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* On February 17, 2022, we will hold a presentation for analysts and institutional investors. The materials presented at the meeting will be uploaded onto our website soon after the meeting is held.

1. Financial Performance

(1) Financial Performance During Fiscal 2021

During the period under review (January 1 to December 31, 2021), the global economy generally remained on a recovery path, although it did also suffer some turbulence. Most notably, the pandemic caused parts shortages and supply chain disruption. Additionally, prices for raw materials rose.

The Japanese economy entered a recovery path despite feeling the effects of the above factors, particularly the global chip shortage. Around the end of the year, however, economic uncertainty returned after a fresh surge in Covid infections caused by a new variant.

Against that backdrop, Toagosei recorded the following financial results for the period under review.

Net sales:	¥156,313 million (+17.2% YOY)
Operating income:	¥17,676 million (+43.3% YOY)
Ordinary income:	¥18,983 million (+45.4% YOY)
Net income attributable to owners of parent:	¥13,771 million (+69.1% YOY)

Outlined below are the results for our reportable segments.

I. Commodity chemicals

This segment posted net sales of ¥70,312 million (+20.2% YOY) and an operating income of ¥7,992 million (+75.7% YOY). The result for operating income reflects an increase in sales volume and sales price corrections, which more than offset higher raw material costs.

Electrolysis and sulfuric acid products: Sales volume and revenue increased on the whole as economies reopened.

Acrylic monomer products: Sales revenue increased amid a recovery in demand among makers of acrylic rubber and paint.

Industrial gas: Sales revenue increased amid a demand recovery.

II. Polymer & oligomer

This segment posted net sales of ¥34,904 million (+29.5% YOY). Despite higher raw material costs, the segment posted an operating income of ¥5,276 million (+68.0% YOY).

Acrylic polymers: Sales revenue increased on the whole with demand among auto parts makers remaining strong throughout the year and with brisk shipments to cosmetics makers.

Acrylic oligomers: Sales revenue increased with higher volume of sales to paint makers and electronics makers in Japan and other markets.

Polymer flocculants: Sales revenue increased, partly because we inherited a sales business from another company.

III. Adhesive material

This segment posted net sales of ¥11,364 million (+13.0% YOY). It posted an operating income of ¥666 million (-14.7% YOY). This decrease was attributable to higher advertising and R&D costs.

Instant glues for consumers: Sales revenue increased. Although sales volume in Japan remained largely unchanged from the previous year, it increased in the US and Chinese markets.

Industrial instant glues: Sales revenue increased amid a demand recovery among auto parts makers.

Functional adhesives: As above, sales revenue increased amid a demand recovery among auto parts makers.

IV. Performance chemicals

This segment posted net sales of ¥9,752 million (+8.6% YOY). It posted an operating income of ¥2,627 million (-2.4% YOY). This decrease was attributable to higher depreciation following active capital spending.

High-purity inorganic chemicals: Sales revenue increased amid brisk demand among chip makers.

Inorganic functional materials: Sales revenue increased with a higher volume of sales of ion-trapping agents and deodorants to electronics makers.

V. Plastics

This segment posted net sales of ¥26,131 million (+3.3% YOY). It posted an operating income of ¥1,433 million (+20.6% YOY) thanks to an increase in sales volume, which more than offset higher raw materials costs.

Piping equipment and products for construction and civil engineering: Shipment volume remained largely unchanged from the previous year.

Nursing care products: Sales revenue increased with a large volume of shipments of bathing-related care products.

Elastomer compounds: Sales revenue increased with brisk shipments to overseas clients.

VI. Other businesses

This segment covers product development, goods transportation, and trading-house operations. The segment posted net sales of ¥3,847 million (+5.9% YOY) and an operating loss of ¥299 million.

(2) Financial Position During Fiscal 2021

Total assets: Total assets amounted to ¥258,955 million, up ¥17,122 million (7.1% YOY) from the previous year-end. The main contributors to this increase were “notes and accounts receivable – trade” and “cash and deposits.”

Total liabilities: Total liabilities amounted to ¥52,343 million, up ¥8,152 million (18.4% YOY). The main contributor to this increase was “notes and accounts payable – trade.”

Total net assets: Total net assets amounted to ¥206,612 million, up ¥8,970 million (4.5% YOY). This increase was attributable to an increase in “retained earnings” following the recognition of net income attributable to owners of parent.

Net worth ratio: Net worth ratio amounted to 77.9%.

(3) Cash Flows During Fiscal 2021

At the end of fiscal 2021, cash and cash equivalents amounted to ¥46,504 million, up ¥2,703 million from the previous year-end.

Cash flows from operating activities: Operating activities generated ¥21,219 million, ¥548 million more than they did in the previous year. This result reflected an increase in “profit before income taxes,” which more than offset a heavier strain on working capital.

Cash flows from investing activities: Investing activities used ¥10,239 million, ¥1,123 million less than they did in the previous year. This result reflected an increase in “proceeds from sale of investment securities.”

Cash flows from financing activities: Financing activities used ¥8,644 million, ¥153 million more than they did in the previous year. This result reflected an increase in “dividends paid.”

(Reference) Three-year comparison of cash flow

	Fiscal 2019	Fiscal 2020	Fiscal 2021
Net worth ratio (%)	78.4	79.8	77.9
Net worth ratio at fair value (%)	67.6	64.1	55.8
Interest-bearing debt to cash flow ratio (years to repay debt)	0.6	0.6	0.5
Interest coverage ratio (times company can pay interest expenses)	196.4	225.5	218.8

Notes:

1. The above table uses the following formulae, with each indicator stated on a consolidated basis.

Net worth ratio = Total shareholder equity / Total assets

Net worth ratio at fair value = Fair value of all outstanding shares / Total assets

Interest-bearing debt to cash flow ratio = Interest-bearing debt / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest expense

2. Fair value of all outstanding shares = Year-end share price × Total outstanding shares as of year-end

3. “Interest-bearing debt” covers all interest-bearing debt reported on the consolidated balance sheet except for lease liabilities.

4. For “operating cash flow” and “interest expense” (in the formula in Note 1), we used the respective figures for “cash flows from operating activities” and “interest paid” in the statement of cash flows.

(4) Outlook for Fiscal 2022

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

The outlook for social and economic activity appears promising amid government actions to curb the spread of the coronavirus, such as bringing forward booster doses. However, fears remain that more variants will emerge. Meanwhile, the auto industry is shifting faster toward electric vehicles as part of a global effort to reduce carbon emissions. This trend will stimulate the development of products that will meet the demand of tomorrow.

Results in fiscal 2021 were encouraging. Net sales exceeded the previous year's level, net income reached an all-time high, and operating and ordinary income reached their second highest level. Additionally, we hit four of our medium-term (fiscal 2020–2022) targets one year early. These targets were for operating income, EBITDA, EPS, and ROA.

We will build on this success in fiscal 2022, which marks the final year of the medium-term management plan. While maintaining rigorous anti-infection measures to safeguard the health of employees and to ensure the safety and continuity of our business operations, we will:

- actively invest capital to further improve our growth prospects,
- strengthen research and development,
- work to improve the operating efficiency of our consolidated foreign subsidiaries,
- launch new businesses, and
- expand our lineup of value-added brands.

Consolidated forecasts for fiscal 2022 (full-year: January 1 to December 31, 2022)

(Millions of yen)

	Fiscal 2021	Fiscal 2022	Change	% change
Net sales	156,313	153,800	(2,513)	(1.6%)
Operating income	17,676	18,000	324	1.8%
Ordinary income	18,983	19,000	17	0.1%
Net income attributable to owners of parent	13,771	13,500	(271)	(2.0%)

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) is applied as of the start of fiscal 2022.

(5) Shareholder Returns: Basic Policy, Dividends for Fiscal Years 2021 and 2022

Basic policy on shareholder returns: We aim for sustainable dividends that deliver growth in consolidated total shareholder returns. Our benchmark for consolidated payout ratio is 30%, and our benchmark for consolidated total shareholder returns is 50%.

When deciding the dividend for a given period, we consider:

- the above policy,
- the need to reinvest earnings in projects that will increase our growth prospects, and
- the need to retain a portion of earnings to cover risks such as fluctuations in future earnings and business risks.

Share buyback: Under our medium-term management plan (“Stage up for the Future,” fiscal 2020–2022), we have set aside ¥10 billion for buying back shares. The purpose of this buyback program is to improve consolidated payout ratio and EPS.

Dividend for fiscal 2021: For fiscal 2021, the full-year dividend will amount to ¥36 per share (payout ratio: 33.3%). This is the sum of the forecasted year-end dividend of ¥19 per share and the already-paid interim dividend of ¥17 per share. Consolidated total shareholder return will amount to 62.1%. This figure reflects the impact of a share buyback in fiscal 2021: Specifically, in that period, we bought back 3,169,000 shares at a total price of ¥3,999 million and retired 3,100,000 of them.

Dividend for fiscal 2022: For fiscal 2022, we will pay a full-year dividend of ¥36 per share (payout ratio of 33.0%, interim dividend of ¥18 per share, year-end dividend of ¥18 per share). Consolidated total shareholder return will amount to 58.7%. This figure reflects our plan to buy back ¥3,500 million worth of shares. The buyback will accord with the above basic policy, and it will help us improve shareholders returns, improve our capital efficiency, improve our enterprise value, and facilitate a dynamic capital strategy.

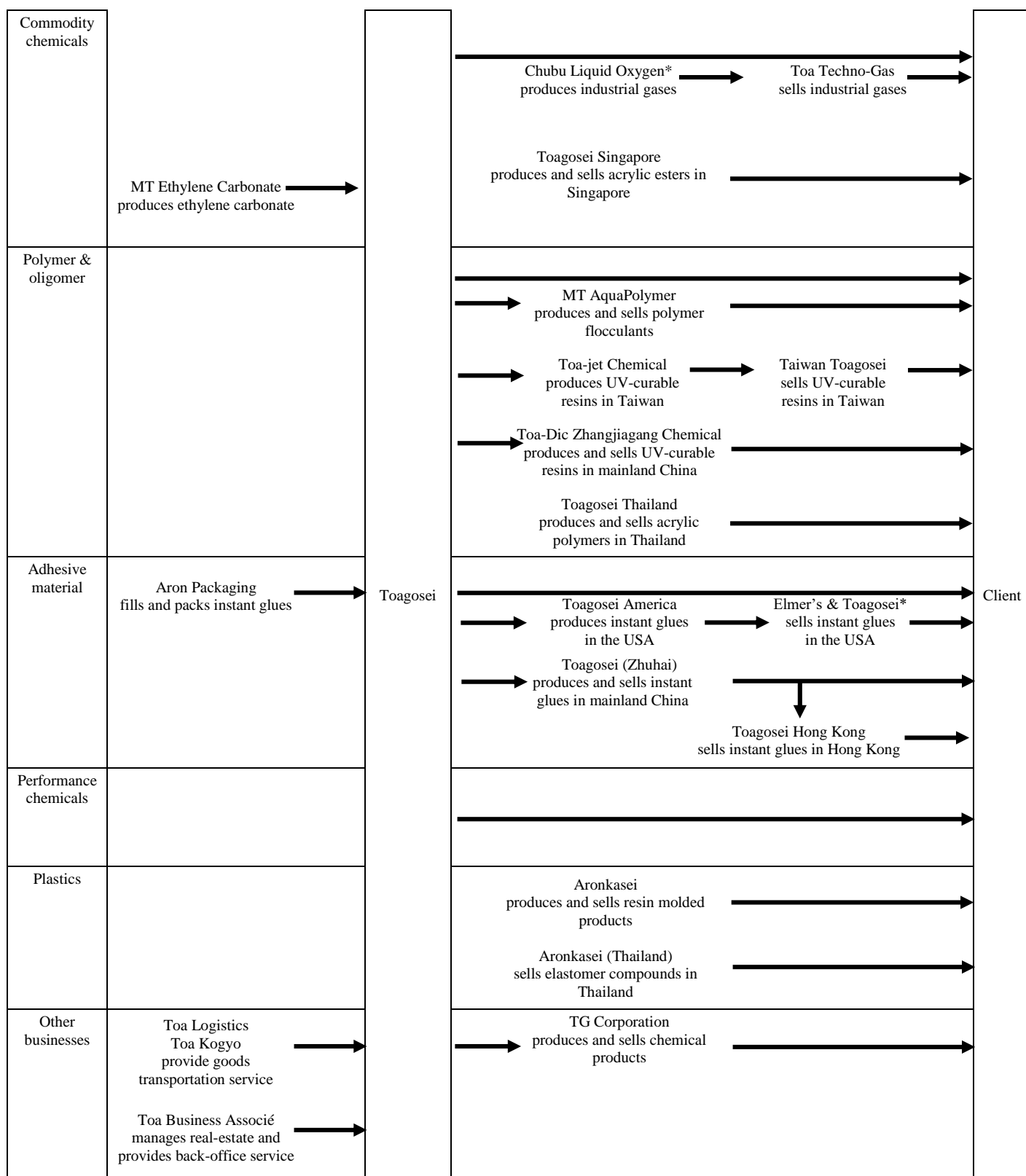
2. Information About the Corporate Group

Our corporate group encompasses 21 subsidiaries and 13 associates. The following table shows the relationship between the main group companies and our reportable business segments.

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

Oita Chemical Co., Ltd., formerly a consolidated subsidiary, was removed from the scope of consolidation after we absorbed the company in a merger enacted on January 1, 2021.

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



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

3. Strategy

(1) Strategic Vision

Our corporate philosophy states the following:

“Through the endless possibilities of chemistry, we bring happiness created by highly functional materials.”

Guided by these words, our general strategy is to launch new businesses and new products in pursuit of sustainable corporate development so that we can build enterprise value over the medium and long term.

(2) Business Strategies, Targets, and Tasks for the Medium to Long Term

Our current three-year medium-term management plan, which runs from 2020 to 2022, is titled “Stage up for the Future.” The plan commits us to launching more new businesses and enhancing research and development in order to expand our range of value-added brands.

In the first year (2020):

- We opened the Takaoka Creation Laboratory to enhance our capacity to develop and mass-produce instant glues and other products.
- We built an extension to the Takaoka plant to boost the plant’s capacity to produce functional adhesives.
- We started work on a hydrogen station at the hydrogen-producing Tokushima plant to promote use of hydrogen energy as a next-generation fuel.
- Toagosei America installed an automatic blister machine for packaging Krazy Glue (a consumer adhesive brand) in order to save labor and increase efficiency.

In the second year (2021):

- We opened the New Products Development Division to expedite the process of launching of new business units.
- The General Center of Research and Development opened the Technology Development Laboratory II to facilitate the development of core technologies and new materials.
- In an open-innovation project, we introduced a promising external technology and invested in a biomaterials business to develop this technology into a viable product.
- We boosted our capacity to produce caustic potash in anticipation of rising demand.
- We inherited a polymer flocculant sales business from another company in order to further develop downstream supply chains for acrylic products.
- We fully absorbed Oita Chemical (formerly a consolidated subsidiary) to streamline business operations. This former subsidiary now operates as Oita Plant.

For the third and final year (2022):

- We will continue actively investing capital in projects to improve growth prospects.
- We will continue strengthening research and development.
- We will continue efforts to improve operational efficiency in foreign consolidated subsidiaries.

Through these actions, we hope to achieve our medium-term targets. Additionally, we will use this year to develop a new plan for delivering further growth over the next medium (three-year) period.

Sustainability:

Amid the climate emergency, we recognize that climate action is of crucial importance to our businesses. The All TOA CSR Committee, chaired by our president, has defined climate action as a material issue. The committee discusses the issue and reports its findings to the Management Committee and Board of Directors. These two bodies then incorporate the findings into business strategies and decide on climate-related actions and goals.

In 2021, two climate-related goals were set:

- By 2030: Greenhouse gas (GHG) emissions 50% of 2013 level
- By 2050: Carbon neutrality

We have set a roadmap for reducing GHG emissions in line with these goals

We have also improved our climate disclosures. After calculating our GHG emissions at Scopes 1 to 3 (Scope 3 covers emissions occurring in the value chain), we clarified climate-related risks and opportunities, as well as our future climate actions, in line with the scenario analysis guidance of the Task Force on Climate-related Financial Disclosures. We will use these insights to define future targets and organize actions at all levels of our organization.

The targets and actions will be organized around four broad themes:

- Develop alternative production processes that are energy-efficient, and use more automation and labor-saving technologies
- Switch to low-emission or renewable sources of energy
- Develop effective applications for self-supplied hydrogen and expand hydrogen-related businesses
- Develop climate-friendly products (such as parts for rechargeable batteries and new eco-friendly materials)

For example, for the theme of developing hydrogen applications, we will develop adhesives for fuel-cell vehicles and build hydrogen stations. To give another example, we will develop technologies for producing cellulose nanofibers at low cost. Through such actions, we will engage in the fight against climate change and contribute toward a more sustainable world.

4. Criteria for Choosing Accounting Policy

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

5. Consolidated Financial Statements, Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal 2020 (as of December 31, 2020)	Fiscal 2021 (as of December 31, 2021)
Assets		
Current assets		
Cash and deposits	48,564	52,457
Notes and accounts receivable	39,757	48,456
Securities	25,000	23,000
Inventories	17,094	19,387
Other current assets	996	1,913
Allowance for doubtful receivables	(36)	(46)
Total current assets	131,376	145,168
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	24,661	28,034
Machinery, equipment and other, net	25,919	26,392
Tools, furniture, and fixtures, net	2,508	3,076
Land	17,679	17,969
Leased assets, net	136	122
Construction in progress	7,396	2,599
Total property, plant and equipment	78,301	78,193
Intangible fixed assets	783	1,669
Investments and other assets		
Investment securities	26,844	28,722
Net defined benefit asset	2,441	3,165
Deferred tax assets	67	124
Other assets	2,032	1,920
Allowance for doubtful receivables	(14)	(8)
Total investments and other assets	31,370	33,924
Total fixed assets	110,456	113,787
Total assets	241,832	258,955

(Millions of yen)

	Fiscal 2020 (as of December 31, 2020)	Fiscal 2021 (as of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable	12,130	18,391
Short-term bank loans	6,903	2,477
Lease obligations	177	148
Accrued income taxes	1,618	3,728
Accrued bonuses for employees	15	13
Other current liabilities	12,492	11,977
Total current liabilities	33,337	36,737
Long-term liabilities		
Long-term debt	4,473	8,730
Lease obligations	227	140
Deferred tax liabilities	2,808	3,306
Net defined benefit liability	151	140
Other long-term liabilities	3,191	3,288
Total long-term liabilities	10,852	15,605
Total liabilities	44,190	52,343
Net assets		
Shareholders' equity		
Common stock	20,886	20,886
Capital surplus	15,046	15,046
Retained earnings	147,893	153,693
Treasury stock	(207)	(230)
Total shareholders' equity	183,619	189,396
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	7,891	9,749
Translation adjustment	1,287	2,199
Remeasurements of defined benefit plans	86	419
Total accumulated other comprehensive income	9,265	12,367
Non-controlling interests	4,757	4,848
Total net assets	197,642	206,612
Total liabilities and net assets	241,832	258,955

(2) Consolidated Statements of Income and Comprehensive Income

[Consolidated Statement of Income)

(Millions of yen)

	Fiscal 2020 (January 1–December 31, 2020)	Fiscal 2021 (January 1–December 31, 2021)
Net sales	133,392	156,313
Cost of sales	95,328	110,974
Gross profit	38,064	45,339
Selling, general, and administrative expenses		
Selling expenses	15,056	16,023
General and administrative expenses	10,671	11,639
Total selling, general, and administrative expenses	25,728	27,663
Operating income	12,336	17,676
Non-operating income		
Interest income	55	32
Dividend income	809	962
Equity in earnings of affiliates	168	145
Rent income on non-current assets	278	245
Foreign currency exchange gains	–	50
Other	194	263
Total non-operating income	1,506	1,700
Non-operating expenses		
Interest expenses	94	94
Environment readiness fee	149	127
Inactive facilities expenses	31	33
Foreign currency exchange losses	401	–
Other	110	138
Total non-operating expenses	787	393
Ordinary profit	13,054	18,983
Extraordinary income		
Gain on sales of investment securities	253	1,706
Subsidy income	–	134
Total extraordinary gains	253	1,840
Extraordinary losses		
Loss on disposal of non-current assets	434	722
Impairment loss on property, plant and equipment	183	1,032
Expenses of soil pollution measures	–	264
Loss on valuation of investment securities	433	3
Total extraordinary losses	1,051	2,022
Income before income taxes	12,256	18,801
Income taxes - current	3,628	5,286
Income taxes - deferred	262	(465)
Total income taxes	3,890	4,821
Net income	8,365	13,979
Net income attributable to non-controlling interests	223	208
Net income attributable to owners of parent	8,142	13,771

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal 2020 (January 1–December 31, 2020)	Fiscal 2021 (January 1–December 31, 2021)
Net income	8,365	13,979
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	(1,076)	1,858
Translation adjustments	(285)	978
Remeasurements of defined benefit plans, net of tax	126	333
Total other comprehensive income	(1,236)	3,170
Comprehensive income	7,129	17,150
Comprehensive income attributable to:		
Owners of parent	6,891	16,873
Non-controlling interests	237	276

(3) Consolidated Statement of Changes in Equity

Fiscal 2020 (January 1–December 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	16,411	146,252	(302)	183,247
Changes during the year:					
Cash dividends			(3,934)		(3,934)
Net income attributable to owners of parent			8,142		8,142
Purchase of treasury stock				(3,886)	(3,886)
Disposal of treasury stock		4		75	79
Cancellation of treasury stock		(3,906)		3,906	–
Transfer from retained earnings to capital surplus		2,566	(2,566)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(28)			(28)
Net changes in items other than shareholders' equity					
Total changes during the year	–	(1,364)	1,640	95	371
Balance at end of the year	20,886	15,046	147,893	(207)	183,619

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,974	1,581	(40)	10,516	4,815	198,579
Changes during period						
Cash dividends						(3,934)
Net income attributable to owners of parent						8,142
Purchase of treasury stock						(3,886)
Disposal of treasury stock						79
Cancellation of treasury stock						–
Transfer from retained earnings to capital surplus						–
Change in ownership interest of parent due to transactions with non-controlling interests						(28)
Net changes in items other than shareholders' equity	(1,083)	(293)	126	(1,250)	(58)	(1,308)
Total changes during the year	(1,083)	(293)	126	(1,250)	(58)	(936)
Balance at end of the year	7,891	1,287	86	9,265	4,757	197,642

Fiscal 2021 (January 1–December 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the year	20,886	15,046	147,893	(207)	183,619
Changes during the year					
Cash dividends			(4,100)		(4,100)
Net income attributable to owners of parent			13,771		13,771
Purchase of treasury stock				(4,006)	(4,006)
Disposal of treasury stock		20		92	112
Cancellation of treasury stock		(3,891)		3,891	–
Transfer from retained earnings to capital surplus		3,870	(3,870)		–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Total changes during the year	–	–	5,800	(22)	5,777
Balance at end of the year	20,886	15,046	153,693	(230)	189,396

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the year	7,891	1,287	86	9,265	4,757	197,642
Changes during the year						
Cash dividends						(4,100)
Net income attributable to owners of parent						13,771
Purchase of treasury stock						(4,006)
Disposal of treasury stock						112
Cancellation of treasury stock						–
Transfer from retained earnings to capital surplus						–
Change in ownership interest of parent due to transactions with non-controlling interests						–
Net changes in items other than shareholders' equity	1,857	911	333	3,102	91	3,193
Total changes during the year	1,857	911	333	3,102	91	8,970
Balance at end of the year	9,749	2,199	419	12,367	4,848	206,612

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal 2020 (January 1–December 31, 2020)	Fiscal 2021 (January 1–December 31, 2021)
Operating activities		
Income before income taxes	12,256	18,801
Depreciation and amortization	9,848	10,623
Impairment losses on property, plant and equipment	183	1,032
Decrease in allowance for doubtful accounts	(1)	3
Increase (decrease) in other provisions	0	(2)
Increase in net defined benefit asset	(213)	(244)
Increase (decrease) in net defined benefit liability	(9)	(11)
Interest and dividend income	(864)	(995)
Interest expense	94	94
Foreign currency exchange losses (gain)	301	(57)
Loss (gain) on sale of investment securities	(253)	(1,706)
Loss (gain) on valuation of investment securities	433	3
Equity in earnings of affiliates	(168)	(145)
Subsidy income	–	(134)
Loss (gain) on disposal of non-current assets	434	722
Decrease in receivables	2,743	(8,480)
Decrease (increase) in inventories	1,001	(2,125)
Decrease in payables	(2,268)	6,143
Other, net	228	(113)
Subtotal	23,744	23,406
Interest and dividends received	958	1,192
Interest paid	(91)	(96)
Subsidies income received	–	19
Income taxes paid	(3,939)	(3,301)
Net cash provided by operating activities	20,671	21,219
Investing activities		
Decrease (increase) in time deposits	(10,005)	(890)
Net decrease (increase) in short-term investment securities	14,000	2,000
Purchase of investment securities	(161)	(438)
Proceeds from sales of investment securities	293	2,910
Purchase of property, plant and equipment	(14,478)	(11,516)
Other, net	(1,010)	(2,304)
Net cash used in investing activities	(11,362)	(10,239)

(Millions of yen)

	Fiscal 2020 (January 1–December 31, 2020)	Fiscal 2021 (January 1–December 31, 2021)
Financing activities		
Net increase (decrease) in short-term debt	–	(10)
Proceeds from long-term debt	–	4,400
Repayments of long-term debt	(158)	(4,558)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(185)	–
Proceeds from sale of treasury stock	0	0
Purchase of treasury stock	(3,886)	(4,006)
Repayments of lease obligations	(190)	(185)
Cash dividends to shareholders	(3,932)	(4,098)
Repayments to non-controlling shareholders	(4)	–
Dividends paid to non-controlling interests	(135)	(185)
Net cash used in financing activities	(8,491)	(8,644)
Effect of exchange rate change on cash and cash equivalents	(131)	368
Net increase (decrease) in cash and cash equivalents	686	2,703
Cash and cash equivalents at beginning of the year	43,113	43,800
Cash and cash equivalents at end of the year	43,800	46,504

(5) Notes

(Notes on Going Concern Assumption)

None

(Notes on Consolidated Statements)

Impairment losses

We recognized impairment in the following asset / asset group:

(Millions of yen)			
Location	Use	Group	Impairment losses
Kawasaki-ku, Kawasaki-shi	Facility for producing synthetic resin	Machinery and equipment	1,032

Background to Impairment, How Assets are Grouped

For assets used in operations, we and our consolidated subsidiaries group the assets of each business unit by the smallest identifiable group of assets that generates cash flows independent of cash flows from other assets or asset groups.

During the consolidated period under review, the book value of the above asset (facility for producing synthetic resin) fell to the asset's recoverable amount. Accordingly, we recognized, as an extraordinary loss, ¥1,032 million in impairment.

Impairment Breakdown

The impairment consisted of:

- ¥940 million in impairment of machinery
- ¥51 million in impairment of buildings
- ¥21 million in impairment of structures,
- ¥17 million in impairment of construction in progress, and
- ¥1 million in impairment of tools, furnishings, and fixtures.

How Recoverable Amount was Determined

When determining impairment losses to be recognized in the consolidated period under review, we defined recoverable amount as the value-in-use, discounting 14.30% of the future expected cash flows from the asset.

(Segment Information, Related Information, Impairment of Fixed Assets by Reportable Segment)

Segment Information

1. General Information

(1) Delineation of reportable segments

Our reportable segments are components of our business operations for which separate financial information is available. The Board of Directors regularly analyzes the reportable segments to determine how to allocate capital resources and to evaluate performance. Business operations across our corporate group are organized by product and service. For all products and services managed by our operating divisions and subsidiaries, we develop integrated strategies and business activities, covering both domestic and overseas markets.

We have five reportable segments, each encompassing a group of business operations that are similar in terms of economic aspects, product traits, and service traits. These are:

- commodity chemicals,
- polymer & oligomer,
- adhesive material,
- performance chemicals, and
- plastics.

(2) Main products in each reportable segment

Reportable segment	Main products
Commodity chemicals	Electrolysis products (caustic soda, caustic potash, sodium hypochlorite) and acrylic monomers (sulfuric acid, industrial gases, acrylic acid, acrylic esters)
Polymer & oligomer	Acrylic polymers, polymer flocculants, and acrylic oligomers (including UV-curable resins)
Adhesive material	Instant glues and inorganic functional adhesives
Performance chemicals	High-purity inorganic chemicals and inorganic functional materials
Plastics	Piping equipment, products for construction and civil engineering, nursing care products, and elastomer compounds

2. Determining Segment Sales, Segment Profit/Loss, Assets/Liabilities, and Other Segment Items

The accounting method we use for reportable segments is the same as that which we use for preparing consolidated financial statements.

Segment profit is stated as operating income.

Intersegment sales and transfers are generally stated at market value.

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

Previous consolidated period (January 1 to December 31, 2020)

(Millions of yen)

	Reportable segment						Other businesses ¹	Total	Adjusted ²	Consolidated book value ³
	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Total				
Net sales										
External sales	58,495	26,944	10,054	8,980	25,285	129,759	3,633	133,392	–	133,392
Intersegment sales or transfers	3,157	1,283	77	76	28	4,623	1,473	6,096	(6,096)	–
Total	61,652	28,228	10,131	9,056	25,313	134,382	5,106	139,489	(6,096)	133,392
Segment profit	4,550	3,141	781	2,690	1,188	12,352	(45)	12,306	29	12,336
Segment assets	55,666	30,264	14,163	12,461	43,490	156,047	1,454	157,502	84,330	241,832
Other items										
Depreciation	4,442	1,722	488	698	1,707	9,058	136	9,194	653	9,848
Investments accounted for by equity method	715	–	9	–	–	725	–	725	–	725
Increase in property, plant, and equipment, or in intangible assets	4,295	2,211	2,291	2,003	2,269	13,072	195	13,268	343	13,612

Notes:

1. “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes operations related to product development, goods transportation, and trading-house operations.
2. “Adjusted” includes the following four adjustments:
 - (1) Segment profit: We primarily eliminated intersegment transactions.
 - (2) Segment assets: We included ¥111,761 million in company assets that belong to no reportable segment, and eliminated the relevant intersegment transactions.
 - (3) Depreciation: We included depreciation of company assets that belong to no reportable segment.
 - (4) Increase in property, plant, and equipment, or in intangible assets: We included the amount of general capital investment not specific to any reportable segment
3. Segment profit represents operating income as stated on the consolidated statement of income with the adjustment.
4. “Depreciation” includes amortization of long-term prepaid expenses.

Consolidated period under review (January 1 to December 31, 2021)

(Millions of yen)

	Reportable segment						Other businesses ¹	Total	Adjusted ²	Consolidated book value ³
	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Total				
Net sales										
External sales	70,312	34,904	11,364	9,752	26,131	152,465	3,847	156,313	–	156,313
Intersegment sales or transfers	3,559	1,463	89	207	278	5,598	1,480	7,078	(7,078)	–
Total	73,872	36,367	11,453	9,959	26,410	158,063	5,328	163,391	(7,078)	156,313
Segment profit	7,992	5,276	666	2,627	1,433	17,996	(299)	17,696	(20)	17,676
Segment assets	63,083	33,379	16,043	12,833	44,591	169,930	1,521	171,452	87,503	258,955
Other items										
Depreciation	4,395	1,907	605	1,084	1,795	9,788	195	9,984	639	10,623
Investments accounted for by equity method	721	–	–	–	–	721	–	721	–	721
Increase in property, plant, and equipment, or in intangible assets	4,537	2,328	1,441	1,096	1,612	11,015	311	11,327	624	11,951

Notes:

1. “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes operations related to product development, goods transportation, and trading-house operations.
2. “Adjusted” includes the following four adjustments:
 - (1) Segment profit: We primarily eliminated intersegment transactions.
 - (2) Segment assets: We included ¥115,766 million in company assets that belong to no reportable segment, and eliminated the relevant intersegment transactions.
 - (3) Depreciation: We included depreciation of company assets that belong to no reportable segment.
 - (4) Increase in property, plant, and equipment, or in intangible assets: We included the amount of general capital investment not specific to any reportable segment.
3. Segment profit represents operating income as stated on the consolidated statement of income with the adjustment.
4. “Depreciation” includes amortization of long-term prepaid expenses.

Related Information

Previous consolidated period (January 1 to December 31, 2020)

1. Regional breakdown

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other regions	Total
111,225	16,440	3,174	2,552	133,392

Note: The region of a sale is generally defined as the country or region of the client we sold to.

(2) Property, plant and equipment

We have omitted this information, as property, plant and equipment located in Japan account for more than 90% of total property, plant and equipment reported on the consolidated balance sheet.

2. Information about key clients

We have omitted this information, as no client accounts for more than 10% of net sales reported on the consolidated statements of income.

Consolidated period under review (January 1 to December 31, 2021)

1. Regional breakdown

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other regions	Total
127,302	20,830	4,540	3,639	156,313

Note: The region of a sale is generally defined as the country or region of the client we sold to.

(2) Property, plant and equipment

We have omitted this information, as property, plant and equipment located in Japan account for more than 90% of total property, plant and equipment reported on the consolidated balance sheet.

2. Information about key clients

We have omitted this information, as no client accounts for more than 10% of net sales reported on the consolidated statements of income.

Impairment of Fixed Assets by Reportable Segment

Previous consolidated period (January 1 to December 31, 2020)

(Millions of yen)

	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Other businesses	Company-wide / elimination	Total
Impairment losses	183	–	–	–	–	–	–	183

Consolidated period under review (January 1 to December 31, 2021)

(Millions of yen)

	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Other businesses	Company-wide / elimination	Total
Impairment losses	1,032	–	–	–	–	–	–	1,032

(Per-Share Information)

	Previous consolidated period (January 1–December 31, 2020)	Consolidated period under review (January 1–December 31, 2021)
Net assets per share	¥1,505.69	¥1,613.90
Net income per share	¥62.43	¥108.14

Notes:

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

	Previous consolidated period (January 1–December 31, 2020)	Consolidated period under review (January 1–December 31, 2021)
Earnings per share		
Net income attributable to owners of parent (Millions of yen)	8,142	13,771
Net income not attributable to ordinary shareholders (Millions of yen)	–	–
Profit attributable to owners of parent available to common stock (Millions of yen)	8,142	13,771
Average number of shares of common stock during the period	130,412,000	127,347,000

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

	Previous consolidated period (January 1–December 31, 2020)	Consolidated period under review (January 1–December 31, 2021)
Total net assets (Millions of yen)	197,642	206,612
Amount deducted from total net assets (Millions of yen)	4,757	4,848
of which pertains to non-controlling interests (Millions of yen)	(4,757)	(4,848)
Closing balance of net assets pertaining to outstanding shares of common stock (Millions of yen)	192,885	201,764
Shares of common stock used in calculation of net assets per share	128,103,000	125,016,000

(Subsequent Events)

Purchase of treasury shares

On January 31, 2022, the Board of Directors resolved to buy back shares pursuant to Article 156 of the Companies Act as applied with the necessary modifications stipulated in Article 165-3 of the Act.

1. Reason for buyback

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

2. Terms of buyback

- (1) Class of shares to be acquired: Common stock
- (2) Number of shares to be acquired: No more than 3,200,000 (2.56% of all outstanding shares)
- (3) Acquisition price: No more than ¥3,500 million
- (4) Acquisition period: February 14 – December 31, 2022
- (5) Acquisition method: Open market offer on the Tokyo Stock Exchange under a discretionary investment contract

6. Other Disclosures

Personnel Changes in Senior Management

On March 30, 2022, certain directors and executive officers will reach the end of their tenure, and their successors will be nominated. For more information, see the press release issued on November 22, 2021, titled “Notice concerning organizational changes and personnel changes in senior management”; the press release is currently available only in Japanese.