

# Financial Factbook 2025



# Management's Discussion & Analysis



The financial section was translated into English based on some disclosed documents including the securities report of the Japanese version and is provided for information purpose only.

## Overview of Fiscal 2025

During the fiscal year ended December 31, 2025 (the “fiscal year under review”), the global economy maintained generally resilient growth, supported in part by expanding AI-related investment, despite continued uncertainties such as U.S. tariff policies and heightened geopolitical risks. Amid this environment, regional disparities were evident. The U.S. sustained growth driven mainly by domestic demand, while China’s recovery remained sluggish and Europe continued to experience low growth. In Japan, although wage increases continued, inflation outpaced wage growth. While improvements in the employment environment, the recovery of inbound demand, and rising share prices provided some support, the economic recovery lacked strong momentum.

Under these circumstances, the Group focused on sales expansion activities and cost reductions, as well as on investments for future growth, such as the expansion of manufacturing facilities, the strengthening of R&D capabilities, and the establishment of overseas bases. In addition, we promoted the sale of cross-shareholdings to improve capital efficiency. As a result, the Group recorded the following financial results for the fiscal year under review.

Net sales: ¥162,312 million (−3.2% YOY)

Operating income: ¥14,180 million (−0.4% YOY)

Ordinary profit: ¥15,067 million (−5.8% YOY)

Net income attributable to owners of parent: ¥12,766 million (+7.5% YOY)

Outlined below are the results for our reportable segments.



## Sales by Segment

### Commodity Chemicals

Electrolysis products recorded lower sales revenue due to a decrease in the sales volume. Acrylic monomer products saw a decrease in sales revenue due to lower sales volume of some products and a decline in selling prices linked to lower raw material costs. Industrial gases posted lower sales revenue due to a decrease in sales volume caused by a manufacturing-related company’s operational stoppage resulting from problems at the manufacturing-related company. As a result of the above, this segment posted net sales of ¥71,772 million (−9.3% YOY).

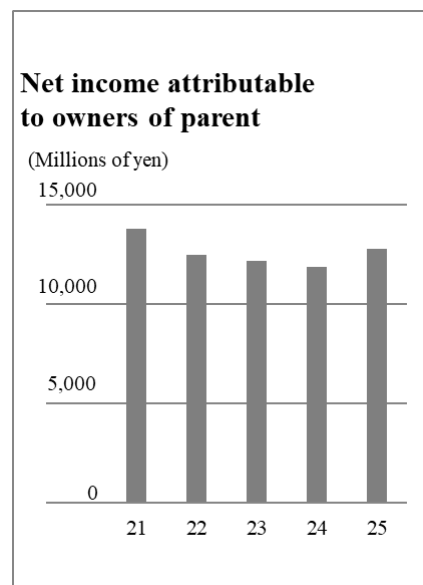
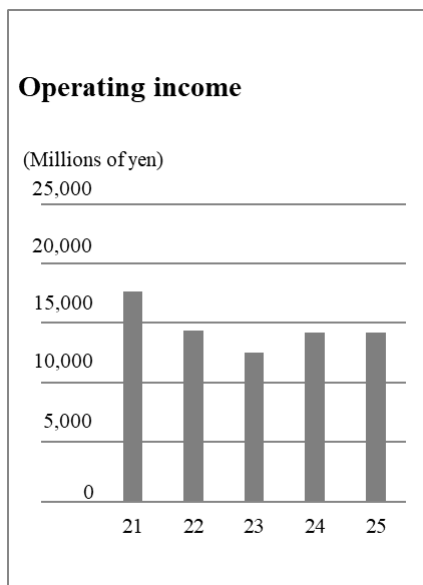
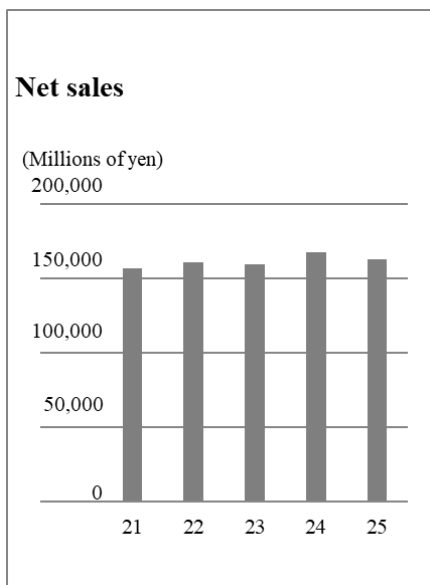
Operating income totaled ¥8,752 million (+3.0% YOY) due to a reduction in fixed costs, which partially offset decreased overall sales volume.

### Polymer & Oligomer

Acrylic polymers saw higher sales revenue due to an increase in sales volume for cosmetics and semiconductor applications. Acrylic oligomers recorded higher sales revenue as rising raw material costs were passed on through selling prices. Polymer flocculants posted an increase in sales revenue due to higher sales volume overseas and improved profitability in the domestic market. As a result of these factors, this segment posted net sales of ¥36,169 million (+2.8% YOY).

Operating income decreased 20.1% year on year to ¥3,018 million due to higher raw material prices and an increase in fixed costs.

## Management's Discussion & Analysis



## Management's Discussion & Analysis

### Adhesive Material

For consumers, sales revenue increased owing to the effect of organizational changes following the termination of a joint venture in the United States. Functional adhesives saw an increase in sales revenue due to firm sales volume for automotive parts and smartphone components. As a result, this segment posted net sales of ¥13,607 million (+2.0% YOY).

Operating income totaled ¥323 million (-21.0% YOY) due to increased fixed costs associated with the organizational changes in the United States.

### Performance Chemicals

Despite continued strong demand for semiconductors for AI applications, high-purity inorganic chemicals recorded lower sales revenue due to a decrease in sales volume resulting from a delay in the recovery of demand for the other applications. Inorganic functional materials posted higher sales revenue due to improved profitability of inorganic antimicrobial agents. As a result, this segment posted net sales of ¥10,225 million (+0.3% YOY).

Operating income fell 7.7% year on year to ¥1,177 million resulting from a decrease in sales volume of high-purity inorganic chemicals.

### Plastics

Environment & infrastructure system products (formerly, piping equipment) saw higher sales revenue due to increased sales volume for sewerage-related products. Nursing care products posted a decline in sales revenue due to diminished sales volume resulting from sluggish demand for nursing care products. Ecological materials (formerly, elastomer compounds) saw higher sales revenue due to an increase in sales volume in our base in Thailand. As a result, this segment posted net sales of ¥28,177 million (+1.7% YOY).

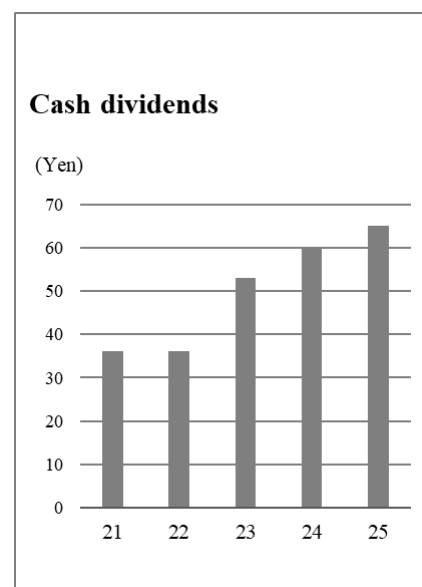
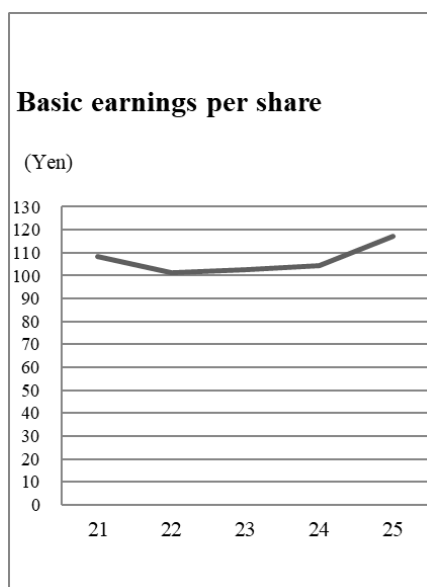
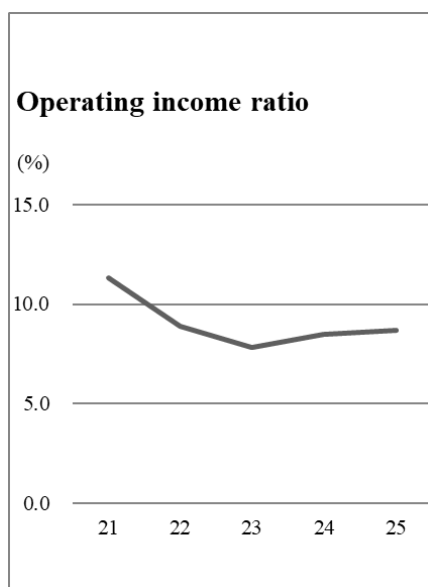
Operating income increased 56.4% year on year to ¥2,754 million thanks to increased sales of products for infrastructure aging countermeasures in the environment & infrastructure system, improved profitability in the nursing care products, and increased sales from the ecological materials business in Thailand.

### Other Businesses

This segment, which consists of the trading-house operations, goods transportation, and among others, recorded increased sales revenue in its trading department. As a result, this segment posted net sales of ¥2,360 million (+16.9% YOY).

Operating income increased 8.5% year on year to ¥398 million, reflecting higher income in the trading department.

Effective from the fiscal year under review, the Company has revised its management reporting units. Expenses related to the research and development business for new products, which were previously included in Other Businesses, are now recorded as corporate expenses and presented as adjustment of segment profit (loss). Year-on-year comparisons are based on figures for the previous fiscal year prepared in accordance with the revised classification.



## Management's Discussion & Analysis

### Cash Flows

Cash and cash equivalents at the end of the fiscal year under review stood at ¥28,763 million, a decrease of ¥11,670 million from the end of the previous fiscal year.

Net cash provided by operating activities totaled ¥22,294 million, an increase of ¥2,111 million compared to the previous fiscal year, resulting from a decrease in trade receivables.

Net cash used in investing activities totaled ¥29,635 million, an increase of ¥16,040 million compared to the previous fiscal year. This was attributable to an increase in purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥4,495 million, a decrease of ¥10,012 million compared to the previous fiscal year. This result reflected an increase in proceeds from issuance of bonds.

### Business Performance Prospects for Fiscal 2026

For the current term ending December 31, 2026, we forecast net sales of ¥167.0 billion, operating income of ¥14.5 billion, and net income attributable to owners of parent of ¥11.5 billion.

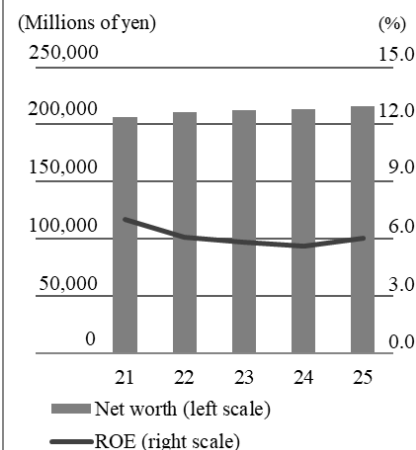
### Economic Prospects for Fiscal 2026

As for the future outlook, while instability in the global economy is expected to continue, price increases associated with ongoing inflation are projected to become more evident in Japan.

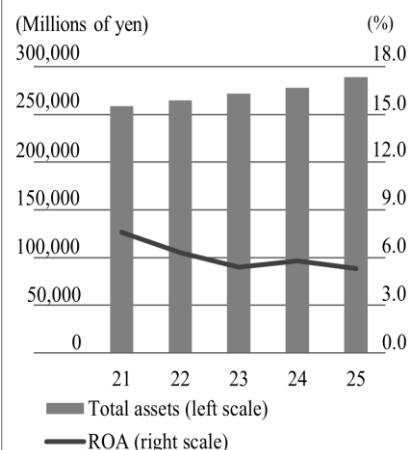
### Basic Policy on Shareholder Returns and Dividends for Fiscal 2025 and 2026

Dividend for fiscal 2025: The year-end dividend for fiscal 2025 will be ¥32.5 per share. In fiscal 2025, we paid an ordinary dividend of ¥32.5 per share as an interim dividend; thus, the annual dividend per share will be ¥65 (dividend payout ratio of 55.5%). We acquired ¥6,999 million (4,825,200 shares) of treasury stock during fiscal 2025, and cancelled 5,000,000 shares. As a result, the total return ratio amounted to 110.1%, including these share buybacks.

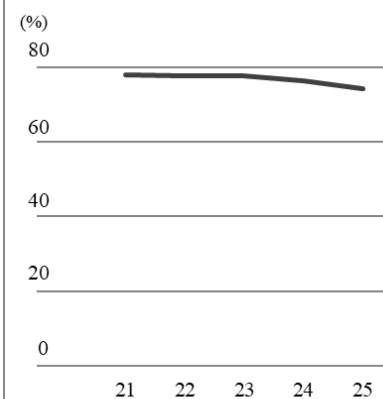
#### Net worth/ROE



#### Total assets/ROA



#### Net worth ratio



## Management’s Discussion & Analysis

Shareholder returns under the Medium-Term Management Plan 2028 “Connect and Create 2028”: The plan covers the three-year period from 2026 to 2028, during which the Company aims to maintain a total return ratio of approximately 90% and to raise the average dividend payout ratio to around 70% over the course of the plan.

Dividend for fiscal 2026: Under the above policy, the Company plans to pay an annual dividend of ¥70 per share in fiscal 2026 (dividend payout ratio of 64.5%, comprising an interim dividend of ¥35 per share and year-end dividend of ¥35 per share). In addition, the Company plans to buy back ¥3.0 billion of its own shares. As a result, the total return ratio is expected to be 90.7%, including these share buybacks.

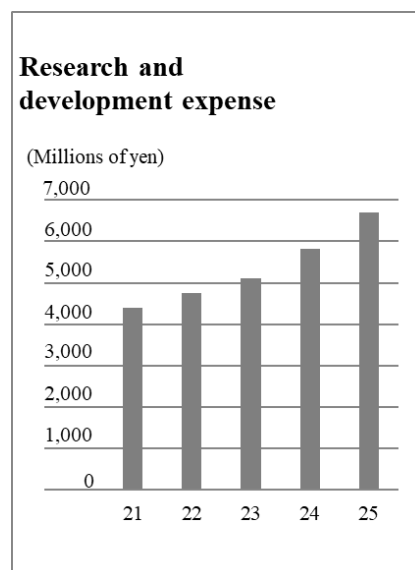
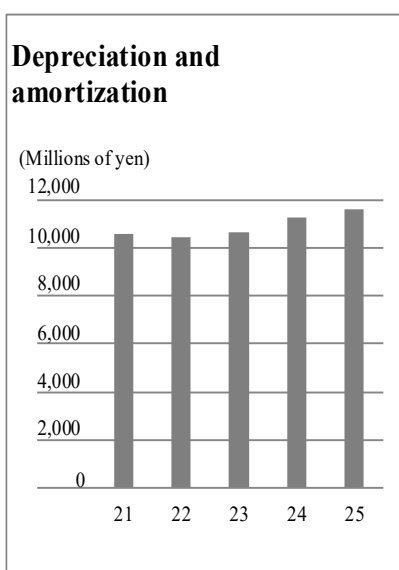
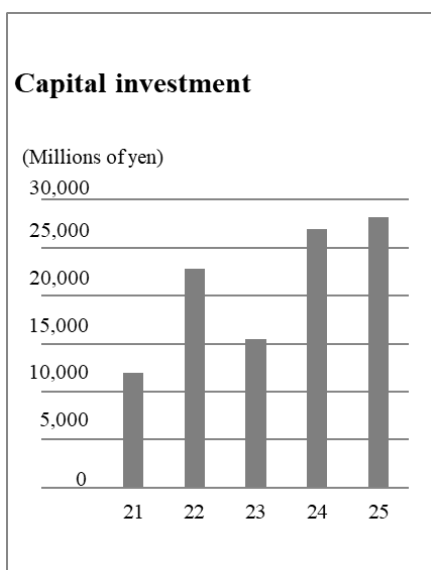
• • • • • • • • • •

## Business Risks

Of the matters concerning “Management’s Discussion & Analysis,” and “Consolidated Financial Statements and Others” contained in this report, major risks deemed to have the potential of significantly impacting the Group’s financial position, business performance, and cash flows are stated below, provided, risks that may significantly impact investors’ decisions are not limited to those described herein.

The Group established the Group Risk Management Rules as a mechanism for the routine identification and assessment of potential risks. Based upon this, risk countermeasures are formulated and the status of those countermeasures is checked, while measures are taken for the risks stated below. However, these countermeasures are not able to completely control the probability of risks emerging and the impact of risks if they emerge.

Forward-looking information stated herein is based on judgement by the Group as of the end of the fiscal year under review.



## Management's Discussion & Analysis

### **(1) Natural disasters**

The Group has production and sales bases in Japan and overseas. If these bases are hit by natural disasters such as earthquakes, typhoons, volcanic eruptions, heavy rains, tornadoes, gusts of wind, floods, tsunamis, and storm surges, this may result in damage to buildings and equipment, suspension of operations and business activities, and other losses.

In particular, in the event of a Tokai, Tonankai, or Nankai earthquake, there may be substantial damage to the Group's production and sales bases located in and around the Tokai, Kinki, and Shikoku regions, including the Nagoya Plant, the Group's main production base. Similarly, in the event of an earthquake directly hitting the Tokyo metropolitan area, there may be substantial damage to the Group's head office as well as production and sales bases located in and around the Kanto region.

Each base takes measures such as seismic retrofitting, regular disaster prevention drills simulating earthquakes and fires, and insurance coverage in case of earthquakes, fires, storms, and floods.

### **(2) Factory accidents**

The main business of the Group is the manufacturing of chemical products. Accidents such as fires, explosions, and leaks of chemical substances may occur at the Group's domestic and overseas plants due to equipment trouble and human errors, resulting in damage to buildings and equipment, the suspension of operations and business activities, and compensation for victims and local communities.

Each plant takes measures such as installing automatic stopping devices for emergencies, holding disaster prevention meetings to discuss safety and disaster prevention when equipment is newly constructed or replaced, regular disaster prevention drills, and taking out insurance coverage in case of accidents.

### **(3) Changing market needs and intensifying competition**

The Group's business consists of five segments and supplies a wide variety of products ranging from commodity chemicals including basic industrial materials to finished products for general consumers, enabling the Group to build a well-balanced business structure that is not easily affected by economic fluctuations.

However, as the Group supplies its products to a wide range of industries and regions, the sales volumes and prices of its products may fluctuate significantly due to changes in the global or regional supply and demand environment, the emergence of alternative materials, changes in the purchasing policies of customers, and the sales prices of competitors.

In particular, many commodity chemicals, mainly in the Commodity Chemicals segment, are difficult to differentiate from other companies' products in terms of their function and performance. Given the present trend of intensifying price competition, there is a possibility that the Group may not be able to maintain its competitive edge over rival companies that are able to sell products with the same qualities at lower prices.

Meanwhile, the sales volumes and prices of high value-added products, mainly in the Polymer & Oligomer, Adhesive Material, and Performance Chemicals segments, may fluctuate significantly depending on the demand of customers and the Group's priority fields such as mobility and electronics.

Under the Medium-Term Management Plan "Connect and Create 2028," announced on February 12, the Group aims to increase net sales from ¥162,312 million in 2025 to ¥180,000 million in 2028. However, it may not be able to achieve this target due to market needs and competition with other companies.

### **(4) Regulations, legal revisions, trade restrictions, deterioration of international relations**

The Group has production bases and sales bases not only in Japan but also in the U.S. and Asia, and is engaged in sales and procurement activities on a global scale. Therefore, the suspension of operations and business activities, criminal penalties and surcharges, and litigations may arise in the event of a violation and change in interpretation of, and a differing view from authorities on Japan's Antimonopoly Act, Unfair Competition Prevention Act, Subcontract Act, Financial Instruments and Exchange Act, Foreign Exchange and Foreign Trade Act, export trading regulations, labor law, tax law, and regulations related to chemical substances, as well as various laws and regulations of relevant foreign countries and regions.

## Management's Discussion & Analysis

Furthermore, these laws and regulations may change due to institutional reforms, deregulation, greater regulatory controls, and trade restrictions, leading to the incurring of counter-measure costs and increased risk of violations.

The Group places particular importance on regulations related to chemical substances and has a system in place where the Environment & Safety Department and the Quality Assurance Department at the head office and manufacturing sites coordinate with each other to prevent violations. In addition, the Compliance Committee oversees and examines group-wide compliance practices for other laws and regulations.

In addition, international tensions are currently on the increase. The Group collects information from experts and government agencies, etc., and takes necessary measures as appropriate.

### **(5) Impairment of non-current assets**

The Group owns a large amount of non-current assets, including land, machinery and equipment mainly for the manufacture of chemical products. In order to achieve sustainable growth and increase corporate value over the medium- to long-term, the Group may, while making aggressive capital investment, engage in joint ventures, strategic alliances and business acquisitions with third parties.

Decisions on such capital investment and other investment programs will be made subject to careful assessment of capital cost, but impairment losses may arise due to a decline in profitability resulting from a significant deterioration in the business environment, falling market prices, a decrease in synergies, and other factors.

Under the Medium-Term Management Plan "Connect and Create 2028," the Group aims to make a total of ¥59,000 million in capital investment over the three years from 2026 to 2028.

### **(6) Product liability, recall, and inferior quality**

If a defect or inferior quality of products manufactured and sold by the Group causes damage to customers or third parties, compensation for damages and recall costs may be incurred, and sales of the said products may decrease.

The Group conducts quality inspections at each manufacturing site and has a system in place to adapt to requirements in order to supply products that meet customer requirements as well as applicable legal and regulatory requirements. The Group also takes measures to reduce the impact of any potential damage by arranging product liability insurance.

### **(7) Information security**

The Group holds important managerial, operational, and technological information as well as personal information on its employees, etc. If a business partner or employee leaks such information intentionally or through negligence, or if a third party with malicious intentions breaks into the Group's information management server and illegally obtains the information, there may be damages such as deterioration of managerial, operational, and technological advantage, sanctions and compensation for information leakage, and costs required for retrieving the information.

In addition, the Company's core systems may be affected by external attacks, such as cyberattacks.

To prevent information leaks, the Group concludes non-disclosure agreements with business partners with whom it shares important information, and instills awareness of information management and information handling rules among its employees through education programs. In addition, the Group works to continually improve its information security measures, including measures against computer viruses.

### **(8) Soaring prices of raw materials, fuel, and other materials and changes in the prices of crude oil and naphtha**

Soaring prices of raw materials, fuel, and other materials will lead to an increase in the Group's manufacturing costs. In particular, higher prices of crude oil and naphtha will result in a rise in the manufacturing costs of acrylic monomer products in the Commodity Chemicals segment and other products, and if the Group is unable to sufficiently raise its sales prices and rationalize its operations to offset these changes, it may put pressure on the Group's profits.

## Management's Discussion & Analysis

On the other hand, falling prices of crude oil and naphtha may cause the Group's sales prices to decline and may result in valuation losses on inventories.

A price formula has been established mainly with domestic business partners to ensure appropriate manufacturing costs and sales prices linked to crude oil and naphtha prices. However, these measures may not work in situations where prices are volatile or in competitive overseas markets.

### **(9) Infectious and communicable diseases**

In the event of a widespread outbreak of an infectious or communicable disease that requires quarantine and movement restrictions, in addition to a general stagnation of economic activities, the business activities and distribution of the Group's customers and suppliers may be disrupted, potentially restricting the Group's operations and business activities. Furthermore, if the infection spreads to employees of the Group, operations may be temporarily suspended.

The Group has established a system that prevents the spread of infections and enables safe and continuous operations and business activities by establishing a system allowing telework and installing infection prevention goods such as disinfectants.

### **(10) Suspension of raw material and fuel supplies and supply chain interruption**

The Group conducts business keeping in mind the balance between cost reduction and stable procurement, but if the raw materials and fuel essential for manufacturing cannot be procured due to accidents at suppliers, production suspension, bankruptcy, and other reasons, the Group's operations may be suspended.

The Group strives to build a stable supply system by purchasing from multiple sources and maintaining constant communication with its suppliers.

### **(11) Environmental pollution and calls for sustainability**

While complying with laws and regulations related to environmental conservation, the Group carries out environmentally conscious business activities by announcing its reduction targets for carbon dioxide emissions and maintaining thorough control of

environmentally hazardous substances with the establishment of voluntary control values. However, as the Group operates chemical plants, soil, air, or water pollution may be discovered, resulting in the interruption of production activities and compensation costs. Furthermore, the chemical business, which is an energy-intensive industry, is being strongly urged to meet social demands such as further reduction of carbon dioxide emissions for sustainable social development, as exemplified by the SDGs and the ESG investment movement.

The Group will take further steps to reduce greenhouse gas emissions, energy consumption, waste, and environmentally hazardous substances mainly through the Sustainability Promotion Committee, which is chaired by the President. In particular, with regard to the reduction of greenhouse gases, the Group increased our reduction target in 2021 from the existing target, and created a roadmap toward the targets of "a 50% reduction in 2030 compared to 2013 (215,000 tons)" and "carbon neutral (virtually zero emissions) in 2050." In addition, the Group calculated greenhouse gas emissions in three categories (Scope 1-3), including supply chains, and, referring to multiple existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), it analyzed the significant risks and opportunities that may impact its business by 2050 under the 1.5°C scenario and the 4°C scenario.

### **(12) Foreign exchange fluctuations**

The Group imports raw materials from overseas and also exports products manufactured in Japan to other countries, but the volume of raw materials it imports exceeds the volume of products it exports. Therefore, if the yen depreciates against foreign currencies, overall costs will increase. However, when the yen weakens, the export industry in Japan generally becomes more competitive internationally, and the demand for products sold by the Group becomes easier to stimulate.

Meanwhile, the nature of the risk may change depending on the Group's overseas expansion in the future.

To mitigate this risk, the Group takes measures such as making financial plans to use foreign currencies earned through exports and dividends from overseas affiliates for import payments.

## Management's Discussion & Analysis

Promoting global expansion is a key initiative under the Medium-Term Management Plan "Connect and Create 2028," and the Group aims to raise its overseas net sales ratio from 18% in 2025 to 23% in 2028. However, the nature of this risk may be affected by the progress of the plan.

### **(13) Human rights and compliance risks**

In the event that the Company is unable to respond appropriately to human rights issues or compliance violations within the Group or in our supply chain, this may result in administrative penalties, the suspension of transactions with customers, and the loss of social trust.

The Group has established the "Toagosei Group Human Rights Policy" based on international principles, and the "Sustainable Procurement Guidelines" to demonstrate our way of thinking to our business partners. In addition, we are creating handbooks, etc. in order to provide compliance education to employees. Through these measures, we are striving to reduce human rights and compliance risks.

Estimates or projections included in this report are based on facts known to the Company's management as of the time of writing, and actual results may therefore differ substantially from such statements.
--

## [Accounting Practices]

### 1. Method of preparing consolidated financial statements and non-consolidated financial statements

(1) The Company's consolidated financial statements are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared in accordance with the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter "Ordinance on Financial Statements, etc.").

The Company falls under the category of a special company submitting financial statements, and prepares financial statements in accordance with the provisions of Article 127 of the Ordinance on Financial Statements, etc.

### 2. Audit certification

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC has audited the Company's Consolidated Financial Statements for the fiscal year under review (January 1 to December 31, 2025) and the Company's Non-consolidated Financial Statements for the fiscal year under review (January 1 to December 31, 2025).

### 3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc.

The Company makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, we have joined the Financial Accounting Standards Foundation in order to appropriately understand the details of accounting standards, etc. and to establish a system that enables us to appropriately prepare the consolidated financial statements, etc. The Company also participates in seminars, etc. held by the Financial Accounting Standards Foundation.

# 1. [Consolidated Financial Statements and Others]

## (1) [Consolidated Financial Statements]

### i) [Consolidated Balance Sheets]

	(Millions of yen)	
December 31,	2024	2025
Assets		
Current assets		
Cash and deposits	30,821	24,518
Notes and accounts receivable	*1, *7 42,359	*1, *7 38,003
Electronically recorded monetary claims	*1, *7 9,860	*1, *7 11,554
Securities	11,000	7,000
Inventories	*3 24,734	*3 25,469
Other current assets	4,026	4,061
Allowance for doubtful receivables	(52)	(51)
Total current assets	122,750	110,556
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	39,664	40,939
Machinery, equipment and other, net	23,486	24,259
Tools, furniture and fixtures, net	4,103	4,568
Land	30,445	33,215
Leased assets, net	81	72
Construction in progress	14,070	25,995
Total property, plant and equipment	*5, *6 111,851	*5, *6 129,050
Intangible assets	1,666	4,723
Investments and other assets		
Investment securities	*4 34,023	*4 36,029
Net defined benefit asset	5,014	6,013
Deferred tax assets	66	332
Other assets	*4 2,653	2,441
Allowance for doubtful receivables	(6)	(41)
Total investments and other assets	41,751	44,775
Total non-current assets	155,270	178,548
Total assets	278,020	289,105

See accompanying notes to consolidated financial statements.

December 31,	(Millions of yen)			
	2024		2025	
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable	*7	18,740	*7	16,513
Short-term borrowings		6,209		6,865
Lease obligations		197		203
Accrued income taxes		2,762		2,543
Accrued bonuses for employees		11		4
Provision for product recalls		154		—
Other current liabilities	*2, *7	20,677	*2, *7	21,247
Total current liabilities		48,753		47,376
Long-term liabilities				
Bonds		—		10,000
Long-term borrowings		4,834		3,770
Lease obligations		1,062		974
Deferred tax liabilities		5,675		6,930
Net defined benefit liability		122		131
Provision for share awards		284		438
Other long-term liabilities		3,619		3,538
Total long-term liabilities		15,598		25,783
Total liabilities		64,352		73,160
<b>Net assets</b>				
Shareholders' equity				
Common stock		20,886		20,886
Capital surplus		14,166		14,166
Retained earnings		157,874		156,396
Treasury stock		(1,375)		(957)
Total shareholders' equity		191,551		190,491
Accumulated other comprehensive income				
Unrealized holding gain on available-for-sale securities		14,537		16,635
Foreign currency translation adjustment		5,260		5,933
Remeasurements of defined benefit plans		1,236		1,747
Total accumulated other comprehensive income		21,034		24,316
Non-controlling interests		1,082		1,136
Total net assets		213,668		215,944
Total liabilities and net assets		278,020		289,105

See accompanying notes to consolidated financial statements.

ii) [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]  
[Consolidated Statements of Income]

Years ended December 31,	(Millions of yen)			
	2024		2025	
Net sales	*1	167,594	*1	162,312
Cost of sales	*2	121,881	*2	115,179
Gross profit		45,712		47,133
Selling, general and administrative expenses				
Selling expenses	*3	16,267	*3	16,933
General and administrative expenses	*4, *5	15,210	*4, *5	16,018
Total selling, general and administrative expenses		31,478		32,952
Operating income		14,233		14,180
Non-operating income				
Interest income		344		235
Dividend income		1,299		1,227
Equity in earnings of affiliates		227		39
Foreign currency exchange gains		579		139
Rent income on non-current assets		91		21
Other		143		210
Total non-operating income		2,685		1,874
Non-operating expenses				
Interest expenses		152		244
Environment readiness fee		592		368
Delay damages		—		119
Loss on investments in partnerships		101		57
Inactive facilities expenses		10		7
Other		69		189
Total non-operating expenses		926		987
Ordinary profit		15,993		15,067
Extraordinary income				
Gain on sale of non-current assets	*6	8		—
Gain on sale of investment securities		4,332		5,258
Subsidy income		80		68
Total extraordinary income		4,421		5,327
Extraordinary losses				
Loss on disposal of non-current assets	*7	1,930	*7	2,021
Loss on disaster	*8	141	*8	406
Impairment losses	*9	1,487	*9	398
Loss on valuation of investment securities		302		182
Special suspense account for tax purpose reduction entry		—		40
Total extraordinary losses		3,862		3,049
Income before income taxes		16,553		17,345
Income taxes - current		4,580		4,729
Income taxes - deferred		8		(224)
Total income taxes		4,589		4,504
Net income		11,963		12,840
Net income attributable to non-controlling interests		86		73
Net income attributable to owners of parent		11,877		12,766

See accompanying notes to consolidated financial statements.

[Consolidated Statements of Comprehensive Income]

Years ended December 31,	(Millions of yen)	
	2024	2025
Net income	11,963	12,840
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	1,221	2,104
Foreign currency translation adjustment	1,290	687
Remeasurements of defined benefit plans, net of tax	867	510
Total other comprehensive income	*1 3,379	*1 3,302
Comprehensive income	15,343	16,143
Comprehensive income attributable to:		
Owners of parent	15,230	16,048
Non-controlling interests	112	94

See accompanying notes to consolidated financial statements.

iii) [Consolidated Statements of Changes in Equity]

(Millions of yen)

Year ended December 31, 2024	Shareholders' equity				Total shareholders' equity	
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at beginning of the year	20,886	14,166	159,562	(786)	193,828	
Changes during the year:						
Cash dividends			(7,271)		(7,271)	
Net income attributable to owners of parent			11,877		11,877	
Purchase of treasury stock				(7,004)	(7,004)	
Disposal of treasury stock		3		118	121	
Cancellation of treasury stock		(6,296)		6,296	—	
Transfer from retained earnings to capital surplus		6,293	(6,293)		—	
Net changes in items other than shareholders' equity						
Total changes during the year	—	—	(1,688)	(589)	(2,277)	
Balance at end of the year	20,886	14,166	157,874	(1,375)	191,551	
	Accumulated other comprehensive income					
Year ended December 31, 2024	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of the year	13,319	3,992	369	17,681	1,008	212,518
Changes during the year:						
Cash dividends						(7,271)
Net income attributable to owners of parent						11,877
Purchase of treasury stock						(7,004)
Disposal of treasury stock						121
Cancellation of treasury stock						—
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	1,218	1,267	867	3,353	73	3,427
Total changes during the year	1,218	1,267	867	3,353	73	1,149
Balance at end of the year	14,537	5,260	1,236	21,034	1,082	213,668

(Millions of yen)

Year ended December 31, 2025	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of the year	20,886	14,166	157,874	(1,375)	191,551
Changes during the year:					
Cash dividends			(6,935)		(6,935)
Net income attributable to owners of parent			12,766		12,766
Purchase of treasury stock				(7,002)	(7,002)
Disposal of treasury stock		(8)		119	110
Cancellation of treasury stock		(7,300)		7,300	—
Transfer from retained earnings to capital surplus		7,308	(7,308)		—
Net changes in items other than shareholders' equity					
Total changes during the year	—	—	(1,477)	417	(1,060)
Balance at end of the year	20,886	14,166	156,396	(957)	190,491

Year ended December 31, 2025	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the year	14,537	5,260	1,236	21,034	1,082	213,668
Changes during the year:						
Cash dividends						(6,935)
Net income attributable to owners of parent						12,766
Purchase of treasury stock						(7,002)
Disposal of treasury stock						110
Cancellation of treasury stock						—
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	2,098	673	510	3,281	54	3,336
Total changes during the year	2,098	673	510	3,281	54	2,276
Balance at end of the year	16,635	5,933	1,747	24,316	1,136	215,944

See accompanying notes to consolidated financial statements.

## iv) [Consolidated Statements of Cash Flows]

	(Millions of yen)	
Years ended December 31,	2024	2025
<b>Operating activities</b>		
Income before income taxes	16,553	17,345
Depreciation and amortization	11,302	11,652
Impairment losses	1,487	398
Increase (decrease) in allowance for doubtful accounts	4	33
Increase (decrease) in provision for product recalls	(153)	(154)
Increase (decrease) in provision for share awards	138	154
Increase (decrease) in other provisions	(3)	(6)
Decrease (increase) in retirement benefit asset	(28)	(231)
Increase (decrease) in retirement benefit liability	2	8
Interest and dividend income	(1,644)	(1,463)
Interest expense	152	244
Foreign exchange losses (gains)	(540)	(271)
Loss (gain) on sale of investment securities	(4,332)	(5,258)
Loss (gain) on valuation of investment securities	302	182
Loss (gain) on disposal of non-current assets	1,930	2,021
Loss (gain) on sale of non-current assets	(8)	—
Share of loss (profit) of entities accounted for using equity method	(227)	(39)
Subsidy income	(80)	(68)
Special suspense account for tax purpose reduction entry	—	40
Decrease (increase) in trade receivables	(930)	2,711
Decrease (increase) in inventories	309	(631)
Increase (decrease) in trade payables	(464)	(2,265)
Other	(1,315)	1,431
<b>Subtotal</b>	<b>22,453</b>	<b>25,833</b>
Interest and dividends received	1,900	1,495
Interest paid	(144)	(172)
Subsidies income received	80	68
Income taxes paid	(4,107)	(4,930)
<b>Net cash provided by (used in) operating activities</b>	<b>20,183</b>	<b>22,294</b>
<b>Investing activities</b>		
Decrease (increase) in time deposits	5,365	(1,350)
Decrease (increase) in short-term investment securities	2,000	—
Purchase of investment securities	(770)	(818)
Proceeds from sales of investment securities	5,373	7,107
Purchase of property, plant and equipment	(22,043)	(27,975)
Proceeds from sale of property, plant and equipment	17	—
Purchase of intangible assets	(558)	(3,444)
Other	(2,978)	(3,154)
<b>Net cash provided by (used in) investing activities</b>	<b>(13,594)</b>	<b>(29,635)</b>

See accompanying notes to consolidated financial statements.

	(Millions of yen)	
Years ended December 31,	2024	2025
Financing activities		
Increase (decrease) in short-term borrowings	(10)	—
Proceeds from long-term borrowings	124	3,700
Repayments of long-term borrowings	(183)	(4,097)
Proceeds from issuance of bonds	—	10,000
Proceeds from sale of treasury stock	3	0
Purchase of treasury stock	(7,004)	(7,002)
Decrease (increase) in deposits for share repurchase	(0)	—
Repayments of lease obligations	(141)	(132)
Dividends paid	(7,257)	(6,923)
Dividends paid to non-controlling interests	(39)	(39)
Net cash provided by (used in) financing activities	(14,507)	(4,495)
Effect of exchange rate change on cash and cash equivalents	716	166
Net increase (decrease) in cash and cash equivalents	(7,202)	(11,670)
Cash and cash equivalents at beginning of the year	47,636	40,433
Cash and cash equivalents at end of the year	*1 40,433	*1 28,763

See accompanying notes to consolidated financial statements.

[Notes]

(Basis for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 21

TOAGOSEI CHEMICAL INDIA PRIVATE LIMITED was newly established; therefore, it was included in the scope of consolidation from the fiscal year under review.

(2) Unconsolidated subsidiaries: 3

A major unconsolidated subsidiary is Toa Kenso Co., Ltd. The unconsolidated subsidiaries have an immaterial effect on the Company's consolidated financial statements as a whole in terms of the sum of total assets, the sum of net sales, the sum of net income/loss, and the sum of retained earnings.

2. Application of equity method

(1) Unconsolidated subsidiaries and affiliates which are accounted for by the equity method

Affiliates: 1

Chubu Liquid Oxygen Co., Ltd.

As a result of the termination of the joint venture agreement concerning Elmer's and Toagosei Co., the company has been excluded from the scope of the equity method affiliates in the fiscal year under review.

(2) Unconsolidated subsidiaries and affiliates which are not accounted for by the equity method

Unconsolidated subsidiaries: 3

Affiliates: 10

Toyo Denka Kogyo Co., Ltd., etc.

(3) Reason for exclusion from application of equity method accounting:

Because the effect of their net income/loss and retained earnings on the Company's consolidated financial statements is immaterial and they are not important as a whole in accounting terms.

3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end of TOAGOSEI CHEMICAL INDIA PRIVATE LIMITED is March 31. The financial statements based on provisional financial results as of the Company's consolidated fiscal year-end are used for this consolidated subsidiary. The fiscal year-end of all other consolidated subsidiaries is the same as the Company's consolidated fiscal year-end.

4. Accounting policies

(1) Basis and method for valuation of major assets

1) Securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price classified as available-for-sale securities

Securities other than shares, etc. that do not have a market price classified as available-for-sale securities are carried at fair value determined with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets.

Shares, etc. that do not have a market price classified as available-for-sale securities

Shares, etc. that do not have a market price classified as available-for-sale securities are carried at cost. Cost of securities sold is determined by the moving average method.

2) Derivatives

Derivative financial instruments are carried at fair value.

3) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined by the moving average method. (The balance sheet amounts are written down if there is any decrease in profitability.)

(2) Depreciation and amortization of major depreciable and amortizable assets

1) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets and their residual value.

The useful lives for major property, plant and equipment are as follows:

Buildings and structures	2–75 years
Machinery, equipment and other	2–17 years
Tools, furniture and fixtures	2–20 years

2) Intangible assets (excluding leased assets)

Amortization of intangible assets is calculated by the straight-line method based on the estimated effective period (up to 15 years) for customer-related assets and the useful life (primarily 5 years) for software for internal use.

3) Leased assets (leased assets relating to finance lease transactions that do not transfer ownership)

Depreciation of leased assets shall be calculated based on the assumption that the useful lives equal the lease term and the residual value is zero.

(3) Posting standards for providing major provisions and allowances

1) Allowance for doubtful receivables

The allowance for bad debts and doubtful receivables in respect of individual bad debts is provided in an amount sufficient to cover credit losses based on the collectability of individual receivables. The allowance for receivables other than those described above is based on past credit loss experience.

2) Accrued bonuses for employees

Accrued bonuses for employees are provided at the estimated amounts expected to be paid to employees for one consolidated subsidiary.

3) Provision for share awards

In preparation for the granting of the Company's shares to employees based on the Share Granting Regulations, the estimated amount of stock benefit obligations at the end of the fiscal year under review is recognized.

(4) Accounting methods relating to retirement benefits

1) Periodic allocation of estimated retirement benefits

In calculating retirement benefit obligation, the benefit formula basis is applied for allocation of projected retirement benefit to the periods until the end of the fiscal year under review.

2) Amortization of actuarial gain or loss and prior service costs

Actuarial gain or loss of the Company is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the eligible employees (primarily 10 years) when incurred in each fiscal year. Prior service costs are expensed using the straight-line method over the average remaining years of service of the eligible employees (primarily 10 years) when incurred.

3) Adoption of the simplified method in SMEs

In calculating net defined benefit liability and retirement benefit expenses, some consolidated

subsidiaries adopt the simplified method where the projected benefit obligation is an estimated amount of retirement benefits, assuming that all employees terminate their services on the balance sheet date for their own convenience.

(5) Revenue and expense recognition standards

In accordance with the following five steps, the Group recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of said promised goods or services is transferred to the customer.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) a performance obligation is satisfied

The Group is engaged primarily in the manufacture and sale of products in each of the Commodity Chemicals Business, Polymer & Oligomer Business, Adhesive Material Business, Performance Chemicals Business, and Plastics Business. The performance obligation is generally deemed to be satisfied when the customer obtains control of said products at the time of their delivery, and revenue from sales of said products is recognized at the time of delivery. With domestic sales, the normal period is from the time of shipment to the time that control of the products is transferred to the customer. Therefore, revenue is recognized at the time of shipment in accordance with the treatment of shipping standards, etc. stipulated in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition.

Revenue is calculated on the basis of the consideration promised in the contract with the customer, less returned goods, discounts, rebates, etc., to the extent that it is highly probable that there will be no significant reversal of revenue. The promised consideration is collected primarily within one year of the time the performance obligation is satisfied, and does not include a significant financing component.

Revenue from transactions for which the Group acts as an agent is recognized on a net basis.

(6) Foreign currency translation

Receivables and payables in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and the resulting translation gain or loss is charged or credited to income.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the same exchange rates.

Revenue and expense accounts of the foreign consolidated subsidiaries are translated at periodical average rates during the fiscal year. The resulting translation gain or loss is included in "Translation adjustments" and "Non-controlling interests" under "Net assets."

(7) Goodwill amortization method and amortization period

The amortization of goodwill is determined on an individual basis, and goodwill is amortized evenly over a reasonable number of years within a period of 20 years.

(8) Treatment of deferred assets

Bond issuance costs are fully expensed when incurred.

(9) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash on hand, bank deposits available for withdrawal on demand and readily available short-term investments with maturities of three months or less, which are exposed to minor risk of fluctuation in value.

(Significant Accounting Estimates)

For the fiscal year ended December 31, 2024

Impairment of non-current assets

(1) Amounts recognized in the consolidated financial statements

	(Millions of yen)
Property, plant and equipment	111,851
Intangible assets	1,666
Impairment losses	1,487

(2) Information on significant accounting estimates pertaining to identified items

The Group regularly assesses signs of impairment for each asset group and estimates the recoverable amount in the event of such signs. Future cash flows expected to be obtained from the relevant asset group are used to estimate the recoverable amount. Future cash flow forecasts are formulated in consideration of future market trends and the state of business activities but in the event that future cash flow forecasts are amended, or if it is determined that the amount is unrecoverable, impairment losses may be recognized.

For the fiscal year ended December 31, 2025

1. Impairment of non-current assets

(1) Amounts recognized in the consolidated financial statements

	(Millions of yen)
Property, plant and equipment	129,050
Intangible assets	4,723
Impairment losses	398

(2) Information on significant accounting estimates pertaining to identified items

The Group regularly assesses signs of impairment for each asset group and estimates the recoverable amount in the event of such signs. Future cash flows expected to be obtained from the relevant asset group are used to estimate the recoverable amount. Future cash flow forecasts are formulated in consideration of future market trends and the state of business activities but in the event that future cash flow forecasts are amended, or if it is determined that the amount is unrecoverable, impairment losses may be recognized.

2. Valuation of the intangible assets (customer-related assets) of Toagosei America Inc. (hereinafter, "TUS")

(1) Amount of the relevant intangible assets recognized in the consolidated financial statements

	(Millions of yen)
Intangible assets	3,276
Impairment losses	—

(Note) The above amounts represent the amount of intangible assets (customer-related assets) acquired by TUS during the fiscal year, of the ¥4,723 million in intangible assets recognized in the consolidated balance sheets as of the end of the fiscal year.

(2) Other information to facilitate the understanding of users of the consolidated financial statements

As a result of the termination of the joint venture agreement concerning the equity method affiliate Elmer's & Toagosei Co., which was responsible for sales and marketing activities, TUS acquired that company's intangible assets (customer-related assets) in August 2025. TUS regularly assesses signs of impairment for each asset group and estimates the recoverable amount in the event of such signs. The recoverable amount is estimated using the cash flows expected to be generated from the relevant asset group. Future cash flow forecasts are formulated in consideration of future market trends and the state of business activities. No signs of impairment were recognized, and therefore, no impairment losses were recorded in the fiscal year. However, if there are changes in the

underlying conditions or assumptions due to changes in the market environment or business development, it may become necessary to record impairment losses.

#### (Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”) effective from the beginning of the fiscal year under review.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Guidance 2022”). This change in accounting policies has no impact on the consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Guidance 2022 has been adopted from the beginning of the fiscal year under review. This change in accounting policies is applied retrospectively, and consolidated financial statements for the previous fiscal year are after retrospective application. This change in accounting policies has no impact on the consolidated financial statements for the previous fiscal year.

#### (New Accounting Pronouncements)

“Accounting Standard for Leases” (ASBJ Statement No. 34 on September 13, 2024)

“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33 on September 13, 2024)

##### (1) Outline

The standards, etc. primarily stipulate provisions in which assets and liabilities are recognized for all leases of lessees, as with international accounting standards. In line with the basic policy of the Accounting Standards Board of Japan in developing accounting standards for leases, the right-of-use model was adopted by which a lessee recognizes a right-of-use asset and a lease liability by interpreting that the right to use an underlying asset is transferred to the lessee, regardless of whether the lease is a finance lease or an operating lease, as with IFRS 16. Instead of adopting all the provisions of IFRS 16, only the main provisions have been adopted, resulting in simple and convenient accounting standards that stipulate alternative treatments to the extent that international comparability is not impaired significantly.

##### (2) Planned date of application

The Company plans to apply the above standards, etc. from the beginning of the year ending December 31, 2028.

##### (3) Effect of the application of the above standards, etc.

The Company is currently assessing the effects at the time of preparation of these consolidated financial statements.

#### (Changes in Presentation Method)

(Notes to Consolidated Statements of Cash Flows)

“Purchase of intangible assets,” which was included in “other” of “cash flows from investing activities” in the previous fiscal year, is stated as an independent item from the fiscal year under review because it increased in materiality. In order to reflect this change in the presentation method, the consolidated

financial statements for the previous fiscal year has been restated.

As a result, the ¥(3,537) million presented in “other” of “cash flows from investing activities” in the consolidated statements of cash flows for the previous fiscal year has been restated as “purchase of intangible assets” of ¥(558) million and “other” of ¥(2,978) million.

#### (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 the transactions

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 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) Company shares remaining in the trust

The Company Shares remaining in the Trust are recorded as treasury stock in net assets based on the book value in the Trust (excluding the amount of ancillary expenses). The book value and number of shares of said treasury stock are ¥449 million and 366 thousand shares, respectively, at the end of the fiscal year under review and ¥462 million and 376 thousand shares at the end of the previous fiscal year.

## (Notes to Consolidated Balance Sheets)

\*1. Amount of receivables arising from contracts with customers in notes and accounts receivable and electronically recorded monetary claims

December 31,	(Millions of yen)	
	2024	2025
Notes receivable - trade	1,698	442
Electronically recorded monetary claims	9,860	11,554
Accounts receivable - trade	40,660	37,560

\*2. Amount of contract liabilities in other current liabilities

December 31,	(Millions of yen)	
	2024	2025
Contract liabilities	38	241

\*3. Components of inventories:

December 31,	(Millions of yen)	
	2024	2025
Merchandise and finished products (including semi-finished products)	17,223	17,459
Work in process	584	635
Raw materials and supplies	6,926	7,375
Total	24,734	25,469

\*4. Investments in unconsolidated subsidiaries and affiliates were as follows:

December 31,	(Millions of yen)	
	2024	2025
Investment securities (stocks)	1,663	1,581
Other (investments and other assets)	37	—

\*5. Assets pledged as collateral:

December 31, 2024

Assets pledged as collateral		
Classification	Book value (Millions of yen)	Type of security interests
Buildings and structures	18,364	Plant foundation
Machinery, equipment and other	14,246	ditto
Tools, furniture and fixtures	2,114	ditto
Land	4,454	ditto
Total	39,180	

(Note) The assets described above are pledged as collateral, but there are no corresponding secured obligations.

December 31, 2025

Assets pledged as collateral		
Classification	Book value (Millions of yen)	Type of security interests
Buildings and structures	18,949	Plant foundation
Machinery, equipment and other	13,556	ditto
Tools, furniture and fixtures	2,088	ditto
Land	2,778	ditto
Total	37,372	

(Note) The assets described above are pledged as collateral, but there are no corresponding secured obligations.

\*6. Accumulated depreciation of property, plant and equipment:

December 31,	(Millions of yen)	
	2024	2025
	224,458	224,501

\*7. Notes matured at the balance sheet date and cash settlement payable as of the balance sheet date (method of cash settlement payable at due date with the same terms as notes) are treated as if they were settled on the maturity date. Because the balance sheet date of the fiscal year fell on a holiday for financial institutions, the notes matured and cash settlement payable at the balance sheet date were excluded from the balance as of the end of the fiscal year.

December 31,	(Millions of yen)	
	2024	2025
Notes and accounts receivable	5,146	5,139
Electronically recorded monetary claims	1,541	1,647
Notes and accounts payable	2,252	2,137
Other (Current liabilities)	619	954

8. Contingent liabilities and secured liabilities:

December 31,	(Millions of yen)	
	2024	2025
Employees	3	3
Hokuriku Liquid Oxygen Co., Ltd.	34	21
Total	37	25

(Notes to Consolidated Statements of Income)

\*1. For net sales, the Company does not disaggregate revenues from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in (Revenue Recognition) 1. Disaggregation of revenue from contracts with customers in the Notes to (1) Consolidated Financial Statements.

\*2. Inventories as at the fiscal year-end represent the book value written-down due to a decrease in profitability. The following losses on devaluation of inventories were included in cost of sales (the amount stated is the amount after offset by reversal):

Years ended	(Millions of yen)	
December 31,	2024	2025
	43	64

\*3. Major items of selling expenses:

Years ended	(Millions of yen)	
December 31,	2024	2025
Transportation expenses	8,682	8,869
Salaries	2,279	2,377
Bonuses	883	891
Retirement benefit expenses	119	91
Depreciation and amortization	109	182

\*4. Major items of general and administrative expenses:

Years ended	(Millions of yen)	
December 31,	2024	2025
Salaries	3,048	3,526
Bonuses	1,504	1,583
Retirement benefit expenses	192	90
Depreciation and amortization	1,597	1,815

\*5. Research and development cost included in general and administrative expenses and manufacturing cost:

Years ended	(Millions of yen)	
December 31,	2024	2025
	5,823	6,708

\*6. Components of gain on sale of non-current assets:

Years ended	(Millions of yen)	
December 31,	2024	2025
Land, etc.	8	—

\*7. Components of loss on disposal of non-current assets:

Years ended	(Millions of yen)	
December 31,	2024	2025
Machinery, equipment and other	10	111
Disposal costs	1,786	1,863
Buildings and structures, etc.	133	45

\*8. Loss on disaster:

This is the amount of loss caused by the Noto Peninsula Earthquake that occurred in January 2024. The breakdown is as follows.

Years ended	(Millions of yen)	
December 31,	2024	2025
Restoration costs, etc.	112	406
Loss on non-current assets and inventory loss	29	—
Total	141	406

\*9. Impairment losses:

Year ended December 31, 2024

Impairment losses were recorded for the following assets or asset groups.

(Millions of yen)

Location	Use	Item	Amount
Singapore	Acrylic ester production facilities, etc.	Leased assets, machinery, equipment and other	1,412
Tsurumi-ku, Yokohama	Dormitory	Building and other	74

(Background and method of asset grouping)

The Company operates multiple businesses, and for business assets, the operating departments are the smallest asset groups in each segment of commodity chemicals, polymer & oligomer, adhesive material, and performance chemicals. In addition, consolidated subsidiaries mainly operate a single business, and the company unit is the smallest asset group.

In fiscal year ended December 31, 2024, the book value of acrylic ester production facilities, etc. that have become less profitable has been reduced to their recoverable value. In addition, the book value of the dormitory in Yokohama has been reduced to its recoverable value following the decision to stop using the dormitory and demolish the building. The amounts of these reductions have been recorded as impairment losses (1,487 million yen) under extraordinary losses.

(Breakdown of impairment losses)

The breakdown of impairment losses is as follows: ¥1,011 million for leased assets, ¥374 million for machinery and equipment, ¥74 million for buildings, and ¥26 million for other assets.

(Calculation method for recoverable value)

The recoverable value used to measure the impairment losses recorded in fiscal year ended December 31, 2024 is measured based on the value in use for acrylic ester production facilities, etc., and is evaluated as zero because the future cash flow is negative. Other non-current assets are evaluated based on the memorandum value.

Year ended December 31, 2025

Impairment losses were recorded for the following assets or asset groups.

(Millions of yen)

Location	Use	Item	Amount
Kawasaki-ku, Kawasaki	Special acrylic monomer production facilities, etc.	Machinery, equipment and other	311
Singapore	Acrylic ester production facilities, etc.	Construction in progress and other	86

(Background and method of asset grouping)

The Company operates multiple businesses, and for business assets, the operating departments are the smallest asset groups in each segment of commodity chemicals, polymer & oligomer, adhesive material, and performance chemicals. In addition, consolidated subsidiaries mainly operate a single business, and the company unit is the smallest asset group. In fiscal year ended December 31, 2025, the book values of special acrylic monomer production facilities, etc., for which the operating environment is expected to deteriorate significantly, and acrylic ester production facilities, etc., for which losses from operating activities have been continuously recorded, have been reduced to their recoverable value. The amounts of these reductions have been recorded as impairment losses (¥398 million) under extraordinary losses.

(Breakdown of impairment losses)

The breakdown of impairment losses is as follows: ¥314 million for machinery and equipment, ¥31 million for construction in progress, and ¥51 million for other assets.

(Calculation method for recoverable value)

The recoverable value used to measure the impairment losses mentioned above is measured based on the value in use and is evaluated as zero because the future cash flow is negative.

(Notes to Consolidated Statements of Comprehensive Income)

\*1. Reclassification adjustment, income taxes and tax effect of other comprehensive income:

Years ended December 31,	(Millions of yen)	
	2024	2025
Unrealized holding gain on available-for-sale securities		
Amount arising during the fiscal year	6,067	8,582
Reclassification adjustment	(4,332)	(5,244)
Amount before income taxes and tax effect	1,735	3,337
Income taxes and tax effect	(513)	(1,232)
Unrealized holding gain on available-for-sale securities	1,221	2,104
Foreign currency translation adjustment		
Amount arising during the fiscal year	1,290	687
Amount before income taxes and tax effect	1,290	687
Income taxes and tax effect	—	—
Foreign currency translation adjustment	1,290	687
Remeasurements of defined benefit plans, net of tax		
Amount arising during the fiscal year	1,297	940
Reclassification adjustment	(48)	(173)
Amount before income taxes and tax effect	1,249	767
Income taxes and tax effect	(381)	(257)
Remeasurements of defined benefit plans, net of tax	867	510
Total other comprehensive income	3,379	3,302

(Notes to Consolidated Statements of Changes in Equity)  
Year ended December 31, 2024

1. Matters related to the type and total number of issued shares and the type and total number of shares of treasury stock:

(Thousands of shares)

Type of shares	Number of shares at beginning of the year	Increase in the number of shares in the year	Decrease in the number of shares in the year	Number of shares at end of the year
Issued shares				
Common stock (Note 1)	117,100	—	4,100	113,000
Total	117,100	—	4,100	113,000
Treasury stock				
Common stock (Notes 2, 3, 4)	636	4,514	4,179	970
Total	636	4,514	4,179	970

- (Notes) 1. The decrease in the number of issued shares (common stock) is due to cancellation of treasury stock.
2. The increase in the number of shares of treasury stock (common stock) consists of the increase of 4,511 thousand shares due to treasury stock acquisition and the increase of 2 thousand shares due to purchase of less-than-one-unit shares.
3. The decrease in the number of shares of treasury stock (common stock) consists of the decrease of 4,100 thousand shares due to cancellation of treasury stock, the decrease of 69 thousand shares due to disposal of treasury stock as the restricted share-based remuneration for Directors, etc., the decrease of 9 thousand shares due to disposal of treasury stock under the Employee Stock Compensation Plan, and the decrease of 0 thousand shares due to sales of less-than-one-unit shares.
4. The number of shares of treasury stock (common stock) at beginning of the year includes 386 thousand shares of the Company held by the employee share granting trust. The number of shares of treasury stock (common stock) at end of the year includes 376 thousand shares of the Company held by the employee share granting trust.

2. Matters related to dividends

- (1) Amount of dividends paid

Resolution	Type of shares	Gross amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 28, 2024 111th Annual Shareholders' Meeting	Common stock	3,856	33.00	December 31, 2023	March 29, 2024
July 31, 2024 Board of Directors	Common stock	3,415	30.00	June 30, 2024	September 5, 2024

- (Note) The total amount of dividends determined by resolution of the Annual Shareholders' Meeting held on March 28, 2024 includes ¥12 million in dividends for shares of the Company held by the employee share granting trust. The total amount of dividends determined by resolution of the meeting of the Board of Directors held on July 31, 2024 includes ¥11 million in dividends for shares of the Company held by the employee share granting trust.

- (2) Dividends whose record date was in the year ended December 31, 2024 but whose effective date is in the year ending December 31, 2025

Resolution	Type of shares	Gross amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 28, 2025 112th Annual Shareholders' Meeting	Common stock	3,372	Retained earnings	30.00	December 31, 2024	March 31, 2025

- (Note) The total amount of dividends determined by resolution of the Annual Shareholders' Meeting held on March 28, 2025 includes ¥11 million in dividends for shares of the Company held by the employee share granting trust.

Year ended December 31, 2025

1. Matters related to the type and total number of issued shares and the type and total number of shares of treasury stock:

(Thousands of shares)

Type of shares	Number of shares at beginning of the year	Increase in the number of shares in the year	Decrease in the number of shares in the year	Number of shares at end of the year
Issued shares				
Common stock (Note 1)	113,000	—	5,000	108,000
Total	113,000	—	5,000	108,000
Treasury stock				
Common stock (Notes 2, 3, 4)	970	4,826	5,083	714
Total	970	4,826	5,083	714

- (Notes) 1. The decrease in the number of issued shares (common stock) is due to cancellation of treasury stock.
2. The increase in the number of shares of treasury stock (common stock) consists of the increase of 4,825 thousand shares due to treasury stock acquisition and the increase of 1 thousand shares due to purchase of less-than-one-unit shares.
3. The decrease in the number of shares of treasury stock (common stock) consists of the decrease of 5,000 thousand shares due to cancellation of treasury stock, the decrease of 72 thousand shares due to disposal of treasury stock as the restricted share-based remuneration for Directors, etc., the decrease of 10 thousand shares due to disposal of treasury stock under the Employee Stock Compensation Plan, and the decrease of 0 thousand shares due to sales of less-than-one-unit shares.
4. The number of shares of treasury stock (common stock) at beginning of the year includes 376 thousand shares of the Company held by the employee share granting trust. The number of shares of treasury stock (common stock) at end of the year includes 366 thousand shares of the Company held by the employee share granting trust.

## 2. Matters related to dividends

### (1) Amount of dividends paid

Resolution	Type of shares	Gross amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 28, 2025 112th Annual Shareholders' Meeting	Common stock	3,372	30.00	December 31, 2024	March 31, 2025
July 31, 2025 Board of Directors	Common stock	3,563	32.50	June 30, 2025	September 4, 2025

(Note) The total amount of dividends determined by resolution of the Annual Shareholders' Meeting held on March 28, 2025 includes ¥11 million in dividends for shares of the Company held by the employee share granting trust.

The total amount of dividends determined by resolution of the meeting of the Board of Directors held on July 31, 2025 includes ¥12 million in dividends for shares of the Company held by the employee share granting trust.

(2) Dividends whose record date was in the year ended December 31, 2025 but whose effective date is in the year ending December 31, 2026

The following matters will be submitted as a proposal at the Annual Shareholders' Meeting to be held on March 27, 2026.

Resolution	Type of shares	Gross amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 27, 2026 113th Annual Shareholders' Meeting	Common stock	3,498	Retained earnings	32.50	December 31, 2025	March 30, 2026

(Note) The total amount of dividends includes ¥11 million in dividends for shares of the Company held by the employee share granting trust.

(Notes to Consolidated Statements of Cash Flows)

\*1. Reconciliation of the balance of cash and cash equivalents in the consolidated statements of cash flows to cash and deposits included in the consolidated balance sheets:

Years ended	(Millions of yen)	
December 31,	2024	2025
Cash and deposits	30,821	24,518
Securities	11,000	7,000
Time deposits with terms in excess of 3 months	(1,387)	(2,754)
Cash and cash equivalents	40,433	28,763

(Lease Transactions)

(Lessee)

### 1. Finance leases

Finance lease transactions that do not transfer ownership

#### 1) Leased assets

Property, plant and equipment

Consists of machinery, equipment and other, and tools, furniture and fixtures

#### 2) Depreciation of leased assets

As described in Basis for Preparation of Consolidated Financial Statements "4. Accounting policies (2) Depreciation and amortization of major depreciable and amortizable assets."

### 2. Operating leases

Future minimum lease payments under noncancelable operating leases:

	(Millions of yen)	
December 31,	2024	2025
Due within one year	188	188
Due after one year	1,353	1,184
Total	1,541	1,373

(Lessor)

### 1. Operating leases

Future minimum lease payments under noncancelable operating leases:

	(Millions of yen)	
December 31,	2024	2025
Due within one year	184	184
Due after one year	677	492
Total	861	677

(Financial Instruments)

1. Matters related to the status of financial instruments

(1) Policies on financial instruments

When managing surplus funds, the Group limits the application of such funds to highly secure financial assets, mainly short-term bank deposits, and it procures funds mainly through bank borrowings and bonds. Derivative transactions are used to hedge interest fluctuation risk present in borrowings, but are not used for speculative or trading purposes.

(2) Description of financial instruments and associated risks

Notes and accounts receivable, as well as electronically recorded monetary claims, which represent trade receivables, are exposed to client-based credit risk. Furthermore, foreign currency denominated trade receivables are also subject to exchange rate fluctuation risks. In order to counter such risk, foreign currency borrowings are used when necessary as a means of hedging the net position of foreign currency denominated trade payables. Securities and investment securities are primarily negotiable certificate of deposits and shares related to businesses, and are thus exposed to risk stemming from fluctuations in market value.

Notes and accounts payable, which represent trade payables, are due within one year. A portion of these are foreign currency denominated items related to payment for raw material imports, which are subject to exchange rate fluctuation risk. These are constantly maintained within the balance of receivables denominated in the same foreign currencies. Borrowings and bonds are used to procure funds necessary for operational transactions and capital expenditures. A portion of these borrowings bearing variable interest rates are exposed to interest rate fluctuation risk. Derivative transactions (interest rate swap transactions) are used when necessary as a means of hedging.

(3) Risk management systems related to financial instruments

1) Management of credit risk (risk associated with non-performance of a contract by a business partner etc.)

The department in charge of business planning regularly monitor the trade receivable status of all business partners in accordance with the Regulations on Selling in order to identify business partner-based credit risk associated with the deterioration of financial circumstances or other causes at an early stage and reduce it. In case of the consolidated subsidiaries, their divisions or accounting departments also manage the financial and credit status of their business partners pursuant to their own regulations. Derivative transactions are entered into only with highly rated financial institutions. The maximum credit risk value as of the date of closing of consolidated accounts for the current term is expressed by the value of financial assets in the consolidated balance sheets which are subject to credit risk.

2) Management of market risk (risk associated with exchange rate and interest rate fluctuations)

When necessary, the Company uses borrowings denominated in foreign currencies to hedge its foreign currency denominated trade receivables and trade payables. Interest rate swaps are used when necessary to reduce risk associated with fluctuations in interest expenses related to borrowings.

The Company regularly confirms the fair value of securities and investment securities and the financial condition of the issuers (its business partners) and

continually reviews its shareholdings with a view to maintaining and strengthening comprehensive relations with its business partners and in consideration of the economic rationality of holding their shares.

Derivative transactions are executed and managed in accordance with internal regulations that stipulate transaction authority.

3) Management of liquidity risk associated with procuring funds (the risk of being unable to execute a payment on the due date)

The Company and its consolidated subsidiaries have formulated cash flow management plans and manage liquidity risk by, for example, keeping a certain amount of cash reserves on hand.

(4) Supplementary information regarding the fair value of financial instruments

Variable factors are incorporated into the calculations of the fair value of financial instruments, and different fair values are possible depending on the differing assumptions used.

2. Fair value of financial instruments

The fair value and carrying value of financial instruments and the difference between both values are shown below. In addition, “cash and deposits,” “notes and accounts receivable,” “electronically recorded monetary claims,” “notes and accounts payable,” and “short-term borrowings” are cash, and as they are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, notes are omitted.

December 31, 2024	(Millions of yen)		
	Carrying value	Fair value	Difference
(1) Securities and investment securities:			
Available-for-sale securities	41,124	41,124	—
Total assets	41,124	41,124	—
(1) Long-term borrowings	4,834	4,793	(40)
Total liabilities	4,834	4,793	(40)

Shares, etc. that do not have a market price, are not included in the table above. (Please refer to Note 1.)

December 31, 2025	(Millions of yen)		
	Carrying value	Fair value	Difference
(1) Securities and investment securities:			
Available-for-sale securities	38,749	38,749	—
Total assets	38,749	38,749	—
(1) Bonds	10,000	9,794	(206)
(2) Long-term borrowings	3,770	3,614	(155)
Total liabilities	13,770	13,408	(361)

Shares, etc. that do not have a market price, are not included in the table above. (Please refer to Note 1.)

(Note 1)

The following items are not included in “Assets: (1) Securities and investment securities.”

December 31, 2024	(Millions of yen)
	Carrying value
Investments in subsidiaries and affiliates	
Investments in unconsolidated subsidiaries and affiliates	1,663
Available-for-sale securities:	
Unlisted securities	1,255
Investment limited partnership	980
Total	3,899

December 31, 2025	(Millions of yen)
	Carrying value
Investments in subsidiaries and affiliates	
Investments in unconsolidated subsidiaries and affiliates	1,581
Available-for-sale securities:	
Unlisted securities	970
Investment limited partnership	1,728
Total	4,280

\* For investments in investment business limited partnerships, market value disclosure is not required based on paragraphs 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021).

(Note 2)

The redemption schedule for monetary claims, held-to-maturity securities and available-for-sale securities with maturities subsequent to the consolidated balance sheet date:

December 31, 2024	(Millions of yen)			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	30,820	—	—	—
Notes and accounts receivable	42,359	—	—	—
Electronically recorded monetary claims	9,860	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities (negotiable certificate of deposit)	11,000	—	—	—
Total	94,040	—	—	—

December 31, 2025	(Millions of yen)			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	24,515	—	—	—
Notes and accounts receivable	38,003	—	—	—
Electronically recorded monetary claims	11,554	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities (negotiable certificate of deposit)	7,000	—	—	—
Total	81,074	—	—	—

(Note 3)

The repayment schedule for long-term borrowings, lease obligations, and other interest-bearing debt subsequent to the consolidated balance sheet date:

(Millions of yen)						
	Over 1	Over 2	Over 3	Over 4		
December 31, 2024	1 year or less	year to 2 years	years to 3 years	years to 4 years	years to 5 years	Over 5 years
Short-term borrowings	2,325	—	—	—	—	—
Long-term borrowings	3,884	4,584	114	44	44	44
Lease obligations	197	182	165	157	152	405
Total	6,406	4,767	280	202	197	450

(Millions of yen)						
	Over 1	Over 2	Over 3	Over 4		
December 31, 2025	1 year or less	year to 2 years	years to 3 years	years to 4 years	years to 5 years	Over 5 years
Short-term borrowings	2,325	—	—	—	—	—
Bonds	—	—	—	—	10,000	—
Long-term borrowings	4,540	70	—	—	—	3,700
Lease obligations	203	182	174	170	166	279
Total	7,068	252	174	170	10,166	3,979

### 3. Fair value information by level within the fair value of financial instruments

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is classified in its entirety in the level of the lowest level input that is significant to the entire measurement.

### (1) Financial instruments measured at fair value in the consolidated balance sheets

December 31, 2024	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	30,124	—	—	30,124
Total assets	30,124	—	—	30,124

December 31, 2025	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	31,749	—	—	31,749
Total assets	31,749	—	—	31,749

### (2) Financial instruments other than those measured at fair value in the consolidated balance sheets

December 31, 2024	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Other	—	11,000	—	11,000
Total assets	—	11,000	—	11,000
Long-term borrowings	—	4,793	—	4,793
Total liabilities	—	4,793	—	4,793

December 31, 2025	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Other	—	7,000	—	7,000
Total assets	—	7,000	—	7,000
Bonds	—	9,794	—	9,794
Long-term borrowings	—	3,614	—	3,614
Total liabilities	—	13,408	—	13,408

(Note) A description of the valuation techniques and inputs used in the fair value measurements

#### Securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1. In addition, negotiable certificates of deposit included in Other are classified as Level 2 because they are not traded frequently in the public market and are not considered to have quoted prices in active markets.

#### Bonds

The fair value of bonds is measured using the market value (reference trading statistics) and is classified as Level 2.

#### Long-term borrowings

The fair value of long-term borrowings is measured using the present value by discounting the sum of principal and interest by the interest rate assumed for new borrowings of the same type, and is classified as Level 2.

(Securities)

1. Marketable securities classified as available-for-sale securities:

(Millions of yen)				
December 31, 2024	Type	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Stocks	28,635	7,597	21,038
Securities whose acquisition cost exceeds their carrying value or more	(1) Stocks	1,488	1,666	(177)
	(2) Other	11,000	11,000	—
	Subtotal	12,488	12,666	(177)
Total		41,124	20,263	20,860

(Millions of yen)				
December 31, 2025	Type	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Stocks	31,749	7,514	24,234
Securities whose acquisition cost exceeds their carrying value or more	(1) Stocks	—	—	—
	(2) Other	7,000	7,000	—
	Subtotal	7,000	7,000	—
Total		38,749	14,514	24,234

2. Marketable securities classified as available-for-sale securities sold during the fiscal year ended:

December 31, 2024 (Millions of yen)			
Classification	Sales amount	Total gain on sales	Total loss on sales
Stocks	5,373	4,332	—

December 31, 2025 (Millions of yen)			
Classification	Sales amount	Total gain on sales	Total loss on sales
Stocks	7,107	5,258	—

3. Other securities for which impairment losses were recognized:

Impairment losses on investment securities in an amount of ¥302 million (other securities that do not have a market price of ¥302 million) were recognized for the previous fiscal year. Impairment losses on investment securities in an amount of ¥182 million (other securities that do not have a market price of ¥182 million) were recognized for the fiscal year under review.

In the accounting for impairment, impairment losses are recognized for all securities of which the fair values as of the consolidated balance sheet date decline more than 50% from the acquisition cost, and at an amount deemed necessary for securities of which the fair values as of the same date decline between 30% and 50% in consideration of recoverability and other factors.

Impairment losses are recognized for other securities that do not have a market price of which the effective market values as of the consolidated balance sheet date decline more than 50% from the acquisition cost unless there is sufficient evidence of recoverability.

(Retirement Benefit Plans)

1. Outline of adopted retirement benefit plans for employees

The Company and its consolidated subsidiaries adopt a defined benefit plan and a defined contribution plan, either funded or unfunded, to provide for retirement benefits for employees.

Under defined benefit corporate pension plans (all the plans are funded), a lump-sum or annuity is paid based on accumulated points according to a qualification grade.

Under defined contribution pension plans, a premium calculated by the qualification grade is expensed when contributed.

Under retirement lump-sum payment plans (consisting of funded plans and unfunded plans), salaries and lump-sum payments based on length of service are paid as retirement benefits.

In addition, under the retirement lump-sum payment plans adopted by some of the consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated in accordance with the simplified plan.

2. Defined benefit plan

(1) Reconciliation of opening and closing balance of retirement benefit obligation (excluding plans using the simplified method)

(Millions of yen)		
Years ended December 31,	2024	2025
Balance of retirement benefit obligation at beginning of year	11,285	10,270
Service cost	542	479
Interest expenses	—	102
Actuarial gain or loss	(822)	(714)
Retirement benefits paid	(733)	(531)
Balance of retirement benefit obligation at end of year	10,270	9,606

(2) Reconciliation of opening and closing balance of plan assets (excluding plans using the simplified method)

(Millions of yen)		
Years ended December 31,	2024	2025
Balance of plan assets at beginning of year	15,021	15,285
Expected return on plan assets	150	291
Actuarial gain or loss	474	225
Contribution from employer	372	349
Retirement benefits paid	(733)	(531)
Balance of plan assets at end of year	15,285	15,619

- (3) Reconciliation of opening and closing balance of net defined benefit liability under the plans using the simplified method

Years ended December 31,	(Millions of yen)	
	2024	2025
Balance of net defined benefit liability at beginning of year	119	122
Retirement benefit expenses	17	18
Retirement benefits paid	(8)	(2)
Contribution to plan	(5)	(6)
Other	0	0
Balance of net defined benefit liability at end of year	122	131

- (4) Reconciliation of the ending balance of retirement benefit obligations and plan assets and the net defined benefit liability and the net defined benefit asset included in the consolidated balance sheets

December 31,	(Millions of yen)	
	2024	2025
Funded retirement benefit obligations	10,452	9,799
Plan assets	(15,381)	(15,722)
	(4,929)	(5,923)
Unfunded projected benefit obligations	37	41
Net amount of relevant liabilities and assets on the consolidated balance sheets	(4,891)	(5,881)
Net defined benefit liability	122	131
Net defined benefit asset	(5,014)	(6,013)
Net amount of relevant liabilities and assets on the consolidated balance sheets	(4,891)	(5,881)

(Note) Includes the plans using the simplified method.

- (5) Retirement benefit expenses and components thereof

Years ended December 31,	(Millions of yen)	
	2024	2025
Service cost	542	479
Interest expenses	—	102
Expected return on plan assets	(150)	(291)
Amortization of actuarial gain or loss	(26)	(152)
Amortization of prior service cost	(21)	(20)
Retirement benefit expenses calculated using the simplified method	17	18
Retirement benefit expenses related to the defined benefit plan	361	135

- (6) Remeasurements of defined benefit plans, net of tax  
The components of items (before income taxes and tax effect) reported under remeasurements of the defined benefit plans, net of tax were as follows:

Years ended December 31,	(Millions of yen)	
	2024	2025
Prior service cost	(21)	(20)
Actuarial gain or loss	1,270	788
Total	1,249	767

- (7) Remeasurements of defined benefit plans  
The components of items (before income taxes and tax effect) reported under remeasurements of the defined benefit plans were as follows:

December 31,	(Millions of yen)	
	2024	2025
Unrecognized prior service cost	(107)	(87)
Unrecognized actuarial gain or loss	(1,672)	(2,460)
Total	(1,780)	(2,547)

- (8) Matters regarding plan assets

- 1) Major components of the plan assets

The percentages of the major asset types accounting for the total plan assets were as follows:

December 31,	2024	2025
Bonds	40.3%	41.2%
Stocks	21.0	21.2
General accounts of life insurance companies	34.5	33.5
Other	4.2	4.1
Total	100.0	100.0

- 2) Method for setting the long-term rate of the expected return on plan assets

To determine the long-term rate of the expected return on plan assets, we take into account the current and projected distribution of plan assets and the current and anticipated long-term yield rates of the various assets that constitute the plan assets.

- (9) Matters regarding the assumptions for actuarial calculations

Key assumptions for actuarial calculations (representing weighted averages)

Years ended December 31,	2024	2025
Discount rate	1.0%	1.8%
Long-term rate of the expected return on plan assets	1.0	1.9

3. Defined contribution plan

The amounts required to be contributed by the Company and consolidated subsidiaries are ¥297 million for the previous fiscal year and ¥304 million for the fiscal year under review.

(Stock Options, etc.)  
Not applicable.

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities:

December 31,	(Millions of yen)	
	2024	2025
Deferred tax assets		
Elimination of unrealized profit	1,409	1,415
Net operating loss carry forwards	1,087	1,260
Disallowed impairment losses	823	846
Excess depreciation	728	738
Disallowed loss on valuation of investment securities	240	297
Valuation loss on inventories	228	255
Share-based remuneration expenses	188	248
Disallowed accrued costs of removing facilities	313	234
Accrued enterprise tax	199	202
Deferred consumption taxes, etc.	103	82
Other	251	592
Gross deferred tax assets	5,572	6,174
Valuation allowance	(1,916)	(1,940)
Total deferred tax assets	3,656	4,234
Deferred tax liabilities		
Unrealized holding gain on available-for-sale securities	(6,308)	(7,541)
Net defined benefit asset	(1,530)	(1,889)
Reserve for reduction entry	(920)	(909)
Undistributed earnings of subsidiaries and affiliates	(324)	(360)
Other	(180)	(131)
Total deferred tax liabilities	(9,265)	(10,832)
Net deferred tax assets (liability)	(5,608)	(6,598)

(Changes in Presentation Method)

“Expenses of soil pollution measures” under deferred tax assets and “Securities returned from retirement benefit trust” under deferred tax liabilities are included in “Other” from the fiscal year under review due to their decreased materiality. In order to reflect these changes in presentation method, the notes for the previous fiscal year have been reclassified.

As a result, the ¥53 million shown in “Expenses of soil pollution measures” and the ¥197 million shown in “Other” under deferred tax assets in the previous fiscal year have been reclassified as “Other” of ¥251 million. The ¥(76) million shown in “Securities returned from retirement benefit trust” and the ¥(103) million shown in “Other” under deferred tax liabilities in the previous fiscal year have been reclassified as “Other” of ¥(180) million.

2. Major reasons for which the effective income tax rate reflected in the consolidated statements of income differ from the statutory tax rates:

December 31,	2024	2025
Statutory tax rate	30.53%	30.53%
Effect of:		
Permanent difference – entertainment expenses	0.20	0.18
Permanent difference – dividend income	(0.91)	(0.57)
Inhabitants’ per capita taxes	0.43	0.44
Equity in earnings of affiliates	(0.42)	(0.07)
Valuation allowance	2.06	0.09
Different tax rates applied to income of foreign consolidated subsidiaries	1.15	0.21
Tax deduction of experiment and research expenses	(3.75)	(4.24)
Tax deduction due to wage increase promotion tax system	(1.38)	(1.31)
Other, net	(0.18)	0.71
Effective income tax rate	27.72	25.97

3. Revisions to the amounts of deferred tax assets and deferred tax liabilities due to a change in the income tax rate:

The Act for Partial Amendment of the Income Tax Act, Etc. (Act No. 13 of 2025) was enacted by the Japanese National Diet on March 31, 2025, and taxation under the Special Corporate Tax for Defense will become effective from fiscal years beginning on or after April 1, 2026. As a result, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities arising from temporary differences expected to be resolved in fiscal years beginning on or after January 1, 2027, has changed from 30.53% to 31.43%. The effect of this tax rate change is immaterial.

(Asset Retirement Obligations)

Not applicable.

(Rental properties, etc.)

Disclosure on rental properties, etc. is not required because rental properties, etc. are not significant in the Group.

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

The Group's net sales are mainly revenue recognized from contracts with customers. The breakdown of the Group's reportable segments by region is as follows.

Year ended December 31, 2024	Reportable segments					Total	Other businesses (Note 1)	Total
	Commodity chemicals	Polymer & oligomer	Adhesive material	Performance chemicals	Plastics			
Net sales								
Japan	73,804	22,729	8,550	5,357	26,225	136,666	1,971	138,638
Asia	3,447	8,518	2,098	4,003	1,405	19,473	34	19,508
North America	631	1,403	2,437	512	69	5,053	4	5,057
Other	1,262	2,535	258	323	2	4,381	8	4,389
Sales to third parties								
	79,145	35,187	13,344	10,196	27,702	165,575	2,018	167,594

(Notes)

1. "Other businesses" is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes operations related to trading-house operations and goods transportation.
2. Net sales are classified into countries and regions based on geographic location of the customer.
3. Net sales consist almost entirely of revenue recognized from contracts with customers. Revenue recognized from other sources is not disaggregated as it is immaterial.

Year ended December 31, 2025	Reportable segments					Total	Other businesses (Note 1)	Total
	Commodity chemicals	Polymer & oligomer	Adhesive material	Performance chemicals	Plastics			
Net sales								
Japan	66,317	23,722	8,658	5,225	26,643	130,566	2,310	132,877
Asia	3,396	8,902	2,032	4,125	1,498	19,956	35	19,991
North America	676	1,474	2,663	618	30	5,463	8	5,472
Other	1,381	2,069	253	256	4	3,964	6	3,971
Sales to third parties								
	71,772	36,169	13,607	10,225	28,177	159,952	2,360	162,312

(Notes)

1. "Other businesses" is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes operations related to trading-house operations and goods transportation.
2. Net sales are classified into countries and regions based on geographic location of the customer.
3. Net sales consist almost entirely of revenue recognized from contracts with customers. Revenue recognized from other sources is not disaggregated as it is immaterial.

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is presented in (Basis for Preparation of Consolidated Financial Statements), 4. Accounting policies, (5) Revenue and expense recognition standards.

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the fiscal year under review expected to be recognized in and after the following fiscal year

(1) Balance of contract liabilities, etc.

Receivables and contract liabilities from contracts with customers are as follows.

	Year ended December 31, 2024		Year ended December 31, 2025	
	Balance at beginning of the year	Balance at end of the year	Balance at beginning of the year	Balance at end of the year
Receivables from contracts with customers	51,102	52,220	52,220	49,558
Contract liabilities	37	38	38	241

Contract liabilities are mainly advances received from customers and are included in "Other current liabilities" under "Current liabilities" on the consolidated balance sheets. The amount of revenue recognized in the fiscal year under review that was included in the contract liabilities as of the beginning of the year is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group does not have any significant transactions for which individual contract durations are expected to exceed one year. Therefore, the practical expedient is applied, and information regarding remaining performance obligations is omitted. In addition, there are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Segment Information, etc.)

[Segment Information]

1. General information

(1) Delineation of reportable segments

Our reportable segments are components of our business operations for which separate financial information is available. The Board of Directors regularly analyzes the reportable segments to determine how to allocate capital resources and to evaluate performance. Business operations across our corporate group are organized by product and service. For all products and services managed by our operating divisions and subsidiaries, we develop integrated strategies and business activities, covering both domestic and overseas markets.

We have five reportable segments, each encompassing a group of business operations that are similar in terms of economic aspects, product traits, and service traits. These are:

- commodity chemicals,
- polymer & oligomer,
- adhesive material,
- performance chemicals, and
- plastics.

(2) Main products in each reportable segment

Reportable segment	Main products
Commodity chemicals	Electrolysis products (caustic soda, caustic potash, sodium hypochlorite), sulfuric acid, industrial gases and acrylic monomers (acrylic acid and acrylic esters)
Polymer & oligomer	Acrylic polymers, polymer flocculants, and acrylic oligomers (including UV-curable resins)
Adhesive material	Instant glues and functional adhesives
Performance chemicals	High-purity inorganic chemicals and inorganic functional materials
Plastics	Environment & infrastructure system (piping equipment, etc.), products for construction and civil engineering, nursing care products, etc., and ecological materials (elastomer compounds), etc.

(3) Changes in reportable segment

(Change in the classification of the “Other businesses” segment)

In the fiscal year under review, following a revision of management reporting unit classifications, expenses related to the research and development business for new products that were previously included in the “Other businesses” segment are recorded as corporate expenses and included in the adjustment of segment profit (loss).

Segment information for the previous fiscal year has been prepared based on the revised classification.

2. Determining segment sales, segment profit/loss, assets/liabilities, and other segment items

The accounting method we use for reportable segments is the same as that which is described in “Basis for Preparation of Consolidated Financial Statements.”

Segment profit is stated as operating income.

Intersegment sales or transfers are generally stated at market value.

3. Further information about segment sales, segment profit/loss, assets/liabilities, and other segment items

Year ended December 31, 2024	Reportable segment						Other businesses (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Commodity chemicals	Polymer & oligomer	Adhesive material	Performance chemicals	Plastics	Total				
Net sales										
External sales	79,145	35,187	13,344	10,196	27,702	165,575	2,018	167,594	—	167,594
Intersegment sales or transfers	3,117	1,591	51	339	891	5,991	1,617	7,608	(7,608)	—
Total	82,262	36,778	13,396	10,535	28,594	171,567	3,635	175,203	(7,608)	167,594
Segment profit (loss)	8,501	3,779	409	1,275	1,761	15,727	366	16,094	(1,860)	14,233
Segment assets	83,045	42,946	17,635	18,228	45,499	207,355	9,004	216,360	61,660	278,020
Other items										
Depreciation and amortization	3,643	1,822	921	1,385	1,723	9,495	412	9,908	1,394	11,302
Investments accounted for by equity method	752	—	37	—	—	790	—	790	—	790
Increase in property, plant and equipment, or in intangible assets	4,692	7,770	1,272	3,105	623	17,464	5,797	23,262	3,669	26,931

(Notes)

- “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes operations related to trading-house operations and goods transportation.
- “Adjustment” includes the following four adjustments:
  - Segment profit (loss): We included ¥(22) million in intersegment transaction eliminations and ¥(1,838) million in corporate expenses that belong to no reportable segment. The corporate expenses primarily include the corporate research and development expenses that are not managed as attributable to any specific reportable segment.
  - Segment assets: We included ¥91,573 million in corporate assets that belong to no reportable segment, and intersegment transaction eliminations.
  - Depreciation and amortization: We included depreciation of corporate expenses that belong to no reportable segment.
  - Increase in property, plant and equipment, or in intangible assets: We included the amount of general capital investment not specific to any reportable segment.
- Segment profit (loss) represents operating income as stated on the consolidated statements of income with the adjustment.
- “Depreciation and amortization” includes amortization of long-term prepaid expenses.

(Millions of yen)

Year ended December 31, 2025	Reportable segment						Other businesses (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Commodity chemicals	Polymer & oligomer	Adhesive material	Performance chemicals	Plastics	Total				
Net sales										
External sales	71,772	36,169	13,607	10,225	28,177	159,952	2,360	162,312	—	162,312
Intersegment sales or transfers	3,183	1,576	45	482	849	6,137	1,656	7,794	(7,794)	—
Total	74,955	37,745	13,653	10,708	29,027	166,090	4,017	170,107	(7,794)	162,312
Segment profit (loss)	8,752	3,018	323	1,177	2,754	16,026	398	16,424	(2,243)	14,180
Segment assets	82,000	51,426	22,308	22,146	45,330	223,213	12,317	235,530	53,574	289,105
Other items										
Depreciation and amortization	3,484	1,994	1,025	1,533	1,470	9,509	571	10,080	1,572	11,652
Investments accounted for by equity method	670	—	—	—	—	670	—	670	—	670
Increase in property, plant and equipment, or in intangible assets	6,708	8,233	4,168	5,066	1,029	25,206	4,086	29,292	2,115	31,407

(Notes)

1. “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes operations related to trading-house operations and goods transportation.
2. “Adjustment” includes the following four adjustments:
  - (1) Segment profit (loss): We included ¥9 million in intersegment transaction eliminations and ¥(2,252) million in corporate expenses that belong to no reportable segment. The corporate expenses primarily include the corporate research and development expenses that are not managed as attributable to any specific reportable segment.
  - (2) Segment assets: We included ¥84,561 million in corporate assets that belong to no reportable segment, and intersegment transaction eliminations.
  - (3) Depreciation and amortization: We included depreciation of corporate expenses that belong to no reportable segment.
  - (4) Increase in property, plant and equipment, or in intangible assets: We included the amount of general capital investment not specific to any reportable segment.
3. Segment profit (loss) represents operating income as stated on the consolidated statements of income with the adjustment.
4. “Depreciation and amortization” includes amortization of long-term prepaid expenses.

[Related information]

Year ended December 31, 2024

1. Regional breakdown

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other regions	Total
138,638	19,508	5,057	4,389	167,594

(Note) The region of a sale is generally defined as the country or region of the client we sold to.

(2) Property, plant and equipment

We have omitted this information, as property, plant and equipment located in Japan account for more than 90% of total property, plant and equipment reported on the consolidated balance sheets.

2. Information about key clients

We have omitted this information, as no client accounts for more than 10% of net sales reported on the consolidated statements of income.

Year ended December 31, 2025

1. Regional breakdown

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other regions	Total
132,877	19,991	5,472	3,971	162,312

(Note) The region of a sale is generally defined as the country or region of the client we sold to.

(2) Property, plant and equipment

We have omitted this information, as property, plant and equipment located in Japan account for more than 90% of total property, plant and equipment reported on the consolidated balance sheets.

2. Information about key clients

We have omitted this information, as no client accounts for more than 10% of net sales reported on the consolidated statements of income.

[Impairment losses of non-current assets by reportable segment]

Year ended December 31, 2024 (Millions of yen)

Commodity chemicals	Polymer & oligomer	Adhesive material	Performance chemicals	Plastics	Other businesses	Corporate / elimination	Total
1,412	—	—	—	—	—	74	1,487

(Note) The impairment losses for corporate / elimination of ¥74 million relates to the building of dormitory.

Year ended December 31, 2025 (Millions of yen)

Commodity chemicals	Polymer & oligomer	Adhesive material	Performance chemicals	Plastics	Other businesses	Corporate / elimination	Total
398	—	—	—	—	—	—	398

[Information on amortization of goodwill and undepreciated balances by reportable segment]

This information has been omitted due to lack of materiality.

[Information on gain on bargain purchase by reportable segment]

Not applicable.

[Related party information]

Not applicable.

(Per-share Information)

Years ended	(Yen)	
December 31,	2024	2025
Net assets per share	1,897.60	2,002.20
Basic earnings per share	104.56	117.02

(Notes)

1. Diluted earnings per share is not presented as the Company had no potential shares.
2. Basis for calculation of basic earnings per share is as follows:

Years ended December 31,	2024	2025
Basic earnings per share		
Net income attributable to owners of parent (Millions of yen)	11,877	12,766
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to common shareholders of parent (Millions of yen)	11,877	12,766
Average number of common shares outstanding during the period (Thousands of shares)	113,587	109,096

(Note) The Company's shares held by the employee share granting trust, which are recorded as treasury stock in shareholders' equity, are included in the treasury stock deducted in the calculation of the average number of shares during the period in the calculation of basic earnings per share. The average number of shares of treasury stock deducted for the purpose of calculating basic earnings per share was 381 thousand shares for the fiscal year ended December 31, 2024 and 370 thousand shares for the fiscal year ended December 31, 2025.

3. We calculated net assets per share using the following data:

December 31,	2024	2025
Total net assets (Millions of yen)	213,668	215,944
Amount deducted from total net assets (Millions of yen)	1,082	1,136
of which pertains to non-controlling interests	[1,082]	[1,136]
Closing balance of net assets pertaining to outstanding shares of common stock (Millions of yen)	212,586	214,807
Shares of common stock used in calculation of net assets per share (Thousands of shares)	112,029	107,285

(Note) The Company's shares held by the employee share granting trust, which are recorded as treasury stock in shareholders' equity, are included in the treasury stock deducted in the calculation of the number of shares issued at the end of the fiscal year in the calculation of the net asset value per share. The number of treasury shares at the end of the fiscal year after deduction for the calculation of net asset value per share was 376 thousand shares for the fiscal year ended December 31, 2024 and 366 thousand shares for the fiscal year ended December 31, 2025.

(Significant subsequent events)

Purchase of own shares

On February 12, 2026, the Board of Directors resolved to buy back shares pursuant to Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the Act.

1. Reason for buyback

The purpose of the buyback is to further improve shareholder returns, capital efficiency, and shareholder value, and to facilitate a dynamic capital strategy.

2. Terms of buyback

(1) Class of shares to be purchased:	Common stock
(2) Number of shares to be purchased:	No more than 2,000,000 (1.86% of all outstanding shares)
(3) Purchase price:	No more than ¥3,000 million
(4) Purchase period:	February 13, 2026 – December 31, 2026
(5) Purchase method:	Open market purchases on the Tokyo Stock Exchange (discretionary investment contract and purchases during after-hours trading)

v) [Supplementary Financial Schedules]

[Schedule of bonds and debentures]

Company name	Issue	Date of issue	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Toagosei Co., Ltd.	15th series of unsecured straight bonds	July 17, 2025	—	10,000	1.384	Unsecured bonds	July 17, 2030
Total	—	—	—	10,000	—	—	—

(Note) The amounts of planned redemptions within five years of the fiscal year-end are shown below.

(Millions of yen)				
Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
—	—	—	—	10,000

[Schedule of borrowings, etc.]

Classification	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Due date of repayment
Long-term borrowings scheduled to be repaid within one year	3,884	4,540	0.479	—
Lease obligations scheduled to be repaid within one year	197	203	—	—
Long-term borrowings (excluding borrowings scheduled to be repaid within one year)	4,834	3,770	1.338	From 2027 to 2032
Lease obligations (excluding obligations scheduled to be repaid within one year)	1,062	974	—	From 2027 to 2032
Other interest-bearing debt	—	—	—	—
Total	12,303	11,813	—	—

	(Millions of yen)			
	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	70	—	—	—
Lease obligations	182	174	170	166

[Schedule of asset retirement obligations]

Not applicable.

(2) [Other]

Half-yearly data for the fiscal year under review

Cumulative periods	First half (From January 1 to June 30, 2025)	Fiscal year under review (From January 1 to December 31, 2025)
Net sales (Millions of yen)	80,344	162,312
Income before income taxes (Millions of yen)	7,876	17,345
Net income attributable to owners of parent (Millions of yen)	5,715	12,766
Basic earnings per share (Yen)	51.76	117.02

(Notes)

- “Average interest rate” presents the weighted average interest rate against the term-end balance of borrowings.
- “Average interest rate” for lease obligations is not required to be disclosed because lease obligations are stated in the consolidated balance sheets in the amount before deducting the amount equivalent to related interest expenses, which are included in the total lease payments.
- The projected repayment amounts of long-term borrowings and lease obligations (excluding borrowings and obligations scheduled to be repaid within one year) within five years after the consolidated balance sheet date are as follows.