

# **Business Results for the Second Quarter of Fiscal Year Ending March 31, 2023**

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**(April 1, 2022 – September 30, 2022)**

November 14, 2022



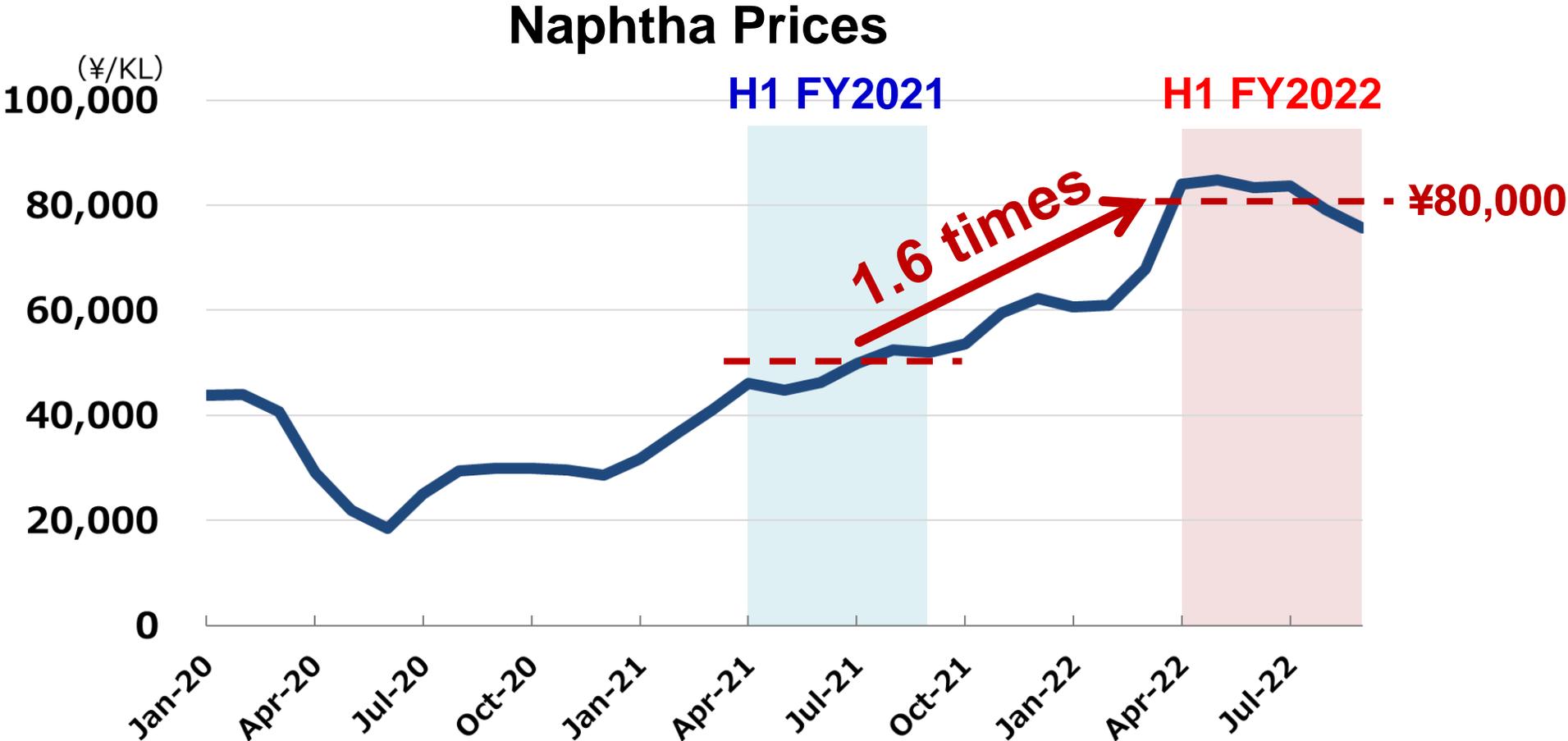
# **1. Business Results for the H1 FY 2022**

## **2. Projection for the FY2022**

## **3. Future Outlook**

# Naphtha Prices in the H1 FY2022

- ✓ Recovery from the COVID-19, lockdown in China, the invasion to Ukraine and etc led to global inflation, which rose to 1.6x YOY.
- ✓ The United States and European countries are raising interest rates to curb inflation, however resource prices remain high, and there are fears of economic recession.



Source: Amerex Energy Com.

# USD/JPY Exchange Rate for the H1 FY2022

- ✓ In order to curb inflation, policy interest rates were raised mainly in the United States and European countries.
- ✓ The yen depreciates from 110 yen/USD to 145 yen/USD (1.3 times) due to the interest rate differential between Japan and the United States.

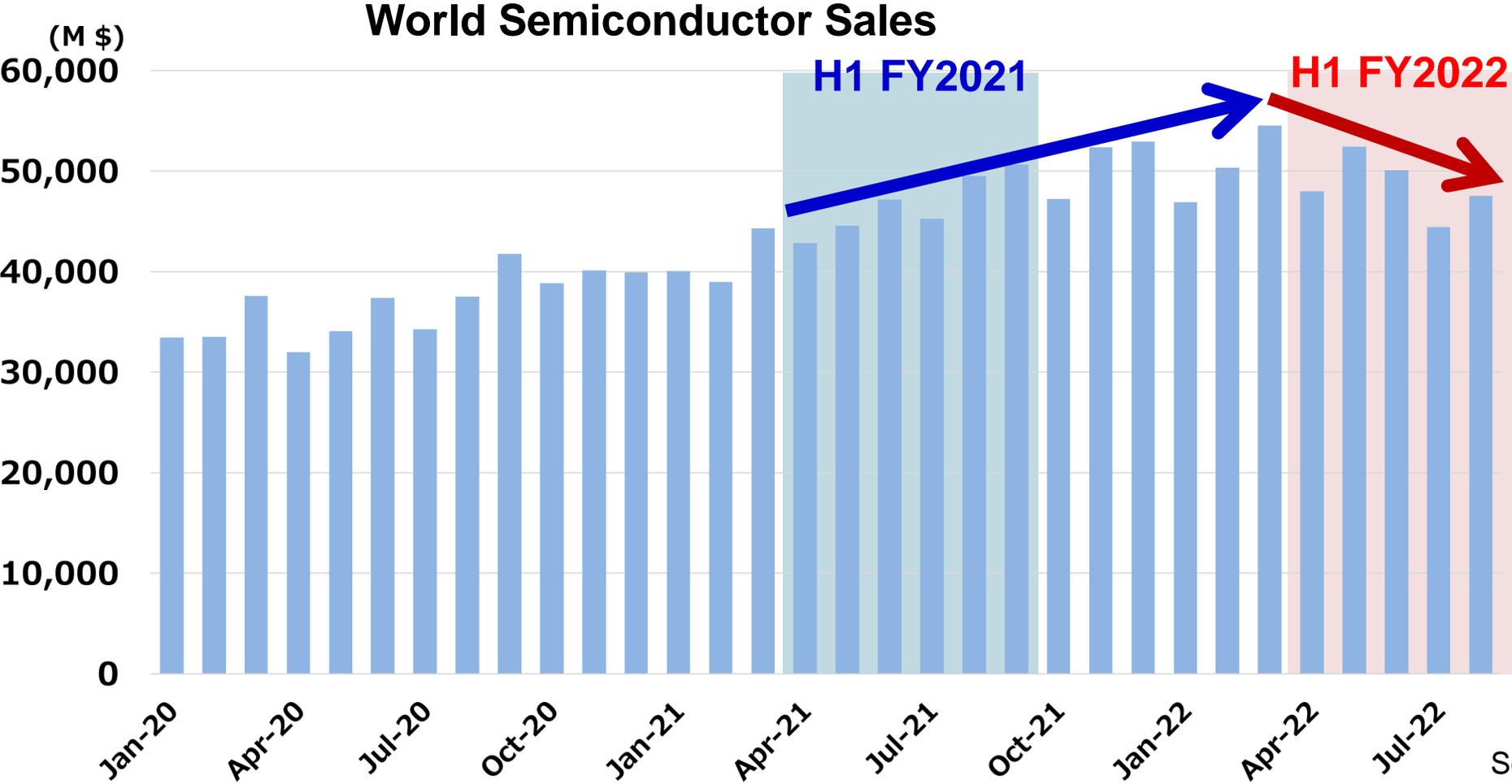
## USD/JPY Chart



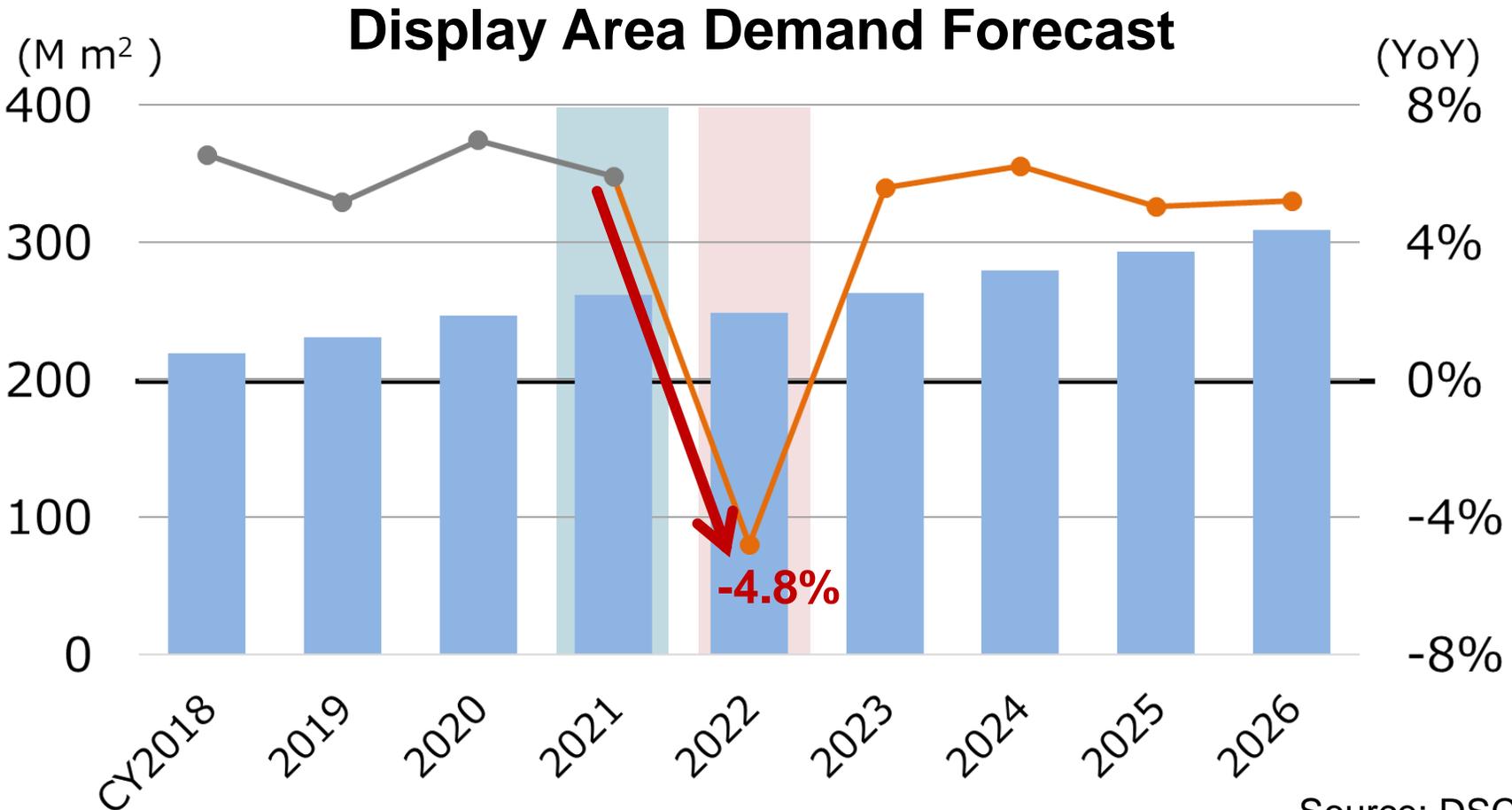
Source: Yahoo Finance

# Semiconductor Market in H1

- ✓ Demand for consumer products such as smartphones and PCs has declined due to the end of the COVID-19 special demand.
- ✓ However, demand for advanced semiconductors is expanding under demand for DX, competition for technological supremacy, and accelerating investment competition.
- ✓ Continuing shortage of semiconductors for automobiles.



- ✓ Special demand for PCs and TVs due to COVID-19 has run its course, and sales of smartphones have also declined due to the economic slowdown.
- ✓ Market for panels is sluggish due to inventory adjustment and slowdown in consumption. A recovery is expected from 2023 onward.



Source: DSCC

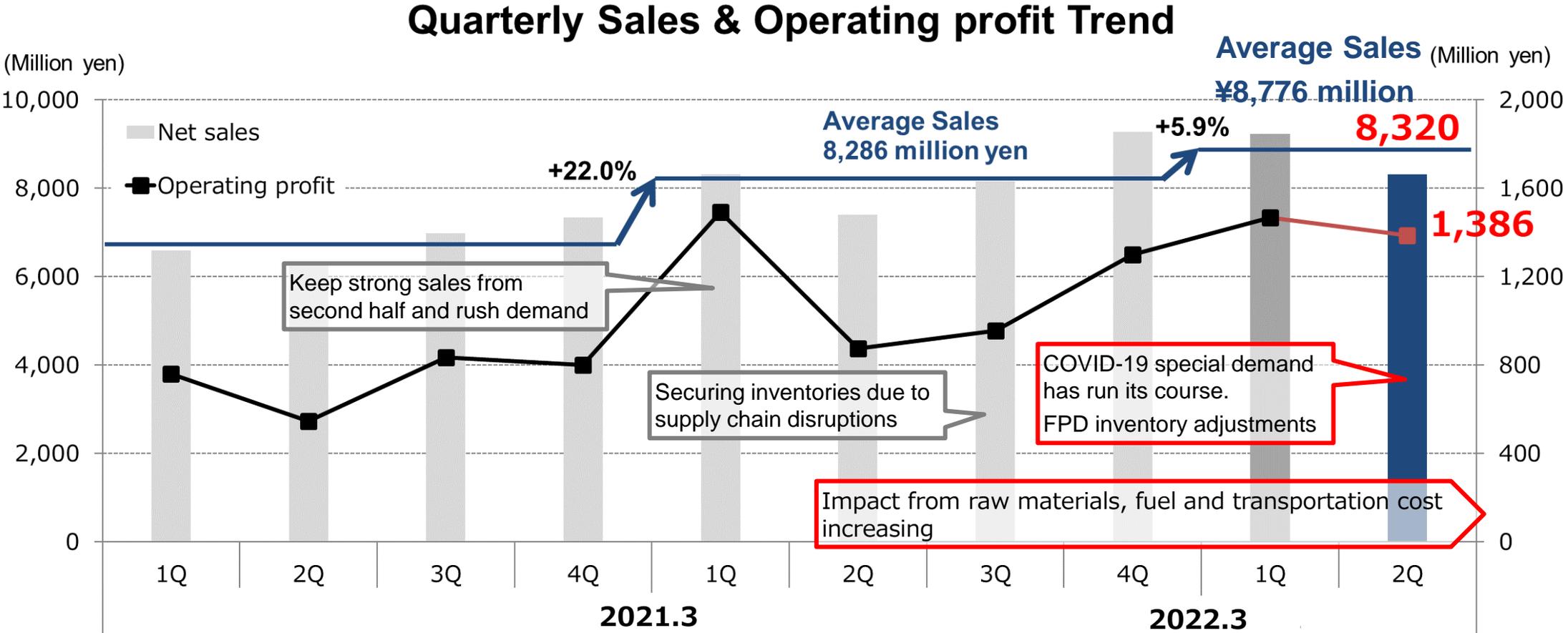
# Financial Results for the H1 FY2022

- Sales increased by 12% YOY thanks to continued strong demand for advanced semiconductor materials amid a slowdown in demand for displays.
- Operating profit reached a record high of 2.85 billion yen (+20%) thanks to the sales increase in cutting-edge fields and reflecting surging raw material, fuel, and freight costs in selling prices.
- Ordinary profit increased 39% YOY, thanks in part to foreign exchange gains.
- Compared to the forecast, although sales decreased due to a decline in demand for electronic materials, profit increased by 37% due to the weaker yen and an increase sales in cutting-edge products.

(Million yen)	H1 FY2021 Results	H1 FY2022 Projections	H1 FY2022 Results	YoY		Comparison with Forecasts	
				Change	YoY	Change	YoY
Net sales	15,710	20,000	<b>17,553</b>	+1,843	+12%	(2,446)	(12%)
Operating profit	2,369	2,450	<b>2,852</b>	+483	+20%	+402	+16%
Ordinary profit	2,360	2,400	<b>3,278</b>	+918	+39%	+878	+37%
Profit	1,625	1,650	<b>2,247</b>	+622	+38%	+597	+36%
EPS	¥204.79	¥207.89	<b>¥283.22</b>				
Interim Dividends	¥15	¥20	<b>¥20</b>				
FX Rate (USD)	¥109.9/\$	¥125/\$	<b>¥133/\$</b>				

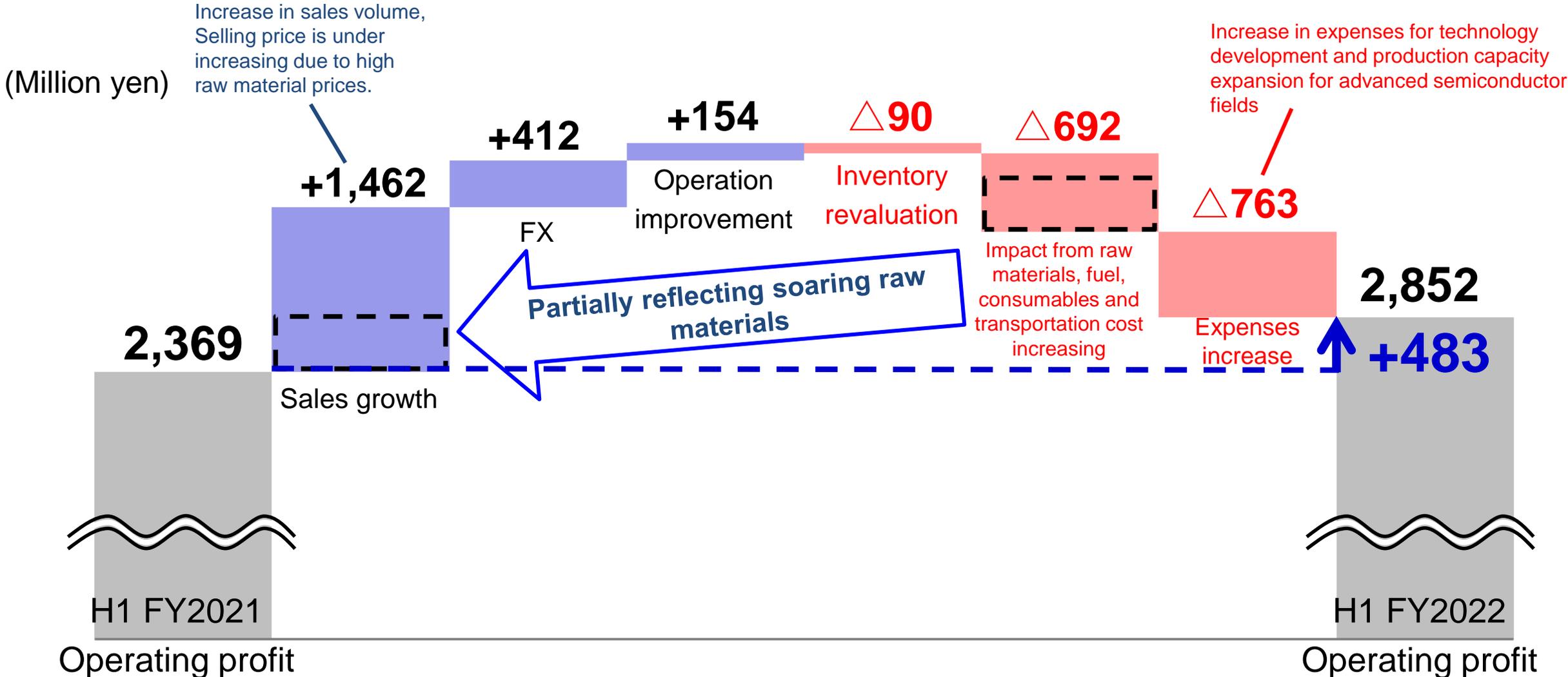
# Quarterly Sales & Operating profit Trend

- Quarterly average sales increased +5.9% from the previous term. Operating income maintained around 1.4 billion yen.
- Maintained high level of sales and profit due to strong demand for advanced semiconductor materials amid soaring raw material and fuel prices, rising fixed costs, and display market inventory adjustments.

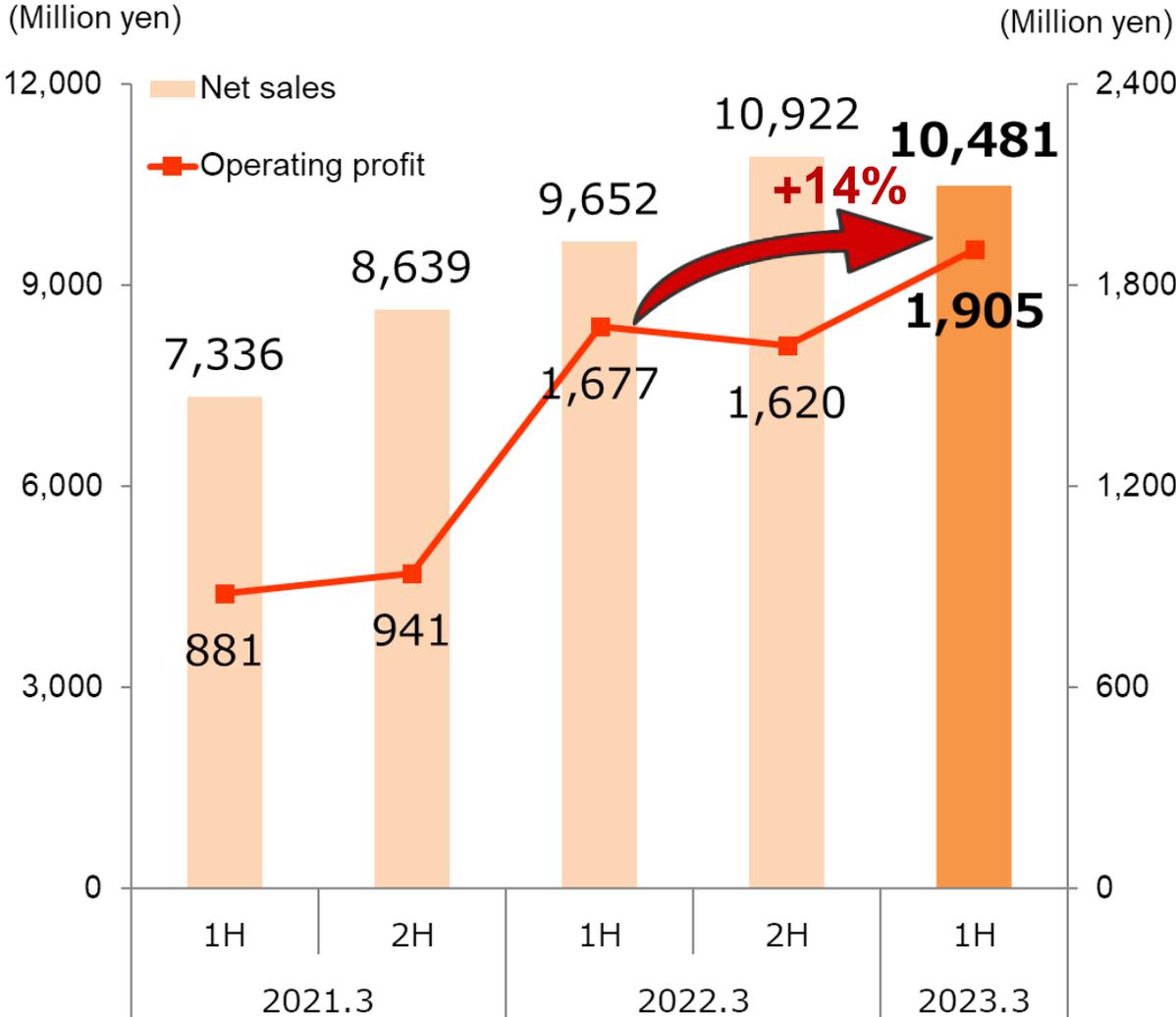


# Change analysis: Operating profit

- Rise in raw materials/fuel/freight rates and increase in cost for production capacity expansion were offset by increased sales of high-value-added products and reflected in prices, resulting in an increase in profit.



## Net sales & Operating profit



### Net sales: 10,481 million yen

(YoY+828 million yen, +9%)

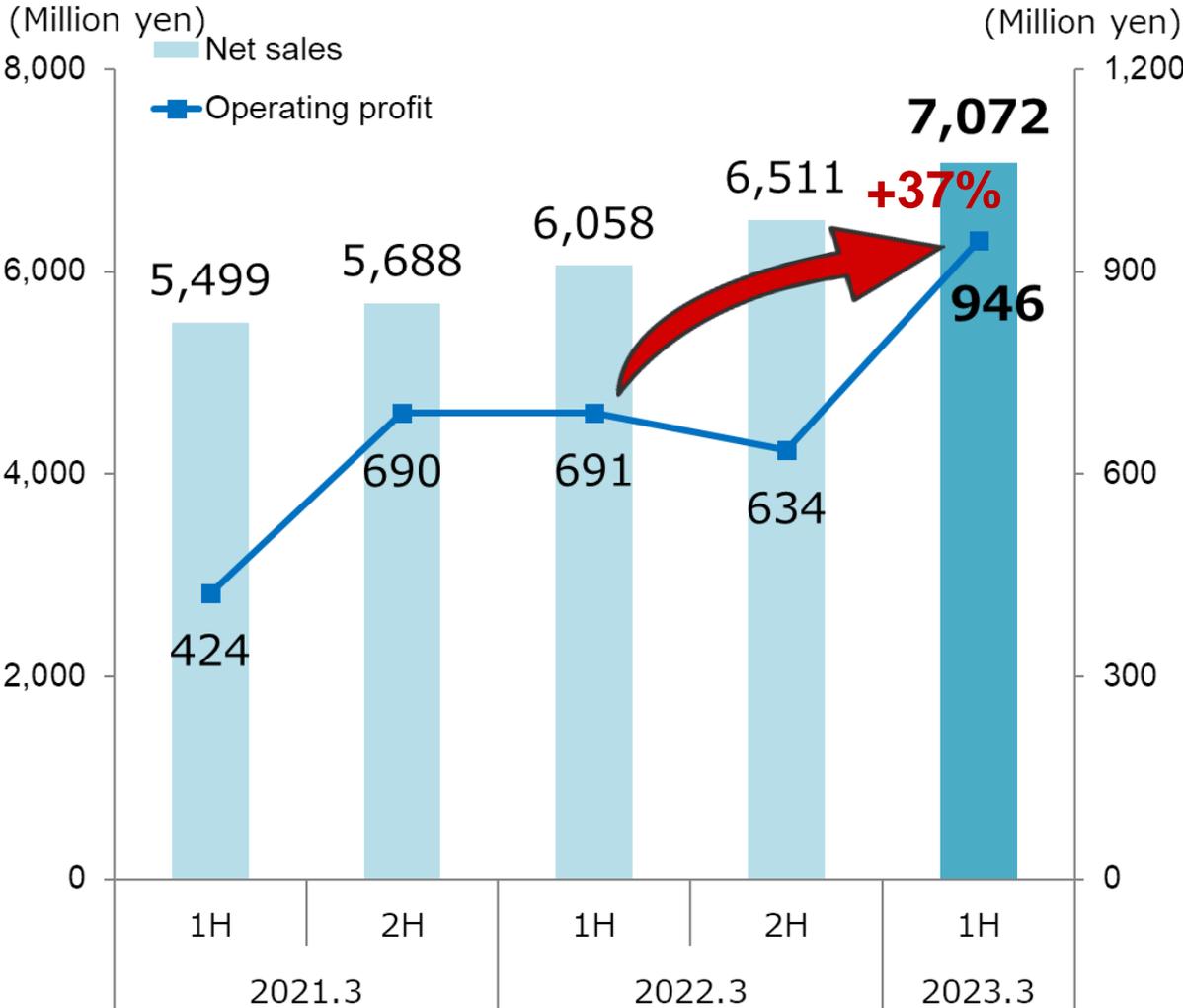
- Strong demand continues for logic semiconductor applications.
- Sales for memory and general-purpose semiconductor applications keeping firm growth.
- Although demand for display applications declined, the weaker yen made up for it.

### Operating profit: 1,905 million yen

(YoY+228 million yen, +14%)

- Record-high, as increased production of materials for advanced semiconductors absorbed increased expenses.
- Soaring raw material and fuel prices, and increased costs for technology development and production capacity expansion.

## Net sales & Operating profit



### Net sales: 7,072 million yen

(YoY+1,014 million yen, +16.7%)

- Sales of high-purity solvents for semiconductors continued to be strong.
- Solvents for other electronic materials and aroma chemicals were weak due to the economic slowdown.
- In the logistics business, the contract rate remained high despite a decrease in cargo movement due to lower automobile production and other factors.
- Selling prices continue to be adjusted in raw material prices increase accordingly

### Operating profit: 946 million yen

(YoY+254 million yen, +37%)

- Record high thanks to shift to high value-added products.

# H1 FY 2022 Income Statement

- Gross profit increased by 800 million yen and the gross profit margin improved by 1.9 percentage points to a high level of 28%, as high value-added products offset higher raw material and fuel costs as well as higher fixed costs. Operating profit increased by 480 million yen (+20%).
- Ordinary profit increased by 920 million yen (+39%) due to foreign exchange gains (430 million yen) from yen depreciation.

(Million yen)	H1 FY2021	H1 FY2022	Change	%	
Net sales	15,710	17,553	+1,843	+12%	
Cost of sales	11,577	12,597	+1,019	+9%	
Gross profit	4,133	4,956	+823	+20%	Gross profit margin improved by 1.9pt.
SG&A expenses	1,764	2,103	+339	+19%	
Operating profit	2,369	2,852	+483	+20%	
Non-operating income	59	486	+426	+713%	Foreign exchange gain of 434 million yen
Non-operating expenses	68	59	(8)	(13%)	
Ordinary profit	2,360	3,278	+918	+39%	Ordinary profit margin Improved by 3.7pt.
Extraordinary income & losses	(12)	(36)	(23)	—	
Profit before income taxes	2,347	3,242	+895	+38%	
Income taxes	721	994	+272	+38%	
Profit	1,625	2,247	+622	+38%	

# H1 FY2022 Balance sheet

- Working capital improved due to a decrease in accounts receivable.
- Inventories increased by 2,029 million yen due to a partial recovery to decent inventory levels and higher inventory value resulting from higher raw material costs.
- Shareholders' equity increased by 2,128 million yen due to an increase in net income.
- Equity ratio is 38.1%, the highest ever since listing (up 3.8pt from the end of the previous term).

(Million yen)	Mar. 2022 ended	Sep. 2022 ended	Change	(Million yen)	Mar. 2022 ended	Sep. 2022 ended	Change
<b>Current assets</b>	19,766	<b>21,007</b>	+1,241	<b>Liabilities</b>	30,824	<b>29,589</b>	(1,235)
Cash and deposits	3,681	<b>3,732</b>	+51	Notes and accounts payable – trade	5,010	<b>5,001</b>	(9)
Notes and accounts receivable – trade	7,402	<b>6,635</b>	(766)	Interest-bearing debt	17,819	<b>18,236</b>	+417
Inventories	8,080	<b>10,109</b>	+2,029	Other	7,993	<b>6,351</b>	(1,642)
Other	602	<b>530</b>	(72)				
<b>Fixed assets</b>	27,119	<b>26,780</b>	(338)	<b>Net assets</b>	16,061	<b>18,199</b>	+2,137
Property, plant and equipment	25,376	<b>25,090</b>	(285)	Shareholders' equity	16,007	<b>18,136</b>	+2,128
Intangible assets	511	<b>544</b>	+33	Valuation and translation adjustments	54	<b>63</b>	+8
Investments and other assets	1,231	<b>1,145</b>	(86)				
<b>Total assets</b>	46,886	<b>47,788</b>	+902	<b>Liabilities and net assets</b>	46,886	<b>47,788</b>	+902

# H1 FY2022 Statement of Cash flows

- Operating CF ¥2,109 million: Decrease due to corporate tax increase due to rapid profit growth in the previous term and inventory level recovery.
- Investment CF ¥(2,396) million: Temporary decrease in payments for large-scale investments.
- Financial CF ¥215 million: Control the increase in interest-bearing debt and secure the capacity for future capital investment.

(Million yen)	H1 FY2021	H1 FY2022	Change
<b>Cash flows from operating activities</b>	4,479	<b>2,109</b>	(2,370)
Profit before income taxes	2,347	<b>3,242</b>	+895
Depreciation	1,273	<b>1,374</b>	+101
Decrease (increase) in trade receivables (+: decrease)	407	<b>766</b>	+359
Decrease (increase) in inventories (+: decrease)	(654)	<b>(2,029)</b>	(1,374)
Increase (decrease) in trade payables (+: increase)	933	<b>0</b>	(933)
Other	172	<b>(1,245)</b>	(1,417)
<b>Cash flows from investing activities</b>	(3,195)	<b>(2,396)</b>	+798
FCF	1,284	<b>(287)</b>	(1,571)
<b>Cash flows from financing activities</b>	(1,287)	<b>215</b>	+1,503
Effect of exchange rate change on cash and cash equivalents	6	<b>123</b>	+116
<b>Net increase (decrease) in cash and cash equivalents</b>	3	<b>51</b>	+47
<b>Cash and cash equivalents</b>	3,385	<b>3,320</b>	(65)

**1. Business Results for the H1 FY 2022**

**2. Projection for the FY2022**

**3. Future Outlook**

## ■ Global Economy

- Resource prices remain high and the economy is in recession due to policy interest rate hikes, especially in the U.S. and European countries.
- The IMF forecasts lower economic growth in almost all countries in 2023.

## ■ Electronic Materials Market

- Semiconductor Market: Overall, mainly general-purpose semiconductors will slow down through the first half of 2023 and return to high growth from 2024 onward.
- Demand for advanced semiconductors, mainly logic, is expected to remain strong.
- Displays market will be under inventory adjustment by the end of the year and will begin a gradual recovery from the beginning of the year.

## ■ Flavor and Fragrance Market

- Although there is a risk of demand decline due to the economic slowdown, expecting the second half of the year to be at the same level as the first half.

# Revision of the Forecasts for the FY2022

- Sales were revised downward, factoring in the impact of the economic slowdown and declining demand for FPDs, smartphones, and PCs.
- Profits are expected to achieve the initial forecast, mainly due to a shift to high value-added products.
- Exchange Rate Sensitivity: ¥21 million/\$ (Half Year) ⇒ ¥9 million/\$ (Half Year) \*Decrease in \$ denominated sales

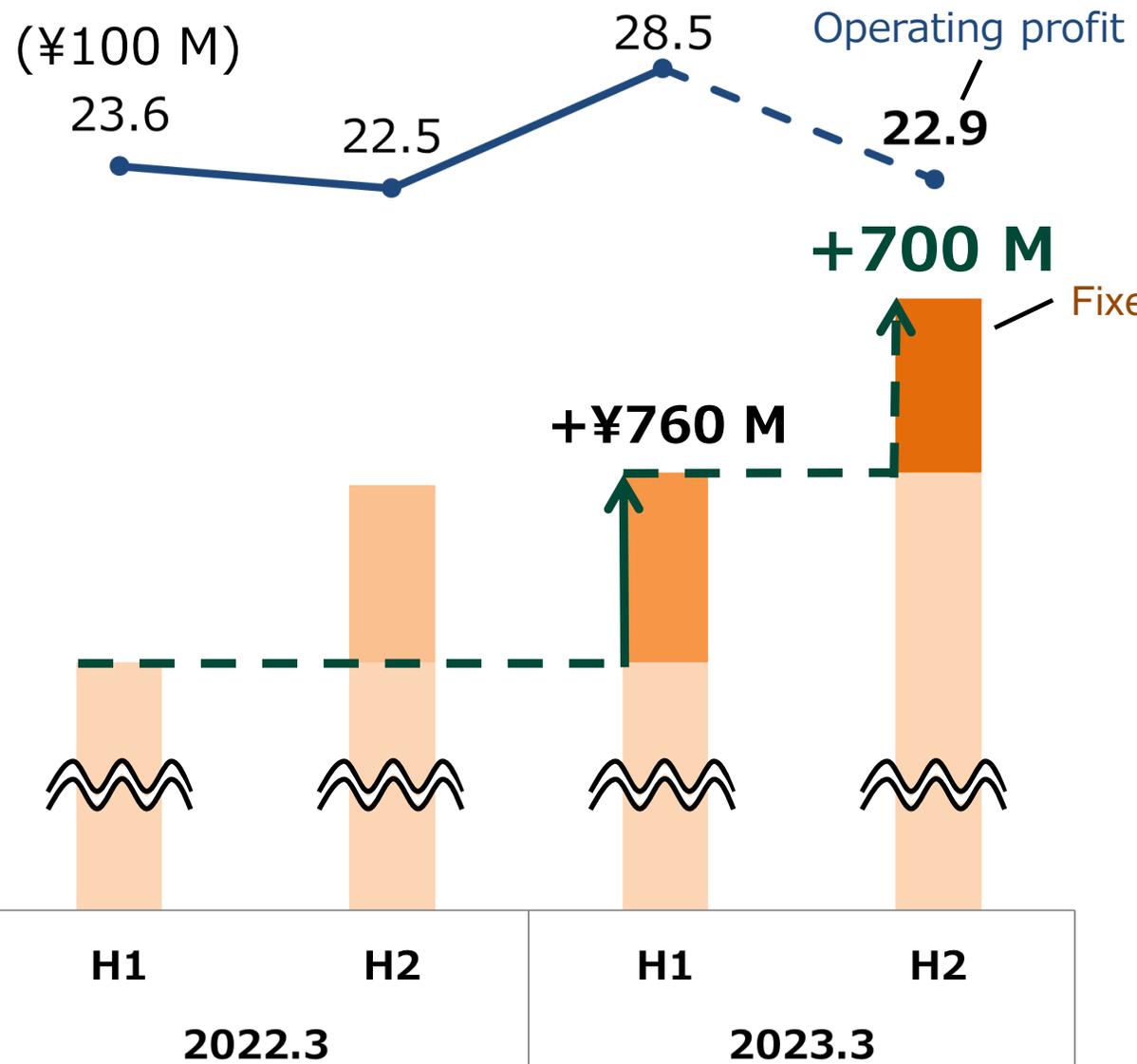
(Million yen)	Previous Forecast	Revised forecast	Change	%
Net sales	40,000	<b>35,000</b>	<b>(5,000)</b>	<b>(12.5%)</b>
Operating profit	5,150	<b>5,150</b>	—	—
Ordinary profit	5,000	<b>5,000</b>	—	—
Profit	3,500	<b>3,500</b>	—	—
EPS	¥440.98	<b>¥440.98</b>	—	—
FX Rate (USD)	¥125/\$	<b>¥145/\$</b>		

# Forecast and Progress for the FY2022

- As of the end of the first half, the full-year progress rate is 50% for sales, 55% for operating profit, and 66% for ordinary profit (including foreign exchange gains).
- Progress of 50% or more for each profit against the performance forecast.

	FY2022 Forecasts	H1 FY2022 Results	Progress Ratio
<b>(Million yen)</b>			
Net sales	35,000	<b>17,553</b>	<b>50%</b>
Operating profit	5,150	<b>2,852</b>	<b>55%</b>
Ordinary profit	5,000	<b>3,278</b>	<b>66%</b>
profit	3,500	<b>2,247</b>	<b>64%</b>
EPS	¥440.98	<b>¥283.22</b>	

## Fixed costs and operating profit Trend



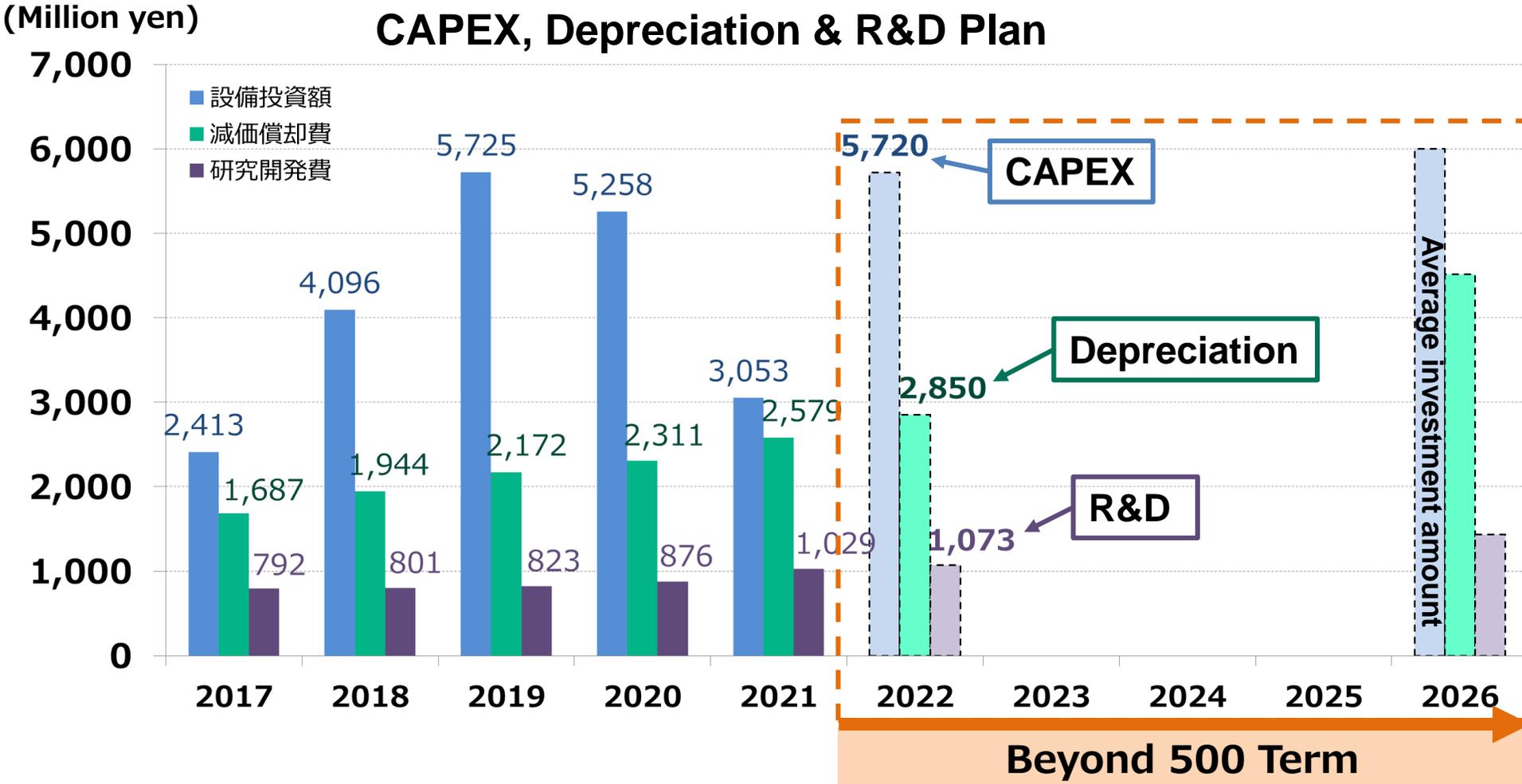
**Continue to increase production capacity as planned to achieve Beyond500**



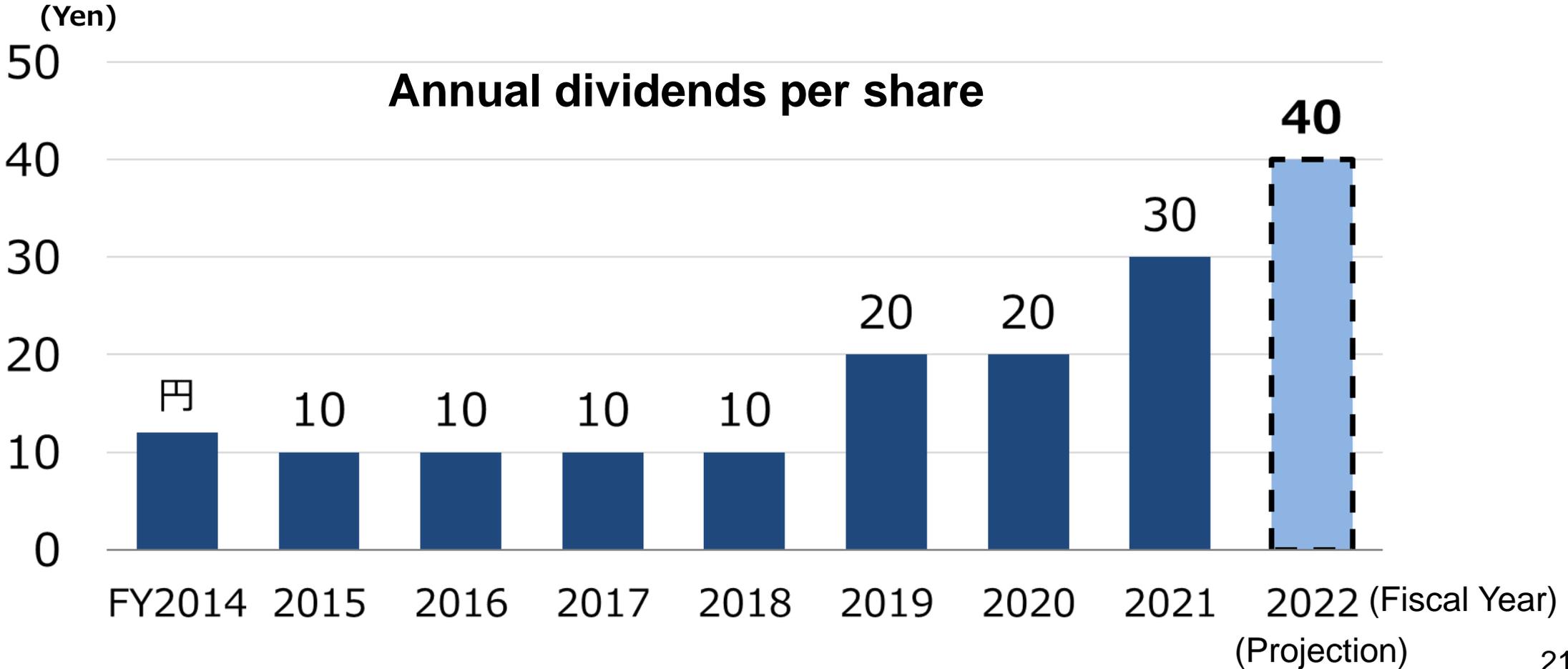
- Fixed costs in the 1st half rose by 760 million yen from the previous year, and are expected to rise by another 700 million yen in the 2nd half compared to the 1st half.
- In the 2nd half of the year, ordinary income is expected to decline due to an increase in fixed costs of 700 million compared to the first half of the year and the absence of foreign exchange gains of 400 million we had in the 1st half of the year as well as a decline in demand, however for the full year, profits are expected to exceed from the previous year.

# Capital Investment, Depreciation & R&D Plan

- Infrastructure enhancement is underway to meet growing demand for electronic materials.
- R&D continues to strengthen process technology enhancement (Analytical capabilities, Productivity improvement, pilot production capability) to improve productivity and quality.
- Capital investment in FY2022 is about 5.7 billion yen as plan.



- Although it is based on stable dividends, it decides on a shareholder return policy by comprehensively considering growth potential, financial balance, etc.
- FY 2022, there is no change from the annual dividend plan of 40 yen (interim 20 yen).



**1. Business Results for the H1 FY 2022**

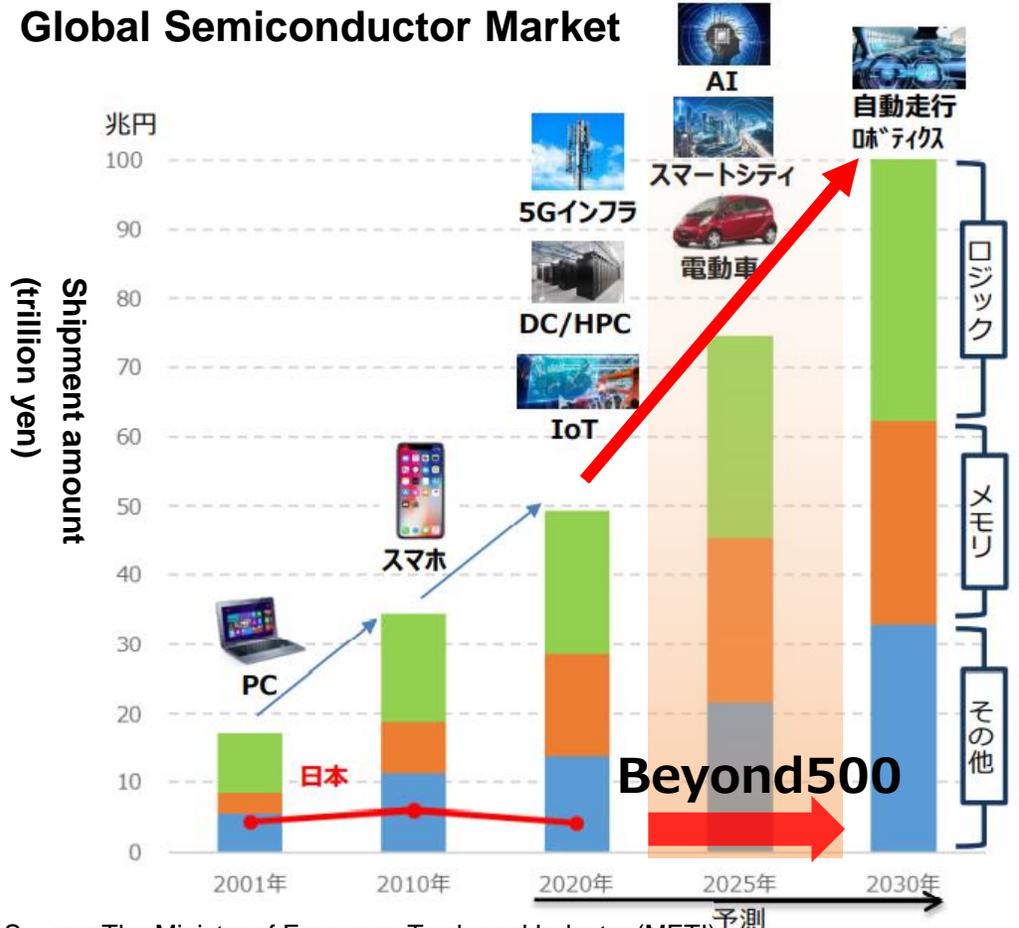
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# Market Environment from 2020 to 2030

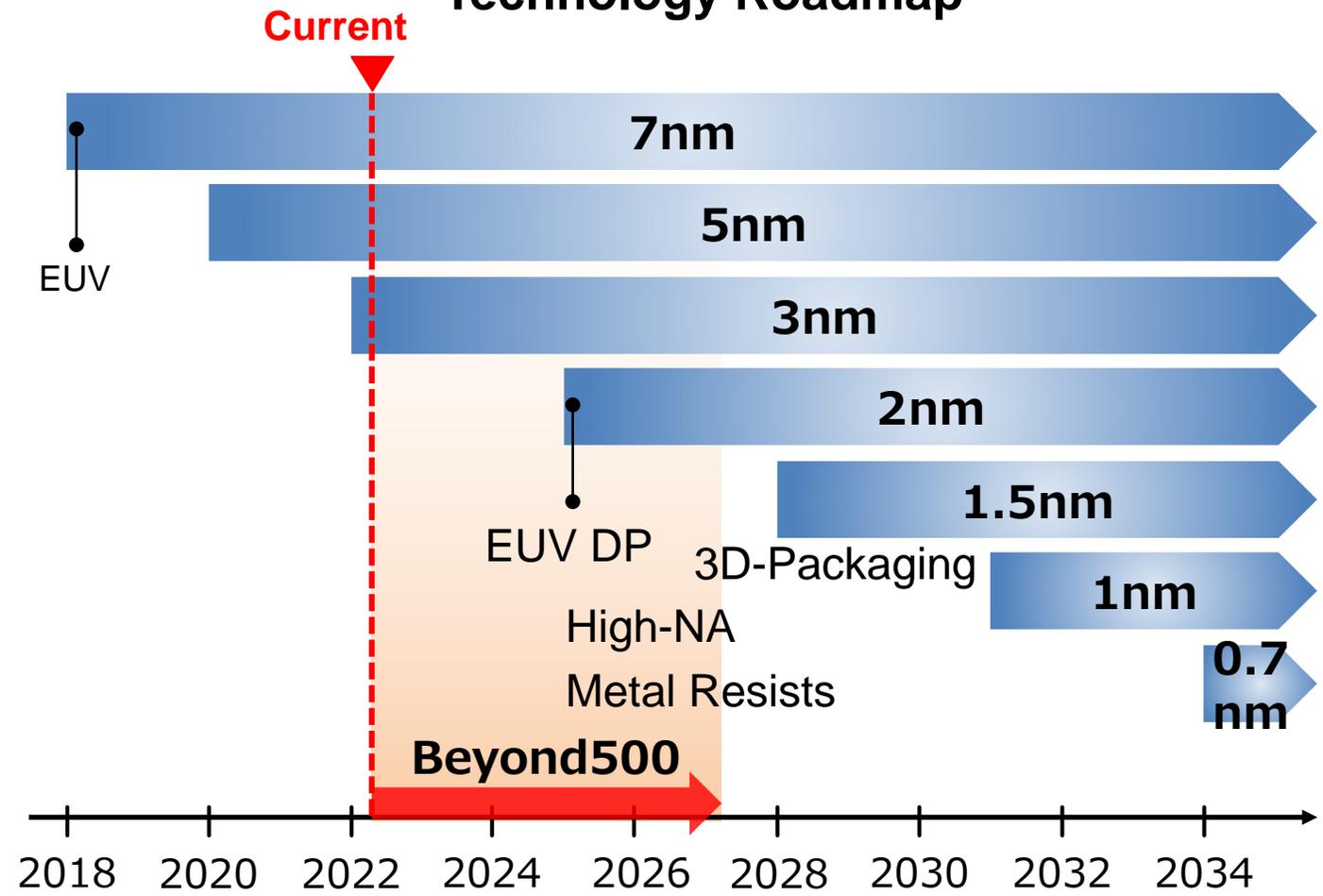
- Semiconductors support the evolution of social infrastructure, and the market is expected to double from 2020 to 2030. Continued growth thereafter.
- With the progress of miniaturization and the spread of new technologies such as next-generation EUV / 3D / metal resist, we will further evolve the solvent / photosensitive material manufacturing technology that we have cultivated for 70 years and support the future evolution of the industry.

## Global Semiconductor Market



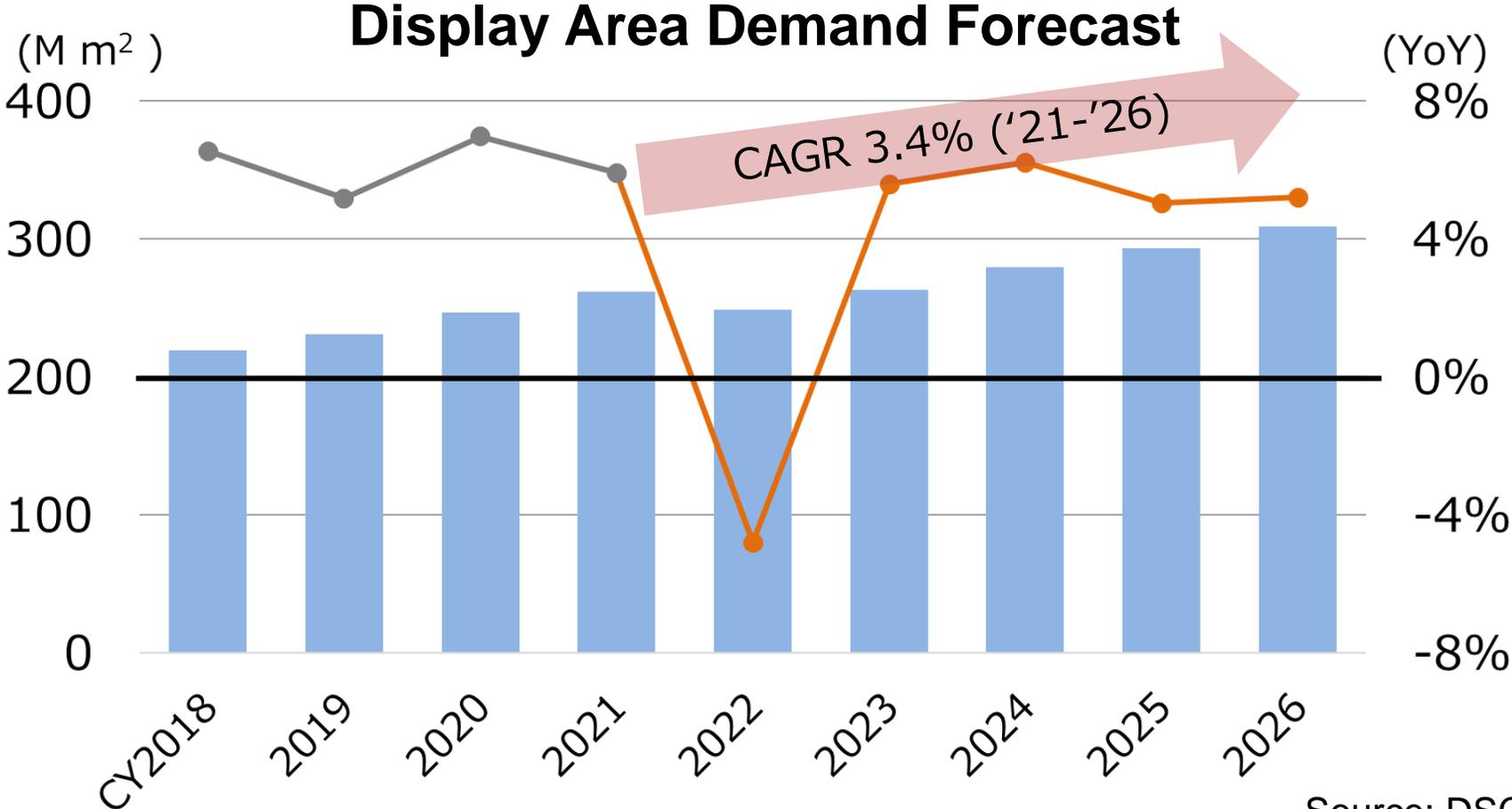
Source: The Ministry of Economy, Trade and Industry (METI) "Strategy for Semiconductors and the Digital Industry"

## Technology Roadmap

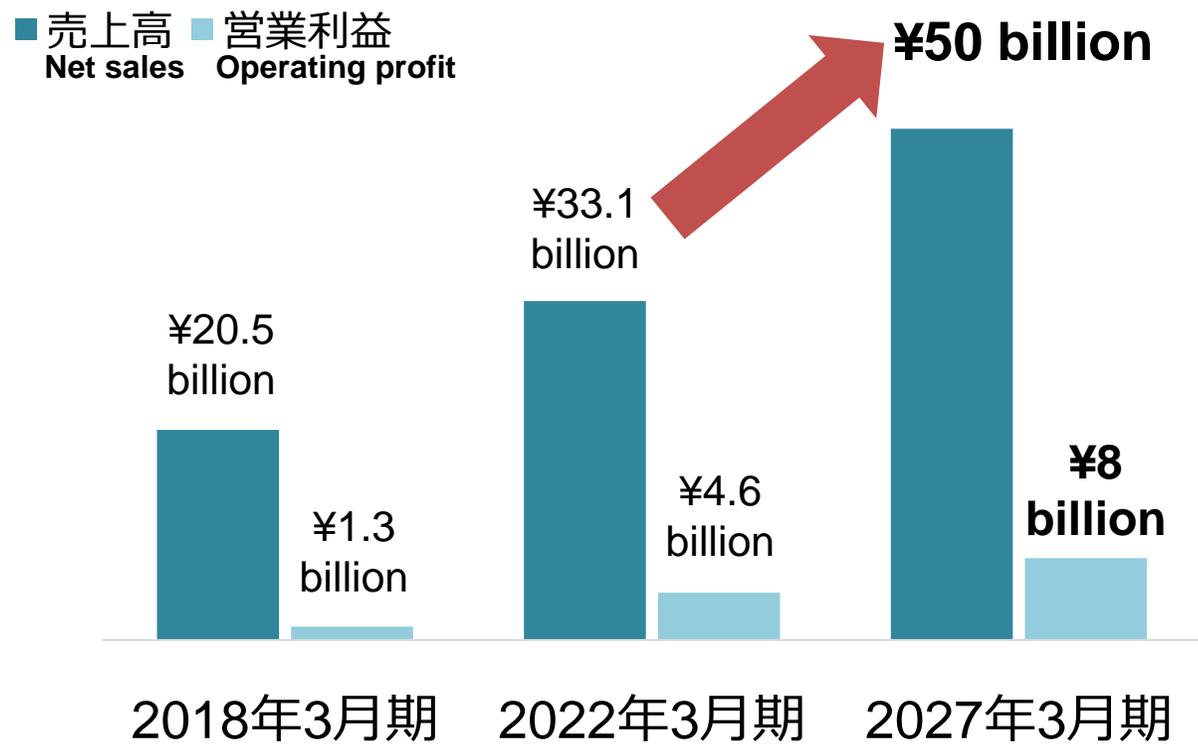


Source: IRDS 2021

- In 2022, there will be a negative growth of 4.8% due to the end of the COVID-19 special demand and the slowdown in consumption due to inflation, but it is expected to recover in 2023 as display inventories normalize.
- High resolution display share expansion by large display TV, smart phone with OLED type, 4K&8K TV and etc. contribute demand increase for ultra high purity solvent and photosensitive materials.



Source: DSCC



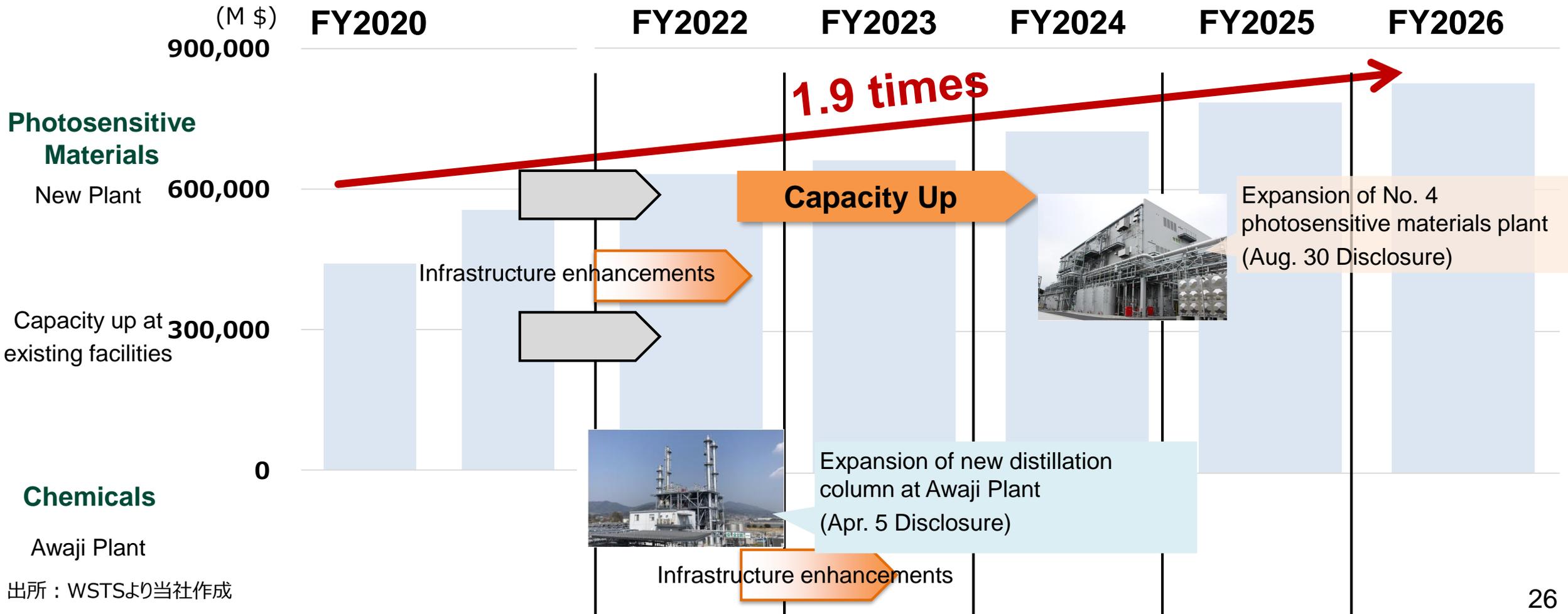
**FY2021 Results**  
**Net sales: ¥30 billion**  
**Operating profit: ¥4.6 billion (14%)**

**FY2026 Projection**  
**Net sales: Over ¥50 billion**  
**Operating profit: Over ¥8 billion (Over 16%)**  
**CAPEX: ¥30 billion (Cumulative)**  
 ※FX Rate: ¥115/\$

<b>OP margin</b>	6.3%	14.0%	<b>16% or more</b>
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# Semiconductor Demand Forecasts and Capacity Up Investment

- Semiconductor market returns to high growth after 2024 from low growth in 2023.
- Decided to expand production facilities for photosensitive materials in response to increased demand. Expand production capacity to 1.8 times the current level. (scheduled for completion in July 2024)



**Individual Development, to the global Chemical**



(NB)

The forecasts made in this document contain a variety of uncertain factors since it has been prepared based on judgments from information that is currently available.

Therefore actual business results may differ from those projected, depending on factors and risk such as the economic status of the market surrounding the company, and do not perform any strict promise and guarantee.