

## KUMIAI CHEMICAL INDUSTRY CO., LTD.

### Consolidated Financial Results for the Second Quarter Ended April 30, 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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 URL: <https://www.kumiai-chem.co.jp>  
 Representative: Yoshitomo Koike, President and Representative Director  
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Scheduled Filing of Quarterly Securities Report: June 14, 2021  
 Scheduled Commencement of Dividend Payment: July 13, 2021  
 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, 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	
	¥	%	¥	%	¥	%	¥	%
Six months ended April 30, 2021	¥58,765	0.7%	¥4,796	(3.5)%	¥6,468	18.2%	¥4,720	24.0%
Six months ended April 30, 2020	58,383	(0.1)	4,971	(11.3)	5,473	(15.5)	3,805	(18.4)

Notes: 1. Comprehensive income: Six months ended April 30, 2021: ¥2,185 million [(34.4)%] Six months ended April 30, 2020: ¥3,329 million [11.3%]  
 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, 2021	¥37.74	¥ —
Six months ended April 30, 2020	30.42	—

##### (2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of April 30, 2021	¥174,376	¥105,734	57.1%
As of October 31, 2020	154,857	103,959	63.6

(Reference) Shareholders' equity: As of April 30, 2021: ¥99,493 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: Yes

#### 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
	¥	%	¥	%	¥	%	¥	%	¥
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. For first-half figures, percentages indicate the percentage change from the corresponding half of 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 April 30, 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	8,081,878 shares	8,136,495 shares
	Six months ended April 30, 2021	Six months ended April 30, 2020
c) Average number of shares issued in the period	125,065,913 shares	125,083,173 shares

*Note: The number of shares of treasury stock decreased by 56,000 shares during the cumulative second-quarter period (November 1, 2020 to April 30, 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.*

*(How to Obtain the financial results briefing materials and records of the financial results online briefing session)*

*The Company plans to hold an online financial results briefing for institutional investors and securities analysts on Friday, July 25, 2021.*

*The results briefing materials to be distributed at the meeting will be uploaded to the corporate website after the meeting has been held.*

## 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, 2020 to April 30, 2021), the outlook for the Japanese economy remained uncertain as the impact of the COVID-19 pandemic became prolonged, and the economy continued to stagnate due to self-imposed restraints on economic activity and other factors, despite signs of recovery in corporate production activity and some areas of consumption.

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 the four priority measures of expanding research and business fields, ensuring diversity in sales channels, ensuring cost competitiveness, and corporate activities with an emphasis on ESG (environment, society, and governance) in each department.

In the period under review, net sales increased by ¥382 million (0.7%) year on year to ¥58,765 million, mainly because of strong sales in Japan, although overseas shipments of agricultural chemicals from Japan were lower than in the previous fiscal year, and sales of some fine chemicals decreased. Operating income decreased by ¥176 million (3.5%) year on year to ¥4,796 million as a result of an increase in selling, general and administrative expenses and other factors. Ordinary income was ¥6,468 million, up by ¥995 million (18.2%) year on year due to foreign exchange gains associated with the depreciation of the yen at the end of April. Net income attributable to owners of the parent increased by ¥915 million (24.0%) to ¥4,720 million.

The percentage of net sales to markets overseas in the second-quarter period under review was 31.0%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Six months ended April 30, 2020			Six months ended April 30, 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	¥44,285	75.9%	¥4,985	¥44,581	75.9%	¥4,581	¥296 [0.7]	¥(404) [(8.1)]
Fine Chemicals Business	9,726	16.7	226	9,301	15.8	389	(425) [(4.4)]	163 [72.1]
Other Businesses	4,373	7.5	449	4,883	8.3	580	511 [11.7]	130 [29.0]
Total	58,383	100.0	4,971	58,765	100.0	4,796	382 [0.7]	(176) [(3.5)]

- Notes: 1. Consolidated segment operating income for the cumulative second-quarter period of the previous fiscal year includes ¥689 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 ¥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).

*1) Agricultural Chemicals and Agriculture-Related Businesses segment*

Sales in Japan increased from the same period of the previous fiscal year with the full-scale market launch of Disarta, a new fungicide, and strong sales of Effeeda, including sales of its active ingredients. Sales outside Japan declined from the same period of the previous fiscal year, impacted by U.S. shipment plans, even though shipments of Axeev to 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 ¥44,581 million, up by ¥296 million (0.7%) compared with the same period of the previous fiscal year. Operating income decreased by ¥404 million (8.1%) year on year to ¥4,581 million.

*2) Fine Chemicals Business segment*

Demand for bismaleimides trended toward recovery, and sales of industrial chemicals and polystyrene were in line with the same period of the previous fiscal year. However, sales of chloroxylylene-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 ¥9,301 million, down by ¥425 million (4.4%) compared with the same period of the previous fiscal year. Operating income increased by ¥163 million (72.1%) year on year to ¥389 million.

*3) Other Businesses segment*

Sales in the construction business were significantly 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 ¥4,883 million, up ¥511 million (11.7%) compared with the same period of the previous fiscal year. Operating income increased ¥130 million (29.0%) year on year to ¥580 million.

**(2) Explanation of Financial Position**

Total assets on a consolidated basis as of April 30, 2021 stood at ¥174,376 million, up by ¥19,519 million from the end of the previous fiscal year. This was mainly because of increases in merchandise and finished products and other factors.

Liabilities increased ¥17,744 million compared with previous fiscal year-end to ¥68,642 million. This was mainly because short-term loans payable increased in addition to other factors.

Net assets totaled ¥105,734 million as of April 30, 2021, resulting in an equity ratio of 57.1% and net assets per share of ¥795.29.

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

The forecasts for the full-year results for the fiscal year ending October 31, 2021 published at the December 14, 2020 announcement of the financial results for the fiscal year ended October 31, 2020 have been revised. For the details, please see “Kumiai Chemical Industry Announces Revisions to the Interim and Full-Year Consolidated Results Forecasts for the Fiscal Year Ending October 31, 2021,” published on June 8, 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 April 30, 2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	19,390	16,968
Notes and accounts receivable-trade	27,617	44,618
Marketable securities	—	300
Merchandise and finished products	26,007	35,018
Work in process	9,571	9,698
Raw materials and supplies	6,555	5,494
Other current assets	1,745	1,031
Allowance for doubtful accounts	(83)	(112)
<b>Total current assets</b>	<b>90,803</b>	<b>113,015</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures, net	10,566	10,441
Machinery, equipment and vehicles, net	7,342	7,338
Land	12,139	12,154
Construction in progress	2,482	3,790
Other property, plant and equipment, net	1,500	1,544
<b>Total property and equipment</b>	<b>34,029</b>	<b>35,268</b>
<b>Intangible fixed assets:</b>		
Goodwill	3,729	4,410
Other intangible assets	1,420	2,002
<b>Total intangible assets</b>	<b>5,148</b>	<b>6,412</b>
<b>Investments and other assets:</b>		
Investments securities	22,280	17,067
Long-term loans	310	309
Deferred tax assets	936	895
Net defined benefit asset	103	97
Other	1,377	1,447
Allowance for doubtful accounts	(130)	(134)
<b>Total investments and other assets</b>	<b>24,876</b>	<b>19,681</b>
<b>Total fixed assets</b>	<b>64,054</b>	<b>61,361</b>
<b>Total assets</b>	<b>154,857</b>	<b>174,376</b>

	Millions of yen	
	As of October 31, 2020	As of April 30, 2021
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	15,194	16,127
Short-term loan payable	10,309	28,198
Accounts payable-other	4,637	3,169
Income taxes payable	834	3,055
Provision for bonuses	1,545	1,303
Provision for environmental measures	426	204
Other current liabilities	875	728
<b>Total current liabilities</b>	<b>33,820</b>	<b>52,784</b>
<b>Long-term liabilities:</b>		
Long-term loan payable	9,434	9,090
Deferred tax liabilities	2,135	1,118
Provision for directors' retirement benefits	642	355
Net defined benefit liability	4,315	4,272
Asset retirement obligations	40	41
Other long-term liabilities	511	964
<b>Total long-term liabilities</b>	<b>17,078</b>	<b>15,858</b>
<b>Total liabilities</b>	<b>50,898</b>	<b>68,642</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	4,534	4,534
Capital surplus	37,081	37,089
Retained earnings	65,314	69,033
Less treasury stocks, at cost	(5,374)	(5,333)
<b>Total shareholders' equity</b>	<b>101,555</b>	<b>105,323</b>
<b>Accumulated other comprehensive income:</b>		
Valuation differences on available-for-sale securities	1,110	1,125
Foreign currency translation adjustments	(4,114)	(6,833)
Remeasurements of defined benefit plans	(137)	(122)
<b>Total accumulated other comprehensive loss</b>	<b>(3,142)</b>	<b>(5,830)</b>
<b>Non-controlling interests</b>	<b>5,545</b>	<b>6,240</b>
<b>Total net assets</b>	<b>103,959</b>	<b>105,734</b>
<b>Total liabilities and net assets</b>	<b>154,857</b>	<b>174,376</b>

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

	Millions of yen	
	Six months ended April 30, 2020	Six months ended April 30, 2021
<b>Net sales</b>	58,383	58,765
<b>Cost of sales</b>	43,665	43,788
<b>Gross profits</b>	14,719	14,977
<b>Selling, general and administrative expenses</b>	9,747	10,182
<b>Operating income</b>	4,971	4,796
<b>Non-operating income:</b>		
Interest income	12	9
Dividend income	92	81
Equity in earnings of affiliates	771	627
Foreign exchange gains	—	827
Reversal of allowance for doubtful accounts	0	3
Other	101	201
<b>Total non-operating income</b>	975	1,747
<b>Non-operating expenses:</b>		
Interest expenses	47	49
Foreign exchange losses	418	—
Other	9	26
<b>Total non-operating expenses</b>	474	75
<b>Ordinary income</b>	5,473	6,468
<b>Extraordinary income:</b>		
Gain on sales of fixed assets	23	113
Gain on sales of investment securities	4	236
Insurance income	8	—
<b>Total extraordinary income</b>	35	349
<b>Extraordinary loss:</b>		
Loss on disposal of fixed assets	79	109
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	1	—
Loss on sales of golf club membership	—	1
Loss on valuation of golf club membership	0	0
Compensation expenses	24	—
Loss on disaster	4	—
<b>Total extraordinary loss</b>	108	110
<b>Income before income taxes and non-controlling interests</b>	5,400	6,707
<b>Income taxes</b>	1,571	1,880
<b>Net income</b>	3,829	4,827
<b>Net income attributable to non-controlling interests</b>	24	107
<b>Net income attributable to owners of parent</b>	3,805	4,720

## Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended April 30, 2020	Six months ended April 30, 2021
<b>Net income</b>	3,829	4,827
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(49)	21
Foreign currency translation adjustment	(256)	222
Remeasurements of defined benefit plans	13	15
Share of other comprehensive income of associates accounted for using equity method	(208)	(2,901)
<b>Total other comprehensive loss</b>	<b>(500)</b>	<b>(2,642)</b>
<b>Comprehensive income</b>	<b>3,329</b>	<b>2,185</b>
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,326	2,032
Comprehensive income attributable to non-controlling interests	3	153



(Segment Information, etc.)

For the second quarter ended April 30, 2020 (From November 1, 2019 to April 30, 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	44,285	9,726	54,011	4,373	58,383	—	58,383
Inter-segment	—	22	22	1,979	2,001	(2,001)	—
Total	44,285	9,748	54,032	6,352	60,384	(2,001)	58,383
Segment income/(loss)	4,985	226	5,210	449	5,660	(689)	4,971

(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 ¥689 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, 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.

(Significant Subsequent Event)

Not applicable