

(English Translation)

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In the event of any discrepancy, the Japanese version prevail

**Consolidated Financial Results for the Fiscal Year Ended November 30, 2022 (FY11/22)****[Japanese GAAP]**

January 12, 2023

Company name: OSAKA ORGANIC CHEMICAL INDUSTRY LTD.
 Listing: Tokyo Stock Exchange, Prime Market
 Securities code: 4187 URL: <https://www.ooc.co.jp/>
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Scheduled date of Annual General Meeting of Shareholders: February 22, 2023
 Scheduled date of dividend payment: February 24, 2023
 Scheduled date of filing of Annual Securities Report: February 24, 2023
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for institutional and individual investors, and securities analysts)

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

1. Consolidated Financial Results for FY11/22 (December 1, 2021 to November 30, 2022)**(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	%
Fiscal year ended Nov. 30, 2022	32,236	-	5,934	1.4	6,365	1.8	4,725	(5.5)
Fiscal year ended Nov. 30, 2021	35,027	22.1	5,852	31.8	6,253	35.6	4,998	50.9

Note: Comprehensive income (millions of yen) Fiscal year ended Nov. 30, 2022: 4,844 (down 6.2%)
 Fiscal year ended Nov. 30, 2021: 5,165 (up 48.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Nov. 30, 2022	216.87	-	11.9	12.3	18.4
Fiscal year ended Nov. 30, 2021	225.65	-	13.6	13.1	16.7

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Nov. 30, 2022: - Fiscal year ended Nov. 30, 2021: -
 Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the consolidated fiscal year ended November, 2022, and the figures stated for the period under review are adjusted following the application of the above-mentioned accounting standard, etc. Therefore, the year-on-year change of net sales for the period under review is omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Nov. 30, 2022	52,836	41,394	77.3	1,893.39
As of Nov. 30, 2021	49,868	39,125	77.5	1,744.45

Reference: Shareholders' equity (millions of yen) As of Nov. 30, 2022: 40,826 As of Nov. 30, 2021: 38,645

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the consolidated fiscal year ended November, 2022, and the figures stated for the period under review are adjusted following the application of the above-mentioned accounting standard, etc.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Nov. 30, 2022	4,727	(4,852)	(1,564)	8,064
Fiscal year ended Nov. 30, 2021	5,837	(1,043)	(1,830)	9,593

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Nov. 30, 2021	-	25.00	-	25.00	50.00	1,107	22.2	3.0
Fiscal year ended Nov. 30, 2022	-	27.00	-	27.00	54.00	1,170	24.9	3.0
Fiscal year ending Nov. 30, 2023 (Forecast)	-	28.00	-	28.00	56.00		29.5	

3. Consolidated Forecast for FY11/23 (December 1, 2022 to November 30, 2023)

(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
First half	15,900	(1.5)	3,150	(5.1)	3,250	(7.8)	2,200	(10.2)	102.03
Full year	33,500	3.9	5,850	(1.4)	6,050	(5.0)	4,100	(13.2)	190.14

* Notes

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

Newly added: -

Excluded: -

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: For details, please refer to “3. Consolidated Financial Statements and Notes; (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 13 (Attachment) of this financial report.

(3) Number of shares issued (common shares)

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

As of Nov. 30, 2022: 22,410,038 shares As of Nov. 30, 2021: 22,410,038 shares

2) Number of treasury shares at the end of the period

As of Nov. 30, 2022: 847,478 shares As of Nov. 30, 2021: 256,517 shares

3) Average number of shares during the period

Fiscal year ended Nov. 30, 2022: 21,791,059 shares Fiscal year ended Nov. 30, 2021: 22,153,059 shares

* The current financial report is not subject to audit by certified public accountants or auditing firms.

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

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the Company’s management at the time the materials were prepared. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Overview of Results of Operations, (4) Outlook” on page 4 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) Results of Operations

The overview of the financial position, results of operations and cash flows (hereinafter, the “Results of Operations”) of the Group (Osaka Organic Chemical Industry and its consolidated subsidiaries) for the fiscal year that ended in November 2022 is as follows.

Financial position and results of operations

During the current consolidated fiscal year, the Japanese economy was on a moderate recovery trend as restrictions on economic activities were being relaxed despite the effect of the resurgence of COVID-19 cases. For economic outlook, the economy is expected to continue to face uncertainties, including soaring raw material prices, sharp fluctuations in foreign exchange markets, and the protracted situation in Ukraine.

The Osaka Organic Chemical Industry Group started its Second Five-year Medium-term Business Plan in the fiscal year ended November 30, 2020. This plan is the second half of Next Stage 10, a long-term business plan covering the 10-year period that began with the fiscal year that ended in November 2015. Many activities are under way to accomplish the goals of this plan. 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 for increasing 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.

As a result, net sales for the period under review were 32,236 million yen (-% year on year), operating profit was 5,934 million yen (up 1.4% year on year), ordinary profit was 6,365 million yen (up 1.8% year on year), and profit attributable to owners of parent was 4,725 million yen (down 5.5% year on year).

It should be noted that “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. have been applied since the beginning of the consolidated fiscal year under review in accordance with a transitional treatment. As a result, net sales decreased by 5,230 million yen, cost of sales shrank 5,231 million yen, operating profit, ordinary profit and profit before income taxes increased 1 million yen, respectively, compared with those calculated according to the conventional accounting treatment method. Furthermore, the year-on-year change of net sales is omitted. For more information, please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, (Changes in Accounting Policies).”

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

1) Chemical products

Regarding acrylic acid ester, while sales of esters used in automotive coatings remained weak due to a decrease in production of automobiles, and sales of esters used in display adhesives started decreasing, sales of chemical products used in UV inkjet printers remained strong. Methacrylic acid esters recorded strong sales. As a result, net sales were 11,039 million yen (-% year on year) and segment profit was 813 million yen (down 13.3% year on year).

2) Electronics materials

Sales of semiconductor materials remained robust because of consistently strong sales of raw materials used to manufacture ArF photoresist, the primary product of this segment. The display materials delivered a weak sales performance due to a reactionary fall in demands for displays used in teleworking, remote learning and other activities. As a result, net sales stood at 15,220 million yen (-% year on year) and segment profit was 3,800 million yen (up 10.8% year on year).

3) Specialty chemicals

Raw materials for cosmetics recorded strong sales abroad. As for functional materials, sales of products made for other companies remained weak. High-purity specialty solvents produced by a subsidiary recorded robust sales. As a result, net sales were 5,976 million yen (-% year on year) and segment profit was 1,299 million yen (down 12.8% year on year).

(2) Financial Position

Total assets as of the end of the consolidated fiscal year under review stood at 52,836 million yen, an increase of 2,968 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of 1,829 million yen in cash and deposits, an increase of 769 million yen in notes receivable-trade, accounts receivable-trade and contract assets (presented as “notes and accounts receivable-trade” at the end of the previous consolidated fiscal year), an increase of 730 million yen in raw materials and supplies, and an increase of 2,861 million yen in property, plant and equipment.

Total liabilities as of the end of the consolidated fiscal year under review were 11,442 million yen, an increase of 699 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase of 329 million yen in notes and accounts payable-trade, an increase of 1,035 million yen in current portion of long-term borrowings, a decrease of 332 million yen in accounts payable-other, a decrease of 579 million yen in income taxes payable, and an increase of 241 million yen in long-term borrowings.

Total net assets as of the end of the consolidated fiscal year under review were 41,394 million yen, increasing 2,269 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to increases of 3,857 million yen in retained earnings and 1,690 million yen in treasury shares.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the current fiscal year decreased 1,529 million yen, or 15.9%, from the end of the previous fiscal year to 8,064 million yen with net cash provided by operating activities of 4,727 million yen, net cash used in investing activities of 4,852 million yen, and net cash used in financing activities of 1,564 million yen.

Cash flows from operating activities

Net cash provided by operating activities was 4,727 million yen compared with 5,837 million yen provided in the previous fiscal year. This was mainly the net result of profit before income taxes of 6,809 million yen, depreciation of 2,284 million yen, an increase in inventories of 1,507 million yen, and income taxes paid of 2,647 million yen.

Cash flows from investing activities

Net cash used in investing activities was 4,852 million yen compared with 1,043 million yen used in the previous year. Major factors include payment of 5,500 million yen for purchase of property, plant and equipment, mainly for equipment, and proceeds from sales of property, plant and equipment of 434 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,564 million yen compared with 1,830 million yen used in the previous fiscal year. Major factors include proceeds from long-term borrowings of 2,300 million yen mainly to fund the purchase of equipment, repayments of long-term borrowings of 1,022 million yen, purchase of treasury shares of 1,713 million yen, and cash dividends paid of 1,142 million yen.

(4) Outlook

The economic outlook is likely to remain uncertain as exemplified by resource and energy price surges, rising logistics costs, sharp fluctuations in foreign exchange markets, and the protracted situation in Ukraine.

Under such circumstances, all businesses of the Group are placing priority on the following themes and goals in accordance with the Second Five-year Medium-term Business Plan, which will end with the fiscal year ending in November 2024.

The chemical products business is focusing on maintaining a stable supply of products as demand for automotive coatings, etc., which was severely impacted by the COVID-19 crisis, is on a path to recovery. Activities are under way to improve profitability, including the ongoing elimination of unprofitable products.

One goal of the electronics materials business is increasing sales of ArF resist materials for semiconductors, which are a major product of this business. In addition, this business is preparing to manufacture resist materials for next-generation extreme ultraviolet (EUV) lithography to meet the anticipated demand for this resist. We also plan to increase sales of new display materials.

In the specialty chemicals business, we will focus on actions for strengthening sales outside Japan of raw materials used in cosmetics. In addition, subsidiary Shinko Organic Chemical Industry Ltd. is taking steps to meet the increasing demand for solvents for electronic materials.

Based on this outlook, we are forecasting net sales of 33,500 million yen, operating profit of 5,850 million yen, ordinary profit of 6,050 million yen and profit attributable to owners of parent of 4,100 million yen.

(5) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

The priorities of the Group are strengthening financial soundness and the foundation for business operations from a long-term perspective and making steady and consistent distributions of earnings to shareholders. Dividends are determined based on results of operations with a payout ratio of 30% as a key guideline while maintaining balance by taking into consideration results of operations, the need to retain earnings to implement business plans, and other factors.

The dividend for the fiscal year that ended in November 2022 was initially planned to be 52 yen per share, the sum of interim and year-end dividends of 26 yen. However, due to favorable results of operations particularly in the electronics materials business, in accordance with this basic policy, the interim dividend was increased by 1 yen to 27 yen. In addition, we plan to pay a year-end dividend of 27 yen, 1 yen more than the forecast, resulting in a fiscal year dividend of 54 yen. For the fiscal year ending in November 2023, the plan is to pay interim and year-end dividends of 28 yen, a total of 56 yen per share based on the forecast.

2. Basic Approach for the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using the generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY11/21 (As of Nov. 30, 2021)	FY11/22 (As of Nov. 30, 2022)
Assets		
Current assets		
Cash and deposits	9,923,730	8,094,541
Notes and accounts receivable-trade	9,054,341	-
Notes receivable-trade	-	7,311
Electronically recorded monetary claims-operating	419,513	357,804
Accounts receivable-trade	-	8,838,444
Contract assets	-	978,344
Finished goods	4,886,661	4,625,496
Work in process	2,038,298	1,985,897
Raw materials and supplies	1,706,178	2,437,106
Other	74,077	772,651
Allowance for doubtful accounts	(14,101)	(15,329)
Total current assets	28,088,700	28,082,267
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,568,717	17,378,700
Accumulated depreciation	(9,877,562)	(10,209,064)
Buildings and structures, net	7,691,154	7,169,635
Machinery, equipment and vehicles	27,921,299	28,621,245
Accumulated depreciation	(23,570,739)	(24,747,678)
Machinery, equipment and vehicles, net	4,350,559	3,873,567
Land	2,179,304	2,173,661
Construction in progress	807,185	4,785,912
Other	3,161,370	3,290,266
Accumulated depreciation	(2,579,886)	(2,822,212)
Other, net	581,484	468,053
Total property, plant and equipment	15,609,688	18,470,830
Intangible assets		
Goodwill	83,333	63,333
Other	58,263	53,358
Total intangible assets	141,596	116,692
Investments and other assets		
Investment securities	5,642,873	5,619,707
Retirement benefit asset	146,509	353,157
Deferred tax assets	36,052	420
Other	202,932	193,660
Total investments and other assets	6,028,369	6,166,945
Total non-current assets	21,779,654	24,754,468
Total assets	49,868,355	52,836,735

	(Thousands of yen)	
	FY11/21	FY11/22
	(As of Nov. 30, 2021)	(As of Nov. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,192,756	4,522,059
Current portion of bonds payable	-	25,000
Current portion of long-term borrowings	759,920	1,795,832
Accounts payable-other	1,399,135	1,066,907
Income taxes payable	1,615,908	1,036,437
Contract liabilities	-	3,225
Provision for bonuses for directors (and other officers)	73,200	34,715
Other	646,916	685,491
Total current liabilities	8,687,838	9,169,669
Non-current liabilities		
Bonds payable	-	25,000
Long-term borrowings	1,494,463	1,736,327
Deferred tax liabilities	458,403	410,366
Provision for share awards for directors (and other officers)	-	10,591
Other	102,591	90,405
Total non-current liabilities	2,055,458	2,272,690
Total liabilities	10,743,296	11,442,359
Net assets		
Shareholders' equity		
Share capital	3,600,295	3,600,295
Capital surplus	3,512,539	3,513,544
Retained earnings	30,004,244	33,861,607
Treasury shares	(433,016)	(2,123,303)
Total shareholders' equity	36,684,063	38,852,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,101,591	1,913,210
Foreign currency translation adjustment	33,236	78,564
Remeasurements of defined benefit plans	(173,194)	(17,619)
Total accumulated other comprehensive income	1,961,634	1,974,155
Non-controlling interests	479,361	568,076
Total net assets	39,125,059	41,394,375
Total liabilities and net assets	49,868,355	52,836,735

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)	FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)
Net sales	35,027,956	32,236,826
Cost of sales	24,778,402	21,947,772
Gross profit	10,249,553	10,289,053
Selling, general and administrative expenses	4,396,575	4,354,525
Operating profit	5,852,978	5,934,528
Non-operating income		
Interest income	1,663	1,263
Dividend income	134,987	198,199
Foreign exchange gains	70,850	110,759
Subsidy income	115,300	-
Surrender value of insurance policies	-	34,383
Other	85,232	107,895
Total non-operating income	408,033	452,500
Non-operating expenses		
Interest expenses	6,944	5,915
Commission for purchase of treasury shares	-	13,948
Other	492	2,017
Total non-operating expenses	7,437	21,881
Ordinary profit	6,253,574	6,365,146
Extraordinary income		
Gain on sales of non-current assets	118,796	426,995
Gain on sales of investment securities	814,657	35,769
Total extraordinary income	933,453	462,764
Extraordinary losses		
Loss on sales of non-current assets	-	207
Loss on retirement of non-current assets	9,990	18,493
Total extraordinary losses	9,990	18,701
Profit before income taxes	7,177,037	6,809,209
Income taxes-current	2,151,359	2,087,265
Income taxes-deferred	(89,473)	(103,190)
Total income taxes	2,061,885	1,984,075
Profit	5,115,151	4,825,134
Profit attributable to non-controlling interests	116,261	99,232
Profit attributable to owners of parent	4,998,890	4,725,901

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)	FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)
Profit	5,115,151	4,825,134
Other comprehensive income		
Valuation difference on available-for-sale securities	(63,765)	(184,721)
Foreign currency translation adjustment	48,478	45,327
Remeasurements of defined benefit plans, net of tax	65,852	158,917
Total other comprehensive income	50,565	19,523
Comprehensive income	5,165,717	4,844,658
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,045,191	4,738,422
Comprehensive income attributable to non-controlling interests	120,526	106,235

(3) Consolidated Statement of Changes in Equity

FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,600,295	3,508,891	26,068,688	(435,195)	32,742,680
Cumulative effect of changes in accounting policies					-
Restated balance	3,600,295	3,508,891	26,068,688	(435,195)	32,742,680
Changes during period					
Dividends of surplus			(1,063,334)		(1,063,334)
Profit attributable to owners of parent			4,998,890		4,998,890
Purchase of treasury shares				(1,193)	(1,193)
Disposal of treasury shares		3,647		3,372	7,020
Net changes in items other than shareholders' equity					
Total changes during period	-	3,647	3,935,555	2,178	3,941,382
Balance at end of period	3,600,295	3,512,539	30,004,244	(433,016)	36,684,063

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,168,185	(15,242)	(237,610)	1,915,333	367,259	35,025,273
Cumulative effect of changes in accounting policies						-
Restated balance	2,168,185	(15,242)	(237,610)	1,915,333	367,259	35,025,273
Changes during period						
Dividends of surplus						(1,063,334)
Profit attributable to owners of parent						4,998,890
Purchase of treasury shares						(1,193)
Disposal of treasury shares						7,020
Net changes in items other than shareholders' equity	(66,594)	48,478	64,415	46,300	112,102	158,403
Total changes during period	(66,594)	48,478	64,415	46,300	112,102	4,099,785
Balance at end of period	2,101,591	33,236	(173,194)	1,961,634	479,361	39,125,059

FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,600,295	3,512,539	30,004,244	(433,016)	36,684,063
Cumulative effect of changes in accounting policies			274,088		274,088
Restated balance	3,600,295	3,512,539	30,278,333	(433,016)	36,958,151
Changes during period					
Dividends of surplus			(1,142,627)		(1,142,627)
Profit attributable to owners of parent			4,725,901		4,725,901
Purchase of treasury shares				(1,699,127)	(1,699,127)
Disposal of treasury shares		1,004		8,840	9,845
Net changes in items other than shareholders' equity					
Total changes during period	-	1,004	3,583,274	(1,690,287)	1,893,991
Balance at end of period	3,600,295	3,513,544	33,861,607	(2,123,303)	38,852,143

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,101,591	33,236	(173,194)	1,961,634	479,361	39,125,059
Cumulative effect of changes in accounting policies						274,088
Restated balance	2,101,591	33,236	(173,194)	1,961,634	479,361	39,399,147
Changes during period						
Dividends of surplus						(1,142,627)
Profit attributable to owners of parent						4,725,901
Purchase of treasury shares						(1,699,127)
Disposal of treasury shares						9,845
Net changes in items other than shareholders' equity	(188,381)	45,327	155,574	12,520	88,715	101,236
Total changes during period	(188,381)	45,327	155,574	12,520	88,715	1,995,228
Balance at end of period	1,913,210	78,564	(17,619)	1,974,155	568,076	41,394,375

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)	FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	7,177,037	6,809,209
Depreciation	2,435,011	2,284,165
Amortization of goodwill	16,666	19,999
Increase (decrease) in allowance for doubtful accounts	1,714	1,228
Increase (decrease) in provision for bonuses	(43,000)	-
Increase (decrease) in provision for bonuses for directors (and other officers)	9,120	(38,485)
Increase (decrease) in provision for share awards for directors (and other officers)	-	10,591
Decrease (increase) in retirement benefit asset	32,214	22,010
Interest and dividend income	(136,650)	(199,462)
Interest expenses	6,944	5,915
Foreign exchange losses (gains)	(63,772)	(109,566)
Loss (gain) on sales of non-current assets	(118,796)	(426,787)
Loss on retirement of non-current assets	9,990	18,493
Loss (gain) on sales of investment securities	(814,657)	(35,769)
Subsidy income	(115,300)	-
Decrease (increase) in trade receivables	(1,294,947)	-
Decrease (increase) in trade receivables and contract assets	-	402,169
Decrease (increase) in inventories	(1,293,716)	(1,507,738)
Increase (decrease) in trade payables	953,270	293,262
Other, net	117,530	(325,831)
Subtotal	6,878,660	7,223,406
Interest and dividends received	136,775	156,878
Interest paid	(6,707)	(5,401)
Subsidies received	115,300	-
Income taxes (paid) refund	(1,286,320)	(2,647,736)
Net cash provided by (used in) operating activities	5,837,707	4,727,146
Cash flows from investing activities		
Payments into time deposits	(630,000)	(330,000)
Proceeds from withdrawal of time deposits	1,310,000	630,000
Purchase of property, plant and equipment	(2,313,825)	(5,500,648)
Proceeds from sales of property, plant and equipment	164,886	434,250
Purchase of intangible assets	(17,037)	(15,975)
Purchase of investment securities	(708,453)	(298,709)
Proceeds from sales of investment securities	1,236,027	61,971
Proceeds from redemption of investment securities	200,000	-
Proceeds from liquidation of subsidiaries and associates	-	54,116
Purchase of insurance funds	(3,521)	(1,192)
Proceeds from maturity of insurance funds	-	118,208
Payments for acquisition of businesses	(245,520)	-
Other, net	(35,863)	(4,538)
Net cash provided by (used in) investing activities	(1,043,306)	(4,852,517)

	(Thousands of yen)	
	FY11/21	FY11/22
	(Dec. 1, 2020 – Nov. 30, 2021)	(Dec. 1, 2021 – Nov. 30, 2022)
Cash flows from financing activities		
Proceeds from long-term borrowings	250,000	2,300,000
Repayments of long-term borrowings	(993,660)	(1,022,224)
Proceeds from issuance of bonds	-	50,000
Repayments of lease obligations	(14,049)	(18,904)
Purchase of treasury shares	(1,193)	(1,713,076)
Dividends paid	(1,063,334)	(1,142,627)
Dividends paid to non-controlling interests	(8,424)	(17,520)
Net cash provided by (used in) financing activities	(1,830,661)	(1,564,352)
Effect of exchange rate change on cash and cash equivalents	118,231	160,534
Net increase (decrease) in cash and cash equivalents	3,081,969	(1,529,189)
Cash and cash equivalents at beginning of period	6,511,760	9,593,730
Cash and cash equivalents at end of period	9,593,730	8,064,541

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

(Application of the Accounting Standard for Revenue Recognition, etc.)

We decided to apply “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. from the beginning of the consolidated fiscal year ended November 2022 and recognize revenue at the amount estimated to be received in exchange for the relevant goods or services when we have satisfied a performance obligation of promised goods or services and transferred the control to a customer.

Accordingly, we have changed the method of revenue recognition for some transactions in which revenues had been recognized in accordance with the provisions of contractual transfer of ownership, to the method of revenue recognition when a substantial control is transferred to a customer. As to supplies provided by a supplier under a buy-sell transaction with a repurchase obligation, we had recorded sales and cost of sales when the goods were sold back to the supplier, but we have changed the method of revenue recognition to recognizing only the net amount equivalent to processing fees as revenue. In addition, as to the term-end balance of inventories of the supplies provided by suppliers under the buy-sell transactions with a repurchase obligation, we had presented them including in the items “Finished goods,” “Work in process” and “Raw materials and supplies” under “Current assets,” but we now include them in “Other.” It should be noted that in the case of domestic sale of products, we recognize revenue at the time of shipping by applying an alternative treatment as provided for in Article 98 of the Practical Guidance on the Accounting Standards for Revenue Recognition if the length of period for transfer of the control of the relevant goods or products from shipping to a customer is deemed to be ordinary.

For the application of the Accounting Standards for Revenue Recognition, etc., we have followed the transitional treatments as provided for in the proviso of Article 84 of the Accounting Standard for Revenue Recognition. Accordingly, we have applied the new accounting policy to the balance of retained earnings at the beginning of the current consolidated fiscal year by adding or deducting the amount of cumulative effect which is assumed to have occurred if the new accounting policy was applied retroactively prior to the beginning of the current consolidated fiscal year, to or from retained earnings at the beginning of the current consolidated fiscal year.

As a result, net sales for the fiscal year under review decreased by 5,230,345,000 yen, cost of sales decreased by 5,231,720,000 yen, and operating profit, ordinary profit and profit before income taxes increased by 1,374,000 yen, respectively. Finished goods as of the end of the current consolidated fiscal year decreased by 129,199,000 yen, work in process decreased by 293,442,000 yen, raw materials and supplies decreased by 220,084,000 yen whereas other under current assets increased by 642,727,000 yen. The balance of retained earnings at the beginning of the fiscal year under review increased by 274,088,000 yen.

In addition, profit before income taxes in the consolidated statement of cash flows for the fiscal year under review increased by 1,374,000 yen.

“Notes and accounts receivable-trade,” which was presented in “Current assets” in the consolidated balance sheet for the previous consolidated fiscal year, is included in “Notes receivable-trade,” “Accounts receivable-trade,” and “Contract assets” as appropriate starting from the current consolidated fiscal year. “Other,” which was presented in “Current liabilities” in the consolidated balance sheet for the previous consolidated fiscal year, is included in “Contract liabilities” and “Other” as appropriate starting from the current consolidated fiscal year. “Decrease (increase) in trade receivables,” which was presented under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous consolidated fiscal year, is included in “Decrease (increase) in trade receivables and contract assets” from the current consolidated fiscal year. However, in accordance with the transitional treatments as provided for in Article 89-2 of the Accounting Standard for Revenue Recognition, the financial statements for the previous consolidated fiscal year are not reclassified to conform with the new presentation method.

The effect of this change on per share information is disclosed in the applicable section.

Application of the Accounting Standard for Fair Value Measurement, etc.

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, “Accounting Standard for Fair Value Measurement”) has been applied since the beginning of the current consolidated fiscal year. In accordance with the transitional treatments as provided for in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), we will continue to apply the new accounting policies as provided for in Accounting Standard for Fair Value Measurement, etc. in the future. The application has no impact on the consolidated financial statements.

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are the constituent units of Osaka Organic Chemical Industry and its subsidiaries for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

Acrylic acid esters are the main product of the Group. Consequently, there are three reportable segments based on the categories of products and markets where these esters are used: chemical products, electronics materials and specialty chemicals.

The main businesses of these three segments are as follows.

Segment	Main businesses
Chemical products	Specialty acrylic acid esters and other acrylic acids for coatings, adhesives and ink
Electronics materials	Electronics materials primarily for displays and semiconductors
Specialty chemicals	Raw materials for cosmetics and functional materials, others

2. Calculation method for net sales and profit or loss, assets, and other items for each reportable segment

The accounting methods used for reportable business segments are generally the same as the descriptions in “Significant matters that serve as the basis for preparation of consolidated financial statements.”

Profits for reportable segments are operating profit figures. Inter-segment sales and transfers are based on market prices.

As noted in Changes in Accounting Policies, the Company changed the accounting treatment method of revenue recognition by applying the Accounting Standard for Revenue Recognition, etc. since the beginning of the current consolidated fiscal year. As a result, the Company also changed the method of calculating segment profit or loss.

As a result of these changes, net sales for the current consolidated fiscal year decreased by 1,060,153,000 yen in the chemical products business, 354,475,000 yen in the electronics materials business, and 3,815,715,000 yen in the specialty chemicals business, compared with those calculated according to the conventional accounting treatment method. Segment profit increased by 1,374,000 yen in the electronics materials business.

3. Information on the amounts of sales, profits or losses, assets, liabilities, and other items by reportable segment and information on disaggregation of revenue

FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Chemical products	Electronics materials	Specialty chemicals	Total		
Net sales						
External sales	12,057,373	14,508,444	8,462,137	35,027,956	-	35,027,956
Inter-segment sales and transfers	-	-	377,554	377,554	(377,554)	-
Total	12,057,373	14,508,444	8,839,692	35,405,510	(377,554)	35,027,956
Segment profit	938,715	3,430,372	1,490,015	5,859,103	(6,125)	5,852,978
Segment assets	7,084,444	14,936,988	4,800,148	26,821,581	23,046,773	49,868,355
Other items						
Depreciation	703,556	1,446,704	284,750	2,435,011	-	2,435,011
Amortization of goodwill	-	-	16,666	16,666	-	16,666
Increase in property, plant and equipment and intangible assets	46,252	568,044	537,337	1,151,635	494,623	1,646,258

Notes: 1. Adjustments are as follows.

- (1) Segment profit in the above adjustment represents eliminations for inter-segment transactions.
 - (2) The adjustment to segment assets includes 119,015 thousand yen in elimination of inter-segment receivables, 23,267,155 thousand yen of corporate assets that cannot be allocated to reportable segments, and inventory adjustments of 101,366 thousand yen. Corporate assets mainly include cash and deposits and investment securities that cannot be attributed to reportable segments.
 - (3) The amount of adjustment to increase in property, plant and equipment and intangible assets in other items represents corporate assets that have not been allocated to reportable segments.
2. Segment profit is adjusted to be consistent with the operating profit on the consolidated statement of income.

FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)

(Thousands of yen)

	Reporatable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Chemical products	Electronics materials	Specialty chemicals	Total		
Net sales						
Japan	7,309,311	13,550,908	5,002,618	25,862,838	-	25,862,838
Asia and Australia	2,637,045	1,611,307	871,029	5,119,382	-	5,119,382
Americas	656,025	58,724	90,570	805,320	-	805,320
Europe	437,012	-	12,271	449,284	-	449,284
Revenue from contracts with customers	11,039,396	15,220,939	5,976,490	32,236,826	-	32,236,826
Other revenues	-	-	-	-	-	-
External sales	11,039,396	15,220,939	5,976,490	32,236,826	-	32,236,826
Inter-segment sales and transfers	-	-	384,844	384,844	(384,844)	-
Total	11,039,396	15,220,939	6,361,334	32,621,670	(384,844)	32,236,826
Segment profit	813,908	3,800,093	1,299,412	5,913,414	21,113	5,934,528
Segment assets	6,954,765	18,279,659	4,933,778	30,168,203	22,668,532	52,836,735
Other items						
Depreciation	611,760	1,334,799	337,606	2,284,165	-	2,284,165
Amortization of goodwill	-	-	19,999	19,999	-	19,999
Increase in property, plant and equipment and intangible assets	84,495	269,986	597,443	951,925	217,770	1,169,696

Notes: 1. Adjustments are as follows.

- (1) Segment profit in the above adjustment represents eliminations for inter-segment transactions.
 - (2) The adjustment to segment assets includes 107,493 thousand yen in elimination of inter-segment receivables, 22,857,538 thousand yen of corporate assets that cannot be allocated to reportable segments, and inventory adjustments of 81,512 thousand yen. Corporate assets mainly include cash and deposits and investment securities that cannot be attributed to reportable segments.
 - (3) The amount of adjustment to increase in property, plant and equipment and intangible assets in other items represents corporate assets that have not been allocated to reportable segments.
2. Segment profit is adjusted to be consistent with the operating profit on the consolidated statement of income.

Per-share Information

(Yen)

	FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)	FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)
Net assets per share	1,744.45	1,893.39
Net income per share	225.65	216.87

- Notes:
1. Diluted net income per share is not presented because there are no latent shares.
 2. As noted in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition, etc. As a result, net assets per share and net income per share for the current consolidated fiscal year increased by 0.06 yen, respectively.
 3. The basis of calculating the net income per share is as follows:

	FY11/21 (Dec. 1, 2020 – Nov. 30, 2021)	FY11/22 (Dec. 1, 2021 – Nov. 30, 2022)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	4,998,890	4,725,901
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	4,998,890	4,725,901
Average number of common shares outstanding during the period (Shares)	22,153,059	21,791,059

Material Subsequent Events

Not applicable.

4. Supplementary Information

As noted in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition, etc. starting from the consolidated financial statements for the current consolidated fiscal year. Consolidated net sales (reference value) calculated according to the conventional accounting treatment method are as follows:

(Thousands of yen)

	Reportable segment			
	Chemical products	Electronics materials	Specialty chemicals	Total
Fiscal year ended Nov. 30, 2021	12,057,373	14,508,444	8,462,137	35,027,956
Fiscal year ended Nov. 30, 2022	12,099,550	15,575,415	9,792,205	37,467,171
Year on year change	42,176	1,066,970	1,330,067	2,439,214
Year on year change (%)	0.3	7.4	15.7	7.0