December 13, 2019

FASF MEMBERSHIP

KUMIAI CHEMICAL INDUSTRY CO., LTD.
Consolidated Financial Results for the Fiscal Year Ended October 31, 2019 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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Representative: Yoshitomo Koike, President and Representative Director
For Inquiry: Takeshi Nakano, General Manager of General Affairs Department (Telephone: 81-3-3822- 5036)

Scheduled Annual General Meeting of Shareholders: January 30, 2020
Scheduled Commencement of Dividend Payment: January 31, 2020
Scheduled Filing of Securities Report: January 30, 2020
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, 2019)

(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	
Year ended October 31, 2019	¥103,400	6.8%	¥7,639	36.9%	¥9,735	20.6%	¥6,789	44.2%
Year ended October 31, 2018	96,846	24.5	5,582	48.3	8,074	8.5	4,706	(35.1)

Notes: 1. Comprehensive income: Year ended October 31, 2019: ¥5,416 million [625.1%] Year ended October 31, 2018: ¥747 million [(92.7)%]
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, 2019	¥54.10	¥ —	7.4%	7.1%	7.4%
Year ended October 31, 2018	37.46	—	5.1	5.9	5.8

(Reference) Equity in earnings of affiliates: Year ended October 31, 2019: ¥2,116 million Year ended October 31, 2018: ¥1,925 million

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of October 31, 2019	¥142,660	¥99,260	65.9%	¥750.32
As of October 31, 2018	132,680	97,739	67.8	718.68

(Reference) Shareholders' equity: As of October 31, 2019: ¥93,977 million As of October 31, 2018: ¥90,022 million

(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, 2019	¥(1,221)	¥(6,102)	¥5,253	¥14,107
Year ended October 31, 2018	8,458	(1,584)	(5,016)	16,719

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, 2018	¥ —	¥3.00	¥ —	¥7.00	¥10.00	¥1,253	26.7%	1.4%
Year ended October 31, 2019	—	3.00	—	8.00	11.00	1,382	20.3	1.5
Year ending October 31, 2020 (Forecast)	—	4.00	—	7.00	11.00		20.3	

Note: The year-end dividend for the fiscal year ended October 31, 2018 included a commemorative dividend of ¥2 for the 70th anniversary of the Company's founding.

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2020)

(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
Six months ending April 30, 2020	¥ 57,300	(2.0)%	¥4,200	(25.1)%	¥5,300	(18.2)%	¥3,700	(20.6)%	¥29.54
Year ending October 31, 2020	113,000	9.3	8,000	4.7	9,800	0.7	6,800	0.2	54.29

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: No
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, 2019	As of October 31, 2018
a) Number of shares issued (including treasury stock)	133,184,612 shares	133,184,612 shares
b) Number of treasury stock	7,934,971 shares	7,924,805 shares

	Year ended October 31, 2019	Year ended October 31, 2018
c) Average number of shares issued in the period	125,497,385 shares	125,634,705 shares

Note: The number of shares of treasury stock increased by 10,166 shares in the fiscal year under review due to a share exchange for the purpose of acquiring the total ownership of Rikengreen Co., Ltd., effective on August 31, 2019; the purchase of the Company's own stock in the market based on a resolution of the meeting of the Board of Directors held on September 6, 2019; and other reasons.

****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.

Accompanying Materials

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended October 31, 2019

During the fiscal year under review (November 1, 2018 to October 31, 2019), although a moderate recovery trend was seen in the Japanese economy due to robust domestic demand, including personal consumption and capital expenditure, the outlook remained harsh. There were many challenges including the negative impact of prolonged trade friction between the United States and China, an economic slowdown in emerging economies, including China, and concerns over the deteriorating relations between Japan and South Korea.

The conditions surrounding Japanese agriculture remained severe, and there were still many problems and challenges, including labor shortages due to the aging of farmers, and an increase in agricultural land that is no longer cultivated. In this situation, a variety of measures have been promoted, including the Agricultural Competitiveness Enhancement Program established by the Japanese government in November 2016. Meanwhile, initiatives have been promoted to introduce and verify “smart agriculture” on farms as a new form of agriculture. Smart agriculture will harness cutting-edge technologies such as robotics and ICT, which have advanced remarkably in recent years, to facilitate labor saving and high-quality production.

The Japanese agricultural chemicals market has continued its downward trend after peaking in the first half of the 1990s, and it has remained at around ¥330.0 billion each year over the past five years. Moreover, production material price reductions have been implemented through competitive bidding for fertilizers and agricultural machinery under the abovementioned Agricultural Competitiveness Enhancement Program. Going forward, it is likely that initiatives aimed at low cost and efficient farming will advance further. Also, the Law to Partially Revise the Agricultural Chemicals Control Act also came into force in December 2018, so further enhancements in the safety of agricultural chemicals are expected.

On the other hand, the global agricultural chemicals market recovered overall, and demand increased as sales of excess distribution stock progressed in Brazil, the world’s largest market, leading to dramatic market recovery. This overall recovery came about in spite of some decreases in demand due to bad weather, including prolonged rain and flooding in North America, dry weather in Europe, and drought in parts of Asia, especially India and Thailand, and Australia, in addition to sluggish demand accompanying recent economic slowdowns in Asia and South America. Potential food demand is expected to increase going forward due to population growth, and the agricultural chemicals market is forecast to expand further over the medium to long term.

Under such circumstances, steady progress was made during the fiscal year under review, which is the second year of the new Medium-Term Business Plan, “Create the Future.” It was formulated in 2017, and each department at Kumiai Chemical Industry worked toward the achievement of priority policies in order to ensure synergy from the merger.

In the fiscal year under review, net sales increased by ¥6,554 million (6.8%) year on year to ¥103,400 million owing to the strong performance in each business. Operating income amounted to ¥7,639 million, up ¥2,058 million (36.9%) from the previous fiscal year due to the increase in net sales, among other factors. Ordinary income came to ¥9,735 million, an increase of ¥1,661 million (20.6%) from the previous fiscal year, due to the increase in sales. Net income attributable to owners of the parent amounted to ¥6,789 million, increasing ¥2,083 million (44.2%) compared with the previous fiscal year. This was attributable to the increase in sales in addition to the extraordinary loss in the previous fiscal year.

The percentage of overseas net sales in the fiscal year under review was 42.8%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Fiscal Year Ended October 31, 2018			Fiscal Year Ended October 31, 2019			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	¥68,147	70.4%	¥4,992	¥72,623	70.2%	¥6,778	¥4,476 [6.6]	¥1,786 [35.8]
Fine Chemicals Business	19,466	20.1	1,249	21,474	20.8	1,476	2,009 [10.3]	226 [18.1]
Other Businesses	9,233	9.5	599	9,303	9.0	829	70 [0.8]	230 [38.3]
Total	96,846	100.0	5,582	103,400	100.0	7,639	6,554 [6.8]	2,058 [36.9]

Notes:
1. *Consolidated segment operating income for the previous fiscal year includes ¥1,259 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 ¥1,443 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

For farmland products in the Japanese market, although full-scale sales of Effeeda herbicide for rice paddy fields commenced, sales of established products such as Top Gun and GanGan declined. As a result, sales of herbicide for rice paddy fields declined overall year on year. On the other hand, sales of insecticide for rice pest management increased year on year because new compound agents containing Pyraxalt were launched, and shipments of compound agents containing Isotianyl expanded. Thus, the sales of agents for rice paddy fields overall were higher than in the previous fiscal year. Sales of horticulture products were higher than in the previous fiscal year as sales of pesticides such as Cyazypyr remained steady.

Sales of specialty products overall increased year on year. For sales of active ingredients developed in house, Effeeda, a herbicide for rice paddy fields, and Fantasista, a pesticide for horticulture, maintained steady growth, and sales of consigned production and sales to golf courses and other non-agricultural facilities also outperformed the previous fiscal year.

Sales to markets outside Japan increased from the previous fiscal year. Sales of mainstay Axeev, a herbicide for dry field farming, remained robust in the U.S. despite a decline in acreage dedicated to soy beans, an important target product, due to prolonged early spring rain and U.S. – China trade friction. The herbicidal action of Axeev continued to be rated highly in Argentina and Australia also, and sales expanded steadily there.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-related Businesses segment came to ¥72,623 million, up ¥4,476 million (6.6%) compared with the previous fiscal year. Operating income increased ¥1,786 million (35.8%) year on year to ¥6,778 million.

2) Fine Chemicals Business segment

The main businesses of the Fine Chemicals Business segment consist of the chlorination business, which manufactures chlorotoluene- and chloroxylene-based chemical products with diverse uses as raw materials for agricultural chemicals, aramid fiber, and high-performance resin; the fine chemical business, including various bismaleimides used in electronic materials and high-heat-resistant resins; the industrial chemicals business, which includes urethane curing agents, which are raw materials for waterproof products, fungicides, anti-mold agents, and cleaning agents; and the expanded polystyrene business, which meets diverse needs including packaging materials for agricultural and marine products, electric appliances, home electronics components, and insulating material that provides excellent insulation, cushioning, and lightweight properties for buildings.

In the fiscal year under review, the Fine Chemicals Business segment maintained a strong performance in the chlorination business owing to efforts to shift away from chlorotoluene-based chemical products, where there is clearly tougher competition, to chloroxylene-based chemical products for use as raw materials for aramid fiber and high-performance resin, primarily promoted through Iharanikkei Chemical (Thailand) Co., Ltd. Sales were also robust in the fine chemicals business, which includes bismaleimides for polymer raw materials; the expanded polystyrene business for use in home electronics components and building material blocks; as well as urethane curing agents and contracted chemical production.

On the other hand, sales in the industrial chemicals business declined from the previous fiscal year as sales of medical device sterilizing agents and products for paper manufacturing were weak.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥21,474 million, up ¥2,009 million (10.3%) compared with the previous fiscal year. Operating income increased ¥226 million (18.1%) year on year to ¥1,476 million.

3) Other Businesses segment

The Other Businesses segment includes the leasing business, power-generating and electricity sales business, construction business, printing business, logistics business, and information services business.

The leasing business worked to effectively utilize owned properties and maintained sales and income on par with the previous fiscal year. Both sales and income in the electricity generating and service business increased year on year. Both sales and income in the construction business also increased year on year as orders received remained strong. Sales in the printing business remained on par with the previous fiscal year, but income declined year on year. In the logistics business, sales remained on par with the previous fiscal year, but income increased year on year as a result of cost-cutting efforts.

As a result of the above factors, net sales in the Other Businesses segment amounted to ¥9,303 million, up ¥70 million (0.8%) compared with the previous fiscal year. Operating income increased ¥230 million (38.3%) year on year to ¥829 million.

(2) Overview of Financial Position in the Fiscal Year Ended October 31, 2019

As of October 31, 2019, total assets amounted to ¥142,660 million, an increase of ¥9,979 million compared with the end of the previous fiscal year. Current assets increased by ¥7,669 million, and fixed assets increased by ¥2,311 million. The increase in current assets was mainly because the increases in notes and accounts receivable-trade and merchandise and finished products exceeded the decrease in cash and deposits. The increase in fixed assets was mainly because the increase in intangible fixed assets exceeded the decrease in investment securities.

Liabilities increased by ¥8,458 million compared with the end of the previous fiscal year to ¥43,400 million. Current liabilities increased by ¥10,482 million, and long-term liabilities decreased by ¥2,024 million. The increase in current liabilities was mainly because the increase in short-term loans payable exceeded the decrease in notes and accounts payable-trade. The decrease in long-term liabilities was mainly due to declines in long-term loans payable and deferred tax assets.

Total net assets amounted to ¥99,260 million, an increase of ¥1,521 million compared with the end of the previous fiscal year.

As a result, the equity ratio stood at 65.9%, and net assets per share were ¥750.32.

(3) Overview of Cash Flows for the Year Ended October 31, 2019

Cash flows from operating activities used net cash of ¥1,221 million, compared with net cash provided of ¥8,458 million in the previous fiscal year. Major factors included inflows of ¥9,767 million in income before income taxes and non-controlling interests and outflows from a ¥5,024 million increase in notes and accounts receivable and a ¥5,409 million increase in inventories.

Cash flows from investing activities used net cash of ¥6,102 million, compared with net cash used of ¥1,584 million in the previous fiscal year. Major factors were inflows from an increase of ¥3,263 million in proceeds from sales of investments in securities and outflows of ¥4,218 million in acquisitions of property, plant, and equipment and ¥4,950 million in acquisitions of intangible assets.

Cash flows from financing activities used net cash of ¥5,253 million, compared with net cash used of ¥5,016 million in the previous fiscal year. This figure includes inflows from an increase (decrease) in short-term bank loans, net (¥11,181 million), and outflows of ¥1,859 million in repayment of long-term loans payable, ¥2,651 million in net increase in treasury stock, and ¥1,249 million in cash dividends paid.

As a result, cash and cash equivalents at the end of the fiscal year stood at ¥14,107 million, a decrease of ¥2,612 million from the previous fiscal year end.

(Reference) Changes in Cash Flow-Related Indicators

	Year ended October 31, 2017	Year ended October 31, 2018	Year ended October 31, 2019
Equity ratio (%)	66.7	67.8	65.9
Equity ratio based on market value (%)	69.9	66.3	88.5
Ratio of interest-bearing liabilities to cash flows (%)	148.4	63.7	—
Interest coverage ratio (times)	96.5	85.7	—

(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, 2019, the ratio of interest-bearing liabilities to cash flows and the interest coverage ratio are omitted.*

(4) Future Outlook

The Kumiai Chemical Industry Group is pushing ahead with business activities under a basic policy of putting speed, cost-cutting, and innovation into practice more clearly to accomplish the Medium-Term Business Plan.

In the Agricultural Chemicals and Agriculture-Related Business segment, the Group will address the following challenges.

In the Japanese market, the Group will continue to implement selection and concentration based on the marketing strategy. The Group will also continue promotion to core farmers, such as agricultural cooperatives, and work to expand sales of agents developed in house related for smart agriculture to respond to changes in farming.

In the herbicide for rice paddy fields sector, the Group will focus on promoting Effeeda, a major new agent launched in 2019, and it will implement initiatives aimed at the early maximization of the Effeeda brand promotion. In addition to putting further efforts into promoting and expanding sales of mainstay Fenoxasulfone and Pyrimisulfan, the Group will aim to recapture and expand market share by working to maintain and expand established products as well as the Bensulfuron-Methyl business transferred from Corteva Agriscience in October 2019.

In the insecticide for rice pest management sector, the Group will work to expand sales with a focus on the mainstay products Isotianyl and Cyazpyr as well as the new product Pyraxalt, launched in 2019. The Group will also make preparations for the development and early launch of dichlobentiazox, a new fungicide for which it is planning to obtain registration in 2020.

In the area of horticulture products, the Group will focus on and roll out promotion activities for Propose and Frupica, which contain active ingredients developed in house. It will also promote and increase sales of Fantasista with a focus on its expanded crop applications.

The Group will also continue to expand sales of the Mametsubu series of granular pea-sized agents for use with agricultural drones in collaboration with agricultural equipment manufacturers.

In the special sales market, the Group will make maximum use of active ingredients developed in house and proprietary technology as resources, in addition to promoting optimization of costs and improving the income structure. In sectors other than agricultural farmland, such as golf courses, the Group will deepen collaboration with Rikengreen Co., Ltd., which became a wholly owned subsidiary during the fiscal year under review, to expand its product portfolio. In sales of active ingredients developed in house, the Group will also work to expand the market by offering products containing Effeeda, a herbicide for rice paddy fields, for use by other companies. In the consigned development of active ingredients, the Group will emphasize its outstanding formulation and synthesis technology as well as adjusting the balance between production and sales, reviewing and optimizing the distribution system and working for stable and efficient procurement of raw materials and consigned goods to expand its contract business.

In the overseas market, the Group will pursue its top priority initiative of expanding the number of countries for crop applications and sales of Axeev, a herbicide for dry field farming that is a core product in the agricultural chemical business. In addition to continuing to develop the soy bean market and look into measures to increase its share in the corn market in the United States, the Group will implement sales promotion activities aimed at the further expansion and growth of Axeev and other businesses and local support for the development of compound agents in Argentina.

For Nominee, a herbicide for direct seeded rice, the Group aims to maintain sales volume by rebuilding its price strategy. The Group will also implement sales support at PI Kumiai Private Ltd., an Indian joint venture company established in 2017. In addition, the Group has commenced development in Europe as a new overseas expansion area for herbicide Effeeda, and it will also ensure the smooth business continuation of Bensulfuron-Methyl, which is a herbicide for rice paddy fields. Going forward, the Group will make active efforts for the overseas expansion of its product portfolio, including in-house-developed agents, and utilization of sales networks.

In the Fine Chemicals Business segment, the Group will work to nurture the segment as the Group's second business pillar next to the Agricultural Chemicals and Agriculture-related Businesses segment based on the philosophy "incorporating new technologies and functions and growing continuously from the customer's perspective." This will include proactive initiatives focused on the chloroxylene business in the chlorination business. Also, the entire Group, including consolidated subsidiaries primarily in the fine chemicals, the industrial chemicals and the expanded polystyrene businesses, will endeavor to maximize and optimize the Fine Chemicals Business segment. This will be accomplished by pursuing selection and concentration of management resources as well as exploring new business areas and expanding business territory aimed at delivering customer value.

In the area of production and materials, the Group will pursue innovation in manufacturing technology and improvement of facilities based on safe production activities and the stable procurement of materials in efforts to optimize the production systems of the entire Group through effective utilization of facilities and human resources. The Group will also work to reduce the costs of Axeev, Effeeda and other agents developed in house by reinforcing its global procurement system. In addition, the Group will promote the supply of high-quality products and environmentally friendly production activities through the appropriate implementation of ISO systems.

In the area of research and development, the Group will make the continuous creation of new agricultural chemicals, the development of new products, and the invention of new technologies top-priority issues and strive to enhance its value as an R&D-driven company.

In the area of inventing new agricultural chemicals, the Group will accelerate the creation of pipeline active ingredients by expanding its exploration of biologically active substances and focusing on the discovery of new and effective ingredients. The Group will also make strong efforts to improve production methods to reduce active ingredient costs.

In the area of developing new products, the Group will focus its efforts in Japan and overseas to develop products containing Effeeda, a herbicide for rice paddy fields, and maximize sales of active ingredients developed in house. Going forward, the Group will also endeavor to expand its business, pursuing product development of rice-paddy-field herbicides using Bensulfuron-Methyl, a business acquired in 2019. In the development of chemicals, the Group will effectively leverage the raw materials and intermediates it possesses and the proprietary technologies cultivated in the agricultural chemical business to nurture a high-value-added Fine Chemicals Business segment and pursue the commercialization of new technologies.

In the area of creating new technologies, the Group will work by advancing ICT-based smart agriculture, utilizing agricultural drones, and participating in joint research with industry, government, and academia and in national projects to bring about agriculture that is in step with changes in the environment and the needs of customers.

In the Other Business segment, the Group will address the following issues in each business.

In the leasing business, the Group will continue working to utilize owned assets effectively through the maintenance and review of facilities. In the construction business, the Group will continue working to speed up technical innovation in addition to boosting orders received through the expansion of sales activities from the existing service area. In the printing business, the Group will acquire new customers and strengthen support for existing customers, in addition to expanding its business territory into the online and equipment-related areas, and it will work to enhance proposals to customers and step up sales activities by creating an environment that facilitates the provision of one-stop services. In the Logistics business, the Group will continue to pursue safety and seek enhancement and facilitation of its logistics network, and it will work to further strengthen price competitiveness by reducing costs through efficient utilization of in-house warehouses and the improvement and streamlining of operations.

In the area of workstyle reform initiatives, the Group will build a workplace environment where employees will feel that they are working at one of the happiest companies in Japan, and it has taken initiatives from the perspective of workers to realize an optimum work-life balance, including proper management of working hours and efforts for work-hour reductions, primarily by regulating long overtime hours and conducting the Employee Happiness Survey questionnaire for all employees.

In the area of social contribution activities, the Group will continue to actively take initiatives based on the philosophy that social contribution is a company's reason for being. The Donguri (Acorn) Project that aims to contribute to the restoration of coastal forests for the prevention of disasters in Miyagi Prefecture will be in its eighth year in fiscal 2020. In fiscal 2019, the Company carried out tree planting, including supplementary planting, in the coastal forest of the prefecture that it is currently managing. An essay contest for students, which aims to contribute to environmental education, was also held for the eighth time, and many enthusiastic essays were entered in the contest by students. In addition, the Company will endeavor to contribute to society by continuing these activities, as well as by taking further new initiatives.

The Company also continued its yearly publication of the CSR Report, which summarizes the approach of the Kumiai Chemical Industry Group to social contribution activities and the progress of its initiatives in this area.

Kumiai Chemical Industry forecasts net sales of ¥113,000 million, operating income of ¥8,000 million, ordinary income of ¥9,800 million, and net income attributable to owners of the parent of ¥6,800 million in the earnings forecast for next fiscal year, ending October 31, 2020.

2. Basic Policy Regarding Selection of Accounting Standards

The Kumiai Chemical Industry 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, 2018	As of October 31, 2019
ASSETS		
Current assets:		
Cash and deposits	17,729	15,354
Notes and accounts receivable-trade	21,769	26,623
Marketable securities	30	30
Merchandise and finished products	18,405	23,040
Work in process	10,032	9,032
Raw materials and supplies	4,494	6,147
Other current assets	1,942	1,840
Allowance for doubtful accounts	(67)	(63)
Total current assets	74,334	82,003
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	9,720	10,394
Machinery, equipment and vehicles, net	5,327	7,291
Land	12,061	12,103
Construction in progress	1,932	727
Other property, plant and equipment, net	1,397	1,446
Total property and equipment	30,438	31,961
Intangible fixed assets:		
Goodwill	0	4,268
Other intangible assets	603	1,043
Total intangible assets	603	5,310
Investments and other assets:		
Investments securities	24,377	20,783
Long-term loans	309	11
Deferred tax assets	885	797
Net defined benefit asset	124	156
Other	1,765	1,772
Allowance for doubtful accounts	(154)	(133)
Total investments and other assets	27,306	23,385
Total fixed assets	58,346	60,657
Total assets	132,680	142,660

	Millions of yen	
	As of October 31, 2018	As of October 31, 2019
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	15,052	13,175
Short-term loan payable	2,759	12,747
Accounts payable-other	4,377	4,271
Income taxes payable	788	3,129
Provision for bonuses	1,475	1,463
Other current liabilities	648	796
Total current liabilities	25,099	35,581
Long-term liabilities:		
Long-term loan payable	970	311
Deferred tax liabilities	3,548	2,168
Provision for directors' retirement benefits	579	618
Net defined benefit liability	4,358	4,263
Asset retirement obligations	39	39
Other long-term liabilities	348	419
Total long-term liabilities	9,843	7,818
Total liabilities	34,942	43,400
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	35,735	37,137
Retained earnings	54,660	60,196
Less treasury stocks, at cost	(4,113)	(5,268)
Total shareholders' equity	90,817	96,600
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	795	833
Foreign currency translation adjustments	(1,438)	(3,339)
Remeasurements of defined benefit plans	(152)	(117)
Total accumulated other comprehensive loss	(794)	(2,623)
Non-controlling interests	7,717	5,283
Total net assets	97,739	99,260
Total liabilities and net assets	132,680	142,660

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

Consolidated Statements of Income

	Millions of yen	
	Year ended October 31, 2018	Year ended October 31, 2019
Net sales	96,846	103,400
Cost of sales	73,234	77,331
Gross profits	23,611	26,069
Selling, general and administrative expenses	18,030	18,429
Operating income	5,582	7,639
Non-operating income:		
Interest income	96	54
Dividend income	340	232
Reversal of allowance for doubtful accounts	5	2
Equity in earnings of affiliates	1,925	2,116
Foreign exchange gains	53	—
Other	215	152
Total non-operating income	2,634	2,555
Non-operating expenses:		
Interest expenses	42	37
Sales discounts	39	40
Foreign exchange losses	—	80
Commission expenses	—	190
Other	61	113
Total non-operating expenses	142	460
Ordinary income	8,074	9,735
Extraordinary income:		
Gain on sales of fixed assets	13	145
Gain on sales of investment securities	11	118
Gain on sales of golf club membership	—	0
Insurance income	71	219
Gain on extinguishment of tie-in shares	45	—
Total extraordinary income	140	482
Extraordinary loss:		
Loss on disposal of fixed assets	209	139
Loss on sales of investment securities	1,013	182
Loss on valuation of investment securities	966	36
Loss on sales of golf club membership	1	0
Loss on valuation of golf club membership	5	0
Compensation expenses	—	23
Loss on disaster	187	45
Office transfer expenses	27	10
Environmental expenses	—	15
Total extraordinary loss	2,409	450
Income before income taxes and non-controlling interests	5,805	9,767
Current	1,887	3,847
Deferred	(1,222)	(1,322)
Total income taxes	666	2,524
Net income	5,139	7,242
Net income attributable to non-controlling interests	433	454
Net income attributable to owners of parent	4,706	6,789

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Year ended October 31, 2018	Year ended October 31, 2019
Net income	5,139	7,242
Other comprehensive income:		
Valuation difference on available-for-sale securities	(4,026)	35
Foreign currency translation adjustment	(76)	(31)
Remesurements of defined benefit plans	(7)	35
Share of other comprehensive income of associates accounted for using equity method	(283)	(1,865)
Total other comprehensive loss	(4,392)	(1,826)
Comprehensive income	747	5,416
(Breakdown)		
Comprehensive income attributable to owners of the parent	343	4,960
Comprehensive income attributable to non-controlling interests	404	457

(3) Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Shareholders' equity				
Year ended October 31, 2018	Common stock	Capital surplus	Retained earnings	Treasury stock,at cost	Total Shareholders' equity
Balance at the end of the previous period	4,534	35,907	51,502	(2,653)	89,290
Changes during the period					
Cash dividends			(1,387)		(1,387)
Net income attributable to owners of parent			4,706		4,706
Purchase of treasury stock				(1,460)	(1,460)
Disposal of treasury stock		0		0	0
Delivery of treasury stock by share exchanges					—
Increase by share exchanges					—
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries		(4)			(4)
Increase (decrease) in surplus due to purchase of treasury stock from consolidated subsidiaries		(168)			(168)
Changes of scope of consolidation			(162)		(162)
Net changes during the period except for shareholders' equity					
Total changes during the period	—	(171)	3,158	(1,460)	1,527
Balance at the end of the period	4,534	35,735	54,660	(4,113)	90,817

	Millions of yen					
	Accumulated other comprehensive income					
Year ended October 31, 2018	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	4,808	(1,094)	(145)	3,569	6,506	99,365
Changes during the period						
Cash dividends						(1,387)
Net income attributable to owners of parent						4,706
Purchase of treasury stock						(1,460)
Disposal of treasury stock						0
Delivery of treasury stock by share exchanges						—
Increase by share exchanges						—
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries						(4)
Increase (decrease) in surplus due to purchase of treasury stock from consolidated subsidiaries						(168)
Changes of scope of consolidation						(162)
Net changes during the period except for shareholders' equity	(4,012)	(344)	(7)	(4,363)	1,211	(3,152)
Total changes during the period	(4,012)	(344)	(7)	(4,363)	1,211	(1,626)
Balance at the end of the period	795	(1,438)	(152)	(794)	7,717	97,739

* ***Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries***

Pursuant to Article 156, Paragraph 1 and Article 163 of the Companies Act, the Company acquired treasury stock held by consolidated subsidiaries through a resolution at a meeting of the Company's Board of Directors held on March 8, 2018. The capital surplus increased due to an adjustment of tax expense associated with the acquisition.

	Millions of yen				
	Shareholders' equity				
Year ended October 31, 2019	Common stock	Capital surplus	Retained earnings	Treasury stock,at cost	Total Shareholders' equity
Balance at the end of the previous period	4,534	35,735	54,660	(4,113)	90,817
Changes during the period					
Cash dividends			(1,253)		(1,253)
Net income attributable to owners of parent			6,789		6,789
Purchase of treasury stock				(2,651)	(2,651)
Disposal of treasury stock		0		0	0
Delivery of treasury stock by share exchanges				1,496	1,496
Increase by share exchanges		1,172			1,172
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries		230			230
Increase (decrease) in surplus due to purchase of treasury stock from consolidated subsidiaries					—
Changes of scope of consolidation					—
Net changes during the period except for shareholders' equity					
Total changes during the period	—	1,402	5,536	(1,155)	5,784
Balance at the end of the period	4,534	37,137	60,196	(5,268)	96,600

	Millions of yen					
	Accumulated other comprehensive income					
Year ended October 31, 2019	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	795	(1,438)	(152)	(794)	7,717	97,739
Changes during the period						
Cash dividends						(1,253)
Net income attributable to owners of parent						6,789
Purchase of treasury stock						(2,651)
Disposal of treasury stock						0
Delivery of treasury stock by share exchanges						1,496
Increase by share exchanges						1,172
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries						230
Increase (decrease) in surplus due to purchase of treasury stock from consolidated subsidiaries						—
Changes of scope of consolidation						—
Net changes during the period except for shareholders' equity	37	(1,901)	35	(1,829)	(2,434)	(4,263)
Total changes during the period	37	(1,901)	35	(1,829)	(2,434)	1,521
Balance at the end of the period	833	(3,339)	(117)	(2,623)	5,283	99,260

(4) Consolidated Statements of Cash Flows

	Millions of yen	
	Year ended October 31, 2018	Year ended October 31, 2019
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	5,805	9,767
Depreciation and amortization	2,943	3,102
Increase (decrease) in allowance for doubtful accounts	3	(25)
Increase (decrease) in provision for bonuses	114	(11)
Increase (decrease) in net defined benefit asset and liability	68	(77)
Increase in provision for directors' retirement benefits	4	39
Interest and dividend income	(436)	(285)
Equity in earnings of affiliates	(1,925)	(2,116)
Interest expenses	42	37
Foreign exchange losses (gains)	(157)	326
Loss (gain) on disposal of property, plant and equipment	196	(7)
Loss on sales of investment securities	1,002	64
Loss on valuation of investment securities	966	36
Increase in notes and accounts receivable	(850)	(5,024)
Decrease (increase) in inventories	479	(5,409)
Increase (decrease) in notes and accounts payable	1,128	(1,259)
Decrease (increase) in advance payments	(124)	343
Other, net	434	(271)
Sub total	9,690	(769)
Interest and dividend income received	1,155	918
Interest expenses paid	(99)	(39)
Income taxes paid	(2,288)	(1,581)
Income taxes refund	—	250
Net cash provided by operating activities	8,458	(1,221)
Cash flows from investing activities:		
Decrease (increase) in time deposits, net	616	(239)
Acquisitions of property, plant and equipment	(2,757)	(4,218)
Proceeds from sale of property, plant and equipment	61	191
Acquisitions of intangible assets	(204)	(4,950)
Acquisitions of investments in securities	(191)	(104)
Proceeds from redemption of investments in securities	20	30
Proceeds from sales of investments in securities	2,072	3,263
Payments of loans receivable	(1,751)	(764)
Collection of loans receivable	783	802
Purchase of insurance funds	(143)	(209)
Proceeds from maturity of insurance funds	19	193
Other, net	(108)	(98)
Net cash used in investing activities	(1,584)	(6,102)

	Millions of yen	
	Year ended October 31, 2018	Year ended October 31, 2019
Cash flows from financing activities:		
Increase (decrease) in short-term bank loans, net	150	11,181
Repayment of long-term loans payable	(2,878)	(1,859)
Net increase in treasury stock	(739)	(2,651)
Cash dividends paid	(1,382)	(1,249)
Cash dividends paid to non-controlling interests	(50)	(46)
Other, net	(118)	(123)
Net cash used in financing activities	(5,016)	5,253
Effect of exchange rate changes on cash and cash equivalents	164	(542)
Net increase **(decrease) in cash and cash equivalents**	2,023	(2,612)
Cash and cash equivalents at beginning of year	12,656	16,719
Increase in cash and cash equivalents due to merger	958	—
Increase in cash and cash equivalents due to newly consolidated subsidiaries	1,082	—
Cash and cash equivalents at end of year	16,719	14,107

(Segment Information, etc.)

[Segment Information]

1. Overview of the Reporting 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.

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

Agricultural Chemicals and Agriculture-Related	Manufacture and sale of agricultural chemicals (pesticide, fungicide, herbicide, etc.), import and export of agricultural chemicals, sale of greening materials, comprehensive golf course maintenance
Fine Chemicals	Manufacture and sale 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.

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

For the fiscal year ended October 31, 2018 (From November 1, 2017 to October 31, 2018)

	Millions of yen						
	Reportable segments						
	Agricultural Chemicals and Agriculture-Related	Fine Chemicals	Total	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Net sales:							
Outside customers	68,147	19,466	87,613	9,233	96,846	—	96,846
Inter-segment	—	—	—	3,105	3,105	(3,105)	—
Total	68,147	19,466	87,613	12,338	99,951	(3,105)	96,846
Segment income/(loss)	4,992	1,249	6,242	599	6,841	(1,259)	5,582

(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 ¥1,259 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, 2019 (From November 1, 2018 to October 31, 2019)

	Millions of yen						
	Reportable segments						
	Agricultural Chemicals and Agriculture-Related	Fine Chemicals	Total	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Net sales:							
Outside customers	72,623	21,474	94,097	9,303	103,400	—	103,400
Inter-segment	0	61	62	3,504	3,566	(3,566)	—
Total	72,623	21,536	94,159	12,807	106,965	(3,566)	103,400
Segment income/(loss)	6,778	1,476	8,254	829	9,083	(1,443)	7,639

(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 ¥1,443 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.