



Financial Results for 2Q FY2021



August 5, 2021

Scope of consolidation

Number of consolidated subsidiaries: 18 (1 less than in FY2020; Oita Chemical removed.)

Number of equity-method affiliates: 2 (no change)

		2020.2Q	2021.2Q	Change	
Net sales	(Millions of yen)	65,775	74,164	8,388	12.8%
Operating income	(Millions of yen)	5,665	9,021	3,355	59.2%
Operating income ratio		8.6%	12.2%	3.6%	—
Ordinary income	(Millions of yen)	6,200	9,840	3,639	58.7%
Net income attributable to owners of parent	(Millions of yen)	3,786	7,015	3,229	85.3%
Net income per share	(Yen)	28.82	54.76	25.94	90.0%
Interim dividend [annual dividend]	(Yen)	15.0 [30.0]	17.0 [34.0]	2.0 [4.0]	13.3%



<Business Environment>

- **World economy faces future uncertainty amid rising cases of COVID-19 variants**
- **Japan's economy appears to be in recovery as our mainstay customers in electronic components and automobile related industries are increasing production. However, some non-manufacturing industries continue to see weakness.**

<Financial Results for the 2nd Quarter of FY2021>

- 1. Sales volume increased on growing demand across a broad range of fields.
Market conditions are also strong, resulting in increased sales and profits across all segments.**
- 2. Operating income and ordinary income both near record highs.**
- 3. Shipments for electronic components and automobile related industries increased even among overseas consolidated companies. Toagosei (Thailand) posted operating income.**

Net sales (by consolidated segment)

(Millions of yen)

	2020 2Q	2021 2Q	Change in net sales		
			Volume	Unit price	Change
Commodity Chemicals	28,748	32,883	3,074	1,060	4,134
Polymer & Oligomer	13,684	16,486	2,726	75	2,801
Adhesive Material	4,849	5,502	652	0	652
Performance Chemicals	4,447	4,739	267	25	292
Plastics	12,179	12,692	588	(76)	512
Other/adjustments	1,865	1,859	(6)	0	(6)
Total	65,775	74,164	7,303	1,085	8,388

Operating income (by consolidated segment)

(Millions of yen)

	2020 2Q		2021 2Q		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	1,995	6.9%	3,759	11.4%	1,764
Polymer & Oligomer	1,693	12.4%	2,689	16.3%	996
Adhesive Material	291	6.0%	628	11.4%	337
Performance Chemicals	1,300	29.2%	1,331	28.1%	31
Plastics	359	2.9%	706	5.6%	347
Other/adjustments	26	—	(95)	—	(121)
Total	5,665	8.6%	9,021	12.2%	3,355



[Other income/expenses]

(Millions of yen)

	2020 2Q	2021 2Q	Change
Interest and dividend income	495	600	105
Equity in earnings of affiliates	158	117	(41)
Rent income on non-current assets	161	130	(30)
Foreign currency exchange gain	–	30	30
Miscellaneous income	112	141	28
Interest expense	(47)	(48)	(1)
Foreign currency exchange loss	(217)	–	217
Environment readiness fee	(50)	(47)	3
Cost of idle assets	(17)	(16)	1
Miscellaneous expenses	(59)	(89)	(30)
Total	535	819	284

• Equity in earnings of affiliates

(Millions of yen)

	2020 2Q	2021 2Q	Difference
Elmer's & Toagosei	117	104	(13)
Chubu Liquid Oxygen	137	43	(94)
Total	254	147	(106)

[Extraordinary income/loss]

(Millions of yen)

	2020 2Q	2021 2Q	Change
Subsidy income	–	26	26
Loss on disposal of non-current assets	(233)	(88)	144
Loss on valuation of investment securities	(361)	–	361
Total	(595)	(62)	532

• Exchange rate

	Jun. 30, 2020	Dec. 31, 2020	Jun. 30, 2021
Yen/USD	107.74	103.50	110.58
Yen/THB	3.49	3.44	3.44



(Millions of yen)

	Dec. 31, 2020	Jun. 30, 2021	Change
Cash and deposits	48,564	52,907	4,343
Notes and accounts receivable 1.	39,757	43,703	3,946
Securities	25,000	25,000	0
Inventories	17,094	18,247	1,153
Other current assets	960	1,227	267
Property, plant and equipment	78,301	79,100	798
Investment securities 2.	26,844	32,377	5,533
Other non-current assets	5,309	6,414	1,104
Total assets	241,832	258,979	17,146
Notes and accounts payable	12,130	16,068	3,938
Bank loans and debt	11,376	11,286	(89)
Accrued income taxes	1,618	2,664	1,046
Other liabilities	19,061	22,036	2,970
Total liabilities	44,190	52,056	7,866
Total net assets 3.	197,642	206,922	9,280
Total liabilities and net assets	241,832	258,979	17,146

[Balance Sheet]

- Notes and accounts receivable increased due to the increase in net sales
- The fair value of investment securities increased
- Total net assets increased owing to the increase in net income and valuation gain on investment securities

Cash Flows

(Millions of yen)

	2020.2Q	2021.2Q	Change
Cash flows from operating activities	12,482	13,591	1,108
Cash flows from investing activities	(7,218)	(13,283)	(6,065)
	[(9,037)]	[(7,392)]	[1,644]
Free cash flow	5,264	307	(4,956)
	[3,445]	[6,198]	[2,753]

Square brackets indicate deposits of over three months as cash and cash equivalents

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			2020/2Q	2021/2Q	2020/2Q	2021/2Q	2020/2Q	2021/2Q
1 Toa Techno-Gas	Commodity Chemicals	100	2,135	2,257	171	296	133	215
2 (Oita Chemical)	↓	-	5,364	-	(15)	-	(22)	-
3 Toagosei Singapore	↓	100	1,198	2,246	32	548	71	542
4 (MT Ethylene Carbonate)	↓	90	234	258	2	2	2	2
5 MT AquaPolymer	Polymer & Oligomer	51	4,949	5,536	308	277	215	201
6 Taiwan Toagosei	↓	100	623	744	47	61	37	55
7 Toa-Jet Chemical	↓	51	639	929	46	57	38	26
8 TOA-DIC Zhangjiagang Chemical	↓	90	654	1,054	76	91	34	72
9 Toagosei (Thailand)	↓	100	1,081	1,333	(10)	102	(72)	51
10 Toagosei America	Adhesive Material	100	729	762	(61)	1	23	64
11 (Aron Packaging)	↓	100	126	122	0	(1)	0	(1)
12 Toagosei Hong Kong	↓	100	144	144	17	14	16	13
13 Toagosei (Zhuhai)	↓	100	193	261	3	1	14	0
14 Aronkasei	Plastics	100	12,186	12,763	515	847	239	435
15 Aronkasei (Thailand)	↓	100	24	57	(159)	(155)	(161)	(160)
16 TOA Kogyo	Other	100	486	511	(3)	(20)	5	(17)
17 Toa Business Associe	↓	100	1,228	1,224	45	37	31	24
18 TG Corporation	↓	100	5,752	5,965	186	200	128	140
19 (Toa Logistics)	↓	100	273	271	29	13	35	9
Simple aggregation			38,018	36,437	1,229	2,371	766	1,671

Company names in parentheses indicate that almost all of their transactions are with the Company.



Future uncertainty persists amid the COVID-19 pandemic, US-China friction, and the semiconductor shortage, etc. However, production of mainstay customers is expected to remain steady and our performance should be strong.



Operating income target for Medium-Term Management Plan 2022 should be reached this fiscal year

- 1. Promote new product development and continue with proactive capital investment aimed at resilient core businesses**
- 2. Strengthen R&D capabilities**
- 3. Increase utilization rate at overseas consolidated companies**

(Millions of yen)

	FY2020 (A)	FY2021 1H	FY2021 2H (forecast)	FY2021 forecast (B)	Change (B-A)
Net sales	133,392	74,164	79,836	154,000	20,608
Operating income	12,336	9,021	8,979	18,000	5,664
Operating income ratio	9.2%	12.2%	11.2%	11.7%	2.4%
Other income/expenses	718	819	180	1,000	281
Ordinary income	13,054	9,840	9,160	19,000	5,946
Extraordinary income (loss)	(798)	(62)	(837)	(900)	(101)
Income before income taxes (a)	12,256	9,777	8,322	18,100	5,843
Income taxes (b)	(3,890)	(2,641)	(2,158)	(4,800)	(909)
Tax rate (b)/(a)	31.7%	27.0%	25.9%	26.5%	(5.2%)
Net income attributable to non-controlling interests	(223)	(120)	(179)	(300)	(76)
Net income attributable to owners of parent	8,142	7,015	5,985	13,000	4,858
Dividend (Yen)	30	17	17	34	4
<Reference>					
Average exchange rate (Yen/USD)	¥107.23	¥106.69	¥110.00		
Naphtha price (Yen/kl)	¥32,825	¥43,100	¥47,000		

Note Change of 1,000 yen in naphtha price per kl will have an impact of ±300 million yen on the Company's performance.
Depreciation of yen by 1 yen/USD will have an impact of -70 million yen on the Company's performance.



Net sales

(Millions of yen)

	FY2020 results	FY2021 forecast	Change	Factors for change
Commodity Chemicals	58,495	68,100	9,605	[Increase] Acrylic monomer, caustic potash
Polymer & Oligomer	26,944	33,800	6,856	[Increase] Acrylic polymer, acrylic oligomer
Adhesive Material	10,054	11,700	1,646	[Increase] Functional adhesives
Performance Chemicals	8,980	10,000	1,020	[Increase] High-purity inorganic chemicals, inorganic functional materials
Plastics	25,285	26,600	1,315	[Increase] Nursing care products and elastomer compounds
Other	3,633	3,800	167	
Total	133,392	154,000	20,608	

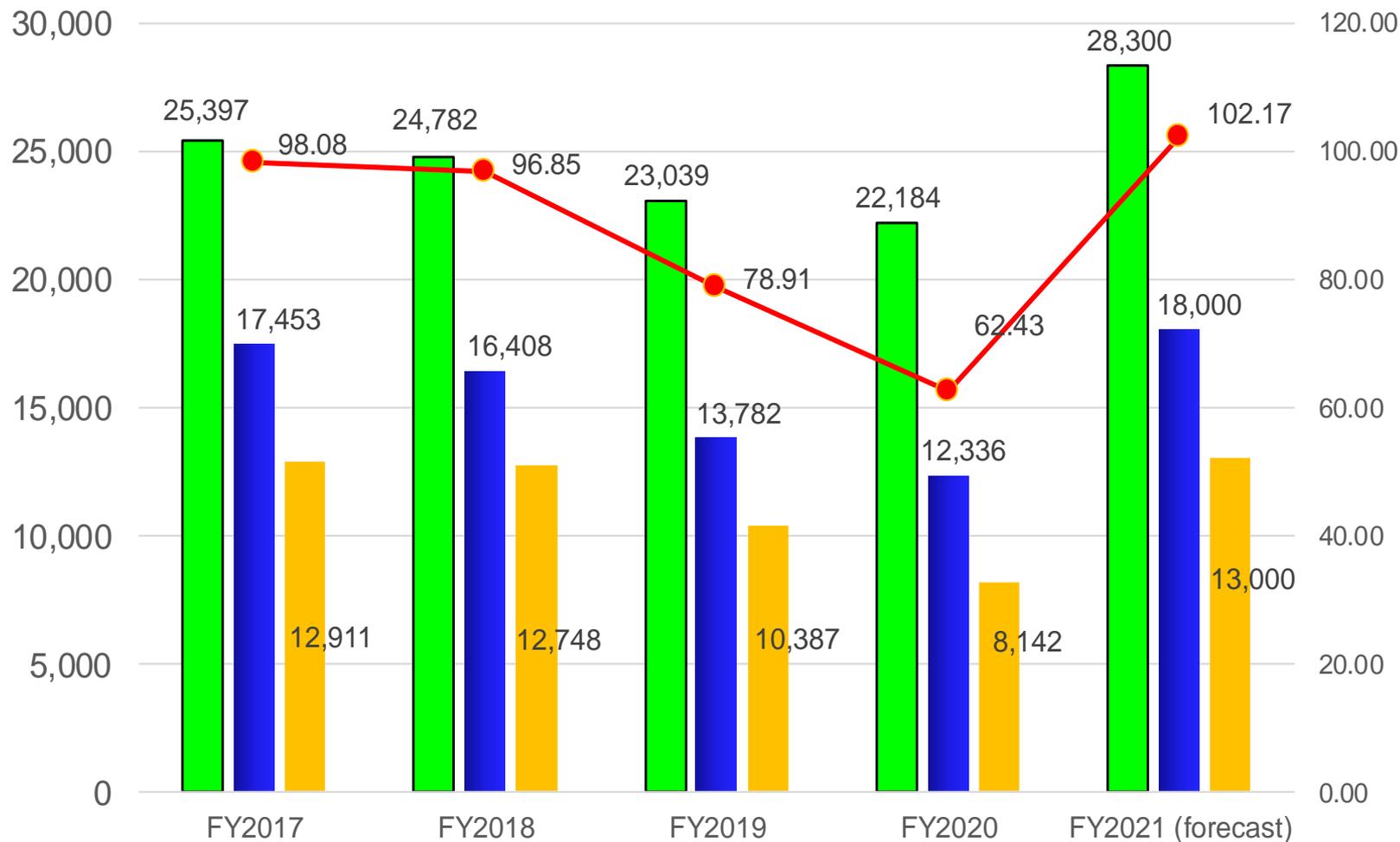
Operating income

Figures in parentheses are operating income ratio. (Millions of yen)

	FY2020 results		FY2021 forecast		Change	Factors for change
Commodity Chemicals	4,550	(7.8%)	7,400	(10.9%)	2,850	[Increase] Acrylic monomer
Polymer & Oligomer	3,141	(11.7%)	5,100	(15.1%)	1,959	[Increase] Acrylic polymer and acrylic oligomer
Adhesive Material	781	(7.8%)	1,200	(10.3%)	419	[Increase] Functional adhesives
Performance Chemicals	2,690	(30.0%)	2,800	(28.0%)	110	[Increase] Inorganic functional materials
Plastics	1,188	(4.7%)	1,600	(6.0%)	412	[Increase] Elastomer compounds
Other	(16)	–	(100)	–	(84)	
Total	12,336	(9.2%)	18,000	(11.7%)	5,664	



(Millions of yen)

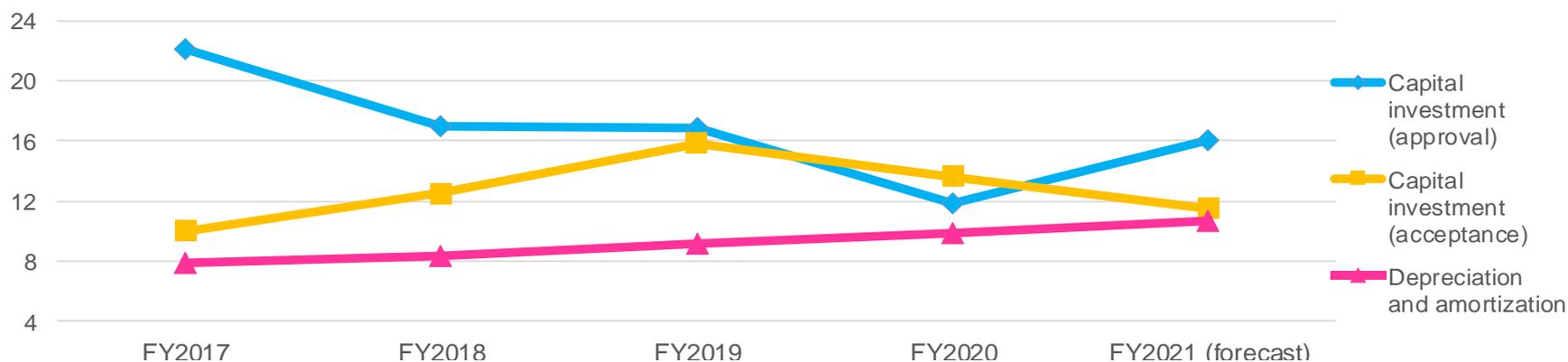


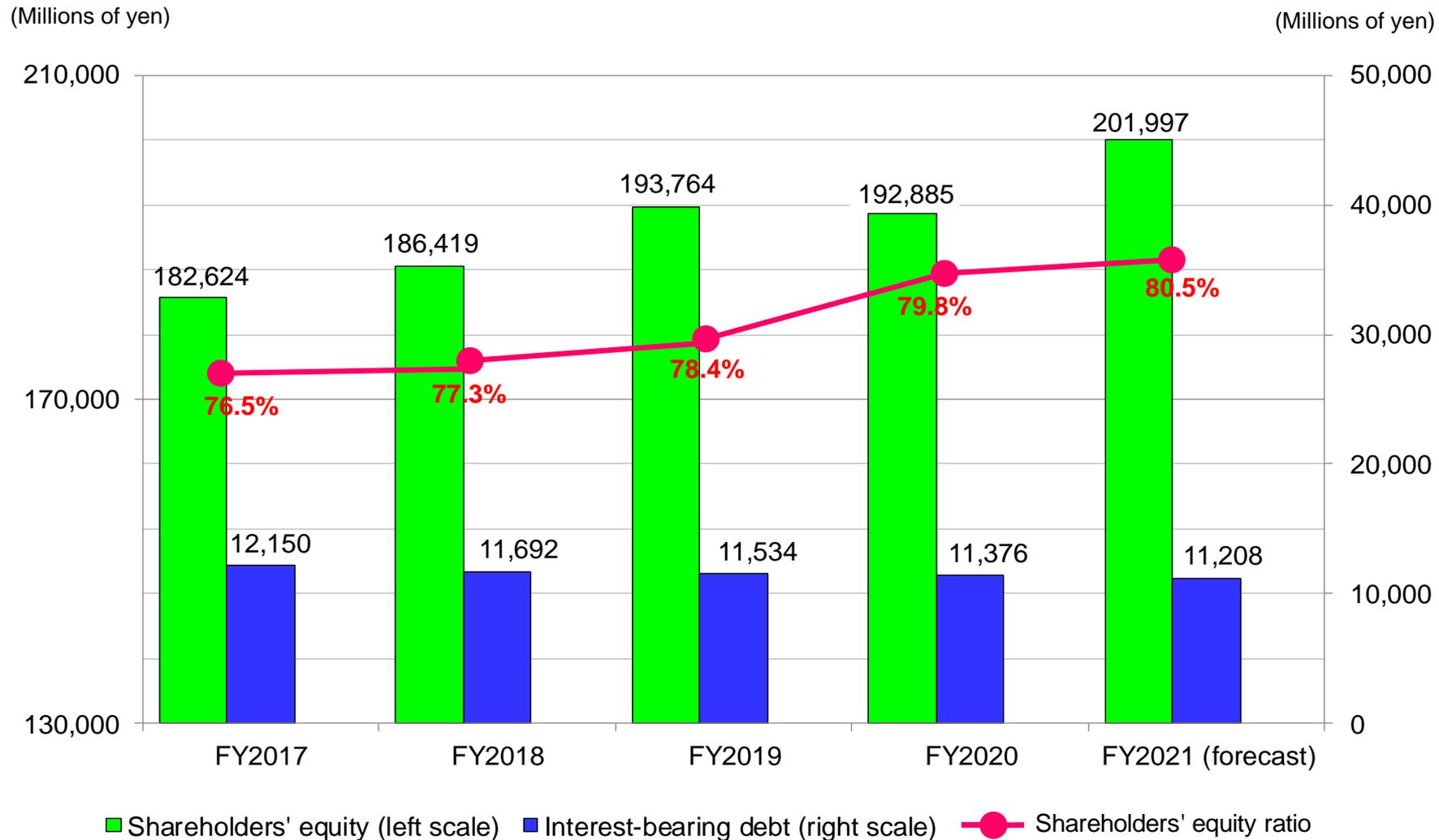
■ EBITDA ■ Operating income ■ Net income attributable to owners of parent ● Net income per share

(Billions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021 forecast
Capital investment (acceptance)	10.0	12.5	15.8	13.6	13.2
Capital investment (approval)	22.1	17.0	16.9	11.8	16.0
Depreciation and amortization	7.9	8.3	9.2	9.8	10.3
Research and Development expenses	3.7	3.6	3.7	4.0	4.1
Overseas sales	24.2	24.5	22.6	22.1	28.9
Overseas sales ratio (%)	16.7	16.4	15.6	16.6	18.7
Interest-bearing debt	12.1	11.6	11.5	11.3	11.2

(Billions of yen)

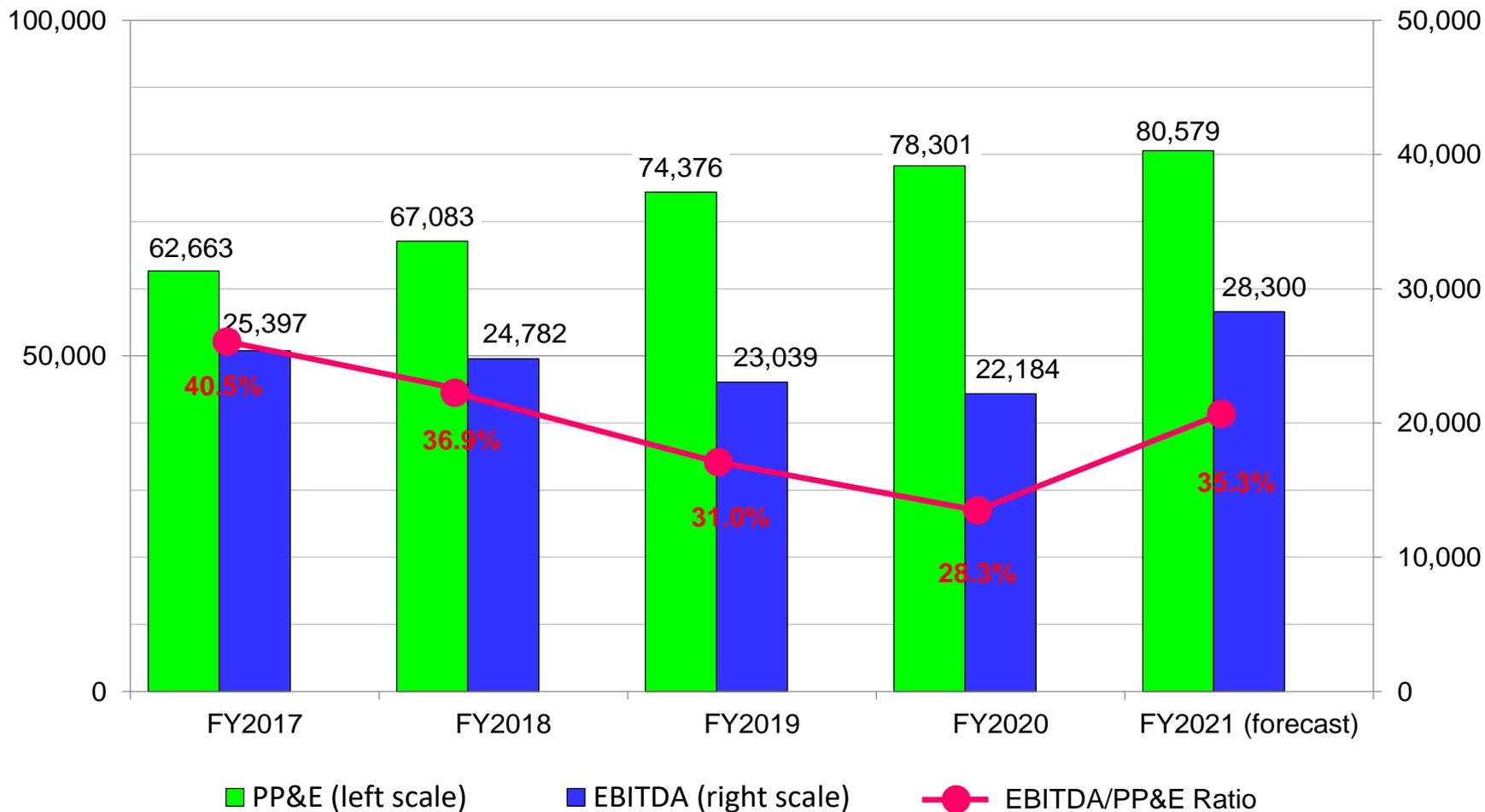


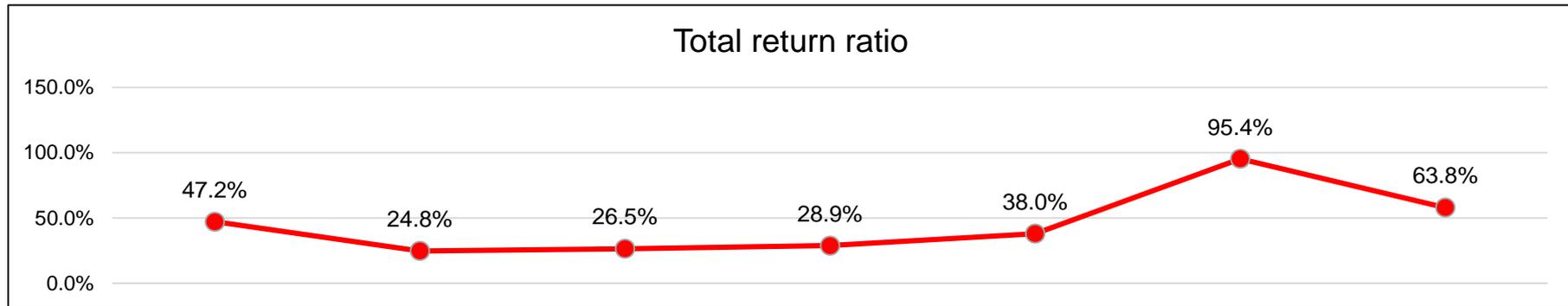




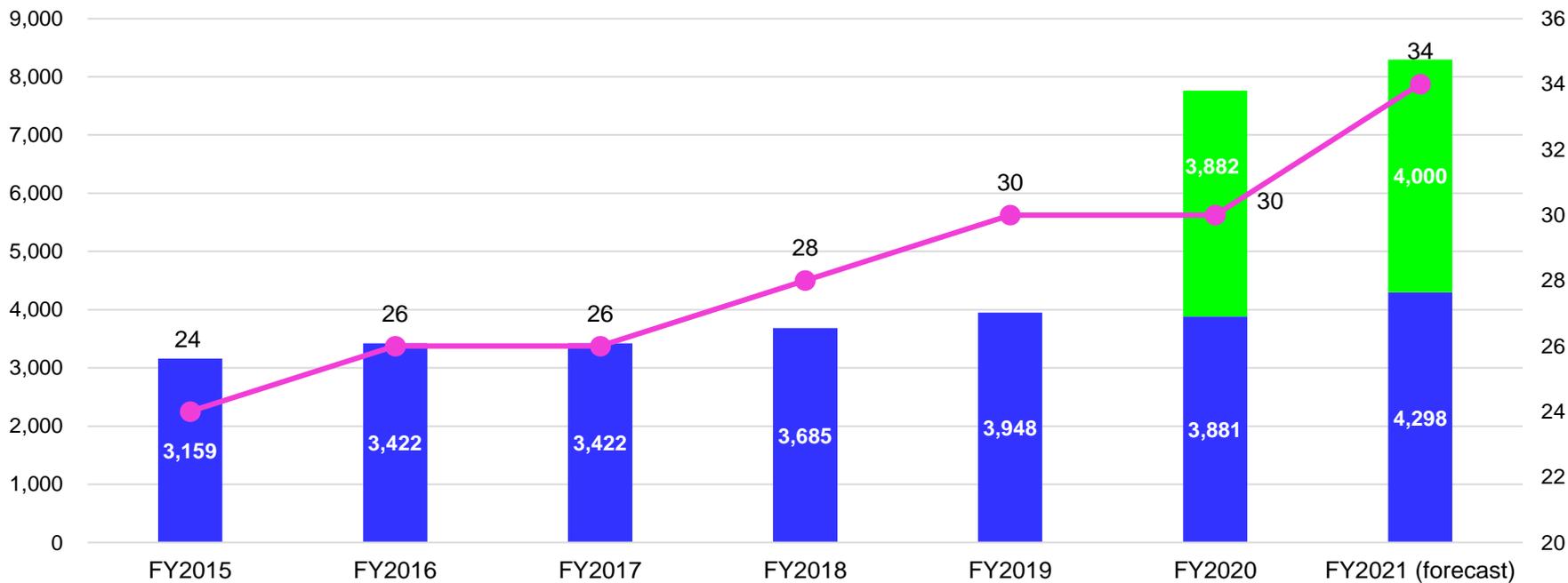
(Millions of yen)

(Millions of yen)





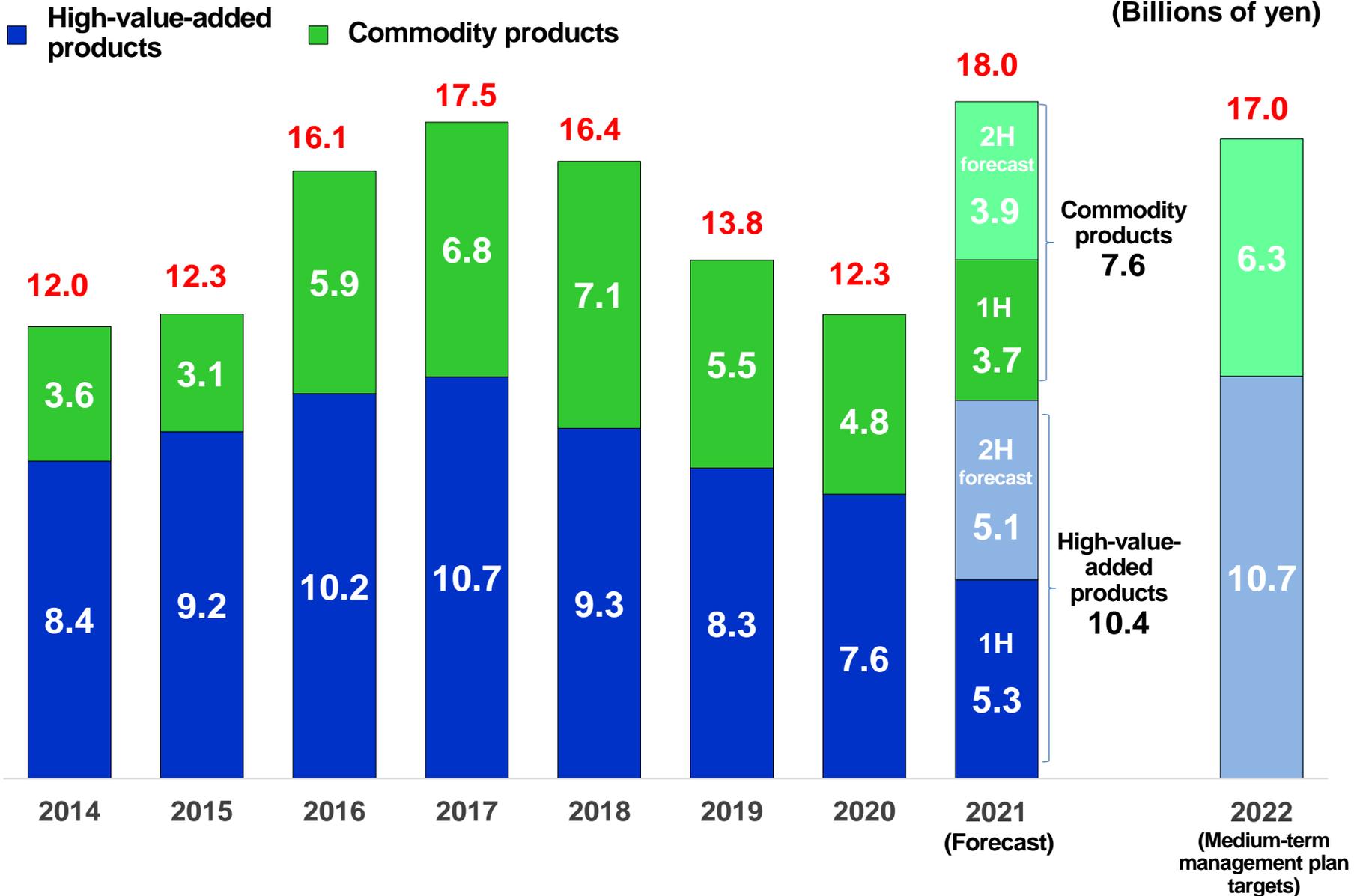
(Millions of yen)



■ Total dividend
 ■ Share buybacks
 —●— Dividend per share (right scale)



Medium-Term Management Plan "Stage up for the Future": Operating Income Trends





	Focus Area	Materiality (The Group's related products and initiatives)	See page
Provision of social value through business	Energy	Mitigation of climate change through reduction of CO ₂ emissions (Reforming production process to lower CO ₂ emissions)	17 and 19
	Mobility	Reduction of environmentally hazardous substances related to automobiles (High-performance adhesives for automotive batteries and high-performance polymers, etc.)	18
	Electronics	Industrial innovation and contribution to development of information society (High-purity gas, high-performance adhesives, inorganic functional materials, etc.)	18
	Healthcare	Creation of healthy and comfortable everyday living environments (High-performance inorganic materials, polymers for medical applications, nursing care products)	19
	Lifelines	Stable supply of good quality water through water and sewerage treatment Prevention and mitigation of damages from natural disasters (Sodium hypochlorite, polymer flocculants, piping products, etc.)	19
	New value creation	Creation of new business units, provision of new value through digital transformation (DX)	21



Toagosei's long-term vision for curbing climate change

GHG emissions reduction target
2030: 50% reduction vs. 2013
2050: Achieve net-zero emissions

(Results up to 2020)

19% reduction vs. 2013

77,000-ton reduction in GHG

Measures: increased production efficiency and pursued energy conservation

(Measures aimed at 2030)

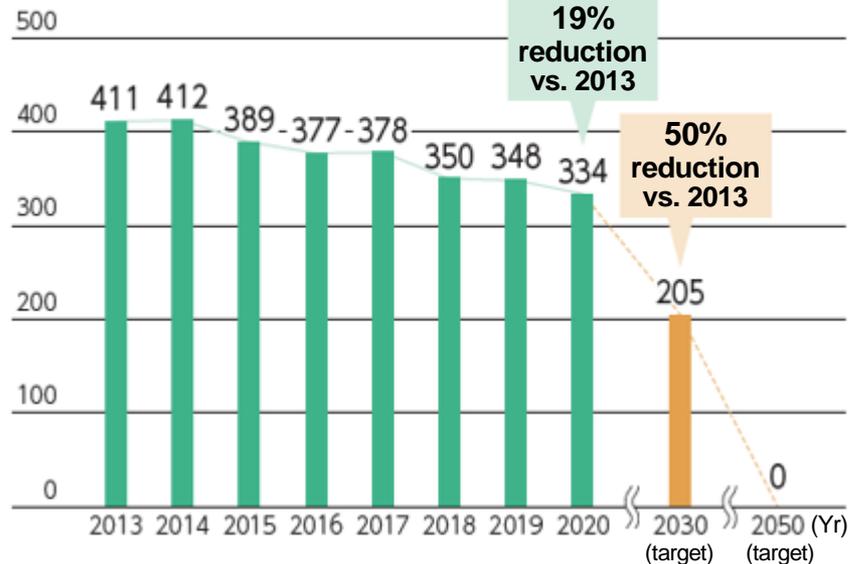
Since 2020, further 31% reduction vs. 2013, 129,000-ton reduction in GHG

*** Priority reduction scope**

Manufacturing of commodity chemicals accounting for 85% of GHG emissions

GHG emission reduction trends and reduction target
(Scope 1 + Scope 2)

(Thousand t-CO₂)



*Scope: Toagosei Co., Ltd.

Mobility

Polymers for Li batteries

- Rapid growth in sales buoyed by expanding EV market
Annual net sales forecast to double year on year

High-performance adhesives

- For automotive fuel cells (adopted by new Toyota MIRAI)
Full-fledged launch of production of high-performance adhesives
- Starting to sell other high-performance adhesives for automotive applications

Industrial-use instant glue

- Strong sales of instant glue for electronic components
Annual net sales forecast to increase by 30% year on year

Electronics

High-purity gas for semiconductor manufacturing

- Semiconductor demand driving strong shipments
Annual net sales forecast to increase by 10% year on year

Ion-trapping agent (IXE)

- Strong sales geared toward precision electronic materials
Annual net sales forecast to increase by 20% year on year

High-performance adhesives

- Operation of cutting-edge production facilities installed at Takaoka Plant
- Completed No. 2 Technical Development Lab at General Center of Research and Development
Accelerating R&D for enhancing processing level of adhesive materials



Healthcare

Antimicrobial and antiviral agent (NOVARON)

- Strong sales amid COVID-19 pandemic
Tapping into new markets including construction materials, paints, and textiles, etc.

Inorganic deodorant (KESMON)

- Business growing centered on deodorized textiles
Net sales forecast to increase 10% year on year

Plastics products (Nursing care products, etc.)

- Nursing care products and elastomer compounds performing well.

Lifelines

Polymer flocculants

- MT AquaPolymer, Inc. acquired sales business for polymer flocculants from another company (March 31, 2021)

Energy

Hydrogen stations

- Plan to open Toagosei Hydrogen Station Tokushima in 2021
Aiming to supply hydrogen, as a fuel for fuel cell vehicles and fuel cell buses, using both stationary and mobile stations



- ◆ **Released Aron Zia Clean200, an aqueous solution of hypochlorous acid**
This product effectively removes and sterilizes viruses and mold spores from personal effects, making it a good choice as a countermeasure against COVID-19
- ◆ **Confirmed efficacy of antiviral grade NOVARON against COVID-19**
Testing demonstrated that the antiviral grade NOVARON, an inorganic antimicrobial and antiviral agent, is effective in reducing more than 99.9% of the COVID-19 virus.
Testing institution: Japan Textile Products Quality and Technology Center
- ◆ **2021 marks 50th anniversary since the release of Aron Alpha**
We continue to develop new innovative products that evolve Aron Alpha, which has become a product beloved by countless consumers since its release in 1971, into a stronger, easier to use household-use instant glue.
- ◆ **Released a versatile toilet handrail as an in-home nursing care product**
Our versatile handrail has seen strong sales as a toilet support product that can be used for any type of toilet in any type of bathroom.





Development of new healthcare products

- **Development of new medical equipment materials**
 - **Currently developing products for various new healthcare adhesives by utilizing our knowledge gained through medical-use Aron Alpha A Sankyo and our core polymer synthesis technologies**
 - **Accelerating new product creation and expansion of core technologies through open innovation, etc.**
(Joint R&D with biomaterial venture BMG Inc., etc.)

Development of cellulose nano fiber (CNF)

- **Technical development**

Toagosei's CNF offers lower manufacturing cost and superior performance compared to conventional products

Currently developing manufacturing methods for further lowering manufacturing cost, improving quality and enhancing function
- **Product development**

Promoting development of products using our CNF aimed at increasing the added-value of the Group's products