

Business Results for the Second Quarter of Fiscal Year Ending March 31, 2024

(April 1, 2023 – September 30, 2023)

November 20, 2023



Management Philosophy

Toyo Gosei is conducting business to support the advancement of civilization through projects based on human talent, creativity, science, and technologies. Then Toyo Gosei growing itself to increase its contribution.



The concept of Medium-term Management Plan

In the field of electronic materials, where demand is expected to grow further in the future, we will further refine the high-purity synthesis that we have cultivated over many years and our refining technology as well as strengthen a stable supply system that meets customer quality, then achieve growth in people, organizations, and businesses. As the result we contribute to the realization of a sustainable decarbonized society as the world's No.1.



Vision of the Medium-term Management Plan

We will create the future by taking each customer issue and technical issue seriously, solving them from an original perspective, then achieving both ultra-high quality as the world's No. 1 DANTOTSU (outstanding) and productivity improvement.

1. Business Results for the H1 FY 2023

2. Projection for the FY2023

3. Future Outlook

Financial Results for the Q1 FY2023

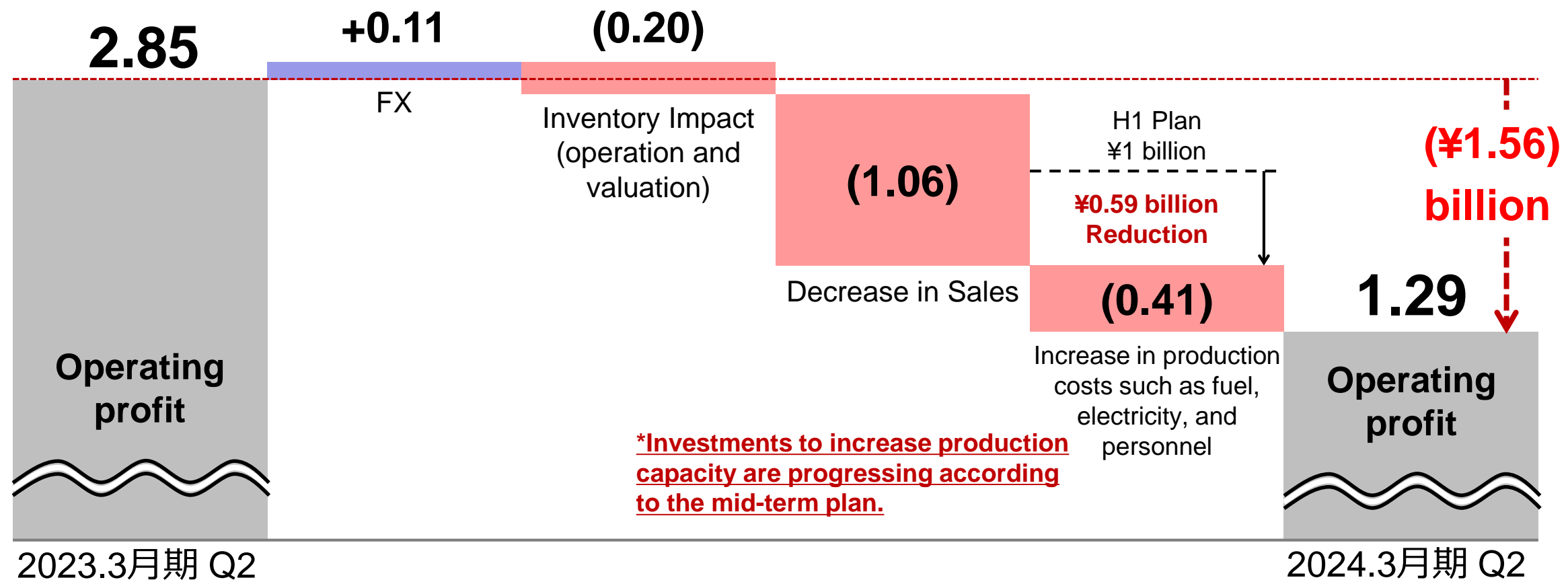
- Sales were 15,055 million yen (YoY -14%) due to the impact of sluggish semiconductor demand and inventory adjustments.
- Operating profit was 1,297 million yen (YoY -55%) due to cost reduction efforts in response to declining demand from the beginning of the fiscal year.
- Compared to initial plans, sales were below target, but operating profit was almost achieved, ordinary profit +8%, and net profit +15%.
- Investments to increase production capacity will continue in preparation for medium and long- term market expansion in the next fiscal year and beyond.

	H1 FY2022 Results (Million yen)	H1 FY2023 Results	YoY Change %		H1 FY2023 Projections	Comparison with Forecasts Change YoY	
Net sales	17,553	15,055	(2,498)	(14%)	16,000	(944)	(6%)
Operating profit	2,852	1,297	(1,555)	(55%)	1,300	(2)	(0%)
Ordinary profit	3,278	1,354	(1,924)	(59%)	1,250	+104	+8%
Profit	2,247	917	(1,330)	(59%)	800	+117	+15%
EPS	¥283	¥115					
Interim Dividends	¥20	¥20					
FX Rate (USD)	¥ 132/\$	¥ 140/\$					

Variance Analysis: Operating profit

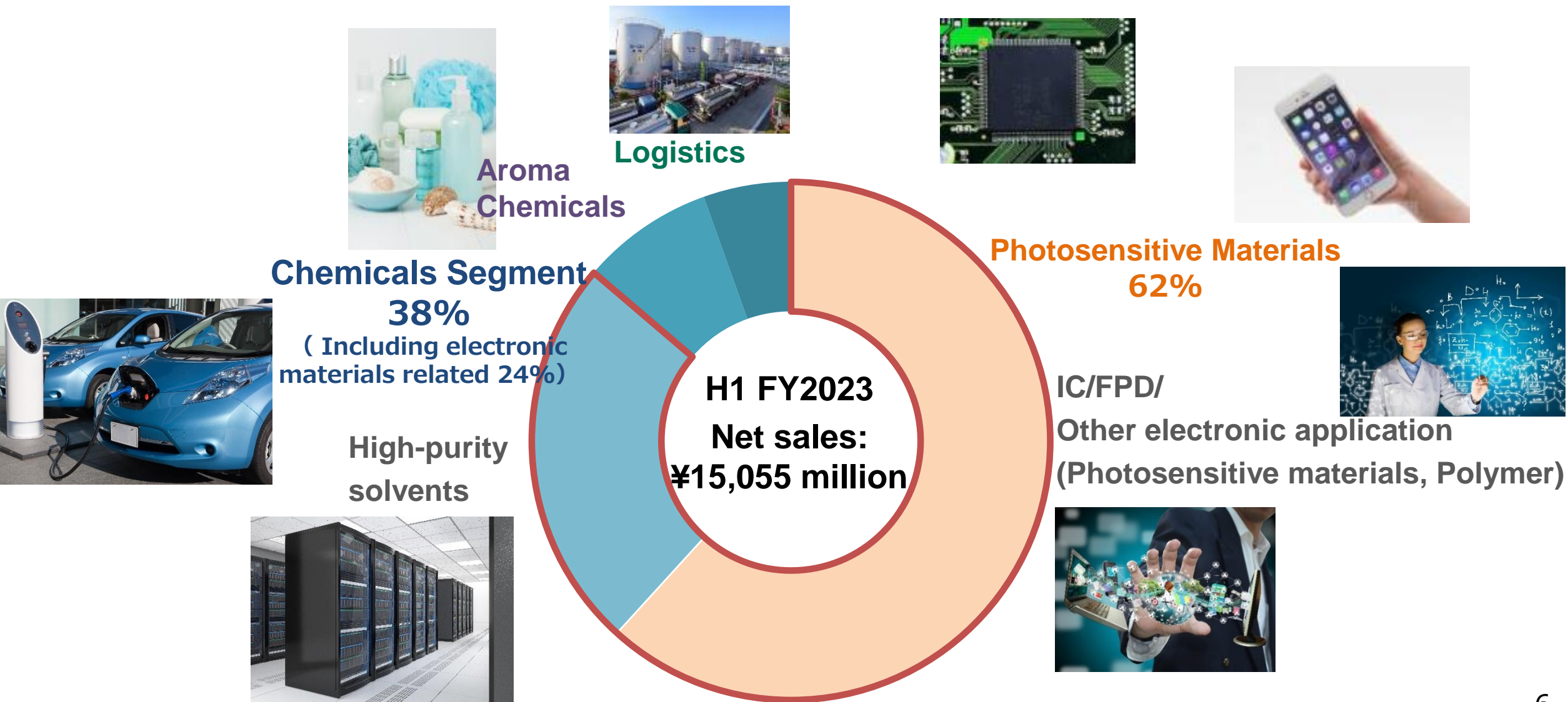
- While cost reduction efforts in response to lower sales, the planned 1 billion yen increase in expenses for the first half was limited to approximately 0.4 billion yen as timing adjustments and other arrangement to secure operating income of 1.29 billion yen at the level of the earnings forecast.

(Billion yen)

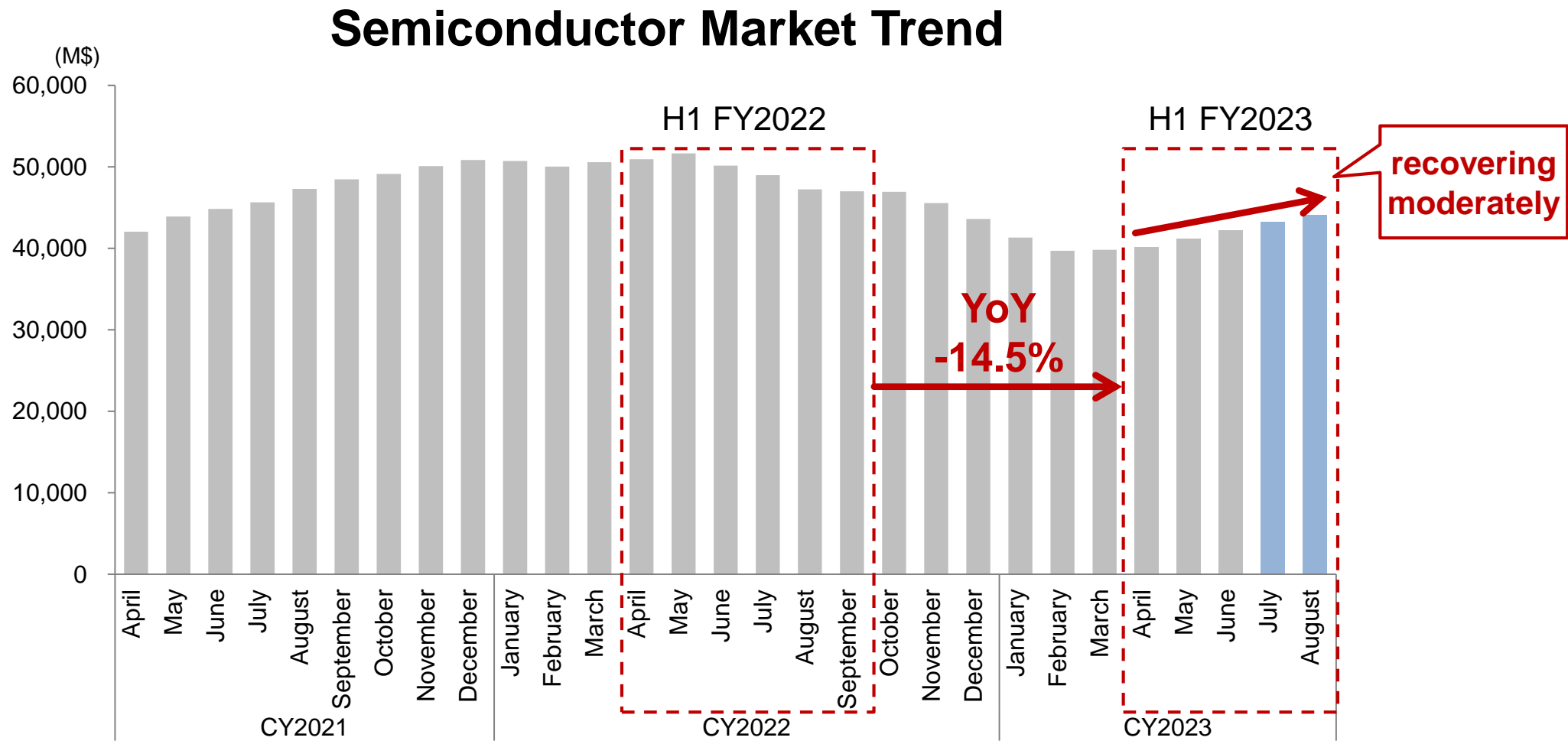


Net sales Composition Ratio

- Net sales of semiconductor and electronic materials-related products accounted for 86% of total sales.



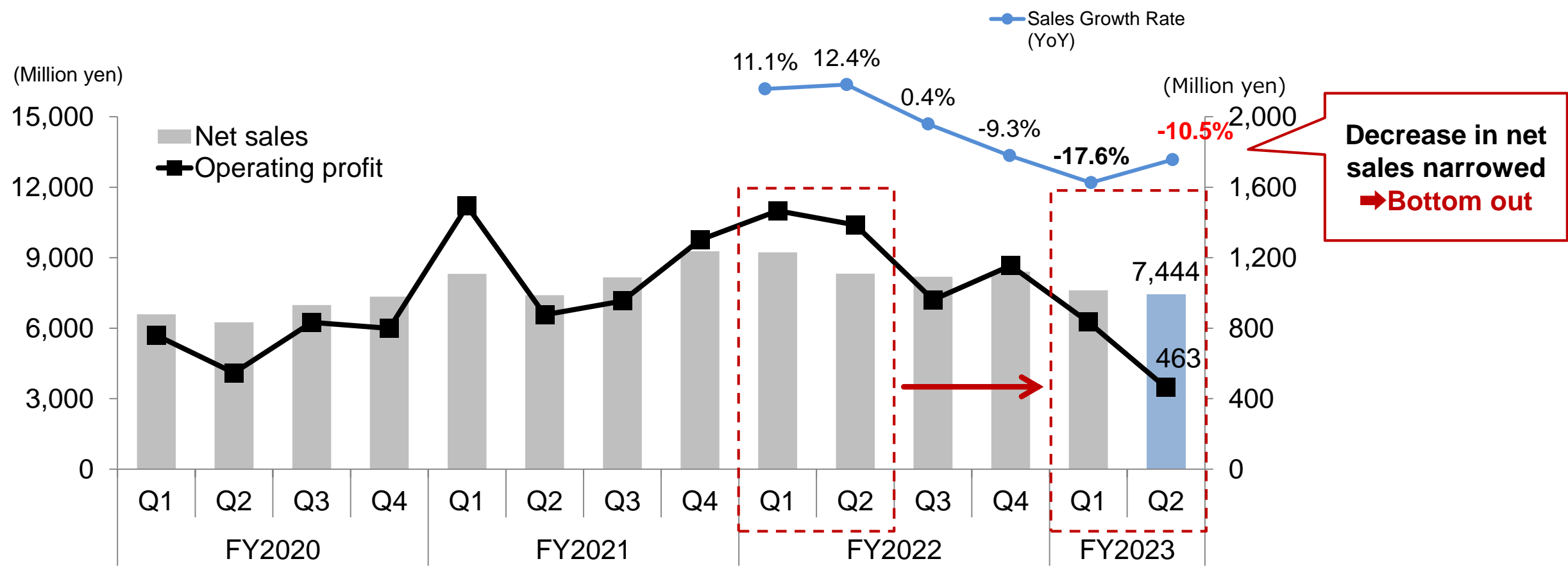
- WSTS expects the growth rate in 2023 to be -10.3% YoY.
- April-September average sales were -14.5% YoY, while semiconductor sales bottomed out in February and are now recovering moderately.



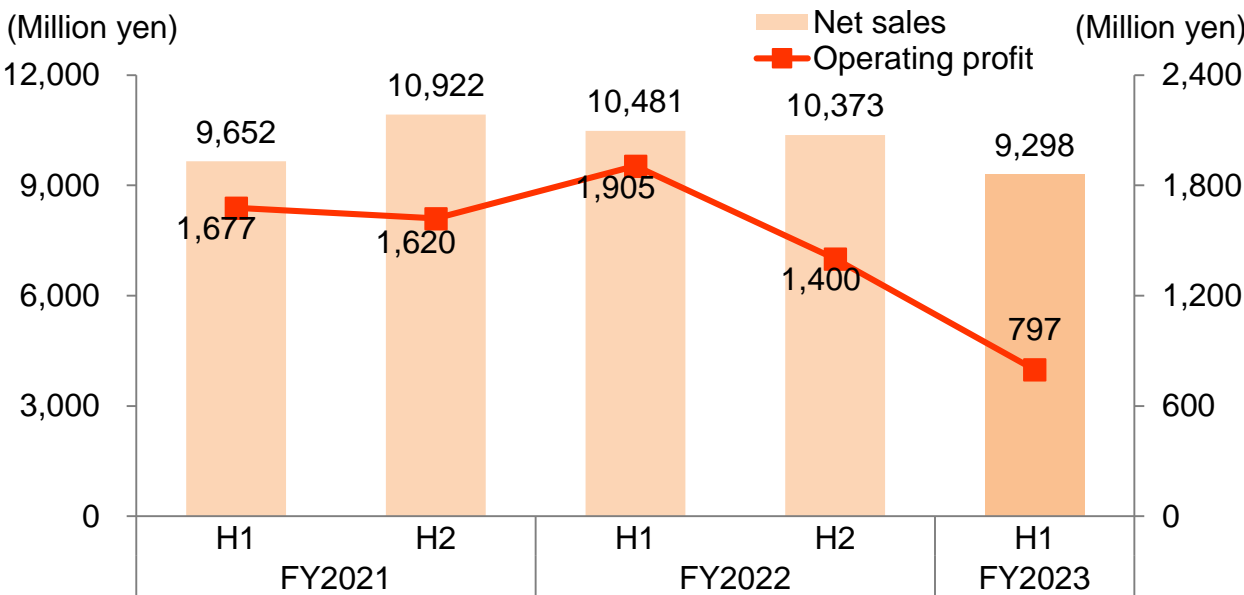


- Sluggish demand for semiconductors and inventory adjustments in the supply chain will last longer than expected
- Sales had been declining since peaking in Q4 of the fiscal year ending March 2022, but are expected to bottom out in Q2.

Quarterly Sales, Operating profit & Sales Growth Rate



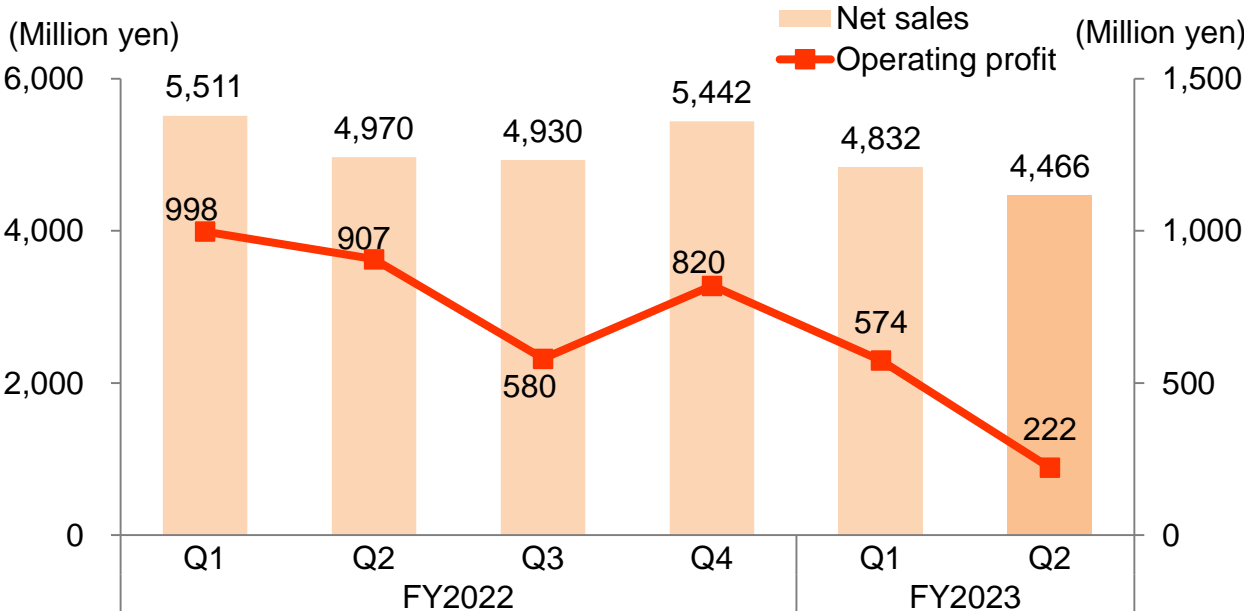
Net sales & Operating profit



Net sales: ¥9,298 million

YoY: (¥1,183) million, (11%)

- Sales of materials for semiconductors decreased due to sluggish demand and inventory adjustments in the supply chain.
- In materials for displays, large LCD panel production remained strong, especially in China.

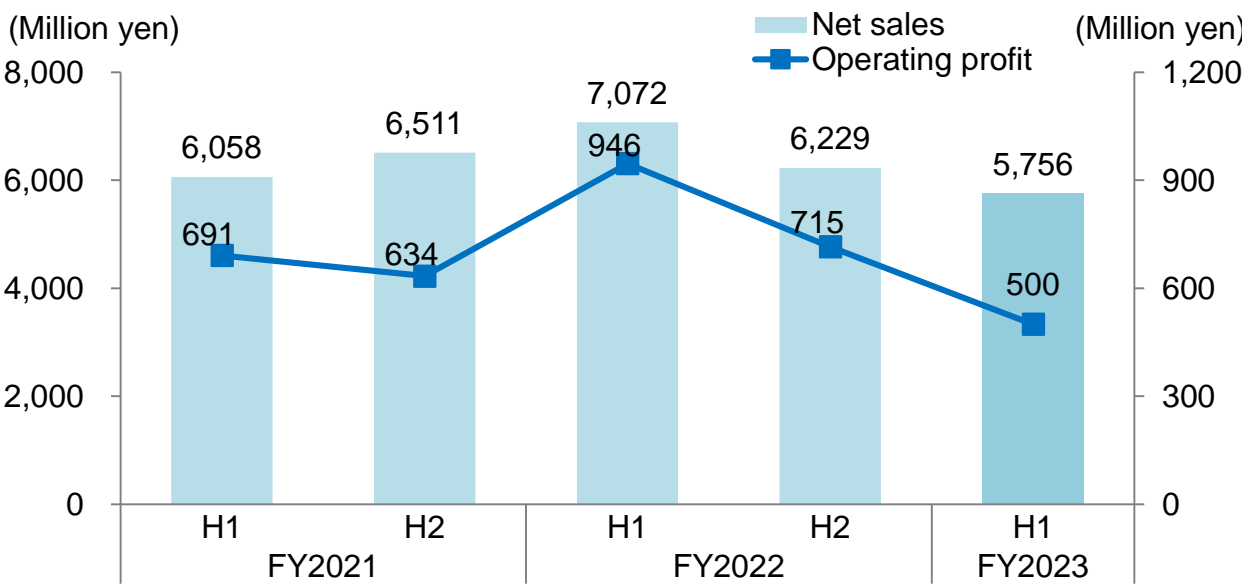


Operating profit: ¥797 million

YoY: (¥1,108) million, (58%)

- Profit decreased due to decreased sales of materials for advanced semiconductors.
- Continued to increase production capacity investment as planned in preparation for demand expanding period.

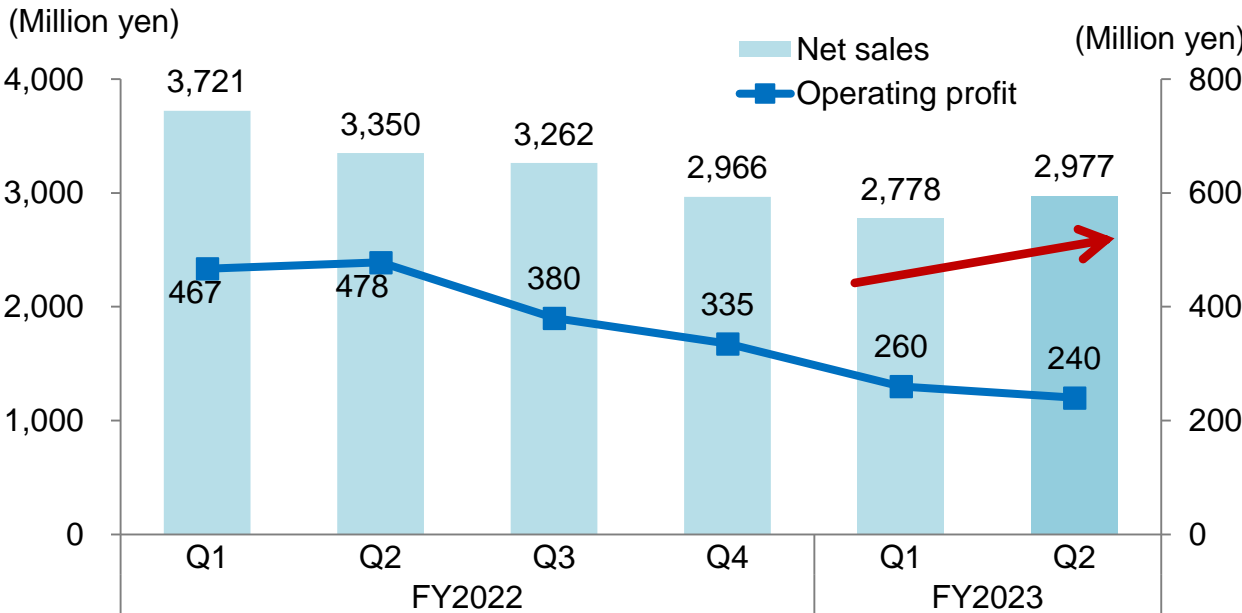
Net sales & Operating profit



Net sale: ¥5,756 million

YoY: (¥1,316) million, (18%)

- In the electronic materials sector, demand continued to decline due to inventory adjustments, but has bottomed out.
- Overseas demand for flavor and fragrance materials recovered ahead of the market.
- In the logistics business, although cargo movements continue to be sluggish, tank contract rates remain at a high level.



Operating profit: ¥500 million

YoY: (¥446) million, (47%)

- Profit decreased due to decreased sales of electronic materials.

H1 FY2023 Income Statement

- Sales were 15,055 million yen (-14% YoY) due to weak semiconductor demand and inventory adjustments.
- Gross profit was 3,326 million yen (-33% YoY) due to lower sales of high value-added products resulting from inventory adjustments in the semiconductor market and production adjustments associated with inventory reductions.

	H1 FY2022 Results	H1 FY2023 Results	Change	%
(Million yen)				
Net sales	17,553	15,055	(2,498)	(14%)
Cost of sales	12,597	11,728	(868)	(7%)
Gross profit	4,956	3,326	(1,629)	(33%)
SG&A expenses	2,103	2,029	(74)	(4%)
Operating profit	2,852	1,297	(1,555)	(55%)
Non-operating income	486	117	(368)	(76%)
Non-operating expenses	59	60	+0	+1%
Ordinary profit	3,278	1,354	(1,924)	(59%)
Extraordinary income & losses	(36)	(18)	+17	(48%)
Profit before income taxes	3,242	1,335	(1,906)	(59%)
Income taxes	994	418	(575)	(58%)
Profit	2,247	917	(1,330)	(59%)

Foreign exchange gains
Previous Period: 430 million yen
Current Period: 19 million yen

H1 FY2023 Balance sheet

- Inventories ¥-488 million: Inventory reduction in line with declining demand.
- Trade payables ¥-1,984 million: Reduction of raw material purchases to meet declining demand.
- Tangible fixed assets ¥+2,167 million: Continued investment to increase production capacity in preparation for the demand recovery period.
- Borrowings ¥+3,171 million: Increase in capital investment funds.
- Shareholders' equity ¥+757 million: Net profit increase.

(Million yen)	Mar. 2023 ended	Sep. 2023 ended	Change	(Million yen)	Mar. 2023 ended	Sep. 2023 ended	Change
Current assets	21,685	21,286	(398)	Liabilities	31,463	32,856	+1,392
Cash and deposits	3,252	3,614	+362	Notes and accounts payable – trade	4,943	2,959	(1,984)
Notes and accounts receivable – trade	5,912	5,466	(446)	Borrowings	17,893	21,065	+3,171
Inventories	11,758	11,270	(488)	Other	8,625	8,831	+205
Other	761	934	+173				
Fixed assets	29,420	32,020	+2,600	Net assets	19,641	20,450	+809
Property, plant and equipment	27,639	29,807	+2,167	Shareholders' equity	19,556	20,314	+757
Intangible assets	607	977	+369	Valuation and translation adjustments	85	136	+51
Investments and other assets	1,172	1,236	+63				
Total assets	51,105	53,306	+2,201	Liabilities and net assets	51,105	53,306	+2,201

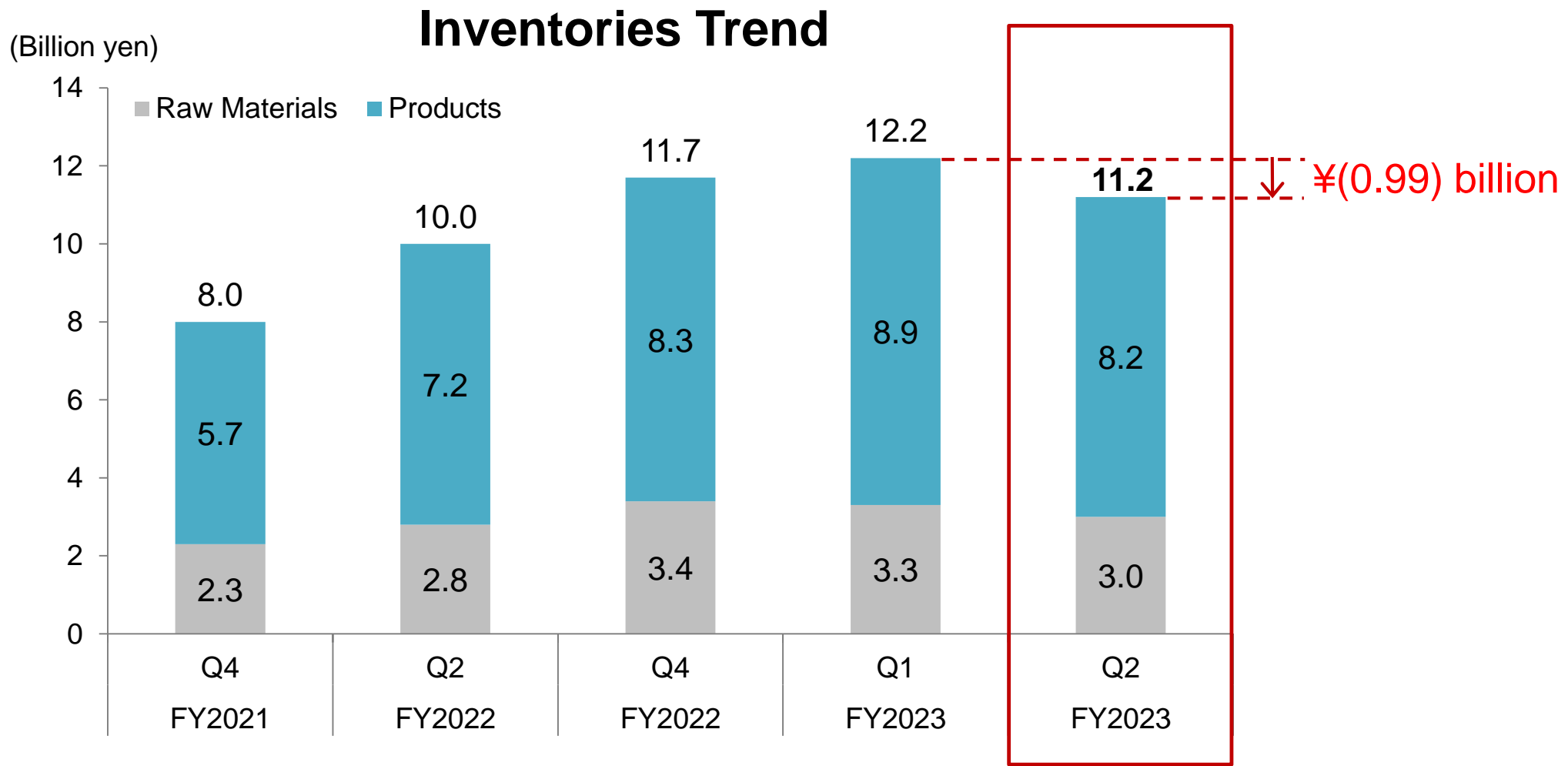
H1 FY2023 Statement of Cash flows

- Operating CF ¥1,337 million: Profits/taxes decreased due to decreased sales, working capital is improving.
- Investment CF ¥3,798 million: Investment to increase production capacity for completion in the next fiscal year.
- Financial CF 2,913 million: Secure capital investment funds.

	(Million yen)	H1 FY2022	H1 FY2023	Change
Cash flows from operating activities		2,109	1,337	(771)
Profit before income taxes		3,242	1,335	(1,906)
Depreciation		1,374	1,443	+69
Decrease (increase) in trade receivables (+: decrease)		766	446	(320)
Decrease (increase) in inventories (+: decrease)		(2,029)	488	+2,517
Increase (decrease) in trade payables (+: increase)		0	(1,981)	(1,981)
Other		(1,245)	(395)	+850
Cash flows from investing activities		(2,396)	(3,798)	(1,401)
FCF		(287)	(2,460)	(2,173)
Cash flows from financing activities		215	2,913	+2,697
Effect of exchange rate change on cash and cash equivalents		123	(90)	(213)
Net increase (decrease) in cash and cash equivalents		51	362	+311
Cash and cash equivalents		3,320	3,614	+294

Improved working capital:
+216 million yen

- Reduce inventory in line with declining demand.
- Inventories decreased by 0.48 billion yen from the end of the previous fiscal year and by 0.99 billion yen from the previous quarter, despite the increase in unit prices.



1. Business Results for the H1 FY 2023

2. Projection for the FY2023

3. Future Outlook

■ World Economy

- The risk of economic downturn remains high, but the inflation rate in each country is gradually decreasing.

Price hikes are expected to subside, followed by a gradual recovery in demand.

■ Electronic material industry

- Inventory adjustment is progressing steadily in the semiconductor industry.

Demand is expected to bottom out by the end of the year, start increasing from January 2024 onwards, and then recover moderately.

- Display demand will remain the same ~ moderately increase.

■ Flavor and Fragrance Industry

- Demand recovery will continue, especially overseas.

Revision to Full-year Earnings Forecasts for the FY2023

- Sales have been revised to take into account the delay in demand recovery and gradual recovery trend in the overall semiconductor market.
- Sales were ¥15,944 million (forecast) in the second half, compared to ¥15,055 million (actual) in the first half, showing an upward trend.
- Profits were maintained at the initial forecast due to cost reduction activities and other factors.

(Million yen)	H1 FY2023			H2 FY2023			FY2023		
	Previous Forecasts	Results	Change	Previous Forecasts	Revised Forecasts	Change	Previous Forecasts	Revised Forecasts	Change
Net sales	16,000	15,055	(944)	18,500	15,944	(2,555)	34,500	31,000	(3,500)
Operating profit	1,300	1,297	(2)	1,300	1,302	+2	2,600	2,600	—
Ordinary profit	1,250	1,354	+104	1,250	1,145	(104)	2,500	2,500	—
Profit	800	917	+117	800	682	(117)	1,600	1,600	—
FX Rate	¥130/\$	¥140/\$		¥130/\$	¥140/\$		¥130/\$	¥140/\$	

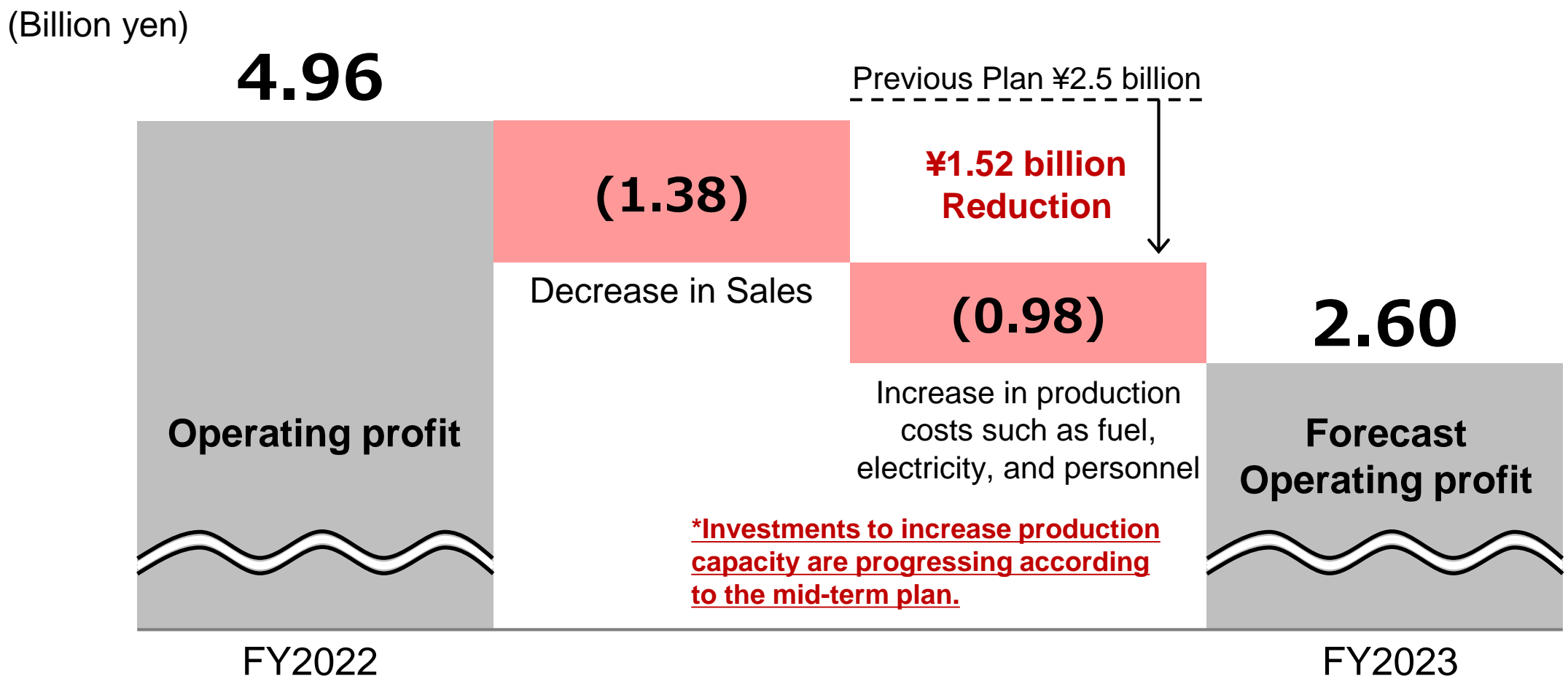
Progress of Revised Full-Year Earnings Forecasts

- Full year progress rate is 48% for sales, 50% for operating profit, and 54% for ordinary profit.
- Each profit has progressed by more than 50% against the forecasted results.

(Million yen)	FY2023 Forecasts	H1 FY2023 Results	Progress Ratio
Net sales	31,000	15,055	48%
Operating profit	2,600	1,297	50%
Ordinary profit	2,500	1,354	54%
Profit	1,600	917	57%

Measures to Secure full-year Operating profit

- Cost reductions, including timing adjustments, will continue in the second half of the year to offset the impact of lower sales in order to secure profits.

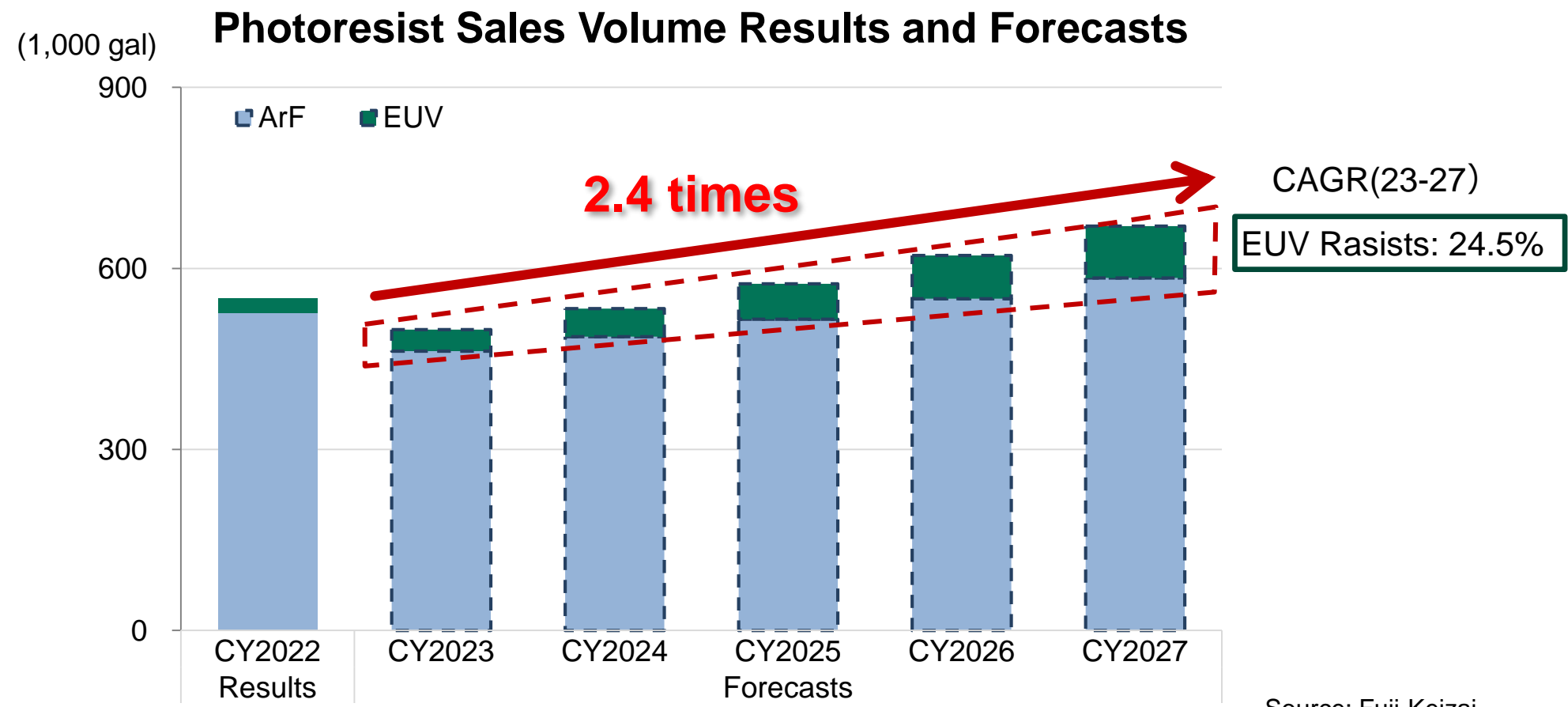


1. Business Results for the H1 FY 2023

2. Projection for the FY2023

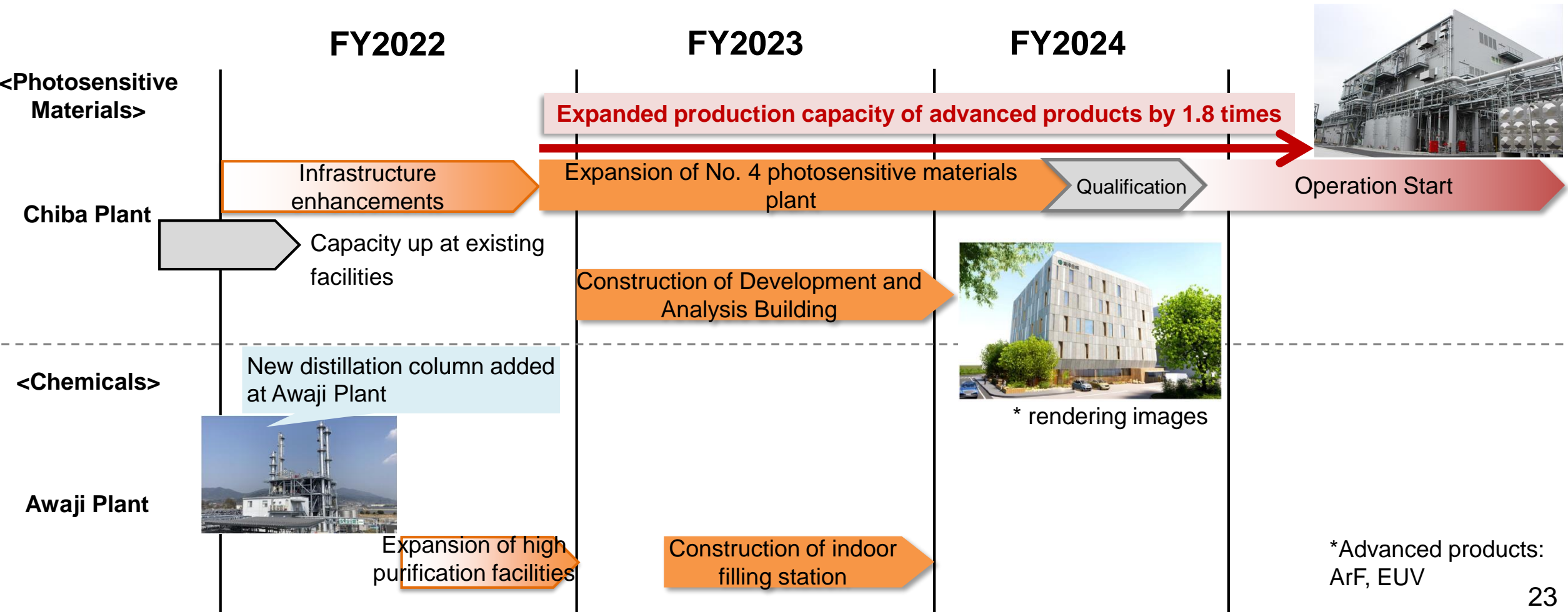
3. Future Outlook

- Negative growth is expected in 2023, but return to positive growth is expected from 2024 onward.
- Demand for EUV resists will grow 2.4 times from 2023 to 2027.
- Advanced resist (EUV+ArF) is also expected to expand 1.3 times.



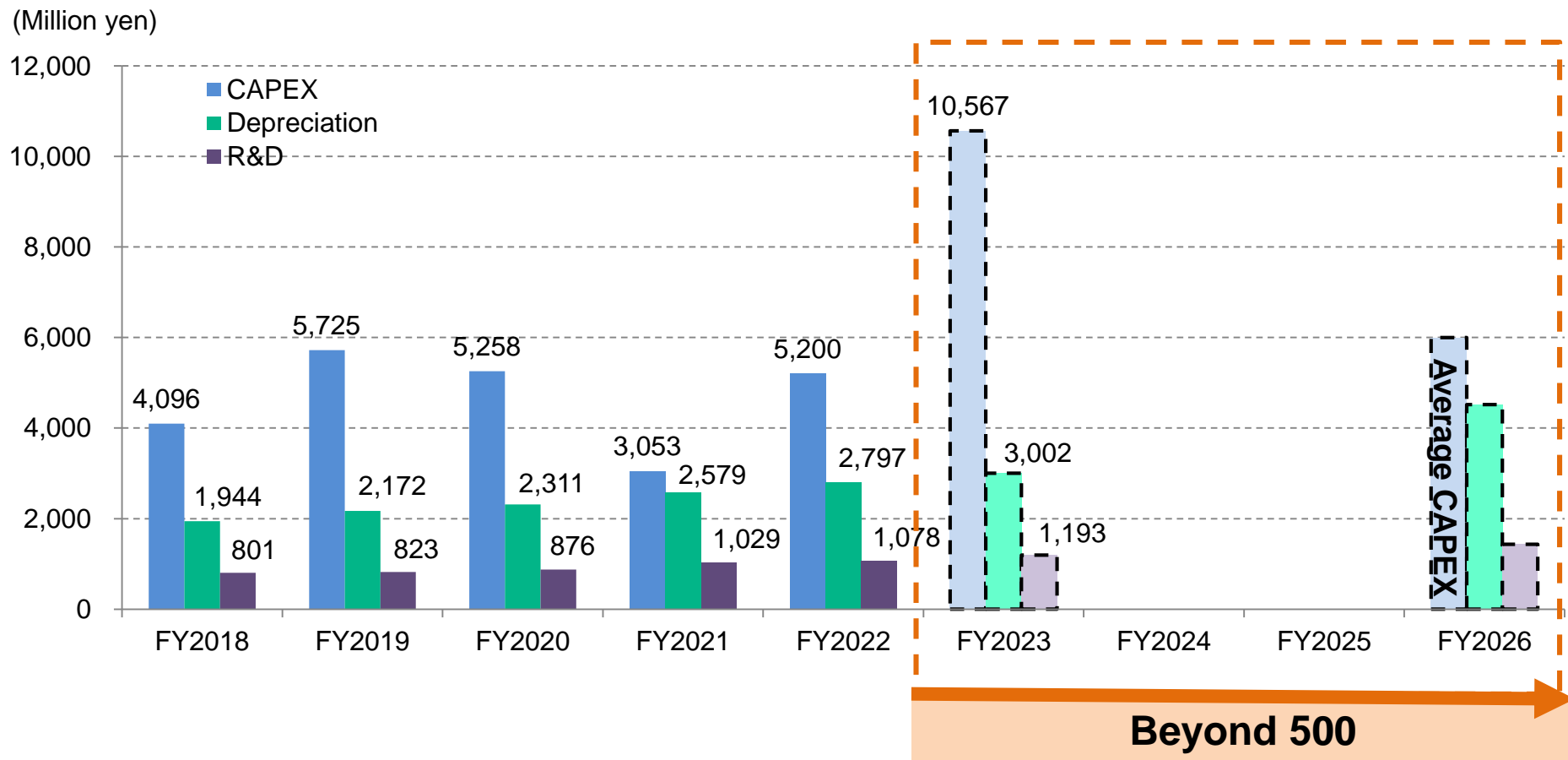
Investment to achieve the "Beyond 500" medium-term management plan

- The semiconductor market will return to high growth from 2024 onward after a production adjustment in 2023.
- To meet growing demand, constructing photosensitive materials manufacturing facilities, development and analysis building, and high purity solvent facilities as planned in the mid-term plan.

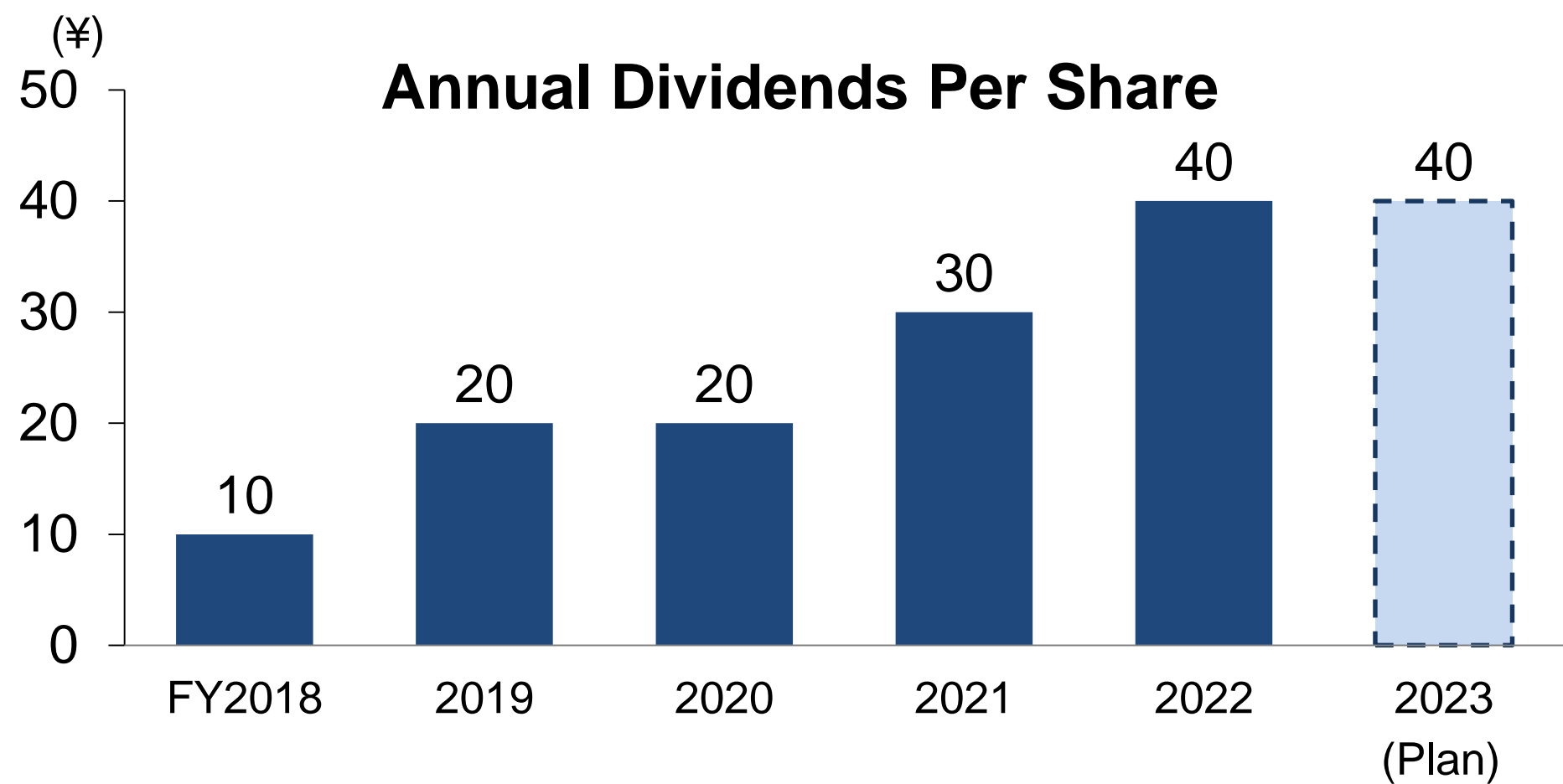


- Changed from ¥11,700 million to ¥10,567 million due to the delayed timing of some capital expenditures.
- However, major investments are proceeding as planned in preparation for demand expanding period.

CAPEX, Depreciation & R&D Plan



- Based on a stable dividend policy and expecting medium-term growth, an annual dividend of 40 yen stay for the fiscal year ending March 31, 2024.



Appendix

Re-post) FY2023 Fixed cost increase forecast

- Continue to increase production capacity to achieve Beyond 500 (Net sales ¥50 billion, Operating profit ¥8 billion ~FY2026).



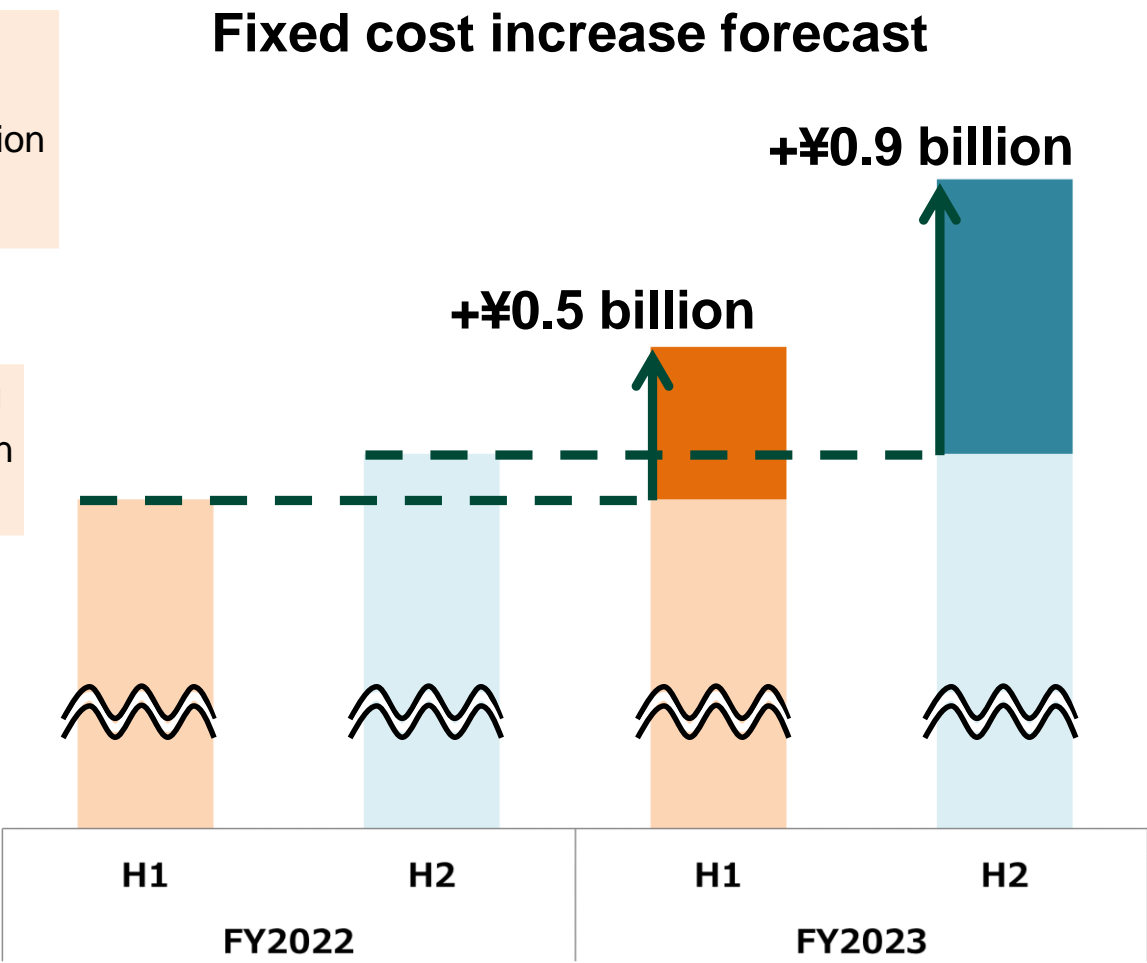
Expansion of photosensitive materials manufacturing facilities
Amount of Investment: Approx. ¥12 billion
Completion scheduled for Jul. 2024.



New development and analysis building
Amount of Investment: Approx. ¥3 billion
Completion scheduled for Apr. 2024.

*rendering images

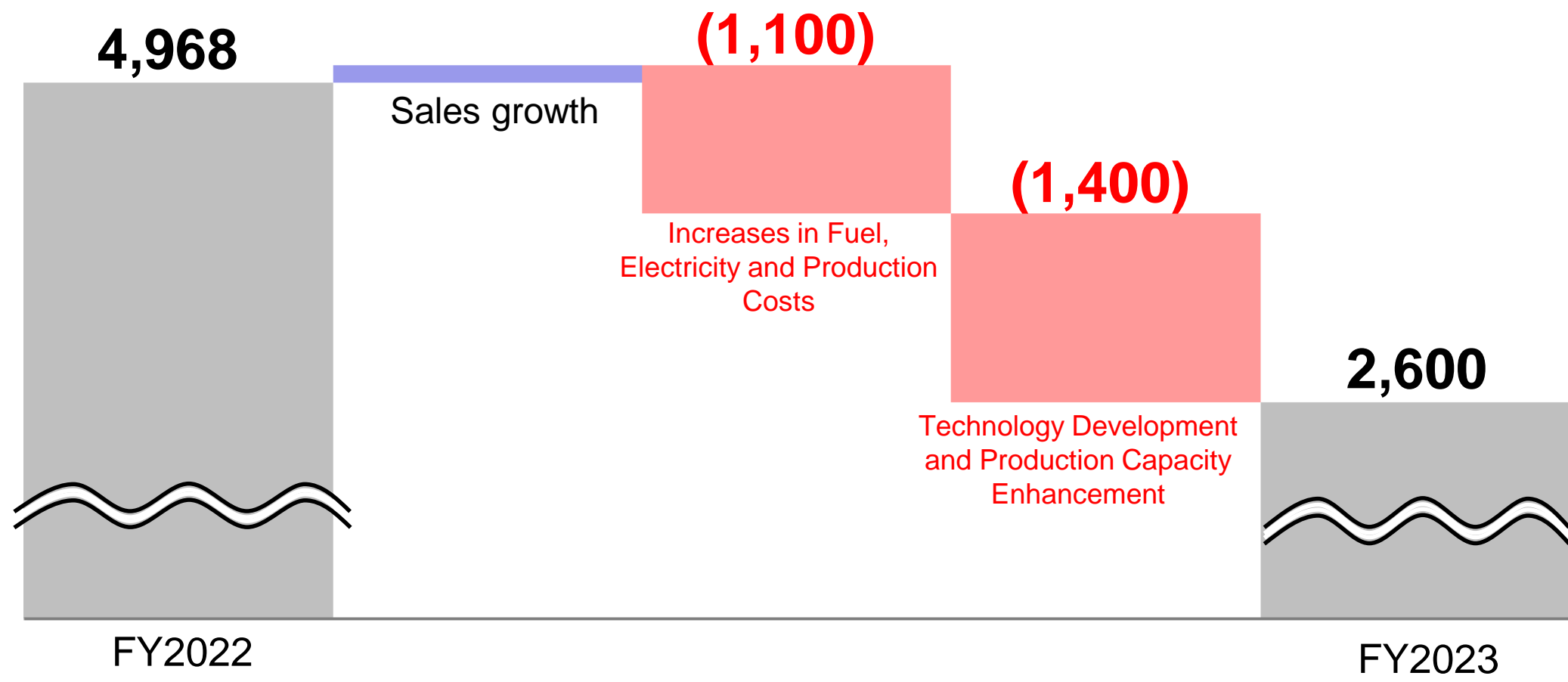
Assumed fixed cost increase of 1.4 billion yen from the previous year
(Increase in headcount, facility expansion, technology development)



Re-post) Variance Analysis: FY2023 Operating profit

- Expenses increase YoY by ¥1,400 million for technology development and production capacity enhancement as well as increases in fuel, electricity, and production costs are expected.

(Million yen)



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 guarantees.