

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Consolidated Financial Results for the Third Quarter Ended July 31, 2018 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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 Stock Exchange Listings: First Section of Tokyo Stock Exchange (Securities code: 4996)
 URL: <http://www.kumiai-chem.co.jp>
 Representative: Yoshitomo Koike, President and Representative Director
 For Inquiry: Takeshi Nakano, General Manager of General & Personnel Affairs Department (Telephone: 81-3-3822- 5036)
 Scheduled Filing of Quarterly Securities Report: September 13, 2018
 Scheduled Commencement of Dividend Payment: —
 Supplementary Materials on Financial Results: None
 IR Presentation on Financial Results: None

Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the nine months ended July 31, 2018)

(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 | |
|---------------------------------|-----------|-------|------------------|-------|-----------------|------|---|---------|
| Nine months ended July 31, 2018 | ¥74,583 | 28.8% | ¥5,046 | 41.6% | ¥6,612 | 3.3% | ¥5,302 | (21.5)% |
| Nine months ended July 31, 2017 | 57,912 | 15.7 | 3,565 | 50.2 | 6,402 | 66.1 | 6,752 | 145.6 |

Notes: 1. Comprehensive income: Nine months ended July 31, 2018: ¥1,530 million [(80.3)%] Nine months ended July 31, 2017: ¥7,753 million [— %]
 Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

| | Net Income per Share | Net Income per Share (Diluted) |
|---------------------------------|----------------------|--------------------------------|
| Nine months ended July 31, 2018 | ¥42.16 | ¥ — |
| Nine months ended July 31, 2017 | 70.88 | — |

Note: Kumiai Chemical Industry integrated its business with the former Ihara Chemical Industry on May 1, 2017. The amounts of the consolidated financial results for the same quarter of the previous fiscal year have been calculated by adding the consolidated financial results for the six-month second quarter period from November 1, 2016 to April 30, 2017 for Kumiai Chemical Industry before the business integration to the consolidated financial results for the third quarter period from May 1 to July 31, 2017 for Kumiai Chemical Industry after the business integration. As a result, the financial results for the third quarter of the fiscal year ending October 31, 2018 have changed substantially year on year.

(2) Consolidated Financial Position

(Millions of yen, except percentages)

| | Total Assets | Net Assets | Equity Ratio |
|------------------------|--------------|------------|--------------|
| As of July 31, 2018 | ¥135,716 | ¥98,549 | 67.2% |
| As of October 31, 2017 | 139,168 | 99,365 | 66.7 |

(Reference) Shareholders' equity: As of July 31, 2018: ¥91,129 million As of October 31, 2017: ¥92,859 million

2. Cash Dividends for Shareholders of Common Stock

(Yen)

| | Cash Dividends per Share over the Fiscal Year | | | | |
|---|---|--------------------|--------------------|----------|--------|
| | End of 1st Quarter | End of 2nd Quarter | End of 3rd Quarter | Year-End | Annual |
| Year ended October 31, 2017 | ¥ — | ¥0.00 | ¥ — | ¥8.00 | ¥8.00 |
| Year ending October 31, 2018 | — | 3.00 | — | | |
| Year ending October 31, 2018 (Forecast) | | | | ¥5.00 | ¥8.00 |

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2018)

(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 |
|------------------------------|-----------|-------|------------------|-------|-----------------|---------|---|---------|----------------------|
| Year ending October 31, 2018 | ¥95,000 | 22.1% | ¥4,600 | 22.2% | ¥6,400 | (14.0)% | ¥4,500 | (38.0)% | ¥35.61 |

Notes: 1. Most recently announced revisions to consolidated earnings forecast: No

2. For fiscal-year figures, percentages indicate the percentage change from 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) Adoption of accounting methods specific to quarterly consolidated financial statements: Yes

(3) 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

(4) Number of shares issued (common stock)

| | As of July 31, 2018 | As of October 31, 2017 |
|---|---------------------------------|--------------------------------|
| a) Number of shares issued (including treasury stock) | 133,184,612 shares | 133,184,612 shares |
| b) Number of treasury stock | 7,920,678 shares | 6,798,219 shares |
| | Nine months ended July 31, 2018 | Nine months ended July 31 2017 |
| c) Average number of shares issued in the period | 125,762,751 shares | 95,259,277 shares |

Note 1. The number of outstanding shares increased by 46,206,903 to 133,184,612 as a result of the business integration with Ihara Chemical Industry Co., Ltd. on May 1, 2017.

2. The number of shares of treasury stock increased by 1,122,459 shares in the third quarter period under review due to the purchase of the Company's own stock and the acquisition of the Company's ordinary shares from a subsidiary, based on the resolution of the meeting of the Board of Directors held on March 8, 2018.

**The Quarterly 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. Qualitative Information Regarding Consolidated Financial Results for the Period under Review

(1) Explanation of Operating Results

Effective from May 1, 2017, Kumiai Chemical Industry Co., Ltd. and the former Ihara Chemical Industry Co., Ltd. conducted a business merger (hereafter, “the Merger”), with Kumiai Chemical Industry remaining as the surviving company and Ihara Chemical Industry dissolved as the absorbed company.

As a result, the amounts of the consolidated financial results for the third quarter of the previous fiscal year have been calculated by adding the consolidated financial results for the six-month second quarter period from November 1, 2016 to April 30, 2017 for Kumiai Chemical Industry before the business integration to the consolidated financial results for the third quarter period from May 1 to July 31, 2017 for Kumiai Chemical Industry after the business integration.

During the cumulative third-quarter period under review (November 1, 2017 to July 31, 2018), the Japanese economy expanded moderately as capital expenditure and personal consumption maintained an upward trend, given continued improvement in corporate earnings and business sentiment.

In Japanese agriculture, the Act for the Partial Revision of the Agricultural Chemicals Control Act was promulgated in June this year, and it is expected to increase the safety of agricultural chemicals even more going forward as well as promoting more efficient and lower-cost agricultural chemicals.

Against this backdrop, in order to swiftly bring about the maximum synergy from the merger, five priority policies have been set out. These policies are: (1) strengthen the business base through process integration; (2) strengthen the business base through concentration of management resources; (3) minimize business risk; (4) strengthen growth strategy; and (5) reinforce corporate governance. Kumiai Chemical Industry is committed to overcoming the challenges in each department.

In addition, as a result of the Merger, the classifications of the Group’s business areas have been changed from the previous Chemicals, Leasing, and Other segments to the Agricultural Chemicals and Agriculture-Related Businesses, Fine Chemicals Business, and Other Business segments since the previous fiscal year.

In the third quarter period under review, net sales increased by ¥16,670 million (28.8%) year on year to ¥74,583 million, owing to the expansion of operations resulting from the Merger. Operating income amounted to ¥5,046 million, up ¥1,482 million (41.6%) from the same period of the previous fiscal year, due to the increase in net sales. Ordinary income amounted to ¥6,612 million, up ¥210 million (3.3%) from the same period of the previous fiscal year, due to a decline in equity in earnings of affiliates after the business integration. Net income attributable to owners of the parent amounted to ¥5,302 million, down ¥1,450 million (21.5%) from the same period of the previous fiscal year, due to extraordinary income recorded in the previous fiscal year.

The percentage of net sales to markets overseas in the third quarter period under review was 40.2%.

Business results by segment were as follows

(Millions of yen, except percentages)

| Segment | Nine months ended July 31, 2017 | | | Nine months ended July 31, 2018 | | | 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 | ¥47,879 | 82.7% | ¥3,652 | ¥54,131 | 72.6% | ¥4,415 | ¥6,252 [13.1] | ¥763 [20.9] |
| Fine Chemicals Business | 5,648 | 9.8 | 327 | 14,370 | 19.3 | 1,117 | 8,722 [154.4] | 790 [241.4] |
| Other Businesses | 4,385 | 7.6 | 447 | 6,082 | 8.2 | 444 | 1,697 [38.7] | (3) [(0.8)] |
| Total | 57,912 | 100.0 | 3,565 | 74,583 | 100.0 | 5,046 | 16,670 [28.8] | 1,482 [41.6] |

- Notes: 1. Consolidated segment operating income for the cumulative third quarter period of the previous fiscal year includes ¥862 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 cumulative third quarter period of the previous fiscal year includes ¥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

For farmland products in the Japanese market, although sales of compound agents made from herbicides for rice paddy fields, Fanoxasulfone and Pyrimisulfan, remained strong, sales of herbicides for rice paddy fields overall fell slightly year on year, affected by falling sales of established agents. Meanwhile, sales of fungicides and insecticides for rice paddy fields rose year on year. As a result, total sales of agents for rice paddy fields were in line with the previous fiscal year.

Sales of horticulture products were higher than in the previous year due to stronger fungicide sales, although sales of insecticides were lower than in the same period of the previous fiscal year.

Sales to golf courses and other non-agricultural facilities, along with ingredients developed in house, decreased year on year due to a decline in shipments to distributors.

Sales to markets outside Japan increased significantly from the same period of the previous fiscal year. This increase was due to continued strong shipments of new compound products using Axeev, a herbicide for dry-field farming, in North America, and the commencement of full-scale sales in Argentina starting in the current fiscal year, as well as a dramatic expansion in shipments due to an increase in distributors in that country, although shipments of Nominee, a herbicide for direct seeded rice, fell, affected by generic products.

As a result of the factors above, in addition to the impact from the expansion in operations due to the Merger, net sales in the Agricultural Chemicals and Agriculture-Related Businesses segment came to ¥54,131 million, up ¥6,252 million (13.1%) compared with the same period of the previous fiscal year. Operating income jumped ¥763 million (20.9%) year on year to ¥4,415 million.

2) Fine Chemicals Business segment

Most of the operations in the Fine Chemicals Business segment have been acquired from the former Ihara Chemical Industry Co., Ltd. and its consolidated subsidiaries.

The Fine Chemicals Business mainly engages in the development and sales of the following products: chlorotoluene- and chloroxylene-based chemical products; fine chemicals, including various bismaleimides used in electronic materials and high-heat-resistant resins; polyurethane curing agents, which are raw materials for waterproof materials; fungicides and anti-mold agents; industrial chemicals, including cleaning agents; and expanded polystyrene products.

Compared with the same period of the previous fiscal year, net sales in the Fine Chemicals Business segment increased ¥8,722 million (154.4%) to ¥14,370 million, while operating income jumped ¥790 million (241.4%) to ¥1,117 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 maintained sales and income on par with the same period of the previous fiscal year, mainly due to ongoing efforts to effectively utilize owned properties. In the electricity sales business, including mega solar, both sales and income fell year on year, affected by partial suspensions of power generation between November 2017 and February 2018 due to breakdowns in generation facilities caused by typhoons.

Despite the inclusion of net sales related to the construction business, since new construction business was added through the Merger, there was only a slight increase in operating income, with few completed construction projects in the third quarter period under review.

As a result of the factors above, net sales in the Other Businesses segment amounted to ¥6,082 million, up ¥1,697 million (38.7%) compared with the same period of the previous fiscal year. On the other hand, operating income decreased by ¥3 million (0.8%) year on year to ¥444 million.

Since the previous fiscal year, the Company has reviewed its classification of business segments and transferred the operations of the former Leasing Segment to the Other Businesses segment.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of July 31, 2018 stood at ¥135,716 million, down by ¥3,451 million from the end of the previous fiscal year. This was mainly because the decreases in merchandise and finished products and the market value of investment securities exceeded the increases in cash and deposits and notes and accounts receivable-trade.

Liabilities decreased ¥2,636 million compared with previous fiscal year-end to ¥37,167 million. This was mainly because the decreases in notes and accounts payable-trade, accounts payable-other and deferred tax liabilities exceeded the increase in short-term loans payable.

Net assets totaled ¥98,549 million as of July 31, 2018, resulting in an equity ratio of 67.2% and net assets per share of ¥727.49.

(3) Explanation of Forecast Data, including Consolidated Results Forecasts

No changes have been made to the forecasts for the interim and full-year results for the fiscal year ending October 31, 2018 published at the December 15, 2017 announcement of the financial results for the fiscal year ended October 31, 2017.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

| | Millions of yen | |
|---|------------------------|---------------------|
| | As of October 31, 2017 | As of July 31, 2018 |
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 14,283 | 17,358 |
| Notes and accounts receivable-trade | 21,006 | 23,819 |
| Marketable securities | 20 | 30 |
| Merchandise and finished products | 19,644 | 16,699 |
| Work in process | 9,220 | 9,705 |
| Raw materials and supplies | 4,404 | 4,215 |
| Deferred tax assets | 1,429 | 1,443 |
| Other current assets | 1,801 | 1,345 |
| Allowance for doubtful accounts | (73) | (68) |
| Total current assets | 71,733 | 74,546 |
| Fixed assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures, net | 9,273 | 9,250 |
| Machinery, equipment and vehicles, net | 5,422 | 5,507 |
| Land | 11,495 | 11,784 |
| Construction in progress | 118 | 437 |
| Other property, plant and equipment, net | 999 | 966 |
| Total property and equipment | 27,306 | 27,943 |
| Intangible fixed assets | 386 | 453 |
| Investments and other assets: | | |
| Investments securities | 35,484 | 27,650 |
| Long-term loans | 2,082 | 2,945 |
| Deferred tax assets | 569 | 529 |
| Net defined benefit asset | 147 | 138 |
| Other | 1,607 | 1,664 |
| Allowance for doubtful accounts | (145) | (153) |
| Total investments and other assets | 39,743 | 32,774 |
| Total fixed assets | 67,435 | 61,170 |
| Total assets | 139,168 | 135,716 |

| | Millions of yen | |
|--|------------------------|---------------------|
| | As of October 31, 2017 | As of July 31, 2018 |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes and accounts payable-trade | 12,772 | 9,237 |
| Short-term loan payable | 3,627 | 9,939 |
| Accounts payable-other | 3,528 | 2,185 |
| Income taxes payable | 772 | 425 |
| Provision for bonuses | 1,311 | 746 |
| Other current liabilities | 2,373 | 1,821 |
| Total current liabilities | 24,384 | 24,353 |
| Long-term liabilities: | | |
| Long-term loan payable | 2,828 | 1,974 |
| Deferred tax liabilities | 7,456 | 5,593 |
| Provision for directors' retirement benefits | 575 | 552 |
| Net defined benefit liability | 4,159 | 4,301 |
| Asset retirement obligations | 38 | 38 |
| Other long-term liabilities | 362 | 356 |
| Total long-term liabilities | 15,419 | 12,814 |
| Total liabilities | 39,803 | 37,167 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Capital stock | 4,534 | 4,534 |
| Capital surplus | 35,907 | 35,735 |
| Retained earnings | 51,502 | 55,417 |
| Less treasury stocks, at cost | (2,653) | (4,112) |
| Total shareholders' equity | 89,290 | 91,575 |
| Accumulated other comprehensive income: | | |
| Valuation differences on available-for-sale securities | 4,808 | 771 |
| Foreign currency translation adjustments | (1,094) | (1,104) |
| Remeasurements of defined benefit plans | (145) | (113) |
| Total accumulated other comprehensive income | 3,569 | (446) |
| Non-controlling interests | 6,506 | 7,421 |
| Total net assets | 99,365 | 98,549 |
| Total liabilities and net assets | 139,168 | 135,716 |

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

Consolidated Statements of Income

| | Millions of yen | |
|---|------------------------------------|------------------------------------|
| | Nine months ended July 31, 2017 | Nine months ended July 31, 2018 |
| Net sales | 57,912 | 74,583 |
| Cost of sales | 44,266 | 56,284 |
| Gross profits | 13,646 | 18,299 |
| Selling, general and administrative expenses | 10,082 | 13,253 |
| Operating income | 3,565 | 5,046 |
| Non-operating income: | | |
| Interest income | 47 | 68 |
| Dividend income | 349 | 290 |
| Equity in earnings of affiliates | 2,455 | 1,223 |
| Foreign exchange gains | 53 | — |
| Reversal of allowance for doubtful accounts | 2 | 13 |
| Other | 83 | 190 |
| Total non-operating income | 2,989 | 1,784 |
| Non-operating expenses: | | |
| Interest expenses | 72 | 38 |
| Sales discounts | 35 | 36 |
| Foreign exchange losses | — | 125 |
| Other | 44 | 20 |
| Total non-operating expenses | 151 | 219 |
| Ordinary income | 6,402 | 6,612 |
| Extraordinary income: | | |
| Gain on sales of fixed assets | 4 | 13 |
| Gain on sales of investment securities | — | 11 |
| Insurance income | — | 64 |
| Gain on change in equity | 11 | — |
| Gain on negative goodwill | 2,813 | — |
| Gain on extinguishment of tie-in shares | — | 45 |
| Total extraordinary income | 2,828 | 133 |
| Extraordinary loss: | | |
| Loss on disposal of fixed assets | 146 | 156 |
| Loss on sales of investment securities | 86 | 12 |
| Loss on sales of golf club membership | — | 1 |
| Loss on valuation of golf club membership | 4 | 5 |
| Compensation expenses | 77 | — |
| Loss associated with gradual acquisitions | 841 | — |
| Loss on disaster | — | 44 |
| Total extraordinary loss | 1,154 | 218 |
| Income before income taxes and non-controlling interests | 8,076 | 6,528 |
| Income taxes | 1,067 | 969 |
| Net income | 7,009 | 5,559 |
| Net income attributable to non-controlling interests | 257 | 257 |
| Net income attributable to owners of parent | 6,752 | 5,302 |

Consolidated Statements of Comprehensive Income

| | Millions of yen | |
|--|------------------------------------|------------------------------------|
| | Nine months ended July 31, 2017 | Nine months ended July 31, 2018 |
| Net income | 7,009 | 5,559 |
| Other comprehensive income: | | |
| Valuation difference on available-for-sale securities | 806 | (4,050) |
| Foreign currency translation adjustment | 138 | (95) |
| Remeasurements of defined benefit plans | 34 | 32 |
| Share of other comprehensive income of associates accounted for using equity method | (235) | 85 |
| Total other comprehensive income (loss) | 743 | (4,029) |
| Comprehensive income | 7,753 | 1,530 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 7,458 | 1,287 |
| Comprehensive income attributable to non-controlling interests | 294 | 243 |

(Segment Information)

For the third quarter ended July 31, 2017 (From November 1, 2016 to July 31, 2017)

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

| | 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 | 47,879 | 5,648 | 53,527 | 4,385 | 57,912 | — | 57,912 |
| Inter-segment | — | — | — | 1,466 | 1,466 | (1,466) | — |
| Total | 47,879 | 5,648 | 53,527 | 5,851 | 59,378 | (1,466) | 57,912 |
| Segment income/(loss) | 3,652 | 327 | 3,979 | 447 | 4,427 | (862) | 3,565 |

(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 ¥862 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.
4. The assets of the Agricultural Chemicals and Agriculture-Related Businesses, Fine Chemicals Business, and Other Businesses segments increased in comparison with the period of the previous fiscal year as a result of the merger with the former Ihara Chemical Industry Co., Ltd.

2. Matters Concerning the Reclassification of Reportable Segments

In conjunction with the merger with the former Ihara Chemical Industry Co., Ltd., effective from May 1, 2017, Kumiai Chemical Industry reviewed its classification of business segments. Consequently, the former Chemicals segment together with agriculture chemical-related businesses newly acquired through the merger were reclassified as the Agricultural Chemicals and Agriculture-Related Businesses segment. Furthermore, the Company's fine chemicals business, which was previously included in the former Chemicals segment, expanded in scale following the merger, and due to its increased importance, was classified as an independent segment, the Fine Chemicals Business segment. Both of these new segments are reportable segments. In addition, the former Leasing segment had become comparatively less important in scale, and therefore was included in the Other Businesses segment.

3. Information Concerning Impairment Loss on Fixed Assets and Goodwill, etc. for Each Reportable Segment

(Material Gain on Negative Goodwill)

The Company implemented an absorption-type merger with the former Ihara Chemical Industry Co., Ltd. effective May 1, 2017 with the Company as the surviving company and the former Ihara Chemical Industry Co., Ltd. as the absorbed company. Although this resulted in a gain on negative goodwill of ¥2,813 million, the gain has not been allocated to any segment.

For the third quarter ended July 31, 2018 (From November 1, 2017 to July 31, 2018)

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

| | 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 | 54,131 | 14,370 | 68,501 | 6,082 | 74,583 | — | 74,583 |
| Inter-segment | 0 | — | 0 | 2,033 | 2,034 | (2,034) | — |
| Total | 54,131 | 14,370 | 68,501 | 8,115 | 76,616 | (2,034) | 74,583 |
| Segment income/(loss) | 4,415 | 1,117 | 5,533 | 444 | 5,977 | (930) | 5,046 |

(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 ¥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.

(Matters Related to Business Combinations)

(Transaction under Common Control)

The meeting of Company's Board of Directors held on June 8, 2017 resolved to implement an absorption-type merger with K-I CHEMICAL RESEARCH INSTITUTE CO., LTD., a wholly owned subsidiary of the Company, and the Company implemented the merger on November 1, 2017.

1. Overview of Business Combination

(1) Name and Business Content of the Merging Companies

Name: K-I CHEMICAL RESEARCH INSTITUTE CO., LTD. (Non-consolidated subsidiary)

Business content: Investigation into structure of new compounds with biological activity and research into their synthesis

(2) Date of the business combination

November 1, 2017

(3) Legal form of business combination

An absorption-type merger, with Kumiai Chemical Industry as the surviving company and K-I Chemical Research Institute as the absorbed company

(4) Name of company after the business combination

KUMIAI CHEMICAL INDUSTRY CO., LTD.

(5) Other Matters Concerning Overview of the Transaction

The business combination is implemented with the objectives of streamlining organizational management and strengthening capabilities for the discovery and research of new agricultural chemicals in the Agricultural Chemicals Business, which is the core of the Company's business, through the further integration of processes spanning from the discovery of agricultural chemicals through to research and development, the manufacture and procurement of raw materials, product formulation, and marketing.

2. Overview of Accounting Treatment

The business combination was treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).