



We lead the world with specialty acrylates

**OSAKA ORGANIC CHEMICAL
INDUSTRY LTD.**

January 12, 2022

Translation

Notice: This document is an excerpt translation of the original Japanese document and is for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

FY11/21

Presentation Materials for Financial Results for the Fiscal Year Ended November 30, 2021

**Our products are invisible,
but used around you.**

Tokyo Stock Exchange, First Section: 4187



◆ **FY11/21 Financial Summary**

◆ **FY11/22 Forecast**

◆ **Medium-term Business Plan**

◆ **FY11/21 Financial Summary**

◆ FY11/22 Forecast

◆ Medium-term Business Plan

Chemical products, electronics materials, and specialty chemicals all performed well.

Achieved record highs in both net sales and operating profit.

Highlights		(Millions of yen)	YoY change
	Net sales	35,027	+22.1%
Operating profit	5,852	+31.8%	

Operating environment

Industrial output gradually recovered despite the continuing negative effects of the COVID - 19 pandemic. On the other hand, the shortage of semiconductors, stagnant logistics, and high oil prices were factored in as negative factors.

Net sales

Achieved higher sales at all segments: chemical products, electronics materials and specialty chemicals. Net sales increased 22.1% to ¥35,027 million.

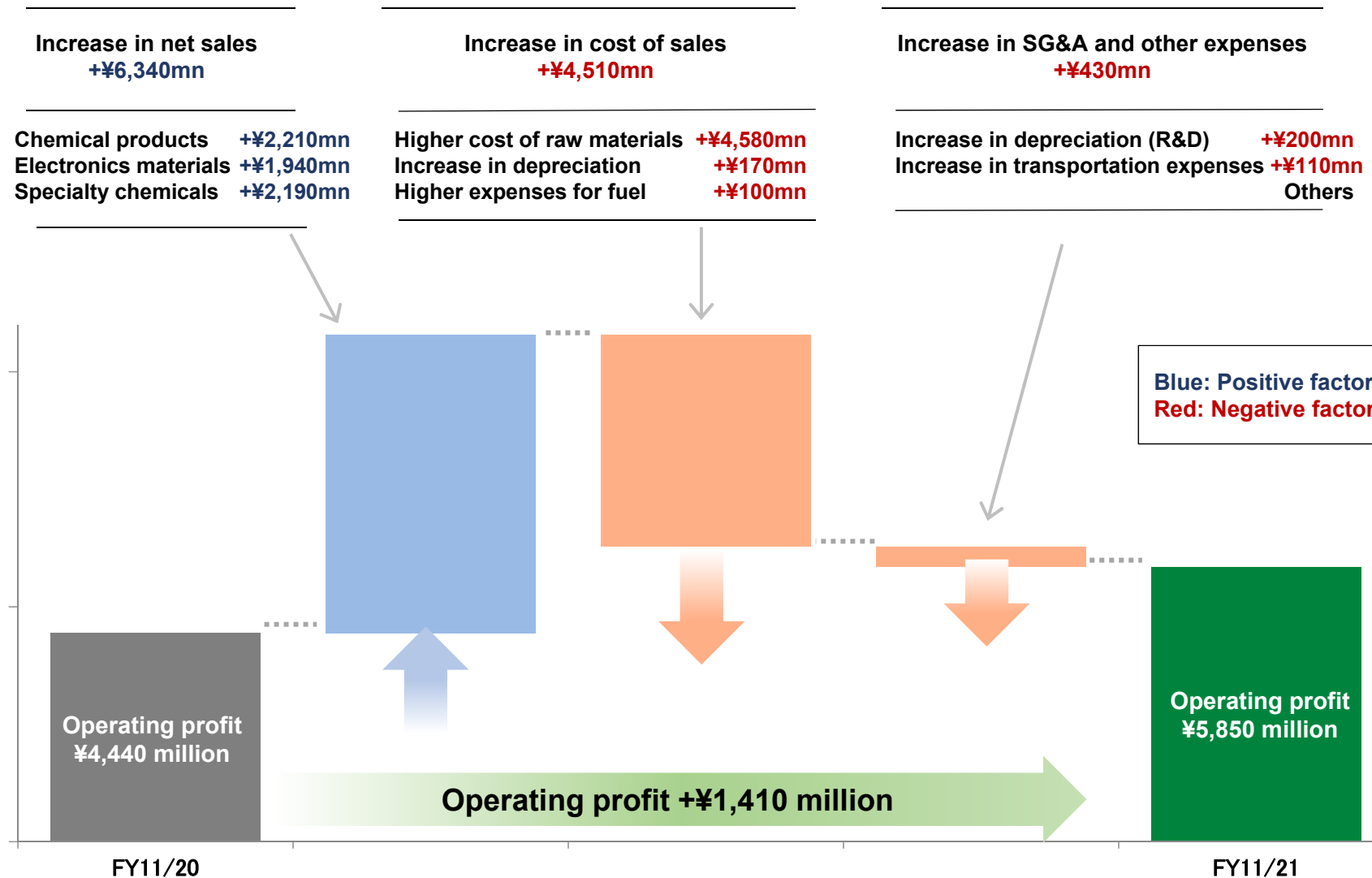
Operating profit

Operating profit increased 31.8% to ¥5,852 million due to higher sales.

(Millions of yen)

	2020/11 results	2021/11 initial forecast (Revised on May 21)	2021/11 results	YoY change	
				Amount	%
Net sales	28,681	34,000	35,027	+6,346	22.1%
Operating profit	4,442	5,800	5,852	+1,410	31.8%
Ordinary profit	4,612	6,100	6,253	+1,641	35.6%
Profit attributable to owners of parent	3,313	4,400	4,998	+1,685	50.9%
Price of naphtha in Japan (Yen/KL)	32,800	—	50,750	—	—
Exchange rates (Yen/USD)	107	—	109	—	—

Operating profit increased ¥1,410 million from one year earlier due to higher sales at all segments despite rise in cost of raw materials.



Results by Segment

Chemical products

Sales increased due to higher sales of chemicals for automotive coatings, ink, optical material adhesives and many other applications. Earnings increased thanks to higher sales.

Net sales
¥12,057 million
(+22.5% YoY)

Segment profit
¥938 million
(+108.1% YoY)

Electronic materials

Sales improved driven by increased demand for display materials due to higher remote workstyles and web conferencing, as well as stronger demand for semiconductors. Earnings were higher because of sales growth.

Net sales
¥14,508 million
(+15.4% YoY)

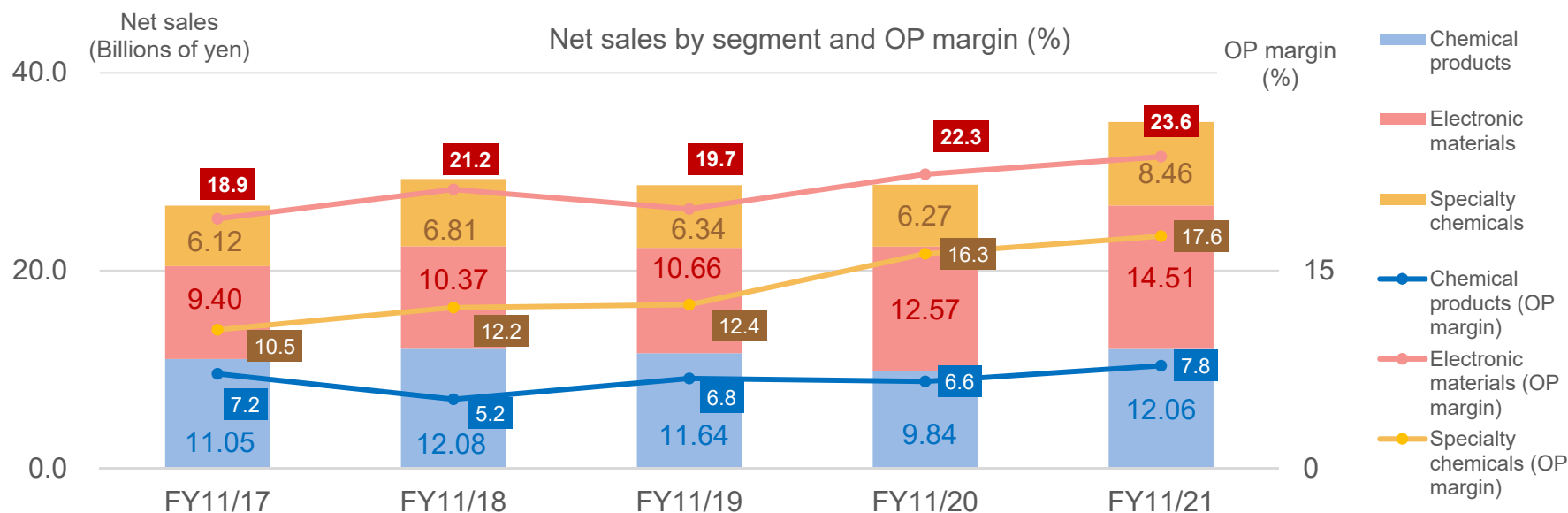
Segment profit
¥3,430 million
(+14.6% YoY)

Specialty chemicals

Sales increased mainly due to the acquisition of the acrylic resin business in February 2021. An increase in the share of sales of high - margin products raised earnings.

Net sales
¥8,462 million
(+35.0% YoY)

Segment profit
¥1,490 million
(+44.9% YoY)



Non-operating income or expenses

Non-operating income included foreign exchange gains and subsidy income. Non-operating expenses increased due to the absence of foreign exchange losses and donations for COVID-19 countermeasures presented in the previous fiscal year.

Extraordinary gains or losses

Extraordinary gains included gain on sales of land held in Osaka City and proceeds from sales of investment securities from sale of a portion of cross-shareholdings. Extraordinary losses decreased in the current fiscal year, whereas in the previous fiscal year we recorded many losses on the retirement of non-current assets (old facilities) associated with capital expenditures.

(Millions of yen)

Blue: Positive factors
Red: Negative factors

	2020/11	2021/11	Amount		
Non-operating income	224	408	+184	→	Foreign exchange gains +¥70mn Subsidy income +¥115mn Others
Non-operating expenses	54	7	-47	→	Foreign exchange losses -¥20mn Donations -¥16mn Others
Extraordinary gains	101	933	+832	→	Gain on sales of non-current assets +¥118mn Gain on sales of investment securities +¥713mn Others
Extraordinary losses	123	9	-114	→	Loss on the retirement of non-current assets -¥103mn Others

Balance Sheet

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(Millions of yen)

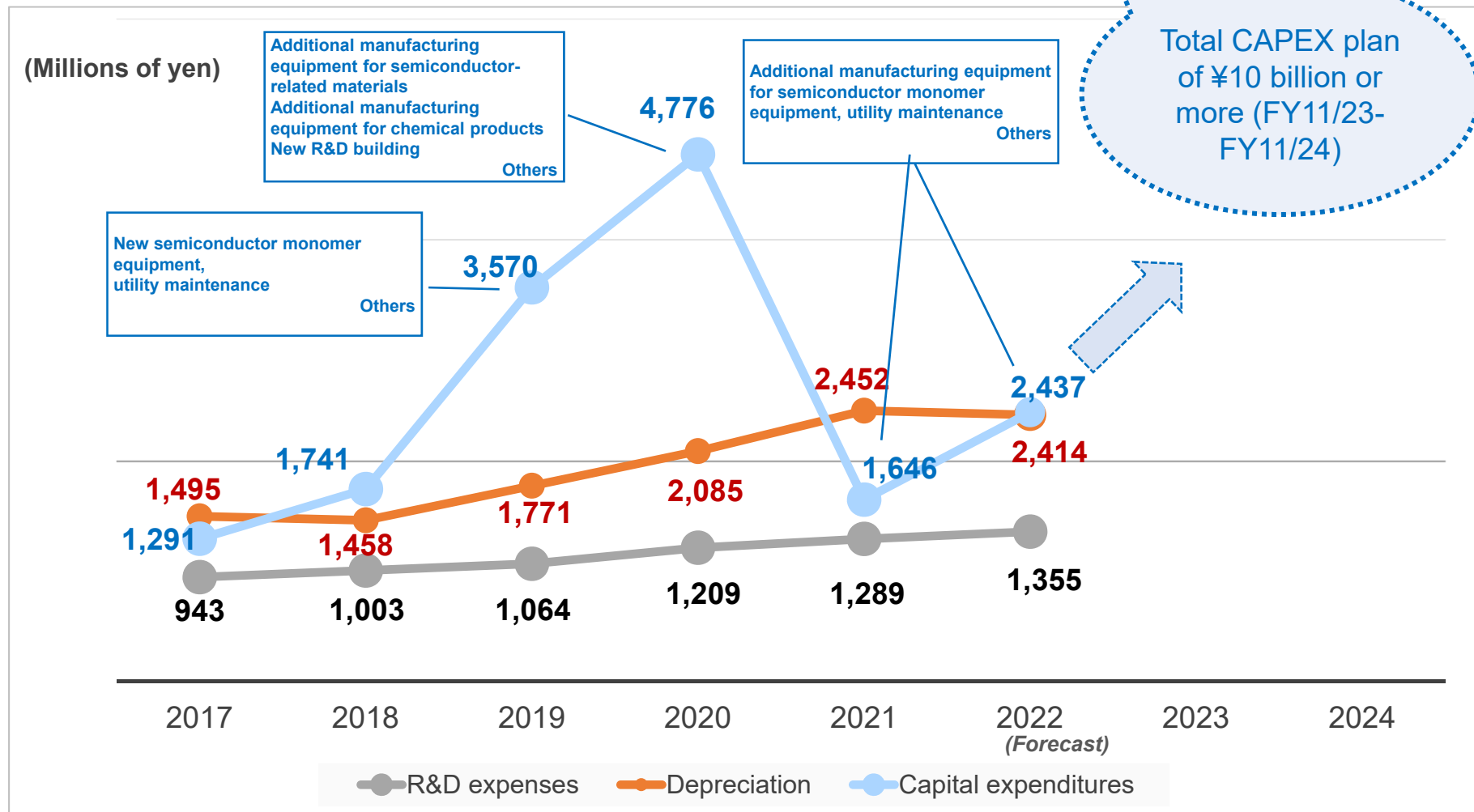
	2020/11	2021/11	Amount	
Assets				
Current assets	23,134	28,088	+4,954	→ Cash and deposits +¥2,402mn Notes and accounts receivable-trade +¥1,355mn (Sales growth) Others
Property, plant and equipment	16,299	15,609	-690	
Intangible assets	70	141	+71	→ Goodwill +¥83mn (Acquisition of the acrylic resin business) Others
Investments and other assets	5,819	6,028	+209	→ Investment securities +¥184mn Others
Liabilities				
Current liabilities	7,553	8,687	+1,134	→ Notes and accounts payable-trade +¥991mn (Increase in raw material costs) Others
Non-current liabilities	2,745	2,055	-690	
Net assets	35,025	39,125	+4,100	→ Retained earnings +¥3,936mn Others
Total assets	45,324	49,868	+4,544	

Future financial indicators

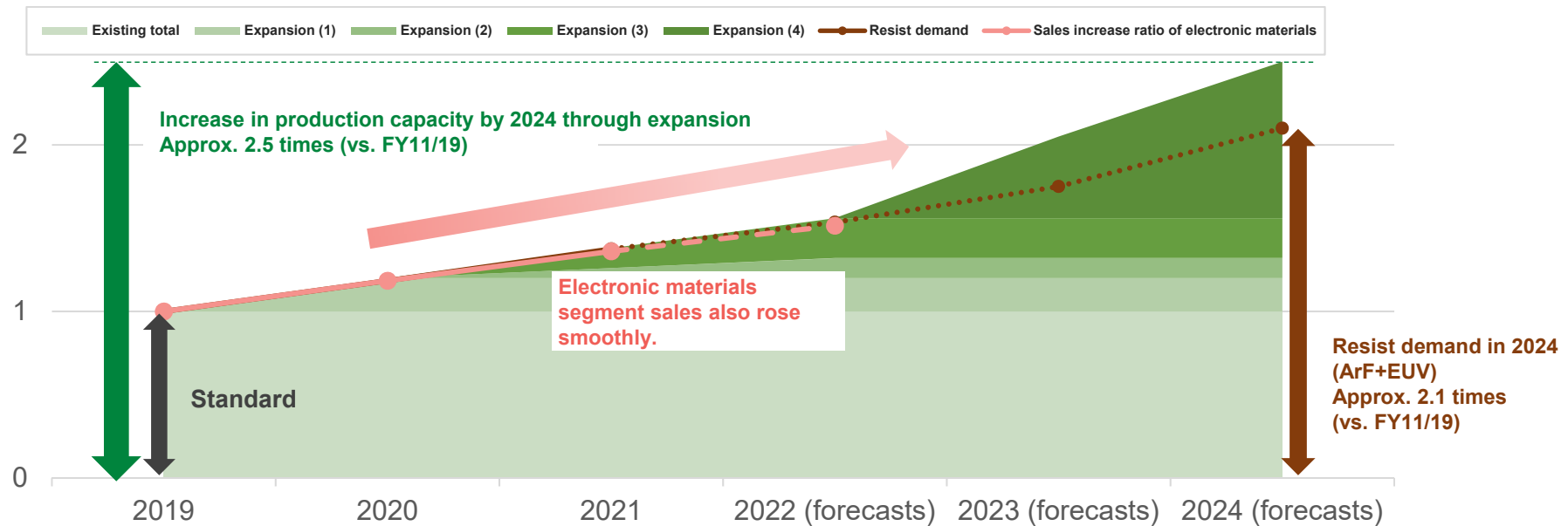
	As of November 30, 2021	Guidelines for the future
Equity ratio	77.5%	—
Short-term liquidity ratio	3.4 months	3.0 to 4.0 months
Debt-equity ratio	0.06	0.2 or less
Net debt-equity ratio	-0.20	0 or less (effectively no debt)
Interest coverage ratio	870 times	200 to 400 times

	(Millions of yen)		
	2020/11	2021/11	[Major factors]
Operating cash flows	4,799	5,837	Profit before income taxes ¥7,177mn Depreciation ¥2,435mn Amortization of goodwill ¥16mn Loss (gain) on sale of investment securities -¥814mn Decrease (increase) in trade receivables -¥1,294mn Decrease (increase) in inventories -¥1,293mn Increase (decrease) in trade payables ¥953mn Income taxes paid -¥1,286mn Others
Investing cash flows	-3,976	-1,043	Purchase of property, plant and equipment -¥2,313mn Proceeds from sales of investment securities ¥1,236mn Others
Financing cash flows	-648	-1,830	Repayments of long-term borrowings -¥993mn Dividends paid -¥1,063mn Others
Effect of exchange rate change on cash and cash equivalents	-5	118	
Net increase (decrease) in cash and cash equivalents	169	3,081	
Cash and cash equivalents at end of period	6,511	9,593	

* Medium-term Business Plan envisions a total capital expenditures of about ¥20 billion from FY2020 to FY2024.

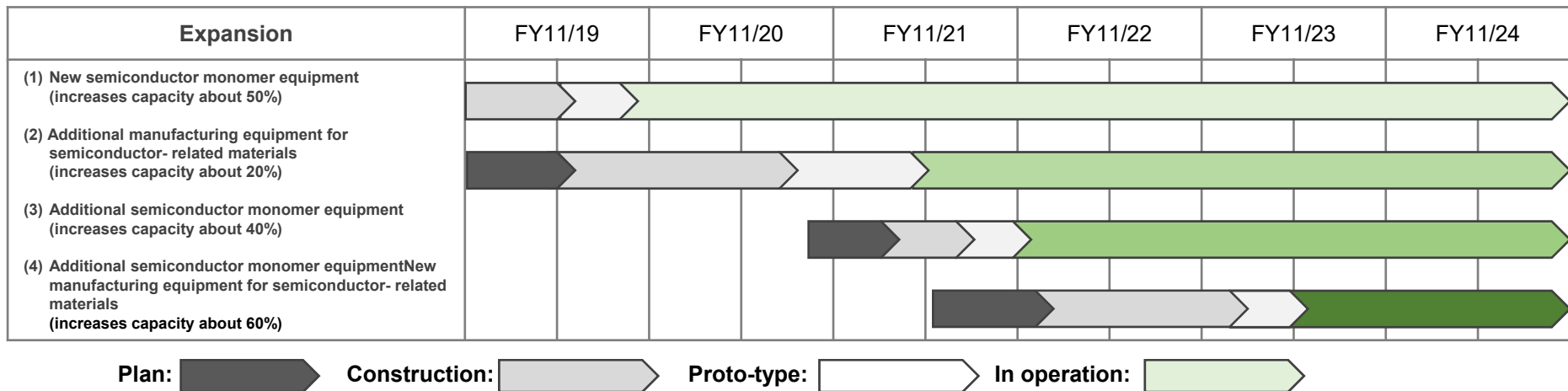


- ◆ Demand forecast for semiconductor materials (ArF+EUUV) will be about 2.1 times higher in FY11/24 than in FY11/19. On the other hand, our facility production capacity is scheduled to increase by about 2.5 times, mainly due to reinforcement by capital expenditures. With the growth in demand and the expansion of facilities, net sales in the electronic materials segment are also steadily climbing.



Source: Fuji Keizai (Resist demand graphs are created by OSAKA ORGANIC CHEMICAL INDUSTRY)

- ◆ Schedule for expansion of semiconductor materials manufacturing facilities



◆ FY11/21 Financial Summary

◆ **FY11/22 Forecast**

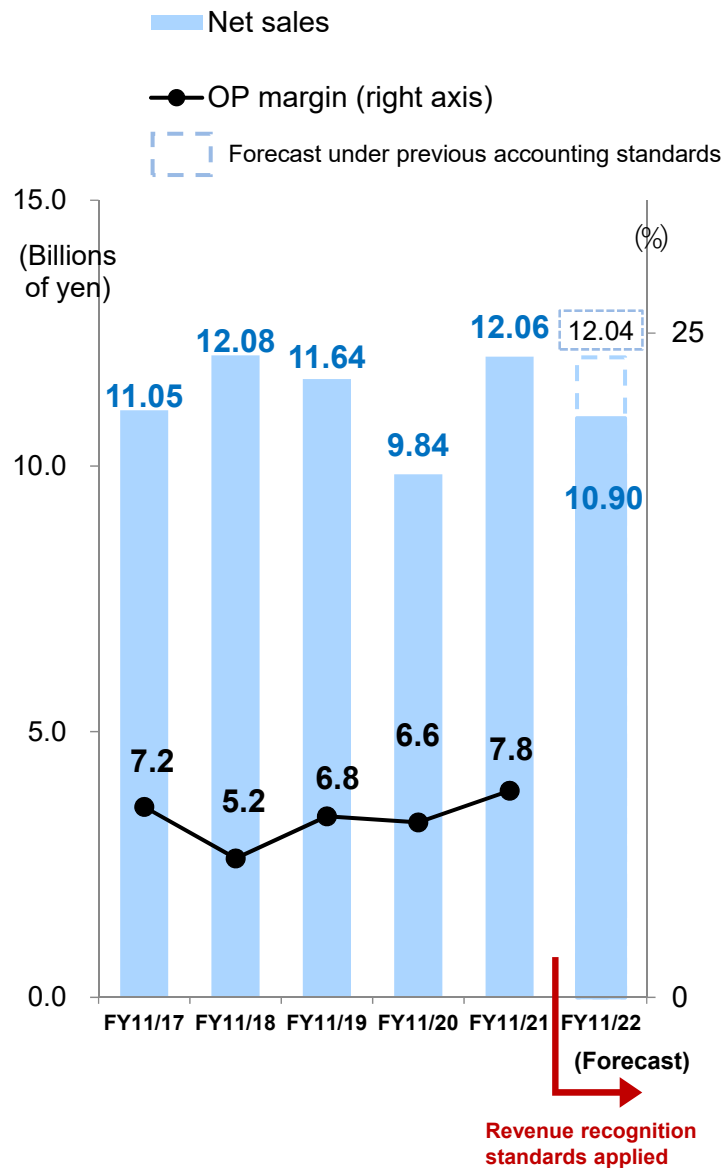
◆ Medium-term Business Plan

FY11/22 sales and earnings forecast

For the fiscal year ending November 30, 2022, we forecast net sales of ¥33.0 billion(*) and operating profit of ¥5.9 billion, an increase of ¥48 million.

* Effective from the fiscal year ending November 30, 2022, the Company will apply “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc.

	(Millions of yen)			
	2021/11 results	2022/11 forecasts	YoY change	
			Amount	%
Net sales (previous accounting standards)	35,027	37,888	+2,861	+8.2%
Net sales (new accounting standards)	—	33,000	—	—
Operating profit	5,852	5,900	+48	+0.8%
Ordinary profit	6,253	6,150	-103	-1.7%
Profit attributable to owners of parent	4,998	4,200	-798	-16.0%
Price of naphtha in Japan (Yen/KL)	50,750	54,000	—	—
Exchange rates (Yen/USD)	109	110	—	—



FY11/22 forecast

Net sales ¥10.9 billion

(previous accounting standards) ¥12.04 billion -0.2% (vs. FY11/21)

Operating environment

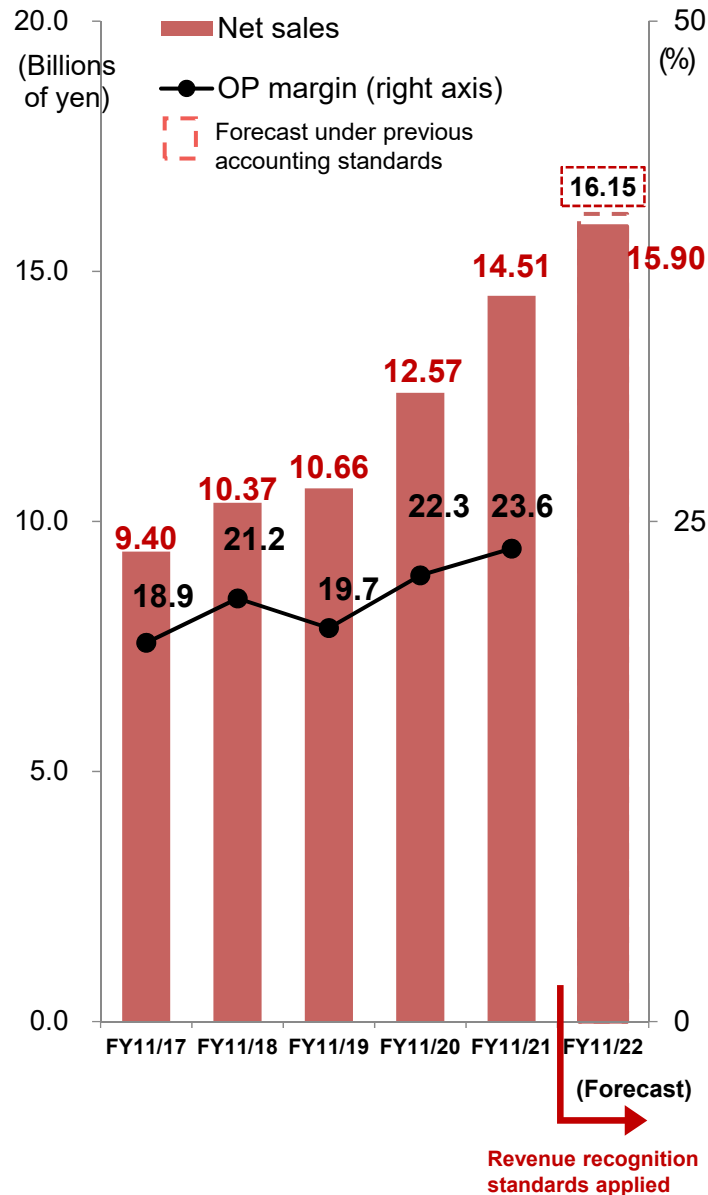
- As the world resumes economic activity at the same time, negative factors such as disruptions in logistics and increased costs due to high oil prices stand out.

OOC

- Sales of products for coatings, inks, and adhesives remain strong.
- Increased raw material costs due to the sharp rise in crude oil prices are passed on to product prices.
- Activities aimed at expanding the lineup of products derived from natural ingredients.

Market risk

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



FY11/22 forecast

Net sales ¥15.9 billion

(previous accounting standards) ¥16.15 billion +11.3% (vs. FY11/21)

Operating environment

- Demand for semiconductors is increasing because of 5G, the increase in remote workstyles and other reasons. The overall supply shortage is expected to continue in 2022.
- Progress is continuing, mainly in Asia, with the practical use of state - of - the - art EUV lithography.
- FPD demand is increasing as more people work at home.

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 remained unchanged 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.

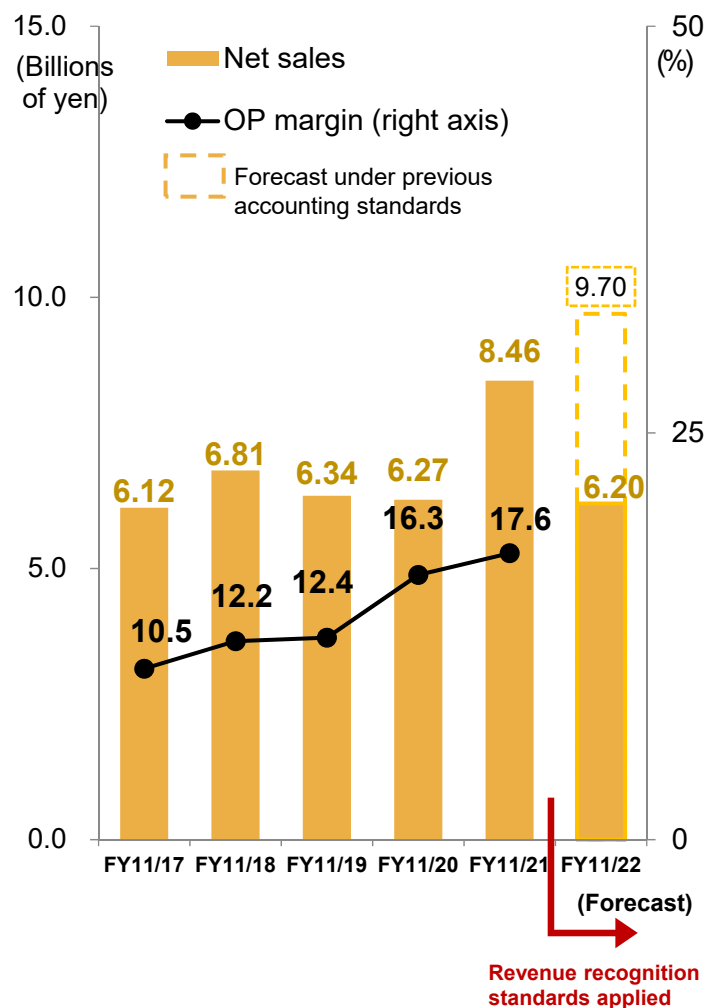
Market risk

- Escalation of the U.S. - China economic confrontation.

FY11/22 forecast

Net sales ¥6.2 billion

(previous accounting standards) ¥9.7 billion +14.7% (vs. FY11/21)



Operating environment

- The Chinese cosmetics market is expanding, despite the COVID-19 crisis. It will reach a 60% increase in 2024 compared to 2019.
- Japan's cosmetics markets are also gradually recovering.

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.
- Focus on the stable supply and application development of super-hydrophilic substances and semiconductor solvents.
- Acquired acrylic resin business for hair care products from Mitsubishi Chemical in February 2021. Promote sales to overseas markets.
- Promote the application development for specialty solvents.

Market risk

- Stagnant recovery in demand for cosmetics due to the spread of COVID-19 (omicron variant).

◆ FY11/21 Financial Summary

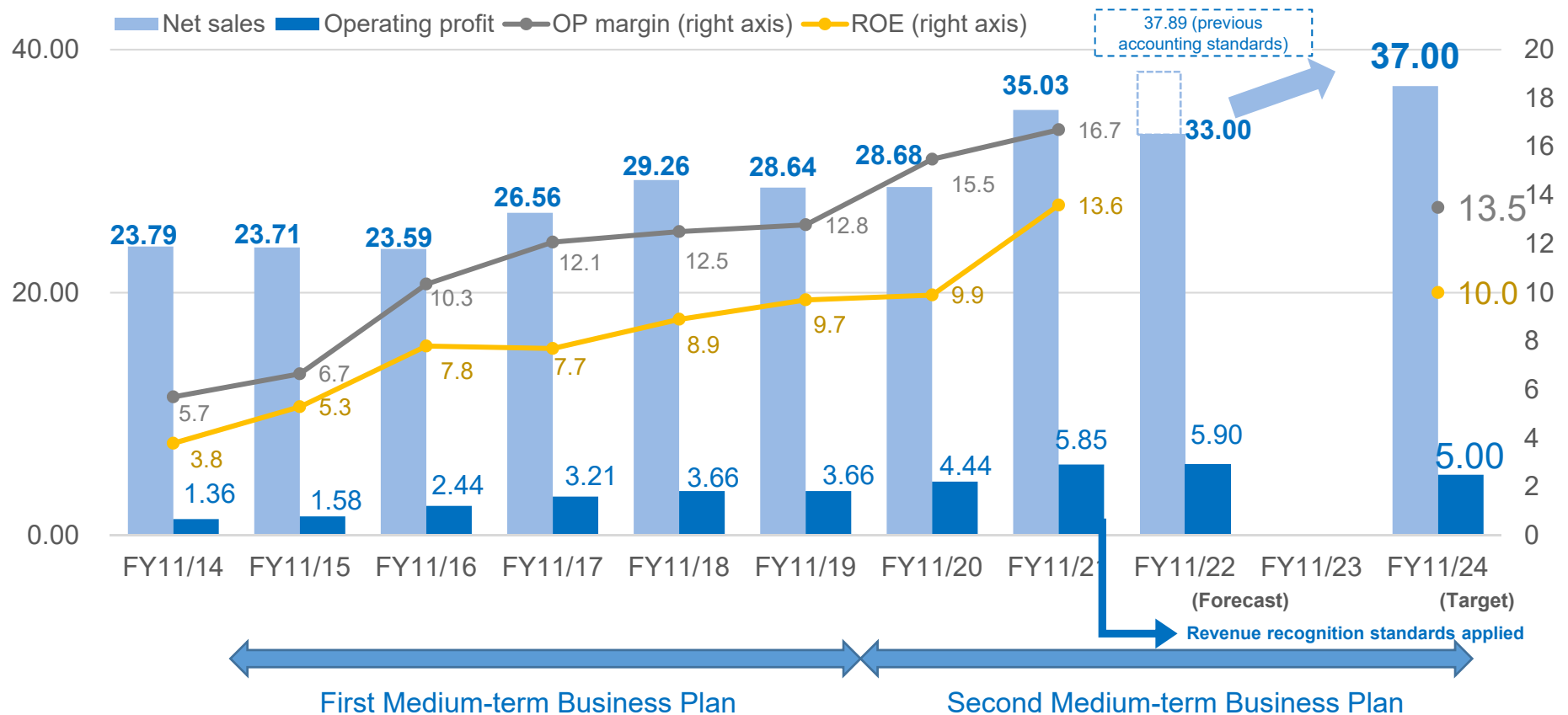
◆ FY11/22 Forecast

◆ **Medium-term Business Plan**

◆ **Second year accomplishments and outlook**

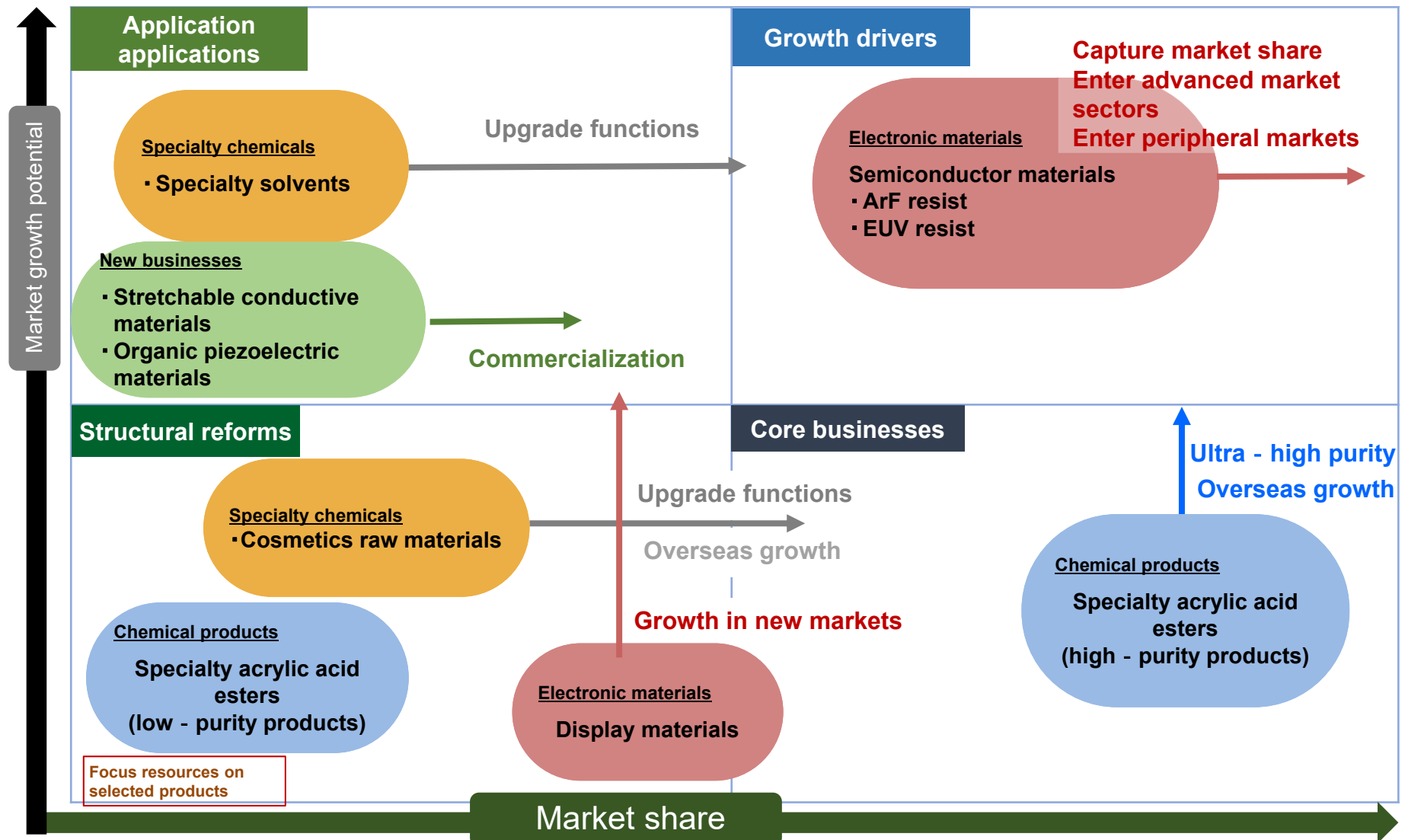
The spread of the COVID-19 infection began at about the same time as the start of the second medium-term business plan. Some businesses, such as electronic materials, performed well thanks to strong stay-at-home demand, despite the stagnation of economic activities around the world due to the declaration of a state of emergency.

In this second year of the business plan, we faced some negative factors such as rising prices of naphtha and other raw materials and disruptions in logistics due to the rapid resumption of economic activities. However, thanks to the recovery in demand for chemical products, strong demand for electronic materials, and the acquisition of the acrylic resin business for hair care products, the business plan is well on course to exceed the target. The target for 2024 has been substantially achieved.

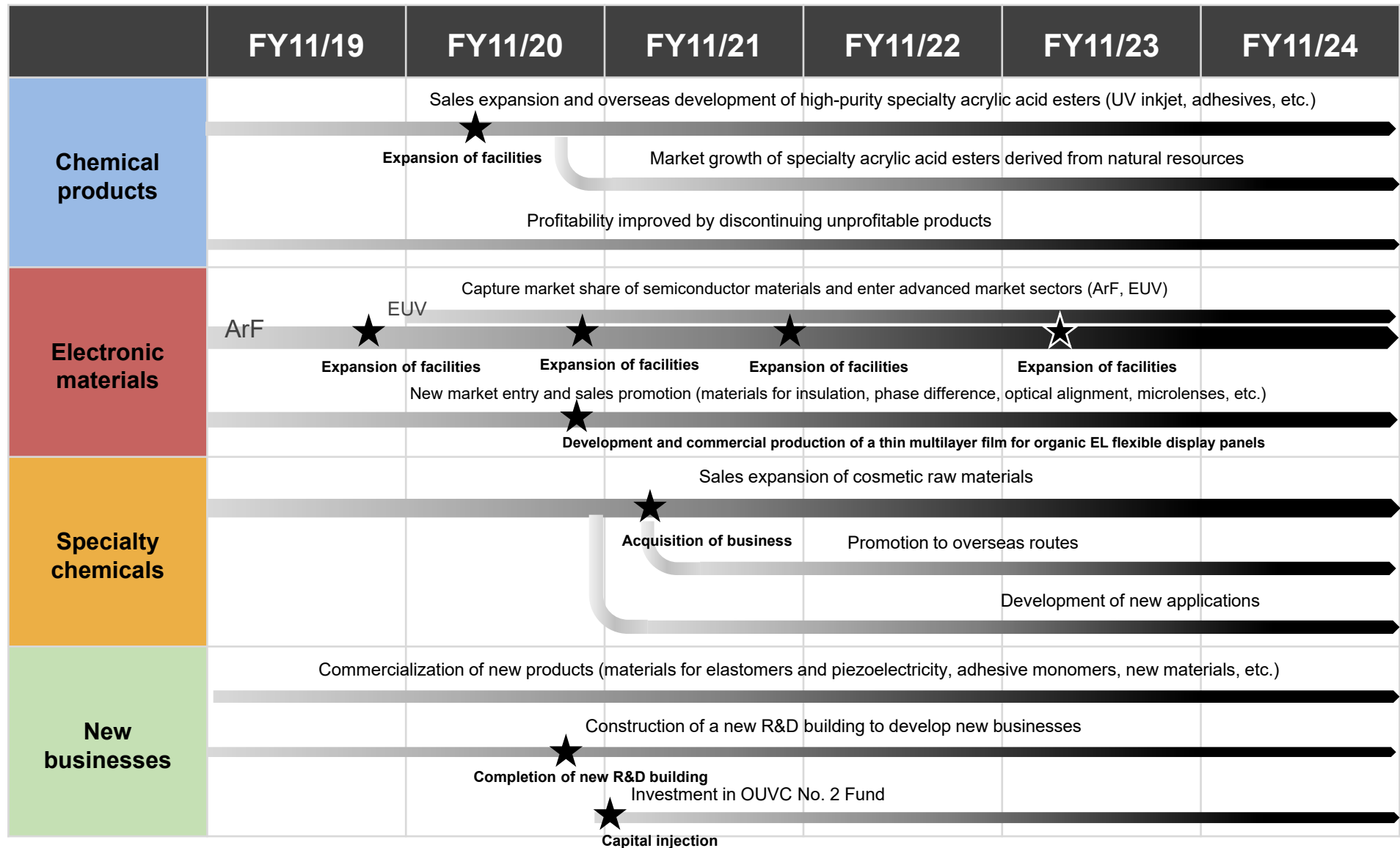


Clearly define what differentiates OOC's materials and fully utilize these advantages

- ◆ 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



◆ Various measures taken in a timely and appropriate manner to optimize the business portfolio.

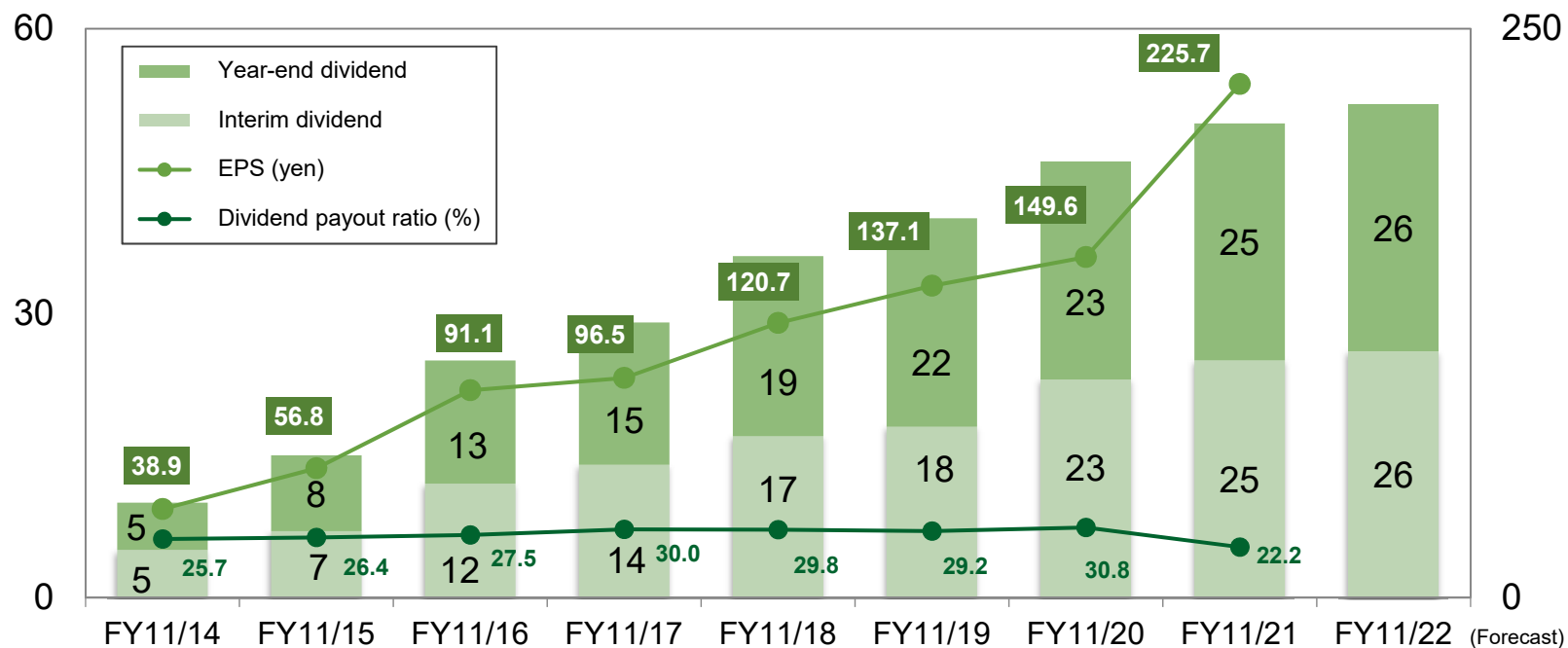


- ◆ Our goal is to pay a stable and consistent dividend with a 30% payout ratio as the guideline while preserving financial soundness.
- ◆ We aim to increase shareholder distributions, including by repurchasing stock (treasury shares), in order to achieve a total return of 50%.

Dividend per share (yen)
Dividend payout ratio (%)

Trends in Dividends

EPS(yen)



Purchase of treasury shares (Billions of yen)	—	0.33	—	0.44	—	—	—	*1.2 (maximum)
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*Scheduled to be distributed from January 2022

Efficiency of assets

Resilience: the ability to absorb assaults without buildings and infrastructure being completely destroyed

- ◆ We are committed to improving the efficiency and resilience of OOC assets.
 - We believe in the importance of reallocating resources. One example is the sale of land in Osaka that was used as a parking area.
 - We are always seeking ways to use assets more efficiently, for example by closing the Yachiyo Logistics Office, which had been operating as a logistics base for the Kanto region, and centralizing logistics operations at each of our plants and offices.

[Main Activities for FY11/21]

Reallocation of resources	Sold land for parking lot (Chuo-ku, Osaka City)
Efficiency of assets	Closed Yachiyo Logistics Office (Yachiyo City, Chiba Prefecture)
Resilience	Relocated the Head Office (Chuo-ku, Osaka City)

Relocation of Head Office

* The transfer of the head office was completed on November 22, 2021.

<New Address>
 1-8-15 Azuchi-machi, Chuo-ku, Osaka City
 (11th Fl., NOMURA REAL ESTATE
 OSAKA BLDG.)



The OOC Group aims to be a corporate group making a sustainable contribution to social development. As such, we are working on a variety of initiatives to secure and train human resources to cultivate a corporate culture in which employees can demonstrate their abilities to the fullest and play an active role.

Recruiting activities

Since last year, we have been working to enhance our recruitment website. This has resulted in a tenfold increase in the number of applications received from the entry box on the website. We received positive feedback from the students, who said that it was easy to understand the benefits and company systems. The website will be enhanced in the future by adding various contents such as the introduction of employees and factories.



Creating a workplace for diverse employees

At the OOC Group, we believe that diverse human resources are essential for sustainable growth as a company, and we are working towards diversity. We are also focusing on initiatives to enhance work-life balance to meet the diverse life stages and career plans of our employees.

Initiatives for diversity/work-life balance

Act on Advancement of Measures to Support Raising Next-Generation Children (General Action Plan)

Planning period: 4 years from November 1, 2020 to October 31, 2024

Goal: To raise the utilization ratio of parental leave and vacation for childcare purposes.

- Men: 20% or more (current: 4% FY11/19)

Act on Promotion of Women's Participation and Advancement in the Workplace (General Action Plan)

Planning period: 5 years from April 1, 2021 to March 31, 2026

Goal: To improve the ratio of (1) or (2) below to strength training with the aim of appointing female managers (or equivalent).

- Ratio of women in management positions (equivalent): 10% or more (current: 3.1%)
- Equalize the ratio of stage promotions by gender.



Osaka City Women's Leading Company
Two-star certification (certified on
November 1, 2020)



Osaka Prefecture
Certification of "Declaration of Vigor and
Vitality for Men and Women"
(certified on December 10, 2020)



Ishikawa Prefecture
Ishikawa Gender Equality Promotion
Declaration Company
Certification of "Class for Accelerating
Women's Activities"
(certified on December 8, 2020)

<Precautions for outlooks>

- 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.

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