

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Consolidated Financial Results for the Second Quarter Ended April 30, 2023 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: Prime Market of Tokyo Stock Exchange (Securities code: 4996)
 URL: <https://www.kumiai-chem.co.jp>
 Representative: Makoto Takagi, President and Representative Director
 For Inquiry: Koji Yamada, General Manager of General Affairs Department (Telephone: 81-3-3822- 5036)
 Scheduled Filing of Quarterly Securities Report: June 14, 2023
 Scheduled Commencement of Dividend Payment: July 7, 2023
 Supplementary Materials on Financial Results: Attached
 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, 2023)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of parent	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Six months ended April 30, 2023	¥95,445	32.2%	¥12,666	60.8%	¥13,502	18.1%	¥10,246	28.6%
Six months ended April 30, 2022	72,211	22.9	7,875	64.2	11,429	76.7	7,968	68.8

Notes: 1. Comprehensive income: Six months ended April 30, 2023: ¥13,179 million [31.4%] Six months ended April 30, 2022: ¥10,032 million [359.2%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Six months ended April 30, 2023	¥85.25	¥ —
Six months ended April 30, 2022	65.88	—

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of April 30, 2023	¥225,022	¥133,657	56.5%
As of October 31, 2022	204,604	121,995	56.4

(Reference) Shareholders' equity: As of April 30, 2023: ¥127,133 million As of October 31, 2022: ¥115,468 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, 2022	¥ —	¥8.00	¥ —	¥14.00	¥22.00
Year ending October 31, 2023	—	18.00			
Year ending October 31, 2023 (Forecast)			—	24.00	42.00

Note: Most recently announced revisions to dividend forecast: Yes

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2023)

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

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of parent		Net Income per Share
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount
Year ending October 31, 2023	¥169,000	16.3%	¥17,100	34.9%	¥21,500	(8.8)%	¥16,700	2.3%	¥138.92

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, 2023	As of October 31, 2022
a) Number of shares issued (including treasury stock)	133,184,612 shares	133,184,612 shares
b) Number of treasury stock	12,972,472 shares	13,026,004 shares
	Six months ended April 30, 2023	Six months ended April 30, 2022
c) Average number of shares issued in the period	120,176,330 shares	120,954,149 shares

**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 Quarterly Financial Results Supplementary Materials and the Quarterly Financial Results Briefing Materials)

The supplementary materials for the quarterly financial results will be posted on the Company's official website on Friday, June 9, 2023. The Company will also hold a briefing on the quarterly financial results for institutional investors and securities analysts on Tuesday, June 20, 2023. The quarterly financial results materials used at the briefing will be published on the Company's official website after the presentation 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, 2022 to April 30, 2023), the Japanese economy experienced a moderate recovery due to the easing of the COVID-19 pandemic among other factors. Still, the outlook remained uncertain due to the possibility of recession overseas, primarily in Europe and the U.S., the soaring cost of fuel and raw materials as crude oil prices remained high, and intensifying geopolitical risks.

Against this backdrop, the Group implemented the Medium-Term Business Plan, “Create the Future—The Challenge for New Possibilities,” which started in the fiscal year ended October 31, 2021, and made every effort to implement priority measures designed to increase corporate value.

In the period under review, net sales increased by ¥23,234 million, or 32.2%, year on year, to ¥95,445 million, despite lower sales in the Fine Chemicals Business, driven by the continued strong performance of the Agricultural Chemicals and Agriculture-Related Business overseas and higher selling prices implemented in view of the soaring prices of raw material and fuel. Operating income was ¥12,666 million, up ¥4,792 million, or 60.8%, year on year. Ordinary income was ¥13,502 million, up ¥2,073 million, or 18.1%, year on year, despite foreign exchange losses, due to an increase in equity in earnings of affiliates. Net income attributable to owners of the parent amounted to ¥10,246 million, up ¥2,277 million, or 28.6%, year on year. The percentage of overseas net sales was 56.9%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Six months ended April 30, 2022			Six months ended April 30, 2023			YoY	
	Net sales	Composition ratio	Operating income	Net sales	Composition ratio	Operating income	Net sales [% change]	Operating income [% change]
Agricultural Chemicals and Agriculture-Related Business	¥56,672	78.5%	¥7,824	¥79,454	83.2%	¥12,955	¥22,781 [40.2]	¥5,130 [65.6]
Fine Chemicals Business	11,753	16.3	419	10,911	11.4	96	(842) [(7.2)]	(323) [(77.0)]
Other Business	3,786	5.2	425	5,081	5.3	524	1,295 [34.2]	99 [23.2]
Total	72,211	100.0	7,875	95,445	100.0	12,666	23,234 [32.2]	4,792 [60.8]

- Notes: 1. Consolidated segment operating income for the cumulative second-quarter period of the previous fiscal year includes ¥795 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 ¥909 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 Business segment

In the Japanese market, although sales of products for nursery boxes of rice, including the rice paddy field fungicide DISARTA and the rice paddy field herbicide Effeeda, remained strong, shipments fell due to customer inventory adjustments. As a result, total sales in this segment were about the same as in the same period of the previous fiscal year.

In markets outside Japan, shipments of AXEEV, a herbicide for field crops, increased significantly, mainly in North America, as demand increased due to its high level of effectiveness as a herbicide and the positive market environment, although shipments to Brazil declined due to adjustments in shipment timing.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Business segment came to ¥79,454 million, up by ¥22,781 million (40.2%) compared with the same period of the previous fiscal year. Operating income increased by ¥5,130 million (65.6%) year on year to ¥12,955 million.

2) Fine Chemicals Business segment

Shipments of bismaleimides and some chloroxylylene derivatives decreased as a result of weaker demand for semiconductors due to the economic slowdown in China and the U.S.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥10,911 million, down by ¥842 million (7.2%) compared with the same period of the previous fiscal year. Operating income decreased by ¥323million (77.0%) year on year to ¥96 million.

3) Other Business segment

Sales in the Printing Business and the Logistics Business remained strong, and sales in the Construction Business increased significantly due to progress on construction carried over from the previous fiscal year. As a result, net sales in the Other Business segment amounted to ¥5,081 million, up ¥1,295 million (34.2%) compared with the same period of the previous fiscal year. Operating income increased by ¥99 million (23.2%) year on year to ¥524 million.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of April 30, 2023 stood at ¥225,022 million, up by ¥20,418 million from the end of the previous fiscal year. This was mainly due to increases in cash and deposits, notes, accounts receivable–trade, contract assets, and investment securities.

Liabilities increased ¥8,756 million compared with previous fiscal year-end to ¥91,365 million. This was mainly because the increase in short-term loans payable exceeded decreases in accounts payable–other and long-term loans payable.

Total net assets amounted to ¥133,657 million, an increase of ¥11,662 million compared with the end of the previous fiscal year. The increase in total net assets was mainly due to increases in retained earnings and foreign currency translation adjustments.

The equity ratio stood at 56.5%, and net assets per share were ¥1,057.57.

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

The full-year results forecast for the fiscal year ending October 31, 2023 issued at the December 14, 2022 announcement of the financial results for the fiscal year ended October 31, 2022 has been revised. For details, please see “Notice of Revisions to the Forecasts for the Interim and Full-Year Consolidated Financial Results for the Fiscal Year Ending October 31, 2023” (in Japanese only) issued on June 6, 2023.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of October 31, 2022	As of April 30, 2023
ASSETS		
Current assets:		
Cash and deposits	22,300	28,272
Notes, accounts receivable–trade, and contract assets	49,702	60,581
Merchandise and finished products	38,411	33,867
Work in process	10,250	13,237
Raw materials and supplies	7,531	8,466
Other current assets	4,748	3,048
Allowance for doubtful accounts	(107)	(32)
Total current assets	132,836	147,439
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	13,992	14,117
Machinery, equipment and vehicles, net	10,018	9,861
Land	12,389	12,420
Construction in progress	5,006	7,032
Other property, plant and equipment, net	1,739	1,797
Total property and equipment	43,145	45,227
Intangible fixed assets:		
Goodwill	3,419	3,088
Other intangible assets	1,412	1,290
Total intangible assets	4,831	4,378
Investments and other assets:		
Investments securities	21,038	25,132
Long-term loans	318	318
Deferred tax assets	1,061	1,124
Net defined benefit asset	77	63
Other	1,465	1,507
Allowance for doubtful accounts	(166)	(166)
Total investments and other assets	23,793	27,978
Total fixed assets	71,768	77,583
Total assets	204,604	225,022

	Millions of yen	
	As of October 31, 2022	As of April 30, 2023
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	20,985	21,004
Short-term loan payable	22,653	36,784
Accounts payable-other	8,678	5,774
Income taxes payable	4,765	3,604
Provision for bonuses	1,713	1,592
Provision for environmental measures	394	390
Other current liabilities	3,680	4,819
Total current liabilities	62,868	73,966
Long-term liabilities:		
Long-term loan payable	12,280	10,493
Deferred tax liabilities	1,398	1,283
Provision for directors' retirement benefits	488	350
Provision for environmental measures	210	—
Net defined benefit liability	4,394	4,324
Asset retirement obligations	42	42
Other long-term liabilities	929	907
Total long-term liabilities	19,741	17,400
Total liabilities	82,609	91,365
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	37,403	37,455
Retained earnings	86,649	95,355
Less treasury stocks, at cost	(9,370)	(9,328)
Total shareholders' equity	119,216	128,016
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	1,485	1,412
Foreign currency translation adjustments	(5,121)	(2,198)
Remeasurements of defined benefit plans	(112)	(97)
Total accumulated other comprehensive loss	(3,748)	(883)
Non-controlling interests	6,527	6,524
Total net assets	121,995	133,657
Total liabilities and net assets	204,604	225,022

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

	Millions of yen	
	Six months ended April 30, 2022	Six months ended April 30, 2023
Net sales	72,211	95,445
Cost of sales	54,270	72,157
Gross profits	17,941	23,288
Selling, general and administrative expenses	10,066	10,622
Operating income	7,875	12,666
Non-operating income:		
Interest income	20	62
Dividend income	65	491
Equity in earnings of affiliates	780	3,701
Foreign exchange gains	2,622	—
Reversal of allowance for doubtful accounts	75	62
Other	86	262
Total non-operating income	3,649	4,577
Non-operating expenses:		
Interest expenses	78	112
Foreign exchange losses	—	3,624
Other	16	5
Total non-operating expenses	94	3,741
Ordinary income	11,429	13,502
Extraordinary income:		
Gain on disposal of fixed assets	1	2
Subsidy income	83	286
Insurance income	1	84
Total extraordinary income	85	373
Extraordinary loss:		
Loss on disposal of fixed assets	90	38
Loss on reduction of fixed assets	5	7
Loss on valuation of investment securities	2	—
Loss on disaster	1	—
Total extraordinary loss	98	45
Income before income taxes and non-controlling interests	11,416	13,830
Income taxes	3,255	3,452
Net income	8,161	10,378
Net income attributable to non-controlling interests	193	133
Net income attributable to owners of parent	7,968	10,246

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended April 30, 2022	Six months ended April 30, 2023
Net income	8,161	10,378
Other comprehensive income:		
Valuation difference on available-for-sale securities	(39)	(67)
Foreign currency translation adjustment	546	(325)
Remeasurements of defined benefit plans	9	15
Share of other comprehensive income (loss) of associates accounted for using equity method	1,355	3,177
Total other comprehensive income	1,871	2,801
Comprehensive income	10,032	13,179
(Breakdown)		
Comprehensive income attributable to owners of the parent	9,732	13,110
Comprehensive income attributable to non-controlling interests	300	69

(Segment Information, etc.)

For the second quarter ended April 30, 2022 (From November 1, 2021 to April 30, 2022)

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	56,672	11,753	68,425	3,786	72,211	—	72,211
Inter-segment	1	13	13	2,294	2,307	(2,307)	—
Total	56,673	11,766	68,439	6,080	74,518	(2,307)	72,211
Segment income/(loss)	7,824	419	8,244	425	8,669	(795)	7,875

(Notes)

1. The Other Business 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 ¥795 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, 2023 (From November 1, 2022 to April 30, 2023)

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	79,454	10,911	90,364	5,081	95,445	—	95,445
Inter-segment	1	32	33	2,262	2,295	(2,295)	—
Total	79,455	10,943	90,397	7,342	97,740	(2,295)	95,445
Segment income/(loss)	12,955	96	13,051	524	13,575	(909)	12,666

(Notes)

1. The Other Business 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 ¥909 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.