

Table of Contents

1. Financial Performance	2
(1) Explanation of Financial Performance	2
(2) Explanation of Financial Position	4
(3) Explanation of Forward-looking Statements such as Consolidated Performance Forecasts	4
2. Quarterly Consolidated Financial Statements, Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes	9
(Notes on Going Concern Assumption)	9
(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)	9
(Changes in Accounting Policies)	9
(Additional Information)	9
(Segment Information, etc.)	10

1. Financial Performance

(1) Explanation of Financial Performance

(a) Financial Performance during the First Three Quarters of Fiscal 2023

During the period under review (January 1 to September 30, 2023), the global economy experienced different conditions depending on the region, as the economy in North America was strong, but in Europe the economy stalled and in China the economic recovery remained weak despite the country lowering policy rates.

Japan's economy saw sluggish growth in demand for semiconductors and commodity chemicals, but there were the beginning signs of a recovery in automobile production and sales as well as expectations of a recovery in restaurants and travel amid the rebound in in-bound tourism and the pent-up demand for purchases following the end of the COVID-19 pandemic.

Given this situation, the Group continued its development of performance products for batteries for automotive applications and semiconductors as well as sales promotion activities. As a result, the Group recorded the following financial results for the period under review.

Net sales: ¥116,149 million (-2.2% YOY)

Operating income: ¥8,088 million (-32.9% YOY)

Ordinary profit: ¥9,672 million (-29.8% YOY)

Net income attributable to owners of parent: ¥8,175 million (-20.6% YOY)

(b) Performance by Segment

Following changes in the Company's organizational structure and management classification effective January 1, 2023, sustainability related businesses previously included in the Commodity Chemicals segment have been transferred to the Other Businesses segment from the first quarter of fiscal 2023. Year-on-year change is compared to the figures for the first three quarters of fiscal 2022 prepared according to the revised classification method.

I. Commodity Chemicals

Overall, electrolysis products saw sales volume decline, but sales revenue increased because of price hikes from last year. Acrylic monomer products posted a decline in sales revenue owing mainly to the impacts of sluggish domestic and overseas market conditions. Industrial gas saw sales volume on par with the previous year, but price hikes in response to surging raw material and fuel prices helped to increase sales revenue. As a result of the above, this segment posted net sales of ¥53,107 million (-2.3% YOY).

Operating income fell to ¥4,110 million (-31.7% YOY), largely impacted by the downturn in market conditions for acrylic monomers.

II. Polymer & Oligomer

Acrylic polymers experienced a decrease in sales revenue amid diminished sales volume due to inventory adjustments by customers. Acrylic oligomers also experienced a decrease in sales revenue on diminished sales volume resulting from weaker demand for electronic equipment. Polymer flocculants saw sales revenue decline due to weaker demand overseas. As a result of these factors, this segment posted net sales of ¥24,987 million (-7.2% YOY).

Operating income totaled ¥2,278 million (-32.4% YOY) because of the impact of diminished sales volume.

III. Adhesive Material

Consumer use products in Japan posted increased sales revenue on strong shipments of products for convenience stores. As for consumer use products overseas, sales revenue declined on lower sales volume in North America as well as Latin America. Functional adhesives recorded a decrease in sales volume of products for smartphones, but sales revenue increased on higher sales volume of products for batteries for automotive applications. As a result, this segment posted net sales of ¥8,863 million

(+7.5% YOY).

The segment recorded an operating loss of less than ¥1 million due to the impacts of diminished sales volume of products for smartphones.

IV. Performance Chemicals

High-purity inorganic chemicals posted a decline in sales revenue owing to the impacts of the downturn in semiconductor market conditions. Inorganic functional materials posted lower sales revenue amid diminished sales volume of antimicrobial agents. Medical care products saw sales revenue increase on sales of samples for testing. As a result, this segment posted net sales of ¥7,591 million (+2.2% YOY).

Operating income totaled ¥1,216 million (-27.5% YOY) amid weaker sales volume of products for semiconductors and increased research and development spending.

V. Plastics

Piping equipment recorded a decrease in sales revenue on reduced sales volume due to the public sector business and the slump in housing starts. Nursing care products recorded an increase in sales revenue owing to price hikes in response to surging raw material prices. Elastomer compounds posted higher sales revenue owing to price hikes in response to surging raw material prices. As a result, this segment posted net sales of ¥20,177 million (-1.6% YOY).

Operating income totaled ¥1,010 million (-27.8% YOY) because of the impacts of the downturn in sales volume of piping equipment.

VI. Other Businesses

This segment, which consists of the research and development business for new products, goods transportation, and trading-house operations, among others, recorded increased sales revenue from its trading department. The segment posted net sales of ¥1,421 million (+10.4% YOY) and an operating loss of ¥547 million.

(2) Explanation of Financial Position

Status of assets, liabilities, and net assets

Total assets amounted to ¥264,236 million, down ¥898 million (0.3%) from the previous year-end. The main contributor to this decrease was a decrease in current assets including cash and deposits, compared to an increase in investment securities owing to the rising market value of shares owned.

Total liabilities amounted to ¥53,650 million, down ¥677 million (1.2%) from the previous year-end. The main contributor to this decrease was an increase in other under long-term liabilities owing to the increase in deferred tax liabilities, which was offset by the decrease in current liabilities in notes and accounts payable.

Total net assets amounted to ¥210,585 million, down ¥221 million (-0.1%) from the previous fiscal year-end. The main contributor to this decrease was the decrease in non-controlling interests from the increase in the Company's shareholding ratio of MT AquaPolymer, Inc., a consolidated subsidiary, compared to an increase in unrealized holding gain on available-for-sale securities. Net worth ratio amounted to 79.3%.

(3) Explanation of Forward-looking Statements such as Consolidated Performance Forecasts

All forward-looking statements herein represent assumptions that we considered reasonable as of the day this document was published.

During the first three quarters of fiscal 2023, overall shipment volume was diminished, but there were positive signs, such as an increase in the sales volume of products for batteries for automotive applications and for automotive parts. However, the economic situation from the fourth quarter onwards is expected to become more uncertain due to the unstable global situation as a result of Russia's ongoing military invasion of Ukraine and the situation in the Middle East becoming more tense.

Under these circumstances, it is difficult to estimate future performance with a high degree of accuracy, but based on the assumption that the various events that are currently taking place will not become worse, the Company will maintain the consolidated performance forecast for fiscal 2023 announced on July 31, 2023. In addition, if it becomes necessary to change the performance forecast, the Company will disclose the details promptly.

2. Quarterly Consolidated Financial Statements, Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal 2022 (as of December 31, 2022)	First Three Quarters of Fiscal 2023 (as of September 30, 2023)
Assets		
Current assets		
Cash and deposits	40,366	33,747
Notes and accounts receivable	49,848	47,841
Securities	18,000	17,000
Inventories	25,511	25,803
Other current assets	5,309	3,741
Allowance for doubtful receivables	(50)	(47)
Total current assets	138,985	128,086
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	27,467	27,096
Machinery, equipment and other, net	24,399	24,178
Land	29,146	29,240
Other, net	9,761	13,770
Total property, plant and equipment	90,774	94,285
Intangible fixed assets	1,592	1,561
Investments and other assets		
Investment securities	28,472	34,757
Net defined benefit asset	2,704	2,910
Other assets	2,612	2,640
Allowance for doubtful receivables	(6)	(6)
Total investments and other assets	33,782	40,302
Total fixed assets	126,150	136,150
Total assets	265,135	264,236

(Millions of yen)

	Fiscal 2022 (as of December 31, 2022)	First Three Quarters of Fiscal 2023 (as of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable	19,653	17,119
Short-term bank loans	2,475	2,474
Accrued income taxes	2,176	395
Provisions	16	619
Other current liabilities	13,470	14,203
Total current liabilities	37,792	34,813
Long-term liabilities		
Long-term debt	8,590	8,588
Net defined benefit liability	117	116
Provision for share awards	—	85
Other long-term liabilities	7,828	10,047
Total long-term liabilities	16,535	18,837
Total liabilities	54,328	53,650
Net assets		
Shareholders' equity		
Common stock	20,886	20,886
Capital surplus	15,095	14,196
Retained earnings	158,154	161,770
Treasury stock	(1,081)	(5,908)
Total shareholders' equity	193,053	190,945
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	9,598	14,241
Translation adjustment	3,471	4,546
Remeasurements of defined benefit plans	(154)	(156)
Total accumulated other comprehensive income	12,915	18,631
Non-controlling interests	4,837	1,008
Total net assets	210,807	210,585
Total liabilities and net assets	265,135	264,236

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

First Three Quarters of Fiscal 2023

(Millions of yen)

	First Three Quarters of Fiscal 2022 (January 1, 2022 to September 30, 2022)	First Three Quarters of Fiscal 2023 (January 1, 2023 to September 30, 2023)
Net sales	118,717	116,149
Cost of sales	85,646	86,579
Gross profit	33,071	29,569
Selling, general, and administrative expenses	21,017	21,481
Operating income	12,054	8,088
Non-operating income		
Interest income	40	182
Dividend income	673	718
Equity in earnings of affiliates	163	151
Foreign currency exchange gains	822	399
Rent income on non-current assets	145	136
Other	206	281
Total non-operating income	2,050	1,869
Non-operating expenses		
Interest expenses	69	96
Environment readiness fee	199	63
Inactive facilities expenses	19	9
Other	42	114
Total non-operating expenses	330	285
Ordinary profit	13,773	9,672
Extraordinary income		
Gain on sales of investment securities	1,003	1,998
Subsidy income	283	84
Total extraordinary gains	1,286	2,082
Extraordinary losses		
Loss on disposal of non-current assets	417	168
Loss on valuation of investment securities	109	3
Loss on sales of investment securities	—	2
Expenses of soil pollution measures	358	—
Total extraordinary losses	885	175
Income before income taxes	14,174	11,580
Income taxes	3,640	3,353
Net income	10,534	8,227
Net income attributable to non-controlling interests	240	51
Net income attributable to owners of parent	10,294	8,175

Quarterly Consolidated Statement of Comprehensive Income

First Three Quarters of Fiscal 2023

(Millions of yen)

	First Three Quarters of Fiscal 2022 (January 1, 2022 to September 30, 2022)	First Three Quarters of Fiscal 2023 (January 1, 2023 to September 30, 2023)
Net income	10,534	8,227
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	(727)	4,644
Translation adjustments	2,239	1,101
Remeasurements of defined benefit plans, net of tax	(42)	(2)
Total other comprehensive income	1,469	5,744
Comprehensive income	12,004	13,971
Comprehensive income attributable to:		
Owners of parent	11,705	13,891
Non-controlling interests	299	79

(3) Notes

(Notes on Going Concern Assumption)

None

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

The Company acquired 3,883,900 treasury shares pursuant to a resolution passed by the Board of Directors at its meeting held on February 10, 2023. As a result, during the period under review, treasury stock increased by ¥4,826 million, bringing the total of treasury stock to ¥5,908 million as of the end of the period under review.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

We applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter under review. In accordance with the transitional handling stipulated in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, we have decided to apply the new accounting policy established by the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future. The Company's financial statements for the first three quarters of fiscal 2023 were not affected by this application.

(Additional Information)

(Employee Stock Compensation Plan)

In April 2023, the Company introduced an employee stock compensation plan (hereinafter, the "Plan") with the purpose of enhancing the welfare and benefits plan for the Company's employees (hereinafter, the "Employees"), to further promote the execution of business operations aiming to improve business performance by further increasing the Employees' awareness toward the Company's business performance and increasing the share price, and to enhance the Company's corporate value over the medium to long term.

(1) Overview of Transaction

The Plan is an incentive plan whereby money contributed by the Company will be used to establish a trust (hereinafter, the "Trust"), and the Trust will acquire the common stock (hereinafter, the "Company Shares"), and then the Company Shares will be granted to the Employees through the Trust based on points awarded to the Employees who satisfy certain conditions. The points shall be awarded to the Employees based on his/her job title/duties pursuant to the Share Granting Regulations established by the Company's Board of Directors. The number of the Company Shares to be granted to each of the Employees will be determined based on the number of points he/she was awarded.

The funds used to acquire the Company Shares by the Trust will be provided in full by the Company; thus, the Employees do not bear any burden.

(2) The Company's Remaining Shares in Trust

The Company's remaining shares in the Trust will be recorded as treasury stock in the net assets section based on the book value in the Trust (excluding the amount of ancillary expenses). The book value and number of these treasury stock were ¥475 million and 387 thousand shares, respectively, at the end of the first three quarters of fiscal 2023.

(Segment Information, etc.)

[Segment Information]

I First Three Quarters of Fiscal 2022 (January 1, 2022 to September 30, 2022)

1 Further Information about Segment Sales and Segment Profit/Loss

(Millions of yen)

	Reportable segment						Other Businesses ¹	Total	Adjusted ²	Consolidated book value ³
	Commodity Chemicals	Polymer & Oligomer	Adhesive Material	Performance Chemicals	Plastics	Total				
Net sales										
External sales	54,335	26,921	8,242	7,426	20,502	117,429	1,287	118,717	—	118,717
Intersegment sales or transfers	3,701	1,117	68	184	221	5,291	1,139	6,431	(6,431)	—
Total	58,036	28,038	8,310	7,610	20,724	122,721	2,427	125,148	(6,431)	118,717
Segment profit	6,017	3,369	33	1,676	1,398	12,496	(458)	12,037	16	12,054

Notes: 1 “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes the research and development business for new products, goods transportation, and trading-house operations.

2 Adjusted segment profit primarily takes into account elimination of intersegment transactions.

3 Segment profit represents operating income as stated on the quarterly consolidated statement of income with the adjustment.

2 Impairment of Fixed Assets or Goodwill, etc. by Reportable Segment

The disclosure is omitted due to the immateriality.

II First Three Quarters of Fiscal 2023 (January 1, 2023 to September 30, 2023)

1 Further Information about Segment Sales and Segment Profit/Loss

(Millions of yen)

	Reportable segment						Other Businesses ¹	Total	Adjusted ²	Consolidated book value ³
	Commodity Chemicals	Polymer & Oligomer	Adhesive Material	Performance Chemicals	Plastics	Total				
Net sales										
External sales	53,107	24,987	8,863	7,591	20,177	114,727	1,421	116,149	—	116,149
Intersegment sales or transfers	2,813	1,185	126	199	492	4,816	1,156	5,973	(5,973)	—
Total	55,920	26,173	8,989	7,790	20,669	119,543	2,578	122,122	(5,973)	116,149
Segment profit (loss)	4,110	2,278	(0)	1,216	1,010	8,614	(547)	8,067	20	8,088

Notes: 1 “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes the research and development business for new products, goods transportation, and trading-house operations.

2 Adjusted segment profit (loss) primarily takes into account elimination of intersegment transactions.

3 Segment profit (loss) represents operating income as stated on the quarterly consolidated statement of income with the adjustment.

2 Matters Concerning Changes in Reportable Segments

(Changes in reportable segment classification)

Following changes in the Company’s organizational structure and management classification effective January 1, 2023, sustainability related businesses previously included in the Commodity Chemicals segment have been transferred to the Other Businesses segment from the first quarter of fiscal 2023.

Furthermore, segment information for the first three quarters of fiscal 2022 is prepared and presented according to the revised classification method.

3 Impairment of Fixed Assets or Goodwill, etc. by Reportable Segment

The disclosure is omitted due to the immateriality.