

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Consolidated Financial Results for the Second Quarter Ended April 30, 2022 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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Scheduled Filing of Quarterly Securities Report: June 13, 2022
 Scheduled Commencement of Dividend Payment: July 6, 2022
 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 six months ended April 30, 2022)

(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	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Six months ended April 30, 2022	¥72,211	22.9%	¥7,875	64.2%	¥11,429	76.7%	¥7,968	68.8%
Six months ended April 30, 2021	58,765	0.7	4,796	(3.5)	6,468	18.2	4,720	24.0

Notes: 1. Comprehensive income: Six months ended April 30, 2022: ¥10,032 million [359.2%] Six months ended April 30, 2021: ¥2,185 million [(34.4%)]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Six months ended April 30, 2022	¥65.88	¥ —
Six months ended April 30, 2021	37.74	—

Note: The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. as of the beginning of the first-quarter period. Figures for the second quarter of the fiscal year ending October 31, 2022 are figures after the application of this accounting standard, etc.

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of April 30, 2022	¥191,384	¥114,430	56.5%
As of October 31, 2021	169,172	109,954	61.4

(Reference) Shareholders' equity: As of April 30, 2022: ¥108,156 million As of October 31, 2021: ¥103,889 million

Note: The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. as of the beginning of the first-quarter period. Figures for the second quarter of the fiscal year ending October 31, 2022 are figures after the application of this accounting standard, etc.

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, 2021	¥ —	¥5.00	¥ —	¥10.00	¥15.00
Year ending October 31, 2022	—	8.00	—	—	—
Year ending October 31, 2022 (Forecast)	—	—	—	12.00	20.00

Note: Most recently announced revisions to dividend forecast: Yes

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2022)

(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
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	
Year ending October 31, 2022	¥140,000	18.5%	¥12,500	47.8%	¥16,400	27.8%	¥11,500	27.5%	¥95.71

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. For first-half figures, percentages indicate the percentage change from the corresponding half of the previous fiscal year.
 3. The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. as of the beginning of the first-quarter period. The figures for the above consolidated earnings forecast are figures after the application of this accounting standard, etc..

***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: Yes

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 April 30, 2022	As of October 31, 2021
a) Number of shares issued (including treasury stock)	133,184,612 shares	133,184,612 shares
b) Number of treasury stock	13,024,826 shares	8,083,073 shares
	Six months ended April 30, 2022	Six months ended April 30, 2021
c) Average number of shares issued in the period	120,954,149 shares	125,065,913 shares

Note: The number of shares of treasury stock increased by 4,941,753 shares during the second-quarter period (November 1, 2021 to April 30, 2022) due to the Company's acquisition of treasury stock via the off-floor trading system (Tokyo Stock Exchange Trading Network System transaction type 3) on December 15, 2021 and a decrease due to February 25, 2022 disposal of treasury stock as restricted stock-based compensation.

**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. For the conditions that form the basis for the results forecasts and precautionary information on the use of results forecasts, please see (3) Explanation of Forecast Data, including Consolidated Results Forecasts under 1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review on page 4 of the attached materials.

(How to obtain supplementary materials on financial results and details of the financial results briefing)

The Company plans to hold an online financial results briefing for institutional investors and securities analysts on Friday, June 24, 2022.

The presentation materials (Japanese only) to be distributed at the briefing will be posted on the Company website following the briefing.

Accompanying Materials

1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review

(1) Explanation of Operating Results

During the cumulative second-quarter period under review (November 1, 2021 to April 30, 2022), the outlook for the Japanese economy remained uncertain despite signs of economic recovery. The uncertainty is due to soaring raw material costs associated with such factors as rising crude oil prices and problems such as disruptions in global marine transportation and rising transportation costs, as well as heightened geopolitical risk, including the situation in Ukraine.

As for the environment surrounding agriculture, agricultural output is expected to continue expanding against the backdrop of increasing demand for food and rising grain prices due to the growing global population. The worldwide agricultural chemical market has been continuing to grow together with expansion in agricultural production.

Against this backdrop, the Group implemented the Medium-Term Business Plan, “Create the Future—The Challenge for New Possibilities” (fiscal 2021 – fiscal 2023), and made every effort to implement priority measures designed to increase corporate value.

In the period under review, net sales increased by ¥13,446 million, or 22.9%, year on year, to ¥72,211 million, driven by strong sales in agricultural chemicals and agriculture-related businesses and the fine chemicals business, as well as greater-than-expected depreciation in the value of the yen. Operating income was ¥7,875 million, up ¥3,079 million, or 64.2%, year on year. Ordinary income was ¥11,429 million, up ¥4,961 million, or 76.7%, year on year due to foreign exchange gains from the weaker yen and other factors. Net income attributable to owners of the parent amounted to ¥7,968 million, up ¥3,248 million, or 68.8%, year on year. The percentage of overseas net sales was 44.6%.

The Group applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, “Revenue Recognition Accounting Standard”), etc. as of the beginning of the first-quarter period. Year-on-year comparisons are based on figures calculated using different standards. The details are as described in “2. Matters Related to Changes in Reportable Segments” under “Segment Information, etc.” on page 9.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Six months ended April 30, 2021			Six months ended April 30, 2022			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	¥44,581	75.9%	¥4,581	¥56,672	78.5%	¥7,824	¥12,091 [27.1]	¥3,244 [70.8]
Fine Chemicals Business	9,301	15.8	389	11,753	16.3	419	2,452 [26.4]	30 [7.8]
Other Businesses	4,883	8.3	580	3,786	5.2	425	(1,098) [(22.5)]	(154) [(26.6)]
Total	58,765	100.0	4,796	72,211	100.0	7,875	13,446 [22.9]	3,079 [64.2]

- Notes: 1. Consolidated segment operating income for the cumulative second-quarter period of the previous fiscal year includes ¥753 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 second-quarter period of the current fiscal year includes ¥795 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

In the Japanese market, sales of the rice paddy field fungicide Disarta and rice paddy field herbicides containing Effeeda, remained strong. In markets outside Japan, shipments of Axeev, a herbicide for field crops, to the U.S., Argentina, Brazil, and Australia, which are the major markets for this herbicide, increased due to higher demand within a favorable business environment. Shipments to Europe of Prohexadione-calcium, a plant growth regulator, also remained steady. These factors resulted in significantly higher segment sales than in the previous fiscal year.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Businesses segment came to ¥56,672 million, up by ¥12,091 million (27.1%) compared with the same period of the previous fiscal year. Operating income increased by ¥3,244 million (70.8%) year on year to ¥7,824 million.

2) Fine Chemicals Business segment

Sales of chloroxylene based chemical products, bismaleimides, and urethane curing agents remained strong, and sales of industrial chemicals and polystyrene were in line with the previous fiscal year.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥11,753 million, up by ¥2,452 million (26.4%) compared with the same period of the previous fiscal year. Operating income increased by ¥30 million (7.8%) year on year to ¥419 million.

3) Other Businesses segment

Although sales in the logistics business were in line with the previous fiscal year, sales in the printing business and the construction business were lower than in the previous fiscal year. As a result, net sales in the Other Businesses segment amounted to ¥3,786 million, down ¥1,098 million (22.5%) compared with the same period of the previous fiscal year. Operating income decreased ¥154 million (26.6%) year on year to ¥425 million.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of April 30, 2022 stood at ¥191,384 million, up by ¥22,212 million from the end of the previous fiscal year. This was mainly because of an increase in notes, accounts receivable, and contract assets.

Liabilities increased ¥17,736 million compared with previous fiscal year-end to ¥76,954 million. This was mainly because short-term loans payable increased in addition to other factors.

Total net assets amounted to ¥114,430 million, an increase of ¥4,476 million compared with the end of the previous fiscal year. The increase in total net assets was mainly due to the increase in retained earnings, which exceeded the decrease due to the purchase of treasury stock, among other reasons.

The equity ratio stood at 56.5%, and net assets per share were ¥900.10.

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

The forecasts for the full-year results for the fiscal year ending October 31, 2022 published at the December 14, 2021 announcement of the financial results for the fiscal year ended October 31, 2021 have been revised. For details, see “Announcement of Revisions to the Second-Quarter Period and Full Year Consolidated Earnings Forecasts for the Fiscal Year Ending October 31, 2022” (Japanese only) published on June 7, 2022.

The impact of COVID-19 on the Company’s consolidated results forecasts is considered to be limited. The Company will inform investors promptly of any factors of concern going forward.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of October 31, 2021	As of April 30, 2022
ASSETS		
Current assets:		
Cash and deposits	19,755	19,856
Notes and accounts receivable-trade	33,902	—
Notes, accounts receivable-trade, and contract assets	—	54,922
Marketable securities	300	—
Merchandise and finished products	32,542	28,338
Work in process	9,554	12,575
Raw materials and supplies	5,748	6,450
Other current assets	3,617	2,373
Allowance for doubtful accounts	(214)	(31)
Total current assets	105,203	124,483
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	12,848	12,720
Machinery, equipment and vehicles, net	9,293	9,363
Land	12,145	12,164
Construction in progress	1,263	3,279
Other property, plant and equipment, net	1,731	1,703
Total property and equipment	37,281	39,229
Intangible fixed assets:		
Goodwill	4,081	3,750
Other intangible assets	1,558	1,477
Total intangible assets	5,639	5,227
Investments and other assets:		
Investments securities	18,441	19,793
Long-term loans	318	318
Deferred tax assets	918	953
Net defined benefit asset	104	95
Other	1,398	1,454
Allowance for doubtful accounts	(130)	(168)
Total investments and other assets	21,048	22,445
Total fixed assets	63,968	66,901
Total assets	169,172	191,384

	Millions of yen	
	As of October 31, 2021	As of April 30, 2022
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	16,710	18,718
Short-term loan payable	6,089	26,329
Accounts payable-other	7,051	3,832
Income taxes payable	2,842	3,177
Provision for bonuses	1,628	1,378
Provision for environmental measures	280	168
Other current liabilities	1,031	1,741
Total current liabilities	35,630	55,342
Long-term liabilities:		
Long-term loan payable	16,303	14,263
Deferred tax liabilities	1,603	1,725
Provision for directors' retirement benefits	414	445
Provision for environmental measures	164	70
Net defined benefit liability	4,130	4,141
Asset retirement obligations	41	41
Other long-term liabilities	934	925
Total long-term liabilities	23,587	21,612
Total liabilities	59,218	76,954
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	37,370	37,369
Retained earnings	72,710	79,249
Less treasury stocks, at cost	(5,334)	(9,368)
Total shareholders' equity	109,281	111,784
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	1,320	1,284
Foreign currency translation adjustments	(6,728)	(4,937)
Remeasurements of defined benefit plans	17	26
Total accumulated other comprehensive loss	(5,392)	(3,628)
Non-controlling interests	6,065	6,274
Total net assets	109,954	114,430
Total liabilities and net assets	169,172	191,384

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

	Millions of yen	
	Six months ended April 30, 2021	Six months ended April 30, 2022
Net sales	58,765	72,211
Cost of sales	43,788	54,270
Gross profits	14,977	17,941
Selling, general and administrative expenses	10,182	10,066
Operating income	4,796	7,875
Non-operating income:		
Interest income	9	20
Dividend income	81	65
Equity in earnings of affiliates	627	780
Foreign exchange gains	827	2,622
Reversal of allowance for doubtful accounts	3	75
Other	201	86
Total non-operating income	1,747	3,649
Non-operating expenses:		
Interest expenses	49	78
Other	26	16
Total non-operating expenses	75	94
Ordinary income	6,468	11,429
Extraordinary income:		
Gain on sales of fixed assets	113	1
Gain on sales of investment securities	236	—
Subsidy income	—	83
Insurance income	—	1
Total extraordinary income	349	85
Extraordinary loss:		
Loss on disposal of fixed assets	109	90
Loss on reduction of fixed assets	—	5
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	—	2
Loss on sales of golf club membership	1	—
Loss on valuation of golf club membership	0	—
Loss on disaster	—	1
Total extraordinary loss	110	98
Income before income taxes and non-controlling interests	6,707	11,416
Income taxes	1,880	3,255
Net income	4,827	8,161
Net income attributable to non-controlling interests	107	193
Net income attributable to owners of parent	4,720	7,968

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended April 30, 2021	Six months ended April 30, 2022
Net income	4,827	8,161
Other comprehensive income:		
Valuation difference on available-for-sale securities	21	(39)
Foreign currency translation adjustment	222	546
Remeasurements of defined benefit plans	15	9
Share of other comprehensive income (loss) of associates accounted for using equity method	(2,901)	1,355
Total other comprehensive income (loss)	(2,642)	1,871
Comprehensive income	2,185	10,032
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,032	9,732
Comprehensive income attributable to non-controlling interests	153	300

(Segment Information, etc.)

For the second quarter ended April 30, 2021 (From November 1, 2020 to April 30, 2021)

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	44,581	9,301	53,882	4,883	58,765	—	58,765
Inter-segment	—	19	19	2,315	2,334	(2,334)	—
Total	44,581	9,320	53,901	7,198	61,099	(2,334)	58,765
Segment income/(loss)	4,581	389	4,969	580	5,549	(753)	4,796

(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 ¥753 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 second quarter ended April 30, 2022 (From November 1, 2021 to April 30, 2022)

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	56,672	11,753	68,425	3,786	72,211	—	72,211
Inter-segment	1	13	13	2,294	2,307	(2,307)	—
Total	56,673	11,766	68,439	6,080	74,518	(2,307)	72,211
Segment income/(loss)	7,824	419	8,244	425	8,669	(795)	7,875

(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 ¥795 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.

2. Matters Related to Changes in Reportable Segments

The Company applied the Revenue Recognition Accounting Standard from the beginning of the first-quarter period. As the accounting methods for revenue recognition have been changed, the method of calculating segment profit and loss also has been changed in the same manner.

As a result of the changes, compared with the previous method, net sales decreased by ¥1,844 million in the Agricultural Chemicals and Agriculture-Related Businesses segment, by ¥65 million in the Fine Chemicals Business segment, and by ¥128 million in the Other Businesses segment.

(Significant Subsequent Event)

Not applicable