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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2019 (Based on Japanese GAAP)

November 13, 2019

Company name: ADEKA CORPORATION

Stock exchange listing: Tokyo

Code number: 4401

URL: <https://www.adeka.co.jp>

Representative: HIDETAKA SHIROZUME PRESIDENT AND CHIEF OPERATING OFFICER

Contact: HIKARU KAGESHIMA GENERAL MANAGER, LEGAL AFFAIRS & PUBLICITY DEPARTMENT

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Scheduled date of filing quarterly securities report: November 13, 2019

Scheduled date of commencing dividend payments: December 09, 2019

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 01, 2019 to September 30, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------------------------|-------------|------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended September 30, 2019 | 146,172 | 15.9 | 9,021 | (15.7) | 8,278 | (26.4) | 5,918 | (25.7) |
| September 30, 2018 | 126,127 | 10.0 | 10,706 | 4.9 | 11,244 | 6.7 | 7,961 | 9.6 |

(Note) Comprehensive income: Six months ended September 30, 2019: ¥ 3,397 million [(42.9) %]
Six months ended September 30, 2018: ¥ 5,946 million [(36.3) %]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| September 30, 2019 | 57.46 | - |
| September 30, 2018 | 77.34 | - |

(Note) At the end of the fiscal year ended March 31, 2019, the ADEKA Group finalized provisional accounting treatment related to the business combination. The consolidated financial statements for the first six months of the fiscal year ended March 31, 2019 reflect the finalized provisional accounting treatment.

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|--------------------|--------------|-------------|------------------------|
| As of | Million yen | Million yen | % |
| September 30, 2019 | 397,386 | 244,572 | 51.8 |
| March 31, 2019 | 414,549 | 244,500 | 49.4 |

(Reference) Equity: As of September 30, 2019: ¥ 205,698 million
As of March 31, 2019: ¥ 204,580 million

2. Dividends

| | Annual dividends | | | | |
|---|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2019 | - | 21.00 | - | 24.00 | 45.00 |
| Fiscal year ending March 31, 2020 | - | 24.00 | | | |
| Fiscal year ending March 31, 2020 (Forecast) | | | - | 24.00 | 48.00 |

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020(April 01, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|-----|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 320,000 | 6.9 | 22,500 | (15.5) | 22,500 | (15.4) | 14,800 | (13.2) | 143.71 |

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019
(changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

| | |
|---------------------|--------------------|
| September 30, 2019: | 103,714,442 shares |
| March 31, 2019: | 103,651,442 shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|---------------------|----------------|
| September 30, 2019: | 668,544 shares |
| March 31, 2019: | 667,521 shares |
 - 3) Average number of shares during the period:

| | |
|--------------------------------------|--------------------|
| Six months ended September 30, 2019: | 103,009,140 shares |
| Six months ended September 30, 2018: | 102,950,646 shares |

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31,2019 | As of September 30,2019 |
|--|---------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 58,585 | 58,826 |
| Notes and accounts receivable - trade | 93,416 | 75,383 |
| Securities | 3,006 | 1,506 |
| Merchandise and finished goods | 40,330 | 39,265 |
| Work in process | 6,395 | 5,910 |
| Raw materials and supplies | 23,379 | 21,176 |
| Other | 8,420 | 9,266 |
| Allowance for doubtful accounts | (447) | (431) |
| Total current assets | 233,087 | 210,903 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 32,341 | 32,759 |
| Machinery, equipment and vehicles, net | 36,240 | 38,178 |
| Land | 29,802 | 29,669 |
| Other, net | 10,288 | 12,930 |
| Total property, plant and equipment | 108,672 | 113,537 |
| Intangible assets | | |
| Technical assets | 9,450 | 8,953 |
| Customer related assets | 3,131 | 3,051 |
| Other | 5,013 | 4,851 |
| Total intangible assets | 17,596 | 16,856 |
| Investments and other assets | | |
| Investment securities | 37,293 | 36,255 |
| Other | 17,899 | 19,832 |
| Total investments and other assets | 55,193 | 56,088 |
| Total non-current assets | 181,462 | 186,482 |
| Total assets | 414,549 | 397,386 |

(Million yen)

| | As of March 31,2019 | As of September 30,2019 |
|---|---------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 56,296 | 40,519 |
| Short-term borrowings | 21,718 | 19,664 |
| Income taxes payable | 4,197 | 2,428 |
| Provision for bonuses | 3,079 | 3,250 |
| Other provisions | 745 | 444 |
| Other | 21,118 | 24,328 |
| Total current liabilities | 107,156 | 90,635 |
| Non-current liabilities | | |
| Bonds payable | 11,812 | 12,320 |
| Long-term borrowings | 19,617 | 17,001 |
| Retirement benefit liability | 18,853 | 19,074 |
| Other provisions | 225 | 237 |
| Other | 12,384 | 13,543 |
| Total non-current liabilities | 62,893 | 62,177 |
| Total liabilities | 170,049 | 152,813 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 22,944 | 22,994 |
| Capital surplus | 20,023 | 20,084 |
| Retained earnings | 148,630 | 152,063 |
| Treasury shares | (825) | (827) |
| Total shareholders' equity | 190,772 | 194,315 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,098 | 9,344 |
| Revaluation reserve for land | 4,253 | 4,253 |
| Foreign currency translation adjustment | 1,867 | 67 |
| Remeasurements of defined benefit plans | (2,411) | (2,282) |
| Total accumulated other comprehensive income | 13,807 | 11,383 |
| Non-controlling interests | 39,919 | 38,873 |
| Total net assets | 244,500 | 244,572 |
| Total liabilities and net assets | 414,549 | 397,386 |

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

| | For the six months ended September 30,2018 | For the six months ended September 30,2019 |
|---|---|---|
| Net sales | 126,127 | 146,172 |
| Cost of sales | 96,367 | 108,378 |
| Gross profit | 29,759 | 37,794 |
| Selling, general and administrative expenses | 19,052 | 28,772 |
| Operating profit | 10,706 | 9,021 |
| Non-operating income | | |
| Interest income | 132 | 227 |
| Dividend income | 221 | 356 |
| Share of profit of entities accounted for using equity method | 152 | 118 |
| Foreign exchange gains | 113 | - |
| Other | 355 | 294 |
| Total non-operating income | 975 | 997 |
| Non-operating expenses | | |
| Interest expenses | 204 | 543 |
| Foreign exchange losses | - | 767 |
| Other | 233 | 429 |
| Total non-operating expenses | 437 | 1,740 |
| Ordinary profit | 11,244 | 8,278 |
| Extraordinary income | | |
| Gain on sales of non-current assets | - | 530 |
| Gain on step acquisitions | 67 | - |
| Gain on bargain purchase | 205 | - |
| Total extraordinary income | 272 | 530 |
| Extraordinary losses | | |
| Loss on abandonment of non-current assets | 186 | 210 |
| Environmental expenses | - | 234 |
| Total extraordinary losses | 186 | 445 |
| Profit before income taxes | 11,331 | 8,363 |
| Income taxes - current | 2,871 | 2,731 |
| Income taxes - deferred | 31 | (617) |
| Total income taxes | 2,903 | 2,113 |
| Profit | 8,428 | 6,249 |
| Profit attributable to non-controlling interests | 466 | 330 |
| Profit attributable to owners of parent | 7,961 | 5,918 |

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

| | For the six months ended September 30,2018 | For the six months ended September 30,2019 |
|--|---|---|
| Profit | 8,428 | 6,249 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (557) | (711) |
| Foreign currency translation adjustment | (2,049) | (2,265) |
| Remeasurements of defined benefit plans, net of tax | 124 | 127 |
| Share of other comprehensive income of entities accounted for using equity method | 1 | (1) |
| Total other comprehensive income | (2,481) | (2,851) |
| Comprehensive income | 5,946 | 3,397 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,717 | 3,494 |
| Comprehensive income attributable to non-controlling interests | 229 | (96) |

Quarterly Consolidated Statements of Cash Flows

(Million yen)

| | For the six months ended September 30,2018 | For the six months ended September 30,2019 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 11,331 | 8,363 |
| Depreciation | 4,889 | 6,841 |
| Increase (decrease) in retirement benefit liability | 492 | 406 |
| Loss on abandonment of non-current assets | 186 | 210 |
| Interest and dividend income | (353) | (583) |
| Interest expenses | 204 | 543 |
| Foreign exchange losses (gains) | 15 | 111 |
| Share of loss (profit) of entities accounted for using equity method | (152) | (118) |
| Decrease (increase) in trade receivables | (2,991) | 16,884 |
| Decrease (increase) in inventories | (439) | 2,717 |
| Increase (decrease) in trade payables | 954 | (14,937) |
| Other, net | (1,201) | (153) |
| Subtotal | 12,934 | 20,286 |
| Interest and dividends received | 590 | 752 |
| Interest paid | (192) | (491) |
| Income taxes paid | (3,568) | (4,490) |
| Net cash provided by (used in) operating activities | 9,763 | 16,056 |
| Cash flows from investing activities | | |
| Proceeds from sales and redemption of securities | 8,200 | 4,506 |
| Purchase of securities | (6,100) | (3,000) |
| Purchase of property, plant and equipment | (6,989) | (6,966) |
| Purchase of intangible assets | (397) | (540) |
| Purchase of investment securities | (313) | (13) |
| Proceeds from sales of property, plant and equipment | 18 | 1,038 |
| Net decrease (increase) in short-term loans receivable | (341) | (1,106) |
| Long-term loan advances | (1,027) | (1,621) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (1,543) | - |
| Other, net | 213 | (187) |
| Net cash provided by (used in) investing activities | (8,280) | (7,891) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 20,257 | (1,694) |
| Proceeds from long-term borrowings | 6,909 | 100 |
| Repayments of long-term borrowings | (5,790) | (2,710) |
| Dividends paid | (2,275) | (2,484) |
| Proceeds from issuance of bonds | - | 2,494 |
| Redemption of bonds | - | (1,687) |
| Other, net | (857) | (1,188) |
| Net cash provided by (used in) financing activities | 18,244 | (7,171) |
| Effect of exchange rate change on cash and cash equivalents | (787) | (589) |
| Net increase (decrease) in cash and cash equivalents | 18,939 | 404 |
| Cash and cash equivalents at beginning of period | 48,902 | 56,504 |
| Cash and cash equivalents at end of period | 67,841 | 56,909 |