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## 1. Financial Performance

### (1) Explanation of Financial Performance

#### (a) Financial Performance during the First Quarter

During the period under review (January 1 to March 31, 2024), the global economy stumbled. The European economy did not recover, inflation failed to subside, especially in the United States, and policy interest rates remained high. In addition, the recovery of the Chinese economy has been delayed due to the worsening of the downturn in the country's real estate market.

The Japanese economy saw strong inbound tourism demand due to the depreciation of the yen, but consumer prices rose on higher raw material and fuel prices. In addition, due to the worsening labor shortage and the government's promotion of wage increases, the rate of wage increases has been significantly higher than the previous year, and there is growing awareness of a gradual transition to inflation.

Under these circumstances, the Group focused on sales expansion activities and cost reductions while steadily advancing R&D, capital investment, and preparations for the establishment of overseas bases aimed at future growth. As a result, the Group recorded the following financial results for the period under review.

|  |                             |
|--|-----------------------------|
| Net sales:                                   | ¥39,014 million (+2.1% YOY) |
| Operating income:                            | ¥3,552 million (+37.3% YOY) |
| Ordinary profit:                             | ¥4,027 million (+35.4% YOY) |
| Net income attributable to owners of parent: | ¥2,717 million (+24.3% YOY) |

#### (b) Performance by Segment

##### I. Commodity chemicals

Electrolysis products recorded higher sales revenue amid a recovery trend in sales volume and revisions to selling prices to cope with higher raw material and fuel prices from last year. Acrylic monomer products saw an increase in sales revenue on larger sales volume of acrylic acid. Industrial gases posted higher sales revenue following price hikes initiated in response to rising raw material and fuel prices from last year. As a result of the above, this segment posted net sales of ¥17,875 million (+3.7% YOY).

Operating income totaled ¥1,961 million (+68.3% YOY) due to increased overall sales volume and revisions to selling prices to cope with higher raw material and fuel prices from last year.

##### II. Polymer & oligomer

Acrylic polymers saw lower sales revenue on weaker sales volume. Acrylic oligomers recorded higher sales revenue amid increased sales volume for displays and other products. Polymer flocculants posted a decrease in sales revenue due to lower sales volume overseas. As a result of these factors, this segment posted net sales of ¥8,523 million (-0.0% YOY).

Operating income jumped 34.7% year on year to ¥1,090 million following revisions to selling prices of polymer flocculants to cope with higher raw material and fuel prices, which offset increased expenses from the inclusion of Toagosei (Shanghai) Management Co., Ltd.

##### III. Adhesive material

For consumers, sales revenue increased owing to higher sales volume in Japan and the United States. Functional adhesives saw a substantial increase in sales volume for batteries for automotive applications, resulting in an increase in sales revenue. As a result, this segment posted net sales of ¥3,157 million (+17.8% YOY).

Operating income totaled ¥77 million, compared to an operating loss of ¥116 million in the same period of the previous fiscal year, amid higher sales volume of adhesives for batteries for automotive applications.

#### IV. Performance chemicals

High-purity inorganic chemicals posted a decline in sales revenue owing to the impacts of the downturn in semiconductor market conditions. Inorganic functional materials posted higher sales revenue amid increased sales volume of antimicrobial agents. As for development of new products, revenue declined due to diminished sales volume of medical care products. As a result, this segment posted net sales of ¥2,534 million (+0.7% YOY).

Operating income fell 36.8% year on year to ¥302 million resulting from an increase in depreciation for high-purity inorganic chemicals and diminished sales volume of medical care products.

#### V. Plastics

Piping equipment saw sales revenue fall amid lower sales volume caused by the slump in housing starts. Nursing care products posted a decline in sales revenue as a result of diminished overall sales volume. Elastomer compounds experienced a downturn in sales revenue amid diminished sales volume caused by inventory adjustments of customers. As a result, this segment posted net sales of ¥6,465 million (-4.6% YOY).

Operating income rose 3.2% year on year to ¥292 million owing to price setting in response to higher raw materials prices from the previous year, despite a decrease in sales volume.

#### VI. Other businesses

This segment, which consists of the research and development business for new products, goods transportation, and trading-house operations, recorded sales on par with the previous year, as net sales rose slightly 0.8% year on year to ¥459 million.

The operating loss totaled ¥173 million, compared to an operating loss of ¥41 million in the same period of the previous fiscal year, partly because of preparatory costs for the opening of the Kawasaki Frontience R&D Center.

### (2) Explanation of Financial Position

Status of assets, liabilities, and net assets

**Total assets:** Total assets amounted to ¥271,534 million, down ¥751 million (0.3%) from the previous fiscal year-end. The main contributor to this decrease was a decrease in current assets including “cash and deposits”, compared to an increase in “investment securities” resulting from the higher market value of shareholdings.

**Total liabilities:** Total liabilities amounted to ¥59,805 million, up ¥38 million (0.1%) from the previous fiscal year-end. The main contributor to this increase was an increase in “other long-term liabilities” under long-term liabilities owing to the increase in deferred tax liabilities, compared to a decrease in current liabilities including “notes and accounts payable.”

**Total net assets:** Total net assets amounted to ¥211,728 million, down ¥789 million (0.4%) from the previous fiscal year-end. The main contributor to this decrease was an increase in “treasury stock” due to share buybacks, compared to an increase in “unrealized holding gain on available-for-sale securities.”

**Net worth ratio:** Net worth ratio amounted to 77.6%.

### (3) Explanation of Forward-looking Statements such as Consolidated Earnings Forecasts

There is no change in the consolidated earnings forecast for the fiscal year ending December 31, 2024 announced on February 13, 2024. In addition, if it is necessary to change the earnings forecast, the Company will promptly disclose it.

## 2. Quarterly Consolidated Financial Statements, Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

|                                     | Fiscal 2023<br>(as of December 31, 2023) | First quarter of fiscal 2024<br>(as of March 31, 2024) |
|-------------------------------------|--|--|
| <b>Assets</b>                       |  |  |
| Current assets                      |  |  |
| Cash and deposits                   | 39,108                                   | 33,392   |
| Notes and accounts receivable       | 51,102                                   | 48,012   |
| Securities                          | 17,000                                   | 15,000   |
| Inventories                         | 24,792                                   | 25,050   |
| Other current assets                | 2,904                                    | 3,712  |
| Allowance for doubtful receivables  | (47)                                     | (50)   |
| Total current assets                | 134,860                                  | 125,118  |
| Fixed assets                        |  |  |
| Property, plant and equipment       |  |  |
| Buildings and structures, net       | 26,998                                   | 26,914   |
| Machinery, equipment and other, net | 25,451                                   | 24,477   |
| Land                                | 29,249                                   | 29,307   |
| Other, net                          | 14,834                                   | 18,820   |
| Total property, plant and equipment | 96,532                                   | 99,520   |
| Intangible fixed assets             | 1,579                                    | 1,674  |
| Investments and other assets        |  |  |
| Investment securities               | 32,912                                   | 38,562   |
| Net defined benefit asset           | 3,736                                    | 3,731  |
| Other assets                        | 2,671                                    | 2,932  |
| Allowance for doubtful receivables  | (6)                                      | (6)  |
| Total investments and other assets  | 39,313                                   | 45,220   |
| Total fixed assets                  | 137,425                                  | 146,415  |
| <b>Total assets</b>                 | <b>272,285</b>                           | <b>271,534</b>   |

(Millions of yen)

|  | Fiscal 2023<br>(as of December 31, 2023) | First quarter of fiscal 2024<br>(as of March 31, 2024) |
|--|--|--|
| <b>Liabilities</b>                                       |  |  |
| Current liabilities                                      |  |  |
| Notes and accounts payable                               | 19,091                                   | 17,559   |
| Short-term bank loans                                    | 2,499                                    | 2,515  |
| Accrued income taxes                                     | 2,281                                    | 960  |
| Accrued bonuses for employees                            | 14                                       | 783  |
| Provision for product recalls                            | 308                                      | 214  |
| Other current liabilities                                | 17,284                                   | 17,393   |
| Total current liabilities                                | 41,480                                   | 39,427   |
| Long-term liabilities                                    |  |  |
| Long-term debt   | 8,595                                    | 8,694  |
| Net defined benefit liability                            | 119                                      | 118  |
| Provision for share awards                               | 145                                      | 183  |
| Other long-term liabilities                              | 9,426                                    | 11,382   |
| Total long-term liabilities                              | 18,287                                   | 20,378   |
| Total liabilities  | 59,767                                   | 59,805   |
| <b>Net assets</b>  |  |  |
| Shareholders' equity                                     |  |  |
| Common stock   | 20,886                                   | 20,886   |
| Capital surplus  | 14,166                                   | 14,166   |
| Retained earnings  | 159,562                                  | 158,423  |
| Treasury stock   | (786)                                    | (5,094)  |
| Total shareholders' equity                               | 193,828                                  | 188,381  |
| Accumulated other comprehensive income                   |  |  |
| Unrealized holding gain on available-for-sale securities | 13,319                                   | 17,258   |
| Translation adjustment                                   | 3,992                                    | 4,722  |
| Remeasurements of defined benefit plans                  | 369                                      | 360  |
| Total accumulated other comprehensive income             | 17,681                                   | 22,341   |
| Non-controlling interests                                | 1,008                                    | 1,005  |
| Total net assets   | 212,518                                  | 211,728  |
| <b>Total liabilities and net assets</b>                  | <b>272,285</b>                           | <b>271,534</b>   |

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

### Quarterly Consolidated Statement of Income

(First Quarter under Review)

(Millions of yen)

|  | Previous first quarter<br>(January 1, 2023<br>to March 31, 2023) | First quarter under review<br>(January 1, 2024<br>to March 31, 2024) |
|--|--|--|
| Net sales  | 38,198   | 39,014   |
| Cost of sales  | 28,712   | 28,209   |
| Gross profit   | 9,485  | 10,805   |
| Selling, general, and administrative expenses        | 6,898  | 7,253  |
| Operating income                                     | 2,587  | 3,552  |
| Non-operating income                                 |  |  |
| Interest income                                      | 48   | 89   |
| Dividend income                                      | 63   | 269  |
| Equity in earnings of affiliates                     | 81   | 49   |
| Foreign currency exchange gains                      | 30   | 117  |
| Rent income on non-current assets                    | 49   | 46   |
| Insurance claim income                               | 192  | –  |
| Other  | 36   | 17   |
| Total non-operating income                           | 503  | 590  |
| Non-operating expenses                               |  |  |
| Interest expenses                                    | 32   | 35   |
| Loss on investments in partnerships                  | 21   | 35   |
| Environment readiness fee                            | 25   | 30   |
| Inactive facilities expenses                         | 3  | 3  |
| Other  | 33   | 9  |
| Total non-operating expenses                         | 116  | 115  |
| Ordinary profit                                      | 2,974  | 4,027  |
| Extraordinary income                                 |  |  |
| Gain on sale of non-current assets                   | –  | 6  |
| Subsidy income                                       | 72   | 59   |
| Total extraordinary gains                            | 72   | 66   |
| Extraordinary losses                                 |  |  |
| Loss on disposal of non-current assets               | 42   | 398  |
| Loss on disaster                                     | –  | 29   |
| Total extraordinary losses                           | 42   | 427  |
| Income before income taxes                           | 3,003  | 3,666  |
| Income taxes   | 806  | 928  |
| Net income   | 2,196  | 2,737  |
| Net income attributable to non-controlling interests | 10   | 20   |
| Net income attributable to owners of parent          | 2,185  | 2,717  |

Quarterly Consolidated Statement of Comprehensive Income  
(First Quarter under Review)

(Millions of yen)

|  | Previous first quarter<br>(January 1, 2023<br>to March 31, 2023) | First quarter under review<br>(January 1, 2024<br>to March 31, 2024) |
|--|--|--|
| Net income   | 2,196  | 2,737  |
| Other comprehensive income                               |  |  |
| Unrealized holding gain on available-for-sale securities | 1,355  | 3,942  |
| Translation adjustments                                  | 0  | 742  |
| Remeasurements of defined benefit plans, net of tax      | (0)  | (8)  |
| Total other comprehensive income                         | 1,355  | 4,676  |
| Comprehensive income                                     | 3,551  | 7,414  |
| Comprehensive income attributable to:                    |  |  |
| Owners of parent   | 3,538  | 7,377  |
| Non-controlling interests                                | 13   | 36   |

### (3) Notes

(Notes on Going Concern Assumption)

None

(Notes in Case of Significant Changes in the Amount of Shareholders' Equity)

The Company acquired 2,784,800 treasury shares pursuant to a resolution passed by the Board of Directors at its meeting held on February 13, 2024. As a result, during the period under review, treasury stock increased by ¥4,308 million, bringing the total of treasury stock to ¥5,094 million as of the end of the period under review.

(Additional Information)

(Employee Stock Compensation Plan)

In April 2023, the Company introduced an employee stock compensation plan (hereinafter, the "Plan") with the purpose of enhancing the welfare and benefits plan for the Company's employees (hereinafter, the "Employees"), to further promote the execution of business operations aiming to improve business performance by further increasing the Employees' awareness toward the Company's business performance and increasing the share price, and to enhance the Company's corporate value over the medium to long term.

#### (1) Overview of Transaction

The Plan is an incentive plan whereby money contributed by the Company will be used to establish a trust (hereinafter, the "Trust"), and the Trust will acquire the common stock (hereinafter, the "Company Shares"), and then the Company Shares will be granted to the Employees through the Trust based on points awarded to the Employees who satisfy certain conditions. The points shall be awarded to the Employees based on his/her job title/duties pursuant to the Share Granting Regulations established by the Company's Board of Directors. The number of the Company Shares to be granted to each of the Employees will be determined based on the number of points he/she was awarded.

The funds used to acquire the Company Shares by the Trust will be provided in full by the Company; thus, the Employees do not bear any burden.

#### (2) The Company's Remaining Shares in Trust

The Company's remaining shares in the Trust will be recorded as treasury stock in the net assets section based on the book value in the Trust (excluding the amount of ancillary expenses). The book value and number of these treasury stock were ¥474 million and 386 thousand shares, respectively, at the end of the previous fiscal year, and ¥472 million and 384 thousand shares, respectively, at the end of the period under review.

(Segment Information, etc.)

[Segment Information]

I. Previous First Quarter (January 1, 2023 to March 31, 2023)

1 Further Information about Segment Sales and Segment Profit/Loss

(Millions of yen)

|                                 | Reportable segment  |                    |                   |                       |          |        | Other businesses <sup>1</sup> | Total  | Adjusted <sup>2</sup> | Consolidated book value <sup>3</sup> |
|---------------------------------|---------------------|--------------------|-------------------|-----------------------|----------|--------|-------------------------------|--------|-----------------------|--------------------------------------|
|                                 | Commodity chemicals | Polymer & oligomer | Adhesive material | Performance chemicals | Plastics | Total  |                               |        |                       |                                      |
| Net sales                       |                     |                    |                   |                       |          |        |                               |        |                       |                                      |
| External sales                  | 17,243              | 8,525              | 2,680             | 2,517                 | 6,775    | 37,742 | 455                           | 38,198 | –                     | 38,198                               |
| Intersegment sales or transfers | 1,117               | 412                | 43                | 70                    | 146      | 1,790  | 388                           | 2,178  | (2,178)               | –                                    |
| Total                           | 18,360              | 8,937              | 2,724             | 2,588                 | 6,922    | 39,533 | 844                           | 40,377 | (2,178)               | 38,198                               |
| Segment profit (loss)           | 1,165               | 809                | (116)             | 478                   | 283      | 2,621  | (41)                          | 2,579  | 7                     | 2,587                                |

Notes:

- 1 “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes research and development business for new products, goods transportation, and trading-house operations, among others.
- 2 Adjusted segment profit or loss primarily takes into account elimination of intersegment transactions.
- 3 Segment profit or loss represents operating income as stated on the quarterly consolidated statement of income with the adjustment.

2 Impairment of Fixed Assets or Goodwill, etc. by Reportable Segment

The disclosure is omitted due to the immateriality.

II. First Quarter under Review (January 1, 2024 to March 31, 2024)

1 Further Information about Segment Sales and Segment Profit/Loss

(Millions of yen)

|                                 | Reportable segment  |                    |                   |                       |          |        | Other businesses <sup>1</sup> | Total  | Adjusted <sup>2</sup> | Consolidated book value <sup>3</sup> |
|---------------------------------|---------------------|--------------------|-------------------|-----------------------|----------|--------|-------------------------------|--------|-----------------------|--------------------------------------|
|                                 | Commodity chemicals | Polymer & oligomer | Adhesive material | Performance chemicals | Plastics | Total  |                               |        |                       |                                      |
| Net sales                       |                     |                    |                   |                       |          |        |                               |        |                       |                                      |
| External sales                  | 17,875              | 8,523              | 3,157             | 2,534                 | 6,465    | 38,555 | 459                           | 39,014 | –                     | 39,014                               |
| Intersegment sales or transfers | 954                 | 383                | 14                | 72                    | 266      | 1,690  | 395                           | 2,086  | (2,086)               | –                                    |
| Total                           | 18,829              | 8,906              | 3,171             | 2,606                 | 6,731    | 40,246 | 855                           | 41,101 | (2,086)               | 39,014                               |
| Segment profit (loss)           | 1,961               | 1,090              | 77                | 302                   | 292      | 3,724  | (173)                         | 3,550  | 1                     | 3,552                                |

Notes:

- 1 “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes research and development business for new products, goods transportation, and trading-house operations, among others.
- 2 Adjusted segment profit or loss primarily takes into account elimination of intersegment transactions.
- 3 Segment profit or loss represents operating income as stated on the quarterly consolidated statement of income with the adjustment.

2 Impairment of Fixed Assets or Goodwill, etc. by Reportable Segment

The disclosure is omitted due to the immateriality.