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Consolidated Financial Results
for the Six Months Ended September 30, 2024
[Japanese GAAP]



November 5, 2024

Company name: **ARAKAWA CHEMICAL INDUSTRIES, LTD.**
 Stock exchange listing: **Tokyo Stock Exchange**
 Code number: **4968**
 URL: <https://www.arakawachem.co.jp/en/>
 Representative: **Nobuyuki Takagi, Representative Director and President**
 Contact: **Toru Nobuhiro, Managing Director**
 Phone: **+81-6-6209-8500**

Scheduled date of filing semi-annual securities report: **November 13, 2024**

Scheduled date of commencing dividend payments: **December 2, 2024**

Availability of supplementary explanatory materials on financial results: **Available**

Schedule of financial results briefing session: **Scheduled (for institutional investors/securities analysts)**

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 – September 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	39,327	13.4	313	–	313	–	1,634	–
September 30, 2023	34,672	(16.9)	(1,827)	–	(1,451)	–	(753)	–

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 2,181 million [321.9%]

Six months ended September 30, 2023: ¥ 516 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	82.41	–
September 30, 2023	(37.96)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	122,242	58,623	47.9
As of March 31, 2024	125,418	56,918	44.8

(Reference) Equity: As of September 30, 2024: ¥ 58,572 million

As of March 31, 2024: ¥ 56,134 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	24.00	–	24.00	48.00
Fiscal year ending March 31, 2025	–	24.00			
Fiscal year ending March 31, 2025 (Forecast)			–	24.00	48.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	82,000	13.5	1,500	–	1,200	–	2,100	–	105.85

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period under review: **None**

Newly included: – companies (Company name)

Excluded: – companies (Company name)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: **None**

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: **None**

2) Changes in accounting policies other than 1) above: **None**

3) Changes in accounting estimates: **None**

4) Retrospective restatement: **None**

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 20,652,400 shares

March 31, 2024: 20,652,400 shares

2) Total number of treasury shares at the end of the period:

September 30, 2024: 813,611 shares

March 31, 2024: 813,611 shares

3) Average number of shares during the period:

Six months ended September 30, 2024: 19,838,789 shares

Six months ended September 30, 2023: 19,838,909 shares

* These semi-annual consolidated financial results are outside the scope of review by certified public accountants or an audit firm.

* Explanation on the proper use of financial results forecast and other special notes

Forward-looking statements, including financial results forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable. Therefore, these statements do not constitute a guarantee that they will be realized. Actual results may differ materially from these statements due to various factors.

Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	11,578	11,432
Notes and accounts receivable – trade	25,683	25,184
Electronically recorded monetary claims – operating	2,504	2,111
Merchandise and finished goods	12,423	11,636
Work in process	1,603	1,312
Raw materials and supplies	9,267	9,127
Other	1,215	1,220
Allowance for doubtful accounts	(116)	(125)
Total current assets	64,159	61,901
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,723	17,551
Machinery, equipment and vehicles, net	14,126	13,557
Land	4,996	5,001
Construction in progress	1,969	2,049
Other, net	1,136	1,068
Total property, plant and equipment	39,952	39,228
Intangible assets	1,529	1,488
Investments and other assets		
Investment securities	11,200	11,012
Retirement benefit asset	6,087	6,258
Deferred tax assets	286	325
Other	354	384
Allowance for doubtful accounts	(79)	(87)
Total investments and other assets	17,850	17,892
Total non-current assets	59,332	58,609
Deferred assets		
Business commencement expenses	1,927	1,731
Total deferred assets	1,927	1,731
Total assets	125,418	122,242

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable – trade	9,478	8,103
Electronically recorded obligations – operating	1,403	1,132
Short-term borrowings	18,512	17,405
Current portion of bonds payable	5,000	5,000
Income taxes payable	434	644
Accrued consumption taxes	100	211
Provision for bonuses	1,190	1,181
Provision for bonuses for directors (and other officers)	–	10
Provision for repairs	732	469
Provision for loss on business liquidation	110	78
Asset retirement obligations	–	174
Notes payable – facilities	297	151
Other	6,146	5,496
Total current liabilities	43,406	40,060
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	13,875	12,450
Deferred tax liabilities	3,847	3,925
Retirement benefit liability	299	299
Asset retirement obligations	1,919	1,756
Other	151	125
Total non-current liabilities	25,093	23,557
Total liabilities	68,500	63,618
Net assets		
Shareholders' equity		
Share capital	3,343	3,343
Capital surplus	3,564	3,564
Retained earnings	38,927	40,086
Treasury shares	(1,211)	(1,211)
Total shareholders' equity	44,623	45,782
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,173	5,072
Foreign currency translation adjustment	3,530	5,070
Remeasurements of defined benefit plans	2,807	2,648
Total accumulated other comprehensive income	11,511	12,790
Non-controlling interests	783	51
Total net assets	56,918	58,623
Total liabilities and net assets	125,418	122,242

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

Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	34,672	39,327
Cost of sales	29,527	31,568
Gross profit	5,144	7,759
Selling, general and administrative expenses	6,972	7,445
Operating profit (loss)	(1,827)	313
Non-operating income		
Interest income	46	55
Dividend income	115	114
Rental income from real estate	21	27
Foreign exchange gains	249	137
Other	153	91
Total non-operating income	586	427
Non-operating expenses		
Interest expenses	145	189
Amortization of business commencement expenses	5	198
Other	59	39
Total non-operating expenses	210	427
Ordinary profit (loss)	(1,451)	313
Extraordinary income		
Gain on sale of non-current assets	4	984
Gain on sale of investment securities	49	314
Total extraordinary income	54	1,299
Extraordinary losses		
Loss on sale and retirement of non-current assets	121	45
Total extraordinary losses	121	45
Profit (loss) before income taxes	(1,519)	1,566
Income taxes – current	374	673
Income taxes – deferred	(243)	156
Total income taxes	131	830
Profit (loss)	(1,650)	736
Loss attributable to non-controlling interests	(897)	(898)
Profit (loss) attributable to owners of parent	(753)	1,634

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit (loss)	(1,650)	736
Other comprehensive income		
Valuation difference on available-for-sale securities	1,265	(101)
Foreign currency translation adjustment	1,014	1,706
Remeasurements of defined benefit plans, net of tax	(112)	(160)
Total other comprehensive income	2,167	1,444
Comprehensive income	516	2,181
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,253	2,914
Comprehensive income attributable to non-controlling interests	(736)	(732)

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	(1,519)	1,566
Depreciation	2,779	2,709
Amortization of business commencement expenses	5	198
Increase (decrease) in allowance for doubtful accounts	(4)	2
Increase (decrease) in provision for bonuses	5	(25)
Increase (decrease) in provision for bonuses for directors (and other officers)	–	10
Increase (decrease) in retirement benefit liability	15	(0)
Decrease (increase) in retirement benefit asset	(133)	(167)
Increase (decrease) in provision for loss on business liquidation	(340)	(40)
Loss (gain) on sale and retirement of non-current assets	116	(938)
Loss (gain) on sale of investment securities	(49)	(314)
Interest and dividend income	(161)	(170)
Interest expenses	145	189
Decrease (increase) in trade receivables	(726)	1,615
Decrease (increase) in inventories	510	1,715
Increase (decrease) in trade payables	(1,569)	(1,884)
Increase (decrease) in accrued consumption taxes	330	307
Other, net	(658)	(939)
Subtotal	(1,255)	3,833
Interest and dividends received	160	176
Interest paid	(126)	(177)
Income taxes refund (paid)	(297)	(434)
Net cash provided by (used in) operating activities	(1,518)	3,398
Cash flows from investing activities		
Decrease (increase) in time deposits	38	393
Purchase of property, plant and equipment	(3,295)	(1,806)
Proceeds from sale of property, plant and equipment	5	769
Purchase of investment securities	(19)	(19)
Proceeds from sale of investment securities	51	355
Purchase of intangible assets	(29)	(58)
Payments for deferred assets	(28)	–
Decrease (increase) in investments and other assets	0	(8)
Other, net	(1)	(34)
Net cash provided by (used in) investing activities	(3,277)	(407)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,499	(1,126)
Proceeds from long-term borrowings	391	–
Repayments of long-term borrowings	(695)	(1,652)
Dividends paid	(476)	(476)
Other, net	(41)	(8)
Net cash provided by (used in) financing activities	4,677	(3,264)
Effect of exchange rate change on cash and cash equivalents	318	361
Net increase (decrease) in cash and cash equivalents	200	88
Cash and cash equivalents at beginning of period	9,286	9,164
Cash and cash equivalents at end of period	9,487	9,253

(4) Notes to Semi-annual Consolidated Financial Statements

(Segment information, etc.)

[Segment information]

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information on net sales and income or loss by reportable segment

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Functional Coating Chemicals	Paper Chemicals & Environmental Business	Adhesive & Biomass Materials	Fine Chemicals & Electronics	Total		
Net sales							
Net sales to external customers	6,937	9,883	12,393	5,419	34,633	38	34,672
Inter-segment sales or transfers	–	–	–	–	–	16	16
Total	6,937	9,883	12,393	5,419	34,633	55	34,688
Segment income (loss)	109	330	(1,802)	(319)	(1,682)	16	(1,666)

Note: The "Others" category comprises business segments not included in reportable segments, such as non-life insurance business and real estate management.

2. Reconciliation of total income or loss of reportable segments with the amount reported in the semi-annual consolidated statements of income and main components of the difference (matters related to adjustments)

(Millions of yen)

Income	Amount
Total of reportable segments	(1,682)
Income in "Others" category	16
Variance from the allocation of corporate expenses (Note 1)	227
Corporate research and development expenses (Note 2)	(193)
Non-operating income and expenses (Note 3)	(195)
Operating loss in the semi-annual consolidated statements of income	(1,827)

Notes: 1. The variance from the allocation of corporate expenses primarily represents the difference in the estimated allocation of general and administrative expenses to reportable segments.

2. Corporate research and development expenses represent new research and development costs not allocated to reportable segments, which are the source of medium- to long-term growth.

3. Non-operating income and expenses primarily consist of items recorded as non-operating income and expenses in reportable segments.

3. Information on impairment losses on non-current assets or goodwill, etc., by reportable segment

Not applicable

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

1. Information on net sales and income or loss by reportable segment

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Functional Coating Chemicals	Paper Chemicals & Environmental Business	Adhesive & Biomass Materials	Fine Chemicals & Electronics	Total		
Net sales							
Net sales to external customers	8,211	10,993	13,230	6,843	39,280	47	39,327
Inter-segment sales or transfers	–	–	–	–	–	14	14
Total	8,211	10,993	13,230	6,843	39,280	62	39,342
Segment income (loss)	599	1,011	(1,292)	367	685	28	714

Note: The “Others” category comprises business segments not included in reportable segments, such as non-life insurance business and real estate management.

2. Reconciliation of total income or loss of reportable segments with the amount reported in the semi-annual consolidated statements of income and main components of the difference (matters related to adjustments)

(Millions of yen)

Income	Amount
Total of reportable segments	685
Income in “Others” category	28
Variance from the allocation of corporate expenses (Note 1)	(4)
Corporate research and development expenses (Note 2)	(188)
Non-operating income and expenses (Note 3)	(207)
Operating profit in the semi-annual consolidated statements of income	313

Notes: 1. The variance from the allocation of corporate expenses primarily represents the difference in the estimated allocation of general and administrative expenses to reportable segments.

2. Corporate research and development expenses represent new research and development costs not allocated to reportable segments, which are the source of medium- to long-term growth.

3. Non-operating income and expenses primarily consist of items recorded as non-operating income and expenses in reportable segments.

3. Information on impairment losses on non-current assets or goodwill, etc., by reportable segment

Not applicable

(Revenue recognition)

Disaggregation of revenue from contracts with customers

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Functional Coating Chemicals	Paper Chemicals & Environmental Business	Adhesive & Biomass Materials	Fine Chemicals & Electronics	Total		
Net sales							
Japan	5,551	5,803	5,248	3,545	20,149	38	20,187
China	880	1,635	3,056	945	6,518	–	6,518
Asia (excluding China)	464	2,443	1,999	797	5,706	–	5,706
South and North America, Europe, Others	40	–	2,088	131	2,260	–	2,260
Revenue from contracts with customers	6,937	9,883	12,393	5,419	34,633	38	34,672
Net sales to external customers	6,937	9,883	12,393	5,419	34,633	38	34,672

Note: The “Others” category comprises business segments not included in reportable segments, such as non-life insurance business and real estate management.

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Functional Coating Chemicals	Paper Chemicals & Environmental Business	Adhesive & Biomass Materials	Fine Chemicals & Electronics	Total		
Net sales							
Japan	6,623	6,012	5,449	4,341	22,426	47	22,474
China	983	1,972	3,751	1,114	7,820	–	7,820
Asia (excluding China)	551	2,998	2,109	1,289	6,948	–	6,948
South and North America, Europe, Others	53	11	1,921	98	2,084	–	2,084
Revenue from contracts with customers	8,211	10,993	13,230	6,843	39,280	47	39,327
Net sales to external customers	8,211	10,993	13,230	6,843	39,280	47	39,327

Note: The “Others” category comprises business segments not included in reportable segments, such as non-life insurance business and real estate management.