

# Financial Results for FY2022



February 17, 2023

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# Results for FY2022

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# Overview of Results for FY2022

		FY2021	FY2022	Change	Rate of Change
<b>Net sales</b>	(Millions of yen)	<b>156,313</b>	<b>160,825</b> [168,765]	<b>4,511</b> [12,451]	<b>2.9%</b> [8.0%]
<b>Operating income</b>	(Millions of yen)	<b>17,676</b>	<b>14,382</b> [14,477]	<b>(3,293)</b> [(3,199)]	<b>(18.6%)</b> [(18.1%)]
<b>Operating income ratio</b>		<b>11.3%</b>	<b>8.9%</b> [8.6%]	<b>(2.4P)</b> [(2.7P)]	—
<b>Ordinary profit</b>	(Millions of yen)	<b>18,983</b>	<b>16,446</b>	<b>(2,537)</b>	<b>(13.4%)</b>
<b>Net income attributable to owners of parent</b>	(Millions of yen)	<b>13,771</b>	<b>12,494</b>	<b>(1,277)</b>	<b>(9.3%)</b>
<b>Net income per share</b>	(Yen)	<b>108.14</b>	<b>101.31</b>	<b>(6.83)</b>	—
<b>Annual dividend</b>	(Yen)	<b>36.0</b>	<b>36.0</b>	—	—

## <Reference>

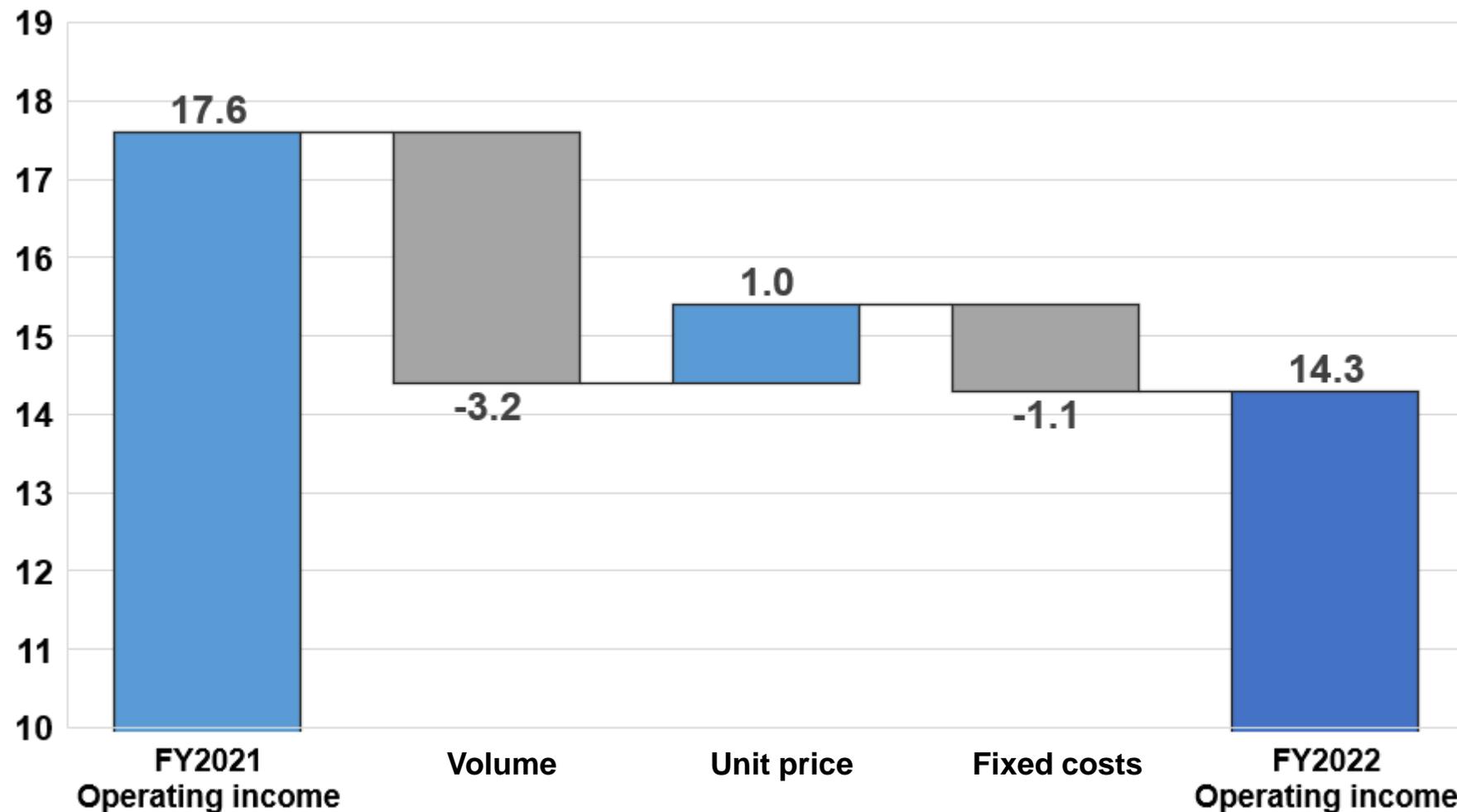
<b>Average exchange rate</b>	(Yen/USD)	<b>108.99</b>	<b>129.67</b>
<b>Average naphtha price</b>	(Yen/kl)	<b>50,175</b>	<b>76,150</b>

\* The figures underneath in parentheses [ ] are those before the application of the revenue recognition standards.

\* There has been no change in the scope of consolidation (18 consolidated subsidiaries and 2 equity-method affiliates)

# Analysis of Changes in Operating Income

(Billions of yen)



## Business Environment

- The supply chain was disrupted by the increase in the number of people infected with COVID-19 and by Russia's invasion of Ukraine.
- The price of resources and food rose. That led to historical levels of inflation.
- The yen depreciated in Japan. That caused a sudden rise in the price of imported goods including raw materials.

## Financial Results for FY2022

- We continued to revise prices to secure profits in response to the sharp rise in raw material and fuel prices.
- The shipment volume of products other than those for semiconductor-related applications decreased due to the reduced production of automobiles and smartphones.
- Sales increased. Operating income decreased. Including gains on sales of investment securities, net income was 12.4 billion yen (down 1.3 billion yen).
- We bought back approximately 4 million shares of treasury stock (3.2% of the number of outstanding shares as of the end of 2021; approximately 4.3 billion yen). We canceled approximately 3 million shares.
- We plan to pay an 18 yen year-end dividend. That will make our annual dividend 36 yen (payout ratio: 35.5%). Total shareholder returns were 69.7%.

# Consolidated Results (by Segment)

(Millions of yen)

## Net sales

	FY2021	FY2022	Before applying the revenue recognition standards	Volume	Unit price	Change	
	A	B	C			B - A	Before applying the revenue recognition standards C - A
Commodity Chemicals	70,312	74,225	76,471	(4,687)	8,600	3,913	6,159
Polymer & Oligomer	34,904	35,807	37,957	(781)	1,683	902	3,053
Adhesive Material	11,336	11,134	11,595	(689)	486	(202)	259
Performance Chemicals	9,779	10,466	10,363	215	471	687	584
Plastics	26,131	27,754	28,460	(765)	2,387	1,622	2,329
Other/adjustments	3,847	1,436	3,914	(2,411)	0	(2,411)	67
<b>Total</b>	<b>156,313</b>	<b>160,825</b>	<b>168,765</b>	<b>(9,119)</b>	<b>13,630</b>	<b>4,511</b>	<b>12,452</b>

\* We are applying the revenue recognition standards from FY2022.

(Millions of yen)

## Operating income

	FY2021		FY2022		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	7,992	11.4%	6,691	9.0%	(1,300)
Polymer & Oligomer	5,276	15.1%	4,258	11.9%	(1,018)
Adhesive Material	844	7.4%	(255)	—	(1,100)
Performance Chemicals	2,449	25.1%	2,361	22.6%	(87)
Plastics	1,433	5.5%	1,759	6.3%	326
Other/adjustments	(319)	—	(431)	—	(111)
<b>Total</b>	<b>17,676</b>	<b>11.3%</b>	<b>14,382</b>	<b>8.9%</b>	<b>(3,293)</b>

\* We are applying the revenue recognition standards from FY2022.

# Consolidated Statement of Income

## (Non operating Income/Expenses and Extraordinary Income/Losses)



(Millions of yen)

Non-operating income/expenses	FY2021	FY2022	Change
Interest and dividend income	995	1,088	93
Equity in earnings of affiliates	145	128	(17)
Foreign currency exchange gains	50	753	703
Rent income on non-current assets	245	182	(63)
Miscellaneous income	263	334	70
Interest expenses	(94)	(100)	(6)
Inactive facilities expenses	(33)	(25)	8
Environment readiness fee	(127)	(208)	(81)
Miscellaneous Expenses	(138)	(89)	49
<b>Total</b>	<b>1,306</b>	<b>2,063</b>	<b>756</b>

(Millions of yen)

Extraordinary income/losses	FY2021	FY2022	Change
Gain on sales of investment securities	1,706	2,554	848
Subsidy income	134	283	148
Loss on disposal of non-current assets	(722)	(559)	163
Loss on valuation of investment securities	(3)	(91)	(88)
Impairment loss on property, plant and equipment	(1,032)	(959)	72
Expenses of soil pollution measures	(264)	(358)	(94)
<b>Total</b>	<b>(181)</b>	<b>868</b>	<b>1,050</b>

(Millions of yen)

Equity in earnings of affiliates (Breakdown)	FY2021	FY2022	Difference
Elmer's & Toagosei	139	136	(3)
Chubu Liquid Oxygen	6	(7)	(14)
<b>Total</b>	<b>145</b>	<b>128</b>	<b>(17)</b>

### Exchange rate

	Dec. 31, 2021	Jun. 30, 2022	Dec. 31, 2022
Yen/USD	114.95	136.68	133.94
Yen/THB	3.44	3.85	3.87

# Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2021	Dec. 31, 2022	Change
<b>Current assets</b>	<b>145,168</b>	<b>138,985</b>	<b>(6,183)</b>
Cash and deposits (1)	52,457	40,366	(12,090)
Notes and accounts receivable	48,456	49,848	1,392
Securities (1)	23,000	18,000	(5,000)
Inventories (2)	19,387	25,511	6,123
Other current assets	1,913	5,309	3,396
Allowance for doubtful receivables	(46)	(50)	(4)
<b>Fixed assets</b>	<b>113,787</b>	<b>126,150</b>	<b>12,362</b>
Property, plant and Equipment (3)	78,193	90,774	12,580
Intangible fixed assets	1,669	1,592	(76)
Investment securities	28,722	28,472	(250)
Other fixed assets	5,201	5,310	109
<b>Total assets</b>	<b>258,955</b>	<b>265,135</b>	<b>6,179</b>

- (1) Decreased due to share buybacks and the purchase of leasehold land for Kawasaki Plant (securities: negotiable certificates of deposit)  
 (2) Increased due to a rise in raw material prices  
 (3) Increased due to capital investment and the purchase of leasehold land for Kawasaki Plant

	Dec. 31, 2021	Dec. 31, 2022	Change
<b>Total liabilities</b>	<b>52,343</b>	<b>54,328</b>	<b>1,985</b>
Notes and accounts Payable	18,391	19,653	1,262
Bank loans	11,207	11,065	(142)
Accrued income taxes	3,728	2,176	(1,552)
Other liabilities	19,015	21,432	2,417

<b>Total net assets</b>	<b>206,612</b>	<b>210,807</b>	<b>4,194</b>
Shareholders' equity	189,396	193,053	3,657
Accumulated other Comprehensive income	12,367	12,915	548
Non-controlling interests	4,848	4,837	(10)
<b>Total liabilities and net assets</b>	<b>258,955</b>	<b>265,135</b>	<b>6,179</b>

<b>Net worth ratio</b>	<b>77.9%</b>	<b>77.7%</b>	<b>(0.2P)</b>
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# Consolidated Cash Flow Statements

(Millions of yen)

		FY2021	FY2022	Change
Cash flows from operating activities	A	21,219	10,988	(10,230)
Cash flows from investment activities	B	(10,239)	(3,579)	6,659
Free cash flow	C=A+B	10,980	7,409	(3,571)
Cash flows from financial activities	D	(8,644)	(9,464)	(819)
Effect of exchange rate change on cash and cash equivalents	E	368	390	22
Net increase or decrease in cash and cash equivalents	F=C+D+E	2,703	(1,664)	(4,368)

Cash and cash equivalents at the end of the year	G	46,504	44,839	(1,664)
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# Overview of Consolidated Subsidiaries (Results for FY2022)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			FY2021	FY2022	FY2021	FY2022	FY2021	FY2022
1 Toa Techno-Gas	Commodity Chemicals	100	4,625	3,517	557	76	398	107
2 Toagosei Singapore	↓	100	4,691	4,916	1,280	1,015	1,285	1,014
3 (MT Ethylene Carbonate)	↓	90	597	706	5	7	5	6
4 MT AquaPolymer	Polymer & Oligomer	51	12,619	14,392	525	697	363	476
5 Taiwan Toagosei	↓	100	1,628	2,029	150	263	133	220
6 Toa-jet Chemical	↓	51	2,011	2,113	94	48	44	32
7 Toagosei (Zhangjiagang) New Technology	↓	100	2,127	2,074	87	80	66	53
8 Toagosei (Thailand)	↓	100	2,579	2,471	237	10	123	(40)
9 Toagosei America	Adhesive Material	100	1,594	1,920	(41)	(129)	36	(150)
10 (Aron Packaging)	↓	100	250	256	(1)	3	(1)	2
11 Toagosei Hong Kong	↓	100	324	276	27	16	25	17
12 Toagosei (Zhuhai)	↓	100	580	675	(12)	(52)	(15)	(42)
13 Aronkasei	Plastics	100	26,363	25,882	1,692	1,965	962	1,075
14 Aronkasei (Thailand)	↓	100	218	469	(275)	(224)	(282)	(234)
15 Toa Kogyo	Other	100	1,045	1,091	(49)	(11)	(31)	(3)
16 Toa Business Associe	↓	100	2,445	2,104	79	37	47	25
17 TG Corporation	↓	100	12,651	1,326	412	371	286	259
18 (Toa Logistics)	↓	100	537	566	14	27	9	17
Simple aggregation			76,884	66,783	4,781	4,199	3,453	2,834

\* We have given the figures for FY2021 before applying the revenue recognition standards and the figures for FY2022 after applying them.

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

# Earnings Forecast for FY2023

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## Business Environment

- We expect the global economic growth rate in 2023 to slow down.
- The situation in Ukraine and inflation and interest rate trends are uncertain.
- We think there will be changes in the supply chain structure due to antagonism between the U.S. and China.

## Challenges in FY2023

- We will start our Medium-Term Management Plan 2025.
- We will continue aggressive R&D investment to support ongoing new product development.
- We will implement shareholder returns with a new stance.  
We will buy back 20 billion yen in treasury stock during the period of the Medium-Term Management Plan. (We expect to buy back 6 billion yen in treasury stock in 2023 with a consolidated total shareholder return ratio of 96.4%.)

# Consolidated Results Forecast for FY2023

(Millions of yen)

	FY2022 results (A)	FY2023 1H (forecast)	FY2023 2H (forecast)	FY2023 forecast (B)	Change (B-A)
Net sales	160,825	85,300	93,500	178,800	17,974
Operating income	14,382	6,300	7,700	14,000	(382)
Operating income ratio	8.9%	7.4%	8.2%	7.8%	(1.1P)
Non-operating income/expenses	2,063	600	200	800	(1,263)
Ordinary profit	16,446	6,900	7,900	14,800	(1,646)
Extraordinary income (loss)	868	205	(250)	(45)	(913)
Income before income taxes (a)	17,314	7,105	7,650	14,755	(2,559)
Income taxes (b)	(4,560)	(1,955)	(2,100)	(4,055)	505
Tax rate (b)/(a)	26.3%	27.5%	27.5%	27.5%	1.1P
Net income attributable to non-controlling interests	(260)	(50)	(50)	(100)	160
Net income attributable to owners of parent	12,494	5,100	5,500	10,600	(1,894)
Dividend (Yen)	36	18	18	36	0

## <Reference>

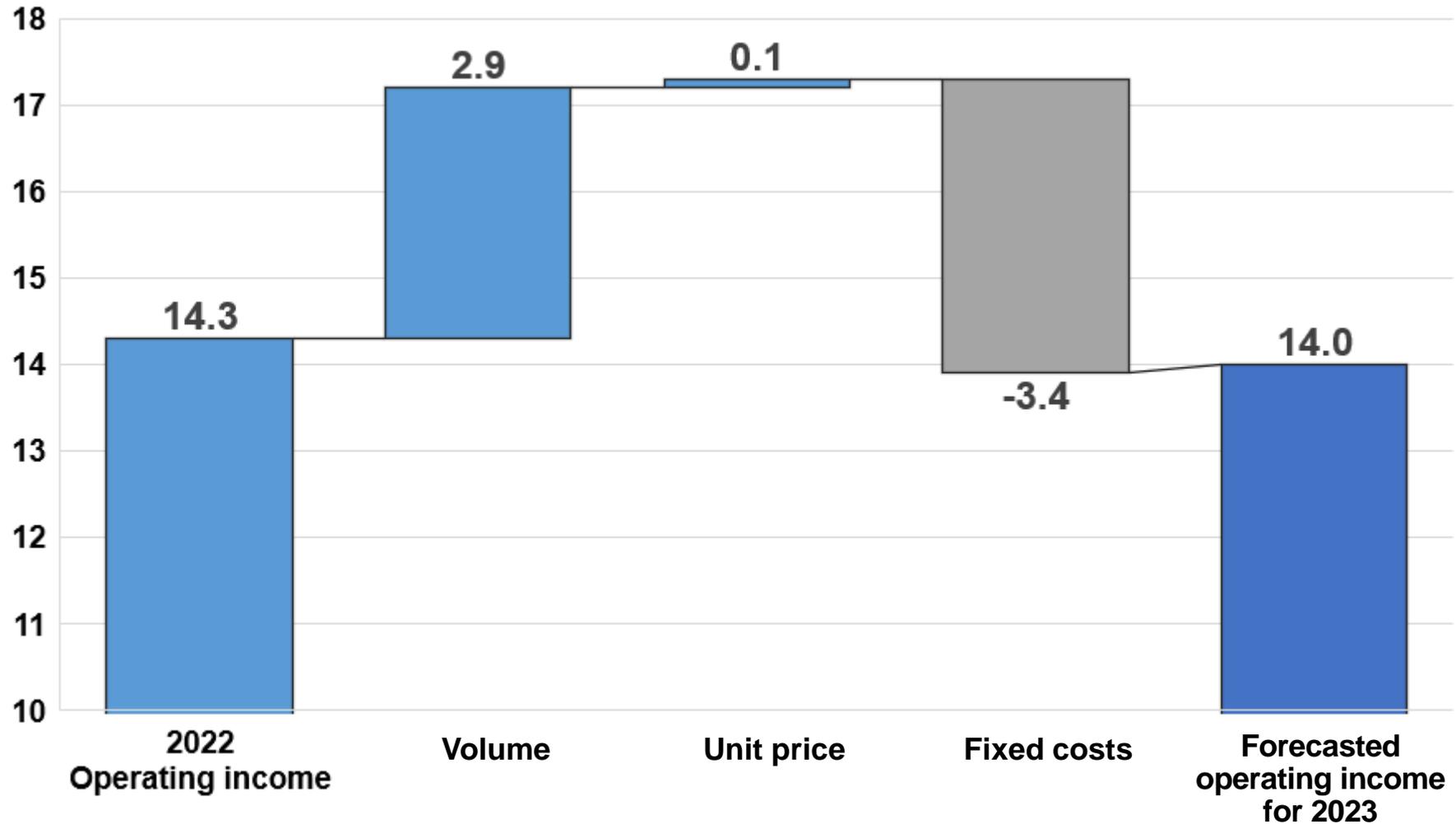
Average exchange rate (Yen/USD)	129.67	—	—	130.00	—
Average naphtha price (Yen/kl)	76,150	—	—	65,000	—

\* A change of 1,000 yen in the naphtha price per kl will have an impact of 300 million yen on our performance. A depreciation of yen by 1 yen per USD will have an impact of -150 million yen on our performance.

\* We are applying the revenue recognition standards from FY2022.

# Analysis of the Forecasted Changes in Operating Income

(Billions of yen)



# Consolidated Results Forecast for FY2023 (by Segment)

(Millions of yen)

Net sales	FY2022 results		FY2023 forecast		Change	Factors for change
	Operating income	Operating income ratio	Operating income	Operating income ratio		
Commodity Chemicals	73,929		84,800		10,871	[Increase] Acrylic monomer, caustic soda and caustic potash
Polymer & Oligomer	35,809		36,500		691	[Increase] Acrylic oligomer
Adhesive Material	11,132		13,000		1,868	[Increase] Household applications and functional adhesives
Performance Chemicals	10,466		11,900		1,434	[Increase] High-purity inorganic chemicals and medical care
Plastics	27,754		30,300		2,546	[Increase] Nursing care products, pipe materials and building materials
Other/adjustments	1,732		2,300		568	
<b>Total</b>	<b>160,825</b>		<b>178,800</b>		<b>17,975</b>	

\* The figures for 2022 reflect the segment changes in 2023

(Millions of yen)

Operating income	FY2022 results		FY2023 forecast		Change	Factors for change
	Operating income	Operating income ratio	Operating income	Operating income ratio		
Commodity Chemicals	6,807	9.2%	6,800	8.0%	(7)	[On a par with last year] Decrease in acrylic monomer and increase in caustic soda
Polymer & Oligomer	4,209	11.8%	3,700	10.1%	(509)	[Decrease] Polymers
Adhesive Material	(207)	—	(200)	—	7	[On a par with last year] Increase in fixed costs such as advertising and publicity
Performance Chemicals	2,361	22.6%	2,500	21.0%	139	[Increase] High-purity inorganic chemicals and medical care
Plastics	1,759	6.3%	1,800	5.9%	41	[Increase] Nursing care products
Other/adjustments	(547)	—	(600)	—	(53)	
<b>Total</b>	<b>14,382</b>	<b>8.9%</b>	<b>14,000</b>	<b>7.8%</b>	<b>(382)</b>	

\* The figures for 2022 reflect the segment changes in 2023

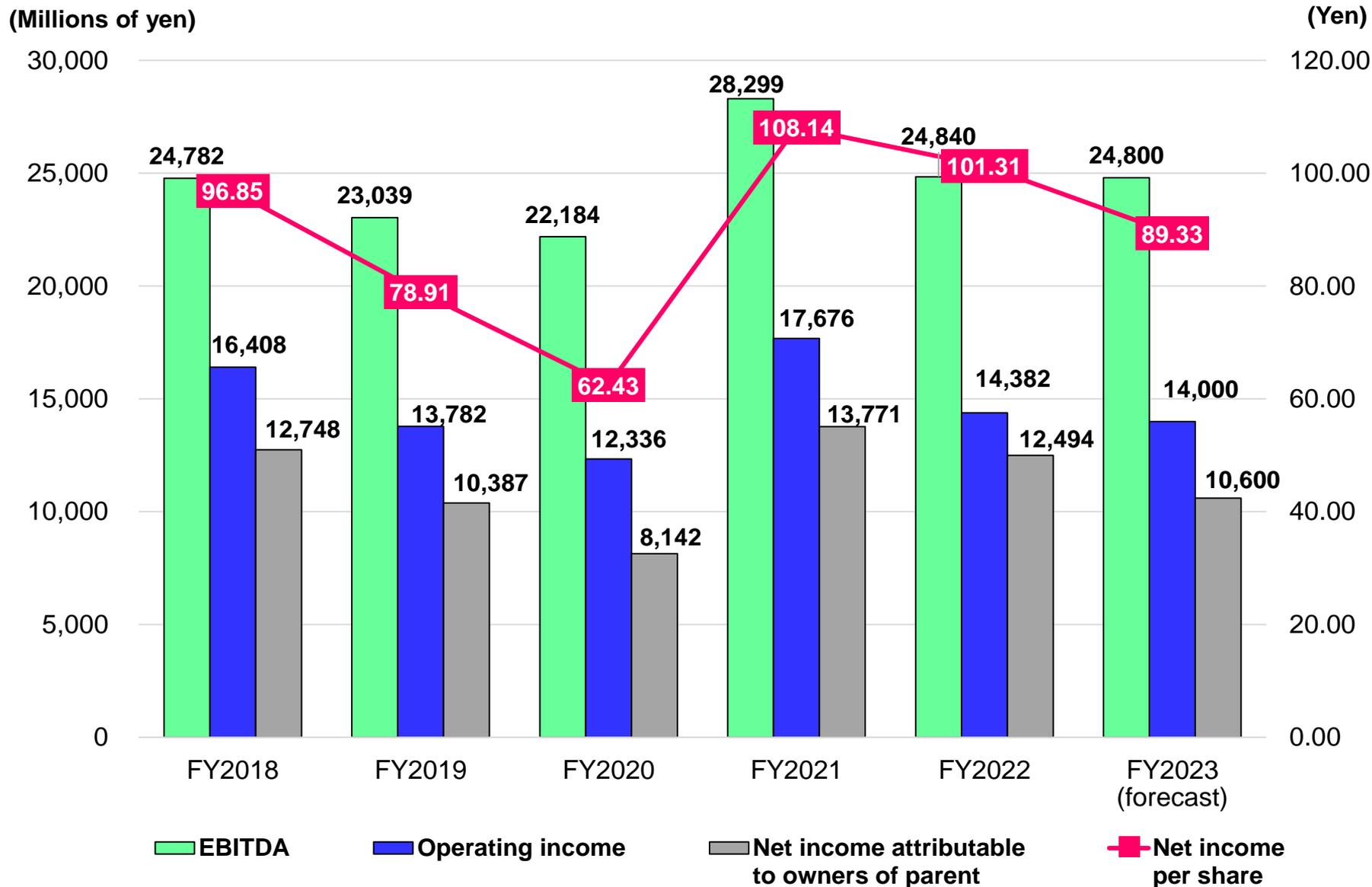
# Overview of Consolidated Subsidiaries (FY2023 Forecast)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			FY2022	FY2023 forecast	FY2022	FY2023 forecast	FY2022	FY2023 forecast
1 Toa Techno-Gas	Commodity Chemicals	100	3,517	4,298	76	278	107	204
2 Toagosei Singapore	↓	100	4,916	4,776	1,015	11	1,014	11
3 (MT Ethylene Carbonate)	↓	90	706	783	7	9	6	9
4 MT AquaPolymer	Polymer & Oligomer	90	14,392	14,383	697	437	476	300
5 Taiwan Toagosei	↓	100	2,029	2,326	263	254	220	204
6 Toa-jet Chemical	↓	51	2,113	2,358	48	111	32	92
7 Toagosei (Zhangjiagang) New Technology	↓	100	2,074	2,377	80	120	53	90
8 Toagosei (Thailand)	↓	100	2,471	3,388	10	217	(40)	132
9 Toagosei America	Adhesive Material	100	1,920	2,515	(129)	0	(150)	95
10 (Aron Packaging)	↓	100	256	270	3	5	2	5
11 Toagosei Hong Kong	↓	100	276	346	16	20	17	19
12 Toagosei (Zhuhai)	↓	100	675	1,034	(52)	(311)	(42)	(315)
13 Aronkasei	Plastics	100	25,882	28,419	1,965	1,967	1,075	1,239
14 Aronkasei (Thailand)	↓	100	469	822	(224)	(199)	(234)	(217)
15 Toa Kogyo	Other	100	1,091	1,130	(11)	43	(3)	44
16 Toa Business Associe	↓	100	2,104	2,133	37	33	25	23
17 TG Corporation	↓	100	1,326	1,559	371	483	259	337
18 (Toa Logistics)	↓	100	566	553	27	9	17	6
	Simple aggregation		66,783	73,470	4,199	3,487	2,834	2,278

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

# Trends in Consolidated Results

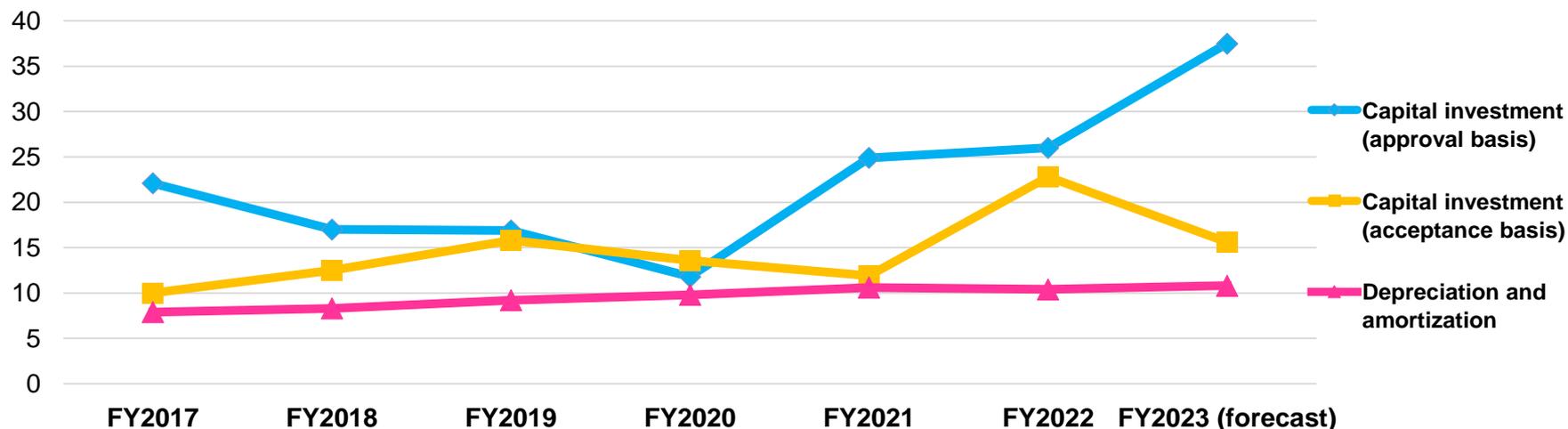


# Reference for Consolidated Performance

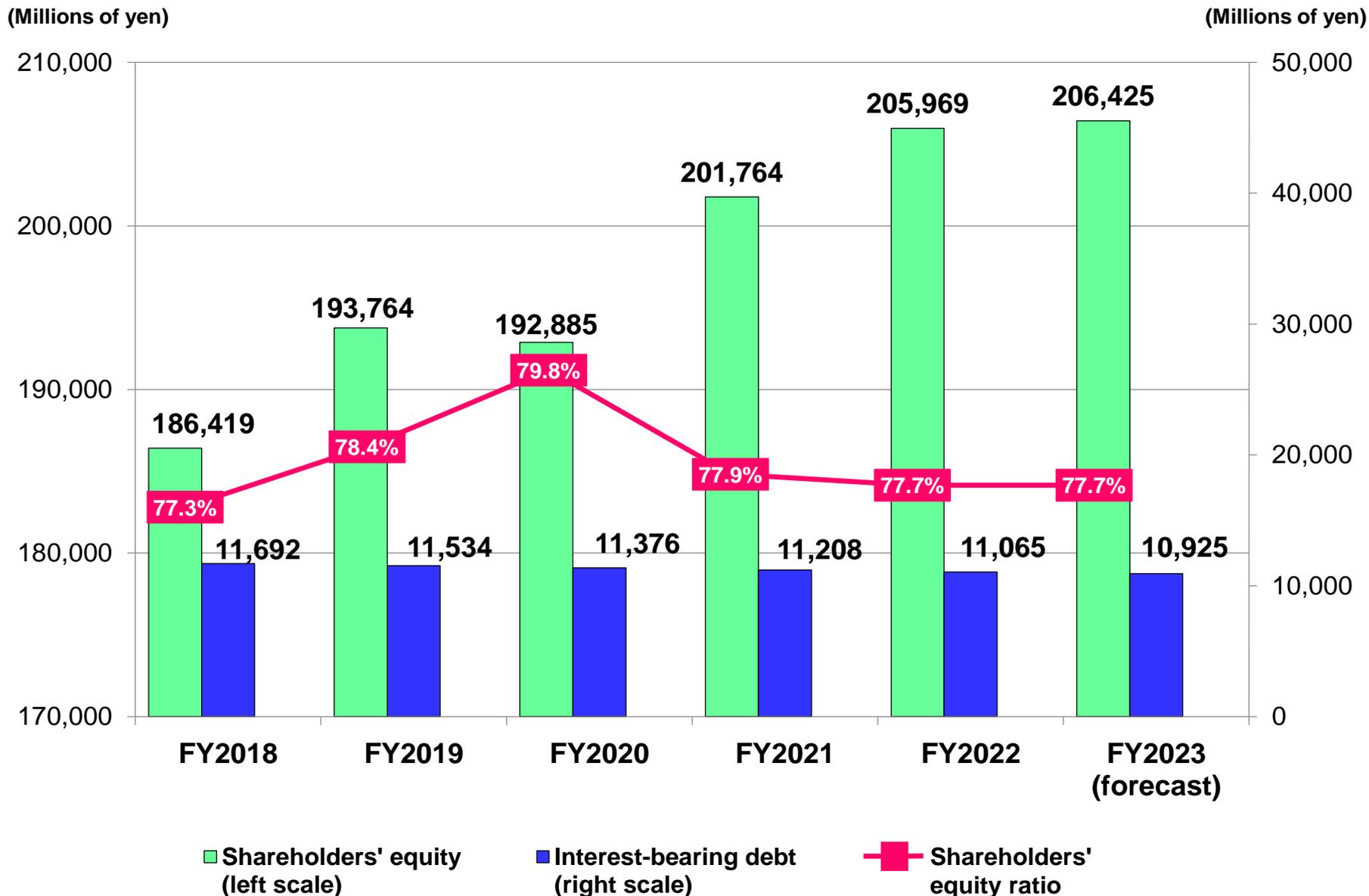
(Billions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (forecast)
Capital investment (Acceptance basis)	12.5	15.8	13.6	11.9	22.8	15.6
Capital investment (Approval basis)	17.0	16.9	11.8	24.9	26.0	37.5
Depreciation and amortization	8.3	9.2	9.8	10.6	10.4	10.8
Research and Development expenses	3.6	3.7	4.0	4.3	4.7	5.4
Overseas sales	24.5	22.6	22.1	29.0	31.0	34.2
Overseas sales ratio (%)	16.4	15.6	16.6	18.6	19.3	19.1
Interest-bearing debt	11.6	11.5	11.3	11.2	11.0	10.9

(Billions of yen)



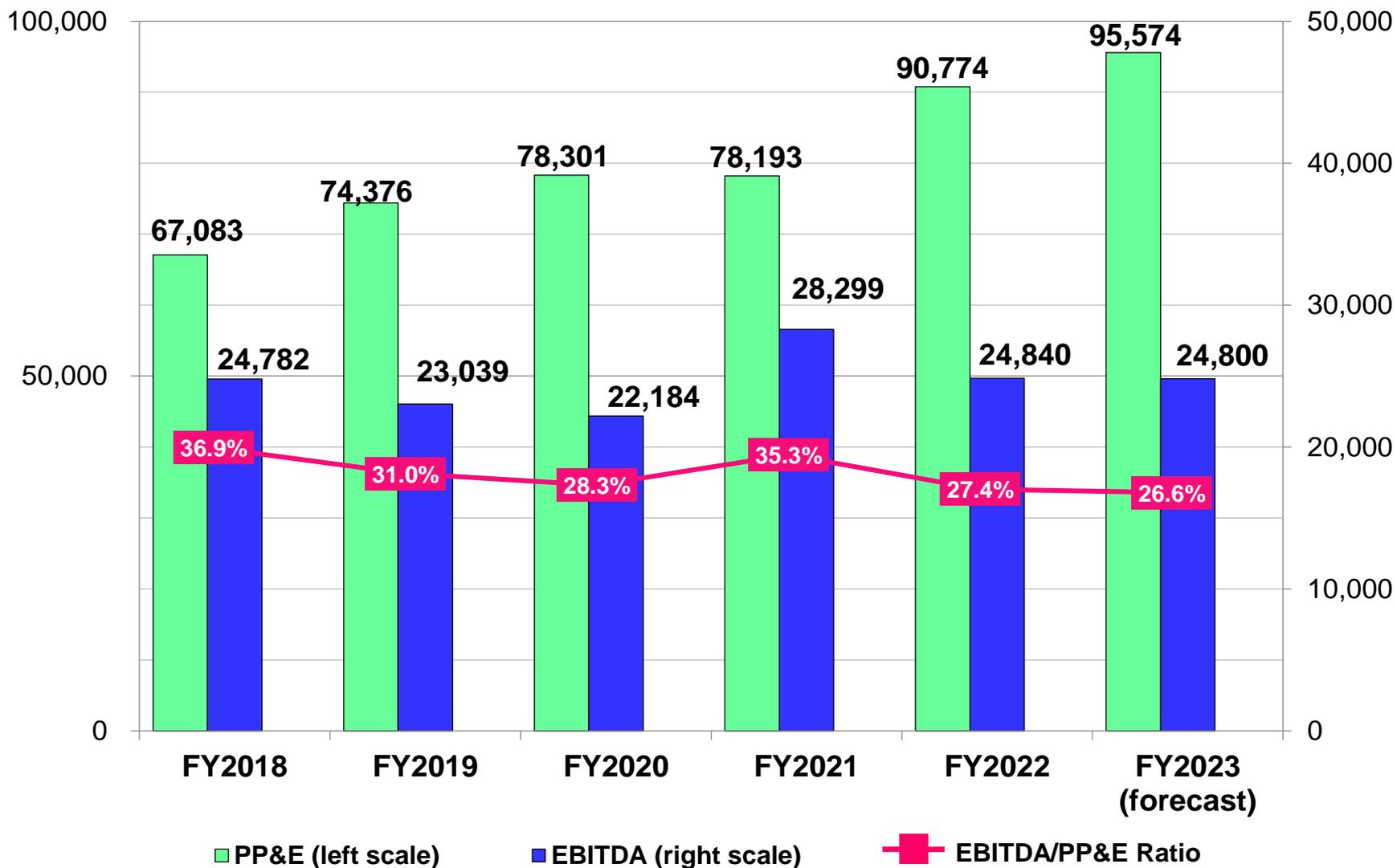
# Consolidated Performance Reference Figure Trends

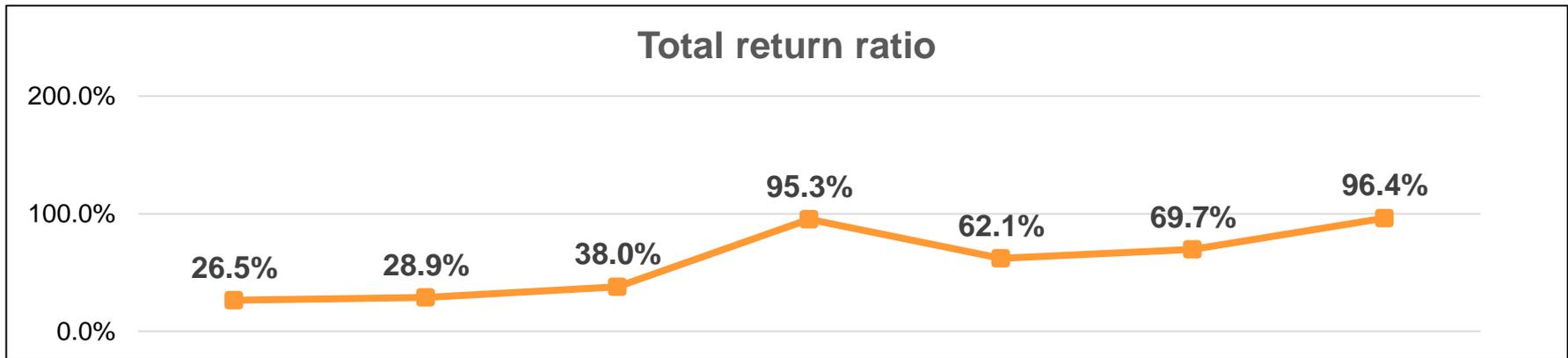


# EBITDA/PP&E Ratio Trends

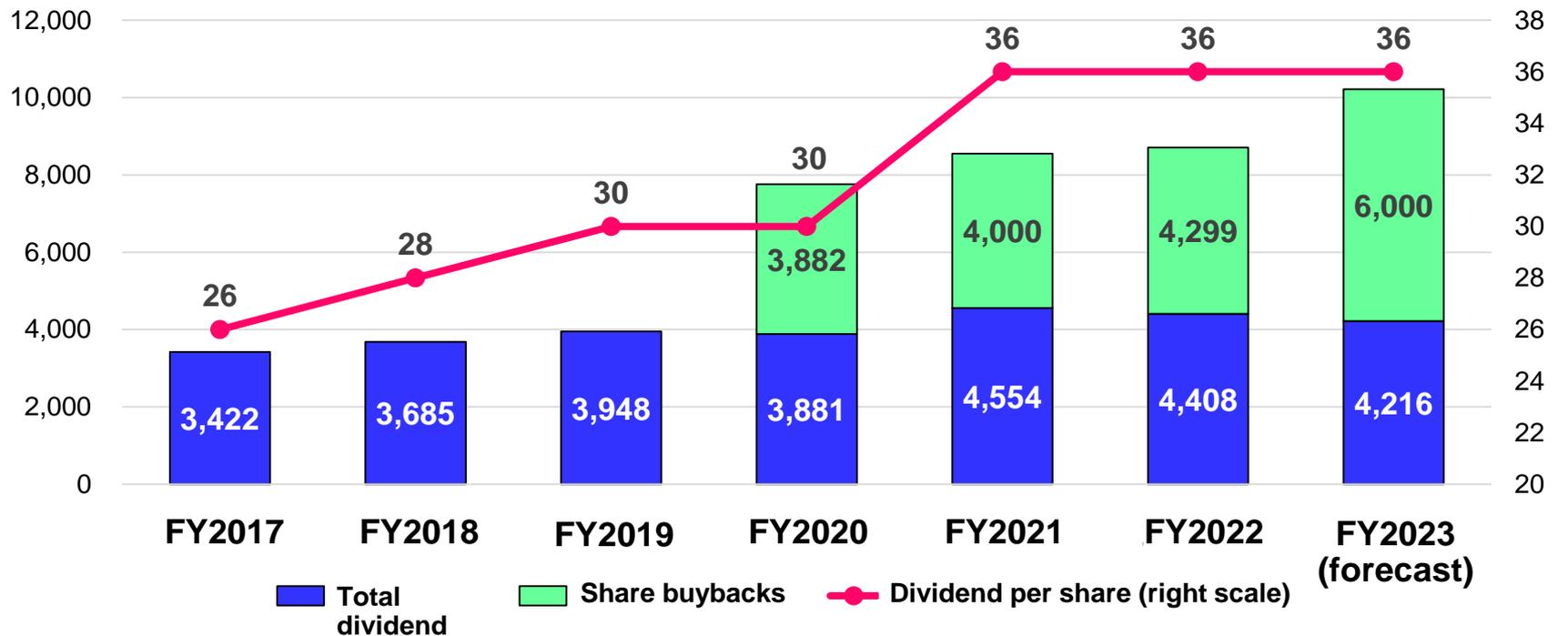
(Millions of yen)

(Millions of yen)





(Millions of yen)



**E**  
**(Environment)**

**S**  
**(Society)**

Jun. 2019	Endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)
Aug. 2021	Held an event for the Riko Challenge (science and technology challenge) organized by the Cabinet Office, Ministry of Education, Culture, Sports, Science and Technology (MEXT), and the Japan Business Federation (Keidanren)
Dec. 2021	<p>Set a target of “2050: carbon neutrality”</p> <ul style="list-style-type: none"> <li>• By 2030: Greenhouse gas (GHG) emissions 50% of 2013 level (215,000 tons)</li> <li>• By 2050: Carbon neutrality</li> </ul> <p>(1) Items Started</p> <ul style="list-style-type: none"> <li>• Started considering the introduction of biomass gasification power generation</li> <li>• Started considering utilization of carbon neutral steam from Yokohama waste incinerators</li> <li>• Started a survey to consider introducing small hydropower</li> </ul> <p>(2) Future Plans</p> <ul style="list-style-type: none"> <li>• Survey solar power generation installable areas and size in each business establishment</li> <li>• Consider measures to utilize hydrogen</li> </ul>
Mar. 2022	Certified as a Health and Productivity Management Organization 2022 “White 500” (4 years in a row)
Mar. 2022	Entered into a Memorandum of Understanding for an Investigation into the Feasibility of Effectively Using Waste Incinerator Heat with Yokohama City and started a joint survey
Apr. 2022	Opened Toagosei Hydrogen Station Tokushima
Jul. 2022	Held the Summer Vacation Crafts School to commemorate the 50th anniversary of the launch of Aron Alpha
Oct. 2022	Formulated the Toagosei Group Human Rights Policy and the Toagosei Group Sustainable Procurement Guidelines
Oct. 2022	Endorsed the GX League
Dec. 2022	Endorsed the Partnership Building Declaration promoted by the Cabinet Office and the Small and Medium Enterprise Agency
Dec. 2022	Donated to the Children’s Future Support Fund and the Ashinaga Foundation (continuing on from 2021)
Jan. 2023	Introduced the Employee Stock Compensation Plan

## G (Governance)

Mar. 2019	Abolished anti-takeover measures
Mar. 2019	Elected a female director for the first time
Mar. 2020	Introduced a restricted share remuneration system for directors
Oct. 2021	<p>Revised the Toagosei Group Basic Policy on Corporate Governance</p> <ul style="list-style-type: none"> <li>• Aim for improved shareholder returns as follows: Consolidated payout ratio of about 30% Consolidated total shareholder returns of about 50%</li> <li>• Aim for the amount recorded on the balance sheet of cross shareholdings to be about 10% of consolidated net assets Current as of the end of December 2021: 12.6% (shareholding balance: 26,009 million yen) (record of sales in 2021: 19 stocks sold with a sale value of 2,910 million yen)</li> <li>• Promotion of disclosures in English: Disclosed the full text of financial statements (from FY2021)</li> </ul>
Mar. 2022	Secured a Board of Directors with outside directors accounting for the majority of the members for the first time (six internal directors and seven outside directors)
Apr. 2022	Transitioned to the Prime market on the Tokyo Stock Exchange
Aug. 2022	Promotion of disclosures in English: Disclosed the full text of our corporate governance report
Dec. 2022	<p>Amount of cross shareholdings recorded on the balance sheet Current as of the end of December 2022: 12.0% (shareholding balance: 25,219 million yen) (record of sales in 2022: nine stocks sold with a sale value of 3,054 million yen) (reduction on the balance sheet: 2,066 million yen)</p>

### Initiatives to Promote Sports



We support the table tennis T.LEAGUE.



We support IWAKI FC

# Medium-Term Management Plan

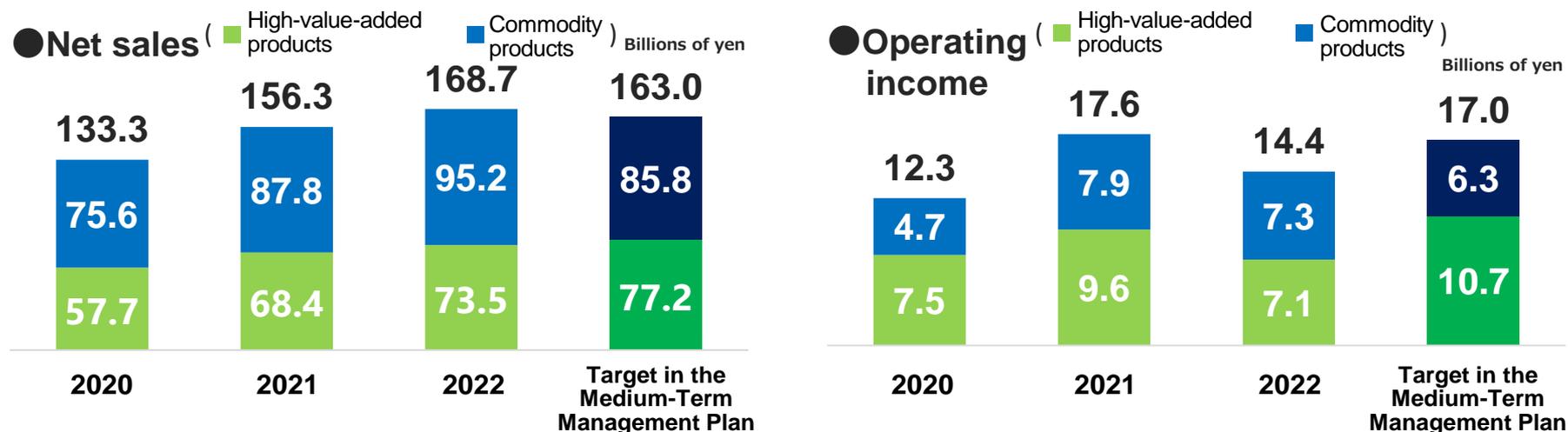
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- **Review of the Medium-Term Management Plan (2020 to 2022)**
- **About the Medium-Term Management Plan (2023 to 2025)**

## Basic Policies

- (1) Expand high-value-added products business
- (2) Creation of new business units, including the “fourth core” business that will underpin the future of Toagosei Group
- (3) Strengthen core businesses and execute business reorganization

We exceeded the quantitative target in our Medium-Term Management Plan for operating income in 2021 through aggressive capital investment and initiatives to create new businesses. Nevertheless, we did not achieve our target for operating income in the final year of the plan in 2022 due to the economic slowdown.



\* The graphs shows net sales and operating income before the application of the revenue recognition standards.

# Review of the Quantitative Targets in the Previous Medium-Term Management Plan (2020 to 2022)

	FY2022 target	FY2022 results
Net sales *	163.0 billion yen	168.7 billion yen
Operating income (Operating income ratio) *	17.0 billion yen [10.4%]	14.4 billion yen [8.6%]
EBITDA * (Earnings before interest, taxes, depreciation and amortization)	27.0 billion yen	24.9 billion yen
Ratio of high-value-added products (Net sales) *	47%	44%
Capital investment (Cumulative period of the Medium-Term Management Plan; approval basis)	44.0 billion yen	62.7 billion yen
Overseas net sales (As percentage of net sales) *	32.5 billion yen [20%]	31.4 billion yen [19%]
Earnings per share (EPS)	106 yen	101 yen
Return on assets (ROA)	7.0%	6.3%

\* Figures before the application of the revenue recognition standards

<b>Investment</b>	<b>Expansion of high-value-added products</b>	<ul style="list-style-type: none"> <li>• Reinforced high-purity liquid hydrogen chloride</li> <li>• Reinforced polymers for LIB</li> <li>• Reinforced functional adhesives</li> <li>• Took over flocculants sales business</li> </ul>
	<b>Enhancement of R&amp;D capabilities</b>	<ul style="list-style-type: none"> <li>• Opened Takaoka Creation Laboratory</li> <li>• Opened the Technology Development Laboratory II (R&amp;D center)</li> </ul>
	<b>Realization of a sustainable society</b>	<ul style="list-style-type: none"> <li>• Opened Toagosei Hydrogen Station Tokushima</li> </ul>
<b>R&amp;D</b>	<b>New business creation</b>	<ul style="list-style-type: none"> <li>• Developed NUCLEROLARON suitable for DDS</li> <li>• Commercialized cellulose nanofibers</li> </ul>
<b>Overseas expansion</b>	<b>China</b>	<ul style="list-style-type: none"> <li>• Started e-commerce of instant glues for consumer applications</li> <li>• Made Toagosei (Zhangjiagang) New Technology a wholly owned subsidiary</li> </ul>
	<b>Thailand</b>	<ul style="list-style-type: none"> <li>• Continued to put operating cash flows into the black</li> </ul>
	<b>U.S.</b>	<ul style="list-style-type: none"> <li>• Started e-commerce of tapes and optical instant glues</li> </ul>
<b>Capital policy</b>	<b>Payout ratio</b>	<ul style="list-style-type: none"> <li>• Continued paying a stable dividend payout ratio of 30% or more</li> </ul>
	<b>Buyback of treasury stock</b>	<ul style="list-style-type: none"> <li>• Bought back 12.2 billion yen in treasury stock over the cumulative period from 2020 to 2022</li> </ul>

## Leap Forward to the Next 2025

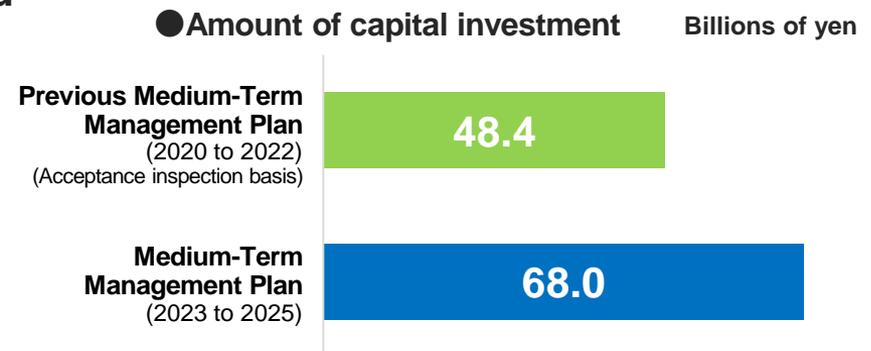
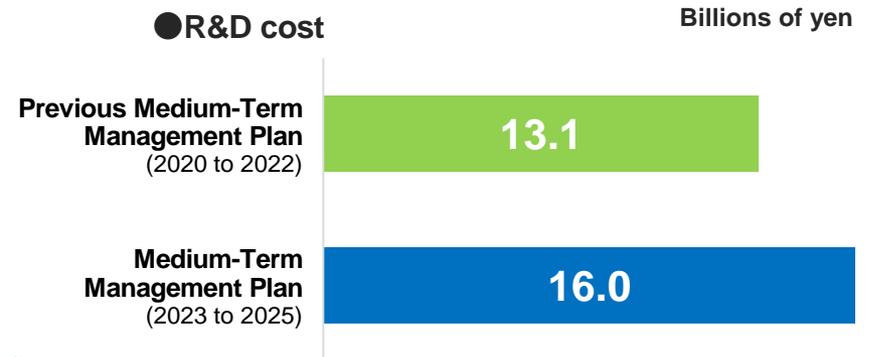
We will accelerate the pace of growth of our group by **enhancing our R&D capabilities** and **expanding our high-added-value products** for which we achieved a certain level of results in the previous Medium-Term Management Plan.

### Enhancing Our R&D Capabilities

- Further enhance our R&D capabilities such as by establishing a research base in the Tokyo metropolitan area
- Promote commercialization of NUCLEROLARON and cellulose nanofibers

### Expanding Our High-added-value Products

- Continue investing in high-value-added products focused on the polymer & oligomer, adhesive material and performance chemicals businesses
- Reliably monetize capital investment made up to the previous Medium-Term Management Plan



## Basic Policies

- (1) Strengthen development capabilities for new products and novel technologies  
(R&D costs in 2025: +20% (compared to 2022) /  
Ratio of high-value-added products in net sales in 2025: 48%)**
- (2) Increase overseas net sales  
(Overseas net sales in 2025: +30% (compared to 2022))**
- (3) Contribute to a sustainable society  
(Reduction in GHG emissions in 2025: -35% (compared to 2013))**

## Key Initiatives

- (1) Actively invest management resources in growth businesses and accelerate overseas expansion**
- (2) Strengthen R&D capabilities**
- (3) Penetrate and expand DX**
- (4) Secure and cultivate visionary human resources**
- (5) Promote sustainable management**

## Materiality - Operations

	Evaluation Indicator	2022	2025 (Target)
<b>Establish a stronger presence</b>	<b>Net sales</b>	<b>160.8</b> billion yen	<b>183.0</b> billion yen
	<b>Operating income [Operating income margin]</b>	<b>14.3</b> billion yen [8.9%]	<b>20.0</b> billion yen [11.0%]
	<b>EBITDA*</b>	<b>24.8</b> billion yen	<b>32.0</b> billion yen
	<b>Capital investment (Cumulative amount)</b>	<b>48.4</b> billion yen (2020 to 2022)	<b>68.0</b> billion yen (2023 to 2025)
<b>Increase high-value-added products</b>	<b>Ratio of high-value-added products in net sales</b>	<b>44%</b>	<b>48%</b>
	<b>R&amp;D cost (+20%)</b>	<b>4.7</b> billion yen	<b>5.6</b> billion yen
<b>Expand share of overseas share</b>	<b>Overseas net sales (+30%)</b>	<b>31.0</b> billion yen	<b>40.5</b> billion yen

\* Earnings before interest, taxes, depreciation and amortization

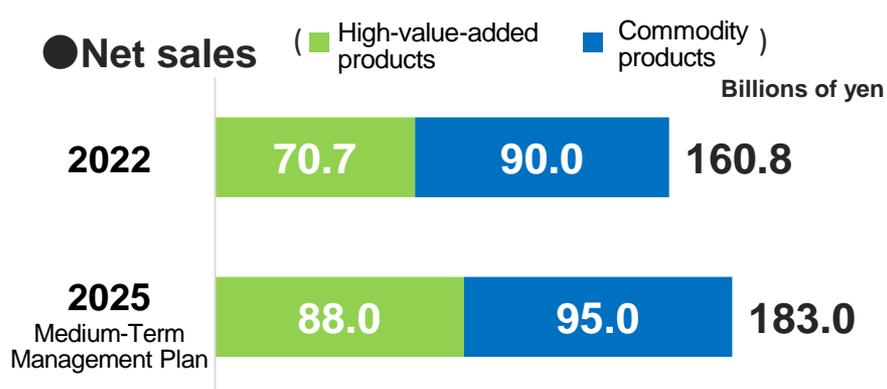
## Materiality – Business Foundation

	Evaluation Indicator	2022	2025 (Target)
<b>Contribution to a sustainable society</b>	<b>Reduction in GHG emissions (Compared to 2013)</b>	<b>(24%)</b>	<b>(35%)</b>
<b>Develop and utilize diverse talent pool</b>	<b>Ratio of women in managerial positions</b>	<b>3.4%</b>	<b>5.0%</b>
<b>Management indicators</b>	<b>EPS</b>	<b>101 yen</b>	<b>153 yen</b>
	<b>ROA (Ratio of ordinary profit to total assets)</b>	<b>6.3%</b>	<b>8.2%</b>
	<b>ROE (Ratio of net income to shareholders' equity)</b>	<b>6.1%</b>	<b>7.3%</b>

# Net Sales and Operating Income in 2025

(Unit: Billions of yen)	Net Sales		Operating Income	
	2022*	2025	2022*	2025
Commodity Chemicals	73.9	77.0	6.8	7.5
Polymer & Oligomer	35.8	43.0	4.2	6.5
Adhesive Material	11.1	15.0	(0.2)	1.0
Performance Chemicals	10.4	15.0	2.3	3.0
Plastics	27.7	31.0	1.7	3.0
Other	1.7	2.0	(0.5)	(1.0)
<b>Total</b>	<b>160.8</b>	<b>183.0</b>	<b>14.3</b>	<b>20.0</b>

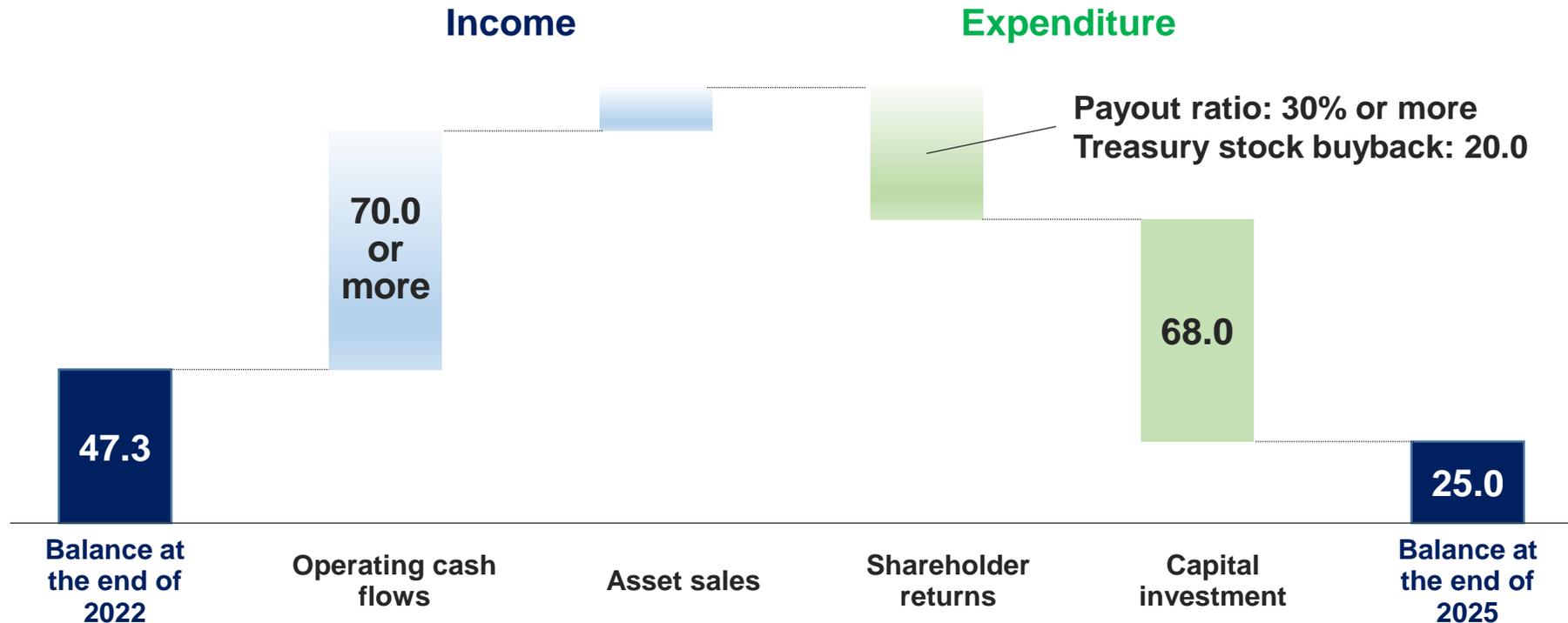
\*The figures for 2022 reflect the segment changes planned for 2023



	Action Plan	Target
Investment	<ul style="list-style-type: none"> <li>Reinforce manufacturing equipment for high-value-added products</li> <li>Expand R&amp;D equipment</li> <li>Develop infrastructure such as logistics facilities</li> <li>Invest in sustainability-related areas</li> </ul>	<p><b>Amount of cumulative investment from 2023 to 2025: 68 billion yen</b></p>
R&D	<ul style="list-style-type: none"> <li>Establish a research base in the Tokyo metropolitan area</li> <li>Collaborate with start-up companies</li> </ul>	<p><b>Amount of the increase in R&amp;D costs: +20%</b> (Compared to 2022)</p>
Overseas	<ul style="list-style-type: none"> <li>Expand overseas business structure such as by expanding in the U.S. and China in the semiconductor field and in Southeast Asia with instant glues</li> </ul>	<p><b>Amount of increase in overseas net sales: +30%</b> (Compared to 2022)</p>
DX	<ul style="list-style-type: none"> <li>Strengthen competitiveness through operational innovation and personnel training</li> </ul>	<p><b>Transformation of corporate culture</b></p>
Capital policy	<ul style="list-style-type: none"> <li>Introduce return on invested capital (ROIC) at an early stage</li> <li>Pay a stable dividend aiming for a payout ratio of 30%</li> <li>Buy back about 20 billion yen in treasury stock during the period of the new Medium-Term Management Plan</li> </ul>	<p><b>Return on equity (ROE) in 2025: 7.3%</b></p>

## ● Changes in our net cash balance (Billions of yen)

\* Net cash balance = Cash and equivalents – Interest-bearing debt



- Spend **proactively on capital investment** and **shareholder returns** to accelerate the pace of business development in Japan and overseas
- We expect our net cash balance to decrease from 47.3 billion yen at the end of 2022 to about 25.0 billion yen at the end of 2025

# Reference Materials

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# Sub-segment Year-on-Year Comparison of Net Sales (Commodity Chemicals Business)

Commodity Chemicals Business	Year-on-year Comparison		Reason for the Change
	FY2022 4Q (Accounting Period)	FY2022 1Q to 4Q (Cumulative Period)	
Inorganic chemicals	119%	113%	<ul style="list-style-type: none"> <li>• Sales volume decreased</li> <li>• There were sales price revisions due to an increase in raw material and fuel prices</li> </ul>
Acrylic monomers	103%	124%	<ul style="list-style-type: none"> <li>• Sales volume decreased</li> <li>• There were price revisions due to an increase in raw material and fuel prices</li> </ul>
Industrial gas	85%	81%	<ul style="list-style-type: none"> <li>• There were price revisions due to an increase in raw material and fuel prices</li> <li>• Unable to completely absorb the sales volume decrease</li> </ul>

\* We have applied the revenue recognition standards to net sales in this fiscal year

# Sub-segment Year-on-Year Comparison of Net Sales (Polymer and Oligomer)

Polymer and Oligomer Business	Year-on-year Comparison		Reason for the Change
	FY2022 4Q (Accounting Period)	FY2022 1Q to 4Q (Cumulative Period)	
Polymers	85%	93%	<ul style="list-style-type: none"> <li>Sales volume of products for automobile-related applications decreased</li> </ul>
Oligomers	99%	100%	<ul style="list-style-type: none"> <li>Sales volume of products for display-related applications decreased</li> <li>Net sales were on a par with the previous year due to the depreciation of the yen</li> </ul>
Flocculants	97%	114%	<ul style="list-style-type: none"> <li>Sales volume increased</li> <li>There were sales price revisions due to an increase in raw material and fuel prices</li> </ul>

\* We have applied the revenue recognition standards to net sales in this fiscal year

# Sub-segment Year-on-Year Comparison of Net Sales (Adhesive Materials)

Adhesive Materials Business	Year-on-year Comparison		Reason for the Change
	FY2022 4Q (Accounting Period)	FY2022 1Q to 4Q (Cumulative Period)	
Instant glue	101%	104%	<ul style="list-style-type: none"> <li>• Sales volume decreased</li> <li>• Net sales increased partly due to the depreciation of the yen</li> </ul>
Functional adhesives	96%	93%	<ul style="list-style-type: none"> <li>• Sales volume decreased due to the reduced production of smartphones</li> </ul>

\* We have applied the revenue recognition standards to net sales in this fiscal year

# Sub-segment Year-on-Year Comparison of Net Sales (Performance Chemicals Business)

Performance Chemicals Business	Year-on-year Comparison		Reason for the Change
	FY2022 4Q (Accounting Period)	FY2022 1Q to 4Q (Cumulative Period)	
Inorganic functional materials	132%	110%	<ul style="list-style-type: none"> <li>Sales volume of ion-trapping agents for electronic parts decreased</li> <li>Net sales increased due to the increase in sales volume of antimicrobial agents and deodorants</li> </ul>
High-purity inorganic chemicals	112%	105%	<ul style="list-style-type: none"> <li>Sales volume of products for semiconductors increased</li> </ul>

\* We have applied the revenue recognition standards to net sales in this fiscal year

# Sub-segment Year-on-Year Comparison of Net Sales (Plastics Business)

Plastics Business	Year-on-year Comparison		Reason for the Change
	FY2022 4Q (Accounting Period)	FY2022 1Q to 4Q (Cumulative Period)	
Piping equipment	99%	105%	<ul style="list-style-type: none"> <li>• There were sales price revisions due to an increase in raw material and fuel prices</li> </ul>
Nursing care products	104%	106%	<ul style="list-style-type: none"> <li>• New products such as rollators were strong</li> </ul>
Elastomer compounds	127%	114%	<ul style="list-style-type: none"> <li>• Sales volume of products for automobiles and medical use increased</li> </ul>

\* We have applied the revenue recognition standards to net sales in this fiscal year



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- The earnings forecasts include forecasts based on information available as of the date of the publication of this document. Actual results may differ to the figures contained herein due to various factors which may change in the future.
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