

CONSOLIDATED FINANCIAL STATEMENTS

(FY2016: November 1, 2015-October 31, 2016)

KUMIAI CHEMICAL INDUSTRY CO., LTD.

4-26, Ikenohata 1-Chome
Taitoh-Ku, Tokyo 110-8782

J A P A N

| | |
|-------------------------|------------------------------|
| Telephone: | 03-3822-5036 |
| Main Business: | Agricultural chemicals |
| Foundation: | 06/1949 |
| Paid-in Capital (000): | ¥4,534,270 |
| Number of Employees: | 684 |
| Number of Shareholders: | 7,344 |
| Representative: | Yoshitomo, Koike (President) |

| | <u>FY2016</u> (November 1, 2015-October 31, 2016) | <u>FY2015</u> (November 1, 2014-October 31, 2015) |
|--|---|---|
| Net sales (millions of Yen): | 62,549 | 61,124 |
| Net income (millions of Yen): | 3,423 | 6,563 |
| Cash dividends per share applicable to the year (in yen): | 8.0 | 8.0 |
| Shareholders' equity to total assets (%): | 64.4 | 62.8 |

CONSOLIDATED BALANCE SHEETS (1)

| Fiscal Year Ending: | Millions of Yen | |
|--------------------------------------|-----------------|---------------|
| | FY2016 | FY2015 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and deposits | 5,789 | 9,742 |
| Notes and accounts receivable-trade | 10,666 | 10,014 |
| Securities | | 645 |
| Merchandise and finished products | 8,967 | 8,630 |
| Work in process | 3,195 | 2,663 |
| Raw materials and supplies | 1,442 | 1,574 |
| Deferred tax assets | 681 | 793 |
| Other current assets | 3,323 | 862 |
| Allowance for doubtful accounts | (3) | (3) |
| Total current assets | 34,060 | 34,918 |
| FIXED ASSETS | | |
| Tangible fixed assets | | |
| Land | 6,418 | 6,413 |
| Buildings and structures | 4,046 | 3,789 |
| Machinery and equipment | 1,915 | 1,939 |
| Construction in progress | 8 | 188 |
| Other property, plants and equipment | 491 | 511 |
| Total tangible fixed assets | 12,878 | 12,839 |
| Intangible fixed assets | 301 | 272 |
| Investments and other assets | | |
| Investments in securities | 35,413 | 36,151 |
| Deferred tax assets | 304 | 302 |
| Net defined benefit asset | 1 | 11 |
| Other | 651 | 595 |
| Total investments and other assets | 36,369 | 37,060 |
| Total fixed assets | 49,548 | 50,171 |
| TOTAL ASSETS | 83,608 | 85,089 |

CONSOLIDATED BALANCE SHEETS (2)

| Fiscal Year Ending: | Millions of Yen | |
|--|-----------------|---------------|
| | FY2016 | FY2015 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Notes and accounts payable-trade | 9,026 | 10,296 |
| Short-term loan payable | 5,570 | 3,580 |
| Accounts payable-other | 1,614 | 1,787 |
| Income taxes payable | 98 | 846 |
| Provision for bonuses | 655 | 639 |
| Provision for loss on contract research | 70 | - |
| Other | 488 | 564 |
| Total current liabilities | 17,521 | 17,712 |
| LONG-TERM LIABILITIES | | |
| Long-term loan payable | 4,250 | 5,650 |
| Deferred tax liabilities | 1,487 | 1,686 |
| Provision for directors' retirement benefits | 330 | 391 |
| Net defined benefit liability | 2,463 | 2,554 |
| Asset retirement obligations | 37 | 36 |
| Other | 255 | 273 |
| Total long-term liabilities | 8,822 | 10,590 |
| TOTAL LIABILITIES | 26,344 | 28,302 |
| NET ASSETS | | |
| SHAREHOLDERS' EQUITY | | |
| Capital stock | 4,534 | 4,534 |
| Capital surplus | 5,029 | 5,033 |
| Retained earnings | 44,805 | 42,024 |
| Less treasury stocks, at cost | (1,566) | (1,565) |
| Total shareholder's equity | 52,802 | 50,026 |
| VALUATION AND TRANSLATION ADJUSTMENTS | | |
| Valuation differences on available-for-sale securities | 3,407 | 3,770 |
| Foreign currency translation adjustments | (2,034) | (89) |
| Remeasurements of defined benefit plans | (331) | (307) |
| Total valuation and translation adjustments | 1,042 | 3,374 |
| MINORITY INTERESTS | 3,419 | 3,386 |
| TOTAL NET ASSETS | 57,264 | 56,787 |
| TOTAL LIABILITIES AND NET ASSETS | 83,608 | 85,089 |

**CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME**

(CONSOLIDATED STATEMENTS OF INCOME)

| <u>Fiscal Year Ending:</u> | Millions of Yen | |
|---|-----------------|---------------|
| | FY2016 | FY2015 |
| NET SALES | 62,549 | 61,124 |
| COST OF SALES | 50,180 | 47,881 |
| GROSS PROFIT | 12,369 | 13,243 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 10,102 | 9,521 |
| OPERATING INCOME | 2,267 | 3,723 |
| NON-OPERATING INCOME | | |
| Interest income | 66 | 69 |
| Dividends income | 194 | 324 |
| Equity in earnings affiliates | 2,222 | 3,783 |
| Foreign exchange gains | - | 112 |
| Other income | 151 | 172 |
| Total non-operating income | 2,634 | 4,459 |
| NON-OPERATING EXPENSES | | |
| Interest expenses | 49 | 17 |
| Sales discounts | 40 | 42 |
| Other expenses | 110 | 59 |
| Total non-operating expenses | 423 | 118 |
| ORDINARY INCOME | 4,478 | 8,064 |
| EXTRAORDINARY INCOME | | |
| Gain on disposal of fixed assets | - | 51 |
| Gain on sales of investment securities | 1 | 62 |
| Intellectual property rights gains | - | 883 |
| Total extraordinary income | 1 | 996 |
| EXTRAORDINARY LOSS | | |
| Loss on disposal of noncurrent assets | 37 | 78 |
| Loss on sales of investment securities | - | 13 |
| Loss on sales of membership | - | - |
| Loss on abandonment of inventories | - | 113 |
| Environmental expenses | - | 399 |
| Retirement benefit expenses | - | 222 |
| Provision for loss on contract research | 70 | - |
| Loss due to disaster | - | - |
| Total extraordinary loss | 107 | 826 |
| INCOME BEFORE INCOME TAXES | 4,372 | 8,234 |
| INCOME TAXES | | |
| Current | 665 | 1,486 |
| Deferred | 109 | (31) |
| Total income taxes | 775 | 1,455 |
| MINORITY INTERESTS IN INCOME | 174 | 216 |
| NET INCOME | 3,423 | 6,563 |

(CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

| <u>Fiscal Year Ending:</u> | Millions of Yen | |
|--|----------------------|----------------------|
| | <u>FY2016</u> | <u>FY2015</u> |
| INCOME BEFORE MINORITY INTERESTS | 3,597 | 6,779 |
| OTHER COMPREHENSIVE INCOME | | |
| Valuation difference on available-for-sale securities | (160) | 571 |
| Foreign currency translation adjustment | (100) | (33) |
| Remasurements of defined benefit plans | 19 | 10 |
| Share of other comprehensive income of associates accounted for using equity method | (2,148) | 257 |
| Total other comprehensive income | (2,390) | 804 |
| CONPREHENSIVE INCOME | 1,207 | 7,583 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 1,091 | 7,375 |
| Comprehensive income attributable to minority interests | 117 | 208 |