

Financial Results for 2Q FY2022



1. Toagosei's sales increased in the 2Q. However, income decreased due to the impact of soaring raw material prices. We will proactively strive to secure income by revising prices.
2. Toagosei is focusing on further expanding the growing sales and increasing profitability of products for semiconductor-related applications. We are doing this to achieve the operating income target in our Medium-Term Management Plan.

Date: Thursday, August 4, 2022
Presenter: Mikishi Takamura, President and Representative Director
Briefing document: Financial Results for 2Q FY2022
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The following is the manuscript for Toagosei's financial results briefing for the 2Q of FY2022 held on August 4, 2022.

Mikishi Takamura (below, "Takamura"): My name is Mikishi Takamura, President of Toagosei Co., Ltd. I would like to express my sincere gratitude to you for your support in various situations.

I would also like to thank you for participating in today's interim financial results briefing. I would now like to begin the presentation.

Overview of Results for 2Q FY2022



		2Q FY2021	2Q FY2022	Change	
Net sales	(Millions of yen)	74,164	77,977 [82,030]	3,813 [7,865]	5.1% [10.6%]
Operating income	(Millions of yen)	9,021	7,891 [7,922]	(1,129) [(1,098)]	(12.5%) [(12.2%)]
Operating income ratio		12.2%	10.1% [9.7%]	(2.0) [(2.5)]	—
Ordinary income	(Millions of yen)	9,840	9,387	(453)	(4.6%)
Net income attributable to owners of parent	(Millions of yen)	7,015	7,391	375	5.4%
Net income per share	(Yen)	54.76	59.36	4.6	—
Interim dividend [annual dividend]	(Yen)	17.0[36.0]	18.0[36.0]	1.0[0.0]	5.9%
Reference					
Average exchange rate	(Yen/USD)	¥106.69	¥119.55		
Average naphtha price	(Yen/d)	¥43,100	¥75,600		

* 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)

1

The table shows the financial results for the 2Q of FY2022. Please start by looking at the “2Q FY2022” column.

There was a change in the revenue recognition accounting standards from January 1 of this year. We calculated the figures in the parentheses from net sales to operating income based on the standards before the change. Please also look at them as reference. We have calculated the figures for the 2Q of FY2021 according to the standards before the change.

Net sales were 77,977 million yen. Net sales increased 5.1% by more than 3,800 million yen compared to the same period in the previous year. Operating income was 7,891 million yen. Operating income decreased 12.5% by more than 1,100 million yen on a monetary basis compared to the same period in the previous year. The operating income ratio was 10.1%. In addition, ordinary income was 9,387 million yen.

Net income attributable to owners of parent was 7,391 million yen. This increased because gains on sales of investment securities were larger than in the same period in the previous year in the extraordinary income section.

Net income per share was 59.36 yen. We paid an interim dividend of 18 yen as initially planned. We have also provided the average exchange rate and average naphtha price as reference.

As you know, most of our segments experienced increases in raw material prices. Net sales increased as we emerged from the COVID-19 pandemic. Nevertheless, the section equivalent to the cost price of raw materials and electricity bills rose significantly. That meant income decreased. Operating income decreased by more than 1,100 million yen on a monetary basis compared to the financial results for the 2Q of FY2021.

I will now give a breakdown of this. We usually divide effects into three: the volume effect, the unit cost effect and the fixed cost effect. The volume effect was down a little less than 600 million yen. We raised the sales unit prices in response to rising raw material prices. Accordingly, in total, the price difference was up a little less than 200 million yen. Moreover, the fixed cost effect was down 700 million yen. If we combine these three effects, the result is that operating income decreased a little less than 1,100 million compared to the same period in the previous year.

In addition to the rise in raw material prices, exchange rates were also greatly affected by a weaker yen in the first half of the year. I will now explain how exchange rate fluctuations affect our income.

We broadly divide the impact of exchange rates into two: foreign currency exchange gains/losses in the non-operating section and foreign exchange gains/losses in the operating section. As you will see later, we were able to record a gain of 770 million yen from the impact of the weaker yen in non-operating foreign exchange gains/losses.

On the other hand, in terms of the impact in the operating section, the amount of imports is larger than the amount of exports for our company. Accordingly, the weaker yen had a negative impact. Consequently, the amount of impact from the exchange rate on the operating section was minus 460 million yen. Adding this to the non-operating foreign exchange gains, we could record a gain of 310 million yen for the amount of impact on results from the weaker yen. I can say that the impact on both net sales and operating income was smaller than expected.

Another aspect of the impact of soaring raw material prices is that we also raised sales unit prices as I mentioned earlier when talking about the unit cost effect. As a result, the impact was up a little less than 200 million. This means we are absorbing the impact of rising raw material prices. In addition, we have calculated that the amount of impact from the rise in the naphtha price in the first half of the year was around slightly less than 5 billion yen. In that sense, I feel that the impact of price rises was extremely large.

<Business Environment>

- Supply chains were disrupted by the shortage of semiconductors and lockdowns in China. It was possible to see a trend for production adjustments in the automotive industry and electrical/electronic-related industries.
- Russia's invasion of Ukraine triggered a rise in raw fuel and resource prices.

<Financial Results for the 2Q FY2022>

- The volume of high value-added product shipments fell except for some semiconductor-related products. That was due to the impact of a decrease in production of automobiles and smartphones.
- We have been revising prices since last year for commodity products due to soaring raw fuel prices. Raw fuel prices continue to soar. Therefore, we will continue to revise prices to ensure profits.
- Sales increased and operating income decreased in the 2Q FY2022. However, we sold investments in securities. Accordingly, quarterly net income attributable to owners of parent increased by 375 million yen.

2

As I explained when talking about the overall figures, there were various trends in the economic environment in the 2Q. In addition to political movements such as Russia's invasion of Ukraine from around February this year, I really feel that there were various influential factors. In particular, in terms of the economy, the impact of semiconductor shortages, lockdowns in China and the slump in automobile production was extremely strong.

I earlier showed the decrease in operating income in figures. However, I will now give a brief explanation in qualitative terms by dividing that into commodity products and high-value-added products.

Some semiconductor-related high-value-added products continued to experience favorable shipments. Nevertheless, there were many negative factors. Those included the large impact on the production of smartphones and other electronic devices due to the slump in automobile production and lockdowns in China. As a result, the volume of shipments has decreased.

On the other hand, commodity products were greatly affected by the soaring raw fuel prices. However, we believe we have been able to absorb the impact of that by continuing to revise the price of our products since last year. Accordingly, income from commodity products was generally up.

In this way, I feel I have shown that the situation for commodity and high-value-added products was slightly different in the operating section. Furthermore, non-operating income/losses include exchange gains. There was also a gain from the sale of

investment securities in extraordinary income/ losses. These were the factors behind the increase in income.

Consolidated Results (by Segment)



(Millions of yen)

Net sales	2Q FY2021	2Q FY2022	Net sales when not applied	Volume	Unit price	Change B-A	Change when not applied C-A
	A	B	C				
Commodity Chemicals	32,883	35,178	36,244	(1,197)	3,492	2,294	3,360
Polymer & Oligomer	16,486	18,000	19,197	586	924	1,513	2,710
Adhesive Material	5,491	5,430	5,672	(115)	55	(60)	180
Performance Chemicals	4,750	4,983	4,978	117	115	233	228
Plastics	12,692	13,708	14,064	409	607	1,016	1,372
Other/adjustments	1,859	675	1,872	(1,183)	0	(1,183)	13
Total	74,164	77,977	82,030	(1,383)	5,196	3,813	7,865

* We are applying the revenue recognition standards from FY2022.

(Millions of yen)

Operating income	2Q FY2021		2Q FY2022		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	3,759	11.4%	3,863	11.0%	103
Polymer & Oligomer	2,689	16.3%	2,300	12.8%	(389)
Adhesive Material	699	12.7%	59	1.1%	(640)
Performance Chemicals	1,260	26.6%	1,145	23.0%	(115)
Plastics	706	5.6%	812	5.9%	105
Other/adjustments	(95)	—	(289)	—	(193)
Total	9,021	12.2%	7,891	10.1%	(1,129)

* Figures after applying the revenue recognition standards.

I will now talk about trends in terms of income in particular by segment. The top table on this slide shows net sales while the table at the bottom gives operating income.

Let's look at the operating income section. By segment, the two segments of commodity chemicals and plastics saw an increase in both sales and income. On the other hand, although sales increased in the polymer & oligomer and performance chemicals segments, income decreased. Moreover, the adhesive material segment experienced a drop in sales and income.

Let's take a closer look. In the commodity chemicals segment, although there was a part to which the effect of price rises contributed, the negative factor of reduced production of automobiles had a major impact in terms of volume. On the other hand, the Asian market conditions continued to be strong. Therefore, the results of our Toagosei Singapore associated company ended with an increase in both sales and income. Accordingly, the segment overall posted an increase in sales and income.

There was a big impact from the reduction in shipments of acrylic polymers related to products for automobiles in the polymer & oligomer segment. Semiconductor-related products for ink and electronic products in relation to acrylic oligomers was strong. That meant sales and income also increased in this segment. Polymer flocculants are also included in this segment. We took over the sales business from another company last year. Its net sales increased. Meanwhile, sales cost prices and variable costs rose. Consequently, operating income only increased slightly.

Stay-at-home demand due to COVID-19 has somewhat calmed down in the adhesive material segment. Therefore, the sales volume of instant glues for consumer use decreased. The production of automobiles and electronic devices in particular decreased, so sales volume also fell for functional adhesives. The effect of that combined led to a decrease in sales and income.

Net sales of inorganic functional materials were on a par with that in the previous year in the performance chemicals segment. Although sales of high-purity inorganic chemicals for semiconductor applications exceeded those of the previous year, the increase in depreciation costs due to investment resulted in an increase in the sales, but a decrease in income over the entire segment.

The price of PVC raw materials rose for piping materials in the plastics segment. Accordingly, we proceeded with robust price revisions. As a result, both sales and income increased. Life support and elastomer-related products were affected by soaring raw material prices, so income fell.

Overview of Consolidated Subsidiaries (Results for 2Q FY2022)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			2Q FY2021	2Q FY2022	2Q FY2021	2Q FY2022	2Q FY2021	2Q FY2022
1 Toa Techno-Gas	Commodity Chemicals	100	2,257	1,718 [2,265]	296	63	215	80
2 Toagosei Singapore	↓	100	2,246	2,947	548	903	542	911
3 MT Ethylene Carbonate	↓	90	258	389	2	4	2	4
4 MT AquaPolymer	Polymer & Oligomer	51	5,536	6,992 [7,649]	277	282	201	250
5 Taiwan Toagosei	↓	100	744	1,001	61	118	55	106
6 Tea-Jet Chemical	↓	51	929	1,245	57	33	28	13
7 TDA-DIC Zhangjiagang Chemical	↓	90	1,054	1,049	91	10	72	(6)
8 Toagosei (Thailand)	↓	100	1,333	1,089	102	(8)	51	(17)
9 Toagosei America	Adhesive Material	100	762	907	1	(13)	84	57
10 Arco Packaging	↓	100	122	130	(1)	3	(1)	2
11 Toagosei Hong Kong	↓	100	144	135	14	10	13	10
12 Toagosei (Zhuhai)	↓	100	261	304	1	(34)	0	(28)
13 Aronkasei	Plastics	100	12,763	12,780 [13,706]	847	890	435	512
14 Aronkasei (Thailand)	↓	100	57	285	(155)	(92)	(160)	(98)
15 TDA Kogyo	Other	100	511	558	(20)	(10)	(17)	(10)
16 Toa Business Associe	↓	100	1,224	1,028 [1,106]	37	(26)	24	(27)
17 TG Corporation	↓	100	5,965	629 [8,487]	200	175	140	124
18 Toa Logistics	↓	100	271	282	13	9	9	6
Simple aggregation			36,437	33,328	2,371	2,317	1,671	1,689

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

4

The table on this slide shows the income/loss of each of our associated companies. I will talk about only the main ones here.

Toa Techno-Gas, first in the table, was especially affected by the rise in raw material prices. Nevertheless, Chubu Liquid Oxygen, which produces the raw materials of oxygen and nitrogen, underwent major maintenance. That led to an accumulation of variable costs and a resulting reduction in income.

As I described earlier, Toagosei Singapore, second in the table, saw an increase in sales and income due to the continued tightening of market conditions.

Taiwan Toagosei, fifth in the table, experienced an increase in sales and income because of strong semiconductor-related products.

Toa-Jet Chemical and TOA-DIC Zhangjiagang Chemical are sixth and seventh in the table respectively. The lockdown in the Shanghai district of China continued to be in effect. Fortunately, Zhangjiagang Chemical was able to escape the lockdown. However, the problems in terms of transportation and the failure of raw materials to arrive truly had a massive impact. Furthermore, income fell as raw material prices also increased.

Toagosei Thailand, eighth in the table, suffered a significant decrease in income as the decrease in the production of automobiles had a significant effect.

Unfortunately, Toagosei America, ninth in the table, fell into the red in the 2Q this year in the operating income stage. I will describe the contents of that in a little more detail. Its main adhesives-related business saw an increase in sales and income for both consumer and industrial use. Its products for household use have struggled greatly after being overpowered by rivals. Nevertheless, the company is seizing the impetus for recovery and so its income is increasing. In addition, although there was a deficit with its products for industrial use, it has significantly reduced the extent of that.

The operating income is in the red. In addition to that factor, the company has set up a structure whereby it imports acrylic oligomers from Toagosei in Japan and then sells them to its customers in America. It increased its local sale staff from January of this year, so its fixed costs increased. That led to a slight negative.

That concludes my rough explanation of the overview of our consolidated subsidiaries.

Consolidated Statement of Income
(Non operating Income/Expenses and Extraordinary Income/Losses)



[Non-operating income/expenses] (Millions of yen)				[Extraordinary income/losses] (Millions of yen)			
	2Q FY2021	2Q FY2022	Change		2Q FY2021	2Q FY2022	Change
Interest and dividend income	600	625	24	Gain on sales of investment securities	-	1,000	1,000
Equity in earnings of affiliates	117	136	19	Subsidy income	26	283	256
Foreign currency exchange gains	30	769	738	Loss on disposal of non-current assets	(88)	(380)	(291)
Rent income on non-current assets	130	108	(22)	Loss on valuation of investment securities	-	(112)	(112)
Miscellaneous income	141	109	(32)	Total	(62)	791	854
Interest expenses	(48)	(41)	6				
Inactive facilities expenses	(16)	(12)	3				
Environment readiness fee	(47)	(166)	(118)				
Miscellaneous Expenses	(89)	(32)	57				
Total	819	1,495	676				

•Equity in earnings of affiliates (Breakdown) (Millions of yen)				•Exchange rate			
	2Q FY2021	2Q FY2022	Difference		Dec. 31, 2021	Mar. 31, 2022	Jun. 30, 2022
Elmer's & Toagosei	104	116	11	Yen/USD	114.95	122.39	136.68
Chubu Liquid Oxygen	13	20	7	Yen/THB	3.44	3.68	3.85
Total	117	136	19				

5

I would now like to talk about non-operating income/expenses and extraordinary income/losses. The largest non-operating item was foreign currency exchange gains. This was as a result of the impact from the yen's depreciation on dollar deposit-related items, dollar-denominated sales and Thai baht-denominated loans for an associated company. Accordingly, income increased.

We have been systematically promoting the sale of investment securities. That led to the extraordinary income/losses you can see up the 2Q.

Consolidated Balance Sheet



				(Millions of yen)			
	Dec. 31, 2021	Jun. 30, 2022	Change		Dec. 31, 2021	Jun. 30, 2022	Change
Current assets	145,168	143,513	(1,655)	Total liabilities	52,343	56,574	4,231
Cash and deposits (1)	52,457	45,912	(6,545)	Notes and accounts payable (2)	18,391	21,459	3,067
Notes and accounts receivable	48,456	48,630	173	Bank loans	11,207	11,135	(72)
Securities (1)	23,000	20,000	(3,000)	Accrued income taxes	3,728	2,510	(1,218)
Inventories (2)	19,387	24,314	4,926	Other liabilities	19,015	21,469	2,454
Other current assets	1,867	4,656	2,789				
Fixed assets	113,787	124,356	10,569	Total net assets	206,612	211,296	4,683
Property, plant and Equipment (3)	78,193	89,301	11,107	Shareholders' equity	189,396	193,080	3,683
Investment securities	28,722	27,501	(1,221)	Accumulated other comprehensive income	12,367	13,273	905
Other fixed assets	6,870	7,554	683	Non-controlling interests	4,848	4,942	94
Total assets	258,955	267,870	8,914	Total liabilities and net assets	258,955	267,870	8,914

- (1) Decreased with the purchase of land for Kawasaki Plant (marketable securities: negotiable deposit)
- (2) Increased due to a rise in raw material prices
- (3) Increased with the purchase of land for Kawasaki Plant

Net worth ratio	77.9%	77.0%	(0.9P)
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6

I will describe the sections where there has been significant movement for the balance sheet. The “property, plant and equipment (3)” item on the consolidated balance sheet increased 11,100 million yen. Kawasaki Plant was previously stood on leased land, but we purchased that land with the idea of using it for various businesses in the future. As a result, the property, plant and equipment item increased greatly.

Moreover, with the impact of the rise in raw material prices, the “inventories (2)” item increased slightly less than 5,000 million yen. The shareholders’ equity ratio fell slightly due to the large increase in inventories with respect to total assets on the balance sheet.

Consolidated Cash Flow Statements



(Millions of yen)

		2Q FY2021	2Q FY2022	Change
Cash flows from operating activities	A	13,591	11,190	(2,400)
Cash flows from investment activities	B	(13,283)	(9,270)	4,013
Free cash flow	C=A+B	307	1,919	1,612
Cash flows from financial activities	D	(2,276)	(6,147)	(3,870)
Other	E	304	703	398
Net increase or decrease in cash and cash equivalents	F=C+D+E	(1,664)	(3,523)	(1,859)
Cash and cash equivalents at end of the period	G	42,135	42,980	844

7

This slide shows the cash flow statements. The matters I have told you about so far affect the cash flows of operating activities, investment activities and financial activities. Cash flows from operating activities decreased by 2,400 million yen. That was due to an increase in inventories and corporation tax payments.

Cash flows from investment activities were the payments of the costs relating to the purchase of land I mentioned earlier.

Moreover, cash flows from financial activities were 3,500 million yen when combining acquisition and payment of treasury stock up to the 2Q. Cash flows from financial activities this year were significantly in the negative. That was due to the acquisition of only a small amount of treasury stock in the same period in the previous year.

A sense of uncertainty about the future remains. That is due to Russia's invasion of Ukraine, supply chain disruptions, and soaring raw fuel and resource prices. Severe conditions are expected to continue.

We will continue proactive activities to secure profits toward achievement of the operating income target in the medium term plan despite concerns about an economic slowdown

- 1. We will strive to secure profits through flexible pricing in view of raw fuel prices and product market conditions**
- 2. We will focus on further sales expansion and profitability improvement for various products with increasing sales for the semiconductor related market**
- 3. We will continue share buybacks in the second half of FY2022**

8

This slide gives our challenges in the second half of the year. Some manufacturers have made announcements of a recovery from the decrease, in other words stagnation, in automobile production in the first half of the year. Nevertheless, there are concerns about the extent to which automobile production will increase. We also believe that the soaring raw material prices around the world will continue in the future.

There have been lockdowns in China due to COVID-19 up to this 2Q. The lockdown has now been lifted in Shanghai. Nevertheless, while not as large as in Shanghai, a lockdown just recently started in Wuhan and other cities. The GDP growth rate has slumped and economic activities also remain stagnant. Therefore, there are concerns about further impacts appearing in the Chinese economy in the future.

With such events in mind, we will reliably revise prices in response to the rise in raw material prices. This will broadly be the same as in the first half of the year, but it will also include high-value-added products in addition to commodity products. In addition, although development is proceeding smoothly now, I want us to not lose focus on that and to increase sales and improve profitability in relation to the shipment of high-value-added products.

We bought back about 130 million yen in our own shares in the first half of the year. Furthermore, we plan to buy just under 300 million yen in our own shares in the second half of the year. We are proceeding as planned with this.

Comparison with 2022 Medium-Term Management Plan

	2Q FY2022 Results		FY2022 Forecast		FY2022 MTP Targets
	After Applying the Revenue Recognition Standards	Before Applying the Revenue Recognition Standards	After Applying the Revenue Recognition Standards	Before Applying the Revenue Recognition Standards	
Net sales	77.9 billion yen	82.0 billion yen	160.0 billion yen	173.7 billion yen	163.0 billion yen
Operating income (operating income ratio)	7.8 billion yen [10.1%]	7.9 billion yen [9.7%]	17.0 billion yen [10.6%]	17.0 billion yen [9.8%]	17.0 billion yen [10.4%]
EBITDA	13.2 billion yen	-	27.5 billion yen	-	27.0 billion yen
High-value-added products sales ratio	44.7%	44.4%	43.9%	42.4%	47%
Capital investment (approval basis)	FY2020: 11.8 billion yen FY2021: 24.9 billion yen	-	32.3 billion yen	-	(MTP cumulative) 44.0 billion yen
Overseas net sales (as percentage of net sales)	15.4 billion yen [19.8%]	15.9 billion yen [19.4%]	32.2 billion yen [20.1%]	33.2 billion yen [19.7%]	32.5 billion yen [20%]
Earnings per share (EPS)	59.36 yen	-	105.38	-	106 yen
Return on assets (ROA)	3.6%	-	7.06%	-	7.0%

12

This slide shows the results forecast for FY2022. We also give our FY2022 Medium-Term Management Plan targets on the right side of the slide.

We plan to achieve net sales of 160.0 billion yen and operating income of 17.0 billion yen in FY2022. Looking at trends in operating income up to the 2Q for our operating income forecast of 18.0 billion yen at the start of the year, we have determined it will be difficult in the second half of the year to recover all the shortfall from the first half of the year. Accordingly, we have reduced our forecast by 1.0 billion yen from the figures we announced in February 2022 to operating income of 17.0 billion yen.

In addition, although not shown on this slide, we expect final income for the year to be 13.0 billion yen. Please look at the Medium-Term Management Plan targets at the far-right. We have already achieved, or are looking good to achieve, many of the items. We will be able to achieve some of these targets in a little more time.

We think we will end FY2022 greatly exceeding the Medium-Term Management Plan targets for EBITDA and capital investment in particular. We also believe we will be able to achieve our Medium-Term Management Plan target for return on assets (ROA).

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	Set a target of "2050: carbon neutrality" <ul style="list-style-type: none"> • By 2030: Greenhouse gas (GHG) emissions 50% of 2013 level (215,000 tons) • By 2050: Carbon neutrality (1) Items Started <ul style="list-style-type: none"> • Started considering the introduction of biomass gasification power generation • Started considering utilization of carbon neutral steam from Yokohama waste incinerators • Started a survey to consider introducing small hydropower (2) Future Plans <ul style="list-style-type: none"> • Survey solar power generation installable areas and size in each business establishment • Consider measures to utilize hydrogen
	Dec. 2021	Donated to the Children's Future Support Fund and the Ashinaga Foundation
	Jan. 2022	Acquired the platinum rating in the 2022 EcoVadis Sustainability Assessment
	Mar. 2022	Certified as a Health and Productivity Management Organization 2022 "White 500"
	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

19

I will now talk about topics that include qualitative aspects. Slides 19 and 20 summarize and list in chronological order our ESG-related initiatives in our Medium-Term Management Plan including those from around 2019 when we formulated the plan.

Let's start with environmental (E) and social (S). We set a target last year for carbon neutrality. We will aim to reduce carbon dioxide emissions by 2030 to 50% of the 2013 level. We will then look to achieve carbon neutrality by 2050. We are making steady progress on keeping down carbon in various items this year. I think I will be able to explain our progress in that area in a little more detail when we announce our financial results at the end of the year.

In addition, we have been certified as a Health and Productivity Management Organization. We have also worked in close cooperation with local governments. These initiatives include the effective use of waste incinerator heat with Yokohama City and the opening of a hydrogen station with the support of the local government in Tokushima.

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	Revised the Toagosei Group Basic Policy on Corporate Governance <ul style="list-style-type: none"> • Aim for improved shareholder returns as follows: consolidated payout ratio of about 30% consolidated total shareholder returns of about 50% • 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% • Promotion of disclosures in English: Disclosed the full text of financial statements (from FY2021)
	Apr. 2022	Transitioned to the Prime market on the Tokyo Stock Exchange

20

Let's turn to governance (G). We introduced a restricted share remuneration system for Directors in 2020. We also revised the Toagosei Group Basic Policy on Corporate Governance in 2021. We are working on shareholder return measures and a reduction of our cross shareholdings in line with this revision.

Those are our main ESG initiatives over the last three to four years.

Consolidated Results Forecast for FY2022



(Millions of yen)

	FY2021 Results (A)	1H FY2022 Results	2H FY2022 Forecast	Revised FY2022(B)	Change (B-A)
Net sales	156,313	77,977	82,023	160,000	3,687
Operating income	17,676	7,891	9,109	17,000	(676)
Operating income ratio	11.3%	10.1%	11.1%	10.6%	(0.7%)
Non-operating income/expenses	1,306	1,495	4	1,500	193
Ordinary income	18,983	9,387	9,112	18,500	(483)
Extraordinary income (loss)	(181)	791	(1,691)	(900)	(718)
Income before income taxes (a)	18,801	10,178	7,421	17,600	(1,201)
Income taxes (b)	(4,821)	(2,658)	(1,741)	(4,400)	421
Tax rate (b)/(a)	25.6%	26.1%	23.5%	25.0%	(0.6%)
Net income attributable to non-controlling interests	(208)	(129)	(70)	(200)	8
Net income attributable to owners of parent	13,771	7,391	5,609	13,000	(771)
Dividend (Yen)	36	18	18	36	0
<Reference>					
Average exchange rate (Yen/USD)	¥108.99	¥119.55	¥130.00	¥124.77	
Naphtha price (Yen/lit)	¥50,175	¥75,600	¥80,000	¥77,800	

Note1: Change of 1,000 yen in naphtha price per lit 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 -140 million yen on the Company's performance.

Note2: We are applying the revenue recognition standards from FY2022.

10

This slide shows the detailed numbers of our results forecast. We expect net sales of 160,000 million yen, operating income of 17,000 million yen and ordinary income of 18,500 million yen. We believe net income attributable to owners of parent will be 13,000 million yen. In addition, we plan to pay a year-end dividend of 18 yen to make an annual dividend of 36 yen.

Consolidated Results Forecast for FY2022 (by Segment)

Net sales (Millions of yen)

	FY2021 Results	FY2022 Forecast		Change	Change without Accounting standard application	Factors for change B-A
		After Applying the Revenue Recognition Standards	Before Applying the Revenue Recognition Standards			
	A	B	C	B-A	C-A	
Commodity Chemicals	70,312	74,200	76,330	3,888	6,018	(Increase) Acrylic monomer, electrolytic products
Polymer & Oligomer	34,904	35,400	37,794	496	2,890	(Increase) Acrylic oligomer, flocculants
Adhesive Material	11,336	11,800	12,282	464	946	(Increase) Instant glues
Performance chemicals	9,779	10,400	10,408	621	629	(Increase) High purity inorganic chemicals
Plastics	26,131	27,200	27,910	1,069	1,779	(Increase) Piping equipment, nursing care products and elastomer compounds
Other	3,847	1,000	3,892	(2,847)	45	
Total	156,313	160,000	168,616	3,687	12,303	

* We are applying the revenue recognition standards from FY2022.

* On July 28, we revised the forecast figures that we announced on February 10.

Operating income

	FY2021 Results		FY2022 Forecast		Change	Factors for change
Commodity Chemicals	7,992	11.4%	8,420	11.3%	428	(Increase) Acrylic monomer
Polymer & Oligomer	5,276	15.1%	5,100	14.4%	(176)	(Decrease) Acrylic polymer
Adhesive Material	845	7.5%	50	0.4%	(795)	(Decrease) Functional adhesives
Performance Chemicals	2,449	25.0%	2,400	23.1%	(49)	(Decrease) High purity inorganic chemicals
Plastics	1,433	5.5%	1,460	5.4%	27	(Increase) Piping equipment
Other	(319)	-	(430)	-	(111)	
Total	17,676	11.3%	17,000	10.6%	(676)	

* Figures after applying the revenue recognition standards.

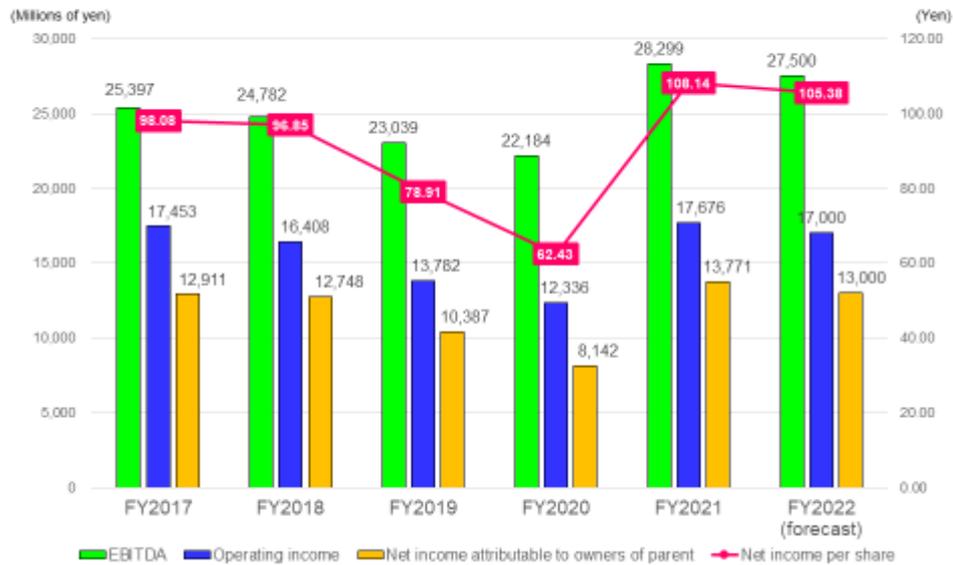
11

We give our results forecast by segment for the second half of the year divided between net sales and operating income here. We expect sales and income will continue to increase in the second half of the year and the full-year in the commodity chemicals and plastics segments. We forecast an increase in sales but a decrease in income in the polymer & oligomer, performance chemicals and adhesive material segments for the year.

We will continue to proactively adjust prices for commodity chemicals and piping equipment. We predict a significant recovery in the shipment of automobile-related products such as acrylic polymers from the first half of the year.

In terms of adhesive material-related products, we think it is going to take some time to see a recovery in functional adhesives for smartphones. That is because we have already seen the appearance of forecasts for a reduction in the number of smartphones that will be produced.

Trends in Consolidated Results



13

This slide concerns trends in consolidated results. It indicates the trends in EBITDA, operating income and net income from 2017. We expect the amount of EBITDA to decrease slightly by the amount of the decrease in operating income.

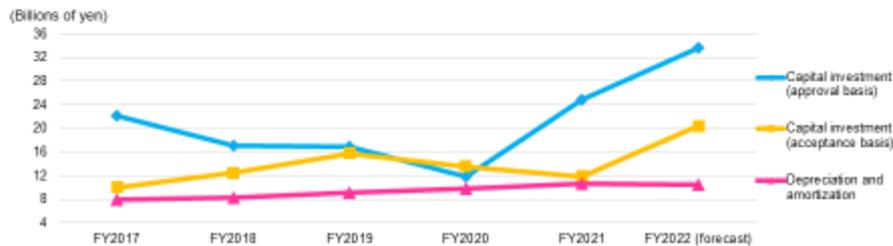
Reference for Consolidated Performance



(Billions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (forecast)
Capital investment (acceptance basis)	10.0	12.5	15.8	13.6	11.9	20.4
Capital investment (approval basis)	22.1	17.0	16.9	11.8	24.9	32.3
Depreciation and amortization	7.9	8.3	9.2	9.8	10.6	10.5
Research and Development expenses	3.7	3.6	3.7	4.0	4.3	4.8
Overseas sales	24.2	24.5	22.6	22.1	29.0	32.2 [33.2]
Overseas sales ratio (%)	16.7	16.4	15.6	16.6	18.6	20.1 [19.7]
Interest-bearing debt	12.1	11.6	11.5	11.3	11.2	11.0

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



14

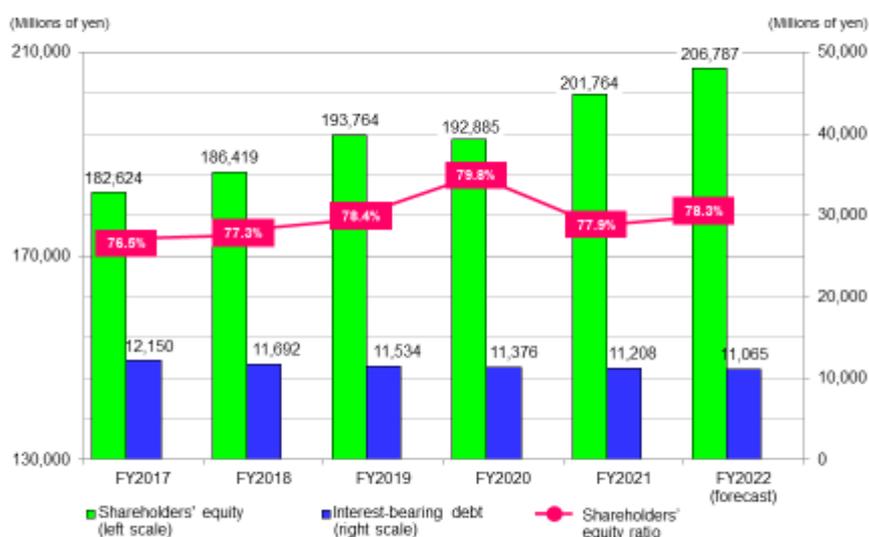
This slide shows the trends in capital investment, depreciation and amortization, and research and development expenses. It also gives the forecast for this year.

We are continuing to actively conduct capital investment. The “acceptance basis” given in the table refers to the capital investment stated in the securities report. Meanwhile, the “approval basis” in the second row indicates the capital investment approved in that year. We provide it because it is often used when controlling capital investment in-house.

Depreciation and amortization continue to remain high. We are using research and development expenses to enhance high-value-added products. Accordingly, we are also continuing to increase this amount. The contents are the research-related labor costs and the research equipment-related depreciation and amortization.

We expect an increase in overseas net sales in Singapore and Thailand. That means we anticipate a further increase in overseas net sales this year compared to the previous year.

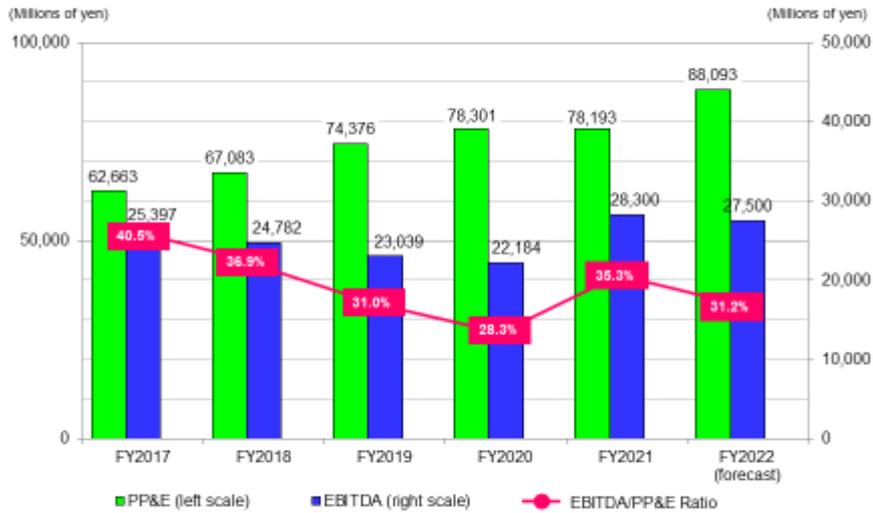
Reference Trends for Consolidated Performance



15

This slide indicates the trends for shareholder’s equity as reference figures for consolidated performance other than what I have mentioned before.

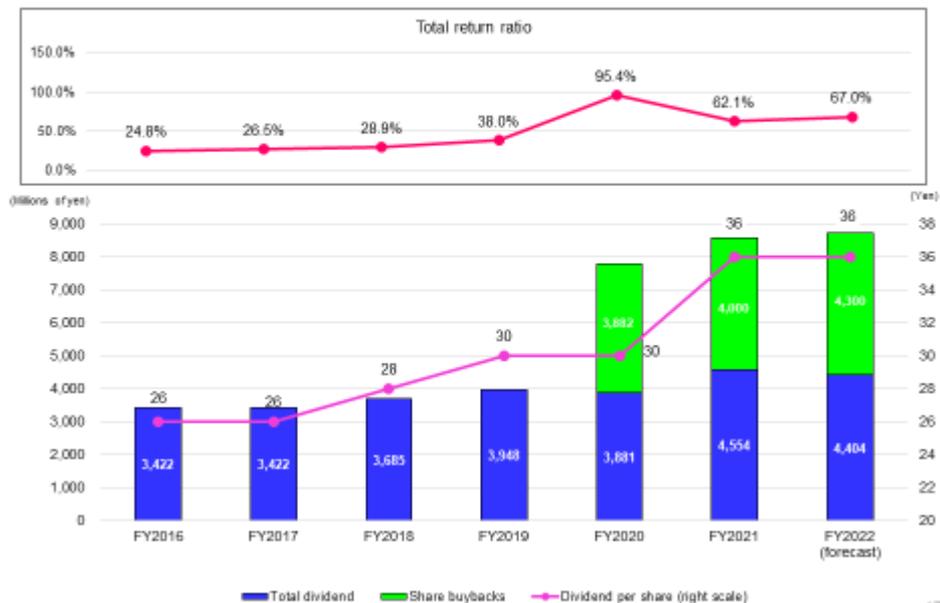
EBITDA/PP&E Ratio Trends



16

We also give the EBITDA and PP&E ratio on this slide. The amount of EBITDA is increasing. However, the denominator may become even larger due to the purchase of PP&E and land in Kawasaki. Accordingly, the EBITDA/PP&E ratio is expected to slightly decrease this year.

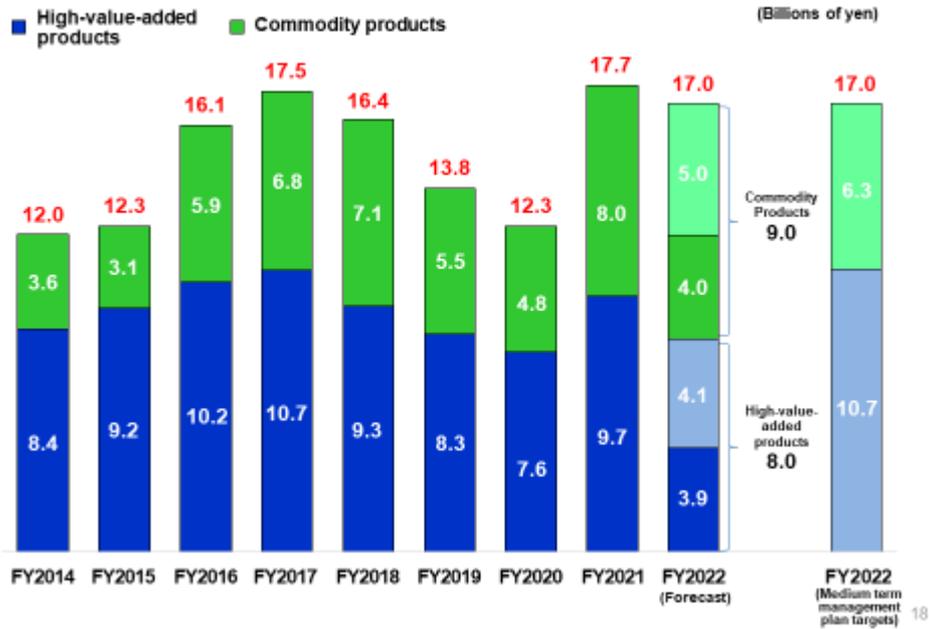
Shareholder Return Trends



17

This slide indicates dividends and the total return ratio. We believe that these will remain at almost the same level as 2021 in 2022.

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



This slide shows the trends for commodity products and high-value-added products as a breakdown of operating income.

We expect operating income in 2022 will be slightly down over the year compared to the previous year. However, looking at the contents, I believe we will see a steady rise in income with commodity products. On the other hand, sales of functional materials that we have been focusing on in various ways have been disappointing. Accordingly, we will see a reduction in income compared to the previous year for high-value-added products.

That concludes my talk about results up to the 2Q and the annual forecast including the second half of the year.

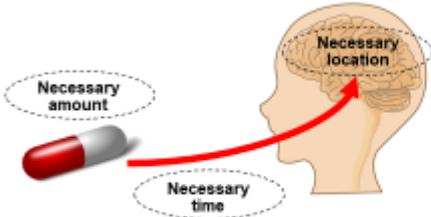
Drug Delivery System
(DDS)

We have developed the NUCLEROLARON® cellular membrane permeable peptides suitable for DDS in systems that deliver drugs to targeted cells.

Features

- Can deliver drugs to inside the brain.
- It is cellular membrane permeable. Therefore, it is possible to deliver drugs into the nucleus.

Example: Delivers anticancer drugs and therapeutic agents to brain cells



***Drug delivery system:**
This refers to drug delivery technology that delivers drugs administered to the body at the necessary time, to the necessary location and at the necessary amount.

Conceptual Drawing of the DDS

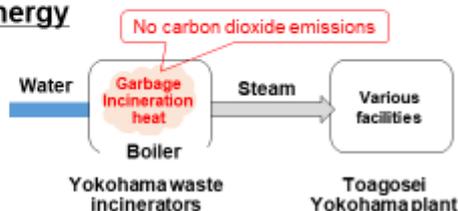
21

Next, we have prepared some materials as topics. I will explain about the drug delivery system (DDS) on which I have also been focusing a lot of my attention. We have been conducting research in the Institute for Advanced Sciences in Tsukuba, Ibaraki since a long time ago as a way to appropriately deliver therapeutic agents and other drugs to the parts of the body that need them.

We have developed a DDS that uses cellular membrane permeable peptides. We are close to turning this system into a product. These cellular membrane permeable peptides are called NUCLEROLARON®. We have registered them as a trademark. We are now strengthening development in cooperation with a pharmaceutical manufacturer.

Effective Use of Thermal Energy

We have started jointly considering with Yokohama City the effective use of steam in Yokohama Plant generated from garbage incineration heat with no carbon dioxide emissions.



Nagoya Plant Distribution Center

We began construction on a distribution center which we will also rent to external parties in addition to consolidating warehouses used inside and outside of Nagoya Plant. (Construction is scheduled to be completed in 2024.) We will expand profits by obtaining rental income in addition to strengthening our supply chain.



Conceptual Drawing of the Completed Distribution Center

22

This topic is related to ESG. We are examining whether we can effectively utilize the steam of waste incinerator plants in Yokohama adjacent to our Yokohama Plant in the plant as thermal energy.

Moreover, we have started building a large-scale distribution center in the south plant of our Nagoya Plant. We have been renting external warehouses nearby in addition to our warehouses on the premises up to now. However, we will consolidate them into our new distribution center in the future. Moreover, we have started construction on a large distribution warehouse so that distributors can also use the remaining space in the building.

Hydrogen Station Tokushima

We held the opening ceremony on April 15 and officially started operation together with the Toagosei H2 Hydrogen Shuttle mobile hydrogen station. This is hydrogen station with a direct connection to manufacturing and supply that provides hydrogen manufactured in the adjacent Tokushima Plant. This means it is possible to supply hydrogen at low cost.



Hydrogen Station Tokushima



Opening Ceremony



H2 Hydrogen Shuttle

23

We have completed Toagosei Hydrogen Station Tokushima on land adjoining our Tokushima Plant in an attempt to effectively utilize the hydrogen we manufacture. We held the opening ceremony in April of this year. We have posted related photographs at the bottom of the slide.

◆ Aron Alpha Tough Power Now on Sale

We have improved water and heat resistance compared to existing products and made the container easier to use.



Can be used immediately after removing the cap. Open in one step!



We use elastomers to make it easy to control the liquid volume!



The TV commercial featuring the gold medalist Aaron Wolf is also popular.



アロンアルファ タフパワー



アロンアルファ タフパワー

24

We newly launched Tough Power as an expansion of our Aron Alpha instant glue series at the end of the previous year. We are now advertising it in various places. In

addition, we plan to hold workshops in various places for students and children in the summer holidays.

I would appreciate it if you could remember that we have launched the Tough Power product in an even easier-to-use form.

That concludes my explanation.

Question 1 – Slump in the Adhesive Materials Business

Moderator: The question is as follows: “There continues to be a slump in the adhesive materials business. It appears this is also partly a result of an adverse effect from a reduction in automobile production. What are your thoughts on this?”

Takamura: I appreciate your concerns about the extremely low income in the adhesive materials segment. I divide this segment into two when thinking about it: instant glues and functional adhesives other than instant glues. We are taking various measures on instant glues for both consumer and industrial use.

We maintain an extremely robust share of the instant glues for consumer use market in Japan. Nevertheless, as I mentioned earlier, the increase in shipments due to the impact of staying at home because of COVID-19 in the year before last is now falling off a little. Unfortunately, industrial instant glues have been affected by the reduction in the number of automobiles produced.

We have made upfront investment to expand sales of instant glues for consumer use overseas in China, Thailand and the Philippines. We have been spending a lot on advertising expenses. Therefore, although we will regrettably be in the red for the time being, we would like to also consider the Chinese market to secure a certain share of the market there.

Adhesive materials include functional adhesives other than instant glues. We had an adhesive that was used in the MIRAI hydrogen fuel cell vehicle in the previous year. Unfortunately, however, that product has also been affected by the fact the number of vehicles shipped has not increased. We are steadily proceeding with development on electric vehicle battery adhesives other than that. Nevertheless, the number of vehicles being produced is still currently low in Japan and elsewhere. We would like to increase our cooperative relationships with various battery manufacturers to further expand sales of these products.

We also have functional adhesive products for smartphones and electromagnetic shielding materials in addition to those for automobiles. Nevertheless, these products were also greatly affected by the reduction in the number of smartphones shipped in the first half of the year.

Looking at the situation calmly, I do not believe we have been overtaken by other companies due to a lack of development capabilities. Therefore, I think that we will eventually be able to recover.

You may be wondering if we are OK if you make a comparison to the time when we had an extremely large operating income of approximately 2.0 billion yen a year in our adhesives-related business. However, the Takaoka Creation Laboratory is also extremely active for our company. Furthermore, we are working to expand our overseas market share. Accordingly, I would appreciate it if you could look at this from a medium-term perspective.

Question 2 – The Next Medium-Term Management Plan

Moderator: The question is as follows: “I believe discussions are progressing toward the next Medium-Term Management Plan. What kind of targets will you set to enhance corporate value?”

Takamura: As you have pointed out, we are now holding discussions in each department in our company about the next Medium-Term Management Plan. We are currently attempting to compile the figures. As before, each segment is setting targets and we are also formulating targets that include those which cannot be measured in numbers in indirect departments. Examples of those are various rationalization measures, governance strengthening measures and measures for SDGs.

We have an extremely robust financial structure. However, we are currently considering whether we can respond even more flexibly than before with respect to our capital policy that has been the subject of identifications by analysts and investors in various situations. We are also thinking that we would like to make a plan with full consideration for shareholder return measures while looking to ensure capital investment, working capital for emergencies and surplus funds.

Question 3 – Balance Sheet and Cash Allocation in the Next Medium-Term Management Plan

Moderator: The question is as follows: “You are steadily buying back your own shares. Are you continuing to hold discussions on the balance sheet and cash allocation in the next Medium-Term Management Plan?”

Takamura: As I mentioned earlier, we would like to focus on KPIs including capital investment such as EBITDA in addition to an income base in business operation terms in the future.

I expected to receive questions about ROE, ROA, ROIC and other indicators. In terms of consistency or what percentage to make the targets, in the end, I think that business will go well, so there will be both an ample amount of income and shareholder returns.

While being fully aware of that, we want to think of ROIC as an indicator we will pay close attention to in the future.

Question 4 – Concept of Return on Investment in the Next Medium-Term Management Plan

Moderator: The question is as follows: “You have made investments upfront up to now. What are your thoughts on the return on investment you have made so far in the next Medium-Term Management Plan?”

Takamura: Our policy in relation to capital investment is to manage it while looking at the operating income rate and EBITDA for each segment and division.

Short-term income targets and management targets each year are also extremely important. Nevertheless, it often takes several years to make equipment due to the nature of our business operations. Thinking about achieving return after that, I believe there are times when it is difficult to make a judgment about whether the amount of EBITDA is being sufficiently returned looking at the medium-term.

If you calculate it in numbers, there may be parts where you feel that return is slow. In particular, now, when we are aiming to break free from the COVID-19 pandemic, we have also heard from equipment manufacturers that it will take much longer than before even when building up equipment in plants.

We will invest in equipment while firmly managing it as far as possible and confirming that returns are progressing in total. The amount of investment is increasing overall, but most capital investment now is linked to profits. I hope this eases your worries.

Message from Mikishi Takamura

Thank you very much for attending Toagosei Co., Ltd.’s financial results briefing for the 2Q of FY2022 today. I would like to express my gratitude for your valuable questions and comments. We will continue to strive to manage the company to meet the expectations of our shareholders and various other stakeholders. Therefore, I ask for your support in the future. Thank you.