

## KUMIAI CHEMICAL INDUSTRY CO., LTD.

### Consolidated Financial Results for the Third Quarter Ended July 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 Filing of Quarterly Securities Report: September 14, 2020  
 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, 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	
Nine months ended July 31, 2020	¥79,554	0.2%	¥5,815	(6.9)%	¥6,614	(12.1)%	¥4,542	(18.1)%
Nine months ended July 31, 2019	79,412	6.5	6,248	23.8	7,527	13.8	5,547	4.6

Notes: 1. Comprehensive income: Nine months ended July 31, 2020: ¥4,170 million [ 10.8%]      Nine months ended July 31, 2019: ¥3,764 million [ 146.0%]  
 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, 2020	¥36.32	¥ —
Nine months ended July 31, 2019	44.29	—

##### (2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of July 31, 2020	¥153,275	¥101,836	62.9%
As of October 31, 2019	142,660	99,260	65.9

(Reference) Shareholders' equity: As of July 31, 2020: ¥96,339 million      As of October 31, 2019: ¥93,977 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, 2019	¥ —	¥3.00	¥ —	¥8.00	¥11.00
Year ending October 31, 2020	—	4.00	—	—	—
Year ending October 31, 2020 (Forecast)	—	—	—	7.00	11.00

Note: Most recently announced revisions to dividend forecast: No

#### 3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2020)

(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, 2020	¥113,000	9.3%	¥8,000	4.7%	¥9,800	0.7%	¥6,800	0.2%	¥54.29

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, 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	8,135,440 shares	7,934,971 shares
	<hr/>	<hr/>
	Nine months ended July 31, 2020	Nine months ended July 31, 2019
c) Average number of shares issued in the period	125,071,936 shares	125,258,951 shares

*Note: Note: The number of shares of treasury stock increased by 200,469 shares during the cumulative third-quarter period (November 1, 2019 to July 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 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, 2019 to July 31, 2020), the adverse impact of the COVID-19 pandemic on the global economy continued, and although economic activity gradually resumed, the outlook remained uncertain, with added concerns about trade issues between the U.S. and China.

Moreover, unpredictable conditions are likely to continue in the Japanese economy as economic activity is restricted to a certain degree due to infection countermeasures, even though economic and social activities, which were affected significantly by the spread of COVID-19, are resuming.

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 this fiscal year is the final fiscal year.

In the period under review, net sales increased by ¥143 million (0.2%) year on year to ¥79,554 million as a result of sales growth in Japan for rice paddy field herbicide Effeeda and commencement of full-scale sales of Nominee, a rice paddy field herbicide, at PI Kumiai Private Ltd., the Company's subsidiary in India, even though sales of some fine chemicals decreased. Operating income decreased by ¥433 million (6.9%) year on year to ¥5,815 million due to an increase in selling, general and administrative expenses. Ordinary income was ¥6,614 million, down by ¥913 million (12.1%) year on year due to an increase in foreign exchange loss. Net income attributable to owners of the parent decreased by ¥1,005 million (18.1%) to ¥4,542 million.

The percentage of net sales to markets overseas in the third-quarter period under review was 40.5%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Nine months ended July 31, 2019			Nine months ended July 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	¥56,846	71.6%	¥5,550	¥58,579	73.6%	¥5,411	¥1,733 [3.0]	¥(140) [(2.5)]
Fine Chemicals Business	15,759	19.8	1,185	14,409	18.1	858	(1,350) [(8.6)]	(327) [(27.6)]
Other Businesses	6,806	8.6	548	6,566	8.3	571	(240) [(3.5)]	24 [4.3]
Total	79,412	100.0	6,248	79,554	100.0	5,815	143 [0.2]	(433) [(6.9)]

Notes: 1. Consolidated segment operating income for the cumulative third-quarter period of the previous fiscal year includes ¥1,035 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 ¥1,025 million in adjustments, mainly corporate expenses that are not allocated to any reportable segment (general and administrative expenses not attributable to any reportable segment).

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

Sales in the Japanese market increased significantly year on year as a result of dramatic expansion in sales of rice paddy field herbicide due to efforts to increase take up and sales of Effeeda in the period under review.

Sales of specialty products increased year on year as a result of strong sales of rice paddy herbicide Effeeda and the new inclusion of sales of bensulfuron methyl, which was transferred in the previous fiscal year, in the sales of active ingredients.

Sales to markets outside Japan increased year on year as shipments of Axeev, a herbicide for field crops, to Australia and Argentina remained steady and full-scale sales of rice paddy herbicide Nominee by the Indian subsidiary commenced, although there was a decline in shipments resulting from inventory adjustments for fungicide and plant growth regulator in Europe.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Businesses segment came to ¥58,579 million, up by ¥1,733 million (3.0%) compared with the same period of the previous fiscal year. Operating income decreased by ¥140million (2.5%) year on year to ¥5,411 million.

### *2) Fine Chemicals Business segment*

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

In the fine chemical business, sales of bismaleimides used in electronic materials and high-heat-resistant resins remained strong.

In the industrial chemicals business, orders for chemicals used in water treatment agents, preservatives and other chemicals remained strong.

Sales were sluggish in the polystyrene business due to adjustments in production by consumer electronics manufacturers and a decline in fish catches.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥14,409 million, down by ¥1,350 million (8.6%) compared with the same period of the previous fiscal year. Operating income decreased by ¥327 million (27.6%) year on year to ¥858 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, sales were on a par with the same period of the previous fiscal year. In the construction business, sales were lower year on year due to sluggish civil engineering greening-related sales. In the printing business, sales were lower year on year. In the logistics business, both sales and operating income were higher year on year mainly due to an increase in demand.

As a result of the factors above, net sales in the Other Businesses segment amounted to ¥6,566 million, down ¥240 million (3.5%) compared with the same period of the previous fiscal year. Operating income increased ¥24 million (4.3%) year on year to ¥571 million.

## **(2) Explanation of Financial Position**

Total assets on a consolidated basis as of July 31, 2020 stood at ¥153,275 million, up by ¥10,616 million from the end of the previous fiscal year. This was mainly because of increases in cash and deposits, trade receivables, inventory, and construction in progress.

Liabilities increased ¥8,039 million compared with previous fiscal year-end to ¥51,439 million. This was mainly because short-term loans payable increased while notes and accounts payable-trade, accounts payable-other and income taxes payable decreased.

Net assets totaled ¥101,836 million as of July 31, 2020, resulting in an equity ratio of 62.9% and net assets per share of ¥770.41.

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

No changes have been made to the consolidated results forecasts for the fiscal year ending October 31, 2020 from the forecasts published at the December 13, 2019 announcement of the financial results for the fiscal year ended October 31, 2019.

At present, the outlook for containment of COVID-19 infections is uncertain, but it is assumed that economic conditions will improve in 2021.

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, 2019	As of July 31, 2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	15,354	17,039
Notes and accounts receivable-trade	26,623	29,387
Marketable securities	30	—
Merchandise and finished products	23,040	24,848
Work in process	9,032	11,143
Raw materials and supplies	6,147	6,334
Other current assets	1,840	1,060
Allowance for doubtful accounts	(63)	(88)
<b>Total current assets</b>	<b>82,003</b>	<b>89,722</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures, net	10,394	10,326
Machinery, equipment and vehicles, net	7,291	7,148
Land	12,103	12,084
Construction in progress	727	2,800
Other property, plant and equipment, net	1,446	1,502
<b>Total property and equipment</b>	<b>31,961</b>	<b>33,859</b>
<b>Intangible fixed assets:</b>		
Goodwill	4,268	3,864
Other intangible assets	1,043	1,365
<b>Total intangible assets</b>	<b>5,310</b>	<b>5,229</b>
<b>Investments and other assets:</b>		
Investments securities	20,783	21,631
Long-term loans	11	310
Deferred tax assets	797	846
Net defined benefit asset	156	110
Other	1,772	1,699
Allowance for doubtful accounts	(133)	(131)
<b>Total investments and other assets</b>	<b>23,385</b>	<b>24,465</b>
<b>Total fixed assets</b>	<b>60,657</b>	<b>63,553</b>
<b>Total assets</b>	<b>142,660</b>	<b>153,275</b>

	Millions of yen	
	As of October 31, 2019	As of July 31, 2020
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	13,175	11,275
Short-term loan payable	12,747	26,309
Accounts payable-other	4,271	2,919
Income taxes payable	3,129	330
Provision for bonuses	1,463	746
Other current liabilities	796	782
<b>Total current liabilities</b>	<b>35,581</b>	<b>42,361</b>
<b>Long-term liabilities:</b>		
Long-term loan payable	311	1,193
Deferred tax liabilities	2,168	2,443
Provision for directors' retirement benefits	618	615
Net defined benefit liability	4,263	4,294
Asset retirement obligations	39	40
Other long-term liabilities	419	493
<b>Total long-term liabilities</b>	<b>7,818</b>	<b>9,078</b>
<b>Total liabilities</b>	<b>43,400</b>	<b>51,439</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	4,534	4,534
Capital surplus	37,137	37,081
Retained earnings	60,196	63,238
Less treasury stocks, at cost	(5,268)	(5,373)
<b>Total shareholders' equity</b>	<b>96,600</b>	<b>99,481</b>
<b>Accumulated other comprehensive income:</b>		
Valuation differences on available-for-sale securities	833	1,494
Foreign currency translation adjustments	(3,339)	(4,538)
Remeasurements of defined benefit plans	(117)	(97)
<b>Total accumulated other comprehensive income</b>	<b>(2,623)</b>	<b>(3,141)</b>
<b>Non-controlling interests</b>	<b>5,283</b>	<b>5,497</b>
<b>Total net assets</b>	<b>99,260</b>	<b>101,836</b>
<b>Total liabilities and net assets</b>	<b>142,660</b>	<b>153,275</b>

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

	Millions of yen	
	Nine months ended July 31, 2019	Nine months ended July 31, 2020
<b>Net sales</b>	79,412	79,554
<b>Cost of sales</b>	59,620	59,737
<b>Gross profits</b>	19,792	19,817
<b>Selling, general and administrative expenses</b>	13,544	14,002
<b>Operating income</b>	6,248	5,815
<b>Non-operating income:</b>		
Interest income	39	17
Dividend income	202	177
Equity in earnings of affiliates	1,352	1,374
Reversal of allowance for doubtful accounts	10	4
Other	111	129
<b>Total non-operating income</b>	1,715	1,700
<b>Non-operating expenses:</b>		
Interest expenses	26	101
Sales discounts	36	1
Foreign exchange losses	233	773
Commission expenses	119	—
Other	22	27
<b>Total non-operating expenses</b>	436	902
<b>Ordinary income</b>	7,527	6,614
<b>Extraordinary income:</b>		
Gain on sales of fixed assets	144	23
Gain on sales of investment securities	—	4
Insurance income	217	16
<b>Total extraordinary income</b>	362	43
<b>Extraordinary loss:</b>		
Loss on disposal of fixed assets	89	175
Loss on valuation of investment securities	—	17
Loss on valuation of golf club membership	0	0
Compensation expenses	23	24
Loss on disaster	46	4
Office transfer expenses	10	—
<b>Total extraordinary loss</b>	168	221
<b>Income before income taxes and non-controlling interests</b>	7,721	6,437
<b>Income taxes</b>	1,932	1,715
<b>Net income</b>	5,789	4,722
<b>Net income attributable to non-controlling interests</b>	242	179
<b>Net income attributable to owners of parent</b>	5,547	4,542

## Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended July 31, 2019	Nine months ended July 31, 2020
<b>Net income</b>	5,789	4,722
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(138)	657
Foreign currency translation adjustment	(47)	(261)
Remeasurements of defined benefit plans	21	20
Share of other comprehensive income of associates accounted for using equity method	(1,860)	(967)
<b>Total other comprehensive loss</b>	<b>(2,025)</b>	<b>(552)</b>
<b>Comprehensive income</b>	<b>3,764</b>	<b>4,170</b>
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,519	4,025
Comprehensive income attributable to non-controlling interests	245	145



(Segment Information, etc.)

[ Segment Information ]

For the third quarter ended July 31, 2019 (From November 1, 2018 to July 31, 2019)

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	56,846	15,759	72,606	6,806	79,412	—	79,412
Inter-segment	—	24	24	2,308	2,332	(2,332)	—
Total	56,846	15,784	72,630	9,114	81,744	(2,332)	79,412
Segment income/(loss)	5,550	1,185	6,736	548	7,283	(1,035)	6,248

(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 ¥1,035 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 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.