

Table of Contents

1. Financial Performance.....	2
(1) Explanation of Financial Performance	2
(2) Explanation of Financial Position.....	3
(3) Explanation of Forward-looking Statements such as Consolidated Performance Forecasts	4
2. Semi-annual Consolidated Financial Statements and Notes	5
(1) Semi-annual Consolidated Balance Sheet	5
(2) Semi-annual Consolidated Statements of Income and Comprehensive Income	7
(3) Semi-annual Consolidated Statement of Cash Flows	9
(4) Notes.....	11
(Notes on Going Concern Assumption)	11
(Notes in Case of Significant Changes in the Amount of Shareholders' Equity).....	11
(Additional Information)	11
(Segment Information, etc.)	12
(Subsequent Events).....	12

1. Financial Performance

(1) Explanation of Financial Performance

(a) Financial Performance during the First Half of Fiscal 2024

During the period under review (January 1 to June 30, 2024), the global economy was characterized by a continued strong performance in the United States and a gradual recovery in Europe. However, China experienced an economic slump due to a sluggish real estate market and weak personal consumption.

The Japanese economy has seen a gradual recovery supported by strong inbound tourism demand, despite higher raw material and fuel prices due to the weak yen having driven up consumer prices. While the manufacturing sector was affected by the suspension of production and shipments at some automakers, 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.

Under these circumstances, the Group focused on sales expansion activities and cost reductions, as well as on 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:	¥81,571 million	(+6.0% YOY)
Operating income:	¥7,323 million	(+54.3% YOY)
Ordinary profit:	¥8,758 million	(+41.9% YOY)
Net income attributable to owners of parent:	¥7,041 million	(+28.7% 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 on larger sales volume. 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 ¥38,374 million (+9.3% YOY).

Operating income totaled ¥4,192 million (+90.1% YOY) due to increased sales volume, especially of electrolysis 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 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 ¥17,246 million (+5.0% YOY).

Operating income jumped 58.6% year on year to ¥2,123 million due to increased sales volume of acrylic polymers and acrylic oligomers and revisions to selling prices of polymer flocculants in response to higher raw material and fuel prices.

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 ¥6,591 million (+17.5% YOY).

Operating income totaled ¥232 million, compared to an operating loss of ¥161 million in the same period of the previous fiscal year, amid higher sales volume of products for automotive parts and for electronic components for smartphones.

IV. Performance Chemicals

High-purity inorganic chemicals recorded sales on par with the same period of the previous fiscal year. 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 medical care products. As a result, this segment posted net sales of ¥5,080 million (-3.9% YOY).

Operating income fell 38.8% year on year to ¥586 million resulting from an increase in depreciation for high-purity inorganic chemicals and other factors.

V. Plastics

Piping equipment saw sales revenue fall amid lower sales volume caused by the slump in housing starts. Nursing care products posted a decline in sales revenue as a result of diminished overall sales volume. Elastomer compounds experienced sales on par with the previous year. As a result, this segment posted net sales of ¥13,301 million (-2.1% YOY).

Operating income decreased 3.2% year on year to ¥647 million owing to the impact of the decrease in sales volume of nursing care products.

VI. Other Businesses

This segment, which consists of the research and development business for new products, goods transportation, and trading-house operations, recorded higher sales revenue in trading-house operations. As a result, this segment posted net sales of ¥975 million (+4.2% YOY)

Operating loss totaled ¥462 million, compared to an operating loss of ¥272 million in the same period of the previous fiscal year, partly because of the increase in preparatory costs associated with opening the Kawasaki Frontience R&D Center.

(2) Explanation of Financial Position

I. Status of assets, liabilities, and net assets

Total assets: Total assets amounted to ¥280,939 million, up ¥8,653 million (3.2%) from the previous fiscal year-end. The main contributor to this increase was an increase in “Other” under fixed assets owing to the increase in construction in progress as well as an increase in “Investment securities” resulting from the higher market value of shares held.

Total liabilities: Total liabilities amounted to ¥63,947 million, up ¥4,180 million (7.0%) from the previous fiscal year-end. The main contributor to this increase was an increase in “Other long-term liabilities” under long-term liabilities owing to the increase in deferred tax liabilities.

Total net assets: Total net assets amounted to ¥216,991 million, up ¥4,473 million (2.1%) from the previous fiscal year-end. The main contributors to this were increases in “Unrealized holding gain on available-for-sale securities” and “Retained earnings,” which were partially offset by an increase in “Treasury stock” due to share buybacks.

Net worth ratio: Net worth ratio amounted to 76.9%.

II. Status of cash flows

Cash flows from operating activities: Operating activities generated ¥14,255 million of cash inflow, increasing ¥647 million compared to the previous first half, resulting from an increase in “Income before income taxes” and reduced expenditures for “Inventories” and “Income taxes paid.”

Cash flows from investing activities: Investing activities used ¥10,062 million, ¥5,607 million more than they did in the previous first half. This was attributable to an increase in expenditures for “Purchase of property, plant and equipment.”

Cash flows from financing activities: Financing activities used ¥8,990 million, ¥4,182 million less than they did in the previous first half. This result reflected a decrease in expenditures for “Dividends paid to non-controlling interests” and “Purchase of shares of subsidiaries not resulting in change in scope of consolidation.”

As a result, the balance of cash and cash equivalents as of June 30, 2024 was ¥43,675 million, a decrease of ¥3,961 million from the end of the previous fiscal year.

(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 2024, sales volume trended higher for many products including commodity chemicals. Although the economic situation for the third and fourth quarters is difficult to predict due to geopolitical risks and political trends in each country, moderate economic recovery is expected to continue.

Amid this situation, strong demand has contributed to increased sales volume in some fields and developed products, so the Company forecasts that net sales, operating income, ordinary profit, and net income attributable to owners of parent for fiscal 2024 will exceed the consolidated performance forecast announced on February 13, 2024. Therefore, the consolidated performance forecast has been revised as follows.

As part of efforts to increase the P/B ratio, the Company will return profit to shareholders with a target of 100% consolidated total shareholder return during the period of the Medium-Term Management Plan 2025 to enhance capital efficiency. Following the upward revision of the full-year consolidated performance forecast for 2024, the Company has decided to raise the forecast for the second quarter-end dividend (interim dividend) and year-end dividend from the previous dividend forecast, along with the increase in the number of shares that can be purchased. This revision was made in “Toagosei Announces the Interim Dividend and Revisions to Year-End Dividend Forecast (Dividend Increase)” announced on July 31, 2024.

Consolidated forecasts for fiscal 2024 (full-year: January 1 to December 31, 2024)

(Millions of yen, except for per share data)

	Net sales	Operating income	Ordinary profit	Net income attributable to owners of parent	Net income per share
Previous forecasts (A) (announced on February 13, 2024)	168,300	14,000	15,200	11,300	99.43 yen
Revised forecasts (B)	170,000	15,500	17,500	12,800	112.77 yen
Amount of change (B-A)	1,700	1,500	2,300	1,500	–
Percentage of change (%)	1.0%	10.7%	15.1%	13.3%	–
(Reference) Results of fiscal 2023 (ended December 31, 2023)	159,371	12,499	14,503	12,179	102.78 yen

Details of revision to year-end dividend forecast

	Annual dividends per share		
	Second quarter-end	Fiscal year-end	Total
Previous forecasts (announced on February 13, 2024)	¥29.00	¥29.00	¥58.00
Revised forecast		¥30.00	¥60.00
Fiscal 2024 results	¥30.00		
(Reference) Results of fiscal 2023 (ended December 31, 2023)	¥20.00	¥33.00	¥53.00

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. Semi-annual Consolidated Financial Statements and Notes

(1) Semi-annual Consolidated Balance Sheet

(Millions of yen)

	Fiscal 2023 (as of December 31, 2023)	First Half of Fiscal 2024 (as of June 30, 2024)
Assets		
Current assets		
Cash and deposits	39,108	35,038
Notes and accounts receivable	51,102	50,135
Securities	17,000	16,000
Inventories	24,792	25,591
Other current assets	2,904	3,180
Allowance for doubtful receivables	(47)	(50)
Total current assets	134,860	129,895
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	26,998	30,259
Machinery, equipment and other, net	25,451	23,990
Land	29,249	29,352
Other, net	14,834	19,589
Total property, plant and equipment	96,532	103,193
Intangible fixed assets	1,579	1,660
Investments and other assets		
Investment securities	32,912	39,506
Net defined benefit asset	3,736	3,724
Other assets	2,671	2,964
Allowance for doubtful receivables	(6)	(6)
Total investments and other assets	39,313	46,189
Total fixed assets	137,425	151,043
Total assets	272,285	280,939

(Millions of yen)

	Fiscal 2023 (as of December 31, 2023)	First Half of Fiscal 2024 (as of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable	19,091	19,284
Short-term bank loans	2,499	6,220
Accrued income taxes	2,281	2,692
Accrued bonuses for employees	14	12
Provisions for product recalls	308	173
Other current liabilities	17,284	18,749
Total current liabilities	41,480	47,133
Long-term liabilities		
Long-term debt	8,595	4,930
Net defined benefit liability	119	123
Provision for share awards	145	217
Other long-term liabilities	9,426	11,542
Total long-term liabilities	18,287	16,814
Total liabilities	59,767	63,947
Net assets		
Shareholders' equity		
Common stock	20,886	20,886
Capital surplus	14,166	14,169
Retained earnings	159,562	162,747
Treasury stock	(786)	(5,399)
Total shareholders' equity	193,828	192,403
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	13,319	17,655
Translation adjustments	3,992	5,516
Remeasurements of defined benefit plans	369	352
Total accumulated other comprehensive income	17,681	23,524
Non-controlling interests	1,008	1,063
Total net assets	212,518	216,991
Total liabilities and net assets	272,285	280,939

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statement of Income

First Half under Review

(Millions of yen)

	First Half of Fiscal 2023 (January 1, 2023 to June 30, 2023)	First Half of Fiscal 2024 (January 1, 2024 to June 30, 2024)
Net sales	76,947	81,571
Cost of sales	57,885	58,847
Gross profit	19,062	22,723
Selling, general, and administrative expenses	14,316	15,400
Operating income	4,746	7,323
Non-operating income		
Interest income	111	198
Dividend income	636	858
Equity in earnings of affiliates	174	125
Foreign currency exchange gains	345	382
Rent income on non-current assets	89	58
Other	256	67
Total non-operating income	1,613	1,690
Non-operating expenses		
Interest expenses	63	73
Environment readiness fee	43	118
Inactive facilities expenses	6	6
Other	73	56
Total non-operating expenses	187	255
Ordinary profit	6,172	8,758
Extraordinary income		
Gain on sale of non-current assets	–	7
Gain on sales of investment securities	1,452	1,465
Subsidy income	79	71
Total extraordinary gains	1,531	1,544
Extraordinary losses		
Loss on disposal of non-current assets	103	607
Loss on disaster	–	43
Loss on valuation of investment securities	3	–
Total extraordinary losses	107	651
Income before income taxes	7,595	9,651
Income taxes	2,104	2,553
Net income	5,490	7,097
Net income attributable to non-controlling interests	20	56
Net income attributable to owners of parent	5,469	7,041

Semi-annual Consolidated Statement of Comprehensive Income

First Half under Review

(Millions of yen)

	First Half of Fiscal 2023 (January 1, 2023 to June 30, 2023)	First Half of Fiscal 2024 (January 1, 2024 to June 30, 2024)
Net income	5,490	7,097
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	3,704	4,340
Translation adjustments	793	1,557
Remeasurements of defined benefit plans, net of tax	(1)	(16)
Total other comprehensive income	4,495	5,881
Comprehensive income	9,986	12,978
Comprehensive income attributable to:		
Owners of parent	9,935	12,884
Non-controlling interests	50	94

(3) Semi-annual Consolidated Statement of Cash Flows

(Millions of yen)

	First Half of Fiscal 2023 (January 1, 2023 to June 30, 2023)	First Half of Fiscal 2024 (January 1, 2024 to June 30, 2024)
Operating activities		
Income before income taxes	7,595	9,651
Depreciation and amortization	5,283	5,473
Increase or decrease in allowance for doubtful accounts (Minus means decrease.)	(4)	2
Increase or decrease in provision for product recalls (Minus means decrease.)	–	(134)
Increase or decrease in provision for share awards (Minus means decrease.)	21	71
Increase or decrease in other provisions (Minus means decrease.)	(1)	(8)
Increase or decrease in net defined benefit asset (Minus means increase.)	(138)	(12)
Increase or decrease in net defined benefit liability (Minus means decrease.)	3	3
Interest and dividend income	(747)	(1,056)
Interest expense	63	73
Foreign currency exchange gains or losses (Minus means gains.)	(340)	(361)
Gain or loss on sale of investment securities (Minus means gain.)	(1,452)	(1,465)
Gain or loss on valuation of investment securities (Minus means gain.)	3	–
Equity in earnings or losses of affiliates (Minus means earnings.)	(174)	(125)
Subsidy income	(79)	(71)
Gain or Loss on disposal of non-current assets (Minus means gain.)	103	600
Increase or decrease in trade receivables (Minus means increase.)	2,975	1,191
Increase or decrease in inventories (Minus means increase.)	(1,254)	(552)
Increase or decrease in trade payables (Minus means decrease.)	(1,233)	71
Other, net	4,621	1,784
Subtotal	15,247	15,135
Interest and dividends received	750	1,151
Interest paid	(67)	(75)
Subsidies income received	79	71
Income taxes paid	(2,401)	(2,028)
Net cash provided by operating activities	13,607	14,255
Investing activities		
Increase or decrease in time deposits (Minus means increase.)	1,108	1,466
Purchase of investment securities	(183)	(504)
Proceeds from sales of investment securities	1,674	1,621
Purchase of property, plant and equipment	(6,550)	(11,174)
Proceeds from sales of property, plant and equipment	–	8
Other, net	(503)	(1,480)
Net cash used in investing activities	(4,454)	(10,062)
Financing activities		
Net increase or decrease in short-term debt (Minus means decrease.)	–	(47)
Proceeds from long-term debt	–	123
Repayments of long-term debt	(70)	(83)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,849)	–

(Millions of yen)

	First Half of Fiscal 2023 (January 1, 2023 to June 30, 2023)	First Half of Fiscal 2024 (January 1, 2024 to June 30, 2024)
Proceeds from sale of treasury stock	4	0
Purchase of treasury stock	(3,151)	(4,725)
Increase or decrease in deposits for acquisition of treasury stock (Minus means increase.)	(2,851)	(277)
Repayments of lease obligations	(89)	(95)
Cash dividends to shareholders	(2,178)	(3,845)
Dividends paid to non-controlling interests	(1,987)	(39)
Net cash used in financing activities	(13,172)	(8,990)
Effect of exchange rate change on cash and cash equivalents	268	836
Net increase or decrease in cash and cash equivalents (Minus means decrease.)	(3,749)	(3,961)
Cash and cash equivalents at beginning of the period	44,839	47,636
Cash and cash equivalents at end of the period	41,089	43,675

(4) Notes

(Notes on Going Concern Assumption)

None

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

The Company acquired 3,053,400 treasury shares pursuant to a resolution passed by the Board of Directors at its meeting held on February 13, 2024. As a result, during the period under review, treasury stock increased by ¥4,613 million, bringing the total of treasury stock to ¥5,399 million as of the end of the period under review.

(Additional Information)

(Employee Stock Compensation Plan)

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

(1) Overview of transaction

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

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

(2) The Company's remaining shares in trust

The Company's remaining shares in the Trust will be recorded as treasury stock in the net assets section based on the book value in the Trust (excluding the amount of ancillary expenses). The book value and number of these treasury stock were ¥474 million and 386 thousand shares, respectively, at the end of the previous fiscal year, and ¥467 million and 381 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 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 ¹	Total	Adjusted ²	Consolidated ³
	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 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 semi-annual 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 Half of Fiscal 2024 (January 1, 2024 to June 30, 2024)

1 Further Information about Segment Sales and Segment Profit (Loss)

(Millions of yen)

	Reportable segment						Other Businesses ¹	Total	Adjusted ²	Consolidated ³
	Commodity Chemicals	Polymer & Oligomer	Adhesive Material	Performance Chemicals	Plastics	Total				
Net sales										
External sales	38,374	17,246	6,591	5,080	13,301	80,595	975	81,571	–	81,571
Intersegment sales or transfers	1,730	767	28	131	487	3,145	797	3,943	(3,943)	–
Total	40,105	18,014	6,620	5,212	13,789	83,741	1,772	85,514	(3,943)	81,571
Segment profit (loss)	4,192	2,123	232	586	647	7,782	(462)	7,319	3	7,323

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

(Subsequent Events)

Increase in the number of shares that can be repurchased

On February 13, 2024, the Board of Directors resolved to buy back shares pursuant to Article 156 of the Companies Act as applied with the necessary modifications stipulated in Article 165-3 of the said Act. On July 31, 2024, the Company decided to increase the number of shares that can be repurchased.

1. Reasons why the Company increased the number of shares that can be repurchased

This decision was taken with the aim of further strengthening shareholder returns, improving capital efficiency, raising the corporate value, and implementing flexible capital policies.

2. Details of the increase in the number of shares that can be repurchased (The underlined parts have been changed.)

- | | |
|--|---|
| (1) Type of stock to be repurchased | Common stock of the Company |
| (2) Total number of shares that can be repurchased | <u>5,800,000</u> shares (the maximum, an increase of 800,000 shares compared to the February 13 resolution) (<u>4.96%</u> of total number of shares issued [excluding treasury stock]) |
| (3) Total cost for repurchase | <u>7.0 billion yen</u> (the maximum, an increase of 1.0 billion yen compared to the February 13 resolution) |
| (4) Repurchase period | February 14, 2024 to December 31, 2024 |
| (5) Repurchase method | Market purchase on the Tokyo Stock Exchange (based on a discretionary investment agreement and through share repurchase by extended-hours trading) |

(Reference)

1. Resolution adopted at the Board of Directors meeting held on February 13, 2024

- | | |
|--|--|
| (1) Type of stock to be repurchased | Common stock of the Company |
| (2) Total number of shares that can be repurchased | 5,000,000 shares (the maximum) (4.28% of total number of shares issued [excluding treasury stock]) |
| (3) Total cost for repurchase | 6.0 billion yen (the maximum) |
| (4) Repurchase period | February 14, 2024 to December 31, 2024 |
| (5) Repurchase method | Market purchase on the Tokyo Stock Exchange (based on a discretionary investment agreement and through share repurchase by extended-hours trading) |

2. Total number of shares that the Company has repurchased based on the resolution above (as of July 30, 2024)

- | | |
|--|-------------------|
| (1) Total number of shares repurchased | 3,230,600 shares |
| (2) Total cost for repurchase | 4,994,262,850 yen |