

FY2021 1st Half Business Results

(April 1, 2021- September 30, 2021)

November 12, 2021

1. Business Results for the 1st Half FY 2021

2. Segment Results for the 1st Half FY 2021

3. Projection for the FY2021

4. Future Outlook

Financial Results For the H1 FY2021

- Demand for 5G-compatible smartphones and PCs as well as investment in DX, communications, and data centers are accelerating strong demand for advanced semiconductors and capital investment in semiconductor plants factories.
- Although there was logistics disruption in addition to remarkable price increase of fuel and raw material, thanks to sales increase for high end semiconductor application, sales and all profit categories increased more than the last year result and the projection.
- Profits were 1.8x YOY and 20% excess against the projection.

(Million yen)	H1 FY2020	H1 FY2021	H1 FY2021	YOY		Comparison with projections	
	Results	Projections	Results	Change	%	Change	%
Net sales	※12,835	15,000	15,710	※+2,874	※+22.4%	+710	104.7%
Operating profit	1,306	1,980	2,369	+1,062	+81.3%	+389	119.7%
Ordinary profit	1,277	1,900	2,360	+1,082	+84.7%	+460	124.2%
Net profit	865	1,300	1,625	+759	+87.8%	+325	125.0%
Earnings per share	¥109.04	¥163.79	¥204.79	※"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) has been applied from the beginning of ending term of March, 2022 period. As a result, accounting is different from a total period in the previous first half. The comparison for YOY is reference figure as new standard vs old standard.			
Interim Dividends per Share	¥10.00	¥15.00	¥15.00				
FX Rate (USD)	¥105.8/\$	¥105.0/\$	¥111.9/\$				

■ Net sales

15,710 million yen (YOY*+2,874 million yen, *+22%)

- ✓ Photosensitive materials Segment: Both semiconductor and display application continue keep good sales.
- ✓ Chemicals Segment: Electronic materials sales increase, and the fragrance related product keep stable sales.
Selling price are under increasing in accordance with raw material price increase.
Logistic business (Chemical tank terminal) recovered in goods turn around.

■ Operating profit

2,369 million yen (YOY+1,062 million yen, +81%)

- ✓ Although the start of operation of the new photosensitive material manufacturing building, various costs increasing such as labor costs, depreciation costs, raw materials, fuel, logistic costs for production capacity enhancement, it was absorbed by the increase in production volume, then profits increased.
- ✓ Overall high-value-added products sales expanded, and the plant utilization rate increased from the initial plan.

■ Ordinary profit

2,360 million yen (YOY+1,082 million yen, +85%)

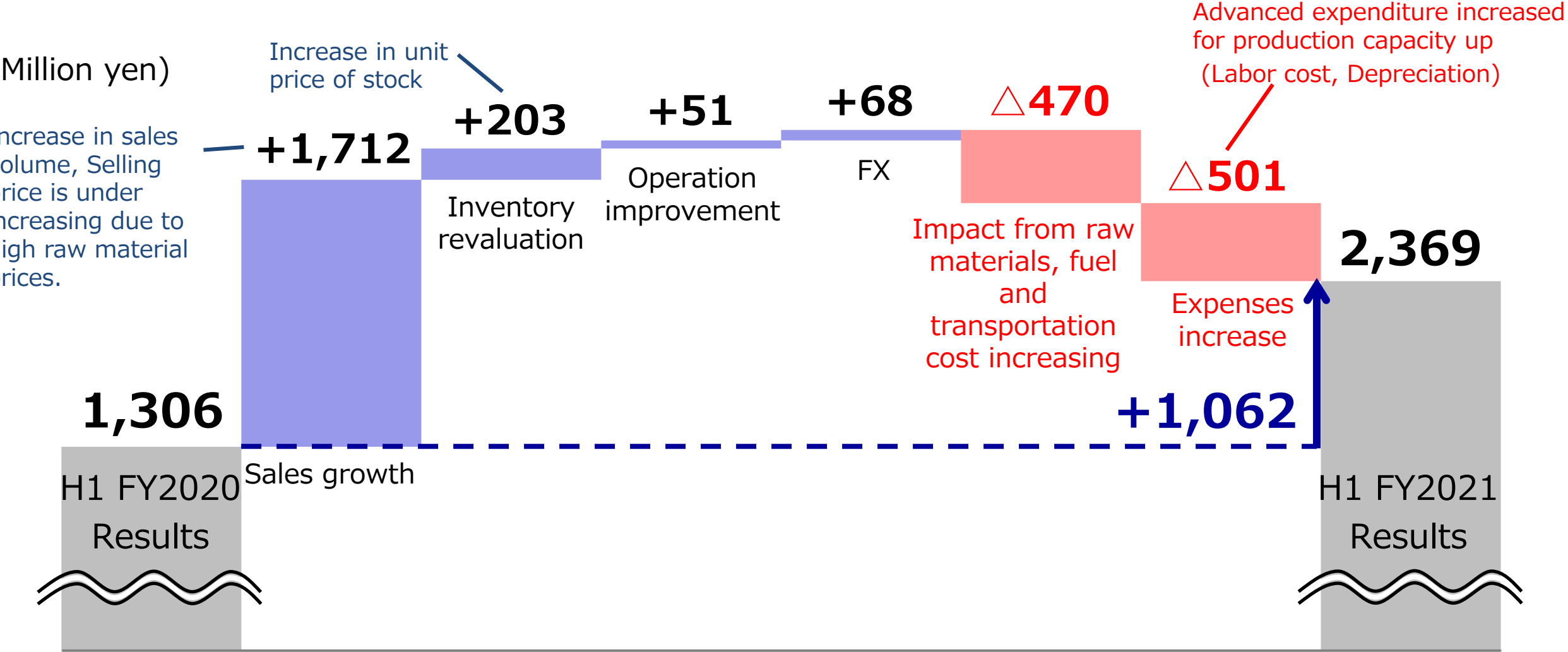
- ✓ Foreign exchange gains due to yen depreciation (Foreign exchange loss occurred in the previous year)

■ Net profit

1,625 million yen (YOY+759 million yen, +88%)

Change analysis: Operating profit

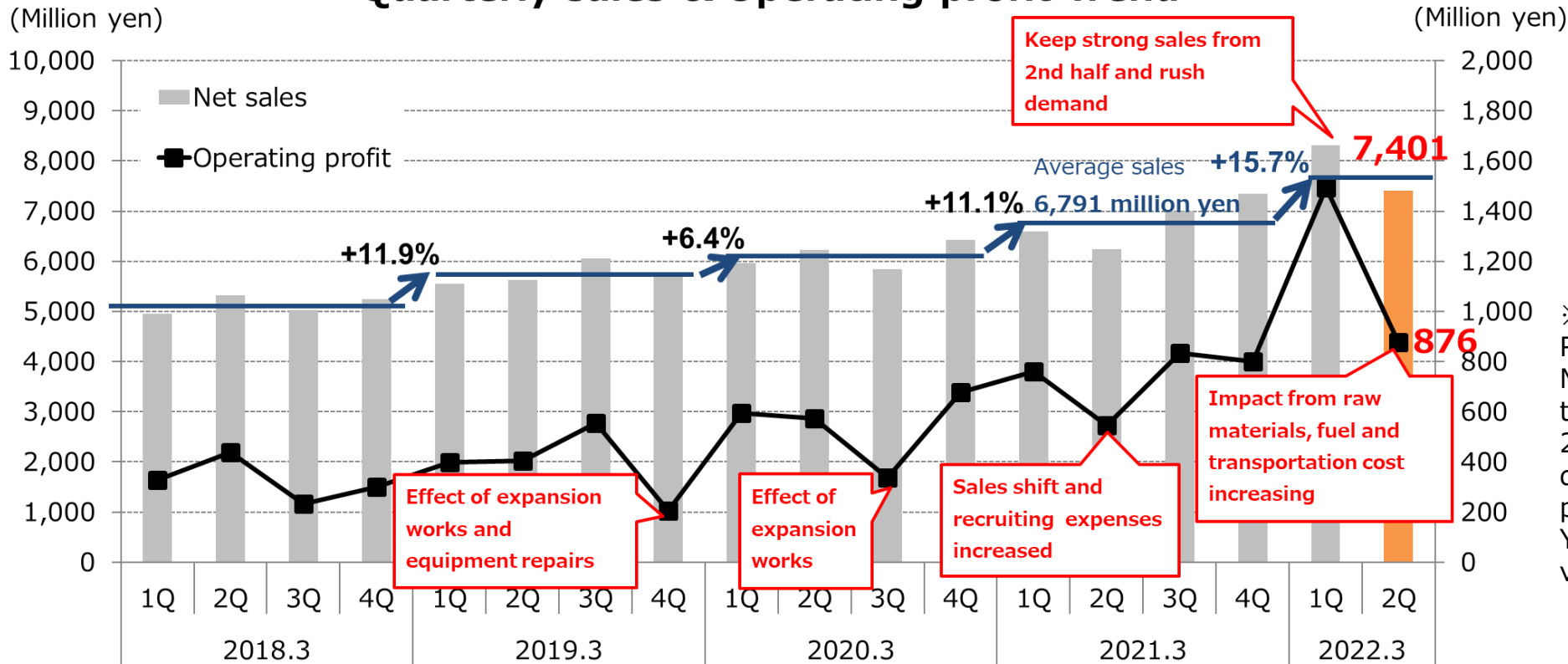
- Thanks to expanding sales and reflecting prices in soaring raw material prices, it resulted in profits increase by absorbing increased costs such as raw material, fuel, distribution, investment for growth and etc.



Quarterly Sales & Operating profit Trend

- Average sales are steadily growing from 6.7 billion yen in the previous fiscal year to 7.8 billion yen (YOY+ 16%), the same level in the second half of the year is expected.
- Sales in the 2QT were favorable at 7,401 million yen (YOY +1,155 million yen, + 18%)
- Absorbing the impacts of soaring prices of raw materials and fuels, operating profit increased to 876 million yen (YOY+330 million yen, + 61%).
- Operating profit in the 2nd half may have risk of soaring raw materials, fuel, logistics costs, etc.

Quarterly sales & Operating profit Trend



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H1 FY2021 Income Statement

- Sales were 15,710 million yen (*YOY+2,874 million yen, *+22%).
- Gross profit margin improved by 3.6pt (22.7% → 26.3%) thanks to increased factory operation and sales in advanced products.
- Selling, general and administrative expenses increased by only +9%, then operating income increased to 2,369 million yen (YOY+1,062 million yen, + 81%).

(Million yen)	H1 FY2020	H1 FY2021	Change	%
Net sales	※12,835	15,710	※+2,874	※+22.4%
Cost of sales	9,916	11,577	+1,661	+16.8%
Gross profit	2,919	4,133	+1,213	+41.6%
SG&A expenses	1,612	1,764	+151	+9.4%
Operating profit	1,306	2,369	+1,062	+81.3%
Non-operating income	69	59	△9	△14.2%
Non-operating expenses	98	68	△30	△30.5%
Ordinary profit	1,277	2,360	+1,082	+84.7%
Extraordinary income & losses	△16	△12	+3	-
Profit before income taxes	1,261	2,347	+1,085	+86.1%
Income taxes	396	721	+325	+82.2%
Net profit	865	1,625	+759	+87.8%

Gross profit: +1,213
Gross profit margin improved by 3.6pt.

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H1 FY2021 Statement of Cash flows

- Operating CF: 4,479 million yen Expanded operating CF thanks to the effect of increased profits and improved working capital in sales expansion.
- Investment CF: Δ 3,195 million yen Although capital expansion investment is continuing, it decreased compared to last year's investment for the new manufacturing building.
- Financial CF: Δ 1,287 million yen Borrowing was reduced by improving CF.

	(Million yen)	H1 FY2020	H1 FY2021	Change
Cash flows from operating activities		2,165	4,479	+2,314
Profit before income taxes		1,261	2,347	+1,085
Depreciation		1,087	1,273	+186
Decrease (increase) in trade receivables (+: decrease)		581	407	Δ 173
Decrease (increase) in inventories (+: decrease)		Δ 507	Δ 654	Δ 146
Increase (decrease) in trade payables (+: increase)		356	933	+576
Other		Δ 613	172	+785
Cash flows from investing activities		Δ4,729	Δ3,195	+1,534
FCF		Δ2,564	1,284	+3,849
Cash flows from financing activities		2,711	Δ1,287	Δ3,999
Effect of exchange rate change on cash and cash equivalents		Δ 16	6	+23
Net increase (decrease) in cash and cash equivalents		130	3	Δ127
Cash and cash equivalents		3,301	3,385	+84

Improvement of WC

Increase in raw material and fuel costs, Increase in inventory levels of raw materials due to logistics disruptions.

H1 FY2021 Balance sheet

- Tangible fixed assets decreased by 711 million yen due to going depreciation exceeding the acquisition of new equipment.
- Interest-bearing debt decreased by ¥1,125 million thanks to improved CF.
- Decrease in equipment accounts payable for the new photosensitive material manufacturing building (Δ 2,231 million yen).
- Shareholders' equity increased by ¥1,545 million thanks to an increase in net income.
- The equity ratio was 33.6% (YOY+ 4.2pt), exceeding 30%.

	Mar. 2021 ended	Sep. 2021 ended	Change		Mar. 2021 ended	Sep. 2021 ended	Change
(Million yen)				(Million yen)			
Current assets	16,998	16,845	Δ 152	Liabilities	30,727	28,303	Δ 2,423
Cash and deposits	3,794	3,797	+3	trade payables	3,470	4,403	+933
Trade accounts receivable	5,386	4,979	Δ 407	Interest-bearing debt	19,987	18,862	Δ 1,125
Inventories	6,983	7,638	+654	Other	7,269	5,037	Δ 2,231
Other	833	430	Δ 402				
Fixed assets	26,520	25,807	Δ 712	Net assets	12,790	14,348	+1,558
Property, plant and equipment	24,908	24,197	Δ 711	Shareholders' equity	12,750	14,295	+1,545
Intangible assets	523	516	Δ 7	Valuation and translation adjustments	40	53	+13
Investments and other assets	1,088	1,094	5				
Total assets	43,518	42,652	Δ 865	Liabilities and net assets	43,518	42,652	Δ 865

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- Because of more than 80% of our sales are related to semiconductors, displays, and other electronic materials, and further demand is expected to increase in the future.

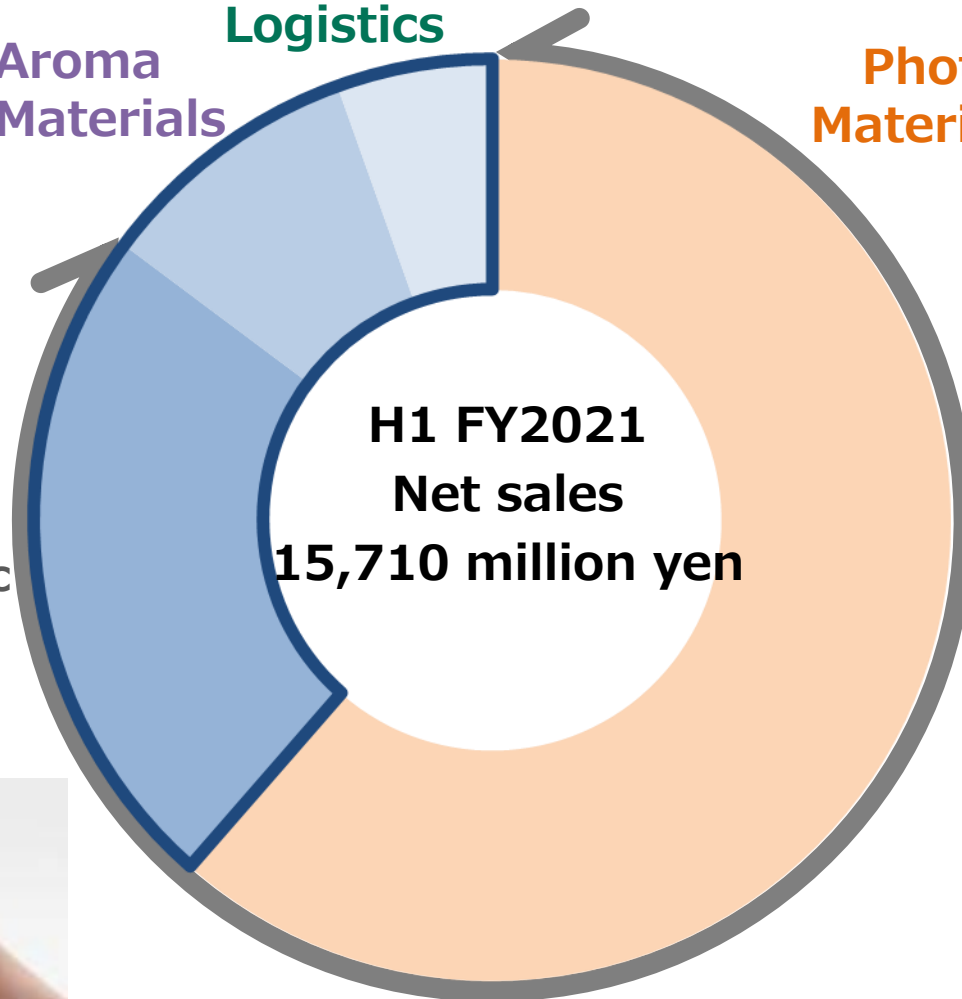


Logistics
Aroma Materials



Chemicals Segment
39%

High-purity organic solvent



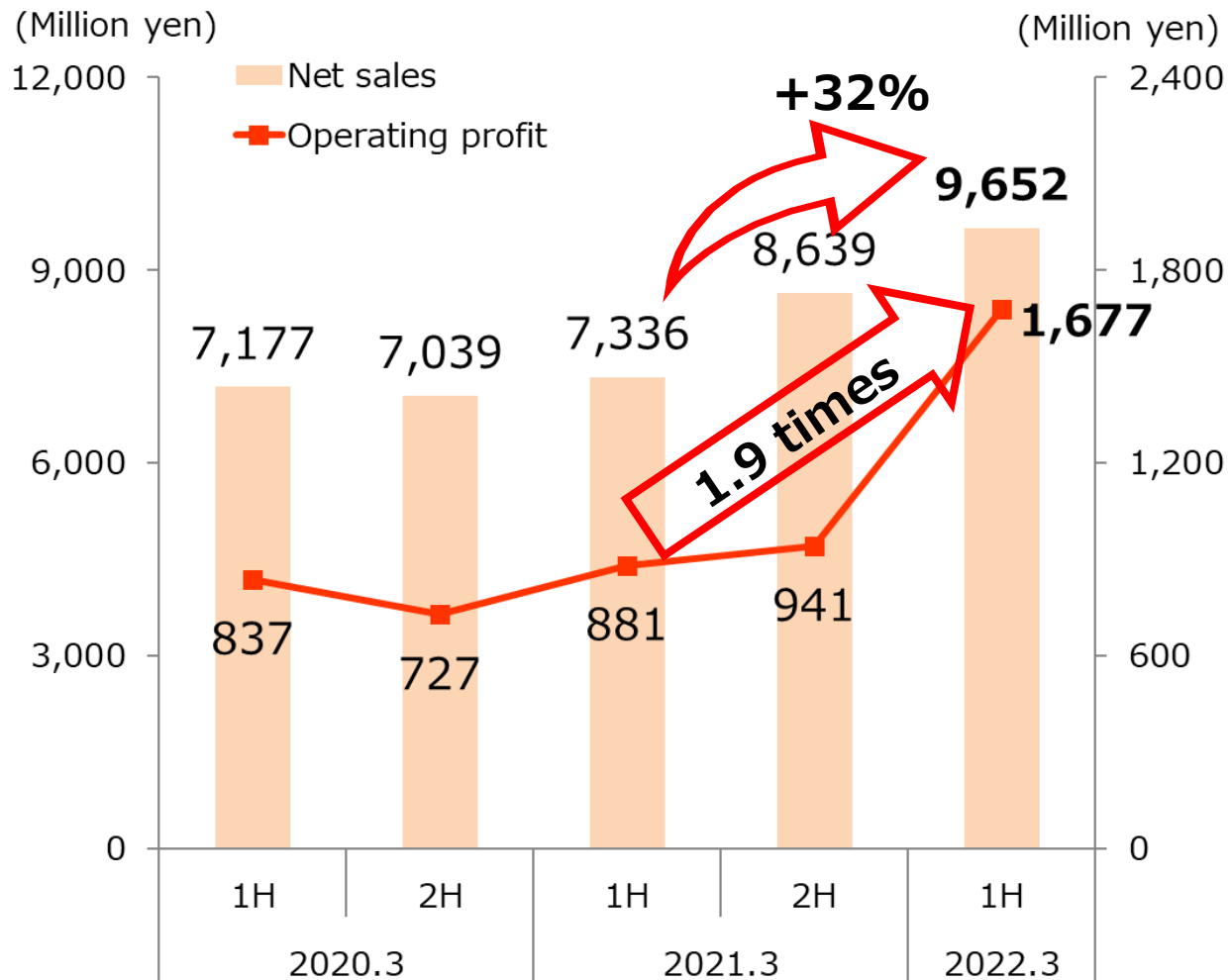
Photosensitive Materials Segment
61%



IC/FPD/
Other electronic application
(Photosensitive materials, Polymer, High-purity organic solvent)



Net sales & Operating profit



Net sales: 9,652 million yen

(YOY*+2,315 million yen, *+32%)

- Semiconductor application continued to keep strong sales from previous 2nd half.
- Display allocation application continued to keep strong sales from previous 4QT.

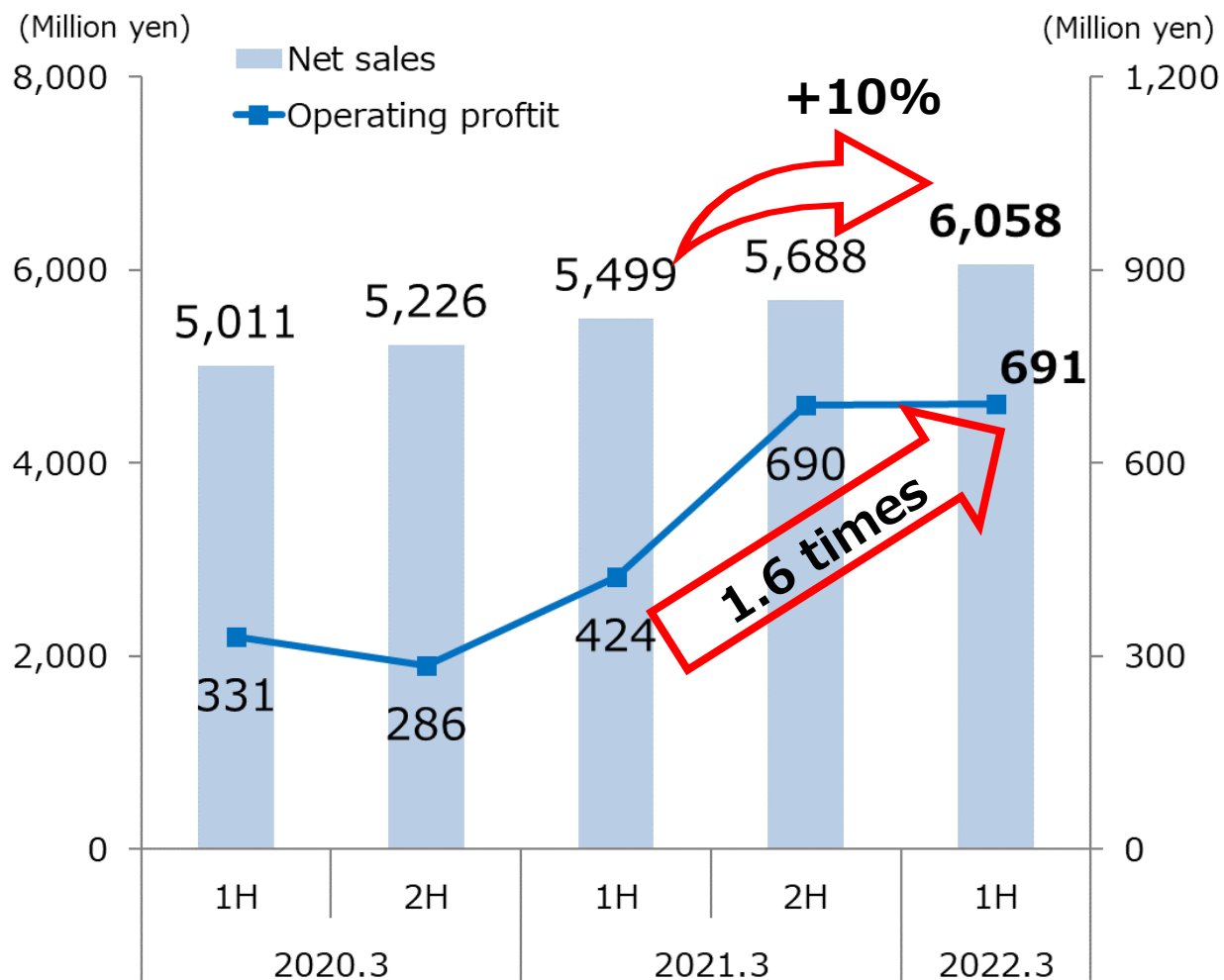
Operating profit: 1,677 million yen

(YOY+795 million yen, +90%)

- Increase in high value-added products in the advanced area.
- Increased production in all areas of semiconductor and display applications absorbed the increase in labor costs and depreciation costs associated with the expansion of equipment capacity, resulting in an increase in profits.

※New accounting standards about the profit recognition has been applied, sales figure decreased by 207million yen from calculation in old accounting standard. The comparison for YOY is reference figure as new standard vs old standard.

Net sales & Operating profit



Net sales: 6,058 million yen

(YOY*+558 million yen, *+10%)

- Electronic materials business continued to keep good sales.
- Aroma chemicals business kept steady growth.
- The logistic (chemical tank terminal) business has recovered in handling quantity thanks to strong domestic chemical market demand as same level as pre COVID-19.

Operating profit: 691 million yen

(YOY+266 million yen, +63%)

- Increase in high value-added products in the advanced area.
- Profit increased thanks to increased production in growing demand.
- Selling price is under increasing due to high raw material prices.

※New accounting standards about the profit recognition has been applied, sales figure decreased by 321million yen from calculation in old accounting standard. The comparison for YOY is reference figure as new standard vs old standard.

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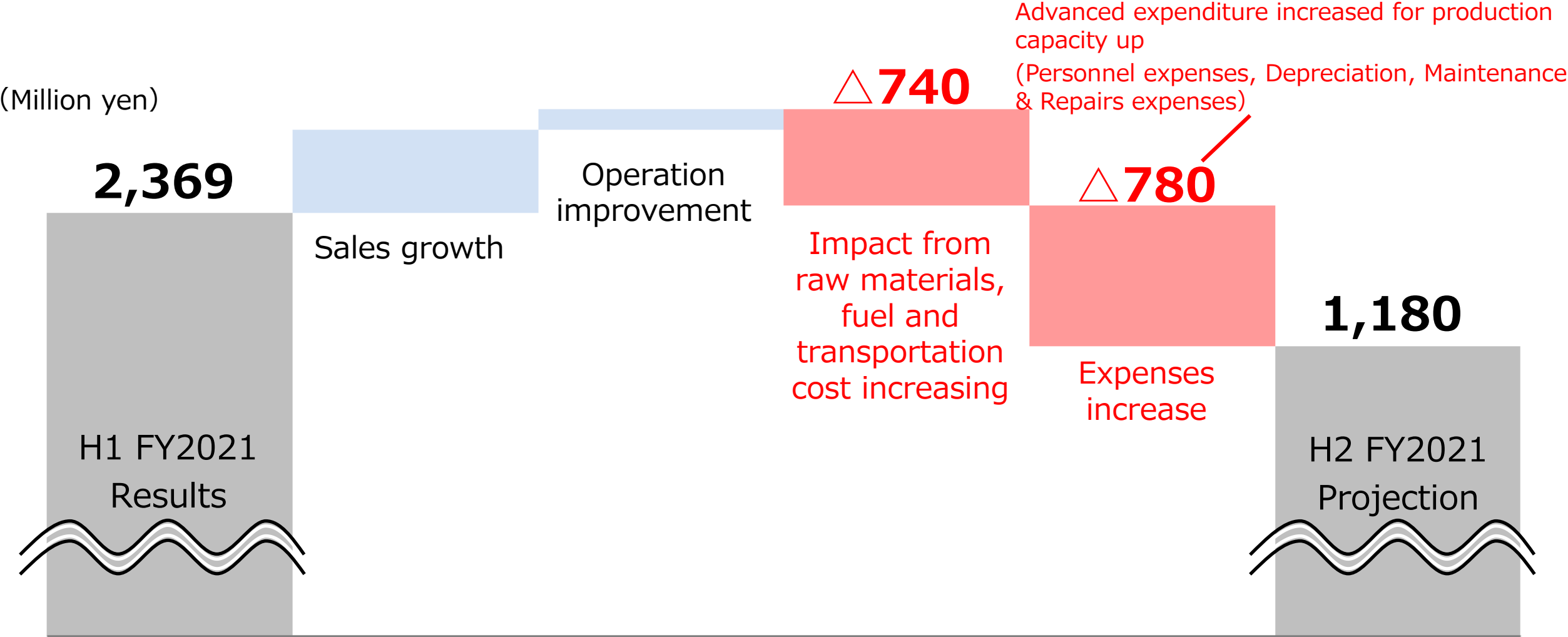
FY 2021 Ending Projection & Progress

- The progress rate of the full-year earnings forecast exceeds 50% for sales and 65% for each profit.
- Demand is expected to remain strong in the future, but in addition to surging crude oil and raw material prices, we assume that construction cost, regular repairs cost, personnel cost and etc. will increase in the second half. As the outlook is uncertain, there are no changes to our earnings forecasts at this time.
- Dividends will remain unchanged from 15 yen for the interim period and 15 yen for the end of the period.
- "Standard market" will be selected for the transition to the new market category of the Tokyo Stock Exchange, Inc.

	FY2021 Projection	H1 FY2021 Results	Progress Ratio
(Million yen)			
Net sales	30,000	15,710	52.4%
Operating profit	3,550	2,369	66.7%
Ordinary profit	3,400	2,360	69.4%
Net profit	2,400	1,625	67.7%
Earnings per share	¥302.38	¥204.79	
FX Rate (USD)	¥105/\$	¥111.9/\$	

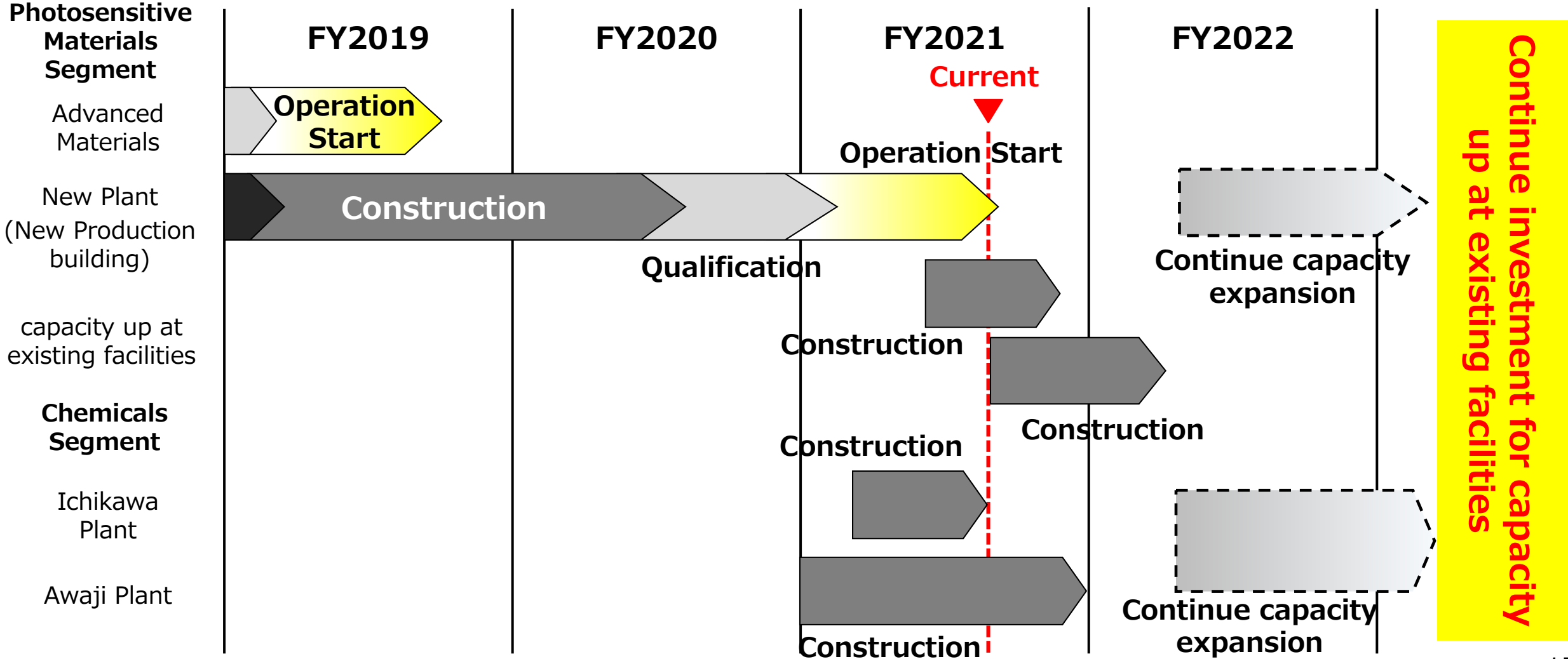
H1 FY2021 vs H2 FY2021 Operating Profit Comparison

- In the second half, although there will be an effect of increasing sales, in addition to rising prices of raw materials, fuel, distribution costs, etc., costs associated with construction for regular maintenance and capacity expansion as well as number of personnel are expected to increase, then profits are expected to decrease.



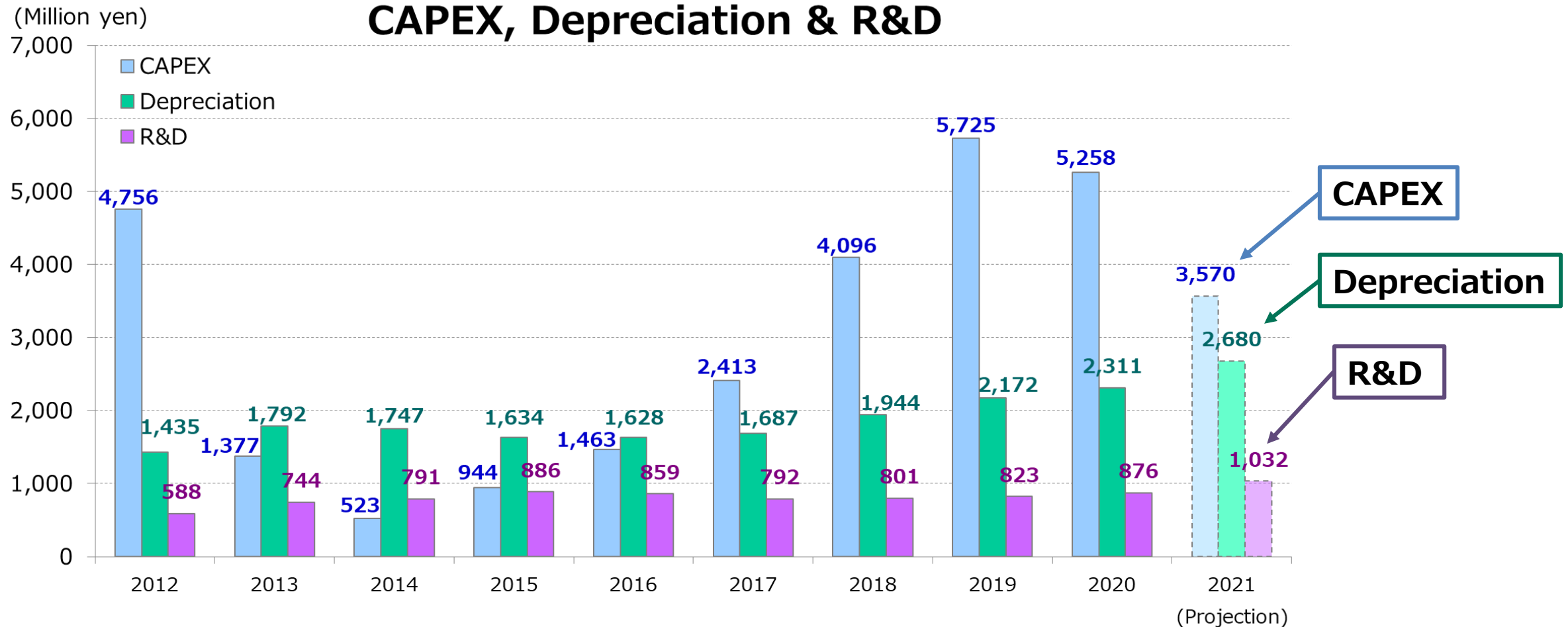
Capacity Up Investment

- Production at the new photosensitive material manufacturing building has started from this term.
- Both photosensitive materials and chemical segments will continue production capacity expansion in existing facilities



Capital Investment, Depreciation & R&D Trend

- Since 2017, executing capacity up investment in electronic materials market expansion.
- After completed planned strategic big investment, capital investment in FY2021 is about 3.5billion yen as plan. Capacity up investment will continue in market demand increase.
- R&D focus on production process technology enhancement (Analytical capability, Productivity improvement, pilot production capability) with 150mio yen budget.



1 . Business Results for the 1st Half FY 2021

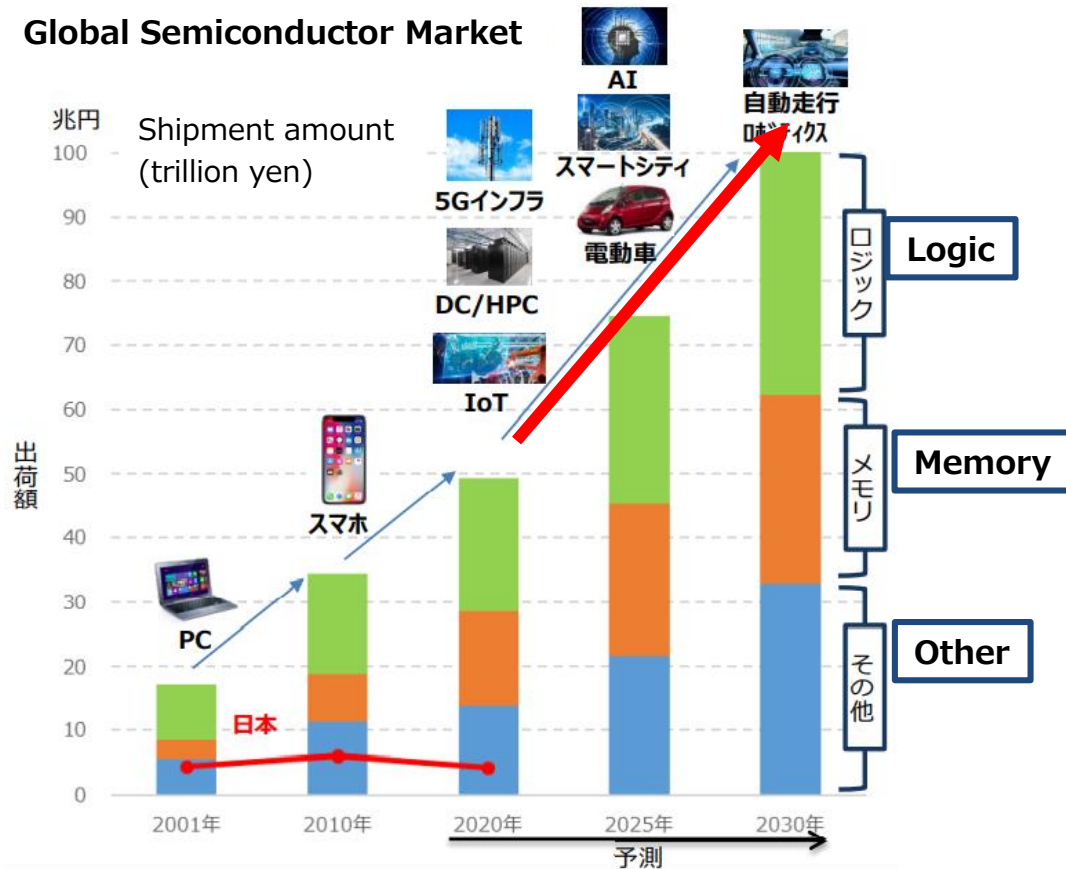
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- The semiconductor market is expected to double in the 10 years from 2020 to 2030.
- Semiconductor miniaturization technology development continue and 5nm process has been put into volume production now.
- With miniaturization progress, expanding higher demand for ultra high purity solvent and photosensitive materials.
- Making further evolution on our the solvent / photosensitive material manufacturing technology that we have cultivated for 70 years, to support the future evolution of the industry.

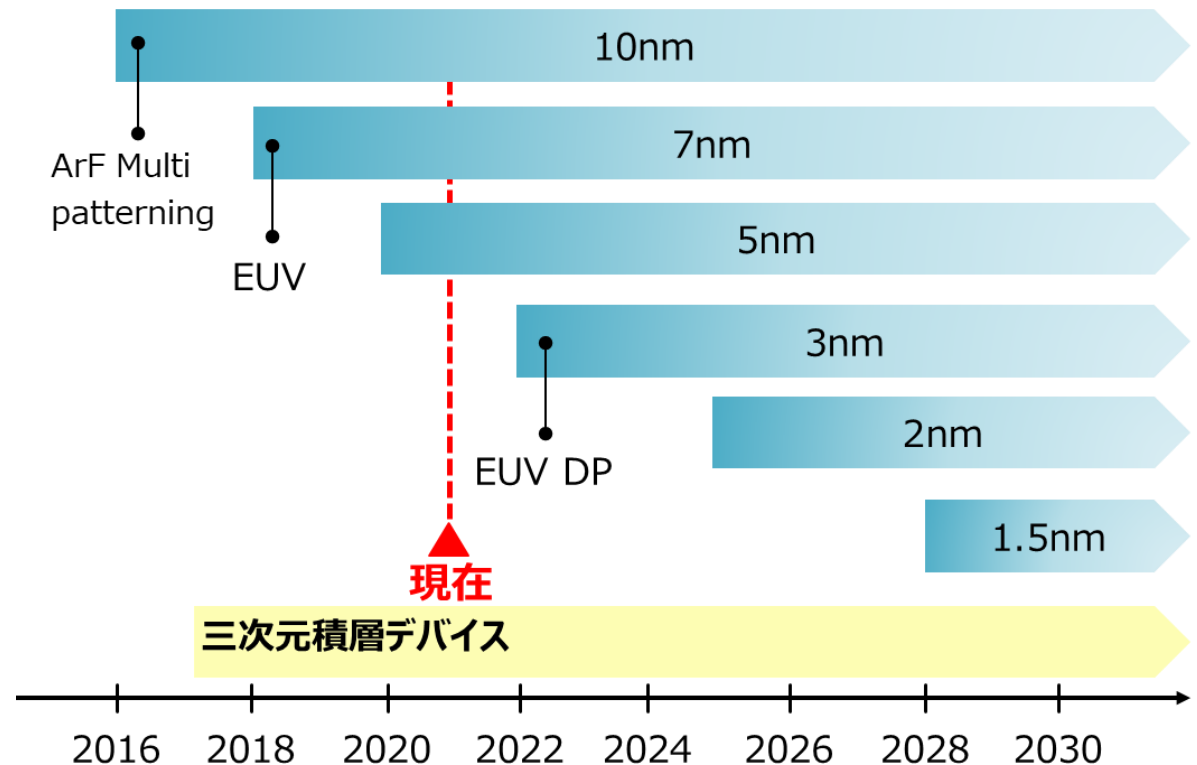
Global Semiconductor Market



Source: The Ministry of Economy, Trade and Industry (METI) "Strategy for Semiconductors and the Digital Industry"

CY2021 Accelerating semiconductor market growth (WSTS)
 8.4% (Dec.) → 19.7% (June) → 25.1% (Aug.)

Technology Roadmap

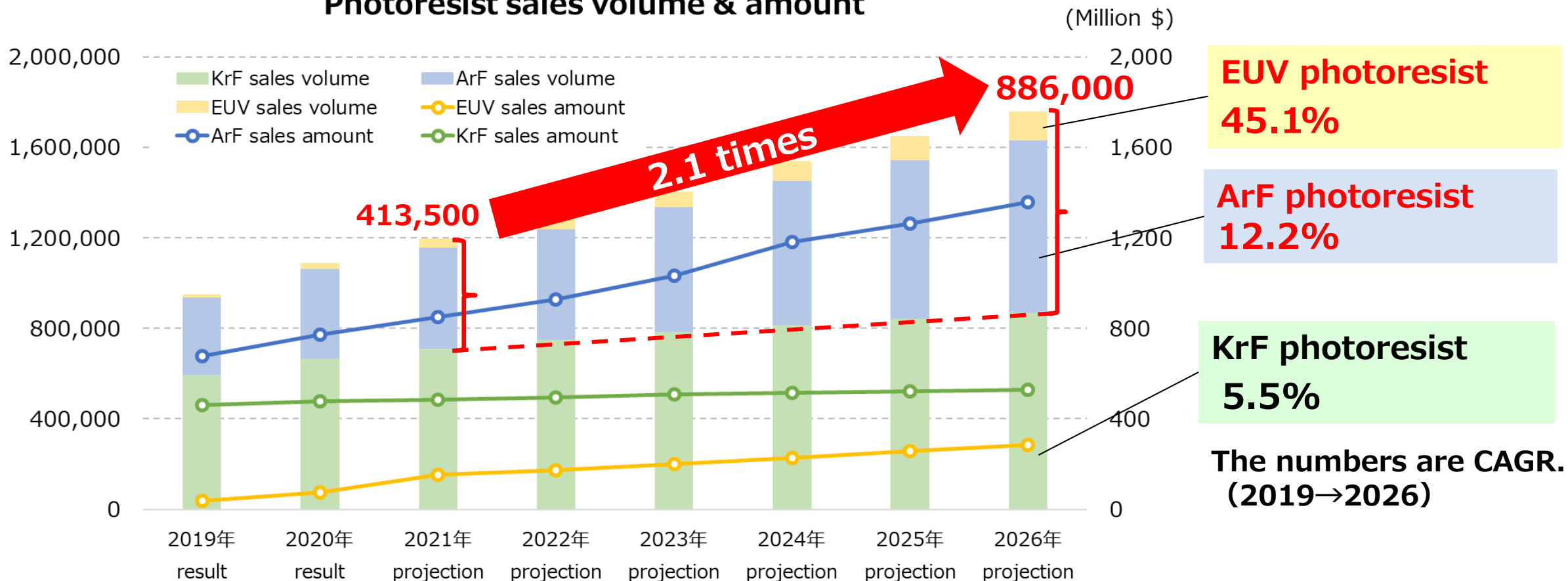


Source: IRDS2020 and Toyo Gosei

Photoresist Market Development

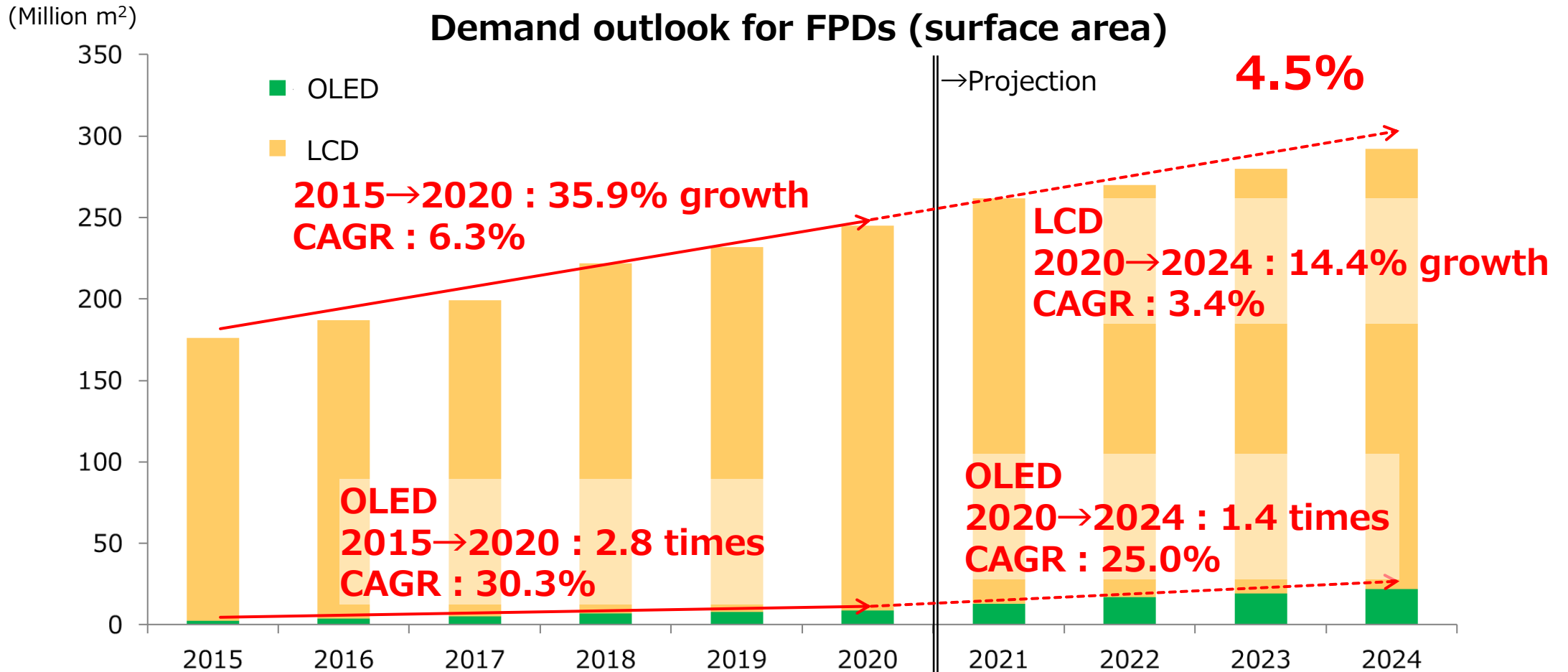
- Demand for ArF and EUV resists is expected to grow at least 2.1 times from 2021 to 2026.
- The actual annual growth rate at this moment is ongoing at about 2 times of last market projection for the annual average growth rate.

Photoresist sales volume & amount



Source : Fuji Keizai Co., Ltd. and Toyo Gosei

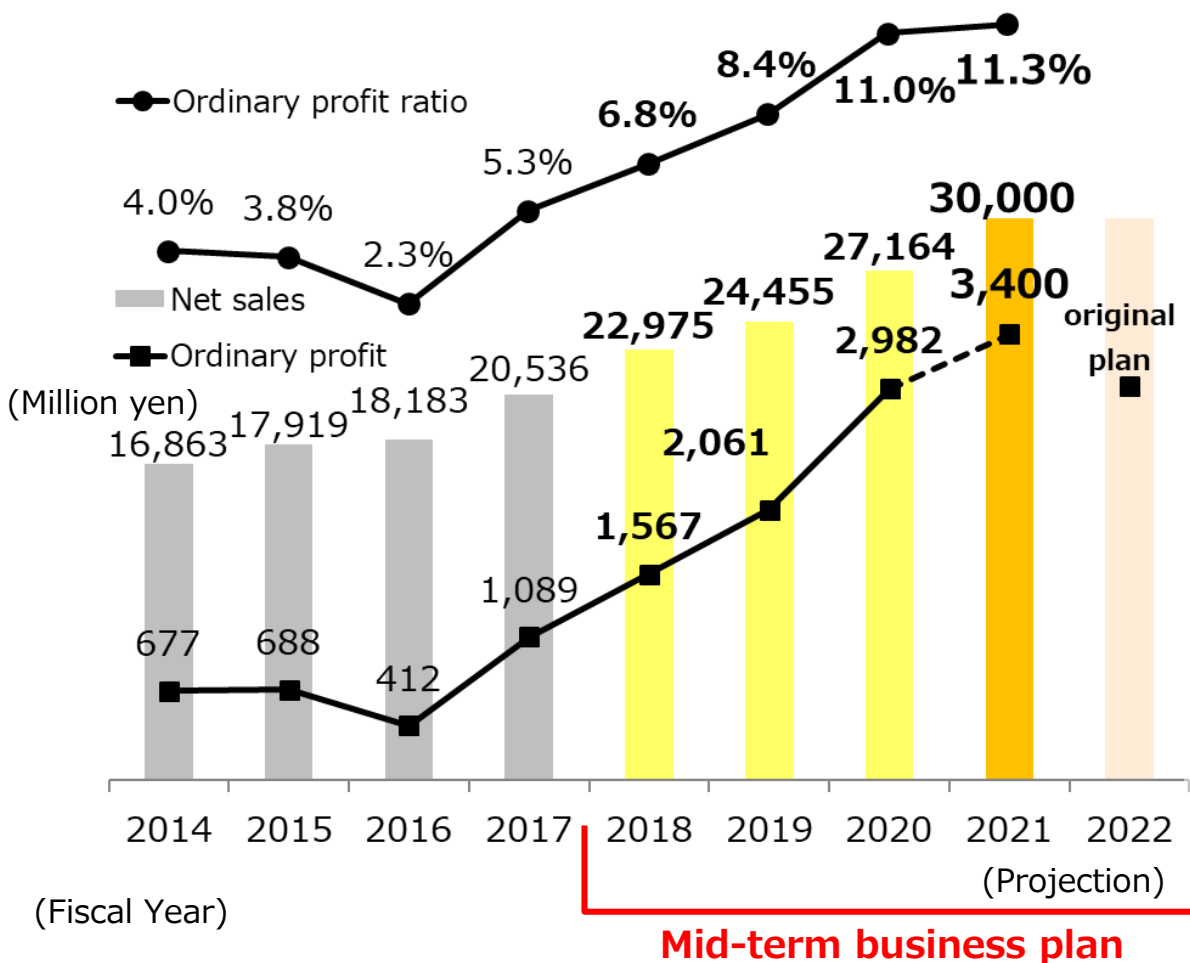
- FPD (Flat Panel Display) market continue steadily growth at CAGR 4.5%
- Because of high resolution display share expansion by large display TV, smart phone with OLED type, 4K&8K TV and etc. contribute demand increase for ultra high purity solvent and photosensitive materials.



Source : DSCC's 2020 Display Market Outlook Virtual Conference & Toyo Gosei

TGC300 Progress (Mid-term business plan)

- The medium-term management plan "TGC300: 30 billion yen for sales, 3 billion yen or more for ordinary profit, 10% or more for ordinary profit rate as target for the fiscal year ending March 2023" are expected to be achieved in the fiscal year ending March 2022 as one year ahead of schedule. → Demand expansion is accelerating faster than original assumption.
- Acquired land adjacent to the Chiba plant in anticipation of a rapid future demand increase. (Press release on October 1, 2021)
- Based on the current situation, the next medium-term management plan is under preparation.



Map of Chiba Plant



Management Policy

1. Make what is needed in the times
2. Making something that other companies cannot make (Global niche top)
3. Research & Development and technology at the core in the business
4. Don't give up, do it simply honestly and sincerely



Founder Masateru Kimura

In order to meet the growing demand for high-performance materials that support society evolution, we will continue to increase production capacity and work hard as one team for improving corporate value. We all appreciate your continued understanding and support to us.

Individual Development, to the global Chemical



(NB)

The forecasts made in this document contain a variety of uncertain factors since it has been prepared based on judgments from information that is currently available.

Therefore actual business results may differ from those projected, depending on factors and risk such as the economic status of the market surrounding the company, and do not perform any strict promise and guarantee.