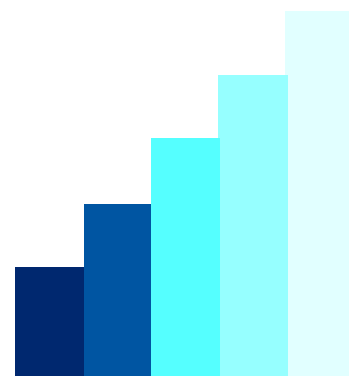


DATA BOOK



FY2018

2nd Quarter ended September 30, 2017

November 1st, 2017

ARAKAWA CHEMICAL INDUSTRIES, LTD.

Achievement Transition (Consolidated)



consolidated	FY 2016 (2Q)		FY 2017 (2Q)		FY 2018 (2Q)		FY 2016		FY 2017		FY 2018 forecast	
	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change
Net sales	39,182	△ 1.0	37,937	△ 3.2	39,890	5.1	79,119	△ 3.2	77,380	△ 2.2	78,000	0.8
Operating income	1,538	△ 0.3	2,553	66.0	2,662	4.3	3,639	22.9	5,095	40.0	4,750	△ 6.8
Ordinary income	1,714	4.0	2,477	44.5	2,843	14.8	3,851	12.2	5,314	38.0	4,900	△ 7.8
Profit attributable to owners of parent	1,114	△ 6.8	1,707	53.2	2,063	20.8	2,311	3.9	3,416	47.8	3,200	△ 6.3

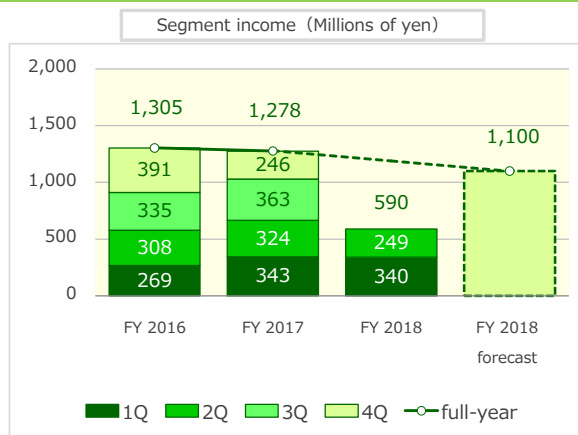
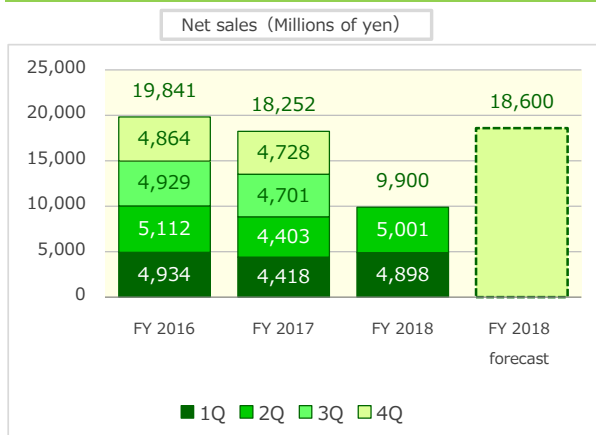
Management index transition

consolidated	FY 2016 (2Q)		FY 2017 (2Q)		FY 2018 (2Q)		FY 2016		FY 2017		FY 2018 forecast	
	Millions of yen	Increase /Decrease	Millions of yen	Increase /Decrease	Millions of yen	Increase /Decrease	Millions of yen	Increase /Decrease	Millions of yen	Increase /Decrease	Millions of yen	Increase /Decrease
Capital investment	832	95	1,145	312	812	△ 333	2,993	1,185	2,107	△ 885	3,000	892
Depreciation and amortization	1,288	8	1,289	0	1,254	△ 34	2,717	17	2,661	△ 55	2,600	△ 61
R&D expenses	1,406	90	1,521	114	1,591	70	2,819	116	3,179	359	3,350	170
Interest-bearing debt	19,059	1,446	14,205	△ 4,853	11,553	△ 2,652	17,426	151	13,300	△ 4,126	11,000	△ 2,300
EBITDA	2,827	3	3,842	1,015	3,916	74	6,357	695	7,757	1,400	7,350	△ 407

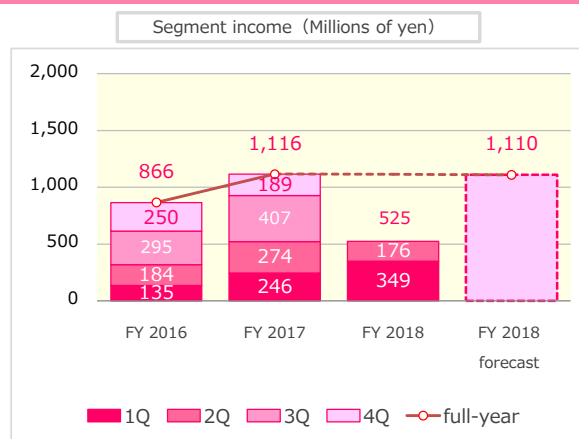
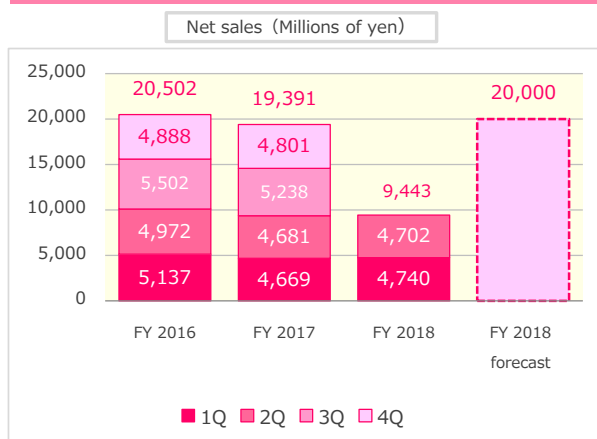
[EBITDA] Earnings Before Interest , Taxes , Depreciation , and Amortization

Segment Information (Consolidated)

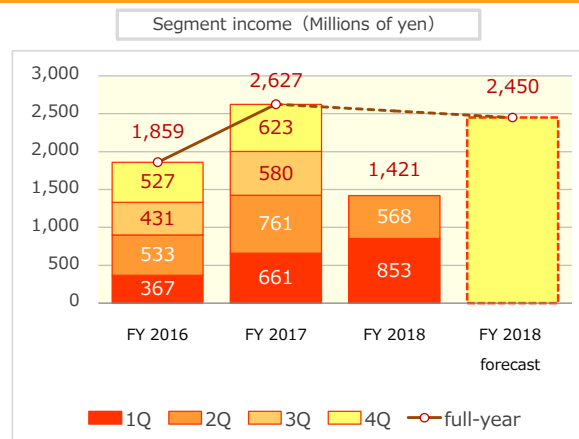
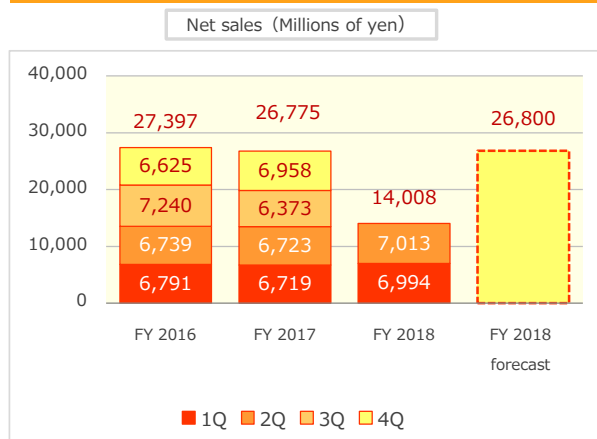
Paper chemicals



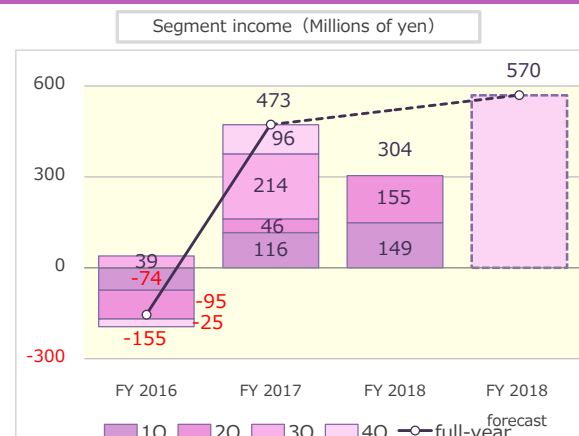
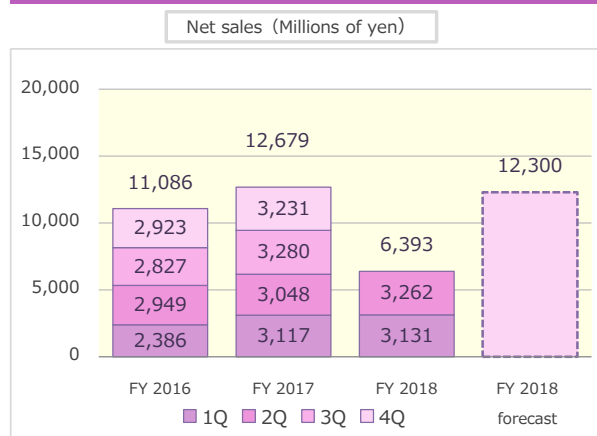
Coating chemicals



Adhesive Materials



Functional Materials



Segment Information (Consolidated)

Consolidated		FY 2016 (2Q)		FY 2017 (2Q)		FY 2018 (2Q)		FY 2016		FY 2017		FY 2018 forecast	
		Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change
Paper chemicals	Net sales	10,047	△ 0.5	8,822	△ 12.2	9,900	12.2	19,841	△ 4.5	18,252	△ 8.0	18,600	1.9
	Segment income	578	6.5	668	15.6	590	△ 11.7	1,305	17.3	1,278	△ 2.0	1,100	△ 14.0
	Segment income/sales	5.8%		7.6%		6.0%		6.6%		7.0%		5.9%	
Coating chemicals	Net sales	10,110	△ 0.2	9,351	△ 7.5	9,443	1.0	20,502	△ 3.6	19,391	△ 5.4	20,000	3.1
	Segment income	320	36.2	520	62.5	525	1.0	866	89.7	1,116	28.9	1,110	△ 0.6
	Segment income/sales	3.2%		5.6%		5.6%		4.2%		5.8%		5.6%	
Adhesive Materials	Net sales	13,530	△ 4.6	13,442	△ 0.7	14,008	4.2	27,397	△ 4.3	26,775	△ 2.3	26,800	0.1
	Segment income	900	30.6	1,423	58.0	1,421	△ 0.1	1,859	36.8	2,627	41.3	2,450	△ 6.8
	Segment income/sales	6.7%		10.6%		10.1%		6.8%		9.8%		9.1%	
Functional Materials	Net sales	5,335	6.1	6,166	15.6	6,393	3.7	11,086	2.7	12,679	14.4	12,300	△ 3.0
	Segment income	△ 169	–	162	–	304	87.0	△ 155	–	473	–	570	20.4
	Segment income/sales	△3.2%		2.6%		4.8%		△1.4%		3.7%		4.6%	
Others	Net sales	157	5.0	154	△ 2.1	144	△ 6.1	291	6.9	282	△ 3.1	300	6.4
	Segment income	10	5.7	11	15.1	15	26.5	13	11.0	16	19.3	20	25.0
	Segment income/sales	6.6%		7.7%		10.4%		4.6%		5.7%		6.7%	
Subtotal	Net sales	39,182	△ 1.0	37,937	△ 3.2	39,890	5.1	79,119	△ 3.2	77,380	△ 2.2	78,000	0.8
	Segment income	1,640	15	2,787	69.9	2,857	2.5	3,889	34.3	5,512	41.7	5,250	△ 4.8
	Segment income/sales	4.2%		7.3%		7.2%		4.9%		7.1%		6.7%	
Consolidated total	Development Investment	△ 160	–	△ 174	–	△ 181	–	△ 302	–	△ 385	–	△ 500	–
	Segment income	1,479	16.7	2,612	76.6	2,675	2.4	3,586	39.2	5,126	42.9	4,750	△ 7.3
	Segment income/sales	3.8%		6.9%		6.7%		4.5%		6.6%		6.1%	

The sales of business segmentation do not include intersegment sales.

[Paper chemicals] Size agent, Paper strengthening agent, Latex, etc.

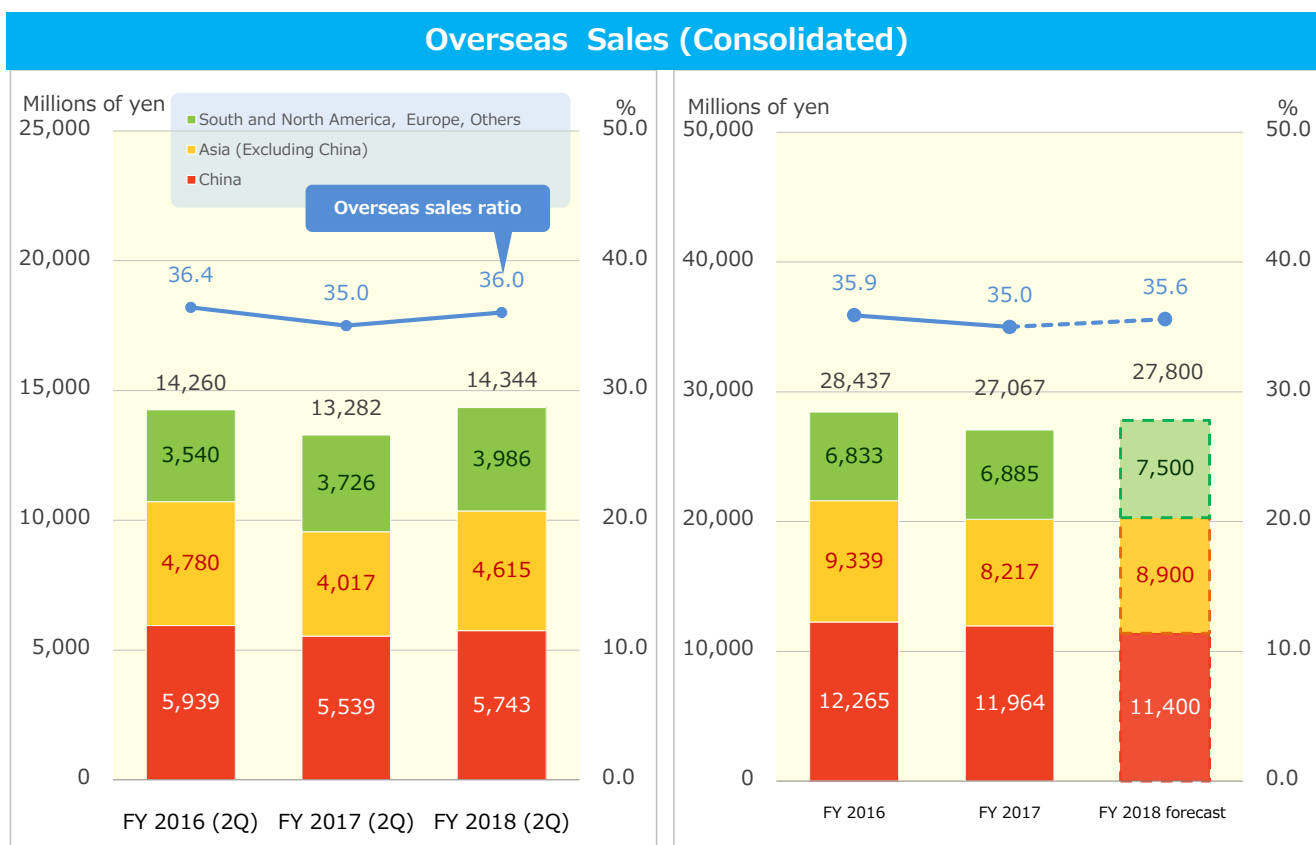
[Coating chemicals] Printing ink resin, Paint resin, Polymerization emulsifier, UV/EB curable resin, etc.

[Adhesive Materials] Adhesive resin, Colorless rosin derivatives, etc.

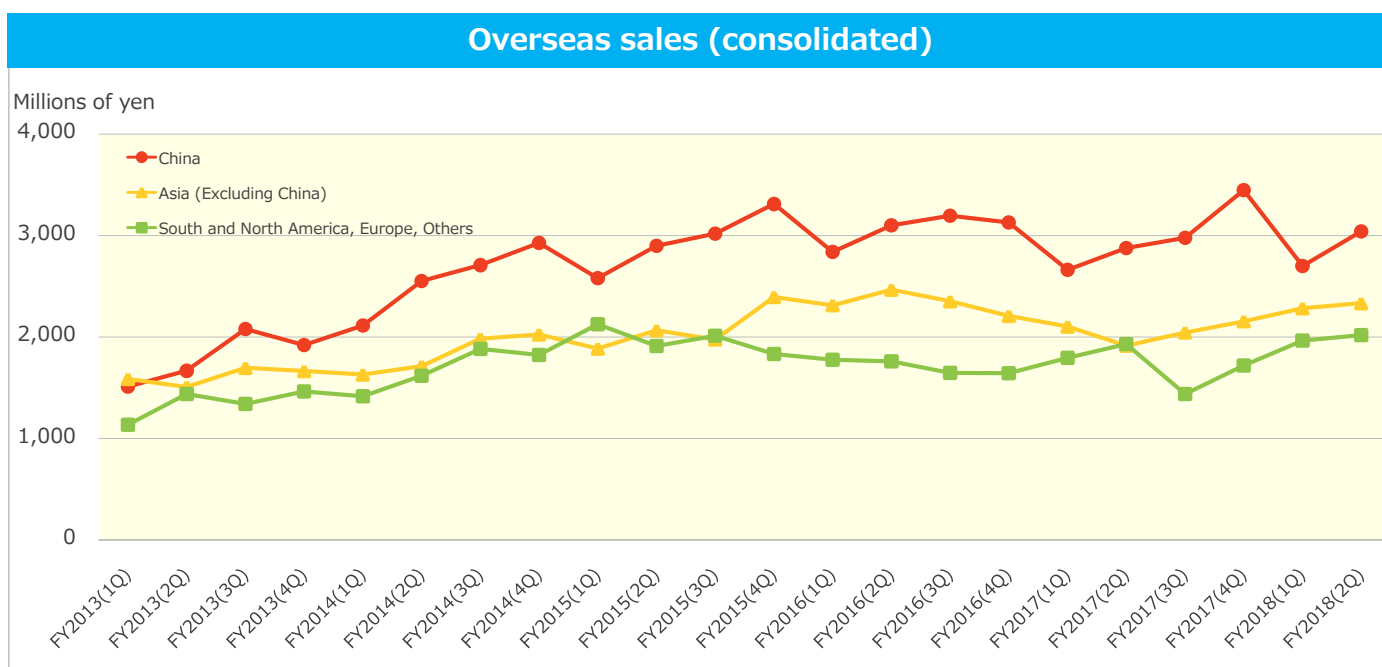
[Functional Materials] Compound materials for electronics, Functional fine chemical materials, Polishing agent for hard disk substrates, Flux cleanig System, etc.

[Others] Insurance business, Real estate agent, etc.

Overseas Sales (Consolidated)



Consolidated	FY 2016 (2Q)		FY 2017 (2Q)		FY 2018 (2Q)		FY 2016		FY 2017		FY 2018 forecast	
	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change	Millions of yen	% Change
Overseas sales	14,260	5.8	13,282	△ 6.9	14,344	8.0	28,437	1.5	27,067	△ 4.8	27,800	2.7
Overseas sales in Asia	10,719	13.6	9,556	△ 10.8	10,358	8.4	21,604	7.3	20,182	△ 6.6	20,300	0.6
Overseas sales in China	5,939	8.3	5,539	△ 6.7	5,743	3.7	12,265	3.8	11,964	△ 2.4	11,400	△ 4.7
Overseas sales ratio	36.4%		35.0%		36.0%		35.9%		35.0%		35.6%	



Balance Sheets (Consolidated)

(Unit: Millions of yen)

Item	FY2017 (2Q)		FY2018 (2Q)		FY2017		Increase /Decrease (A) - (B)
	(As of September 30, 2016)		(As of September 30, 2017)		(As of March 31, 2017)		
	Amount	Com- position ratio	Amount (A)	Com- position ratio	Amount (B)	Com- position ratio	
(Assets)		%		%		%	
I Current assets							
1. Cash and deposits	10,540		8,053		10,212		△ 2,158
2. Notes and accounts receivable-trade	24,285		28,228		25,939		2,288
3. Electronically recorded monetary claims - operating	1,051		1,556		1,161		395
4. Merchandise and finished goods	6,869		7,450		7,661	△	211
5. Work in process	947		1,024		998		26
6. Raw materials and supplies	5,677		7,083		6,359		723
7. Deferred tax assets	577		590		668	△	77
8. Other	628		1,012		956		55
9. Allowance for doubtful accounts	△ 142		△ 127		△ 153		25
Total current assets	50,436	64.7	54,871	64.0	53,804	64.1	1,067
II Noncurrent assets							
1. Property, plant and equipment							
(1) Buildings and structures	7,816		7,620		7,766	△	145
(2) Machinery, equipment and vehicles	6,432		6,319		6,614	△	294
(3) Land	5,193		5,191		5,190		1
(4) Construction in progress	172		403		163		239
(5) Other	464		487		465		22
Total property, plant and equipment	20,080	25.8	20,022	23.3	20,199	24.1	△ 177
2. Intangible assets							
(1) Goodwill	483		965		1,107	△	141
(2) Other	362		376		374		2
Total intangible assets	846	1.1	1,341	1.6	1,481	1.8	△ 139
3. Investments and other assets							
(1) Investment securities	5,852		8,409		7,430		978
(2) Net defined benefit asset	-		530		386		143
(3) Deferred tax assets	187		147		159	△	12
(4) Other	617		519		521	△	2
Allowance for doubtful accounts	△ 73		△ 84		△ 85		1
Total investments and other assets	6,583	8.4	9,522	11.1	8,413	10.0	1,109
Total noncurrent assets	27,509	35.3	30,886	36.0	30,094	35.9	792
Total assets	77,945	100.0	85,758	100.0	83,898	100.0	1,860

(Unit : Millions of yen)

Item	FY2017 (2Q)		FY2018 (2Q)		FY2017		Increase /Decrease (A) - (B)
	(As of September 30, 2016)		(As of September 30, 2017)		(As of March 31, 2017)		
	Amount	Com- position ratio	Amount (A)	Com- position ratio	Amount (B)	Com- position ratio	
(Liabilities)		%		%		%	
I Current liabilities							
1. Notes and accounts payable-trade	8,833		11,194		9,967		1,227
2. Short-term loans payable	7,569		6,553		7,957	△	1,404
3. Current portion of bonds	5,000		-		-		-
4. Income taxes payable	503		609		880	△	270
5. Accrued consumption taxes	212		136		179	△	42
6. Deferred tax liabilities	47		0		45	△	44
7. Provision for bonuses	1,143		1,179		1,276	△	96
8. Provision for directors' bonuses	34		44		80	△	36
9. Provision for repairs	73		11		80	△	68
10. Notes payable - facilities	91		89		63		26
11. Other	3,121		4,234		3,929		305
Total current liabilities	26,629	34.1	24,054	28.0	24,459	29.1	△ 404
II Noncurrent liabilities							
1. Bonds payable	-		5,000		5,000		-
2. Long-term loans payable	1,636		-		343	△	343
3. Deferred tax liabilities	1,037		2,021		1,695		325
4. Provision for repairs	-		12		-		12
5. Net defined benefit liability	611		342		335		7
6. Asset retirement obligations	102		219		212		7
7. Other	328		294		295	△	0
Total noncurrent liabilities	3,715	4.8	7,890	9.2	7,881	9.4	8
Total liabilities	30,344	38.9	31,945	37.2	32,340	38.5	△ 395
(Net assets)							
I Shareholders' equity							
1. Capital stock	3,300		3,343		3,343		-
2. Capital surplus	3,521		3,564		3,564		-
3. Retained earnings	37,422		40,412		38,802		1,609
4. Treasury stock	△ 12		△ 12		△ 12	△	0
Total shareholders' equity	44,231	56.7	47,306	55.2	45,697	54.5	1,609
II Accumulated other comprehensive income							
1. Valuation difference on available-for-sale securities	1,819		3,572		2,904		667
2. Foreign currency translation adjustment	80		958		1,026	△	67
3. Remeasurements of defined benefit plans	△ 55		269		286	△	16
Total accumulated other comprehensive income	1,844	2.4	4,800	5.6	4,218	5.0	582
III Subscription rights to shares	2	0.0	-	-	-	-	-
IV Minority interests	1,522	2.0	1,705	2.0	1,641	2.0	64
Total net assets	47,600	61.1	53,813	62.8	51,557	61.5	2,255
Total liabilities and net assets	77,945	100.0	85,758	100.0	83,898	100.0	1,860

Statements of Income (Consolidated)

(Unit : Millions of yen)

Item	FY2017 (2Q) '16/4-'16/9		FY2018 (2Q) '17/4-'17/9		Increase/ Decrease		FY2017 '16/4-'17/3	
	Amount	Ratio	Amount	Ratio	Amount	Rate of Change	Amount	Ratio
I Net sales	37,937	100.0	39,890	100.0	1,953	5.1	77,380	100.0
II Cost of sales	29,026	76.5	30,628	76.8	1,601	5.5	59,111	76.4
Gross profit	8,911	23.5	9,262	23.2	351	3.9	18,269	23.6
III Selling, general and administrative expenses	6,357	16.8	6,600	16.5	242	3.8	13,173	17.0
Operating income	2,553	6.7	2,662	6.7	108	4.3	5,095	6.6
IV Non-operating income								
Interest income	13		5				25	
Dividends income	82		93				157	
Real estate rent	62		56				58	
Foreign exchange gains	-		27				3	
Other	94	252	110	294	42	16.7	282	527
V Non-operating expenses								
Interest expenses	94		82				177	
Foreign exchange losses	179		-				-	
Commission fee	-		-				31	
Other	53	328	30	113	△ 215	△ 65.5	98	308
Ordinary income		2,477		2,843	366	14.8		5,314
VI Extraordinary income								
Gain on sales of noncurrent assets	3		0				5	
Gain on sales of investment securities	-		0				1	
Reversal of Foreign currency translation adjustment	-		287				-	
Gain on reversal of subscription rights to shares	13		-				13	
State subsidy	-	16	-	287	270	-	15	36
VII Extraordinary loss								
Loss on sales of non-current assets	30		12				80	
Loss on valuation of non-current assets	-		-				2	
Loss on valuation of investments in capital of subsidiaries and associates	-	30	-	12	△ 18	△ 58.4	91	174
Income before income taxes		2,463		3,117	654	26.6		5,176
Income taxes-current	583		628				1,469	
Income taxes-deferred	10	594	128	756	161	27.2	△ 17	1,452
Net income		1,868		2,361	493	26.4		3,724
Profit Attributable to noncontrolling interests		161		298	137	85.0		307
Profit Attributable to owners of parent		1,707		2,063	355	20.8		3,416

<Reference> Statements of Comprehensive Income(Consolidated)

Net income		1,868		2,361	493	26.4		3,724
Other comprehensive income								
Valuation difference on available-for-sale securities		199		667	467			1,285
Foreign currency translation adjustment	△	1,903		△ 148	1,754		△	780
Remeasurements of defined benefit plans		0		△ 16	△ 17			341
Total other comprehensive income	△	1,703		501	2,204			846
Comprehensive income		165		2,863	2,697	-		4,571

Statements of Cash Flows (Consolidated)

(Unit: Millions of yen)

Item	FY2017 (2Q)	FY2018 (2Q)	Increase /Decrease (B) - (A)	FY2017
	' 16/4-' 16/9	' 17/4-' 17/9		' 16/4-' 17/3
	Amount(A)	Amount(B)		Amount
I Net cash provided by (used in) operating				
Income before income taxes	2,463	3,117	654	5,176
Depreciation and amortization	1,289	1,254	△ 34	2,661
Amortization of goodwill	66	141	74	210
Increase (decrease) in allowance for doubtful accounts	21	△ 25	△ 46	30
Increase (decrease) in provision for bonuses	63	△ 96	△ 160	192
Increase (decrease) in provision for directors' bonuses	△ 23	△ 36	△ 13	23
Increase (decrease) in net defined benefit liability	△ 147	6	153	△ 427
Decrease (increase) in net defined benefit asset	-	△ 143	143	△ 386
Loss (gain) on sales of short-term and long-term investment securities	-	△ 0	△ 0	△ 1
Gain on reversal of subscription rights to shares	△ 13	-	13	△ 13
Reversal of Foreign currency translation adjustment	-	△ 287	△ 287	-
Loss on valuation of non-current assets	-	-	-	2
Loss (gain) on sales and retirement of non-current assets	27	12	△ 14	74
Loss on valuation of investments in capital of subsidiaries and associates	-	-	-	91
Interest and dividend income	△ 95	△ 99	△ 4	△ 182
Interest expenses	94	82	△ 12	209
Decrease (increase) in notes and accounts receivable - trade	978	△ 2,676	△ 3,655	△ 166
Decrease (increase) in inventories	1,978	△ 482	△ 2,460	944
Increase (decrease) in notes and accounts payable - trade	△ 1,061	1,205	2,266	△ 139
Increase (decrease) in accrued consumption taxes	△ 18	△ 58	△ 40	△ 30
Other, net	193	△ 51	△ 245	870
Subtotal	5,818	1,863	△ 3,955	9,140
Interest and dividend income received	99	99	△ 0	183
Interest expenses paid	△ 97	△ 57	40	△ 212
Income taxes (paid) refund	△ 636	△ 885	△ 248	△ 1,267
Net cash provided by (used in) operating activities	5,184	1,019	△ 4,164	7,843
II Net cash provided by (used in) investing activities				
Decrease (increase) in time deposits	138	37	△ 100	138
Purchase of property, plant and equipment	△ 1,044	△ 772	272	△ 1,801
Proceeds from sales of property, plant and equipment	2	1	△ 1	42
Purchase of investment securities	△ 14	△ 16	△ 1	△ 35
Proceeds from sales of investment securities	-	0	0	8
Purchase of intangible assets	△ 21	△ 41	△ 20	△ 55
Payments for transfer of business	-	-	-	△ 911
Decrease (increase) in short-term loans receivable	-	-	-	△ 34
Decrease (increase) in other investments	3	1	△ 1	8
Other, net	△ 23	△ 6	16	△ 56
Net cash provided by (used in) financing activities	△ 959	△ 796	163	△ 2,698
III Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable	△ 1,500	△ 591	909	△ 1,715
Repayments of long-term loans payable	△ 1,000	△ 1,158	△ 157	△ 2,001
Proceeds from issuance of bonds	-	-	-	5,000
Redemption of bonds	-	-	-	△ 5,000
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	12	-	△ 12	95
Purchase of treasury shares of subsidiaries	△ 0	△ 0	0	△ 0
Cash dividends paid	△ 307	△ 454	△ 146	△ 636
Dividends paid to non-controlling interests	-	△ 153	△ 153	△ 194
Net cash provided by (used in) financing activities	△ 2,796	△ 2,357	439	△ 4,452
IV Effect of exchange rate change on cash and cash equivalents	△ 602	12	615	△ 196
V Net increase (decrease) in cash and cash equivalents	825	△ 2,120	△ 2,946	496
VI Cash and cash equivalents at beginning of period	9,622	10,118	496	9,622
VII Cash and cash equivalents at end of period	10,447	7,998	△ 2,449	10,118