

Second Quarter Financial Results for the Fiscal Year Ending October 31, 2022

June 24, 2022

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

Today's Agenda

- I . Business Environment**
- II . Second Quarter Financial Results
for the Fiscal Year Ending October 31, 2022**
- III . Earnings Forecast
for the Fiscal Year Ending October 31, 2022**
- IV . Implementation Status of Priority Measures**
- V . Q&A**

Business Impact of the Russia/Ukraine Situation

✓ Direct impact

Limited impact in 1H with few direct transactions involving Russia and Ukraine

✓ Indirect impact

Rising raw material and energy costs, disruptions to marine transportation and other risk factors

Risk factors

- Rising raw material and energy costs due to soaring prices of crude oil and LNG
- Disruption of global marine transportation and soaring shipping costs
- Decrease in selling opportunities



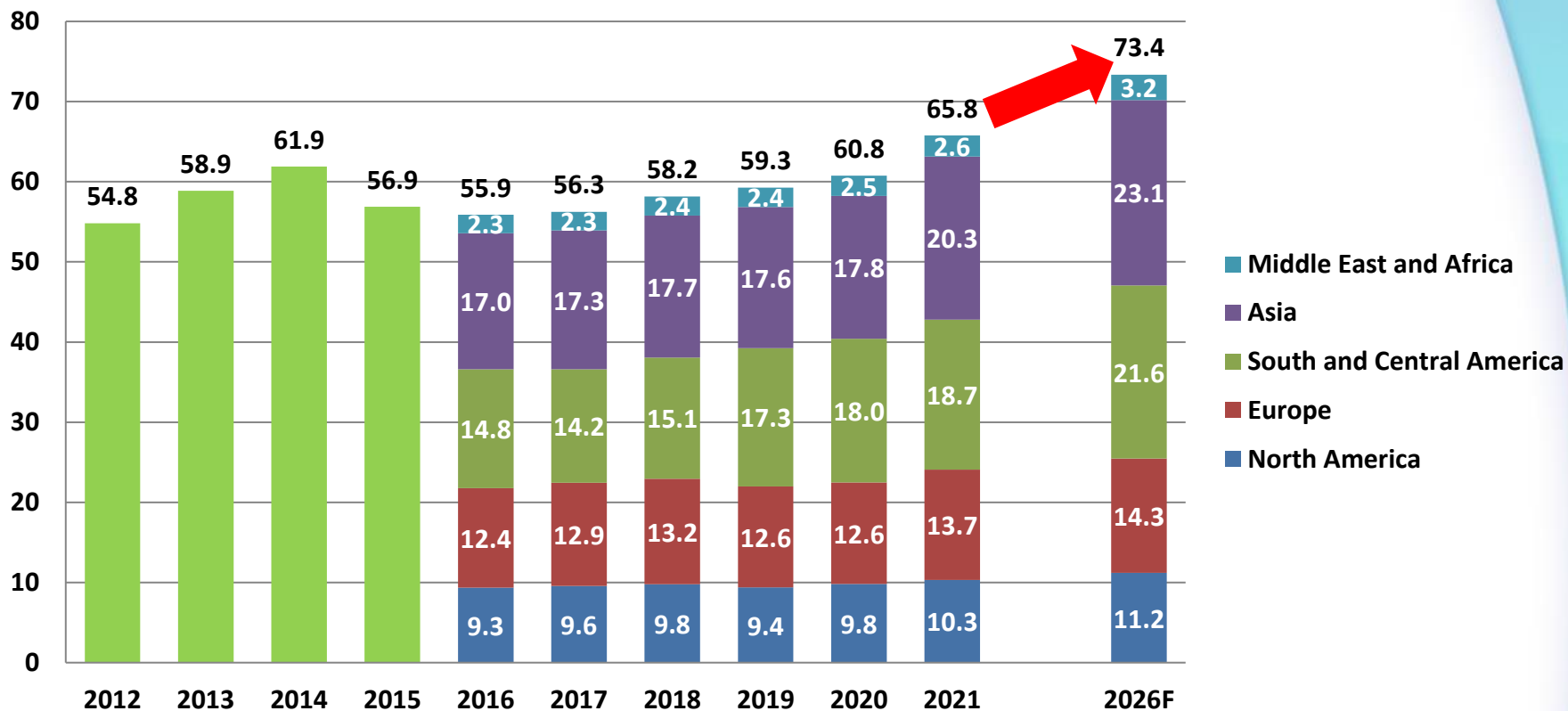
While the impact is limited at present, the Company will respond appropriately while closely monitoring the developments in the international community as the situation persists.

Market Trends for Agricultural Chemicals

✓ Global market entered recovery in 2016 and is forecast to expand to US\$73.4 billion by 2026

✓ Domestic market remains flat at around ¥340.0 billion

(Unit: US\$ billion)



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Second Quarter Financial Results for the Fiscal Year Ending October 31, 2022



(Unit: billions of yen)	2021 2Q Results	2022 2Q Results	YoY (Amount)	Initial forecast**	Change from initial forecast	Factors
Net Sales	58.8	72.2	+ 13.4	65.3	+6.9	<ul style="list-style-type: none"> • Sales growth of main agricultural chemicals (+) • Recovery of Fine Chemicals Business (+)
Operating Income	4.8	7.9	+3.1	5.7	+2.2	<ul style="list-style-type: none"> • Profit growth due to increased sales (+) • Foreign exchange impact (+) • Increase in procurement costs (-)
Ordinary Income	6.5	11.4	+5.0	6.8	+4.6	<ul style="list-style-type: none"> • Foreign exchange gain (+)
Net Income*	4.7	8.0	+3.2	4.8	+3.2	—

* Net income attributable to owners of parent

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

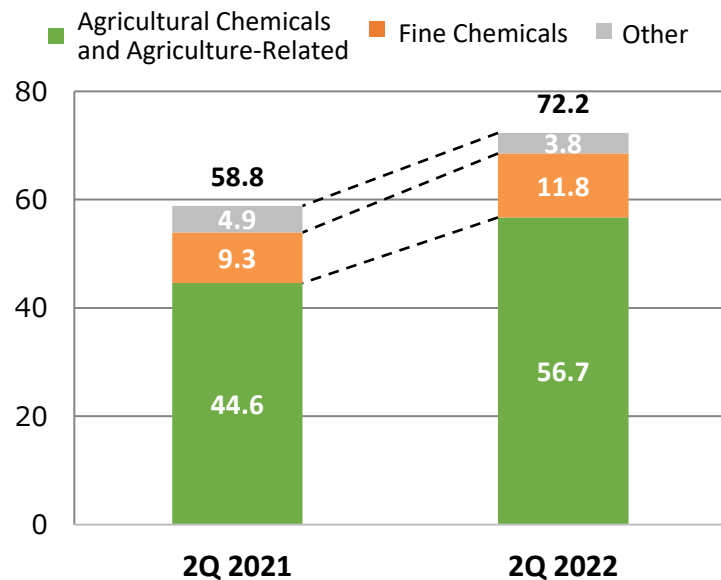
Net Sales and Operating Income by Business Segment



- ✓ Large increase in Axeev sales and business growth of new agents for Japanese market
- ✓ Recovery of chlorination business in the Fine Chemicals Business from impact of COVID-19

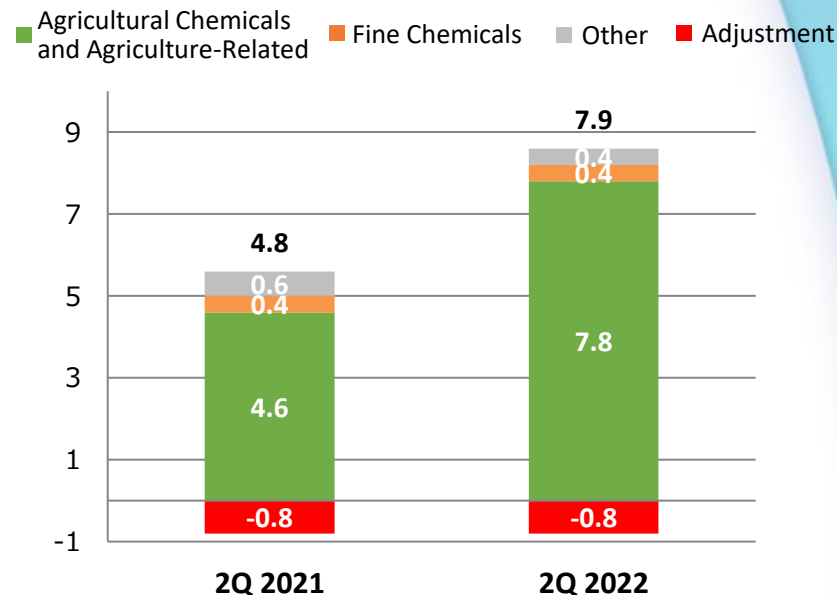
Consolidated Net Sales

(Unit: billions of yen)



Consolidated Operating Income

(Unit: billions of yen)



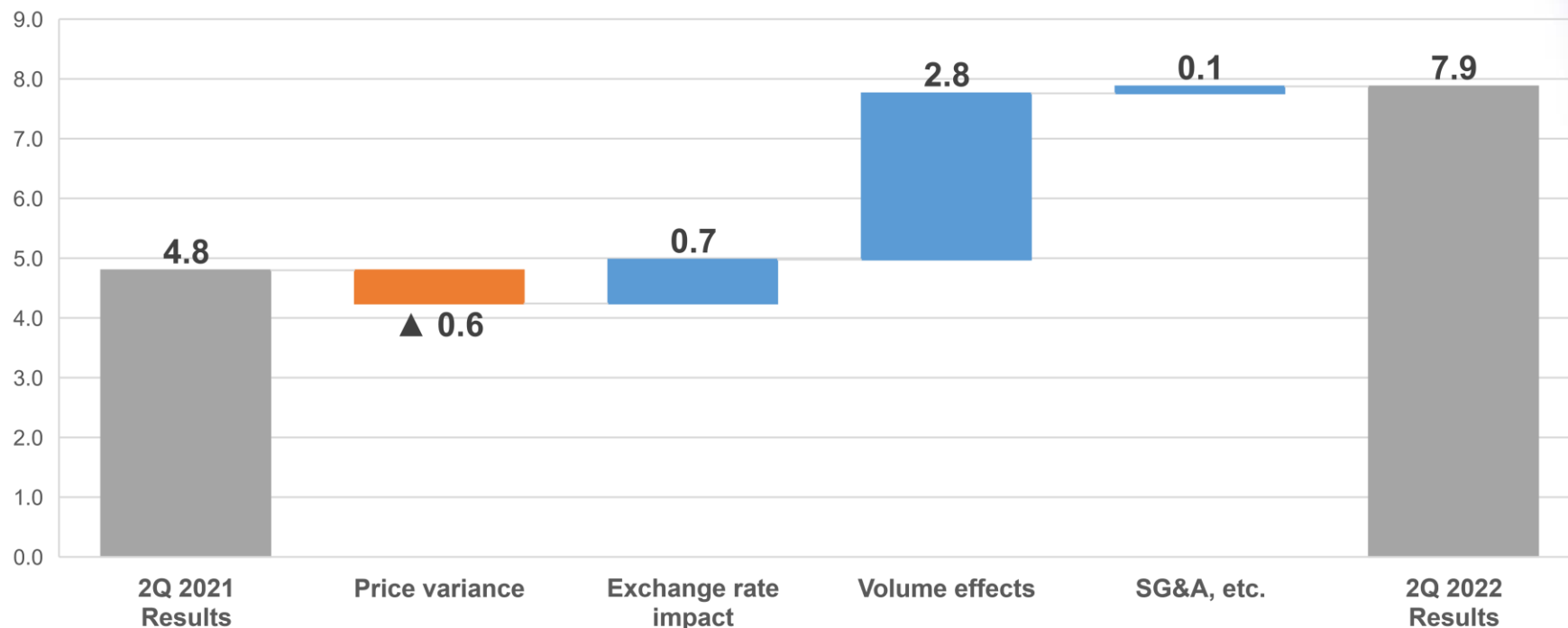
	Change in sales	Change in profit
Agricultural Chemicals and Agriculture-Related	+ 12.1 billion	+3.2 billion
Fine Chemicals	+ 2.5 billion	+¥0.0 billion
Other	-1.1 billion	-¥0.2 billion

Analysis of Factors Contributing to Change in Operating Income

Factors contributing to change

- ✓ Profit growth due to strong sales in Agricultural Chemicals and Agriculture-Related Businesses
- ✓ Significant profit growth due to foreign exchange impact and effect of increased business volume, despite impact of soaring raw material costs exceeding cost pass-through
- ✓ Decrease in SG&A expenditure due to application of Revenue Recognition Standard despite soaring transportation costs

(Unit: billions of yen) **Factors Contributing to Change in Operating Income**

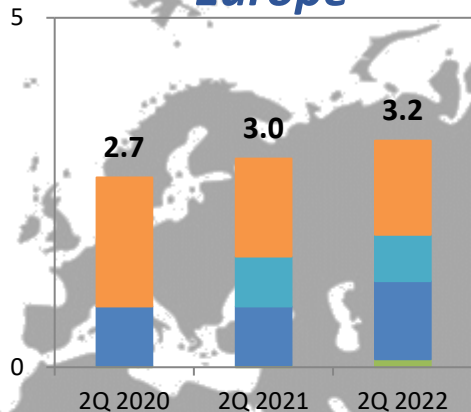


Net Sales by Overseas Region and by Application (Agricultural Chemicals and Agriculture-Related Businesses)

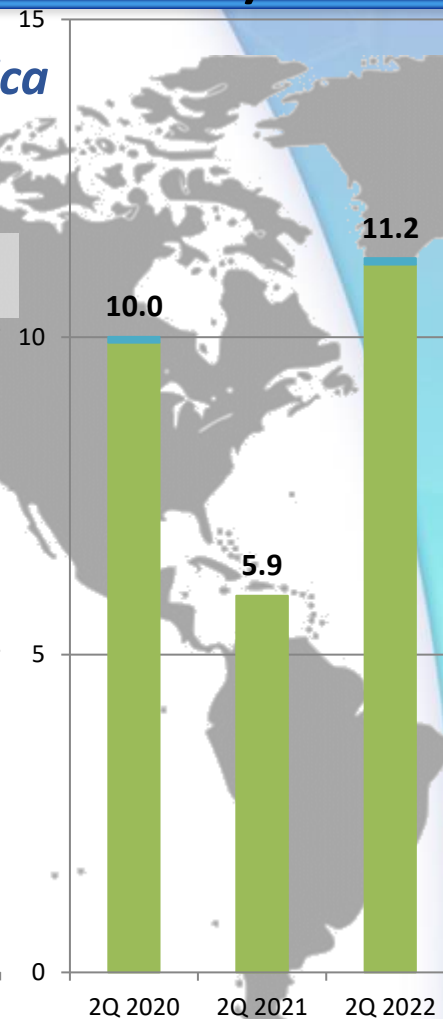


(Unit: billions of yen)

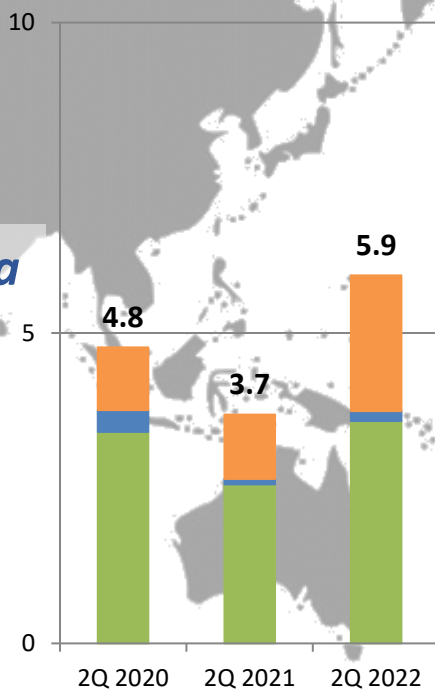
Europe



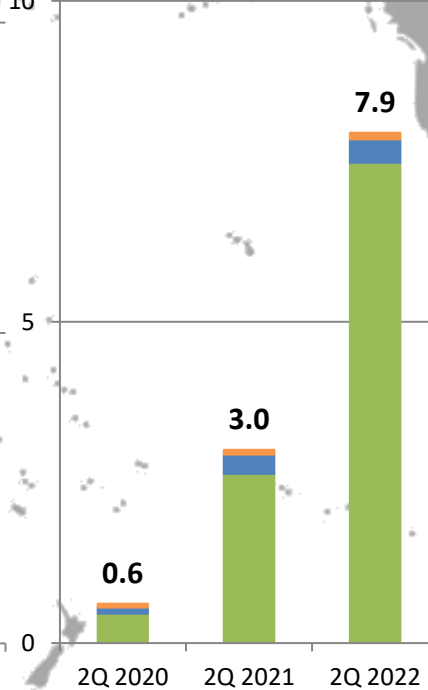
North America



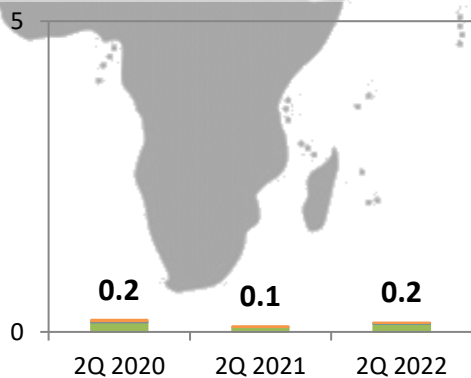
Asia and Oceania



South America



Middle East and Africa



■ Herbicide
 ■ Fungicide
 ■ Plant growth regulator
 ■ Other

Net Sales	¥56.7 billion
Overseas Sales	¥28.5 billion
Overseas Sales Ratio	50%

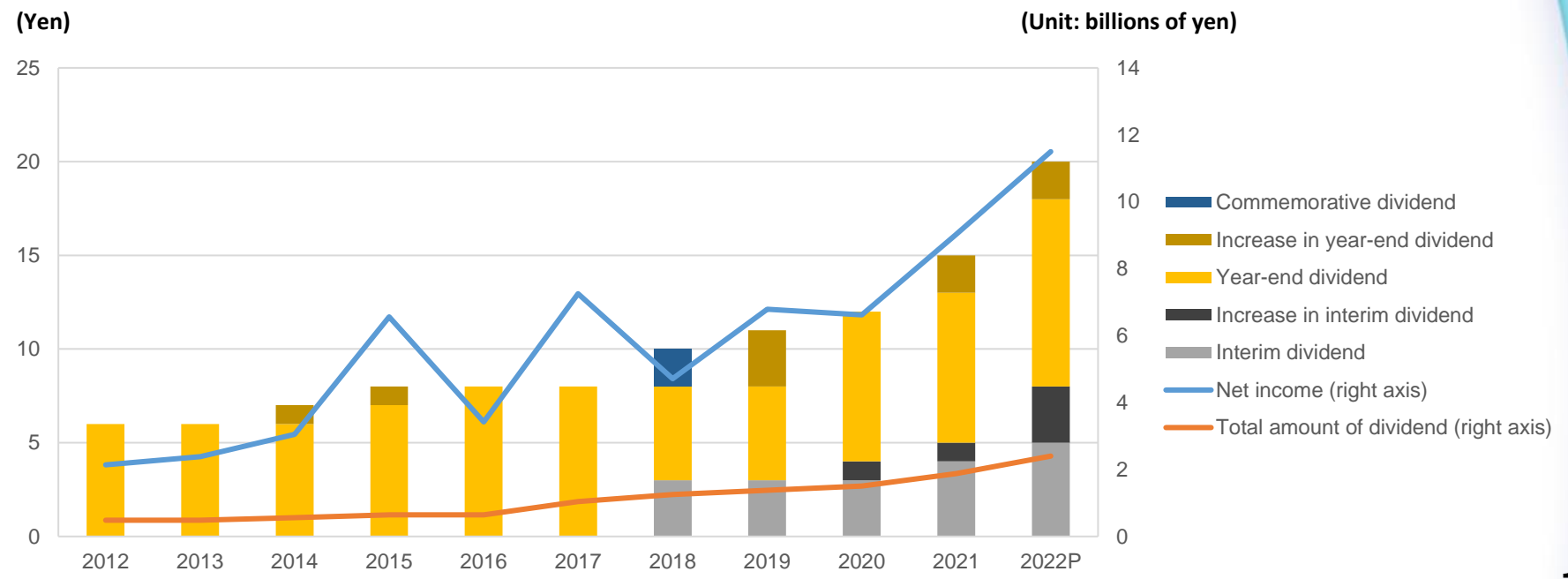


Measures for Shareholder Returns

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 an annual dividend of ¥20 with a year-end dividend of ¥12 yen, an increase of ¥2 over the previous forecast.



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Consolidated Earnings Forecast for the Fiscal Year Ending October 31, 2022 (Year on Year Change)



(Unit: billions of yen)	2021 Results	2022 Revised forecast**	Change	Factors contributing to change
Net Sales	118.2	140.0	+21.8	—
<i>Agricultural Chemicals and Agriculture-Related</i>	89.2	106.8	+17.7	Overseas: Large increase in Axeev sales (+) Japan: Increase in Effeeda and Disarta sales (+)
Fine Chemicals	20.7	24.3	+3.6	• Sales growth due to recovery from COVID-19 pandemic (+)
Operating Income	8.5	12.5	+4.0	• Volume effects (+) • Exchange rate impact (+) • Increase in costs due to rising procurement prices (-)
Ordinary Income	12.8	16.4	+3.6	• Foreign exchange gains (+)
Net Income*	9.0	11.5	+2.5	—

*Net income attributable to owners of parent

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

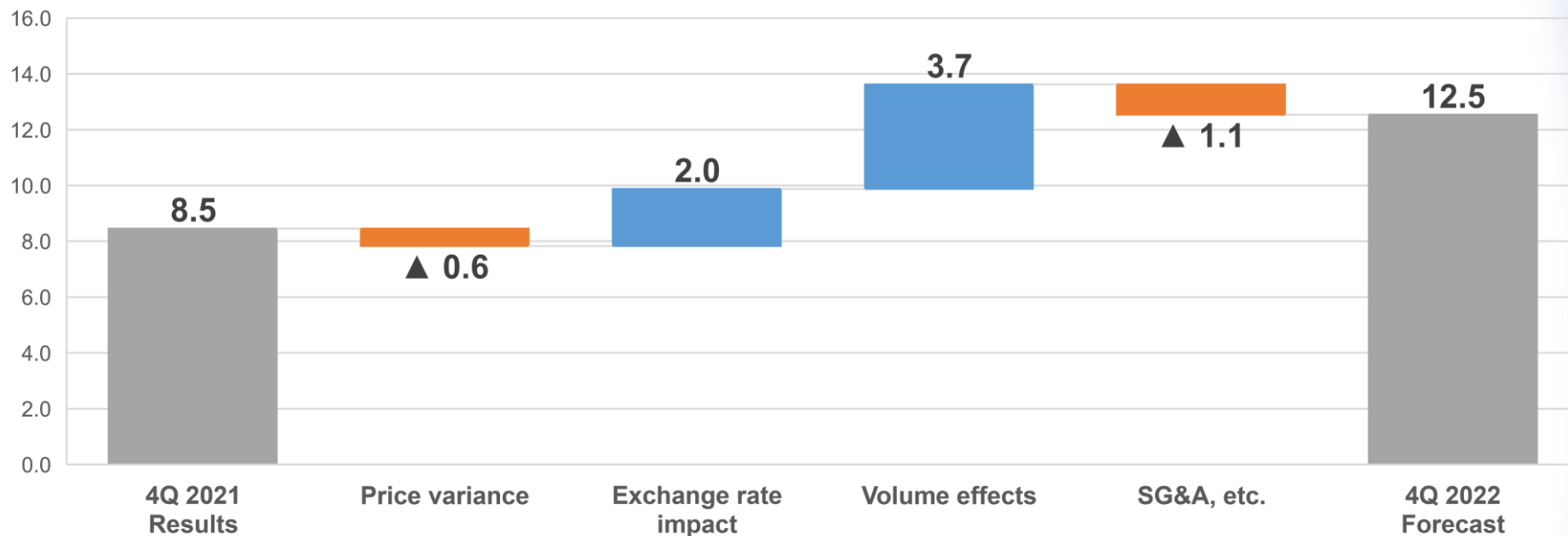
Analysis of Change in Operating Income

Factors contributing to changes

- ✓ Forecast large increase in profit due to significant sales growth in Agricultural Chemical and Agriculture-Related Businesses
- ✓ Forecast large increase in profit due to foreign exchange impact and effect of increased business volume, despite expectations of an impact from soaring raw materials costs as a factor restraining profit
- ✓ Anticipate increase in SG&A expenses, mainly due to soaring transportation costs

(Unit: billions of yen)

Factors Contributing to Change in Operating Income



Consolidated Earnings Forecast for the Fiscal Year Ending October 31, 2022 (Change from Initial Forecast)



(Unit: billions of yen)	2022 Initial forecast	2022 Revised forecast**	Change	Factors contributing to change
Net Sales	123.9	140.0	+16.1	—
Agricultural Chemicals and Agriculture-Related	91.8	106.8	+15.0	<ul style="list-style-type: none"> • Large increase in Axeev sales (+) • Rising overall demand in agricultural chemical business (+)
<i>Fine Chemicals</i>	23.3	24.3	+1.0	<ul style="list-style-type: none"> • Sales growth for aramid fiber raw materials and for resin raw materials for electronic materials (+)
Operating Income	9.0	12.5	+3.5	<ul style="list-style-type: none"> • Volume effects (+) • Exchange rate impact (+) • Increase in costs due to rising procurement prices (–)
Ordinary Income	11.2	16.4	+5.2	<ul style="list-style-type: none"> • Foreign exchange gains (+)
Net Income*	7.8	11.5	+3.7	—

*Net income attributable to owners of parent

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

Progress and Business Plan for the Fiscal Year Ending October 31, 2022



Agricultural Chemicals and Agriculture-Related Businesses

¥89.2 billion (2021) → ¥106.8 billion (2022), up ¥17.7 billion

<p>Axeev (Up ¥16.3 billion)</p>	<ul style="list-style-type: none"> ✓ Large sales growth on back of positive market environment ✓ Actual results exceeded 1H forecast ✓ Also expect significant increase in 2H shipments for next season
<p>Effeeda (Up ¥1.7 billion)</p>	<ul style="list-style-type: none"> ✓ 1H progress in line with plan ✓ Expect strong sales in 2H with sales of active ingredients to other companies ✓ Maintain top share of Japanese market for one-shot herbicides for rice paddy fields
<p>Disarta (Up ¥0.8 billion)</p>	<ul style="list-style-type: none"> ✓ 1H progress in line with plan ✓ Plan to commence shipments to South Korea in 2H ✓ Also expect sales in line with plan in 2H with sales of active ingredients to other companies



Despite some minor adjustments, the agricultural chemical business as a whole will remain strong, driven by proprietary products.

Progress and Business Plan for the Fiscal Year Ending October 31, 2022



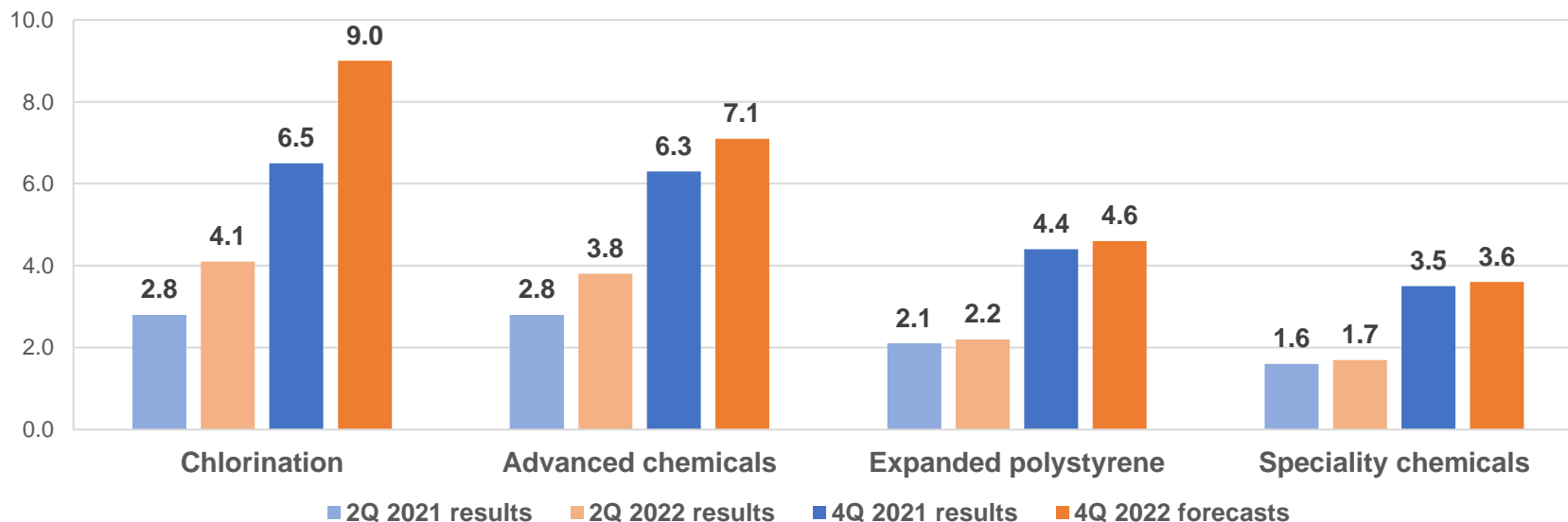
Fine Chemicals Businesses

¥20.7 billion (2021) → ¥24.3 billion (2022), up ¥3.6 billion

Chlorination business	✓ Recovering from impact of COVID-19 pandemic, particularly aramid fiber raw materials
Fine chemicals business	✓ Sales of products for use in electronic materials (bismaleimides) remained strong

(Unit: billions of yen)

Changes in Net Sales by Sub-Segment

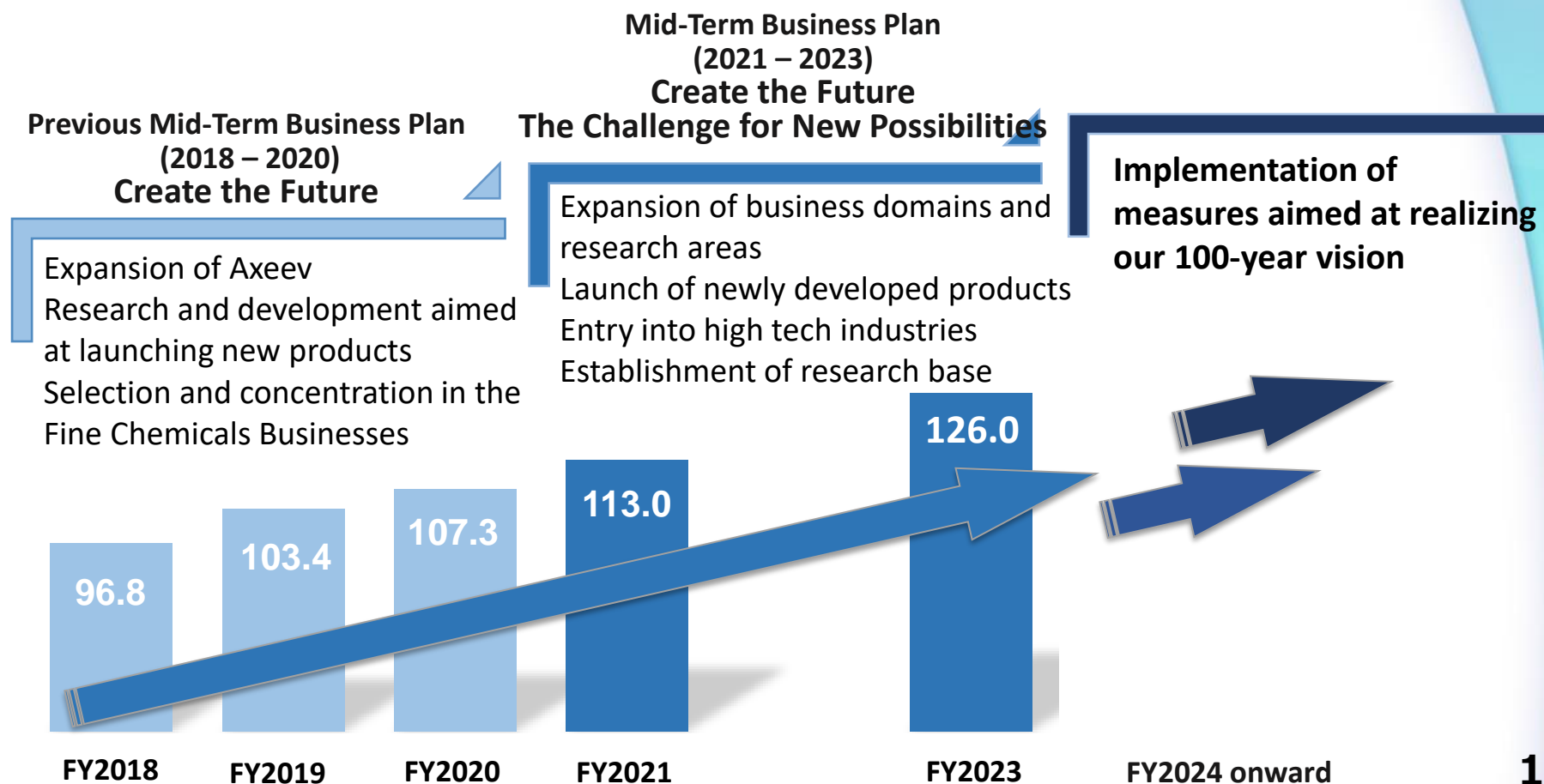


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Overview of Mid-Term Business Plan (2021 – 2023)

KUMIAI CHEMICAL INDUSTRY Group Vision

Be a corporate group with flexibility and a strong presence that enriches the lives of people through our unique technology, which contributes to the sustainable development of a society and operates in harmony with nature



Key policies, Priority measures

Key policies	Priority measures
<p>Expand research areas and business domains</p> <p>2 技術を ゼロに 9 産業と技術革新の 基盤をつくらう 11 成長分野のある 分野につなぐ 12 つくる責任 つなぐ責任 13 経営戦略に 関係社会課題を 15 株の豊かさも 守ろう</p>	<p>Expand research areas through development of innovative technology Expand business domains by developing new businesses and introducing new technologies Expand existing businesses by pursuing growth strategy</p>
<p>Ensure diversification of sales routes</p> <p>2 技術を ゼロに 9 産業と技術革新の 基盤をつくらう 12 つくる責任 つなぐ責任 15 株の豊かさも 守ろう</p>	<p>Diversify sales routes overseas 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 基盤をつくらう 12 つくる責任 つなぐ責任 15 株の豊かさも 守ろう</p>	<p>Optimize production systems and procurement measures to reduce manufacturing costs 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 基盤をつくらう 12 つくる責任 つなぐ責任 13 経営戦略に 関係社会課題を 15 株の豊かさも 守ろう 17 ガバナンスで 信頼を築きしよ</p>	<p>Develop products and build production systems with lower environmental impact Actively disseminate corporate information Strengthen and promote group compliance systems Ensure establishment and operation of internal control systems 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

Implementation Status of Key Measures (Expand Existing Businesses)

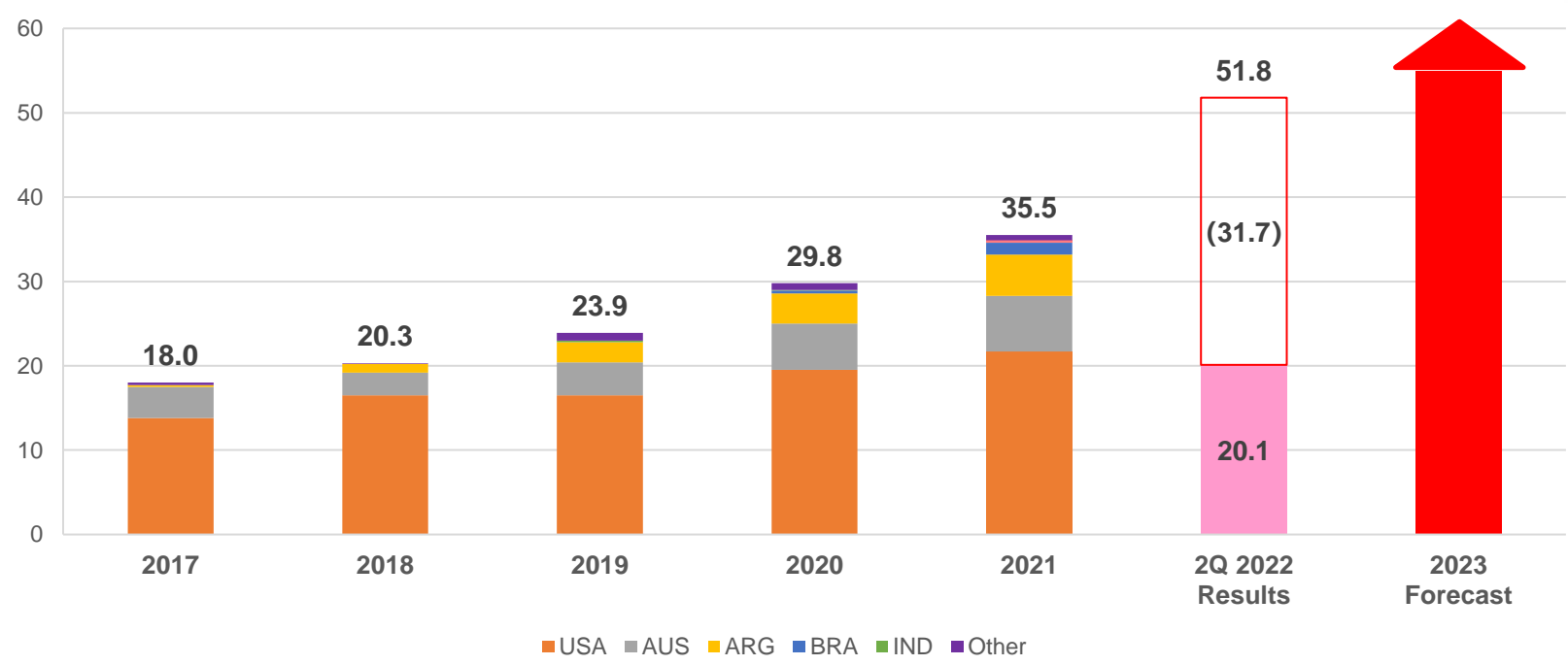
Axeev (herbicide for field crops)

2 高熱をゼロに 	9 産業と技術革新の基盤をつくろう 	12 つくも責任 つかう責任 	15 環境がもたらす 価値を高める 
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- ✓ Significant growth in a favorable market environment backed by rising demand for grain
- ✓ Further growth expected due to continuation of positive market environment

(Unit: billions of yen)

Changes in Sales



Implementation Status of Key Measures (Expand Existing Businesses)

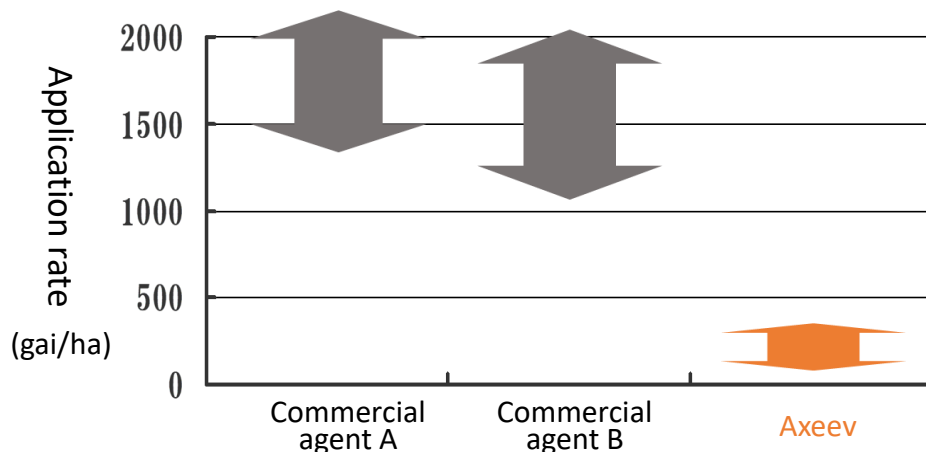


▶ Basic information about Axeev

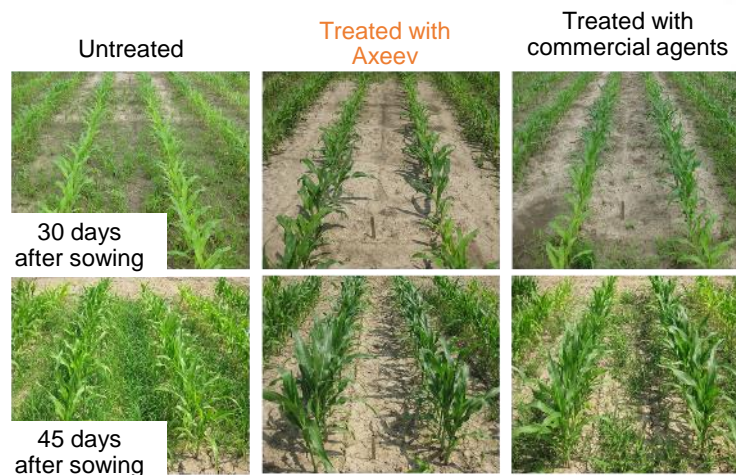
- ✓ Can be used with major field crops such as soybeans, wheat, and corn
- ✓ Effective against a wide range of problematic weeds from grasses through to small-seeded broadleaf weeds
- ✓ Registered in 17 countries worldwide (as of May 2022)

▶ Features of Axeev

(1) High efficacy (with lower environmental impact)



(2) Long residual efficacy



Implementation Status of Key Measures (Expand Existing Businesses)

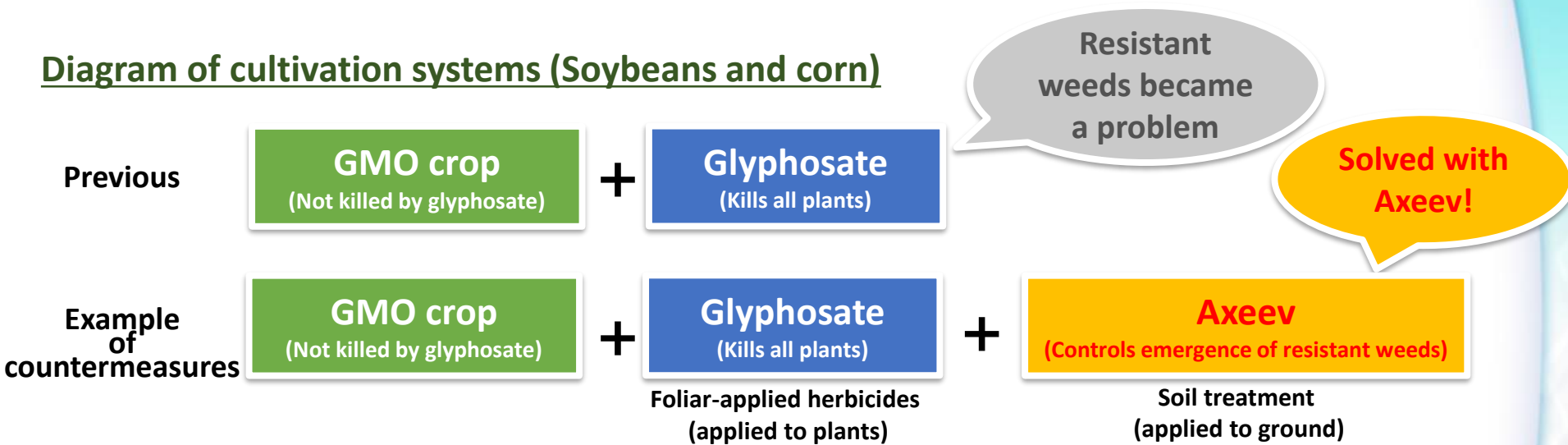
▶ Background to market acceptance of Axeev

- ✓ More than 90% of soybean and corn cultivation in major producing countries in North and South America use GMOs and glyphosate
 - Problem of glyphosate resistance has become more serious recently
- ✓ Resistance to other products is a problem in wheat cultivation in countries such as Australia and India



Market acceptance of Axeev, which shows high efficacy against problematic resistant weeds

Diagram of cultivation systems (Soybeans and corn)



Soil treatments are being used over wider areas, and demand for Axeev is increasing accordingly!

Implementation Status of Key Measures (Expand Existing Businesses)



Effeeda (herbicide for rice paddy fields)

2 市場をゼロに	9 産業と技術革新の基盤をつくろう	12 つくも責任 つかう責任	15 環境の豊かさも守ろう

- ✓ Market share expanding due to steady growth
- ✓ Promotion of growth through continuous development of new mixed formulations
 - Start sales of one new mixed formulation in Japan
- ✓ Promotion of development overseas (application for registration already filed in Europe)



Disarta (fungicide for rice paddy fields)

2 市場をゼロに	9 産業と技術革新の基盤をつくろう	12 つくも責任 つかう責任	15 環境の豊かさも守ろう

- ✓ Market share expanding due to steady growth
- ✓ Promotion of growth through continuous development of new mixed formulations
 - Start sales of one new mixed formulation in Japan
- ✓ Plan to commence shipments to South Korea this year
- ✓ Promotion of development overseas



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



Construction of new chemical institute

- ✓ Make research and development more efficient by integrating 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

Implementation Status of Priority Measures

Moved to Prime Market

- ✓ Further strengthened governance befitting a company listed on the Prime Market
- ✓ Pursuing sustainability management
 - Further enhance corporate value by delivering both economic and social value

▶Further strengthen governance

- ✓ Complying with revised Corporate Governance Code

▶Promote sustainability management

- ✓ Established and published Basic Policy on Sustainability and various other policies (Nov 2021)
- ✓ Developing structure for promoting sustainability management
 - Sustainability Promotion Committee (Nov 2021)
 - Sustainability Promotion Office (Jan 2022)→Sustainability Promotion Department (May 2022)
- ✓ Implement measures connected to business activities
 - Responding to Japan's Strategy for Sustainable Food Systems, MeaDRI
 - Enhancing social value through activities to raise awareness about agriculture and agricultural chemicals

Status of Sustainability-Oriented Management

Established Sustainability Promotion Department

- ✓ Strengthened foundation of sustainability-oriented management
- ✓ Promoting Responsible Care activities

▶ Strengthen foundation of sustainability management

- ✓ Reorganized and strengthened Sustainability Promotion Office as Sustainability Promotion Department

▶ Promote responsible care activities

- ✓ Established Responsible Care Promotion Section within the Sustainability Promotion Department

→ Working as one of the pillars of sustainability management

* Responsible Care

Responsible Care consists of activities to voluntarily ensure "the environment, safety, and health" in all processes from research and development, manufacturing, distribution, use, and final consumption to disposal and recycling of chemical substances by each company that handles such substances, and to publish the results of these activities and engage in dialogue and communication with society.

Status of Sustainability-Oriented Management

Activities to Raise Awareness of Agriculture and Agricultural Chemicals

- ✓ Agricultural chemicals are needed to support a sustainable society
- ✓ Promoting understanding among stakeholders and general consumers through dissemination of correct information about agriculture and agricultural chemicals
- ✓ Bolstering Japanese agriculture by creating an environment in which farmers can use agricultural chemicals with confidence

▶ Publication of Okome wo Mamoru Hanashi (“Protecting Rice”)

- ✓ Pamphlet that tells elementary school students about the role of agricultural chemicals throughout the rice production process
- ✓ Distributing the pamphlet to elementary schools close to the Company’s business sites, with plans to expand nationwide
- ✓ The pamphlet is also available on the corporate website as a digital book



▶ Provide visiting lessons for elementary schools

- ✓ Provided visiting lessons by employees at elementary schools in Shizuoka Prefecture
- ✓ Aiming to reach various generations through dissemination of information in education settings



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 CHEMICAL INDUSTRY’s sustainability-oriented management will expand “dreams” and the “happiness triangle” from the individual level to a global scale.



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>

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Public & Investor Relations Section, General & Personnel Affairs Department,
Corporate Planning & Coordination Division

TEL: 03-3822-5036

FAX: 03-3823-6830

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