



**Consolidated Financial Results for the Second Quarter of the  
Fiscal Year Ending November 30, 2020 (FY11/20)  
(Six Months Ended May 31, 2020)**

**[Japanese GAAP]**

July 2, 2020

Company name: OSAKA ORGANIC CHEMICAL INDUSTRY LTD.  
 Listing: Tokyo Stock Exchange, First Section  
 Securities code: 4187 URL: <https://www.ooc.co.jp/>  
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Scheduled date of filing of Quarterly Report: July 9, 2020  
 Scheduled date of dividend payment: August 11, 2020  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (Teleconference for institutional investors and securities analysts)

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Second Quarter of FY11/20 (December 1, 2019 to May 31, 2020)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended May 31, 2020	14,342	1.1	2,384	35.2	2,457	35.6	1,692	26.8
Six months ended May 31, 2019	14,192	1.7	1,764	(4.3)	1,812	(7.9)	1,334	1.8

Note: Comprehensive income (millions of yen) Six months ended May 31, 2020: 1,490 (up 116.5%)  
 Six months ended May 31, 2019: 688 (down 25.7%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended May 31, 2020	76.40		-	
Six months ended May 31, 2019	60.26		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of May 31, 2020	45,670		33,553		72.7	
As of Nov. 30, 2019	43,848		32,546		73.5	

Reference: Shareholders' equity (millions of yen) As of May 31, 2020: 33,218 As of Nov. 30, 2019: 32,233

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
Fiscal year ended Nov. 30, 2019	-	18.00	-	22.00	40.00
Fiscal year ending Nov. 30, 2020	-	23.00	-	-	-
Fiscal year ending Nov. 30, 2020 (Forecast)	-	-	-	20.00	43.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Forecast for FY11/20 (December 1, 2019 to November 30, 2020)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full year	29,643	3.5	3,700	1.0	3,912	2.0	2,660	(12.4)	120.08	

Note: Revisions to the most recently announced consolidated forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

As of May 31, 2020:	22,410,038 shares	As of Nov. 30, 2019:	22,410,038 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2020:	258,091 shares	As of Nov. 30, 2019:	262,111 shares
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3) Average number of shares during the period

Six months ended May 31, 2020:	22,149,649 shares	Six months ended May 31, 2019:	22,145,395 shares
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\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Cautionary statement with respect to forward-looking statements and other special items

The above forecasts are based on information available to the Company's management at the time the materials were prepared and include a variety of uncertainties. Actual results may differ from the forecasts due to changes in the business environment and other factors. Please refer to "Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 for items pertaining to the forecasts stated above.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

The Japanese economy was in an extremely difficult situation during the first half of the current fiscal year as rapid economic deterioration continued due to the global spread of the coronavirus disease 2019 (COVID-19) pandemic in the latter half of the period.

There were many activities at the Osaka Organic Chemical Industry Group during the first half for accomplishing the goals of Next Stage 10, a long-term business plan covering the 10-year period that started with the fiscal year that ended in November 2015. In the chemical products business, we are focusing on improving profitability by concentrating investments on carefully selected categories in order to revitalize the product lineup. Another priority is increasing sales of raw materials for specialty ink for UV inkjet printers as the market for these printers grows worldwide. In the electronics materials business, we are strengthening activities for developing next-generation semiconductor materials to be the market leader in targeted categories and increase sales of new display materials. In the specialty chemicals business, there are measures to develop functional polymers and increase sales of raw materials for cosmetics and of high-purity specialty solvents.

Net sales increased 1.1% year-on-year to 14,342 million yen, operating profit increased 35.2% to 2,384 million yen, ordinary profit was up 35.6% to 2,457 million yen, and profit attributable to owners of parent increased 26.8% to 1,692 million yen.

Business segment performance was as follows with segment sales excluding inter-segment sales.

#### 1) Chemical products

Sales of acrylic acid esters for use in automotive coatings declined due to the decrease in automobile production amid the COVID-19 pandemic. Sales of methacrylic esters decreased due to lower sales volume. However, earnings were higher because of lower raw material costs and combination/elimination of unprofitable products. As a result, net sales decreased 11.0% year-on-year to 5,176 million yen and segment profit increased 15.2% to 454 million yen.

#### 2) Electronics materials

Sales of semiconductor materials and display materials increased because of strong demand. Earnings were much higher because of strong sales. As a result, net sales increased 15.4% year-on-year to 6,041 million yen and segment profit increased 40.0% to 1,427 million yen.

#### 3) Specialty chemicals

Sales of cosmetic raw materials increased due to higher sales volume. Sales of functional materials decreased due to lower sales volume. Earnings significantly rose because of an increase in the share of sales from high-margin products. As a result, net sales decreased 0.5% year-on-year to 3,124 million yen and segment profit increased 44.4% to 516 million yen.

## **(2) Explanation of Financial Position**

Total assets increased 1,822 million yen from the end of the previous fiscal year to 45,670 million yen as of the end of the second quarter. This was mainly attributable to increases of 1,546 million yen in cash and deposits, primarily the result of an increase in long-term borrowings, and 376 million yen in finished goods, and a decrease of 324 million yen in investment securities because of a decline in the valuations of stocks held for the purpose of maintaining sound business relationships.

Total liabilities increased 816 million yen from the end of the previous fiscal year to 12,117 million yen as of the end of the second quarter. This was mainly attributable to increases of 414 million yen in notes and accounts payable-trade and 547 million yen in long-term borrowings to fund the purchase of manufacturing equipment and to secure liquidity on hand, and a decrease of 677 million yen in accounts payable-other which is mostly the result of payments for capital expenditure.

Net assets increased 1,006 million yen from the end of the previous fiscal year to 33,553 million yen as of the end of the second quarter. This was mainly attributable to an increase of 1,204 million yen in retained earnings and a decrease of 231 million yen in the valuation difference on available-for-sale securities involving stocks held for the purpose of maintaining sound business relationships.

### **Cash Flows**

Cash and cash equivalents at the end of the second quarter of the current fiscal year increased 1,836 million yen from the end of the previous fiscal year to 8,179 million yen.

Net cash provided by operating activities was 3,231 million yen compared with 1,659 million yen provided one year earlier. This was mainly the net result of profit before income taxes of 2,406 million yen, depreciation of 989 million yen, and income taxes paid of 605 million yen.

Net cash used in investing activities was 1,616 million yen compared with 1,450 million yen used one year earlier. Major factors include payment of 1,901 million yen for purchase of property, plant and equipment, mainly for manufacturing equipment.

Net cash provided by financing activities was 247 million yen compared with 242 million yen provided one year earlier. Major factors include proceeds from long-term borrowings of 1,200 million yen to fund the purchase of manufacturing equipment and secure liquidity on hand, repayments of long-term borrowings of 452 million yen, and cash dividends paid of 487 million yen.

## **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

The consolidated forecasts announced on June 19, 2020 remain unchanged.

Regarding the impact of the spread of the COVID-19 pandemic on operations, we will continue to carefully monitor the business environment and business performance. An announcement will be made promptly when it is determined that a forecast revision is required.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY11/19 (As of Nov. 30, 2019)	Second quarter of FY11/20 (As of May 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	7,642,620	9,189,069
Notes and accounts receivable-trade	8,287,409	8,440,937
Electronically recorded monetary claims-operating	526,353	534,661
Finished goods	3,233,697	3,610,527
Work in process	1,789,839	1,891,406
Raw materials and supplies	1,415,818	1,366,595
Other	77,248	68,621
Allowance for doubtful accounts	(12,312)	(12,525)
Total current assets	22,960,674	25,089,293
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,351,767	6,407,742
Machinery, equipment and vehicles, net	4,052,457	4,231,590
Land	2,225,335	2,225,335
Construction in progress	1,745,961	1,615,983
Other, net	525,205	451,285
Total property, plant and equipment	14,900,727	14,931,937
Intangible assets		
Other	78,914	69,205
Total intangible assets	78,914	69,205
Investments and other assets		
Investment securities	5,485,076	5,160,280
Retirement benefit asset	134,282	143,213
Deferred tax assets	22,382	25,013
Other	266,057	251,994
Total investments and other assets	5,907,799	5,580,501
Total non-current assets	20,887,441	20,581,645
Total assets	43,848,116	45,670,938

	(Thousands of yen)	
	FY11/19 (As of Nov. 30, 2019)	Second quarter of FY11/20 (As of May 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	4,166,722	4,581,082
Current portion of long-term borrowings	811,597	1,011,530
Accounts payable-other	2,600,746	1,923,744
Income taxes payable	647,233	715,217
Provision for bonuses	76,439	-
Provision for bonuses for directors (and other officers)	59,780	29,000
Other	420,009	938,747
<b>Total current liabilities</b>	<b>8,782,529</b>	<b>9,199,322</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,817,156	2,364,355
Deferred tax liabilities	456,517	387,185
Other	244,988	166,505
<b>Total non-current liabilities</b>	<b>2,518,661</b>	<b>2,918,045</b>
<b>Total liabilities</b>	<b>11,301,190</b>	<b>12,117,367</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	3,600,295	3,600,295
Capital surplus	3,508,891	3,508,891
Retained earnings	23,752,015	24,956,946
Treasury shares	(441,707)	(434,935)
<b>Total shareholders' equity</b>	<b>30,419,495</b>	<b>31,631,198</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,055,556	1,823,945
Foreign currency translation adjustment	(20,782)	(32,075)
Remeasurements of defined benefit plans	(220,546)	(204,856)
<b>Total accumulated other comprehensive income</b>	<b>1,814,227</b>	<b>1,587,014</b>
<b>Non-controlling interests</b>	<b>313,202</b>	<b>335,359</b>
<b>Total net assets</b>	<b>32,546,925</b>	<b>33,553,571</b>
<b>Total liabilities and net assets</b>	<b>43,848,116</b>	<b>45,670,938</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income  
For the Six-month Period**

(Thousands of yen)

	First six months of FY11/19 (Dec. 1, 2018 – May 31, 2019)	First six months of FY11/20 (Dec. 1, 2019 – May 31, 2020)
Net sales	14,192,135	14,342,563
Cost of sales	10,455,408	10,065,568
Gross profit	3,736,727	4,276,994
Selling, general and administrative expenses	1,972,572	1,892,578
Operating profit	1,764,154	2,384,415
Non-operating income		
Interest income	1,161	813
Dividend income	63,552	64,140
Other	30,533	45,673
Total non-operating income	95,247	110,627
Non-operating expenses		
Interest expenses	3,865	4,401
Foreign exchange losses	41,477	23,738
Donations	-	9,000
Other	1,284	-
Total non-operating expenses	46,627	37,139
Ordinary profit	1,812,775	2,457,903
Extraordinary income		
Gain on sales of non-current assets	11,978	-
Gain on sales of investment securities	69,881	-
Insurance claim income	7,804	-
Total extraordinary income	89,664	-
Extraordinary losses		
Loss on retirement of non-current assets	18,383	51,130
Loss on valuation of golf club membership	150	-
Total extraordinary losses	18,533	51,130
Profit before income taxes	1,883,907	2,406,773
Income taxes-current	529,296	670,586
Income taxes-deferred	(2,511)	15,657
Total income taxes	526,785	686,243
Profit	1,357,121	1,720,529
Profit attributable to non-controlling interests	22,610	28,221
Profit attributable to owners of parent	1,334,511	1,692,308



**Quarterly Consolidated Statement of Comprehensive Income**  
**For the Six-month Period**

	(Thousands of yen)	
	First six months of FY11/19 (Dec. 1, 2018 – May 31, 2019)	First six months of FY11/20 (Dec. 1, 2019 – May 31, 2020)
Profit	1,357,121	1,720,529
Other comprehensive income		
Valuation difference on available-for-sale securities	(674,121)	(233,629)
Foreign currency translation adjustment	(8,683)	(11,292)
Remeasurements of defined benefit plans, net of tax	14,344	15,243
Total other comprehensive income	(668,461)	(229,678)
Comprehensive income	688,660	1,490,851
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	666,908	1,465,094
Comprehensive income attributable to non-controlling interests	21,751	25,756

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY11/19 (Dec. 1, 2018 – May 31, 2019)	First six months of FY11/20 (Dec. 1, 2019 – May 31, 2020)
Cash flows from operating activities		
Profit before income taxes	1,883,907	2,406,773
Depreciation	751,093	989,559
Amortization of goodwill	66,333	-
Increase (decrease) in allowance for doubtful accounts	(1,613)	212
Increase (decrease) in provision for bonuses	-	(76,439)
Increase (decrease) in provision for bonuses for directors (and other officers)	(49,200)	(30,780)
Decrease (increase) in retirement benefit asset	(7,794)	13,001
Interest and dividend income	(64,714)	(64,953)
Insurance claim income	(7,804)	-
Interest expenses	3,865	4,401
Foreign exchange losses (gains)	20,765	13,731
Loss (gain) on sales of non-current assets	(11,978)	-
Loss on retirement of non-current assets	18,383	51,130
Loss (gain) on sales of investment securities	(69,881)	-
Loss on valuation of golf club memberships	150	-
Decrease (increase) in trade receivables	543,879	(144,473)
Decrease (increase) in inventories	(738,012)	(433,008)
Increase (decrease) in trade payables	(18,399)	423,393
Other, net	(87,062)	623,822
Subtotal	2,231,915	3,776,369
Interest and dividends received	64,573	64,495
Interest paid	(4,001)	(4,446)
Proceeds from insurance income	7,804	-
Income taxes (paid) refund	(640,433)	(605,069)
Net cash provided by (used in) operating activities	1,659,859	3,231,349
Cash flows from investing activities		
Payments into time deposits	(1,560,000)	(980,000)
Proceeds from withdrawal of time deposits	1,560,000	1,270,000
Purchase of property, plant and equipment	(1,595,648)	(1,901,119)
Proceeds from sales of property, plant and equipment	12,805	-
Purchase of intangible assets	(10,620)	(7,136)
Purchase of investment securities	(2,685)	(2,665)
Proceeds from sales of investment securities	140,238	-
Proceeds from redemption of investment securities	100,000	-
Purchase of insurance funds	(1,014)	(2,701)
Proceeds from maturity of insurance funds	1,452	6,726
Other, net	(94,871)	30
Net cash provided by (used in) investing activities	(1,450,343)	(1,616,864)

(Thousands of yen)

	First six months of FY11/19 (Dec. 1, 2018 – May 31, 2019)	First six months of FY11/20 (Dec. 1, 2019 – May 31, 2020)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,000,000	1,200,000
Repayments of long-term borrowings	(327,972)	(452,868)
Repayments of lease obligations	(7,084)	(8,450)
Purchase of treasury shares	(24)	(35)
Proceeds from disposal of treasury shares	-	60
Dividends paid	(420,729)	(487,254)
Dividends paid to non-controlling interests	(1,800)	(3,600)
Net cash provided by (used in) financing activities	242,390	247,851
Effect of exchange rate change on cash and cash equivalents	(28,753)	(25,887)
Net increase (decrease) in cash and cash equivalents	423,153	1,836,448
Cash and cash equivalents at beginning of period	5,177,116	6,342,620
Cash and cash equivalents at end of period	5,600,270	8,179,069

**(4) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Additional Information**

Impact of the spread of the COVID-19 pandemic on accounting estimates

The Group makes accounting estimates for impairment of non-current assets and for the recoverability of deferred tax assets based on the information available to management at the time the consolidated financial statements are prepared. The accounting estimates are based on the assumption that the impact of the spread of the COVID-19 pandemic will continue until the latter half of 2020 and that a recovery can be expected to begin gradually thereafter. We believe that the COVID-19 pandemic will not have a significant effect on the Group's businesses and operating results forecast for the current fiscal year.

**Segment and Other Information**

I. First six months of FY11/19 (Dec. 1, 2018 – May 31, 2019)

1. Information related to net sales and profit or loss for each reportable segment

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Chemical products	Electronics materials	Specialty chemicals	Total		
Net sales						
External sales	5,817,477	5,233,688	3,140,969	14,192,135	-	14,192,135
Inter-segment sales and transfers	-	-	129,359	129,359	(129,359)	-
Total	5,817,477	5,233,688	3,270,328	14,321,495	(129,359)	14,192,135
Segment profit	394,710	1,019,540	357,927	1,772,177	(8,022)	1,764,154

Notes: 1. Segment profit in the above adjustment represents eliminations for inter-segment transactions.

2. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

## II. First six months of FY11/20 (Dec. 1, 2019 – May 31, 2020)

## 1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Chemical products	Electronics materials	Specialty chemicals	Total		
Net sales						
External sales	5,176,579	6,041,047	3,124,936	14,342,563	-	14,342,563
Inter-segment sales and transfers	-	-	155,497	155,497	(155,497)	-
Total	5,176,579	6,041,047	3,280,433	14,498,060	(155,497)	14,342,563
Segment profit	454,740	1,427,103	516,711	2,398,555	(14,140)	2,384,415

Notes: 1. Segment profit in the above adjustment represents eliminations for inter-segment transactions.

2. Segment profit is adjusted to be consistent with the operating profit on the quarterly consolidated statement of income.

## 2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

*This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*