

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

March 17, 2022

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

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



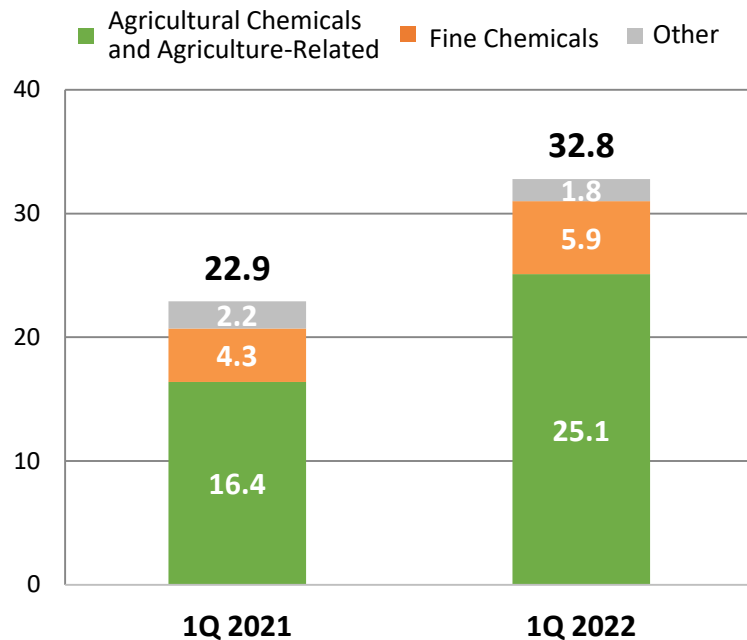
| (Unit: billions of Yen) | 1Q 2021 Results | 1Q 2022 Results | YoY (Amount) | Factors contributing to changes |
|--|--------------------|--------------------|-----------------|--|
| Net Sales | 22.9 | 32.8 | +9.9 | |
| Agricultural Chemicals and Agriculture-Related | 16.4 | 25.1 | +8.7 | • Axeev volume growth (+) In the U.S. and Argentina |
| <i>Fine Chemicals</i> | 4.3 | 5.9 | +1.5 | • Recovery of chlorination business, volume growth in fine chemicals business (+) |
| Operating Income | 1.6 | 3.4 | +1.8 | • Volume growth (+) • Limiting SG&A expenses (+) • Soaring raw material costs (-) |
| Ordinary Income | 2.0 | 4.0 | +2.0 | • Foreign exchange gains, etc. (+) |
| Net Income* | 1.2 | 2.6 | +1.4 | |

* Net income attributable to owners of parent 2

Net Sales and Operating Income by Business Segment

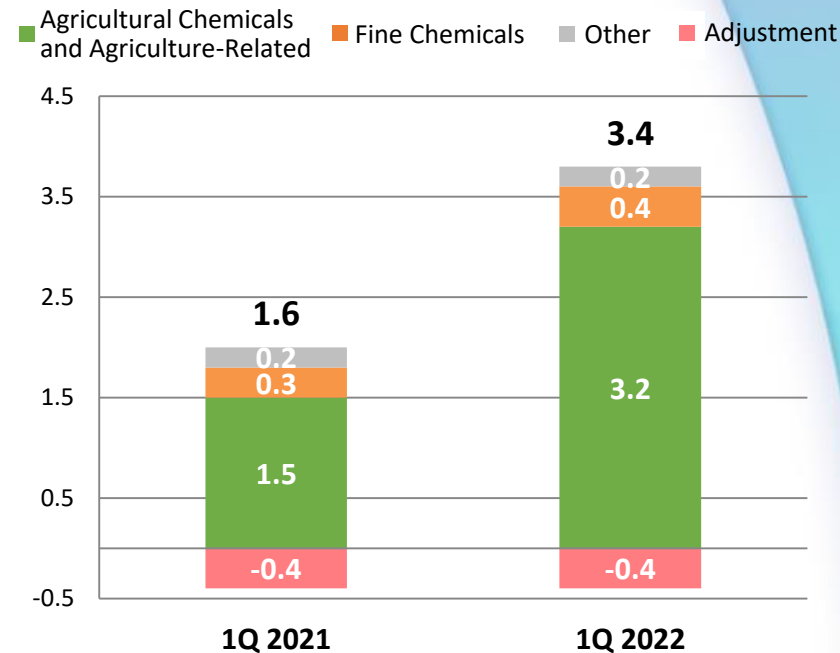
Consolidated Net Sales

(Unit: billions of Yen)



Consolidated Operating Income

(Unit: billions of Yen)



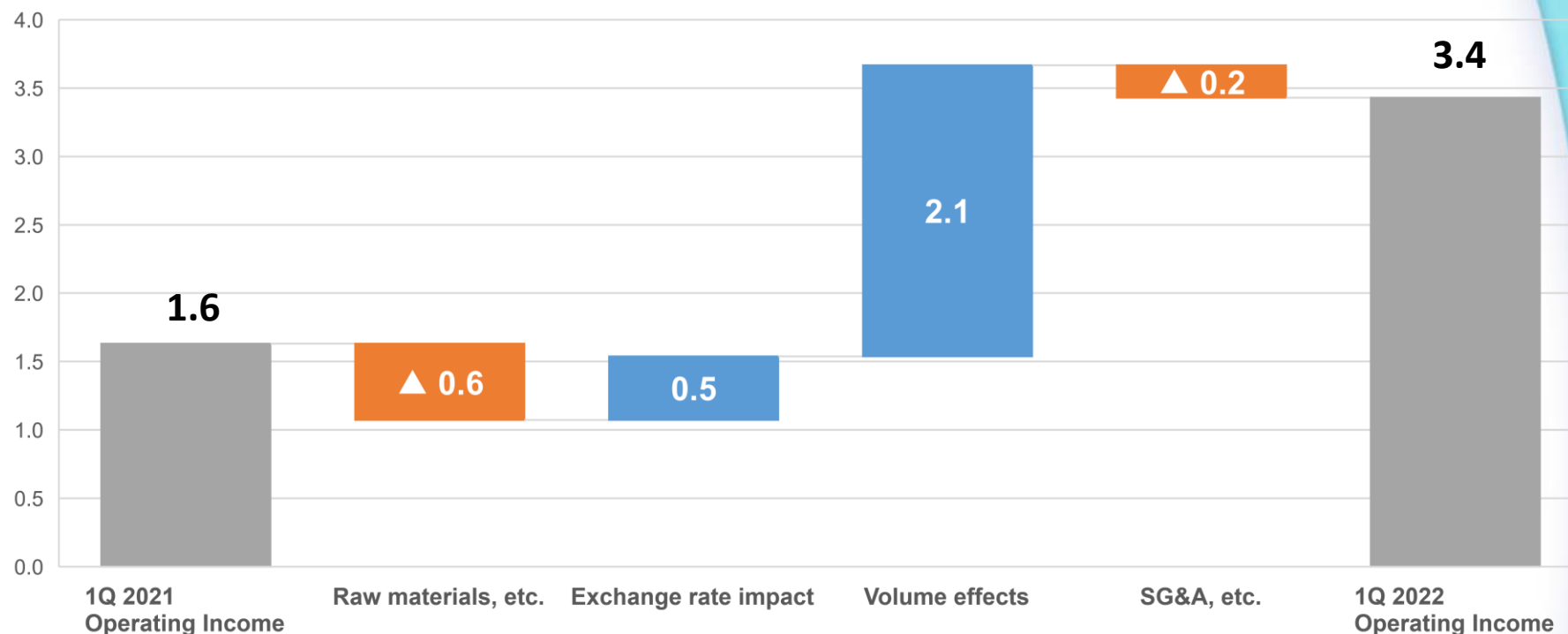
| | Change in sales | Change in profit |
|--|-----------------|------------------|
| Agricultural Chemicals and Agriculture-Related | + ¥8.7billion | + ¥1.7billion |
| Fine Chemicals | + ¥1.5billion | + ¥0.1billion |
| Other | - ¥0.4billion | - ¥0.0billion |

Analysis of Change in Operating Income

Factors contributing to change

- ✓ Large increase in profit due to strong shipments in both Agricultural Chemicals and Agriculture-Related Businesses and Fine Chemicals Business segments
- ✓ Limited increase in SG&A expenses despite soaring raw material costs

(Unit: billions of Yen)

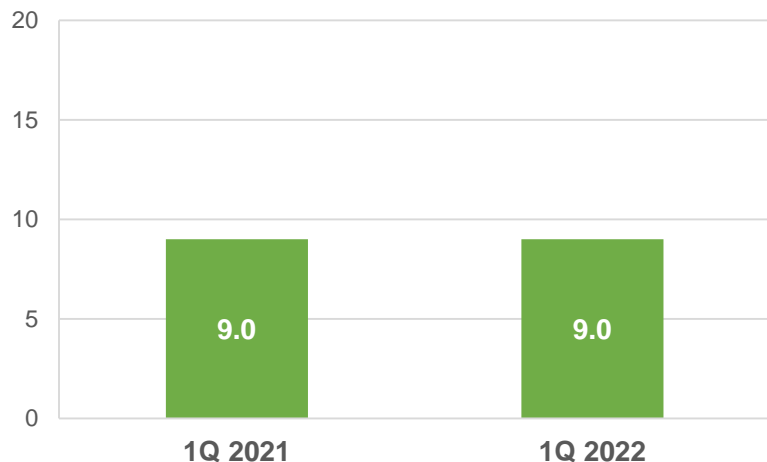


Agricultural Chemicals and Agriculture-Related Businesses

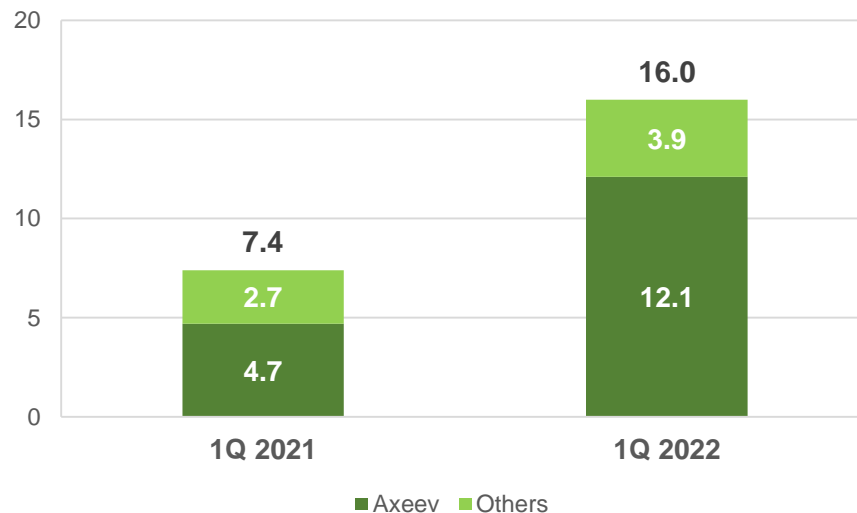
Progress in 1Q

| | |
|------------------------|--|
| <p>Domestic</p> | <p>Sales of Effeeda and box-treatment products such as Disarta remained strong, but total sales were flat year on year due to discontinuation of some products.</p> |
| <p>Overseas</p> | <p>Sales increased significantly as sales of Axeev remained strong in the U.S. and Argentina. Sales increased in the U.S. due to a positive market environment and shipments to Argentina were brought forward.</p> |

(Unit: billions of Yen) **Domestic Sales**



(Unit: billions of Yen) **Overseas Sales**



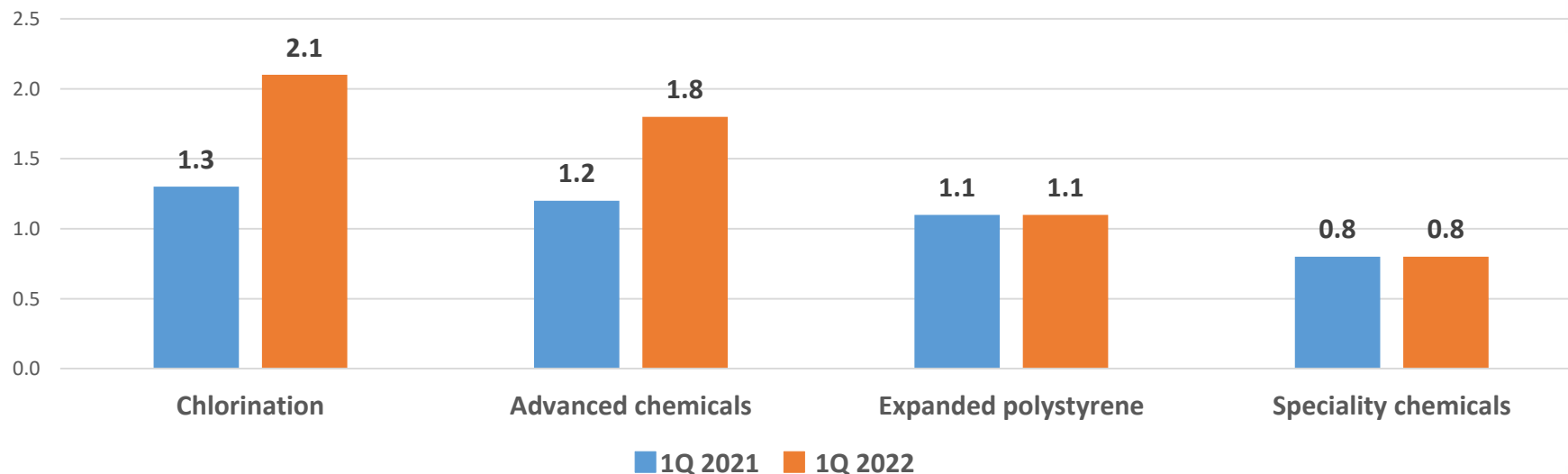
Fine Chemicals Businesses

Progress in 1Q

| | |
|-----------------------------|--|
| Chlorination | Recovered from impact of COVID-19 pandemic Sales of chloroxylene-based products remained strong |
| Advanced chemicals | Sales of bismaleimides remained strong Sales of amines increased year on year as shipments were brought forward |
| Expanded polystyrene | Flat year on year |
| Speciality chemicals | |

(Unit: billions of Yen)

Changes in Net Sales by Sub-Segment



Summary of First Quarter of the Fiscal Year Ending October 31, 2022



▶ Increased overall sales and profit

✓ Overall performed above plan

In particular, the positive business environment is expected to continue for Agricultural Chemicals and Agriculture-Related Businesses.

✓ Soaring raw material costs were offset by shipment volume growth.

▶ Increased sales and profit in Agricultural Chemicals and Agriculture-Related Businesses segment

✓ Sales of Effeeda and box-treatment products such as Disarta remained steady in Japan.

✓ Overseas, Axeev sales remained favorable and exceeded expectations.

▶ Increased sales and profit in Fine Chemicals Business segment

✓ The chlorination business has been recovering from the impact of COVID-19.

✓ In the fine chemicals business, sales of bismaleimides and amines remained strong.

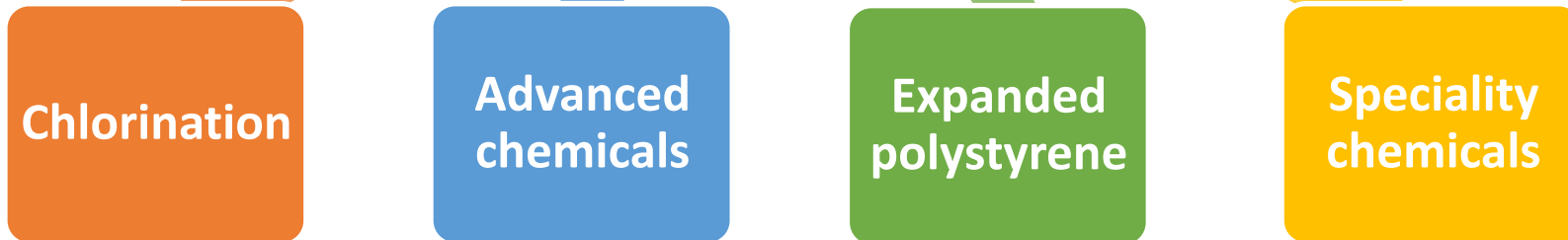
▶ Decreased sales and profit in Other Businesses segment

✓ Sales were sluggish, impacted by the progress of projects in the construction business.

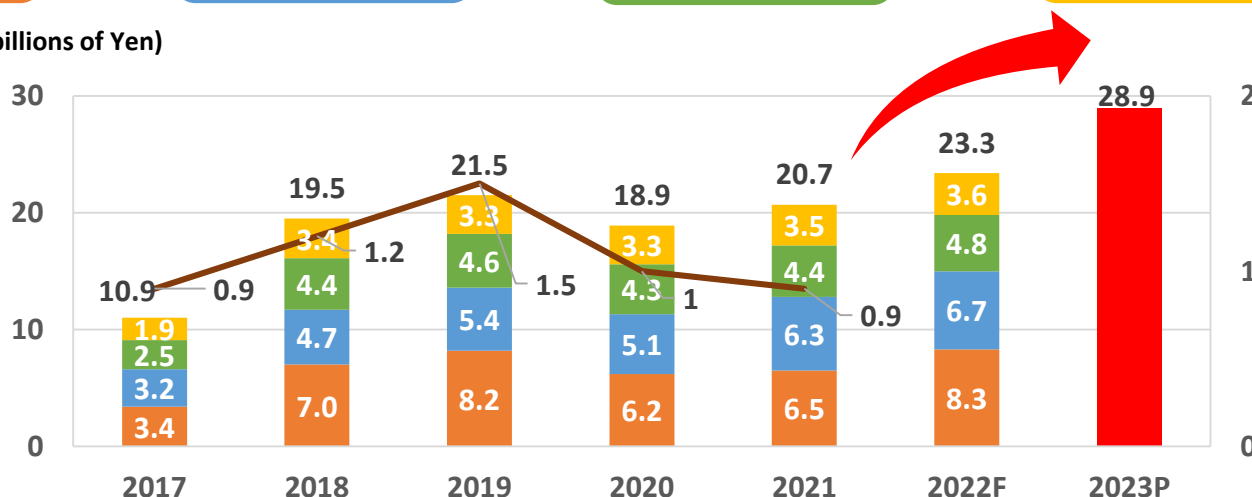
Introduction to Fine Chemicals Businesses

Overview of Fine Chemicals Businesses

As the second mainstay business of KUMIAI CHEMICAL INDUSTRY, the Fine Chemicals Business segment consists of four sub-segments.
This segment contributes to the realization of the SDGs and a circular economy and society by developing and supplying chemical products used in infrastructure and cutting-edge technologies for safe and enriched lifestyles.



(Unit: billions of Yen)



※Figures for FY2017 are for six months only due to the merger with Ihara Chemical Industry.

Fine Chemicals Businesses (Chlorination)

Iharanikkei Chemical Co., Ltd. and Iharanikkei Chemical (Thailand) Co., Ltd. handle the chlorine-based chemicals business.

✓ Main products are aramid fiber raw materials (IPC, TPC)

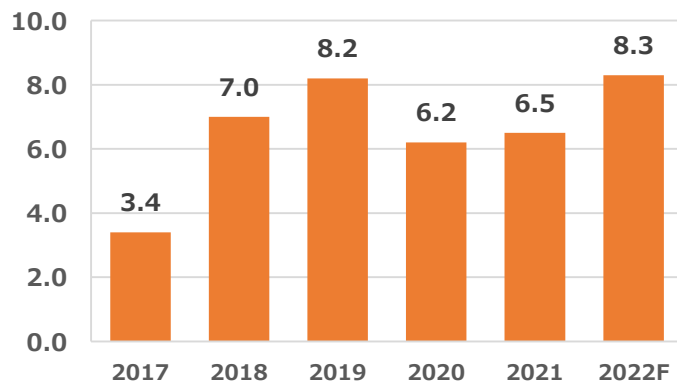
**Iharanikkei plant
(Shizuoka, Shizuoka Prefecture)**



**Iharanikkei Chemical (Thailand) Co., Ltd.
(Thailand, commenced operations in 2018)**



(Unit: billions of Yen) **Changes in Sales**



2020-21: Decreased demand due to COVID-19 pandemic
 2022: Recovery from COVID-19 pandemic
 Iharanikkei Chemical (Thailand) already fully operating

- ✓ Strong global demand for aramid fiber raw materials
- ✓ Shift to growth trend due to recovery from COVID-19 pandemic
- ✓ Strove to minimize impact from soaring crude oil prices
- ✓ Implemented measures to address logistics risk due to pressure on marine transportation

Fine Chemicals Businesses (Chlorination)

Main products

IPC (chloroxylene-based chemical product)

Raw material for aramid fibers with superior durability and heat resistance used in firefighting clothing, etc.



TPC (chloroxylene-based chemical product)

Raw material for light-weight aramid fibers with a high level of heat resistance used in automotive and aircraft components, bulletproof vests, construction materials, and fiber optic cable protection fibers, etc.



PXDC (chloroxylene-based chemical product)

Raw material for resins used in semiconductor encapsulants, brake pads, etc.



OPAD (chloroxylene-based chemical product)

Raw material for medical instrument disinfectants

PCAD (chlorotoluene-based chemical product)

Raw material for agricultural chemicals (fungicides) and pharmaceuticals (cold medicines)

Fine Chemicals Businesses (Advanced chemicals)

KUMIAI CHEMICAL INDUSTRY and K-I Chemical Industry are the main companies that handle the advanced chemicals business.

- ✓ Main products are raw materials for functional resins (bismaleimides) and resin curing agents
- ✓ Also developing chemical products business for pharmaceuticals, agricultural chemicals, and electronic materials

K-I Chemical Industry

Chemical plant (Iwata City, Shizuoka Prefecture)



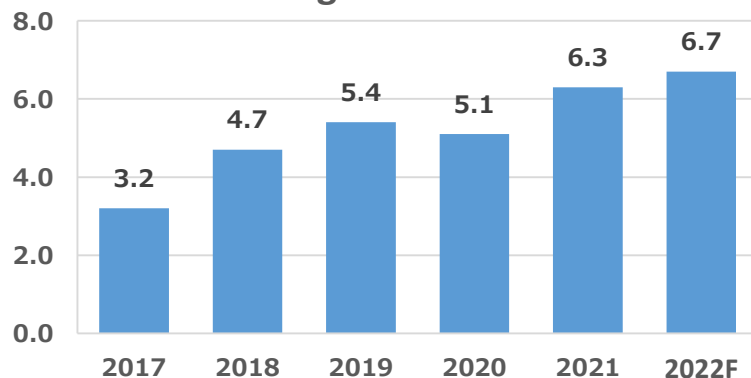
KUMIAI CHEMICAL INDUSTRY

Shizuoka Factory (Fuji City, Shizuoka Prefecture)



(Unit: billions of Yen)

Changes in Sales



2020: Decreased demand due to COVID-19 pandemic
 2021: Recovery from COVID-19 pandemic
 Growth in semiconductor demand

- ✓ Demand for products for use in semiconductors remains strong
- ✓ Working to minimize impact of soaring crude oil prices

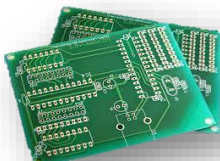
Fine Chemicals Businesses (Advanced chemicals)

Main products and businesses

Bismaleimides (by K-I Chemical Industry)

Raw materials for heat resistant resins
Flexibility, high solubility for easy molding, with other properties added to match customer applications

- ▶ Semiconductor laminates (BMI-70, BMI-80)
- ▶ Smartphone-related applications (BMI-80)
- ▶ Use in 5G and 6G base stations (BMI-70)



- ▶ Aircraft and automotive components (BMI-HS, H)



- ▶ Motor impregnating varnish used in railway-related applications (BMI)



Silane compounds (by K-I Chemical Industry)

Raw material for heat-resistant silicone oil, used for car lamp covers (sealant), etc.
Strength is high level of safety to comply with strict Japanese environmental standards

Contract manufacturing of chemicals (by KUMIAI CHEMICAL INDUSTRY)

Contract manufacturing and reaction development of a wide range of fine chemical products such as agricultural chemical active ingredients, pharmaceuticals, and electronic materials
Utilization of organic synthesis technologies amassed over many years

Amines (by KUMIAI CHEMICAL INDUSTRY)

Used in various applications, including urethane-coated waterproofing materials for building, industrial rolls, wheels for industrial machinery, and semiconductors, etc.



Fine Chemicals Businesses (Expanded polystyrene)

Ihara Construction Industry handles the expanded polystyrene business.

✓ Main products are fish boxes, consumer electronics parts, and products for building insulation

Ihara Construction Industry

Semine New Plant (Kurihara City, Miyagi Prefecture)



Main products

Polystyrene products

Polystyrene products are eco-friendly with low environmental impact, recycling rate of over 90%, and no toxic gases when burned.



2020: Decreased demand due to lower fish catches and COVID-19 pandemic. Production adjustments by consumer electronics manufacturers

2021: Sales growth due to recovery from impact of COVID-19 and enhancement of sales activities

(Unit: billions of Yen)

Changes in Sales



- ✓ Improvement in productivity due to updating of manufacturing facilities (in 2021)
- ✓ Production adjustments by consumer electronics manufacturers due to semiconductor shortage

Fine Chemicals Businesses (Speciality chemicals)

K-I Chemical Industry and Rikengreen Co., Ltd. handle the speciality chemicals business.

- ✓ Raw materials for chemical products, for a wide range of industries, including paper manufacturing chemicals, sanitation chemicals, and antimicrobials

K-I Chemical Industry

**Industrial chemical manufacturing plant
(Iwata, Shizuoka Prefecture)**



Main products and technologies

**Raw materials for medical equipment disinfectants
(by K-I Chemical Industry)**

Raw materials for endoscope disinfectants

**Environmental sanitation agents
(by K-I Chemical Industry)**

Wet wipes for person-to-person/person-to-object use, agents used for bath hygiene in hot springs and resort spas, etc.

Stripping and coating agents (by Rikengreen)

Chemicals used in the manufacturing process for household paper such as tissues and toilet paper

Paper strengthening technology (by Rikengreen)

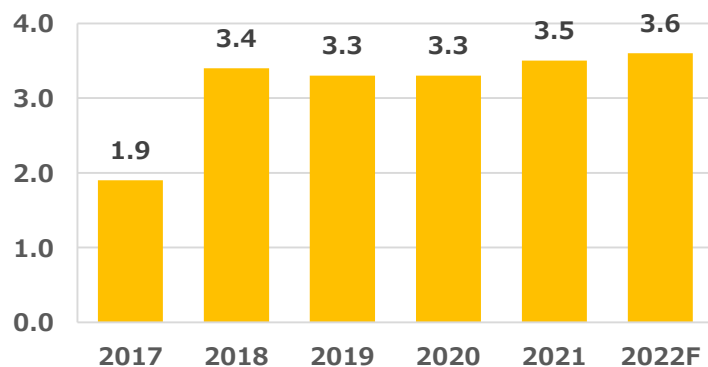
Technology that improves the quality of products such as tissues, paper towels, paper, and packaging paper, etc.

Remained steady despite some impact from COVID-19 pandemic

- ✓ Already recovering from COVID-19 impact
- ✓ Working to minimize impact from soaring crude oil prices

(Unit: billions of Yen)

Changes in Sales



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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