

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

June 7, 2024

Consolidated Financial Results for the Six Months Ended April 30, 2024 (Under Japanese GAAP)



Company name: KUMIAI CHEMICAL INDUSTRY CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 4996
 URL: <https://www.kumiai-chem.co.jp>
 Representative: Makoto Takagi, President and Representative Director
 Inquiries: Koji Yamada, General Manager of General Affairs Department
 Telephone: +81-3-3822-5036
 Scheduled date to file quarterly securities report: June 13, 2024
 Scheduled date to commence dividend payments: July 9, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded off to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended April 30, 2024 (from November 1, 2023 to April 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
April 30, 2024	88,100	(7.7)	8,830	(30.3)	12,990	(3.8)	9,322	(9.0)
April 30, 2023	95,445	32.2	12,666	60.8	13,502	18.1	10,246	28.6

Note: Comprehensive income For the six months ended April 30, 2024: ¥14,060 million [6.7%]
 For the six months ended April 30, 2023: ¥13,179 million [31.4%]

	Basic earnings per share	Diluted earnings per share (diluted)
	Yen	Yen
Six months ended		
April 30, 2024	77.47	—
April 30, 2023	85.25	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
April 30, 2024	273,588	150,648	52.4
October 31, 2023	226,939	139,845	58.6

Reference: Equity
 As of April 30, 2024: ¥143,464 million
 As of October 31, 2023: ¥133,025 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2023	–	18.00	–	27.00	45.00
Fiscal year ending October 31, 2024	–	10.00			
Fiscal year ending October 31, 2024 (Forecast)			–	20.00	30.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

*The Company revised the year-end dividend per share (forecast) for the fiscal year ending October 31, 2024 from 18 yen to 20 yen. Please see “Announcement of a Revision to Year-end Dividend Forecast (Increase)” published on June 7, 2024 for details.

3. Consolidated financial result forecasts for the fiscal year ending October 31, 2024 (from November 1, 2023 to October 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	155,000	(3.7)	10,000	(29.0)	15,500	(35.7)	12,000	(33.4)	99.69

Note: Revisions to the financial result forecast most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of April 30, 2024	133,184,612 shares
As of October 31, 2023	133,184,612 shares

- (ii) Number of treasury shares at the end of the period

As of April 30, 2024	12,808,318 shares
As of October 31, 2023	12,859,015 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended April 30, 2024	120,341,812 shares
Six months ended April 30, 2023	120,176,330 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

(Note on forward-looking statements, etc.)

Earnings forecasts contained in this document are based on information available to management as of the date of publication and provisional assumptions made as of such date 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 Consolidated Financial Results Forecast and Other Forward-looking Information under 1. Qualitative Information on Quarterly Financial Results on page 2 of the attached materials.

(How to obtain the quarterly financial results supplementary materials and the details of the quarterly financial results briefing)

The supplementary materials for the quarterly financial results will be posted on Kumiai's official website on Friday, June 7, 2024. Kumiai also plans to hold a quarterly financial results briefing for institutional investors and securities analysts on Friday, June 21, 2024. The quarterly financial results briefing materials for the briefing will be posted on Kumiai's official website after the briefing has been held.

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended April 30, 2024, the Japanese economy experienced a temporary lull due to the decline in personal consumption caused by higher prices and the suspension of production and shipping by some automobile manufacturers, although there were signs of improvement in corporate earnings and employment conditions.

The outlook also remained uncertain due to factors such as a global credit crunch, concerns about the economic downturn overseas, primarily in China, and intensifying geopolitical risk in Europe and the Middle East.

Against this backdrop, the Kumiai Group formulated the Mid-Term Business Plan, “Create the Future—Expanding our Possibilities,” which started in the fiscal year ending October 31, 2024, and is making every effort to implement priority measures designed to increase corporate value.

In the period under review, net sales decreased by ¥7,345 million (7.7%) year on year, to ¥88,100 million, as sales in the Agricultural Chemicals and Agriculture-Related Business came in lower than in the previous year. Operating profit was ¥8,830 million, down ¥3,836 million (30.3%) year on year. Ordinary profit was ¥12,990 million, down ¥513 million (3.8%) year on year, as share of profit of entities accounted for using equity method decreased despite the recording of foreign exchange gains. Profit attributable to owners of parent amounted to ¥9,322 million, down ¥923 million (9.0%) year on year. The percentage of overseas net sales was 54.7%.

Business results by segment were as follows.

(Millions of yen, except percentages)

Segment	Six months ended April 30, 2023			Six months ended April 30, 2024			YoY	
	Net sales	Composition ratio	Operating profit	Net sales	Composition ratio	Operating profit	Net sales [% change]	Operating profit [% change]
Agricultural Chemicals and Agriculture-Related Business	¥79,454	83.2%	¥12,955	¥72,306	82.1%	¥8,667	¥(7,148) [(9.0)]	¥(4,288) [(33.1)]
Fine Chemicals Business	10,911	11.4	96	11,642	13.2	367	731 [6.7]	270 [280.1]
Other Business	5,081	5.3	524	4,152	4.7	647	(928) [(18.3)]	122 [23.3]
Total	95,445	100.0	12,666	88,100	100.0	8,830	(7,345) [(7.7)]	(3,836) [(30.3)]

- Notes:
1. Consolidated segment operating profit for the six months ended April 30, 2023 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).
 2. Consolidated segment operating profit for the six months ended April 30, 2024 includes ¥850 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 that contain the fungicide for paddy rice DISARTA and the herbicide for paddy rice EFFEEDA remained strong, total sales in this segment were about the same as in the same period of the previous fiscal year due in part to the discontinuation of sale of some products.

In markets outside Japan, shipments of AXEEV, a field crop herbicide, decreased due to a global inventory compression.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Business segment came to ¥72,306 million, down by ¥7,148 million (9.0%) compared with the same period of the previous fiscal year. Operating profit decreased by ¥4,288 million (33.1%) year on year to ¥8,667 million.

2) Fine Chemicals Business segment

Sales volume of chlorotoluene derivatives decreased due to the impact of inventory adjustments by customers. On the other hand, sales volume of bismaleimides increased significantly due to a recovery in semiconductor demand. In addition, sales of expanded polystyrene and specialty chemicals were in line with the previous fiscal year.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥11,642 million, up by ¥731 million (6.7%) compared with the same period of the previous fiscal year. Operating profit increased by ¥270 million (280.1%) year on year to ¥367 million.

3) Other Business segment

Sales in the printing business and the logistics business remained strong, but sales in the construction business decreased due to a reduction in construction work carried over from the previous year. As a result, net sales in the Other Business segment amounted to ¥4,152 million, down ¥928 million (18.3%) compared with the same period of the previous fiscal year. Operating profit increased ¥122 million (23.3%) year on year to ¥647 million, as a result of strenuous cost-cutting efforts.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of April 30, 2024 stood at ¥273,588 million, up by ¥46,650 million from the end of the previous fiscal year. The main factors were increases in notes and accounts receivable - trade, and contract assets, merchandise and finished goods, and work in process.

Liabilities increased ¥35,846 million compared with previous fiscal year-end to ¥122,940 million. The main factors were increases in short-term borrowings and long-term borrowings.

Total net assets amounted to ¥150,648 million, an increase of ¥10,803 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 adjustment.

The equity ratio stood at 52.4%, and net assets per share were ¥1,191.80.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Kumiai has made revisions to the full-year results forecast for the fiscal year ending October 31, 2024, which was announced on December 14, 2023 with the financial results for the fiscal year ended October 31, 2023. For details, please see “Announcement of Revisions to the Consolidated Earnings Forecast for the Cumulative Second-quarter Period and the Full Year of Fiscal Year Ending October 31, 2024” issued on June 4, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of October 31, 2023	As of April 30, 2024
Assets		
Current assets		
Cash and deposits	27,080	30,980
Notes and accounts receivable - trade, and contract assets	35,751	59,959
Merchandise and finished goods	51,232	57,970
Work in process	12,295	18,366
Raw materials and supplies	9,916	9,999
Other	5,745	3,605
Allowance for doubtful accounts	(25)	(31)
Total current assets	141,995	180,848
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,781	22,114
Machinery, equipment and vehicles, net	9,737	10,624
Land	12,149	12,129
Construction in progress	2,202	3,089
Other, net	2,719	2,605
Total property, plant and equipment	47,587	50,560
Intangible assets		
Goodwill	2,757	2,426
Other	1,232	1,174
Total intangible assets	3,989	3,599
Investments and other assets		
Investment securities	30,453	35,529
Long-term loans receivable	517	532
Deferred tax assets	1,098	1,166
Retirement benefit asset	56	55
Other	1,514	1,574
Allowance for doubtful accounts	(270)	(275)
Total investments and other assets	33,367	38,581
Total non-current assets	84,944	92,740
Total assets	226,939	273,588

(Millions of yen)

	As of October 31, 2023	As of April 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,067	24,298
Short-term borrowings	37,404	55,342
Accounts payable - other	7,356	3,700
Income taxes payable	1,683	4,277
Provision for bonuses	1,908	1,571
Provision for environmental measures	201	252
Other	4,069	4,020
Total current liabilities	71,688	93,460
Non-current liabilities		
Long-term borrowings	8,355	23,351
Deferred tax liabilities	1,242	402
Provision for retirement benefits for directors (and other officers)	386	397
Retirement benefit liability	4,401	4,323
Asset retirement obligations	43	43
Other	980	964
Total non-current liabilities	15,406	29,480
Total liabilities	87,094	122,940
Net assets		
Shareholders' equity		
Share capital	4,534	4,534
Capital surplus	37,467	37,491
Retained earnings	100,969	107,043
Treasury shares	(9,240)	(9,220)
Total shareholders' equity	133,731	139,848
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,629	1,830
Foreign currency translation adjustment	(2,214)	1,890
Remeasurements of defined benefit plans	(120)	(104)
Total accumulated other comprehensive income	(706)	3,616
Non-controlling interests	6,819	7,184
Total net assets	139,845	150,648
Total liabilities and net assets	226,939	273,588

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended April 30

(Millions of yen)

	For the six months ended April 30, 2023	For the six months ended April 30, 2024
Net sales	95,445	88,100
Cost of sales	72,157	67,971
Gross profit	23,288	20,129
Selling, general and administrative expenses	10,622	11,299
Operating profit	12,666	8,830
Non-operating income		
Interest income	62	82
Dividend income	491	92
Reversal of allowance for doubtful accounts	62	8
Share of profit of entities accounted for using equity method	3,701	1,592
Foreign exchange gains	–	2,385
Other	262	228
Total non-operating income	4,577	4,387
Non-operating expenses		
Interest expenses	112	163
Foreign exchange losses	3,624	–
Other	5	64
Total non-operating expenses	3,741	228
Ordinary profit	13,502	12,990
Extraordinary income		
Gain on disposal of non-current assets	2	9
Subsidy income	286	4
Insurance claim income	84	1
Total extraordinary income	373	13
Extraordinary losses		
Loss on disposal of non-current assets	38	54
Loss on tax purpose reduction entry of non-current assets	7	3
Environmental expenses	–	277
Total extraordinary losses	45	334
Profit before income taxes	13,830	12,669
Income taxes	3,452	3,048
Profit	10,378	9,621
Profit attributable to non-controlling interests	133	299
Profit attributable to owners of parent	10,246	9,322

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended April 30

(Millions of yen)

	For the six months ended April 30, 2023	For the six months ended April 30, 2024
Profit	10,378	9,621
Other comprehensive income		
Valuation difference on available-for-sale securities	(67)	225
Foreign currency translation adjustment	(325)	356
Remeasurements of defined benefit plans, net of tax	15	16
Share of other comprehensive income of entities accounted for using equity method	3,177	3,841
Total other comprehensive income	2,801	4,439
Comprehensive income	13,179	14,060
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,110	13,644
Comprehensive income attributable to non-controlling interests	69	416

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Total income taxes)

Total income taxes were calculated by rationally estimating the effective tax rate after application of tax effect accounting on the profit before income taxes of the consolidated fiscal year, including the consolidated second quarter under review, and multiplying the pretax quarterly profit by this estimated effective tax rate.

Income taxes - deferred are included within income taxes.

(Additional information)

(Absorption-type merger of wholly owned subsidiary)

Kumiai made a resolution at a meeting of the Board of Directors held on December 5, 2023 to effect an absorption-type merger with Kumiai as the surviving company and K-I INFORMATION SYSTEM CO., LTD., Kumiai's wholly owned subsidiary, as the absorbed company, and the merger agreement was concluded on the same date. Under such agreement, Kumiai implemented an absorption-type merger with the subsidiary on May 1, 2024.

1. Overview of Business Combination

(1) Name and business description of the absorbed company

Name of the absorbed company: K-I INFORMATION SYSTEM CO., LTD.

Business description Information services business

(2) Date of the business combination

May 1, 2024

(3) Legal form of business combination

An absorption-type merger, with Kumiai as the surviving company and K-I INFORMATION SYSTEM CO., LTD. as the absorbed company

(4) Name after the business combination

KUMIAI CHEMICAL INDUSTRY CO., LTD.

(5) Other matters concerning overview of the business combination

Kumiai has been collaborating with K-I INFORMATION SYSTEM CO., LTD., which is a company responsible for information services within the Kumiai Group, on various measures to promote business efficiency through the use of digital technology and to ensure preparedness for security incidents.

With the aim of further accelerating the improvement of operations through digitalization, as well as to generate further synergies by incorporating K-I INFORMATION SYSTEM CO., LTD. into Kumiai's ICT division, and to lay the groundwork for the further promotion of digital transformation, Kumiai effected an absorption-type merger with K-I INFORMATION SYSTEM CO., LTD., effective May 1, 2024.

2. Overview of Accounting Treatment

The business combination will be accounted for as a transaction under common control in accordance with the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(Segment information, etc.)

For the six months ended April 30, 2023 (from November 1, 2022 to April 30, 2023)

1. Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Agricultural Chemicals and Agriculture- Related Business	Fine Chemicals Business	Total				
Net sales							
Net sales to outside customers	79,454	10,911	90,364	5,081	95,445	–	95,445
Inter-segment net sales or transfers	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	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, information services business, and staffing business.

2. The segment income adjustment of (¥909) million primarily consists of corporate expenses not allocated to each reportable segment. Corporate expenses consist of general administrative expenses that are not attributable to reportable segments.

3. Segment income was reconciled to operating profit in the quarterly consolidated statements of income.

For the six months ended April 30, 2024 (from November 1, 2023 to April 30, 2024)

1. Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Agricultural Chemicals and Agriculture- Related Business	Fine Chemicals Business	Total				
Net sales							
Net sales to outside customers	72,306	11,642	83,948	4,152	88,100	–	88,100
Inter-segment net sales or transfers	1	24	25	2,328	2,353	(2,353)	–
Total	72,307	11,665	83,972	6,481	90,453	(2,353)	88,100
Segment income	8,667	367	9,034	647	9,680	(850)	8,830

(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, information services business, and staffing business.

2. The segment income adjustment of (¥850) million primarily consists of corporate expenses not allocated to each reportable segment. Corporate expenses consist of general administrative expenses that are not attributable to reportable segments.

3. Segment income was reconciled to operating profit in the quarterly consolidated statements of income.