

[Title]

Toagosei announces solid semi-annual financial results, with all segments up year-on-year; annual dividend for FY2024 to increase by 7 yen per share combined with interim dividend increase

[Lead]

The following is the transcript for Toagosei's financial results briefing for the period up to 2Q of FY2024, released on August 8, 2024.

[Presenter]

Mikishi Takamura, President and Representative Director

[Briefing Document]

Summary of Semi-annual Financial Results for FY2024

Summary of Semi-annual Financial Results for FY2024



Business Environment

- There were significant fluctuations represented by further weakening of yen, rising stock prices, soaring general prices, and high interest rate policies in the U.S. and Europe.
- Inexpensive commodity chemicals manufactured in China continued to be brought into the market due to economic slowdown in China.
- The operating efficiency of production equipment for basic materials such as ethylene has remained low.
- Automobile production is down, and some semiconductor demand recovery is delayed.
- Despite inflation in Japan, the U.S., Europe, and other regions, the economy is relatively strong.

Overview of Semi-annual Financial Results for FY2024

- There was an increase in products whose shipment volume recovered, including commodity chemicals and products for electronic components.
- Net sales, operating income, ordinary income and net income attributable to owners of parent significantly for 1H FY2024 all significantly increased year on year.
- We have decided to increase an annual dividend for FY2024 by 7 yen from 53 yen per share a year ago to 60 yen per share, consisting of the interim dividend of 30 yen (up from 20 yen) and the year-end dividend of 30 yen (down from 33 yen).

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Mikishi Takamura (below, "Takamura"): My name is Mikishi Takamura, and I am the President and Representative Director of Toagosei Co., Ltd. Thank you for your continued support. Today, I will explain our financial results up to 2Q (for the semi-annual period) of FY2024 in detail and discuss the direction we are to take.

Let me start with our financial results up to 2Q (for the semi-annual period). As you all know, the first half of this fiscal year, from January to June, has seen a lot of fluctuations, such as further weakening of the yen and rising stock prices. You must have a fresh memory of a significant change in the interest-rate policy of the Bank of Japan in March, as the Japanese economy was becoming more and more inflationary.

Meanwhile, the Japanese market was affected by the inflow of inexpensive commodity chemicals manufactured in China due to the slowdown in the country's economy. At the same time, demands were weak in the Chinese domestic market.

As a result, in Japan, the operating efficiency of production equipment for basic materials, such as ethylene, remained low. In addition, automobile production did not grow for various reasons.

Although the demand for semiconductors, particularly memories, has recovered toward the end of the semi-annual period, a clear recovery was not observed in demand for other semiconductor products, such as wafers.

Thanks mainly to the strong growth in demand in the U.S., the economy in general was relatively good. Particularly in Japan, recovery was more significant in the inbound and service sectors than in the manufacturing sector.

Against this backdrop, increases in shipment volumes of commodity chemicals and products for electronic components under the generally solid economy are notable in the summary of our semi-annual financial results for FY2024. Among the overseas subsidiaries, those in Southeast Asia performed relatively strongly.

The sales volume grew, prices for most products were increased, and the spreads between unit sales prices and unit variable costs for materials were secured. Large positive year-on-year changes in income-related figures were observed.

Given these results, we have already announced that we would further raise the interim dividend from an amount announced in February and that the interim dividend and annual dividend would be up by 10 yen and 7 yen per share from FY2023, respectively.

Overview of Semi-annual Financial Results for FY2024

Overview of Semi-annual Financial Results for FY2024



		1H FY2023	1H FY2024	Change	Rate of Change
Net sales	(Millions of yen)	76,947	81,571	4,623	+6.0%
Operating income	(Millions of yen)	4,746	7,323	2,577	+54.3%
Operating income ratio		6.2%	9.0%	2.8P	—
Ordinary income	(Millions of yen)	6,172	8,758	2,586	+41.9%
Net income attributable to owners of parent	(Millions of yen)	5,469	7,041	1,571	+28.7%
Net income per share	(Yen)	45.71	61.52	15.8	+34.6%
Interim dividend [annual dividend]	(Yen)	20.0	30.0	10	+50.0%
(The figure for FY2024 is a forecast)		[53.0]	[60.0]	[7]	[+13.2%]

Note: We have changed our scope of consolidation. We added Toagosei Vietnam Co., Ltd. from 2Q FY2024 (20 consolidated subsidiaries and 2 equity-method affiliates).

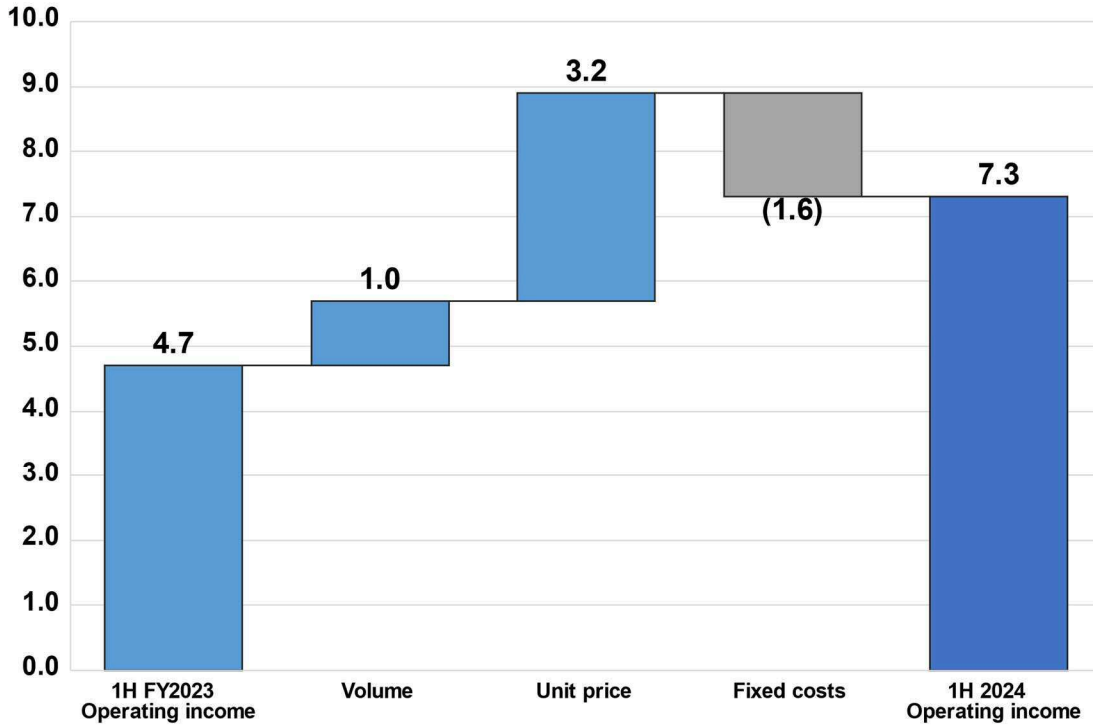
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I now move on to the overview of financial results. Net sales increased by 6%, and operating income, ordinary income, and net income attributable to owners of parent all increased considerably by more than 20%. In particular, we had an increase in ordinary income exceeding 50%.

Analysis of Changes in Operating Income



(Billions of yen)



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This slide provides an analysis of changes in operating income. A volume-related change was positive. A unit-price-related change was also positive because unit sales prices increased more than unit variable costs.

A fixed-cost-related change was negative because fixed costs increased for establishing a new research base in Kawasaki and constructing new company housing and dormitories.

Consolidated Results (by Segment)



(Millions of yen)

Net sales	1H FY2023 A	1H FY2024 B	Volume	Unit price	Change B-A
Commodity Chemicals	35,102	38,374	2,134	1,137	3,272
Polymer & Oligomer	16,425	17,246	563	257	821
Adhesive Material	5,608	6,591	512	469	983
Performance Chemicals	5,285	5,080	(201)	(3)	(204)
Plastics	13,589	13,301	(547)	259	(287)
Other/adjustments	936	975	39	0	39
Total	76,947	81,571	2,500	2,122	4,623

Operating income	1H FY2023		1H FY2024		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	2,205	6.3 %	4,192	10.9 %	1,987
Polymer & Oligomer	1,339	8.2 %	2,123	12.3 %	784
Adhesive Material	(161)	(2.9) %	232	3.5 %	394
Performance Chemicals	959	18.1 %	586	11.5 %	(372)
Plastics	669	4.9 %	647	4.9 %	(21)
Other/adjustments	(264)	—	(459)	—	(194)
Total	4,746	6.2 %	7,323	9.0 %	2,577

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This is the breakdown by segment of our consolidated financial results. We have five segments, from the commodity chemicals to the plastics segments. Net sales increased in the segments other than the performance chemicals and plastics segments.

Operating income also increased in the segments other than the performance chemicals and plastics segments. Notably, the commodity chemicals segment increased in volume, whereas the polymer & oligomer segment had an increase in operating income ratio, year on year. The adhesive material segment achieved profit compared to a loss for the previous semi-annual period and has been working for the next undertaking.

The performance chemicals segment had a decrease in profit. This decrease in profit was due to a decline in sales volume because the shipment volume of sample medical care products was down to zero from the previous semi-annual period, where it was high. Please note, however, that it is temporary, considering that research in medical care is progressing well.

The plastics segment experienced a slight decrease in profit, hit by declines in sales volumes of piping equipment and nursing care products.

“Other/adjustments” had an increase in loss because this entry accommodates the expenses for opening Kawasaki Frontience R&D Center, scheduled to be opened in August 2024, about which I talked a little.

Overview of Major Consolidated Subsidiaries (Results for 1H FY2024)

Overview of Major Consolidated Subsidiaries (Results for 1H FY2024)



(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income		Net income (loss) attributable to owners of parent	
			1H FY2023	1H FY2024	1H FY2023	1H FY2024	1H FY2023	1H FY2024
1 Toa Techno Gas	Commodity Chemicals	100	2,013	2,306	81	446	71	322
2 Toagosei Singapore	↓	100	1,793	1,847	(149)	(247)	(77)	(153)
3 MT AquaPolymer	Polymer & Oligomer	90	6,381	6,150	110	287	75	215
4 Taiwan Toagosei	↓	100	1,087	1,065	133	131	111	113
5 Toa Jet Chemical	↓	51	890	935	64	89	46	59
6 Toagosei (Zhangjiagang)	↓	100	787	903	46	69	29	58
7 Toagosei (Shanghai)	↓	100	-	325	0	(115)	(3)	(142)
8 Toagosei (Thailand)	Adhesive Material	100	1,237	1,618	25	274	(4)	240
9 Toagosei America	Polymer & Oligomer	100	919	1,275	(112)	(99)	12	4*
10 Toagosei Hong Kong	↓	100	141	132	10	2	10	3
11 Toagosei (Zhuhai)	↓	100	429	286	(22)	(47)	(20)	(49)
12 Aronkasei	Plastics	100	12,882	12,500	787	705	458	477
13 Aronkasei Thailand	↓	100	269	392	(122)	(57)	(132)	(88)
14 TG Corporation	Other	100	692	740	199	227	140	160

Figures for each company above represent those before consolidation adjustment.

* Toagosei America recognized 95 million yen of equity in earnings of affiliates under non-operating income for 1H FY2024 (137 million yen for 1H FY2023).

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This slide shows the overview of major consolidated subsidiaries. The table on the slide lists 14 companies as a group of companies that will steadily generate profit in the Toagosei Group, excluding “no-loss, no-profit” companies previously listed. That is the reason why the number of subsidiaries presented here is smaller than for the past similar tables.

In terms of operating income, Toagosei (Shanghai) posted a negative result as it was just after starting to operate in the latter half of FY2023. The negative result of Toagosei Singapore was attributable to a continued inflow of inexpensive acrylic ester from China into the Southeast Asian market.

Operating loss of Toagosei America has been on a decreasing trend, but this company has not yet turned profitable as it is undergoing changes in its business scheme, which require certain expenditures. It earned a positive net income by gaining a return from a sales joint venture company.

Toa Jet Chemical, Taiwan Toagosei, and Toagosei (Zhangjiagang) launched new development businesses related to China. Toa Jet Chemical and Toagosei (Zhangjiagang) continued to increase income steadily.

Consolidated Statement of Income

(Non-operating Income/Expenses and Extraordinary Income/Losses)

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

(Millions of yen)				(Millions of yen)			
Non-operating income/expenses	1H FY2023	1H FY2024	Change	Extraordinary income/losses	1H FY2023	1H FY2024	Change
Interest and dividend income	747	1,056	308	Gain on sale of non-current assets	—	7	7
Equity in earnings of affiliates	174	125	(48)	Gain on sales of investment securities	1,452	1,465	12
Foreign currency exchange gains	345	382	36	Subsidy income	79	71	(7)
Rent income on non-current assets	89	58	(30)	Loss on disposal of non-current assets	(103)	(607)	(503)
Other income	256	67	(189)	Loss on disaster (*)	—	(43)	(43)
Interest expenses	(63)	(73)	(9)	Loss on valuation of investment securities	(3)	—	3
Environment readiness fee	(43)	(118)	(75)	Total	1,423	892	(530)
Inactive facilities expenses	(6)	(6)	0	* Cost of recovery from the Noto Peninsula Earthquake			
Other expenses	(73)	(56)	18				
Total	1,425	1,435	9				

Naphtha price	Average for Jan. to Jun. 2023	Average for Jan. to Jun. 2024
Yen/kl	67,000	75,750

Exchange rate	Jun. 30, 2023	Dec. 31, 2023	Jun. 30, 2024
Yen/USD	144.99	141.83	161.07
Yen/THB	4.07	4.13	4.36

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Next is non-operating income/expenses and extraordinary income/losses. In January, when this semi-annual period started, the dollar-to-yen exchange rate was in the upper 141-yen range. The yen continued weakening and fell by nearly 20 yen to 161 yen to the dollar by the end of June. Deposit interest rates were raised following the change in the interest-rate policy. Consequently, our interest and dividend income increased.

Meanwhile, environment readiness costs increased because we posted, under non-operating expenses, environment readiness costs for soil and other environmental improvements when constructing company housing in Egasaki.

In terms of extraordinary income, we moved forward with sales of investment securities and produced gains. Loss on disposal of non-current assets was recorded because of our ongoing disposal of discarded equipment, mainly at our Nagoya and Takaoka plants.

Under loss on disaster, 43 million yen was posted for recovery costs for the Takaoka plant following the Noto Peninsula Earthquake, which occurred on January 1, 2024. As the financial impact of the Noto Peninsula Earthquake, we expect to record a loss of 600 million yen in total for the full fiscal year, including this 43 million yen.

Consolidated Balance Sheet

Consolidated Balance Sheet



				(Millions of yen)			
	Dec. 31, 2023	Jun. 30, 2024	Change		Dec. 31, 2023	Jun. 30, 2024	Change
Current assets	134,860	129,895	(4,964)	Total liabilities	59,767	63,947	4,180
Cash and deposits and securities (1)	56,108	51,038	(5,070)	Notes and accounts payable	19,091	19,284	193
Notes and accounts receivable	51,102	50,135	(966)	Bank loans	11,095	11,151	56
Inventories	24,792	25,591	799	Accrued income taxes	2,281	2,692	410
Other current assets	2,904	3,180	276	Other liabilities (4)	27,298	30,819	3,520
Allowance for doubtful receivables	(47)	(50)	(3)				
Fixed assets	137,425	151,043	13,618	Total net assets	212,518	216,991	4,473
Property, plant and equipment (2)	96,532	103,193	6,660	Shareholders' equity	193,828	192,403	(1,425)
Intangible fixed assets	1,579	1,660	81	Accumulated other comprehensive income	17,681	23,524	5,843
Investment securities (3)	32,912	39,506	6,594	Non-controlling interests	1,008	1,063	54
Other fixed assets	6,401	6,682	281				
Total assets	272,285	280,939	8,653	Total liabilities and net assets	272,285	280,939	8,653
(1) Decreased due to capital expenditures, acquisition of treasury stock, etc. (securities are negotiable certificates of deposit) (2) Increased due to capital expenditures (3) Increased due to rise in market value of shares held (4) Increase in deferred tax liabilities				Net worth ratio	77.7%	76.9%	(0.8) P

Next is the consolidated balance sheet. Cash and deposits and securities decreased as we moved forward with the acquisition of treasury stock, capital expenditures,

etc. Investment securities under fixed assets increased because the estimated values of shares held rose, not because we increased the number of stocks.

Under liabilities, other liabilities increased by around 3,500 million yen because deferred tax liabilities increased due to a rise in the market value of investment securities.

As a result, the net worth ratio was maintained at a high level of 76.9%, although it decreased from the beginning of this period.

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement



(Millions of yen)

		1H FY2023	1H FY2024	Change
Cash flows from operating activities	A	13,607	14,255	647
Cash flows from investment activities	B	(4,454)	(10,062)	(5,607)
Free cash flow	C=A+B	9,153	4,192	(4,960)
Cash flows from financial activities	D	(13,172)	(8,990)	4,182
Effect of exchange rate change on cash and cash equivalents	E	268	836	567
Net increase or decrease in cash and cash equivalents	F=C+D+E	(3,749)	(3,961)	(211)
Cash and cash equivalents at end of the period	G	41,089	43,675	2,585

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This slide describes our consolidated cash flows. Cash flows from operating activities amounted to about the same amount as in the previous semi-annual period. In cash flows from investment activities, there was an increase in expenditure for acquiring property, plant and equipment.

In this semi-annual period, there were increases in expenditure related to the new establishment of a logistics center in Nagoya and related to company housing at Egasaki. As a result, cash flows from investment activities resulted in a net outflow.

w larger than the net outflow of the previous period. The resulting free cash flow in total was reduced year-on-year.

Cash flows from financial activities resulted in negative net cash outflow, which was, however, reduced by about 4,100 million yen from the previous semi-annual period due mainly to the effect of dividend payments to non-controlling interests. Cash and cash equivalents at the end of the period stood at around 43,600 million yen, up slightly year-on-year.

Challenges in the 2nd Half of FY2024

Challenges in the 2nd Half of FY2024



Business Environment

- The supply chain structure is changing due to the power struggle between the U.S. and China.
- The outlook is highly uncertain in terms of exchange rates, interest rates, stock prices, resource prices, geopolitical risks, and political developments in various countries.
- The Japanese economy is expected to continue its gradual recovery, boosted by factors such as significant wage increases, recovery of delayed automotive production, and recovery of the semiconductor cycle, with continued strong inbound tourism demand.

Challenges in the 2nd Half of FY2024

- Watching trends in policies, supply chains, new technologies, consumer behavior, etc. in each country, we will strive to expand business through R&D and capital investment activities with an eye to the future.
- We will endeavor to ensure profitability while paying attention to trends in interest rates, exchange rates, market conditions, and raw material and fuel prices.
- Shareholder return and capital policy
 - We will aim for consolidated total shareholder returns of 100% during the period to enhance capital efficiency.
 - We will increase an annual dividend for FY2024 by 7 yen to 60 yen per share.
 - We will also increase a share repurchase limit by 1 billion yen to 7 billion yen (5.8 million shares).

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I will now describe our results forecast for the second half of the year. I consider that there are factors that would cause the business environment to fluctuate considerably. If seen globally, the impact of political conflicts on supply chains is gradually becoming larger. It may be necessary for us to gradually shift to local production and consumption while accurately understanding the relevant situations and sufficiently identifying risks.

In addition, I think that stably procuring materials from a range of countries and regions will be more important in material procurement.

Meanwhile, we expect Japan to enter a period of positive interest rates with a growing tendency to shift from a deflationary to an inflationary economy. In the midst of such a major turn of events, I believe that the initiative we should pursue in the second half of FY2024 is to develop, sell, and grow products with new functions using new technologies, taking into account the various risks involved.

We are basically unchanged in being committed to enhancing our ability as a company in the above-described manner so as to improve income starting from sales. In particular, since a new R&D base will be opened in Kawasaki this summer, we will make further efforts to improve our performance in the short to medium term by making full use of the facility and actively making capital investments.

Our shareholder return and capital policy are as already announced; we will aim for total shareholder returns of 100% for the periods of the medium-term management plan from 2023 to 2025. Strictly speaking, the returns may be slightly above or below 100%, but in any case, our direction is to improve capital efficiency by targeting a return of 100%.

In addition, we will increase dividends and raise our share repurchase limit. As already announced, we originally planned to have a share repurchase limit of 6 billion yen but have decided to raise it to 7 billion yen.

Full-year Consolidated Results Forecast for FY2024 (Year-on-year Comparison)

Full-year Consolidated Results Forecast for FY2024 (Year-on-year Comparison)



(Millions of yen)

	FY2023 Results			FY2024 Forecast (Announced on Jul. 31, 2024)			Change (B-A)
	1H	2H	Annual (A)	1H Results	2H Forecast	Annual (B)	
Net sales	76,947	82,424	159,371	81,571	88,429	170,000	10,629
Operating income	4,746	7,753	12,499	7,323	8,177	15,500	3,001
Operating income ratio	6.2%	9.4%	7.8%	9.0%	9.2%	9.1%	1.3P
Non-operating income/expenses	1,425	577	2,003	1,435	564	2,000	(3)
Ordinary income	6,172	8,331	14,503	8,758	8,742	17,500	2,997
Extraordinary Income (loss)	1,423	1,167	2,590	892	(1,116)	(224)	(2,814)
Net income attributable to owners of parent	5,469	6,709	12,179	7,041	5,758	12,800	621
Dividend (Yen)	20	33	53	30	30	60	7

<Reference>

	FY2023 Results	FY2024 Forecast (Announced on Jul. 31, 2024)
Average exchange rate (Yen/USD)	139.74	152.00
Naphtha price (Yen/kl)	67,600	75,800

Change of 1,000 yen in naphtha price per kl will have an impact of ± 300 million yen on the Company's performance.
Depreciation of yen by 1 yen/USD will have an impact of -110 million yen on the Company's performance.

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This slide presents our full-year consolidated results forecast for FY2024. I will now specifically explain our expected financial results obtained by combining actual results for the first half, and results forecast for the second half of FY2024 after we drive forward the initiatives that I have explained so far.

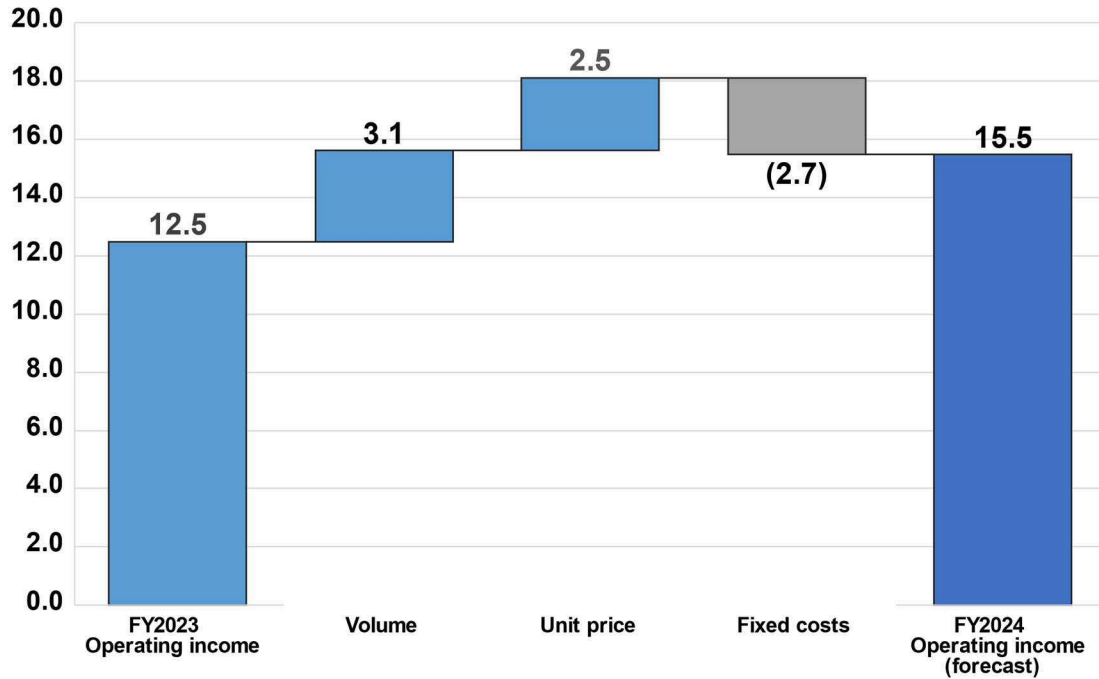
We forecast net sales of 170,000 million yen and operating income of 15,500 million yen for the full FY2024. The operating income ratio is expected to come very close to 10% although not yet returned to 10%.

Forecast ordinary income is 17,500 million yen, and forecast net income attributable to owners of parent is 12,800 yen. To achieve the level of these management targets, we intend to properly achieve the net sales and incomes presented for the second-half period in the table on the slide.

FY2024 Operating Income Analysis Forecast



(Billions of yen)



This slide presents the breakdown of the change between forecast operating income for FY2024 and the operating income for FY2023 by factor. It is expected that changes in terms of volume and unit price will continue to be positive. It is also expected that a fixed-cost related change will be negative due to increases in labor costs and depreciation expenses and a slight increase in repair expenses.

Full-year Consolidated Results Forecast for FY2024
(Year-on-year Comparison by Segment)

Full-year Consolidated Results Forecast for FY2024
(Year-on-year Comparison by Segment)



(Millions of yen)

Net sales	FY2023 Results			FY2024 Forecast (Announced on Jul. 31, 2024)			Change
	1H	2H	Annual	1H	2H	Annual	
Commodity Chemicals	35,102	38,386	73,488	38,374	41,425	79,800	6,312
Polymer & Oligomer	16,425	17,340	33,765	17,246	18,753	36,000	2,235
Adhesive Material	5,608	6,801	12,410	6,591	6,908	13,500	1,090
Performance Chemicals	5,285	4,658	9,943	5,080	5,319	10,400	457
Plastics	13,589	14,277	27,867	13,301	14,898	28,200	333
Other/adjustments	936	960	1,896	975	1,124	2,100	204
Total	76,947	82,424	159,371	81,571	88,428	170,000	10,629

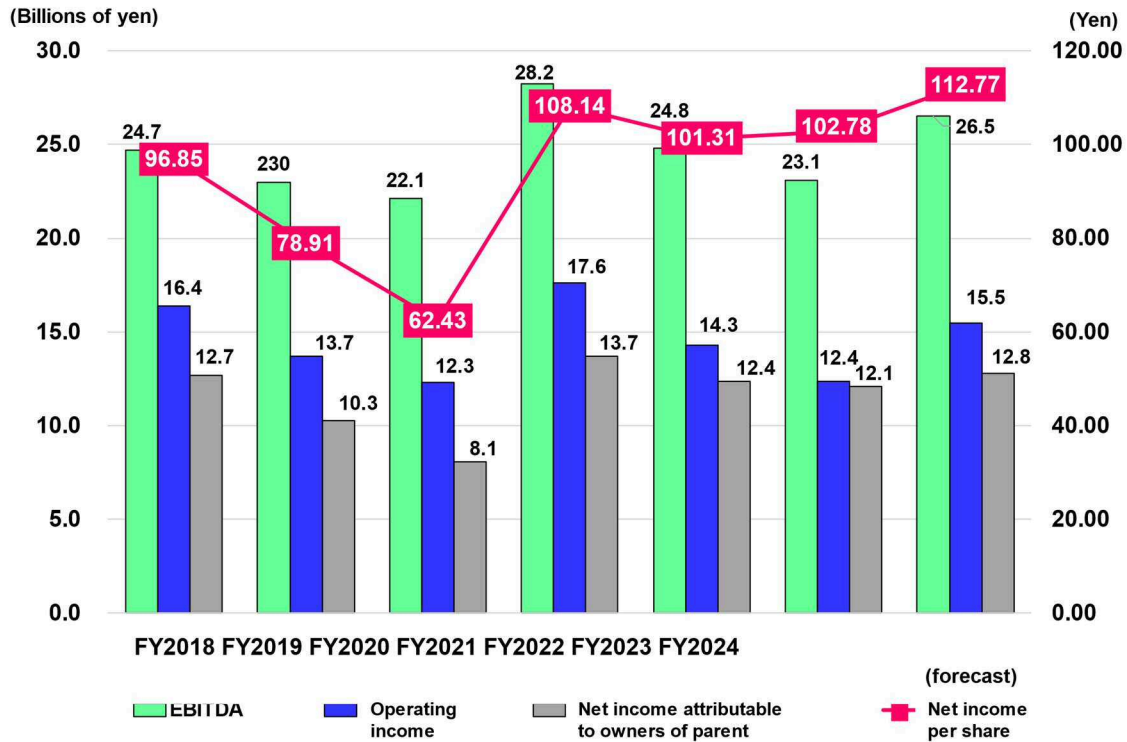
Operating income	FY2023 Results				FY2024 Forecast (Announced on Jul. 31, 2024)				Change
	1H	2H	Annual	Rate	1H	2H	Annual	Rate	
Commodity Chemicals	2,205	4,564	6,769	9.2%	4,192	4,407	8,600	10.8%	1,831
Polymer & Oligomer	1,339	1,842	3,182	9.4%	2,123	2,176	4,300	11.9%	1,118
Adhesive Material	(161)	523	361	2.9%	232	167	400	3.0%	39
Performance Chemicals	959	588	1,547	15.6%	586	913	1,500	14.4%	(47)
Plastics	669	804	1,473	5.3%	647	1,302	1,950	6.9%	477
Other/adjustments	(264)	(569)	(834)	—	(459)	(790)	(1,250)	—	(416)
Total	4,746	7,753	12,499	7.8%	7,323	8,176	15,500	9.1%	3,001

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This slide presents our results forecast by segment. Net sales are forecast to increase in all the segments. We expect to see all the segments secure increases in operating income except for the performance chemicals segment, the income margin of which is expected to be reduced and lead to lower operating income.

The plastics segment saw a slight year-on-year decrease in income for the first half of FY2024. However, its shipment was partly carried over to the second half of FY2024, and its operating income is expected to show higher growth than in the first half. We thus forecast to have increases in income in all the segments other than the performance chemicals segment for FY2024.

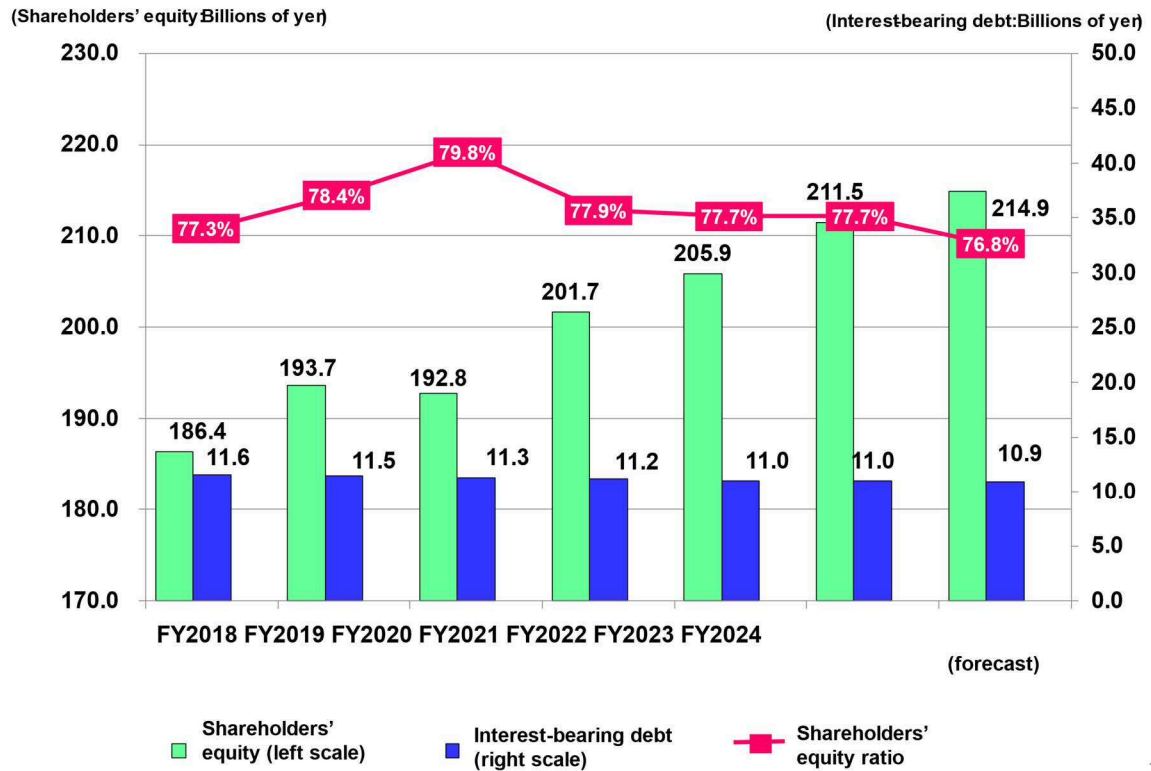
Trends in Consolidated Results



Several slides from this one present trends over the past several years through graphs. Recently, we have particularly focused on the level of EBITDA. For FY2024, large capital investment, increased depreciation and amortization, and increased operating income are expected, and EBITDA is expected to be at the level shown by the slide.

The red line of the graph represents net income per share, for which we expect to achieve the highest ever level in the recent several years.

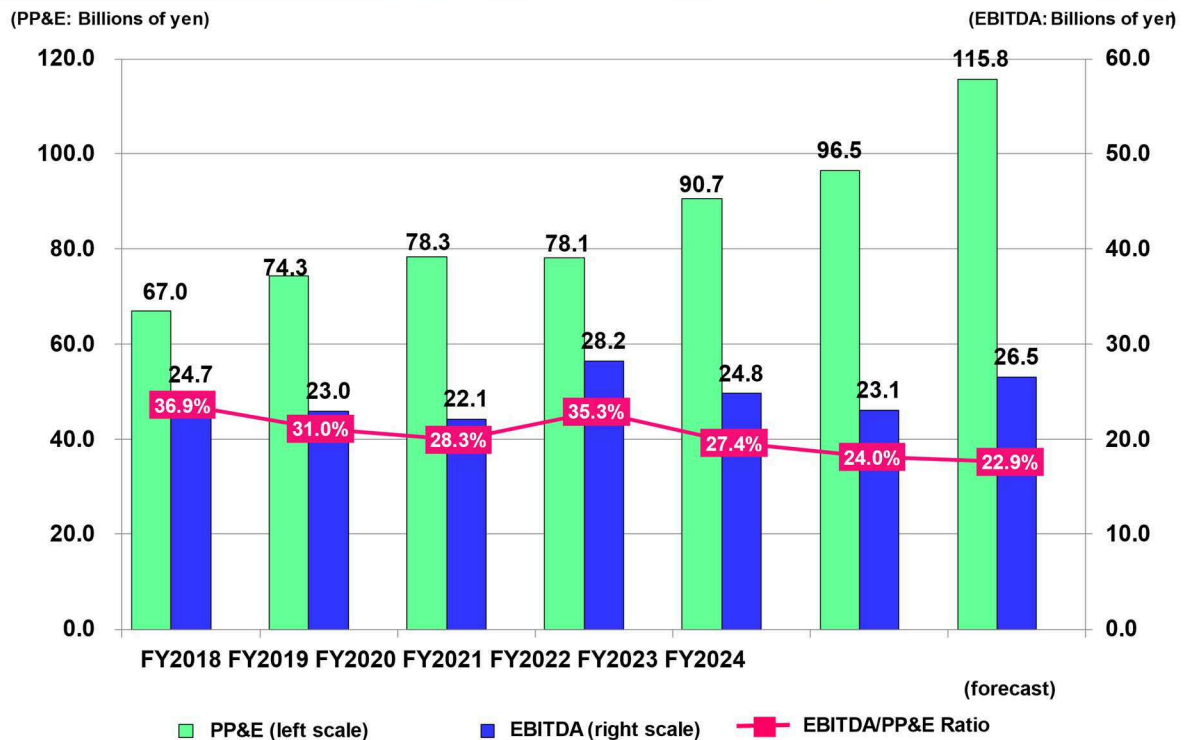
Reference Trends for Consolidated Performance



This slide presents reference trends for consolidated performance. The graph on this slide illustrates the trends in shareholders' equity, interest-bearing debt, and shareholders' equity ratio.

Shareholders' equity has been steadily increasing. The shareholders' equity ratio is currently at the high level of 76-77%. Not to allow the shareholders' equity ratio to increase further, we will control and keep it as low as possible.

EBITDA/PP&E Ratio Trends



This slide presents a graph representing the relation between EBITDA and property, plant and equipment, or PP&E. Green bars show that PP&E has been increasing. However, PP&E has not yet sufficiently contributed to a return.

One of the main reasons is that the logistics center, which has been under construction since last year, will not bring an immediate positive impact on income. The graph appears to indicate a delay in recovery of the EBITDA/PP&E ratio compared to the increase in PP&E. However, all of these figures are under control.

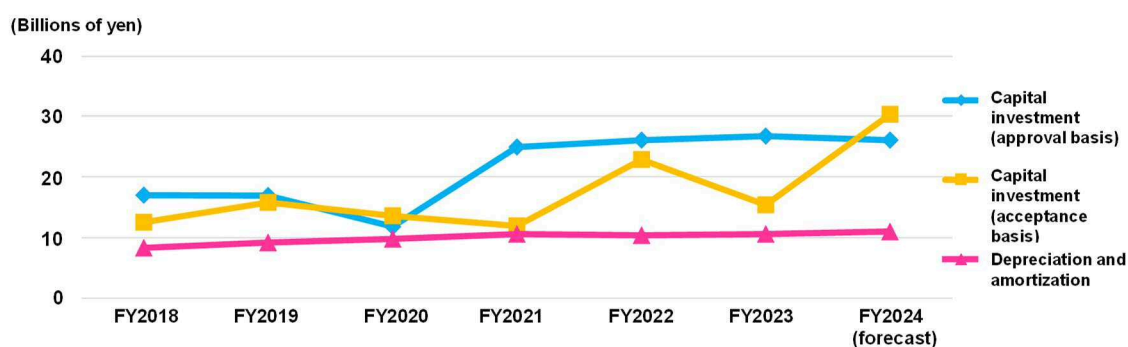
I would like you to think that the trends reflect our plan of producing returns from these capital investments.

Reference for Consolidated Performance



(Billions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 (forecast)
Capital investment (acceptance basis)	12.5	15.8	13.6	11.9	22.8	15.4	30.3
Capital investment (approval basis)	17.0	16.9	11.8	24.9	26.0	26.7	26.0
Depreciation and amortization	8.3	9.2	9.8	10.6	10.4	10.6	11.0
Research and development expenses	3.6	3.7	4.0	4.3	4.7	5.0	5.9
Overseas net sales	24.5	22.6	22.1	29.0	31.0	26.6	30.0
Overseas sales ratio (%)	16.4	15.6	16.6	18.6	19.3	16.7	17.6
Interest bearing debt	11.6	11.5	11.3	11.2	11.0	11.0	10.9



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This slide presents a reference for consolidated performance. Capital investment on the acceptance basis refers to figures provided in our annual securities reports. Figures for capital investment on the approval basis are provided alongside because these figures are often used internally for the purpose of management in the budget phase. Depreciation and amortization, and research and development expenses also show increasing trends.

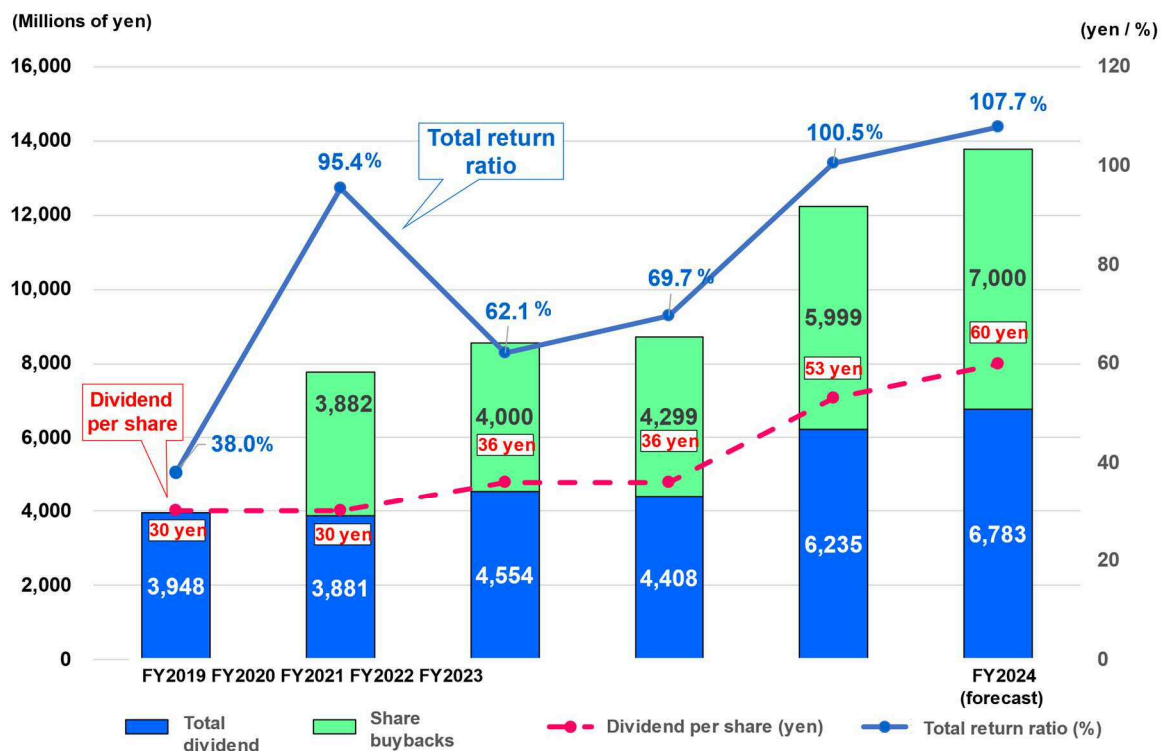
The line graph in the lower part of the slide graphically depicts figures in the table. Speaking of capital investment on the acceptance basis for FY2024, the aforementioned construction of the logistic center and the reinforcement of a polymer production facility are scheduled to be completed. Thus, these expenditures are expected to be later included in capital investment on the acceptance basis.

While Kawasaki Frontience R&D Center uses a rented building, various pieces of experimental equipment and analysis equipment will be all acquired as our assets, for which we expect to post a large investment for FY2024.

Additionally, we are introducing new effluent treatment equipment at our sites, including the Nagoya plant, which is intended to be utilized in preparation for the next period. Furthermore, we are constructing company housing and dormitories. With all such investments, capital investment on the acceptance basis for FY2024 is expected to be somewhat larger than usual and surpass 30,000 million yen.

Shareholder Return Trends

Shareholder Return Trends



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We show our shareholder return trends on this slide. The blue parts of the respective bars in the graph on the slide represent total dividends. The green parts represent the amounts of share buybacks. The total return ratio and dividend per share are represented by lines.

We are planning to pay 60 yen per share for dividends for FY2024, double from years around FY2020.

We bought back shares of treasury stock of around 6.0 billion yen in FY2023, which is the first year of our current Medium-term Management Plan. For FY2024, we originally planned to buy back shares of treasury stock of 6.0 billion yen but increased the amount to 7.0 billion yen.

We announced in early FY2023 our three-year plan to buy back shares of treasury stock of 20 billion yen, and we currently expect to buy back shares of treasury stock of 7.0 billion yen for FY2025.

This completes my explanation of the annual quantitative outlook, which incorporates the financial results for the first half of FY2024 and the financial results forecast for the second half of FY2024.

ESG Initiatives



E (Environment) S (Society)	Aug. 2021	Participated in the Riko Challenge (science and technology challenge) organized by the Cabinet Office, Ministry of Education, Culture, Sports, Science and Technology (MEXT), and the Japan Business Federation (Keidanren)
	Dec. 2021	Set a target of "2050: carbon neutrality" <ul style="list-style-type: none"> • By 2030: Greenhouse gas (GHG) emissions 50% of 2013 level (215,000 tons) • By 2050: Carbon neutrality
	Mar. 2022	Entered into a Memorandum of Understanding for an Investigation into the Feasibility of Effectively Using Waste Incinerator Heat with Yokohama City and started a joint survey
	Apr. 2022	Opened Toagosei Hydrogen Station Tokushima
	Jul. 2022	Held the Summer Vacation Crafts School event to commemorate the 50th anniversary of the launch of Aron Alpha
	Oct. 2022	Formulated the Toagosei Group Human Rights Policy and the Toagosei Group Sustainable Procurement Guidelines
	Dec. 2022	Endorsed the Partnership Building Declaration promoted by the Cabinet Office and the Small and Medium Enterprise Agency
	Jan. 2023	Introduced the Employee Stock Compensation Plan and raised wages 4.0%
	Apr. 2023	Contributed to the 2023 Turkey Syria Earthquake Relief Fund
		Established the Signal Peptidome Research social collaboration course at the University of Tokyo
		Started participating in the GX League (Endorsed in October 2022)
	Dec. 2023	Donated to the Children's Future Support Fund and the Ashinaga Foundation (continued on from 2021)
	Jan. 2024	Raised wages 6.1%
		Donated to the areas affected by the Noto Peninsula Earthquake with support by providing products by our group companies. ^a Attachments for toilets manufactured by Aron Kasei Co., Ltd. (Received a letter of appreciation from the METI in June 2024)
	Mar. 2024	Certified as a Health and Productivity Management Organization 2024 (6 years in a row)
	May 2024	Donated to the 2024 Eastern Taiwan Earthquake Relief Fund
Jun. 2024	Participated in the feasibility study for the Aichi Prefecture Low Carbon Hydrogen Model Town project	
Aug. 2024	Participated in the Summer Vacation Chemical Experiment Show for Children 2024 (continued)	

I would like to tell you about our ESG initiatives over the past few years. To illustrate our commitment toward the environment and society in various aspects, we have been making donations during the occurrence of disasters and financially supported educational initiatives for younger generations.

This year, we focused not only on external issues but also on creating a work environment where employees can concentrate on work by offering security amid the price increase and the transition to an inflationary economy. We raised wages by 6.1%, consisting of a basic wage increase and periodic salary increases.

Furthermore, as a part of our environmentally conscious action, we are participating in various initiatives led by local governments to realize a low-carbon society. This year, we are taking part in a hydrogen model town business feasibility study at Chita City in Aichi Prefecture. This is an ongoing project.

G (Governance)	Mar. 2020	Introduced a restricted share remuneration system for directors
	Oct. 2021	Revised the Toagosei Group Basic Policy on Corporate Governance <ul style="list-style-type: none"> • Aim for the amount recorded on the balance sheet of cross shareholdings to be about 10% of consolidated net assets • Promote disclosures in English: Disclosed the full text of financial statements (from FY2021)
	Mar. 2022	Secured a Board of Directors with outside directors accounting for the majority of the members for the first time (six internal directors and seven outside directors)
	Apr. 2022	Transitioned to the Prime market on the Tokyo Stock Exchange
	Aug. 2022	Promoted disclosures in English: Disclosed the full text of our corporate governance report
	Aug. 2023	Announced “Toagosei’s Initiatives to Improve Our Price to Book Ratio (PBR)” <ul style="list-style-type: none"> • Aim to achieve an ROE of 8% and a PBR of 1x or more by 2027 • Realize consolidated total shareholder returns of 100% (2023 to 2025)
	Dec. 2023	Amount of cross shareholdings recorded on the balance sheet Current as of the end of December 2023: 13.7% (shareholding balance: 29,212 million yen) (record of sales in 2021: 19 stocks sold with a sale value of 2,910 million yen) (record of sales in 2022: 9 stocks sold with a sale value of 3,058 million yen) (record of sales in 2023: 13 stocks sold with a sale value of 5,228 million yen)

Initiatives to Promote Sports



We support the table tennis T.LEAGUE.



We support IWAKI FC

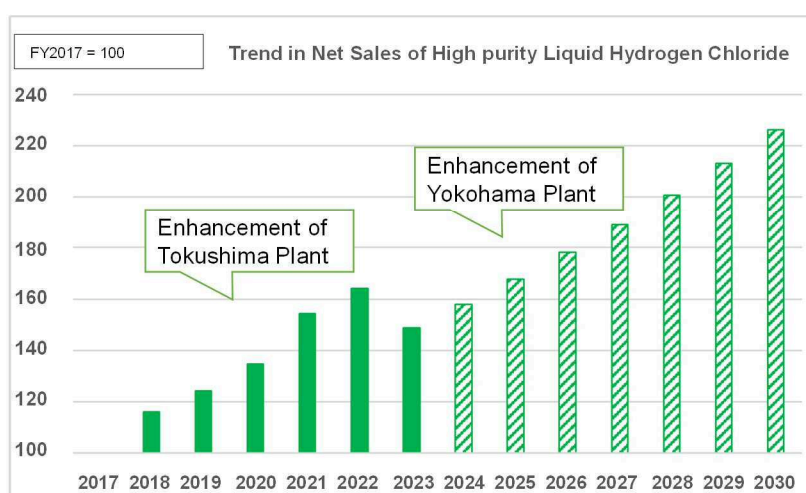
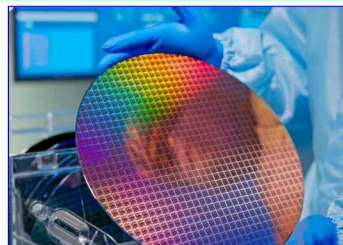
Moving on to the governance part of ESG. Last year, we announced our initiative to improve our PBR. In order to fully meet the requirements of the Tokyo Stock Exchange, we are committed to achieving a PBR greater than 1x. Currently, the value has reached close to 0.8x. We still have to work a little more to achieve 1x.

Although we have announced that we will achieve the target by 2027, we will work hard to meet the target as early as possible. We are also proceeding with the reduction of cross-shareholdings in accordance with the plan.

Growth Drivers (Semiconductor-related)

- High purity liquid hydrogen chloride
- High purity caustic potash
- Acrylic polymers for high performance chemical mechanical polishing (CMP)

Applications: Cleaning and polishing etc. during semiconductor manufacturing



25

The next topic is the progress of the Medium-Term Management Plan. I will be discussing our growth drivers, which are products related to semiconductor material and automotive batteries, and enhancement of development capabilities for new products and technologies, which I will explain by introducing the developments of new medical care products.

Let's look at the semiconductor-related materials including high purity liquid hydrogen chloride. In the first half of this year, we were anticipating an earlier recovery, but it did not turn out to be such a big trend as the recovery was mainly for the semiconductor memories.

However, for high-purity caustic potash and acrylic polymers for chemical mechanical polishing (CMP), we have a strong sense that these products are on the rise as we have been able to find an extremely powerful new user.

In the first half of this year, we completed the process automation for filling and shipping high-purity caustic potash. Investment for new equipment in view of the next step was also completed, and we held a completion ceremony. The graph at the

bottom of the slide shows our current forecast for high-purity liquid hydrogen chloride.

Growth Drivers (Automotive Battery-related)

Growth Drivers (Automotive Battery-related)



Adhesives for Automotive Batteries (Hybrid and Fuel Cell)

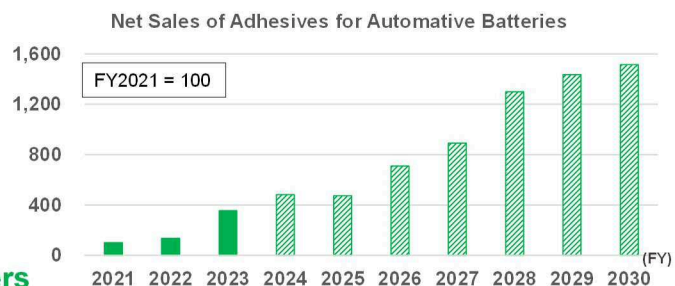
Our adhesives are currently being adopted in more and more new hybrid vehicles equipped with bipolar nickel metal hydride batteries and fuel cell vehicles.

Vehicles Using Our Adhesives

MIRAI
Aqua
Crown
LEXUS RX
Alphard
Vellfire
And more!

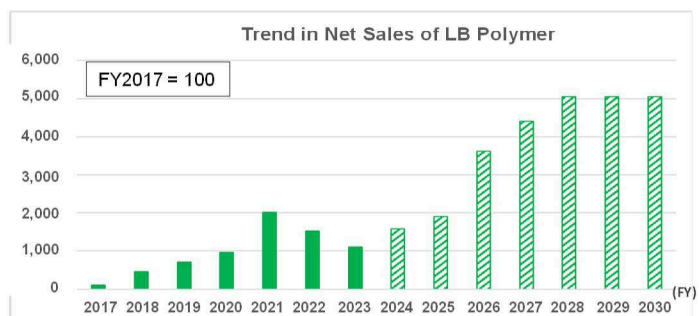
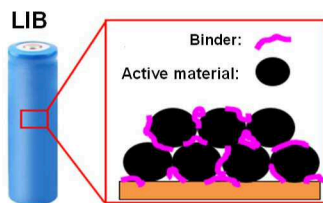


Crown (Sports)



Lithium Ion Battery (LIB) Binders

- LIB binders suppress the expansion of the negative electrode to lead to a longer battery life.
- We are also considering investing in production facilities overseas for stable supply and new customers.



This slide is for automotive battery-related products. In the first half of last year, the adhesive material segment was in the red. However, sales of automotive batteries, one of our growth drivers, expanded greatly in the first half of this year. Sales of adhesives for automotive batteries started to grow in the second half of last year and continued to grow firmly in the first half of this year. So, we are expecting the net sales to increase as the graph shows.

For lithium-ion battery binders, another automotive battery-related product, we are seeing steady increases in the number of major users and other factors. In the second half of last year, we established a development base in Shanghai to serve as our footing for introducing mainly battery materials to Chinese manufacturers.

Chinese companies give us quick responses, and they come up with unique ways of using the binders and other products, in a way Japanese companies could never imagine. Also, in China, currently the sales of electric vehicles are expanding, and bat

tery sales are increasing as well. We are able to obtain firsthand information from discussions with Chinese customers.

We believe that the development base in Shanghai has begun to play an important role in the sales function in terms of obtaining information. And, of course, we ensure that our key technologies, including those for acrylic polymers, are prevented from leaking to Chinese manufacturers. In proceeding with the development, we give due consideration to whether we should take technologies outside Japan.

Enhancement of Development Capabilities for New Products and Technologies
(Launch of New Medical Care Products)

Enhancement of Development Capabilities for New Products and Technologies (Launch of New Medical Care Products)



■ “Aroncure Dental” (To be released in September 2024)

New : A new concept hemostatic agent for bleeding after tooth extraction

(A polymer sponge becomes a hydrogel to adhere to the affected area and stops bleeding.)

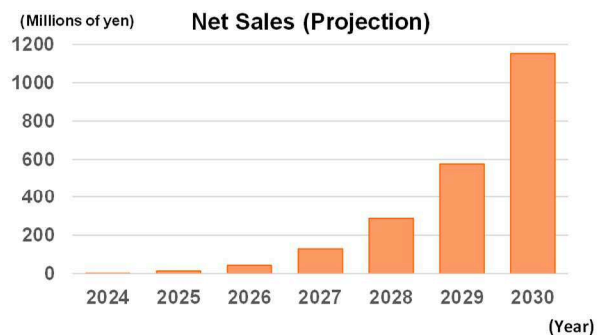
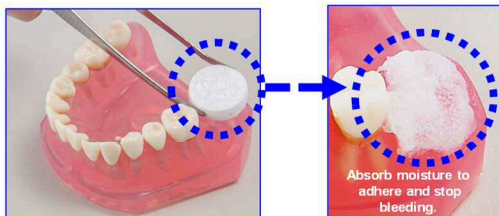
Feature : High adhesion to the living body with shortened hemostatic treatment time

(The product requires no compression and removal treatment, which can reduce the burden on medical staff compared to conventional gauze hemostasis)

(Blood clots are retained, which are expected to contribute to full restoration of gingiva.)

Risk category : Medical Device Class III (*) (General designation: Secondary Healing Hydrogel Wound Dressing/Protective Material)

[Use example]



Future development

This material can be easily processed into film, sponge, and powder. We are considering developing this material for medical and cosmetic use.

(*) Specially-controlled medical devices (Class III):
Medical devices that are considered to pose a relatively high risk to the human body in the event of a malfunction.

Moving on to the topic of the enhancement of development capabilities for new products and technologies. One of the products we have developed as a medical care and bio-related product is a hemostatic agent called Aroncure Dental. This is one of the product lineups which we call the “fourth pillar.” Aroncure Dental has been certified as a dental material and is ready to be released in September this year.

We asked dental practitioners what they thought about Aroncure Dental and received favorable responses, such as “Hemostatic time can be shortened, so we can expect

the total treatment time to shorten significantly.” We have very high expectations for this product.

Enhancement of Development Capabilities for New Products and Technologies
(Enhancement of Research Facilities)

Enhancement of Development Capabilities for New Products and Technologies (Enhancement of Research Facilities)



■ Opened Kawasaki Frontience R&D Center

We will, together with our customers, advance science and technology by venturing into uncharted territory with innovative approaches and exceptional expertise to create new products that open the way to the future.



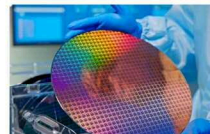
Established in King Sky Front, Tonomachi International Strategic Base

Venture into uncharted territory

Create new growth drivers

Expand business areas

R&D of next-generation materials



Finally, I would like to briefly talk about Kawasaki Frontience R&D Center. Kawasaki Frontience R&D Center is located inside the King Sky Front Building, which is a four-story building. The R&D Center takes up the entire third floor. We have almost finished the installation, including the experiment equipment.

Researchers and development staff have been transferred from Nagoya, the research base was transferred from the Head Office and the center has already started its operation.

I have explained our new product developments in the previous slides, and the key and the number one aim of our company in developing products is to grasp onto the development team of the company that leads in the product area that has future growth potential and try to increase chances for collaboration.

To do so, we believe the most important thing is to foster employees who can contribute to product development in all phases. We do not want our development personnel to be exclusive in just one function, like a person who only does research, or a person designated to visit users to listen to their requests. Our developers should be able to carry out experiments and conduct performance assessments as well.

In the past few years, we worked together with the key personnel of the leading company and worked hard in responding to their appropriate yet stringent requirements. I am confident that we were able to grow through such efforts trying to meet their demand.

I believe that establishing a relationship with the users of our products where they feel “Toagosei responds quickly, and we really appreciate how they try to develop the right materials” is our pathway to bringing out the full potential of the new high-function products and technologies.

Developing human resources takes time. But I feel that we have people who will definitely grow if we continue to make an approach. Our aim is to develop the Kawasaki Frontience R&D Center based on this policy and operate it with a sense of purpose. I am confident that we will be seeing the results reflected in our sales and profit figures in the future.

This concludes my explanation of the slides. Thank you.

Question 1: The optimum net worth ratio

Moderator: The question is as follows: “Regarding net worth ratio, it is great that the company is decreasing its outstanding shares, carrying out active capital investments, and steadily improving its capital efficiency under the policy that aims for consolidated total shareholder returns of 100%.

Meanwhile, considering that the company’s current net worth ratio is still around 77%, which is relatively high within the industry, and your performance should be stable given that your main products are commodity chemicals for sale in Japan, I think that there is room for decreasing the net worth ratio.

I would like to know what kind of discussions are taking place at the Board meetings regarding the optimum net worth ratio.”

Takamura: Thank you for evaluating us highly on our recent capital policy. As you have pointed out, the net worth ratio of around 77% is indeed high, but since we a

re actively investing, we believe we will be seeing investment opportunities increase outside Japan as well.

Currently, we are gradually decreasing the outstanding balance of cash and deposits. As the Board of Directors as a whole, we have not yet discussed anything specific about our adequate net worth ratio. However, I think it is important to maintain our position to continue returning profit to shareholders for a while through share repurchases, without increasing the net worth ratio.

Question 2: The timing for the EBITDA ratio to start to rise

Moderator: The question is as follows: “How long will the high level of capital expenditures continue? You have been intensifying capital expenditures since the previous Medium-Term Management Plan, but the EBITDA which you are focusing on, has not reached even the FY2017 level. Furthermore, property, plant and equipment continues to increase, and the EBITDA to property, plant and equipment ratio is also on a declining trend. How much longer will it take for this declining trend to reverse? Please provide an answer and its ground.”

Takamura: As for capital expenditures, it is true that investments have expanded over the past few years due to the maintenance of plants which was left behind from the previous stage, like a negative legacy, and the purchase of land in view of the future business development, among others.

First of all, we are striving to achieve the FY2025 operating income of 20.0 billion yen set forth in the Medium-Term Management Plan. By increasing the operating income and setting the minimum operating income margin at over 10%, we believe the EBITDA ratio will start to improve.

Whether the FY2017 level of EBITDA ratio is adequate or whether it is adequate to set it as a target should be put on the table for discussion, but I would like to point out that we have been running a business with a relatively high operating income margin from the past.

We develop many kinds of new products and make capital investments, but all products have life cycles, and this goes for high-function products as well. Some high-function products see their profit margin drop significantly in five to ten years after their product lifetime.

We have products that have maintained a certain level of profit margin for over 30 to 40 years, such as Aron Alpha for consumer goods for general use. But especially

in the B2B product line, the profit margin for some products dropped in just a couple of years, so we need to keep on improving it. We shouldn't be reassured even if the segment is generating profit at the moment, but keep a medium-term view and think about which product line will be the top earner three or five years later.

As for when the EBITDA ratio trend will reverse, I think we can say that it will reverse when the operating margin ratio rises further. However, under our management plan, the EBITDA ratio will not rise suddenly or temporarily. We believe it is important to develop profitable products for each segment, always under the three-time horizons of short, medium, and long term. We hope to gain your understanding of our approach.

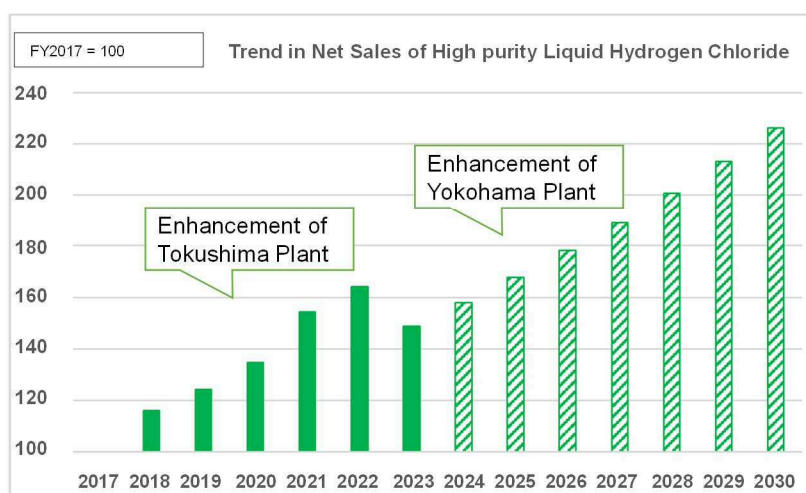
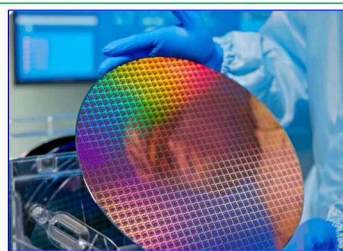
Question 3: Details of investment projects

Growth Drivers (Semiconductor-related)



- High purity liquid hydrogen chloride
- High purity caustic potash
- Acrylic polymers for high performance chemical mechanical polishing (CMP)

Applications: Cleaning and polishing etc. during semiconductor manufacturing



25

Moderator: The question is as follows: “Please explain the specific investment projects, such as capital expenditures, for the year ending December 2025 as much as can be explained at this time.”

Takamura: The major one is the next-generation manufacturing equipment for the high-purity liquid hydrogen chloride as shown in the graph in the slide. Since this p

project will be completed next year, it is expected to be added to the investment amount.

In addition, lithium ion battery-related products will also be included in the next year's investment amount. We will be making disclosures of the investment amounts and the details when they are completed and ready for announcement.

Question 4: About high-purity caustic potash

Moderator: The question is as follows: "You mentioned that you have found a powerful new customer for high-purity caustic potash. What is the specific use of this product? There are only three companies in Japan, including Toagosei, that produce the raw material, caustic potash. Do the other two companies pose a threat as competitors?"

Takamura: I am sensing that the use of high purity caustic potash is expanding in semiconductor products including in the cleaning process of chips and wafers.

In some parts, we are not completely certain about how it is actually being used. However, our strength is that we have the ability to produce highly purified products by minimizing impurities to the utmost extent. If the semiconductors become more highly integrated, customer demands are expected to increase, and this will mean that our shipments will increase as well.

There are three companies, including us, that produce caustic potash. I do not have the data on the level of purity of our competition, but judging from how we are receiving orders, we are confident that we are providing a high standard of highly purified products.

Question 5: About lithium ion battery binders

Growth Drivers (Automotive Battery-related)



■ Adhesives for Automotive Batteries (Hybrid and Fuel Cell)

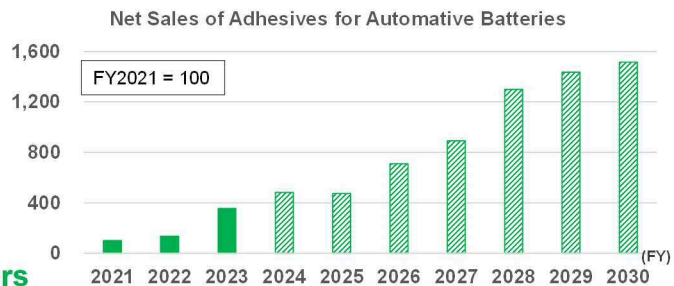
Our adhesives are currently being adopted in more and more new hybrid vehicles equipped with bipolar nickel metal hydride batteries and fuel cell vehicles.

Vehicles Using Our Adhesives

MIRAI
Aqua
Crown
LEXUS RX
Alphard
Vellfire
And more!

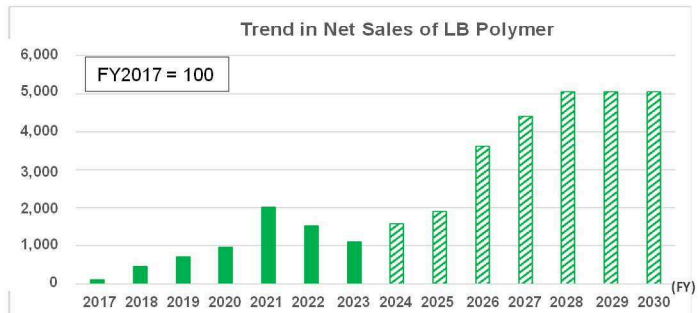
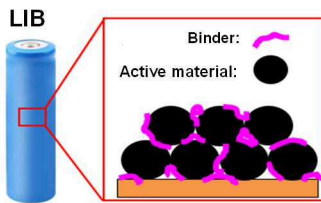


Crown (Sports)



■ Lithium Ion Battery (LIB) Binders

- LIB binders suppress the expansion of the negative electrode to lead to a longer battery life.
- We are also considering investing in production facilities overseas for stable supply and new customers.



Moderator: The question is as follows: "I would like to ask about lithium-ion battery binders. Does the graph in the slide that shows the trend in net sales include potential sales to new customers, or is it just for existing customers? How do you evaluate the competitive environment for lithium-ion battery binders in acquiring new customers?"

Takamura: The graph shown in the slide includes the increase in existing customers and the acquisition of new customers. There are many developments related to batteries for electric vehicles, especially in the United States, such as not approving them or not subsidizing them unless they are manufactured within the United States as key products.

Speaking from this perspective, we are prepared to take it to any country, anytime, if it's an ally of Japan. Currently, we are prioritizing the enhancement of the Nagoya Plant in Japan. However, if we are still short of capacity, we will take action with careful consideration so that we can produce the necessary volume.

Question 6: About the company's awareness of business that has low asset efficiency

Overview of Major Consolidated Subsidiaries (Results for 1H FY2024)



(Millions of yen)

	Company name	Segment	Ownership (%)	Net sales		Operating income		Net income (loss) attributable to owners of parent	
				1H FY2023	1H FY2024	1H FY2023	1H FY2024	1H FY2023	1H FY2024
1	Toa Techno Gas	Commodity Chemicals	100	2,013	2,306	81	446	71	322
2	Toagosei Singapore	↓	100	1,793	1,847	(149)	(247)	(77)	(153)
3	MT AquaPolymer	Polymer & Oligomer	90	6,381	6,150	110	287	75	215
4	Taiwan Toagosei	↓	100	1,087	1,065	133	131	111	113
5	Toa Jet Chemical	↓	51	890	935	64	89	46	59
6	Toagosei (Zhangjiagang)	↓	100	787	903	46	69	29	58
7	Toagosei (Shanghai)	↓	100	-	325	0	(115)	(3)	(142)
8	Toagosei (Thailand)	Adhesive Material	100	1,237	1,618	25	274	(4)	240
9	Toagosei America	Polymer & Oligomer	100	919	1,275	(112)	(99)	12	4*
10	Toagosei Hong Kong	↓	100	141	132	10	2	10	3
11	Toagosei (Zhuhai)	↓	100	429	286	(22)	(47)	(20)	(49)
12	Aronkasei	Plastics	100	12,882	12,500	787	705	458	477
13	Aronkasei Thailand	↓	100	269	392	(122)	(57)	(132)	(88)
14	TG Corporation	Other	100	692	740	199	227	140	160

Figures for each company above represent those before consolidation adjustment.

* Toagosei America recognized 95 million yen of equity in earnings of affiliates under non-operating income for 1H FY2024 (137 million yen for 1H FY2023).

8

Moderator: The question is as follows: "The company is aiming to achieve a PBR of over 1x and has set an ROE target to promote this goal. While the company is demonstrating its commitment to make improvements, I believe that in establishing such a target, it is necessary for the company to not only focus on making investments but also on making appropriate choices. However, as you have mentioned about Toagosei America, you have a business like the adhesive materials in North America that is still operating even though it has made no improvements despite your plan to improve it for some time. The plastics business also has been marking low asset efficiency. What is your awareness of the issue regarding businesses that are showing prolonged poor performance or that continue to display low asset efficiency?"

Also, I do believe that you have been trying to make improvements, but how do you analyze the reason why you are not making any progress?"

Takamura: As I have explained today, we are highly aware of the fact that Toagosei America's operating results remain extremely weak. We are making an approach to the joint venture partner to enhance sales in particular.

Since this is not just our matter, it will take time, but we are making steady progress. If we can see some change in Toagosei America going forward, we will make an official announcement when the time is right.

As for the plastics business, we are aware that we still have some products with extremely low profit margins, mainly in piping equipment-related areas. We are making approaches for this as well, with a manufacturer in the same industry that engages in similar products. Since this is also a matter that involves other parties, we cannot deny that it is taking time.

For both affairs, we are not doing just the minimum things. We are pushing the other parties to move things forward. We will make announcements if we see any move and when the time is right. We are on the same page regarding improving ROE, so we hope you will understand the situation.

Question 6: How high purity liquid hydrogen chloride and adhesives for automotive batteries contribute to profit

Moderator: The question is as follows: "It seems that high-purity liquid hydrogen chloride and adhesives for automotive batteries are likely to achieve high growth. How do these two products contribute to achieving the Medium-Term Management Plan? Please explain quantitatively. Is there a possibility that the actual results will exceed the plan?"

Takamura: For high-purity liquid hydrogen chloride and battery materials, we have not disclosed any specific details regarding the growth of sales for individual businesses in the Medium-Term Management Plan.

As for the sales as a whole, we only mentioned the level of operating income that we plan to achieve and of major investments relevant to these product groups, if any.

Contrary to our expectations, because the recovery of the memory market was relatively fast, the sales of high-purity liquid hydrogen chloride in the first half did not quite grow. Also, the recovery of the market for wafer-related products turned out to be slow, and this became apparent only after this year started. There could be more of this kind of deviation to appear.

We aim to achieve the profits planned in the Medium-Term Management Plan as a whole by combining several high-function products.

Message from Mikishi Takamura

Takamura: Thank you very much for participating in our financial results briefing for the second quarter of the year ending December 2024 over a long period of time today.

Going forward, big changes are anticipated in the political and economic landscape even more. As I have explained, in general, we believe that it is important for us to manage our business by making adjustments to accommodate the expected major shift from deflation to inflation.

We would appreciate your continued support and attention to our business developments, including financial data. Thank you very much for attending the briefing today.