

TOKYO OHKA KOGYO CO., LTD. Business Results

-The 1st half of Fiscal Year ending Dec. 2023-

August 9, 2023

TOKYO OHKA KOGYO CO., LTD.



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Summary for 1H of FY 2023

FY2023 2Q Results

- **Revised down** the full-year earnings forecast.
- Net sales were **down 7 billion yen or 8.3% YoY** to **77.6 billion yen** due to **a sharp downturn in the marketplace**.
- Operating income, **down 3.9 billion yen or 26.4% YoY** to **10.9 billion yen**, significantly decreased due to reduced sales and **increased expense**.

FY2023 Consolidated Forecasts

- Assumptions:
Customers will possibly start full-fledged inventory digestion in the 2H of the year. Also, **some technological areas will recover** with **generative AI and the latest smartphone models** coming into the market.
- Revised down the full-year earnings forecast based on the financial results for the 1H and the current market situation. **Forecast that both revenue and profit will decrease.**
Net sales: **164 billion yen (down 6.5%)**, **operation income: 23.5 billion yen (down 22.1%)**

Shareholder Returns

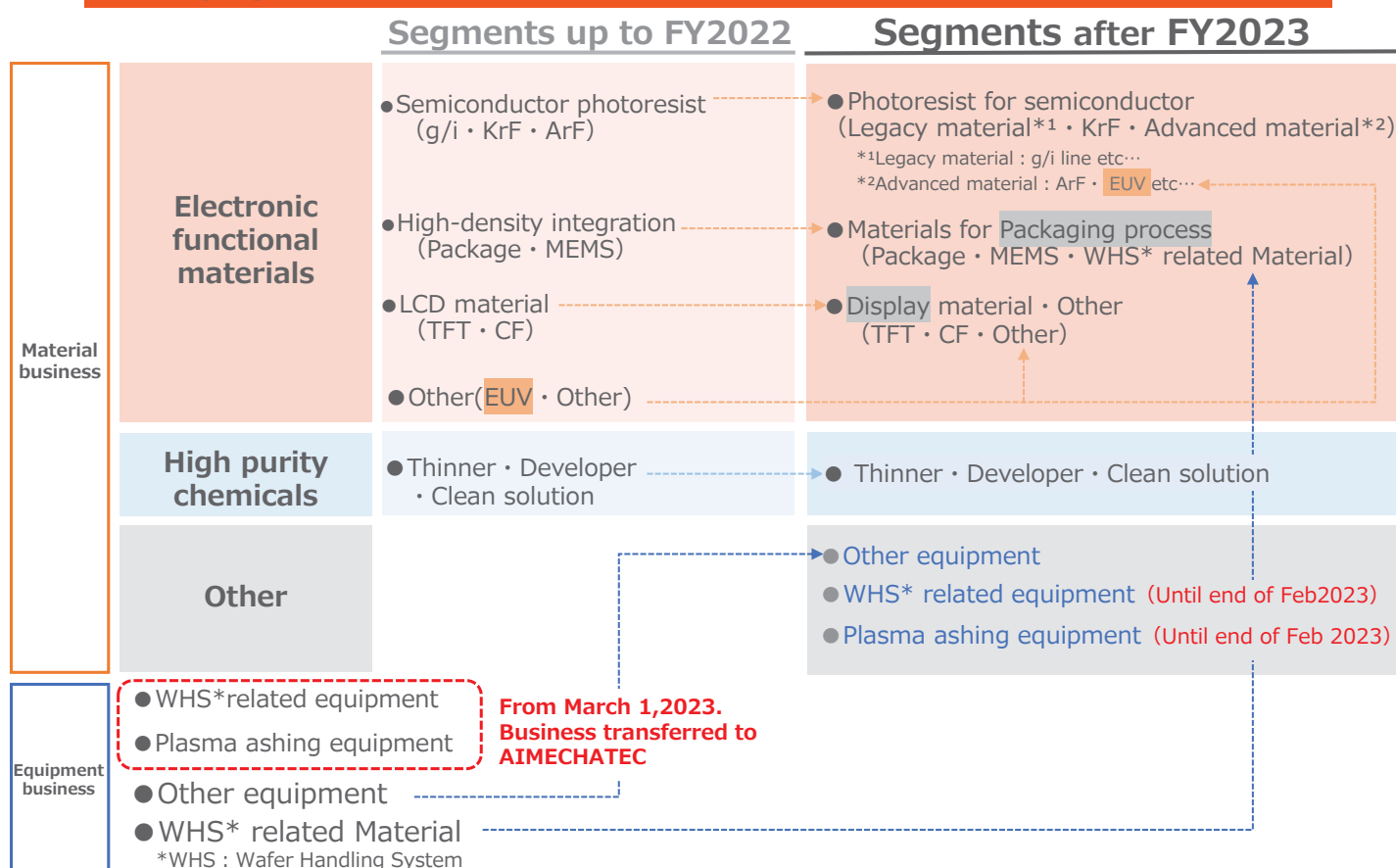
- The interim dividend will be **82 yen** under the dividend policy targeting 4.0% of a consolidated dividend on equity ratio, DOE. The annual dividend will be forecasted to be **164 yen**.
- Firmly maintain **dividend growth of consecutive 6 years**.



• The majority of the equipment business was transferred to AIMECHATEC, Ltd. on March 1, 2023.

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Changes to segment disclosures following the transfer of the equipment business



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Summary

(Millions of yen,%)

	FY2022 1H		FY2023 1H	
			Change	%
Net sales	84,711	77,674	(7,037)	(8.3)
Operating income	14,810	10,904	(3,906)	(26.4)
Ordinary income	15,353	11,806	(3,547)	(23.1)
Profit attributable to owners of parent	9,723	5,355	(4,368)	(44.9)
EBITDA	17,963	14,691	(3,272)	(18.2)

Average exchange rate (US\$) : ¥122.2/\$ (2022/6) ⇒ ¥134.2/\$ (2023/6)

- **Net sales** : Down 8.3% YoY due to a sharp slowdown in semi demand.
- **Operating income** : Down 26.4% YoY due to a decrease in sales and an increase in labor and other costs.
- **Profit attributable to owners of parent** : Down 44.9% YoY due to operating income decline and recognition of restructuring charges.



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Progress (Results)

(Millions of yen, %)

	FY2022 1H		FY 2023 1H			
			Change	%	Initial Forecast	Progress (%)
Net sales	84,711	77,674	(7,037)	(8.3)	89,000	87.3
Electronic functional materials*	45,153	41,848	(3,305)	(7.3)	47,500	88.1
High purity chemicals*	37,213	34,865	(2,348)	(6.3)	40,500	86.1
Other*	2,343	959	(1,384)	(59.1)	1,000	95.9
Operating income	14,810	10,904	(3,906)	(26.4)	14,800	73.7

Average exchange rate (US\$) : ¥122.2/\$ (2022/6) ⇒ ¥134.2/\$ (2023/6)

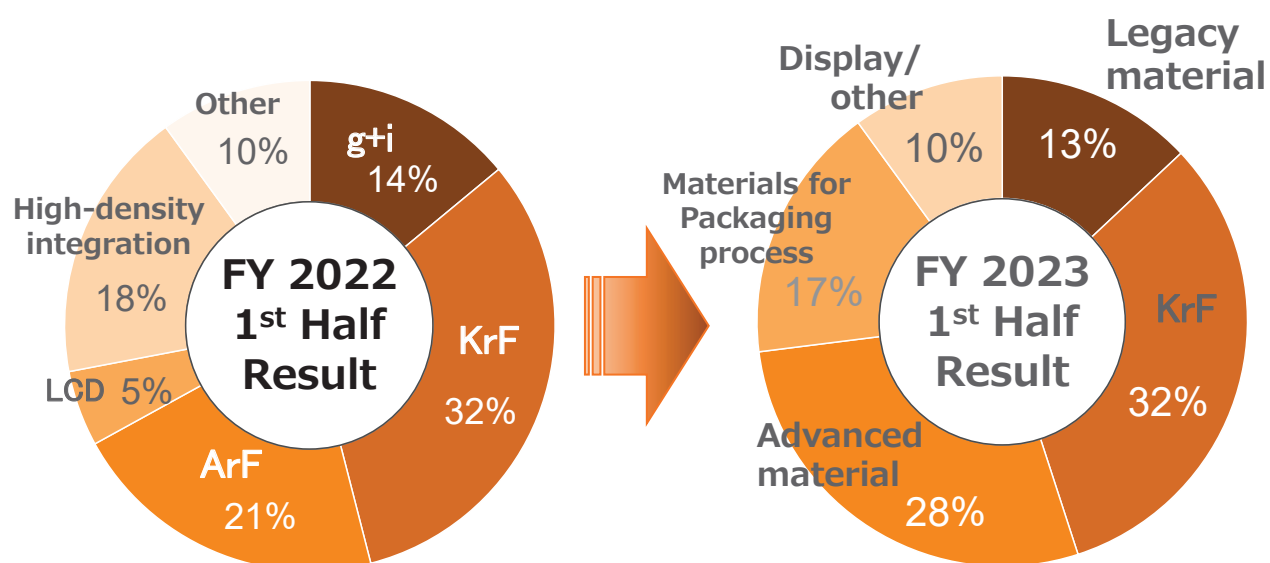
* Adjusted under the new segmentation for 2022/12.

- **Net sales** : Progress 87.3% compared to the initial full-year forecast due to a decreased sales both in electronic functional materials and high purity chemicals caused by a sharp slowdown in semi demand.
- **Electronic functional materials (Net sales)** : Progress 88.1%, performing sluggishly, compared to the initial full-year forecast due to a sharp slowdown in semi demand while **Photoresist for semiconductor and Materials for Packaging process** gained more market share.
- **High purity chemicals (Net sales)** : Progress 86.1%, performing sluggishly, compared to the initial full-year forecast due to low semi capacity utilization and delay in new plant launch while performing well for the emerging market.
- **Operating income** : Progress 73.7% compared to the initial full-year forecast due to a decrease in sales and an increase in labor costs and other costs.



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Electronic Functional Materials Division



*1 Calculations for FY2022 are based on the old segments.
 *2 EUV resist is included in "Other".
 *3 High-density integration : Resist for Packaging, MEMS Materials

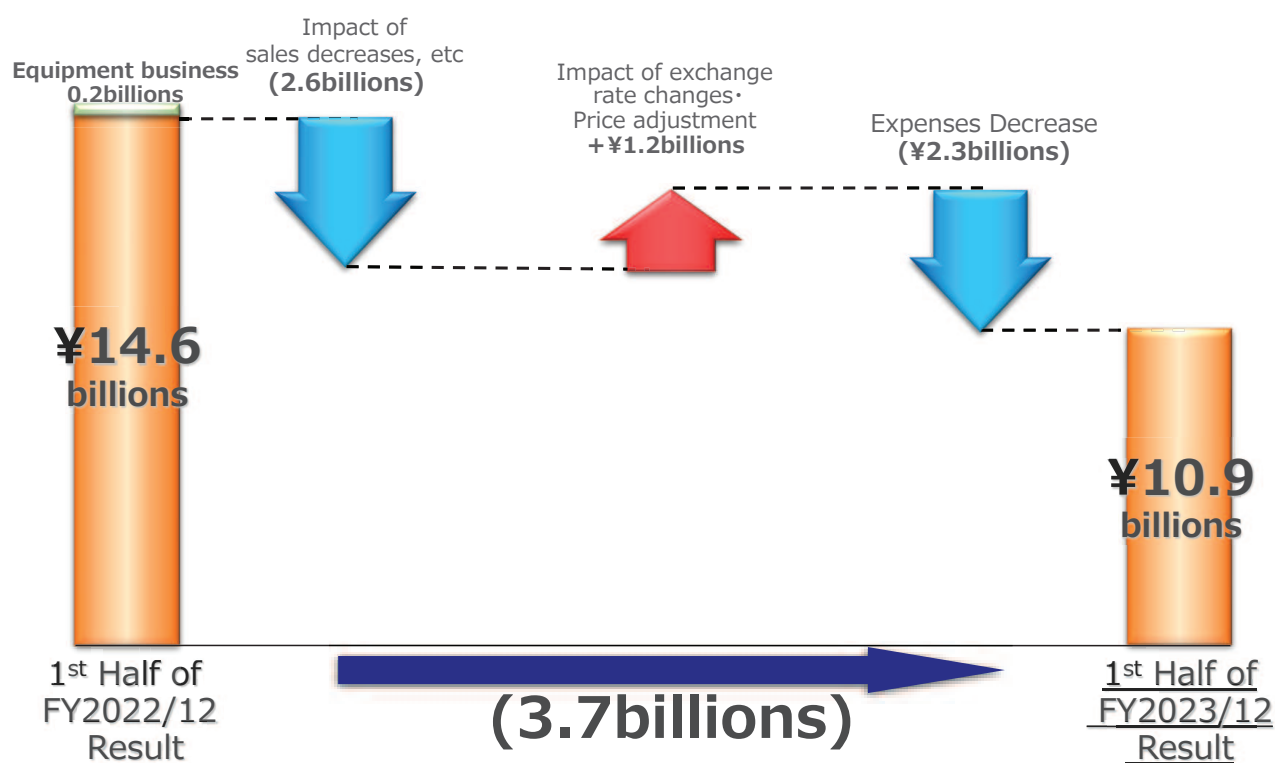
*4 Adjusted under the new segmentation for FY2023.
 *5 Legacy material : g/i-line resist, etc.,
 *6 Advanced material : ArF/EUV resist, etc.,
 7 Materials for Packaging process : Resist for Package • MEMS material • WHS related material
 *8 LCD are classified as display/others.

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Breakdown of the Change in operating Income

1st Half of FY2022/12 Result v.s. 1st Half of FY2023/12 Result



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Non-operating Expenses or income/ Extraordinary Losses or Income

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(Millions of yen)

	1H FY2023	1H FY2023	Change
Non operating Expenses or Income	+543	+902	+359
Interest and divided income	+315	+433	+118
(Foreign exchange related losses/gains)			
(Loss) gain on valuation	+225	+302	+77
of derivatives	+553	+370	(183)
Derivatives	(328)	(67)	+261
Extraordinary Losses or Income	(89)	(1,504)	(1,415)
Gain on sale of non-current assets	–	+219	+219
Loss on retirement of non- current assets	(89)	(47)	+42
Loss on sale of businesses	–	(1,720)	(1,720)



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Consolidated Performance Forecasts for FY2023 (2023.1-2023.12)



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Earnings Forecasts (Full-year)

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(Millions of yen,%)

	FY2022/12	FY2023/12				
		Revisions of Forecasts	Change	%	Initial forecast	Progress (v.s. initial forecast)
Net sales	175,434	164,000	(11,434)	(6.5)	187,500	(12.5)
Operating income	30,181	23,500	(6,681)	(22.1)	31,000	(24.2)
Ordinary income	30,966	25,000	(5,966)	(19.3)	31,600	(20.9)
Profit attributable to owners of parent	19,693	13,500	(6,193)	(31.5)	19,400	(30.4)
EBITDA	36,943	31,300	(5,643)	(15.3)	38,300	(18.3)
ROE (%)	12.1	7.7	(4.4)	—	11.0	—

Average exchange rate (US\$) : ¥130.6/\$ (FY2022/12) ⇒ ¥135.0/\$ (FY2023/12)

- **Net sales** : Forecast to lower by 6.5% YoY affected by the results for the 1H while recovery in some semi segments will be projected.
- **Operating income** : Forecast to lower by 22.1% YoY due to sales decline and expense increase.
- **Profit attributable to owners of parent** : Forecast to lower by 31.5% YoY due to operating profit decline and recognition of restructuring charges.



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Performance Forecasts in Detail (Full-year)

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(Millions of yen,%)

	2022/12	FY2023/12				
		Revised Forecasts	Change	%	Initial forecast	Progress (v.s. initial forecast)
Net sales	175,454	164,000	(11,434)	(6.5)	187,500	(12.5)
Electronic functional materials*	92,799	88,500	(4,299)	(4.6)	98,750	(10.4)
High purity chemicals*	77,565	73,600	(3,965)	(5.1)	86,150	(14.6)
Other*	5,069	1,900	(3,169)	(62.5)	2,600	(26.9)
Operating income	30,181	23,500	(6,681)	(22.1)	31,000	(24.2)

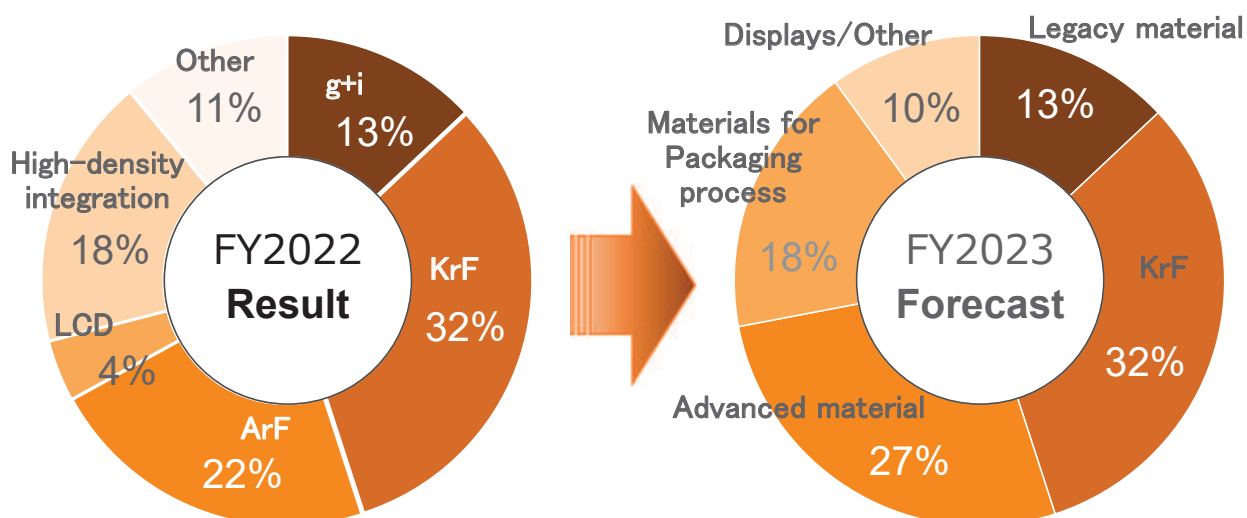
Average exchange rate (US\$) : ¥130.6/\$ (FY2022/12) ⇒ ¥135.0/\$ (FY2023/12) * Adjusted under the new segmentation for 2022/12.

- **Electronic functional materials (Net sales)**
 - : Forecast to lower by 4.6% YoY, with the assumption that photoresists for front-end semiconductors will recover in the 2H of the year, while sales in front-end semi materials are expected to recover.
- **High purity chemicals (Net sales)**
 - : Forecast to lower by 5.1% YoY, with the assumption that overall recovery will start in the 2H of the year, while capacity utilization for some applications is expected to increase.



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Electronic Functional Materials Division



*1 Calculations for FY2022 are based on the old segments.

*2 EUV resist is included in "Other".

*3 High-density integration : Resist for Packaging, MEMS Materials

*4 Adjusted under the new segmentation for FY2023.

*5 Legacy material : g/i-line resist, etc.,

*6 Advanced material : ArF/EUV resist, etc.,

*7 Materials for Packaging process

: Resist for Package • MEMS material • WHS* related material

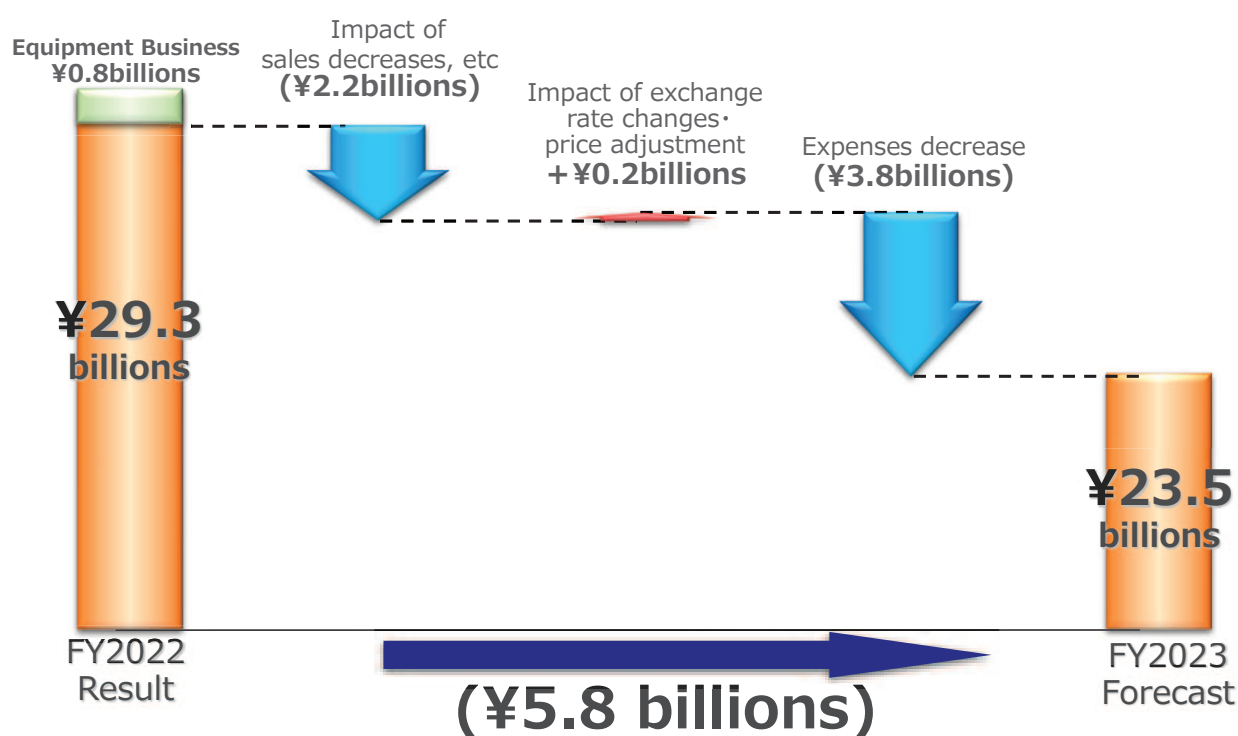
*8 LCD are classified as display/others.

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Breakdown of the Change in Operating Income

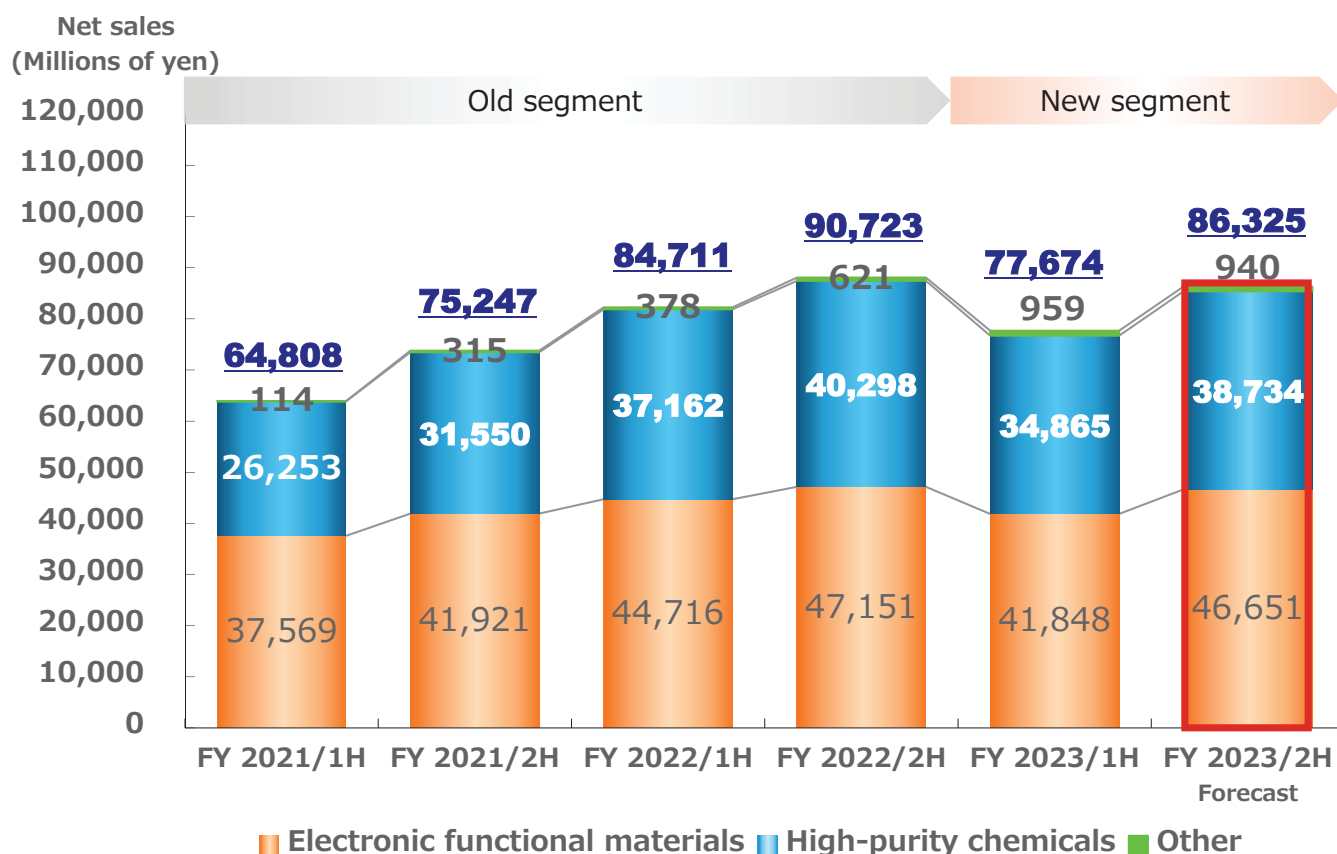
FY2022/12 Result v.s. FY2023/12 Forecast



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Sales Breakdown(Forecast)



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Capital Investments/Depreciation/R&D

(Millions of yen,%)

	1H FY2022	1H FY2023		FY2022/12	FY2023/12		
	Result	Result	Progress (v.s. initial forecast)	Result	Revised Forecast	Change	Initial Forecast
Capital investment	6,809	6,380	34.3	14,514	17,400	+2,885	18,600
Depreciation	3,152	3,786	51.9	6,762	7,800	+1,037	7,300
R&D	5,217	6,038	47.0	11,038	12,600	+1,561	12,850

- Capital investment : Proceed with the mid-term management plan, despite a few delays.
- Depreciation : Proceed as scheduled.
- R&D : Proceed as scheduled.



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Initiatives in TOK Medium Term Plan 2024

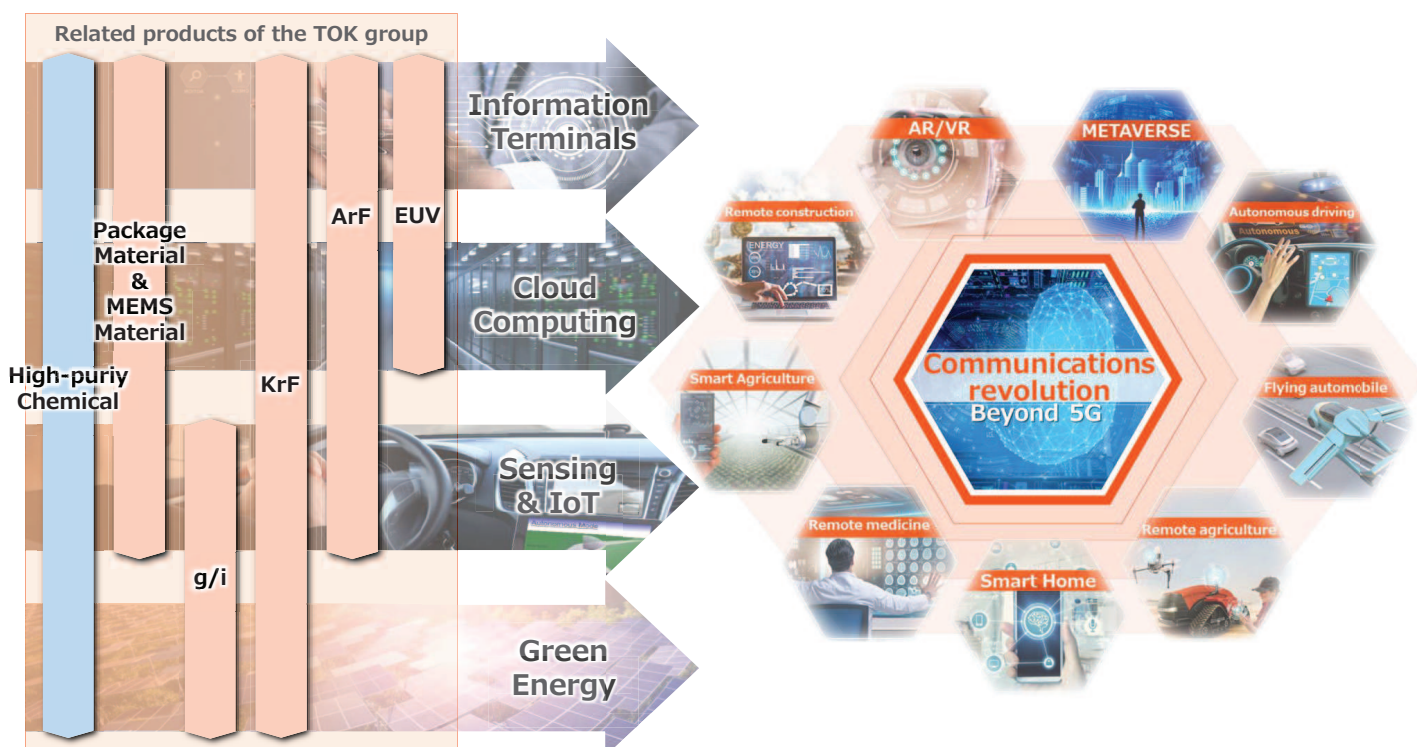


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Society in 2030 ~TOK Vision 2030~

Accommodate the anticipated changes in society
in **the four areas Aim** for further growth



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Features of the tok Medium-Term Plan 2024

Medium-term plan to attain TOK Vision 2030

Management Vision

"The e-Material Global Company"

contributing to a sustainable future through Chemistry.



Business Strategies

- (1) Increase global market share of cutting-edge photoresists
- (2) Acquire and create core technologies in electronic materials and new fields
- (3) Secure stable supply of high-quality products and establish an optimal production system for the Group
- (4) Improve employee engagement and promote people-oriented management
- (5) Build sound and efficient management foundation



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Increase global market share of cutting-edge photoresists & Acquire and create core technologies in electronic materials and new fields①

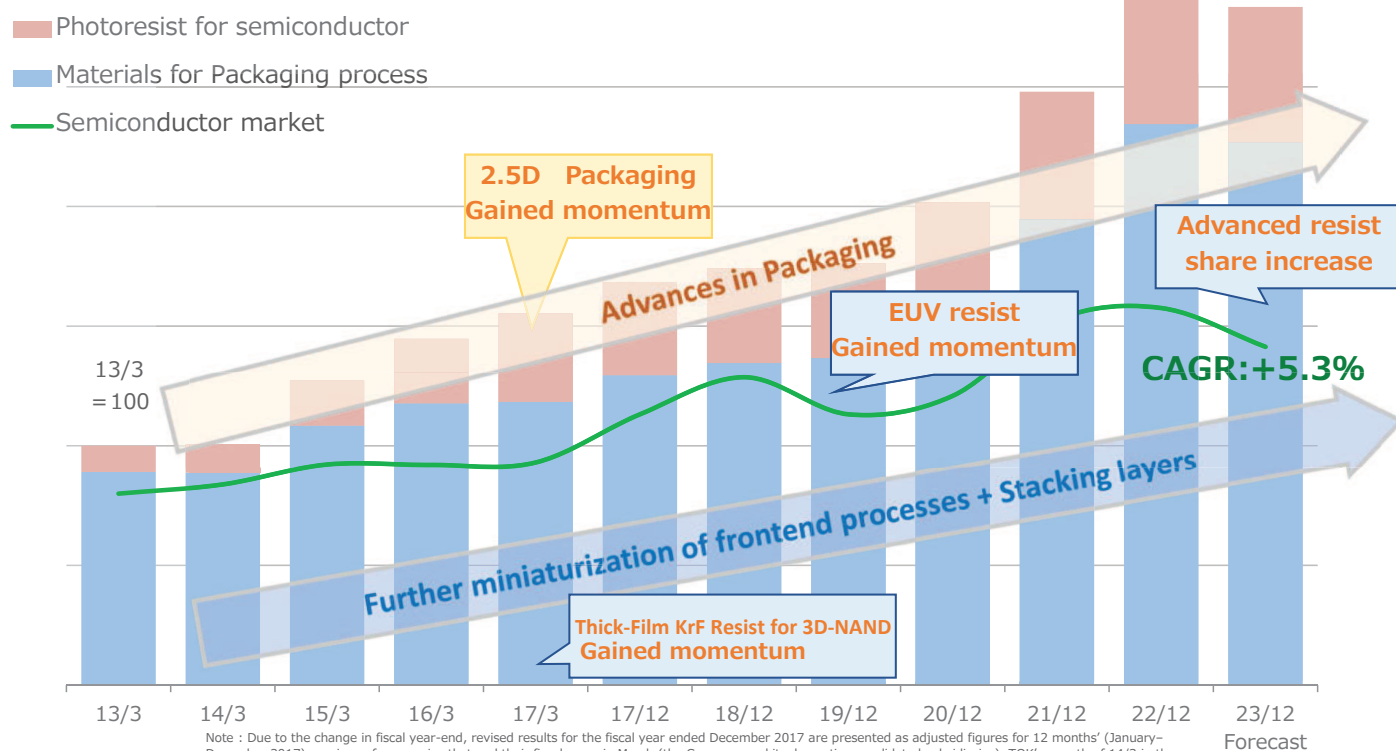
	Medium-Term Plan	Progress
Photoresist for semiconductor (Former Semiconductor Photoresists)	Expand sales with a full lineup of products to meet <u>growing demand for semiconductors</u>	<p>Advanced material : Promote <u>market share expansion activities</u>.</p> <p>KrF : <u>Market share increase</u> in various applications including legacy semiconductors</p> <p>Legacy material : <u>perform well</u> for automotive semiconductors.</p>
Materials for Packaging process (Former High-density Integration Materials)	Rapidly develop products for the <u>cutting-edge packaging technologies</u>	<p>Package: Promote activities to expand market share in <u>advanced packages</u>.</p> <p>MEMS : Promote <u>sales expansion activities</u>.</p> <p>WHS : Expand sales by a <u>new M&E strategy</u>.</p>
High-Purity Chemicals	Expand sales in Asia and North America in response to the <u>sophistication of semiconductor process</u> and <u>demand increase</u>	<p>Thinnners : Update <u>global supply</u>.</p> <p>Clean Solutions : <u>Accelerate new product development</u>. Expand market share in global.</p>
Equipment Business	Aim for <u>sales expansion</u> by rapidly meeting market needs	Plan to assign it to AIMECHATEC, Ltd. with a view to development of the M&E strategy.



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Increase global market share of cutting-edge photoresists & Acquire and create core technologies in electronic materials and new fields ②

■ The semi market growth and TOK's growth



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Secure stable supply of high-quality products and establish an optimal production system for the Group ①

Acceleration to enhance production capabilities with a view to the future demand growth.

TOK Advanced Materials Co., Ltd. (South Korea)

- Enabling increased production capacity Investments in enhancing quality control.
- Scheduled to operate in March 2025.
- Total investment: Over 7 billion yen (planned)



Koriyama Plant (Japan)

- Decided to construct a new photoresist manufacturing facility, the largest in Japan, to realize the world's highest-level quality and production efficiency.
- Scheduled to operate in July 2026.
- Total investment: Over 20 billion yen (planned)



TOK/Aso plant - Kumamoto site (Japan)

- Building a new production site for high purity chemicals.
- Scheduled to operate in February 2025.
- Total investment: Over 13 billion yen (planned)



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Built overseas optimal supply structure for High Purity Chemicals

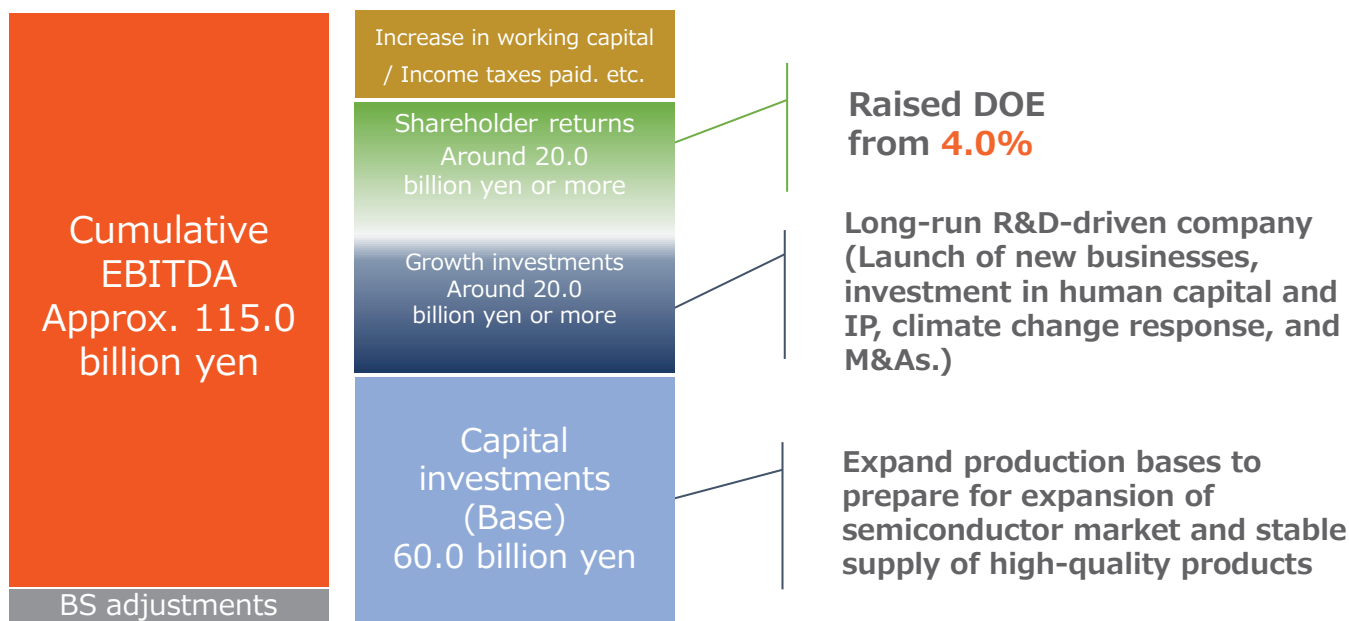


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Outlook going forward (promotion of BS management)

Allocate the generated EBITDA to prioritize capital investments for future growth and flexibly return to shareholders.

3-year cash flow plan (image)



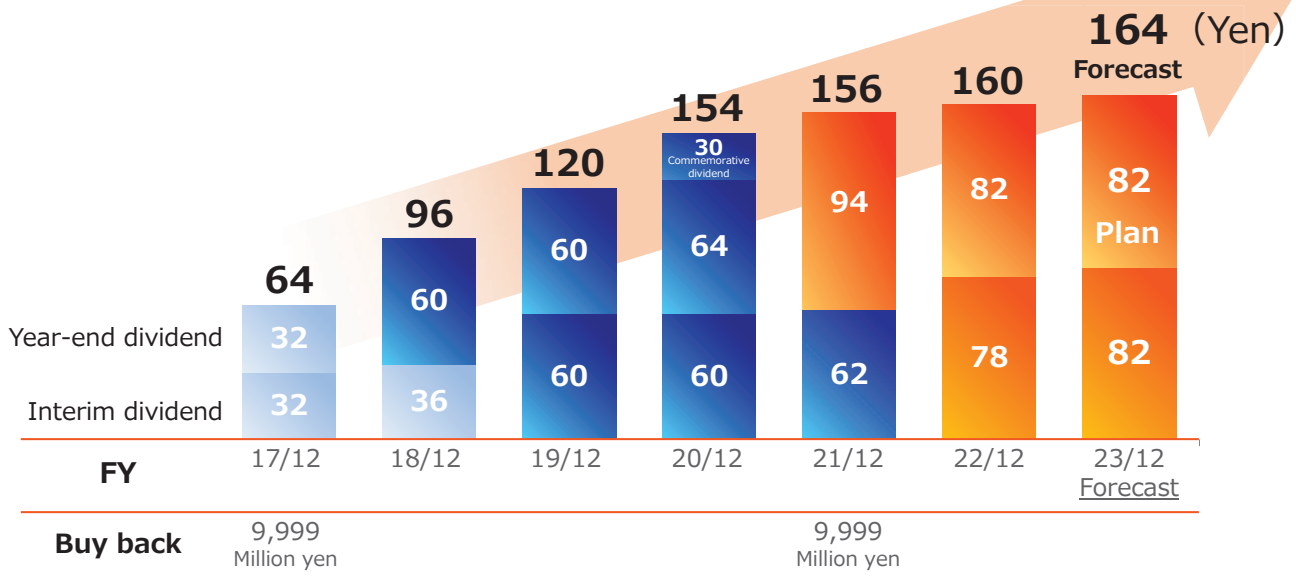
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Build sound and efficient management foundation

<Trends in Shareholder Returns and Dividends >

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- Adopts a dividend on equity (DOE) ratio to ensure stable and continuous returns to shareholders. The dividend policy is to aim for a **DOE 4.0%** (from FY2021/12).
- **Flexibly conduct** share buyback as a means of returning profits to shareholders.
- Anticipate a **dividend increase for six consecutive periods.**



Guidelines on dividend policy

tok Medium-Term Plan 2018
- Consolidated payout ratio of over 40% -

tok Medium-Term Plan 2021
- Based on consolidated DOE of 3.5% -

tok Medium-Term Plan 2021
- Based on consolidated DOE of 4.0% -

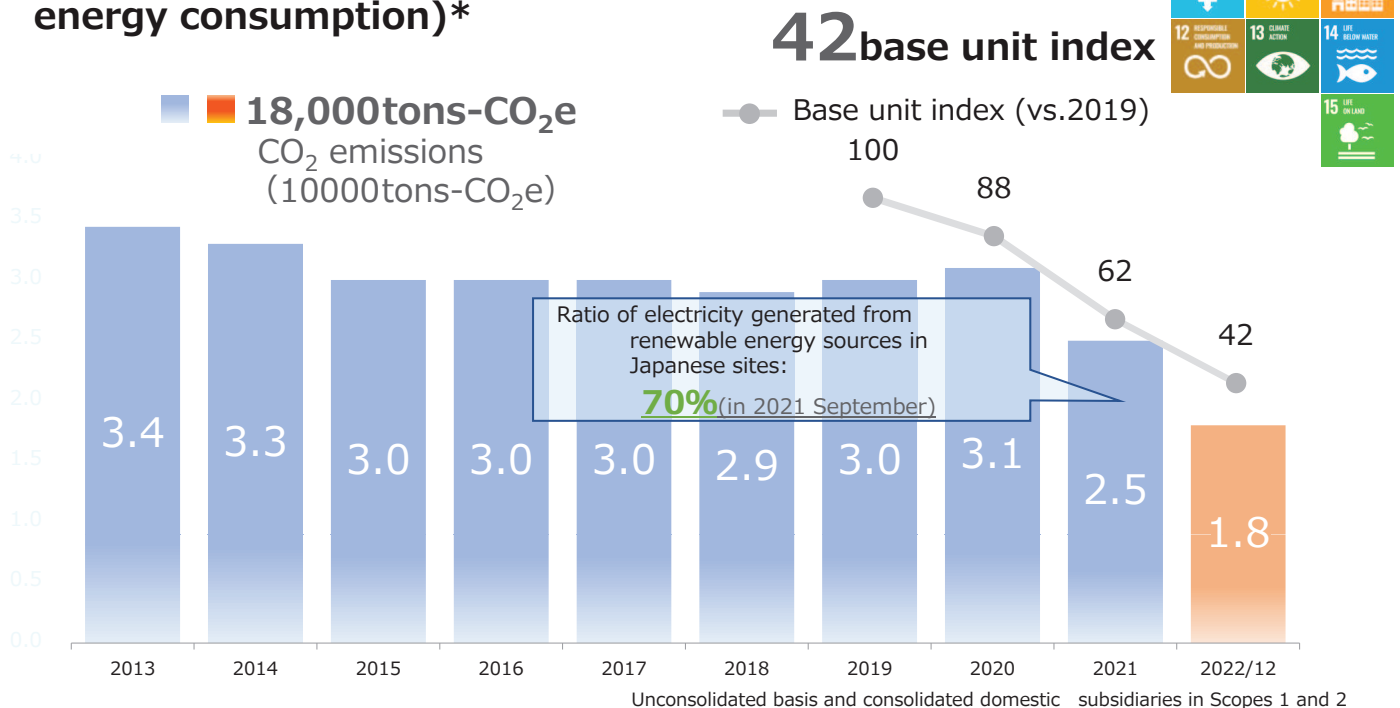
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ESG topics

Toward Realization of Carbon Neutrality

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CO2 emissions (converted from energy consumption)*



In January, 2023, started covering **100%** electricity supply by renewable energies in major domestic sites.

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(Note)

This presentation material contains forward-looking statements that describe future prospects of TOKYO OHKA KOGYO CO., LTD. (the Company) in terms of business planning, earnings and management strategies. Such statements are based on management's judgement, derived from information available to it at the time such information was prepared. Readers are cautioned not to rely solely on these forward-looking statements, as actual results and strategies may differ substantially according to changes in the Company's business environment.

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Appendix

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(Millions of yen)

	As of June 30, 2023	v.s. December 31, 2022
Current Assets	130,434	(201)
Cash and deposits	55,993	+622
Notes and accounts receivable	31,435	(4,376)
Inventories	34,254	+4,248
Property, plant and equipment	69,599	+3,589
Intangible assets	1,380	+84
Investments and other assets	45,965	+5,832
Current Liabilities	38,094	(2,686)
Notes and accounts payable	20,653	(963)
Long-Term Liabilities	18,553	+2,219
Total net asset	190,732	+9,772
Total asset	247,380	+9,304

Buildings and structures
+2,578
Machinery, equipment and vehicles
(605)
Tools, furniture and fixtures
(456)
Land
+119
Construction in progress
+1,947

Investment securities
+4,737

Notes and accounts payable
(963)
Income taxes payable
(1,387)

deferred tax liabilities
+2,147

Retained earnings
+2,039
treasury stock
+238
Valuation difference on
available-for-sale securities
+3,249
Foreign currency translation
adjustment account
+3,033

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Cash Flows

(Millions of yen)

	2022/6	2023/6
Cash flows from operating activities	+9,187	+8,987
Income before income taxes and minority interests	+15,264	+10,302
Depreciation	+3,152	+3,786
Decrease (increase) in trade notes and accounts receivable	(1,516)	+4,127
Decrease (increase) in inventories	(2,509)	(5,608)
Decrease (increase) in trade notes and accounts payable	+1,921	(2,329)
Increase (decrease) in advances received	+64	+1,034
Income taxes paid	(4,726)	(4,102)
Cash flows from investing activities	(788)	(5,481)
Cash flows from financing activities	(5,664)	(3,998)
Translation adjustments	+2,498	+1,780
Net increase (decrease) in cash and cash equivalents	+5,232	+1,288

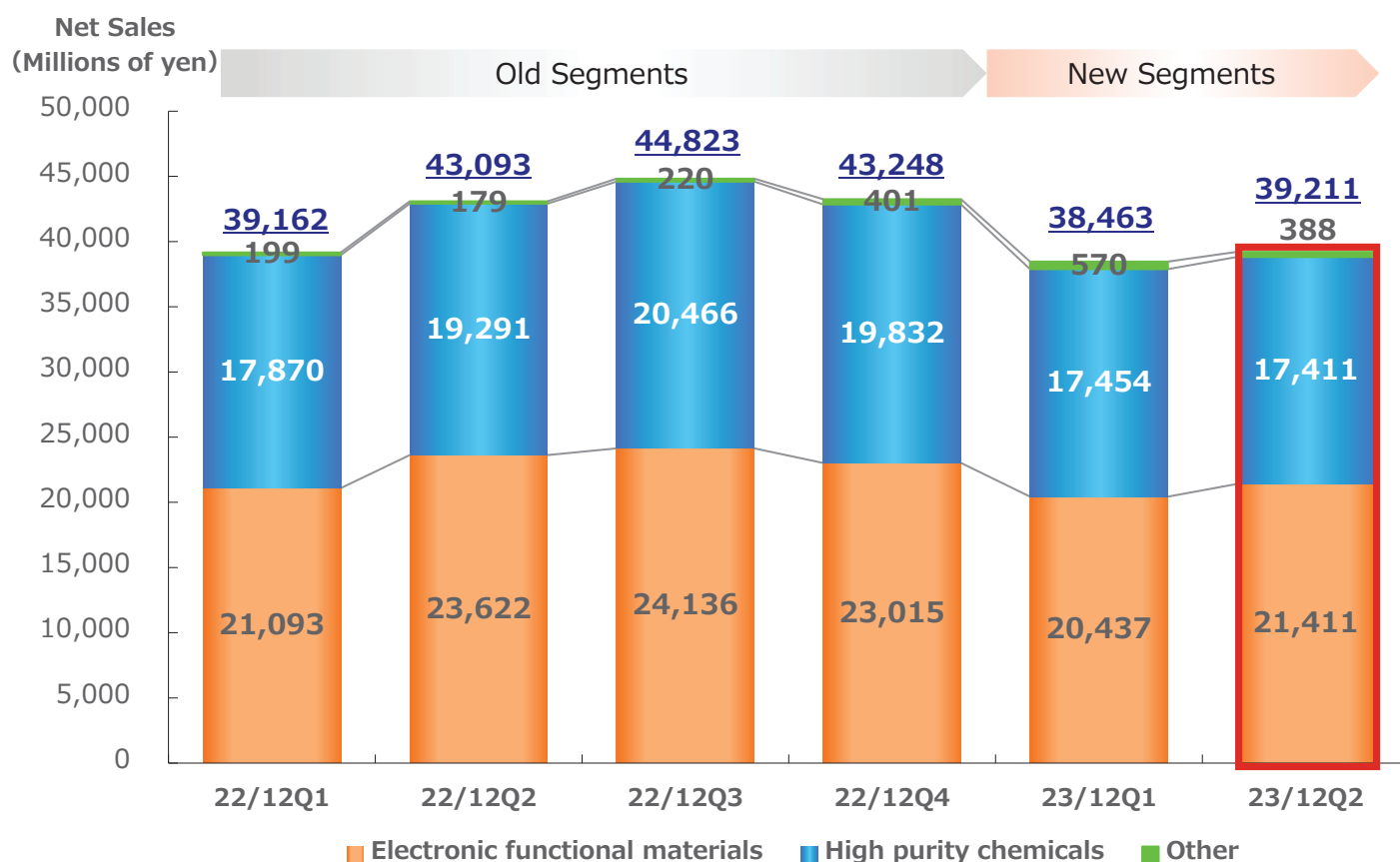
Major breakdown
Purchase of property, plant and
equipment
(7,452)
Increase (Decrease) in Long-Term
Deposits
+1,000
Proceeds from transfer of business
+682

Major breakdown
Dividends paid
(incl. minority shareholders)
(4,486)

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Sales Breakdown



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(Announced on Feb. 15, 2022)

Features of the tok Medium-Term Plan 2024

“Boost up TOK!!” towards 2030

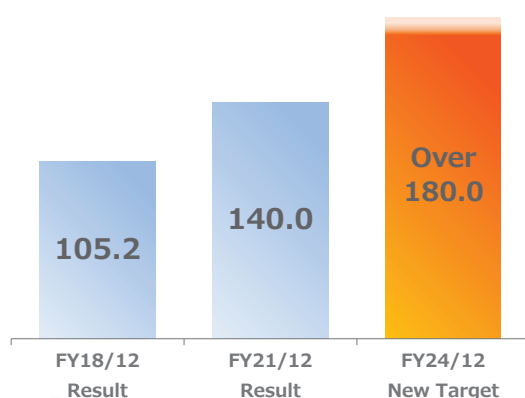
Performance Targets (FY24/12)

Net Sales	Over 180.0 billion yen
Operating Income	Over 27.0 billion yen
EBITDA	Over 35.0 billion yen
ROE	Over 8.0%

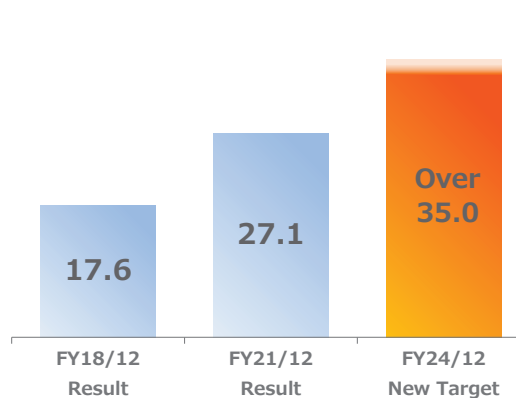
Management Vision (TOK Vision 2030)

“The e-Material Global Company™”
contributing to a sustainable future
through Chemistry.

Net sales (Billion yen)



EBITDA (Billion yen)



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