

**Financial Results for FY2023
Manuscript of Presentation (Including Q&A Session)
Toagosei Co., Ltd.**

1. Toagosei is focusing on strengthening our mobility and semiconductor-related priority businesses and commercializing the medical care business early. We plan to increase sales and operating income in FY2024.
2. Toagosei is continuing to review prices in response to soaring raw material and fuel prices. Earnings for adhesives for automotive batteries in a priority field for us are improving.

Date: Thursday, February 20, 2024
Presenter: Mikishi Takamura, President and Representative Director
Briefing document: Financial Results for FY2023
<https://www.toagosei.co.jp/english/ir/library/presentations/>

The following is the transcript for Toagosei's financial results briefing for FY2023 released on February 20, 2024.

Slide 1: Table of Contents

Mikishi Takamura (below, "Takamura"): My name is Mikishi Takamura and I am the President and Representative Director of Toagosei Co., Ltd. Thank you for your continued support. We will hold a financial results briefing for FY2023 today. I will proceed with the briefing according to the table of contents given on this slide.

Slide 3: Summary of Financial Results for FY2023

This slide presents a summary of our financial results for FY2023. I feel that the business environment in FY2023 was one in which geopolitical risks rose significantly worldwide due to wars in Ukraine and the Middle East. Europe and North America continued to implement high interest rate policies to curb inflation. The recovery in the Chinese economy was slow. That also affected Japan.

The rise in raw material and fuel prices continued in the first half of FY2023 in Japan. However, there were some areas where those raises abated a little in the second half of FY2023. Together with this, wage raises were discussed in FY2023.

Let's look at an overview of our financial results for FY2023. We have continued to revise the prices of products from around FY2022 in response to the soaring raw material and fuel prices.

I will now talk about the market conditions. The acrylic ester- and semiconductor-related market conditions were sluggish. That had a significant impact on our results. The shipment volume of products also decreased. On the other hand, earnings

improved with products such as adhesives for automotive batteries in a field we are prioritizing.

Sales and operating income decreased. Nevertheless, we recorded gains on sales of investment securities in terms of special gains. That meant net income decreased only slightly year on year.

We established and implemented various measures to raise PBR to over 1x as our capital policy in FY2023. We also bought back treasury stock as planned. As a result, income in FY2023 decreased year on year. Nonetheless, we saw some signs of a slight improvement compared to the situation we expected in the middle of FY2023. Accordingly, we plan to increase our year-end dividend.

Slide 4: Overview of Results for FY2023

This slide shows a comparison of our results between FY2022 and FY2023. Net sales were 159,371 million yen. That was a slight decrease compared to FY2022. Operating income was 12,499 million yen, ordinary profit was 14,503 million yen and net income attributable to owners of parent was 12,179 million yen. Operating income and ordinary profit decreased by over 10% year on year. Final net income decreased by only 2.5% year on year.

Slide 5: Analysis of Changes in Operating Income

We give a breakdown of the factors behind the decrease in operating income on this slide divided by volume, unit price and fixed costs. As I mentioned at the beginning, there was a significant drop in volume with acrylic ester petrochemical products, inorganic chemical-related products and semiconductor-related product groups among high-performance products.

The main factor behind the decrease in operating income was a 5 billion yen decrease in volume. On the other hand, although raw material prices continued to rise, there was a 3.5 billion increase in unit price helped in part by the effect from the rise in prices. There were various factors behind the decrease in fixed costs. The end result was a 400 million yen decrease. As a result, operating income decreased by 1.9 billion yen year on year to 12.4 billion yen.

Slide 6: Consolidated Results (by Segment)

We look here at our consolidated results by segment. In particular, the adhesive material business was in the red in the FY2022 in terms of operating income. However, we were able to return to profitability in the segment through various rationalization efforts and growth in automotive adhesives.

There was a large drop in volume in the other segments of commodity chemicals, polymer & oligomer, performance chemicals and plastics, so operating income decreased.

Slide 7: Consolidated Statement of Income (Non-operating Income/Expenses and Extraordinary Income/Losses)

This slide concerns non-operating income/expenses and extraordinary income/losses. In terms of foreign currency exchange, the yen continued to depreciate against the dollar in FY2023 just as it did in FY2022. In regards to other related currencies, the yen also continued to depreciate against the Thai baht. Accordingly, although we had foreign currency exchange gains in the non-operating income/expenses section, the amount of income was reduced compared to the FY2023.

The amount of gain on sales of investment securities was greater than FY2023 in the extraordinary income/losses section. Moreover, loss on disposal of non-current assets derived from factory improvements increased slightly.

Slide 8: Consolidated Balance Sheet

This is our balance sheet. Total assets at the end of December in FY2023 increased by 7,150 million yen compared to the end of December in FY2022. Cash, deposits and other current assets decreased. Nevertheless, property, plant and equipment increased due to proactive capital investment. Investment securities also increased on a monetary basis due to a rise in the market value of our shareholdings.

On the liabilities side, total other liabilities rose due to an increase in arrears for equipment costs associated with construction work. Net assets increased by 1,711 million yen compared to the end of FY2023. Our net worth ratio remained at 77.7%. That is exactly the same rate as it was at the end of the FY2023.

Slide 9: Consolidated Cash Flow Statements

This slide describes our consolidated cash flows. Cash flows from operating activities decreased in terms of income. However, the amount we paid for inventories and corporation taxes decreased. That resulted in an increase compared to FY2023. Cash flows from investment activities remained on a virtual par with FY2023 due to capital investment.

The negative figure for cash flows from financial activities worsened due to the payment of dividends, the acquisition of shares in our MT AquaPolymer subsidiary and an increase in share buy-backs.

Slide 10: Overview of Consolidated Subsidiaries (Results for FY2023)

We show our results by affiliated company in this table. We see from a comparison between FY2022 and FY2023 that income increased mainly in the gas-related companies of Toa Techno-Gas and Toagosei Thailand. Meanwhile, income decreased at Aronkasei and MT AquaPolymer.

Toagosei America is currently rebuilding its adhesives-related business. However, this business continues to be in the red. Therefore, it is now taking urgent measures.

Slide 12: Challenges in FY2024

I will now talk about the challenges in FY2024. Looking at the trends in FY2022 and FY2023, although there are geopolitical risks, there are areas where the economy has stabilized.

In particular, I feel results greatly improved in the service, transportation, traffic and similar industries compared to the manufacturing industry in FY2023. I believe most people see the Japanese economy as not being in such a bad position due in part to such effects.

I feel this trend will continue for the time being in FY2024 as well. Geopolitical risks remain at a high level. On the other hand, resource prices, including the price of naphtha, have started to fall.

In terms of the global economy, I hear that America has stopped raising interest rates and that those rates may fall in the future.

In Japan as well, the Bank of Japan appears to be considering ending its negative interest rate policy. We expect the trend for inflation to continue in the future. I feel that each company needs to start taking various actions to prepare for that.

Meanwhile, I believe it is necessary to look at the business environment and market on the assumption that the decoupling caused by the US-China conflict will continue.

Under these circumstances, the challenge our company faces in FY2024 is to promote our growth strategy above all else. In particular, we are thinking of strengthening our priority fields in the mobility- and semiconductor-related businesses while commercializing the medical care and other businesses early. We want to consider continuing to increase our overseas net sales by expanding our overseas production and sales bases.

Furthermore, we want to tackle our company's first small hydropower generation project in FY2024 as part of our efforts to introduce renewable energy with the aim of realizing a sustainable society.

While improving our core business in this way, we will continue to take measures to achieve a PBR of over 1x in line with that progress.

Slide 13: Consolidated Results Forecast for FY2024

The table on this slide shows our results forecast for FY2024. We believe we will be able to record annual net sales of 168,300 million yen and operating income of 14,000 million yen together with an increase year on year in ordinary profit.

There is a possibility that gains such as from the sale of shares will change dramatically due to fluctuations in stock prices in regards to final net income

attributable to owners of parent. However, we have made plans for FY2024 with the expectation that we will be at least able to maintain the level of FY2023.

Based on this, we plan to increase our annual dividend by 5 yen from 53 yen in FY2023.

Slide 14: Analysis of the Forecasted Changes in Operating Income

We analyze the factors behind the changes in operating income on this slide. We think volume will increase with the negative result from volume which decreased greatly in FY2023 disappearing.

On the other hand, in relation to unit price, we may be forced to lower sales prices due to the reduction in the prices of raw materials including basic chemicals. We are currently focusing our efforts on increasing prices such as for acrylic polymer products. Nonetheless, we cannot expect a large positive impact on the unit price.

Meanwhile, we believe fixed costs will increase due to a new research institute in Kawasaki which we plan to open in the summer of FY2024. Moreover, the government and the Japan Federation of Economic Organizations are asking companies to raise wages to keep up with the increased cost in living. We believe we must also work hard to meet that request.

Accordingly, fixed costs will be slightly negative. Our forecasted operating income for FY2024 is 14.0 billion yen.

Slide 15: Consolidated Results Forecast for FY2024 (by Segment)

Looking at our forecast by segment, we think both net sales and operating income will increase in all segments from commodity chemicals to plastics.

I would like to first talk about the characteristics in the operating income section for commodity chemicals especially. We believe that the sales volume will recover to a certain extent for electrolysis-related products. We also think we can expect an increase in sales of caustic potash, sodium hypochlorite and similar products.

We can expect to see an increase in sales of acrylic polymer products in relation to automobiles and cosmetics as well. We also plan to increase income for our oligomer-related business because we can expect an increase in volume with products for electronic materials and displays.

We can expect an increase in sales of adhesive materials for consumers. We can also expect a continued increase in sales of functional adhesives for automotive applications. However, we do not think income will increase by that much due in part to an increase in R&D expenses.

I think the key point in relation to performance chemicals is when we will see a recovery in semiconductor-related market conditions for high-purity inorganic chemicals such as high-purity liquid hydrogen chloride. It is not possible to see any noticeable signs there will be such a recovery at the present time.

We want to closely monitor the degree of recovery in wafer-related products and memory and other logic-related products which are often made with our materials. We forecast an increase in sales of semiconductor-related products from around the second half of FY2024.

We raised the price of piping equipment in FY2023 in regards to our plastics business. We expect an increase in sales due to reasons such as the sales promotion of new products in relation to life support.

Slide 16: Overview of Consolidated Subsidiaries (FY2024 Forecast)

This slide shows the status of our affiliated companies. Toagosei Singapore has reduced its deficit. The acrylic ester-related market conditions in Asia were sluggish in FY2023 in particular. That had effects such as cheap products from China flowing into the Southeast Asian market.

We think that situation will ease somewhat. Nevertheless, it looks difficult at present to say that there will be major improvements. However, we think the range of the deficit will decrease somewhat.

Toagosei (Shanghai) Management installed simple R&D equipment in FY2023. The company is looking to promote the sale of battery materials and other products. Its expenses will increase in FY2024, so we see the company's deficit widening.

We expect income to increase at Toagosei Thailand compared to FY2023. We expect this increase to come from promoting the sales of polymers for automobiles and cosmetics.

Slide 17: Trends in Consolidated Results

I will explain here about the trends over the past few years in relation to our results such as with consolidated operating income/expenses. The graph on this slide shows EBITDA, operating income, net income attributable to owners of parent and net income per share.

We have enjoyed a high level of net income since around FY2021. We are actively making capital investments. Therefore, although there are factors which may lead to a decline in income, we expect EBITDA to remain at a high level.

Slide 18: Reference for Consolidated Performance

We give here the trends in numbers for capital investment and items below that. We describe the amount of capital investment on an acceptance basis in our annual

securities report. We also include capital investment on an approval basis here because that is how we determine capital investment within our company. The amount of capital investment on an approval basis since FY2021 has been nearly double the level it was before that.

R&D expenses are increasing year by year. We believe the increase will be even greater in FY2024 especially as we will open the Kawasaki R&D Center.

Slide 19: Consolidated Performance Reference Figure Trends

This slide illustrates the trends in shareholders' equity, shareholders' equity ratio and interest-bearing debt. The shareholders' equity ratio is 77.7%. Although we have not put it on this slide, our ROE in FY2023 was 5.8%. We expect this figure to drop slightly in FY2024. Nevertheless, we would like to improve this while aiming for a PBR of over 1x.

Slide 20: EBITDA/PP&E Ratio Trends

Here, we have our EBITADA/PP&E ratio trends. Investment in PP&E is growing significantly. It is slightly above growth in EBITDA. Therefore, although the ratio is decreasing, we believe the stage will arrive when we head toward recovering our investment in all these areas.

Slide 21: Shareholder Return Trends

We show our shareholder return trends on this slide. Our current Medium-term Management Plan is set to run for three years from FY2023 to FY2025. We have announced we will perform shareholder returns aiming for a total return ratio of 100% during this period. The total return ratio in FY2023 was 100.5%. We forecast this to be 111.3% in FY2024. However, this may change depending on increases or decreases in income. In any case, our policy of aiming for a total return ratio of 100% remains unchanged.

We expect to buy back shares worth 20 billion yen over three years from FY2023 to FY2025. We started by buying back 6 billion yen in shares in FY2023. We plan to buy back 6 billion yen in shares again in FY2024. We intend to increase our dividend in FY2024 by 5 yen to 58 yen from a dividend of 53 yen in the FY2023.

We will continue accurately and appropriately considering the amount of dividend and our share buyback ratio in the future. We want to reliably achieve our targets during the period of the Medium-term Management Plan aiming for a total return ratio of 100%.

That concludes our trends in numbers over the past few years.

Slide 22: ESG Initiatives

We talk about things in qualitative terms here, but I would nevertheless like to describe our ESG-related initiatives and other perspectives. We predict that the Japanese

economy in FY2024 will free itself from negative interest rate policies. We think we will see movement from a deflationary economy to an inflationary one in various areas.

We anticipate it will become more difficult and important to secure good human resources as the economy is stimulated by inflation. Contributing to society is a big part of our efforts. At the same time, we will not be able to secure such good human resources if we do not thoroughly take on human capital measures. We would like to continue paying attention to this area in the future, otherwise the development of new products may not proceed as we plan.

We raise wages on January 1 every year in line with our accounting period. We implement raises in basic wages and periodic salary increases. We raised wages by 4% when combining raises in basic wages and periodic salary increases as of January in FY2023. We have already raised wages from January 1 in FY2024 as well. We have raised wages by 6.1% when combining raises in basic wages and periodic salary increases.

Moreover, in the environment (“E”) of ESG, we are aiming to reduce CO₂ by using small hydroelectric power generation and waste heat from garbage incinerators in addition to solar panels by utilizing so-called naturally-derived energies.

Slide 23: ESG Initiatives

This slide covers our governance initiatives in ESG. We are aiming for a PBR of over 1x as our target for FY2027. We are proceeding as planned again in FY2024 with a reduction in our cross-shareholdings to achieve that target.

That concludes my explanation of our various results-related and ESG-related measures for FY2024.

Slide 25: Progress on the Medium-Term Management Plan (2023 to 2025)

I will now describe the three items listed on this slide we are particularly focusing on in regards to progress on our Medium-Term Management Plan.

Slide 26: Strengthen Development Capabilities for New Products and Novel Technologies (Investment)

First, let’s look at strengthening development capabilities for new products and novel technologies. We plan to open Kawasaki Frontience R&D Center in the summer of FY2024. We expect this will become a facility which will contribute to the development of new products.

We are looking to significantly increase R&D costs and also the number of R&D personnel. Of course, even if we make such investments and increase the number of personnel, it does not mean that will automatically lead to outstanding new products emerging as output.

We are operating the Nagoya Creisio R&D Center in Aichi Prefecture and the Takaoka Creation Laboratory in Toyama Prefecture. I feel, though, there are various areas where we could make improvements to our R&D methods.

In particular, most of our R&D is in the B-to-B field, so it is important we accurately capture the individual needs of user companies and then meet those needs. We will receive more praise than ever before for our R&D capabilities from powerful users by repeating entering into dialogue with them about their needs.

We also want to operate the Kawasaki Frontience R&D Center with that idea in mind.

Slide 27: Strengthen Development Capabilities for New Products and Novel Technologies (Patent Strategy)

The line graph on this slide indicates the number of patent applications. We are increasing our number of applications little by little every year. We would like to focus even more here to produce results.

Slide 28: Strengthen Development Capabilities for New Products and Novel Technologies (Pharmaceuticals and Medical Care)

We look at our products here. Aron Alpha is a product usually used for handicraft and repair purposes. However, we are also deploying Aron Alpha in the medical care field. We updated Aron Alpha for skin and launched it as Aron Alpha Skin Protect in November in FY2023.

In addition, we intend for our Aron Cure Dental medical adhesive material to be used where teeth have been extracted for dental purposes. This is an adhesive with a mechanism completely different from Aron Alpha. We also plan to launch this product onto the market.

Slide 29: Increase Overseas Net Sales

This slide concerns our plan to strengthen our overseas expansion. We needed to establish a place where we can develop battery-related adhesives and other products locally in Shanghai. Our development center in Shanghai started operations in December in FY2023. We look forward to seeing it produce results going forward. We would like to proceed with operations while paying attention to avoid the leakage of patents and know-how.

In Vietnam, we will first provide the polymer flocculants we currently offer through exports. Vietnam is undergoing considerable economic development. Our MT AquaPolymer affiliated company has already responded to this demand on an export basis. However, we believe it is important to supply chemicals which match the water quality of local sewage treatment plants instead of simply selling products as-is.

As we are already doing in Japan, we would like to build a structure capable of providing technical services in Vietnam where our exports are growing rapidly.

Slide 30: Contribute to a Sustainable Society

We look at reducing CO₂ emissions in relation to ESG here. We aim to reduce CO₂ emissions to half the FY2013 level by FY2030. We are currently operating business with a downward trend in our CO₂ emissions.

I think we will see areas where we can make significant reductions depending on the year. In our case, we externally purchase all the power we use in our electrolysis business. We predict we will gradually replace this power with green power. We are looking to become carbon neutral by FY2050.

Slide 31: 2023 Results, 2024 Forecasts and 2025 Targets

We have already announced our plans up to FY2025 as our Medium-Term Management Plan. We have not changed these plans. As you can see, we are targeting net sales of 183.0 billion yen and operating income of 20.0 billion yen.

We have not included PBR in our Medium-Term Management Plan. However, we are aiming for a PBR of over 1x by FY2027.

Slide 32: Growth Drivers (1) (Mobility-related)

We will now look at our products. Net sales of products for automotive applications in the adhesive material business increased in FY2023. Adhesives for battery materials equipped to hybrid vehicles and fuel cell vehicles made a major contribution.

We think that the number of electric vehicles will increase in the future. Nevertheless, there is also talk that it may take a little time for such vehicles to spread worldwide from the perspective of the charging equipment and other factors. Accordingly, we will continue to monitor the needs for next-generation hybrid vehicles equipped with bipolar nickel-metal hydride batteries.

Slide 33: Growth Drivers (2) (Mobility-related)

This slide looks at our binders for negative electrodes. These binders are materials for mobility-related batteries. Net sales increased slightly in FY2021 because of binders which help to increase performance while extending the life of batteries by suppressing the expansion of the negative electrode. However, net sales decreased in FY2022 and FY2023. Still, a surge in demand will surely arrive. Therefore, we predict net sales will recover in FY2024 and FY2025.

Slide 34: Growth Drivers (3) (Semiconductor-related)

These are our semiconductor-related chemicals. We also expect net sales to increase overall here with high-purity liquid hydrogen chloride, high-purity caustic potash, acrylic polymers for high-performance chemical mechanical polishing (CMP) and other products. I think we need to pay particular attention to when we will see a recovery in trends for semiconductor-related demand.

This concludes my explanation. Thank you.

Question 1: Income in the Adhesive Materials Business in the FY2024 Plan

Moderator: The question is as follows: “It appears that earnings in the adhesive materials business improved considerably in the second half of FY2023 from growth in automotive business. Why doesn’t your income increase that much in your FY2024 plan?”

Takamura: There are several factors to that. We are developing markets in China, Thailand, the Philippines and elsewhere for products for consumers I haven’t explained much about today among products related to adhesive materials. There are various areas where we are using money first to achieve that goal. Therefore, growth over the whole of the adhesive materials business will not be that great. I would like you to think of it in that way.

Question 2: Method of Using High-purity Liquid Hydrogen Chloride and Its Production in the U.S.

Moderator: The question is as follows: “I read a comment in a newspaper which stated that the amount of high-purity liquid hydrogen chloride used in cutting-edge semiconductors is increasing. Will the method of using high-purity liquid hydrogen chloride in cutting-edge semiconductors differ compared to existing semiconductors? I also hear you are considering producing high-purity liquid hydrogen chloride in the U.S. Is that to produce it for logic-based semiconductor manufacturers in the U.S.?”

Takamura: I think it is important we ensure high-purity liquid hydrogen chloride is also used in next-generation semiconductors with their even narrower line widths.

I have read an article which says that semiconductors with a line width less than 1 nanometer at 0.5 nanometers are already being discussed in the silicon-related field. We need to endeavor to further reduce impurities so that our high-purity liquid hydrogen chloride can be fully used at such times.

There are still some areas concerning cutting-edge semiconductors where we lack understanding about how they way they are used will change in which parts of front-end processes. Regardless, it is essential we further improve the purity of our products. Therefore, we are currently taking various measures in anticipation of that.

There is talk semiconductor factories being built in the U.S. We are already exporting some products to the U.S. However, we would like to be able to continue to supply our products to any type of semiconductor factory which is built.

We also do not fully understand the classification of logic-based semiconductors and other semiconductors. Nevertheless, we would like people to think of our high-purity liquid hydrogen chloride as a chemical which can be used in a variety of situations such as products for various kinds of memories.

Question 3: R&D Costs in FY2025

Moderator: The question is as follows: “You expect R&D costs to increase in FY2024. Do you then expect those costs to decrease in FY2025? If so, by how much?”

Takamura: R&D costs will increase in FY2024. The number of R&D personnel will also increase by about 30 people. We do not anticipate the number of personnel involved in R&D to increase as much as it did in FY2024 from FY2025 onward. Accordingly, we predict that personnel costs will remain at about the same level.

Question 4: Investment Recovery Period

Moderator: The question is as follows: “You have strengthened investment in regards to data on the EBITDA/PP&E ratio, but your EBITDA is not building up. You said that the recovery period will arrive at some point. When will EBITDA rise? When will we become able to see that you have entered the recovery period?”

Takamura: We want to aim to be a company which can develop new products on an ongoing basis and continually improve earnings. As far as possible, we wish to avoid a situation in which we recover cash well and produce income for just a few years and then see our income slump because we fail to produce noticeable new products for several years.

We are involved in products in various fields. Accordingly, it is difficult to say exactly how many years it will be from when we start R&D to when we become able to recover cash. However, we think it will take at least a few years.

For example, if we take FY2024 as our starting point, I see us as broadly having product groups in three stages: products in the investment recovery period, products which, although we are spending money on them by making capital investments, will now enter the investment recovery period, and products for which we will start making equipment as R&D is still in the early stages.

We want to aim to operate business which can continue to have these three product groups again in FY2025 and FY2026.

I think factories in Thailand are becoming one area where we have made capital investment are now about to recover that. We are aiming for operating income of 20.0 billion yen in FY2025 in our Medium-Term Management Plan. We also want to think

about how to recover our investment so that we can increase income little by little in this way in FY2026 and FY2027 as well.

Of course, we currently have segments with many products entering the investment recovery period. We also have segments in which we are currently focusing on capital investment.

I would ask for your understanding that we want to operate our business by combining these so that we always have three categories of products in reserve even in a single fiscal year: products for which we are continually recovering investment, products for which we have made capital investment and are now making efforts to recover that investment and products for which we are focusing on R&D.

Question 5: Initiatives in North America in the Adhesive Materials Business

Moderator: The question is as follows: "It appears the situation remains difficult, especially in North America, for your products for consumers in the adhesive materials business. You have explained that you recognize this as a challenge. Please tell us how you tackled this challenge in FY2023 and what initiatives you will take in FY2024.

In addition, the situation has remained difficult for a long time. If you are unable to find a path to an improvement in the deficit, isn't it necessary to make a management decision? I believe that continuing to operating business in the red will also be a major hinderance to your company's target of achieving a PBR or over 1x."

Takamura: Thank you for your question. I am sorry we have caused concern with this business. We do not believe we have suffered a decline in product performance compared to our rivals in the Crazy Glue business in North America.

We have been discussing with our joint venture partner how to build a structure which allows manufacturing and sales to move forward together strongly on various sales efforts and promotions since the beginning of FY2023. We have made great strides forward in some areas. I would like to ensure we make this progress visible in the future.

Moreover, we feel that developing markets for instant glues in China, Thailand and other Southeast Asian countries at the present time will first involve a lot of costs before we generate profits. Nevertheless, we are also considering ways to further drastically reduce manufacturing costs here.

We will provide information on new business developments for adhesive materials once we reach the stage when we can make publicly announce them. I would be grateful if you look out for those announcements.

Question 6: Shareholder Returns in FY2025

Moderator: The question is as follows: “I want to ask about shareholder returns. Is there a possibility you will reduce your dividend if you prioritize a total return ratio of 100% and the acquisition of the remaining 8 billion yen in treasury stock you plan to buy back in the event your income level in FY2025 is lower than expected?”

Takamura: I hope you appreciate that I cannot yet share what we would do in hypothetical situations because FY2025 is still a long time away. We are currently thinking about dividends and share buybacks while hypothesizing various cases including trends over the whole of the Japanese economy. I believe that our first priority is to achieve our targets for FY2024 and to then better them.

Question 7: Progress on Capital Investment

Moderator: This question is as follows: “You are planning to make capital investment to a total of 68 billion yen during the period of your current Medium-term Management Plan. How is your progress on this capital investment? I would appreciate it if you can explain this both by classification such as investment for growth and investment for updates and by segment”

Takamura: We expect to broadly achieve our plan of making capital investment of 68 billion yen over three years. I think we may even slightly exceed that.

As many of you may know, in addition to the steep rise in material prices, the personnel costs involved in construction have risen considerably since around FY2023. This is not the only reason why our capital investment may exceed 68 billion yen. New challenges have also appeared in terms of creating various products for the future since we formulated our Medium-Term Management Plan. Therefore, we think we will be able to broadly achieve our plan.

I do not know if we can break down by segment the classifications of investment for growth and investment for updates. However, I will try as far as possible to describe our capital investment in those terms on another occasion.

Question 8: Income Ratio and Sales Ratio of Adhesives for Consumers

Moderator: The question is as follows: “Do you mean that you will use money even though you will not see growth in products for consumers in your adhesive materials business in FY2024? Does that mean the income ratio will not recover because you will use money to promote sales of products for consumers? In addition, please can you tell us the sales ratio of automotive adhesives and adhesives for consumers in the adhesive materials business.”

Takamura: We have released Aron Alpha Hikari as an adhesive for consumers. It has been much more popular than we originally expected. It is also true that the income

ratio has not been growing well because of the costs involved in promoting sales in Southeast Asia and the U.S.

However, we have consistently raised operating income up to now for products for consumers. I do not think we need to go so far as to greatly reduce that and use fixed costs and other expenses.

We have not publicly announced net sales of products for consumers and automotive products in the adhesive materials business. The way the net sales of those products grow can be very different. I would like to limit myself to explaining about growth in products for consumers and automotive products in the segment at the present stage.

Question 9: Outlook from FY2024 Onward for the Medical Care and CNF Businesses

Moderator: The question is as follows: "Please tell us about the outlook in terms of results and contribution from FY2024 onward for the medical care and cellulose nanofiber (CNF) businesses."

Takamura: I think we will finally see sales forming in FY2024 for medical care business. Nevertheless, I think those sales will only be able to contribute at the level of hundreds of millions of yen.

We are also proceeding with research in the CNF business. However, I do not think that research will immediately lead to large sales. I think we need a slightly different approach in this business.

We have learned that adding rubber and other materials improves the modulus of elasticity and elongation as methods of using conventional CNFs. However, we are now thinking about how to promote CNF by leveraging the strengths of our company as a different approach. We are proceeding with R&D toward that goal. I would ask that you wait a little longer to see commercialization and a significant contribution to our performance in this business.

Message from Mikishi Takamura

Takamura: Thank you very much for participating in our financial results briefing over a long period of time today. We have entered the second year of our Medium-Term Management Plan in FY2024. In addition to the various targets we set in FY2023, new PBR issues and challenges have arisen. Nevertheless, I believe we are making steady progress toward our targets at present.

I think that economic trends containing various positive and negative factors will arise in FY2024 again. We will focus our efforts on achieving results as soon as possible where we can do so. We want to continue working hard so that we can appropriately

maintain our results without them becoming worse even if negative economic factors arise.

I look forward to hearing your various opinions and criticisms about our business activities and operations. Thank you very much for taking the time to participate in your busy schedules today.