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Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 [Japanese GAAP]



May 14, 2025

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 and Executive Officer**

Phone: **+81-6-6209-8500**

Scheduled date of Annual General Meeting of Shareholders: **June 25, 2025**

Scheduled date of commencing dividend payments: **June 26, 2025**

Scheduled date of filing securities report: **June 24, 2025**

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

Schedule of annual 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 Fiscal Year Ended March 31, 2025 (April 1, 2024 – March 31, 2025)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	80,236	11.1	1,057	–	854	–	2,644	–
March 31, 2024	72,222	(9.1)	(2,617)	–	(2,412)	–	(1,042)	–

(Note) Comprehensive income: Fiscal year ended March 31, 2025: ¥ 1,808 million [(0.8)%]

Fiscal year ended March 31, 2024: ¥ 1,822 million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2025	133.31	–	4.6	0.7	1.3
March 31, 2024	(52.56)	–	(1.9)	(2.0)	(3.6)

(Reference) Equity in earnings of associated companies: Fiscal year ended March 31, 2025: ¥ – million

Fiscal year ended March 31, 2024: ¥ – million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2025	122,297	57,237	47.8	2,947.52
As of March 31, 2024	125,418	56,918	44.8	2,829.54

(Reference) Equity: As of March 31, 2025: ¥ 58,475 million

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2025	5,119	(3,243)	(4,704)	6,434
March 31, 2024	1,157	(7,140)	5,484	9,164

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year- end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2024	–	24.00	–	24.00	48.00	952	–	1.7
Fiscal year ended March 31, 2025	–	24.00	–	25.00	49.00	972	36.8	1.7
Fiscal year ending March 31, 2026 (Forecast)	–	25.00	–	25.00	50.00		55.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2026 (April 1, 2025 – March 31, 2026)

(% 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
First half (cumulative)	41,000	4.3	900	186.8	700	123.3	600	(63.3)	30.24
Full year	85,000	5.9	2,800	164.7	2,400	180.7	1,800	(31.9)	90.73

*** Notes:**

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

Newly included: – companies (Company name)

Excluded: – companies (Company name)

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

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

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

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

4) Retrospective restatement: **None**

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

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

March 31, 2025: 20,652,400 shares

March 31, 2024: 20,652,400 shares

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

March 31, 2025: 813,611 shares

March 31, 2024: 813,611 shares

3) Average number of shares during the year:

Fiscal year ended March 31, 2025: 19,838,789 shares

Fiscal year ended March 31, 2024: 19,838,881 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (April 1, 2024 – March 31, 2025)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	50,627	10.0	287	–	2,493	57.3	545	–
March 31, 2024	46,021	(4.3)	(373)	–	1,585	151.9	(673)	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2025	27.50	–
March 31, 2024	(33.95)	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2025	96,598	42,534	44.0	2,144.01
As of March 31, 2024	99,641	43,733	43.9	2,204.45

(Reference) Equity: As of March 31, 2025: ¥ 42,534 million

As of March 31, 2024: ¥ 43,733 million

* These consolidated financial results are outside the scope of audit 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.

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2025, the Japanese economy recovered moderately with gradual improvements seen in employment and income situation, though stagnation lingered in some sectors. In terms of the global economy, is showing signs of recovery, uncertainty about the future is increasingly high due to factors such as the impact of US trade policies, the slowdown in China's economy stemming from the stagnation of its real estate market, and increasing geopolitical risks.

In this environment, ARAKAWA CHEMICAL INDUSTRIES, LTD. and its subsidiaries (the "Group") have been pressing forward with key initiatives in line with the policy of the 5th Medium-Term Management Plan, which started in April 2021, promoting KIZUNA management and the achievement of the KIZUNA Index. We are dedicating our efforts on realizing a sustainable global environment and society through business portfolio reforms centered on our core technologies and materials as well as the creation of new businesses.

In terms of business portfolio reforms, in particular, the Group endeavors to recover the earning power of its existing businesses, and to that end, the consolidation of manufacturing sites for rosin derivatives, sizing agents, and related businesses was completed on March 31, 2025. Furthermore, we are accelerating the development of new businesses leveraging natural materials such as pine and microalgae, aiming to create new business opportunities in the life sciences sector, including healthcare, agriculture, and cosmetics.

In terms of operating results, sales of photo-curable resins for functional coating chemicals and polishing agents for hard disk substrates, etc., were higher than those in the same period of the previous fiscal year, thanks to recovery in smartphone shipments and proactive investment in data centers, among other factors. In addition, sales of paper strengthening agents for paperboard and tackifiers for adhesives and PSA were strong overseas, which also contributed to the operating results.

As a result, for the fiscal year ended March 31, 2025, the Group posted net sales of ¥80,236 million (up 11.1% year on year), operating profit of ¥1,057 million (operating loss of ¥2,617 million in the previous fiscal year), ordinary profit of ¥854 million (ordinary loss of ¥2,412 million in the previous fiscal year), and profit attributable to owners of parent of ¥2,644 million (loss attributable to owners of parent of ¥1,042 million in the previous fiscal year). This was due to factors including ¥1,268 million gain on sale of investment securities, ¥984 million gain on sale of fixed assets, and a ¥386 million adjustment to corporate taxes due to increased taxable income resulting from these sales.

Operating results by segment are as follows. Net sales for each segment do not include inter-segment net sales.

Functional Coating Chemicals Business

The electrical and precision equipment related industries saw a recovery trend in demand for electronic parts, etc. In this environment, The photo-curable resins for functional coating materials, where we proactively invested in personnel and CAPEX to support future demand growth, experienced a recovery in demand in the smartphone and display-related fields, which led to increased sales.

As a result, net sales were ¥16,842 million (up 12.8% year on year) and segment income was ¥1,219 million (up 134.2% year on year).

Paper Chemicals & Environmental Business

In the paper manufacturing industry, operation rates of cardboard base paper factories in China remained low, and the market conditions in Japan continued to be sluggish, creating a challenging demand environment. In the Paper Chemicals & Environmental Business, despite the competitive environment the increasingly challenging , we have focused on creating demand for paper strengthening agents for paperboard in Asia, which result in increased income.

As a result, net sales were ¥22,041 million (up 4.4% year on year) and segment income was ¥1,849 million (up 38.1% year on year).

Adhesive & Biomass Materials Business

The adhesives industry in Japan was partially affected by production halts in the automobile-related field, resulting in weak demand for those used for tapes and sheets, etc. In this environment, in the Adhesive & Biomass Materials Business, although the operation rate of Chiba Arkon Production Limited showed improvement, unexpected equipment malfunctions and increased repair costs negatively impacted the profitability of its hydrogenated hydrocarbon resin business. Meanwhile, sales of rosin tackifier for adhesives and PSA were strong, mainly in the Asian region.

As a result, net sales were ¥27,800 million (up 10.6% year on year) and segment loss was ¥2,241 million (segment loss of ¥4,048 million in the same period of the previous fiscal year).

Fine Chemicals & Electronics Business

In the electronics industry, recovery in demand for electronic components, etc. and proactive investment in data centers are in progress, associated with increased demand for generative AI. In this environment, in the Fine Chemicals & Electronics Business, we are enhancing the production capacity of fine chemical products for semiconductor-related advanced materials, as well as polishing agents for hard disk substrates, with an eye toward the future, and these products have posted a significant increase in sales.

As a result, net sales were ¥13,459 million (up 22.9% year on year) and segment income was ¥847 million (segment loss of ¥393 million in the same period of the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets as of March 31, 2025 decreased by ¥3,121 million from the end of the previous fiscal year to ¥122,297 million. The main factors were a decrease in cash and deposits of ¥2,146 million and a decrease in property, plant, and equipment of ¥912 million, despite increases in notes and accounts receivable-trade of ¥201 million and inventories of ¥524 million.

Liabilities decreased by ¥3,440 million compared to the end of the previous fiscal year, reaching ¥65,060 million. This was primarily due to decreases in notes and accounts payable by ¥277 million, short-term borrowings by ¥192 million, and long-term borrowings by ¥2,814 million.

Equity increased by ¥318 million compared to the end of the previous fiscal year, reaching ¥57,237 million.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review decreased by ¥2,730 million from the end of the previous fiscal year to ¥6,434 million.

Net cash provided by operating activities increased by ¥5,119 million. This was due to net income before income taxes (¥2,867 million) and depreciation (¥5,720 million), among other factors.

Net cash used in investing activities decreased by ¥3,243 million. This resulted from a net decrease in cash due to mainly due to the purchase of property, plant and equipment and intangible assets (¥4,517 million) despite an increase in cash from the sale of investment securities (¥1,578 million).

Net cash provided by financing activities decreased by ¥4,704million. This was due to a net decrease in borrowings (¥3,175 million) and dividend payments (¥952 million).

(4) Future Outlook

The economic outlook in Japan and abroad remains highly uncertain due to a confluence of factors: U.S. policy shifts, concerns about the Chinese economy, increasing geopolitical risks, and the impacts of various countries' monetary policies.

Our group recognizes the situation at Chiba Arkon Production Limited as a significant company-wide challenge to address. However, we believe that hydrogenated hydrocarbon resin "Arkon" offers significant potential for long-term growth. Under the "Arkon Special Committee," headed by the Representative Director and President, we will rebuild our global sales strategy, focusing on expanding sales in high-value-added applications. On the production side, we will strengthen our efforts to improve operating rates in the short term and, in the long term, we will pursue initiatives in anticipation of the restructuring of the petrochemical complex.

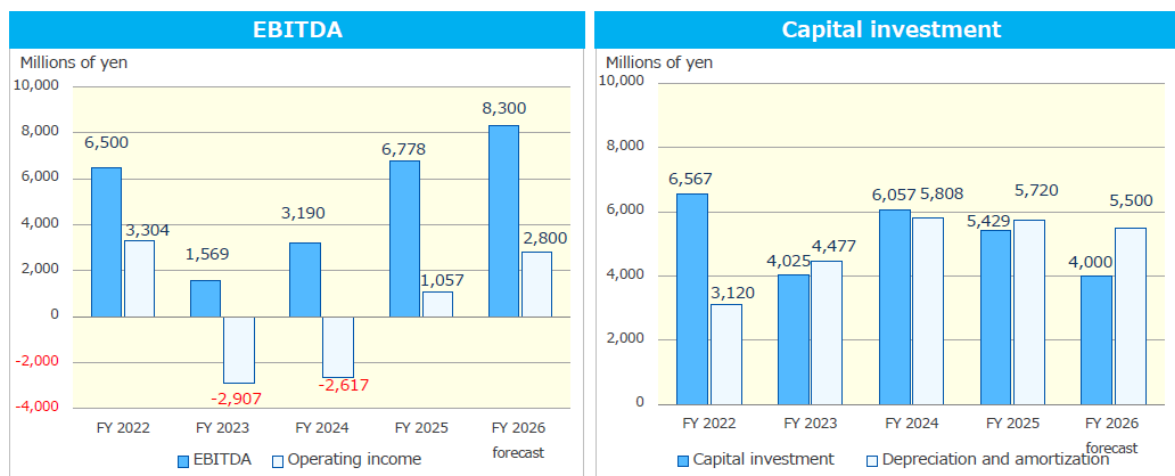
In our businesses, positioned as a "NOBASU" mission, which targets growth markets with expected increase in demand, we have made capital investments to expand production capacity during the current Medium-Term Management Plan period. For precision polishing agents for hard disk drives, we have already obtained customer approvals and are proceeding to the mass production phase. In addition, the production facilities for photo-curable resins used in displays and electronic component processing materials, as well as for fine chemical products used in advanced materials for semiconductor-related markets, have been completed. We will now focus on obtaining customer approvals and transitioning to mass production.

As financial results for the fiscal year ending March 31, 2026, we forecast net sales of ¥85,000 million, operating profit of ¥2,800 million, and ordinary profit of ¥2,400 million. Profit attributable to owners of parent is forecast to amount to ¥1,800 million

(Reference) Depreciation expense recognized at Chiba Arkon Production Limited

(Millions of yen)

FY 2023	FY 2024	FY 2025	FY 2026 (forecast)	FY 2027 (forecast)
1,043	2,315	1,954	Approx. 1,600	Approx. 1,400



[EBITDA] Operating profit before amortization = Operating profit + Depreciation expense + Amortization of goodwill

(5) Basic Policy on Profit Distribution and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Company's basic policy is to maintain a stable, continuous dividend while proactively implementing shareholder return measures. As to the consolidated payout ratio, we engage in shareholder return measures, aiming to increase the amount of dividend and reach a payout ratio of 40% through profit expansion by achieving growth strategies laid out in the 5th Medium-Term Management Plan.

In order to strengthen management foundations and achieve sustainable growth, the Company intends to actively utilize internal reserves to ensure the soundness of its financial position, invest in research and development, make capital investments, and strengthen Group systems to facilitate synergies in developing technology and customer demand, etc., and shall thus endeavor to enhance business performance.

Under these policies, considering overall performance and appreciation of our shareholders' continued support, for the year ended March 31, 2025, we plan to pay a year-end dividend of ¥25 per share by raising ¥1 from the initial forecast of ¥24 per share. This, combined with the interim dividend of ¥24 per share already paid, results in a total annual dividend of ¥49 per share.

Although the operating environment remains uncertain for the next fiscal year, we aim for a proactive dividend policy, targeting an annual dividend per share of ¥50, driven by our business portfolio restructuring, investment in growth areas, and further expansion of our high-value-added products.

2. Management Policies

(1) Basic Management Policies of the Company

We, Arakawa Chemical Group, are proactively expanding our business on a global scale. We share our vision “Chemistrify the Bonds – YOUR SPECIALITY CHEMICAL PARTNER” derived from our management philosophy “Develop individuality and realize everyone’s dreams through technology and service”. “Chemistrify the Bonds” not only describes our products that bind different materials and provide functionality, but also indicates the social bonds connecting Arakawa Chemical Group, our partners, our employees and the entire society through our products. Cherishing the bonds and becoming “YOUR SPECIALITY CHEMICAL PARTNER” is our fundamental policy.

By giving safety the highest priority, we keep reinforcing and expanding our domestic and overseas manufacturing and sales network as well as subsidiary companies. Meanwhile, we always pursue our goals by strengthening our competency and fulfilling our social responsibilities by carrying through regulatory compliance, environment protection and social contributions.

We also implemented our code of conduct “ARAKAWA WAY – The Five KIZUNA” based on the management philosophy and vision that we treasure and share the common value with all our employees. Consistency in management will always be kept, and we’ll keep moving forward making right decisions and rapid actions.

(2) Target Management Indicators and Medium- to Long-term Company Management Strategies

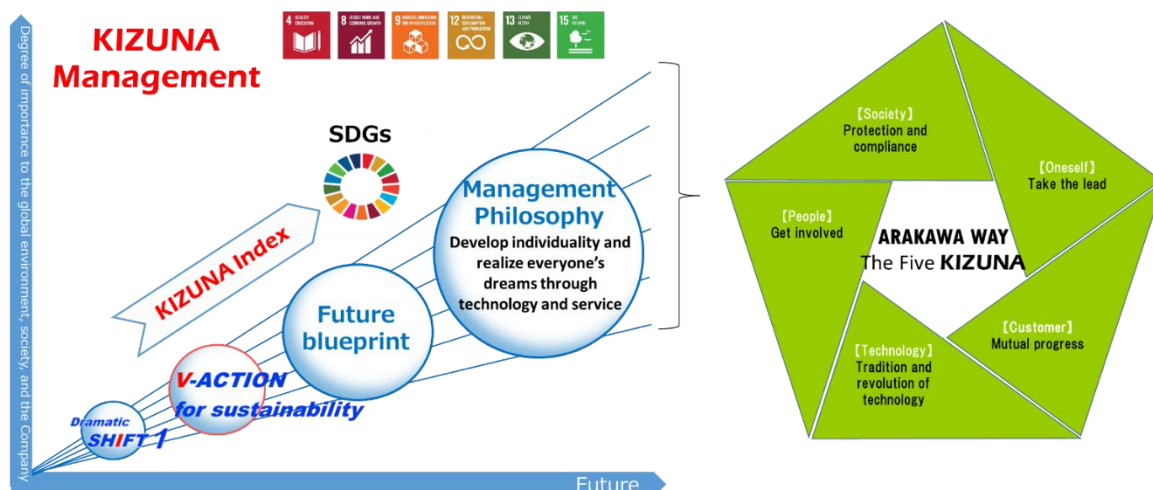
The Company had been advancing the 5th Medium-Term Management Plan “V-ACTION for sustainability” (FY 2022 through FY 2026) since April 2021. Considering the progress, the business environment surrounding the Group and other factors, we revised this plan in May 2024. While keeping unchanged the basic policy of the 5th Medium-Term Management Plan, “promoting KIZUNA management and achievement of KIZUNA Index (*1),” we, toward realizing the “future blueprint” laid out by the Company, have set Vision 2030 (*2) and Future aspirations (*3) guided by management (KIZUNA management) based on the Group’s value and code of conduct (ARAKAWA WAY The Five KIZUNA). We will deepen the rejuvenation of our workforce and businesses through the continuation of SHIFT, including recovering the earning power of existing businesses and improving profitability through accelerating business portfolio reforms, and thereby ensure the sustainability of our business foundation. In addition, we will endeavor to create additional value and new businesses by tackling issues toward realizing a sustainable global environment and society. Looking to the 150th anniversary of our founding to be marked in next year and beyond down the road, and steadily inheriting our history and traditions, we will foster a safety culture and improve job satisfaction and productivity so as to continue growing, with the aim of realizing the “future blueprint” through achieving the KIZUNA Indexes.

For the fiscal year ending March 2026, the final year of the plan, numerical forecast for FY 2026 are: ¥85,000 million in net sales, ¥2,800 million in operating income, ¥2,400 million in ordinary income, ¥1,800 million in net income attributable to owners of the parent, an operating profit margin of 3.3% or higher, EBITDA of ¥8,300 million or higher, and ROE of 3.0% or higher.

(*1) Index based on priority issues linked to The Five KIZUNA

(*2) We contribute to realizing global and social sustainability by deepening “Tsunagu” technology and challenging ourselves to create new value through environmentally-conscious materials symbolized by rosin.

(*3) We aim to become a chemical manufacturer that supports the “REAL” and “DIGITAL” world and produce materials related to life science in a sustainable ecosystem conducive to global and social sustainability.



(3) Operating Environment for the Company and Priority Issues to be Addressed

Toward realizing sustainable growth, the Company has established in April 2021 a Sustainability Committee with the aim of strengthening corporate governance functions. The Committee is engaged in promoting business portfolio reforms and sustainability-related information disclosure, such as TCFD (Task Force on Climate-related Financial Disclosures), among others.

In FY 2022, the Company issued sustainability-linked bonds (corporate bonds) as the first in the chemical industry in Japan. As important indicators for risks and opportunities for the Group's sustainability management, we adopted a reduction rate of CO₂ emissions and a consolidated sales index of sustainable products. The progress of these indicators has gone through verification by a third-party organization. We will continue pressing forward with initiatives toward achieving these targets.

Under the 5th Medium-Term Management Plan, we strive to enhance our core technologies and materials, while focusing on sustainable development that takes environment into consideration. Moreover, to cope with rapid changes in the operating environment, we are driving business portfolio reforms through enhancing business assessment functions. Under the initiative of Business Strategy Dept., business assessment is conducted for each business unit to enable swift determination on selection and concentration based on SHIFT in business missions. By doing so, we aim for efficient use of management resources, thereby helping to increase profitability and create new businesses.

Fiscal year 2026 marks the final year of the 5th Medium-Term Management Plan and is a crucial year for laying the foundation for the Medium-Term Management Plan. We will focus our efforts on achieving our numerical targets through improved profitability and on initiatives to create a life sciences business.

An explosion and fire accident occurred at our Fuji Plant on December 1, 2017. To ensure this accident is never forgotten, we established in FY 2022 a Safety Culture Fostering Special Committee as a subordinate organization of the Sustainability Committee, thereby enhancing our system for ensuring safety. Toward resolving three issues in communication, human resource development and risk assessment, we provide safety education to all employees at Arakawa Safety Traditions Center established within Fuji Plant and a safety training hall at Onahama Plant. The number of safety engineers trained, who are highly specialized personnel required for safe operation, has been also on the rise. We continue efforts aimed at enhancing safety at plants.

For details, please refer to the information posted on the Company's website.

- The 5th Medium-Term Management Plan <https://www.arakawachem.co.jp/jp/ir/strategy.html>
 (Full version only available in
 Japanese)
- Sustainability <https://www.arakawachem.co.jp/en/csr/>
 <https://www.arakawachem.co.jp/jp/csr/>
- KIZUNA Index <https://www.arakawachem.co.jp/en/csr/sdgs.html#KIZUNAindex>
 <https://www.arakawachem.co.jp/jp/csr/sdgs.html#KIZUNAindex>
- Sustainability-linked bond https://www.arakawachem.co.jp/en/csr/sustainability-linked_bond
 (Abstract version available in English) <https://www.arakawachem.co.jp/jp/ir/slb.html>

3. Fundamental Approach to Accounting Standards Selection

Our financial statements are prepared in accordance with Japanese Generally Accepted Accounting Principles (J-GAAP). While we are considering the adoption of International Financial Reporting Standards (IFRS), we have decided to continue using J-GAAP for the time being, considering factors such as our current lack of plans for overseas financing and the need for comparability with other Japanese companies. We will continue to evaluate the adoption of IFRS on an ongoing basis.

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	11,578	9,431
Notes and accounts receivable – trade	25,683	25,884
Electronically recorded monetary claims – operating	2,504	2,258
Merchandise and finished goods	12,423	12,619
Work in process	1,603	1,468
Raw materials and supplies	9,267	9,730
Other	1,215	997
Allowance for doubtful accounts	(116)	(126)
Total current assets	64,159	62,264
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,723	18,604
Machinery, equipment and vehicles, net	14,126	13,487
Land	4,996	5,008
Construction in progress	1,969	846
Other, net	1,136	1,092
Total property, plant and equipment	39,952	39,039
Intangible assets	1,529	1,374
Investments and other assets		
Investment securities	11,200	10,105
Retirement benefit asset	6,087	7,392
Deferred tax assets	286	288
Other	354	386
Allowance for doubtful accounts	(79)	(86)
Total investments and other assets	17,850	18,086
Total non-current assets	59,332	58,500
Deferred assets		
Business commencement expenses	1,927	1,532
Total deferred assets	1,927	1,532
Total assets	125,418	122,297

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable – trade	9,478	9,200
Electronically recorded obligations – operating	1,403	1,172
Short-term borrowings	18,512	18,319
Current portion of bonds payable	5,000	–
Income taxes payable	434	774
Accrued consumption taxes	100	52
Provision for bonuses	1,190	1,370
Provision for bonuses for directors (and other officers)	–	27
Provision for repairs	732	820
Provision for loss on business liquidation	110	56
Asset retirement obligations	–	26
Notes payable – facilities	297	104
Other	6,146	5,682
Total current liabilities	43,406	37,608
Non-current liabilities		
Bonds payable	5,000	10,000
Long-term borrowings	13,875	11,061
Deferred tax liabilities	3,847	4,161
Retirement benefit liability	299	259
Asset retirement obligations	1,919	1,832
Other	151	135
Total non-current liabilities	25,093	27,451
Total liabilities	68,500	65,060
Net assets		
Shareholders' equity		
Share capital	3,343	3,343
Capital surplus	3,564	3,564
Retained earnings	38,927	40,619
Treasury shares	(1,211)	(1,211)
Total shareholders' equity	44,623	46,315
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,173	4,384
Foreign currency translation adjustment	3,530	4,671
Remeasurements of defined benefit plans	2,807	3,103
Total accumulated other comprehensive income	11,511	12,159
Non-controlling interests	783	(1,237)
Total net assets	56,918	57,237
Total liabilities and net assets	125,418	122,297

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net sales	72,222	80,236
Cost of sales	60,540	63,743
Gross profit	11,681	16,493
Selling, general and administrative expenses	14,299	15,436
Operating profit (loss)	(2,617)	1,057
Non-operating income		
Interest income	97	102
Dividend income	226	239
Rental income from real estate	49	57
Foreign exchange gains	172	151
Other	274	200
Total non-operating income	821	752
Non-operating expenses		
Interest expenses	331	393
Bond issuance costs	—	24
Loss on investments in investment partnerships	67	28
Amortization of business commencement expenses	43	396
Other	173	112
Total non-operating expenses	615	955
Ordinary profit (loss)	(2,412)	854
Extraordinary income		
Gain on sale of non-current assets	5	984
Gain on sale of investment securities	511	1,268
Compensation income	431	—
Gain on reversal of asset retirement obligations	514	—
Total extraordinary income	1,463	2,252
Extraordinary losses		
Loss on sale and retirement of non-current assets	462	239
Loss on valuation of non-current assets	7	—
Total extraordinary losses	470	239
Profit (loss) before income taxes	(1,418)	2,867
Income taxes – current	996	1,418
Income taxes – deferred	(57)	386
Total income taxes	938	1,805
Profit (loss)	(2,356)	1,062
Loss attributable to non-controlling interests	(1,314)	(1,582)
Profit (loss) attributable to owners of parent	(1,042)	2,644

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit (loss)	(2,356)	1,062
Other comprehensive income		
Valuation difference on available-for-sale securities	2,239	(789)
Foreign currency translation adjustment	844	1,237
Remeasurements of defined benefit plans, net of tax	1,094	298
Total other comprehensive income	4,179	746
Comprehensive income	1,822	1,808
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,004	3,292
Comprehensive income attributable to non-controlling interests	(1,182)	(1,484)

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,343	3,564	40,922	(1,211)	46,618
Changes during period					
Dividends of surplus			(952)		(952)
Profit (loss) attributable to owners of parent			(1,042)		(1,042)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(1,994)	(0)	(1,995)
Balance at end of period	3,343	3,564	38,927	(1,211)	44,623

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,933	2,819	1,710	7,464	2,426	56,509
Changes during period						
Dividends of surplus						(952)
Profit (loss) attributable to owners of parent						(1,042)
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	2,239	710	1,096	4,047	(1,642)	2,404
Total changes during period	2,239	710	1,096	4,047	(1,642)	409
Balance at end of period	5,173	3,530	2,807	11,511	783	56,918

For the fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,343	3,564	38,927	(1,211)	44,623
Changes during period					
Dividends of surplus			(952)		(952)
Profit (loss) attributable to owners of parent			2,644		2,644
Purchase of treasury shares					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,692	—	1,692
Balance at end of period	3,343	3,564	40,619	(1,211)	46,315

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,173	3,530	2,807	11,511	783	56,918
Changes during period						
Dividends of surplus						(952)
Profit (loss) attributable to owners of parent						2,644
Purchase of treasury shares						—
Net changes in items other than shareholders' equity	(789)	1,140	296	648	(2,021)	(1,373)
Total changes during period	(789)	1,140	296	648	(2,021)	318
Balance at end of period	4,384	4,671	3,103	12,159	(1,237)	57,237

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit (loss) before income taxes	(1,418)	2,867
Depreciation	5,808	5,720
Amortization of business commencement expenses	43	396
Increase (decrease) in allowance for doubtful accounts	2	5
Increase (decrease) in provision for bonuses	144	164
Increase (decrease) in provision for bonuses for directors (and other officers)	–	27
Increase (decrease) in retirement benefit liability	(0)	(40)
Decrease (increase) in retirement benefit asset	(2,190)	(1,301)
Increase (decrease) in provision for loss on business liquidation	(1,169)	(59)
Loss (gain) on sale and retirement of non-current assets	456	(743)
Loss on valuation of non-current assets	7	–
Loss (gain) on sale of investment securities	(511)	(1,268)
Loss (gain) on investments in investment partnerships	67	28
Compensation income	(431)	–
Gain on reversal of asset retirement obligations	(514)	–
Interest and dividend income	(324)	(342)
Interest expenses	331	393
Decrease (increase) in trade receivables	(2,281)	627
Decrease (increase) in inventories	1,386	(124)
Increase (decrease) in trade payables	(435)	(715)
Increase (decrease) in accrued consumption taxes	71	(15)
Other, net	3,021	566
Subtotal	2,062	6,186
Interest and dividends received	324	342
Interest paid	(358)	(372)
Income taxes refund (paid)	(871)	(1,036)
Net cash provided by (used in) operating activities	1,157	5,119
Cash flows from investing activities		
Decrease (increase) in time deposits	(428)	(471)
Purchase of property, plant and equipment	(6,768)	(4,407)
Proceeds from sale of property, plant and equipment	14	773
Purchase of investment securities	(38)	(303)
Proceeds from sale of investment securities	655	1,578
Purchase of intangible assets	(89)	(110)
Purchase of shares of subsidiaries and associates	(305)	–
Payments for deferred assets	(64)	–
Decrease (increase) in investments and other assets	(1)	(9)
Other, net	(113)	(292)
Net cash provided by (used in) investing activities	(7,140)	(3,243)

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	309	(243)
Proceeds from long-term borrowings	12,162	405
Repayments of long-term borrowings	(5,503)	(3,337)
Proceeds from issuance of bonds	–	4,975
Redemption of bonds	–	(5,000)
Purchase of treasury shares	(0)	–
Dividends paid	(952)	(952)
Dividends paid to non-controlling interests	(460)	(537)
Other, net	(71)	(14)
Net cash provided by (used in) financing activities	5,484	(4,704)
Effect of exchange rate change on cash and cash equivalents	376	97
Net increase (decrease) in cash and cash equivalents	(121)	(2,730)
Cash and cash equivalents at beginning of period	9,286	9,164
Cash and cash equivalents at end of period	9,164	6,434

SEGMENT INFORMATION, ETC.

Segment Information

1 Overview of Reportable Segments

(1) Method of determination of reportable segments

Reportable segments are components of ARAKAWA CHEMICAL INDUSTRIES, LTD. (the “Company”) and its subsidiaries (collectively, the “Group”) for which discrete financial information is available and operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

(2) Major products and services in each reportable segment

The Group’s core technology is pine chemical—chemistry of the natural resin gum rosin (pine resin). The Group produces and sells these materials for use in digital devices, printing ink & paint, papermaking, environmentally-friendly products, adhesives & glues, biomass materials, and semiconductors & electronic parts. The Group operates its businesses under the divisions Functional coating chemicals, Paper chemicals & environmental business., Adhesive & biomass materials., and Fine chemicals & electronics.

Accordingly, the Group operates under four reportable segments, Functional coating chemicals, Paper chemicals & environmental business, Adhesive & biomass materials, and Fine chemicals & electronics.

Reportable segment	Major products
Functional coating chemicals	Photo-curable resin, thermosetting resin, resin for printing ink, resin for paint, etc.
Paper chemicals & environmental business	Paper strengthening agents, sizing agents, new water-based polymers, etc.
Adhesive & biomass materials	Hydrogenated hydrocarbon resin, tackifier for adhesive and pressure sensitive adhesive, colorless rosin, emulsifiers for synthetic rubber polymerization, etc.
Fine chemicals & electronics	Precise parts cleaning agents, cleaning systems, low-dielectric polyimide resin, fine chemical products, compounds for electronic materials, precision polishing agents, etc.

2 Basis for calculating net sales, profit or loss, assets, and other items by reportable segment

The accounting methods for the reported business segments are generally consistent with those described in the most recent annual securities report (June 20, 2024) under “Basis for preparation”

Segment profit is based on operating profit. Inter-segment revenue and transfer amounts are based on prevailing market prices.

3 Net sales, profit or loss, assets, and other items by reportable segment

For the fiscal year ended March 31, 2024 ("FY2024/3")

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Functional coating chemicals	Paper chemicals & environmental business	Adhesive & biomass materials	Fine chemicals & electronics	Total		
Net sales							
Net sales to external customers	14,931	21,120	25,135	10,955	72,141	80	72,222
Inter-segment sales or transfers	—	—	—	—	—	40	40
Total	14,931	21,120	25,135	10,955	72,141	121	72,262
Segment profit (loss)	520	1,339	(4,048)	(393)	(2,581)	38	(2,542)
Segment assets	17,833	21,527	45,089	15,262	99,713	384	100,098
Other categories							
Depreciation	754	997	3,159	563	5,475	4	5,480
Increases in property, plant and equipment, and intangible assets	2,150	1,193	1,023	1,352	5,718	3	5,722

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

For the fiscal year ended March 31, 2025 ("FY2025/3")

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Functional coating chemicals	Paper chemicals & environmental business	Adhesive & biomass materials	Fine chemicals & electronics	Total		
Net sales							
Net sales to external customers	16,842	22,041	27,800	13,459	80,143	93	80,236
Inter-segment sales or transfers	—	—	—	—	—	27	27
Total	16,842	22,041	27,800	13,459	80,143	121	80,264
Segment profit (loss)	1,219	1,849	(2,241)	847	1,675	56	1,732
Segment assets	18,457	20,504	43,603	16,892	99,458	417	99,875
Other categories							
Depreciation	1,012	1,065	2,728	622	5,429	3	5,433
Increases in property, plant and equipment, and intangible assets	624	901	1,259	2,547	5,332	0	5,332

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

4 Reconciliation between total for reportable segments and amounts on the consolidated financial statements

(Millions of yen)

Net sales	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Total of reportable segments	72,141	80,143
Sales in the “Other” segment	121	121
Elimination of inter-segment transactions	(40)	(27)
Net sales in the consolidated financial statements	72,222	80,236

(Millions of yen)

Profit	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Total of reportable segments	(2,581)	1,675
Profit in the “Other” segment	38	56
Difference in allocation of centrally incurred costs (Note 1)	583	83
Corporate research and development expenses (Note 2)	(408)	(384)
Non-operating income (expenses) (Note 3)	(250)	(372)
Operating profit (loss) in the consolidated financial statements	(2,617)	1,057

Notes

1. “Difference in allocation of centrally incurred costs” mainly comprises the difference between the forecast and actual allocation of general administrative expenses to reportable segments.
2. “Corporate research and development expenses” are new research and development expenses for growth over the medium to long term, which are not allocated to reportable segments.
3. “Non-operating income (expenses)” mainly comprises items recorded for reportable segments.

(Millions of yen)

Assets	As of March 31, 2024	As of March 31, 2025
Total of reportable segments	99,713	99,458
Assets in the “Other” segment	384	417
Central assets (Note 1)	57,042	53,926
Other adjustments (Note 2)	(31,721)	(31,504)
Total assets in the consolidated financial statements	125,418	122,297

Notes

1. “Central assets” mainly comprise surplus operating funds (cash and deposits), long-term investment funds (investment securities), and assets related to the administrative section of the parent company not attributed to reportable segments.
2. “Other adjustments” mainly arise from the elimination of accounts receivable in internal transactions and of shares of associates and other assets due to the consolidation of their capital.

(Millions of yen)

Other item	Total of reportable segments		Others		Adjustments (Note)		Amount stated in the consolidated financial statements	
	FY2024/3	FY2025/3	FY2024/3	FY2025/3	FY2024/3	FY2025/3	FY2024/3	FY2025/3
Depreciation	5,475	5,429	4	3	328	287	5,808	5,720
Increase in property, plant and equipment and intangible assets	5,718	5,332	3	0	335	96	6,057	5,429

Note: “Adjustments” to the “Increase in property, plant and equipment and intangible assets” are mainly related to the administrative section of the parent company not attributed to reportable segments.

Impairment losses on non-current assets by reportable segment

For the fiscal year ended March 31, 2024

Not applicable.

For the fiscal year ended March 31, 2025

Not applicable.

Amortization and unamortized balance of goodwill by reportable segment

For the fiscal year ended March 31, 2024

Not applicable.

For the fiscal year ended March 31, 2025

Not applicable.

Gain on bargain purchase by reportable segment

For the fiscal year ended March 31, 2024

Not applicable.

For the fiscal year ended March 31, 2025

Not applicable.

REVENUE RECOGNITION

Disaggregation of revenue from contracts with customers

For the fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Functional coating chemicals	Paper chemicals & environmental business	Adhesive & biomass materials	Fine chemicals & electronics	Total		
Net sales							
Japan	11,922	11,827	10,718	7,165	41,634	80	41,714
China	1,887	3,834	6,679	1,840	14,242	—	14,242
Asia (excluding China)	1,051	5,457	4,045	1,691	12,245	—	12,245
South and North America, Europe, Others	70	—	3,691	257	4,018	—	4,018
Revenue from contracts with customers	14,931	21,120	25,135	10,955	72,141	80	72,222
Net sales to external customers	14,931	21,120	25,135	10,955	72,141	80	72,222

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

For the fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Functional coating chemicals	Paper chemicals & environmental business	Adhesive & biomass materials	Fine chemicals & electronics	Total		
Net sales							
Japan	13,516	12,068	11,173	8,759	45,518	93	45,612
China	1,993	3,824	8,684	2,170	16,674	—	16,674
Asia (excluding China)	1,141	6,133	4,204	2,378	13,858	—	13,858
South and North America, Europe, Others	189	14	3,737	149	4,091	—	4,091
Revenue from contracts with customers	16,842	22,041	27,800	13,459	80,143	93	80,236
Net sales to external customers	16,842	22,041	27,800	13,459	80,143	93	80,236

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

PER SHARE INFORMATION

(Yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net assets per share	2,829.54	2,947.52
Basic earnings (loss) per share	(52.56)	133.31

Notes:

1. Diluted earnings per share is not stated, because there were no potential shares.
2. The basis for calculating basic earnings (loss) per share is as follows:

(Millions of yen unless stated otherwise)

Item	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit (loss) attributable to owners of parent	(1,042)	2,644
Amount not attributable to common shareholders	—	—
Profit (loss) attributable to owners of parent associated with common shares	(1,042)	2,644
Average number of common shares during the year (Shares)	19,838,881	19,838,789

SUBSEQUENT EVENTS

Not applicable.