

July 2, 2020

Presentation Materials for Financial Results for First Half of the Fiscal Year Ending November 30, 2020

Our products are invisible, but used around you.



We lead the world with specialty acrylates

OSAKA ORGANIC CHEMICAL INDUSTRY LTD.

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1H FY11/20 Financial Summary

Operating environment

- ◆ The global spread of COVID-19 has restricted movements of people and goods, shut down factories, and severely impacted economic activity in many other ways. Even during this crisis, demand in industries involving electronics materials has remained firm because of the growth of teleworking and the ongoing shift to 5G.

Net sales

- ◆ Net sales increased 1.1% to ¥14,342 million as electronics materials sales increased despite lower sales of chemical products and specialty chemicals.

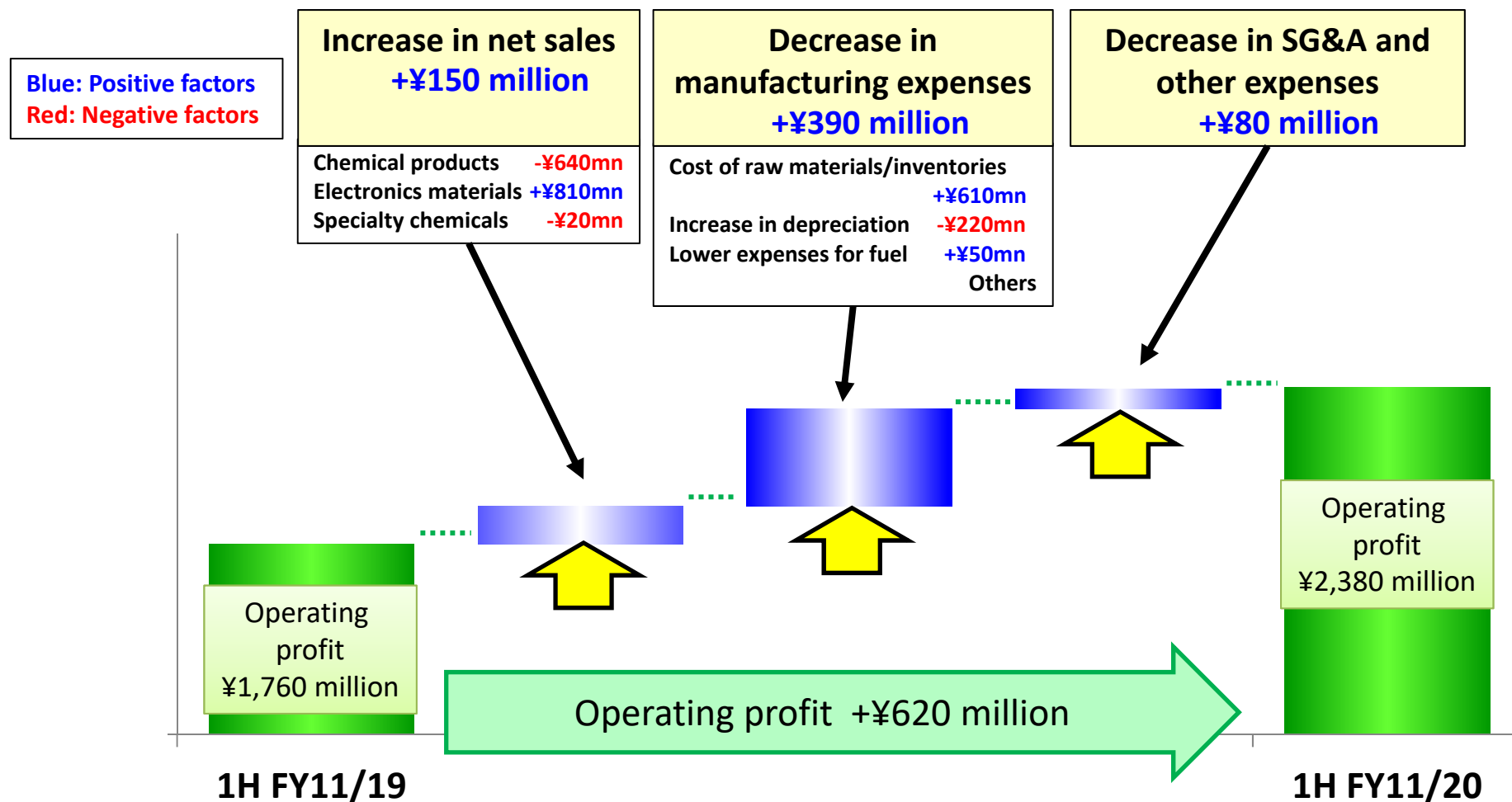
Operating profit

- ◆ Operating profit increased 35.2% to ¥2,384 million as electronics materials sales increased and the cost of raw materials decreased mainly due to the lower cost of basic and other materials.

(Millions of yen)	1H FY11/19 results	1H FY11/20 initial forecasts	1H FY11/20 results	YoY change	
				Amount	%
Net sales	14,192	14,561	14,342	+150	+1.1%
Operating profit	1,764	1,882	2,384	+620	+35.2%
Ordinary profit	1,812	1,973	2,457	+645	+35.6%
Profit attributable to owners of parent	1,334	1,341	1,692	+358	+26.8%
Price of naphtha in Japan (Yen/KL)	43,300	41,000	34,400	-	-
Exchange rates (Yen/USD)	111	107	109	-	-

Analysis of Change in Operating Profit (YoY Change)

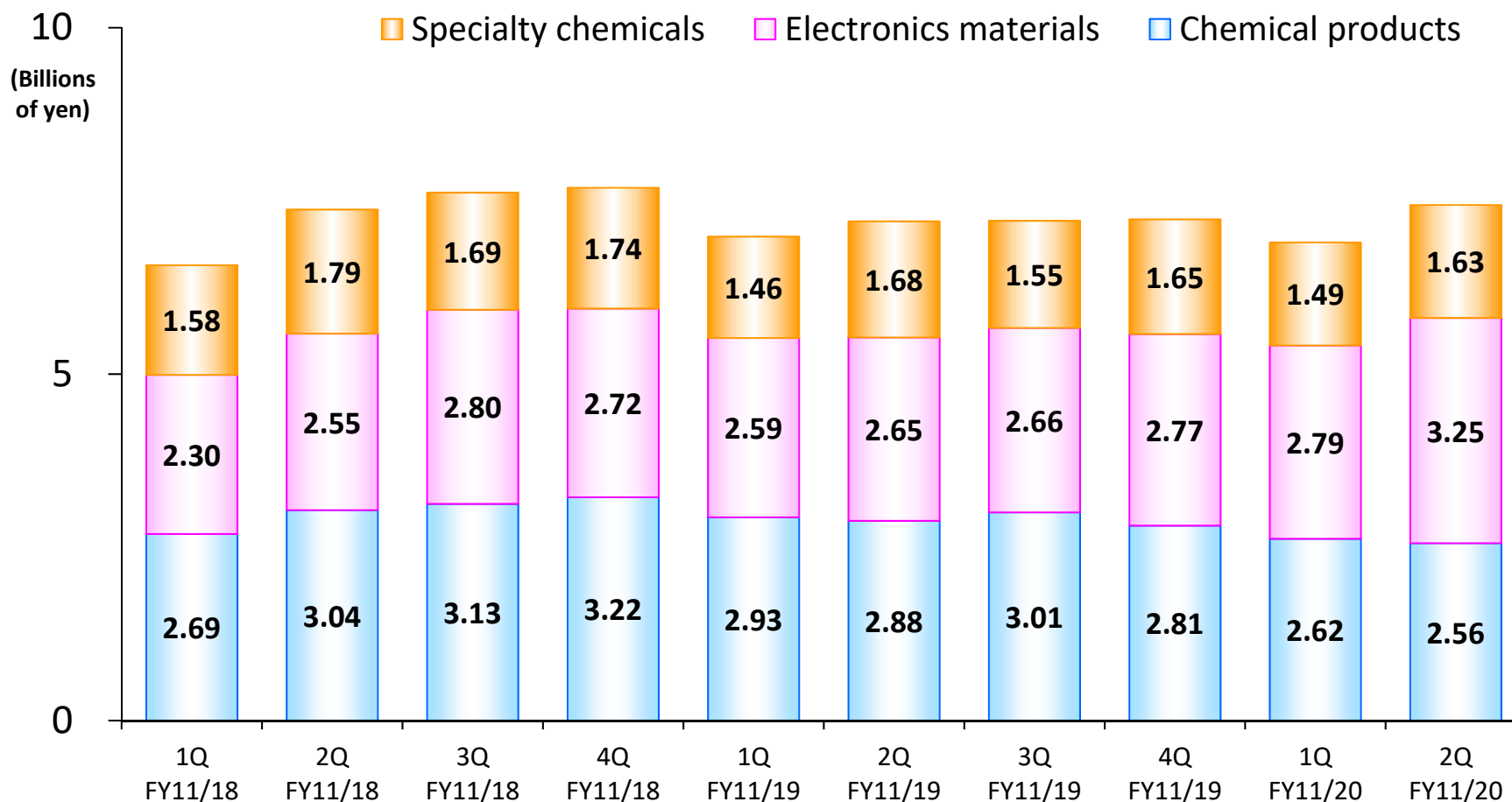
- ◆ Net sales slightly increased because lower sales of chemical products partially offset an increase in sales of electronics materials. Operating profit increased ¥620 million from one year earlier due to lower manufacturing expenses.



Quarterly Sales

◆ Business Segment Sales

Sales of chemical products decreased because of COVID-19 pandemic and other reasons, but sales of specialty chemicals remained stable and sales of electronics materials increased because of higher sales of both display materials and semiconductor materials.



Statement of Income

◆ Non-operating income or expenses

Foreign exchange losses decreased about ¥17 million.

◆ Extraordinary gains or losses

Loss on the retirement of non-current assets increased by ¥32 million as old equipment was discarded following the purchase of new equipment in the chemical products business.

	(Millions of yen)		
	1H FY11/19	1H FY11/20	Change
Non-operating income	95	110	+15
Non-operating expenses	46	37	-9
Extraordinary gains	89	0	-89
Extraordinary losses	18	51	+33

Blue: Positive factors
Red: Negative factors

Foreign exchange losses -¥17mn, others

Loss on retirement of non-current assets +¥32mn, others

Balance Sheet

	(Millions of yen)		
	FY11/19	1H FY11/20	Change
Assets			
Current assets	22,960	25,089	+2,128
Property, plant and equipment	14,900	14,931	+31
Intangible assets	78	69	-9
Investments and other assets	5,907	5,580	-327
Liabilities			
Current liabilities	8,782	9,199	+416
Non-current liabilities	2,518	2,918	+399
Total net assets	32,546	33,553	+1,006
Total assets	43,848	45,670	+1,822

Cash and deposits	+¥1,546mn
(Long-term borrowings due to capital expenditure: ¥1,200mn)	
Finished goods/Work in process	+¥478mn

Investment securities	-¥324mn
(Decrease in market value evaluation of investment securities)	

* Increase in liabilities due to borrowings for capital expenditure	+¥816mn
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Revisions to financial indicator guidelines due to COVID-19

	As of May 31, 2020	Post-corona guidelines
Equity ratio	72.7%	-
Short-term liquidity ratio	3.8 months	3.0 to 4.0 months
Debt-equity ratio	0.10	0.2 or less
Net debt-equity ratio	-0.17	0 or less (effectively no debt)
Interest coverage ratio	727 times	200 to 400 times

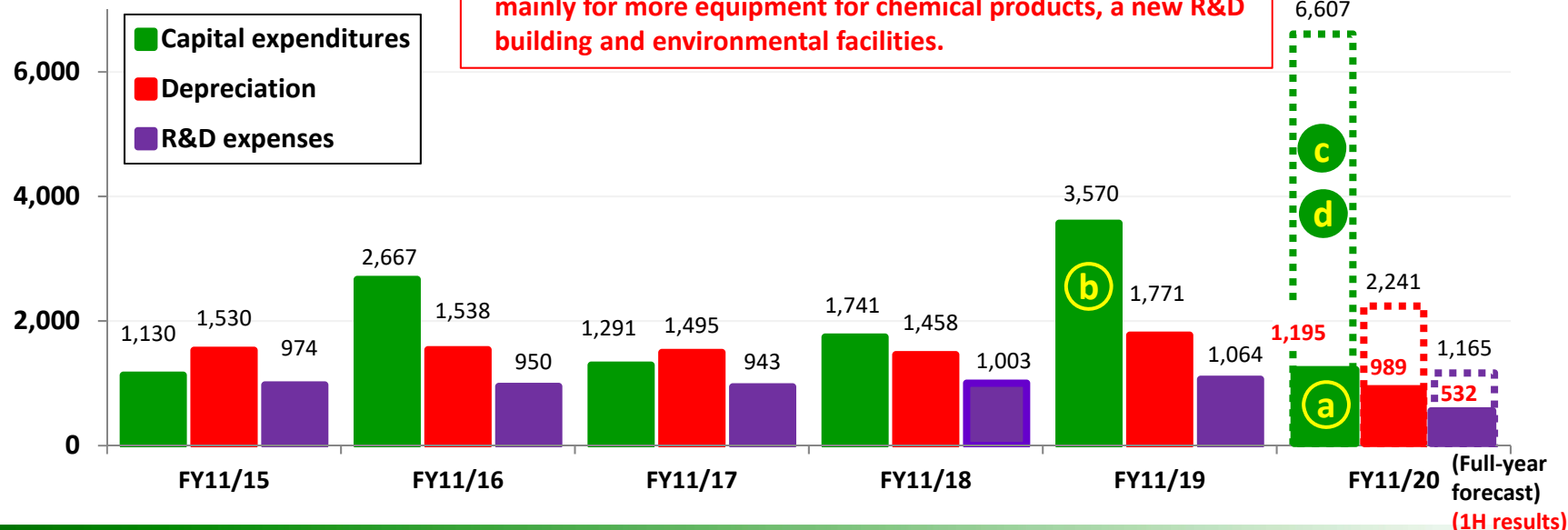
Cash Flows

(Millions of yen)

	1H FY11/19	1H FY11/20							
Operating cash flows	1,659	3,231	<table border="1"> <tr> <td>Profit before income taxes</td> <td>¥2,406mn</td> </tr> <tr> <td>Depreciation</td> <td>¥989mn</td> </tr> </table>	Profit before income taxes	¥2,406mn	Depreciation	¥989mn		
Profit before income taxes	¥2,406mn								
Depreciation	¥989mn								
Investing cash flows	-1,450	-1,616	<table border="1"> <tr> <td>Purchase of property, plant and equipment (New manufacturing equipment for chemical products)</td> <td>-¥1,901mn</td> </tr> </table>	Purchase of property, plant and equipment (New manufacturing equipment for chemical products)	-¥1,901mn				
Purchase of property, plant and equipment (New manufacturing equipment for chemical products)	-¥1,901mn								
Financing cash flows	242	247	<table border="1"> <tr> <td>Proceeds from long-term borrowings</td> <td>¥1,200mn</td> </tr> <tr> <td>Repayments of long-term borrowings</td> <td>-¥452mn</td> </tr> <tr> <td>Cash dividends paid</td> <td>-¥487mn</td> </tr> </table>	Proceeds from long-term borrowings	¥1,200mn	Repayments of long-term borrowings	-¥452mn	Cash dividends paid	-¥487mn
Proceeds from long-term borrowings	¥1,200mn								
Repayments of long-term borrowings	-¥452mn								
Cash dividends paid	-¥487mn								
Effect of exchange rate change on cash and cash equivalents	-28	-25							
Net increase (decrease) in cash and cash equivalents	423	1,836							
Cash and cash equivalents at end of period	5,600	8,179							

Capital Expenditures, Depreciation, R&D Expenses

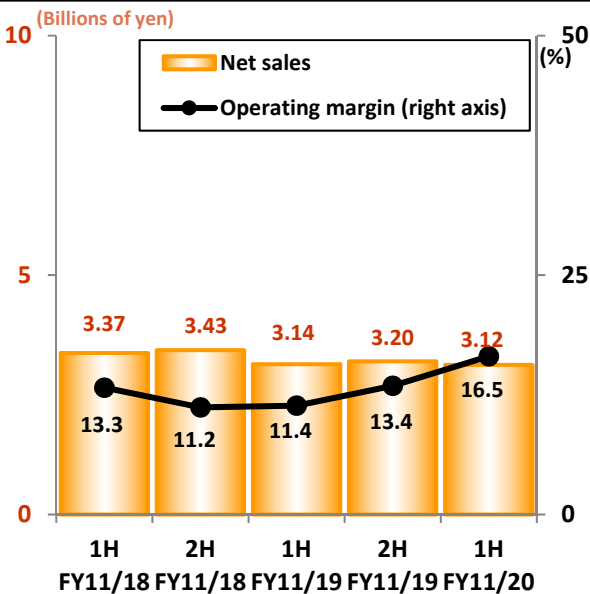
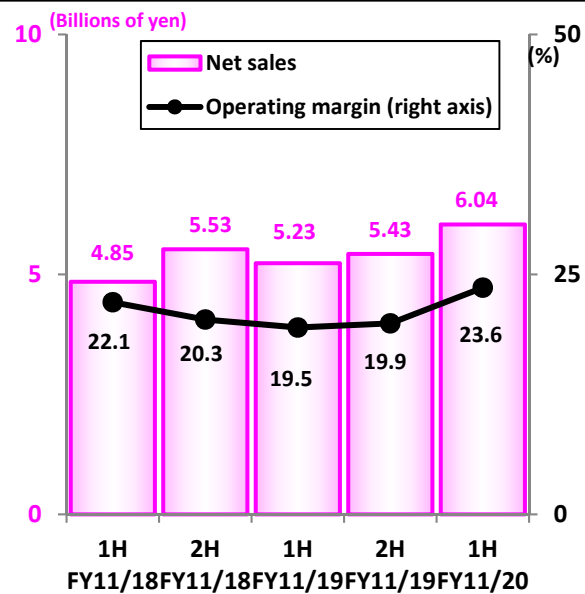
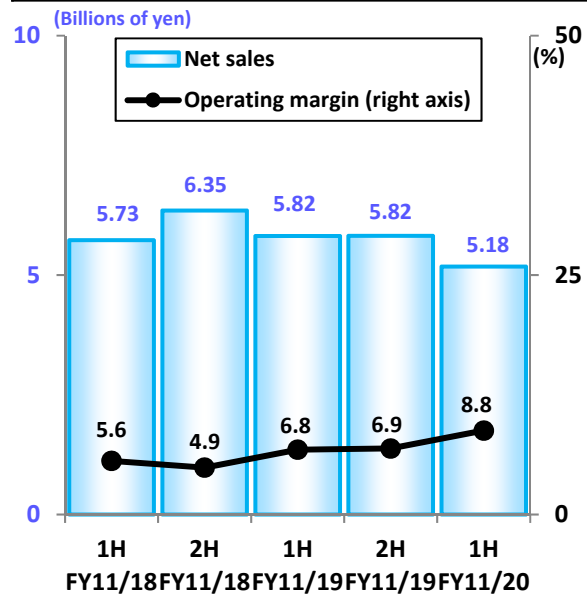
(Millions of yen)



	FY11/19	FY11/20	FY11/21	Production capacity, etc.
More manufacturing equipment for chemical products	Construction	Operation		UV-IJ monomers and other products (Capacity of about 1,000 tons/year)
More manufacturing equipment for electronics materials	Construction	Operation		New semiconductor monomer manufacturing equipment (increases capacity about 50%) Additional manufacturing equipment for semiconductor-related materials (increases capacity about 20%)
	Plan	Construction	Operation	
New R&D building	Plan	Construction	Operation	Will be used to create new businesses

Results by Segment

Chemical products	Electronics materials	Specialty chemicals
<p>Sales decreased because of weak sales of automotive coatings and monomers used by overseas customers. Earnings increased because of lower raw material costs and combination/elimination of unprofitable products.</p>	<p>Sales increased due to higher sales of resist polymers for photo spacers, insulation film, OLED materials, and ArF resist monomers. Earnings were higher because of sales growth.</p>	<p>Sales decreased as a result of higher sales of raw materials for cosmetics and lower sales of functional materials. An increase in the share of sales of solvents for electronics materials and high-margin products raised earnings.</p>
<p>Net sales ¥5,176 million (-11.0% YoY)</p>	<p>Net sales ¥6,041 million (+15.4% YoY)</p>	<p>Net sales ¥3,124 million (-0.5% YoY)</p>
<p>Segment profit ¥454 million (+15.2% YoY)</p>	<p>Segment profit ¥1,427 million (+40.0% YoY)</p>	<p>Segment profit ¥516 million (+44.4% YoY)</p>



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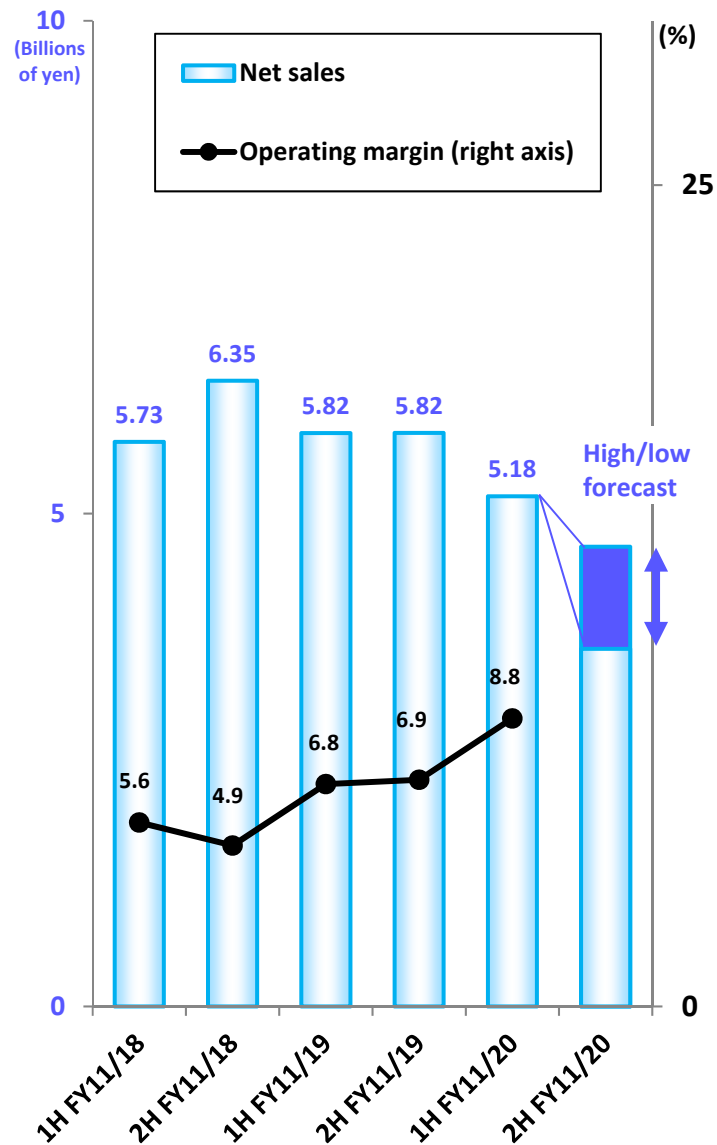
FY11/20 Forecast

◆ FY11/20 sales and earnings forecast

There is no change to the fiscal year forecast at this time because it is still uncertain how much the COVID-19 pandemic will affect sales and earnings. Announcements about results of operations will be made whenever there is a need to provide this information.

(Millions of yen)	FY11/19 (results)	FY11/20 (initial forecasts)	YoY change (amount)	YoY change (%)	1H FY11/20 (results)	1H progress ratio
Net sales	28,638	29,643	+1,005	+3.5%	14,342	48%
Operating profit	3,663	3,700	+37	+1.0%	2,384	64%
Ordinary profit	3,833	3,912	+79	+2.1%	2,457	63%
Profit attributable to owners of parent	3,035	2,660	-375	-12.4%	1,692	64%
Operating profit to net sales (%)	12.8%	12.5%	-	-	16.6%	-
ROE (%)	9.7%	At least 8.0%	-	-	-	-
Net income per share (yen)	137.05	120.11	-	-	76.40	-

Forecast – Chemical Products



Forecast

1H results -11% (vs. 2H FY11/19)
2H forecast -10% to -30% (vs. 1H FY11/20)

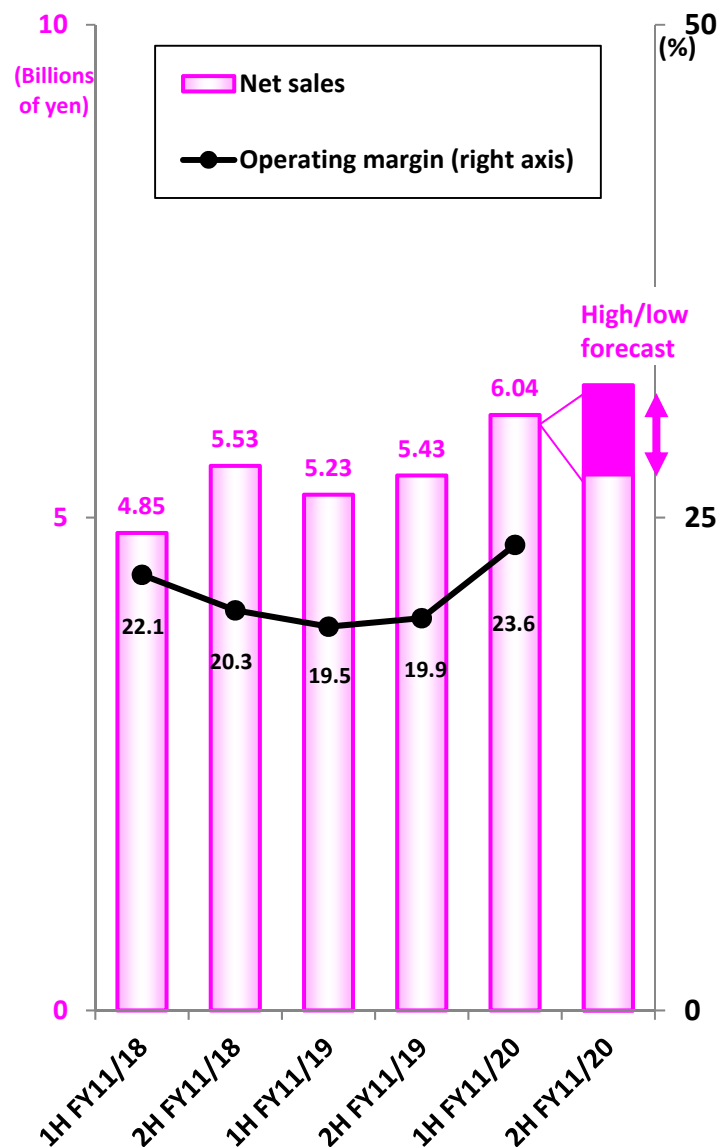
◆ Operating environment

- Major automakers worldwide have temporarily suspended production in response to the COVID-19 pandemic.
- Global automobile sales are expected to decrease 12% in 2020. (Source: March 2020 HIS Markit)

◆ OOC

- Chemical products sales were down in 1H FY11/20 mainly because of lower sales in the coatings category. Sales may be affected by COVID-19 in the second half too.
- The operation of new production equipment for high-purity products (capacity of about 1,000 tons/year) started in the spring of 2020. This is expected to support the performance of the chemical products business.

Forecast – Electronics Materials



Forecast

1H results +11% (vs. 2H FY11/19)

2H forecast +5% to -10% (vs. 1H FY11/20)

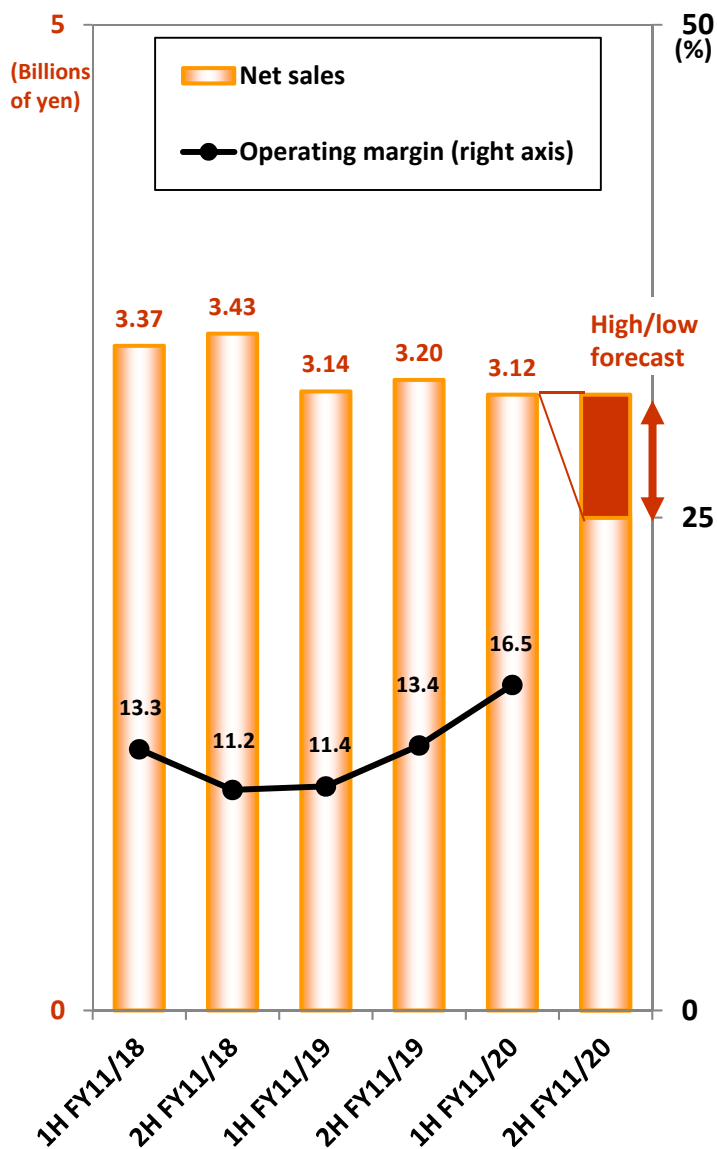
◆ Operating environment

- Global semiconductor sales decreased 12% in 2019 mainly because of weakness in the memory sector. (Source: WSTS global market statistics)
- Sales were expected to recover in 2020, but most forecasts have been revised by research firms to another decrease because of COVID-19.
- Progress continues, mainly in Asia, with the practical use of state-of-the-art EUV lithography.
- Prices of FPDs plummeted because of increasing production in China. Global sales of these displays were down 6% because of COVID-19. (DSCC estimate as of April 2020)

◆ OOC

- Consistently strong sales of materials used in ArF photoresist.
- Added production capacity to increase ability to meet customers' needs.
- ArF/EUV: Most sales are materials for ArF lithography and signs of growth of EUV material sales are slowly appearing.
- Even during the COVID-19 crisis, sales of FPD materials remained strong in Taiwan. But this product category may become challenging again if Chinese suppliers start returning to the market in the second half of FY11/20.

Forecast – Specialty Chemicals



Forecast

1H results -2% (vs. 2H FY11/19)
2H forecast ±0% to -20% (vs. 1H FY11/20)

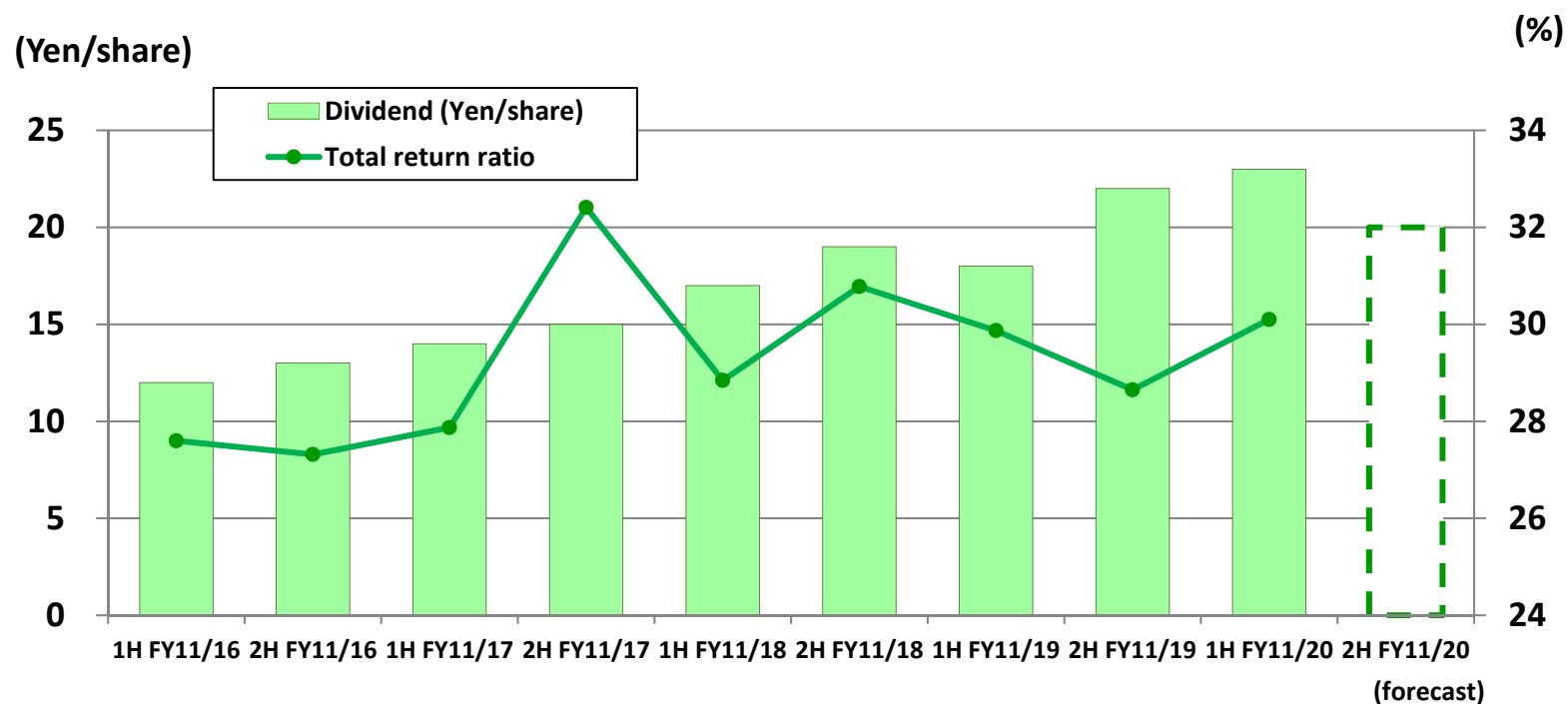
◆ Operating environment

- The plunge in foreign visitors to Japan due to COVID-19 (down 93% in March and 99% in April) removed about ¥400 billion of demand from Japan's cosmetics market.
- In China, e-commerce sales is firm even during the COVID-19 crisis; skin care and other cosmetics products have remained steady.

◆ OOC

- Increased sales in China and other countries of parabens-free cosmetics materials that help retain moisture, ideal properties for facial masks for skin care.
- The need to prevent eyeglass fogging is increasing as people wear masks all day due to COVID-19. There is strong interest in OOC's super-hydrophilic materials and many samples are being prepared for customers.
- Sales of solvents for electronics materials are consistently strong.

First and Second Half Dividends and Total Return Ratio



	1H FY11/16	2H FY11/16	1H FY11/17	2H FY11/17	1H FY11/18	2H FY11/18	1H FY11/19	2H FY11/19	1H FY11/20	2H FY11/20 Forecast
Dividend (Yen/share)	12	13	14	15	17	19	18	22	23	20
Total return ratio (%)	27.6	27.3	27.9	32.4	28.8	30.8	29.9	28.6	30.1	Target: 30%

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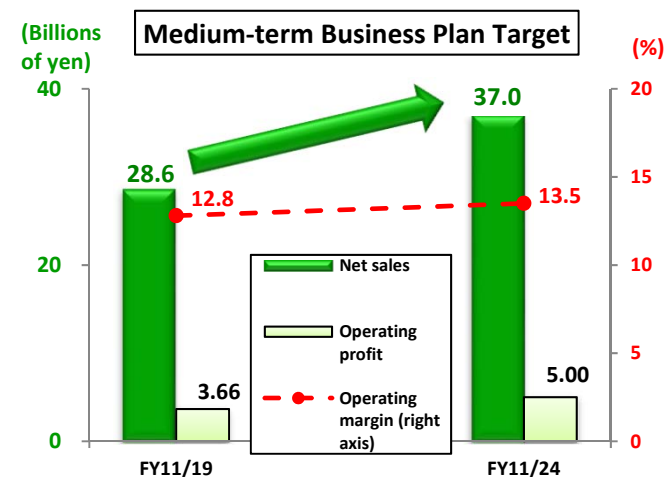
Medium-term Business Plan

Management Vision

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

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



Business	Activities
Chemical products	Combine/eliminate products: Stopped making or combined general-purpose specialty acrylic acid esters. New products: Developed a monomer for UV ink for inkjet printers; operation of new production equipment started in the spring of 2020.
Electronics materials	Higher share of ArF resist monomer market: New production equipment acquired in 2019 is consistently producing this monomer and sales activities are being strengthened. Next-generation EUV resist monomers: Aim for an increase in use of prototypes Semiconductor peripheral materials: Purchasing more production equipment to increase the supply of these materials.
Specialty chemicals	Overseas sales growth: Increasing sales of cosmetic raw materials for skin care to cosmetics companies in China and other countries. Functional materials: Joint research with customers for new coating materials, super-hydrophilic coating materials, highly advanced medical materials and other new ideas.
New businesses	New business domains: Joint development with companies and universities of stretchable conductive materials, photochromatic materials, organic piezoelectric materials and other innovations. Infrastructure: Constructing a research building at the Osaka Office.

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Effects of the COVID-19 Pandemic

Actions by the Osaka Organic Chemical Group

- Jan. 23 Made everyone aware of the COVID-19 outbreak and preventive measures
- Feb. 19 Established a group policy for this crisis (avoid business trips, work from home, etc.)
- Apr. 14 Established a COVID-19 crisis management headquarters, initiated the business continuity plan and increased responses to this crisis
- May 22 Established a team to oversee measures to prevent the spread of COVID-19

Actions to prevent infections

- Teleworking, internet conferences, avoidance of business trips
- Temperatures checked before starting work, staggered lunch times in company cafeterias, and other measures

Impact on business activities

- Decline in sales of materials used for coatings because of the automobile industry downturn
- No significant impact on the electronics materials business
- Delays in sales activities for cosmetics raw materials because trade shows and exhibitions in China were postponed

Scheduled actions

- Spending ¥100 million on preventive measures in company cafeterias, upgrades of IT equipment and capabilities, and other measures in order to continue business operations with reliability and safety

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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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