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Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 [Japanese GAAP]



May 14, 2026

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**

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Scheduled date of Annual General Meeting of Shareholders: **June 24, 2026**

Scheduled date of commencing dividend payments: **June 25, 2026**

Scheduled date of filing securities report: **June 23, 2026**

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, 2026 (April 1, 2025 – March 31, 2026)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2026	82,135	2.4	2,500	136.4	2,390	179.7	2,201	(16.8)
March 31, 2025	80,236	11.1	1,057	–	854	–	2,644	–

(Note) Comprehensive income: Fiscal year ended March 31, 2026: ¥ 3,425 million [89.4%]

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

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2026	110.96	–	3.6	1.9	3.0
March 31, 2025	133.31	–	4.6	0.7	1.3

(Reference) Equity in earnings of associated companies: Fiscal year ended March 31, 2026: ¥ – million

Fiscal year ended March 31, 2025: ¥ – 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, 2026	126,059	59,240	49.5	3,143.24
As of March 31, 2025	122,297	57,237	47.8	2,947.52

(Reference) Equity: As of March 31, 2026: ¥ 62,357 million

As of March 31, 2025: ¥ 58,475 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, 2026	4,176	(2,103)	(286)	8,413
March 31, 2025	5,119	(3,243)	(4,704)	6,434

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			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2025	-	24.00	-	25.00	49.00	972	36.8	1.7
March 31, 2026	-	25.00	-	25.00	50.00	991	45.1	1.6
March 31, 2027 (Forecast)	-	27.50	-	27.50	55.00		48.5	

(Note) Breakdown of interim dividend for the fiscal year ending March 31, 2027: Ordinary dividend of ¥26, commemorative dividend of ¥1.5 (150th anniversary commemorative dividend)

Breakdown of year-end dividend for the fiscal year ending March 31, 2027: Ordinary dividend of ¥26, commemorative dividend of ¥1.5 (150th anniversary commemorative dividend)

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2027 (April 1, 2026 – March 31, 2027)

(% 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)	43,000	6.5	1,400	50.7	1,200	87.8	1,000	38.0	50.41
Full year	87,000	5.9	3,300	32.0	2,800	17.1	2,250	2.2	113.41

*** 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, 2026: 20,652,400 shares

March 31, 2025: 20,652,400 shares

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

March 31, 2026: 813,671 shares

March 31, 2025: 813,611 shares

3) Average number of shares during the year:

Fiscal year ended March 31, 2026: 19,838,753 shares

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

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2026 (April 1, 2025 – March 31, 2026)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2026	51,902	2.5	1,473	411.9	4,181	67.7	1,371	151.3
March 31, 2025	50,627	10.0	287	-	2,493	57.3	545	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2026	69.12	-
March 31, 2025	27.50	-

(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, 2026	99,942	43,971	44.0	2,216.46
As of March 31, 2025	96,598	42,534	44.0	2,144.01

(Reference) Equity: As of March 31, 2026: ¥ 43,971 million

As of March 31, 2025: ¥ 42,534 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.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year

During the fiscal year ended March 31, 2026, the Japanese economy continued its modest recovery, supported by improvements in employment and income situation. However, the global economy remains uncertain, with signs of weakness in some regions, increasing geopolitical risks stemming from the situation in the Middle East, etc., China's economic slowdown, and developments surrounding U.S. trade policy, among others, creating continued uncertainty about prospects.

In this environment, ARAKAWA CHEMICAL INDUSTRIES, LTD. and its subsidiaries (the "Group") have implemented key initiatives under "V-ACTION for Sustainability," the 5th Medium-Term Management Plan (the "5th MTMP"), now in its final year. In the area of photo-curable resins and fine chemical products, where production capacity was expanded, we have completed the establishment of a mass production system in response to growing market demand in the future. In particular, regarding photo-curable resins, in addition to demand in the traditional smartphones and displays areas, demand in materials for AI servers is also growing. We are also working to develop new businesses by leveraging natural materials such as pine and microalgae, with the aim of commercialization in the life sciences domain (healthcare, agriculture, and cosmetics). As part of these efforts, we have launched online sales of "Pino Fleur®," a pine needle extract supplement designed to support mental and physical wellness and inner flow in the healthcare area, and "EcoRosin®," an agricultural material which is effective in enhancing crop yields and strengthening resistance to environmental stresses such as extreme heat in the agriculture area. As for hydrogenated hydrocarbon resin, we recognize the stable operation of Chiba Arkon Production Limited as an important company-wide challenge, and we have improved its operation rate compared to the previous fiscal year by strengthening our organizational structure to address this issue, with the "Arkon Special Committee" playing a central role.

In terms of operating results, in relation to the key areas such as semiconductors, generative AI and data centers, sales of the photo-curable resins for functional coating materials, fine chemicals products and polishing agents for hard disk substrates reached a record high.

As a result, for the fiscal year ended March 31, 2026, the Group posted net sales of ¥82,135 million (up 2.4% year on year), operating profit of ¥2,500 million (up 136.4% year on year), ordinary profit of ¥2,390 million (up 179.7% year on year), and profit attributable to owners of parent of ¥2,201 million (down 16.8% year on year).

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 are experiencing steady demand, especially for electronic components. In this environment, in the Functional Coating Chemicals Business, growing demand in AI servers, smartphones and displays led to increased sales of photo-curable resins for functional coating materials. Furthermore, thermosetting resins used in various applications, primarily for film coating, also saw increased sales through new adoption and expanded sales channels.

As a result, net sales were ¥18,206 million (up 8.1% year on year) and segment income was ¥2,203 million (up 80.6% year on year).

Paper Chemicals & Environmental Business

Regarding the paper manufacturing industry, paper and paperboard production has continued to fall below the previous year's levels in Japan. In addition, China continues to face an oversupply situation, which is affecting market conditions in other Asian regions and creating a challenging situation. In this environment, in the Paper Chemicals & Environmental Business, overseas price competition for paper strengthening agents has intensified and resulted in a decline in profits.

As a result, net sales were ¥20,666 million (down 6.2% year on year) and segment income was ¥1,381 million (down 25.3% year on year).

Adhesive & Biomass Materials Business

In the adhesives industry, demand for those used for tapes and sheets, etc. remained weak due to the impact of U.S. tariff policies, particularly in the automobile-related field. In this environment, in the Adhesive & Biomass Materials Business, profitability of rosin tackifier for adhesives has been improved due to the consolidation of manufacturing sites, and sales remained strong, particularly in the Asian region. Regarding hydrogenated hydrocarbon resins, Chiba Arkon Production Limited, which has begun stable supply to the U.S. following Europe, showed an improvement in operation rate, although falling short of the target, and achieved an increase in production volume.

As a result, net sales were ¥28,435 million (up 2.3% year on year) and segment loss was ¥1,400 million (segment loss of ¥2,241 million in the same period of the previous fiscal year).

Fine Chemicals & Electronics Business

In the electronics industry, demand for electronic components, etc., remains strong, and investment in data centers, associated with increased demand for generative AI, is accelerating. In this environment, in the Fine Chemicals & Electronics Business, sales of fine chemical products for semiconductor-related advanced materials increased, and sales of polishing agents for hard disk substrates used in data centers remained strong due to robust demand. Regarding newly enhanced production capacity for semiconductor-related advanced materials, mass production is scheduled to begin in the latter half of the fiscal year 2026 after obtaining customer approvals.

As a result, net sales were ¥14,748 million (up 9.6% year on year) and segment income was ¥895 million (up 5.7% on year).

(2) Overview of Financial Position for the Fiscal Year

Total assets as of March 31, 2026 increased by ¥3,762 million from the end of the previous fiscal year to ¥126,059 million. The main factors were increases in cash and deposits of ¥1,164 million, inventories of ¥1,251 million, investment securities of ¥1,080 million and retirement benefit assets of ¥2,472 million, despite a decrease in property, plant and equipment of ¥1,871 million.

Liabilities increased by ¥1,759 million compared to the end of the previous fiscal year, reaching ¥66,819 million. This was primarily due to an increase in short-term borrowings of ¥4,397 million, despite decreases in notes and accounts payable – trade of ¥554 million and long-term borrowings of ¥3,153 million.

Total net assets increased by ¥2,003 million compared to the end of the previous fiscal year to ¥59,240 million, due to increases in retained earnings and valuation difference on available-for-sale securities.

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents at the end of the fiscal year increased by ¥1,978 million from the end of the previous fiscal year to ¥8,413 million.

Cash flows from operating activities increased by ¥4,176 million. This was due to profit before income taxes (¥2,404 million) and depreciation (¥5,588 million), among other factors.

Cash flows from investing activities decreased by ¥2,103 million. This resulted from a net decrease in cash mainly due to the purchase of property, plant and equipment and intangible assets (¥3,795 million) despite an increase in cash from the proceeds from sale of investment securities (¥1,331 million).

Cash flows from financing activities decreased by ¥286 million. This was due to a net increase in borrowings (¥1,148 million) and dividends paid (¥991 million).

(4) Future Outlook

Regarding the environment surrounding the Group, the Japanese economy is expected to continue on a moderate recovery trajectory. However, the outlook for the global economy is expected to remain uncertain due to increasing geopolitical risks

stemming from the situation in the Middle East and U.S. policy developments, etc.

In this business environment, the Group launched the 6th Medium-Term Management Plan (the “6th MTMP”) in April 2026. Based on this plan, we will focus on strengthening our value creation capabilities through challenge and transformation, centered on “Accelerating business portfolio transformation” and “Improving productivity and capital efficiency.” Furthermore, we aim to maximize corporate value over the mid-to-long term by placing “Cash Generation” at the core of our transformation and establishing a virtuous cycle of growth investment, human capital investment, financial soundness, and shareholder returns.

As the financial results for the fiscal year ending March 31, 2027, which is the first year of the 6th MTMP, we forecast net sales of ¥87,000 million, operating profit of ¥3,300 million, and ordinary profit of ¥2,800 million. Profit attributable to owners of parent is forecast to amount to ¥2,250 million. With regard to the impact of the situation in the Middle East, while we are striving to pass on cost increases to our prices, we have factored a decline in profits into our earnings forecast based on certain assumptions. Meanwhile, although the Middle East accounts for only a small portion of our Group’s business, given that risks across the entire supply chain are becoming increasingly apparent, it is extremely difficult to establish reasonable assumptions necessary for earnings forecasts. Therefore, changes in the supply of raw materials and auxiliary materials, as well as shifts in customer trends have not been factored into earnings forecasts.

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

The Company’s basic policy is to maintain a stable, continuous dividend while proactively implementing shareholder return measures. Based on this policy, regarding dividends during the period of the 6th MTMP, we will align them with the plan’s objectives of enhancing capital efficiency and cash-generation capabilities, adopt a progressive dividend policy as a general rule, and raise the target dividend payout ratio to 50% to actively promote shareholder returns.

With regard to internal reserves, we intend to utilize them to invest in the growth of core businesses and human resources, while maintaining financial soundness, in order to enhance corporate value over the medium- to long-term.

Under these policies, the year-end dividend for the fiscal year ended March 31, 2026 will remain unchanged from the previous forecast at ¥25 per share. This, combined with the interim dividend of ¥25 already paid, results in a total annual dividend of ¥50 per share. In addition, the Company will celebrate its 150th anniversary in November 2026. To express our gratitude for the ongoing support of our shareholders, we have decided to pay ¥3 per share as a 150th anniversary commemorative dividend. As a result, for the fiscal year ending March 31, 2027, we plan to pay an annual dividend of ¥55 per share, consisting of an ordinary dividend of ¥52 per share plus a commemorative dividend of ¥3 per share.

2. Management Policies

(1) Basic Management Policies of the Company

The Group shares the vision of “Chemistrify the Bonds – YOUR SPECIALITY CHEMICAL PARTNER” derived from its management philosophy “Develop individuality and realize everyone’s dreams through technology and service.” To materialize the philosophy and vision, all of the employees are implementing the “ARAKAWA WAY – The Five KIZUNA,” which represents our values and code of conduct to be shared by all, and are striving to continuously enhance corporate value.

Furthermore, in 2021, we set a vision that states; “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” as “future blueprint” for 2030. To realize this, we are working to balance the resolution of social issues with sustainable growth.

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

1) Review of the 5th Medium-Term Management Plan (FY2021–FY2025)

Toward realizing the “future blueprint,” the Company has promoted the 5th MTMP under a management philosophy known as “KIZUNA management,” based on the Group’s values and code of conduct (ARAKAWA WAY – The Five KIZUNA), while promoting the slogan “V-ACTION for sustainability.” Regarding consolidated financial results for the final fiscal year (FY2025), we achieved the targets for profit attributable to owners of parent and ROE, but net sales, operating profit and ordinary profit fell short of the targets due to the significant impact of sluggish operations at Chiba Arkon Production Limited.

Meanwhile, we have achieved steady progress in qualitative terms. Through initiatives aimed at enhancing job satisfaction, we have strengthened our organizational capabilities, and the “Iki-iki” (Engagement) Index,” which we have established as a KIZUNA indicator, has remained at a high level. Furthermore, in terms of facilities, we carried out investments as planned to expand production capacity in the growth business of electronic materials domain to a level commensurate with future demand in 2030 and established a solid management foundation to support the significant growth outlined in the 6th MTMP.

2) The 6th Medium-Term Management Plan (FY2026–FY2030)

In fiscal year 2026, the first year of the 6th MTMP, the Company will celebrate the 150th anniversary of its founding. On this major milestone, the Company has established a new slogan, “V-ACTION for the Future –Refining our Minds and Mastery, Enriching Life and Society –.” This slogan builds upon the “Five V-Keywords (Vector, Value, Variety, Venture and Vitality)” of the V-ACTION concept established in the 5th MTMP and represents our firm commitment to the continuous pursuit of value creation for the future. We are committed to refining the awareness and mindset (“Minds”) of every employee, as well as our technologies and business models (“Mastery”), thereby contributing to the realization of a more prosperous and radiant future society through the Group’s diverse range of businesses.

We will focus on strengthening our value creation capabilities through challenge and transformation, guided by core policies of “Accelerating business portfolio transformation” and “Improving productivity and capital efficiency.”

For fiscal year 2030, the final year of the plan, we aim to achieve net sales of ¥103,000 million, operating profit of ¥7,000 million, ordinary profit of ¥6,700 million, profit attributable to owners of parent of ¥4,400 million, EBITDA of ¥10,500 million, ROE of 7% or higher, and ROIC of 5% or higher.

Table 1: Consolidated Earnings Targets

(Millions of yen)

	FY2025	FY2028		FY2030	
	Actual results	Target	Growth rate	Target	Growth rate
Net sales	82,135	93,000	+13.2%	103,000	+25.4%
Operating profit	2,500	5,000	+100.0%	7,000	+180.0%
Ordinary profit	2,390	4,200	+75.7%	6,700	+180.3%
Profit attributable to owners of parent	2,201	3,000	+36.3%	4,400	+99.9%
EBITDA	8,088	9,200	+13.7%	10,500	29.8%
ROE	3.6%	5% or higher	—	7% or higher	—
ROIC *1	2.0%	3.5% or higher	—	5% or higher	—
Equity ratio	49.5%	Approx. 50%	—	Approx. 54%	—
Interest-bearing liabilities	40,624	39,500	—	37,000	—

*1 Calculated based on a simplified tax rate of 30%.

Table 2: Consolidated Earnings Targets (by segment)

(Millions of yen)

		FY2025	FY2028	FY2030
		Actual results	Target	Target
Functional Coating Chemicals	Net sales	18,206	19,800	21,500
	Segment income	2,203	2,500	2,800
	Profit margin (%)	12.1	12.6	13.0
Paper Chemicals & Environmental	Net sales	20,666	24,000	27,000
	Segment income	1,381	1,300	1,650
	Profit margin (%)	6.7	5.4	6.1
Adhesive & Biomass Materials	Net sales	28,435	31,700	33,000
	Segment income	(1,400)	600	1,900
	Profit margin (%)	(4.9)	1.9	5.8
Fine Chemicals & Electronics	Net sales	14,748	17,000	18,500
	Segment income	895	1,200	1,400
	Profit margin (%)	6.1	7.1	7.6
Life Science	Net sales	—	500	3,000
	Segment income	—	40	200
	Profit margin (%)	—	8.0	6.7
Total	Net sales	82,135	93,000	103,000
	Segment income	3,121	5,640	7,950
	Profit margin (%)	3.8	6.1	7.7

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

Under the 6th Medium-Term Management Plan, we will ensure that the investments made in the 5th MTMP to expand production capacity for growth markets are effectively converted into profits and cash inflow. Furthermore, while remaining mindful of our connection to “The Five KIZUNA,” which represents the Group’s values and code of conduct, we will reorganize the key issues (Materiality) identified in the 5th MTMP. Under the core policies of “Accelerating business portfolio transformation” and “Improving productivity and capital efficiency,” we will implement the following measures.

- Focused Investment: Intensive allocation of resources to Electronic Materials and Life Sciences
- Global Expansion: Simultaneously restructuring “KASEGU” businesses and pursuing growth opportunities in overseas markets.
- Deepening Environmental Management: Introducing “Return on Carbon (ROC)” (EBITDA divided by CO₂ emissions) as a new performance indicator to link profitability improvement with decarbonization initiatives.
- Disciplined Resource Allocation: Continuous review of low-profit and non-core businesses based on business evaluations considering ROIC in addition to growth and profitability.
- Strengthening Corporate Structure: Implementing company-wide process transformation to enhance productivity and cash-generation capabilities, aiming for the improvement of PBR.

In the life sciences domain (healthcare, agriculture and cosmetics), which is positioned as our focused business, we will promote the acceleration of commercialization and the enhancement of profit contribution. In the health care area, we have acquired the business related to the microalgae “Aurantiochytrium,” through which we will transition from the “exploration and joint research” phase to the “commercialization and social implementation” phase, with the goal of achieving early monetization. In addition, we have launched online sales of “Pino Fleur®,” a pine needle extract supplement designed to support mental and physical wellness and inner flow, and have acquired NATURAL WAVE Co., Ltd., a company which sells Foods with Function Claims (supplements) and skincare cosmetics, and have made it a subsidiary. In the agriculture area, we have launched online sales of “EcoRosin®,” an agricultural material which is effective in enhancing crop yields and strengthening resistance to environmental stresses such as extreme heat. Building on this, we will continue to contribute to the development of sustainable agriculture through ongoing demonstration experiments. Through these initiatives, we aim to expand our business with a focus on the B2B market.

With regard to quality assurance, in addition to our traditional quality assurance activities, operations in the electronic materials field-domain, which we view as a growth business, are becoming increasingly sophisticated and complex. Meanwhile, in the life sciences field-domain, which is our focused business, there is a growing need to establish highly specialized quality control and assurance systems tailored to the specific characteristics of the products and services we provide. In light of these circumstances, we will continue to develop human resources with specialized expertise and further enhance our quality control and assurance systems to sustainably provide products and services that can earn the trust and satisfaction of customers.

With regard to safety, we are focusing on fostering a safety culture and have made safety the top priority of our management, in order to ensure that the lessons learned from an explosion and fire accident occurred at our Fuji Plant on December 1, 2017 are never forgotten. Effective April 2026, with the aim of further enhancing the Group’s overall “safety capabilities,” we dissolved the former “Safety Culture Fostering Special Committee” in a constructive manner and established a new “Safety Promotion Special Committee.” Serving as the executive arm of the Safety Control Committee, the new committee will play a role in promoting safety by strengthening the linkage between “safety culture (awareness)” and “safety infrastructure (systems)” and directly connecting management policies with on-site implementation measures. We will continue to pursue initiatives aimed at enhancing our safety capabilities by providing safety education to all employees at the Arakawa Safety Traditions Center established within Fuji Plant and the Safety Training Hall at Onahama Plant, while also continuing to develop highly specialized “safety engineers” and actively utilizing external evaluations.

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

- The 6th Medium-Term Management Plan (Full version only available in Japanese) <https://www.arakawachem.co.jp/jp/ir/strategy.html>
- 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 (Abstract version available in English) https://www.arakawachem.co.jp/en/csr/sustainability-linked_bond
<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, 2025		As of March 31, 2026	
Assets				
Current assets				
Cash and deposits		9,431		10,595
Notes and accounts receivable – trade	*1	25,884	*1	25,847
Electronically recorded monetary claims – operating		2,258		2,358
Merchandise and finished goods		12,619		13,351
Work in process		1,468		1,412
Raw materials and supplies		9,730		10,306
Other		997		1,140
Allowance for doubtful accounts		(126)		(114)
Total current assets		62,264		64,897
Non-current assets				
Property, plant and equipment				
Buildings and structures, net		18,604		18,130
Machinery, equipment and vehicles, net		13,487		12,027
Land		5,008		5,017
Construction in progress		846		1,026
Other, net		1,092		966
Total property, plant and equipment	*2	39,039	*2	37,168
Intangible assets		1,374		1,180
Investments and other assets				
Investment securities	*3	10,105	*3	11,185
Retirement benefit asset		7,392		9,864
Deferred tax assets		288		207
Other	*4	386	*4	509
Allowance for doubtful accounts		(86)		(89)
Total investments and other assets		18,086		21,678
Total non-current assets		58,500		60,027
Deferred assets				
Business commencement expenses		1,532		1,134
Total deferred assets		1,532		1,134
Total assets		122,297		126,059

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable – trade	9,200	8,646
Electronically recorded obligations – operating	1,172	1,134
Short-term borrowings	18,319	22,716
Current portion of bonds payable	–	5,000
Income taxes payable	774	473
Accrued consumption taxes	52	256
Provision for bonuses	1,370	1,370
Provision for bonuses for directors (and other officers)	27	34
Provision for repairs	820	971
Provision for loss on business liquidation	56	62
Asset retirement obligations	26	–
Notes payable – facilities	104	157
Other	5,682	5,287
Total current liabilities	37,608	46,110
Non-current liabilities		
Bonds payable	10,000	5,000
Long-term borrowings	11,061	7,907
Deferred tax liabilities	4,161	5,586
Retirement benefit liability	259	261
Asset retirement obligations	1,832	1,842
Other	135	111
Total non-current liabilities	27,451	20,708
Total liabilities	65,060	66,819
Net assets		
Shareholders' equity		
Share capital	3,343	3,343
Capital surplus	3,564	3,564
Retained earnings	40,619	41,829
Treasury shares	(1,211)	(1,211)
Total shareholders' equity	46,315	47,524
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,384	5,507
Foreign currency translation adjustment	4,671	5,174
Remeasurements of defined benefit plans	3,103	4,150
Total accumulated other comprehensive income	12,159	14,832
Non-controlling interests	(1,237)	(3,117)
Total net assets	57,237	59,240
Total liabilities and net assets	122,297	126,059

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2025		For the fiscal year ended March 31, 2026	
Net sales		80,236		82,135
Cost of sales		63,743		64,283
Gross profit		16,493		17,852
Selling, general and administrative expenses	*1	15,436	*1	15,352
Operating profit (loss)		1,057		2,500
Non-operating income				
Interest income		102		92
Dividend income		239		275
Rental income from real estate		57		57
Foreign exchange gains		151		61
Subsidy income		40		105
Other		160		244
Total non-operating income		752		836
Non-operating expenses				
Interest expenses		393		479
Bond issuance costs		24		–
Loss on investments in investment partnerships		28		–
Amortization of business commencement expenses		396		396
Other		112		70
Total non-operating expenses		955		945
Ordinary profit (loss)		854		2,390
Extraordinary income				
Gain on sale of non-current assets	*2	984	*2	2
Gain on sale of investment securities		1,268		1,013
Total extraordinary income		2,252		1,016
Extraordinary losses				
Loss on sale and retirement of non-current assets	*3	239	*3	209
Loss on sale of investment securities		–		1
Loss on valuation of investment securities		–		166
Loss on liquidation of subsidiaries and associates		–	*4	470
Settlement		–		155
Total extraordinary losses		239		1,002
Profit (loss) before income taxes		2,867		2,404
Income taxes – current		1,418		1,237
Income taxes – deferred		386		500
Total income taxes		1,805		1,738
Profit (loss)		1,062		666
Profit (loss) attributable to non-controlling interests		(1,582)		(1,535)
Profit (loss) attributable to owners of parent		2,644		2,201

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Profit (loss)	1,062	666
Other comprehensive income		
Valuation difference on available-for-sale securities	(789)	1,123
Foreign currency translation adjustment	1,237	587
Remeasurements of defined benefit plans, net of tax	298	1,048
Total other comprehensive income	746	2,759
Comprehensive income	1,808	3,425
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,292	4,874
Comprehensive income attributable to non-controlling interests	(1,484)	(1,449)

(3) Consolidated Statements of Changes in Equity

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

For the fiscal year ended March 31, 2026

(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	40,619	(1,211)	46,315
Changes during period					
Dividends of surplus			(991)		(991)
Profit (loss) attributable to owners of parent			2,201		2,201
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,209	(0)	1,209
Balance at end of period	3,343	3,564	41,829	(1,211)	47,524

	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	4,384	4,671	3,103	12,159	(1,237)	57,237
Changes during period						
Dividends of surplus						(991)
Profit (loss) attributable to owners of parent						2,201
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	1,123	503	1,046	2,673	(1,879)	793
Total changes during period	1,123	503	1,046	2,673	(1,879)	2,003
Balance at end of period	5,507	5,174	4,150	14,832	(3,117)	59,240

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit (loss) before income taxes	2,867	2,404
Depreciation	5,720	5,588
Amortization of business commencement expenses	396	396
Increase (decrease) in allowance for doubtful accounts	5	(13)
Increase (decrease) in provision for bonuses	164	(10)
Increase (decrease) in provision for bonuses for directors (and other officers)	27	7
Increase (decrease) in retirement benefit liability	(40)	(0)
Decrease (increase) in retirement benefit asset	(1,301)	(2,469)
Increase (decrease) in provision for loss on business liquidation	(59)	–
Loss (gain) on sale and retirement of non-current assets	(743)	206
Loss (gain) on sale of investment securities	(1,268)	(1,012)
Loss on valuation of investment securities	–	166
Loss on liquidation of subsidiaries and associates	–	470
Settlement	–	155
Loss (gain) on investments in investment partnerships	28	(28)
Interest and dividend income	(342)	(367)
Interest expenses	393	479
Decrease (increase) in trade receivables	627	175
Decrease (increase) in inventories	(124)	(1,021)
Increase (decrease) in trade payables	(715)	(693)
Increase (decrease) in accrued consumption taxes	(15)	284
Other, net	566	1,329
Subtotal	6,186	6,047
Interest and dividends received	342	364
Interest paid	(372)	(487)
Settlement paid	–	(185)
Income taxes refund (paid)	(1,036)	(1,562)
Net cash provided by (used in) operating activities	5,119	4,176
Cash flows from investing activities		
Decrease (increase) in time deposits	(471)	872
Purchase of property, plant and equipment	(4,407)	(3,680)
Proceeds from sale of property, plant and equipment	773	4
Purchase of investment securities	(303)	(42)
Proceeds from sale of investment securities	1,578	1,331
Purchase of intangible assets	(110)	(114)
Purchase of shares of subsidiaries and associates	–	(157)
Decrease (increase) in investments and other assets	(9)	(106)
Other, net	(292)	(209)
Net cash provided by (used in) investing activities	(3,243)	(2,103)

(Millions of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(243)	4,364
Proceeds from long-term borrowings	405	–
Repayments of long-term borrowings	(3,337)	(3,215)
Proceeds from issuance of bonds	4,975	–
Redemption of bonds	(5,000)	–
Purchase of treasury shares	–	(0)
Dividends paid	(952)	(991)
Dividends paid to non-controlling interests	(537)	(430)
Other, net	(14)	(12)
Net cash provided by (used in) financing activities	(4,704)	(286)
Effect of exchange rate change on cash and cash equivalents	97	192
Net increase (decrease) in cash and cash equivalents	(2,730)	1,978
Cash and cash equivalents at beginning of period	9,164	6,434
Cash and cash equivalents at end of period	6,434	8,413

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on changes in presentation)

(Consolidated statements of income)

“Subsidy income” which was included in “Other” under “Non-operating income” in the previous fiscal year, is separately presented in the current fiscal year due to its increased financial materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statement of income for the previous fiscal year, ¥200 million presented as “Other” under “Non-operating income” was reclassified as “Subsidy income” of ¥40 million and “Other” of ¥160 million.

(Notes on consolidated balance sheets)

*1. Among notes and account receivable – trade, the amount of receivables arising from contracts with customers is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2026
Notes receivable – trade	2,014	1,791
Accounts receivable – trade	23,869	24,056

*2. Accumulated depreciation of property, plant and equipment

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2026
Accumulated depreciation of property, plant and equipment	69,985	74,322

*3. Note on unconsolidated subsidiaries and affiliates

The amounts included in each account for unconsolidated subsidiaries and affiliates are as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2026
Investment securities	315	166

*4. Assets pledged as collateral

As of March 31, 2025

“Other” under “Investments and other assets” includes ¥12 million for guaranteed deposits for land lease.

As of March 31, 2026

“Other” under “Investments and other assets” includes ¥12 million for guaranteed deposits for land lease.

(Notes on consolidated statements of income)

*1. The major items and amounts of selling, general and administrative expenses are as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Freight costs	3,346	3,344
Provision of allowance for doubtful accounts	16	(6)
Salaries and bonuses	3,584	3,562
Provision for bonuses	562	570
Provision for bonuses for directors	27	34
Retirement benefit expenses	(139)	(198)
Depreciation	406	406
Research and development expenses	3,058	3,043

*2. Breakdown of gain on sales of non-current assets

For the fiscal year ended March 31, 2025

The major items consist of gains on sales of machinery and equipment, and land.

For the fiscal year ended March 31, 2026

The major items consist of gains on sales of structures and machinery and equipment.

*3. Breakdown of loss on sale and retirement of non-current assets

For the fiscal year ended March 31, 2025

The major items consist of losses on retirement of buildings, structures, and machinery and equipment.

For the fiscal year ended March 31, 2026

The major items consist of losses on retirement of buildings, structures, and machinery and equipment.

*4. Breakdown of loss on liquidation of subsidiaries and associates

For the fiscal year ended March 31, 2026

It includes the acquisition cost arising from the transfer of microalgae business from SoPros Co., Ltd., which was an unconsolidated subsidiary of the Company, as well as a loss on sale of shares of affiliates.

(Notes on 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 24, 2025) 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, income or loss, assets, and other items by reportable segment

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

(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	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 income (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.

For the fiscal year ended March 31, 2026 (“FY2026/3”)

(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	18,206	20,666	28,435	14,748	82,056	79	82,135
Inter-segment sales or transfers	—	—	—	—	—	26	26
Total	18,206	20,666	28,435	14,748	82,056	105	82,162
Segment income (loss)	2,203	1,381	(1,400)	895	3,081	40	3,121
Segment assets	19,266	19,912	41,745	17,267	98,192	465	98,658
Other categories							
Depreciation	939	1,080	2,429	843	5,293	2	5,296
Increases in property, plant and equipment, and intangible assets	612	986	1,010	593	3,203	1	3,205

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, 2025	For the fiscal year ended March 31, 2026
Total of reportable segments	80,143	82,056
Sales in the “Others” category	121	105
Elimination of inter-segment transactions	(27)	(26)
Net sales in the consolidated financial statements	80,236	82,135

(Millions of yen)

Profit	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Total of reportable segments	1,675	3,081
Income in the “Others” category	56	40
Variance from the allocation of corporate expenses (Note 1)	83	73
Corporate research and development expenses (Note 2)	(384)	(496)
Non-operating income (expenses) (Note 3)	(372)	(197)
Operating profit in the consolidated financial statements	1,057	2,500

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.

(Millions of yen)

Assets	As of March 31, 2025	As of March 31, 2026
Total of reportable segments	99,458	98,192
Assets in the “Others” category	417	465
Central assets (Note 1)	53,926	57,771
Other adjustments (Note 2)	(31,504)	(30,370)
Total assets in the consolidated financial statements	122,297	126,059

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	
	FY2025/3	FY2026/3	FY2025/3	FY2026/3	FY2025/3	FY2026/3	FY2025/3	FY2026/3
Depreciation	5,429	5,293	3	2	287	291	5,720	5,588
Increase in property, plant and equipment and intangible assets	5,332	3,203	0	1	96	88	5,429	3,293

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, 2025

Not applicable.

For the fiscal year ended March 31, 2026

Not applicable.

【Amortization and unamortized balance of goodwill by reportable segment】

For the fiscal year ended March 31, 2025

Not applicable.

For the fiscal year ended March 31, 2026

Not applicable.

【Gain on bargain purchase by reportable segment】

For the fiscal year ended March 31, 2025

Not applicable.

For the fiscal year ended March 31, 2026

Not applicable.

(Notes on revenue recognition)

Disaggregation of revenue from contracts with customers

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.

For the fiscal year ended March 31, 2026

(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	14,419	11,403	11,031	9,980	46,835	79	46,915
China	2,260	3,306	9,734	2,115	17,416	—	17,416
Asia (excluding China)	1,460	5,953	4,263	2,540	14,217	—	14,217
South and North America, Europe, Others	64	3	3,406	111	3,586	—	3,586
Revenue from contracts with customers	18,206	20,666	28,435	14,748	82,056	79	82,135
Net sales to external customers	18,206	20,666	28,435	14,748	82,056	79	82,135

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

(Notes on per share information)

(Yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Net assets per share	2,947.52	3,143.24
Basic earnings (loss) per share	133.31	110.96

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, 2025	For the fiscal year ended March 31, 2026
Profit attributable to owners of parent	2,644	2,201
Amount not attributable to common shareholders	—	—
Profit (loss) attributable to owners of parent associated with common shares	2,644	2,201
Average number of common shares during the year (Shares)	19,838,789	19,838,753

(Notes on subsequent events)

Not applicable.

5. Others

Changes in Officers (Effective June 24, 2026)

1) Changes in Directors

Current titles and positions are shown in brackets [].

(1) Candidate for New Director (excluding Directors who are Audit and Supervisory Committee Members)

Outside Director (to be registered as an Independent Director)

Yoko Sakurai [Representative Director of Well Insight Co., Ltd]

[Assistant to PD for "Building a Sustainable Food Chain that Provides Abundant Food,"

Cross-ministerial Strategic Innovation Promotion Program (SIP), Cabinet Office]