

July 6, 2023

Translation

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# **Presentation Materials for Financial Results for the First Half of the Fiscal Year Ending November 30, 2023**

Our products are invisible, but used around you.



**OSAKA ORGANIC CHEMICAL INDUSTRY LTD.**

Tokyo Stock Exchange, Prime Market: 4187

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## Operating environment

Social and economic activities normalized in response to the relaxation of behavioral restrictions caused by the new coronavirus disease. On the other hand, the outlook remains uncertain due to such factors as soaring raw material prices resulting from rising global prices and rapid exchange rate fluctuations.

## Net sales

Sales of chemical products and electronic materials decreased due to sluggish demand for displays and semiconductors. As a result, sales decreased by 11.7% year-on-year to 14,262 million yen.

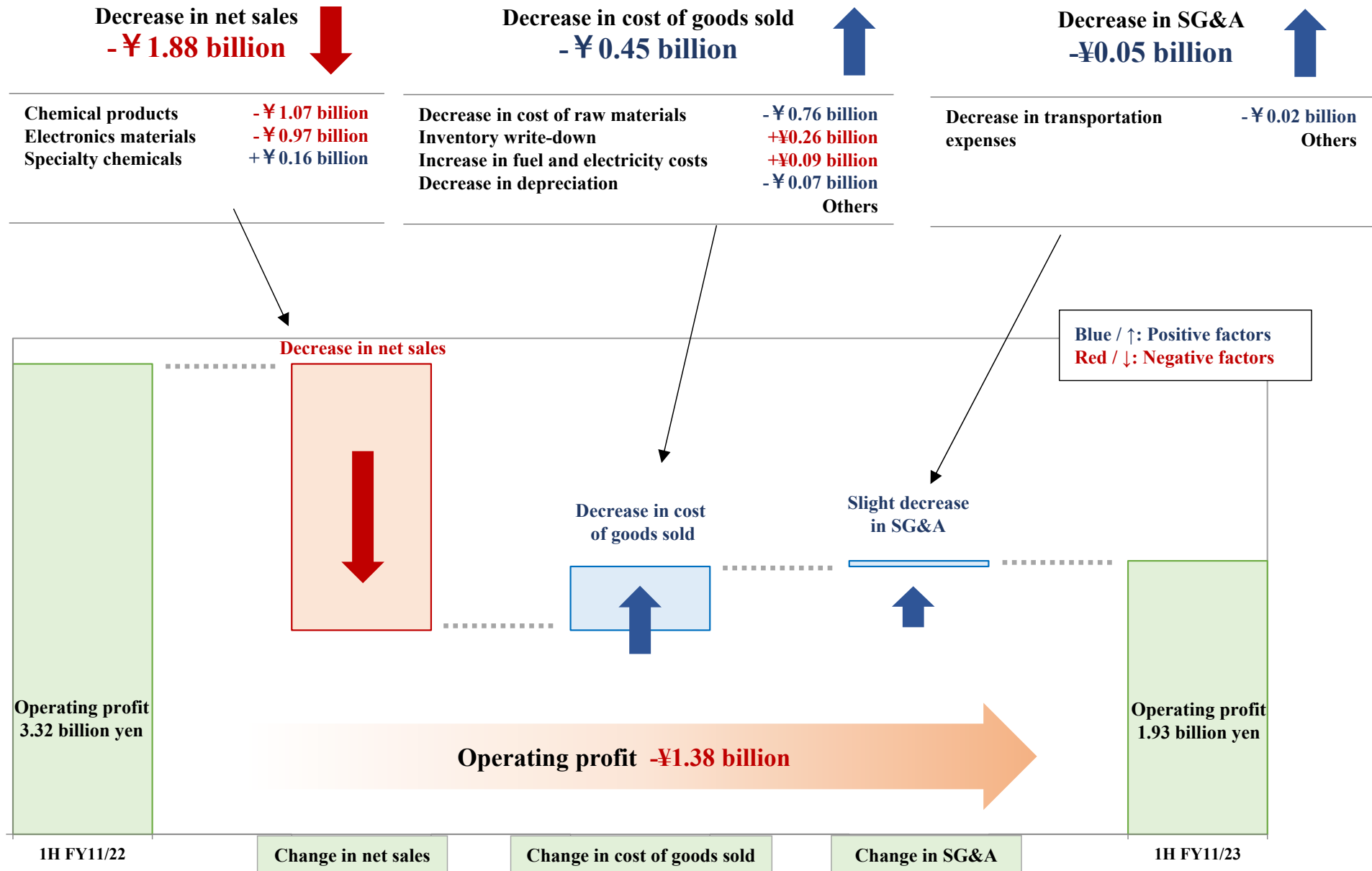
## Operating profit

Operating profit decreased by 41.6% year-on-year to 1,934 million yen due to decreased sales and soaring raw material and fuel prices.

(million yen)

	1H FY11/22 results	1H FY11/23 forecast		2023/05 results	YoY change	
		2023/1/12 initial forecast	2023/4/7 revised forecast		Amount	%
Net sales	16,144	15,900	13,900	14,262	△1,882	△11.7%
Operating profit	3,320	3,150	2,000	1,939	△1,382	△41.6%
Ordinary profit	3,526	3,250	2,100	2,074	△1,452	△41.2%
Profit attributable to owners of parent	2,448	2,200	1,400	1,606	△843	△34.4%
Price of naphtha in Japan (Yen/KL)	74,800	72,000		66,750	—	—
Exchange rates (Yen/USD)	119	133		134	—	—

Operating profit decreased by 1.38 billion yen compared to the same period of the previous fiscal year due to decreased sales of chemical products and electronic materials, an increase in cost of sales due to a decrease in inventory valuation, and an increase in fuel and electricity costs.



## Chemical products

Sales for automotive coatings were firm, but sales of products for display adhesives and UV inkjet inks were sluggish. As a result, both sales and operating profit decreased substantially compared with the previous fiscal year.

## Electronics materials

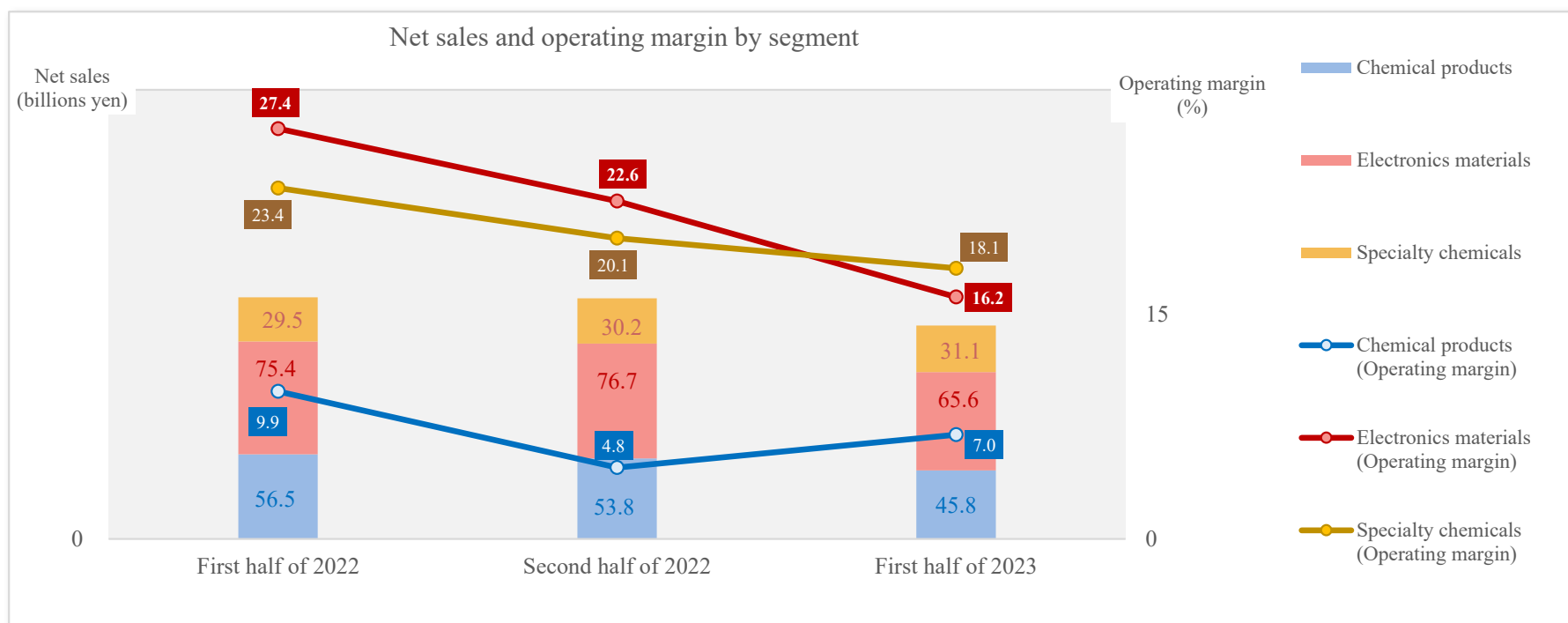
In semiconductor materials, sales of raw materials for EUV resists were strong, but demand for raw materials for ArF resists was sluggish, and sales were flat year on year. Sales of display materials were sluggish due to sluggish demand for displays, resulting in lower sales and profits compared with the same period of the previous year.

## Specialty chemicals

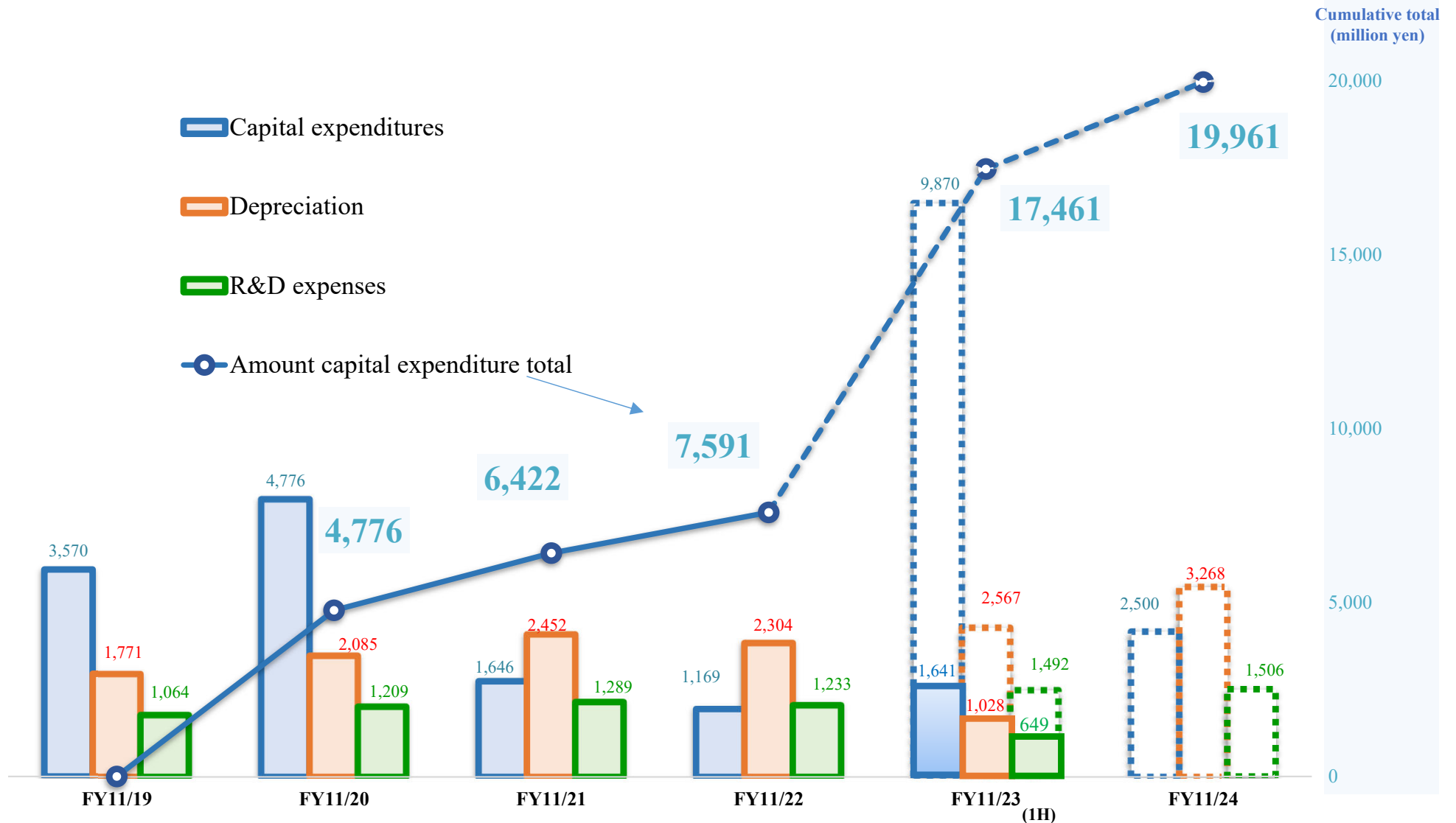
Sales of cosmetic raw materials were strong overseas, but sales of functional materials were sluggish, and sales of high-purity special solvents at a subsidiary were strong. As a result, compared to the same period of the previous year, sales increased but profits decreased.

(billion yen)

	Chemical products	Electronics materials	Specialty chemicals
<b>Net sales</b>	<b>45.8</b> (YoY: -19.0%)	<b>65.6</b> (YoY: -12.9%)	<b>31.1</b> (YoY: +5.6%)
<b>Operating profit</b>	<b>3.1</b> (YoY: -42.7%)	<b>10.6</b> (YoY: -48.7%)	<b>5.6</b> (YoY: -18.6%)



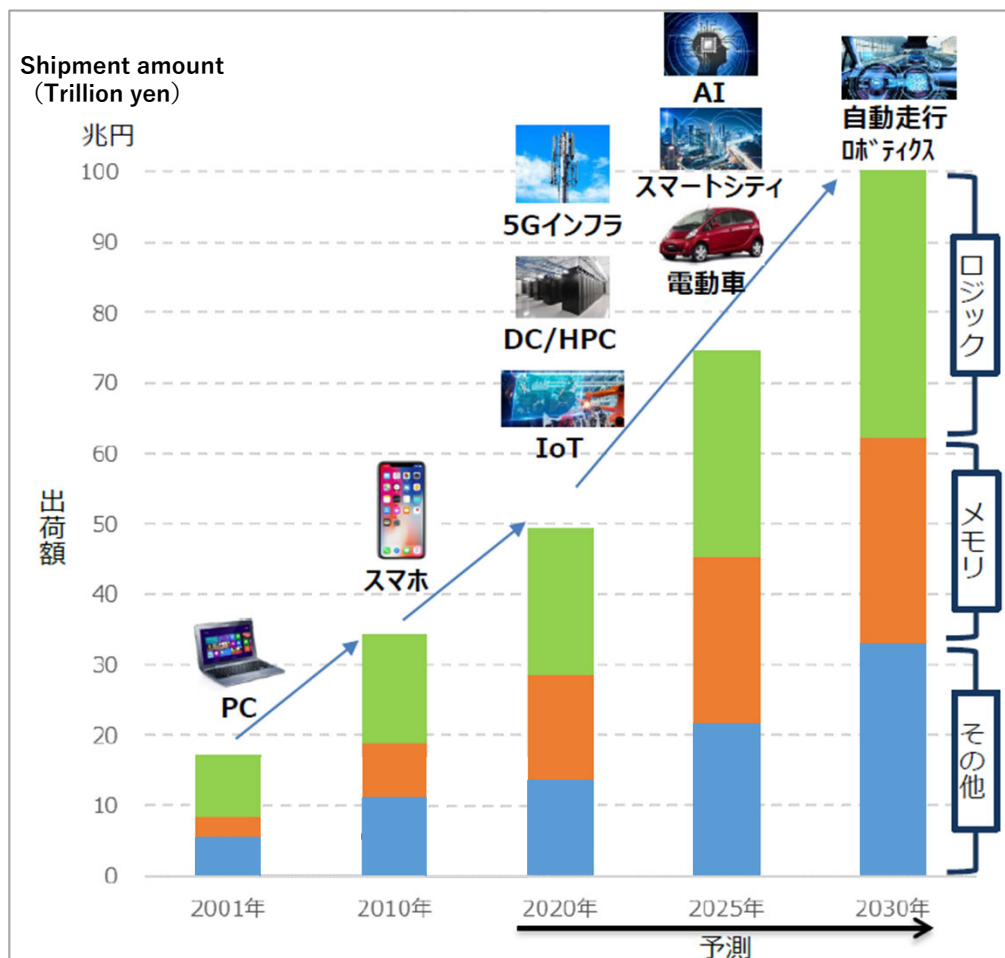
In the medium-term management plan, we are planning a cumulative total of approximately 20 billion yen in capital investment from fiscal 2020 to fiscal 2024.



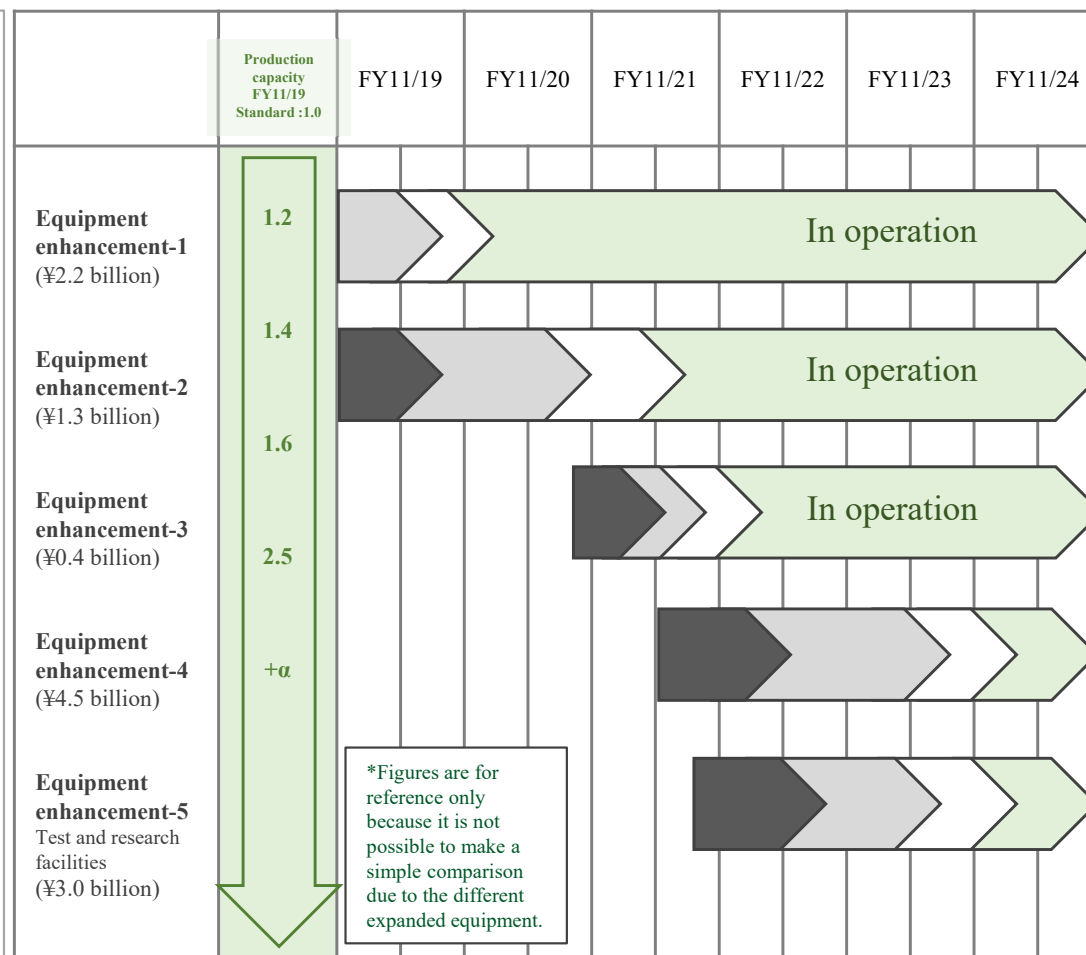
\*Dotted line is forecast

◇ The semiconductor market is expected to grow steadily as the digital revolution progresses.  
 (About 100 trillion yen in 2030)  
 ◇ We will also work to increase our production capacity through aggressive capital investment.

## ◆ Global semiconductor market



## ◆ Expansion of our semiconductor material manufacturing facilities



• Figures in parentheses are capital expenditures.

Source: Ministry of Economy, Trade and Industry Semiconductor and Digital Industry Strategy Review Council



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For the fiscal year ending November 2023, we forecast net sales of 29 billion yen and operating profit of 3.8 billion yen (revised on April 7, 2023).

The rate of progress for the first half was 49.2% for sales and 51.0% for operating profit, which were largely in line with forecasts.

(million yen)							
	FY11/22 results	FY11/23 forecasts		YoY change		1H FY11/23 results	1H progress ratio
		2023/1/12 initial forecast	2023/4/7 revised forecast	Amount	%		
Net sales	32,236	33,500	29,000	-3,236	-10.0%	14,262	49.2%
Operating profit	5,934	5,850	3,800	-2,134	-36.0%	1,939	51.0%
Ordinary profit	6,365	6,050	4,000	-2,365	-37.2%	2,074	51.9%
Profit attributable to owners of parent	4,725	4,100	2,800	-1,925	-40.8%	1,606	57.4%
Price of naphtha in Japan (Yen/KL)	76,000	72,000		—	—	66,750	—
Exchange rates (Yen/USD)	129	133		—	—	134	—

1H FY11/23 Net sales	FY11/23 Full-year forecast	Progress ratio vs. full-year forecast	Net sales / operating margin															
¥ <b>4.58</b> bn	¥ <b>9.47</b> bn	<b>48.3</b> %	<p>(billion yen)</p> <table border="1"> <caption>Net sales and Operating margin data</caption> <thead> <tr> <th>Period</th> <th>Net sales (billion yen)</th> <th>Operating margin (%)</th> </tr> </thead> <tbody> <tr> <td>1H FY11/22</td> <td>5.65</td> <td>9.9</td> </tr> <tr> <td>2H FY11/22</td> <td>5.38</td> <td>4.8</td> </tr> <tr> <td>1H FY11/23</td> <td>4.58</td> <td>7.0</td> </tr> <tr> <td>2H FY11/23 (Forecast)</td> <td>5.05</td> <td>-</td> </tr> </tbody> </table> <p>(Dotted line: Forecast)</p>	Period	Net sales (billion yen)	Operating margin (%)	1H FY11/22	5.65	9.9	2H FY11/22	5.38	4.8	1H FY11/23	4.58	7.0	2H FY11/23 (Forecast)	5.05	-
Period	Net sales (billion yen)	Operating margin (%)																
1H FY11/22	5.65	9.9																
2H FY11/22	5.38	4.8																
1H FY11/23	4.58	7.0																
2H FY11/23 (Forecast)	5.05	-																
<p>● <b>Operating environment</b></p> <ul style="list-style-type: none"> <li>Although economic activities are heading towards normalization due to deregulation due to the novel coronavirus, raw material and fuel prices continue to rise. Passing on of costs to prices is progressing gradually, but the increase in costs continues to put pressure on profits.</li> </ul> <p>● <b>OOC</b></p> <ul style="list-style-type: none"> <li>Sales of raw materials for automotive paints remained firm.</li> <li>Sales of display adhesives and UV inkjet materials were sluggish.</li> </ul> <p>● <b>Market risks</b></p> <ul style="list-style-type: none"> <li>Crude oil prices remain high.</li> <li>Higher cost of raw materials derived from natural resources.</li> </ul>																		

1H FY11/23 Net sales	FY11/23 Full-year forecast	Progress ratio vs. full-year forecast	Net sales / operating margin
¥ <b>6.56</b> bn	¥ <b>13.41</b> bn	<b>48.9</b> %	

● Operating environment

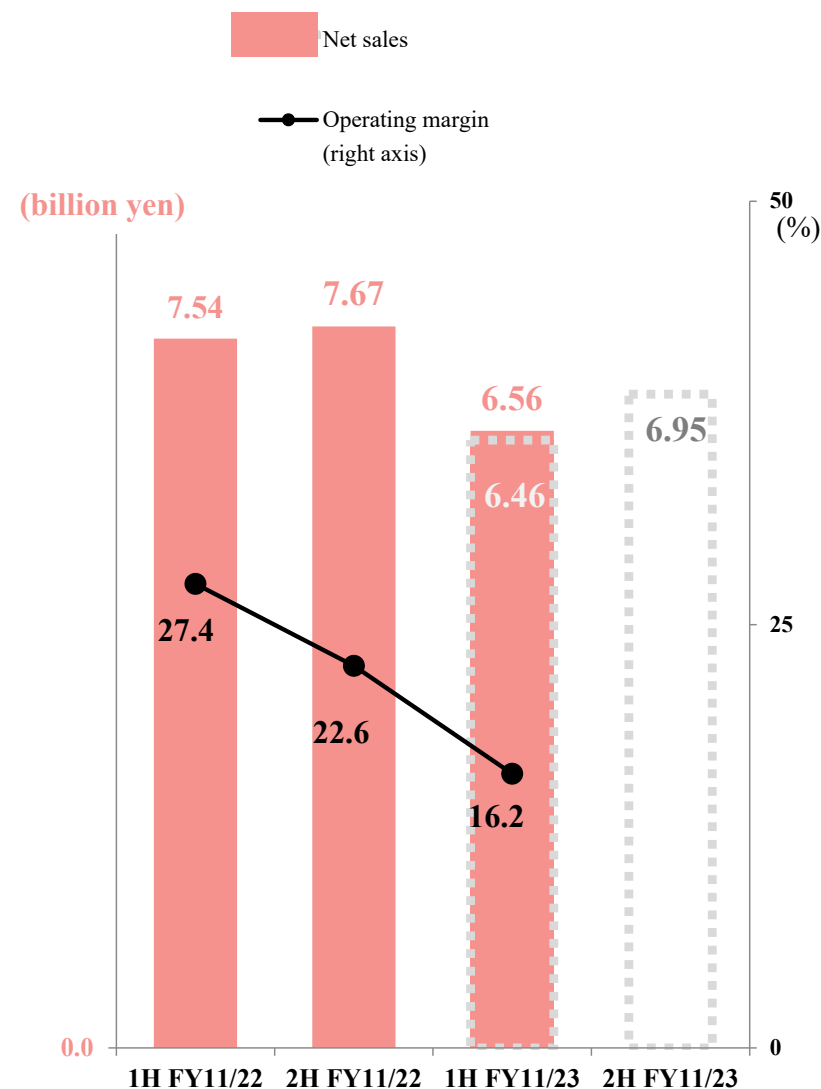
- As negative growth is forecasted for the semiconductor market in 2023, the condition of the market has notably deteriorated.
- The practical use of EUV photoresist is progressing.
- The display market showed a gradual recovery trend, but personal computers and smartphones remained sluggish.

● OOC

- Sales of raw materials used to manufacture ArF photoresist, the primary product of this segment, remained flat as demand in the end market softened.
- In the display materials group, sales remained sluggish due to the delayed recovery of small and medium-sized displays.
- Materials for EUV applications increased steadily.

● Market risks

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



(Dotted line: Forecast)

1H FY11/23 Net sales	FY11/23 Full-year forecast	Progress ratio vs. full-year forecast	Net sales / operating margin
¥ <b>3.11</b> bn	¥ <b>6.10</b> bn	<b>51.0</b> %	

● Operating environment

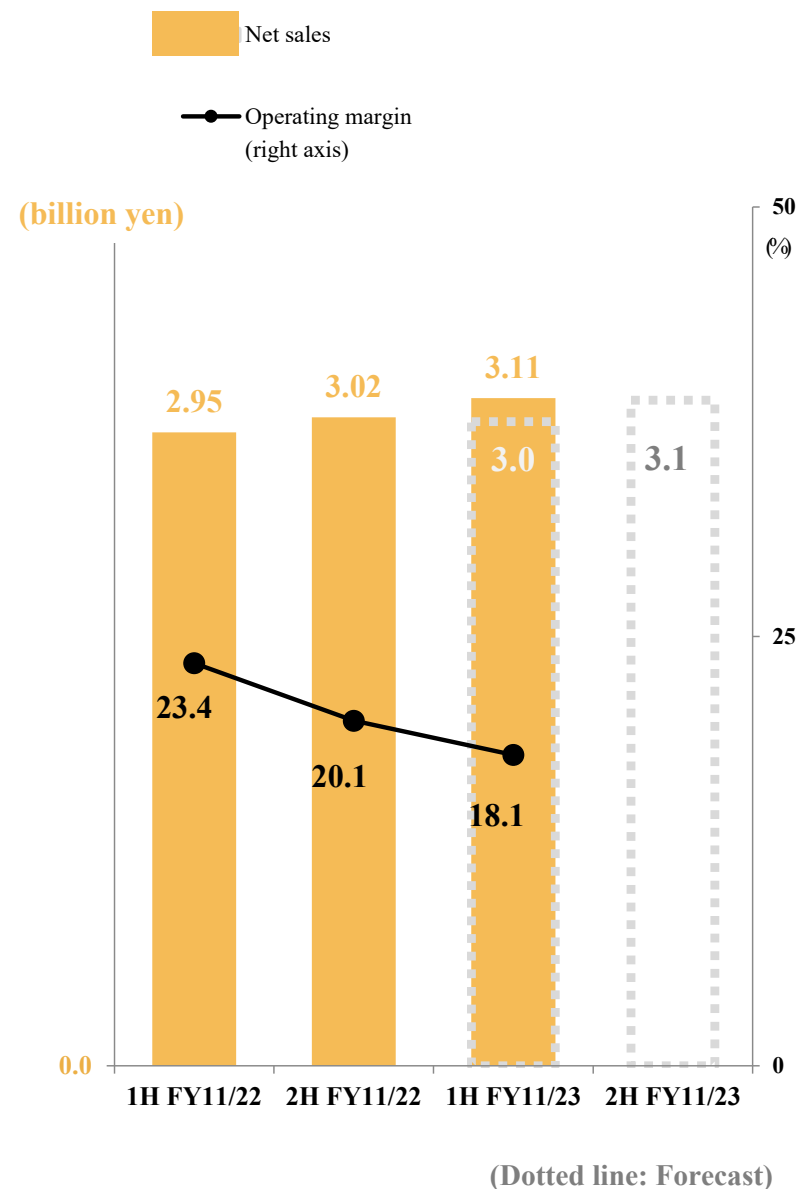
- In the domestic market, socioeconomic activities have resumed, and sales of cosmetics, including skin care products, are on a recovery trend.
- In China, the new coronavirus infection spread again in January, but has been on a recovery trend since February.

● OOC

- Raw materials for cosmetics recorded strong sales abroad.
- In the functional materials group, sales of consigned products remained sluggish.
- Sales of subsidiary high-purity specialty solvents were strong.

● Market risks

- Increasing presence of new manufacturers in the Chinese market.
- Delay in economic recovery due to renewed expansion of new corona in China



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# Issuance of Integrated Report

We have published an annual Environmental and Social Report from 2008 to 2019.  
 In 2020, we transitioned to a CSR report with more substantial content and in 2023, we added more financial information and issued an integrated report with more extensive content.  
 Introducing our company's initiatives, including governance, occupational health and safety, and efforts to address climate change.  
 We have posted it on our website on July 3, 2023, so please read it.

## Environmental & Social Report



2008  
FY



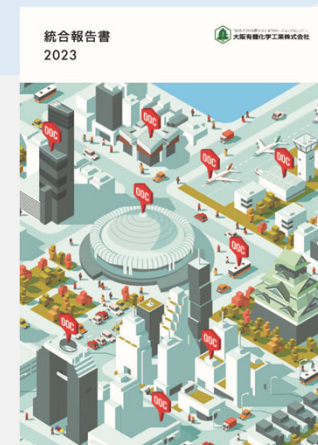
2019  
FY

## CSR report



2020  
FY

## Integrated report 2023



2022  
FY

2023  
FY

Website  
Published



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## ◆Half-year comparison

(billion yen)

		FY11/22				FY11/23		YoY (vs.1H FY11/22)		HoH (vs.2H FY11/22)	
		1H	2H	1H		Amount	%	Amount	%		
Net sales	Chemical products	5.65	5.38	4.58		-1.07	-19.0%	-0.80	-15.0%		
	Electronics materials	7.54	7.67	6.56		-0.97	-12.9%	-1.11	-14.5%		
	Specialty chemicals	2.95	3.02	3.11		+0.16	+5.6%	+0.08	+2.9%		
Operating profit	Chemical products	0.55	0.25	0.31		-0.23	-42.7%	+0.06	+24.1%		
	Electronics materials	2.06	1.73	1.06		-1.00	-48.7%	-0.67	-38.8%		
	Specialty chemicals	0.69	0.60	0.56		-0.12	-18.6%	-0.04	-7.4%		

## ◆Quarterly comparison

(billion yen)

		FY11/22				FY11/23		YoY (vs. 2Q FY11/22)		QoQ (vs. 1Q FY11/23)	
		1Q	2Q	3Q	4Q	1Q	2Q	Amount	%	Amount	%
Net sales	Chemical products	2.83	2.81	2.85	2.53	2.11	2.46	-0.35	-12.5%	+0.34	+16.3%
	Electronics materials	3.87	3.67	3.79	3.88	3.23	3.32	-0.34	-9.3%	+0.09	+2.8%
	Specialty chemicals	1.41	1.53	1.52	1.50	1.51	1.60	+0.06	+4.3%	+0.08	+5.7%
Operating profit	Chemical products	0.25	0.29	0.08	0.17	0.13	0.18	-0.11	-38.2%	+0.04	+36.3%
	Electronics materials	1.08	0.98	0.78	0.94	0.58	0.48	-0.50	-51.3%	-0.10	-17.4%
	Specialty chemicals	0.32	0.36	0.33	0.27	0.30	0.26	-0.10	-28.7%	-0.03	-13.2%



	(million yen)			
	FY11/22	1H FY11/23	Change	
<b>Assets</b>				
Current assets	28,082	26,638	-1,444	Cash and deposits -¥1,444 million Notes, accounts receivable-trade and contract assets -¥1,123 million Others
Property, plant and equipment	18,470	19,831	+1,361	Machinery, equipment and vehicles, net +¥645 million Construction in progress +¥735 million Others
Intangible assets	116	118	+2	
Investments and other assets	6,166	6,529	+363	Investment securities +¥406 million Others
<b>Total assets</b>	<b>52,836</b>	<b>53,117</b>	<b>+281</b>	
<b>Liabilities</b>				
Current liabilities	9,169	9,470	+301	Notes and accounts payable - ¥638 million Accounts payable-other +¥1,214 million Others
Non-current liabilities	2,272	1,517	-755	Long-term borrowings -¥804 million Others
<b>Net assets</b>	<b>41,394</b>	<b>42,129</b>	<b>+735</b>	
<b>Total liabilities and net assets</b>	<b>52,836</b>	<b>53,117</b>	<b>+281</b>	Retained earnings +¥1,024 million Treasury shares -¥586 million Others

## Revisions to financial indicator guidelines

	As of May 31, 2023	Revised guidelines
Equity ratio	78.2%	—
Short-term liquidity ratio	2.5 months	3.0 to 4.0 months
Debt-equity ratio	0.07	0.2 or less
Net debt-equity ratio	-0.11	0 or less (effectively no debt)
Interest coverage ratio	732 times	200 to 400 times

### Non-operating income and expenses

In non-operating income, foreign exchange gains decreased compared to the previous fiscal year.

In non-operating expenses, the cost of acquiring treasury stock decreased from the previous fiscal year.

### Extraordinary gains or losses

In extraordinary income, gains on sales of securities increased.

(million yen)

	1H FY11/22	1H FY11/23	Change	
<b>Non-operating income</b>	221	142	-79	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin-bottom: 10px;"> <b>Blue: Positive factors</b>  <b>Red: Negative factors</b> </div> <div style="background-color: #f0f0f0; padding: 10px;">           Foreign exchange gain <span style="float: right;"><b>-¥83 million</b></span>            Others         </div>
<b>Non-operating expenses</b>	15	8	-7	<div style="background-color: #f0f0f0; padding: 10px;">           Share buyback expenses <span style="float: right;"><b>-¥7 million</b></span>            Others         </div>
<b>Extraordinary income</b>	—	248	+248	<div style="background-color: #f0f0f0; padding: 10px;">           Gain on sales of investment securities <span style="float: right;"><b>+¥247 million</b></span>            Others         </div>
<b>Extraordinary losses</b>	0	0	0	

	(million yen)																
	1H FY11/22	1H FY11/22															
<b>Operating cash flows</b>	2,814	2,020	<p><b>[Major factors]</b></p> <table border="0"> <tr> <td>Profit before income taxes</td> <td style="text-align: right;">¥2,322 million</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">¥1,018 million</td> </tr> <tr> <td>Decrease (increase) in trade receivables and contract assets</td> <td style="text-align: right;">¥1,143 million</td> </tr> <tr> <td>Decrease (increase) in inventories</td> <td style="text-align: right;">(¥696 million)</td> </tr> <tr> <td>Increase (decrease) in trade payables</td> <td style="text-align: right;">(¥642 million)</td> </tr> <tr> <td>Income taxes (paid) refund</td> <td style="text-align: right;">(¥1,002 million)</td> </tr> <tr> <td style="text-align: right;">Others</td> <td></td> </tr> </table>	Profit before income taxes	¥2,322 million	Depreciation	¥1,018 million	Decrease (increase) in trade receivables and contract assets	¥1,143 million	Decrease (increase) in inventories	(¥696 million)	Increase (decrease) in trade payables	(¥642 million)	Income taxes (paid) refund	(¥1,002 million)	Others	
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Others																	
<b>Investing cash flows</b>	-702	-990															
<b>Financing cash flows</b>	-1,973	-2,074	<table border="0"> <tr> <td><b>Purchase of property, plant and equipment</b> (Semiconductor-related manufacturing equipment)</td> <td style="text-align: right;">-¥1,175 million</td> </tr> <tr> <td style="text-align: right;">Others</td> <td></td> </tr> </table>	<b>Purchase of property, plant and equipment</b> (Semiconductor-related manufacturing equipment)	-¥1,175 million	Others											
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Others																	
<b>Effect of exchange rate change on cash and cash equivalents</b>	110	2															
<b>Net increase (decrease) in cash and cash equivalents</b>	248	-1,041	<table border="0"> <tr> <td>Repayments of long-term borrowings</td> <td style="text-align: right;">-¥ 899 million</td> </tr> <tr> <td>Purchase of treasury shares</td> <td style="text-align: right;">-¥601 million</td> </tr> <tr> <td>Dividends paid</td> <td style="text-align: right;">-¥582 million</td> </tr> <tr> <td style="text-align: right;">Others</td> <td></td> </tr> </table>	Repayments of long-term borrowings	-¥ 899 million	Purchase of treasury shares	-¥601 million	Dividends paid	-¥582 million	Others							
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Others																	
<b>Cash and cash equivalents at end of period</b>	9,842	7,022															

<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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