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## 1. Financial Performance

### (1) Explanation of Financial Performance

#### (a) Financial Performance during the First Half of Fiscal 2023

During the period under review (January 1 to June 30, 2023), the global economy saw an uptick in uncertainty, including increased decoupling caused by the power struggle between the United States and China and the slow pace of recovery in China's economy, and there are no signs of the war in Ukraine ending.

There is growing expectations for an economic recovery in Japan owing to substantial wage hikes, the normalization of economic activities after the end of the COVID-19 pandemic, and growing consumption from in-bound tourism, amid ongoing financial easing measures targeting moderate inflation. On the other hand, as seen with the diminished demand for semiconductors, in the manufacturing industry production volume of electrical and electronic products declined and demand for some industrial products was sluggish.

Against that backdrop, the Group engaged in business while focusing on the development and sales expansion of performance products. As a result, the Group recorded the following financial results for the period under review.

Net sales: ¥76,947 million (-1.3% YOY)

Operating income: ¥4,746 million (-39.9% YOY)

Ordinary profit: ¥6,172 million (-34.2% YOY)

Net income attributable to owners of parent: ¥5,469 million (-26.0% YOY)

#### (b) Performance by Segment

Following changes in the Company's organizational structure and management classification effective January 1, 2023, sustainability related businesses previously included in the Commodity Chemicals segment have been transferred to the Other Businesses segment from the first quarter of fiscal 2023. Year-on-year change is compared to the figures for the previous second quarter prepared according to the revised classification method.

#### I. Commodity Chemicals

Overall, electrolysis products saw sales volume decline as a recovery in demand for automotive parts and electronic product related applications did not materialize, but sales revenue increased because of price hikes from last year. Acrylic monomer products posted a decline in sales revenue owing mainly to deteriorating market conditions overseas. Industrial gas experienced a decline in sales volume due to the impacts of diminished production volume of automotive parts, etc., but price hikes helped to increase sales revenue. As a result of the above, this segment posted net sales of ¥35,102 million (+0.2% YOY).

Operating income fell to ¥2,205 million (-42.9% YOY) as a result of diminished overall sales volume and deteriorating overseas market conditions for acrylic products, despite price hikes instituted in response to surging raw material and fuel prices from last year.

#### II. Polymer & Oligomer

Acrylic polymers recorded sales on par with the previous year following price hikes in response to surging raw material and fuel prices from last year, which offset weaker sales volume for automotive parts. Acrylic oligomers saw lower sales revenue on weaker sales volume caused by diminished demand for display related applications. Polymer flocculants experienced a downturn in sales revenue amid lower sales volume for civil engineering applications and overseas. As a result of these factors, this segment posted net sales of ¥16,425 million (-8.7% YOY).

Operating income totaled ¥1,339 million (-41.8% YOY) because of diminished sales volume overall.

#### III. Adhesive Material

For consumers, sales revenue fell due to lower sales volume caused by reduced customer traffic at home improvement stores.

Functional adhesives saw an uptick in sales revenue on higher sales volume for batteries for automotive applications, despite weaker sales volume for electronics components used in smartphones and for automotive parts. As a result, this segment posted net sales of ¥5,608 million (+3.3% YOY).

The segment posted an operating loss of ¥161 million attributed to lower sales volume for electronics components used in smartphones and for automotive parts as well as higher research and development costs.

#### IV. Performance Chemicals

High-purity inorganic chemicals recorded net sales on par with the previous year following price hikes in response to surging raw material and fuel prices from last year, which offset weaker sales volume caused by the impacts of the downturn in semiconductor market conditions. Inorganic functional materials posted lower sales revenue amid diminished sales volume of ion-trapping agents for electronics components. In addition, medical care products saw sales revenue increase on sales of samples for testing. As a result, this segment posted net sales of ¥5,285 million (+6.0% YOY).

Operating income totaled ¥959 million (-16.2% YOY) due to the impacts of diminished sales volume.

#### V. Plastics

Piping equipment saw sales revenue fall amid lower sales volume caused by the slump in housing starts. Nursing care products recorded an increase in sales revenue owing to price hikes and strong sales of new products. Elastomer compounds posted higher sales revenue on increased sales volume for business machinery and beverage containers. As a result, this segment posted net sales of ¥13,589 million (-0.9% YOY).

Operating income totaled ¥669 million (-17.6% YOY) mainly because of the impacts of the downturn in sales volume of piping equipment.

#### VI. Other Businesses

This segment, which consists of the research and development business for new products, goods transportation, and trading-house operations, among others, recorded increased sales revenue from its trading department. The segment posted net sales of ¥936 million (+12.3% YOY) and an operating loss of ¥272 million.

## (2) Explanation of Financial Position

### 1. Status of assets, liabilities, and net assets

Total assets amounted to ¥266,078 million, up ¥943 million (0.4%) from the previous year-end. The main contributors to this increase were an increase in investment securities owing to the rising market value of shares owned, compared to a decrease in current assets including cash and deposits.

Total liabilities amounted to ¥55,367 million, up ¥1,039 million (1.9%) from the previous year-end. The main contributor to this increase was an increase in other under long-term liabilities owing to the increase in deferred tax liabilities.

Total net assets amounted to ¥210,711 million, down ¥95 million (-0.0%) from the previous fiscal year-end. The main contributors to this decrease were the decrease in non-controlling interests from the increase in the Company's shareholding ratio of MT AquaPolymer, Inc., a consolidated subsidiary, compared to an increase in unrealized holding gain on available-for-sale securities. Net worth ratio amounted to 78.8%.

### 2. Status of cash flows

Cash flows from operating activities totaled inflows of ¥13,607 million, up ¥2,417 million compared to the previous first half, attributable to decreases in inventories and income taxes paid, which offset the decrease in income before income taxes.

Cash flows from investment activities amounted to outflows of ¥4,454 million, down ¥4,816 million compared to the previous first half. This was attributable to a decrease in expenditures for the acquisition of property, plant and equipment

Cash flows from financial activities amount to outflows of ¥13,172 million, up ¥7,025 million from the previous first half, because of the increase in dividends paid to non-controlling interests and in expenditures for the acquisition of shares of subsidiaries.

As a result of the above, cash and cash equivalents stood at ¥41,089 million as of June 30, 2023, down ¥3,749 million compared to the previous year-end.

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

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

In terms of performance during the first half of fiscal 2023, there was an increase in sales of developed products, such as products used in batteries for automotive applications, but sales volume trended lower for many products including commodity chemicals.

Although the economic situation in the third and fourth quarters is expected to remain uncertain and difficult to predict amid the situation in Ukraine and the power struggle between the United States and China, the Company will respond flexibly while paying attention to trends in the supply chain, market conditions, raw material and fuel prices, among others, and strive to expand business and secure profits.

Amid this situation, there are fields where demand has recovered and developed products with strong sales, but the Company forecasts that net sales, operating income, ordinary profit, and net income attributable to owners of parent for fiscal 2023 will fall below the consolidated performance forecast announced on February 10, 2023.

In addition, in order to enhance capital efficiency to realize management that is aware of capital costs and share price, the Company will return profit to shareholders with a target of 100% consolidated total shareholder return during the period of Medium-Term Management Plan 2025, and will also increase dividends of surplus. This revision was made in “Toagosei Announces Revisions to the Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2023 and Revisions to the Interim Dividend and Year-End Dividend Forecast” announced on July 31, 2023.

Consolidated forecasts for fiscal 2023 (full-year: January 1 to December 31, 2023)

	Net sales	Operating income	Operating income	Net income attributable to owners of parent	Net income per share
Previous forecasts (A) (announced on February 10, 2023)	178,800	14,000	14,800	10,600	89.33 yen
Revised forecasts (B)	162,400	10,500	12,000	10,300	87.01 yen
Amount of Change (B-A)	(16,400)	(3,500)	(2,800)	(300)	-
Rate of change (%)	(9.2%)	(25.0%)	(18.9%)	(2.8%)	-
(Reference) Fiscal 2022 results (year ended December 31, 2022)	160,825	14,382	16,446	12,494	101.31 yen

(Millions of yen)

Details of revision to year-end dividend forecast

	Full-year dividend per share		
	End of 1H	Year-end	Total
Previous forecasts (announced on February 10, 2023)	¥18.00	¥18.00	¥36.00
Revised forecast		¥20.00	¥40.00
Fiscal 2023 results	¥20.00		
(Reference) Fiscal 2022 results (year ended December 31, 2022)	¥18.00	¥18.00	¥36.00

Notes: 1 The Company's efforts to increase the P/B ratio will be disclosed separately in early August.

2 Forecasts are figures determined by the Company based on information available as of the date of release of this document, and actual results may vary from forecasts due to various factors in the future.

## 2. Quarterly Consolidated Financial Statements, Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal 2022 (as of December 31, 2022)	First Half of Fiscal 2023 (as of June 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	40,366	36,871
Notes and accounts receivable	49,848	47,002
Securities	18,000	17,000
Inventories	25,511	26,947
Other current assets	5,309	5,323
Allowance for doubtful receivables	(50)	(47)
<b>Total current assets</b>	<b>138,985</b>	<b>133,097</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	27,467	26,963
Machinery, equipment and other, net	24,399	24,613
Land	29,146	29,208
Other, net	9,761	11,400
<b>Total property, plant and equipment</b>	<b>90,774</b>	<b>92,186</b>
<b>Intangible fixed assets</b>	<b>1,592</b>	<b>1,597</b>
Investments and other assets		
Investment securities	28,472	33,774
Net defined benefit asset	2,704	2,841
Other assets	2,612	2,588
Allowance for doubtful receivables	(6)	(6)
<b>Total investments and other assets</b>	<b>33,782</b>	<b>39,197</b>
<b>Total fixed assets</b>	<b>126,150</b>	<b>132,981</b>
<b>Total assets</b>	<b>265,135</b>	<b>266,078</b>

(Millions of yen)

	Fiscal 2022 (as of December 31, 2022)	First Half of Fiscal 2023 (as of June 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	19,653	18,492
Short-term bank loans	2,475	2,474
Accrued income taxes	2,176	1,629
Provisions	16	15
Other current liabilities	13,470	14,589
Total current liabilities	37,792	37,201
Long-term liabilities		
Long-term debt	8,590	8,520
Net defined benefit liability	117	121
Provision for share awards	-	21
Other long-term liabilities	7,828	9,503
Total long-term liabilities	16,535	18,166
Total liabilities	54,328	55,367
Net assets		
Shareholders' equity		
Common stock	20,886	20,886
Capital surplus	15,095	14,196
Retained earnings	158,154	161,444
Treasury stock	(1,081)	(4,177)
Total shareholders' equity	193,053	192,349
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	9,598	13,300
Translation adjustment	3,471	4,236
Remeasurements of defined benefit plans	(154)	(155)
Total accumulated other comprehensive income	12,915	17,381
Non-controlling interests	4,837	979
Total net assets	210,807	210,711
Total liabilities and net assets	265,135	266,078

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

Quarterly Consolidated Statement of Income

First Half under Review

(Millions of yen)

	First Half of Fiscal 2022 (January 1, 2022 to June 30, 2022)	First Half of Fiscal 2023 (January 1, 2023 to June 30, 2023)
Net sales	77,977	76,947
Cost of sales	56,068	57,885
Gross profit	21,908	19,062
Selling, general, and administrative expenses	14,017	14,316
Operating income	7,891	4,746
Non-operating income		
Interest income	20	111
Dividend income	604	636
Equity in earnings of affiliates	136	174
Foreign currency exchange gains	769	345
Rent income on non-current assets	108	89
Other	109	256
Total non-operating income	1,748	1,613
Non-operating expenses		
Interest expenses	41	63
Environment readiness fee	166	43
Inactive facilities expenses	12	6
Other	32	73
Total non-operating expenses	253	187
Ordinary profit	9,387	6,172
Extraordinary income		
Gain on sales of investment securities	1,000	1,452
Subsidy income	283	79
Total extraordinary gains	1,283	1,531
Extraordinary losses		
Loss on disposal of non-current assets	380	103
Loss on valuation of investment securities	112	3
Total extraordinary losses	492	107
Income before income taxes	10,178	7,595
Income taxes	2,658	2,104
Net income	7,520	5,490
Net income attributable to non-controlling interests	129	20
Net income attributable to owners of parent	7,391	5,469



Quarterly Consolidated Statement of Comprehensive Income

First Half under Review

(Millions of yen)

	First Half of Fiscal 2022 (January 1, 2022 to June 30, 2022)	First Half of Fiscal 2023 (January 1, 2023 to June 30, 2023)
Net income	7,520	5,490
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	(762)	3,704
Translation adjustments	1,758	793
Remeasurements of defined benefit plans, net of tax	(28)	(1)
Total other comprehensive income	967	4,495
Comprehensive income	8,488	9,986
Comprehensive income attributable to:		
Owners of parent	8,296	9,935
Non-controlling interests	191	50

### (3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First Half of Fiscal 2022 (January 1, 2022 to June 30, 2022)	First Half of Fiscal 2023 (January 1, 2023 to June 30, 2023)
<b>Operating activities</b>		
Income before income taxes	10,178	7,595
Depreciation and amortization	5,311	5,283
Increase or decrease in allowance for doubtful accounts (Minus means decrease.)	(0)	(4)
Increase or decrease in provision for share awards (Minus means decrease.)	-	21
Increase or decrease in other provisions (Minus means decrease.)	3	(1)
Increase or decrease in net defined benefit asset (Minus means increase.)	(180)	(138)
Increase or decrease in net defined benefit liability (Minus means decrease.)	3	3
Interest and dividend income	(625)	(747)
Interest expense	41	63
Foreign currency exchange gains or losses (Minus means gains.)	(669)	(340)
Gain or loss on sale of investment securities (Minus means gain.)	(1,000)	(1,452)
Gain or loss on valuation of investment securities (Minus means gain.)	112	3
Equity in earnings or losses of affiliates (Minus means earnings.)	(136)	(174)
Subsidy income	(283)	(79)
Gain or Loss on disposal of non-current assets (Minus means gain.)	380	103
Increase or decrease in receivables (Minus means increase.)	212	2,975
Increase or decrease in inventories (Minus means increase.)	(4,501)	(1,254)
Increase or decrease in payables (Minus means decrease.)	2,850	(1,233)
Other, net	2,110	4,621
Subtotal	13,806	15,247
Interest and dividends received	679	750
Interest paid	(45)	(67)
Subsidies income received	398	79
Income taxes paid	(3,648)	(2,401)
Net cash provided by operating activities	11,190	13,607
<b>Investing activities</b>		
Increase or decrease in time deposits (Minus means increase.)	6,667	1,108
Purchase of investment securities	(106)	(183)
Proceeds from sales of investment securities	1,129	1,674
Purchase of property, plant and equipment	(15,955)	(6,550)
Other, net	(1,005)	(503)
Net cash used in investing activities	(9,270)	(4,454)
<b>Financing activities</b>		
Repayments of long-term debt	(73)	(70)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(2,849)
Proceeds from sale of treasury stock	0	4
Purchase of treasury stock	(1,354)	(3,151)
Increase or decrease in deposits for acquisition of treasury stock (Minus means increase.)	(2,147)	(2,851)
Repayments of lease obligations	(104)	(89)
Cash dividends to shareholders	(2,371)	(2,178)

(Millions of yen)

	First Half of Fiscal 2022 (January 1, 2022 to June 30, 2022)	First Half of Fiscal 2023 (January 1, 2023 to June 30, 2023)
Dividends paid to non-controlling interests	(97)	(1,987)
Net cash used in financing activities	(6,147)	(13,172)
Effect of exchange rate change on cash and cash equivalents	703	268
Net increase or decrease in cash and cash equivalents (Minus means decrease.)	(3,523)	(3,749)
Cash and cash equivalents at beginning of the period	46,504	44,839
Cash and cash equivalents at end of the period	42,980	41,089

#### (4) Notes

(Notes on Going Concern Assumption)

None

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

The Company acquired 2,591,600 treasury shares pursuant to a resolution passed by the Board of Directors at its meeting held on February 10, 2023. As a result, during the period under review, treasury stock increased by ¥3,095 million, bringing the total of treasury stock to ¥4,177 million as of the end of the period under review.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

We applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter under review. In accordance with the transitional handling stipulated in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, we have decided to apply the new accounting policy established by the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future. The Company's second quarter financial statements were not affected by this application.

(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 ¥476 million and 387 thousand shares, respectively, at the end of the second quarter of the fiscal year under review.

(Segment Information, etc.)

[Segment Information]

I. First Half of Fiscal 2022 (January 1, 2022 to June 30, 2022)

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	35,020	18,000	5,430	4,983	13,708	77,144	833	77,977	-	77,977
Intersegment sales or transfers	2,665	703	40	110	164	3,684	759	4,444	(4,444)	-
Total	37,685	18,703	5,470	5,094	13,873	80,828	1,592	82,421	(4,444)	77,977
Segment profit	3,863	2,300	59	1,145	812	8,181	(297)	7,883	7	7,891

Notes: 1 "Other businesses" is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes the research and development business for new products, goods transportation, and trading-house operations.

2 Adjusted segment profit primarily takes into account elimination of intersegment transactions.

3 Segment profit 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 Half of Fiscal 2023 (January 1, 2023 to June 30, 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	35,102	16,425	5,608	5,285	13,589	76,011	936	76,947	-	76,947
Intersegment sales or transfers	2,009	747	104	135	320	3,317	775	4,092	(4,092)	-
Total	37,112	17,172	5,713	5,420	13,910	79,328	1,711	81,040	(4,092)	76,947
Segment profit (loss)	2,205	1,339	(161)	959	669	5,011	(272)	4,738	7	4,746

Notes: 1 “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes the research and development business for new products, goods transportation, and trading-house operations.

2 Adjusted segment profit (loss) primarily takes into account elimination of intersegment transactions.

3 Segment profit (loss) represents operating income as stated on the quarterly consolidated statement of income with the adjustment.

2 Matters Concerning Changes in Reportable Segments

(Changes in reportable segment classification)

Following changes in the Company’s organizational structure and management classification effective January 1, 2023, sustainability related businesses previously included in the Commodity Chemicals segment have been transferred to the Other Businesses segment from the first quarter of fiscal 2023.

Furthermore, segment information for the previous second quarter is prepared and presented according to the revised classification method.

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

The disclosure is omitted due to the immateriality.