

Table of Contents

1. Financial Performance	2
(1) Financial Performance During Fiscal 2023	2
(2) Financial Position During Fiscal 2023.....	3
(3) Cash Flows During Fiscal 2023.....	3
(4) Outlook for Fiscal 2023	4
(5) Shareholder Returns: Basic Policy, Dividends for Fiscal Years 2023 and 2024	5
2. Information About the Corporate Group.....	6
3. Criteria for Choosing Accounting Policy	8
4. Consolidated Financial Statements, Notes	9
(1) Consolidated Balance Sheet	9
(2) Consolidated Statements of Income and Comprehensive Income	11
Consolidated Statement of Income	11
Consolidated Statement of Comprehensive Income	12
(3) Consolidated Statement of Changes in Equity.....	13
(4) Consolidated Statement of Cash Flows	15
(5) Notes.....	17
(Notes on Going Concern Assumption).....	17
(Changes in Accounting Policies).....	17
(Changes in Presentation Method).....	17
(Additional Information)	17
(Segment Information, etc.).....	18
(Per-Share Information).....	22
(Subsequent Events)	23
5. Other Disclosures	24
Personnel Changes in Senior Management	24

* On Tuesday, February 20, 2024, we will hold a presentation for analysts and institutional investors. The materials presented at the meeting will be uploaded onto our website soon after the meeting is held.

1. Financial Performance

(1) Financial Performance During Fiscal 2023

(a) Overview of the Period Under Review

During the period under review (January 1, 2023 to December 31, 2023), there was growing geopolitical risk amid no end in sight to the Ukraine war and the emergence of conflict in the Middle East. Amid this, Europe and North America embarked on monetary tightening measures to rein in inflation, and while Europe's economy remained sluggish throughout the year, the US economy was strong underpinned by personal consumption. At the same time, China's economy began to experience deflation resulting from the serious downturn in its real estate market, raising concerns about its weakening ability to grow.

In terms of the Japanese economy, while demand for commodity chemicals and semiconductors was sluggish, the economy has normalized after the easing of COVID-19 restrictions, a significant recovery in inbound tourism demand in the nonmanufacturing sector, such as restaurants and travel, the depreciation of the yen, and a recovery in production of automobiles, not to mention the accelerated pace of companies passing on price increases to product prices and wage increases.

Under these conditions, the Group focused on expanding sales including overseas by continuing to strengthen its supply system for performance products for semiconductors and carry out R&D of products for batteries for automotive applications. As a result, the Group recorded the following financial results for the period under review.

Net sales:	¥159,371 million (-0.9% YOY)
Operating income:	¥12,499 million (-13.1% YOY)
Ordinary income:	¥14,503 million (-11.8% YOY)
Net income attributable to owners of parent:	¥12,179 million (-2.5% YOY)

(b) Performance by Segment

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

I. Commodity chemicals

Electrolysis products experienced a downturn in sales volume caused by revisions to selling prices to cope with higher raw material and fuel prices from last year, but sales revenue increased with higher selling prices. Acrylic monomer products saw a downturn in sales revenue resulting from weaker market conditions overseas and diminished sales volume. Industrial gases posted higher sales revenue following price hikes initiated in response to rising raw material and fuel prices. As a result of the above, this segment posted net sales of ¥73,488 million (-0.6% YOY).

Operating income totaled ¥6,769 million (-0.6% YOY) due to diminished sales volume and weaker market conditions for acrylic monomers.

II. Polymer & oligomer

Acrylic polymers recorded higher sales revenue resulting from revisions to selling prices to cope with higher raw material and fuel prices. Acrylic oligomers recorded lower sales revenue amid diminished sales volume for displays and other products. Polymer flocculants posted a decrease in sales revenue due to lower sales volume overseas. As a result of these factors, this segment posted net sales of ¥33,765 million (-5.7% YOY).

Operating income fell to ¥3,182 million (-25.3% YOY), impacted by lower sales volume.

III. Adhesive material

Instant glues for consumers posted higher sales revenue on revisions to selling prices to cope with higher raw material prices, despite reduced sales volume. Functional adhesives were affected by the downturn in production

volume of smartphones, but sales volume for batteries for automotive applications increased substantially, resulting in an increase in sales revenue. As a result, this segment posted net sales of ¥12,410 million (+11.5% YOY).

Operating income totaled ¥361 million, compared to the previous fiscal year's operating loss of ¥255 million, owing to higher sales volume of adhesives for batteries for automotive applications and declining advertising expenses and other costs.

IV. Performance chemicals

High-purity inorganic chemicals posted a decline in sales revenue owing to the impacts of the downturn in semiconductor market conditions. Inorganic functional materials posted lower sales revenue amid diminished sales volume of antimicrobial agents. Medical care products saw sales revenue increase on sales of samples for testing. As a result, this segment posted net sales of ¥9,943 million (-5.0% YOY).

Operating income fell to ¥1,547 million (-34.5% YOY) amid diminished sales volume as well as higher depreciation and technological research costs.

V. Plastics

Piping equipment posted decreased sales revenue following a decline in sales volume caused by sluggish growth in housing starts. Nursing care products recorded an increase in sales revenue owing to price hikes in response to surging raw material prices. Elastomer compounds posted higher sales revenue owing to price hikes in response to surging raw material prices. As a result, this segment posted net sales of ¥27,867 million (+0.4% YOY).

Operating income totaled ¥1,473 million (-16.2% YOY) as a result of a decrease in sales volume and an increase in depreciation charges.

VI. Other businesses

This segment, which consists of the research and development business for new products, goods transportation, and trading-house operations, among others, recorded increased sales revenue from its trading department. The segment posted net sales of ¥1,896 million (+9.4% YOY) and an operating loss of ¥854 million.

(2) Financial Position During Fiscal 2023

Total assets: Total assets amounted to ¥272,285 million, up ¥7,150 million (2.7%) from the previous year-end. The main contributor to this increase was an increase in construction in progress as well as an increase in investment securities resulting from the higher market value of shareholdings.

Total liabilities: Total liabilities amounted to ¥59,767 million, up ¥5,439 million (10.0%) from the previous year-end. The main contributor to this increase was an increase in "other current liabilities" in "current liabilities" due to higher accounts payable other.

Total net assets: Total net assets amounted to ¥212,518 million, up ¥1,711 million (0.8%) from the previous fiscal year-end. The main contributors to this were increases in "unrealized holding gain on available-for-sale securities" and retained earnings, compared to a decrease in non-controlling interests resulting from the increase in the investment ratio of MT AquaPolymer, Inc., a consolidated subsidiary.

Net worth ratio: Net worth ratio amounted to 77.7%.

(3) Cash Flows During Fiscal 2023

Cash flows from operating activities: Operating activities generated ¥21,638 million of income, increasing ¥10,649 million compared to the previous fiscal year, resulting from reduced expenditures for "inventories" and "income taxes paid," offsetting the decrease in "income before income taxes."

Cash flows from investing activities: Investing activities used ¥3,528 million, ¥51 million less than they did in the previous fiscal year. This was attributable to a decrease in expenditures for “purchase of property, plant and equipment”

Cash flows from financing activities: Financing activities used ¥15,544 million, ¥6,080 million more than they did in the previous fiscal year. This result reflected an increase in expenditures for “dividends paid to non-controlling interests” and acquisition of shares of subsidiaries.

As a result, the balance of cash and cash equivalents at the end of the current consolidated fiscal year was ¥47,636 million, an increase of ¥2,796 million from the end of the previous consolidated fiscal year.

(Reference) Three-year comparison of cash flow

	Fiscal 2021	Fiscal 2022	Fiscal 2023
Net worth ratio (%)	77.9	77.7	77.7
Net worth ratio at fair value (%)	55.8	50.8	58.7
Interest-bearing debt to cash flow ratio (years to repay debt)	0.5	1.0	0.5
Interest coverage ratio (times company can pay interest expenses)	218.8	112.4	171.7

Notes:

- The above table uses the following formulae, with each indicator stated on a consolidated basis.
 Net worth ratio = Total shareholder equity / Total assets
 Net worth ratio at fair value = Fair value of all outstanding shares / Total assets
 Interest-bearing debt to cash flow ratio = Interest-bearing debt / Operating cash flow
 Interest coverage ratio = Operating cash flow / Interest expense
- Fair value of all outstanding shares = Year-end share price × Total outstanding shares as of year-end
- “Interest-bearing debt” covers all interest-bearing debt reported on the consolidated balance sheet except for lease obligations.
- For “operating cash flow” and “interest expense” (in the formula in Note 1), we used the respective figures for “cash flows from operating activities” and “interest paid” in the statement of cash flows.

(4) Outlook for Fiscal 2024

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

As for the future outlook, a highly uncertain situation is forecast to persist because of rising doubt with regard to geopolitical risk, inflation and interest rate trends.

Under this operating environment, Toagosei Group continued to strengthen its supply system for performance products for semiconductors and R&D of products for automotive batteries. Additionally, it finalized plans to establish a new research center called Kawasaki Frontience R&D Center in order to promote R&D and early commercialization in the growth fields of medical care, next-generation batteries, semiconductor and electronic materials moving forward.

Consolidated forecasts for fiscal 2024 (full-year: January 1 to December 31, 2024)

(Millions of yen)

	Fiscal 2023	Fiscal 2024	Change	% change
Net sales	159,371	168,300	8,929	5.6%
Operating income	12,499	14,000	1,501	12.0%
Ordinary profit	14,503	15,200	697	4.8%
Net income attributable to owners of parent	12,179	11,300	(879)	(7.2%)

(5) Shareholder Returns: Basic Policy, Dividends for Fiscal Years 2023 and 2024

As announced in the “Announcement of Toagosei’s Initiatives to Improve Our Price-to-Book Ratio (PBR)” dated August 4, 2023, the Company has set a target of a 100% total return ratio for the period of Medium-term Management Plan 2025, including share buybacks and dividends, in order to improve capital efficiency for realizing management that is mindful of capital costs and share price.

Dividend for fiscal 2023: The year-end dividend for fiscal 2023 will be ¥33 per share. In fiscal 2023, we paid an ordinary dividend of ¥20 per share as an interim dividend; thus, the annual dividend per share will be ¥53 (dividend payout ratio of 51.6%). In addition, we acquired ¥5,999 million (4,708,800 shares) of treasury stock during fiscal 2023, resulting in a total return ratio of 100.5%, including share buybacks. In December 2023, the Company cancelled 5,000,000 treasury shares (4.1% of the total number of issued shares before cancellation).

Dividend for fiscal 2024: From the perspective of further returning profits to shareholders, the Company plans to pay an annual dividend of ¥58 per share in fiscal 2024 (dividend payout ratio of 58.3%, comprising an interim dividend of ¥29 per share and year-end dividend of ¥29 per share). Furthermore, in order to improve capital efficiency and enhance corporate value, the Company has decided to buy back ¥6.0 billion of its own shares. As a result, the total return ratio is expected to be 111.3%.

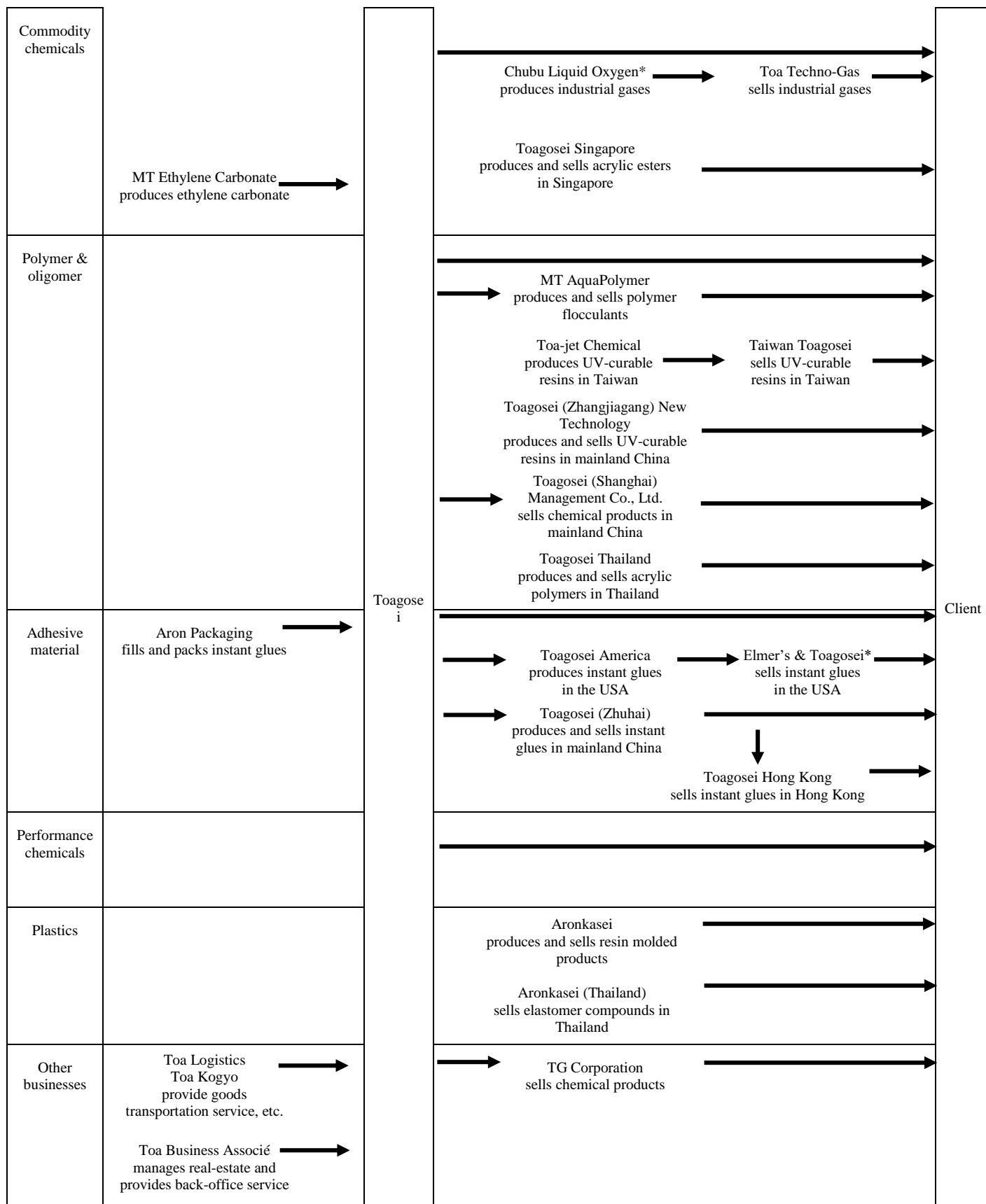
2. Information About the Corporate Group

Our corporate group encompasses 22 subsidiaries and 12 associates. The following table shows the relationship between the main group companies and our reportable business segments.

Furthermore, Toagosei (Shanghai) Management Co., Ltd. was newly established; therefore, it was included in the scope of consolidation from the fiscal year under review.

Segment	Main businesses	Main group companies
Commodity chemicals	Production and sale of electrolysis products (caustic soda, caustic potash, sodium hypochlorite) and acrylic monomers (sulfuric acid, industrial gases, acrylic acid, acrylic esters)	Toa Techno-Gas Co., Ltd. Toagosei Singapore Pte Ltd. MT Ethylene Carbonate Co., Ltd. Chubu Liquid Oxygen Co., Ltd. Six affiliates
Polymer & oligomer	Production and sale of acrylic polymers, polymer flocculants, and acrylic oligomers (including UV-curable resins)	MT AquaPolymer, Inc. Toa-jet Chemical Co., Ltd. Taiwan Toagosei Co., Ltd. Toagosei (Zhangjiagang) New Technology Co., Ltd. Toagosei (Shanghai) Management Co., Ltd. Toagosei (Thailand) Co., Ltd.
Adhesive material	Production and sale of instant glues and functional adhesives	Aron Packaging Co., Ltd. Toagosei America Inc. Elmer's & Toagosei Co. Toagosei (Zhuhai) Limited Toagosei Hong Kong Limited
Performance chemicals	Production and sale of high-purity inorganic chemicals and inorganic functional materials	One subsidiary One affiliate
Plastics	Production and sale of piping equipment, products for construction and civil engineering, nursing care products, and elastomer compounds	Aronkasei Co., Ltd. Aronkasei (Thailand) Co., Ltd. Two subsidiaries
Other businesses	Research and development business for new products, goods transportation, and trading-house operations, among others	Toa Logistics Co., Ltd. Toa Kogyo Co., Ltd. TG Corporation Toa Business Associ�e Co., Ltd. Three affiliates

The following table illustrates the roles group companies play in the supply chains.



In the above table, an asterisk indicates that the company is an equity-method affiliate. All other companies are consolidated subsidiaries.

3. Criteria for Choosing Accounting Policy

When preparing consolidated financial statements, we follow Japan's Generally Accepted Accounting Principles (J-GAAP) on the basis that they aid inter-period and inter-company comparability. However, we do recognize the increasing use of International Financial Reporting Standards (IFRS), including in Japan, and we are mulling the possibility of adopting IFRS ourselves.

4. Consolidated Financial Statements, Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal 2022 (as of December 31, 2022)	Fiscal 2023 (as of December 31, 2023)
Assets		
Current assets		
Cash and deposits	40,366	39,108
Notes and accounts receivable	49,848	51,102
Securities	18,000	17,000
Inventories	25,511	24,792
Other current assets	5,309	2,904
Allowance for doubtful receivables	(50)	(47)
Total current assets	138,985	134,860
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	27,467	26,998
Machinery, equipment and other, net	24,399	25,451
Tools, furniture, and fixtures, net	2,908	3,242
Land	29,146	29,249
Leased assets, net	1,186	1,108
Construction in progress	5,666	10,482
Total property, plant and equipment	90,774	96,532
Intangible fixed assets	1,592	1,579
Investments and other assets		
Investment securities	28,472	32,912
Net defined benefit asset	2,704	3,736
Deferred tax assets	90	61
Other assets	2,522	2,609
Allowance for doubtful receivables	(6)	(6)
Total investments and other assets	33,782	39,313
Total fixed assets	126,150	137,425
Total assets	265,135	272,285

(Millions of yen)

	Fiscal 2022 (as of December 31, 2022)	Fiscal 2023 (as of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable	19,653	19,091
Short-term bank loans	2,475	2,499
Lease obligations	173	174
Accrued income taxes	2,176	2,281
Accrued bonuses for employees	16	14
Provision for product recalls	-	308
Other current liabilities	13,296	17,110
Total current liabilities	37,792	41,480
Long-term liabilities		
Long-term debt	8,590	8,595
Lease obligations	1,137	1,077
Deferred tax liabilities	2,875	4,721
Net defined benefit liability	117	119
Provision for share awards	-	145
Other long-term liabilities	3,815	3,627
Total long-term liabilities	16,535	18,287
Total liabilities	54,328	59,767
Net assets		
Shareholders' equity		
Common stock	20,886	20,886
Capital surplus	15,095	14,166
Retained earnings	158,154	159,562
Treasury stock	(1,081)	(786)
Total shareholders' equity	193,053	193,828
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	9,598	13,319
Translation adjustment	3,471	3,992
Remeasurements of defined benefit plans	(154)	369
Total accumulated other comprehensive income	12,915	17,681
Non-controlling interests	4,837	1,008
Total net assets	210,807	212,518
Total liabilities and net assets	265,135	272,285

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Fiscal 2022 (January 1–December 31, 2022)	Fiscal 2023 (January 1–December 31, 2023)
Net sales	160,825	159,371
Cost of sales	117,891	118,004
Gross profit	42,933	41,367
Selling, general, and administrative expenses		
Selling expenses	15,911	15,641
General and administrative expenses	12,639	13,225
Total selling, general, and administrative expenses	28,551	28,867
Operating income	14,382	12,499
Non-operating income		
Interest income	68	259
Dividend income	1,020	1,061
Equity in earnings of affiliates	128	185
Foreign currency exchange gains	753	343
Rent income on non-current assets	182	174
Gain on sale of goods	256	107
Other	77	275
Total non-operating income	2,486	2,406
Non-operating expenses		
Interest expenses	100	131
Environment readiness fee	208	120
Loss on investments in partnerships	10	53
Inactive facilities expenses	25	13
Other	79	84
Total non-operating expenses	423	402
Ordinary profit	16,446	14,503
Extraordinary income		
Gain on sales of investment securities	2,554	4,079
Subsidy income	283	84
Total extraordinary gains	2,837	4,163
Extraordinary losses		
Loss on disposal of non-current assets	559	1,255
Provision for product recalls	–	311
Loss on valuation of investment securities	91	3
Loss on sales of investment securities	–	2
Impairment losses	959	–
Expenses of soil pollution measures	358	–
Total extraordinary losses	1,968	1,572
Income before income taxes	17,314	17,094
Income taxes - current	4,679	4,851
Income taxes - deferred	(118)	10
Total income taxes	4,560	4,862
Net income	12,754	12,232
Net income attributable to non-controlling interests	260	52
Net income attributable to owners of parent	12,494	12,179

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal 2022 (January 1–December 31, 2022)	Fiscal 2023 (January 1–December 31, 2023)
Net income	12,754	12,232
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	(148)	3,724
Translation adjustments	1,304	544
Remeasurements of defined benefit plans, net of tax	(573)	523
Total other comprehensive income	581	4,792
Comprehensive income	13,336	17,024
Comprehensive income attributable to:		
Owners of parent	13,042	16,945
Non-controlling interests	293	79

(3) Consolidated Statement of Changes in Equity

Fiscal 2022 (January 1–December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	15,046	153,693	(230)	189,396
Cumulative effect of accounting policy change			(54)		(54)
Balance at beginning of the year reflecting change in accounting policy	20,886	15,046	153,638	(230)	189,341
Changes during the year:					
Cash dividends			(4,603)		(4,603)
Net income attributable to owners of parent			12,494		12,494
Purchase of treasury stock				(4,303)	(4,303)
Disposal of treasury stock		(2)		80	78
Cancellation of treasury stock		(3,371)		3,371	–
Transfer from retained earnings to capital surplus		3,373	(3,373)		–
Change in ownership interest of parent due to transactions with non-controlling interests		48			48
Net changes in items other than shareholders' equity					
Total changes during the year	–	48	4,516	(851)	3,712
Balance at end of the year	20,886	15,095	158,154	(1,081)	193,053

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,749	2,199	419	12,367	4,848	206,612
Cumulative effect of accounting policy change						(54)
Balance at beginning of the year reflecting change in accounting policy	9,749	2,199	419	12,367	4,848	206,557
Changes during period						
Cash dividends						(4,603)
Net income attributable to owners of parent						12,494
Purchase of treasury stock						(4,303)
Disposal of treasury stock						78
Cancellation of treasury stock						–
Transfer from retained earnings to capital surplus						–
Change in ownership interest of parent due to transactions with non-controlling interests						48
Net changes in items other than shareholders' equity	(151)	1,272	(573)	548	(10)	537
Total changes during the year	(151)	1,272	(573)	548	(10)	4,250
Balance at end of the year	9,598	3,471	(154)	12,915	4,837	210,807

Fiscal 2023 (January 1–December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	15,095	158,154	(1,081)	193,053
Cumulative effect of accounting policy change					–
Balance at beginning of the year reflecting change in accounting policy	20,886	15,095	158,154	(1,081)	193,053
Changes during the year					
Cash dividends			(4,559)		(4,559)
Net income attributable to owners of parent			12,179		12,179
Purchase of treasury stock				(6,005)	(6,005)
Disposal of treasury stock		30		57	88
Cancellation of treasury stock		(6,242)		6,242	–
Transfer from retained earnings to capital surplus		6,212	(6,212)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(928)			(928)
Net changes in items other than shareholders' equity					
Total changes during the year	–	(928)	1,407	295	775
Balance at end of the year	20,886	14,166	159,562	(786)	193,828

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,598	3,471	(154)	12,915	4,837	210,807
Cumulative effect of accounting policy change						–
Balance at beginning of the year reflecting change in accounting policy	9,598	3,471	(154)	12,915	4,837	210,807
Changes during period						
Cash dividends						(4,559)
Net income attributable to owners of parent						12,179
Purchase of treasury stock						(6,005)
Disposal of treasury stock						88
Cancellation of treasury stock						–
Transfer from retained earnings to capital surplus						–
Change in ownership interest of parent due to transactions with non-controlling interests						(928)
Net changes in items other than shareholders' equity	3,721	520	523	4,765	(3,829)	936
Total changes during the year	3,721	520	523	4,765	(3,829)	1,711
Balance at end of the year	13,319	3,992	369	17,681	1,008	212,518

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal 2022 (January 1–December 31, 2022)	Fiscal 2023 (January 1–December 31, 2023)
Operating activities		
Income before income taxes	17,314	17,094
Depreciation and amortization	10,457	10,656
Impairment losses	959	–
Increase or decrease in allowance for doubtful accounts (Minus means decrease.)	2	(4)
Increase or decrease in provision for product recalls(Minus means decrease.)	–	308
Increase or decrease in provision for share awards(Minus means decrease.)	–	145
Increase or decrease in other provisions (Minus means decrease.)	3	(1)
Increase or decrease in net defined benefit asset (Minus means increase.)	(365)	(278)
Increase or decrease in net defined benefit liability (Minus means decrease.)	(23)	1
Interest and dividend income	(1,088)	(1,321)
Interest expense	100	131
Foreign currency exchange gains or losses (Minus means gains.)	(660)	(399)
Gain or loss on sale of investment securities (Minus means gain.)	(2,554)	(4,076)
Gain or loss on valuation of investment securities (Minus means gain.)	91	3
Equity in earnings or losses of affiliates (Minus means earnings.)	(128)	(185)
Subsidy income	(283)	(84)
Gain or Loss on disposal of non-current assets (Minus means gain.)	559	1,255
Increase or decrease in receivables (Minus means increase.)	(1,124)	(1,139)
Increase or decrease in inventories (Minus means increase.)	(5,795)	870
Increase or decrease in payables (Minus means decrease.)	1,138	(618)
Other	(2,863)	2,632
Subtotal	15,741	24,990
Interest and dividends received	1,190	1,367
Interest paid	(97)	(126)
Subsidies income received	398	84
Income taxes paid	(6,243)	(4,677)
Net cash provided by operating activities	10,988	21,638
Investing activities		
Increase or decrease in time deposits (Minus means increase.)	16,056	5,301
Purchase of investment securities	(623)	(287)
Proceeds from sales of investment securities	3,049	5,226
Purchase of property, plant and equipment	(20,295)	(11,660)
Other	(1,766)	(2,107)
Net cash used in investing activities	(3,579)	(3,528)

(Millions of yen)

	Fiscal 2022 (January 1–December 31, 2022)	Fiscal 2023 (January 1–December 31, 2023)
Financing activities		
Net increase or decrease in short-term debt (Minus means decrease.)	12	(19)
Proceeds from long-term debt	–	168
Repayments of long-term debt	(143)	(140)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(158)	(2,849)
Proceeds from sale of treasury stock	0	5
Purchase of treasury stock	(4,306)	(6,002)
Increase or decrease in deposits for acquisition of treasury stock	–	0
Repayments of lease obligations	(171)	(165)
Dividends paid	(4,599)	(4,553)
Dividends paid to non-controlling interests	(97)	(1,987)
Net cash used in financing activities	(9,464)	(15,544)
Effect of exchange rate change on cash and cash equivalents	390	230
Net increase or decrease in cash and cash equivalents (Minus means decrease.)	(1,664)	2,796
Cash and cash equivalents at beginning of the period	46,504	44,839
Cash and cash equivalents at end of the period	44,839	47,636

(5) Notes

(Notes on Going Concern Assumption)

None

(Changes in Accounting Policies)

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

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

(Changes in Presentation Method)

“Loss on investments in partnerships,” which was included in “other” of “non-operating expenses” in the previous consolidated fiscal year, is stated as an independent item from fiscal 2023 because it increased in importance. In order to reflect this change in the presentation method, the consolidated financial statements for fiscal 2022 has been restated.

As a result, the ¥89 million presented in “other” of “non-operating expenses” in the consolidated statements of income for fiscal 2022 has been restated as “loss on investments in partnerships” of 10 million yen and “Other” of 79 million yen.

(Additional Information)

(Employee Stock Compensation Plan)

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

(1) Overview of Transaction

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

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

(2) The Company’s Remaining Shares in Trust

The Company’s remaining shares in the Trust will be recorded as treasury stock in the net assets section based on the book value in the Trust (excluding the amount of ancillary expenses). The book value and number of these treasury stock were ¥474 million and 386 thousand shares, respectively, at the end of the fiscal year under review.

(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) and acrylic monomers (sulfuric acid, industrial gases, acrylic acid, 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	Piping equipment, products for construction and civil engineering, nursing care products, and elastomer compounds

(3) Matters concerning changes in reportable segments

(Changes in reportable segment classification)

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

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

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 we use for preparing consolidated financial statements.

Segment profit is stated as operating income.

Intersegment sales and transfers are generally stated at market value.

3. Further Information about Segment Sales, Segment Profit/Loss, Assets/Liabilities, and Other Segment Items

Previous consolidated period (January 1 to December 31, 2022)

(Millions of yen)

	Reportable segment						Other businesses ¹	Total	Adjusted ²	Consolidated book value ³
	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Total				
Net sales										
External sales	73,929	35,807	11,134	10,466	27,754	159,092	1,732	160,825	–	160,825
Intersegment sales or transfers	4,537	1,515	103	255	364	6,776	1,516	8,292	(8,292)	–
Total	78,466	37,322	11,237	10,722	28,118	165,868	3,249	169,118	(8,292)	160,825
Segment profit (loss)	6,807	4,258	(255)	2,361	1,759	14,930	(550)	14,379	3	14,382
Segment assets	81,596	37,117	15,983	13,795	45,322	193,815	3,642	197,457	67,677	265,135
Other items										
Depreciation and amortization	3,332	1,988	758	1,153	1,738	8,971	417	9,388	1,068	10,457
Investments accounted for by equity method	713	–	–	–	–	713	–	713	–	713
Increase in property, plant, and equipment, or in intangible assets	17,028	835	841	1,734	748	21,188	277	21,466	1,378	22,844

Notes:

1. “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes research and development business for new products, goods transportation, and trading-house operations, among others.
2. “Adjusted” includes the following four adjustments:
 - (1) Segment profit or loss: We primarily eliminated intersegment transactions.
 - (2) Segment assets: We included ¥95,963 million in company assets that belong to no reportable segment, and eliminated the relevant intersegment transactions.
 - (3) Depreciation and amortization: We included depreciation of company assets 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 or loss represents operating income as stated on the consolidated statement of income with the adjustment.
4. “Depreciation and amortization” includes amortization of long-term prepaid expenses.

Consolidated period under review (January 1 to December 31, 2023)

(Millions of yen)

	Reportable segment						Other businesses ¹	Total	Adjusted ²	Consolidated book value ³
	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Total				
Net sales										
External sales	73,488	33,765	12,410	9,943	27,867	157,475	1,896	159,371	–	159,371
Intersegment sales or transfers	3,566	1,641	136	280	729	6,353	1,549	7,902	(7,902)	–
Total	77,054	35,406	12,546	10,224	28,596	163,829	3,445	167,274	(7,902)	159,371
Segment profit	6,769	3,182	361	1,547	1,473	13,334	(854)	12,480	19	12,499
Segment assets	82,393	36,563	18,529	16,490	44,850	198,827	3,365	202,193	70,091	272,285
Other items										
Depreciation and amortization	3,426	1,911	863	1,249	1,810	9,262	350	9,612	1,043	10,656
Investments accounted for by equity method	729	–	32	–	–	762	–	762	–	762
Increase in property, plant, and equipment, or in intangible assets	3,282	2,377	1,166	3,765	735	11,327	2,145	13,472	2,024	15,496

Notes:

1. “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes research and development business for new products, goods transportation, and trading-house operations, among others.
2. “Adjusted” includes the following four adjustments:
 - (1) Segment profit: We primarily eliminated intersegment transactions.
 - (2) Segment assets: We included ¥98,674 million in company assets that belong to no reportable segment, and eliminated the relevant intersegment transactions.
 - (3) Depreciation and amortization: We included depreciation of company assets 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 represents operating income as stated on the consolidated statement of income with the adjustment.
4. “Depreciation and amortization” includes amortization of long-term prepaid expenses.

Related Information

Previous consolidated period (January 1 to December 31, 2022)

1. Regional breakdown

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other regions	Total
129,783	22,552	5,126	3,362	160,825

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 sheet.

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.

Consolidated period under review (January 1 to December 31, 2023)

1. Regional breakdown

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other regions	Total
132,700	18,557	4,575	3,537	159,371

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 sheet.

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 of Fixed Assets by Reportable Segment

Previous consolidated period (January 1 to December 31, 2022)

(Millions of yen)

	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Other businesses	Company-wide / elimination	Total
Impairment losses	–	–	–	–	–	–	959	959

Note: The impairment losses for company-wide/elimination of ¥959 million relates to the land and buildings of company-owned housing and dormitory.

Consolidated period under review (January 1 to December 31, 2023)

None

Information on amortization of goodwill and undepreciated balances by reporting segment

This information has been omitted due to lack of materiality.

Information on gain on bargain purchase by reporting segment

None

(Per-Share Information)

	Previous consolidated period (January 1–December 31, 2022)	Consolidated period under review (January 1–December 31, 2023)
Net assets per share	¥1,700.75	¥1,816.10
Net income per share	¥101.31	¥102.78

Notes:

1. The above table does not show any adjustment for dilutive potential shares as we had no such shares.
2. We calculated earnings per share using the following data:

	Previous consolidated period (January 1–December 31, 2022)	Consolidated period under review (January 1–December 31, 2023)
Earnings per share		
Net income attributable to owners of parent (Millions of yen)	12,494	12,179
Net income not attributable to ordinary shareholders (Millions of yen)	–	–
Profit attributable to owners of parent available to common stock (Millions of yen)	12,494	12,179
Average number of shares of common stock during the period	123,329,000	118,498,000

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 for the calculation of net income per share and the calculation of the average number of shares during the period. The average number of shares of treasury stock deducted for the purpose of calculating net income per share was 268,000 shares for the period under review.

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

	Previous consolidated period (January 1–December 31, 2022)	Consolidated period under review (January 1–December 31, 2023)
Total net assets (Millions of yen)	210,807	212,518
Amount deducted from total net assets (Millions of yen)	4,837	1,008
of which pertains to non-controlling interests (Millions of yen)	[4,837]	[1,008]
Closing balance of net assets pertaining to outstanding shares of common stock (Millions of yen)	205,969	211,509
Shares of common stock used in calculation of net assets per share	121,105,000	116,463,000

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 386,000 shares for the period under review.

(Subsequent Events)

Purchase of treasury shares

On February 13, 2024, the Board of Directors resolved to buy back shares pursuant to Article 156 of the Companies Act as applied with the necessary modifications stipulated in Article 165-3 of the Act.

1. Reason for buyback

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

2. Terms of buyback

- (1) Class of shares to be acquired: Common stock
- (2) Number of shares to be acquired: No more than 5,000,000 (4.28% of all outstanding shares)
- (3) Acquisition price: No more than ¥6,000 million
- (4) Acquisition period: February 14 – December 31, 2024
- (5) Acquisition method: Open market purchases on the Tokyo Stock Exchange (discretionary investment contract and purchases during after-hours trading)

5. Other Disclosures

Personnel Changes in Senior Management

On Thursday, March 28, 2024, certain directors and executive officers will reach the end of their tenure, and their successors will be nominated. For more information, see the press release issued on Monday, November 20, 2023, titled “Notice concerning organizational changes and personnel changes in senior management.”