

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Consolidated Financial Results for the Fiscal Year Ended October 31, 2022 Under Japanese GAAP

This document is an English translation of the consolidated financial results (tanshin) prepared in Japanese. It is only for the reference of non-Japanese readers, and the Japanese version is the original.

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Scheduled Annual General Meeting of Shareholders: January 27, 2023
 Scheduled Commencement of Dividend Payment: January 30, 2023
 Scheduled Filing of Securities Report: January 30, 2023
 Supplementary Materials on Financial Results: None
 IR Presentation on Financial Results: Scheduled (For Institutional Investors and Analysts)

Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the fiscal year ended October 31, 2022)

(1) Consolidated Operating Results

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of parent	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Year ended October 31, 2022	¥145,302	23.0%	¥12,673	49.9%	¥23,570	83.7%	¥16,329	81.0%
Year ended October 31, 2021	118,176	10.2	8,456	2.1	12,829	29.4	9,023	36.3

Notes: 1. Comprehensive income: Year ended October 31, 2022: ¥18,591 million [164.0%] Year ended October 31, 2021: ¥7,042 million [11.9%]

2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Margin
Year ended October 31, 2022	¥135.45	¥ —	14.9%	12.6%	8.7%
Year ended October 31, 2021	72.13	—	8.9	7.9	7.2

(Reference) Equity in earnings of affiliates: Year ended October 31, 2022: ¥2,224 million Year ended October 31, 2021: ¥2,073 million

Note: The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. as of the beginning of the fiscal year under review. Figures for the fiscal year ended October 31, 2022 are figures after the application of this accounting standard, etc.

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of October 31, 2022	¥204,604	¥121,995	56.4%	¥960.96
As of October 31, 2021	169,172	109,954	61.4	830.44

(Reference) Shareholders' equity: As of October 31, 2022: ¥115,468 million As of October 31, 2021: ¥103,889 million

Note: The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. as of the beginning of the fiscal year under review. Figures for the fiscal year ended October 31, 2022 are figures after the application of this accounting standard, etc.

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year ended October 31, 2022	¥(1,159)	¥(7,823)	¥5,615	¥22,071
Year ended October 31, 2021	4,478	(5,311)	439	19,424

2. Cash Dividends for Shareholders of Common Stock

(Millions of yen, except per share data and percentages)

	Cash Dividends per Share					Total Dividends (Annual)	Consolidated Basis	
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-End	Annual		Dividend Payout Ratio	Ratio of Dividends to Net Assets
Year ended October 31, 2021	¥ —	¥5.00	¥ —	¥10.00	¥15.00	¥1,877	20.8%	1.9%
Year ended October 31, 2022	—	8.00	—	14.00	22.00	2,643	16.2	2.5
Year ending October 31, 2023 (Forecast)	—	10.00	—	14.00	24.00		20.5	

*The Company revised the year-end dividend per share for the fiscal year ended October 31, 2022 from 12 yen to 14 yen. Please see "Announcement of Increased Fiscal Year-End Cash Dividend" (in Japanese) published on December 14, 2022 for details.

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2023)

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of parent		Net Income per Share
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount
Six months ending April 30, 2023	¥ 92,400	28.0%	¥10,100	28.3%	¥12,400	8.5%	¥ 9,000	12.9%	¥74.90
Year ending October 31, 2023	167,900	15.6	14,500	14.4	19,300	(18.1)	14,100	(13.7)	117.34

Note: For fiscal-year figures, percentages indicate the percentage change from the previous fiscal year. For first-half figures, percentages indicate the percentage change from the corresponding half of the previous fiscal year.

***Notes:**

(1) Changes in significant subsidiaries during the period under review (changes to subsidiaries that would alter the scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction

a) Changes in accounting policies due to revisions of accounting standards: Yes

b) Changes in accounting policies due to other reasons: No

c) Changes in accounting estimates: No

d) Restatements of prior period financial statements due to error correction: No

(3) Number of shares issued (common stock)

	As of October 31, 2022	As of October 31, 2021
a) Number of shares issued (including treasury stock)	133,184,612 shares	133,184,612 shares
b) Number of treasury stock	13,026,004 shares	8,083,073 shares
	Year ended October 31, 2022	Year ended October 31, 2021
c) Average number of shares issued in the period	120,556,557 shares	125,083,987 shares

**The Financial Results Report has not been subjected to audit procedures by certified public accountants or an audit corporation.*

**Statement concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items*

Earnings forecasts contained in this document are based on information available to management and provisional assumptions made as of the date of publication regarding uncertain factors that may impact future earnings. Readers are advised that actual results may differ materially from the forecasts due to a variety of factors.

(How to Obtain the Supplementary Materials for the Financial Results and the Details of the Financial Results Briefing)

The Company plans to hold a financial results briefing for institutional investors and securities analysts on Friday, December 23, 2022. It is planned to post the financial results briefing materials to be distributed at the briefing on the Company's website after the briefing has been held.

Accompanying Materials

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended October 31, 2022

During the fiscal year under review (November 1, 2021 to October 31, 2022), the Japanese economy picked up as constraints on economic activity lightened up thanks to a decline in the rate of severe disease caused by COVID-19, among other factors. Although the economic recovery trend is expected to continue, the outlook remains uncertain due to soaring raw material prices and sharp fluctuations in exchange rates, as well as the Zero COVID Policy in China and the prolonged situation in Ukraine.

Against this backdrop, the Group made every effort to implement the priority measures established in the Medium-Term Business Plan, “Create the Future—The Challenge for New Possibilities” (fiscal 2021 – fiscal 2023) in order to increase corporate value.

In the fiscal year under review, net sales increased by ¥27,127 million, or 23.0%, year on year, to ¥145,302 million, driven by strong sales in the Agricultural Chemicals and Agriculture-Related Businesses segment as well as in the Fine Chemicals Business segment, in addition to the significant depreciation of the yen. Operating income was ¥12,673 million, up ¥4,217 million, or 49.9%, year on year. Ordinary income was ¥23,570 million, up ¥10,742 million, or 83.7%, year on year, mainly due to foreign exchange gains associated with the depreciation in the value of the yen. Net income attributable to owners of the parent amounted to ¥16,329 million, up ¥7,307 million, or 81.0%, year on year.

The percentage of overseas net sales in the fiscal year under review was 56.5%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Fiscal Year Ended October 31, 2021			Fiscal Year Ended October 31, 2022			YoY	
	Net sales	Composition ratio	Operating income	Net sales	Composition ratio	Operating income	Net sales [% change]	Operating income [% change]
Agricultural Chemicals and Agriculture-Related Businesses	¥89,150	75.4%	¥8,349	¥112,430	77.4%	¥13,065	¥23,279 [26.1]	¥4,716 [56.5]
Fine Chemicals Business	20,660	17.5	888	25,004	17.2	900	4,344 [21.0]	12 [1.4]
Other Businesses	8,366	7.1	868	7,869	5.4	637	(497) [(5.9)]	(231) [(26.6)]
Total	118,176	100.0	8,456	145,302	100.0	12,673	27,127 [23.0]	4,217 [49.9]

- Notes: 1. Consolidated segment operating income for the previous fiscal year includes ¥1,649 million in adjustments, mainly corporate expenses that are not allocated to any reportable segment (general and administrative expenses not attributable to any reportable segment).
2. Consolidated segment operating income for the current fiscal year includes ¥1,930 million in adjustments, mainly corporate expenses that are not allocated to any reportable segment (general and administrative expenses not attributable to any reportable segment).

1) Agricultural Chemicals and Agriculture-Related Businesses segment

Sales in Japan remained strong for Disarta, a rice paddy field fungicide, and rice paddy field herbicides containing Effeeda. In sales outside Japan, shipments of field crop herbicide Axeev to the U.S., Argentina, Australia, and Brazil, which are its major markets, increased due to higher demand within a favorable business environment. Shipments to Europe of plant growth regulator Prohexadione Calcium agents also remained steady. These factors resulted in significantly higher segment sales than in the previous fiscal year.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-related Businesses segment came to ¥112,430 million, up ¥23,279 million (26.1%) compared with the previous fiscal year. Operating income increased ¥4,716 million (56.5%) year on year to ¥13,065 million.

2) Fine Chemicals Business segment

Demand for chloroxylylene-based chemical products, the raw materials for aramid fibers, which fell due to the COVID-19 pandemic, recovered, and sales increased significantly. Sales of bismaleimides and other products also increased with the demand growth for electronic materials. Sales of industrial chemicals and expanded polystyrene remained flat year on year.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥25,004 million, up by ¥4,344 million (21.0%) compared with the previous fiscal year. Operating income increased by ¥12 million (1.4%) year on year to ¥900 million despite soaring raw material prices, and increases in distribution costs and in depreciation and amortization.

3) Other Businesses segment

Sales in the Other Businesses segment overall amounted to ¥7,869 million, down ¥497 million, or 5.9%, from the previous fiscal year. This was the result of operational delays in the construction business in addition to delayed shipments in the printing business owing to flood damage from Typhoon No. 15. Operating income decreased ¥231 million, or 26.6%, year on year to ¥637 million.

(2) Overview of Financial Position in the Fiscal Year Ended October 31, 2022

As of October 31, 2022, total assets amounted to ¥204,604 million, an increase of ¥35,433 million compared with the end of the previous fiscal year. Current assets increased by ¥27,633 million, and fixed assets increased by ¥7,800 million. The increase in current assets was mainly due to the increases in notes, accounts receivable-trade, contract assets, and merchandise and finished products. The increase in fixed assets was mainly due to increases in construction in progress and investment securities.

Liabilities increased by ¥23,391 million compared with the end of the previous fiscal year to ¥82,609 million. Current liabilities increased by ¥27,238 million, and long-term liabilities decreased by ¥3,847 million. The increase in current liabilities was mainly due to the increase in notes and accounts payable-trade and short-term loans payable. The decrease in long-term liabilities was mainly due to the decrease in long-term loans payable.

Total net assets amounted to ¥121,995 million, an increase of ¥12,041 million compared with the end of the previous fiscal year.

As a result, the equity ratio stood at 56.4%, and net assets per share were ¥960.96.

(3) Overview of Cash Flows for the Year Ended October 31, 2022

With regard to cash flow, the operating activities used net cash of ¥1,159 million, compared with net cash provided of ¥4,478 million in the previous fiscal year. Major factors included inflows of ¥23,119 million in income before income taxes and non-controlling interests, and cash outflows due to a ¥13,382 million increase in notes and accounts receivable, a ¥5,636 million increase in inventories, and ¥5,382 million in foreign exchange gains.

Cash flows from investing activities used net cash of ¥7,823 million, compared with net cash used of ¥5,311 million in the previous fiscal year. The major factor was an outflow of ¥7,817 million in acquisitions of property, plant, and equipment.

Cash flows from financing activities provided net cash of ¥5,615 million, compared with net cash provided of ¥439 million in the previous fiscal year. This figure includes inflows from proceeds of short-term bank loans of ¥16,553 million and outflows due to a ¥4,307 million repayment of long-term loans payable, a ¥4,082 million net increase in treasury stock, and ¥2,206 million in cash dividends paid.

As a result, cash and cash equivalents at the end of the fiscal year stood at ¥22,071 million, an increase of ¥2,647 million from the previous fiscal year end.

(Reference) Changes in Cash Flow-Related Indicators

	Year ended October 31, 2020	Year ended October 31, 2021	Year ended October 31, 2022
Equity ratio (%)	63.6	61.4	56.4
Equity ratio based on market value (%)	80.7	62.6	57.4
Ratio of interest-bearing liabilities to cash flows (%)	371.1	483.3	—
Interest coverage ratio (times)	37.8	33.3	—

(Notes) Equity ratio: equity capital / total assets

Equity ratio based on market value: gross market capitalization / total assets

Ratio of interest-bearing liabilities to cash flows: interest-bearing liabilities / cash flows

Interest coverage ratio: cash flows / interest payment

** Indicators are all calculated based on consolidated financial data.*

** Gross market capitalization calculated using fiscal year-end closing price multiplied by total number of shares issued at fiscal year-end (excluding treasury stock)*

** Cash flows used are those from operating activities shown in the Consolidated Statements of Cash Flows. Interest-bearing liabilities covers all liabilities recorded on the Consolidated Balance Sheets on which interest is paid. The amount of interest paid is that shown in the Consolidated Statements of Cash Flows.*

** As operating cash flow was negative in the fiscal year ended October 31, 2022, the ratio of interest-bearing liabilities to cash flows and the interest coverage ratio are omitted.*

(4) Future Outlook

The future outlook is expected to remain uncertain. Amid the prolonged effects of the COVID-19 pandemic, there have been soaring raw material costs and sharp fluctuations in exchange rates, in addition to other uncertain factors such as the Zero COVID Policy in China and the prolonged situation in Ukraine.

The Agricultural Chemicals and Agriculture-Related Businesses segment, which is the Group's core business, is expected to continue expanding in the future, driven by higher food demand and grain prices due to the growing global population. However, the situation has become more challenging against the backdrop of the uncertainties described above and the changes in the environment surrounding agriculture in Japan and internationally.

In these circumstances, the Kumiai Chemical Group will strive to enhance corporate value by implementing "Create the Future—The Challenge for New Possibilities" as its Medium-Term Business Plan for the period from fiscal 2021 to fiscal 2023, which was formulated with an eye on Kumiai Chemical Group's ultimate goals in 20 to 30 years.

The Kumiai Chemical Group will also promote sustainability management in accordance with its Basic Policy on Sustainability established on November 1, 2021 under the Kumiai Chemical Group Corporate Philosophy, and its detailed ten fundamental policies set forth to address various ESG issues under the Basic Policy. In the Agricultural Chemicals and Agriculture-Related Businesses, which are the Group's core businesses, the Group will respond to the Strategy for Sustainable Food Systems (Strategy MeaDRI), formulated by the Japanese government to build sustainable food systems. In the Fine Chemicals Business, the Group will contribute to society by supplying materials that help make people's lives safer and more fulfilling.

In the Japanese market, the Group will further expand its base by commencing and promoting sales of Effeeda, the herbicide for rice paddy fields, and new Bensulfuron-Methyl compound agents, with the aim of maintaining its top market share in one-shot herbicides for rice paddy fields. The Group will also expand its product line up with Disarta, a rice paddy field fungicide, and promote expansion in sales by employing an even larger standard package for direct shipment, which also allows reduced per-unit prices.

In the area of products for fruits and vegetables, the Group will work to expand its product portfolio as well as developing promotion activities with a focus on agents containing active ingredients developed in house such as Axeev and Pyribencarb.

Moreover, the Group will implement initiatives to promote and sell biological agricultural chemicals and other agents that reduce environmental impact. It will also promote adaptation to smart agriculture utilizing drones for spraying labor-saving Mametsubu granular pea-sized agents.

In the overseas market, the Group will further expand sales of Axeev, a core product in its business, capitalizing on increasing demand in leading markets such as the U.S., Australia, Argentina, and Brazil. It will also further expand sales by providing support for sales promotions, supporting the local development of compound agents, and increasing the number of different crops covered in these leading markets, while also promoting development efforts in other countries. The Group will also expand sales of Effeeda in South Korea as well as promoting its development and sale in other Asian countries, Europe, and the U.S. The Group will also launch and promote sales of Disarta in South Korea.

Going forward, the Group will work hard to drive the growth of its product portfolio overseas, including agents developed in-house, as well as to diversify sales channels.

In the special sales segment, the Group will make effective use of proprietary agricultural chemical formulation technologies to maximize sales and profit for products developed in house, including Effeeda and Bensulfuron-Methyl agents, as well as expanding its product portfolio and business territory. In addition, the Group will work to diversify sales channels in order to launch sales of new products and sell more of its active ingredients developed in-house to other manufacturers.

In the Fine Chemicals Business segment, the Group will work to maximize sales and profit by driving further growth of chloroxylene-based chemical products, the raw materials for aramid fibers, for which global demand remains strong; expanding sales of bismaleimide/amine curing agents, industrial chemicals, and expanded polystyrene products; and growing the contract manufacturing business. It will also seek to expand the domain of the Fine Chemicals Business by strengthening and promoting collaboration in the Fine Chemicals Business across the entire Group to create new high value-added businesses.

In the Other Business segment, the Group will address the following issues in each business. In the construction business, the Group will strengthen collection of information to win new contracts and address workstyle reform, while also seeking to reduce environmental impact by reducing waste and increasing the recycling rate. In the printing business, the Group will strive to develop its sales techniques and ensure diversification of sales channels by planning and proposing differentiated products. In the logistics business, the Group will strive to improve logistical and transport efficiency based on mutual understanding and cooperation with the relevant parties, including suppliers, logistics contractors, and others, in order to ensure highly productive logistics and achieve workstyle reform in support of the intent of the “White Logistics” movement.

In the area of production and materials, the costs of raw materials and energy are expected to remain high due to the rising prices of crude oil and naphtha. The Group will strive to reduce costs by efficiently producing active ingredients and formulations and improving the production environment. The Group will also maintain a stable supply system based on safe operations while pursuing environmentally safe materials and reducing greenhouse gas emissions. With regard to procurement, the Group will work to ensure a stable supply chain and practice CSR procurement.

In the area of research and development, the Group will accelerate the creation of original agricultural chemical active ingredients to support food production. It will also work to create new environmentally friendly products that are in harmony with nature by developing biological agricultural chemicals, bio-stimulants, and other products to address the Strategy for Sustainable Food Systems (MeaDRI) and the EU’s Farm to Fork Strategy. The Group is also preparing to obtain agricultural chemical registrations for Flupentiofenox, a new acaricide, and Eco-Ark, a microbial agricultural chemical for the control of root tip carcinoma in fruit trees and roses.

The Group will continue its global product development with the aim of maximizing the value of Axeev, Effeeda, and the other products that form the core of the Agricultural Chemicals Business. The Group is also working to improve profitability by optimizing production arrangements for active ingredients. In addition, it will work to develop chemical products that contribute to the advent of an affluent society, including the materials required for 5G communications technology.

The Group will accelerate research into creation of new agricultural agents and chemical products as well as further expand research domains to include, for example, the development of technology to reduce climate change risk. These changes will be made by integrating chemical-related research centers in three separate locations in Shizuoka Prefecture into a new chemicals research institute (Shimizu Innovation Park “ShIP”) scheduled for completion in the spring of 2023.

In the area of sustainability management, the Group will work to attain its target of reducing its greenhouse gas emissions by 30% from fiscal 2019 by fiscal 2030 in order to address climate change and reduce environmental impact. Furthermore, the Group will contribute to global food security through its Agricultural Chemicals Business, while seeking to support sustainable agriculture by developing and supplying environmentally friendly agricultural chemicals and advanced materials for agricultural production.

In the area of corporate governance, the Group will promote a more desirable work-life balance for its employees through measures such as increasing the usage rate of annual paid leave and reducing average overtime hours. The Group will also promote diversity, equity and inclusion by increasing foreign national employees, the percentage of managerial and higher positions held by women, and the usage rate of childcare leave among men.

Based on the philosophy that contributing to society is a company's reason for being, the Group will continue its proactive engagement in such activities. The Group's Donguri (Acorn) Project, aimed at contributing to the restoration of coastal disaster prevention forests in Miyagi Prefecture, marked its 10th year in fiscal 2022. In addition, the town government of Fukushima in Hokkaido, the Fukushima forestry association, and Kumiai Chemical Industry entered into a comprehensive partnership agreement in July 2022 to promote initiatives, including contributions to a sustainable society, through the supply of agriculture-related technology. The agreement aspires to support a prosperous future for Fukushima, a town of abundant natural beauty.

In order to help the general public acquire an accurate knowledge of agricultural chemicals and deepen understanding of agriculture, Kumiai Chemical Industry also distributes a pamphlet it created called *Okome wo Mamoru Hanashi* ("How Rice Is Protected"), and sends staff to elementary schools to give talks for students in the upper grades. In addition, the Company's essay contest for students, now in its 11th year, has received ambitious entries from students. While continuing with these activities, the Company will engage in a variety of social contributions in the future.

Fiscal 2023 is the final year of the Group's Medium-Term Management Plan. The goal of these efforts is "to be a corporate group that can contribute to the sustainable development of society," as advocated in the Basic Management Policy. The efforts are also guided by the slogan "Speed, Cost, Innovation—Never-ending challenges for 100-year-old company."

Kumiai Chemical Industry forecasts net sales of ¥167,900 million, operating income of ¥14,500 million, ordinary income of ¥19,300 million, and net income attributable to owners of the parent of ¥14,100 million in the earnings forecast for next fiscal year, ending October 31, 2023.

2. Basic Policy Regarding Selection of Accounting Standards

The Kumiai Chemical Group will prepare its consolidated financial statements based on Japanese standards for the foreseeable future, as this enables a comparison of fiscal years in the consolidated financial statements as well as a comparison of companies.

The Group will take the appropriate response to the application of IFRS, taking into consideration circumstances in Japan and overseas.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of October 31, 2021	As of October 31, 2022
ASSETS		
Current assets:		
Cash and deposits	19,755	22,300
Notes and accounts receivable-trade	33,902	—
Notes, accounts receivable–trade, and contract assets	—	49,702
Marketable securities	300	—
Merchandise and finished products	32,542	38,411
Work in process	9,554	10,250
Raw materials and supplies	5,748	7,531
Other current assets	3,617	4,748
Allowance for doubtful accounts	(214)	(107)
Total current assets	105,203	132,836
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	12,848	13,992
Machinery, equipment and vehicles, net	9,293	10,018
Land	12,145	12,389
Construction in progress	1,263	5,006
Other property, plant and equipment, net	1,731	1,739
Total property and equipment	37,281	43,145
Intangible fixed assets:		
Goodwill	4,081	3,419
Other intangible assets	1,558	1,412
Total intangible assets	5,639	4,831
Investments and other assets:		
Investments securities	18,441	21,038
Long-term loans	318	318
Deferred tax assets	918	1,061
Net defined benefit asset	104	77
Other	1,398	1,465
Allowance for doubtful accounts	(130)	(166)
Total investments and other assets	21,048	23,793
Total fixed assets	63,968	71,768
Total assets	169,172	204,604

	Millions of yen	
	As of October 31, 2021	As of October 31, 2022
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	16,710	20,985
Short-term loan payable	6,089	22,653
Accounts payable-other	7,051	8,678
Income taxes payable	2,842	4,765
Provision for bonuses	1,628	1,713
Provision for environmental measures	280	394
Other current liabilities	1,031	3,680
Total current liabilities	35,630	62,868
Long-term liabilities:		
Long-term loan payable	16,303	12,280
Deferred tax liabilities	1,603	1,398
Provision for directors' retirement benefits	414	488
Provision for environmental measures	164	210
Net defined benefit liability	4,130	4,394
Asset retirement obligations	41	42
Other long-term liabilities	934	929
Total long-term liabilities	23,587	19,741
Total liabilities	59,218	82,609
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	37,370	37,403
Retained earnings	72,710	86,649
Less treasury stocks, at cost	(5,334)	(9,370)
Total shareholders' equity	109,281	119,216
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	1,320	1,485
Foreign currency translation adjustments	(6,728)	(5,121)
Remeasurements of defined benefit plans	17	(112)
Total accumulated other comprehensive loss	(5,392)	(3,748)
Non-controlling interests	6,065	6,527
Total net assets	109,954	121,995
Total liabilities and net assets	169,172	204,604

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	Millions of yen	
	Year ended October 31, 2021	Year ended October 31, 2022
Net sales	118,176	145,302
Cost of sales	89,133	111,101
Gross profits	29,043	34,201
Selling, general and administrative expenses	20,587	21,529
Operating income	8,456	12,673
Non-operating income:		
Interest income	23	50
Dividend income	231	169
Reversal of allowance for doubtful accounts	3	73
Equity in earnings of affiliates	2,073	2,224
Foreign exchange gains	1,900	8,470
Other	352	164
Total non-operating income	4,583	11,149
Non-operating expenses:		
Interest expenses	141	180
Non-deductible consumption tax, etc.	34	28
Other	35	44
Total non-operating expenses	210	251
Ordinary income	12,829	23,570
Extraordinary income:		
Gain on disposal of fixed assets	119	114
Gain on sales of investment securities	236	—
Subsidy income	—	178
Insurance income	6	112
Gain on extinguishment of tie-in shares	44	—
Total extraordinary income	406	404
Extraordinary loss:		
Loss on disposal of fixed assets	353	228
Loss on reduction of fixed assets	—	43
Impairment losses	49	—
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	—	6
Loss on sales of golf club membership	1	—
Loss on valuation of golf club membership	6	—
Environmental expenses	406	461
Loss on disaster	—	117
Total extraordinary loss	815	856
Income before income taxes and non-controlling interests	12,419	23,119
Current	3,884	6,701
Deferred	(697)	(291)
Total income taxes	3,187	6,411
Net income	9,232	16,709
Net income attributable to non-controlling interests	209	379
Net income attributable to owners of parent	9,023	16,329

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Year ended October 31, 2021	Year ended October 31, 2022
Net income	9,232	16,709
Other comprehensive income:		
Valuation difference on available-for-sale securities	214	162
Foreign currency translation adjustment	295	1,160
Remeasurements of defined benefit plans	154	(129)
Share of other comprehensive income of associates accounted for using equity method	(2,853)	689
Total other comprehensive income (loss)	(2,190)	1,882
Comprehensive income	7,042	18,591
(Breakdown)		
Comprehensive income attributable to owners of the parent	6,772	17,973
Comprehensive income attributable to non-controlling interests	269	618

(3) Consolidated Statements of Changes in Net Assets

Year ended October 31, 2021	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at the end of the previous period	4,534	37,081	65,314	(5,374)	101,555
Cumulative effects of changes in accounting policies					—
Restated balance	4,534	37,081	65,314	(5,374)	101,555
Changes during the period					
Cash dividends			(1,626)		(1,626)
Net income attributable to owners of parent			9,023		9,023
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		7		42	50
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries		281			281
Net changes during the period except for shareholders' equity					
Total changes during the period	—	289	7,397	40	7,725
Balance at the end of the period	4,534	37,370	72,710	(5,334)	109,281

Year ended October 31, 2021	Millions of yen					
	Accumulated other comprehensive income					
	Valuation differences on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the end of the previous period	1,110	(4,114)	(137)	(3,142)	5,545	103,959
Cumulative effects of changes in accounting policies						
Restated balance	1,110	(4,114)	(137)	(3,142)	5,545	103,959
Changes during the period						
Cash dividends						(1,626)
Net income attributable to owners of parent						9,023
Purchase of treasury stock						(2)
Disposal of treasury stock						50
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries						281
Net changes during the period except for shareholders' equity	210	(2,614)	154	(2,250)	520	(1,731)
Total changes during the period	210	(2,614)	154	(2,250)	520	5,995
Balance at the end of the period	1,320	(6,728)	17	(5,392)	6,065	109,954

	Millions of yen				
	Shareholders' equity				
Year ended October 31, 2022	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at the end of the previous period	4,534	37,370	72,710	(5,334)	109,281
Cumulative effects of changes in accounting policies			(179)		(179)
Restated balance	4,534	37,370	72,532	(5,334)	109,102
Changes during the period					
Cash dividends			(2,212)		(2,212)
Net income attributable to owners of parent			16,329		16,329
Purchase of treasury stock				(4,082)	(4,082)
Disposal of treasury stock		(0)		46	46
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries		33			33
Net changes during the period except for shareholders' equity					
Total changes during the period	—	33	14,117	(4,036)	10,114
Balance at the end of the period	4,534	37,403	86,649	(9,370)	119,216

	Millions of yen					
	Accumulated other comprehensive income					
Year ended October 31, 2022	Valuation differences on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the end of the previous period	1,320	(6,728)	17	(5,392)	6,065	109,954
Cumulative effects of changes in accounting policies						(179)
Restated balance	1,320	(6,728)	17	(5,392)	6,065	109,954
Changes during the period						
Cash dividends						(2,212)
Net income attributable to owners of parent						16,329
Purchase of treasury stock						(4,082)
Disposal of treasury stock						46
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries						33
Net changes during the period except for shareholders' equity	165	1,607	(129)	1,644	462	2,106
Total changes during the period	165	1,607	(129)	1,644	462	12,220
Balance at the end of the period	1,485	(5,121)	(112)	(3,748)	6,527	121,995

(4) Consolidated Statements of Cash Flows

	Millions of yen	
	Year ended October 31, 2021	Year ended October 31, 2022
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	12,419	23,119
Depreciation and amortization	3,687	4,175
Amortization of goodwill	631	662
Increase (decrease) in allowance for doubtful accounts	126	(91)
Increase in provision for bonuses	82	82
Increase in provision for environmental measures	17	161
Increase (decrease) in net defined benefit asset and liability	36	104
Increase (decrease) in provision for directors' retirement benefits	(229)	75
Interest and dividend income	(254)	(218)
Equity in earnings of affiliates	(2,073)	(2,224)
Interest expenses	141	180
Foreign exchange gains	(873)	(5,382)
Subsidy income	—	(178)
Loss on disposal of property, plant and equipment	234	114
Loss on reduction of fixed assets	—	43
Impairment losses	49	—
Gain on sales of investment securities	(236)	—
Loss on valuation of investment securities	—	6
Increase in notes and accounts receivable	(4,971)	(13,382)
Increase in inventories	(4,576)	(5,636)
Increase (decrease) in notes and accounts payable	315	(1,073)
Other, net	1,387	2,326
Sub total	5,913	2,861
Interest and dividend income received	785	952
Interest expenses paid	(135)	(183)
Income taxes paid	(2,090)	(4,790)
Income taxes refund	5	1
Net cash provided by operating activities	4,478	(1,159)
Cash flows from investing activities:		
Decrease in time deposits, net	355	102
Proceeds from redemption of securities	—	300
Acquisitions of property, plant and equipment	(6,627)	(7,817)
Proceeds from sale of property, plant and equipment	129	180
Acquisitions of intangible assets	(314)	(164)
Acquisitions of investments in securities	(5)	(365)
Proceeds from sales of investments in securities	2,470	—
Payments of loans receivable	(629)	(324)
Collection of loans receivable	661	123
Purchase of insurance funds	(103)	(75)
Proceeds from maturity of insurance funds	198	176
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,186)	—
Subsidies received	—	178
Other, net	(260)	(138)
Net cash used in investing activities	(5,311)	(7,823)

	Millions of yen	
	Year ended October 31, 2021	Year ended October 31, 2022
Cash flows from financing activities:		
Increase (decrease) in short-term bank loans, net	(6,304)	16,553
Proceeds from long-term loans payable	11,032	—
Repayment of long-term loans payable	(2,433)	(4,307)
Net increase in treasury stock	(2)	(4,082)
Cash dividends paid	(1,620)	(2,206)
Cash dividends paid to non-controlling interests	(41)	(119)
Other, net	(192)	(224)
Net cash used in financing activities	439	5,615
Effect of exchange rate changes on cash and cash equivalents	1,076	6,014
Net increase in cash and cash equivalents	681	2,647
Cash and cash equivalents at beginning of year	18,706	19,424
Increase in cash and cash equivalents resulting from merger	37	—
Cash and cash equivalents at end of year	19,424	22,071

(Segment Information, etc.)

[Segment Information]

1. Overview of the Reporting Segments

(1) The method to categorize reported segments

The reportable segments of the Group are those for which separate financial information is available and are subject to periodic review in order for the Company's Board of Directors to determine the allocation of management resources and evaluate performance.

(2) Products and services categorized for each reported segments

The principal products and services in each reportable segment are as in the table below.

Agricultural Chemicals and Agriculture-Related	Manufacture, sale, import and export of agricultural chemicals (insecticide, fungicide, herbicide, etc.), sale of greening materials, comprehensive golf course maintenance
Fine Chemicals	Manufacture, sale, import and export of toluene and xylene-based chemicals, fine chemicals, industrial chemicals, and expanded polystyrene

2. Method of Calculation of Amounts of Net Sales and Profit for Each Reportable Segment

The accounting methods for each of the reportable business segments are the same as those described in "Basis of Presentation of the Consolidated Financial Statements."

Profit for each reportable segment is the figure based on operating income. Internal revenues and inter-segment transfers are based on prevailing market prices.

(Application of Accounting Standard for Revenue Recognition)

The Company applied the Revenue Recognition Accounting Standard as of the beginning of the fiscal year under review. As the accounting methods for revenue recognition have changed, the method of calculating segment profit and loss has changed accordingly.

As a result of the changes, compared with the previous method, net sales for the Agricultural Chemicals and Agriculture-Related Businesses segment were ¥1,554 million lower, with segment profit down ¥144 million; net sales for the Fine Chemicals Business segment were ¥100 million lower, with segment profit ¥8 million higher; and net sales for the Other Businesses segment were ¥84 million higher, with segment profit up ¥32 million.

3. Information regarding sales and income or loss of reportable segments

For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)

	Millions of yen						
	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Agricultural Chemicals and Agriculture- Related	Fine Chemicals	Total				
Net sales:							
Outside customers	89,150	20,660	109,810	8,366	118,176	—	118,176
Inter-segment	—	70	70	4,419	4,489	(4,489)	—
Total	89,150	20,730	109,880	12,785	122,665	(4,489)	118,176
Segment income/(loss)	8,349	888	9,237	868	10,105	(1,649)	8,456

(Notes)

1. The Other Businesses segment was not included under reportable segments. It is comprised of the leasing business, power generation and electricity sales business, construction business, printing business, logistics business, and information services business.
2. The segment income adjustment of ¥1,649 million consists of corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general administrative expenses that are not attributable to reportable segments.
3. Segment income was reconciled to operating income in the quarterly consolidated statements of income.

For the fiscal year ended October 31, 2021 (From November 1, 2021 to October 31, 2022)

	Millions of yen						
	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Agricultural Chemicals and Agriculture- Related	Fine Chemicals	Total				
Net sales:							
Outside customers	112,430	25,004	137,434	7,869	145,302	—	145,302
Inter-segment	3	27	29	4,162	4,192	(4,192)	—
Total	112,433	25,030	137,463	12,031	149,494	(4,192)	145,302
Segment income/(loss)	13,065	900	13,965	637	14,602	(1,930)	12,673

(Notes)

1. The Other Businesses segment was not included under reportable segments. It is comprised of the leasing business, power generation and electricity sales business, construction business, printing business, logistics business, and information services business.
2. The segment income adjustment of ¥1,930 million consists of corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general administrative expenses that are not attributable to reportable segments.
3. Segment income was reconciled to operating income in the quarterly consolidated statements of income.

(Significant Subsequent Event)

Not applicable.