

Financial Results for the Fiscal Year Ending October 31, 2022

December 23, 2022

 **KUMIAI CHEMICAL INDUSTRY CO., LTD.**

Today's Agenda

- I . Business Environment**
- II . Financial Results**
for the Fiscal Year Ended October 31, 2022
- III . Earnings Forecast**
for the Fiscal Year Ending October 31, 2023
- IV . Implementation Status of Priority Measures**
- V . Sustainability Management Initiatives**
- VI . Q&A**

Business Environment Trends and Impact on KUMIAI

Prolongation of conflict between Russia and Ukraine

- Despite limited impact on the Company's business due to the small number of direct transactions, raw material and manufacturing costs have increased
- Closely monitoring the impact on global grain prices and cropping conditions as the area is a major producer of wheat and others crops.

Depreciation of the yen against the US dollar

- Despite being a factor for increase in procurement and other costs, depreciation of the yen has boosted sales by more than cost increases
- In FY2022, significant foreign exchange gain recorded due to appreciation of foreign currency-denominated assets and other factors

Grain market conditions

- Upward trend since around 2020 against background of compounding factors, including global population growth and COVID-19 pandemic
- In conjunction with this, agricultural chemical market expanded, and continuing growth expected

COVID-19

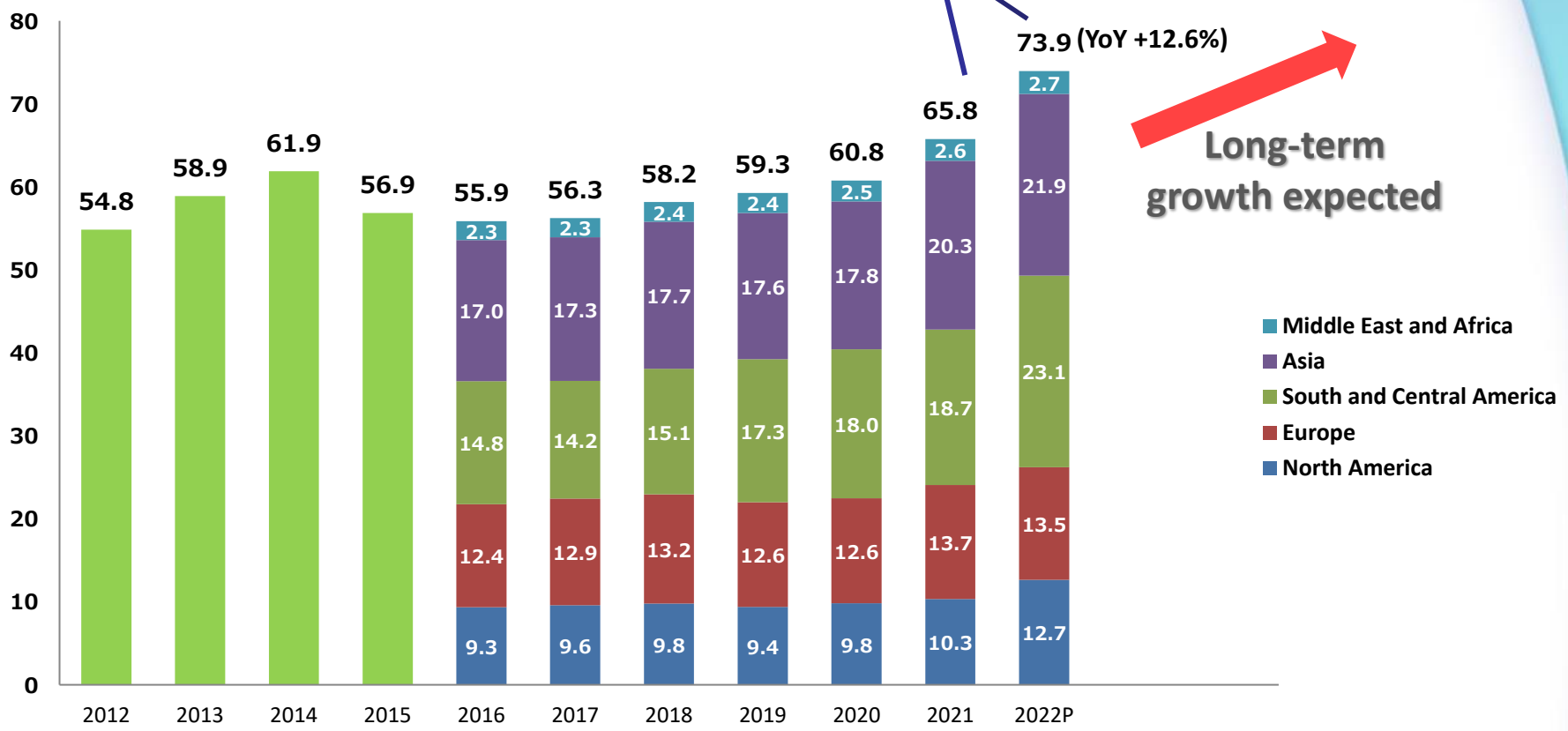
The Fine Chemicals Business has fully recovered from the negative impact of the prolonged COVID-19 pandemic

Market Trends for Agricultural Chemicals

✓ In 2022, highest growth rate in about 20 years due to increase in grain and agricultural chemical prices
✓ Domestic market remains flat at around ¥340.0 billion

✓ Increase in grain prices
✓ Increase in agricultural chemical prices

Unit: US\$ billion



Long-term growth expected

Source: Agbioinvestor (global market), Japan Crop Protection Association (domestic market)

I . Business Environment

II . Financial Results

for the Fiscal Year Ended October 31, 2022

III . Earnings Forecast

for the Fiscal Year Ending October 31, 2023

IV . Implementation Status of Priority Measures

V . Sustainability Management Initiatives

VI . Q&A



Financial Results for the Fiscal Year Ended October 31, 2022

Unit: billions of yen	2021 Results	2022 Results	YoY (Amount)	2022 Results forecast**	Change from forecast	Factors
Net Sales	118.2	145.3	+27.1	140.0	+5.3	(+) Sales growth of main agricultural chemicals (+) Recovery of Fine Chemicals Business from COVID-19 pandemic (+) Foreign exchange impact
Operating Income	8.5	12.7	+4.2	12.5	+0.2	(+) Growth in sales volume (-) Soaring raw material costs (-) Increase in manufacturing costs
Ordinary Income	12.8	23.6	+10.7	16.4	+7.2	(+) Foreign exchange gain due to appreciation of foreign currency-denominated assets
Net Income*	9.0	16.3	+7.3	11.5	+4.8	—

(Reference exchange rates)

FY2021 results: ¥/US\$ = 108.3, ¥/Euro = 128.3

FY2022 results: ¥/US\$ = 129.0, ¥/Euro = 135.3

* Net income attributable to owners of parent

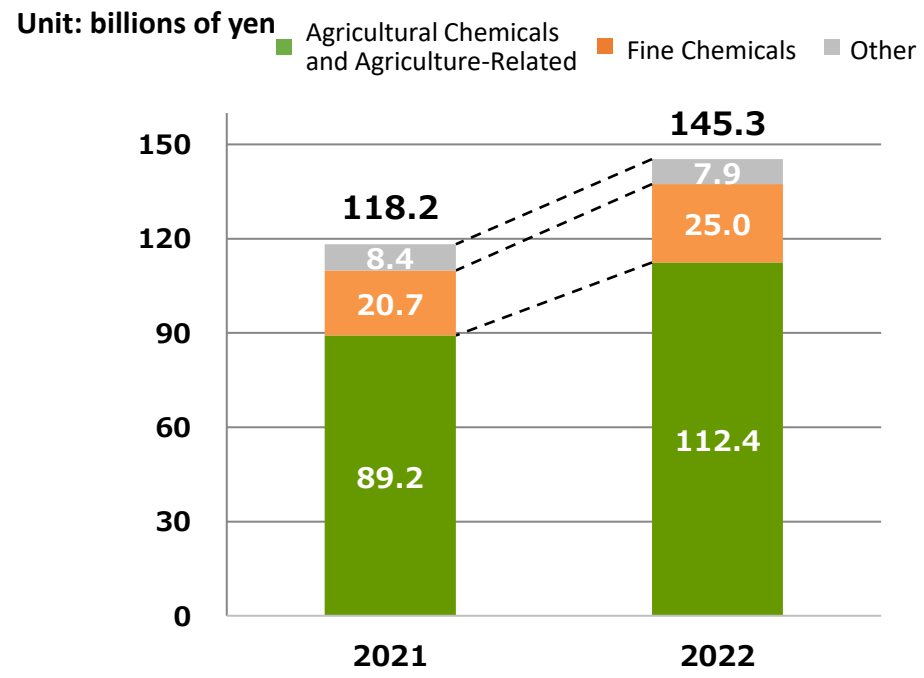
**Upward revision of earnings forecast published on June 7, 2022



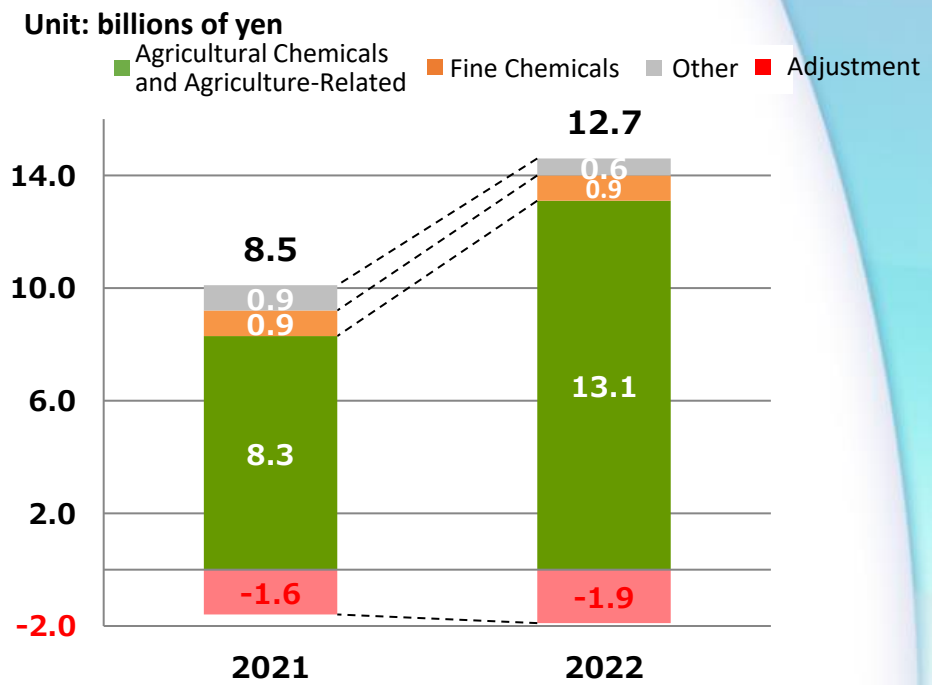
Net Sales and Operating Income by Business Segment

- ✓ Large increase in Axeev sales and growth of Effeeda and Disarta
- ✓ Soaring raw material costs despite recovery of the Fine Chemicals Business from impact of COVID-19

Consolidated Net Sales



Consolidated Operating Income

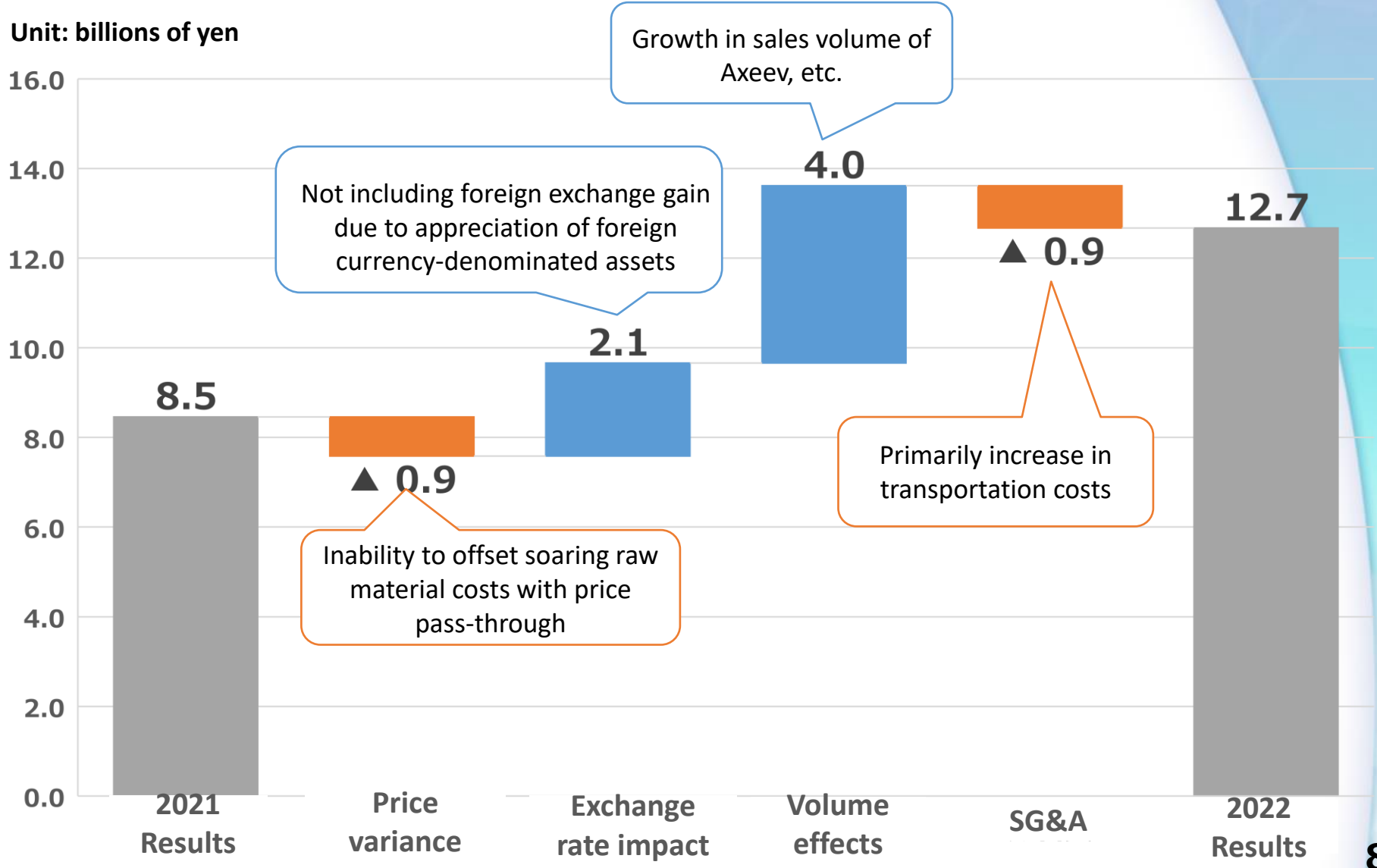


	Change in sales	Change in profit
Agricultural Chemicals and Agriculture-Related	+ ¥23.3 billion	+ ¥4.7 billion
Fine Chemicals	+ ¥4.3 billion	+ ¥0.0 billion
Other	- ¥0.5 billion	- ¥0.2 billion



Analysis of Factors Contributing to Change in Operating Income

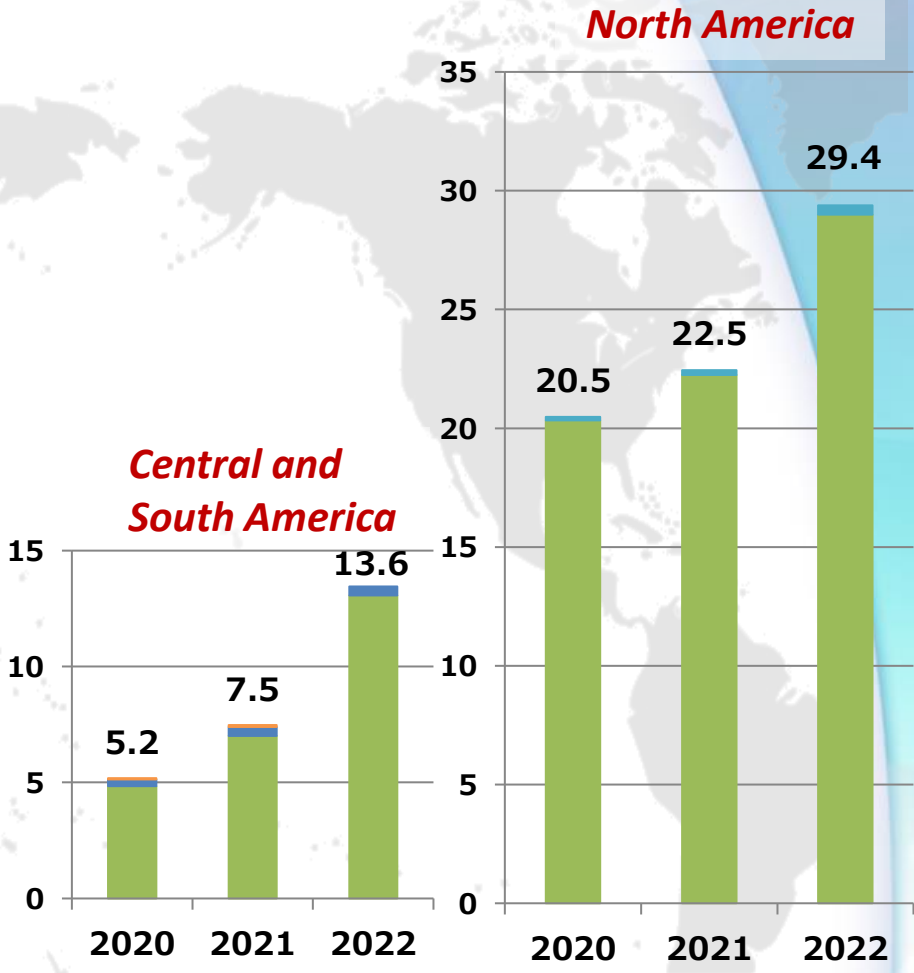
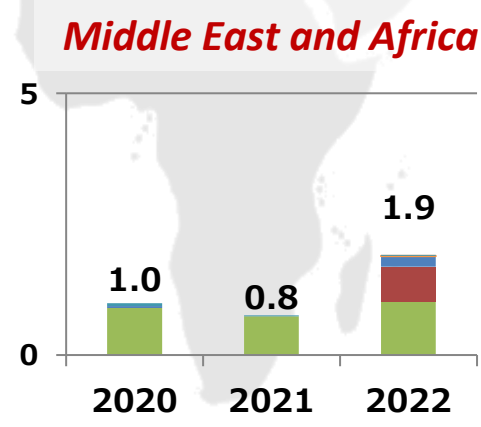
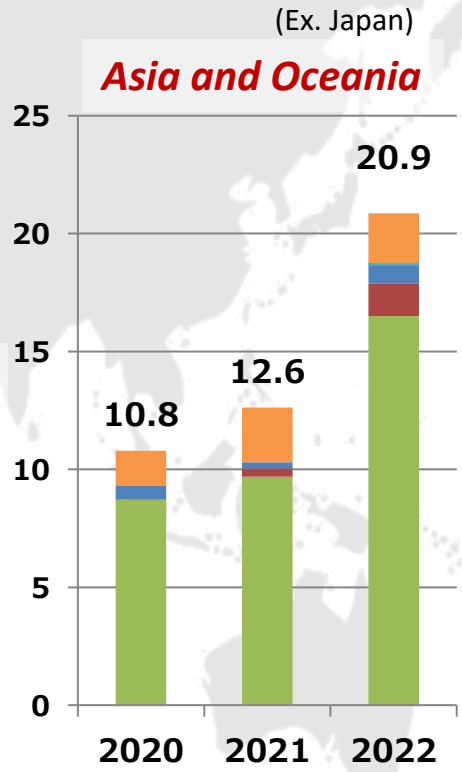
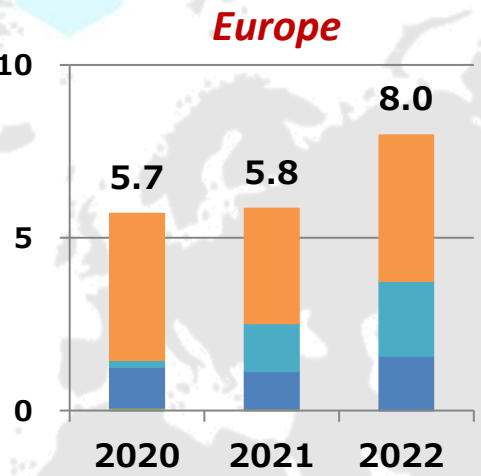
Unit: billions of yen





Net Sales by Overseas Region and by Application (Agricultural Chemicals and Agriculture-Related Businesses)

Unit: billions of yen



- Herbicide
- Insecticide
- Fungicide
- Plant growth regulator
- Other

Net Sales	¥112.4 billion
Overseas Sales	¥73.7 billion
Overseas Sales Ratio	65.5%

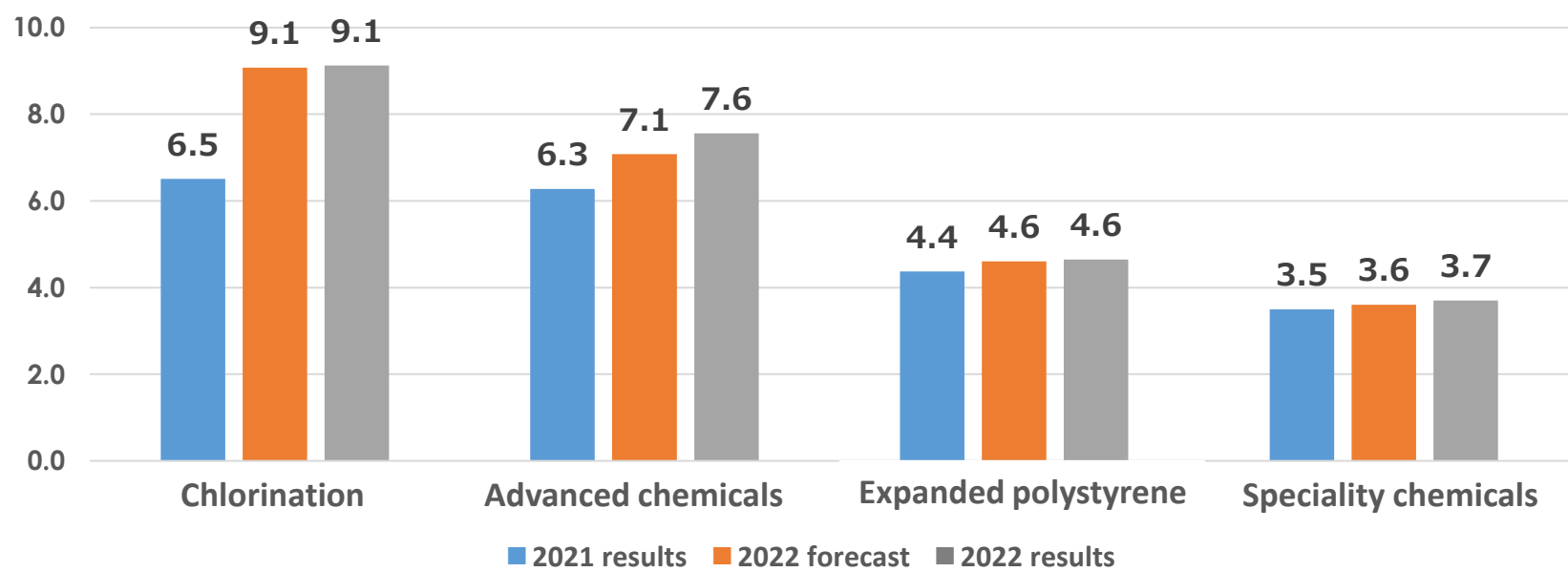


Net Sales by Sub-Segment (Fine Chemicals Businesses)

Net sales	
¥20.7 billion (2021) → ¥25.0 billion (2022), up ¥4.3 billion	
Chlorination business	<ul style="list-style-type: none"> ✓ Full recovery from COVID-19 pandemic impact, primarily for aramid fiber raw materials ✓ Growth in spot shipments of other products
Fine chemicals business	<ul style="list-style-type: none"> ✓ Sales of bismaleimides remained strong due to higher semiconductor demand

Unit: billions of yen

Changes in Net Sales by Sub-Segment



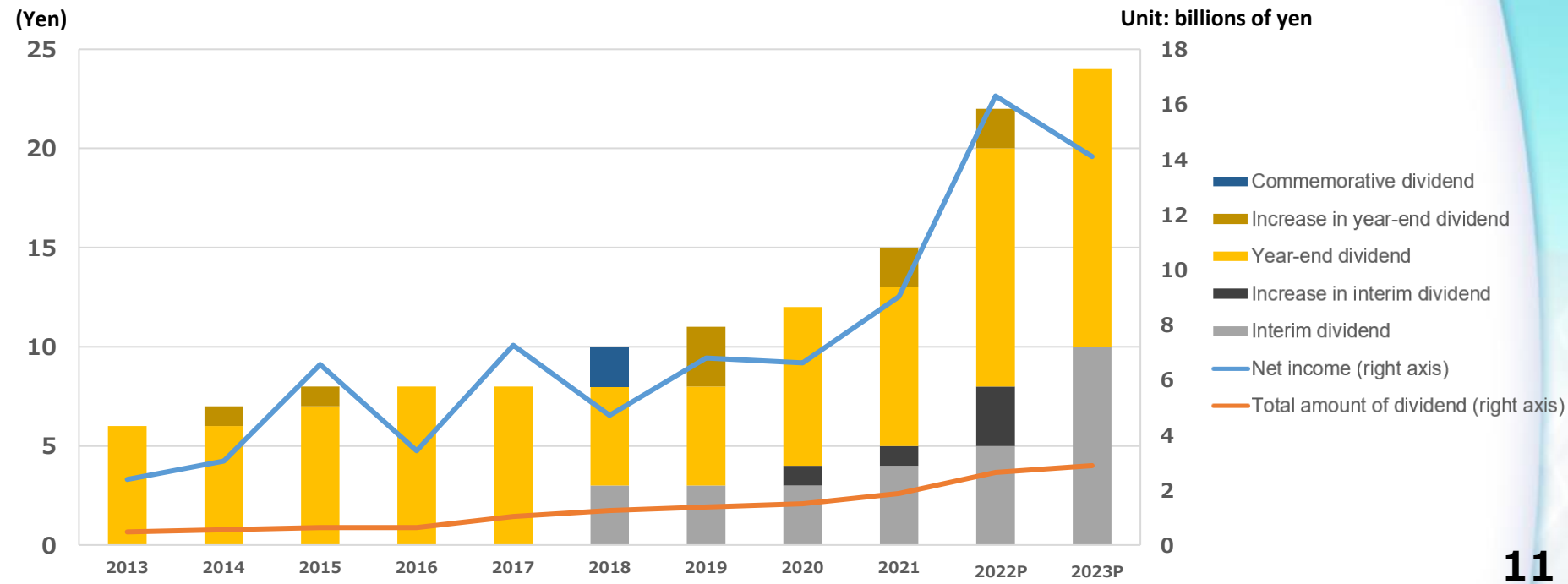


Measures for Shareholder Returns

Basic Policy on Dividends

The Company's basic policy with respect to dividends is to consistently pay a stable dividend after consideration of a comprehensive range of factors, including returns to shareholders commensurate with earnings trends and ensuring that internal reserves are sufficient to strengthen the Company's corporate structure and prepare for future business development.

- ✓ Based on a comprehensive review of earnings, the Company will pay an interim dividend of ¥8, an increase of ¥3 over the previous forecast.
- ✓ The Company plans to pay a year-end dividend of ¥14 yen, an increase of ¥2 over the previous forecast.
- ✓ The Company plans to pay an annual dividend of ¥22, a year-on-year increase of ¥7.



I . Business Environment

II . Financial Results

for the Fiscal Year Ended October 31, 2022

III . Earnings Forecast

for the Fiscal Year Ending October 31, 2023

IV . Implementation Status of Priority Measures

V . Sustainability Management Initiatives

VI . Q&A



Consolidated Earnings Forecast for the Fiscal Year Ending October 31, 2023

Unit: billions of yen	2022 Results	2023 Forecast	Change	Factors contributing to change
Net Sales	145.3	167.9	+22.6	—
<i>Agricultural Chemicals and Agriculture-Related</i>	<i>112.4</i>	134.5	+22.1	(+) Overseas: Large increase in Axeev sales (+) Japan: Increase in Effeeda and Disarta sales
Fine Chemicals	25.0	24.5	△0.5	(-) Decrease due to production adjustments for non-mainstay products in chlorination business
Operating Income	12.7	14.5	+1.8	(+) Volume effects (-) Increase in manufacturing costs due to higher prices of crude oil and naphtha
Ordinary Income	23.6	19.3	△4.3	(-) Compared to foreign exchange gain recorded in previous fiscal year
Net Income*	16.3	14.1	△2.2	—

(Reference exchange rates)

FY2022 results: ¥/US\$ = 129.0, ¥/Euro = 135.3

FY2023 forecasts: ¥/US\$ = 135.0, ¥/Euro = 142.0

*Net income attributable to owners of parent

Operating Income Plan for the Fiscal Year Ending October 31, 2023



+ Growth in Axeev sales volume

Increase in profit due to significant growth in sales volume, despite further depreciation of the yen

➡ **Monitor risk factors and enhance countermeasures, including market entry of generic products and status of channel inventory**

- Increase in manufacturing costs

Increase in raw material and manufacturing costs due to high prices of crude oil and naphtha and depreciation of the yen

- Increase in SG&A expenses

Approximately ¥500 million recorded in expenses for relocation to new research institute

Transportation costs have peaked, but are expected to remain high

➡ **SG&A expense ratio likely to go down**



**Axeev sales volume growth will absorb increase in manufacturing costs and SG&A expenses
Ensure cost reductions and strive to improve profitability**

Agricultural Chemicals and Agriculture-Related Businesses in the Fiscal Year Ending October 31, 2023

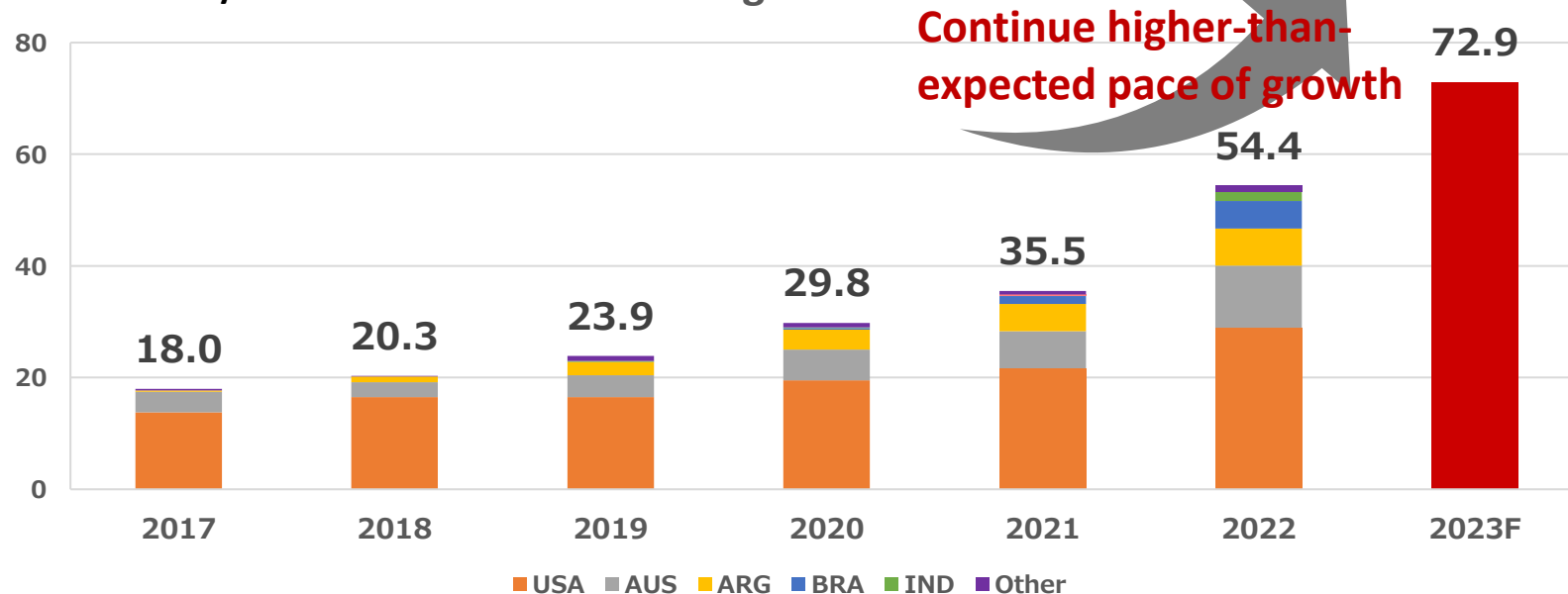


Axeev (herbicide for field crops)

- ✓ With high efficacy being well established, Axeev is positioned as an “essential agent” for farmer
 - ✓ Increase in purchasing power of farmers due to soaring grain prices
 - ✓ Ability to produce and deliver a stable supply, as competitors suffer supply shortages
- ➔ Pursue proactive growth measures while closely monitoring market entry of generic products, soaring raw material costs, and status of channel inventory

Unit: billions of yen

Changes in Sales



Agricultural Chemicals and Agriculture-Related Businesses in the Fiscal Year Ending October 31, 2023

Effeeda (herbicide for rice paddy fields) YoY ¥1.1 billion increase

- ✓ Significant increase in sales due to steady growth
Maintain top market share in one-shot herbicides for rice paddy fields
- ✓ Maintain growth by continuously developing new compound agents
Launch sales of two new compound agents containing several own proprietary products
- ✓ Promote development overseas
In addition to South Korea where sales have been launched, promote development as herbicide for wheat and rice paddy fields in Europe



Disarta (fungicide for rice paddy fields) YoY 0.6 billion increase

- ✓ Expand market share through steady growth
- ✓ Promote growth by continuously developing new compound agents
- ✓ Promote development overseas
Commenced shipments to South Korea in 2022



Fine Chemicals Businesses in the Fiscal Year Ending October 31, 2023

Fine Chemicals Businesses

¥25.0 billion (2022) → ¥24.5 billion (2023), down ¥0.5 billion

**Chlorination
business**

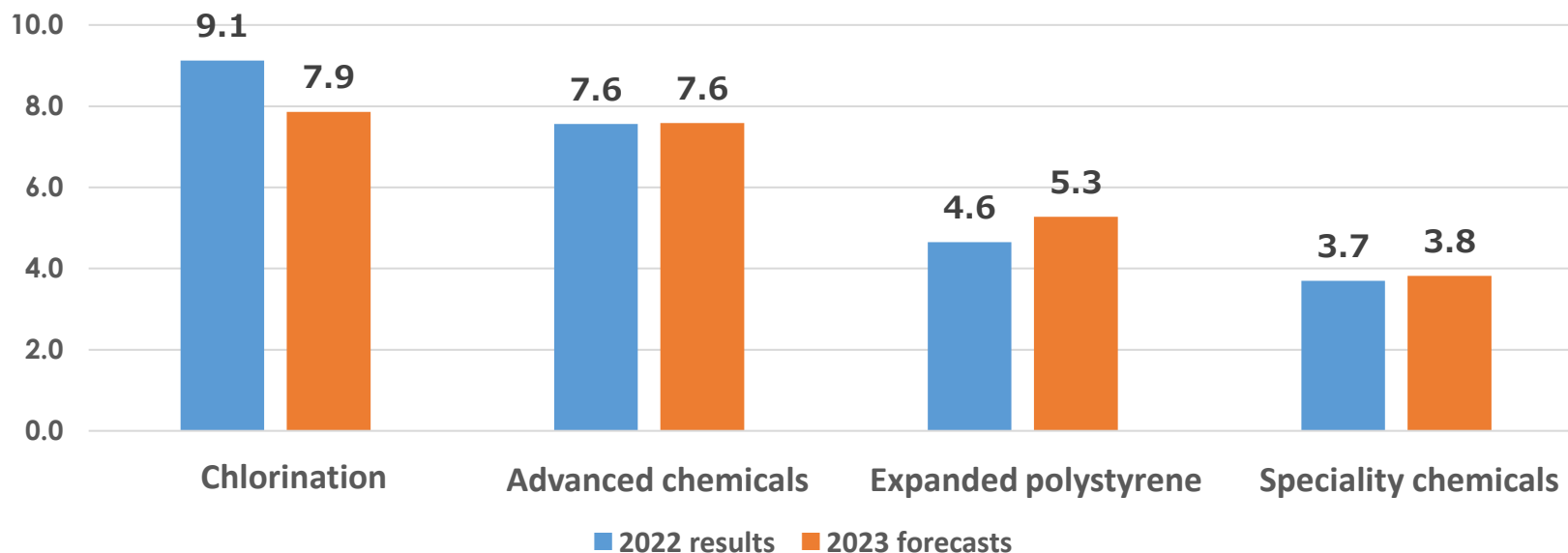
- ✓ Steady demand for aramid fiber raw materials
- ✓ Decrease in other products due to production adjustments

**Fine chemicals
business**

- ✓ Capture semiconductor demand

Unit: billions of yen

Changes in Net Sales by Sub-Segment



I . Business Environment

II . Financial Results

for the Fiscal Year Ended October 31, 2022

III . Earnings Forecast

for the Fiscal Year Ending October 31, 2023

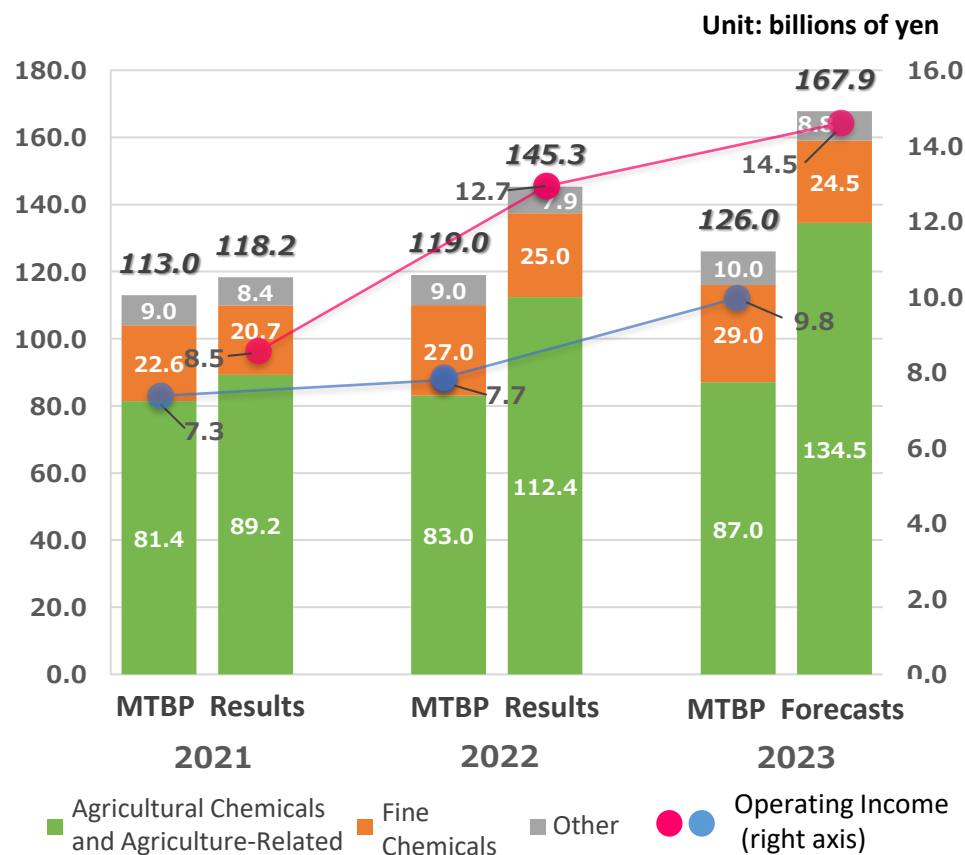
IV . Implementation Status of Priority Measures

V . Sustainability Management Initiatives

VI . Q&A

Performance under the Mid -Term Business Plan

Both sales and profit achieved the numerical targets for the third year of the Mid -Term Business Plan already in FY2022



Business overall

- (+) Depreciation of the yen against the dollar
- (-) Increase in raw material and manufacturing costs

Agricultural Chemicals and Agriculture-Related Businesses

- (+) Growth in demand for Axeev due to soaring grain prices and increase in crop acreage
- (+) Upward growth trend for Effeeda and Disarta

Fine Chemicals Businesses

- (+) Growth in demand in chlorination business and advanced chemicals business
- (-) Delay in progress due to prolonged impact of COVID-19 pandemic

The most important points under the current Mid-Term Business Plan are **implementation of key policies and priority measures** and enhancement of the foundation for sustainability-oriented management to achieve the Company vision of **100-years of business success**

Focus on practical actions for key policies and priority measures without changing numerical targets based on performance

The next Mid-Term Business Plan (2024 – 2026) will be announced around mid-December 2023

Key policies, Priority measures

Key policies	Priority measures
<p>Expand research areas and business domains</p> <p>2 設備をゼロに 9 産業と技術革新の高度化を推進する 11 成長分野における競争力強化 12 つくる責任 13 環境政策に高度社会貢献を 15 株の豊かさを守る</p>	<p>Expand research areas through development of innovative technology</p> <p>Expand business domains by developing new businesses and introducing new technologies</p> <p>Expand existing businesses by pursuing growth strategy</p>
<p>Ensure diversification of sales routes</p> <p>2 設備をゼロに 9 産業と技術革新の高度化を推進する 12 つくる責任 15 株の豊かさを守る</p>	<p>Diversify sales routes overseas</p> <p>Develop new sales channels through creation of new products and new contract business themes</p>
<p>Enhance cost competitiveness</p> <p>9 産業と技術革新の高度化を推進する 12 つくる責任 15 株の豊かさを守る</p>	<p>Optimize production systems and procurement measures to reduce manufacturing costs</p> <p>Increase productivity and quality and reduce costs by improving production technology and automating production processes</p>
<p>ESG-focused corporate activities</p> <p>9 産業と技術革新の高度化を推進する 12 つくる責任 13 環境政策に高度社会貢献を 15 株の豊かさを守る 17 ガバナンスで信頼を築く</p>	<p>Develop products and build production systems with lower environmental impact</p> <p>Actively disseminate corporate information</p> <p>Strengthen and promote group compliance systems</p> <p>Ensure establishment and operation of internal control systems</p> <p>Plan and implement activities to raise awareness among stakeholders about the necessity and safety of agricultural chemicals</p>

Blue: All businesses

Green: Agricultural Chemicals and Agriculture-Related Businesses

Orange: Fine Chemicals Businesses

Main Initiatives

Agricultural Chemicals and Agriculture-Related Businesses

Expand existing businesses	Growth of Axeev, Effeeda, and Disarta
Expand research areas and business domains	Develop flupentiofenox, ECOARK, biostimulants, methane emission control technology Acquire stake in Agricore Corporation
Secure diversified sales channels	Develop new markets utilizing AAI*

Fine Chemicals Businesses

Expand research areas and business domains	Establish New Material Research Laboratory
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Initiatives for sustainability management

Corporate activities focused on ESG	Develop structures Identify material issues and establish KPIs Other social contribution activities
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Implementation Status of Key Measures

(Expand Existing Businesses)

Expiration of Axeev substance patent

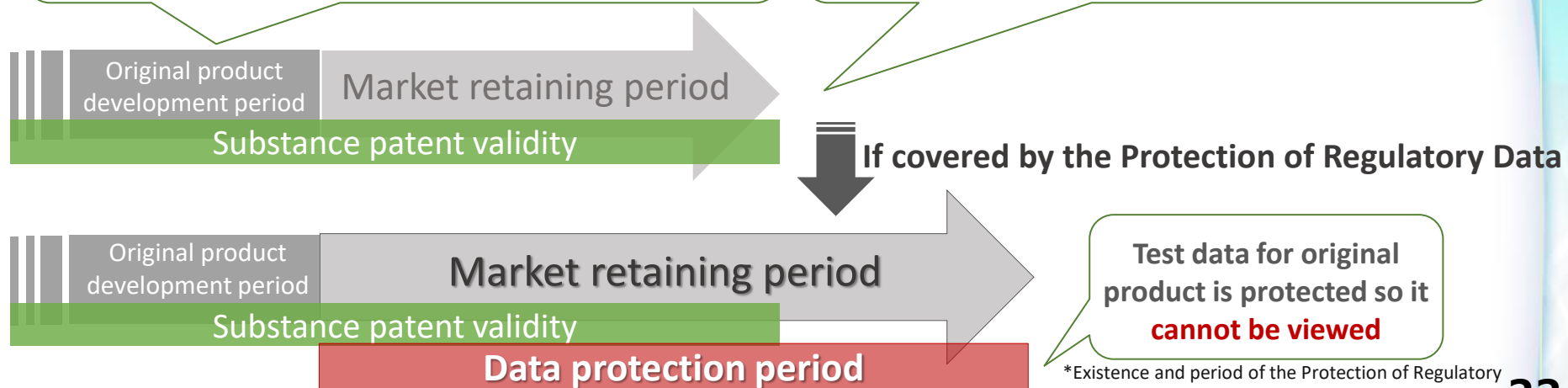
- ✓ Moves toward market entry of generic products in Australia and Argentina
- ✓ The Protection of Regulatory Data prevents low-cost market entry of generic products until 2025 in the U.S. and 2030 in Brazil

The Protection of Regulatory Data

- ✓ Prevents test data for original products from use in registration application for a certain period of time
 ➔ **In effect, it enables the market entry of generic products to be delayed**

Registration application for original products
 Requires extensive and costly testing and **submission of test data on performance efficacy and safety**

Registration application for generic products
Enables reduction of testing time and cost because test data for original product is **disclosed**

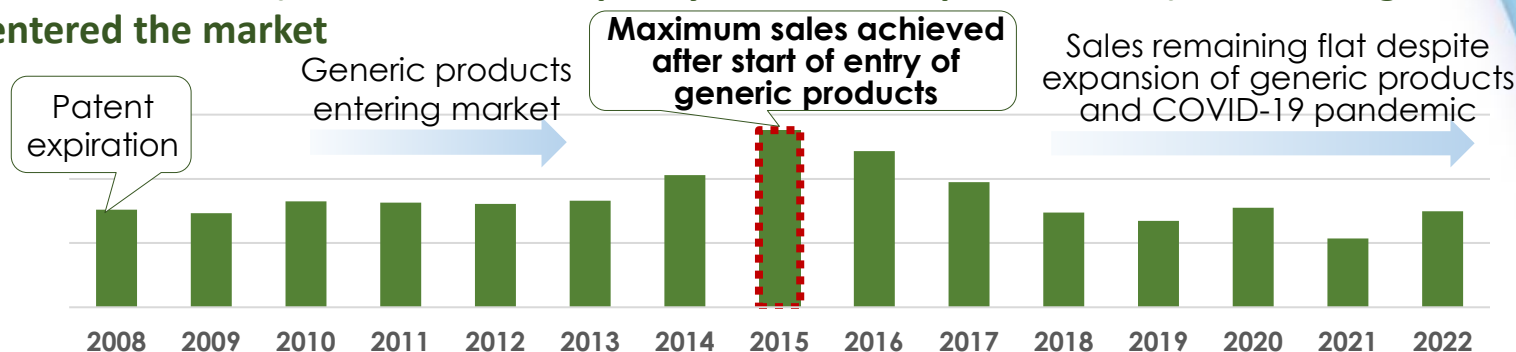


*Existence and period of the Protection of Regulatory Data varies from country to country

Implementation Status of Key Measures (Expand Existing Businesses)

Forecasts and countermeasures after entry of generic products

✓ Example of Nominee (herbicide for rice paddy fields developed in house), for which generic products have entered the market



➔ **Axeev not likely to lose market share to generic products soon**

✓ Axeev has the following features:

Many applicable crops

There are many target markets where continued development and expansion can be expected in the future.

Collaboration with distributors

We work with distributors on promotion efforts and development of compound agents. Axeev has become an essential agent not only for farmers but also for distributors

IP countermeasures

Multiple rights have been secured through manufacturing method patents, compound agent patents, and intermediate patents
A firm stance has been taken against generic products and illegal products with even the slightest possibility of infringing patents to secure Axeev's rights

➔ **Will enhance measures against generic products and continue to increase sales in the future**

Implementation Status of Key Measures (Expand Research Areas and Business Domains)

Develop new agents



- ✓ Development of new acaricide Flupentiofenox
Under development as a mite agent with a novel action
Plan to apply for registration in FY2023
- ✓ Development of new microbial pesticide ECOARK (ARK-1)
Under development as the world's only agricultural chemical effective against grapevine crown gall, a disease that is difficult to control
Applied for registration in December 2022

Develop new technologies



- ✓ Development of biostimulants utilizing microorganisms
- ✓ Technology to control methane emissions from farmland (international patent pending)
Methane generation inhibitor discovered
→ Studies underway for commercialization

Implementation Status of Key Measures (Expand Research Areas and Business Domains)

Acquire stake in Agricore Corporation



✓ Acquired 80% stake in Agricore Corporation in October 2022

Features of Agricore

Proposal of new agriculture utilizing microorganisms and IT

- Development of culture soil and specialized fertilizers using microorganisms
- Cultivation techniques using microorganism-containing materials for soil improvement
- Development of digestion liquid circulation system in biogas power generation



Expected synergies

Collaboration taking advantage of knowledge and know-how of both companies

- Use of microorganisms in horticulture
- Use of specialized fertilizers as biostimulants
- Sale of culture soil containing microorganisms
- Use of ICT technologies in horticulture



➡ Aim to collaborate and achieve major synergies toward the common goal of further reducing environmental impact and contributing to sustainable agriculture

Implementation Status of Key Measures (Diversify Sales Channels)



Effected by making AAI* into a consolidated subsidiary

- ✓ Acquired 60% stake in Singapore-based AAI in February 2021
- ✓ AAI sells agricultural chemicals, pest control agents for public health, and other products in Asia and Africa.

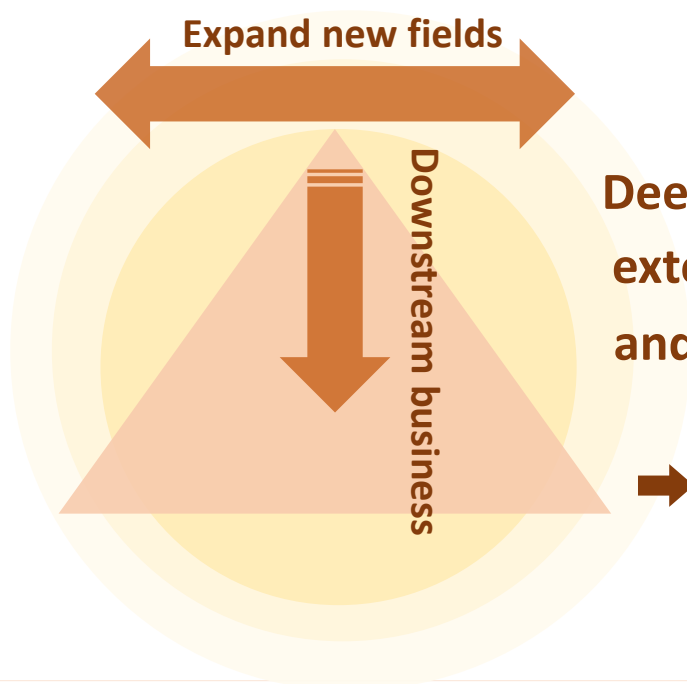


➔ Advancing business development in cooperation with AAI to open up **new markets in Asia and Africa**

Implementation Status of Key Measures (Expand Research Areas and Business Domains)

Establish New Material Research Laboratory

- ✓ Establish New Material Research Laboratory in the Process Chemistry Research Center at the Chemical Research Institute
- ✓ Assign personnel not only from KUMIAI CHEMICAL but also from Group companies
- ✓ Pursue co-creation initiatives drawing on knowledge, know-how, and technologies of each company



Deepen collaboration within the Group and with external organizations to **pioneer new fields** and **downstream business opportunities**

➔ Position Fine Chemicals Business as the Company's second mainstay domain

Implementation Status of Key Measures (Expand Research Areas and Business Domains)

Construction of new chemical institute

- ✓ Make research and development more efficient by integrating three research centers
- ✓ Encourage creation of innovation by integrating research facilities in different fields
- ✓ Develop new technologies to create new businesses

Location	Shimizu-ku, Shizuoka
Total investment	¥7.0 billion (planned)
Groundbreaking	Dec. 2021
Completion	Apr. 2023

(Name)

Shimizu Innovation Park (shIP)



Reinforce the Company's competitive edge in research and development to further increase development speed of useful new compounds



Initiatives to Address Japan's Strategy for Sustainable Food Systems, MeaDRI

2050 goals under MeaDRI (excerpts)

- ✓ Achieve zero CO2 emissions in agriculture, forestry and fishery industries
- ✓ Reduce volume of agricultural chemicals used by 50% on a risk equivalent basis
- ✓ Expand organic crop acreage to 25% of arable land, or 1 million hectares

Kumika Mid -Term Business Plan (2021 – 2023) Vision of KUMIAI CHEMICAL in 20 to 30 years

A cutting-edge chemicals manufacturer with established innovative technologies and unique business domains contributing to agriculture to support stable food supply



The goals indicated in the Sustainable Food Strategy, including environmental protection and energy problems, are already incorporated into the business strategy for achieving the Company's Vision.

Develop safer, more effective **agricultural chemical** with low environmental impact

Address **reducing environmental impact** and **IPM***

* Integrated Pest Management

KUMIAI Initiative

Establish innovative technologies for “balancing productivity improvement and sustainability of food, and products of the agriculture, forestry, and fishery industries”

Participate in **smart agriculture** using drones and Mametsubu granular pea-sized agents

Develop **new technologies**, including microbial pesticides, biostimulants, and methane gas emission control technology

I . Business Environment

II . Financial Results

for the Fiscal Year Ended October 31, 2022

III . Earnings Forecast

for the Fiscal Year Ending October 31, 2023

IV . Implementation Status of Priority Measures

V . Sustainability Management Initiatives

VI . Q&A



Sustainability Management Initiatives in FY2022

Strengthen foundation for sustainability management

November 2021	Establishes Basic Policy on Sustainability
	Inaugurates Sustainability Promotion Committee
May 2022	Reorganizes and upgrades Sustainability Promotion Office as Sustainability Promotion Department
	Creates Responsible Care Promotion Section in the Sustainability Promotion Department

✓ Developed organizational structures and discussion systems throughout FY2022 in order to powerfully advance sustainability management

➡ Accelerate initiatives for total sustainability management, including at Group companies, contribute to a sustainable world and enhance corporate value

Identify Material Issues (Materiality)

Vision for 20 to 30 years from now

KUMIAI Group

A corporate group with the flexibility and strong presence needed to enrich people's lives with its unique technologies, that contributes to the sustainable development of society in harmony with nature

KUMIAI

A cutting-edge chemicals manufacturer with established innovative technologies and unique business domains contributing to agriculture to supports stable food supply

Identify Material Issues (Materiality)

■ Solving social issues through core businesses
 ■ Environment-related
 ■ Society-related
 ■ Governance-related

More important For stakeholders	Contribute to local communities	<ul style="list-style-type: none"> ■ Contribute to recycling-based society ■ Strengthen chemical substance management ■ Ensure industrial safety and health ■ Respect human rights ■ Upgrade supply chain management 	<ul style="list-style-type: none"> ■ Contribute to global food security ■ Contribute to sustainable agriculture ■ Contribute to better quality of life ■ Mitigate climate change and environmental impact ■ Conservation of biodiversity
	Respond to natural disasters	<ul style="list-style-type: none"> ■ Use IP and intangible assets strategically ■ Provide accurate information about agriculture and crop protection ■ Develop human resources ■ Promote work-life balance ■ Promote diversity & inclusion 	<ul style="list-style-type: none"> ■ Enhance R&D capabilities ■ Improve quality and ensure product safety ■ Ensure customer satisfaction ■ Expand overseas business
	Advance proper management of information Progress with digital transformation (DX)	Expand business domains and develop new businesses	

Importance For the Company More important

Corporate management foundation

- Strengthen corporate governance
- Promote compliance
- Strengthen risk management
- Engage in dialogue with stakeholders



Identify Material Issues

Materiality	FY2030 targets
Mitigate climate change and environmental impact	Greenhouse gas emissions of seven Group companies (Scopes 1 and 2): Reduce by 30% from FY2019
Contribute to sustainable agriculture	Promotion of Mametsubu granular pea-sized agent, contributing to smart agriculture Agricultural land where Mametsubu agents are used: Increase 2% in comparison with Japan's rice paddy field cultivated area (from FY2022)
Contribute to recycling-based society	Reduction of waste Promote zero waste emissions: Landfill disposal rate of 1% or less
Ensure industrial safety and health	Number of lost worktime accidents: 0 (zero)
Enhance R&D capabilities	Number of patent applications: 120 (40 in Japan; 80 overseas)
Promote work-life balance	Average uptake of annual paid leave: 80%
Develop human resources	Training hours per person: 12
Promote diversity & inclusion	Percentage of management positions held by women: 7.2% Uptake of childcare leave among eligible men: 75%

- ✓ The Group has endorsed the TCFD recommendations, and is disclosing information based on them
- ✓ Plan to issue integrated report covering business strategy, future vision, material issues, and other information in April 2023

Other Activities



Concluded comprehensive partnership agreement with the Fukushima Forestry Association and Fukushima Town Government in Hokkaido



Satochi-Satoyama (socio-ecological production landscapes) Restoration Project carried out in Nasukarasuyama-shi, Tochigi Prefecture



Renewed the Company's corporate website



Farmers & Kids Festa held at Hibiya Park to raise awareness of agriculture and agricultural chemicals

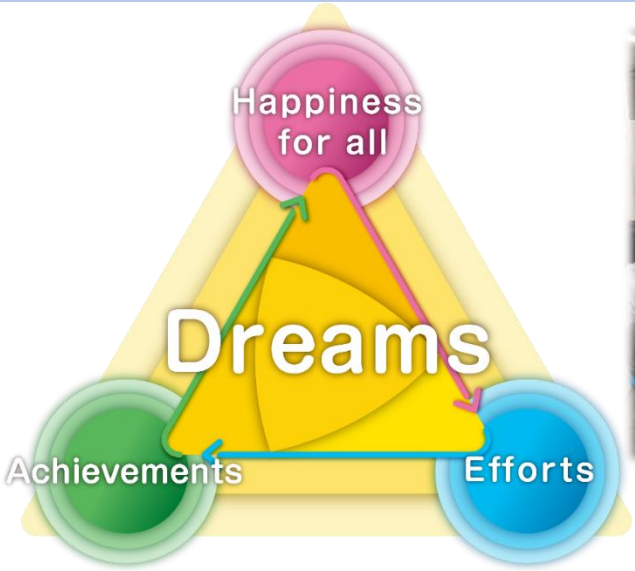
Activities under the new management structure

Dreams and the Happiness Triangle

- ✓ Each and every employee will make “efforts” to achieve their “dreams” and feel a sense of accomplishment and fulfillment due to this “achievement,” which will give them “happiness,” so that they can, in turn, aim to further expand this triangle of happiness.
- ✓ As a company, we aim for the “achievement” of both economic and social value and, beyond that, we pursue the “happiness” of stakeholders.
- ✓ KUMIAI Group’s sustainability management will expand “dreams” and the “happiness triangle” from the individual level to a global scale.



Ema (wooden tablets) inscribed by employees, displayed in front of the president's office

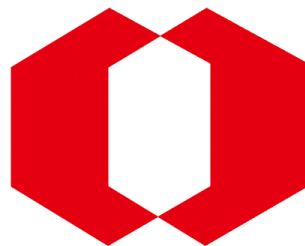


The chairman and president visit all business sites and interact with employees

Thank you for your attention.



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Statements in this document regarding earnings forecasts and other forward-looking statements are expectations based on information available at the time the material was prepared and include potential risks and uncertainties. Actual results may differ from these earnings forecasts due to a variety of factors.

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<Inquiries>

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Please also see the Company's website. <http://ir.kumiai-chem.co.jp/>