



We lead the world with specialty acrylates

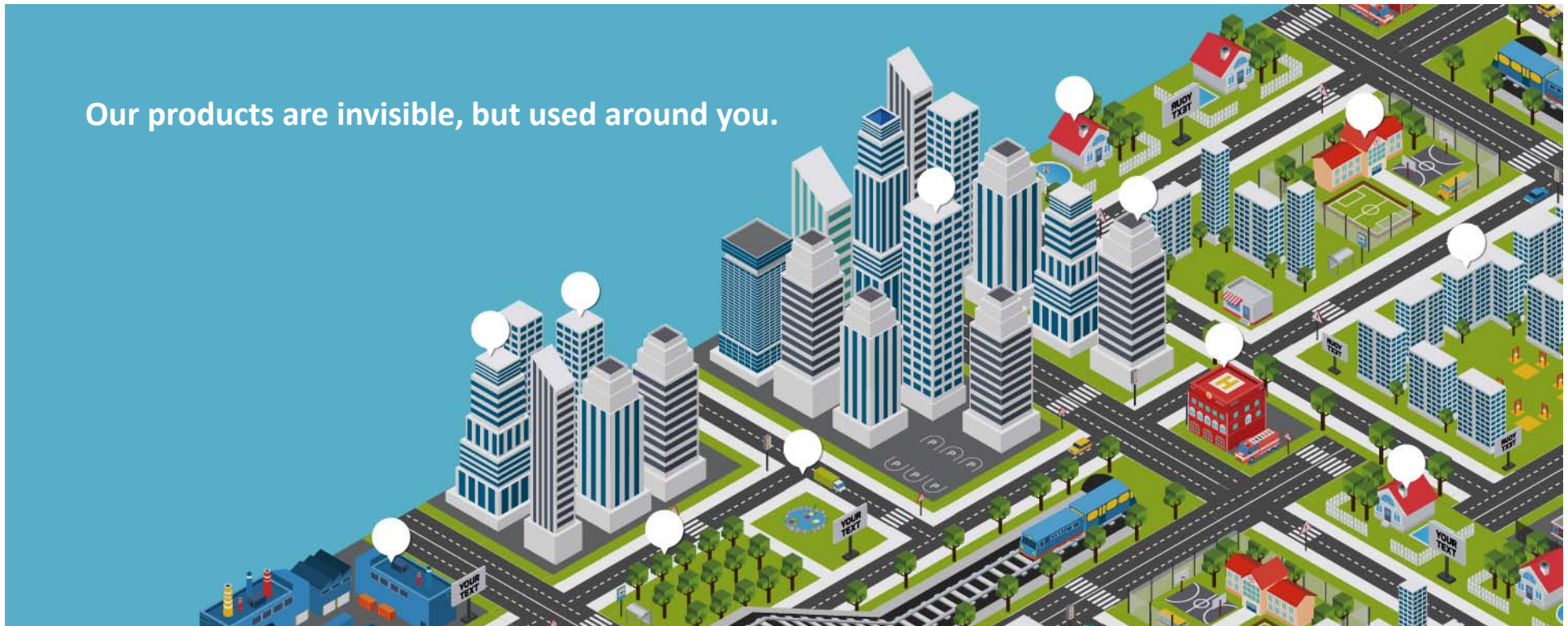
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.

Tokyo Stock Exchange, First Section: 4187

FY11/20 | January 7, 2021

Presentation Materials for Financial Results for the Fiscal Year Ended November 30, 2020

Our products are invisible, but used around you.



Contents

◆ **FY11/20 Financial Summary**

◆ **FY11/21 Forecast**

◆ **Medium-term Business Plan**

Contents

◆ **FY11/20 Financial Summary**

◆ FY11/21 Forecast

◆ Medium-term Business Plan

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 strong because of the growth of teleworking and the ongoing shift to 5G.

Net sales

◆ Net sales increased 0.1% to ¥28,681 million as electronics materials sales increased despite lower sales of chemical products and specialty chemicals.

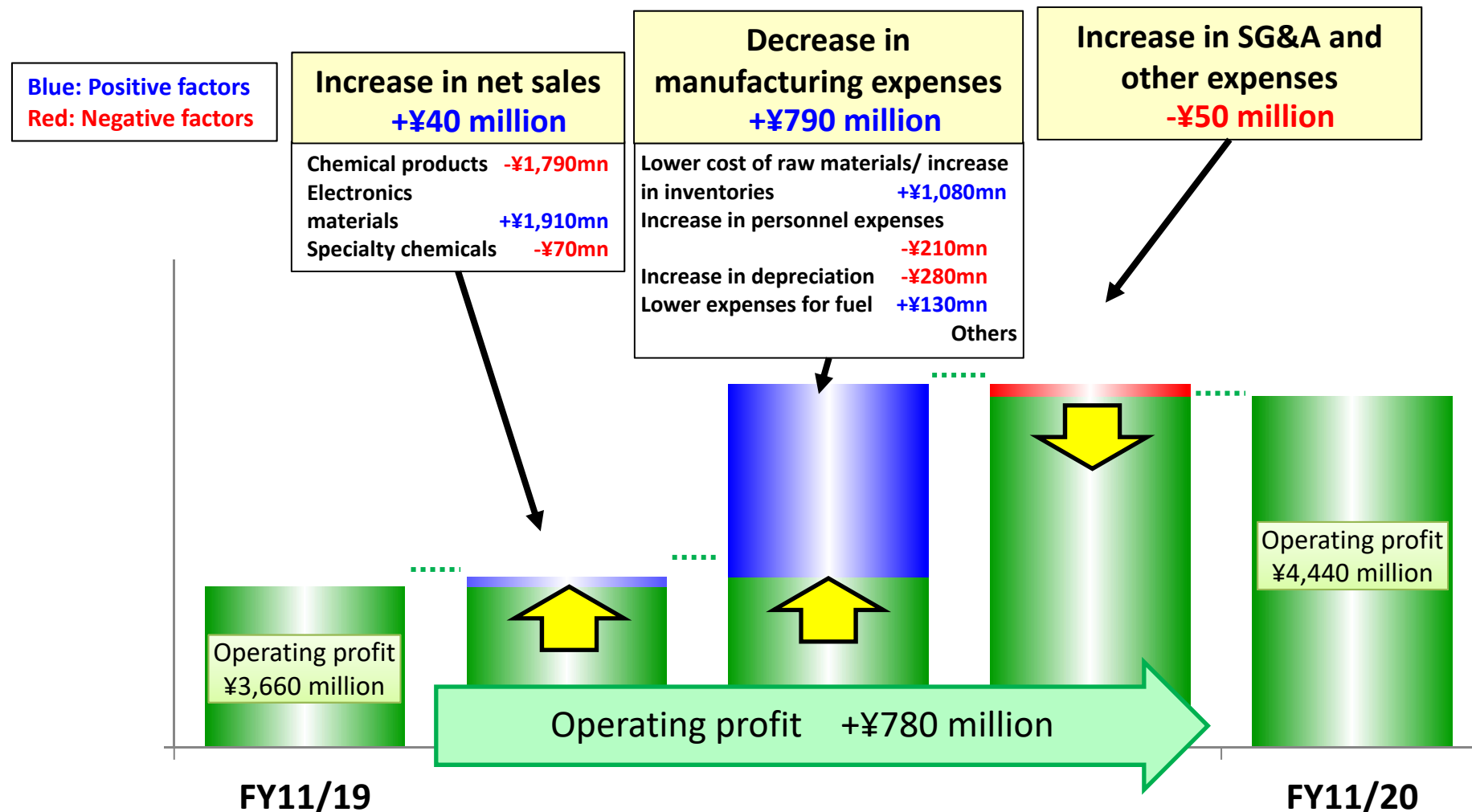
Operating profit

◆ Operating profit increased 21.3% to ¥4,442 million as sales of electronics materials with highly added value increased and the cost of raw materials decreased mainly due to the lower cost of basic and other materials.

(Millions of yen)	FY11/19 results	FY11/20 initial forecast	FY11/20 results	YoY change	
				Amount	%
Net sales	28,638	29,643	28,681	+43	0.1%
Operating profit	3,663	3,700	4,442	+779	21.3%
Ordinary profit	3,833	3,912	4,612	+779	20.3%
Profit attributable to owners of parent	3,035	2,660	3,313	+278	9.2%
Price of naphtha in Japan (Yen/KL)	42,000	41,000	32,800	-	-
Exchange rates (Yen/USD)	110	107	107	-	-

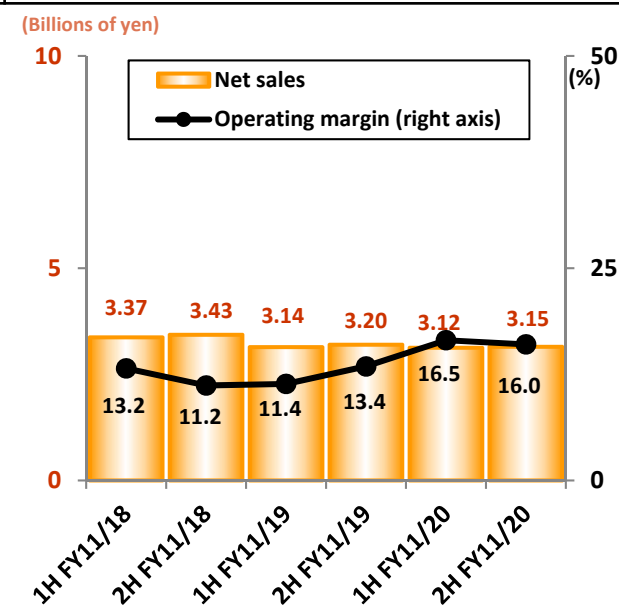
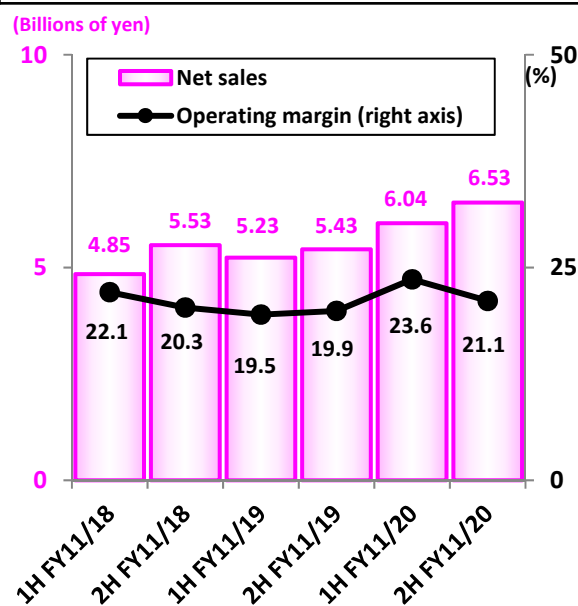
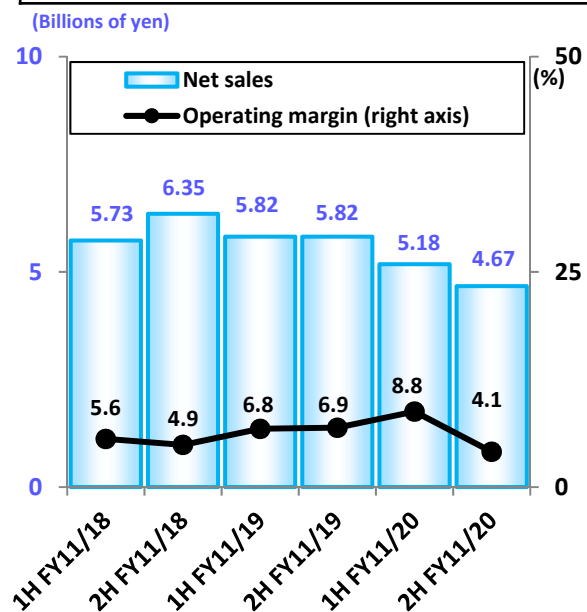
Analysis of Change in Operating Profit (YoY Change)

- ◆ Operating profit increased ¥780 million from one year earlier due to an increase in sales of electronics materials with highly added value and lower manufacturing expenses despite lower sales of chemical products.



Results by Segment

Chemical products	Electronics materials	Specialty chemicals
<p>Sales decreased because COVID-19 reduced sales of automotive coatings and monomers for printing ink. Earnings decreased due to lower sales.</p>	<p>Sales increased due to the growth of the semiconductor market and higher demand for display materials resulting from the growth of remote work. Earnings were higher because of sales growth.</p>	<p>Sales decreased as a result of lower sales of raw materials for cosmetics as more people worked at home, and lower sales of functional materials. An increase in the share of sales of high-margin products raised earnings.</p>
<p>Net sales ¥9,843 million (-15.4% YoY)</p>	<p>Net sales ¥12,568 million (+17.9% YoY)</p>	<p>Net sales ¥6,268 million (-1.1% YoY)</p>
<p>Segment profit ¥648 million (-18.3% YoY)</p>	<p>Segment profit ¥2,803 million (+33.6% YoY)</p>	<p>Segment profit ¥1,020 million (+29.7% YoY)</p>

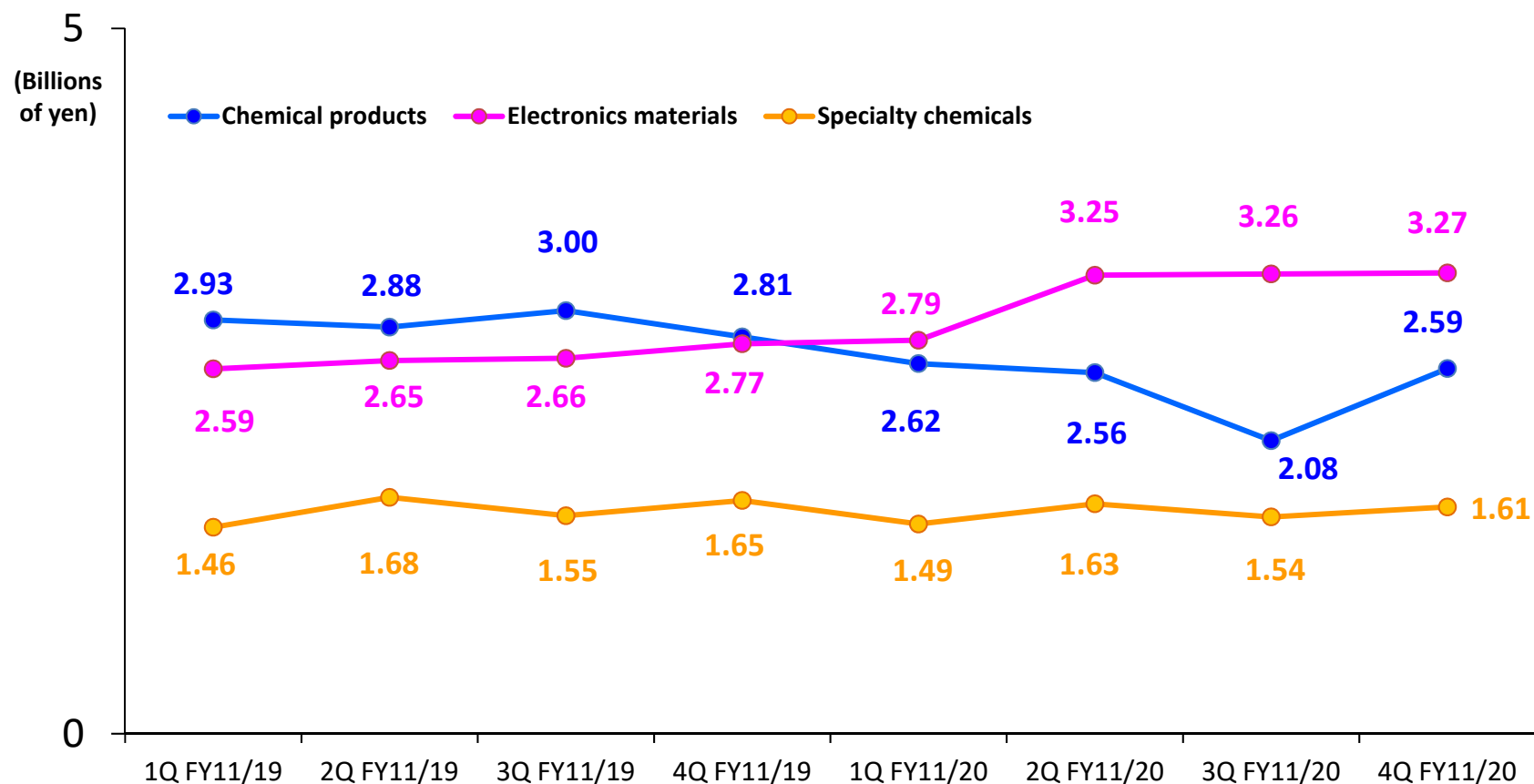


Segment Quarterly Sales

◆ Business Segment Quarterly Sales

Sales of chemical products significantly declined in the third quarter but started to recover in the fourth quarter.

Sales of electronics materials was strong and sales of specialty chemicals also remained firm.



Statement of Income

◆ Non-operating income or expenses

There was no significant change from one year earlier.

◆ Extraordinary gains or losses

Extraordinary gains decreased ¥270 million mainly due to decreases of a gain on sales of investment securities and insurance claim income.

Extraordinary losses increased ¥99 million due to an increase in loss on the retirement of non-current assets following equipment updates and other factors.

(Millions of yen)

	FY11/19	FY11/20	Change	
Non-operating income	223	224	+1	
Non-operating expenses	53	54	+1	
Extraordinary gains	371	101	-270	<div data-bbox="1442 1046 2040 1214"> <p>Gain on sales of investment securities (sales of cross-shareholdings) -¥119mn Insurance claim income -¥139mn Others</p> </div>
Extraordinary losses	24	123	+99	<div data-bbox="1442 1230 2040 1433"> <p>Loss on the retirement of non-current assets (withdrawal of old equipment following the purchase of new equipment, etc.) +¥89mn Others</p> </div>

Blue: Positive factors

Red: Negative factors

Balance Sheet

(Millions of yen)

	FY11/19	FY11/20	Change	
Assets				
Current assets	22,960	23,134	+174	
Property, plant and equipment	14,900	16,299	+1,399	<div style="border: 1px solid black; padding: 5px;"> <p>Buildings and structures, net (new research building, etc.) +¥1,398mn</p> <p>Machinery, equipment and vehicles, net +¥998mn</p> <p>(More equipment for chemical products and electronics materials equipment)</p> <p>Construction in progress -¥1,181mn</p> <p>Others</p> </div>
Intangible assets	78	70	-8	
Investments and other assets	5,907	5,819	-88	
Liabilities				
Current liabilities	8,782	7,553	-1,229	<div style="border: 1px solid black; padding: 5px;"> <p>Notes and accounts payable-trade -¥965mn</p> <p>Accounts payable-other -¥687mn</p> <p>Others</p> </div>
Non-current liabilities	2,518	2,745	+227	<div style="border: 1px solid black; padding: 5px;"> <p>Retained earnings +¥2,316mn</p> <p>Others</p> </div>
Total net assets	32,546	35,025	+2,479	
Total assets	43,848	45,324	+1,476	

Revisions to financial indicator guidelines due to COVID-19

	As of November 30, 2020	Post-corona guidelines
Equity ratio	76.5%	-
Short-term liquidity ratio	3.0 months	3.0 to 4.0 months
Debt-equity ratio	0.09	0.2 or less
Net debt-equity ratio	-0.13	0 or less (effectively no debt)
Interest coverage ratio	528 times	200 to 400 times

Cash Flows

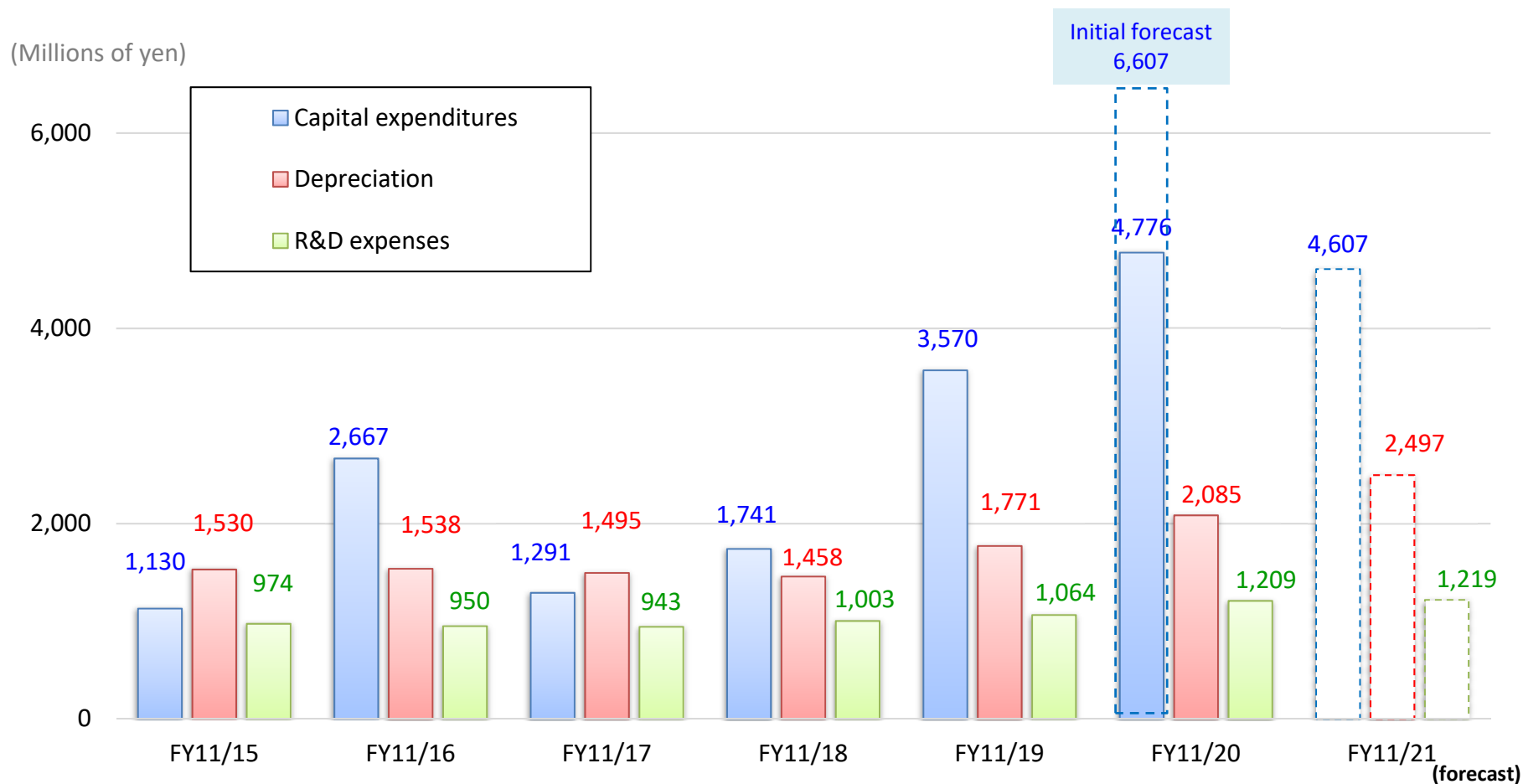
(Millions of yen)

	FY11/19	FY11/20	Major factors
Operating cash flows	3,506	4,799	<ul style="list-style-type: none"> Profit before income taxes ¥4,590mn Depreciation ¥2,085mn
Investing cash flows	-2,739	-3,976	<ul style="list-style-type: none"> Purchase of property, plant and equipment (More semiconductor equipment) -¥4,379mn
Financing cash flows	432	-648	<ul style="list-style-type: none"> Proceeds from long-term borrowings ¥1,350mn (Capital expenditures, improvement of financial soundness) Repayments of long-term borrowings -¥980mn Cash dividends paid -¥996mn
Effect of exchange rate change on cash and cash equivalents	-34	-5	
Net increase (decrease) in cash and cash equivalents	1,165	169	
Cash and cash equivalents at end of period	6,342	6,511	

Capital Expenditures, Depreciation, R&D Expenses

* FY11/20 capital expenditures were expected to be ¥6.6 billion but resulted in ¥4.8 billion due to delays in construction.

In the medium-term business plan, we are planning on capital expenditures of about ¥20.0 billion in total for FY11/20 to FY11/24.



Capital Expenditures

- ◆ Capital expenditures will continue at a suitable level based on the medium-term business plan. In 2021, additional equipment for semiconductor materials and factory utility projects will be the primary components of these expenditures.

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

Topics <New R&D Building>

Overview	<ul style="list-style-type: none">◆ Location 18-8 Katayama-cho, Kashiwara City, Osaka◆ Structure 2-story steel-frame building; total floor area: approx. 3,300m² (Adjacent employee services building: one story; total floor area: approx. 500m²)◆ Completion A completion ceremony was held on November 6, 2020
Purpose	<ul style="list-style-type: none">◆ The new building creates a new R&D environment suitable for creating new businesses and products<ul style="list-style-type: none">▪ Convenient location in the Osaka area will strengthen lines of communication with customers▪ The goal is to shorten the time between the input of challenges and the output of solutions by strengthening communications between R&D and sales sections▪ The new building will help recruit skilled research personnel and reinforce training programs for these people, which will make the entire OOC organization stronger
Ongoing projects	<ul style="list-style-type: none">◆ Activities to increase sales of functional elastomers and stretchable conductive materials (Participating in the Cabinet Office Cross-ministerial Strategic Innovation Promotion Program)◆ Development and commercial launch of organic piezoelectric materials (joint research with a university)◆ Activities to enter photochromatic materials market◆ Activities for the mass production and higher sales of adhesion promoting monomers
View	

Contents

◆ FY11/20 Financial Summary

◆ **FY11/21 Forecast**

◆ Medium-term Business Plan

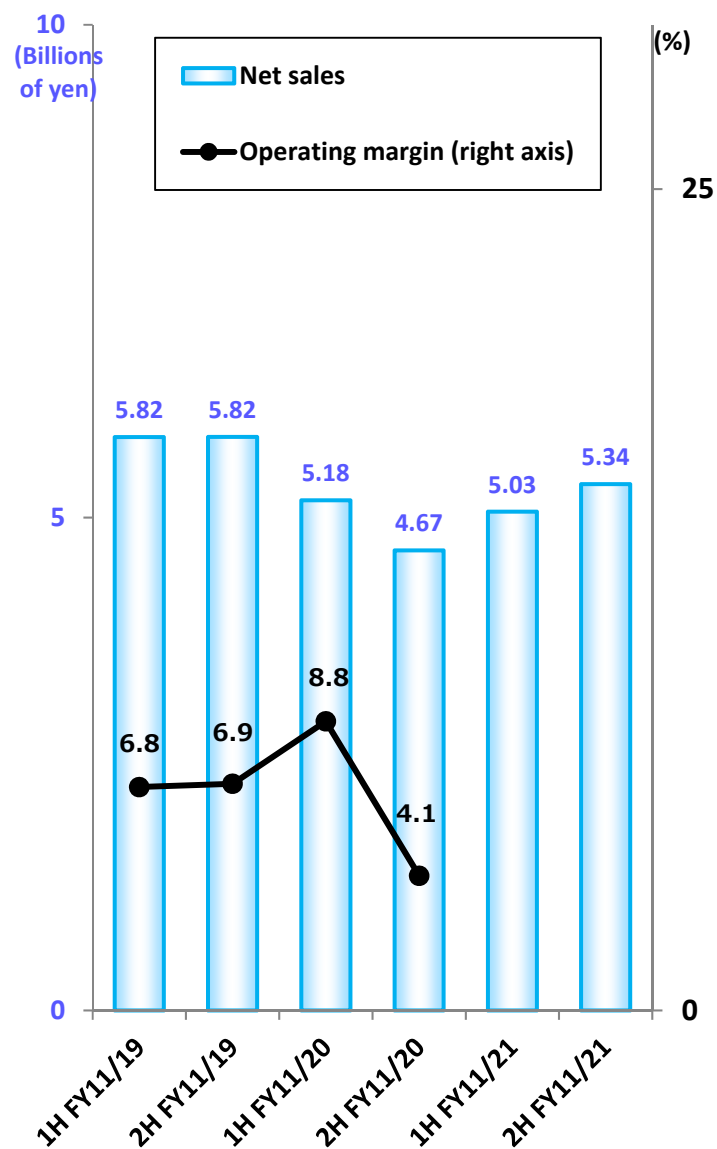
FY11/21 Forecast

◆ FY11/21 sales and earnings forecast

Our FY11/21 forecasts are net sales of ¥30,740 million, an increase of about ¥2.0 billion year on year, and operating profit of ¥4,550 million, almost the same in FY11/20.

(Millions of yen)	FY11/20 (results)	FY11/21 (forecasts)	YoY change (amount)	YoY change (%)
Net sales	28,681	30,740	+2,058	107.2%
Operating profit	4,442	4,550	+108	102.4%
Ordinary profit	4,612	4,845	+233	105.0%
Profit attributable to owners of parent	3,313	3,316	+3	100.1%
Operating profit to net sales (%)	15.5%	14.8%	-	-
ROE	9.9%	9.3%	-	-
Net income per share (yen)	149.59	149.69	-	-

Forecast – Chemical Products



FY11/21 Forecast

Net sales ¥10.3 billion +5% (vs. FY11/20)

◆ Operating environment

- Major automakers worldwide temporarily suspended production due to the COVID-19 crisis. Production was down 50% to 60% YoY in April and May 2020. In June, the downturn decreased to about 20%. Automobile production is expected to recover completely in 2021.

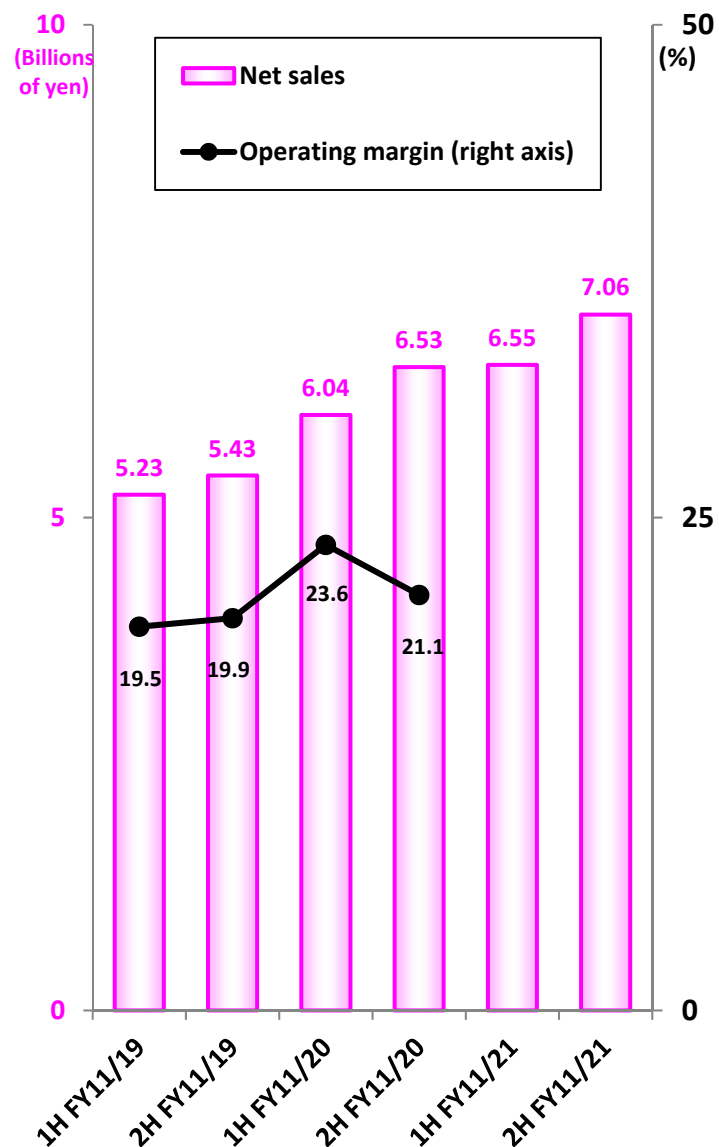
◆ OOC

- Sales of chemical products decreased in FY11/20 mainly because of lower sales in the coatings category. The biggest downturn in Japan was in the third quarter (June-August) and sales started recovering in the fourth quarter.
- Actions are under way to increase sales of major products while monitoring market conditions and to cut costs.

◆ Market risk

- Crude oil price fluctuation
- Higher cost of raw materials derived from natural resources
- Economic trends due to the COVID-19 crisis.

Forecast – Electronics Materials



FY11/21 Forecast

Net sales **¥13.6 billion** **+8%** (vs. FY11/20)

◆ Operating environment

- Demand for semiconductors is increasing because of 5G, the increase in telework and other reasons. Total semiconductor sales are expected to climb to an all-time high in 2021. (World Semiconductor Trade Statistics, December 2020)
- Progress is continuing, mainly in Asia, with the practical use of state-of-the-art EUV lithography.
- FPD demand is increasing rapidly and Korean manufacturers are shifting to organic EL technology.

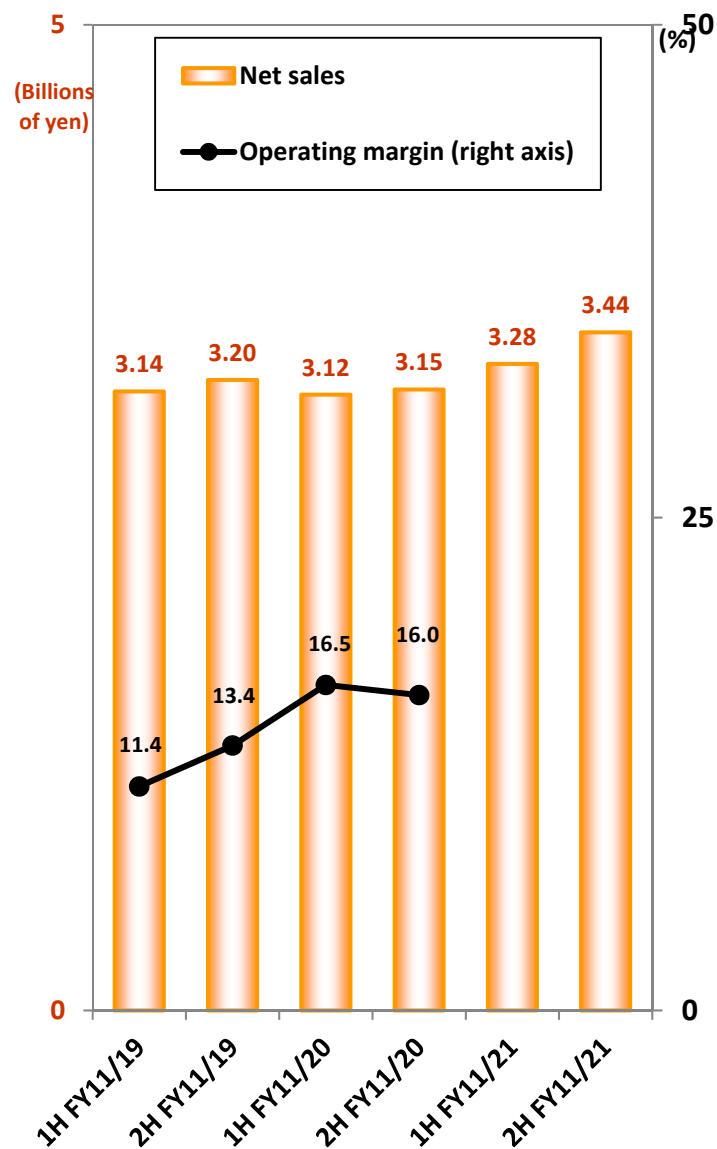
◆ OOC

- Sales of materials used in ArF photoresist were consistently strong. We will continue to increase our ability to meet customers' needs.
- Sales of EUV materials are increasing slowly and our goal is to increase the number of companies using these materials.
- For FPD materials, the priorities remain meeting customers' demands and increasing sales.

◆ Market risk

- More Japan-Korea and US-China trade friction

Forecast – Specialty Chemicals



FY11/21 forecast

Net sales ¥6.7 billion **+7%** (vs. FY11/20)

◆ Operating environment

- Japan's cosmetics market shrank due to the COVID-19 crisis.
- The Chinese cosmetics market is expected to increase 60% between 2019 and 2024 because of economic growth.

◆ OOC

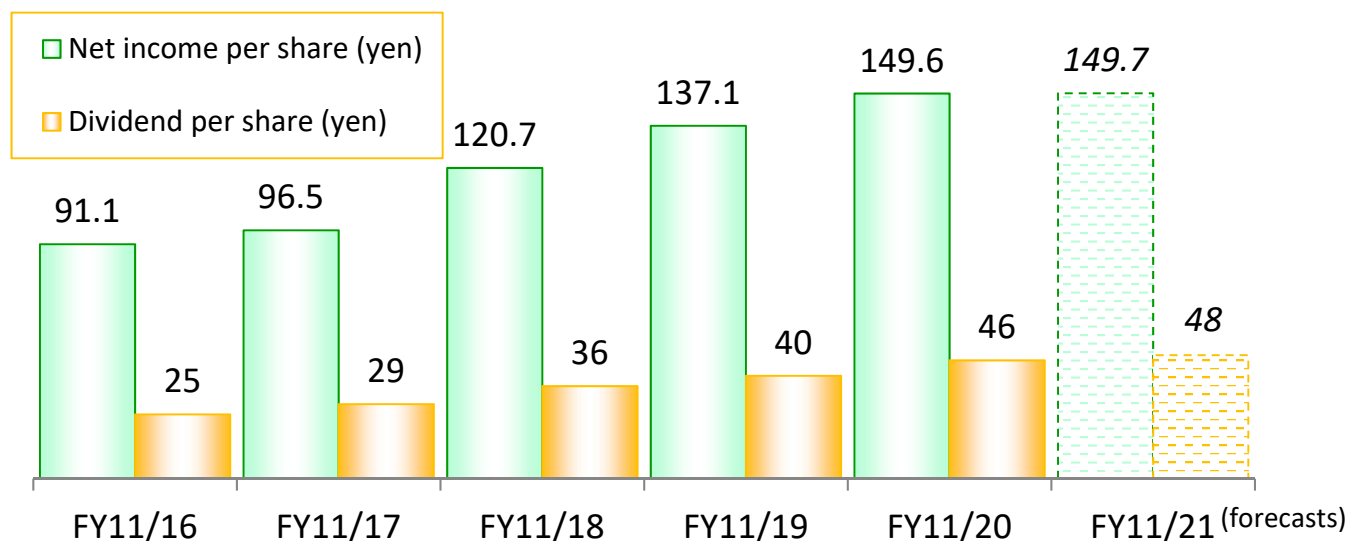
- Higher sales in China and other countries of cosmetics materials that have ideal properties (such as moisture retaining) for facial masks for skin care.
- Plan to increase sales of super-hydrophilic substances and semiconductor solvents and continue producing samples of additives
- Plan to acquire in February 2021 the business unit of Mitsubishi Chemical that manufactures and sells acrylic resin used in hair care products. (Announced on August 19, 2020)

◆ Market risk

- Prolonged decline in demand for cosmetics due to the COVID-19 crisis

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%.



	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 (forecasts)
Dividend payout ratio	27.5%	30.0%	29.8%	29.2%	30.8%	32.1%
Total return ratio (Distributions in each FY)	36.5%	30.1%	46.6%	29.2%	30.8%	Target of 50%

Contents

◆ FY11/20 Financial Summary

◆ FY11/21 Forecast

◆ **Medium-term Business Plan**

The Second Five-year Medium-term Business Plan (FY11/20 - FY11/24)

◆ First year accomplishments and outlook

In the plan's first year, there were negative effects of the COVID-19 crisis and the decline in the price of naphtha. Despite these challenges, sales of electronics materials continued to increase. As a result, sales were about the same as in FY11/19, operating profit increased and the operating margin was more than 15%.

In FY11/21, although the outlook for market conditions is unclear, we forecast a big increase in sales. The main reasons are the outlook for a recovery in sales of chemical products, an increase in sales of semiconductor materials and the contribution to sales from the acquisition of the acrylic resin business. FY11/21 will be a critical year for the achievement of the sales target of this business plan.

	FY11/19 results	FY11/20 1st year results	FY11/24 targets
Net sales	¥28.63 billion	¥28.68 billion	At least ¥37.0 billion
Operating profit	¥3.66 billion	¥4.44 billion	At least ¥5.0 billion
Operating margin	12.8%	15.5%	At least 13.5%
ROE	9.7%	9.9%	At least 10%
Dividend payout ratio	29.2%	30.8%	About 30%
Total return ratio	29.2%	30.8%	Target of 50%

Medium-term Business Plan

Business	Measures	Progress	Achievement
Chemical products	<ul style="list-style-type: none"> ◇ 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. 	<ul style="list-style-type: none"> ◇ Outsourcing/terminating unprofitable products *Actions covered about 80% of these products in 2020 and will be completed in FY11/21. ◇ No growth of the UV inkjet printer market and sales were below the plan *Sales volume decreased 20% YoY. 	<p style="text-align: center;">○</p> <p style="text-align: center;">△</p>
Electronics materials	<ul style="list-style-type: none"> ◇ 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. 	<ul style="list-style-type: none"> ◇ Strong growth of sales of semiconductor materials *Sales increased 30% YoY. ◇ EUV resist monomer sales volume is still low but the number of companies using EUV technology is increasing steadily. *Sales increased 40% YoY. ◇ Increasing production capacity as planned 	<p style="text-align: center;">◎</p> <p style="text-align: center;">○</p> <p style="text-align: center;">○</p>
Specialty chemicals	<ul style="list-style-type: none"> ◇ 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. 	<ul style="list-style-type: none"> ◇ Sales of raw materials for skin care to cosmetics companies in China are increasing consistently. *Export volume was 5.8 times higher than one year earlier. ◇ Certain progress in joint research with customers for highly advanced medical materials 	<p style="text-align: center;">○</p> <p style="text-align: center;">○</p>
New businesses	<ul style="list-style-type: none"> ◇ 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. 	<ul style="list-style-type: none"> ◇ Samples are being prepared for every product under development. ◇ New research building was completed in November 2020. 	<p style="text-align: center;">△</p> <p style="text-align: center;">○</p>

Our products are invisible, but used around you.



We lead the world with specialty acrylates

OSAKA ORGANIC CHEMICAL INDUSTRY LTD.

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.

Inquiries

Administration Division, IR & PR Group

TEL: +81-6-6264-5071 (main switchboard)