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## 1. Financial Performance

### (1) Explanation of Financial Performance

(a) Financial Performance during the First Three Quarters of Fiscal 2024

During the period under review (January 1 to September 30, 2024), the economy in North America was strong, but in Europe, there were concerns about an economic slowdown. The economy in China continued to stagnate partly due to falling real estate prices and sluggish growth in consumer spending.

In Japan, the economy has remained relatively strong, supported by factors such as inbound tourism demand and rising wages, but close monitoring is needed as consumer prices have continued to rise.

Under these circumstances, the Group strived to expand sales while making investments for future growth such as those for the establishment of research centers and overseas bases and the expansion of manufacturing facilities. As a result, the Group recorded the following financial results for the period under review.

Net sales:	¥123,363 million	(+6.2% YOY)
Operating income:	¥10,762 million	(+33.1% YOY)
Ordinary profit:	¥12,142 million	(+25.5% YOY)
Net income attributable to owners of parent:	¥10,506 million	(+28.5% YOY)

#### (b) Performance by Segment

##### I. Commodity Chemicals

Electrolysis products recorded higher sales revenue due to increased overall sales volume. Acrylic monomer products saw an increase in sales revenue owing to increased sales volume and revisions to selling prices in response to higher raw material prices. Industrial gases posted higher sales revenue due to higher sales volume resulting from strong demand. As a result of the above, this segment posted net sales of ¥58,092 million (+9.4% YOY).

Operating income rose 50.2% year on year to ¥6,173 million as sales volume increased in electrolysis and other products.

##### II. Polymer & Oligomer

Acrylic polymers saw higher sales revenue on stronger sales volume of products for automobile parts. Acrylic oligomers recorded higher sales revenue amid strong shipments and increased sales volume for displays. 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 ¥26,031 million (+4.2% YOY).

Operating income jumped 40.0% year on year to ¥3,189 million mainly due to increased sales volume of acrylic polymers and acrylic oligomers.

##### III. Adhesive Material

For consumers, sales revenue increased owing to higher sales volume in Japan and the United States. Functional adhesives saw an increase in sales volume of adhesives for batteries for automotive applications and for electronic components for smartphones, resulting in an increase in sales revenue. As a result, this segment posted net sales of ¥10,028 million (+13.1% YOY).

Operating income totaled ¥373 million, compared to an operating loss of ¥0 million in the same period of the previous fiscal year, thanks to higher sales volume.

##### IV. Performance Chemicals

High-purity inorganic chemicals saw higher sales revenue due to strong shipments and increased sales volume of memory-related products. Inorganic functional materials posted higher sales revenue amid increased sales volume of ion-trapping agents for electronics components. As for development of new products, revenue declined due to diminished sales volume of samples for testing of medical care products. As a result, this segment posted net sales of ¥7,641 million (+0.7% YOY).

Operating income fell 22.4% year on year to ¥943 million resulting from an increase in depreciation incurred for high-purity inorganic chemicals and a decrease in sales volume of samples for testing 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 recorded higher sales revenue due to an increase in sales volume of products for automotive parts and home appliance parts. As a result, this segment posted net sales of ¥20,111 million (-0.3% YOY).

Operating income increased 2.9% year on year to ¥1,039 million due to higher sales volume of elastomer compounds despite the

impact of the decrease in sales volume of nursing care products and rising raw material prices.

#### VI. Other Businesses

This segment, which consists of trading-house operations, goods transportation, and the research and development business for new products, among others, recorded increased sales revenue from its trading department. The segment posted net sales of ¥1,457 million (+2.5% YOY).

Operating loss totaled ¥965 million, compared to an operating loss of ¥547 million in the same period of the previous fiscal year, partly because of the costs for opening the Kawasaki Frontience R&D Center.

### **(2) Explanation of Financial Position**

Total assets amounted to ¥269,093 million, down ¥3,192 million (1.2%) from the previous fiscal year-end. The main contributor to this decrease was a decrease in current assets including “Cash and deposits,” which was partially offset by an increase in “Buildings and structures.”

Total liabilities amounted to ¥58,622 million, down ¥1,145 million (1.9%) from the previous fiscal year-end due to a decrease in “Notes and accounts payable.”

Total net assets amounted to ¥210,470 million, down ¥2,047 million (1.0%) from the previous fiscal year-end. The main contributor to this decrease was an increase in “Treasury stock” due to share buybacks, which were partially offset by an increase in “Retained earnings.” Net worth ratio amounted to 77.8%.

### **(3) Research and Development Activities**

The Group’s total research and development expenses for the first three quarters of fiscal 2024 were ¥4,303 million.

On August 20, 2024, the Company established the Kawasaki Frontience R&D Center (in King Sky Front, Tonomachi International Strategic Base, Kawasaki-ku, Kawasaki-shi) as a new development base in the Kanto region. As one of our core bases for research and development, the new research center will engage in research and development on next-generation materials together with the Nagoya Creatio R&D Center, and will also work to expand high-value-added businesses through cocreation with customers in the Greater Tokyo area.

### **(4) 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.

During the first three quarters of fiscal 2024, we saw an increase in the sales volume of electrolysis products and other products including those for batteries for automotive applications. However, the economic situation from the fourth quarter onwards is uncertain due to factors such as the U.S. presidential election and other political circumstances as well as conflicts in various regions.

Under these circumstances, it is difficult to estimate future performance with a high degree of accuracy, but based on the assumption that the various events that are currently taking place will not become worse, the Company will leave unchanged the consolidated performance forecast for fiscal 2024 announced on July 31, 2024. In addition, if it becomes necessary to change the performance forecast, the Company will disclose the details promptly.

## 2. Quarterly Consolidated Financial Statements, Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal 2023 (as of December 31, 2023)	First Three Quarters of Fiscal 2024 (as of September 30, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	39,108	22,461
Notes and accounts receivable	51,102	50,494
Securities	17,000	13,000
Inventories	24,792	24,663
Other current assets	2,904	5,129
Allowance for doubtful receivables	(47)	(49)
<b>Total current assets</b>	<b>134,860</b>	<b>115,700</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	26,998	39,757
Machinery, equipment and other, net	25,451	23,957
Land	29,249	30,295
Other, net	14,834	17,738
<b>Total property, plant and equipment</b>	<b>96,532</b>	<b>111,747</b>
<b>Intangible fixed assets</b>	<b>1,579</b>	<b>1,680</b>
Investments and other assets		
Investment securities	32,912	33,488
Net defined benefit asset	3,736	3,720
Other assets	2,671	2,761
Allowance for doubtful receivables	(6)	(6)
<b>Total investments and other assets</b>	<b>39,313</b>	<b>39,964</b>
<b>Total fixed assets</b>	<b>137,425</b>	<b>153,392</b>
<b>Total assets</b>	<b>272,285</b>	<b>269,093</b>

(Millions of yen)

	Fiscal 2023 (as of December 31, 2023)	First Three Quarters of Fiscal 2024 (as of September 30, 2024)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	19,091	16,901
Short-term bank loans	2,499	6,217
Accrued income taxes	2,281	1,899
Accrued bonuses for employees	14	762
Provision for product recalls	308	158
Other current liabilities	17,284	17,726
<b>Total current liabilities</b>	<b>41,480</b>	<b>43,667</b>
Long-term liabilities		
Long-term debt	8,595	4,912
Net defined benefit liability	119	126
Provision for share awards	145	251
Other long-term liabilities	9,426	9,663
<b>Total long-term liabilities</b>	<b>18,287</b>	<b>14,955</b>
<b>Total liabilities</b>	<b>59,767</b>	<b>58,622</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	20,886	20,886
Capital surplus	14,166	14,169
Retained earnings	159,562	162,797
Treasury stock	(786)	(6,590)
<b>Total shareholders' equity</b>	<b>193,828</b>	<b>191,263</b>
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	13,319	13,679
Translation adjustment	3,992	4,142
Remeasurements of defined benefit plans	369	343
<b>Total accumulated other comprehensive income</b>	<b>17,681</b>	<b>18,165</b>
Non-controlling interests	1,008	1,042
<b>Total net assets</b>	<b>212,518</b>	<b>210,470</b>
<b>Total liabilities and net assets</b>	<b>272,285</b>	<b>269,093</b>

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

Quarterly Consolidated Statement of Income

First Three Quarters of Fiscal 2024

(Millions of yen)

	First Three Quarters of Fiscal 2023 (January 1, 2023 to September 30, 2023)	First Three Quarters of Fiscal 2024 (January 1, 2024 to September 30, 2024)
Net sales	116,149	123,363
Cost of sales	86,579	89,311
Gross profit	29,569	34,052
Selling, general, and administrative expenses	21,481	23,289
Operating income	8,088	10,762
Non-operating income		
Interest income	182	279
Dividend income	718	934
Equity in earnings of affiliates	151	138
Foreign currency exchange gains	399	256
Rent income on non-current assets	136	76
Other	281	91
Total non-operating income	1,869	1,776
Non-operating expenses		
Interest expenses	96	111
Environment readiness fee	63	146
Loss on investments in partnerships	53	101
Inactive facilities expenses	9	8
Other	61	28
Total non-operating expenses	285	396
Ordinary profit	9,672	12,142
Extraordinary income		
Gain on sale of non-current assets	—	8
Gain on sales of investment securities	1,998	3,360
Subsidy income	84	71
Total extraordinary gains	2,082	3,441
Extraordinary losses		
Loss on disposal of non-current assets	168	971
Loss on disaster	—	*1 75
Loss on valuation of investment securities	3	—
Loss on sales of investment securities	2	—
Total extraordinary losses	175	1,047
Income before income taxes	11,580	14,536
Income taxes	3,353	3,948
Net income	8,227	10,587
Net income attributable to non-controlling interests	51	80
Net income attributable to owners of parent	8,175	10,506

Quarterly Consolidated Statement of Comprehensive Income  
 First Three Quarters of Fiscal 2024

(Millions of yen)

	First Three Quarters of Fiscal 2023 (January 1, 2023 to September 30, 2023)	First Three Quarters of Fiscal 2024 (January 1, 2024 to September 30, 2024)
Net income	8,227	10,587
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	4,644	362
Translation adjustments	1,101	140
Remeasurements of defined benefit plans, net of tax	(2)	(25)
Total other comprehensive income	5,744	476
Comprehensive income	13,971	11,064
Comprehensive income attributable to:		
Owners of parent	13,891	10,991
Non-controlling interests	79	73

### (3) Notes

(Notes on Going Concern Assumption)

None

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

The Company acquired 3,823,400 shares of treasury stock pursuant to resolutions passed by the Board of Directors at meetings held on February 13, 2024 and July 31, 2024. As a result, during the period under review, treasury stock increased by ¥5,804 million, bringing the balance of treasury stock to ¥6,590 million as of the end of the period under review.

(Notes on Quarterly Consolidated Statements of Income)

\*1 Loss on disaster

First Three Quarters of Fiscal 2023 (January 1, 2023 to September 30, 2023)

None

First Three Quarters of Fiscal 2024 (January 1, 2024 to September 30, 2024)

The amount of loss caused by the Noto Peninsula Earthquake that occurred in January 2024. The breakdown is as follows.

	(Millions of yen)
Restoration costs, etc.	72
Loss on inventory loss	2
Total	75

(Notes on Quarterly Consolidated Statement of Cash Flows)

Quarterly consolidated statements of cash flows were not prepared for first three quarters of fiscal 2024. Depreciation (including amortization of intangible assets other than goodwill) for the first three quarters of fiscal 2023 and 2024 were as follows.

(Millions of yen)

	First three quarters of fiscal 2023 (January 1, 2023 to September 30, 2023)	First three quarters of fiscal 2024 (January 1, 2024 to September 30, 2024)
Depreciation	7,421	7,716



(Segment Information, etc.)

[Segment Information]

I First Three Quarters of Fiscal 2023 (January 1, 2023 to September 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	53,107	24,987	8,863	7,591	20,177	114,727	1,421	116,149	–	116,149
Intersegment sales or transfers	2,813	1,185	126	199	492	4,816	1,156	5,973	(5,973)	–
Total	55,920	26,173	8,989	7,790	20,669	119,543	2,578	122,122	(5,973)	116,149
Segment profit (loss)	4,110	2,278	(0)	1,216	1,010	8,614	(547)	8,067	20	8,088

- 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 the elimination of intersegment transactions.
3. Segment profit (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 as the amount is immaterial.

II First Three Quarters of Fiscal 2024 (January 1, 2024 to September 30, 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	58,092	26,031	10,028	7,641	20,111	121,905	1,457	123,363	–	123,363
Intersegment sales or transfers	2,457	1,171	37	259	655	4,580	1,209	5,790	(5,790)	–
Total	60,550	27,202	10,065	7,901	20,767	126,486	2,667	129,154	(5,790)	123,363
Segment profit (loss)	6,173	3,189	373	943	1,039	11,719	(965)	10,754	7	10,762

- 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 the elimination of intersegment transactions.
3. Segment profit (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 as the amount is immaterial.