

Business Results for the Fiscal Year Ended March 31, 2023

(April 1, 2022 – March 31, 2023)

May 19, 2023

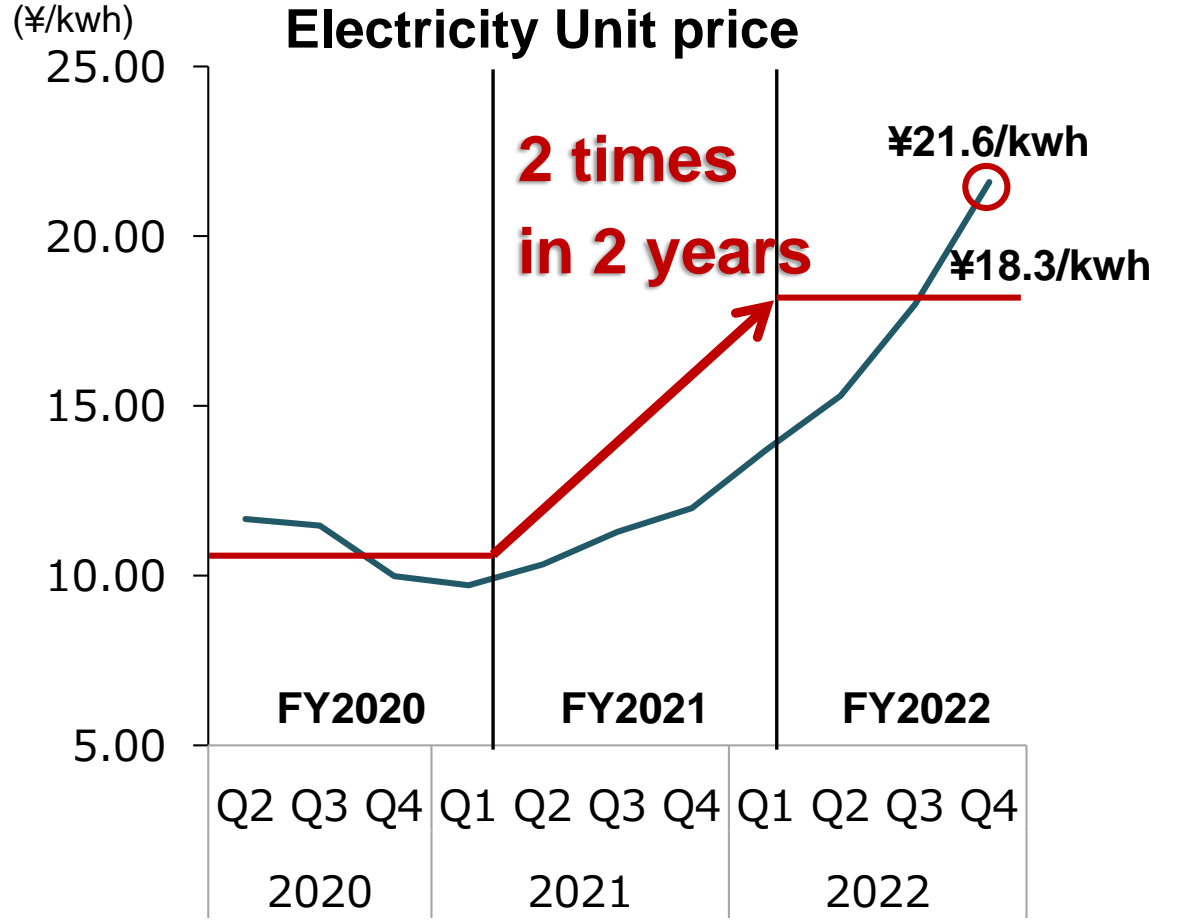
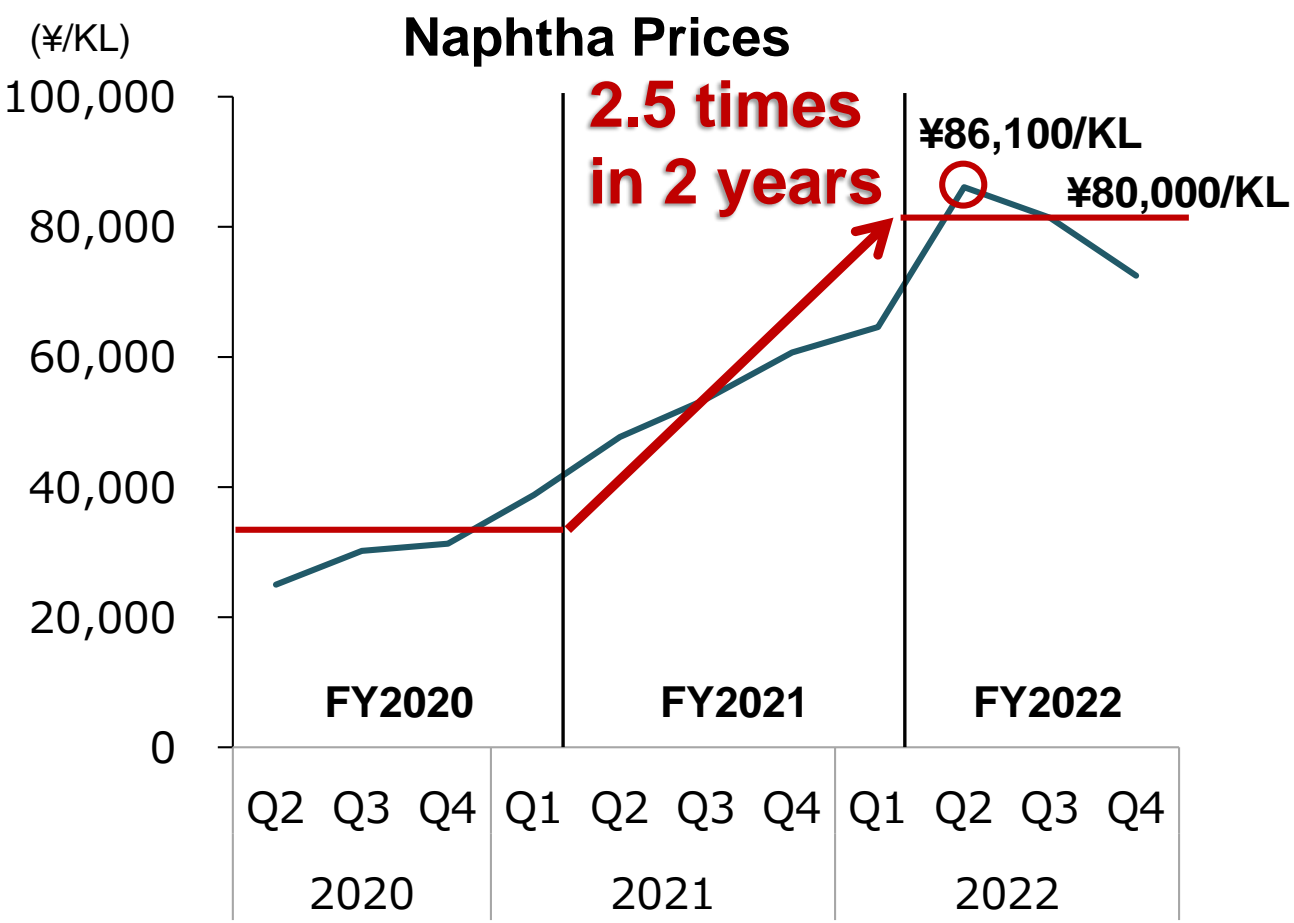


1 . Business Results for the FY 2022

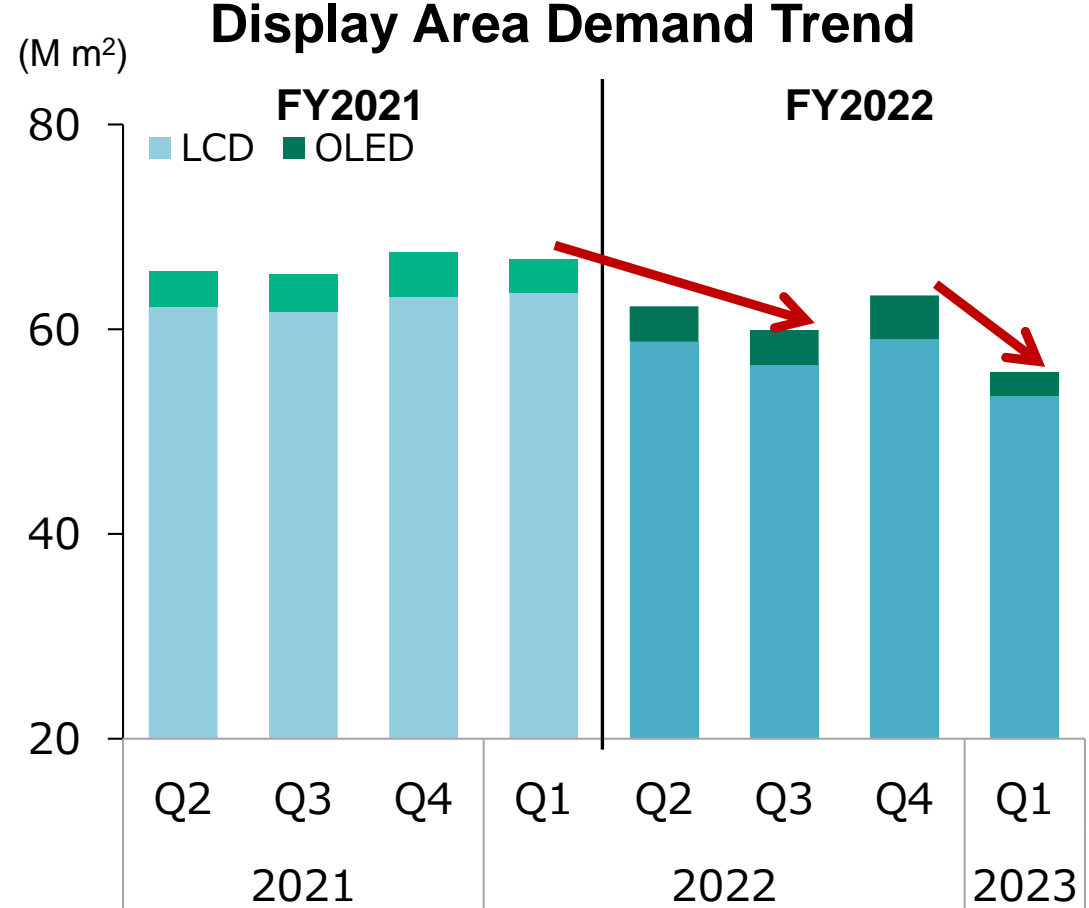
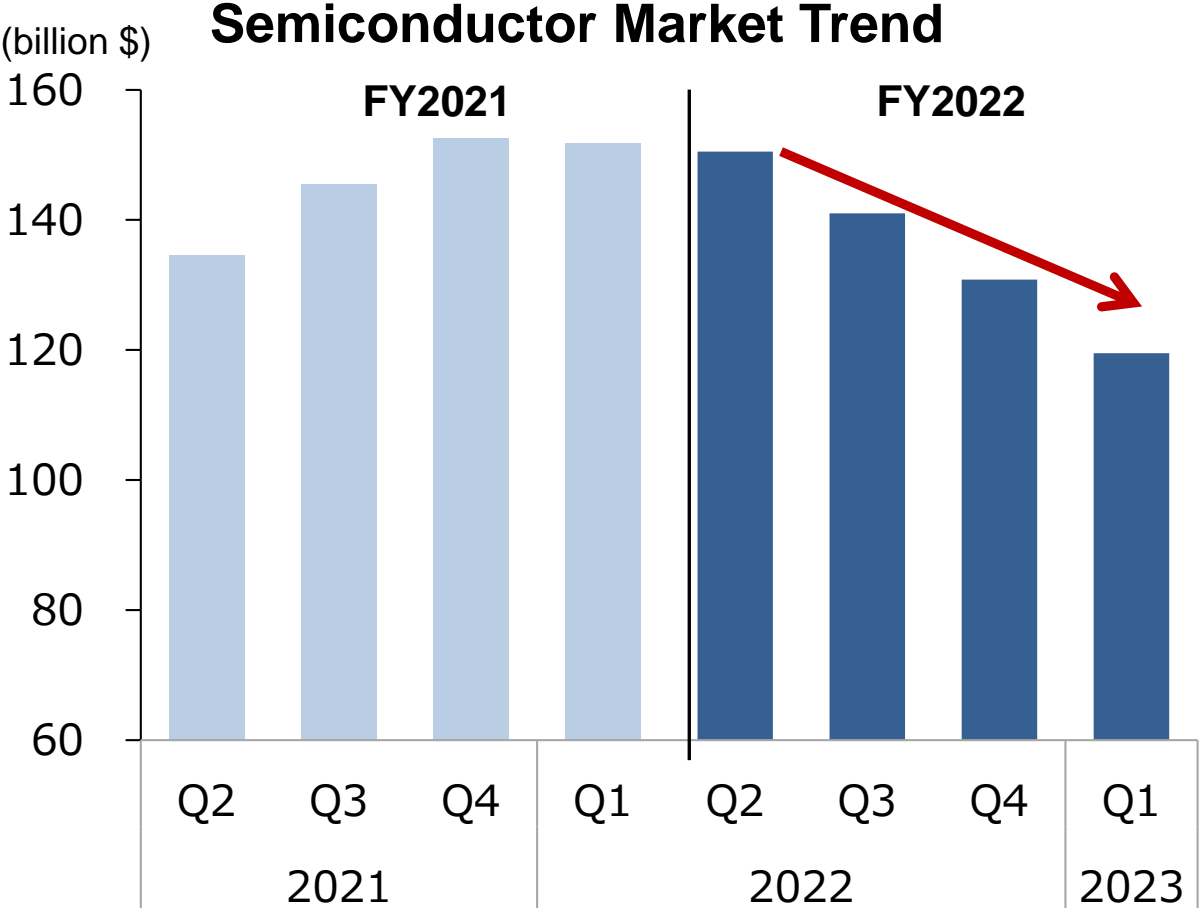
2 . Projection for the FY2023

3 . Future Outlook

- Inflation accelerated worldwide due to the recovery from the COVID-19 disaster and the invasion to Ukraine.
- Naphtha price soared 2.5 times in 2 years. Although resource prices have peaked out, it remains high.
- Electricity rates have doubled in two years and continue to rise.



- CY2021: Demand, including inventory piling up demand, expanded due to stay-at-home demand and logistics turmoil due to the COVID-19 pandemic.
- CY2022: Declining demand due to slowdown in consumption and optimization of inventory levels. However, cutting-edge semiconductors remained firm.
- CY2023: Moderate recovery trend after bottoming out in April-June.



Source: WSTS, DSCC

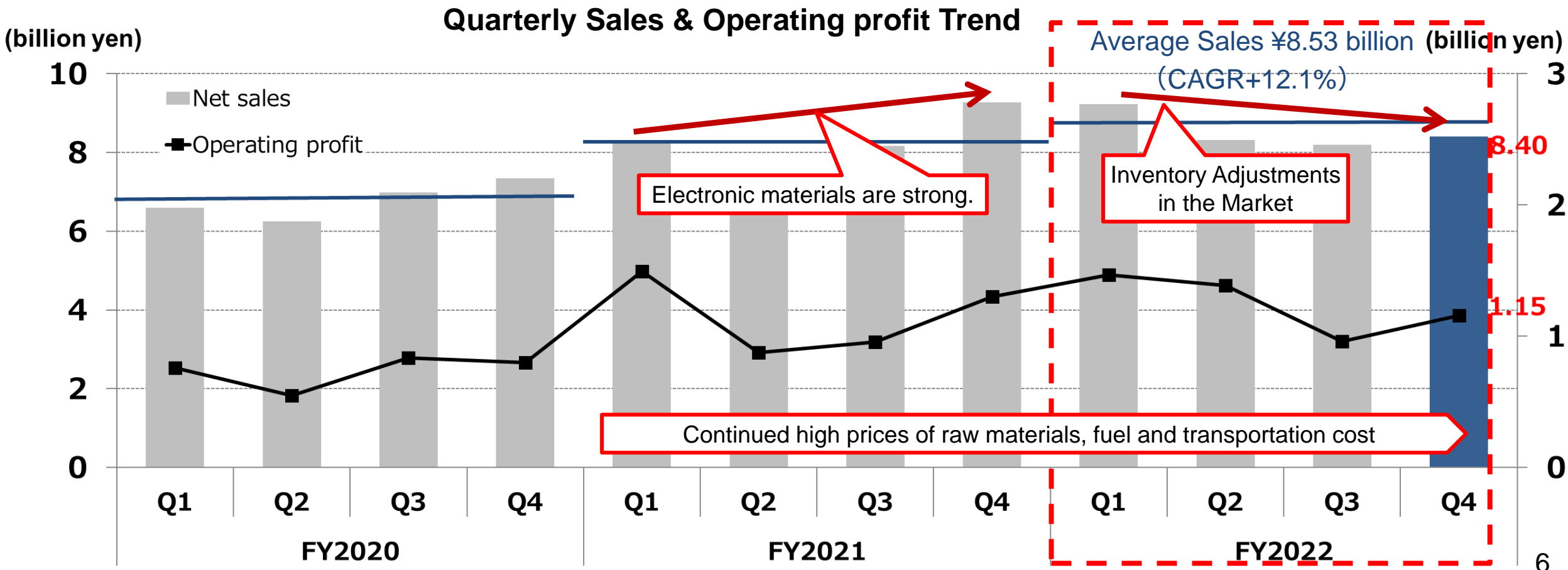
Financial Results for the FY2022

- Sales increased 1.01 billion yen YOY due to strong demand for advanced semiconductor materials amid a slowdown in demand for general products.
- Profit reached a highest record as higher fixed costs were absorbed by expanded sales of high-value-added products and improved productivity.
- Compared to the earnings forecast, both ordinary income and net income exceeded although the sales fell short of the forecast.

	FY2021 Results (Million yen)	FY2022 Projections	FY2022 Results	YoY		Comparison with Forecasts	
				Change	%	Change	YoY
Net sales	33,144	35,000	34,156	+1,012	+3%	(843)	(2%)
Operating profit	4,624	5,150	4,968	+344	+7%	(181)	(4%)
Ordinary profit	4,794	5,000	5,122	+327	+7%	+122	+2%
Profit	3,457	3,500	3,827	+369	+11%	+327	+9%
EPS	435	440	482				
Interim Dividends	30	40	40				
FX Rate (USD)	¥112/\$	¥138/\$	¥135/\$				

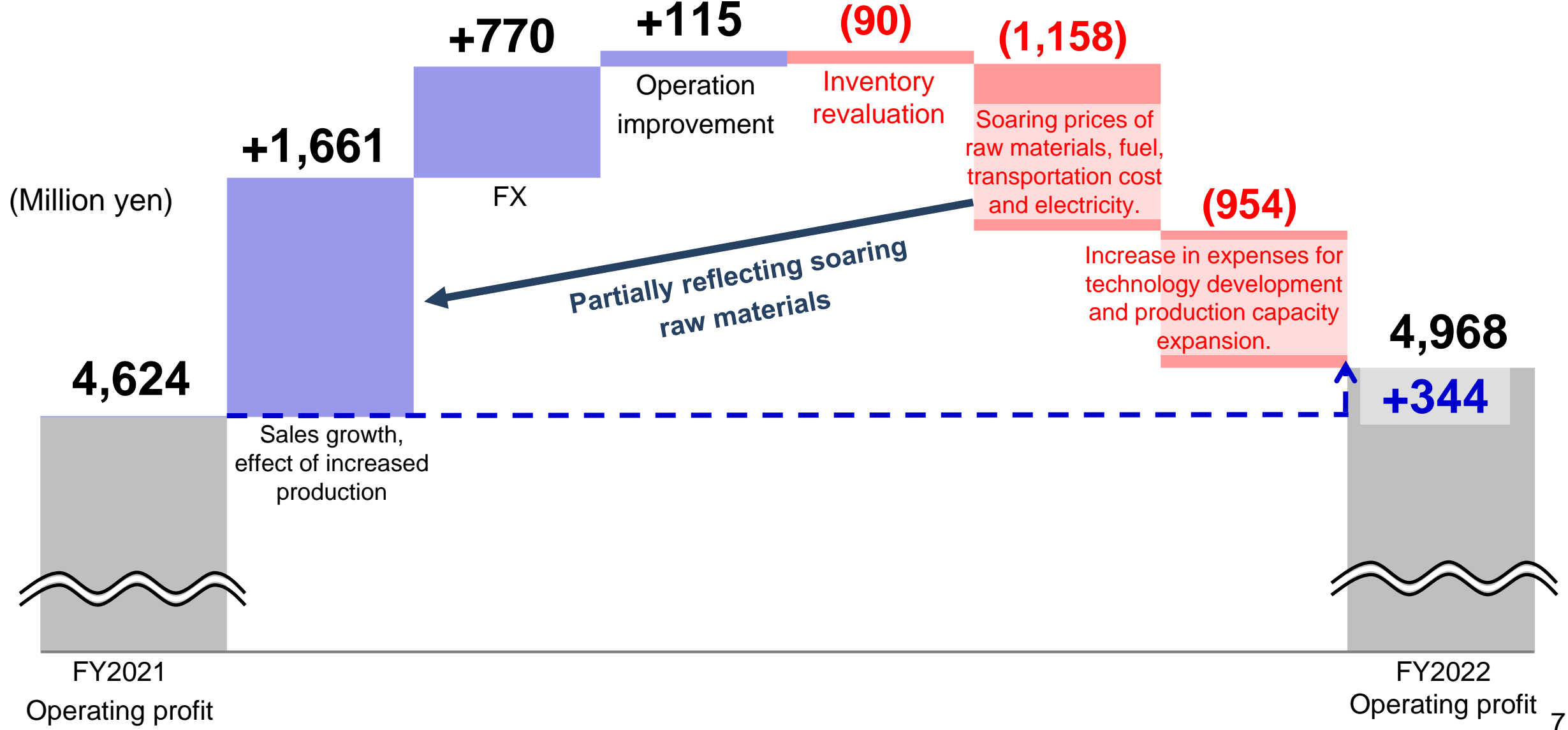
Quarterly Sales & Operating profit Trend

- The average annual growth rate for the last three years is +12.1%, and demand continues to expand.
- Amid a decline in demand after peaking in Q1, average annual sales achieved +3% YOY.
- Both sales and profits decreased YOY in Q4.

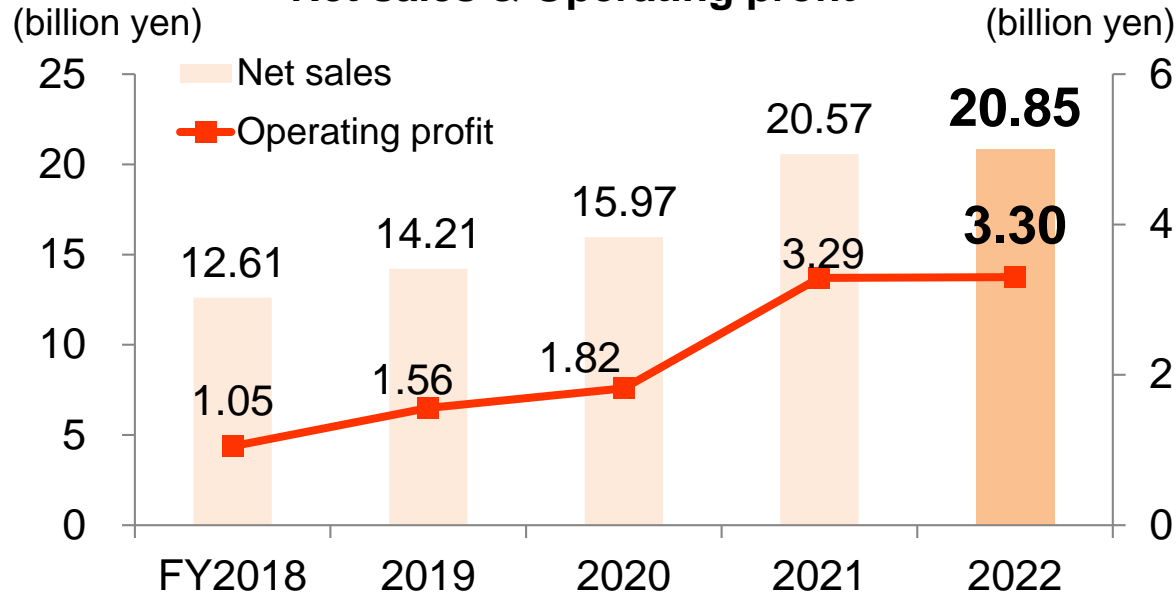


Variance Analysis: Operating profit

- An increase in sales of high-value-added products offset soaring prices of raw materials and fuels as well as an increase in fixed costs, resulting in +340 million yen.



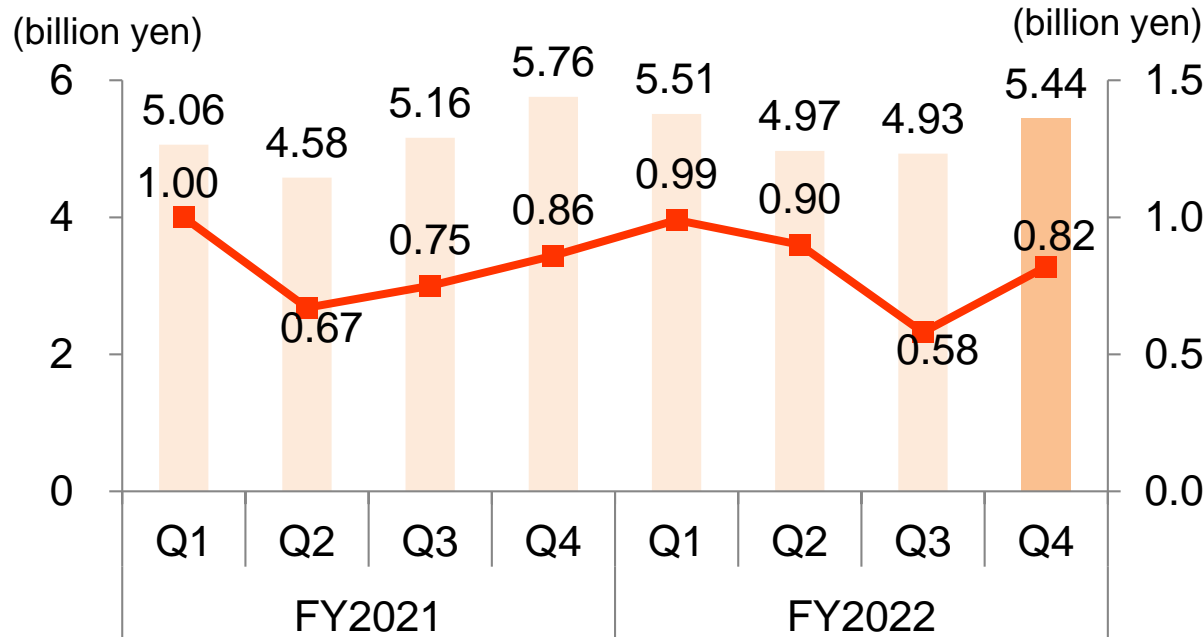
Net sales & Operating profit



Net sales: ¥20.85 billion

(YoY +¥0.28 billion, +1.4%)

- Strong demand for logic semiconductor applications is expanding.
- Demand for photosensitive materials for displays remained weak due to inventory adjustments.
- Demand for general products declined.

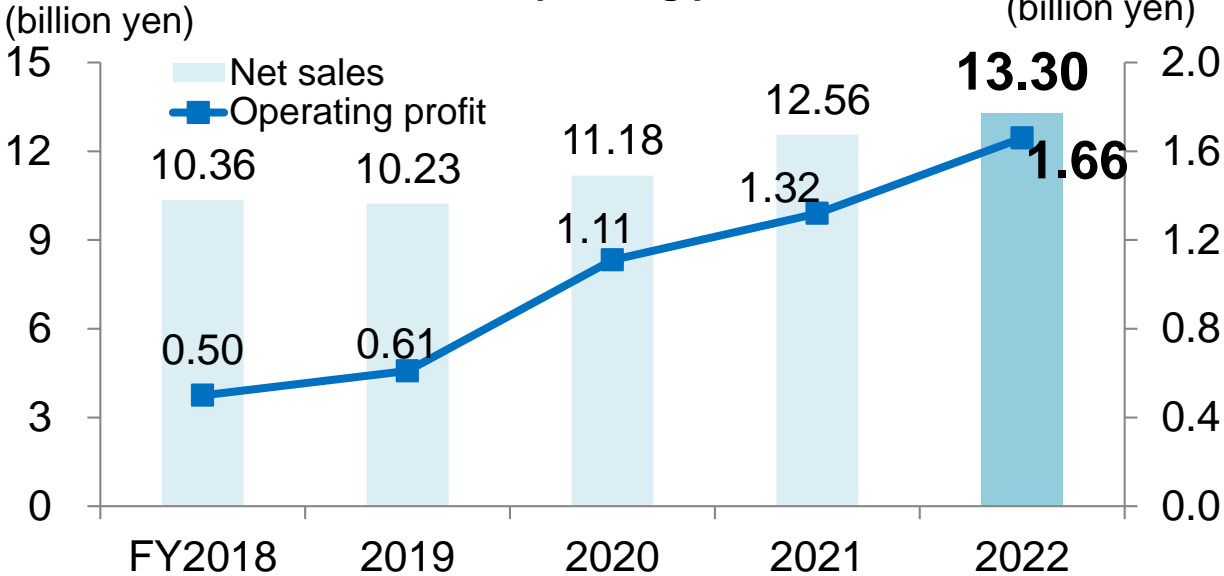


Operating profit: ¥3.30 billion

(YoY +¥8 million, +0.3%)

- Maintained the level of the previous fiscal year by absorbing the increase in costs associated with technological development and production capacity enhancement.

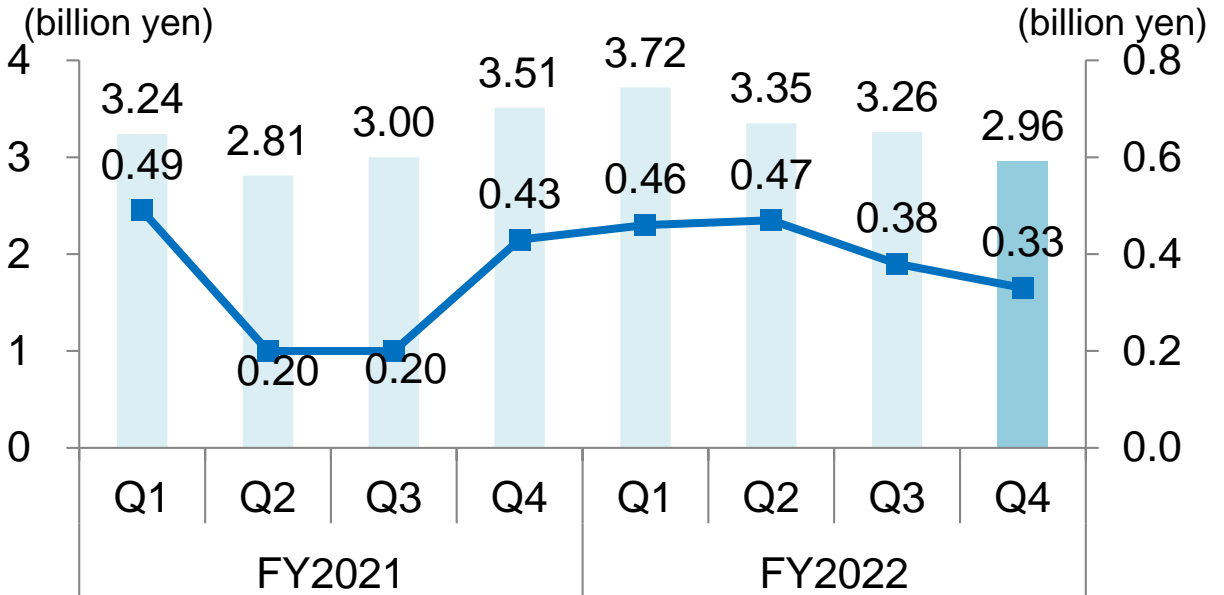
Net sales & Operating profit



Net sales: ¥13.30 billion

(YoY+¥0.73 billion, +5.8%)

- Expanding demand for cutting-edge semiconductors.
- Progress is being made in reflecting rising raw material costs in selling prices.
- Demand for general electronic materials and aroma chemicals declined due to inflation.
- In the logistics business, the tank contract rate remained high despite a decrease in cargo movement due to lower automobile production and other factors.



Operating profit: ¥1.66 billion

(YoY+¥0.33 billion, +25.3%)

- The sales composition ratio of high value-added products increased.

FY 2022 Income Statement

- Net sales increased by 1.01 billion yen (+3%) thanks to increased sales of high value-added products despite the decline in demand for general products.
- Gross profit increased by 640 million yen, absorbing higher raw material, fuel costs and higher fixed costs, then the gross profit margin improved by 1.1pt to 26.4%.
- Operating profit +344 million yen (+7%), ordinary profit +327 million yen (+7%), profit +369 million yen (+11%).

(Million yen)	FY2021	FY2022	Change	%	
Net sales	33,144	34,156	+1,012	+3%	
Cost of sales	24,754	25,123	+368	+1%	
Gross profit	8,390	9,033	+643	+8%	← Gross profit margin improved by 1.1pt to 26.4%.
SG&A expenses	3,766	4,065	+298	+8%	
Operating profit	4,624	4,968	+344	+7%	← foreign exchange gain FY2021: ¥215 million FY2022: ¥219 million
Non-operating income	323	305	(18)	(6%)	
Non-operating expenses	153	151	(2)	(2%)	
Ordinary profit	4,794	5,122	+327	+7%	← Ordinary profit Margin: 15.0%
Extraordinary income & losses	(57)	(66)	(8)	—	
Profit before income taxes	4,736	5,056	+319	+7%	
Income taxes	1,279	1,228	(50)	(4%)	
Profit	3,457	3,827	+369	+11%	

FY2022 Balance sheet

- Accounts receivable decreased by 1.48 billion yen due to the shortening term of payment as well as the decrease in sales in 4Q.
- Inventories increased by 3.67 billion yen due to the normalization of inventory levels and the rise in unit prices amid rising raw material costs.
- Tangible fixed assets increased by 2.26 billion yen due to capital investment to increase production capacity.
- Interest-bearing debt remained at 17.8 billion yen, the same level as the end of the previous fiscal year.
- Shareholders' equity increased by 3.54 billion yen thanks to the increase in net income. The equity ratio also hit a record high of 38.4% (+4.2pt from the end of the previous term).

(Million yen)	Mar. 2022 ended	Mar. 2023 ended	Change	(Million yen)	Mar. 2022 ended	Mar. 2023 ended	Change
Current assets	19,766	21,685	+1,918	Liabilities	30,824	31,463	+639
Cash and deposits	3,681	3,252	(428)	Notes and accounts payable – trade	5,010	4,943	(66)
Notes and accounts receivable – trade	7,402	5,912	(1,489)	Interest-bearing debt	17,819	17,893	+74
Inventories	8,080	11,758	+3,678	Other	7,993	8,625	+631
Other	602	761	+158				
Fixed assets	27,119	29,420	+2,300	Net assets	16,061	19,641	+3,580
Property, plant and equipment	25,376	27,639	+2,263	Shareholders' equity	16,007	19,556	+3,549
Intangible assets	511	607	+96	Valuation and translation adjustments	54	85	+30
Investments and other assets	1,231	1,172	(58)				
Total assets	46,886	51,105	+4,219	Liabilities and net assets	46,886	51,105	+4,219

FY2022 Statement of Cash flows

- **Operating CF: ¥3.65 billion** Income before income taxes remained steady.
Decreased YOY due to normalization of inventories and loss of preferential tax treatment.
- **Investing CF: (¥3.27 billion)** Continue capital investment to increase production capacity.

(Million yen)	FY2021	FY2022	Change
Cash flows from operating activities	5,808	3,659	(2,149)
Profit before income taxes	4,736	5,056	+319
Depreciation	2,579	2,797	+218
Decrease (increase) in trade receivables (+: decrease)	(2,015)	1,489	+3,504
Decrease (increase) in inventories (+: decrease)	(1,096)	(3,678)	(2,582)
Increase (decrease) in trade payables (+: increase)	1,526	(62)	(1,589)
Other	77	(1,942)	(2,020)
Cash flows from investing activities	(3,415)	(3,274)	+141
FCF	2,392	385	(2,007)
Cash flows from financing activities	(2,563)	(406)	+2,156
Effect of exchange rate change on cash and cash equivalents	56	4	(52)
Net increase (decrease) in cash and cash equivalents	(113)	(16)	+96
Cash and cash equivalents	3,269	3,252	(16)

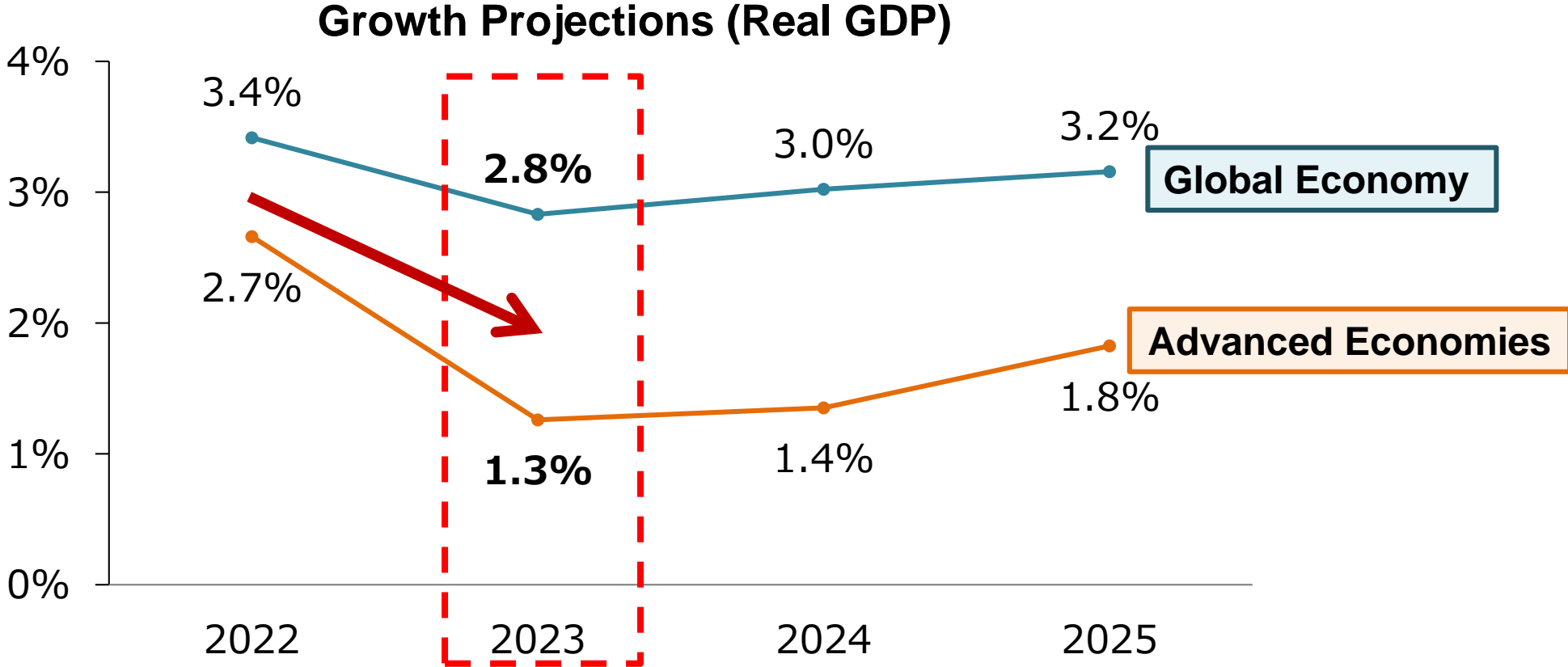
1 . Business Results for the FY 2022

2 . Projection for the FY2023

3 . Future Outlook

Outlook for Business Environment in FY2023

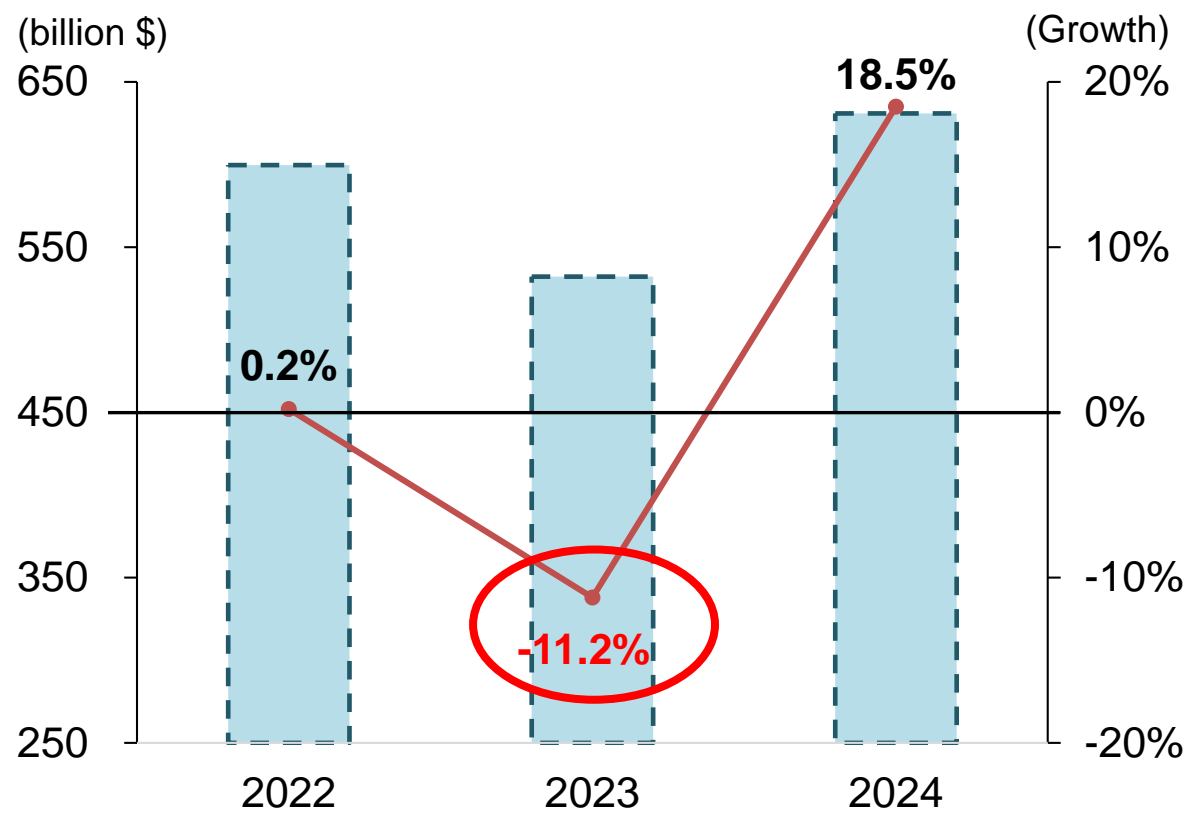
- The IMF expects economic growth for 2023 slowing down in almost all countries.
- Economic recession due to slowdown in consumption amid rising prices and continued policy interest rate hikes.
- Although there are risks such as financial instability, the economy is expected to recover gradually from 2024.



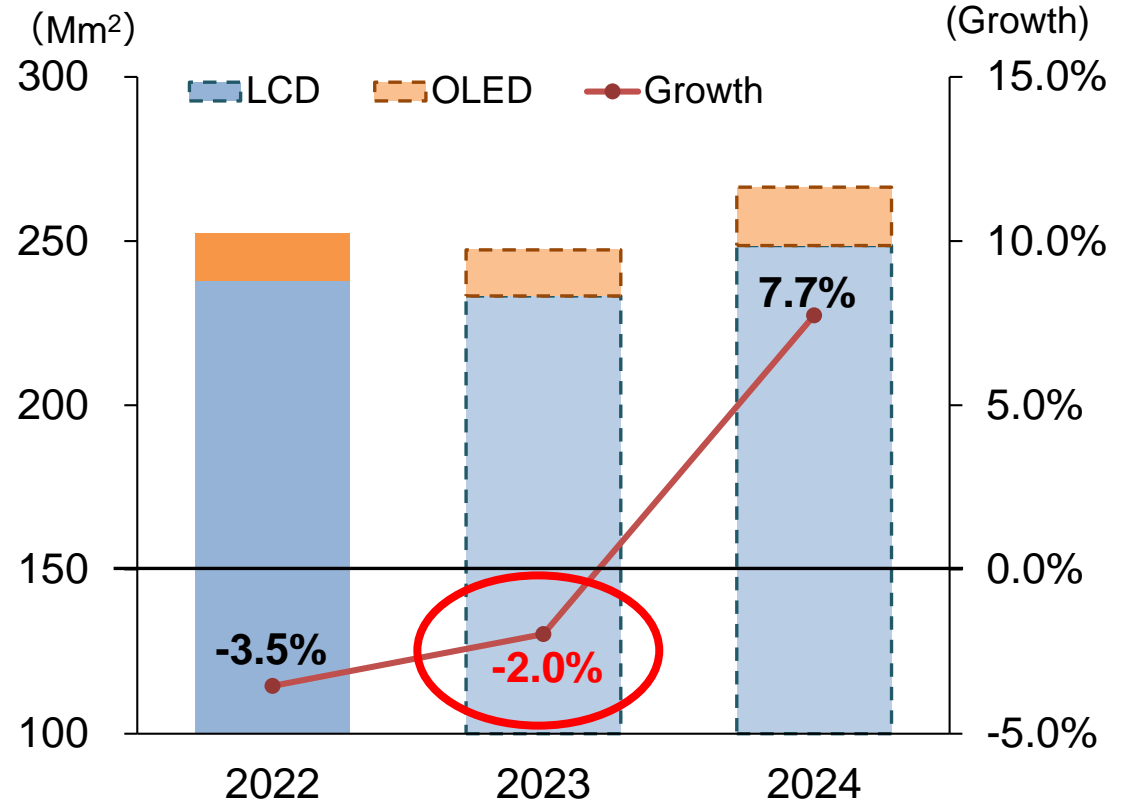
Semiconductor / Display Markets in FY2023

- Gartner predicts that the semiconductor market in 2023 will decrease by 11% YOY. The production adjustment phase due to the optimization of inventory levels and the slowdown in consumption, but recovery is expected from the second half.
- Demand for FPD on an area basis will decrease slightly in 2023 amid the impact of the economic slowdown. Expecting for recovery from 2024.

Semiconductor Market Forecast



Display Area Demand Forecast



Forecast for the FY2023

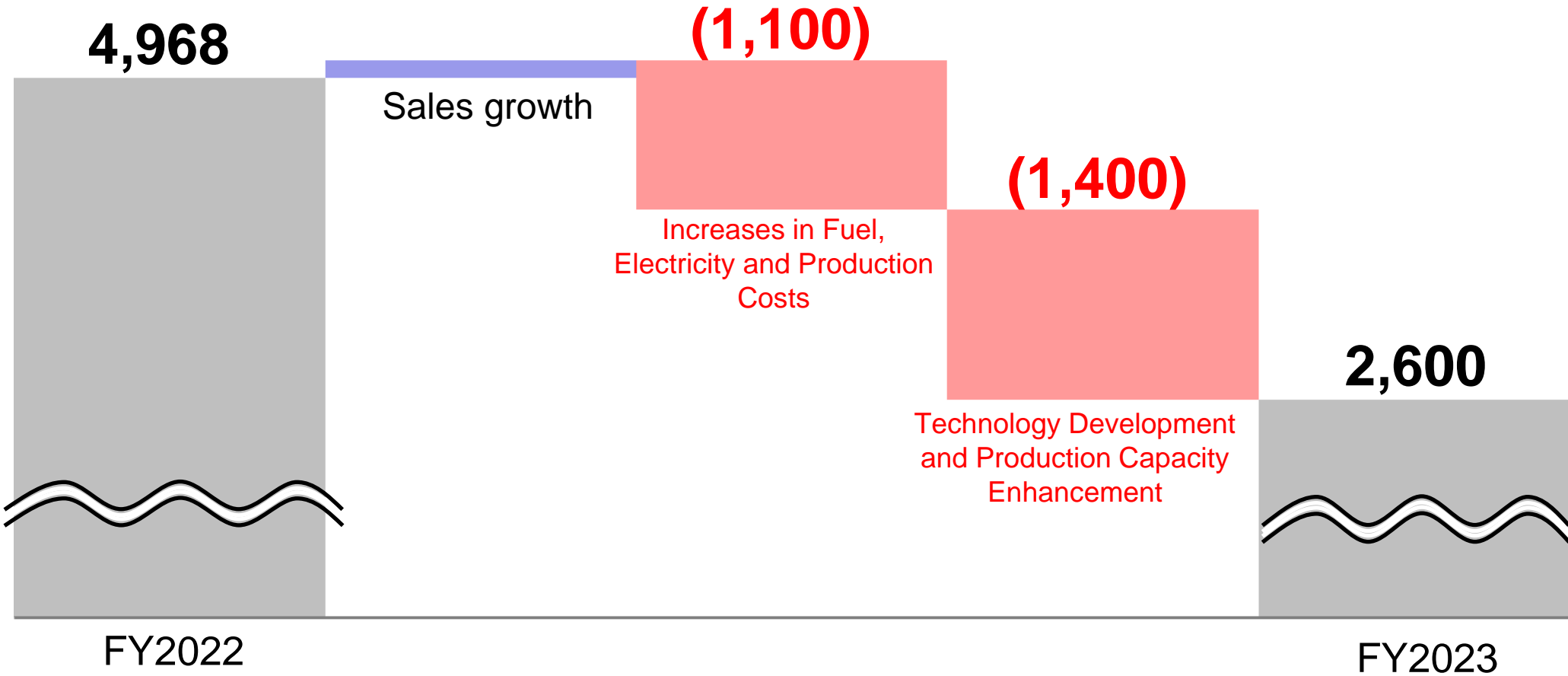
- In the first half, amid deepening concerns about an economic recession, demand will decline due to supply-demand adjustments.
In the second half, a gradual recovery is expected mainly on cutting-edge products.
- Investment will continue as there is no change in the trend of increasing demand over the medium term.

(Million yen)	FY2022 Results	FY2023 Forecasts	Change	%
Net sales	34,156	34,500	+343	+1%
Operating profit	4,968	2,600	(2,368)	(48%)
Ordinary profit	5,122	2,500	(2,622)	(51%)
profit	3,827	1,600	(2,227)	(58%)
EPS	¥482	¥201		
FX Rate (USD)	¥135/\$	¥130/\$		

Variance Analysis: FY2023 Operating profit

- Expenses increase YOY by ¥1.4 billion for technology development and production capacity enhancement as well as increases in fuel, electricity, and production costs are expected.

(Million yen)



FY2023 Fixed cost increase forecast

- Continue to increase production capacity to achieve Beyond 500 (Net sales ¥50 billion, Operating profit ¥8 billion ~FY2026).



Expansion of photosensitive materials manufacturing facilities
 Amount of Investment: Approx. ¥12 billion
 Completion scheduled for Jul. 2024.

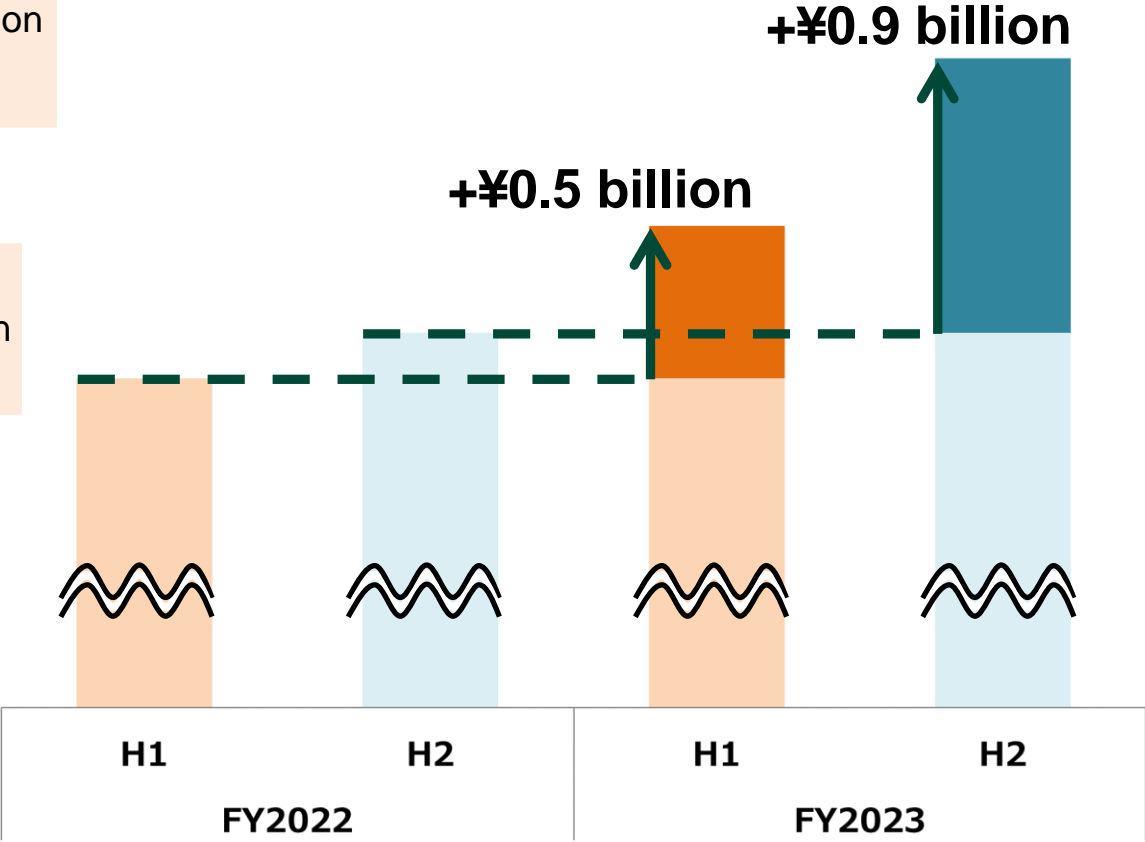


New development and analysis building
 Amount of Investment: Approx. ¥3 billion
 Completion scheduled for Apr. 2024.

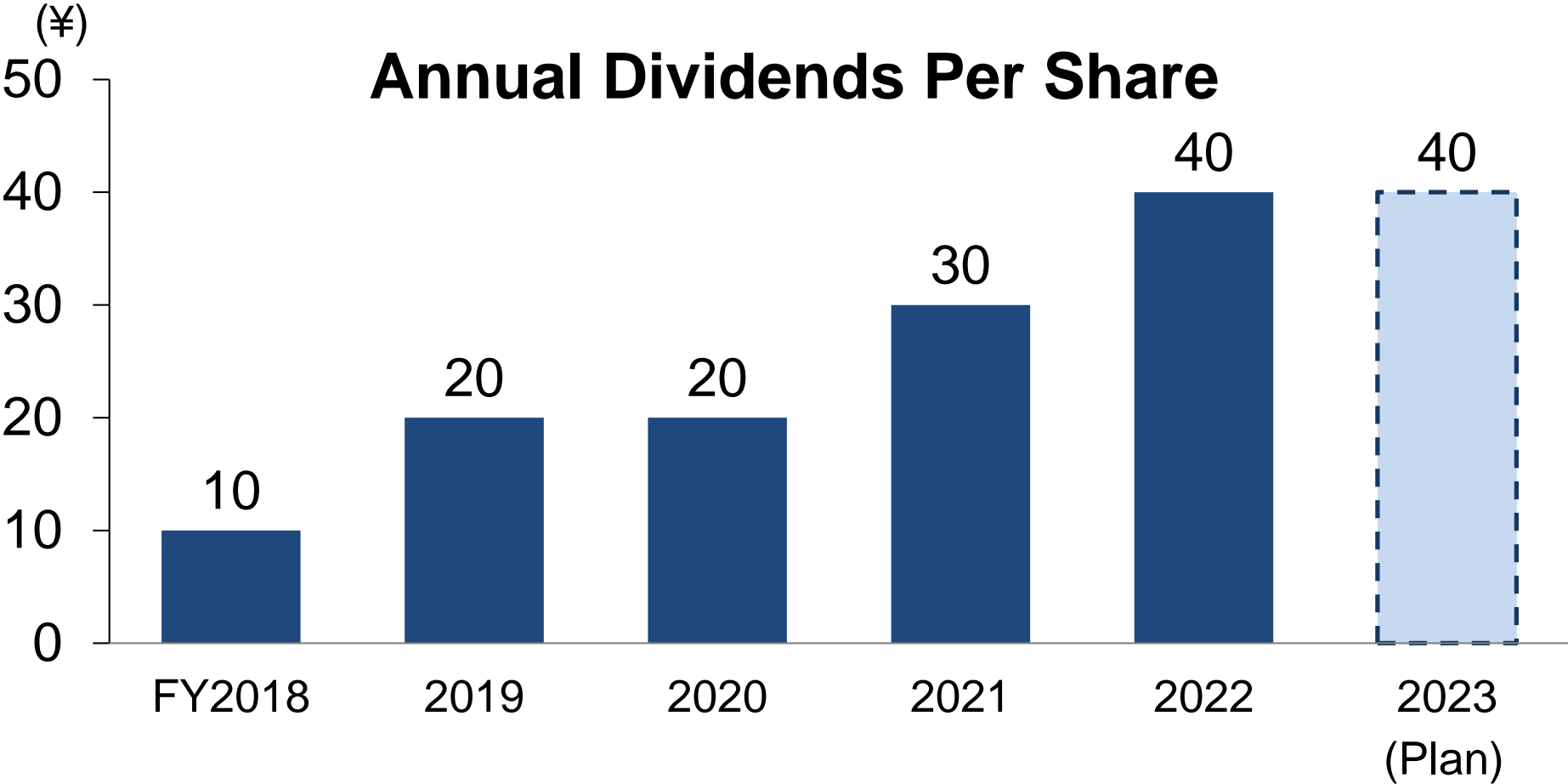
*rendering images

Assumed fixed cost increase of 1.4 billion yen from the previous year
 (Increase in headcount, facility expansion, technology development)

Fixed cost increase forecast



- Based on a stable dividend and expecting medium-term growth, an annual dividend of 40 yen stay the fiscal year ending March 31, 2024.



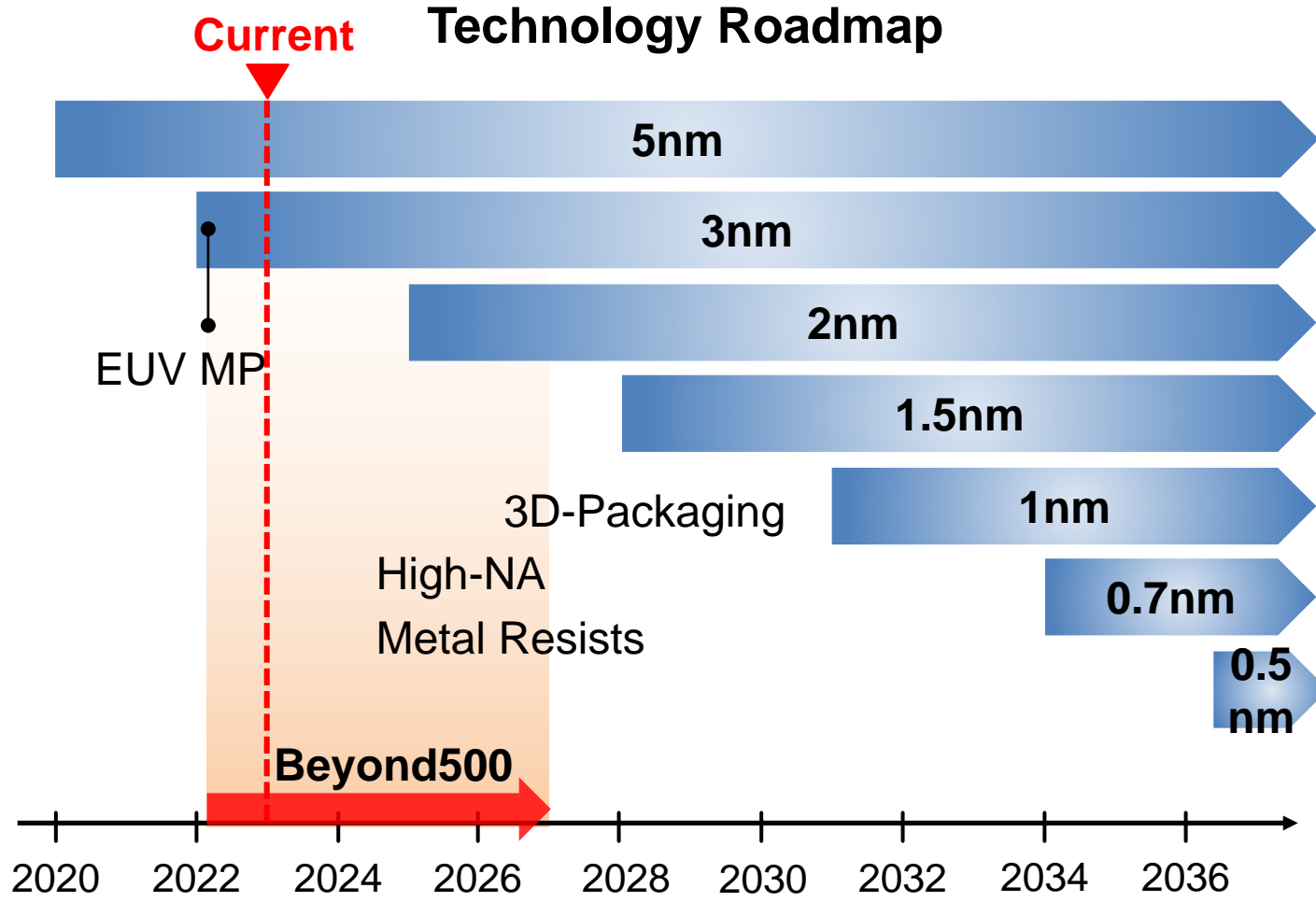
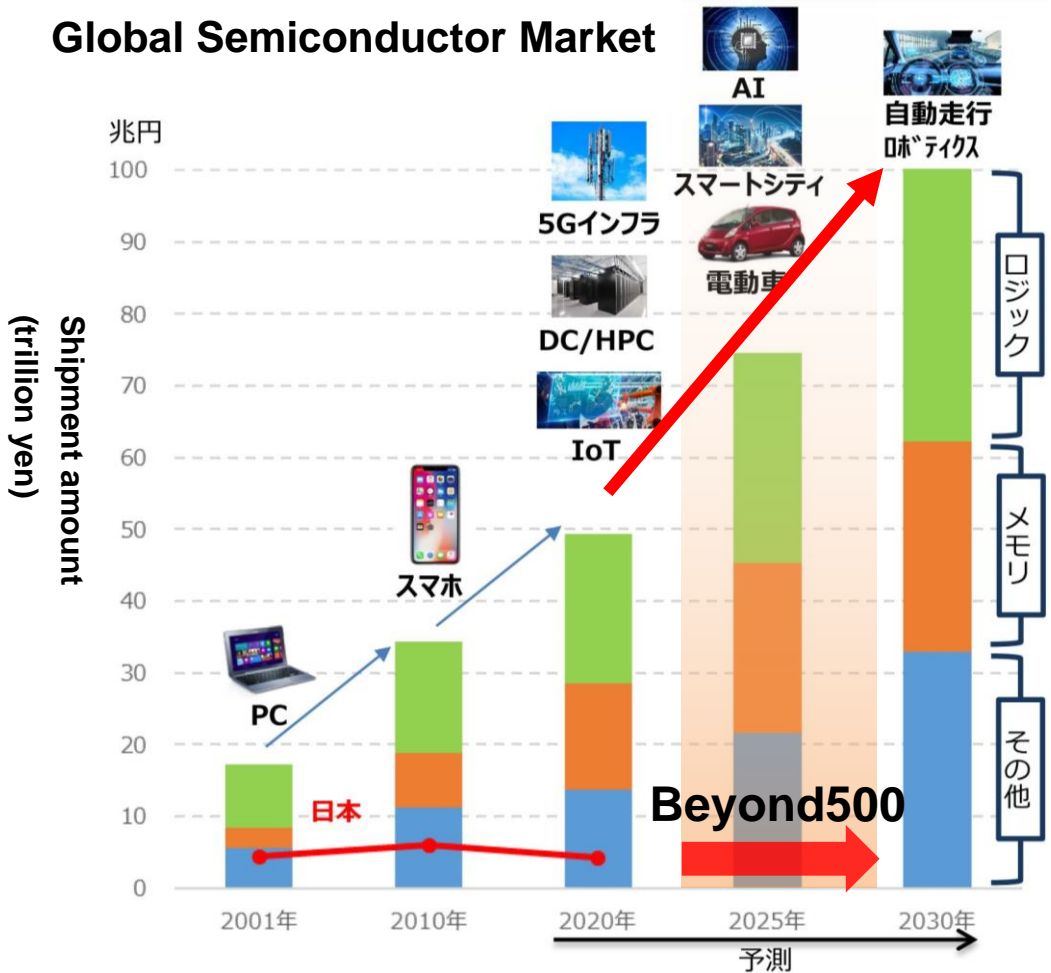
1 . Business Results for the FY 2022

2 . Projection for the FY2023

3 . Future Outlook

Market Environment from 2020 to 2030

- Semiconductors support the evolution of social infrastructure, and the market is expected to double from 2020 to 2030.
- With the progress of miniaturization and the spread of new technologies such as next-generation EUV/metal resist, there is a demand for even higher quality photosensitive materials/solvents.

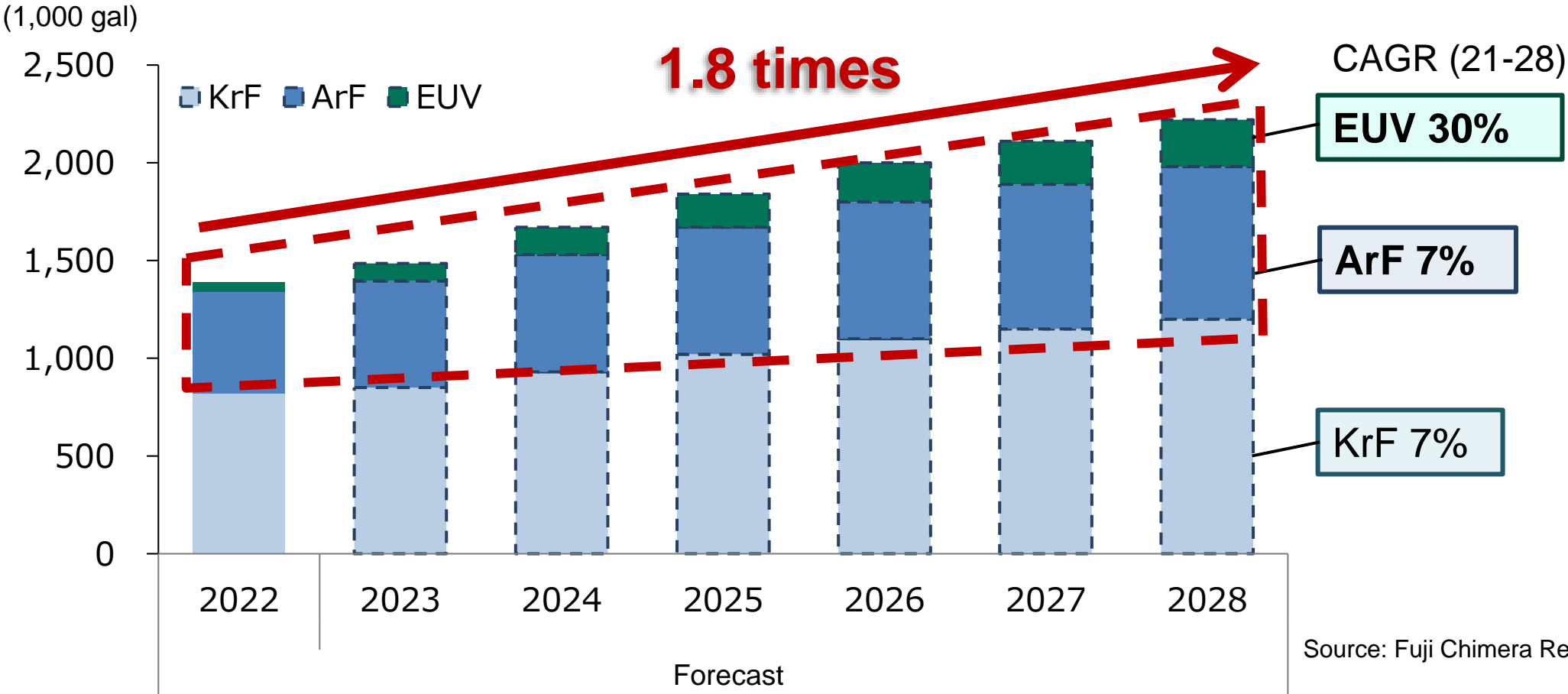


Source: METI "Strategy for Semiconductors and the Digital Industry"

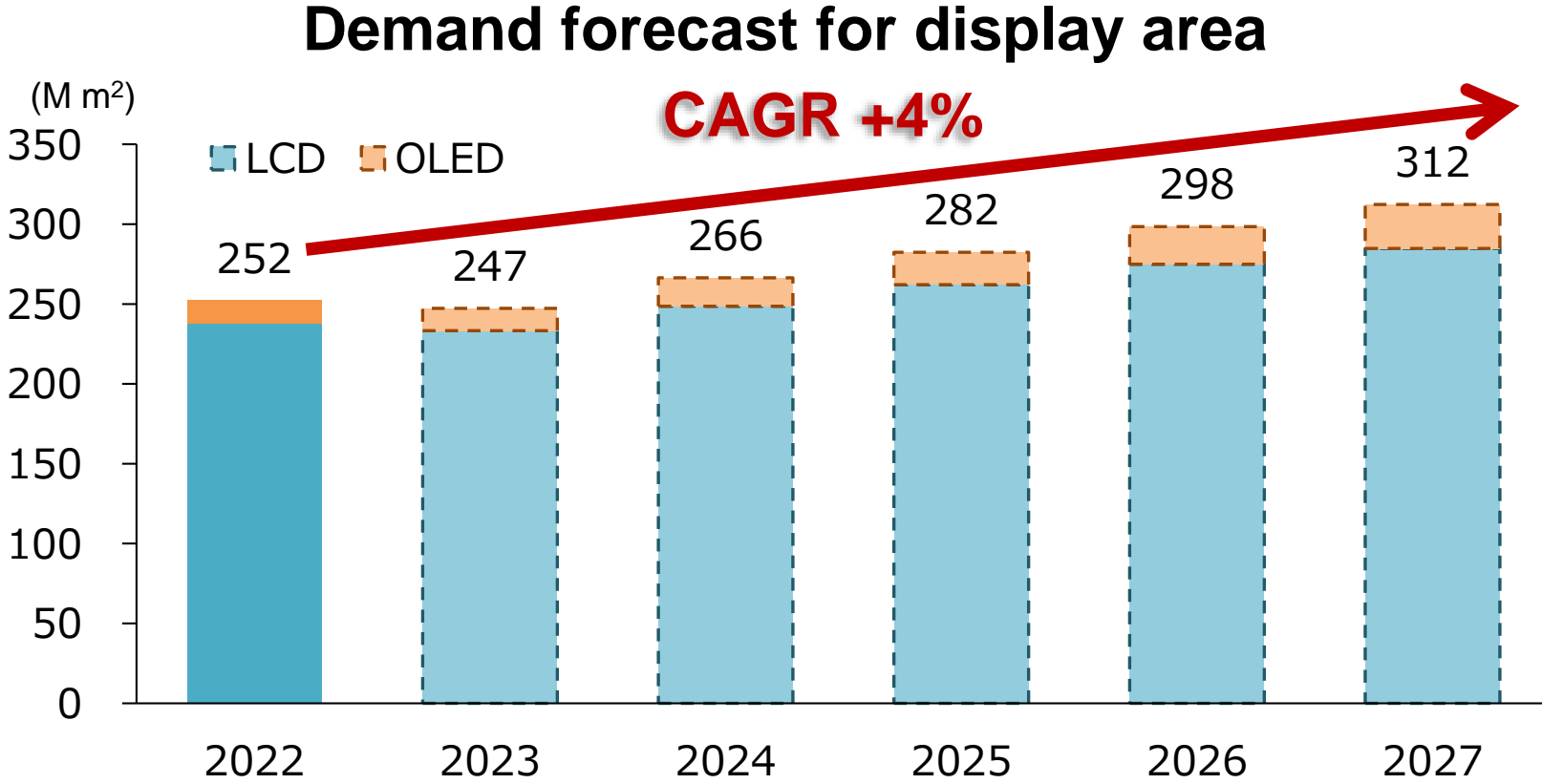
Source: IRDS 2022

- Demand for advanced resists (EUV, ArF) is expected to expand 1.8 times from 2022 to 2028.
- Continued growth in all areas.

Photoresist Market Forecast



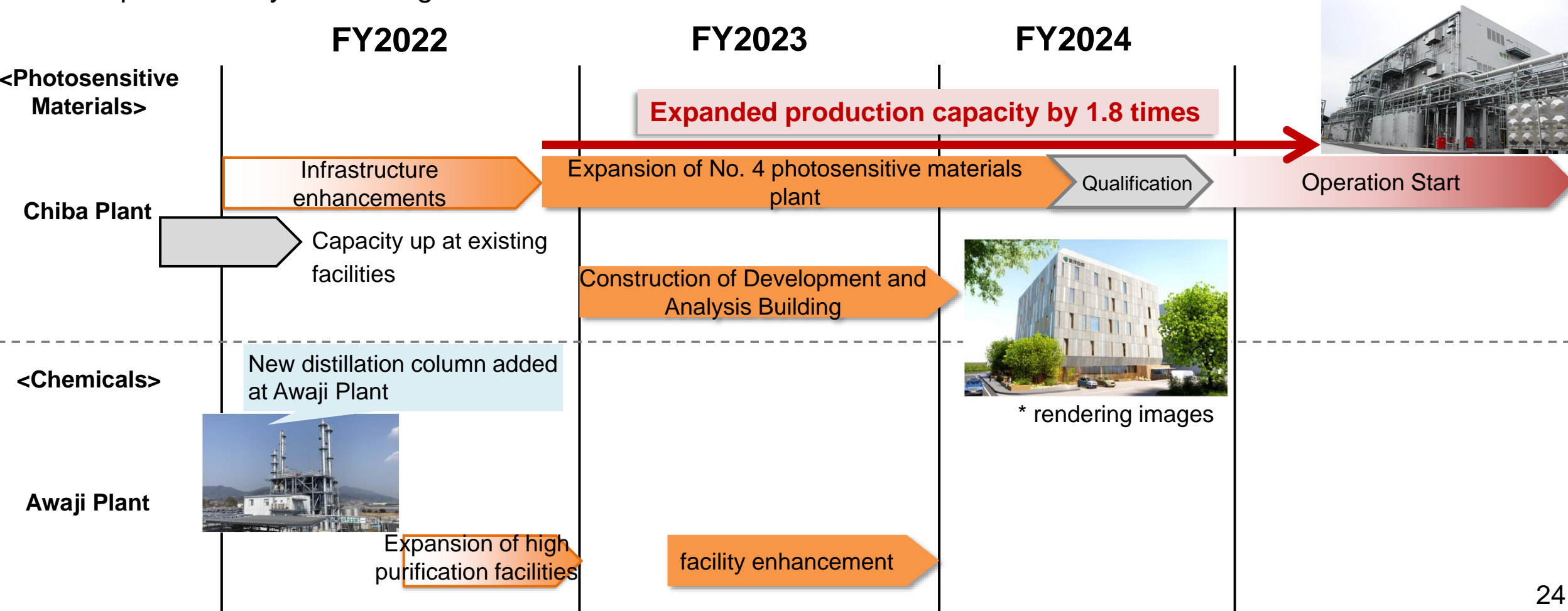
- Moderate growth is expected to continue after a slight decrease in demand on an area basis in 2023.
- Demand for photosensitive materials/high-purity solvents is expanding thanks to the increasing size of TVs, the increase in smartphones equipped with organic EL, and the spread of high-definition products.



Source: DSCC

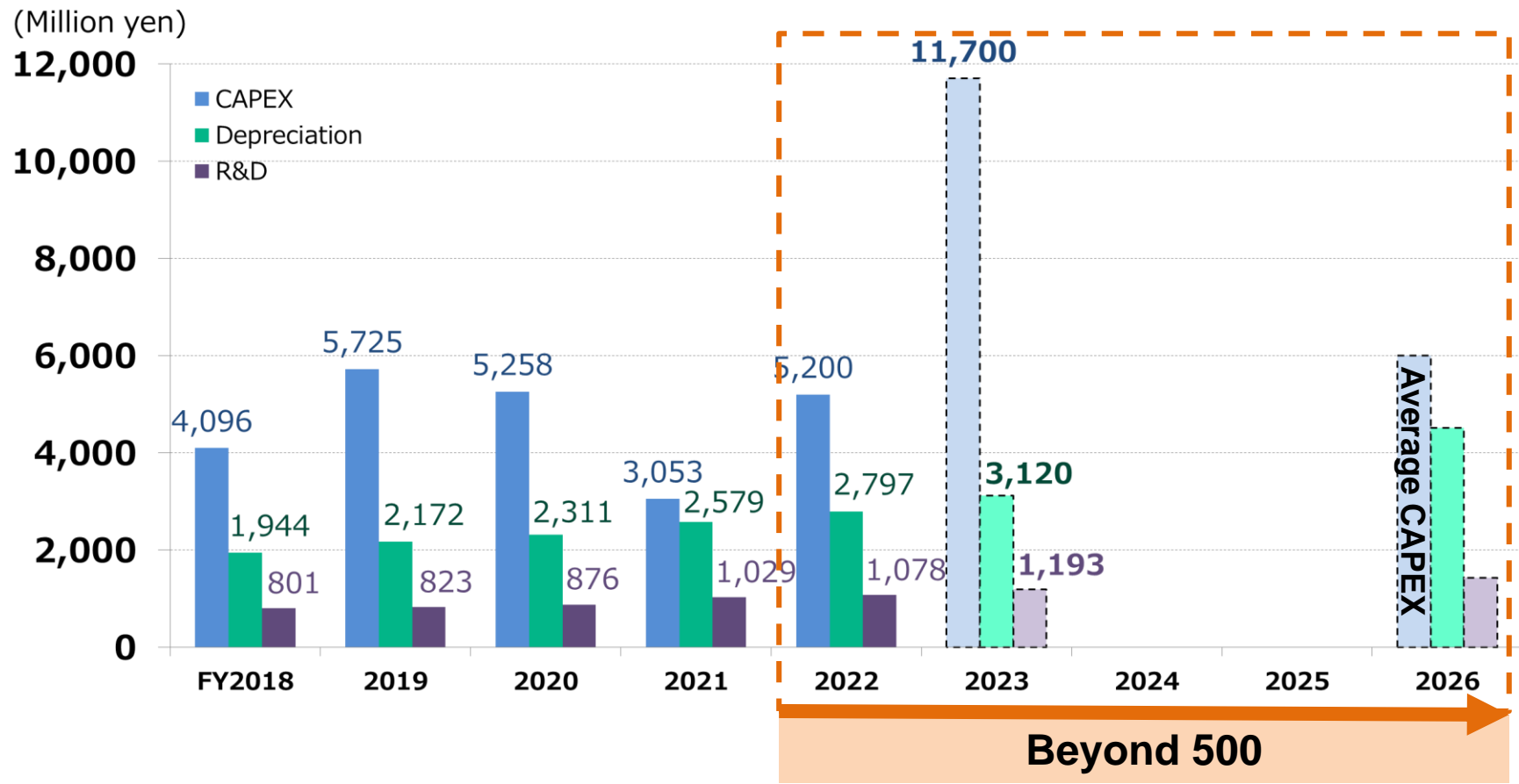
Investment to achieve the "Beyond 500" medium-term management plan

- The semiconductor market will return to high growth from 2024 after production adjustment in 2023.
- Decided to expand production facilities for photosensitive materials to quickly respond to the expected expansion of demand.
- To strengthen the R&D and analytical capacity amid increasingly technical difficulties, the construction of a development analysis building is decided.



- In the FY2023, capital investment is planned to be approximately 11.7 billion yen, with investment mainly on the expansion of photosensitive material manufacturing facilities.
- Enhancing the infrastructure to meet the growing demand for electronic materials.
- In research and development, continuing to strengthen the manufacturing technology capabilities (analysis/analysis, process development, trial production line) to improve productivity and quality.

CAPEX, Depreciation & R&D Plan



Individual Development, to the global Chemical



(見通しに関する注意事項)

本資料の業績予想は、現時点において見積もられた見通しであり、これまでに入手可能な情報から得られた判断に基づいております。従いまして、実際の業績は、様々な要因やリスクにより、この業績予想とは大きく異なる結果となる可能性があり、いかなる確約や保証を行うものではありません。