Annual Report

Year Ended March 31, 2025

HARIMA CHEMICALS GROUP, INC.

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Business Overview

During the fiscal year ended March 31, 2025, the global economic environment remained uncertain due to factors such as high interest rates in Europe and the USA, sluggish Chinese economy, and rising prices due to persistently high raw material and energy prices. The Japanese economy showed signs of a gradual recovery, supported by improved employment conditions, rising wages, and inbound demand. However, rising prices, particularly of raw materials and energy, affected 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. Earnings also increased from the previous fiscal year due to lower raw material prices and cost reduction efforts. In the domestic business, net sales increased year on year due to rising market prices, and earnings also increased from the previous fiscal year due to the increase of sales. Additionally, consolidated sales also reached a record high, exceeded 100,000 million yen for the first time.

As a result of these conditions, the group’s consolidated net sales for the current fiscal year increased by 8,675million Yen (up 9.4%) year-on-year to 101,006 million Yen. Operating income was 2,083 million Yen (operating loss was 211 million Yen in the previous fiscal year) due to the increase of sales. Ordinary income was 1,330 million Yen (ordinary loss was 275 million Yen in the previous fiscal year). Net income attributable to Harima Chemicals Group, INC. in this fiscal year was 763 million Yen (net loss attributable to Harima Chemicals Group, INC was 1,161 million Yen in the previous fiscal year).

Status of Business Segments

(Resin & Tall Oil Products)
In this segment, though the sales in Japan increased, but the total sales decreased by 348 million Yen (down 1.6%) to 21,088 million Yen. This is because that our shares of the subsidiary, Harima do Brasil Industria Quimica Ltda. were transferred to Brazilian employees, so this subsidiary was not included in the consolidated sales this fiscal year. However, the operating income increased by 199 million Yen (up 94.5%) to 410 million Yen due to the increasing sales in domestic companies.

・ About paint resins, in the first half of the year, due to soaring prices and unseasonable weather, demand for exterior architectural paints decreased, but recovered in the second half. As a result, the sales remained at the same level as the previous fiscal year.
・ About printing ink resins, though the market for lithographic inks used in commercial printing continued to shrink, sales increased due to the increase of sales price following the rising raw material prices.
・ About synthetic rubber emulsifiers, though demand for tires was sluggish, demand for other uses has recovered. Also, sales price increased followed rising raw material prices. As a result, sales increased than the previous fiscal year.
・ About Myrcene, a fragrance raw material that we began manufacturing and selling in fiscal year of 2023, which sales volume increased due to increased demand, resulting in increased sales compared to the previous fiscal year.

(Paper Chemicals)
In this segment, the sales increased by 3,297 million Yen (up 13.4%) year-on-year to 27,924 million Yen. Operating income increased by 574 million Yen (up 37.1%) to 2,123 million Yen.

・ About Paper Strengthening Agents, because domestic demand for corrugated cardboards shrank, sales decreased compared to the previous fiscal year. In China, although the sales volume increased, the sales increased year on year due to increased paperboard production in China.
・ About Sizing Agents, in Japan, though production volume of paper and paperboard decreased, sales remained at the same level as the previous fiscal year due to market share expansion. Furthermore, in the USA, as sales destinations increased, sales volume also increased. As a result, sales increased than the previous fiscal year.

(Electronics Materials)

In this segment, the sales increased by 1,713 million Yen (up14.8%) year on year to 13,299 million Yen. Operating income decreased by 199 million Yen (down 34.3%) to 382 million Yen because of rising prices of raw materials for soldering materials overseas and increased cost for expanding the solder business such as labour costs due to increased personnel needs and increased facility relocation costs.

- About solder pastes, sales increased compared to the previous fiscal year due to an increase in overseas sales volume.
- About sales of functional resins for semiconductors, demand of semiconductors for generative AI was strong, and market conditions were also favourable. As a result, sales increased compared to the previous fiscal year.
- Sales of aluminium brazing materials for automobile heat exchangers decreased due to a decreasing demand for automotive heat exchangers in China and Thailand because of worsening market conditions.

(Lawter)

In this segment, sales increased by 3,671 million (up 11.8%) to 34,852 million Yen. Operating income was 622 million Yen (operating loss was 1,675 million Yen in the previous fiscal year) due to increase in sales volume, decline in raw material prices and efforts to reduce expenses.

- About adhesive resin, sales of emulsifiers for synthetic rubber remained sluggish, but sales of water-based tackifiers were strong particularly in Europe, North America, and Asia. Also, sales volume of resins for road marking paints increased significantly in North America. As a result, sales increased compared to the previous fiscal year.
- About Printing ink resin, as rising prices led to sluggish demand for consumer goods, shipments of publishing inks such as newspaper and commercial printing fell overall. But sales volume in North America increased due to market share expansion, as a result, sales increased compared to the previous fiscal year.

Consolidated Business Performance Trends

(Millions of Yen unless otherwise stated)

Category	80th Fiscal Year (Fiscal year ended March 2022)	81st Fiscal Year (Fiscal year ended March 2023)	82nd Fiscal Year (Fiscal year ended March 2024)	83rd Fiscal Year (Fiscal year ended March 2025)
Net sales	76,093	94,510	92,330	101,006
Ordinary income (loss)	3,433	2,541	△275	1,330
Net income (loss) attributable to Harima Chemicals Group, INC.	1,746	885	△1,161	763
Net income (loss) per share (Yen)	69.42	35.76	△47.96	31.46
Total assets	78,905	92,439	98,583	100,044
Net assets	40,104	40,820	40,881	38,010

(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, 2025

ASSETS	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars (Note 1) 2025
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 4,645	¥ 6,633	$ 31,066
Notes and accounts receivable (Note 18):			
Trade notes	3,087	2,561	20,646
Trade accounts	17,552	19,117	117,389
Associated companies	173	168	1,157
Other	1,115	818	7,457
Allowance for doubtful receivables	(117)	(143)	(783)
Inventories (Note 6)	24,451	23,173	163,530
Other current assets	1,237	1,262	8,274
Total current assets	52,143	53,589	348,736
PROPERTY, PLANT AND EQUIPMENT (Notes 4 and 7):			
Land (Note 8)	8,653	8,589	57,872
Buildings and structures (Note 8)	21,500	20,146	143,793
Machinery and equipment	39,700	35,875	265,516
Lease assets (Note 17)	2,691	2,417	17,998
Construction in progress	2,587	2,457	17,302
Other assets	6,067	5,846	40,577
Total	81,198	75,330	543,058
Accumulated depreciation	(48,815)	(46,831)	(326,478)
Net property, plant and equipment	32,383	28,499	216,580
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 18)	2,931	3,188	19,603
Investments in associated companies	6,362	6,804	42,549
Customer list	3,677	3,861	24,592
Deferred tax assets (Note 14)	503	616	3,364
Asset for retirement benefits	297	214	1,986
Other assets	1,750	1,825	11,704
Allowance for doubtful accounts	(2)	(12)	(13)
Total investments and other assets	15,518	16,496	103,785
TOTAL	¥100,044	¥98,584	$669,101

LIABILITIES AND EQUITY	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars (Note 1) 2025
CURRENT LIABILITIES:			
Short-term bank loans (Notes 9 and 18)	¥ 28,071	¥29,926	$187,741
Current portion of long-term debt (Notes 9 and 18)	396	1,322	2,648
Notes and accounts payable (Note 18):			
Trade notes	1,085	1,015	7,257
Trade accounts	9,747	9,555	65,189
Associated companies	148	154	990
Construction and other	1,570	1,509	10,500
Current portion of long-term lease obligations (Notes 17 and 18)	360	402	2,408
Provision for loss on litigation		613	
Income taxes payable (Note 14)	198	341	1,324
Other current liabilities	4,304	2,853	28,785
Total current liabilities	45,879	47,690	306,842
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 18)	11,744	6,200	78,545
Long-term lease obligations (Notes 17 and 18)	1,994	1,521	13,336
Long-term deposits received (Note 18)	481	490	3,217
Liability for retirement benefits (Note 10)	117	136	783
Asset retirement obligations (Note 11)	53	39	354
Deferred tax liabilities (Note 14)	1,274	1,141	8,521
Other long-term liabilities	492	486	3,290
Total long-term liabilities	16,155	10,013	108,046
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9 and 17)			
EQUITY (Note 12):			
Common stock—authorized 59,500,000 shares; issued, 26,080,396 shares in 2025 and 2024	10,013	10,013	66,968
Capital surplus	8,609	9,743	57,578
Retained earnings	16,562	16,837	110,768
Treasury stock—at cost, 1,815,014 shares in 2025 and 1,846,943 shares in 2024	(1,727)	(1,761)	(11,550)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	116	547	773
Foreign currency translation adjustments	3,871	1,893	25,890
Defined retirement benefit plans	(112)	(55)	(749)
Total	37,332	37,217	249,678
Noncontrolling interests	678	3,664	4,535
Total equity	38,010	40,881	254,213
TOTAL	¥100,044	¥98,584	$669,101

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET SALES (Note 15)	¥101,006	¥92,330	$675,535
COST OF SALES	79,211	74,409	529,769
Gross profit	21,795	17,921	145,766
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 13 and 16)	19,712	18,134	131,835
Operating income (loss)	2,083	(213)	13,931
OTHER INCOME (EXPENSES):			
Interest and dividend income	257	309	1,719
Interest expense	(988)	(580)	(6,608)
Rental income	29	33	194
Commission paid	(1)	(1)	(7)
Foreign exchange gain (loss)	72	(472)	482
Loss on impairment of long-lived assets (Note 7)	(359)	(125)	(2,401)
Loss on disposal of property, plant and equipment	(35)	(22)	(234)
Gain on sale of investment securities	1,181	193	7,899
Loss on valuation of investment securities	(154)		(1,030)
Equity in (loss) earnings of associated companies	(306)	191	(2,047)
Gain on liquidation of subsidiaries and associates	95		635
Loss on sales of investments in capital of subsidiaries and affiliates	(265)		(1,772)
Other—net	209	435	1,398
Other expenses—net	(265)	(39)	(1,772)
INCOME (LOSS) BEFORE INCOME TAXES	1,818	(252)	12,159
INCOME TAXES (Note 14):			
Current	588	680	3,933
Deferred	451	(41)	3,016
Total income taxes	1,039	639	6,949
NET INCOME (LOSS)	779	(891)	5,210
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(16)	(271)	(107)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 763	¥ (1,162)	$ 5,103

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HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2025

	Yen		U.S. Dollars
	2025	2024	2025
PER SHARE OF COMMON STOCK (Notes 2.v and 20):			
Net income (loss)	¥31.46	¥(47.96)	$0.21
Cash dividends applicable to the year	42.00	42.00	0.28

See notes to consolidated financial statements.

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HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET INCOME (LOSS)	¥ 779	¥ (891)	$ 5,210
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):			
Unrealized (loss) gain on available-for-sale securities	(431)	495	(2,882)
Foreign currency translation adjustments	1,964	1,917	13,135
Defined retirement benefit plans	(57)	29	(381)
Total other comprehensive income	1,476	2,441	9,872
COMPREHENSIVE INCOME	¥2,255	¥1,550	$ 15,082
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥2,230	¥1,105	$ 14,915
Noncontrolling interests	25	445	167

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2025

	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, 2023	24,202	¥10,013	¥9,749	¥19,016	¥(1,794)	¥ 52	¥ 150	¥ (84)	¥37,102	¥3,718	¥40,820
Net loss attributable to owners of the parent				(1,162)					(1,162)		(1,162)
Cash dividends, ¥42.00 per share				(1,017)					(1,017)		(1,017)
Disposal of treasury stock	31		(6)		33				27		27
Net change in the year						495	1,743	29	2,267	(54)	2,213
BALANCE, MARCH 31, 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

	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, 2024	$66,968	$65,162	$112,607	$(11,778)	$3,658	$12,661	$(368)	$248,910	$24,505	$273,415
Net income attributable to owners of the parent			5,103					5,103		5,103
Cash dividends, $0.28 per share			(6,808)					(6,808)		(6,808)
Disposal of treasury stock		(20)		228				208		208
Change in ownership interest of parent due to transactions with noncontrolling interests		(7,564)						(7,564)		(7,564)
Decrease in retained earnings due to exclusion of subsidiaries from consolidation			(134)					(134)		(134)
Net change in the year					(2,885)	13,229	(381)	9,963	(19,970)	(10,007)
BALANCE, MARCH 31, 2025	$66,968	$57,578	$110,768	$(11,550)	$ 773	$25,890	$(749)	$249,678	$ 4,535	$254,213

See notes to consolidated financial statements.

HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 1,818	¥ (252)	$ 12,159
Adjustments for:			
Income taxes—paid	(737)	(597)	(4,929)
Depreciation and amortization	2,828	2,730	18,914
Loss on impairment of long-lived assets	359	125	2,401
Foreign exchange loss	1	438	7
Gain on sales of property, plant and equipment	(6)	(2)	(40)
Gain on sales of investment securities	(1,181)	(193)	(7,899)
Loss on valuation of investment securities	154		1,030
Gain on liquidation of subsidiaries and associates	(95)		(635)
Loss on sales of investments in capital of subsidiaries and affiliates	265		1,772
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	1,924	1,118	12,868
Increase in inventories	(441)	(3,584)	(2,949)
(Decrease) increase in trade notes and accounts payable	(266)	126	(1,779)
Other—net	1,522	445	10,179
Total adjustments	4,327	606	28,940
Net cash provided by operating activities	6,145	354	41,099
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(5,461)	(3,296)	(36,524)
Proceeds from sales of property, plant and equipment	15	5	100
Purchases of intangible assets	(46)	(133)	(308)
Purchases of investment securities	(1,613)	(5)	(10,788)
Proceeds from sales of investment securities	2,258	373	15,102
Other—net	(134)	(142)	(896)
Net cash used in investing activities	(4,981)	(3,198)	(33,314)
FINANCING ACTIVITIES:			
Increase in short-term bank loans—net	2,337	4,999	15,630
Proceeds from long-term debt		1,200	
Repayments of long-term debt	(834)	(1,773)	(5,578)
Dividends paid	(1,018)	(1,017)	(6,808)
Investments in capital of subsidiaries not resulting in change in scope of consolidation	(4,133)		(27,642)
Other—net	(21)	(514)	(141)
Net cash (used in) provided by financing activities	(3,669)	2,895	(24,539)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	517	363	3,458
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥(1,988)	¥ 414	$(13,296)

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HARIMA CHEMICALS GROUP, INC. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥(1,988)	¥ 414	$ (13,296)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,633	6,219	44,362
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 4,645	¥6,633	$ 31,066

See notes to consolidated financial statements.

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 2024 consolidated financial statements to conform to the classifications used in 2025.

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 ¥149.52 to $1, the approximate rate of exchange at March 31, 2025. 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 14 years, no longer than the expected average remaining service period of the employees. 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—Resin & Tall Oil Products, Paper Chemicals, Electronics 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. ACCOUNTING CHANGE

Accounting Standard for Corporation, Residential and Business Taxes (ASBJ Statement No. 27 revised on October 28, 2022, which is referred to as the "2022 Revised Accounting Standards") has been applied from the beginning of this consolidated fiscal year.

Regarding the amendments to the classification of corporate taxes (taxation on other comprehensive income), we follow the transitional treatment set out in the proviso of Section 20-3 of the 2022 Revised Accounting Standards and the transitional treatment set out in the proviso of Section 65-2(2) of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 revised on October 28, 2022, which is referred to as the "2022 Revised Implementation Guidance").

The accounting change has no impact on the consolidated financial statements.

In addition, the 2022 Revised Implementation Guidance for the amendments related to the review of the treatment of profits and losses on sales of subsidiary shares between consolidated companies for tax purposes in consolidated financial statements has been applied from the beginning of this consolidated fiscal year. The change in accounting policy has been applied retroactively, and the consolidated financial statements for the previous consolidated fiscal year are retroactively applied.

The change in accounting policy has no impact on the consolidated financial statements.

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
	2025	2024	2025
Property, plant and equipment	¥32,383	¥28,499	$216,580
Which belong to LAWTER B.V. included in the above	10,828	10,167	72,418

(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. LAWTER B.V. applies the accounting principles generally accepted in the United States of America, and the difference between the carrying amount and fair value is provided as an impairment loss, if indicators of impairment are identified and recoverability tests indicate that the sum of the undiscounted future cash flows to be expected from the asset group is less than the carrying amount. For the fiscal year ended March 31, 2025, an indication of impairment was identified for an asset group of Lawter in New Zealand and an impairment loss was recorded for ¥340 million ($2,274 thousand) for the amount by which the carrying amount exceeds its fair value, because the total amount of undiscounted future cash flows expected to arise from the asset group was less than the carrying amount as a result of recoverability test. The key assumptions, which were used in calculating the fair value of the New Zealand asset group, were the selling price per land area, expected selling costs and the disposable amounts 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, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Non-current:			
Equity securities	¥2,931	¥3,188	$19,603
Total	¥2,931	¥3,188	$19,603

The costs and aggregate fair values of investment securities as of March 31, 2025 and 2024, were as follows:

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

March 31, 2024	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Marketable available-for-sale:				
Equity securities	¥2,303	¥1,057	¥(194)	¥3,166

March 31, 2025	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Marketable available-for-sale:				
Equity securities	$17,978	$2,173	$(669)	$19,482

Carrying amounts of nonmarketable available-for-sale securities as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Nonmarketable available-for-sale:			
Equity securities	¥18	¥22	$121

The information for available-for-sale securities which were sold during the years ended March 31, 2025 and 2024, was as follows:

	Millions of Yen		
March 31, 2025	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥2,262	¥1,185	
Total	¥2,262	¥1,185	
March 31, 2024			
Available-for-sale:			
Equity securities	¥ 374	¥ 195	
Total	¥ 374	¥ 195	

	Thousands of U.S. Dollars		
March 31, 2025	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$15,128	$7,925	
Total	$15,128	$7,925	

6. INVENTORIES

Inventories as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Finished products	¥ 9,854	¥ 7,991	$ 65,904
Work in process	883	603	5,906
Raw materials and supplies	13,714	14,579	91,720
Total	¥24,451	¥23,173	$163,530

7. LONG-LIVED ASSETS

The Group recorded impairment losses of ¥359 million ($2,401 thousand) and ¥125 million for the years ended March 31, 2025 and 2024, respectively. 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. Also, the Group recognized a decline in value of a golf course and hotel facilities for the year ended March 31, 2024. The impairment loss for the year ended March 31, 2024, was recognized since the recoverable value of the assets was lower than the carrying amounts due to continuing operating losses for business assets. The recoverable value of the assets was measured at the fair value considering a third-party appraisal report for the facility.

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, 2025 and 2024, were ¥115 million ($769 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, 2024	Increase/ Decrease	March 31, 2025	March 31, 2025
¥1,399	¥(33)	¥1,366	¥2,151

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2023	Increase/ Decrease	March 31, 2024	March 31, 2024
¥1,406	¥(7)	¥1,399	¥2,336

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2024	Increase/ Decrease	March 31, 2025	March 31, 2025
$9,357	$ (221)	$9,136	$14,386

Notes: 1. Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.

2. Decrease during the fiscal year ended March 31, 2025, primarily represents depreciation of ¥13 million ($87 thousand) and impairment losses of ¥17 million ($114 thousand). Increase during the fiscal year ended March 31, 2024, primarily represents the capital expenditure for current investment properties of ¥6 million, and the decrease primarily represents depreciation of ¥13 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, 2025 and 2024, 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, 2025 and 2024, were 2.8% and 1.5%, respectively. As of March 31, 2025 and 2024, the total committed line of credit was ¥6,000 million ($40,128 thousand) and ¥6,000 million, and unused balance was ¥4,300 million ($28,759 thousand) and ¥1,500 million, respectively.

Long-term debt as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unsecured loans from banks and other financial institutions, maturing in series until 2032 with interest rates ranging from 0.2% to 3.6% (2025) and from 0.3% to 1.8% (2024)	¥12,140	¥7,522	$81,193
Total	12,140	7,522	
Less current portion	(396)	(1,322)	(2,648)
Long-term debt, less current portion	¥11,744	¥6,200	$78,545

Annual maturities of long-term debt, excluding finance leases (see Note 17), at March 31, 2025, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2026	¥ 396	$ 2,648
2027		
2028	594	3,973
2029	1,200	8,026
2030	4,950	33,106
2031 and thereafter	5,000	33,440
Total	¥12,140	$81,193

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, 2025 and 2024, 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.

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, 2025 and 2024, was ¥19 million ($127 thousand) and ¥17 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, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥3,184	¥2,968	$21,295
Service cost	201	194	1,344
Interest cost	45	46	301
Actuarial (gains) losses	(80)	19	(535)
Benefits paid	(137)	(144)	(916)
Foreign currency translation differences	40	76	268
Others	10	25	66
Balance at end of year	¥3,263	¥3,184	$21,823

(2) The changes in plan assets for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥3,403	¥3,015	$22,759
Expected return on plan assets	147	110	983
Actuarial (losses) gains	(192)	28	(1,284)
Contributions from the employer	292	292	1,953
Benefits paid	(137)	(144)	(916)
Foreign currency translation differences	40	76	268
Others	10	26	67
Balance at end of year	¥3,563	¥3,403	$23,830

(3) The changes in defined benefit obligation under the simplified method for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥126	¥137	$ 843
Periodic benefit costs	163	11	1,090
Benefits paid	(190)	(25)	(1,271)
Foreign currency translation differences	2	3	15
Balance at end of year	¥101	¥126	$ 677

(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, 2025 and 2024, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligation	¥3,263	¥3,184	$21,823
Plan assets	(3,563)	(3,403)	(23,830)
Total	(300)	(220)	(2,007)
Unfunded defined benefit obligation	101	126	677
Net liability arising from defined benefit obligation	¥ (199)	¥ (94)	$ (1,330)

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Liability for retirement benefits	¥ 98	¥120	$ 656
Asset for retirement benefits	(297)	(214)	(1,986)
Net liability arising from defined benefit obligation	¥(199)	¥ (94)	$(1,330)

(5) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost	¥201	¥194	$1,344
Interest cost	45	46	301
Expected return on plan assets	(147)	(110)	(983)
Recognized actuarial losses	22	28	147
Recognized prior service cost	5	5	33
Periodic benefit cost in simplified method	163	10	1,090
Others	(1)	(2)	(6)
Net periodic benefit costs	¥288	¥171	$1,926

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Prior service cost	¥ 5	¥ 5	$ 33
Actuarial (gains) losses	(93)	35	(622)
Others	2	3	14
Total	¥(86)	¥43	$ (575)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized prior service cost	¥ 34	¥ 37	$ 227
Unrecognized actuarial losses	174	84	1,164
Total	¥208	¥121	$1,391

(8) Plan assets as of March 31, 2025 and 2024

a. *Components of plan assets*

Plan assets consisted of the following:

	2025	2024
Debt securities in Japan	9.4%	9.1%
Equity securities in Japan	11.3	12.2
Debt securities in other countries	3.5	3.2
Equity securities in other countries	10.7	11.8
Cash and time deposits	0.9	0.7
Insurance asset (general account)	64.2	63.0
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, 2025 and 2024, were set forth as follows:

	2025	2024
Discount rate	Mainly 0.7%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 5.0%	Mainly 4.0%

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

The amount of contributions required for the defined contribution plan of the Group for the years ended March 31, 2025 and 2024, was ¥184 million ($1,231 thousand) and ¥305 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 ¥93 million ($622 thousand) and ¥93 million for the years ended March 31, 2025 and 2024, respectively.

(1) The funded status of the multi-employer plan as of March 31, 2024 and 2023, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Plan assets	¥ 40,258	¥ 36,788	$ 269,248
Actuarial liabilities of pension plan	61,836	62,707	413,563
Net balance	¥ (21,578)	¥ (25,919)	$ (144,315)

(2) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2024 and 2023, was 2.1% and 2.2%, 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 ¥29,749 million ($198,963 thousand) for 2024 and ¥30,175 million for 2023, and a deficiency brought forward of ¥8,171 million ($54,648 thousand) for 2024 and ¥4,256 million for 2023. Past service cost under the plan is amortized on a straight-line basis over 19 years, and the special contributions of ¥40 million ($268 thousand) for 2024 and ¥41 million for 2023, 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, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥39	¥39	$261
Additional provisions associated with the acquisition of property, plant and equipment	14		93
Balance at end of year	¥53	¥39	$354

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, 2025 and 2024, principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Employees' salaries and bonuses	¥5,648	¥5,013	$37,774
Net periodic retirement benefit	298	274	1,993
Transport	4,531	3,923	30,304
Depreciation	532	553	3,558
Rental	275	296	1,839
Research and development	2,782	2,707	18,606

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, 2025 and 2024. 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, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Tax loss carryforwards	¥2,927	¥2,554	$19,576
Impairment loss on long-lived assets	1,238	1,175	8,280
Loss on revaluation of investment securities	59	47	395
Retirement benefits to directors	6	5	40
Unrealized gain on property, plant and equipment	108	97	722
Intangible fixed assets of foreign subsidiaries	44	3	294
Others	1,831	1,932	12,246
Total of tax loss carryforwards and temporary differences	6,213	5,813	41,553
Less valuation allowance for tax loss carryforwards	(2,263)	(1,844)	(15,135)
Less valuation allowance for temporary differences	(2,265)	(2,148)	(15,149)
Total valuation allowance	(4,528)	(3,992)	(30,284)
Deferred tax assets	1,685	1,821	11,269
Deferred tax liabilities:			
Reserve for deferred gains on sales of property, plant and equipment	(44)	(44)	(294)
Unrealized gain on available-for-sale securities	(94)	(304)	(629)
Undistributed earnings of foreign subsidiaries	(602)	(528)	(4,026)
Depreciation of foreign subsidiaries	(1,358)	(909)	(9,082)
Others	(358)	(561)	(2,395)
Deferred tax liabilities	(2,456)	(2,346)	(16,426)
Net deferred tax liabilities	¥ (771)	¥ (525)	$ (5,157)

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2025 and 2024, were as follows:

	Millions of Yen						
March 31, 2025	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	¥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
March 31, 2024							
Deferred tax assets relating to tax loss carryforwards	¥ 4	¥66	¥16	¥48	¥ 71	¥2,349	¥2,554
Less valuation allowances for tax loss carryforwards	(4)	(66)	(16)	(48)	(71)	(1,639)	(1,844)
Net deferred tax assets relating to tax loss carryforwards						710	710

	Thousands of U.S. Dollars						
March 31, 2025	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	$448	$107	$80	$388	$903	$17,650	$19,576
Less valuation allowances for tax loss carryforwards	(448)	(107)	(80)	(388)	(722)	(13,390)	(15,135)
Net deferred tax assets relating to tax loss carryforwards					181	4,260	4,441

Net deferred tax assets relating to tax loss carryforwards were ¥664 million ($4,441 thousand) and ¥710 million for the years ended March 31, 2025 and 2024, 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, 2025 and 2024, was as follows:

	2025	2024
Normal effective statutory tax rate	30.6%	30.6 %
Expenses not deductible for income tax purposes	8.1	(88.0)
Inhabitant tax on per capita basis	1.6	(11.9)
Difference of income tax rates applicable to income in certain foreign countries	(8.0)	68.9
Increase (decrease) in valuation allowance	53.9	(254.7)
Tax credit	(2.6)	17.1
Undistributed earnings of foreign subsidiaries	4.1	5.0
Share of profit of entities accounted for using equity method	3.4	17.1
Withholding taxes on dividends from foreign subsidiaries	2.0	(27.1)
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	0.2	(19.1)
Adjustment of deferred tax assets and liabilities at end of period due to change in tax rates	(7.8)	
Other—net	1.2	7.9
Actual effective tax rate	57.2%	(254.2)%

As a result of the passage of the Act to Partially Amend the Income Tax Act, etc. (Act No. 13 of 2025) on March 31, 2025, a "Defense Special Corporation Tax" will be levied from fiscal years beginning on or after April 1, 2026. The effective statutory tax rate was changed from 30.58% to 31.47% for the calculation of deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved after the consolidated fiscal year beginning on or after April 1, 2026. Because of this change, the amount of corporate tax adjustments for this consolidated fiscal year increased by ¥5 million ($33 thousand), while the amount of deferred tax assets (excluding the amount of deferred tax liabilities) and unrealized gain on available-for-sale securities decreased by ¥8 million ($54 thousand) and ¥3 million ($20 thousand), respectively.

15. REVENUE

(1) ***Disaggregation of Revenue***

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen						
	2025						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics 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

	Millions of Yen						
	2024						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Other	Reconciliations	Consolidated
Domestic	¥19,872	¥10,054	¥ 4,939	¥ 928	¥3,568	¥ (67)	¥39,294
Foreign	1,565	14,573	6,647	30,253	(26)	(136)	52,876
Revenues from contracts with customers	21,437	24,627	11,586	31,181	3,542	(203)	92,170
Other revenue					160		160
Total	¥21,437	¥24,627	¥11,586	¥31,181	¥3,702	¥(203)	¥92,330

	Thousands of U.S. Dollars						
	2025						
	Reportable Segment						
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Other	Reconciliations	Consolidated
Domestic	$ 136,504	$ 66,285	$ 39,942	$ 3,290	$ 24,966	$ (247)	$ 270,740
Foreign	4,541	120,479	49,003	229,809	(167)	60	403,725
Revenues from contracts with customers	141,045	186,764	88,945	233,099	24,799	(187)	674,465
Other revenue					1,070		1,070
Total	$ 141,045	$ 186,764	$ 88,945	$ 233,099	$ 25,869	$ (187)	$ 675,535

(**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 ¥2,782 million ($18,606 thousand) and ¥2,707 million for the years ended March 31, 2025 and 2024, 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, 2025 and 2024, were ¥441 million ($2,949 thousand) and ¥422 million, respectively.

Lease obligations and future minimum payments commitment under noncancelable operating leases as of March 31, 2025, are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2025		2025	
	Lease Obligations	Operating Leases	Lease Obligations	Operating Leases
Due within one year	¥ 360		$ 2,408	
Due after one year	1,994		13,336	
Total	¥2,354		$ 15,744	

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, 2025.

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, 2025, 6.3% 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, 2025	Carrying Amount	Fair Value	Unrealized Gain (Loss)
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, 2024			
Investment securities	¥ 3,166	¥ 3,166	
Total	¥ 3,166	¥ 3,166	
Long-term bank debt	¥ 7,522	¥ 7,520	¥ (2)
Lease debt	1,923	1,973	50
Long-term deposits received	490	466	(24)
Total	¥ 9,935	¥ 9,959	¥24

March 31, 2025	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities	$ 19,482	$ 19,482	
Total	$ 19,482	$ 19,482	
Long-term bank debt	$ 81,193	$ 81,675	$482
Lease debt	15,744	16,058	314
Long-term deposits received	3,217	2,816	(401)
Total	$ 100,154	$ 100,549	$395

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investments in equity instruments that do not have a quoted market price in an active market	¥18	¥22	$121

Maturity analysis for financial assets with contractual maturities

	Millions of Yen			
March 31, 2025	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	¥ 4,645			
Notes and accounts receivable	21,928			
Total	¥26,573			
March 31, 2024				
Cash and cash equivalents	¥ 6,633			
Notes and accounts receivable	22,665			
Total	¥29,298			

	Thousands of U.S. Dollars			
March 31, 2025	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	$ 31,066			
Notes and accounts receivable	146,656			
Total	$ 177,722			

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, 2025	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Investment securities	¥2,913			¥2,913
Total assets	¥2,913			¥2,913
March 31, 2024				
Marketable and investment securities:				
Investment securities	¥3,166			¥3,166
Total assets	¥3,166			¥3,166

	Thousands of U.S. Dollars			
March 31, 2025	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Investment securities	$ 19,482			$ 19,482
Total assets	$ 19,482			$ 19,482

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

	Millions of Yen			
March 31, 2025	Level 1	Level 2	Level 3	Total
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
March 31, 2024				
Long-term bank debt		¥ 7,520		¥ 7,520
Lease debt		1,973		1,973
Long-term deposits received		466		466
Total liabilities		¥ 9,959		¥ 9,959

	Thousands of U.S. Dollars			
March 31, 2025	Level 1	Level 2	Level 3	Total
Long-term bank debt		$ 81,675		$ 81,675
Lease debt		16,058		16,058
Long-term deposits received		2,816		2,816
Total liabilities		$ 100,549		$ 100,549

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, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 388	¥ 479	$ 2,595
Reclassification adjustments to profit or loss	(1,028)	193	(6,875)
Amount before income tax effect	(640)	672	(4,280)
Income tax effect	209	(177)	1,398
Total	¥ (431)	¥ 495	$ (2,882)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥1,843	¥1,917	$ 12,326
Reclassification adjustments to profit or loss	121		809
Amount before income tax effect	1,964	1,917	13,135
Income tax effect			
Total	¥1,964	¥1,917	$ 13,135
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (111)	¥ 6	$ (742)
Reclassification adjustments to profit or loss	25	37	167
Amount before income tax effect	(86)	43	(575)
Income tax effect	29	(14)	194
Total	¥ (57)	¥ 29	$ (381)
Total other comprehensive income	¥1,476	¥2,441	$ 9,872

20. NET INCOME PER SHARE

Details of the basic net income per share ("EPS") for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2025	Net Income (Loss) Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 763	24,255	¥ 31.46	$0.21
Year Ended March 31, 2024				
Basic EPS—Net loss related to common shareholders	¥(1,162)	24,223	¥(47.96)	

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

21. RELATED PARTY DISCLOSURES

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

Transactions between the Company and related parties for the years ended March 31, 2025 and 2024, were as follows:

Fiscal year ended March 31, 2025

Not applicable

Fiscal year ended March 31, 2024

Not applicable

(2) *Transactions between Subsidiaries and Related Parties*

Transactions between subsidiaries and related parties for the years ended March 31, 2025 and 2024, were as follows:

Fiscal year ended March 31, 2025

Not applicable

Fiscal year ended March 31, 2024

Not applicable

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

Not applicable

22. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2025, was approved at the Company's Board of Directors' meeting held on May 20, 2025:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥21 ($0.14) per share	¥510	$3,411

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.

"Resin & 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. "Electronics Materials" manufactures and sells electronics 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, 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, and other items is as follows:

	Millions of Yen								
	2025								
	Reportable Segments								
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Total	Reconciliations	Consolidated
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 ($856 thousand) and company-wide expenses of ¥1,370 million ($9,163 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.

	Millions of Yen								
	2024								
	Reportable Segments								
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥21,437	¥24,627	¥11,586	¥31,181	¥88,831	¥3,702	¥92,533	¥ (203)	¥92,330
Intersegment sales or transfers	602	1		993	1,596	261	1,857	(1,857)	
Total	¥22,039	¥24,628	¥11,586	¥32,174	¥90,427	¥3,963	¥94,390	¥(2,060)	¥92,330
Segment profit (loss)	¥ 211	¥ 1,549	¥ 582	¥ (1,675)	¥ 667	¥ (29)	¥ 638	¥ (851)	¥ (213)
Other:									
Depreciation	696	724	446	723	2,589	141	2,730		2,730
Net result of interest income and interest expense	21	12	(25)	(243)	(235)	1	(234)	(129)	(363)
Equity in earnings of associated companies				160	160		160	31	191

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 gain of inventories of ¥277 million and company-wide expenses of ¥1,136 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.

	Thousands of U.S. Dollars								
	2025								
	Reportable Segments								
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$ 141,045	$ 186,764	$ 88,945	$ 233,099	$ 649,853	$ 25,869	$ 675,722	$ (187)	$ 675,535
Intersegment sales or transfers	1,545	1,043		4,468	7,056	1,806	8,862	(8,862)	
Total	$ 142,590	$ 187,807	$ 88,945	$ 237,567	$ 656,909	$ 27,675	$ 684,584	$ (9,049)	$ 675,535
Segment profit	$ 2,749	$ 14,199	$ 2,562	$ 4,159	$ 23,669	$ 114	$ 23,783	$ (9,852)	$ 13,931
Other:									
Depreciation	4,655	5,076	3,090	5,083	17,904	1,010	18,914		18,914
Net result of interest income and interest expense	67	214	(214)	(4,501)	(4,434)	(27)	(4,461)	(1,438)	(5,899)
Equity in earnings of associated companies				(2,207)	(2,207)		(2,207)	154	(2,053)

[Related Information]

a. *Information about geographical areas*

Net sales to customers and property, plant and equipment by region for the years ended March 31, 2025 and 2024, were as follows:

(1) Net sales

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

Millions of Yen							
2024							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	Other	Total
¥39,454	¥15,386	¥4,274	¥12,468	¥4,414	¥15,704	¥630	¥92,330

Thousands of U.S. Dollars							
2025							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	Other	Total
$ 271,816	$ 140,864	$ 25,956	$ 90,577	$ 39,633	$ 101,117	$ 5,572	$ 675,535

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

(2) Net property, plant and equipment

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

Millions of Yen							
2024							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	New Zealand	Total
¥12,641	¥5,063	¥97	¥2,530	¥441	¥3,755	¥3,972	¥28,499

Thousands of U.S. Dollars							
2025							
	South and North America		Asia				
Japan	United States	Other	China	Other	Europe	New Zealand	Total
$85,387	$55,317	$649	$18,004	$3,337	$25,120	$28,766	$216,580

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 year ended March 31, 2025, was as follows:

	Millions of Yen							
	2025							
	Reportable Segments							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Eliminations/ Corporate	Consolidated
Loss on impairment				¥341	¥341		¥18	¥359

	Thousands of U.S. Dollars							
	2025							
	Reportable Segments							
	Resin & Tall Oil Products	Paper Chemicals	Electronics Materials	Lawter	Total	Other	Eliminations/ Corporate	Consolidated
Loss on impairment				$2,281	$2,281		$120	$2,401

* * * * * *

Deloitte.

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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, 2025, 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, 2025, 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, 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.

Valuation of property, plant and equipment of Lawter	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As disclosed in Note 4, "SIGNIFICANT ACCOUNTING ESTIMATE," as of March 31, 2025, the Group recorded ¥32,383 million in property, plant and equipment on the consolidated balance sheet. The balance amount included ¥10,828 million for 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, 2025, an indication of impairment was identified for an asset group of Lawter in New Zealand, and an impairment loss was recorded for ¥340 million for the amount by which the carrying amount exceeds its fair value because the total amount of undiscounted future cash flows expected to arise from the asset group was less than the carrying amount as a result of recoverability test. 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.	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. • We performed recalculation to confirm that the difference between the carrying amount and its fair value was recorded as an impairment loss.

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, 2025, which were charged by us and our network firms to HARIMA CHEMICALS GROUP, INC. and its subsidiaries were ¥218 million and ¥36 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

June 27, 2025

Corporate Overview (as of March 31, 2025)

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	122 (Consolidated: 1,695)
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.
		Harima M.I.D., Inc.	300,000 thousand yen	Japan	75	Manufacture and sale of tall oil products
		Harima Trading, Inc.	398,000 thousand yen	Japan	100	Management of real estate, golf courses and hotels, etc.
		Nippon Filler Metals, Ltd.	45,000 thousand yen	Japan	100	Manufacture and sale of electronic materials
		Seven Rivers, Inc.	14,000 thousand yen	Japan	100	Manufacture and sale of industrial detergents, etc.
		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
		Harimatec Czech, s.r.o.	7,000 thousand Czech koruna	Czech	100	Manufacture and sale of electronic materials
		HARIMA UK LTD.	1,500 thousand British pound	UK	100	Sales support for electronic materials
	ASIA	Harima Chemicals (Shanghai) Co., Ltd	12,652 thousand Chinese yuan	China	100	Business support for subsidiaries in China
		Harimatec Hangzhou Co., Ltd.	8,690 thousand Chinese yuan	China	100	Manufacture and sale of electronic materials
		Hangzhou Hanghua Harima Chemicals Co., Ltd.	52,296 thousand Chinese yuan	China	100	Manufacture and sale of papermaking chemicals
		Harimatec Malaysia Sdn. Bhd.	18,356 thousand Malaysian ringgit	Malaysia	100	Manufacture and sale of electronic materials
	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, 2025)

President	Yoshihiro Hasegawa
Senior Executive Managing Director	Teruo Kaneshiro
Executive Managing Director	Ichiro Taninaka
Executive Director	Shunichiro Taoka
Executive Director	Eiketsu Ro
Audit＆Supervisory Committee Member	Hideo Yamada
Audit＆Supervisory Committee Member *	Tatsuya Michigami
Audit＆Supervisory Committee Member *	Tsuneo Takahashi
Audit＆Supervisory Committee Member *	Yuka Hayashi

* denotes Outside Corporate Auditors.

Status of Shares (as of March 31, 2025)

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

(2) Total number of shares outstanding 26,080,396
(including 1,815,014 shares of treasury stocks)

(3) Number of shareholders 10,717

(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	12.00
Matsukawa Corporation	2,913	12.00
Japan Master-Trust Trust bank (Trust Account)	1,884	7.76
Harima Chemicals Mutual Prosperity Association	1,422	5.86
Hyogo Prefectural Credit Federation of Agricultural Cooperatives	1,028	4.23
Shorai Foundation for Science and Technology	965	3.97
Shorai, Ltd.	934	3.85
Sumitomo Mitsui Banking Corporation	894	3.68
Harima Employee Stock Ownership Association	475	1.96
Custody Bank of Japan, Ltd. (Trust Account)	448	1.84

(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 (1,815,014shares), which amounts to 24,265,382 shares. The numbers shown are rounded down to two decimal places.