

KUMIAI CHEMICAL INDUSTRY CO., LTD.
Consolidated Financial Results for the Third Quarter Ended July 31, 2021
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>
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Scheduled Filing of Quarterly Securities Report: September 14, 2021
 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, 2021)

(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	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Nine months ended July 31, 2021	¥88,503	11.2%	¥6,883	18.4%	¥9,028	36.5%	¥6,339	39.5%
Nine months ended July 31, 2020	79,554	0.2	5,815	(6.9)	6,614	(12.1)	4,542	(18.1)

Notes: 1. Comprehensive income: Nine months ended July 31, 2021: ¥3,447 million [(17.3)%] Nine months ended July 31, 2020: ¥4,170 million [10.8%]
 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, 2021	¥50.68	¥ —
Nine months ended July 31, 2020	36.32	—

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of July 31, 2021	¥172,182	¥106,360	58.3%
As of October 31, 2020	153,275	101,836	62.9

(Reference) Shareholders' equity: As of July 31, 2021: ¥100,322 million As of October 31, 2020: ¥98,414 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, 2020	¥ —	¥4.00	¥ —	¥8.00	¥12.00
Year ending October 31, 2021	—	5.00	—	—	—
Year ending October 31, 2021 (Forecast)	—	—	—	8.00	13.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2021)

(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	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	
Year ending October 31, 2021	¥113,400	5.7%	¥8,300	0.2%	¥10,600	6.9%	¥7,400	11.8%	¥59.17

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, 2021	As of October 31, 2020
a) Number of shares issued (including treasury stock)	133,184,612 shares	133,184,612 shares
b) Number of treasury stock	8,082,310 shares	8,136,495 shares
	Nine months ended July 31, 2021	Nine months ended July 31, 2020
c) Average number of shares issued in the period	125,078,051 shares	125,071,936 shares

Note: Note: The number of shares of treasury stock decreased by 56,000 shares during the cumulative third-quarter period (November 1, 2020 to July 31, 2021) as the Company disposed of treasury stock as restricted share-based remuneration on March 18, 2021.

**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.

Accompanying Materials

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

(1) Explanation of Operating Results

During the cumulative third-quarter period under review (November 1, 2020 to July 31, 2021), the challenging conditions for the Japanese economy continued as personal consumption was sluggish owing to the reissuance and extension of the state of emergency declaration due to the spread of the COVID-19 pandemic. Despite signs of business recovery, the outlook remained uncertain as the economy stagnated with restraints on economic activity and other factors, coupled with the repeated increase in the number of people infected with COVID-19 due to a highly infectious variant.

Against this backdrop, the Group formulated the Medium-Term Business Plan, Create the Future—The Challenge for New Possibilities, to start in this fiscal year. It also worked toward accomplishing priority measures in each department based on the four key policies of expanding research and business fields, ensuring diversity in sales channels, ensuring cost competitiveness, and corporate activities with an emphasis on ESG.

In the period under review, net sales increased by ¥8,948 million (11.2%) year on year to ¥88,503 million, mainly because of strong sales of agricultural chemicals both in Japan and overseas. Operating income increased by ¥1,067 million (18.4%) year on year to ¥6,883 million. Ordinary income was ¥9,028 million, up by ¥2,415 million (36.5%) year on year due to foreign exchange gains associated with the depreciation of the yen. Net income attributable to owners of the parent increased by ¥1,796 million (39.5%) to ¥6,339 million.

The percentage of net sales to markets overseas in the third-quarter period under review was 41.3%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Nine months ended July 31, 2020			Nine months ended July 31, 2021			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	¥58,579	73.6%	¥5,411	¥66,893	75.6%	¥6,667	¥8,314 [14.2]	¥1,256 [23.2]
Fine Chemicals Business	14,409	18.1	858	14,989	16.9	574	579 [4.0]	(284) [(33.1)]
Other Businesses	6,566	8.3	571	6,620	7.5	739	55 [0.8]	167 [29.3]
Total	79,554	100.0	5,815	88,503	100.0	6,883	8,948 [11.2]	1,067 [18.4]

- Notes: 1. Consolidated segment operating income for the cumulative third-quarter period of the previous fiscal year includes ¥1,025 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 current fiscal year includes ¥1,097 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

Sales in Japan were higher than in the previous year as sales of Disarta, a new fungicide launched this year, remained strong, and sales of Effeeda, including sales of its active ingredients, were also steady. Sales outside Japan were significantly higher than in the previous year, as shipments of Axeev to the U.S., Brazil and Argentina remained strong.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Businesses segment came to ¥66,893 million, up by ¥8,314 million (14.2%) compared with the same period of the previous fiscal year. Operating income increased by ¥1,256 million (23.2%) year on year to ¥6,667 million.

2) Fine Chemicals Business segment

Sales of bismaleimides increased as demand recovered, and sales of industrial chemicals and polystyrene were in line with the previous year. However, sales of chloroxylene-based chemical products were badly affected by the COVID-19 pandemic and remained sluggish.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥14,989 million, up by ¥579 million (4.0%) compared with the same period of the previous fiscal year. Operating income decreased by ¥284 million (33.1%) year on year to ¥574 million due to soaring material prices and an increase in depreciation.

3) Other Businesses segment

Sales in the construction business were higher than in the previous fiscal year due to increases in work carried forward and percentage of completion method work. Sales in the printing business and the logistics business also remained steady. As a result, net sales in the Other Businesses segment amounted to ¥6,620 million, up ¥55 million (0.8%) compared with the same period of the previous fiscal year. Operating income increased ¥167 million (29.3%) year on year to ¥739 million.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of July 31, 2021 stood at ¥172,182 million, up by ¥17,325 million from the end of the previous fiscal year. This was mainly because of increases in trade accounts receivable, inventories and other factors.

Liabilities increased ¥14,925 million compared with previous fiscal year-end to ¥65,822 million. This was mainly because short-term loans payable and long-term loans payable increased in addition to other factors.

Net assets totaled ¥106,360 million as of July 31, 2021, resulting in an equity ratio of 58.3% and net assets per share of ¥801.92.

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

There are no changes to the forecasts for the full-year results for the fiscal year ending October 31, 2021 published on June 8, 2021 in “Kumiai Chemical Industry Announces Revisions to the Interim and Full-Year Consolidated Results Forecasts for the Fiscal Year Ending October 31, 2021” (available in Japanese only).

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, 2020	As of July 31, 2021
ASSETS		
Current assets:		
Cash and deposits	19,390	18,777
Notes and accounts receivable-trade	27,617	41,407
Marketable securities	—	300
Merchandise and finished products	26,007	34,223
Work in process	9,571	7,327
Raw materials and supplies	6,555	5,613
Other current assets	1,745	2,084
Allowance for doubtful accounts	(83)	(145)
Total current assets	90,803	109,586
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	10,566	12,197
Machinery, equipment and vehicles, net	7,342	9,685
Land	12,139	12,154
Construction in progress	2,482	1,035
Other property, plant and equipment, net	1,500	1,788
Total property and equipment	34,029	36,858
Intangible fixed assets:		
Goodwill	3,729	4,247
Other intangible assets	1,420	1,940
Total intangible assets	5,148	6,187
Investments and other assets:		
Investments securities	22,280	17,021
Long-term loans	310	309
Deferred tax assets	936	889
Net defined benefit asset	103	109
Other	1,377	1,351
Allowance for doubtful accounts	(130)	(130)
Total investments and other assets	24,876	19,550
Total fixed assets	64,054	62,595
Total assets	154,857	172,182

	Millions of yen	
	As of October 31, 2020	As of July 31, 2021
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	15,194	13,339
Short-term loan payable	10,309	20,106
Accounts payable-other	4,637	3,460
Income taxes payable	834	2,567
Provision for bonuses	1,545	737
Provision for environmental measures	426	183
Other current liabilities	875	1,056
Total current liabilities	33,820	41,449
Long-term liabilities:		
Long-term loan payable	9,434	17,512
Deferred tax liabilities	2,135	1,169
Provision for directors' retirement benefits	642	393
Net defined benefit liability	4,315	4,295
Asset retirement obligations	40	41
Other long-term liabilities	511	964
Total long-term liabilities	17,078	24,373
Total liabilities	50,898	65,822
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	37,081	37,370
Retained earnings	65,314	70,027
Less treasury stocks, at cost	(5,374)	(5,333)
Total shareholders' equity	101,555	106,598
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	1,110	1,124
Foreign currency translation adjustments	(4,114)	(7,286)
Remeasurements of defined benefit plans	(137)	(114)
Total accumulated other comprehensive loss	(3,142)	(6,276)
Non-controlling interests	5,545	6,038
Total net assets	103,959	106,360
Total liabilities and net assets	154,857	172,182

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

	Millions of yen	
	Nine months ended July 31, 2020	Nine months ended July 31, 2021
Net sales	79,554	88,503
Cost of sales	59,737	66,227
Gross profits	19,817	22,275
Selling, general and administrative expenses	14,002	15,392
Operating income	5,815	6,883
Non-operating income:		
Interest income	17	16
Dividend income	177	154
Equity in earnings of affiliates	1,374	1,070
Foreign exchange gains	—	790
Reversal of allowance for doubtful accounts	4	6
Other	129	250
Total non-operating income	1,700	2,287
Non-operating expenses:		
Interest expenses	101	104
Foreign exchange losses	773	—
Other	27	36
Total non-operating expenses	902	141
Ordinary income	6,614	9,028
Extraordinary income:		
Gain on sales of fixed assets	23	118
Gain on sales of investment securities	4	236
Insurance income	16	2
Total extraordinary income	43	357
Extraordinary loss:		
Loss on disposal of fixed assets	175	189
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	17	—
Loss on sales of golf club membership	—	1
Loss on valuation of golf club membership	0	6
Compensation expenses	24	—
Loss on disaster	4	—
Total extraordinary loss	221	196
Income before income taxes and non-controlling interests	6,437	9,189
Income taxes	1,715	2,641
Net income	4,722	6,548
Net income attributable to non-controlling interests	179	209
Net income attributable to owners of parent	4,542	6,339

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended July 31, 2020	Nine months ended July 31, 2021
Net income	4,722	6,548
Other comprehensive income:		
Valuation difference on available-for-sale securities	657	17
Foreign currency translation adjustment	(261)	198
Remeasurements of defined benefit plans	20	23
Share of other comprehensive income of associates accounted for using equity method	(967)	(3,339)
Total other comprehensive loss	(552)	(3,101)
Comprehensive income	4,170	3,447
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,025	3,205
Comprehensive income attributable to non-controlling interests	145	242

(Segment Information, etc.)

For the third quarter ended July 31, 2020 (From November 1, 2019 to July 31, 2020)

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	58,579	14,409	72,989	6,566	79,554	—	79,554
Inter-segment	—	43	43	2,853	2,896	(2,896)	—
Total	58,579	14,452	73,032	9,419	82,451	(2,896)	79,554
Segment income/(loss)	5,411	858	6,269	571	6,840	(1,025)	5,815

(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 ¥1,025 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, 2021 (From November 1, 2020 to July 31, 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	66,893	14,989	81,882	6,620	88,503	—	88,503
Inter-segment	—	51	51	3,888	3,939	(3,939)	—
Total	66,893	15,040	81,933	10,509	92,442	(3,939)	88,503
Segment income/(loss)	6,667	574	7,241	739	7,980	(1,097)	6,883

(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 ¥1,097 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.

(Significant Subsequent Event)

Not applicable