Annual Report

Year Ended March 31, 2026

HARIMA CHEMICALS GROUP, INC.

Table of Contents

Business Overview

During the fiscal year ended March 31, 2026, the global economic environment remained uncertain due to factors such as escalating tensions in the Middle East, a slowdown in the Chinese economy, rising interest rate pressures, and the impact of US tariff policies. The Japanese economy continued its gradual recovery, supported by improvements in corporate profits, employment, and income levels. However, the prolonged depreciation of the yen resulted in persistently high raw material and energy prices, as well as rising inflation, impacting the economic environment.

Under these conditions, in the Group's overseas business, despite weak demand in Europe, net sales increased year on year due to strong and stable demand in North America. However, even the net sales increased earnings decreased from the previous fiscal year due to soaring raw material prices. In the domestic business, net sales increased year on year due to expanded sale resulted in increased sales volume and earnings also increased from the previous fiscal year due to the increase of sales.

As a result of these conditions, the group’s consolidated net sales for the current fiscal year increased by 2,756million Yen (up 2.7%) year-on-year to 103,763 million Yen. Operating income increased by 1,199 million Yen (up 57.6) to 3,283illion. Ordinary income increased by 1,666 million Yen (up 125.2%) to 2,996 million Yen. Net income attributable to Harima Chemicals Group, INC. in this fiscal year was 2,346 million Yen, increased by 1,582 million Yen (up 207.5%).

Status of Business Segments

(Resins and Tall Oil Products)
In this segment, the sales increased by 331 million Yen (up1.6%) to 21,420 million Yen. Operating income increased by 1,078 million Yen (up 262.6%) to 1,489 million Yen due to the increasing sales in domestic companies.

- About paint resins, sales increased compared to the previous fiscal year due to expanded sales of new products.
- About printing ink resins, because the market for lithographic inks used in commercial printing continued to shrink, sales decreased compared to the previous fiscal year.
- About synthetic rubber emulsifiers, due to a decrease in overall synthetic rubber production, sales volume decreased, resulting in a decrease of the sales compared to the previous fiscal year.
- About functional coatings used in displays and myrcene, a fragrance raw material, both of which sales volume increased, resulting in increased sales compared to the previous fiscal year.

(Paper Chemicals)
In this segment, the sales increased by 792 million Yen (up 2.8%) year-on-year to 28,717 million Yen due to the increased sales in the United States. Operating income increased by 415 million Yen (up 19.6%) to 2,538 million Yen.

- About Paper Strengthening Agents, in Japan, sales volume increased, but the selling price decreased. As a result, sales decreased compared to the previous fiscal year. In China, although paperboard production increased, sales revenue decreased compared to the previous fiscal year due to lower selling prices resulting from increased competition, as well as a decline in sales volume.
- About Sizing Agents, in Japan, though production volume of paper and paperboard decreased, sales increased compared to the previous fiscal year due to price increases. In the USA, sales volume increased due to an expansion of sales channels, resulting in higher revenue than the previous fiscal year.

(Electronic Materials)

In this segment, the sales increased by 419 million Yen (up3.2%) year on year to 13,719 million Yen. Operating income decreased by 7million Yen (down 2.1%) to 375 million Yen, because of rising prices of raw materials for soldering materials and increased cost for expanding the solder business such as labour costs due to increased personnel needs.

・ About solder pastes, although we were affected by the decline in automobile production in Europe and the USA, the sales increased compared to the fiscal year because we passed on the increased raw material costs to our customers.
・ About aluminium brazing materials for automobile heat exchangers, the sales increased compared to the previous fiscal year due to increased demand for automotive heat exchangers overseas.
・ About resins for semiconductor resists, the sales increased compared to the previous fiscal year due to favourable market conditions.

(LAWTER)

In this segment, sales increased by 1,078 million (up 3.1%) to 35,932 million Yen. Operating income decreased by 583million Yen (down 93.9%) to 38 million Yen due to increase of the price of raw materials and the increase of manufacturing costs for raw materials and fuel, etc.

・ About adhesive resin, while sales of our main product, water-based tackifiers, were sluggish in Oceania and South America, strong sales of resins for road marking paints in North America and South America resulted in increased sales compared to the previous fiscal year.
・ About Printing ink resin, while demand for consumer goods decreased due to rising prices, and shipments of publishing inks for newspapers and commercial printing declined, sales volume increased in Europe due to expanded market share. However, sales volume decreased in North and South America, and sales prices fell, resulting in a decrease in overall sales compared to the previous fiscal year.

Consolidated Business Performance Trends

(Millions of Yen unless otherwise stated)

Category	81st Fiscal Year (Fiscal year ended March 2023)	82nd Fiscal Year (Fiscal year ended March 2024)	83rd Fiscal Year (Fiscal year ended March 2025)	84rd Fiscal Year (Fiscal year ended March 2026)
Net sales	94,510	92,330	101,006	103,763
Ordinary income (loss)	2,541	△275	1,330	2,996
Net income (loss) attributable to Harima Chemicals Group, INC.	885	△1,161	763	2,346
Net income (loss) per share (Yen)	35.76	△47.96	31.46	96.56
Total assets	92,439	98,583	100,044	102,886
Net assets	40,820	40,881	38,010	41,506

(Notes) 1. Net income (loss) per share is calculated based on the weighted average number of issued shares during the fiscal year after deducting treasury stocks.

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Balance Sheet
March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2026	2025	2026
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 6,178	¥ 4,645	$ 38,641
Notes and accounts receivable (Note 18):			
Trade notes	2,636	3,087	16,487
Trade accounts	17,844	17,552	111,609
Associated companies	188	173	1,176
Other	993	1,115	6,211
Allowance for doubtful receivables	(105)	(117)	(657)
Inventories (Note 6)	24,052	24,451	150,438
Other current assets	1,584	1,237	9,908
Total current assets	53,370	52,143	333,813
PROPERTY, PLANT AND EQUIPMENT (Notes 4 and 7):			
Land (Note 8)	9,188	8,653	57,468
Buildings and structures (Note 8)	22,360	21,500	139,855
Machinery and equipment	42,742	39,700	267,338
Lease assets (Note 17)	3,009	2,691	18,820
Construction in progress	1,315	2,587	8,225
Other assets	6,272	6,067	39,230
Total	84,886	81,198	530,936
Accumulated depreciation	(51,102)	(48,815)	(319,628)
Net property, plant and equipment	33,784	32,383	211,308
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 18)	2,035	2,931	12,728
Investments in associated companies	7,431	6,362	46,479
Customer list	3,492	3,677	21,841
Deferred tax assets (Note 14)	259	503	1,620
Asset for retirement benefits	846	297	5,291
Other assets	1,670	1,750	10,446
Allowance for doubtful accounts	(1)	(2)	(6)
Total investments and other assets	15,732	15,518	98,399
TOTAL	¥102,886	¥100,044	$643,520

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	2026	2025	2026
CURRENT LIABILITIES:			
Short-term bank loans (Notes 9 and 18)	¥ 20,976	¥ 28,071	$ 131,199
Current portion of long-term debt (Notes 9 and 18)	912	396	5,704
Notes and accounts payable (Note 18):			
Trade notes	944	1,085	5,904
Trade accounts	8,271	9,747	51,733
Associated companies	111	148	694
Construction and other	3,612	1,570	22,592
Current portion of long-term lease obligations (Notes 17 and 18)	418	360	2,614
Income taxes payable (Note 14)	433	198	2,708
Other current liabilities	5,284	4,304	33,050
Total current liabilities	40,961	45,879	256,198
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 18)	15,887	11,744	99,368
Long-term lease obligations (Notes 17 and 18)	2,235	1,994	13,979
Long-term deposits received (Note 18)	441	481	2,758
Liability for retirement benefits (Note 10)	33	117	206
Asset retirement obligations (Note 11)	53	53	331
Deferred tax liabilities (Note 14)	1,308	1,274	8,181
Other long-term liabilities	462	492	2,892
Total long-term liabilities	20,419	16,155	127,715
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9 and 17)			
EQUITY (Note 12):			
Common stock—authorized 59,500,000 shares; issued, 26,080,396 shares in 2026 and 2025	10,013	10,013	62,628
Capital surplus	8,609	8,609	53,847
Retained earnings	17,888	16,562	111,884
Treasury stock—at cost, 1,770,246 shares in 2026 and 1,815,014 shares in 2025	(1,691)	(1,727)	(10,577)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	313	116	1,957
Foreign currency translation adjustments	5,485	3,871	34,307
Defined retirement benefit plans	183	(112)	1,145
Total	40,800	37,332	255,191
Noncontrolling interests	706	678	4,416
Total equity	41,506	38,010	259,607
TOTAL	¥102,886	¥100,044	$643,520

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
NET SALES (Note 15)	¥103,763	¥101,006	$649,006
COST OF SALES	80,824	79,211	505,529
Gross profit	22,939	21,795	143,477
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 13 and 16)	19,656	19,712	122,942
Operating income	3,283	2,083	20,535
OTHER INCOME (EXPENSES):			
Interest and dividend income	143	257	894
Interest expense	(1,100)	(988)	(6,880)
Rental income	25	29	156
Commission paid	(3)	(1)	(19)
Foreign exchange (loss) gain	(158)	72	(988)
Loss on impairment of long-lived assets (Note 7)	(300)	(359)	(1,876)
Gain on sale of property, plant and equipment	322		2,014
Loss on disposal of property, plant and equipment	(115)	(35)	(719)
Gain on sale of investment securities	184	1,181	1,151
Loss on valuation of investment securities		(154)	
Equity in earnings (loss) of associated companies	496	(306)	3,102
Gain on liquidation of subsidiaries and associates		95	
Loss on sales of investments in capital of subsidiaries and affiliates		(265)	
Other—net	397	209	2,483
Other expenses—net	(109)	(265)	(682)
INCOME BEFORE INCOME TAXES	3,174	1,818	19,853
INCOME TAXES (Note 14):			
Current	678	588	4,241
Deferred	152	451	951
Total income taxes	830	1,039	5,192
NET INCOME	2,344	779	14,661
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2	(16)	13
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 2,346	¥ 763	$ 14,674

(Continued)

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2026

	Yen		U.S. Dollars
	2026	2025	2026
PER SHARE OF COMMON STOCK (Notes 2.v and 20):			
Net income	¥96.56	¥31.46	$0.60
Cash dividends applicable to the year	42.00	42.00	0.26

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
NET INCOME	¥2,344	¥ 779	$ 14,661
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19):			
Unrealized gain (loss) on available-for-sale securities	196	(431)	1,226
Foreign currency translation adjustments	1,641	1,964	10,264
Defined retirement benefit plans	300	(57)	1,876
Total other comprehensive income	2,137	1,476	13,366
COMPREHENSIVE INCOME	¥4,481	¥2,255	$ 28,027
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥4,451	¥2,230	$ 27,839
Noncontrolling interests	30	25	188

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2026

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2024	24,233	¥10,013	¥9,743	¥16,837	¥(1,761)	¥547	¥1,893	¥ (55)	¥37,217	¥3,664	¥40,881
Net income attributable to owners of the parent				763					763		763
Cash dividends, ¥42.00 per share				(1,018)					(1,018)		(1,018)
Disposal of treasury stock	32		(3)		34				31		31
Change in ownership interest of parent due to transactions with noncontrolling interests			(1,131)						(1,131)		(1,131)
Decrease in retained earnings due to exclusion of subsidiaries from consolidation				(20)					(20)		(20)
Net change in the year						(431)	1,978	(57)	1,490	(2,986)	(1,496)
BALANCE, MARCH 31, 2025	24,265	10,013	8,609	16,562	(1,727)	116	3,871	(112)	37,332	678	38,010
Net income attributable to owners of the parent				2,346					2,346		2,346
Cash dividends, ¥42.00 per share				(1,020)					(1,020)		(1,020)
Purchase of treasury stock											
Disposal of treasury stock	45				36				36		36
Net change in the year						197	1,614	295	2,106	28	2,134
BALANCE, MARCH 31, 2026	24,310	¥10,013	¥8,609	¥17,888	¥(1,691)	¥313	¥5,485	¥183	¥40,800	¥ 706	¥41,506

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2025	$62,628	$53,847	$103,590	$(10,802)	$ 726	$24,212	$ (701)	$233,500	$4,241	$237,741
Net income attributable to owners of the parent			14,674					14,674		14,674
Cash dividends, $0.26 per share			(6,380)					(6,380)		(6,380)
Purchase of treasury stock										
Disposal of treasury stock				225				225		225
Net change in the year					1,231	10,095	1,846	13,172	175	13,347
BALANCE, MARCH 31, 2026	$62,628	$53,847	$111,884	$(10,577)	$1,957	$34,307	$1,145	$255,191	$4,416	$259,607

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
OPERATING ACTIVITIES:			
Income before income taxes	¥3,174	¥ 1,818	$ 19,853
Adjustments for:			
Income taxes—paid	(485)	(737)	(3,034)
Depreciation and amortization	3,002	2,828	18,777
Loss on impairment of long-lived assets	300	359	1,876
Foreign exchange loss	181	1	1,132
Gain on sales of property, plant and equipment	(322)	(6)	(2,014)
Gain on sales of investment securities	(184)	(1,181)	(1,151)
Loss on valuation of investment securities		154	
Gain on liquidation of subsidiaries and associates		(95)	
Loss on sales of investments in capital of subsidiaries and affiliates		265	
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	336	1,924	2,102
Decrease (increase) in inventories	527	(441)	3,296
Decrease in trade notes and accounts payable	(518)	(266)	(3,240)
Other—net	1,848	1,522	11,559
Total adjustments	4,685	4,327	29,303
Net cash provided by operating activities	7,859	6,145	49,156
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(3,581)	(5,461)	(22,398)
Proceeds from sales of property, plant and equipment	607	15	3,797
Purchases of intangible assets	(50)	(46)	(313)
Purchases of investment securities	(8)	(1,613)	(50)
Proceeds from sales of investment securities	1,342	2,258	8,394
Other—net	(22)	(134)	(138)
Net cash used in investing activities	(1,712)	(4,981)	(10,708)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans—net	(7,231)	2,337	(45,228)
Proceeds from long-term debt	4,744		29,672
Repayments of long-term debt	(1,294)	(834)	(8,094)
Dividends paid	(1,020)	(1,018)	(6,380)
Investments in capital of subsidiaries not resulting in change in scope of consolidation		(4,133)	
Other—net	(53)	(21)	(330)
Net cash used in financing activities	(4,854)	(3,669)	(30,360)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	240	517	1,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS—(Forward)	¥1,533	¥(1,988)	$ 9,588

(Continued)

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	2026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS—(Forward)	¥1,533	¥(1,988)	$ 9,588
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,645	6,633	29,053
CASH AND CASH EQUIVALENTS, END OF YEAR	¥6,178	¥ 4,645	$38,641

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2025 consolidated financial statements to conform to the classifications used in 2026.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which HARIMA CHEMICALS GROUP, INC. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥159.88 to $1, the approximate rate of exchange at March 31, 2026. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements include the accounts of the Company and all its subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period not exceeding 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) ("US GAAP") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D;

(d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method***—ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS Accounting Standards or US GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. ***Business Combinations***—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

f. ***Inventories***—Inventories are principally stated at the lower of cost, determined by the moving-average cost method, or net selling value.

The inventories of certain consolidated foreign subsidiaries are stated at the lower of cost, determined by the first-in, first-out method, or net selling value.

g. ***Investment Securities***—Investment securities are classified and accounted for as follows:

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. Certain domestic subsidiaries and foreign subsidiaries apply the straight-line method, using rates based on the estimated useful lives of the assets. The range of useful lives is from 5 to 50 years for buildings and from 4 to 17 years for machinery and equipment.

i. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset, or the net selling value at disposition.

j. ***Software***—Amortization of capitalized software costs is computed using the straight-line method over 5 years, the estimated useful life of the assets.

k. ***Customer List***—Amortization of capitalized customer list costs is computed using the straight-line method over 23 years, the estimated useful life of the assets.

l. ***Retirement and Pension Plans***—The Company and certain domestic subsidiaries have funded defined benefit pension plans, defined contribution pension plans, and severance lump sum payment plans covering substantially all of their employees. Certain foreign subsidiaries have adopted funded defined benefit plans and defined contribution pension plans.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 13 years from the following fiscal year, no longer than the expected average remaining service period of the employees. Except for certain consolidated subsidiaries, prior service costs are recognized in the period in which they are incurred.

Retirement allowances for directors are recorded as a liability at the amount that would be required if all directors retired at each balance sheet date.

m. ***Asset Retirement Obligations***—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. ***Revenue Recognition***—The Company and its domestic subsidiaries implement the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29 revised on March 31, 2020). Foreign subsidiaries implement the IFRS Accounting Standards (IFRS) 15 and the Accounting Standards Codification 606, "Revenue from Contract(s) with Customers," recognizing revenue at the amount expected to be received in exchange for goods or services when control of the promised goods or services is transferred to customers.

    (1) *The nature of performance obligations for each of the Group's major industry*—The Group's main business segments including—Resins and Tall Oil Products, Paper Chemicals, Electronic Materials and Lawter Inc. ("Lawter"), have the obligation to perform the contract and deliver the goods according to the sales contract with the customer.

    (2) *The timing when performance obligations are satisfied*—Since the sale of products and commodities is a performance obligation that is satisfied when the customer gains control over the products and commodities, revenue is recognized when the performance obligation is considered to be completed. However, for domestic shipment from factories, the Company applies paragraph 98 of the Guidance on Accounting Standards for Revenue Recognition (ASBJ Guidance No. 30 revised on March 26, 2021) to recognize revenue at the time of shipment.

o. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

p. ***Leases***—Finance lease transactions are capitalized by recognizing leased assets and leased obligations in the balance sheet.

    All other leases are accounted for as operating leases.

q. ***Bonuses to Directors***—Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.

r. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences. The Company and some of its domestic subsidiaries have adopted the group tax relief regime.

s. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

t. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

u. ***Derivative and Hedging Activities***—The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

v. ***Per Share Information***—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

w. ***Accounting Changes and Error Corrections***—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

x. ***Provision for Loss on Litigation***—In order to prepare for the provision for loss on litigation, estimated amounts of losses are provided.

y. New Accounting Pronouncements

—Accounting Standard for Leases (ASBJ Statement No. 34 revised on September 13, 2024)

—Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33 revised on September 13, 2024)

(*a*) *Overview*

As part of efforts to make Japanese GAAP internationally consistent, the ASBJ conducted a study based on international accounting standards to develop accounting standards for leases that recognize assets and liabilities for all leases of lessees. ASBJ announced accounting standard for leases, the basic policy of which is to adopt IFRS 16's single accounting model, but to adopt only the major provisions of IFRS 16, rather than all the provisions of IFRS 16, so that it is simpler, more convenient, and more consistent with IFRS 16. As for the lessee's accounting treatment, the method of allocating lease expenses to the lessee will be the same as IFRS 16, regardless of whether the lease is a finance lease or an operating lease, in which the lessee will record the depreciation expense on the right-of-use asset and the amount equivalent to the interest on the lease liability.

(*b*) *Scheduled date of adoption*

The Company expects to apply the accounting standards and guidance for annual periods beginning on or after April 1, 2027.

(*c*) *Impact of the adoption of accounting standard and implementation guidance*

The Company is in the process of measuring the effects of applying the accounting standards and guidance in future applicable periods.

3. CHANGE IN ACCOUNTING ESTIMATE

Changes in the Period Used for Amortization of Actuarial Gain or Loss in Retirement Benefits

The Group used an amortization period for actuarial gain or loss in retirement benefits over 14 years. However, the estimated remaining service years of employees in consolidated subsidiary were shortened, and therefore, the amortization period was changed to 13 years.

The effect on the consolidated financial statements of this change is immaterial.

4. SIGNIFICANT ACCOUNTING ESTIMATE

Recognition and Measurement of Impairment Losses on Property, Plant and Equipment

(1) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Property, plant and equipment	¥33,784	¥32,383	$211,308
Which belong to LAWTER B.V. included in the above	11,375	10,828	71,147

(2) *Information on the significant accounting estimate*

The consolidated subsidiary, LAWTER B.V., operates in seven countries (the Netherlands, Belgium, the United States of America, Argentina, New Zealand, China, and South Korea) and mainly manufactures and sells resins for adhesives and printing inks. To identify loss on impairment of long-lived assets, we grouped assets based on management accounting categories that are used to continuously manage income and expenses. For the fiscal year ended March 31, 2026, an indication of impairment was identified for an asset group of Lawter in New Zealand. However, no impairment loss was recorded because the fair value of the asset group exceeded its carrying amount. The key assumptions used by management in calculating the fair value were the land price per unit area, the expected selling cost, and net realizable value of construction in progress and machinery and equipment. These assumptions are determined based on the best estimates as of the end of the current consolidated fiscal year, but they are subject to the effects of future fluctuations in uncertain economic conditions. Any changes in the assumptions in the estimates could affect the valuation of the fixed assets, which could have a significant impact on the consolidated financial statements.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Non-current:			
Equity securities	¥2,035	¥2,931	$ 12,728
Total	¥2,035	¥2,931	$ 12,728

The costs and aggregate fair values of investment securities as of March 31, 2026 and 2025, were as follows:

	Millions of Yen			
March 31, 2026	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Marketable available-for-sale:				
Equity securities	¥1,543	¥493	¥ (18)	¥2,018
March 31, 2025				
Securities classified as:				
Marketable available-for-sale:				
Equity securities	¥2,688	¥325	¥ (100)	¥2,913

	Thousands of U.S. Dollars			
March 31, 2026	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Marketable available-for-sale:				
Equity securities	$ 9,651	$ 3,084	$ (113)	$ 12,622

Carrying amounts of nonmarketable available-for-sale securities as of March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Nonmarketable available-for-sale:			
Equity securities	¥17	¥18	$106

The information for available-for-sale securities which were sold during the years ended March 31, 2026 and 2025, was as follows:

	Millions of Yen		
March 31, 2026	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥1,344	¥ 191	
Total	¥1,344	¥ 191	
March 31, 2025			
Available-for-sale:			
Equity securities	¥2,262	¥1,185	
Total	¥2,262	¥1,185	

	Thousands of U.S. Dollars		
March 31, 2026	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$8,406	$1,195	
Total	$8,406	$1,195	

6. INVENTORIES

Inventories as of March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Finished products	¥ 9,711	¥ 9,854	$ 60,739
Work in process	964	883	6,030
Raw materials and supplies	13,377	13,714	83,669
Total	¥24,052	¥24,451	$150,438

7. LONG-LIVED ASSETS

The Group recorded impairment losses of ¥300 million ($1,876 thousand) and ¥359 million for the years ended March 31, 2026 and 2025, respectively. The Group recognized a decline in value of a golf course and hotel facilities for the year ended March 31, 2026. The impairment loss was recognized since the recoverable value of the assets was lower than the carrying amounts of the assets due to continuing operating losses for business assets. Also, the Group recognized a decline in value of the equipment of LAWTER B.V. in New Zealand, and the idle land in Hokkaido for the year ended March 31, 2025. The impairment loss for the year ended March 31, 2025, was recognized since the recoverable value of the assets was lower than the carrying amounts due to continuing operating losses for business assets and the market value of the idle asset was lower than its carrying amount.

8. INVESTMENT PROPERTY

The Group owns certain rental properties, such as office buildings and land. The net of rental income and operating expenses for those rental properties for the years ended March 31, 2026 and 2025, were ¥84 million ($525 thousand) and ¥115 million, respectively.

In addition, the carrying amounts, changes in such balances, and market prices of such properties were as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2025	Increase/ Decrease	March 31, 2026	March 31, 2026
¥1,366	¥(292)	¥1,074	¥1,870

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2024	Increase/ Decrease	March 31, 2025	March 31, 2025
¥1,399	¥(33)	¥1,366	¥2,151

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2025	Increase/ Decrease	March 31, 2026	March 31, 2026
$8,544	$(1,826)	$6,718	$11,696

Notes:
1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2026, primarily represents depreciation of ¥13 million ($81 thousand) and sale of properties of ¥275 million ($1,720 thousand). Decrease during the fiscal year ended March 31, 2025, primarily represents depreciation of ¥13 million and impairment losses of ¥17 million.
3. Fair value of properties is measured by the Group in accordance with the Real-Estate Appraisal Standard.

9. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2026 and 2025, consisted of an outstanding balance of line of credit, notes to banks and bank overdrafts. The average interest rates applicable to the short-term bank loans as of March 31, 2026 and 2025, were 3.1% and 2.8%, respectively. As of March 31, 2026 and 2025, the total committed line of credit was ¥6,000 million ($37,528 thousand) and ¥6,000 million, and unused balance was ¥6,000 million ($37,528 thousand) and ¥4,300 million, respectively.

Long-term debt as of March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Unsecured loans from banks and other financial institutions, maturing in series until 2032 with interest rates ranging from 0.2% to 6.1% (2026) and from 0.2% to 3.6% (2025)	¥16,799	¥12,140	$105,072
Total	16,799	12,140	105,072
Less current portion	(912)	(396)	(5,704)
Long-term debt, less current portion	¥15,887	¥11,744	$ 99,368

Annual maturities of long-term debt, excluding finance leases (see Note 17), at March 31, 2026, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2027	¥ 912	$ 5,704
2028	691	4,322
2029	4,170	26,082
2030	5,909	36,959
2031	117	732
2032 and thereafter	5,000	31,273
Total	¥16,799	$105,072

Certain bank loans and the commitment lines of credit are subject to financial covenants, which use total equity and continuous operating income without extraordinary items for the most recent year as credit risk indicators, and require the Group to maintain the financial measures above a certain level. Based on the financial results for the years ended March 31, 2026 and 2025, the covenants were not breached since the Group met the requirements.

10. RETIREMENT AND PENSION PLANS

The Company and certain domestic subsidiaries have a defined contribution plan and a defined benefit plan, including a defined corporate pension plan and retirement lump sum plan. Certain foreign subsidiaries have defined contribution plans and defined benefit plans. Certain domestic subsidiaries apply the simplified method to calculate liabilities for retirement benefits and retirement benefit costs.

In addition, the Company and certain domestic subsidiaries participate in multi-employer pension plans. Since the pension assets attributable to the Company and certain domestic subsidiaries cannot be reliably determined based on their contributions, the plan is accounted for as a defined contribution plan.

Certain consolidated subsidiaries transferred from the lump-sum retirement benefit plan to the defined contribution plan in December 2025. In connection with this transfer, the loss on termination of the retirement benefit plan was recorded under "Other—net" of other income (expenses) in the current fiscal year.

The amount of assets to be transferred from the lump-sum retirement benefit plan to the defined contribution pension plan is ¥151 million ($944 thousand) and the transfer is planned to be made over three years. The untransferred balance amounted to ¥69 million ($432 thousand) as of the end of the current consolidated fiscal year is recorded in current liabilities and "Other" under non-current liabilities.

Also, a certain domestic subsidiary has a severance payment plan for directors. The retirement benefits for directors are paid subject to the approval of the shareholders in accordance with the Companies Act of Japan (the "Companies Act"). The liability for retirement benefits for directors as of March 31, 2026 and 2025, was ¥21 million ($131 thousand) and ¥19 million, respectively, and included in liability for retirement benefits in the consolidated balance sheet.

(***a***) ***Defined Benefit Plan***

(1) The changes in defined benefit obligation for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Balance at beginning of year	¥3,263	¥3,184	$20,409
Service cost	204	201	1,276
Interest cost	50	45	313
Actuarial gains	(351)	(80)	(2,195)
Benefits paid	(200)	(137)	(1,251)
Foreign currency translation differences	114	40	713
Others	9	10	56
Balance at end of year	¥3,089	¥3,263	$19,321

(2) The changes in plan assets for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Balance at beginning of year	¥3,563	¥3,403	$22,285
Expected return on plan assets	128	147	801
Actuarial gains (losses)	34	(192)	213
Contributions from the employer	289	292	1,808
Benefits paid	(200)	(137)	(1,251)
Foreign currency translation differences	113	40	707
Others	8	10	49
Balance at end of year	¥3,935	¥3,563	$24,612

(3) The changes in defined benefit obligation under the simplified method for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Balance at beginning of year	¥101	¥126	$632
Periodic benefit costs	12	163	75
Benefits paid	(32)	(190)	(200)
Decrease due to the termination of the retirement benefit plan	(65)		(407)
Foreign currency translation differences	(4)	2	(25)
Balance at end of year	¥ 12	¥101	$ 75

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2026 and 2025, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Funded defined benefit obligation	¥3,089	¥3,263	$19,321
Plan assets	(3,935)	(3,563)	(24,612)
Total	(846)	(300)	(5,291)
Unfunded defined benefit obligation	12	101	75
Net liability arising from defined benefit obligation	¥ (834)	¥ (199)	$ (5,216)

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Liability for retirement benefits	¥ 12	¥ 98	$ 75
Asset for retirement benefits	(846)	(297)	(5,291)
Net liability arising from defined benefit obligation	¥(834)	¥(199)	$(5,216)

(5) The components of net periodic benefit costs for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Service cost	¥204	¥201	$1,276
Interest cost	50	45	313
Expected return on plan assets	(128)	(147)	(801)
Recognized actuarial losses	38	22	238
Recognized prior service cost	5	5	31
Periodic benefit cost in simplified method	12	163	75
Others	(2)	(1)	(12)
Net periodic benefit costs	¥179	¥288	$1,120

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Prior service cost	¥ 5	¥ 5	$ 31
Actuarial losses (gains)	421	(93)	2,633
Others	3	2	19
Total	¥429	¥(86)	$2,683

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Unrecognized prior service cost	¥ 32	¥ 34	$ 200
Unrecognized actuarial (gains) losses	(253)	174	(1,582)
Total	¥(221)	¥208	$(1,382)

(8) Plan assets as of March 31, 2026 and 2025

a. *Components of plan assets*

Plan assets consisted of the following:

	2026	2025
Debt securities in Japan	11.0%	9.4%
Equity securities in Japan	10.4	11.3
Debt securities in other countries	2.7	3.5
Equity securities in other countries	10.8	10.7
Cash and time deposits	1.1	0.9
Insurance asset (general account)	64.0	64.2
Total	100.0%	100.0%

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2026 and 2025, were set forth as follows:

	2026	2025
Discount rate	Mainly 2.3%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 4.0%	Mainly 5.0%

A discount rate of 0.7% was applied in the calculation at the beginning of the fiscal year under review. However, after conducting a reassessment of the discount rate at the end of the fiscal year under review, the Company concluded that a change in the discount rate would significantly affect the amount of retirement benefit obligations. Accordingly, the discount rate was revised to 2.3%.

(***b***) ***Defined Contribution Plan***

The amount of contributions required for the defined contribution plan of the Group for the years ended March 31, 2026 and 2025, was ¥277 million ($1,733 thousand) and ¥184 million, respectively.

(***c***) ***Multi-Employer Pension Plan***

The contributions to the multi-employer plan, which are accounted for using the same method as a defined contribution plan, were ¥97 million ($607 thousand) and ¥93 million for the years ended March 31, 2026 and 2025, respectively.

(1) The funded status of the multi-employer plan as of March 31, 2025 and 2024, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Plan assets	¥ 39,899	¥ 40,258	$ 249,556
Actuarial liabilities of pension plan	60,998	61,836	381,524
Net balance	¥ (21,099)	¥ (21,578)	$ (131,968)

(2) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2025 and 2024, was 2.2% and 2.1%, respectively.

(3) Supplementary explanation

The above information is obtained from the latest available information.

The net balance in (1) above is mainly caused by past service cost of ¥29,200 million ($182,637 thousand) for 2025 and ¥29,749 million for 2024, and a deficiency brought forward of ¥8,101 million ($50,669 thousand) for 2025 and ¥8,171 million for 2024. Past service cost under the plan is amortized on a straight-line basis over 18 years and 8 months, and the special contributions of ¥41 million ($256 thousand) for 2025 and ¥40 million for 2024, which are utilized for such amortization, were expensed in the consolidated statement of income of the Group.

The ratios in (2) above do not represent the actual actuarial liability ratio of the Group.

11. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Balance at beginning of year	¥53	¥39	$331
Additional provisions associated with the acquisition of property, plant and equipment		14	
Balance at end of year	¥53	¥53	$331

12. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee, and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective June 25, 2015. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2026 and 2025, principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Employees' salaries and bonuses	¥5,755	¥5,648	$35,996
Net periodic retirement benefit	264	298	1,651
Transport	4,485	4,531	28,052
Depreciation	581	532	3,634
Rental	273	275	1,708
Research and development	2,868	2,782	17,938

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.58% for the years ended March 31, 2026 and 2025. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Deferred tax assets:			
Tax loss carryforwards	¥ 2,822	¥2,927	$17,651
Impairment loss on long-lived assets	1,249	1,238	7,812
Loss on revaluation of investment securities	10	59	63
Retirement benefits to directors	7	6	44
Unrealized gain on property, plant and equipment	108	108	676
Intangible fixed assets of foreign subsidiaries	48	44	300
Others	1,535	1,831	9,600
Total of tax loss carryforwards and temporary differences	5,779	6,213	36,146
Less valuation allowance for tax loss carryforwards	(2,131)	(2,263)	(13,329)
Less valuation allowance for temporary differences	(2,247)	(2,265)	(14,054)
Total valuation allowance	(4,378)	(4,528)	(27,383)
Deferred tax assets	1,401	1,685	8,763
Deferred tax liabilities:			
Reserve for deferred gains on sales of property, plant and equipment	(44)	(44)	(275)
Unrealized gain on available-for-sale securities	(147)	(94)	(919)
Undistributed earnings of foreign subsidiaries	(655)	(602)	(4,097)
Depreciation of foreign subsidiaries	(1,482)	(1,358)	(9,269)
Others	(122)	(358)	(764)
Deferred tax liabilities	(2,450)	(2,456)	(15,324)
Net deferred tax liabilities	¥(1,049)	¥ (771)	$ (6,561)

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2026 and 2025, were as follows:

	Millions of Yen						
March 31, 2026	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥16	¥ 6	¥41	¥32	¥137	¥2,590	¥2,822
Less valuation allowances for tax loss carryforwards	(16)		(35)	(32)	(90)	(1,958)	(2,131)
Net deferred tax assets relating to tax loss carryforwards		6	6		47	632	691
March 31, 2025							
Deferred tax assets relating to tax loss carryforwards	¥67	¥16	¥12	¥58	¥135	¥2,639	¥2,927
Less valuation allowances for tax loss carryforwards	(67)	(16)	(12)	(58)	(108)	(2,002)	(2,263)
Net deferred tax assets relating to tax loss carryforwards					27	637	664

	Thousands of U.S. Dollars						
March 31, 2026	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	$100	$38	$256	$200	$857	$16,200	$17,651
Less valuation allowances for tax loss carryforwards	(100)		(219)	(200)	(563)	(12,247)	(13,329)
Net deferred tax assets relating to tax loss carryforwards		38	37		294	3,953	4,322

Net deferred tax assets relating to tax loss carryforwards were ¥691 million ($4,322 thousand) and ¥664 million for the years ended March 31, 2026 and 2025, respectively. They were mainly recorded at LAWTER Europe BV as a result of future taxable income consideration.

The reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2026 and 2025, was as follows:

	2026	2025
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	5.9	8.1
Inhabitant tax on per capita basis	0.9	1.6
Difference of income tax rates applicable to income in certain foreign countries	(7.1)	(8.0)
(Decrease) increase in valuation allowance	(5.6)	53.9
Tax credit	(2.0)	(2.6)
Undistributed earnings of foreign subsidiaries	1.7	4.1
Share of profit of entities accounted for using equity method	(3.4)	3.4
Withholding taxes on dividends from foreign subsidiaries	1.1	2.0
Consolidated adjustment for loss on sales of investments in capital of subsidiaries and affiliates		(23.9)
Consolidated adjustment for gain on liquidation of subsidiaries and associates		(5.6)
Expiry of time limit of loss carried forward	1.6	0.2
Adjustment of deferred tax assets and liabilities at end of period due to change in tax rates	(0.3)	(7.8)
Other—net	2.8	1.2
Actual effective tax rate	26.2%	57.2%

15. REVENUE

(1) *Disaggregation of Revenue*

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen						
	2026						
	Reportable Segment						
	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Other	Reconciliations	Consolidated
Domestic	¥21,197	¥ 9,644	¥ 7,023	¥ 840	¥3,826	¥28	¥ 42,558
Foreign	223	19,073	6,696	35,092	(1)		61,083
Revenues from contracts with customers	21,420	28,717	13,719	35,932	3,825	28	103,641
Other revenue					122		122
Total	¥21,420	¥28,717	¥13,719	¥35,932	¥3,947	¥28	¥103,763

	Millions of Yen						
	2025						
	Reportable Segment						
	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Other	Reconciliations	Consolidated
Domestic	¥20,410	¥ 9,911	¥ 5,972	¥ 492	¥3,733	¥(37)	¥ 40,481
Foreign	679	18,014	7,327	34,361	(25)	9	60,365
Revenues from contracts with customers	21,089	27,925	13,299	34,853	3,708	(28)	100,846
Other revenue					160		160
Total	¥21,089	¥27,925	¥13,299	¥34,853	¥3,868	¥(28)	¥101,006

	Thousands of U.S. Dollars						
	2026						
	Reportable Segment						
	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Other	Reconciliations	Consolidated
Domestic	$ 132,580	$ 60,320	$ 43,927	$ 5,254	$ 23,931	$ 175	$ 266,187
Foreign	1,395	119,296	41,881	219,490	(7)		382,055
Revenues from contracts with customers	133,975	179,616	85,808	224,744	23,924	175	648,242
Other revenue					764		764
Total	$ 133,975	$ 179,616	$ 85,808	$ 224,744	$ 24,688	$ 175	$ 649,006

(**2**) ***Basic Information to Understand Revenues from Contracts with Customers***

Contract, performance obligation, timing of satisfaction of performance obligation—The information is included in Note 2.

Transaction price calculation information—Regarding production sales, the Company calculates the transaction price according to the amount of consideration agreed in the contract with the customer after deducting the estimated value such as discount, and revenue is recognized only to the extent that it is highly probability that no significant reversal will occur. Revenue-related consideration recognized by the company is usually received within one year after performance obligations have been completed, excluding significant financial factors.

(**3**) ***Information to Understand the Amount of Revenue at the End of the Current Consolidated Fiscal Year and after the Following Consolidated Fiscal Year***

The Group applied a practical expedient and omitted disclosure of information on remaining performance obligations, as there have been no significant transactions for which an estimated contract period exceeds one year. In addition, no material amounts of consideration arising from contracts with customers are excluded from the transaction price.

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,868 million ($17,938 thousand) and ¥2,782 million for the years ended March 31, 2026 and 2025, respectively.

17. LEASES

The Group leases certain buildings and structures, machinery and equipment, and other assets.

Total lease expenses for the years ended March 31, 2026 and 2025, were ¥472 million ($2,952 thousand) and ¥441 million, respectively.

Lease obligations as of March 31, 2026, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2026	2026
	Lease Obligations	Lease Obligations
Due within one year	¥ 418	$ 2,614
Due after one year	2,235	13,979
Total	¥2,653	$ 16,593

Future minimum payments under non-cancellable operating leases are omitted as they are immaterial.

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly bank loans based on its capital financing plan. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Payment terms of payables, such as trade notes and trade accounts, are primarily less than one year. Payment in foreign currencies is exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities are exposed to the risk of market price fluctuations. Short-term bank loans and long-term debt are related to ongoing operations and working capital. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest rate swaps. Long-term deposits received are mainly related to deposits for membership at a golf course and are exposed to liquidity risk.

(3) *Risk Management for Financial Instruments*

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

The counterparties to the Group's derivative contracts are limited to major international financial institutions to reduce credit risk.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2026.

Market risk management (foreign exchange risk and interest rate risk)

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loans payable.

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount.

Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding adequate volume of liquid assets at the level of one month's sales volume, along with adequate financial planning by the corporate treasury department.

(**4**) ***Concentration of Credit Risk***

As of March 31, 2026, 7.7% of total receivables is from certain major customer group.

(**5**) ***Fair Value of Financial Instruments***

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, notes and accounts receivable, notes and accounts payable and short-term bank loans are not disclosed because their maturities are short and the carrying values approximate fair value.

Fair value of financial instruments

	Millions of Yen		
March 31, 2026	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities	¥ 2,018	¥ 2,018	
Total	¥ 2,018	¥ 2,018	
Long-term bank debt	¥16,799	¥16,827	¥ 28
Lease debt	2,653	2,640	(13)
Long-term deposits received	441	377	(64)
Total	¥19,893	¥19,844	¥(49)
March 31, 2025			
Investment securities	¥ 2,913	¥ 2,913	
Total	¥ 2,913	¥ 2,913	
Long-term bank debt	¥12,140	¥12,212	¥ 72
Lease debt	2,354	2,401	47
Long-term deposits received	481	421	(60)
Total	¥14,975	¥15,034	¥ 59

March 31, 2026	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities	$ 12,622	$ 12,622	
Total	$ 12,622	$ 12,622	
Long-term bank debt	$ 105,072	$ 105,248	$ 176
Lease debt	16,593	16,512	(81)
Long-term deposits received	2,758	2,358	(400)
Total	$ 124,423	$ 124,118	$ (305)

Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Millions of Yen 2026	2025	Thousands of U.S. Dollars 2026
Investments in equity instruments that do not have a quoted market price in an active market	¥17	¥18	$ 106

Maturity analysis for financial assets with contractual maturities

March 31, 2026	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 6,178			
Notes and accounts receivable	21,661			
Total	¥27,839			
March 31, 2025				
Cash and cash equivalents	¥ 4,645			
Notes and accounts receivable	21,928			
Total	¥26,573			

March 31, 2026	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 38,641			
Notes and accounts receivable	135,483			
Total	$ 174,124			

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

	Millions of Yen			
March 31, 2026	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Investment securities	¥2,018			¥2,018
Total assets	¥2,018			¥2,018
March 31, 2025				
Marketable and investment securities:				
Investment securities	¥2,913			¥2,913
Total assets	¥2,913			¥2,913

	Thousands of U.S. Dollars			
March 31, 2026	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Investment securities	$ 12,622			$ 12,622
Total assets	$ 12,622			$ 12,622

(2) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

	Millions of Yen			
March 31, 2026	Level 1	Level 2	Level 3	Total
Long-term bank debt		¥16,827		¥16,827
Lease debt		2,640		2,640
Long-term deposits received		377		377
Total liabilities		¥19,844		¥19,844
March 31, 2025				
Long-term bank debt		¥12,212		¥12,212
Lease debt		2,401		2,401
Long-term deposits received		421		421
Total liabilities		¥15,034		¥15,034

	Thousands of U.S. Dollars			
March 31, 2026	Level 1	Level 2	Level 3	Total
Long-term bank debt		$ 105,248		$ 105,248
Lease debt		16,512		16,512
Long-term deposits received		2,358		2,358
Total liabilities		$ 124,118		$ 124,118

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

Long-Term Bank Debt and Lease Debt

The fair values of long-term debt and lease debt are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

Long-Term Deposits Received

The fair values of long-term deposits received are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

19. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 439	¥ 388	$ 2,746
Reclassification adjustments to profit or loss	(189)	(1,028)	(1,182)
Amount before income tax effect	250	(640)	1,564
Income tax effect	(54)	209	(338)
Total	¥ 196	¥ (431)	$ 1,226
Foreign currency translation adjustments:			
Adjustments arising during the year	¥1,641	¥1,843	$10,264
Reclassification adjustments to profit or loss		121	
Amount before income tax effect	1,641	1,964	10,264
Income tax effect			
Total	¥1,641	¥1,964	$10,264
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 388	¥ (111)	$ 2,427
Reclassification adjustments to profit or loss	41	25	256
Amount before income tax effect	429	(86)	2,683
Income tax effect	(129)	29	(807)
Total	¥ 300	¥ (57)	$ 1,876
Total other comprehensive income	¥2,137	¥1,476	$13,366

20. NET INCOME PER SHARE

Details of the basic net income per share ("EPS") for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2026	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥2,346	24,296	¥96.56	$0.60
Year Ended March 31, 2025				
Basic EPS—Net income available to common shareholders	¥ 763	24,255	¥31.46	

Diluted net income per share is not disclosed because there are no outstanding potentially dilutive securities.

21. RELATED PARTY DISCLOSURES

(1) *Transactions between the Company and Related Parties*

Transactions between the Company and related parties for the years ended March 31, 2026 and 2025, were as follows:

Fiscal year ended March 31, 2026

Not applicable

Fiscal year ended March 31, 2025

Not applicable

(2) *Transactions between Subsidiaries and Related Parties*

Transactions between subsidiaries and related parties for the years ended March 31, 2026 and 2025, were as follows:

Fiscal year ended March 31, 2026

Not applicable

Fiscal year ended March 31, 2025

Not applicable

(3) *Summary of Financial Statements of Significant Affiliates*

For the fiscal years ended March 31, 2026 and 2025, the significant affiliate was SunPine AB. Its condensed financial information is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	2026
Total current assets	¥21,936	¥15,462	$ 137,203
Total non-current assets	6,902	6,890	43,170
Total current liabilities	6,165	4,652	38,560
Total non-current liabilities	8,430	7,156	52,727
Total equity	14,243	10,544	89,086
Net sales	45,137	38,424	282,318
Income before income taxes	3,924	337	24,543
Net income	3,094	235	19,352

SunPine AB has become a significant affiliate from this fiscal year due to its increased importance.

22. SUBSEQUENT EVENTS

Change in Reportable Segment

In response to the expanding semiconductor market, the Company is proceeding with the construction of a new plant and an organizational restructuring. In order to strengthen operations through integrated management by consolidating the Semiconductor Resist Resin Business into the Resins and Tall Oil Products Business, the Board of Directors which was held on June 5, 2026, resolved that "Semiconductor Resist Resin Business," which is currently included in the Electronic Materials Business Company, will be reclassified to the Resins and Tall Oil Products Business Company, which is effective from July 1, 2026.

As a result of the above organizational reclassification, from the fiscal year ending March 31, 2027, the Company plans to change its reportable segment by reclassifying the Semiconductor Resist Resin Business, which is currently included in the "Electronic Materials Business" segment, to be included in the "Resins and Tall Oil Products Business" segment.

The segment information based on the new reportable segment of the fiscal year ended March 31, 2026, is currently being determined.

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2026, was approved at the Company's Board of Directors' meeting held on May 19, 2026:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥21 ($0.13) per share	¥510	$3,190

23. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group.

"Resins and Tall Oil Products" manufactures and sells paint resin, resins for print inks, tall oil products, and synthetic rubber emulsifiers. "Paper Chemicals" manufactures and sells paper-strengthening agents, sizing agents, and surface-coating agents. "Electronic Materials" manufactures and sells electronic materials. "LAWTER" manufactures and sells resins for print inks and adhesives, synthetic rubber emulsifiers and resins for road marking paints.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit (loss), and other items is as follows:

	Millions of Yen								
	2026								
	Reportable Segments								
	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥21,420	¥28,717	¥13,719	¥35,932	¥99,788	¥3,947	¥103,735	¥ 28	¥103,763
Intersegment sales or transfers	251	110		604	965	127	1,092	(1,092)	
Total	¥21,671	¥28,827	¥13,719	¥36,536	¥100,753	¥4,074	¥104,827	¥(1,064)	¥103,763
Segment profit (loss)	¥ 1,489	¥ 2,538	¥ 375	¥ 38	¥ 4,440	¥ (9)	¥ 4,431	¥(1,148)	¥ 3,283
Other:									
Depreciation	700	882	505	749	2,836	166	3,002		3,002
Net result of interest income and interest expense	(7)	(107)	(64)	(573)	(751)		(751)	(308)	(1,059)
Equity in earnings of associated companies				452	452		452	44	496

Notes: "Other" comprises business segments not attributable to a reportable segment and is mainly comprised of real estate management.

Reconciliations of segment profit (loss) include reconciliation gain of inventories of ¥374 million ($2,339 thousand) and company-wide expenses of ¥1,545 million ($9,663 thousand), which are not attributable to any reportable segment. Assets are not allocated to reportable segments as they are not used to determine allocation of management resources or for assessment of performance of the Company.

	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Total	Other	Total	Reconciliations	Consolidated
	Millions of Yen								
	2025								
	Reportable Segments								
Sales:									
Sales to external customers	¥21,089	¥27,925	¥13,299	¥34,853	¥97,166	¥3,868	¥101,034	¥ (28)	¥101,006
Intersegment sales or transfers	231	156		668	1,055	270	1,325	(1,325)	
Total	¥21,320	¥28,081	¥13,299	¥35,521	¥98,221	¥4,138	¥102,359	¥(1,353)	¥101,006
Segment profit	¥ 411	¥ 2,123	¥ 383	¥ 622	¥ 3,539	¥ 17	¥ 3,556	¥(1,473)	¥ 2,083
Other:									
Depreciation	696	759	462	760	2,677	151	2,828		2,828
Net result of interest income and interest expense	10	32	(32)	(673)	(663)	(4)	(667)	(215)	(882)
Equity in earnings of associated companies				(330)	(330)		(330)	23	(307)

Notes: "Other" comprises business segments not attributable to a reportable segment and is mainly comprised of real estate management.

Reconciliations of segment profit include reconciliation loss of inventories of ¥128 million and company-wide expenses of ¥1,370 million, which are not attributable to any reportable segment. Assets are not allocated to reportable segments as they are not used to determine allocation of management resources or for assessment of performance of the Company.

	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Total	Other	Total	Reconciliations	Consolidated
	Thousands of U.S. Dollars								
	2026								
	Reportable Segments								
Sales:									
Sales to external customers	$133,975	$179,616	$85,808	$224,744	$624,143	$24,688	$648,831	$ 175	$649,006
Intersegment sales or transfers	1,570	688		3,778	6,036	794	6,830	(6,830)	
Total	$135,545	$180,304	$85,808	$228,522	$630,179	$25,482	$655,661	$(6,655)	$649,006
Segment profit (loss)	$ 9,313	$ 15,874	$ 2,346	$ 237	$ 27,770	$ (55)	$ 27,715	$(7,180)	$ 20,535
Other:									
Depreciation	4,378	5,517	3,159	4,685	17,739	1,038	18,777		18,777
Net result of interest income and interest expense	(44)	(669)	(400)	(3,585)	(4,698)		(4,698)	(1,926)	(6,624)
Equity in earnings of associated companies				2,827	2,827		2,827	275	3,102

[Related Information]

a. *Information about geographical areas*

Net sales to customers and property, plant and equipment by region for the years ended March 31, 2026 and 2025, were as follows:

(1) Net sales

Millions of Yen							
2026							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	Other	Total
¥42,680	¥23,099	¥4,084	¥12,197	¥6,141	¥14,666	¥896	¥103,763

Millions of Yen							
2025							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	Other	Total
¥40,642	¥21,062	¥3,881	¥13,543	¥5,926	¥15,119	¥833	¥101,006

Thousands of U.S. Dollars							
2026							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	Other	Total
$ 266,950	$ 144,477	$ 25,544	$ 76,288	$ 38,410	$ 91,731	$ 5,606	$ 649,006

Note: Sales are classified by country or region based on the location of customers.

(2) Net property, plant and equipment

Millions of Yen							
2026							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	New Zealand	Total
¥12,769	¥8,652	¥77	¥2,634	¥510	¥4,622	¥4,520	¥33,784

Millions of Yen							
2025							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	New Zealand	Total
¥12,767	¥8,271	¥97	¥2,692	¥499	¥3,756	¥4,301	¥32,383

Thousands of U.S. Dollars							
2026							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	New Zealand	Total
$79,866	$54,116	$482	$16,475	$3,190	$28,909	$28,270	$211,308

b. Information by principal customers

Information is not provided because there are no customers who account for more than 10% of total consolidated net sales.

[Loss on Impairment of Long-Lived Assets by Reportable Segment]

Loss on impairment of long-lived assets by reportable segment for the years ended March 31, 2026 and 2025, was as follows:

	Millions of Yen							
	2026							
	Reportable Segments							
	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Total	Other	Eliminations/ Corporate	Consolidated
Loss on impairment						¥300		¥300

	Millions of Yen							
	2025							
	Reportable Segments							
	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Total	Other	Eliminations/ Corporate	Consolidated
Loss on impairment				¥341	¥341		¥18	¥359

	Thousands of U.S. Dollars							
	2026							
	Reportable Segments							
	Resins and Tall Oil Products	Paper Chemicals	Electronic Materials	LAWTER	Total	Other	Eliminations/ Corporate	Consolidated
Loss on impairment						$1,876		$1,876

* * * * * *

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
HARIMA CHEMICALS GROUP, INC.:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of HARIMA CHEMICALS GROUP, INC. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2026, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

<table>
<tr><th colspan="2">Valuation of property, plant and equipment of Lawter Inc.</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was
Addressed in the Audit</th></tr>
<tr><td>As disclosed in Note 4, "SIGNIFICANT ACCOUNTING ESTIMATE," as of March 31, 2026, the Group recorded ¥33,784 million in property, plant and equipment on the consolidated balance sheet. The balance amount included ¥11,375 million for Lawter Inc. ("Lawter"), which is composed of LAWTER B.V. and its affiliates operating a business in seven countries around the world (the Netherlands, Belgium, the United States of America, Argentina, New Zealand, China, and South Korea). It mainly manufactures and sells resins for adhesives and printing inks.

Lawter applies the accounting principles generally accepted in the United States of America. If there is any indication of impairment and the total amount of undiscounted future cash flows expected to arise from the asset group is less than the carrying amount as a result of recoverability test, an impairment loss should be recognized at the amount by which the carrying amount exceeds its fair value.

For the year ended March 31, 2026, an indication of impairment was identified for an asset group of Lawter in New Zealand. However, no impairment loss was recorded because the fair value of the asset group exceeded its carrying amount.

The key assumptions used by management in calculating the fair value were the land price per unit area, the expected selling cost, and net realizable value of construction in progress and machinery and equipment.

In the estimating process above, the calculation of fair value requires a high level of expertise in determining the valuation method and selecting the data used. In addition, this involves subjective judgments made by management and uncertainties. Further, changes in the key assumptions could have a material impact on the consolidated financial statements.

Therefore, we identified the valuation of property, plant and equipment of Lawter as a key audit matter.</td><td>With the assistance of the component auditors, we performed the following audit procedures related to the valuation of property, plant and equipment of Lawter, among others:

• We evaluated the effectiveness of internal controls over the valuation process of property, plant and equipment.

• With regard to the valuation report, which was the basis for the fair value calculation, we involved our valuation specialists at the auditor of the subsidiary to examine the appropriateness of the valuation methodologies and the reasonableness of the data used. In particular, we carefully examined the reasonableness of the data used in the market approach in the valuation report, such as land price per unit area, the expected selling cost, and net realizable values of construction in progress and machinery and equipment.</td></tr>
</table>

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2026, which were charged by us and our network firms to HARIMA CHEMICALS GROUP, INC. and its subsidiaries were ¥224 million and ¥45 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC
July 3, 2026

Corporate Overview (as of March 31, 2026)

Founded	November 18, 1947
Capital Stock	10,012.95 million yen
Head Office	3-8-4 Nihonbashi, Chuo-ku, Tokyo
Osaka Head Office	4-4-7 Imabashi, Chuo-ku, Osaka
Tokyo Head Office	3-8-4 Nihonbashi, Chuo-ku, Tokyo
Laboratories	Central Research Laboratory, Tsukuba Research Laboratory
Plants	Kakogawa Plant, Tokyo Plant, Fuji Plant, Ibaraki Plant, Sendai Plant, and Shikoku Plant
Sales Offices	Tokyo Sales Office, Osaka Sales Office, Fuji Sales Office, Sendai Sales Office, and Shikoku Sales Office
Number of Employees	119 (Consolidated: 1,691)
Number of Group Companies	33
Business Activities	Manufacture and sale of Resin & Tall Oil Products, Paper Chemicals, Electronics Materials, etc.
Website	www.harima.co.jp

Principal Subsidiaries

Region		Company name	Capital stock	Country of headquarters	Percentage of equity participation (%)	Main business
JAPAN		Harima Chemicals, Inc.	5,000,000 thousand yen	Japan	100	Manufacture and sale of Resin & Tall Oil Products, Paper Chemicals, Electronics Materials, etc.
JAPAN		Harima M.I.D., Inc.	300,000 thousand yen	Japan	75	Manufacture and sale of tall oil products
JAPAN		Harima Trading, Inc.	398,000 thousand yen	Japan	100	Management of real estate, golf courses and hotels, etc.
JAPAN		Nippon Filler Metals, Ltd.	45,000 thousand yen	Japan	100	Manufacture and sale of electronic materials
JAPAN		Seven Rivers, Inc.	14,000 thousand yen	Japan	100	Manufacture and sale of industrial detergents, etc.
JAPAN		Harima Foods, Inc.	30,000 thousand yen	Japan	100	Manufacture and sale of business-use foods, and sale of health foods and functional ingredients
OVERSEAS	EUROPE	Lawter B.V.	76,300 thousand euro	Netherlands	97.68	Control of Lawter Group's operations
OVERSEAS	EUROPE	Harimatec Czech, s.r.o.	107,000 thousand Czech koruna	Czech	100	Manufacture and sale of electronic materials
OVERSEAS	EUROPE	HARIMA UK LTD.	1,500 thousand British pound	UK	100	Sales support for electronic materials
OVERSEAS	ASIA	Harima Chemicals (Shanghai) Co., Ltd	12,652 thousand Chinese yuan	China	100	Business support for subsidiaries in China
OVERSEAS	ASIA	Harimatec Hangzhou Co., Ltd.	8,690 thousand Chinese yuan	China	100	Manufacture and sale of electronic materials
OVERSEAS	ASIA	Hangzhou Hanghua Harima Chemicals Co., Ltd.	52,296 thousand Chinese yuan	China	100	Manufacture and sale of papermaking chemicals
OVERSEAS	ASIA	Harimatec Malaysia Sdn. Bhd.	18,356 thousand Malaysian ringgit	Malaysia	100	Manufacture and sale of electronic materials
OVERSEAS	NORAM	Harima USA, Inc.	3,350 thousand U.S. dollars	USA	100	Raw material procurement, Business support in the U.S. Holding company of U.S. group

Directors and Corporate Auditors (as of March 31, 2026)

President	Yoshihiro Hasegawa
Senior Executive Managing Director	Ichiro Taninaka
Executive Director	Shunichiro Taoka
Executive Director	Eiketsu Ro
Audit＆Supervisory Committee Member	Akio Kawabata
Audit＆Supervisory Committee Member *	Tatsuya Michigami
Audit＆Supervisory Committee Member *	Yuka Hayashi
Audit＆Supervisory Committee Member *	Junko Kano

* denotes Outside Corporate Auditors.

Status of Shares (as of March 31, 2026)

(1) Total number of shares authorised to be issued 59,500,000

(2) Total number of shares outstanding 26,080,396
(including 1,770,246 shares of treasury stocks)

(3) Number of shareholders 12,518

(4) Major shareholders

	Status of shareholding	
	Number of shares held (Thousands of shares)	Ratio of number of shares held against total number of shares outstanding (%)
Hasegawakosan Co., Ltd.	2,913	11.98
Matsukawa Corporation	2,913	11.98
Japan Master-Trust Trust bank (Trust Account)	1,775	7.30
Harima Chemicals Mutual Prosperity Association	1,511	6.21
Hyogo Prefectural Credit Federation of Agricultural Cooperatives	1,028	4.22
Shorai Foundation for Science and Technology	965	3.96
Shorai, Ltd.	934	3.84
Harima Employee Stock Ownership Association	496	2.04
BNYM AS AGT/CLTS NON TREATY JASDEC	457	1.88
Sumitomo Mitsui Banking Corporation	400	1.64

(Notes)

1. In “Number of shares held,” figures less than one thousand are rounded down.
2. Ratio of number of shares held against total number of shares outstanding is determined based on the total number of shares outstanding minus the number of treasury stocks (1,770,246shares), which amounts to 24,310,150 shares. The numbers shown are rounded down to two decimal places.