

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Consolidated Financial Results for the Third Quarter Ended July 31, 2017 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 Affairs Department (Telephone: 81-3-3822- 5036)
 Scheduled Filing of Quarterly Securities Report: September 13, 2017
 Scheduled Commencement of Dividend Payment: —
 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 nine months ended July 31, 2017)

(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, 2017	¥57,912	15.7%	¥3,565	50.2%	¥6,402	66.1%	¥6,752	145.6%
Nine months ended July 31, 2016	50,072	0.6	2,373	(37.5)	3,855	(24.1)	2,749	(24.2)

Notes: 1. Comprehensive income: Nine months ended July 31, 2017: ¥7,753 million [— %] Nine months ended July 31, 2016: ¥90 million [(98.2)%]
 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, 2017	¥70.88	¥ —
Nine months ended July 31, 2016	34.59	—

Note: The Company merged with the former Ihara Chemical Industry Co., Ltd. on May 1, 2017. Since the financial results for the cumulative third quarter period of the previous fiscal year are the results before the merger, the changes from the previous to the current fiscal year may be quite substantial in some cases.

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of July 31, 2017	¥135,807	¥96,813	66.8%
As of October 31, 2016	83,608	57,264	64.4

(Reference) Shareholders' equity: As of July 31, 2017: ¥90,757 million As of October 31, 2016: ¥53,845 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, 2016	¥ —	¥ —	¥ —	¥8.00	¥8.00
Year ending October 31, 2017	—	0.00	—	—	—
Year ending October 31, 2017 (Forecast)	—	—	—	¥8.00	¥8.00

Note: Most recently announced revisions to dividend forecast: Yes

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2017)

(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, 2017	¥83,500	33.5%	¥3,300	45.6%	¥5,800	29.5%	¥5,900	72.4%	¥57.26

Notes: 1. Most recently announced revisions to consolidated earnings forecast: Yes

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): Yes

Newly added Four companies: Rikengreen Co., Ltd., Ihara Nikkei Chemical Industry Co., Ltd.,
 K-I Chemical Industry Co., Ltd., Ihara Construction Industry Co., Ltd.

(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, 2017	As of October 31, 2016
a) Number of shares issued (including treasury stock)	133,184,612 shares	86,977,709 shares
b) Number of treasury stock	6,618,777 shares	7,505,990 shares
	Nine months ended July 31, 2017	Nine months ended July 31 2016
c) Average number of shares issued in the period	95,259,277 shares	79,472,060 shares

Note: 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.

**The Quarterly Financial Results Report is not subject to quarterly review procedures.*

**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

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 of the Merger, the amounts of consolidated financial results for the cumulative third quarter period of the fiscal year under review include both the consolidated financial results for the interim period (November 1, 2016 to April 30, 2017) prior to the merger and the consolidated financial results for the third quarter (May 1 to July 31, 2017) following the Merger. Consequently, for every accounting item, the consolidated financial results for the cumulative third quarter period of the current fiscal year have changed substantially in comparison with the financial results for same period of the previous fiscal year as well as with the consolidated financial results for the previous fiscal year overall.

(1) Qualitative Information Regarding Consolidated Operating Results

During the cumulative third quarter period under review (November 1, 2016, to July 31, 2017), the economy of Japan continued to recover moderately as corporate earnings continued to perform solidly while the mining and manufacturing industries boosted output on the back of growing exports and capital expenditures. The outlook for the global economy remained uncertain amid numerous risks associated with the international situation, including an unstable government administration in the U.S. and ongoing negotiations involving the UK’s exit from the European Union.

Against that backdrop, Kumiai Chemical Industry Co., Ltd. made a new start following its merger with the former Ihara Chemical Industry Co., Ltd., effective on May 1, 2017.

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

In its core business, the Agricultural Chemicals and Agriculture-Related Businesses segment, the Company is concentrating its operational resources and integrating processes spanning from the discovery of agricultural chemicals through to research and development, raw material procurement, product formulation, and marketing, while minimizing business risks by ensuring prompt and accurate decision-making. Kumiai Chemical Industry is aiming to grow sustainably as a unique R&D-driven company by making effective use of operational resources following the merger as a means of raising business efficiency and strengthening its operational platform. Furthermore, through its supply of outstanding products and services, the Company will work to contribute to agricultural development together with its customers so that it can help make communities more prosperous.

At the same time, Kumiai Chemical Industry will strive to ensure the continuous growth of its other core business, the Fine Chemicals Business segment, by applying its organic chemical technologies to expand its business domains, thereby maximizing the value it offers to customers.

Capitalizing on the momentum of the merger, Kumiai Chemical Industry will aim to generate synergies as soon as possible and increase corporate value.

In the period under review, net sales increased by ¥7,840 million (15.7%) to ¥57,912 million compared with the same period of the previous fiscal year, mainly owing to the expansion of operations resulting from the Merger. Operating income amounted to ¥3,565 million, up ¥1,191 million (50.2%) year on year. Ordinary income came to ¥6,402 million, an increase of ¥2,547 million (66.1%) mainly as a result of posting ¥2,455 million in equity in earnings of affiliates under non-operating income. Meanwhile, net income attributable to owners of the parent amounted to ¥6,752 million, increasing ¥4,003 million (145.6%) compared with the same period of the previous fiscal year. The main factor underlying the increase was goodwill amounting to ¥2,813 million, recorded under extraordinary income, which more than offset a loss of ¥841 million associated with the gradual acquisition of Ihara Chemical shares, recorded under extraordinary loss.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Nine months ended July 31, 2017		Nine months ended July 31, 2016		YoY	
	Net sales	Composition ratio	Net sales	Composition ratio	Amount	Rate of change
Agricultural Chemicals and Agriculture-Related Businesses	¥47,879	82.7%	¥44,662	89.2%	¥3,218	7.2%
Fine Chemicals Business	5,648	9.8	1,999	4.0	3,649	182.6
Other Businesses	4,385	7.6	3,412	6.8	973	28.5
Total	57,912	100.0	50,072	100.0	7,840	15.7

Consolidated financial results by segment for the cumulative third quarter period of the previous fiscal year have been recalculated in accordance with the newly classified business segments.

1) Agricultural Chemicals and Agriculture-Related Businesses segment

Among farmland products for the Japanese market, Fenoxasulfone herbicide for rice paddy fields as well as compound agents made with Fenoxasulfone and Pyrimisulfan both posted higher sales than the same period of the prior fiscal year. On the whole, however, sales of herbicide for rice paddy fields were down year on year due to sluggish sales of Topgun and other mainstay products.

Sales of insecticide for rice pest management were in line with the same period of the previous fiscal year, as strong sales of Cyazapyr and other compound agents were offset by declining sales of other agents.

Sales of horticulture products increased year on year owing to higher sales of mainstay products, including the fungicide Fantasista, and the pesticide Supracide.

Meanwhile, sales to golf courses and other non-agricultural facilities increased year on year due to solid sales of lawn herbicides as well as increased sales and consigned production revenue of active ingredients developed in house.

Sales to markets outside Japan decreased overall year on year, as low grain prices and inventory adjustments held back sales of Axeev, a herbicide for dry field farming, and competition from generic products in India drove down sales of Nominee, a herbicide for direct seeded rice.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Businesses segment came to ¥47,879 million, up ¥3,218 million (7.2%) compared with the same period of the previous fiscal year. Operating income jumped ¥1,245 million (51.7%) year on year to ¥3,652 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. This business mainly develops and sells 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; and industrial chemicals, including cleaning agents.

Compared with the same period of the previous fiscal year, net sales in the Fine Chemicals Business segment increased ¥3,649 million (182.6%) to ¥5,648 million, while operating income jumped ¥280 million (585.5%) to ¥327 million.

3) Other Businesses segment

The Other Businesses segment includes the leasing business, electricity sales business from mega solar power, construction business, printing business, logistics business, and information services business.

The leasing business maintained sales and income on par with the previous fiscal year, mainly due to ongoing efforts to effectively utilize owned properties. Both sales and income increased year on year in the electricity service business, as mega solar plants benefited from comparatively good weather. Sales and income also increased in the printing business as a result of growth in sales to established customers and measures for cutting costs. In the logistics business, sales increased as growth in the number of new customers led to higher shipping revenues, but income decreased year on year due to higher freight rates charged by chartered shipment companies.

As a result of the factors above, net sales in the Other Businesses segment amounted to ¥4,385 million, up ¥973 million (28.5%) compared with the same period of the previous fiscal year. On the other hand, operating income decreased by ¥8 million (1.8%) year on year to ¥447 million.

Following the Merger, the Company reviewed its classification of business segments and transferred the operations of the former Leasing Segment to the Other Businesses segment.

(2) Qualitative Information Regarding Consolidated Financial Position

Changes in Financial Position

Total assets on a consolidation basis as of July 31, 2017 stood at ¥135,807 million, up by ¥52,199 million from the end of the previous fiscal year. The increase was primarily due to the merger with the former Ihara Chemical Industry Co., Ltd.

For the same reason, liabilities increased ¥12,651 million compared with previous fiscal year-end to ¥38,994 million.

Net assets totaled ¥96,813 million as of July 31, 2017, resulting in an equity ratio of 66.8% and net assets per share of ¥717.08.

(3) Qualitative Information Regarding Consolidated Earnings Forecast

Today, September 13, 2017, Kumiai Chemical Industry announced its earnings forecast for the current fiscal year (November 1, 2016 to October 31, 2017) in a press release, "Forecast of Consolidated Business Performance and Dividends for FY Ending October 2017" (Japanese only). The earnings forecast takes into account the impact on financial results of the merger with the former Ihara Chemical Industry Co., Ltd., effective from May 1, 2017.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of October 31, 2016	As of July 31, 2017
ASSETS		
Current assets:		
Cash and deposits	5,789	12,127
Notes and accounts receivable-trade	10,666	25,910
Marketable securities	—	220
Merchandise and finished products	8,967	17,359
Work in process	3,195	7,982
Raw materials and supplies	1,442	5,346
Deferred tax assets	681	1,262
Other current assets	3,323	649
Allowance for doubtful accounts	(3)	(88)
Total current assets	34,060	70,768
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	4,046	9,113
Machinery, equipment and vehicles, net	1,915	5,578
Land	6,418	11,494
Construction in progress	8	101
Other property, plant and equipment, net	491	974
Total property and equipment	12,878	27,260
Intangible fixed assets	301	391
Investments and other assets:		
Investments securities	35,413	34,004
Long-term loans	2	1,235
Deferred tax assets	304	678
Net defined benefit asset	1	130
Other	650	1,489
Allowance for doubtful accounts	—	(147)
Total investments and other assets	36,369	37,389
Total fixed assets	49,548	65,039
Total assets	83,608	135,807

	Millions of yen	
	As of October 31, 2016	As of July 31, 2017
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	9,026	9,672
Short-term loan payable	5,570	8,428
Accounts payable-other	1,614	1,738
Income taxes payable	98	626
Provision for bonuses	655	652
Provision for loss on contract research	70	70
Other current liabilities	488	1,698
Total current liabilities	17,521	22,884
Long-term liabilities:		
Long-term loan payable	4,250	3,527
Deferred tax liabilities	1,487	7,223
Provision for directors' retirement benefits	330	556
Net defined benefit liability	2,463	4,429
Asset retirement obligations	37	38
Other long-term liabilities	255	337
Total long-term liabilities	8,822	16,110
Total liabilities	26,344	38,994
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	5,029	35,931
Retained earnings	44,805	50,948
Less treasury stocks, at cost	(1,566)	(2,405)
Total shareholders' equity	52,802	89,009
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	3,407	4,413
Foreign currency translation adjustments	(2,034)	(2,411)
Remeasurements of defined benefit plans	(331)	(253)
Total accumulated other comprehensive income	1,042	1,749
Non-controlling interests	3,419	6,055
Total net assets	57,264	96,813
Total liabilities and net assets	83,608	135,807

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

Consolidated Statements of Income

	Millions of yen	
	Nine months ended July 31, 2016	Nine months ended July 31, 2017
Net sales	50,072	57,912
Cost of sales	40,062	44,266
Gross profits	10,011	13,646
Selling, general and administrative expenses	7,637	10,082
Operating income	2,373	3,565
Non-operating income:		
Interest income	50	47
Dividend income	190	349
Equity in earnings of affiliates	1,387	2,455
Foreign exchange gains	—	53
Other	118	86
Total non-operating income	1,745	2,989
Non-operating expenses:		
Interest expenses	39	72
Sales discounts	36	35
Foreign exchange losses	128	—
Other	61	44
Total non-operating expenses	264	151
Ordinary income	3,855	6,402
Extraordinary income:		
Gain on sales of fixed assets	—	4
Gain on sales of investment securities	1	—
Gain on change in equity	—	11
Gain on negative goodwill	—	2,813
Total extraordinary income	1	2,828
Extraordinary loss:		
Loss on disposal of fixed assets	20	146
Loss on sales of investment securities	—	86
Compensation expenses	—	77
Loss associated with gradual acquisitions	—	841
Loss on valuation of golf club membership	—	4
Total extraordinary loss	20	1,154
Income before income taxes and non-controlling interests	3,835	8,076
Income taxes	934	1,067
Net income	2,902	7,009
Net income attributable to non-controlling interests	152	257
Net income attributable to owners of parent	2,749	6,752

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended July 31, 2016	Nine months ended July 31, 2017
Net income	2,902	7,009
Other comprehensive income:		
Valuation difference on available-for-sale securities	(566)	806
Foreign currency translation adjustment	(184)	138
Remeasurements of defined benefit plans	36	34
Share of other comprehensive income of associates accounted for using equity method	(2,107)	(235)
Total other comprehensive income (loss)	(2,811)	743
Comprehensive income	90	7,753
(Breakdown)		
Comprehensive income attributable to owners of the parent	1	7,458
Comprehensive income attributable to non-controlling interests	89	294

(Segment Information)

For the third quarter ended July 31, 2016 (From November 1, 2015 to July 31, 2016)

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	44,662	1,999	46,660	3,412	50,072	—	50,072
Inter-segment	—	—	—	1,189	1,189	(1,189)	—
Total	44,662	1,999	46,660	4,601	51,261	(1,189)	50,072
Segment income/(loss)	2,407	48	2,455	456	2,910	(537)	2,373

(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, printing business, logistics business, and information services business, as well as a business involved in measuring chemicals and other substances in the environment.
2. The segment income adjustment of ¥537 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 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

Following 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.

Consolidated financial results by segment for the cumulative third quarter period of the previous fiscal year have been recalculated in accordance with the reclassified business segments.

3. Impairment Loss on Fixed Assets and Goodwill by Reportable Segment

(Substantial amount of negative goodwill recorded)

Effective from May 1, 2017, Kumiai Chemical Industry Co., Ltd. and the former Ihara Chemical Industry Co., Ltd. conducted a merger through absorption, with Kumiai Chemical Industry remaining as the surviving company and Ihara Chemical Industry dissolved as the absorbed company. As a result, Kumiai Chemical Industry recorded negative goodwill amounting to ¥2,813 million; however, this gain was not allotted to any of its business segments.

(Matters Related to Business Combinations)

(Business Combination through Acquisition)

The respective meetings of the Boards of Directors of Kumiai Chemical Industry Co., Ltd. and Ihara Chemical Co., Ltd. held on December 16, 2016 resolved on a merger between the two companies with Kumiai Chemical Industry as the surviving company and Ihara Chemical as the absorbed company (the "Merger") subject to the approval by the general meetings of shareholders of both companies and concluded a merger agreement between the companies.

The merger agreement was approved at the regular General Meeting of Shareholders of Kumiai Chemical Industry held on January 27, 2017 and that of Ihara Chemical Industry held on January 24, 2017, and the merger was implemented on May 1, 2017.

As a result of the merger, the Company's scope of consolidation has changed.

1. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

Name: IHARA CHEMICAL INDUSTRY CO., LTD.

Business description: Manufacture and sale of agricultural chemical active ingredients and fine chemicals

(2) Main reasons for the business combination

Kumiai Chemical Industry and Ihara Chemical Industry have conducted business in a cooperative and complimentary way. While new agricultural chemicals were created and developed jointly, Ihara Chemical Industry manufactured the active ingredients and Kumiai Chemical Industry handled commercialization and sales, in what was a separation of manufacturing and sales.

The agricultural chemical business, which is the core business of both companies, is currently undergoing major changes in its business environment in Japan. Meanwhile, worldwide, against a backdrop of population increases and economic growth in developing countries, the importance of agricultural production has been on the rise. Given the perpetually changing business environment surrounding the agriculture and agricultural chemical business both in Japan and worldwide, we have concluded that by deploying the following growth strategy, the integration of our companies will provide the best opportunity to win out over the competition and maximize corporate value.

- 1) Unify processes, ranging from the creation of agricultural chemicals to active ingredient procurement, formulation and sales, which thus far have been handled separately, so as to consolidate and maximally leverage management resources and thereby enhance competitiveness.
- 2) In the core agricultural chemical business, utilize the strong relationships of trust with customers, technologies, and know-how that we have cultivated thus far to raise our capacity to develop innovative agricultural chemicals, and to enhance and promote business in Japan as well as in countries and regions worldwide, and in Asia in particular, thereby achieving continued growth.
- 3) In the fine chemicals business, utilize the technologies, global procurement capabilities and strong relationships of trust with customers that we have cultivated thus far in order to maximize business value.
- 4) Through information centralization, make decisions quickly and precisely so as to minimize business risks; build a stable business foundation and expand our corporate scale through the appropriate allocation and effective use of integrated management resources.
- 5) Increase profitability using various cost-reduction measures.

(3) Date of the business combination

May 1, 2017

(4) Legal form of business combination

An absorption-type merger, with Kumiai Chemical Industry as the surviving company and Ihara Chemical Industry as the absorbed company

(5) Name of company after the business combination

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Going forward, we will consider and decide on a new trade name that is suitable for the image of the new company.

(6) Percentage of voting rights acquired

The percentage of voting rights owned before the business combination was 30.4%.

The percentage of voting rights additionally acquired as of the date of the business combination was 69.6%.

Percentage of voting rights acquired following the acquisition: 100%

(7) Main grounds leading determination of acquired company

Kumiai Chemical Industry acquired the shares of Ihara Chemical Industry with delivery of shares and treasury stock as consideration.

2. Period in which the Financial Results of the Acquired Company Were Included in the Quarterly Statements of Consolidated Income Corresponding to the Accumulated Consolidation Quarter Period

From May 1 to July 31, 2017

3. Acquisition Cost of the Acquired Company and Breakdown by Type of Consideration

Market value as of the date of the business combination of shares

of Ihara Chemical Industry owned immediately before the business combination ¥10,256 million

Market value of the Kumiai Chemical Industry's common stock delivered as of the date of the business combination ¥32,734 million

Cost of acquisition ¥42,990 million

4. Exchange Ratio by Type of Stock, Its Calculation Method, and the Number of Shares Delivered

(1) Merger ratio and number of shares delivered in the Merger

	KUMIAI CHEMICAL INDUSTRY CO., LTD. (Surviving company)	IHARA CHEMICAL INDUSTRY CO., LTD. (Absorbed company)
Merger ratio	Common stock: 1	Common stock: 1.57
Number of shares delivered in the Merger	Common stock: 52,206,903 shares (6,000,000 of which are shares of treasury stock owned by Kumiai Chemical Industry)	

(2) Method of calculation of merger ratio

In order to ensure the fairness of the merger ratio, each company individually contracted an independent third-party appraiser to calculate the merger ratio. Kumiai Chemical Industry selected Nomura Securities Co., Ltd. and Ihara Chemical Industry selected Daiwa Securities Co., Ltd. as third-party appraisers.

Kumiai Chemical Industry and Ihara Chemical Industry each closely considered the merger ratio analysis results and the advice provided by the respective third-party appraisers, mentioned above, on December 15, 2016 and took into consideration each other's financial condition, business performance, stock price history, and other relevant matters. On that basis, the two companies commenced earnest discussions and negotiations. As a result, both companies accepted the above-mentioned merger ratio as appropriate, and agreed to go ahead with the merger after judging that it would benefit the shareholders of each respective company.

5. Amount and Details of Main Acquisition-Related Expenses

Advisor remuneration and other fees: ¥270 million

6. Difference Between the Acquisition Cost of the Acquired Company and the Total Amount of Acquisition Costs Covering All Transactions Leading Up to the Acquisition

Loss associated with gradual acquisitions: ¥841 million

7. Amount of and Reason for Negative Goodwill

(1) Amount: ¥2,813 million

(2) Reason: The market value of net assets at the time of the business combination exceeded the cost of the acquisition.