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* On Thursday, February 20, 2025, we will hold a presentation for analysts and institutional investors. The materials presented at the meeting will be uploaded onto our website soon after the meeting is held.

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year under review

(a) Overview of the fiscal year under review

During the fiscal year ended December 31, 2024 (the “fiscal year under review”), the global economy saw the U.S. economy remain strong, while the economy in Europe maintained its underlying strength despite concerns about an economic slowdown. In China, growth continued to slow partly due to the slump in the real estate market and sluggish growth in consumer spending.

In Japan, the economy has remained relatively strong despite continued rises of prices, and progress was made towards overcoming deflation.

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:	¥167,594 million (+5.2% YOY)
Operating income:	¥14,233 million (+13.9% YOY)
Ordinary income:	¥15,993 million (+10.3% YOY)
Net income attributable to owners of parent:	¥11,877 million (-2.5% 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 ¥79,145 million (+7.7% YOY).

Operating income rose 25.6% year on year to ¥8,501 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 ¥35,187 million (+4.2% YOY).

Operating income rose 18.8% year on year to ¥3,779 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 ¥13,344 million (+7.5% YOY).

Operating income rose 13.3% year on year to ¥409 million mainly due to increased sales volume.

IV. Performance Chemicals

High-purity inorganic chemicals saw higher sales revenue due to increased sales volume resulting from strong shipments to overseas. Inorganic functional materials posted higher sales revenue amid increased sales volume of ion-trapping agents for electronics components. As for the 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 ¥10,196 million (+2.5% YOY).

Operating income fell 17.6% year on year to ¥1,275 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

Environment & infrastructure system (formerly, piping equipment) saw sales revenue fall due to a focus on sales based on profitability. Nursing care products posted a decline in sales revenue as a result of diminished sales volume caused by intensifying competition in the nursing care products market. Ecological materials (formerly, 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 ¥27,702 million (-0.6% YOY).

Operating income increased 19.5% year on year to ¥1,761 million, thanks to growth in sales of products for infrastructure aging countermeasures in the environment & infrastructure system business and improved earnings from the ecological materials business.

VI. Other Businesses

This segment, which consists of the research and development business for new products, goods transportation, and trading-house operations, among others, recorded increased sales revenue from its trading department. The segment posted net sales of ¥2,018 million (+6.4% YOY).

Operating loss totaled ¥1,471 million, compared to an operating loss of 854 million in the same period of the previous fiscal year, partly because of the costs for opening the Kawasaki Frontiers R&D Center.

(2) Overview of financial position for the fiscal year under review

Total assets: Total assets amounted to ¥278,020 million, up ¥5,734 million (2.1%) from the end of the previous fiscal year. The main contributor to this increase was an increase in “buildings and structures” and “construction in progress.”

Total liabilities: Total liabilities amounted to ¥64,352 million, up ¥4,584 million (7.7%) from the the end of the previous fiscal year. The main contributor to this increase was an increase in “other current liabilities” in “current liabilities” due to higher accounts payable other.

Total net assets: Total net assets amounted to ¥213,668 million, up ¥1,149 million (0.5%) from the end of the previous fiscal year . The main contributors to this were increases in “unrealized holding gain on available-for-sale securities” and “translation adjustment.”

Net worth ratio: Net worth ratio amounted to 76.5%.

(3) Overview of cash flows for the fiscal year under review

Cash flows from operating activities: Net cash provided by operating activities totaled ¥20,183 million, a decrease of ¥1,455million compared to the previous fiscal year, resulting from a decrease in “Income before income taxes” and an increase in working capital.

Cash flows from investing activities: Net cash used in investing activities totaled ¥13,594 million, an increase of ¥10,066 million compared to the previous fiscal year. This was attributable to an increase in expenditures for “Purchase of property, plant and equipment.”

Cash flows from financing activities: Net cash used in financing activities totaled ¥14,507 million, a decrease of ¥1,016million compared to the previous fiscal year. 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 at the end of the fiscal year under review was ¥ 40,433 million, a decrease of ¥ 7,202 million from the end of the previous fiscal year.

(Reference) Cash flow indicators

	Fiscal 2022	Fiscal 2023	Fiscal 2024
Equity ratio (%)	77.7	77.7	76.5
Equity ratio based on market value (%)	50.8	58.7	61.1
Interest-bearing debt to cash flow ratio (years)	1.0	0.5	0.5
Interest coverage ratio (times)	112.4	171.7	140.1

Notes:

1. The above table uses the following formula, with each indicator stated on a consolidated basis.
Equity ratio: (Shareholders' equity + Accumulated other comprehensive income) / Total assets
Equity ratio based on market value: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities / Interest payments
2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
3. Interest-bearing debt is calculated using total loans payable on the consolidated balance sheets that incur interest, excluding for lease obligations.
4. Cash flows from operating activities are based on cash flows provided by operating activities in the consolidated statement of cash flows. For interest payments, the amount of interest expenses paid in the consolidated statements of cash flows is used.

(4) Future outlook

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

As for the future outlook, a highly uncertain situation is forecast to persist because of the uncertainty over the impact on the global economy as a whole of the tariff hike policy and other measures taken by the second Trump administration in the United States and the timing of a recovery in the Chinese economy, which has continued to stagnate.

Under this operating environment, Toagosei Group has established a new research center called Kawasaki Frontience R&D Center and will continue to engage in R&D in the growth fields of medical care, next-generation batteries, semiconductor and electronic materials. In addition, we will promote the strengthening of our ability to develop new products and technologies and the expansion of our overseas sales by developing high-value-added products with Asia as the starting point.

Consolidated forecasts for fiscal 2025 (full-year: January 1 to December 31, 2025)

(Millions of yen)

	Fiscal 2024	Fiscal 2025	Change	% change
Net sales	167,594	165,000	(2,594)	(1.5%)
Operating income	14,233	15,000	766	5.4%
Ordinary income	15,993	16,100	106	0.7%
Net income attributable to owners of parent	11,877	13,000	1,122	9.5%

(5) Basic policy for distribution of profit and dividends for the current and next fiscal years

We made an announcement of our policy of setting a target of a 100% total return ratio for the period of Medium-term Management Plan 2025, including share buybacks and dividends, in order to improve capital efficiency for realizing management that is mindful of capital costs and share price.

Dividend for fiscal 2024: The year-end dividend for fiscal 2024 will be ¥30 per share. In fiscal 2024, we paid an ordinary dividend of ¥30 per share as an interim dividend; thus, the annual dividend per share will be ¥60 (dividend payout ratio of 57.4%). In addition, we acquired ¥6,999 million (4,511,700 shares) of treasury stock during fiscal 2024, resulting in a total return ratio of 116.1%, including share buybacks. In December 2024, the Company cancelled 4,100,000 treasury shares (3.5% of the total number of issued shares before cancellation).

Dividend for fiscal 2025: The Company plans to pay an annual dividend of ¥65 per share in fiscal 2025 (dividend payout ratio of 54.6%, comprising an interim dividend of ¥32.5 per share and year-end dividend of ¥32.5 per share). Furthermore, in order to further return profits to shareholders, improve capital efficiency and enhance corporate value, the Company has decided to buy back ¥7.0 billion of its own shares. As a result, the total return ratio is expected to be 108.2%.

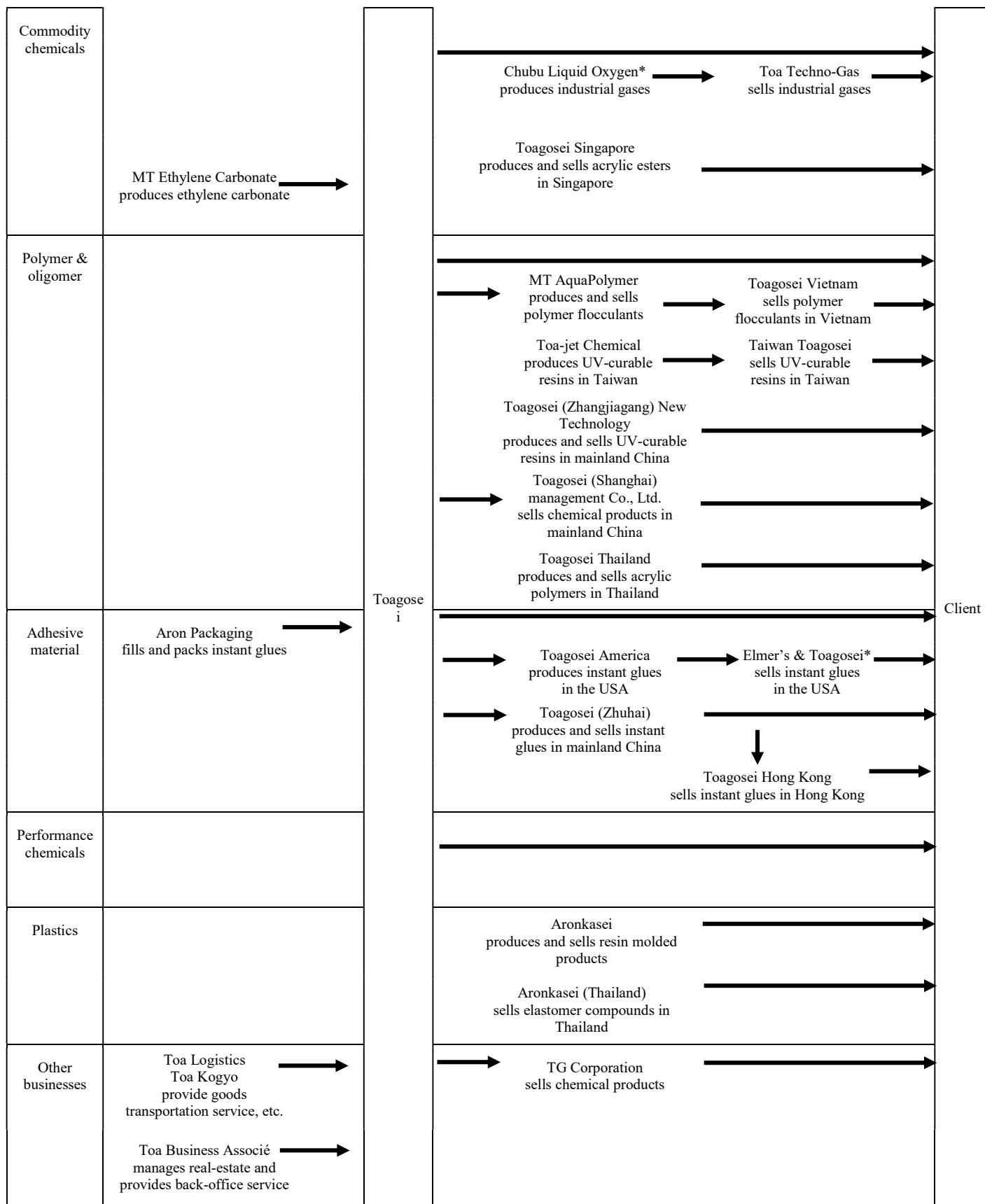
2. Information About the Corporate Group

Our corporate group encompasses 23 subsidiaries and 12 associates. The following table shows the relationship between the main group companies and our reportable business segments.

Furthermore, Toagosei Vietnam Co., Ltd. was newly established; therefore, it was included in the scope of consolidation from the fiscal year under review.

Segment	Main businesses	Main group companies
Commodity chemicals	Production and sale of electrolysis products (caustic soda, caustic potash, sodium hypochlorite), sulfuric acid, industrial gases and acrylic monomers (acrylic acid and acrylic esters)	Toa Techno-Gas Co., Ltd. Toagosei Singapore Pte Ltd. MT Ethylene Carbonate Co., Ltd. Chubu Liquid Oxygen Co., Ltd. Six affiliates
Polymer & oligomer	Production and sale of acrylic polymers, polymer flocculants, and acrylic oligomers (including UV-curable resins)	MT AquaPolymer, Inc. Toa-jet Chemical Co., Ltd. Taiwan Toagosei Co., Ltd. Toagosei (Zhangjiagang) New Technology Co., Ltd. Toagosei (Shanghai) Management Co., Ltd. Toagosei (Thailand) Co., Ltd. Toagosei Vietnam Co., Ltd.
Adhesive material	Production and sale of instant glues and functional adhesives	Aron Packaging Co., Ltd. Toagosei America Inc. Elmer's & Toagosei Co. Toagosei (Zhuhai) Limited Toagosei Hong Kong Limited
Performance chemicals	Production and sale of high-purity inorganic chemicals and inorganic functional materials	One subsidiary One affiliate
Plastics	Production and sale of environment & infrastructure system (piping equipment, etc.), products for construction and civil engineering, nursing care products, etc., and ecological materials (elastomer compounds)	Aronkasei Co., Ltd. Aronkasei (Thailand) Co., Ltd. Two subsidiaries
Other businesses	Operations related to the research and development business for new products, goods transportation, and trading-house operations, among others	Toa Logistics Co., Ltd. Toa Kogyo Co., Ltd. TG Corporation Toa Business Associ� Co., Ltd. Three affiliates

The following table illustrates the roles group companies play in the supply chains.



In the above table, an asterisk indicates that the company is an equity-method affiliate. All other companies are consolidated subsidiaries.

3. Basic Approach to Selection of Accounting Standards

In consideration of the comparability with other companies and their reporting periods of financial statements, the Group has prepared consolidated financial statements based on generally accepted accounting principles in Japan, for the time being.

In the future, we may apply International Financial Reporting Standards as appropriate in consideration of situations in both Japan and overseas.

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	39,108	30,821
Notes and accounts receivable	42,237	42,359
Electronically recorded monetary claims	8,865	9,860
Securities	17,000	11,000
Inventories	24,792	24,734
Other current assets	2,904	4,026
Allowance for doubtful receivables	(47)	(52)
Total current assets	134,860	122,750
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	26,998	39,664
Machinery, equipment and other, net	25,451	23,486
Tools, furniture, and fixtures, net	3,242	4,103
Land	29,249	30,445
Leased assets, net	1,108	81
Construction in progress	10,482	14,070
Total property, plant and equipment	96,532	111,851
Intangible fixed assets	1,579	1,666
Investments and other assets		
Investment securities	32,912	34,023
Net defined benefit asset	3,736	5,014
Deferred tax assets	61	66
Other assets	2,609	2,653
Allowance for doubtful receivables	(6)	(6)
Total investments and other assets	39,313	41,751
Total fixed assets	137,425	155,270
Total assets	272,285	278,020

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable	19,091	18,740
Short-term bank loans	2,499	6,209
Lease obligations	174	197
Accrued income taxes	2,281	2,762
Accrued bonuses for employees	14	11
Provision for product recalls	308	154
Other current liabilities	17,110	20,677
Total current liabilities	41,480	48,753
Long-term liabilities		
Long-term debt	8,595	4,834
Lease obligations	1,077	1,062
Deferred tax liabilities	4,721	5,675
Net defined benefit liability	119	122
Provision for share awards	145	284
Other long-term liabilities	3,627	3,619
Total long-term liabilities	18,287	15,598
Total liabilities	59,767	64,352
Net assets		
Shareholders' equity		
Common stock	20,886	20,886
Capital surplus	14,166	14,166
Retained earnings	159,562	157,874
Treasury stock	(786)	(1,375)
Total shareholders' equity	193,828	191,551
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	13,319	14,537
Translation adjustment	3,992	5,260
Remeasurements of defined benefit plans	369	1,236
Total accumulated other comprehensive income	17,681	21,034
Non-controlling interests	1,008	1,082
Total net assets	212,518	213,668
Total liabilities and net assets	272,285	278,020

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net sales	159,371	167,594
Cost of sales	118,004	121,881
Gross profit	41,367	45,712
Selling, general, and administrative expenses		
Selling expenses	15,641	16,267
General and administrative expenses	13,225	15,210
Total selling, general, and administrative expenses	28,867	31,478
Operating income	12,499	14,233
Non-operating income		
Interest income	259	344
Dividend income	1,061	1,299
Equity in earnings of affiliates	185	227
Foreign currency exchange gains	343	579
Rent income on non-current assets	174	91
Other	383	143
Total non-operating income	2,406	2,685
Non-operating expenses		
Interest expenses	131	152
Environment readiness fee	120	592
Loss on investments in partnerships	53	101
Inactive facilities expenses	13	10
Other	84	69
Total non-operating expenses	402	926
Ordinary profit	14,503	15,993
Extraordinary income		
Gain on sale of non-current assets	–	8
Gain on sales of investment securities	4,079	4,332
Subsidy income	84	80
Total extraordinary gains	4,163	4,421
Extraordinary losses		
Loss on disposal of non-current assets	1,255	1,930
Impairment losses	–	1,487
Loss on disaster	–	141
Loss on valuation of investment securities	3	302
Loss on sales of investment securities	2	–
Provision for product recalls	311	–
Total extraordinary losses	1,572	3,862
Income before income taxes	17,094	16,553
Income taxes - current	4,851	4,580
Income taxes - deferred	10	8
Total income taxes	4,862	4,589
Net income	12,232	11,963
Net income attributable to non-controlling interests	52	86
Net income attributable to owners of parent	12,179	11,877

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net income	12,232	11,963
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	3,724	1,221
Translation adjustments	544	1,290
Remeasurements of defined benefit plans, net of tax	523	867
Total other comprehensive income	4,792	3,379
Comprehensive income	17,024	15,343
Comprehensive income attributable to:		
Owners of parent	16,945	15,230
Non-controlling interests	79	112

(3) Consolidated statements of changes in equity

Fiscal year ended December 31, 2023

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	15,095	158,154	(1,081)	193,053
Changes during the year:					
Cash dividends			(4,559)		(4,559)
Net income attributable to owners of parent			12,179		12,179
Purchase of treasury stock				(6,005)	(6,005)
Disposal of treasury stock		30		57	88
Cancellation of treasury stock		(6,242)		6,242	–
Transfer from retained earnings to capital surplus		6,212	(6,212)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(928)			(928)
Net changes in items other than shareholders' equity					
Total changes during the year	–	(928)	1,407	295	775
Balance at end of the year	20,886	14,166	159,562	(786)	193,828

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,598	3,471	(154)	12,915	4,837	210,807
Changes during period						
Cash dividends						(4,559)
Net income attributable to owners of parent						12,179
Purchase of treasury stock						(6,005)
Disposal of treasury stock						88
Cancellation of treasury stock						–
Transfer from retained earnings to capital surplus						–
Change in ownership interest of parent due to transactions with non-controlling interests						(928)
Net changes in items other than shareholders' equity	3,721	520	523	4,765	(3,829)	936
Total changes during the year	3,721	520	523	4,765	(3,829)	1,711
Balance at end of the year	13,319	3,992	369	17,681	1,008	212,518

Fiscal year ended December 31, 2024

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	14,166	159,562	(786)	193,828
Changes during the year					
Cash dividends			(7,271)		(7,271)
Net income attributable to owners of parent			11,877		11,877
Purchase of treasury stock				(7,004)	(7,004)
Disposal of treasury stock		3		118	121
Cancellation of treasury stock		(6,296)		6,296	–
Transfer from retained earnings to capital surplus		6,293	(6,293)		–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Total changes during the year	–	–	(1,688)	(589)	(2,277)
Balance at end of the year	20,886	14,166	157,874	(1,375)	191,551

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	13,319	3,992	369	17,681	1,008	212,518
Changes during period						
Cash dividends						(7,271)
Net income attributable to owners of parent						11,877
Purchase of treasury stock						(7,004)
Disposal of treasury stock						121
Cancellation of treasury stock						–
Transfer from retained earnings to capital surplus						–
Change in ownership interest of parent due to transactions with non-controlling interests						–
Net changes in items other than shareholders' equity	1,218	1,267	867	3,353	73	3,427
Total changes during the year	1,218	1,267	867	3,353	73	1,149
Balance at end of the year	14,537	5,260	1,236	21,034	1,082	213,668

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from operating activities		
Income before income taxes	17,094	16,553
Depreciation and amortization	10,656	11,302
Impairment losses	–	1,487
Increase or decrease in allowance for doubtful accounts (Minus means decrease.)	(4)	4
Increase or decrease in provision for product recalls (Minus means decrease.)	308	(153)
Increase or decrease in provision for share awards (Minus means decrease.)	145	138
Increase or decrease in other provisions (Minus means decrease.)	(1)	(3)
Increase or decrease in net defined benefit asset (Minus means increase.)	(278)	(28)
Increase or decrease in net defined benefit liability (Minus means decrease.)	1	2
Interest and dividend income	(1,321)	(1,644)
Interest expense	131	152
Foreign currency exchange gains or losses (Minus means gains.)	(399)	(540)
Gain or loss on sale of investment securities (Minus means gain.)	(4,076)	(4,332)
Gain or loss on valuation of investment securities (Minus means gain.)	3	302
Gain or loss on disposal of non-current assets (Minus means gain.)	1,255	1,930
Gain or loss on sale of non-current assets (Minus means gain.)	–	(8)
Equity in earnings or losses of affiliates (Minus means earnings.)	(185)	(227)
Subsidy income	(84)	(80)
Increase or decrease in receivables (Minus means increase.)	(1,139)	(930)
Increase or decrease in inventories (Minus means increase.)	870	309
Increase or decrease in payables (Minus means decrease.)	(618)	(464)
Other	2,632	(1,315)
Subtotal	24,990	22,453
Interest and dividends received	1,367	1,900
Interest paid	(126)	(144)
Subsidies income received	84	80
Income taxes paid	(4,677)	(4,107)
Net cash provided by (used in) operating activities	21,638	20,183
Cash flows from investing activities		
Increase or decrease in time deposits (Minus means increase.)	5,301	5,365
Increase or decrease in securities (Minus means increase.)	–	2,000
Purchase of investment securities	(290)	(770)
Proceeds from sales of investment securities	5,228	5,373
Purchase of property, plant and equipment	(11,660)	(22,043)
Proceeds from sale of property, plant and equipment	–	17
Other	(2,107)	(3,537)

Net cash provided by (used in) investing activities	(3,528)	(13,594)
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(Million yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from financing activities		
Net increase or decrease in short-term debt (Minus means decrease.)	–	(10)
Proceeds from long-term debt	168	124
Repayments of long-term debt	(140)	(183)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,849)	–
Proceeds from sale of treasury stock	5	3
Purchase of treasury stock	(6,002)	(7,004)
Increase or decrease in deposits for acquisition of treasury stock (Minus means increase.)	0	(0)
Repayments of lease obligations	(165)	(141)
Dividends paid	(4,553)	(7,257)
Dividends paid to non-controlling interests	(1,987)	(39)
Net cash provided by (used in) financing activities	(15,524)	(14,507)
Effect of exchange rate change on cash and cash equivalents	210	716
Net increase or decrease in cash and cash equivalents (Minus means decrease.)	2,796	(7,202)
Cash and cash equivalents at beginning of the period	44,839	47,636
Cash and cash equivalents at end of the period	47,636	40,433

(5) Notes

(Notes on going concern assumption)

Not applicable

(Changes in presentation method)

Consolidated balance sheet

“Electronically recorded monetary claims,” which was included in “notes and accounts receivable” of “current assets” in the previous consolidated fiscal year, is stated as an independent item from fiscal 2024 because it increased in importance. In order to reflect this change in the presentation method, the consolidated financial statement for fiscal 2023 has been restated.

As a result, the ¥51,102 million presented in “notes and accounts receivable” of “current assets” in the consolidated statements of income for fiscal 2023 has been restated as “notes and accounts receivable” of ¥42,237 million and “electronically recorded monetary claims” of ¥8,865 million.

Consolidated statement of income

“Gain on sale of goods,” which was stated as an independent item under “non-operating income,” is included in “other” of “non-operating income” from fiscal 2024 because it decreased in importance. In order to reflect this change in the presentation method, the consolidated financial statement for fiscal 2023 has been restated.

As a result, the ¥107 million presented in “gain on sale of goods” of “non-operating income” and ¥275 million presented in “other” of “non-operating income” in the consolidated statement of income for fiscal 2023 have been restated as “other” of ¥383million.

(Additional information)

Employee stock compensation plan

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

(1) Overview of transaction

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

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

(2) The Company’s remaining shares in trust

The Company's remaining shares in the Trust will be recorded as treasury stock in the net assets section based on the book value in the Trust (excluding the amount of ancillary expenses). The book value and number of these treasury stock were ¥462 million and 376 thousand shares, respectively, at the end of the fiscal year under review.

(Consolidated statement of income)

Impairment loss

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Not applicable

Fiscal year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)

Impairment losses were recorded for the following assets or asset groups.

(Million yen)

Location	Use	Item	Amount
Singapore	Acrylic ester production facilities, etc.	Leased assets, machinery, equipment and other	1,412
Tsurumi-ku, Yokohama	Dormitory	Building and other	74

Background and method of asset grouping

The Company operates multiple businesses, and for business assets, the operating departments are the smallest asset groups in each segment of commodity chemicals, polymer & oligomer, adhesive material, and performance chemicals. In addition, consolidated subsidiaries mainly operate a single business, and the company unit is the smallest asset group.

In fiscal year ended December 31, 2024, the book value of acrylic ester production facilities, etc. that have become less profitable has been reduced to their recoverable value. In addition, the book value of the dormitory in Yokohama has been reduced to its recoverable value following the decision to stop using the dormitory and demolish the building. The amounts of these reductions have been recorded as impairment losses (1,487 million yen) under extraordinary losses.

Breakdown of impairment losses

The breakdown of impairment losses is as follows: ¥1,011 million for leased assets, ¥374 million for machinery and equipment, ¥74 million for buildings, and ¥26 million for other assets.

Calculation method for recoverable value

The recoverable value used to measure the impairment losses recorded in fiscal year ended December 31, 2024 is measured based on the value in use for acrylic ester production facilities, etc., and is evaluated as zero because the future cash flow is negative. Other fixed assets are evaluated based on the memorandum value.

(Segment Information, etc.)

Segment information

1. General information

(1) Delineation of reportable segments

Our reportable segments are components of our business operations for which separate financial information is available. The Board of Directors regularly analyzes the reportable segments to determine how to allocate capital resources and to evaluate performance. Business operations across our corporate group are organized by product and service. For all products and services managed by our operating divisions and subsidiaries, we develop integrated strategies and business activities, covering both domestic and overseas markets.

We have five reportable segments, each encompassing a group of business operations that are similar in terms of economic aspects, product traits, and service traits. These are:

- commodity chemicals,
- polymer & oligomer,
- adhesive material,
- performance chemicals, and
- plastics.

(2) Main products in each reportable segment

Reportable segment	Main products
Commodity chemicals	Electrolysis products (caustic soda, caustic potash, sodium hypochlorite) , sulfuric acid, industrial gases and and acrylic monomers (acrylic acid and acrylic esters)
Polymer & oligomer	Acrylic polymers, polymer flocculants, and acrylic oligomers (including UV-curable resins)
Adhesive material	Instant glues and functional adhesives
Performance chemicals	High-purity inorganic chemicals and inorganic functional materials
Plastics	Environment & infrastructure system (piping equipment, etc.), products for construction and civil engineering, nursing care products, etc., and ecological materials (elastomer compounds), etc.

2. Determining segment sales, segment profit/loss, assets/liabilities, and other segment items

The accounting method we use for reportable segments is the same as that which we use for preparing consolidated financial statements.

Segment profit is stated as operating income.

Intersegment sales and transfers are generally stated at market value.

3. Further information about segment sales, segment profit/loss, assets/liabilities, and other segment items

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment						Other businesses ¹	Total	Adjustment ²	Amount recorded in consolidated financial statements ³
	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Total				
Net sales										
External sales	73,488	33,765	12,410	9,943	27,867	157,475	1,896	159,371	–	159,371
Intersegment sales or transfers	3,566	1,641	136	280	729	6,353	1,549	7,902	(7,902)	–
Total	77,054	35,406	12,546	10,224	28,596	163,829	3,445	167,274	(7,902)	159,371
Segment profit (loss)	6,769	3,182	361	1,547	1,473	13,334	(854)	12,480	19	12,499
Segment assets	82,393	36,563	18,529	16,490	44,850	198,827	3,365	202,193	70,091	272,285
Other items										
Depreciation and amortization	3,426	1,911	863	1,249	1,810	9,262	350	9,612	1,043	10,656
Investments accounted for by equity method	729	–	32	–	–	762	–	762	–	762
Increase in property, plant, and equipment, or in intangible assets	3,282	2,377	1,166	3,765	735	11,327	2,145	13,472	2,024	15,496

Notes:

1. “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes operations related to the research and development business for new products, goods transportation, and trading-house operations, among others.
2. “Adjustment” includes the following four adjustments:
 - (1) Segment profit or loss: We primarily eliminated intersegment transactions.
 - (2) Segment assets: We included ¥98,674 million in company assets that belong to no reportable segment, and eliminated the relevant intersegment transactions.
 - (3) Depreciation and amortization: We included depreciation of company assets that belong to no reportable segment.
 - (4) Increase in property, plant, and equipment, or in intangible assets: We included the amount of general capital investment not specific to any reportable segment.
3. Segment profit or loss represents operating income as stated on the consolidated statement of income with the adjustment.
4. “Depreciation and amortization” includes amortization of long-term prepaid expenses.

Fiscal year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)

(Million yen)

	Reportable segment						Other businesses ¹	Total	Adjustment ²	Amount recorded in consolidated financial statements ³
	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Total				
Net sales										
External sales	79,145	35,187	13,344	10,196	27,702	165,575	2,018	167,594	–	167,594
Intersegment sales or transfers	3,117	1,591	51	339	891	5,991	1,617	7,608	(7,608)	–
Total	82,262	36,778	13,396	10,535	28,594	171,567	3,635	175,203	(7,608)	167,594
Segment profit (loss)	8,501	3,779	409	1,275	1,761	15,727	(1,471)	14,256	(22)	14,233
Segment assets	83,045	42,946	17,635	18,228	45,499	207,355	10,717	218,073	59,946	278,020
Other items										
Depreciation and amortization	3,643	1,822	921	1,385	1,723	9,495	527	10,022	1,279	11,302
Investments accounted for by equity method	752	–	37	–	–	790	–	790	–	790
Increase in property, plant, and equipment, or in intangible assets	4,692	7,770	1,272	3,105	623	17,464	7,494	24,959	1,972	26,931

Notes:

1. “Other businesses” is a miscellaneous segment covering businesses that do not belong to any reportable segment. It includes operations related to the research and development business for new products, goods transportation, and trading-house operations, among others.
2. “Adjustment” includes the following four adjustments:
 - (1) Segment profit or loss: We primarily eliminated intersegment transactions.
 - (2) Segment assets: We included ¥89,859 million in company assets that belong to no reportable segment, and eliminated the relevant intersegment transactions.
 - (3) Depreciation and amortization: We included depreciation of company assets that belong to no reportable segment.
 - (4) Increase in property, plant, and equipment, or in intangible assets: We included the amount of general capital investment not specific to any reportable segment.
3. Segment profit or loss represents operating income as stated on the consolidated statement of income with the adjustment.
4. “Depreciation and amortization” includes amortization of long-term prepaid expenses.

Related Information

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

1. Regional breakdown

(1) Net sales

(Million yen)

Japan	Asia	North America	Other regions	Total
132,700	18,557	4,575	3,537	159,371

Note: The region of a sale is generally defined as the country or region of the client we sold to.

(2) Property, plant and equipment

We have omitted this information, as property, plant and equipment located in Japan account for more than 90% of total property, plant and equipment reported on the consolidated balance sheet.

2. Information about key clients

We have omitted this information, as no client accounts for more than 10% of net sales reported on the consolidated statements of income.

Fiscal year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)

1. Regional breakdown

(1) Net sales

(Million yen)

Japan	Asia	North America	Other regions	Total
138,638	19,508	5,057	4,389	167,594

Note: The region of a sale is generally defined as the country or region of the client we sold to.

(2) Property, plant and equipment

We have omitted this information, as property, plant and equipment located in Japan account for more than 90% of total property, plant and equipment reported on the consolidated balance sheet.

2. Information about key clients

We have omitted this information, as no client accounts for more than 10% of net sales reported on the consolidated statements of income.

Impairment of Fixed Assets by Reportable Segment

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Not applicable

Fiscal year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)

(Million yen)

	Commodity chemicals	Polymer & oligomer	Adhesive materials	Performance chemicals	Plastics	Other businesses	Company-wide / elimination	Total
Impairment losses	1,412	—	—	—	—	—	74	1,487

Note: The impairment losses for company-wide/elimination of ¥74 million relates to the building of dormitory.

Information on amortization of goodwill and undepreciated balances by reporting segment

This information has been omitted due to lack of materiality.

Information on gain on bargain purchase by reporting segment

Not applicable

(Per-share information)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net assets per share (yen)	1,816.10	1,897.60
Basic earnings per share (yen)	102.78	104.56

Notes:

1. Diluted earnings per share is not presented as the Company had no potential shares.
2. Basis for calculation of basic earnings per share is as follows:

(Million yen, unless otherwise stated)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Basic earnings per share		
Net income attributable to owners of parent	12,179	11,877
Amount not attributable to common shareholders	–	–
Net income attributable to common shareholders of parent	12,179	11,877
Average number of common shares outstanding during the period (thousand shares)	118,498	113,587

Note: The Company's shares held by the employee share granting trust, which are recorded as treasury stock in shareholders' equity, are included in the treasury stock deducted for the calculation of net income per share and the calculation of the average number of shares during the period. The average number of shares of treasury stock deducted for the purpose of calculating net income per share was 268,000 shares for the fiscal year ended December 31, 2023 and 381,000 shares for the fiscal year ended December 31, 2024.

- 3 We calculated net assets per share using the following data:

(Million yen, unless otherwise stated)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Total net assets	212,518	213,668
Amount deducted from total net assets	1,008	1,082
of which pertains to non-controlling interests	[1,008]	[1,082]
Closing balance of net assets pertaining to outstanding shares of common stock	211,509	212,586
Shares of common stock used in calculation of net assets per share (thousand shares)	116,463	112,029

Note: The Company's shares held by the employee share granting trust, which are recorded as treasury stock in shareholders' equity, are included in the treasury stock deducted in the calculation of the number of shares issued at the end of the fiscal year in the calculation of the net asset value per share. The number of treasury shares at the end of the fiscal year after deduction for the calculation of net asset value per share was 386,000 shares for the fiscal year ended December 31, 2023 and 376,000 shares for the fiscal year ended December 31, 2024.

(Significant subsequent events)

Purchase of treasury shares

On February 13, 2025, 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 Act.

1. Reason for buyback

The purpose of the buyback is to further improve shareholder returns, capital efficiency, and enterprise value, and to facilitate a dynamic capital strategy.

2. Terms of buyback

- (1) Class of shares to be acquired: Common stock
- (2) Number of shares to be acquired: No more than 5,800,000 (5.16% of all outstanding shares)
- (3) Acquisition price: No more than ¥7,000 million
- (4) Acquisition period: February 14 – December 31, 2025
- (5) Acquisition method: Open market purchases on the Tokyo Stock Exchange (discretionary investment contract and purchases during after-hours trading)

5. Other Disclosures

Personnel Changes in Senior Management

On Friday, March 28, 2025, certain directors and executive officers will reach the end of their tenure, and their successors will be nominated. For more information, see the press releases issued on Monday, November 18, 2024 titled “Notice concerning organizational changes and personnel changes in senior management” and on February 13, 2025, 2025 titled “Notice concerning personnel changes in senior management.”