

August 4, 2023

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Announcement of Toagosei's Initiatives to Improve Our Price-to-Book Ratio (PBR)

The Toagosei Group is promoting a medium-term management plan from this fiscal year to FY2025 (Medium-term Management Plan 2025).

Our price-to-book ratio (PBR) is currently less than 1x. Accordingly, upon repeated discussions and deliberations mainly on profitability and capital efficiency, we hereby inform you that our Board of Directors has made the following resolution to improve our PBR.

1. Target

We will aim to achieve a return on equity (ROE) of 8% and a PBR of 1x or more by 2027 through implementation of the following measures.

2. Measures

(1) Strengthening of Profitability

We will strengthen profitability by promoting a growth strategy in our Medium-term Management Plan 2025.

- (i) Promotion of key businesses (mobility and semiconductor-related high-performance products)
- (ii) Early commercialization of medical care and cellulose nanofibers

(2) Improvement in Capital Efficiency

We will control our net worth through the following measures from the perspective of capital efficiency.

- (i) Strengthening of shareholder returns
We will provide shareholder returns aiming for consolidated total shareholder returns of 100% during the period of the Medium-term Management Plan 2025.
- (ii) Promotion of a reduction in cross-shareholdings
We will reduce our cross-shareholdings to less than 10% of our consolidated net assets by the end of 2025.

(3) Contribution to a Sustainable Society

We will improve our corporate value from an ESG perspective focused on the following efforts.

- (i) Promotion of the active participation by diverse human resources
- (ii) Reduction in greenhouse gas (GHG) emissions



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Toagosei Group's Initiatives to Improve Our Price-to-Book Ratio (PBR)

 **東亞合成株式会社**

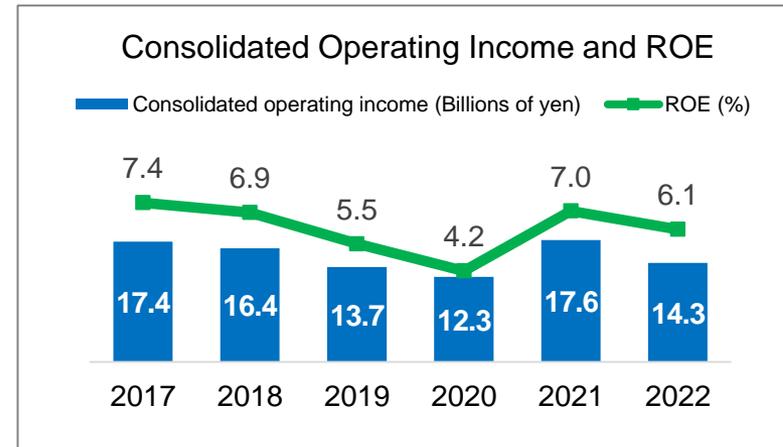
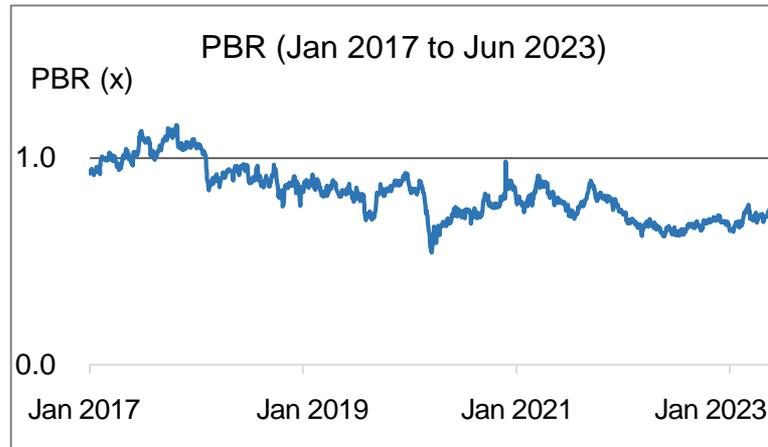
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Our Current Situation

We have continued to have a price-to-book ratio (PBR) of less than 1x according to the market valuation of our group since 2018.

→ The slump in our return on equity (ROE) due to an imbalance between our operating income and net worth is the reason why our PBR is less than 1x.

- (i) We have been promoting proactive capital investment in high-performance products. However, it takes time to monetize that investment.
- (ii) The imbalance between the increase in our net worth and the growth in our profits is affecting our capital profitability.



Initiatives to Improve Our PBR

- (i) We need to take measures to further increase our highly profitable high-performance products. Therefore, we are proactively promoting the strengthening of our research and development (R&D) capabilities and our expansion into overseas markets.
- (ii) We will control our net worth to improve our capital efficiency.

→ We will aim to realize a PBR of 1x or more upon achieving an operating income of 24.0 billion yen and an ROE of 8% by 2027.

We will aim to achieve a PBR of 1x or more upon achieving an ROE of 8% by 2027.

<p>Growth strategy</p>	<p>(1) Strengthening of Profitability Consolidated operating income target: 20.0 billion yen by 2025 24.0 billion yen by 2027</p>	<p>Strengthen development capabilities and expand overseas in the mobility, semiconductor and medical care fields</p> <ul style="list-style-type: none"> • Increase the pace of the development of high-performance products by strengthening our R&D capabilities (strengthen our development capabilities in the mobility, semiconductor and medical care fields by newly establishing Kawasaki Research Laboratory) • Increase overseas sales by expanding our overseas sales bases and production bases (establish a development base in Shanghai (China), an automotive battery polymer production base in North America, and sales promotion bases for flocculants and adhesives in Southeast Asia and the Middle East) • Monetize the growth investment in the period of our previous medium-term management plan (enhance the robustness of our automotive battery polymer and semiconductor product supply structure)
<p>Financial strategy</p>	<p>(2) Improvement in Capital Efficiency</p>	<p>Net worth control</p> <ul style="list-style-type: none"> • Strengthen shareholder returns (aim for a consolidated total shareholder returns of 100% during the period of the Medium-term Management Plan 2025) • Sell cross-shareholdings (reduce to less than 10% of our net assets by the end of 2025)
<p>Non-financial strategy</p>	<p>(3) Contribution to a Sustainable Society</p>	<p>Development of human resources who will support sustainable growth and realization of sustainability</p> <ul style="list-style-type: none"> • Promote the active participation of diverse human resources (proactively recruit specialist human resources and promote a global personnel strategy) • Reduce greenhouse gas (GHG) emissions (35% reduction compared to the level in 2013 by 2025)

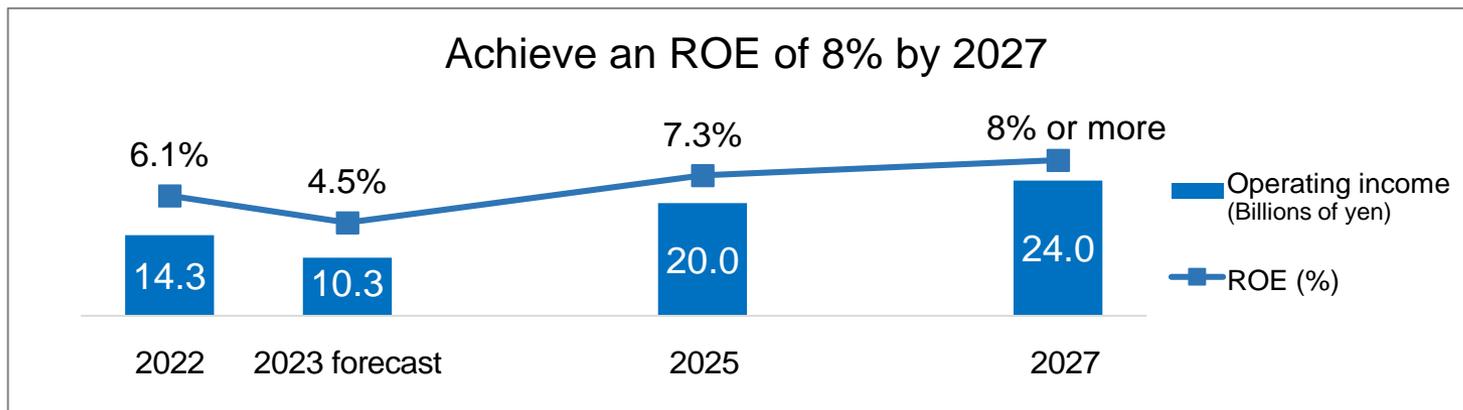
Numerical Targets until Achieving an ROE of 8%

Growth strategy		2022	2025	2027
	Net sales	160.8 billion yen	183.0 billion yen	205.0 billion yen
	Operating income	14.3 billion yen	20.0 billion yen	24.0 billion yen
	EBITDA	25.0 billion yen	32.0 billion yen	38.0 billion yen
	ROE	6.1%	7.3%	8% or more

Financial strategy		2022	2023 to 2025	2026 to 2028
	Payout ratio	35.5%	Aim for consolidated total shareholder returns of 100% during this period	We will determine this in our next medium-term management plan
	Total shareholder returns	69.7%		

We will determine our shareholder returns policy for 2026 and beyond after judging the situation of our investment plans in our next medium-term management plan

Non-financial strategy		2022	2025	2030
	GHG emissions (compared to 2013)		(24%)	(35%)



Growth Strategy: Priority Items by Segment

Growth drivers	Mobility and semiconductor fields
Fourth pillar	Cellulose Nano Fibers and medical care
Strengthening of competitiveness	Commodity chemicals and plastics



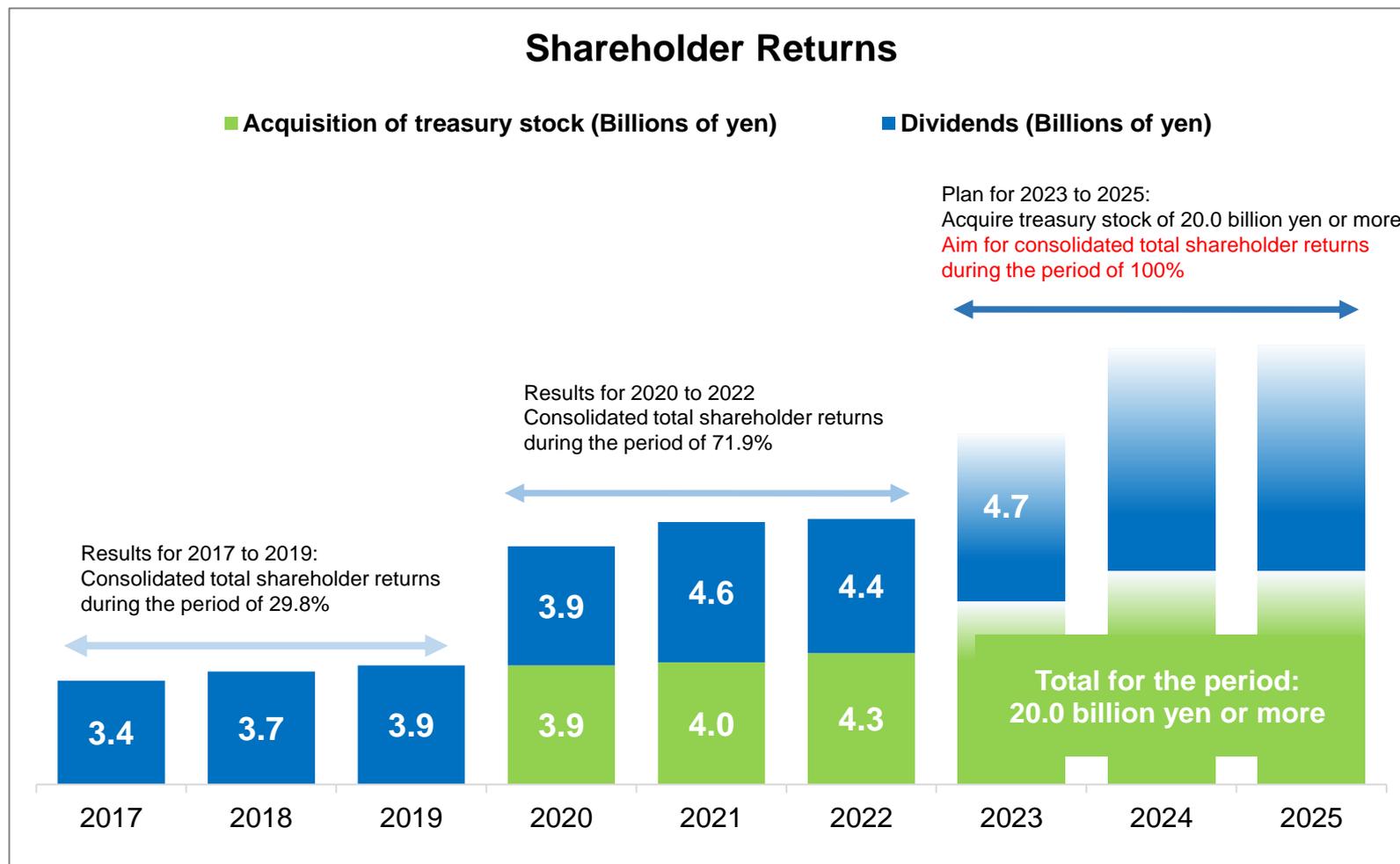
Consolidated Operating Income Targets
20.0 billion yen by 2025
24.0 billion yen by 2027

(Billions of yen)

Segment	2023 to 2025	2025 Operating Income	2026 to 2027	2027 Operating Income
	Priority Items		Priority Items	
Commodity chemicals	Update energy-saving electrolysis equipment	7.5	Update energy-saving electrolysis equipment	6.0
Polymers and oligomers	Automotive battery and semiconductor material polymers	6.5	Next-generation battery polymers	7.0
Adhesive materials	Expansion of Aron Alpha in Southeast Asia Automotive battery adhesives	1.0	Next-generation battery adhesives for the mobility field	2.5
Performance chemicals	High-purity inorganic chemicals for semiconductors Cellulose Nano Fibers	3.0	High-purity inorganic chemicals for semiconductors Medical care products	6.0
Plastics	Expansion of our elastomer business in Thailand	3.0	Launch of biomass and biodegradable products	3.0
Other	Future business and infrastructure	(1.0)	Future business and infrastructure	(0.5)
Total		20.0		24.0

We will strengthen shareholder returns and control the size of our net worth.

- We will strengthen shareholder returns aiming for consolidated total shareholder returns of 100% during the period of our current medium-term management plan (2023 to 2025).
- We will determine our shareholder returns policy for 2026 and beyond after judging the situation of our investment plans in our next medium-term management plan.



Human Capital Strategy to Support Our Growth Strategy

1. Proactive Recruitment of Specialist Human Resources and Utilization of External Resources

- Proactively recruit specialist human resources (medical care and next-generation batteries) who will bear responsibility for our fourth pillar
- Explore new themes and develop researchers with investment in venture capital companies
- Conduct joint research with the Faculty of Agriculture in the University of Tokyo on signal peptidomes

2. Improvement in Engagement

- Realize a virtuous cycle of growth and distribution by giving incentives such as improving the level of remuneration and retirement money
- Promote an improvement in the working environment and work-life balance measures with a focus on diversity
- Reform work styles both in terms of systems and people's minds

3. Promotion of a Global Personnel Strategy and the Utilization of Diverse Human Resources

- Utilize and develop overseas human resources by visualizing human resource information and developing integrated management mechanisms for overseas subsidiaries
- Provide education to local overseas staff members on our corporate philosophy
- Achieve our target for our ratio of female managers (5% by 2025)



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