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September 6, 2024

Consolidated Financial Results for the Nine Months Ended July 31, 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
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated financial results for the nine months ended July 31, 2024 (from November 1, 2023 to July 31, 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	%
Nine months ended								
July 31, 2024	129,200	(0.9)	12,298	(12.8)	16,948	(9.5)	12,827	(11.4)
July 31, 2023	130,395	22.6	14,109	36.4	18,717	15.9	14,480	30.9

Note: Comprehensive income For the nine months ended July 31, 2024: ¥17,142 million [(8.1)%]
 For the nine months ended July 31, 2023: ¥18,659 million [45.4%]

	Basic earnings per share	Diluted earnings per share (diluted)
Nine months ended	Yen	Yen
July 31, 2024	106.58	—
July 31, 2023	120.44	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
July 31, 2024	265,363	152,527	54.8
October 31, 2023	226,939	139,845	58.6

Reference: Equity
 As of July 31, 2024: ¥145,308 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: None

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) Significant changes in the scope of consolidation during the period: Yes

Newly included: 0 companies (Company name) -

Excluded: 1 company (Company name) K-I INFORMATION SYSTEM CO., LTD.

(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 July 31, 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 July 31, 2024	12,809,268 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)

Nine months ended July 31, 2024	120,353,125 shares
Nine months ended July 31, 2023	120,226,666 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* 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 financial results supplementary materials)

The supplementary materials for the financial results will be posted on Kumiai's official website on Friday, September 6, 2024.

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended July 31, 2024, the Japanese economy continued on a moderate recovery track due in part to the lifting of suspension on production and shipping imposed on some automobile manufacturers, in addition to the signs of improvement in corporate earnings and solid personal consumption despite the impact of higher prices, etc.

Meanwhile, the outlook remained uncertain due to factors such as the growing concerns over a U.S. recession, concerns that the rapid appreciation of the yen may worsen corporate earnings, and intensifying geopolitical risk in Europe and the Middle East.

Against this backdrop, the Kumiai Group formulated the Medium-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 ¥1,195 million (0.9%) year on year, to ¥129,200 million, as sales in the Agricultural Chemicals and Agriculture-Related Business came in lower than in the previous year. Operating profit was ¥12,298 million, down ¥1,811 million (12.8%) year on year. Ordinary profit was ¥16,948 million, down ¥1,769 million (9.5%) year on year, due mainly to the decline in the share of profit of entities accounted for using equity method, despite the recording of foreign exchange gains. Profit attributable to owners of parent amounted to ¥12,827 million, down ¥1,653 million (11.4%) year on year. The percentage of overseas net sales was 60.1%.

Business results by segment were as follows.

(Millions of yen, except percentages)

Segment	Nine months ended July 31, 2023			Nine months ended July 31, 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	¥106,763	81.9%	¥14,533	¥104,892	81.2%	¥12,308	¥(1,871) [(1.8)]	¥(2,225) [(15.3)]
Fine Chemicals Business	16,598	12.7	314	18,407	14.2	777	1,809 [10.9]	463 [147.3]
Other Business	7,035	5.4	609	5,901	4.6	746	(1,134) [(16.1)]	137 [22.5]
Total	130,395	100.0	14,109	129,200	100.0	12,298	(1,195) [(0.9)]	(1,811) [(12.8)]

- Notes:
1. Consolidated segment operating profit for the nine months ended July 31, 2023 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).
 2. Consolidated segment operating profit for the nine months ended July 31, 2024 includes ¥1,534 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, sales of AXEEV, a field crop herbicide, to the U.S. and Australia declined due to a global inventory destocking, resulting in a fall in the sales for the AXEEV business as a whole, despite the rise in sales to Argentina thanks to the country's easing of import restrictions.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Business segment came to ¥104,892 million, down by ¥1,871 million (1.8%) compared with the same period of the previous fiscal year. Operating profit decreased by ¥2,225 million (15.3%) year on year to ¥12,308 million.

2) Fine Chemicals Business segment

Sales volume of bismaleimides increased significantly due to the ongoing recovery in semiconductor demand. In addition, sales of expanded polystyrene 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 ¥18,407 million, up by ¥1,809 million (10.9%) compared with the same period of the previous fiscal year. Operating profit increased by ¥463 million (147.3%) year on year to ¥777 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 ¥5,901 million, down ¥1,134 million (16.1%) compared with the same period of the previous fiscal year. Operating profit increased ¥137 million (22.5%) year on year to ¥746 million, owing to the recording of payments received for the completed portion of works under profitable, large-scale projects in the construction business.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of July 31, 2024 stood at ¥265,363 million, up by ¥38,424 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 investment securities.

Liabilities increased ¥25,742 million compared with previous fiscal year-end to ¥112,836 million. The main factors were increases in short-term borrowings and long-term borrowings, which exceeded decreases in notes and accounts payable – trade and accounts payable – other.

Total net assets amounted to ¥152,527 million, an increase of ¥12,682 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 54.8%, and net assets per share were ¥1,207.13.

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

The full-year results forecast for the fiscal year ending October 31, 2024 has not been changed from the forecast in “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 July 31, 2024
Assets		
Current assets		
Cash and deposits	27,080	29,869
Notes and accounts receivable - trade, and contract assets	35,751	51,957
Merchandise and finished goods	51,232	59,342
Work in process	12,295	14,910
Raw materials and supplies	9,916	10,377
Other	5,745	3,559
Allowance for doubtful accounts	(25)	(24)
Total current assets	141,995	169,990
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,781	22,306
Machinery, equipment and vehicles, net	9,737	10,751
Land	12,149	12,101
Construction in progress	2,202	3,525
Other, net	2,719	2,453
Total property, plant and equipment	47,587	51,136
Intangible assets		
Goodwill	2,757	2,260
Other	1,232	1,106
Total intangible assets	3,989	3,366
Investments and other assets		
Investment securities	30,453	37,816
Long-term loans receivable	517	549
Deferred tax assets	1,098	1,128
Retirement benefit asset	56	60
Other	1,514	1,590
Allowance for doubtful accounts	(270)	(274)
Total investments and other assets	33,367	40,869
Total non-current assets	84,944	95,372
Total assets	226,939	265,363

(Millions of yen)

	As of October 31, 2023	As of July 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,067	11,322
Short-term borrowings	37,404	62,946
Accounts payable - other	7,356	4,073
Income taxes payable	1,683	1,904
Provision for bonuses	1,908	980
Provision for environmental measures	201	189
Other	4,069	2,931
Total current liabilities	71,688	84,345
Non-current liabilities		
Long-term borrowings	8,355	21,775
Deferred tax liabilities	1,242	940
Provision for retirement benefits for directors (and other officers)	386	419
Retirement benefit liability	4,401	4,381
Asset retirement obligations	43	43
Other	980	933
Total non-current liabilities	15,406	28,491
Total liabilities	87,094	112,836
Net assets		
Shareholders' equity		
Share capital	4,534	4,534
Capital surplus	37,467	37,492
Retained earnings	100,969	109,343
Treasury shares	(9,240)	(9,221)
Total shareholders' equity	133,731	142,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,629	1,717
Foreign currency translation adjustment	(2,214)	1,539
Remeasurements of defined benefit plans	(120)	(96)
Total accumulated other comprehensive income	(706)	3,160
Non-controlling interests	6,819	7,218
Total net assets	139,845	152,527
Total liabilities and net assets	226,939	265,363

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended July 31

(Millions of yen)

	For the nine months ended July 31, 2023	For the nine months ended July 31, 2024
Net sales	130,395	129,200
Cost of sales	100,179	99,447
Gross profit	30,217	29,753
Selling, general and administrative expenses	16,108	17,455
Operating profit	14,109	12,298
Non-operating income		
Interest income	91	112
Dividend income	600	193
Reversal of allowance for doubtful accounts	66	10
Share of profit of entities accounted for using equity method	5,604	4,101
Foreign exchange gains	—	305
Other	289	294
Total non-operating income	6,650	5,013
Non-operating expenses		
Interest expenses	171	282
Foreign exchange losses	1,858	—
Other	13	81
Total non-operating expenses	2,042	363
Ordinary profit	18,717	16,948
Extraordinary income		
Gain on disposal of non-current assets	2	9
Subsidy income	286	366
Insurance claim income	85	11
Total extraordinary income	373	386
Extraordinary losses		
Loss on disposal of non-current assets	97	185
Loss on tax purpose reduction entry of non-current assets	7	3
Environmental expenses	—	215
Total extraordinary losses	104	403
Profit before income taxes	18,986	16,931
Income taxes	4,230	3,718
Profit	14,756	13,214
Profit attributable to non-controlling interests	277	387
Profit attributable to owners of parent	14,480	12,827

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended July 31

(Millions of yen)

	For the nine months ended July 31, 2023	For the nine months ended July 31, 2024
Profit	14,756	13,214
Other comprehensive income		
Valuation difference on available-for-sale securities	284	116
Foreign currency translation adjustment	(28)	(8)
Remeasurements of defined benefit plans, net of tax	22	25
Share of other comprehensive income of entities accounted for using equity method	3,624	3,796
Total other comprehensive income	3,902	3,929
Comprehensive income	18,659	17,142
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,376	16,692
Comprehensive income attributable to non-controlling interests	283	450

(3) Notes to Quarterly Consolidated Financial Statements

(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 third quarter under review, and multiplying the pretax quarterly profit by this estimated effective tax rate.

Income taxes - deferred are included within income taxes.

(Notes on segment information, etc.)

For the nine months ended July 31, 2023 (from November 1, 2022 to July 31, 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	106,763	16,598	123,361	7,035	130,395	–	130,395
Inter-segment net sales or transfers	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	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, information services business, and staffing business.

2. The segment income adjustment of ¥(1,347) 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 nine months ended July 31, 2024 (from November 1, 2023 to July 31, 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	104,892	18,407	123,300	5,901	129,200	–	129,200
Inter-segment net sales or transfers	2	42	44	3,165	3,209	(3,209)	–
Total	104,894	18,450	123,344	9,065	132,409	(3,209)	129,200
Segment income	12,308	777	13,086	746	13,832	(1,534)	12,298

(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 ¥(1,534) 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.

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

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on quarterly consolidated statements of cash flows)

No quarterly consolidated statements of cash flows have been prepared for the nine months ended July 31, 2024. Depreciation and amortization (including amortization of intangible assets except goodwill) and amortization of goodwill for the nine months ended July 31 are as shown below.

	(Millions of yen)	
	For the nine months ended July 31, 2023	For the nine months ended July 31, 2024
Depreciation and amortization	3,182	3,816
Amortization of goodwill	497	497