

Tokyo Stock Exchange, Prime Market: 4187



Our products are invisible,
but used around you.

Translation

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July 7, 2022

Presentation Materials for Financial Results for the First Half of the Fiscal Year Ending November 30, 2022



We lead the world with specialty acrylates
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.

◆ **1H FY11/22 Financial Summary**

◆ FY11/22 Forecast

◆ Topics

Operating environment

Despite the continuing negative effects of the COVID-19 pandemic, industrial output has gradually recovered and various events have begun taking place again. On the other hand, the outlook is uncertain due to factors such as rising geopolitical risks and rising raw material prices and fuel and electricity costs due to the rising of crude oil prices and the yen's depreciation.

Net sales

Although sales of some products were sluggish due to reduced automobile production, overall sales remained strong. Sales of semiconductor materials have remained favorable, driving sales. As a result, net sales were 16.144 billion yen.
(+11.7% YoY change under the old standard)

Operating profit

Net sales in each segment remained strong, and operating profit was 3.32 billion yen, the highest level for a half-year period.
(+17.8% YoY change under the old standard)

(million yen)

	1H FY11/21 results	1H FY11/22 forecast	1H FY11/22 results	YoY change	
				Amount	%
Net sales	16,933	16,200	16,144 * 18,918	— * +1,985	— * +11.7%
Operating profit	2,842	2,900	3,320 * 3,348	— * +506	— * +17.8%
Ordinary profit	3,086	3,000	3,526 * 3,554	— * +468	— * +15.2%
Profit attributable to owners of parent	2,246	2,050	2,448 * 2,476	— * +230	— * +10.2%
Price of naphtha in Japan (Yen/KL)	43,400	54,000	74,800	—	—
Exchange rates (Yen/USD)	107	110	119	—	—

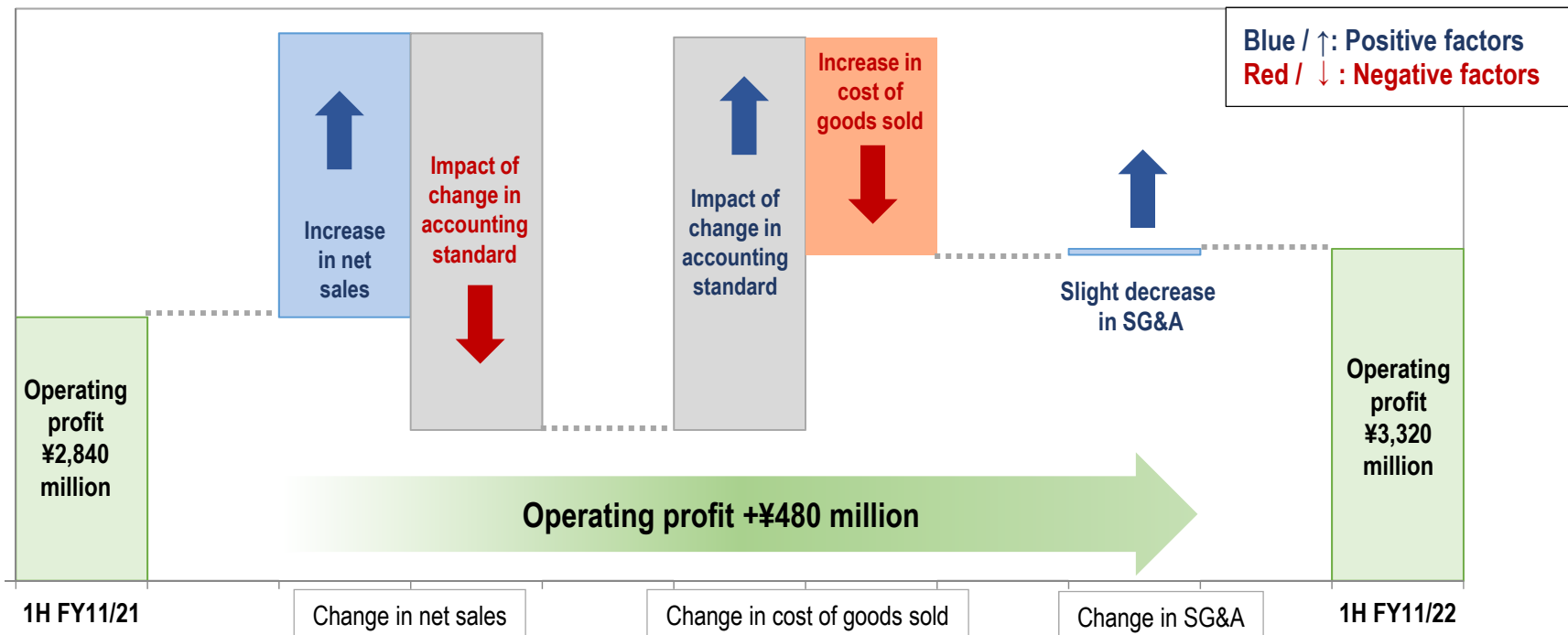
 New accounting standard

The Accounting Standard for Revenue Recognition, etc. have been applied since the fiscal year ending November 2022.

Values with * are reference values calculated based on the old standard.

Although higher raw material, fuel, and electricity costs were negative factors, net sales remained strong and operating profit increased by 480 million yen from the same period of the previous fiscal year.

Decrease in net sales -¥780 million ↓		Decrease in cost of goods sold -¥1,230 million ↑		Decrease in SG&A -¥40 million ↑		
Sales increased under the old standard ↑	Chemical products	+¥250 million	Increase in cost of raw materials	+¥1,330 million	Increase in transportation expenses	+¥20 million
	Electronics materials	+¥620 million		Increase in fuel and electricity costs		+¥180 million
	Specialty chemicals	+¥1,120 million	Decrease in depreciation	-¥30 million	Decrease in depreciation	-¥50 million
	+¥1,990 million		Others		Others	
	Impact of change of accounting standard	-¥2,770 million	Impact of change of accounting standard	-¥2,750 million		
		Net sales decreased under the new standard ↓		Cost decreased under the new standard ↓		SG&A decreased ↓
		Cost increased under the old standard ↓				
						-¥40 million



■ Impact of risk factors

Item	Impact on profit
Soaring naphtha and raw material costs	Domestic naphtha prices in FY11/22 were 64,600 yen/KL for 1Q and 85,000 yen/KL for 2Q. Chemical products are currently undergoing price revisions linked to the naphtha prices.
Rise in fuel and electricity prices	The impact of rising fuel and electricity prices was +180 million yen YoY. Negotiations are underway to correct prices, including freight and other expenses.
Depreciation of the yen	Direct impact on sales is minimal. Since prices of imported raw materials are rising, negotiations are underway to correct the prices.
Russia's invasion of Ukraine	Currently, no major impact has been observed. We are receiving an allocation for some raw materials; however, there is no problem in production.
Shanghai's lockdown	Although we were affected by the lockdown, it did not have a major impact throughout the first half. Net sales for the first half of Osaka Organic Chemical (Shanghai) Trading Ltd., our subsidiary, were 137.6% YoY.

Chemical products

Although sales of products used in automotive coatings were sluggish, **sales and profit rose** as a whole due to strong sales of chemical products used in UV inkjet printers and adhesives for optical materials.

Electronics materials

Despite weak demand for display materials, demand for semiconductor materials remained strong, resulting in **increased sales and profit**.

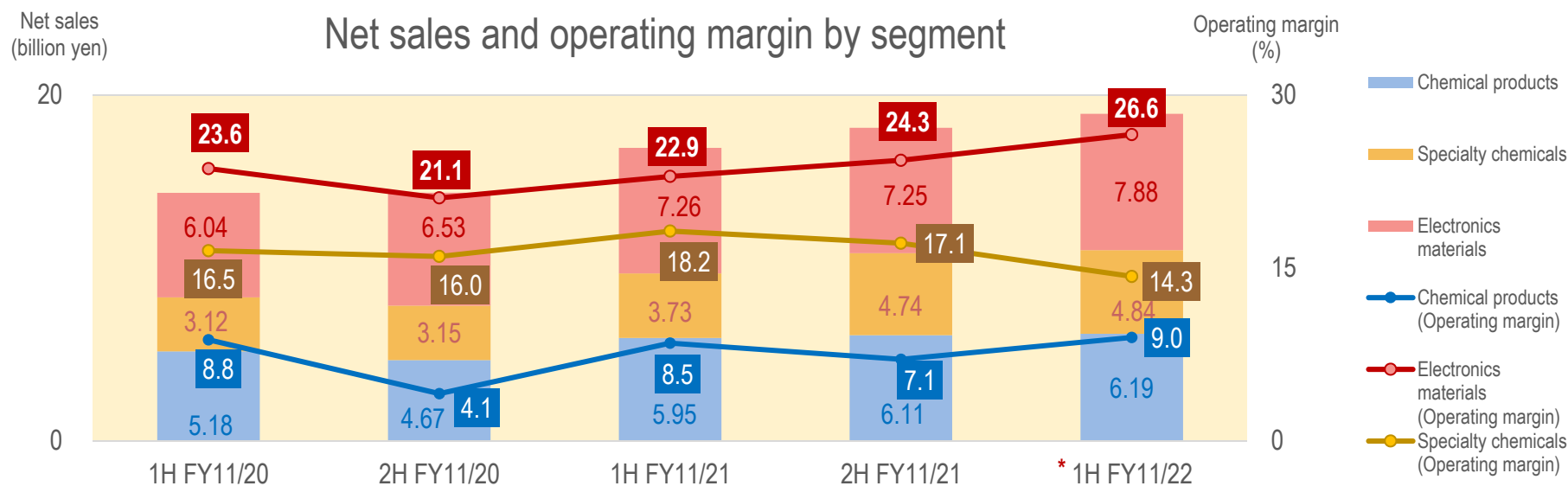
Specialty chemicals

Although **sales increased** due to the addition of sales from the cosmetics raw materials business, which we acquired in February 2021, and strong demand for special solvents, profit **increased only slightly** due to higher manufacturing costs, such as raw material and fuel expenses, and depreciation expenses and the profit margin **declined**.

(billion yen)

	Chemical products	Electronics materials	Specialty chemicals
Net sales	5.652 * 6.192 (YoY: +4.2%)	7.541 * 7.881 (YoY: +8.6%)	2.950 * 4.844 (YoY: +30.0%)
Operating profit	0.556 * 0.556 (YoY: +10.1%)	2.066 * 2.094 (YoY: +25.7%)	0.691 * 0.691 (YoY: +1.9%)

* Reference values calculated based on the old standard



* Values calculated based on the old standard are used for comparison to draw the graph.

Results by Segment (* Comparison using values calculated based on the old standard)

◆ Half-year comparison

(Unit: billion yen)

		FY11/21		*FY11/22	YoY (vs. 1H FY11/21)		HoH (vs. 2H FY11/21)	
		1H	2H	1H	Amount	%	Amount	%
Net sales	Chemical products	5.94	6.11	6.19	+0.24	+4.2%	+0.08	+1.3%
	Electronics materials	7.26	7.24	7.88	+0.62	+8.6%	+0.63	+8.7%
	Specialty chemicals	3.72	4.73	4.84	+1.11	+30.0%	+0.10	+2.3%
Operating profit	Chemical products	0.50	0.43	0.55	+0.05	+10.1%	+0.12	+28.4%
	Electronics materials	1.66	1.76	2.09	+0.42	+25.7%	+0.33	+18.7%
	Specialty chemicals	0.67	0.81	0.69	+0.01	+1.9%	-0.12	-14.9%

◆ Quarterly comparison

(Unit: billion yen)

		FY11/21				*FY11/22		YoY (vs. 2Q FY11/21)		QoQ (vs. 1Q FY11/22)	
		1Q	2Q	3Q	4Q	1Q	2Q	Amount	%	Amount	%
Net sales	Chemical products	2.85	3.08	2.99	3.11	3.09	3.09	+0.0	+0.2%	-0.0	-0.2%
	Electronics materials	3.54	3.71	3.46	3.77	4.22	3.65	-0.06	-1.7%	-0.57	-13.5%
	Specialty chemicals	1.68	2.03	2.36	2.37	2.32	2.52	+0.48	+23.8%	+0.20	+8.7%
Operating profit	Chemical products	0.24	0.26	0.23	0.19	0.25	0.29	+0.03	+14.2%	+0.03	+14.7%
	Electronics materials	0.97	0.69	0.73	1.02	1.17	0.91	+0.22	+31.8%	-0.26	-22.4%
	Specialty chemicals	0.32	0.35	0.39	0.41	0.32	0.36	+0.01	+2.8%	+0.04	+13.3%

Non-operating income and expenses

In non-operating income, foreign exchange gains increased. There was no subsidy income in this period although there was one year earlier.

In non-operating expenses, a commission for purchase of treasury shares arose in this period.

Extraordinary gains and losses

In extraordinary income, there was a gain from the sale of land in the previous fiscal year; however, there was no gain in this period.

There were no special losses.

(million yen)

	1H FY11/2021	1H FY11/2022	Change							
Non-operating income	247	221	-26	<table border="0"> <tr> <td>Foreign exchange gains</td> <td>+¥36mn</td> </tr> <tr> <td>Subsidy income</td> <td>¥115mn ⇒ ¥0</td> </tr> <tr> <td>Others</td> <td></td> </tr> </table>	Foreign exchange gains	+¥36mn	Subsidy income	¥115mn ⇒ ¥0	Others	
Foreign exchange gains	+¥36mn									
Subsidy income	¥115mn ⇒ ¥0									
Others										
Non-operating expenses	3	15	+12	<table border="0"> <tr> <td>Commission for purchase of treasury shares</td> <td>¥10mn</td> </tr> <tr> <td>Others</td> <td></td> </tr> </table>	Commission for purchase of treasury shares	¥10mn	Others			
Commission for purchase of treasury shares	¥10mn									
Others										
Extraordinary gains	119	—	-119	<table border="0"> <tr> <td>Gain on sales of non-current assets</td> <td>¥118mn ⇒ ¥0</td> </tr> <tr> <td>Others</td> <td></td> </tr> </table>	Gain on sales of non-current assets	¥118mn ⇒ ¥0	Others			
Gain on sales of non-current assets	¥118mn ⇒ ¥0									
Others										
Extraordinary losses	4	0	-4	<table border="0"> <tr> <td>Loss on retirement of non-current assets</td> <td>¥4mn ⇒ ¥0</td> </tr> <tr> <td>Others</td> <td></td> </tr> </table>	Loss on retirement of non-current assets	¥4mn ⇒ ¥0	Others			
Loss on retirement of non-current assets	¥4mn ⇒ ¥0									
Others										

Blue: Positive factors
Red: Negative factors

Balance Sheet

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	(million yen)			
	FY11/21	1H FY11/22	Change	
Assets				
Current assets	28,088	30,247	+2,159	→
Property, plant and equipment	15,609	15,441	-168	
Intangible assets	141	128	-13	→
Investments and other assets	6,028	5,898	-130	→
Liabilities				
Current liabilities	8,687	9,668	+981	→
Non-current liabilities	2,055	1,771	-284	
Net assets	39,125	40,277	+1,152	→
Total assets	49,868	51,717	+1,849	

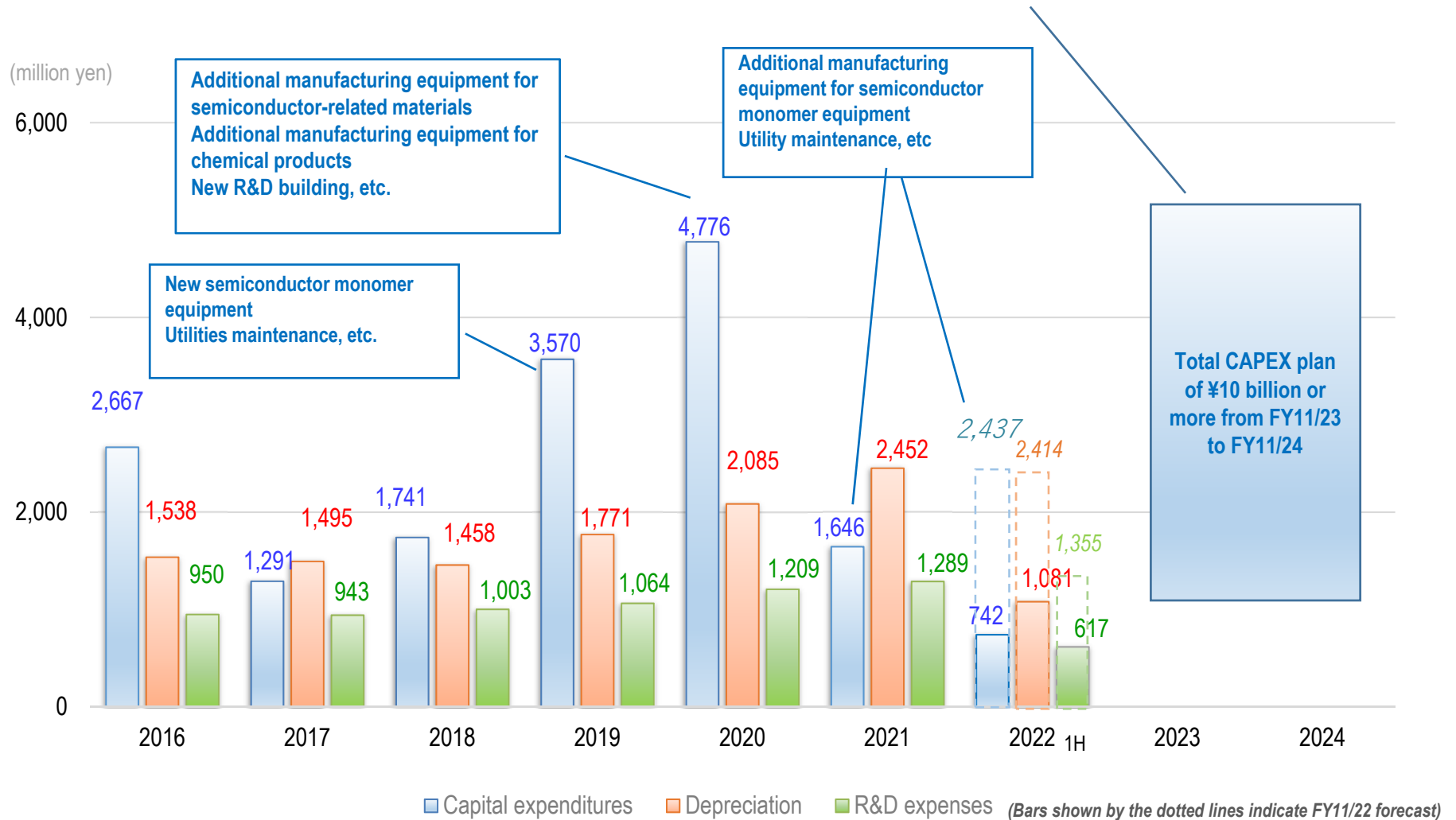
Cash and deposits	+¥248mn
Notes, accounts receivable-trade and contract assets	+¥1,030mn
<i>(Increase in contract assets due to the adoption of the Accounting Standard for Revenue Recognition)</i>	
Raw materials and supplies	+¥605mn
<i>(Value increased due to soaring raw material and fuel prices)</i>	
Others	
Goodwill	-¥10mn
Others	
Investment securities	-¥34mn
Others	
Notes and accounts payable-trade	+¥1,269mn
<i>(Value increased due to soaring raw material and fuel prices)</i>	
Others	
Retained earnings	+¥2,169mn
Treasury shares	-¥1,090mn
Others	

Revisions to financial indicator guidelines

	As of May 31, 2022	Revised guidelines
Equity ratio	76.9%	—
Short-term liquidity ratio	3.2 months	3.0 to 4.0 months
Debt-equity ratio	0.05	0.2 or less
Net debt-equity ratio	-0.21	0 or less (effectively no debt)
Interest coverage ratio	1,027 times	200 to 400 times

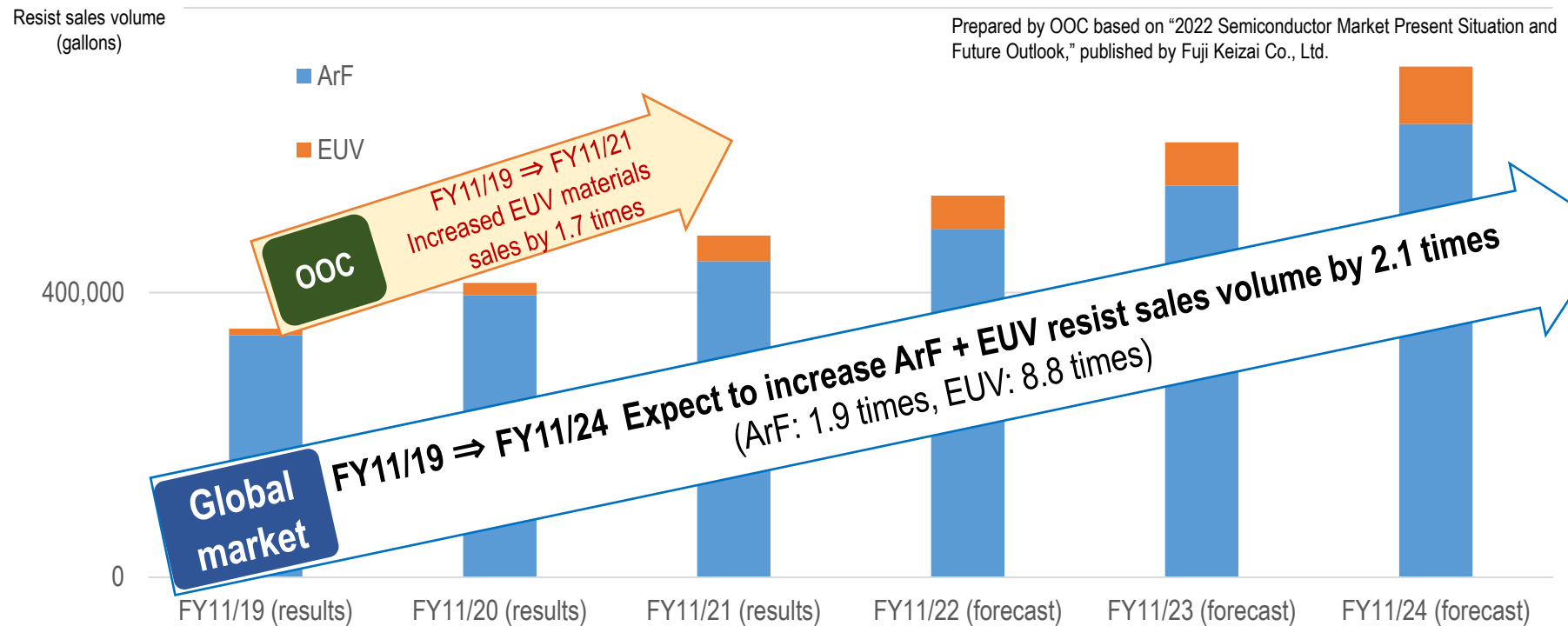
	(million yen)																
	1H FY11/21	1H FY11/22															
Operating cash flows	2,834	2,814	<p>[Major factors]</p> <table border="0"> <tr> <td>Profit before income taxes</td> <td style="text-align: right;">¥3,525mn</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">¥1,071mn</td> </tr> <tr> <td>Decrease (increase) in trade receivables and contract assets</td> <td style="text-align: right;">¥141mn</td> </tr> <tr> <td>Decrease (increase) in inventories</td> <td style="text-align: right;">(¥1,314mn)</td> </tr> <tr> <td>Increase (decrease) in notes and accounts payable-trade</td> <td style="text-align: right;">¥1,239mn</td> </tr> <tr> <td>Income taxes (paid) refund</td> <td style="text-align: right;">(¥1,561mn)</td> </tr> <tr> <td>Others</td> <td></td> </tr> </table>	Profit before income taxes	¥3,525mn	Depreciation	¥1,071mn	Decrease (increase) in trade receivables and contract assets	¥141mn	Decrease (increase) in inventories	(¥1,314mn)	Increase (decrease) in notes and accounts payable-trade	¥1,239mn	Income taxes (paid) refund	(¥1,561mn)	Others	
Profit before income taxes	¥3,525mn																
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Income taxes (paid) refund	(¥1,561mn)																
Others																	
Investing cash flows	-1,066	-702															
Financing cash flows	-939	-1,973	<table border="0"> <tr> <td>Purchase of property, plant and equipment <i>(Semiconductor-related manufacturing equipment)</i></td> <td style="text-align: right;">-¥811mn Others</td> </tr> </table>	Purchase of property, plant and equipment <i>(Semiconductor-related manufacturing equipment)</i>	-¥811mn Others												
Purchase of property, plant and equipment <i>(Semiconductor-related manufacturing equipment)</i>	-¥811mn Others																
Effect of exchange rate change on cash and cash equivalents	72	110	<table border="0"> <tr> <td>Repayments of long-term borrowings</td> <td style="text-align: right;">-¥383mn</td> </tr> <tr> <td>Purchase of treasury shares</td> <td style="text-align: right;">-¥1,109mn</td> </tr> <tr> <td>Dividends paid</td> <td style="text-align: right;">-¥553mn</td> </tr> <tr> <td>Others</td> <td></td> </tr> </table>	Repayments of long-term borrowings	-¥383mn	Purchase of treasury shares	-¥1,109mn	Dividends paid	-¥553mn	Others							
Repayments of long-term borrowings	-¥383mn																
Purchase of treasury shares	-¥1,109mn																
Dividends paid	-¥553mn																
Others																	
Net increase (decrease) in cash and cash equivalents	900	248															
Cash and cash equivalents at end of period	7,412	9,842															

* 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.



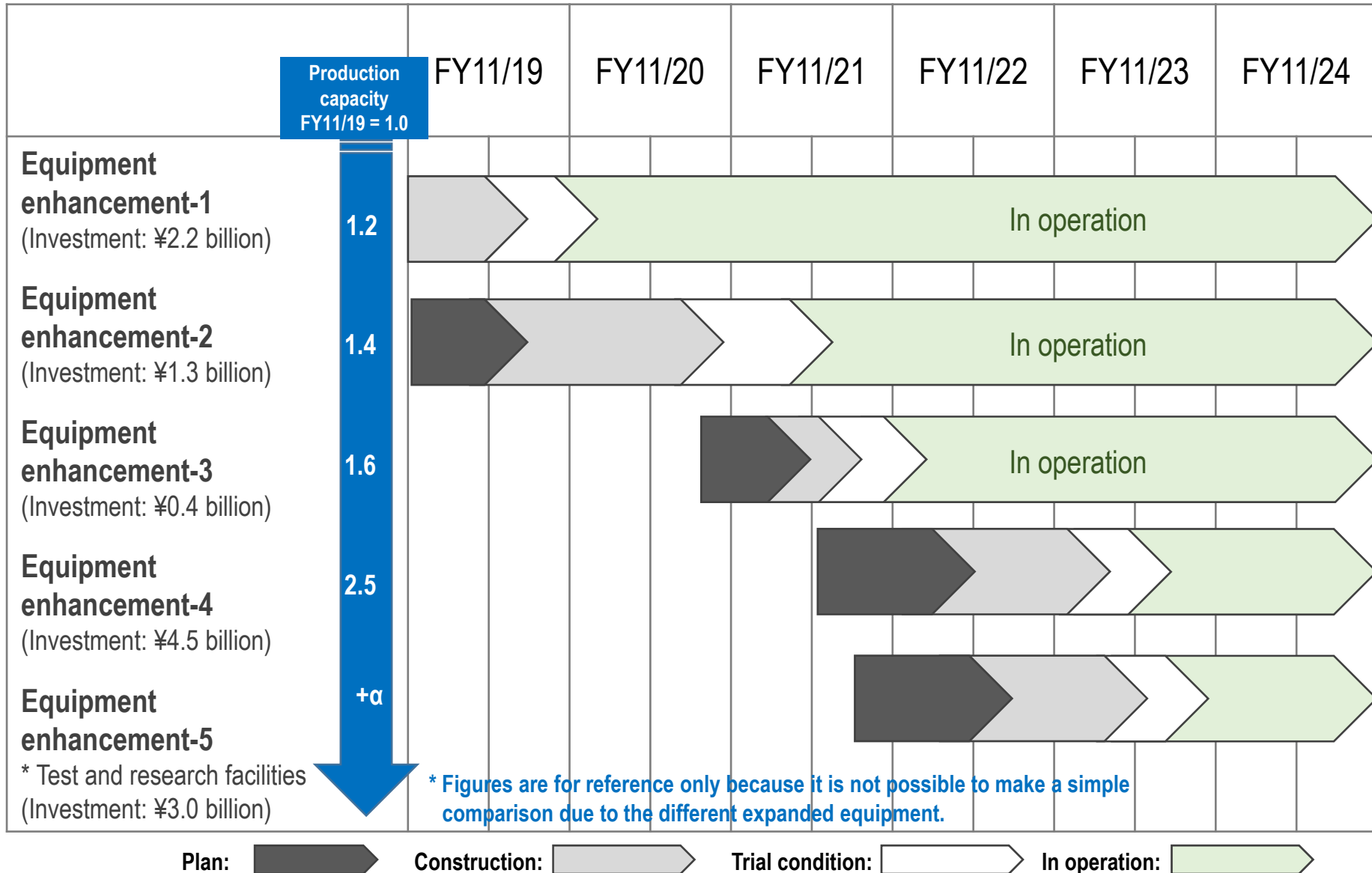
Growth in the Semiconductor Market and Capital Expenditures

- In FY11/24, it is expected that sales volume of semiconductor materials (ArF + EUV) will be approximately 2.1 times higher than that of FY11/19.
- We plan to increase our production capacity by approximately 2.5 times from FY11/19 levels through capital investment.
- Sales of cutting-edge EUV-related materials grew steadily to 1.7 times in FY11/21 (vs. FY11/19).



OOO FY11/19 ⇒ FY11/24
Plan to increase our semiconductor material production capacity by 2.5 times

◆ Schedule for expansion of semiconductor materials manufacturing facilities



◆ 1H FY11/22 Financial Summary

◆ **FY11/22 Forecast**

◆ Topics

Progress against FY11/2022 Forecast


For the fiscal year ending November 2022, we forecast net sales of 33 billion yen and operating profit of 5.9 billion yen.

In the first half, the progress rate was 49% for net sales and 56% for operating profit.

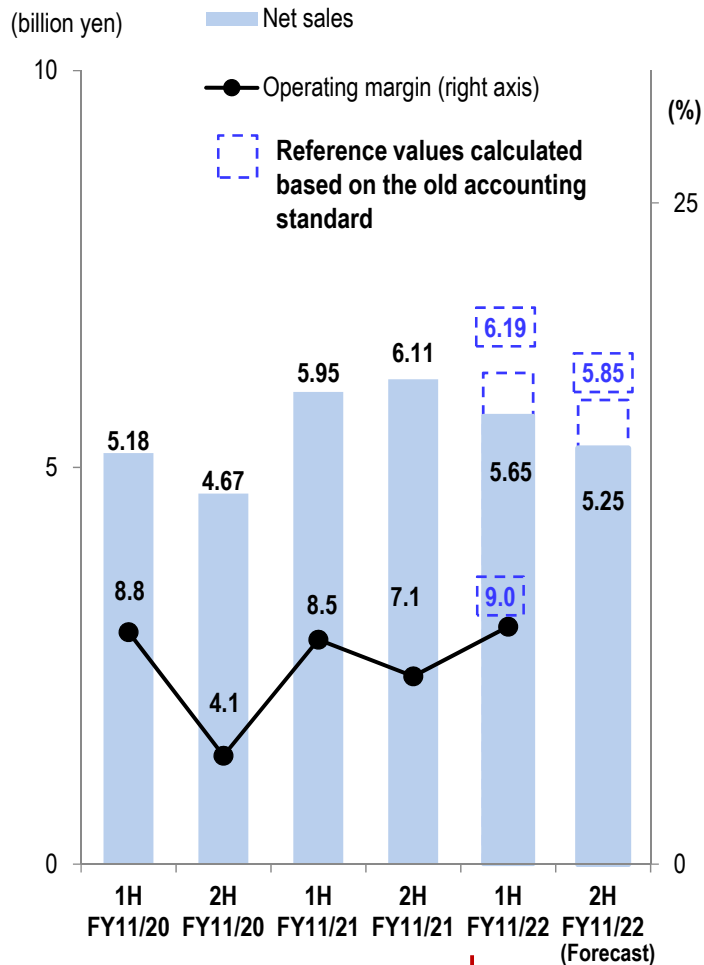
Due to uncertainties stemming from the sharp depreciation of the yen and the rising prices of crude oil, we did not revise the full-year forecasts.

(million yen)

	FY11/21 results	FY11/22 forecast	YoY change		1H FY11/22 results	1H progress ratio
			Amount	%		
Net sales	35,027	33,000 * 37,888	— * +2,861	— * +8.2%	16,144 * 18,918	49% * 50%
Operating profit	5,852	5,900	+48	+0.8%	3,320	56%
Ordinary profit	6,253	6,150	-103	-1.7%	3,526	57%
Profit attributable to owners of parent	4,998	4,200	-798	-16.0%	2,448	58%
Price of naphtha in Japan (Yen/KL)	50,750	54,000	—	—	74,800	—
Exchange rates (Yen/USD)	109	110	—	—	119	—

 New accounting standard

The Accounting Standard for Revenue Recognition, etc. have been applied since the fiscal year ending November 2022.
Values with * are reference values calculated based on the old standard.



↘
↗
New accounting standard

Forecast

1H results +1% (vs. 2H 11/21: values calculated based on the old accounting standard)

2H forecast -5% (vs. 1H 11/22: values calculated based on the old accounting standard)

Operating environment

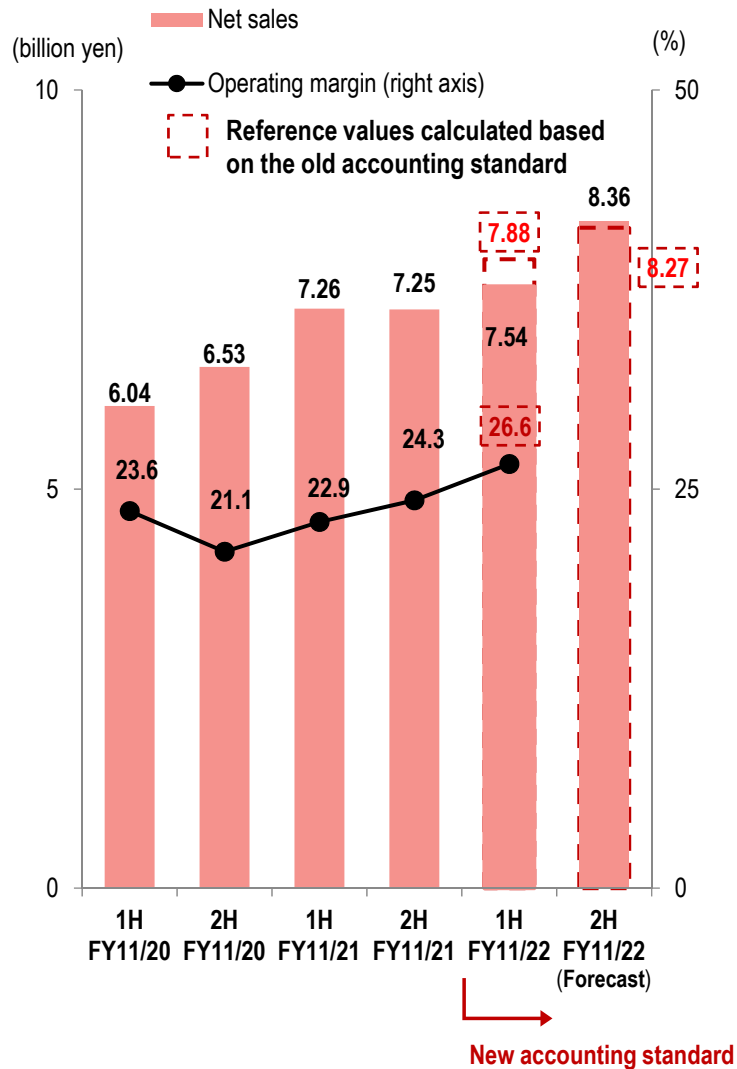
- Due to the lockdown in Shanghai, the shortage of semiconductors and other factors, the automobile industry has continued to experience a fall in production worldwide.
- However, there is a growing trend to resume economic activities, and exhibitions and events that had previously been cancelled have begun taking place again.

OOC

- In the second half, trends in the display market will be uncertain.

Market risks

- High crude oil prices
- Price increases due to further yen depreciation
- Higher cost of raw materials derived from natural resources



Forecast

1H results +9% (vs. 2H FY11/21: values calculated based on the old accounting standard)

2H forecast +5% (vs. 1H FY11/22: values calculated based on the old accounting standard)

Operating environment

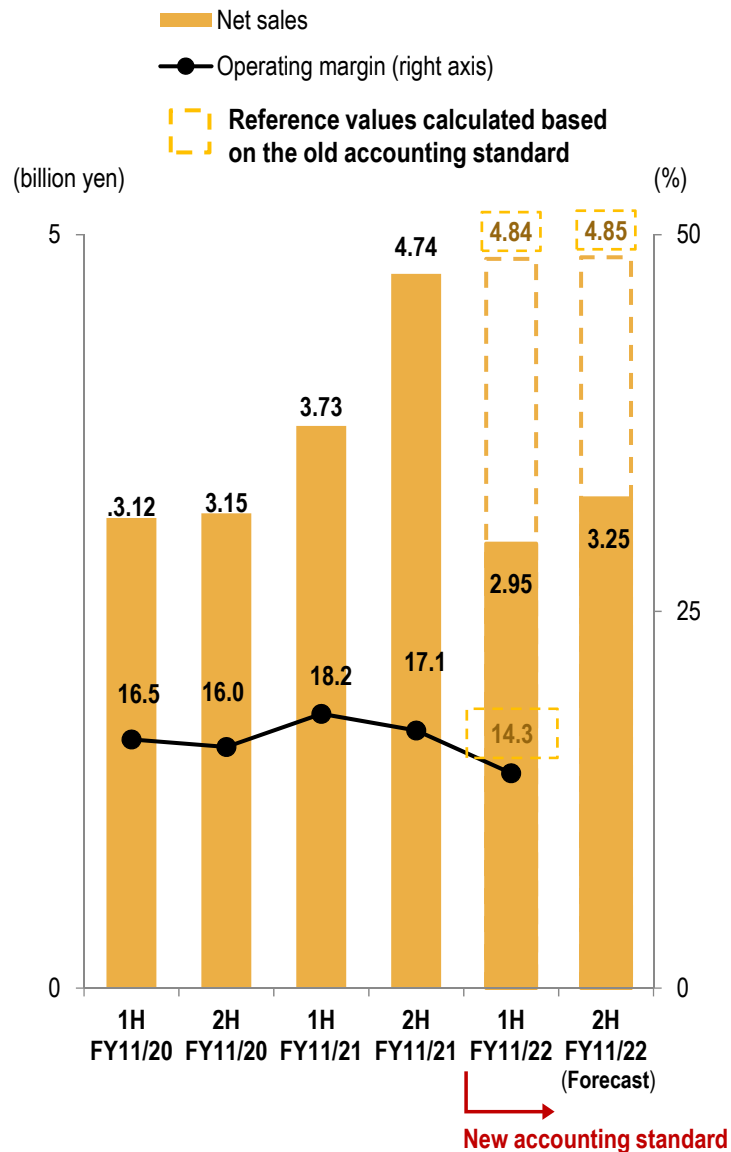
- Demand for displays, which had been increasing due to telework, has declined, and panel prices have trended downward.
- Sales of semiconductors have remained strong, and investment in semiconductor manufacturing equipment have continued to be strong.

OOC

- Sales of leading-edge EUV materials are expected to steadily increase.
- In the second half, production adjustments at customers will continue in display materials.

Market risks

- Increasing geopolitical risk
- Decline in the TV and smartphone markets



Forecast

1H results **+2%** (vs. 2H 11/21: values calculated based on the old accounting standard)

2H forecast **+0%** (vs. 1H 11/22: values calculated based on the old accounting standard)

Operating environment

- Japan's cosmetics market has been slow to recover.
- The lockdown in Shanghai, China has been largely lifted.

OOC

- We are adjusting our inventory of cosmetic raw materials.
- Sales of special solvents are expected to be firm.

Market risks

- Market cooling due to new lockdowns caused by China's zero corona policy, etc.
- Consumers refrain from buying due to rising prices.

◆ 1H FY11/22 Financial Summary

◆ FY11/22 Forecast

◆ **Topics**

Medium-to Long-term Business Plan

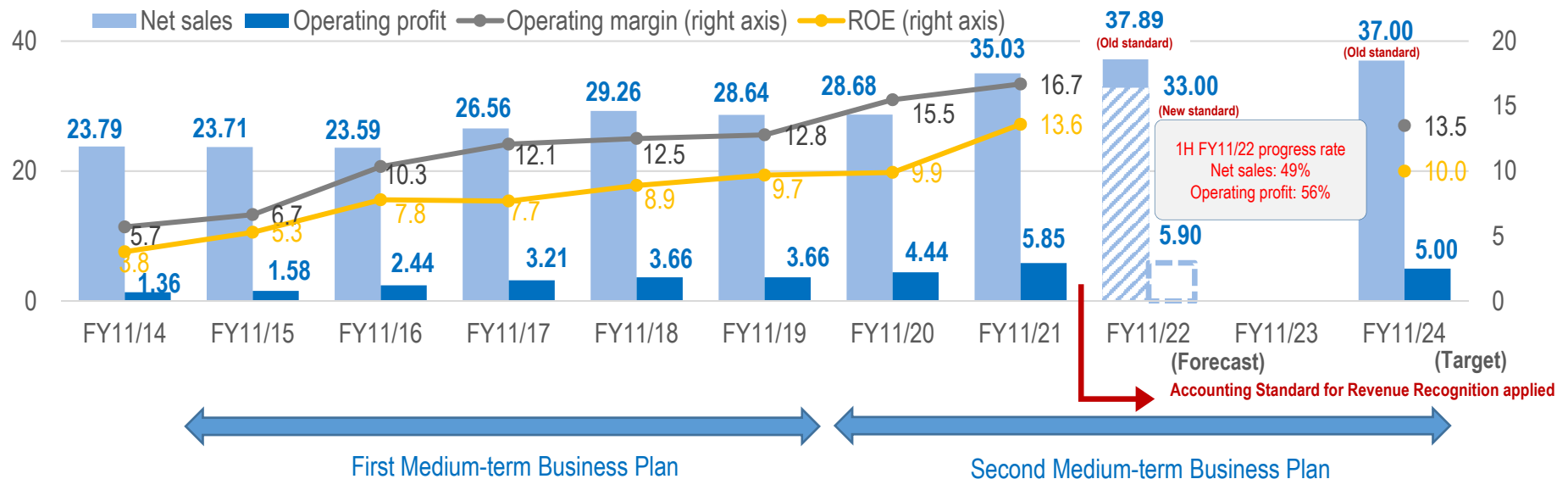
Second MTBP: FY11/20 - FY11/24

Next Stage 10

In almost the same time as the launch of the Second Medium-Term Business Plan, the spread of COVID-19 began, bringing economic activities to a halt worldwide. Our business performance was favorable, supported by an increase in demand, particularly for electronic materials.

As of FY11/21, the operating profit, the operating margin and ROE met the targets for FY11/24. However, in light of the recent increase in crude oil prices, the yen's depreciation and a significant rise in geopolitical risks, we are putting the plan revision on hold for the time being.

We will continue to steadily optimize our portfolio and strive to provide more products that can contribute to society.



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

Business	Examples of measures and effects (as of the end of FY11/21)
Chemical products	<p><Specialty acrylic acid esters (high-purity products)></p> <ul style="list-style-type: none"> Overseas expansion of high purity products (overseas sales volume of raw materials for UV inkjet printers [vs. FY11/19]) <ul style="list-style-type: none"> * Increased to 110% in East Asia and 227% in Europe, struggled in the U.S. Biomass-derived acrylate (rollout of products using non-petrochemical raw materials) <ul style="list-style-type: none"> * Two new products rolled out as of FY11/21
	<p><Specialty acrylic acid esters (low-purity products)></p> <ul style="list-style-type: none"> Review of product mix through selection and concentration (reduced 10 unprofitable product items, planning to reduce additional 16 product items in the future) <ul style="list-style-type: none"> * Operating margin improved by 1 point in FY11/21 vs. FY11/19
Electronics materials	<p><Display materials></p> <ul style="list-style-type: none"> Development of new markets <ul style="list-style-type: none"> * Entered new markets other than that for LCDs (materials for μLED, microlens materials and bulkhead materials for sensors)
	<p><Semiconductor materials></p> <ul style="list-style-type: none"> Entry into advanced market sectors/peripheral markets <ul style="list-style-type: none"> * Net sales of cutting-edge EUV-related materials increased to 170% or more of FY11/19 level
Specialty chemicals	<p><Cosmetics raw materials></p> <ul style="list-style-type: none"> Promotion of overseas expansion <ul style="list-style-type: none"> * Overseas net sales increased to 200% or more of FY11/19 level <p><Super hydrophilic materials></p> <ul style="list-style-type: none"> Development of applications for high-performance materials <ul style="list-style-type: none"> * Net sales of super hydrophilic materials increased to 140% of FY11/19 level
New businesses	<p><Elastomer-related materials and new materials></p> <ul style="list-style-type: none"> Attempt to commercialize elastomer-related materials and organic piezoelectric materials <ul style="list-style-type: none"> * Net sales of related materials exceeded 10 million yen in FY11/21

OOO Receives the 72nd Industrial Technology Award from the Osaka Industrial Research Association

Award-winning theme: “Development of Highly Stretchable Acrylic Elastomer Materials and Stretchable Conductive Materials”

<Background of development>

As SDGs efforts are underway, UV-curable acrylic monomers are environmentally friendly materials that can reduce the impact of volatile organic compounds (VOCs) because solvents are not required during curing.

We were among the first to focus on this, and since the latter half of the 1970s, we have been developing it.

At the Advanced Technology Research Institute, with the aim of entering the wearable and robotics fields based on this core technology, we have designed and developed the Suave series, which is a highly flexible and stretchable elastomer that makes full use of the properties of acrylic materials, and are further expanding it into the Suave-EL series, which is a stretchable conductive material.

Award ceremony



The award ceremony on May 20, 2022

Images of the materials



Stretchable Elastomers “Suave Series”



Stretchable Conductive Material “Suave-EL Series”

■ Promoting sustainable management

The OOC Group has established KPIs related to Environment (E), Society (S) and Governance (G) as long-term business goals, and will steadily implement the long-term business plan and contribute to the achievement of the SDGs by starting with materiality, which is a key CSR issue, and implementing medium-term policies, Guidelines for Conduct, and major initiatives.

■ Major ESG initiatives

<p style="text-align: center;">E Environment</p>	<p><Reducing CO₂ emissions></p> <ul style="list-style-type: none"> The Carbon Neutralization Study Committee was established to carry out activities as a project. <p><Information disclosure in accordance with TCFD recommendations></p> <ul style="list-style-type: none"> In June 2022, “Response to TCFD Recommendations” was added to the website.
<p style="text-align: center;">S Society</p>	<p><Work-life balance initiatives></p> <p>We are focusing on initiatives to enhance work-life balance to meet the diverse life stages and career plans of our employees.</p> <p>Example: Promotion of taking paternity leave by male employees (target: 20%) 4% in FY11/19 and 11% in FY11/21</p>
<p style="text-align: center;">G Governance</p>	<p><Management transparency></p> <ul style="list-style-type: none"> In February 2022, the chairman of the Board of Directors was changed from the president to an independent outside director. We reviewed the Officer Compensation System to adopt a performance-based stock remuneration system.

<Precautions for outlooks>

- The forecasts in this presentation are current estimates and are based on judgments derived from information available to date.
- Accordingly, actual results of operations may differ significantly from these forecasts due to various factors and risks, and Osaka Organic Chemical Industry makes no guarantee whatsoever regarding these forecasts.

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We lead the world with specialty acrylates

OSAKA ORGANIC CHEMICAL INDUSTRY LTD.

Tokyo Stock Exchange, Prime Market: 4187