p>Administration section</p> </div> </div>

<b>◆ Sensors/IoT</b>	<b>◆ AR/VR and photochromatic materials</b>
<ul style="list-style-type: none"> <li>▪ Stretchable elastomers</li> <li>▪ Stretchable conductive materials</li> </ul> <p>Applications: biometric sensors, pressure sensitive sensors, stretchable devices, smart textiles, and others</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>An OCC elastomer</p> </div> <div style="text-align: center;">  <p>A potential application</p> </div> </div>	<ul style="list-style-type: none"> <li>▪ Polymer network liquid crystal materials</li> <li>▪ Electrochromic materials</li> </ul> <p>Applications: materials for smart windows (transparent-opaque), and others</p> <div style="text-align: center;">  <p>Smart window</p> </div>
<b>◆ Haptics/Robotics</b>	<b>◆ Environment/Automobiles</b>
<ul style="list-style-type: none"> <li>▪ Organic piezoelectric materials</li> <li>▪ Dielectric elastomer materials</li> </ul> <p>Applications: tactile devices, soft actuators, and others</p> <div style="text-align: center;">  <p>Potential applications</p> </div>	<ul style="list-style-type: none"> <li>▪ Innovative materials for adhesives</li> </ul> <p>• Demand is increasing for new types of adhesives to reduce vehicle weight</p> <div style="text-align: center;">  <p>CFRP: Carbon fiber reinforced plastic</p> </div>



- ◆ During the first five-year business plan of Next Stage 10, a shift in product mix raised the operating margin and ROE.
- ◆ The goal for the second five-year business plan is an ROE of at least 10% in FY11/24.



### Basic policy

- ◆ We are committed to the medium to long-term growth of corporate value while maintaining the proper balance among financial soundness, the efficient use of capital and distributions to shareholders.

### Shareholder distributions

- ◆ Our goal is to pay a stable and consistent dividend with a 30% payout ratio as the guideline while preserving financial soundness.
- ◆ We aim to increase shareholder distributions, including by repurchasing stock, in order to achieve a total return of 50%.

### Key performance indicators

- ◆ The targets are an operating margin of at least 13.5% and an ROE of at least 10%.

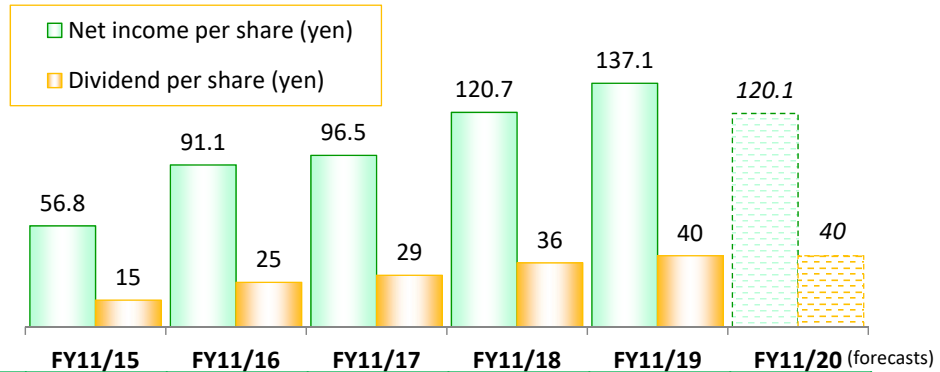
### Policy for reducing cross-shareholdings

- ◆ Every year, the board of directors examines each cross-shareholding based on the standards for these investments. These examinations will be used to make decisions about reducing these holdings.

### Policy for procuring funds

- ◆ Fund procurement activities take into consideration financial soundness, the efficient use of capital and dilution of stock as well as the cost and speed of methods used for procuring funds.

- ◆ Our goal is to pay a stable and consistent dividend with a 30% payout ratio as the guideline while preserving financial soundness.
- ◆ We aim to increase shareholder distributions, including by repurchasing stock, in order to achieve a total return of 50%.



<b>Dividend payout ratio</b>	<b>26.4%</b>	<b>27.5%</b>	<b>30.0%</b>	<b>29.8%</b>	<b>29.2%</b>	<b>33.3%</b>
<b>Total return ratio</b>	<b>38.0%</b>	<b>36.5%</b>	<b>30.1%</b>	<b>46.6%</b>	<b>29.2%</b>	<b>Target of 50%</b>

Precautions

Forecasts and other forward-looking statements in this presentation are based on decisions using information that is currently available and incorporate many uncertainties. Actual results of operations and other aspects of performance may differ from these statements due to changes in market conditions or other reasons. Consequently, Osaka Organic Chemical Industry makes no guarantee whatsoever regarding forward-looking statements.

A summary of the question and answer session that followed this presentation will be available (Japanese version only) on the corporate website.

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