

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Consolidated Financial Results for the Fiscal Year Ended October 31, 2020 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.

Head Office: 4-26, Ikenohata 1-chome, Taito-ku, Tokyo 110-0008, Japan
 Stock Exchange Listings: First Section of Tokyo Stock Exchange (Securities code: 4996)
 URL: <http://www.kumiai-chem.co.jp>
 Representative: Yoshitomo Koike, President and Representative Director
 For Inquiry: Takumi Yoshimura, Executive Officer and General Manager of General & Personnel Affairs Department (Telephone: 81-3-3822-5036)
 Scheduled Annual General Meeting of Shareholders: January 28, 2021
 Scheduled Commencement of Dividend Payment: January 29, 2021
 Scheduled Filing of Securities Report: January 29, 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 fiscal year ended October 31, 2020)

(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	
Year ended October 31, 2020	¥107,280	3.8%	¥8,283	8.4%	¥9,916	1.9%	¥6,618	(2.5)%
Year ended October 31, 2019	103,400	6.8	7,639	36.9	9,735	20.6	6,789	44.2

Notes: 1. Comprehensive income: Year ended October 31, 2020: ¥6,294 million [16.2%] Year ended October 31, 2019: ¥5,416 million [625.1%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ordinary Income / Total Assets	Operating Margin
Year ended October 31, 2020	¥52.92	¥ —	6.9%	6.7%	7.7%
Year ended October 31, 2019	54.10	—	7.4	7.1	7.4

(Reference) Equity in earnings of affiliates: Year ended October 31, 2020: ¥2,311 million Year ended October 31, 2019: ¥2,116 million

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of October 31, 2020	¥154,857	¥103,959	63.6%	¥787.01
As of October 31, 2019	142,660	99,260	65.9	750.32

(Reference) Shareholders' equity: As of October 31, 2020: ¥98,414 million As of October 31, 2019: ¥93,977 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year ended October 31, 2020	¥4,532	¥(4,734)	¥5,067	¥18,706
Year ended October 31, 2019	(1,221)	(6,102)	5,253	14,107

2. Cash Dividends for Shareholders of Common Stock

(Millions of yen, except per share data and percentages)

	Cash Dividends per Share					Total Dividends (Annual)	Consolidated Basis	
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-End	Annual		Dividend Payout Ratio	Ratio of Dividends to Net Assets
Year ended October 31, 2019	¥ —	¥3.00	¥ —	¥8.00	¥11.00	¥1,382	20.3%	1.5%
Year ended October 31, 2020	—	4.00	—	8.00	12.00	1,501	22.7	1.6
Year ending October 31, 2021 (Forecast)	—	4.00	—	8.00	12.00		24.2	

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
Six months ending April 30, 2021	¥ 57,000	(2.4)%	¥3,700	(25.6)%	¥4,300	(21.4)%	¥2,900	(23.8)%	¥23.19
Year ending October 31, 2021	113,000	5.3	7,300	(11.9)	9,200	(7.2)	6,200	(6.3)	49.57

Note: 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) 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

(3) Number of shares issued (common stock)

	As of October 31, 2020	As of October 31, 2019
a) Number of shares issued (including treasury stock)	133,184,612 shares	133,184,612 shares
b) Number of treasury stock	8,136,495 shares	7,934,971 shares
	Year ended October 31, 2020	Year ended October 31, 2019
c) Average number of shares issued in the period	125,066,073 shares	125,497,385 shares

Note: The number of shares of treasury stock increased by 201,524 shares during the fiscal year under review (November 1, 2019 to October 31, 2020) as the Company acquired its common stock owned by a subsidiary in accordance with the resolution of the Board of Directors held on December 13, 2019 among other factors.

**The 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.

(How to Obtain the Supplementary Materials for the Financial Results and the Details of the Financial Results Briefing)

The Company plans to hold an online financial results briefing for institutional investors and securities analysts on Monday, December 21, 2020. It is planned to post the financial results briefing materials to be distributed at the briefing on the Company's website after the briefing has been held.

Accompanying Materials

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year Ended October 31, 2020

During the fiscal year under review (November 1, 2019 to October 31, 2020), the Japanese economy continued to face challenging conditions due to the impact of the COVID-19 pandemic. Although economic and social activity gradually resumed after the lifting of the state of emergency declaration, the disease has carried on spreading in Japan and overseas, and unpredictable conditions have continued.

In terms of the environment for agricultural chemicals, global demand for these chemicals is expanding overall, including a recovery in the Brazilian market due to an increase in crop acreage in Brazil, the world's largest market, and other factors. Further market expansion is forecast over the medium- to long-term future because demand for food is expected to increase alongside population growth.

In Japan, it is thought that the market for agricultural chemicals is continuing to shrink against the background of aging and shortages of agricultural workers, an increase in arable land no longer cultivated, and governmental policies to reduce the cost of production materials based on the Agricultural Competitiveness Enhancement Program. Meanwhile, there has been increasing expansion of cultivated land under management per farmer through agglomeration and consolidation of farmland. There has also been an increase in initiatives to introduce and verify "smart agriculture" on farms that facilitates labor saving and high-quality production utilizing cutting-edge technology such as robotics and ICT.

Agricultural Chemicals and Agriculture-Related Businesses, which are the Group's core businesses, are involved in the fundamentals of food production, so the impact due to COVID-19 is limited in comparison to other industries. However, the outlook for the environment surrounding the Fine Chemicals Business remains uncertain as demand trends cannot be predicted due to the prolonged impact of the COVID-19 pandemic and the deterioration in relations between the U.S. and China and between Japan and South Korea.

Against this backdrop, the Company worked toward achieving priority policies in each department to complete Create the Future, the Medium-Term Business Plan, for which the fiscal year ended October 31, 2020 was the final fiscal year.

In the fiscal year under review, net sales increased by ¥3,881 million, or 3.8%, year on year to ¥107,280 million. This was the result of i) sales growth for rice paddy field herbicide Effeeda; ii) the inclusion of sales of active ingredient for Bensulfuron-Methyl, which was transferred in the previous fiscal year; and iii) commencement of full-scale sales of Nominee, a rice paddy field herbicide, at PI Kumiai Private Ltd., the Company's subsidiary in India, all in the Agricultural Chemicals and Agriculture-Related Businesses, even though sales of some fine chemicals in the Fine Chemicals Business decreased due to the impact of COVID-19. Operating income amounted to ¥8,283 million, up ¥644 million, or 8.4%, year on year due to the increase in net sales. Ordinary income came to ¥9,916, up ¥181 million, or 1.9% year on year, even though foreign exchange losses increased. Net income attributable to owners of the parent amounted to ¥6,618 million, down ¥171 million, or 2.5%, year on year. This was attributable to the impact of extraordinary income recorded in the previous fiscal year in addition to environmental expenses recorded as extraordinary loss for this fiscal year.

The percentage of overseas net sales in the fiscal year under review was 45.1%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Fiscal Year Ended October 31, 2019			Fiscal Year Ended October 31, 2020			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	¥72,623	70.2%	¥6,778	¥79,395	74.0%	¥8,014	¥6,773 [9.3]	¥1,236 [18.2]
Fine Chemicals Business	21,474	20.8	1,476	18,921	17.6	985	(2,554) [(11.9)]	(490) [(33.2)]
Other Businesses	9,303	9.0	829	8,965	8.4	831	(338) [(3.6)]	2 [0.2]
Total	103,400	100.0	7,639	107,280	100.0	8,283	3,881 [3.8]	644 [8.4]

Notes: 1. Consolidated segment operating income for the previous fiscal year includes ¥1,443 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 current fiscal year includes ¥1,547 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 of crop protection products in the Japanese market increased year on year. This was due to a significant increase in sales of the rice paddy field herbicide Effeeda and sales of its active ingredient, which commenced in earnest in 2019, as well as the inclusion of active ingredient for Bensulfuron-Methyl, which was transferred in the previous fiscal year.

Sales to markets outside Japan increased year on year as i) sales of mainstay product Axeev, a herbicide for field crops, remained strong in the U.S.; ii) sales also remained robust in Australia, where its outstanding herbicide effect was reaffirmed; and iii) in Argentina, the problem of herbicide-resistant weeds became more widespread. The commencement of full-scale sales of Nominee, a rice paddy field herbicide at PI Kumiai Private Ltd., the Company's subsidiary in India, was also a factor.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-related Businesses segment came to ¥79,395 million, up ¥6,773 million (9.3%) compared with the previous fiscal year. Operating income increased ¥1,236 million (18.2%) year on year to ¥8,014 million.

2) Fine Chemicals Business segment

In the chlorination business, sales of chlorotoluene-based chemical products, which are raw materials for aramid fiber and high-performance resin, decreased, affected by the slump in demand in automobile-related industries due to the spread of COVID-19 infections.

In the fine chemical business, sales of bismaleimides used in electronic materials and high-heat-resistant resins remained strong. However, sales in the business overall decreased as sales of some automobile-related products declined, impacted by the COVID-19 pandemic.

In the industrial chemicals business, orders for chemicals used in water treatment agents, preservatives and other chemicals remained strong. However, sales of chemicals for use in paper manufacturing declined, and sales in the business overall remained on a par with the previous fiscal year.

Sales were sluggish in the polystyrene business due to adjustments in production by consumer electronics manufacturers as a result of the COVID-19 pandemic and a decline in fish catches.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥18,921 million, down by ¥2,554 million (11.9%) compared with the previous fiscal year. Operating income decreased by ¥490 million (33.2%) year on year to ¥985 million.

3) Other Businesses segment

The Other Businesses segment includes the leasing business, power generation and electricity sales business, construction business, printing business, logistics business, and information services business.

In the leasing, power generation and electricity sales businesses, both sales and profit were on a par with the previous fiscal year. In the construction business, sales were lower than in the previous fiscal year due to sluggish civil engineering greening-related sales. In the printing business, both sales and profit were lower than in the previous fiscal year. In the logistics business, both sales and profit were higher than in the previous fiscal year mainly due to an increase in demand.

As a result of the factors above, net sales in the Other Businesses segment amounted to ¥8,965 million, down ¥338 million (3.6%) compared the previous fiscal year. Operating income increased ¥2 million (0.2%) year on year to ¥831 million.

(2) Overview of Financial Position in the Fiscal Year Ended October 31, 2020

As of October 31, 2020, total assets amounted to ¥154,857 million, an increase of ¥12,197 million compared with the end of the previous fiscal year. Current assets increased by ¥8,800 million, and fixed assets increased by ¥3,397 million. The increase in current assets was mainly due to the increases in cash and deposits, merchandise and finished products. The increase in fixed assets was mainly due to the increases in property, plant and equipment and investment securities.

Liabilities increased by ¥7,498 million compared with the end of the previous fiscal year to ¥50,898 million. Current liabilities decreased by ¥1,762 million, and long-term liabilities increased by ¥9,259 million. The decrease in current liabilities was mainly because the decrease in short-term loans payable and income taxes payable exceeded the increase in notes and accounts payable-trade. The increase in long-term liabilities was mainly due to the increase in long-term loans payable.

Total net assets amounted to ¥103,959 million, an increase of ¥4,699 million compared with the end of the previous fiscal year.

As a result, the equity ratio stood at 63.6%, and net assets per share were ¥787.01.

(3) Overview of Cash Flows for the Year Ended October 31, 2020

Cash flows from operating activities provided net cash of ¥4,532 million, compared with net cash used of ¥1,221 million in the previous fiscal year. Major factors included inflows of ¥9,009 million in income before income taxes and non-controlling interests and ¥3,229 million in depreciation and amortization and outflows of ¥4,753 million in income taxes paid and a ¥4,286 million increase in inventories.

Cash flows from investing activities used net cash of ¥4,734 million, compared with net cash used of ¥6,102 million in the previous fiscal year. Major factors were an inflow of ¥802 million from collection of loans receivable and an outflow of ¥5,274 million in acquisitions of property, plant, and equipment.

Cash flows from financing activities provided net cash of ¥5,067 million, compared with net cash provided of ¥5,253 million in the previous fiscal year. This figure includes inflows from proceeds of long-term loans payable of ¥11,389 million and outflows of ¥3,983 million due to a decrease in short-term bank loans and ¥1,495 million in cash dividends paid.

As a result, cash and cash equivalents at the end of the fiscal year stood at ¥18,706 million, an increase of ¥4,599 million from the previous fiscal year end.

(Reference) Changes in Cash Flow-Related Indicators

	Year ended October 31, 2018	Year ended October 31, 2019	Year ended October 31, 2020
Equity ratio (%)	67.8	65.9	63.6
Equity ratio based on market value (%)	66.3	88.5	80.7
Ratio of interest-bearing liabilities to cash flows (%)	63.7	—	371.1
Interest coverage ratio (times)	85.7	—	37.8

(Notes) Equity ratio: equity capital / total assets

Equity ratio based on market value: gross market capitalization / total assets

Ratio of interest-bearing liabilities to cash flows: interest-bearing liabilities / cash flows

Interest coverage ratio: cash flows / interest payment

** Indicators are all calculated based on consolidated financial data.*

** Gross market capitalization calculated using fiscal year-end closing price multiplied by total number of shares issued at fiscal year-end (excluding treasury stock)*

** Cash flows used are those from operating activities shown in the Consolidated Statements of Cash Flows. Interest-bearing liabilities covers all liabilities recorded on the Consolidated Balance Sheets on which interest is paid. The amount of interest paid is that shown in the Consolidated Statements of Cash Flows.*

** As operating cash flow was negative in the fiscal year ended October 31, 2019, the ratio of interest-bearing liabilities to cash flows and the interest coverage ratio are omitted.*

(4) Future Outlook

The future outlook is expected to remain uncertain due to the possibility that the impact of the COVID-19 pandemic on the global economy will be prolonged, and the likelihood that concerns about the trade problems between the U.S. and China and other issues will continue.

Agricultural Chemicals and Agriculture-Related Businesses, which are the Group's core businesses, are involved in the fundamentals of food production, so the impact due to COVID-19 is limited. However, it is expected that there will be indirect impacts going forward due to changes in the environment surrounding agriculture.

In these circumstances, the Kumiai Chemical Industry Group is committed to preparing for dramatic change and a paradigm shift in the future business environment by expanding its business scope while keeping an eye on future trends for the next 20 to 30 years. To this end, the Group has formulated "Create the Future – The Challenge for New Possibilities" as its new Medium-Term Business Plan for the period from fiscal 2021 to fiscal 2023. The Group will strive to enhance its corporate value by implementing the new Medium-Term Business Plan. The overview of the new Medium-Term Business Plan is as described below.

1. Overview of the New Medium-Term Business Plan (Fiscal 2021 to Fiscal 2023)

1) Vision

Create the Future – The Challenge for New Possibilities –

2) Slogans

Speed, Cost, Innovation

Constant challenges to be a company that lasts 100 years

3) Basic Management Policy

The Kumiai Chemical Industry Group will build a management base that can adapt to change in the environment by developing innovative technology and expanding business scope and aims to be a corporate group that can contribute to the sustainable development of society through the provision of products and services that enrich people's lives.

4) Key Policies

i) Expand research areas and business territory

ii) Ensure diversity in sales routes

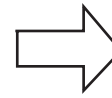
iii) Secure cost competitiveness

iv) Corporate activities that value the Environment, Society, and Governance (ESG)

5) Numerical Targets

	FY2020 Results	FY2021 Forecast
Net Sales	¥107,280	¥113,000
Operating Income	8,283	7,300
ROE (%)	6.9	6.2

(Millions of yen, except percentages)



FY2023 Plan
¥126,000
9,800
7.3

6) Research and Development Expenses/Capital Expenditure

(Millions of yen)

	R&D Expenses	Capital Expenditure
FY2018 – 2020 Results	¥15,192	¥14,542
FY2021 – 2023 Plan	17,500	31,300

2. Future Initiatives in Each Business

In the Agricultural Chemical and Agriculture-Related Businesses segment, the Group will work on the following issues.

In the Japanese market, the Group will continue to implement selection and concentration based on the Company's marketing strategy. To that end, the Group will strengthen promotion of relevant products to core farmers, including agricultural corporations, in order to respond to the change of conditions in the agricultural industry, and work to expand sales of chemical agents developed in house.

In the herbicide for rice paddy fields sector, the Group will further expand the rollout of Effeeda, the major herbicide for rice paddy fields and further promote Bensulfuron-Methyl agents with the aim of increasing its market share in one-shot herbicides for rice paddy fields. In addition, the Group will work to consolidate the marketing foundations for promoting Disarta, a new fungicide which obtained agricultural chemical registration in April 2020, with the aim of an early commercial launch. At the same time, the Group will promote expansion in sales of in-house agents for direct seeded rice while leveraging established agents.

In the area of products for fruits and vegetables, the Group will work to expand its product portfolio by developing promotion activities with a focus on agents containing active ingredients developed in house such as Pyribencarb and Benthiavalicarb-isopropyl.

The Group will continue to reinforce collaboration with relevant organizations as well as promoting to agricultural corporations and core farmers and adapting to "smart agriculture."

In the special sales market, the Group will make effective use of proprietary agricultural chemical formulation technologies to maximize sales and profit for products developed in house as well as expanding its product portfolio and business territory. In sales of active ingredients developed in house, the Group will work to increase sales by licensing use of Effeeda and Bensulfuron-Methyl to other companies and ensuring the launch of Pencycuron for which the Group acquired the exclusive Japanese marketing rights in the fiscal year under review. In addition, the Group will work to expand its contract business by making maximum use of its outstanding formulation technology and active and intermediate ingredient synthesis technology to open up new initiatives in this area of business.

In the overseas market, the Group will endeavor to promote Axeev, a herbicide for field crop that is a core product in the Agricultural Chemicals and Agriculture-Related Businesses sector, especially in Brazil and India, where it has obtained new agricultural chemical registrations, as well as continuing to work on expanding the countries and crops for which this herbicide is registered. In order to maximize its share in leading markets, the Group will enhance sales promotion activities aimed at further expansion and growth of Axeev, along with local support for the development of new compound agents.

For Nominee, a herbicide for rice paddy fields, the Group will continue its support for maintaining and expanding sales by opening up potential markets as the Indian subsidiary has commenced full-scale production and sales. The Group will also ensure expansion of Bensulfuron-Methyl in overseas markets. Going forward, the Group will make active efforts for the overseas expansion of its product portfolio, including in-house-developed agents through full utilization of sales networks.

In the Fine Chemicals Business segment, challenging conditions are forecast to continue due to the impact of the COVID-19 pandemic. However, while adapting to the changing business environment, the Group will expand its business by promoting newly developed products as well as striving to maintain and expand sales of existing products and the existing contract business. The entire Group, including consolidated subsidiaries in the chlorination business, the fine chemicals business, the industrial chemicals business, and the expanded polystyrene business, will endeavor to maximize and optimize the Fine Chemicals Business segment. This will be accomplished by pursuing selection and concentration of management resources as well as exploiting new sales channels and expanding business scope. The Group will also push forward aggressively with growth measures and will invest in the No. 2 Plant at Iharanikkei Chemical (Thailand) Co., Ltd. to expand the product range with plans to commence production and sales of raw materials for aramid fiber in 2021.

In the area of production and materials, the Group will implement capital expenditure for establishing safety measures when manufacturing new products, ensuring the business continuity plan (BCP) framework and efficient production with the aim of providing high-quality products at a low cost with a priority on safe production activities. The Group will also endeavor to achieve stable supply and cost reductions for agents developed in house, particularly Effeeda and Disarta, through supply chain stabilization covering all Group companies, appropriate inventory management, and the strengthening of relationships with contractors and suppliers. In addition, the Group will promote the supply of high-quality products and environment-friendly production activities through the appropriate implementation of ISO management systems.

In the area of research and development, the Group will endeavor to expand its fields of research and business scope through the development of innovative technology, thereby driving enhancement of corporate value.

In the area of inventing new agricultural chemicals, the Group will accelerate the creation of pipeline active ingredients by consolidating discovery, formulation, and biological evaluation methods utilizing cutting-edge technology such as AI. The Group will also develop active methods to review and improve manufacturing aimed at stable supply and lower costs for proprietary active ingredients.

In the area of developing new products, the Group will focus its efforts on development aimed at expanding the portfolio of products containing active ingredients developed in house and extending designated regions for these products. In addition, the Group will promote the overseas business development and registration of Effeeda and Disarta with the aim of expanding its business. In the development of chemicals, the Group will effectively leverage the raw materials and intermediates it possesses and the proprietary technologies cultivated in the agricultural chemical business to nurture a high-value-added Fine Chemicals Business segment and pursue the commercialization of new technologies.

The Group will also aim to complete the construction in 2023 of a new chemicals research laboratory to integrate chemical-related research centers in three separate locations in Shizuoka Prefecture to further strengthen research and development capabilities based on synergies through the concentration of diverse fields of chemistry research.

In the Other Business segment, the Group will address the following issues in each business.

In the construction business, the Group will strengthen sales capabilities as well as implementing initiatives aimed at utilizing ICT technologies and ensuring cost competitiveness. In the printing business, the Group will strive to acquire new customers by stepping up proposal-based sales activities. In the Logistics business, the Group will pursue enhancement and facilitation of its logistics network in Japan as well as working to reduce environmental impact by promoting cooperative distribution of products and modal shift.

In the area of workstyle reform initiatives, the Group implement improvements in working conditions aimed at securing the future workforce, particularly rectifying disparities involving unreasonable differences in treatment between permanent and non-permanent employees. At the same time, the Group has been implementing infection control measures, including recommending working from home or from satellite offices and expanding staggered working hours, with a priority on ensuring the health and safety of employees during the COVID-19 pandemic. Going forward, the Group will establish new workstyles that contribute to ensuring the workforce and improving labor productivity and work toward further improvements in the workplace environment and human resources system aimed at increasing employees' work satisfaction and happiness.

In the area of social contribution activities, the Group will contribute to the SDGs and a recycling-oriented society, actively work on corporate activities that value ESG, and contribute to solving social issues based on the philosophy that social contribution is a company's reason for being. In fiscal 2020, as part of the Group's social contribution activities during the COVID-19 pandemic, the Group donated to local governments disposable wet body towels for nursing care using an antimicrobial agent sold by Group company K-I Chemical Industry Co., Ltd. The Group also continued with its Donguri (Acorn) Project and essay contest for students. Going forward, the Group will continue to implement these activities as well as engaging in a variety of social contribution activities. Furthermore, the Company will continue to prepare the CSR Report, which summarizes the approach of the Kumiai Chemical Industry Group to social contribution activities and progress of its initiatives in this area.

In the area of corporate governance, the Company will strengthen and promote the compliance system of the Group and will implement the proper establishment and operation of the internal control system.

In fiscal 2021, the Group will engage in business activities under an economic and market environment that is more difficult to predict than ever before. Nevertheless, whatever the situation, the Group will steadily implement measures based on the Medium-Term Business Plan with the aim of being a corporate group that can contribute to the sustainable development of society, as advocated in the basic management policy, by taking on challenges with a constant awareness of the slogan, "Speed, Cost, Innovation."

Kumiai Chemical Industry forecasts net sales of ¥113,000 million, operating income of ¥7,300 million, ordinary income of ¥9,200 million, and net income attributable to owners of the parent of ¥6,200 million in the earnings forecast for next fiscal year, ending October 31, 2021.

2. Basic Policy Regarding Selection of Accounting Standards

The Kumiai Chemical Industry Group will prepare its consolidated financial statements based on Japanese standards for the foreseeable future, as this enables a comparison of fiscal years in the consolidated financial statements as well as a comparison of companies.

The Group will take the appropriate response to the application of IFRS, taking into consideration circumstances in Japan and overseas.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of October 31, 2019	As of October 31, 2020
ASSETS		
Current assets:		
Cash and deposits	15,354	19,390
Notes and accounts receivable-trade	26,623	27,617
Marketable securities	30	—
Merchandise and finished products	23,040	26,007
Work in process	9,032	9,571
Raw materials and supplies	6,147	6,555
Other current assets	1,840	1,745
Allowance for doubtful accounts	(63)	(83)
Total current assets	82,003	90,803
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	10,394	10,566
Machinery, equipment and vehicles, net	7,291	7,342
Land	12,103	12,139
Construction in progress	727	2,482
Other property, plant and equipment, net	1,446	1,500
Total property and equipment	31,961	34,029
Intangible fixed assets:		
Goodwill	4,268	3,729
Other intangible assets	1,043	1,420
Total intangible assets	5,310	5,148
Investments and other assets:		
Investments securities	20,783	22,280
Long-term loans	11	310
Deferred tax assets	797	936
Net defined benefit asset	156	103
Other	1,772	1,377
Allowance for doubtful accounts	(133)	(130)
Total investments and other assets	23,385	24,876
Total fixed assets	60,657	64,054
Total assets	142,660	154,857

	Millions of yen	
	As of October 31, 2019	As of October 31, 2020
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	13,175	15,194
Short-term loan payable	12,747	10,309
Accounts payable-other	4,271	4,637
Income taxes payable	3,129	834
Provision for bonuses	1,463	1,545
Provision for environmental measures	—	426
Other current liabilities	796	875
Total current liabilities	35,581	33,820
Long-term liabilities:		
Long-term loan payable	311	9,434
Deferred tax liabilities	2,168	2,135
Provision for directors' retirement benefits	618	642
Net defined benefit liability	4,263	4,315
Asset retirement obligations	39	40
Other long-term liabilities	419	511
Total long-term liabilities	7,818	17,078
Total liabilities	43,400	50,898
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	37,137	37,081
Retained earnings	60,196	65,314
Less treasury stocks, at cost	(5,268)	(5,374)
Total shareholders' equity	96,600	101,555
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	833	1,110
Foreign currency translation adjustments	(3,339)	(4,114)
Remeasurements of defined benefit plans	(117)	(137)
Total accumulated other comprehensive loss	(2,623)	(3,142)
Non-controlling interests	5,283	5,545
Total net assets	99,260	103,959
Total liabilities and net assets	142,660	154,857

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

Consolidated Statements of Income

	Millions of yen	
	Year ended October 31, 2019	Year ended October 31, 2020
Net sales	103,400	107,280
Cost of sales	77,331	80,388
Gross profits	26,069	26,892
Selling, general and administrative expenses	18,429	18,609
Operating income	7,639	8,283
Non-operating income:		
Interest income	54	26
Dividend income	232	242
Reversal of allowance for doubtful accounts	2	1
Equity in earnings of affiliates	2,116	2,311
Other	152	153
Total non-operating income	2,555	2,733
Non-operating expenses:		
Interest expenses	37	127
Foreign exchange losses	80	930
Commission expenses	190	—
Other	153	43
Total non-operating expenses	460	1,100
Ordinary income	9,735	9,916
Extraordinary income:		
Gain on sales of fixed assets	145	23
Gain on sales of investment securities	118	4
Gain on sales of golf club membership	0	—
Compensation income	—	66
Insurance income	219	18
Total extraordinary income	482	112
Extraordinary loss:		
Loss on disposal of fixed assets	139	283
Loss on sales of investment securities	182	—
Loss on valuation of investment securities	36	200
Loss on sales of golf club membership	0	0
Loss on valuation of golf club membership	0	1
Compensation expenses	23	105
Loss on disaster	45	4
Office transfer expenses	10	—
Environmental expenses	15	426
Total extraordinary loss	450	1,019
Income before income taxes and non-controlling interests	9,767	9,009
Current	3,847	2,450
Deferred	(1,322)	(284)
Total income taxes	2,524	2,166
Net income	7,242	6,842
Net income attributable to non-controlling interests	454	224
Net income attributable to owners of parent	6,789	6,618

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Year ended October 31, 2019	Year ended October 31, 2020
Net income	7,242	6,842
Other comprehensive income:		
Valuation difference on available-for-sale securities	35	273
Foreign currency translation adjustment	(31)	(318)
Remeasurements of defined benefit plans	35	(20)
Share of other comprehensive income of associates accounted for using equity method	(1,865)	(484)
Total other comprehensive loss	(1,826)	(548)
Comprehensive income	5,416	6,294
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,960	6,100
Comprehensive income attributable to non-controlling interests	457	194

(3) Consolidated Statements of Changes in Net Assets

Year ended October 31, 2019	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at the end of the previous period	4,534	35,735	54,660	(4,113)	90,817
Changes during the period					
Cash dividends			(1,253)		(1,253)
Net income attributable to owners of parent			6,789		6,789
Purchase of treasury stock				(2,651)	(2,651)
Disposal of treasury stock		0		0	0
Delivery of treasury stock by share exchanges				1,496	1,496
Increase by share exchanges		1,172			1,172
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries		230			230
Increase (decrease) in surplus due to purchase of treasury stock from consolidated subsidiaries					—
Net changes during the period except for shareholders' equity					
Total changes during the period	—	1,402	5,536	(1,155)	5,784
Balance at the end of the period	4,534	37,137	60,196	(5,268)	96,600

Year ended October 31, 2019	Millions of yen					
	Accumulated other comprehensive income					
	Valuation differences on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the end of the previous period	795	(1,438)	(152)	(794)	7,717	97,739
Changes during the period						
Cash dividends						(1,253)
Net income attributable to owners of parent						6,789
Purchase of treasury stock						(2,651)
Disposal of treasury stock						0
Delivery of treasury stock by share exchanges						1,496
Increase by share exchanges						1,172
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries						230
Increase (decrease) in surplus due to purchase of treasury stock from consolidated subsidiaries						—
Net changes during the period except for shareholders' equity	37	(1,901)	35	(1,829)	(2,434)	(4,263)
Total changes during the period	37	(1,901)	35	(1,829)	(2,434)	1,521
Balance at the end of the period	833	(3,339)	(117)	(2,623)	5,283	99,260

Year ended October 31, 2020	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at the end of the previous period	4,534	37,137	60,196	(5,268)	96,600
Changes during the period					
Cash dividends			(1,501)		(1,501)
Net income attributable to owners of parent			6,618		6,618
Purchase of treasury stock				(106)	(106)
Disposal of treasury stock		0		0	0
Delivery of treasury stock by share exchanges					—
Increase by share exchanges					—
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries					—
Increase (decrease) in surplus due to purchase of treasury stock from consolidated subsidiaries		(56)			(56)
Net changes during the period except for shareholders' equity					
Total changes during the period	—	(56)	5,117	(106)	4,955
Balance at the end of the period	4,534	37,081	65,314	(5,374)	101,555

Year ended October 31, 2020	Millions of yen					
	Accumulated other comprehensive income					
	Valuation differences on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the end of the previous period	833	(3,339)	(117)	(2,623)	5,283	99,260
Changes during the period						
Cash dividends						(1,501)
Net income attributable to owners of parent						6,618
Purchase of treasury stock						(106)
Disposal of treasury stock						0
Delivery of treasury stock by share exchanges						—
Increase by share exchanges						—
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries						—
Increase (decrease) in surplus due to purchase of treasury stock from consolidated subsidiaries						(56)
Net changes during the period except for shareholders' equity	277	(775)	(20)	(518)	263	(256)
Total changes during the period	277	(775)	(20)	(518)	263	4,699
Balance at the end of the period	1,110	(4,114)	(137)	(3,142)	5,545	103,959

*** Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries**

Pursuant to Article 156, Paragraph 1 and Article 163 of the Companies Act, the Company acquired treasury stock held by consolidated subsidiaries through a resolution at a meeting of the Company's Board of Directors held on December 13, 2019. The capital surplus increased due to an adjustment of tax expense associated with the acquisition.

(4) Consolidated Statements of Cash Flows

	Millions of yen	
	Year ended October 31, 2019	Year ended October 31, 2020
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	9,767	9,009
Depreciation and amortization	3,057	3,229
Amortization of goodwill	45	539
Increase (decrease) in allowance for doubtful accounts	(25)	17
Increase (decrease) in provision for bonuses	(11)	82
Increase in provision for environmental measures	—	426
Increase (decrease) in net defined benefit asset and liability	(77)	76
Increase in provision for directors' retirement benefits	39	24
Interest and dividend income	(285)	(269)
Equity in earnings of affiliates	(2,116)	(2,311)
Interest expenses	37	127
Foreign exchange losses	326	260
Loss (gain) on disposal of property, plant and equipment	(7)	260
Loss (gain) on sales of investment securities	64	(4)
Loss on valuation of investment securities	36	200
Increase in notes and accounts receivable	(5,024)	(1,200)
Increase in inventories	(5,409)	(4,286)
Increase (decrease) in notes and accounts payable	(1,259)	2,523
Other, net	72	(166)
Sub total	(769)	8,536
Interest and dividend income received	918	864
Interest expenses paid	(39)	(120)
Income taxes paid	(1,581)	(4,753)
Income taxes refund	250	5
Net cash provided by operating activities	(1,221)	4,532
Cash flows from investing activities:		
Decrease (increase) in time deposits, net	(239)	558
Acquisitions of property, plant and equipment	(4,218)	(5,274)
Proceeds from sale of property, plant and equipment	191	118
Acquisitions of intangible assets	(4,950)	(415)
Acquisitions of investments in securities	(104)	(55)
Proceeds from redemption of investments in securities	30	30
Proceeds from sales of investments in securities	3,263	26
Payments of loans receivable	(764)	(771)
Collection of loans receivable	802	802
Purchase of insurance funds	(209)	(124)
Proceeds from maturity of insurance funds	193	497
Other, net	(98)	(127)
Net cash used in investing activities	(6,102)	(4,734)

	Millions of yen	
	Year ended October 31, 2019	Year ended October 31, 2020
Cash flows from financing activities:		
Increase (decrease) in short-term bank loans, net	11,181	(3,983)
Proceeds from long-term loans payable	—	11,389
Repayment of long-term loans payable	(1,859)	(659)
Net increase in treasury stock	(2,651)	(3)
Cash dividends paid	(1,249)	(1,495)
Cash dividends paid to non-controlling interests	(46)	(34)
Other, net	(123)	(148)
Net cash used in financing activities	5,253	5,067
Effect of exchange rate changes on cash and cash equivalents	(542)	(266)
Net increase (decrease) in cash and cash equivalents	(2,612)	4,599
Cash and cash equivalents at beginning of year	16,719	14,107
Cash and cash equivalents at end of year	14,107	18,706

(Segment Information, etc.)

[Segment Information]

1. Overview of the Reporting Segments

(1) *The method to categorize reported segments*

The reportable segments of the Group are those for which separate financial information is available and are subject to periodic review in order for the Company's Board of Directors to determine the allocation of management resources and evaluate performance.

(2) *Products and services categorized for each reported segments*

The principal products and services in each reportable segment are as in the table below.

Agricultural Chemicals and Agriculture-Related	Manufacture and sale of agricultural chemicals (insecticide, fungicide, herbicide, etc.), import and export of agricultural chemicals, sale of greening materials, comprehensive golf course maintenance
Fine Chemicals	Manufacture and sale of toluene and xylene-based chemicals, fine chemicals, industrial chemicals, and expanded polystyrene

2. Method of Calculation of Amounts of Net Sales and Profit for Each Reportable Segment

The accounting methods for each of the reportable business segments are the same as those described in "Basis of Presentation of the Consolidated Financial Statements."

Profit for each reportable segment is the figure based on operating income. Internal revenues and inter-segment transfers are based on prevailing market prices.

3. Information regarding sales and income or loss of reportable segments

For the fiscal year ended October 31, 2019 (From November 1, 2018 to October 31, 2019)

	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	72,623	21,474	94,097	9,303	103,400	—	103,400
Inter-segment	0	61	62	3,504	3,566	(3,566)	—
Total	72,623	21,536	94,159	12,807	106,965	(3,566)	103,400
Segment income/(loss)	6,778	1,476	8,254	829	9,083	(1,443)	7,639

(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 ¥1,443 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 fiscal year ended October 31, 2020 (From November 1, 2019 to October 31, 2020)

	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	79,395	18,921	98,316	8,965	107,280	—	107,280
Inter-segment	0	52	53	3,925	3,977	(3,977)	—
Total	79,396	18,973	98,369	12,889	111,258	(3,977)	107,280
Segment income/(loss)	8,014	985	8,999	831	9,830	(1,547)	8,283

(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 ¥1,547 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.