

## KUMIAI CHEMICAL INDUSTRY CO., LTD.

### Consolidated Financial Results for the First Quarter Ended January 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.*

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 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: March 12, 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 three months ended January 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	
	¥	(%)	¥	(%)	¥	(%)	¥	(%)
Three months ended January 31, 2020	23,802	(1.9)%	1,612	(24.2)%	2,088	(15.8)%	1,359	(26.1)%
Three months ended January 31, 2019	24,269	27.3	2,127	143.8	2,480	80.9	1,839	63.5

Notes: 1. Comprehensive income: Three months ended January 31, 2020: ¥1,339 million [75.5%] Three months ended January 31, 2019: ¥763 million [85.2%]  
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Three months ended January 31, 2020	¥10.86	¥ —
Three months ended January 31, 2019	14.68	—

##### (2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of January 31, 2020	¥147,859	¥99,507	63.7%
As of October 31, 2019	142,660	99,260	65.9

(Reference) Shareholders' equity: As of January 31, 2020: ¥94,146 million As of October 31, 2019: ¥93,977 million

#### 2. Cash Dividends for Shareholders of Common Stock

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

	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	—				
Year ending October 31, 2020 (Forecast)		4.00	—	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
	¥	(%)	¥	(%)	¥	(%)	¥	(%)	¥
Six months ending April 30, 2020	57,300	(2.0)%	4,200	(25.1)%	5,300	(18.2)%	3,700	(20.6)%	29.54
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. 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 January 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	8,134,283 shares	7,934,971 shares
	<u>Three months ended January 31, 2020</u>	<u>Three months ended January 31, 2019</u>
c) Average number of shares issued in the period	125,116,604 shares	125,259,560 shares

*Note: The number of shares of treasury stock increased by 199,312 shares during the cumulative first-quarter period (November 1, 2019 to January 31, 2020) as the Company acquired its common stock owned by subsidiaries 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.*

## Accompanying Materials

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

#### (1) Explanation of Operating Results

During the cumulative first-quarter period under review (November 1, 2019 to January 31, 2020), although the impact of the economic slowdown overseas remained, its effect on domestic demand appeared limited. Nevertheless, the outlook remained uncertain due to concerns over the negative impact from trade friction between the United States and China, slowing growth in emerging Asian economies, including China, and the global spread of novel coronavirus infections.

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 decreased by ¥468 million (1.9%) year on year to ¥23,802 million as a result of adjustments to shipment times for agricultural chemicals and lower sales of some fine chemicals. Operating income decreased by ¥515 million (24.2%) year on year to ¥1,612 million due to the decline in net sales in addition to an increase in selling, general and administrative expenses. Ordinary income was ¥2,088 million, down by ¥393 million (15.8%) year on year. Net income attributable to owners of the parent decreased by ¥480 million (26.1%) to ¥1,359 million.

The percentage of net sales to markets overseas in the first quarter period under review was 47.3%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Three months ended January 31, 2019			Three months ended January 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	¥17,450	71.9%	¥1,900	¥17,224	72.4%	¥1,647	¥(226) [(1.3)]	¥(253) [(13.3)]
Fine Chemicals Business	5,136	21.2	411	4,835	20.3	198	(301) [(5.9)]	(213) [(51.9)]
Other Businesses	1,683	6.9	119	1,743	7.3	103	60 [3.5]	(16) [(13.7)]
Total	24,269	100.0	2,127	23,802	100.0	1,612	(468) [(1.9)]	(515) [(24.2)]

Notes: 1. Consolidated segment operating income for the cumulative first quarter period of the previous fiscal year includes ¥303 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 first quarter period of the current fiscal year includes ¥336 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

Among farmland products for the Japanese market, sales of rice paddy field herbicide Effeeda remained strong, but sales were lower year on year for insecticide/fungicide combination products for rice, fruit, and vegetables due to delays in shipment. As a result, sales of farmland products for the Japanese market decreased year on year.

Sales of specialty products increased year on year as a result of expansion for rice paddy herbicides such as Effeeda and bensulfuron methyl in the sales of active ingredients developed in house.

Sales to markets outside Japan decreased year on year, impacted by factors such as a decline in demand for fungicide in Europe and adjustments in shipment times for a plant growth regulator, although sales of Axeev, a mainstay herbicide for field crops, were strong in the United States and Australia.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Businesses segment came to ¥17,224 million, down by ¥226 million (1.3%) compared with the same period of the previous fiscal year. Operating income decreased by ¥253 million (13.3%) year on year to ¥1,647 million.

For Axeev, in the first half of the fiscal year, distribution inventory, which was affected by unseasonal weather in the United States last year, will be reduced while new shipments will be adjusted. From the second half of the fiscal year, shipment of products for the 2021 season will be promoted.

## *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 a slump in automobile-related industries.

In the fine chemical business, sales of bismaleimides used in electronic materials and high-heat-resistant resins remained strong, but sales of urethane curing agents used in waterproofing agents decreased.

In the industrial chemicals business, orders for chemicals used in paper manufacturing remained strong.

Sales decreased in the polystyrene business due to a downturn in demand.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥4,835 million, down by ¥301 million (5.9%) compared with the same period of the previous fiscal year. Operating income decreased by ¥213 million (51.9%) year on year to ¥198 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.

The leasing business continued working to effectively utilize owned properties, and sales were on a par with the same period of the previous fiscal year. Sales in the construction business were higher year on year due to an increase in construction carried forward from the previous fiscal year, but operating income decreased due to an increase in expenses. In the electricity generating and service business, the printing business, and the logistics business, sales were on a par with the same period of the previous fiscal year.

As a result of the factors above, net sales in the Other Businesses segment amounted to ¥1,743 million, up ¥60 million (3.5%) compared with the same period of the previous fiscal year. Operating income decreased ¥16 million (13.7%) year on year to ¥103 million.

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

Total assets on a consolidated basis as of January 31, 2020 stood at ¥147,859 million, up by ¥5,200 million from the end of the previous fiscal year. This was mainly because the increase in notes and accounts receivable-trade and merchandise and finished products exceeded the decrease in raw materials and supplies.

Liabilities increased ¥4,953 million compared with previous fiscal year-end to ¥48,353 million. This was mainly because increases in short-term loans payable and notes and accounts payable-trade exceeded the decrease in accounts payable-other and income taxes payable.

Net assets totaled ¥99,507 million as of January 31, 2020, resulting in an equity ratio of 63.7% and net assets per share of ¥752.87.

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

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

## 2. Quarterly Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	Millions of yen	
	As of October 31, 2019	As of January 31, 2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	15,354	15,034
Notes and accounts receivable-trade	26,623	28,015
Marketable securities	30	10
Merchandise and finished products	23,040	27,323
Work in process	9,032	8,916
Raw materials and supplies	6,147	5,757
Other current assets	1,840	1,691
Allowance for doubtful accounts	(63)	(44)
<b>Total current assets</b>	<b>82,003</b>	<b>86,702</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures, net	10,394	10,242
Machinery, equipment and vehicles, net	7,291	7,401
Land	12,103	12,109
Construction in progress	727	830
Other property, plant and equipment, net	1,446	1,414
<b>Total property and equipment</b>	<b>31,961</b>	<b>31,995</b>
<b>Intangible fixed assets:</b>		
Goodwill	4,268	4,133
Other intangible assets	1,043	1,050
<b>Total intangible assets</b>	<b>5,310</b>	<b>5,183</b>
<b>Investments and other assets:</b>		
Investments securities	20,783	21,166
Long-term loans	11	310
Deferred tax assets	797	866
Net defined benefit asset	156	105
Other	1,772	1,665
Allowance for doubtful accounts	(133)	(133)
<b>Total investments and other assets</b>	<b>23,385</b>	<b>23,980</b>
<b>Total fixed assets</b>	<b>60,657</b>	<b>61,157</b>
<b>Total assets</b>	<b>142,660</b>	<b>147,859</b>

	Millions of yen	
	As of October 31, 2019	As of January 31, 2020
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	13,175	14,706
Short-term loan payable	12,747	21,017
Accounts payable-other	4,271	2,323
Income taxes payable	3,129	442
Provision for bonuses	1,463	619
Other current liabilities	796	1,078
<b>Total current liabilities</b>	<b>35,581</b>	<b>40,186</b>
<b>Long-term liabilities:</b>		
Long-term loan payable	311	311
Deferred tax liabilities	2,168	2,499
Provision for directors' retirement benefits	618	576
Net defined benefit liability	4,263	4,266
Asset retirement obligations	39	40
Other long-term liabilities	419	475
<b>Total long-term liabilities</b>	<b>7,818</b>	<b>8,167</b>
<b>Total liabilities</b>	<b>43,400</b>	<b>48,353</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	60,555
Less treasury stocks, at cost	(5,268)	(5,372)
<b>Total shareholders' equity</b>	<b>96,600</b>	<b>96,798</b>
<b>Accumulated other comprehensive income:</b>		
Valuation differences on available-for-sale securities	833	937
Foreign currency translation adjustments	(3,339)	(3,478)
Remeasurements of defined benefit plans	(117)	(111)
<b>Total accumulated other comprehensive loss</b>	<b>(2,623)</b>	<b>(2,652)</b>
<b>Non-controlling interests</b>	<b>5,283</b>	<b>5,360</b>
<b>Total net assets</b>	<b>99,260</b>	<b>99,507</b>
<b>Total liabilities and net assets</b>	<b>142,660</b>	<b>147,859</b>

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

Consolidated Statements of Income

	Millions of yen	
	Three months ended January 31, 2019	Three months ended January 31, 2020
<b>Net sales</b>	24,269	23,802
<b>Cost of sales</b>	17,948	17,631
<b>Gross profits</b>	6,321	6,171
<b>Selling, general and administrative expenses</b>	4,195	4,559
<b>Operating income</b>	2,127	1,612
<b>Non-operating income:</b>		
Interest income	14	9
Dividend income	98	89
Equity in earnings of affiliates	409	350
Reversal of allowance for doubtful accounts	17	19
Other	68	74
<b>Total non-operating income</b>	<b>605</b>	<b>541</b>
<b>Non-operating expenses:</b>		
Interest expenses	5	17
Sales discounts	4	1
Foreign exchange losses	235	30
Other	8	18
<b>Total non-operating expenses</b>	<b>252</b>	<b>65</b>
<b>Ordinary income</b>	<b>2,480</b>	<b>2,088</b>
<b>Extraordinary income:</b>		
Gain on sales of fixed assets	91	23
Insurance income	9	8
<b>Total extraordinary income</b>	<b>100</b>	<b>31</b>
<b>Extraordinary loss:</b>		
Loss on disposal of fixed assets	5	17
Loss on valuation of investment securities	—	0
Loss on valuation of golf club membership	0	0
Compensation expenses	—	24
Loss on disaster	10	4
Office transfer expenses	10	—
<b>Total extraordinary loss</b>	<b>25</b>	<b>45</b>
<b>Income before income taxes and non-controlling interests</b>	<b>2,555</b>	<b>2,073</b>
<b>Income taxes</b>	<b>701</b>	<b>705</b>
<b>Net income</b>	<b>1,854</b>	<b>1,368</b>
<b>Net income attributable to non-controlling interests</b>	<b>15</b>	<b>9</b>
<b>Net income attributable to owners of parent</b>	<b>1,839</b>	<b>1,359</b>

## Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended January 31, 2019	Three months ended January 31, 2020
<b>Net income</b>	1,854	1,368
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	(225)	104
Foreign currency translation adjustment	(84)	(48)
Remeasurements of defined benefit plans	7	7
Share of other comprehensive income of associates accounted for using equity method	(790)	(92)
<b>Total other comprehensive income (loss)</b>	<b>(1,091)</b>	<b>(29)</b>
<b>Comprehensive income</b>	<b>763</b>	<b>1,339</b>
(Breakdown)		
Comprehensive income attributable to owners of the parent	750	1,330
Comprehensive income attributable to non-controlling interests	13	9



(Segment Information, etc.)

[ Segment Information ]

For the first quarter ended January 31, 2019 (From November 1, 2018 to January 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	17,450	5,136	22,586	1,683	24,269	—	24,269
Inter-segment	—	—	—	691	691	(691)	—
Total	17,450	5,136	22,586	2,374	24,960	(691)	24,269
Segment income/(loss)	1,900	411	2,311	119	2,430	(303)	2,127

(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 ¥303 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 first quarter ended January 31, 2019 (From November 1, 2018 to January 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	17,224	4,835	22,059	1,743	23,802	—	23,802
Inter-segment	—	14	14	788	802	(802)	—
Total	17,224	4,848	22,072	2,531	24,603	(802)	23,802
Segment income/(loss)	1,647	198	1,845	103	1,948	(336)	1,612

(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 ¥336 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.