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Consolidated Financial Results for the Three Months Ended June 30, 2026 [Japanese GAAP]

August 5, 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**
Contact: **Toru Nobuhiro, Managing Director and Executive Officer**
Phone: **+81-6-6209-8500**
Scheduled date of commencing dividend payments: −
Availability of supplementary explanatory materials on financial results: **Available**
Schedule of financial results briefing session: **Not scheduled**

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2026 (April 1, 2026 − June 30, 2026)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2026	22,282	12.0	1,637	140.3	1,616	176.0	1,296	143.2
June 30, 2025	19,899	3.3	681	9.6	585	(27.4)	533	(70.4)

(Note) Comprehensive income: Three months ended June 30, 2026: ¥ 2,659 million [−%]
Three months ended June 30, 2025: ¥ (721) million [−%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2026	65.37	−
June 30, 2025	26.88	−

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2026	128,490	61,403	50.5
As of March 31, 2026	126,059	59,240	49.5

(Reference) Equity: As of June 30, 2026: ¥ 64,937 million
As of March 31, 2026: ¥ 62,357 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2026	–	25.00	–	25.00	50.00
Fiscal year ended March 31, 2027	–				
Fiscal year ending March 31, 2027 (Forecast)		27.50	–	27.50	55.00

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

Breakdown of interim dividend for the fiscal year ending March 31, 2027: Ordinary dividend of ¥26, commemorative dividend of ¥1.5 (150^{th} 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 (150^{th} 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

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

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

Newly included: – companies (Company name)

Excluded: – companies (Company name)

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

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

1) Changes in accounting policies due to the revision of accounting standards and other regulations: **None**
2) Changes in accounting policies other than 1) above: **None**
3) Changes in accounting estimates: **None**
4) Retrospective restatement: **None**

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

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

June 30, 2026:	20,652,400 shares
March 31, 2026:	20,652,400 shares

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

June 30, 2026:	813,671 shares
March 31, 2026:	813,671 shares

3) Average number of shares during the period:

Three months ended June 30, 2026:	19,838,729 shares
Three months ended June 30, 2025:	19,838,789 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* 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. Please refer to "1. Overview of Operating Results (3) Forward-looking Statements such as Earnings Forecast" on page 6 of the attached material for the assumptions underlying the earnings forecasts and notes regarding the use of such forecasts.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Period

During the three months ended June 30, 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, further 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") launched "V-ACTION for the Future -Refining our Minds and Mastery, Enriching Life and Society-," the 6th Medium-Term Management Plan (the "6th MTMP"), in FY2026. Under this slogan, the Group will focus on strengthening its value creation capabilities through challenge and transformation, with "Accelerating business portfolio transformation" and "Improving productivity and capital efficiency" as key initiatives. Furthermore, the Group aims to maximize corporate value over the mid-to-long term by placing "Cash Generation" at the core of its transformation and establishing a virtuous cycle of growth investment, human capital investment, financial soundness, and shareholder returns.

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 and polishing agents for hard disk substrates significantly exceeded the previous year's level. In addition, sales also increased as demand was brought forward by customers making efforts to secure inventory in response to the impact of the situation in the Middle East.

As a result, for the three months ended June 30, 2026, the Group posted net sales of ¥22,282 million (up 12.0% year on year), operating profit of ¥1,637 million (up 140.3% year on year), ordinary profit of ¥1,616 million (up 176.0% year on year), and profit attributable to owners of parent of ¥1,296 million (up 143.2% 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 Functional Coating Chemicals Business saw significantly increased sales of photo-curable resins for functional coating materials, driven by strong demand in smartphones and displays and stronger-than-expected demand for AI servers. 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 ¥5,159 million (up 15.3% year on year), and segment income was ¥1,017 million (up 81.2% year on year).

Paper Chemicals & Environmental Business

Regarding the Paper Chemicals & Environmental Business, sales of paper strengthening agents remained firm, supported by paperboard production in Japan exceeding the previous year's level as customers increased paperboard inventories in response to the impact of the situation in the Middle East. In China, while the competitive environment remained intense amid sluggish market conditions for paper and paperboard, sales of paper strengthening agents for paperboard performed well in the Asia region, reflecting efforts to create demand.

As a result, net sales were ¥5,291 million (up 7.9% year on year), and segment income was ¥520 million (up 65.4% year on year).

Adhesive & Biomass Materials Business

In the Adhesive & Biomass Materials Business, sales of rosin tackifier for adhesives remained stable, particularly in Japan and China. Regarding hydrogenated hydrocarbon resins, the operation rate at Chiba Arkon Production Limited remained low due to factors such as a delayed restart following scheduled maintenance caused by the situation in the Middle East. Therefore, profitability was adversely affected.

As a result, net sales were ¥7,804 million (up 13.0% year on year), and segment loss was ¥263 million (segment loss of ¥274 million in the same period of the previous year).

Fine Chemicals & Electronics Business

In the Fine Chemicals & Electronics Business, sales of polishing agents for hard disk substrates remained strong due to robust demand for data centers, and sales of compounded products for electronic material and fine chemical products for semiconductor-related advanced materials also increased.

As a result, net sales were ¥4,005 million (up 11.3% year on year), and segment income was ¥413 million (up 124.8% year on year).

(2) Overview of Financial Position for the Period

Total assets as of June 30, 2026, increased by ¥2,430 million compared to the end of the previous consolidated fiscal year, totaling ¥128,490 million. The main reasons include increases of ¥1,392 million in notes and accounts receivable – trade, and ¥2,174 million in investment securities, despite a decrease of ¥627 million in cash and deposits.

Liabilities increased by ¥266 million compared to the end of the previous consolidated fiscal year, reaching ¥67,086 million. This was mainly attributable to an increase of ¥890 million in deferred tax liabilities, despite a decrease of ¥702 million in long-term borrowings.

Total net assets increased by ¥2,163 million compared to the end of the previous consolidated fiscal year to ¥61,403 million, due to increases in retained earnings and valuation difference on available-for-sale securities.

(3) Forward-looking Statements such as Earnings Forecasts

Regarding consolidated earnings forecasts, performance to date has progressed significantly above expectations. However, the consolidated earnings forecasts remain unchanged at this time, as it is difficult to reasonably assess the impact of the situation in the Middle East on the status of raw materials and auxiliary materials, as well as shifts in customer trends.

We will implement the initiatives outlined in the 6th MTMP, while continuing to closely monitor developments.

The forward-looking statements regarding performance forecasts and other future projections contained in this document are based on the information currently available to our company and on certain assumptions deemed reasonable. However, these statements are not promises or guarantees of future performance by the company. Actual results may differ significantly due to various factors.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2026	As of June 30, 2026
Assets		
Current assets		
Cash and deposits	10,595	9,968
Notes and accounts receivable – trade	25,847	27,239
Electronically recorded monetary claims – operating	2,358	2,383
Merchandise and finished goods	13,351	13,581
Work in process	1,412	1,629
Raw materials and supplies	10,306	9,914
Other	1,140	1,022
Allowance for doubtful accounts	(114)	(119)
Total current assets	64,897	65,620
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,130	18,135
Machinery, equipment and vehicles, net	12,027	11,801
Land	5,017	5,014
Construction in progress	1,026	937
Other, net	966	948
Total property, plant and equipment	37,168	36,837
Intangible assets	1,180	1,146
Investments and other assets		
Investment securities	11,185	13,360
Retirement benefit asset	9,864	9,968
Deferred tax assets	207	158
Other	509	455
Allowance for doubtful accounts	(89)	(92)
Total investments and other assets	21,678	23,850
Total non-current assets	60,027	61,833
Deferred assets		
Business commencement expenses	1,134	1,035
Total deferred assets	1,134	1,035
Total assets	126,059	128,490

(Millions of yen)

	As of March 31, 2026	As of June 30, 2026
Liabilities		
Current liabilities		
Notes and accounts payable – trade	8,646	8,669
Electronically recorded obligations – operating	1,134	1,158
Short-term borrowings	22,716	22,726
Current portion of bonds payable	5,000	5,000
Income taxes payable	473	564
Accrued consumption taxes	256	146
Provision for bonuses	1,370	739
Provision for bonuses for directors (and other officers)	34	21
Provision for repairs	971	1,084
Provision for loss on business liquidation	62	62
Notes payable – facilities	157	208
Other	5,287	5,780
Total current liabilities	46,110	46,161
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	7,907	7,205
Deferred tax liabilities	5,586	6,476
Retirement benefit liability	261	270
Asset retirement obligations	1,842	1,864
Other	111	108
Total non-current liabilities	20,708	20,924
Total liabilities	66,819	67,086
Net assets		
Shareholders' equity		
Share capital	3,343	3,343
Capital surplus	3,564	3,564
Retained earnings	41,829	42,629
Treasury shares	(1,211)	(1,211)
Total shareholders' equity	47,524	48,325
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,507	7,038
Foreign currency translation adjustment	5,174	5,558
Remeasurements of defined benefit plans	4,150	4,013
Total accumulated other comprehensive income	14,832	16,611
Non-controlling interests	(3,117)	(3,533)
Total net assets	59,240	61,403
Total liabilities and net assets	126,059	128,490

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2025	For the three months ended June 30, 2026
Net sales	19,899	22,282
Cost of sales	15,265	16,532
Gross profit	4,634	5,749
Selling, general and administrative expenses	3,952	4,111
Operating profit (loss)	681	1,637
Non-operating income		
Interest income	23	22
Dividend income	94	108
Rental income from real estate	14	14
Foreign exchange gains	–	74
Other	68	98
Total non-operating income	201	318
Non-operating expenses		
Interest expenses	112	128
Loss on investments in investment partnerships	–	75
Foreign exchange losses	52	–
Amortization of business commencement expenses	99	99
Other	32	36
Total non-operating expenses	296	339
Ordinary profit (loss)	585	1,616
Extraordinary income		
Gain on sale of non-current assets	0	8
Total extraordinary income	0	8
Extraordinary losses		
Loss on sale and retirement of non-current assets	5	33
Total extraordinary losses	5	33
Profit (loss) before income taxes	580	1,591
Income taxes - current	163	409
Income taxes - deferred	256	296
Total income taxes	419	706
Profit (loss)	160	885
Profit (loss) attributable to non-controlling interests	(372)	(411)
Profit (loss) attributable to owners of parent	533	1,296

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2025	For the three months ended June 30, 2026
Profit (loss)	160	885
Other comprehensive income		
Valuation difference on available-for-sale securities	335	1,531
Foreign currency translation adjustment	(1,124)	380
Remeasurements of defined benefit plans, net of tax	(93)	(137)
Total other comprehensive income	(881)	1,774
Comprehensive income	(721)	2,659
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(194)	3,075
Comprehensive income attributable to non-controlling interests	(526)	(415)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended June 30, 2025	For the three months ended June 30, 2026
Cash flows from operating activities		
Profit (loss) before income taxes	580	1,591
Depreciation	1,318	1,226
Amortization of business commencement expenses	99	99
Increase (decrease) in allowance for doubtful accounts	(6)	3
Increase (decrease) in provision for bonuses	(701)	(634)
Increase (decrease) in provision for bonuses for directors (and other officers)	(18)	(13)
Increase (decrease) in retirement benefit liability	3	10
Decrease (increase) in retirement benefit asset	(100)	(104)
Loss (gain) on sale and retirement of non-current assets	5	25
Loss (gain) on investments in investment partnerships	–	75
Interest and dividend income	(117)	(131)
Interest expenses	112	128
Decrease (increase) in trade receivables	570	(1,233)
Decrease (increase) in inventories	(84)	54
Increase (decrease) in trade payables	(791)	(6)
Increase (decrease) in accrued consumption taxes	142	(18)
Other, net	(747)	328
Subtotal	265	1,402
Interest and dividends received	122	138
Interest paid	(131)	(142)
Income taxes refund (paid)	(500)	(310)
Net cash provided by (used in) operating activities	(244)	1,087
Cash flows from investing activities		
Decrease (increase) in time deposits	812	(170)
Purchase of property, plant and equipment	(890)	(521)
Proceeds from sale of property, plant and equipment	0	4
Purchase of investment securities	(12)	(11)
Purchase of intangible assets	(9)	(25)
Decrease (increase) in investments and other assets	(2)	76
Other, net	(22)	(53)
Net cash provided by (used in) investing activities	(124)	(701)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,357	(40)
Repayments of long-term borrowings	(702)	(702)
Dividends paid	(495)	(495)
Other, net	(3)	(2)
Net cash provided by (used in) financing activities	1,156	(1,241)
Effect of exchange rate change on cash and cash equivalents	(120)	60
Net increase (decrease) in cash and cash equivalents	666	(796)
Cash and cash equivalents at beginning of period	6,434	8,413
Cash and cash equivalents at end of period	7,100	7,617

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information, etc.)

[Segment information]

For the three months ended June 30, 2025 (from April 1, 2025 to June 30, 2025)

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

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Functional Coating Chemicals	Paper Chemicals & Environmental Business	Adhesive & Biomass Materials	Fine Chemicals & Electronics	Total		
Net sales							
Net sales to external customers	4,474	4,904	6,907	3,597	19,883	15	19,899
Inter-segment sales or transfers	–	–	–	–	–	6	6
Total	4,474	4,904	6,907	3,597	19,883	22	19,906
Segment income (loss)	561	314	(274)	184	784	6	791

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

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

(Millions of yen)

Income	Amount
Total of reportable segments	784
Income in "Others" category	6
Variance from the allocation of corporate expenses (Note 1)	80
Corporate research and development expenses (Note 2)	(119)
Non-operating income and expenses (Note 3)	(71)
Operating profit in the quarterly consolidated statements of income	681

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

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

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

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

Not applicable

For the three months ended June 30, 2026 (from April 1, 2026 to June 30, 2026)

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

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Functional Coating Chemicals	Paper Chemicals & Environmental Business	Adhesive & Biomass Materials	Fine Chemicals & Electronics	Total		
Net sales							
Net sales to external customers	5,159	5,291	7,804	4,005	22,261	20	22,282
Inter-segment sales or transfers	–	–	–	–	–	6	6
Total	5,159	5,291	7,804	4,005	22,261	26	22,288
Segment income (loss)	1,017	520	(263)	413	1,687	12	1,700

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

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

(Millions of yen)

Income	Amount
Total of reportable segments	1,687
Income in "Others" category	12
Variance from the allocation of corporate expenses (Note 1)	189
Corporate research and development expenses (Note 2)	(121)
Non-operating income and expenses (Note 3)	(129)
Operating profit in the quarterly consolidated statements of income	1,637

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 and life science business-related expenses not allocated to reportable segments, which are the source of medium- to long-term growth.
3. Non-operating income and expenses primarily consist of items recorded as non-operating income and expenses in reportable segments.

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

Not applicable

(Notes on revenue recognition)

Disaggregation of revenue from contracts with customers

For the three months ended June 30, 2025 (From April 1, 2025 to June 30, 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	3,543	2,790	2,684	2,343	11,362	15	11,377
China	613	837	2,282	630	4,363	—	4,363
Asia (excluding China)	290	1,274	1,008	595	3,167	—	3,167
South and North America, Europe, Others	26	3	932	28	990	—	990
Revenue from contracts with customers	4,474	4,904	6,907	3,597	19,883	15	19,899
Net sales to external customers	4,474	4,904	6,907	3,597	19,883	15	19,899

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

For the three months ended June 30, 2026 (From April 1, 2026 to June 30, 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	4,213	3,016	2,872	2,575	12,677	20	12,697
China	562	763	2,769	614	4,709	—	4,709
Asia (excluding China)	383	1,510	1,146	777	3,817	—	3,817
South and North America, Europe, Others	0	1	1,016	38	1,057	—	1,057
Revenue from contracts with customers	5,159	5,291	7,804	4,005	22,261	20	22,282
Net sales to external customers	5,159	5,291	7,804	4,005	22,261	20	22,282

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