

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Consolidated Financial Results for the Third Quarter Ended July 31, 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>
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Scheduled Filing of Quarterly Securities Report: September 14, 2023
 Scheduled Commencement of Dividend Payment: —
 Supplementary Materials on Financial Results: Attached
 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, 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 (%)
Nine months ended July 31, 2023	¥130,395	22.6%	¥14,109	36.4%	¥18,717	15.9%	¥14,480	30.9%
Nine months ended July 31, 2022	106,334	20.1	10,342	50.3	16,153	78.9	11,063	74.5

Notes: 1. Comprehensive income: Nine months ended July 31, 2023: ¥18,659 million [45.4%] Nine months ended July 31, 2022: ¥12,829 million [272.2%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Nine months ended July 31, 2023	¥120.44	¥ —
Nine months ended July 31, 2022	91.67	—

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of July 31, 2023	¥219,684	¥137,028	59.3%
As of October 31, 2022	204,604	121,995	56.4

(Reference) Shareholders' equity: As of July 31, 2023: ¥130,336 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: No

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 (%)	
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.

***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, 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	12,857,960 shares	13,026,004 shares
	Nine months ended July 31, 2023	Nine months ended July 31, 2022
c) Average number of shares issued in the period	120,226,666 shares	120,689,180 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, September 8, 2023.

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, 2022 to July 31, 2023), the Japanese economy continued a moderate recovery due to the normalization of economic activity with the transition of COVID-19 to a Category V infectious disease among other factors. The outlook still remained uncertain due to the possibility of recession overseas, primarily in Europe, the U.S., and China, 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 ¥24,061 million, or 22.6%, year on year, to ¥130,395 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 fuel and raw materials. Operating income was ¥14,109 million, up ¥3,767 million, or 36.4%, year on year. Ordinary income was ¥18,717 million, up ¥2,563 million, or 15.9%, 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 ¥14,480 million, up ¥3,416 million, or 30.9%, year on year. The percentage of overseas net sales was 60.3%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Nine months ended July 31, 2022			Nine months ended July 31, 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	¥82,145	77.3%	¥10,372	¥106,763	81.9%	¥14,533	¥24,618 [30.0]	¥4,160 [40.1]
Fine Chemicals Business	18,533	17.4	676	16,598	12.7	314	(1,934) [(10.4)]	(361) [(53.5)]
Other Business	5,657	5.3	518	7,035	5.4	609	1,378 [24.4]	91 [17.6]
Total	106,334	100.0	10,342	130,395	100.0	14,109	24,061 [22.6]	3,767 [36.4]

- Notes: 1. Consolidated segment operating income for the cumulative third-quarter period of the previous fiscal year includes ¥1,223 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 ¥1,347 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, sales of products for nursery boxes of rice that contain the rice paddy field fungicide DISARTA and the rice paddy field herbicide Effeeda, remained strong, but 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 Argentina declined because of import restrictions due to a shortage of foreign currency and to Brazil due to optimization of distribution inventory in the country's agricultural chemical market as a whole.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Business segment came to ¥106,763 million, up by ¥24,618 million (30.0%) compared with the same period of the previous fiscal year. Operating income increased by ¥4,160 million (40.1%) year on year to ¥14,533 million.

2) Fine Chemicals Business segment

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

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥16,598 million, down by ¥1,934 million (10.4%) compared with the same period of the previous fiscal year. Operating income decreased by ¥361million (53.5%) year on year to ¥314 million.

3) Other Business segment

Sales in the Logistics Business remained steady, 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 ¥7,035 million, up ¥1,378 million (24.4%) compared with the same period of the previous fiscal year. Operating income increased by ¥91 million (17.6%) year on year to ¥609 million.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of July 31, 2023 stood at ¥219,684 million, up by ¥15,080 million from the end of the previous fiscal year. This was mainly due to increases in investment securities, construction in progress, and cash and deposits.

Liabilities increased ¥47 million compared with previous fiscal year-end to ¥82,656 million. This was mainly because the increase in short-term loans payable exceeded decreases in notes and accounts payable—trade, accounts payable—other, and income taxes payable.

Total net assets amounted to ¥137,028 million, an increase of ¥15,033 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 59.3%, and net assets per share were ¥1,083.19.

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

The full-year results forecast for the fiscal year ending October 31, 2023 has not been changed from the forecast in “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 July 31, 2023
ASSETS		
Current assets:		
Cash and deposits	22,300	25,199
Notes, accounts receivable–trade, and contract assets	49,702	48,644
Merchandise and finished products	38,411	40,388
Work in process	10,250	11,616
Raw materials and supplies	7,531	9,031
Other current assets	4,748	3,310
Allowance for doubtful accounts	(107)	(25)
Total current assets	132,836	138,163
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	13,992	14,458
Machinery, equipment and vehicles, net	10,018	9,846
Land	12,389	12,416
Construction in progress	5,006	8,098
Other property, plant and equipment, net	1,739	1,730
Total property and equipment	43,145	46,547
Intangible fixed assets:		
Goodwill	3,419	2,922
Other intangible assets	1,412	1,235
Total intangible assets	4,831	4,158
Investments and other assets:		
Investments securities	21,038	27,878
Long-term loans	318	317
Deferred tax assets	1,061	1,139
Net defined benefit asset	77	66
Other	1,465	1,582
Allowance for doubtful accounts	(166)	(165)
Total investments and other assets	23,793	30,817
Total fixed assets	71,768	81,522
Total assets	204,604	219,684

	Millions of yen	
	As of October 31, 2022	As of July 31, 2023
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	20,985	15,992
Short-term loan payable	22,653	38,549
Accounts payable-other	8,678	4,623
Income taxes payable	4,765	1,109
Provision for bonuses	1,713	866
Provision for environmental measures	394	337
Other current liabilities	3,680	5,035
Total current liabilities	62,868	66,511
Long-term liabilities:		
Long-term loan payable	12,280	9,252
Deferred tax liabilities	1,398	1,258
Provision for directors' retirement benefits	488	362
Provision for environmental measures	210	—
Net defined benefit liability	4,394	4,358
Asset retirement obligations	42	42
Other long-term liabilities	929	873
Total long-term liabilities	19,741	16,145
Total liabilities	82,609	82,656
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	37,403	37,467
Retained earnings	86,649	97,425
Less treasury stocks, at cost	(9,370)	(9,239)
Total shareholders' equity	119,216	130,188
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	1,485	1,755
Foreign currency translation adjustments	(5,121)	(1,517)
Remeasurements of defined benefit plans	(112)	(90)
Total accumulated other comprehensive loss	(3,748)	148
Non-controlling interests	6,527	6,692
Total net assets	121,995	137,028
Total liabilities and net assets	204,604	219,684

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

	Millions of yen	
	Nine months ended July 31, 2022	Nine months ended July 31, 2023
Net sales	106,334	130,395
Cost of sales	80,625	100,179
Gross profits	25,709	30,217
Selling, general and administrative expenses	15,366	16,108
Operating income	10,342	14,109
Non-operating income:		
Interest income	34	91
Dividend income	162	600
Equity in earnings of affiliates	1,305	5,604
Foreign exchange gains	4,259	—
Reversal of allowance for doubtful accounts	83	66
Other	120	289
Total non-operating income	5,962	6,650
Non-operating expenses:		
Interest expenses	128	171
Foreign exchange losses	—	1,858
Other	23	13
Total non-operating expenses	151	2,042
Ordinary income	16,153	18,717
Extraordinary income:		
Gain on disposal of fixed assets	1	2
Subsidy income	94	286
Insurance income	90	85
Total extraordinary income	185	373
Extraordinary loss:		
Loss on disposal of fixed assets	153	97
Loss on reduction of fixed assets	5	7
Loss on valuation of investment securities	2	—
Loss on disaster	37	—
Environmental expenses	468	—
Total extraordinary loss	665	104
Income before income taxes and non-controlling interests	15,673	18,986
Income taxes	4,253	4,230
Net income	11,420	14,756
Net income attributable to non-controlling interests	357	277
Net income attributable to owners of parent	11,063	14,480

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended July 31, 2022	Nine months ended July 31, 2023
Net income	11,420	14,756
Other comprehensive income:		
Valuation difference on available-for-sale securities	105	284
Foreign currency translation adjustment	687	(28)
Remeasurements of defined benefit plans	13	22
Share of other comprehensive income of associates accounted for using equity method	604	3,624
Total other comprehensive income	1,409	3,902
Comprehensive income	12,829	18,659
(Breakdown)		
Comprehensive income attributable to owners of the parent	12,320	18,376
Comprehensive income attributable to non-controlling interests	509	283

(Segment Information, etc.)

For the third quarter ended July 31, 2022 (From November 1, 2021 to July 31, 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	82,145	18,533	100,678	5,657	106,334	—	106,334
Inter-segment	1	21	22	2,917	2,938	(2,938)	—
Total	82,146	18,553	100,700	8,573	109,273	(2,938)	106,334
Segment income/(loss)	10,372	676	11,048	518	11,565	(1,223)	10,342

(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 ¥1,223 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 third quarter ended July 31, 2023 (From November 1, 2022 to July 31, 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	106,763	16,598	123,361	7,035	130,395	—	130,395
Inter-segment	2	44	46	3,052	3,098	(3,098)	—
Total	106,765	16,642	123,407	10,086	133,493	(3,098)	130,395
Segment income/(loss)	14,533	314	14,847	609	15,456	(1,347)	14,109

(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 ¥1,347 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.