

Third Quarter Financial Results for the Fiscal Year Ending October 31, 2023

September 15, 2023

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

Financial Results for the Third Quarter of FY2023

Unit: Billions of Yen	3Q 2022 Results	3Q 2023 Results	YoY (Amount)	Rate
Net Sales	106.3	130.4	+ 24.1	+ 23%
Gross Profits	25.7	30.2	+ 4.5	+ 18%
Operating Income	10.3	14.1	+ 3.8	+ 36%
Ordinary Income	16.2	18.7	+ 2.6	+ 16%
Net income attributable to owners of parent	11.1	14.5	+ 3.4	+ 31%

Ref.) Average of exchange rates

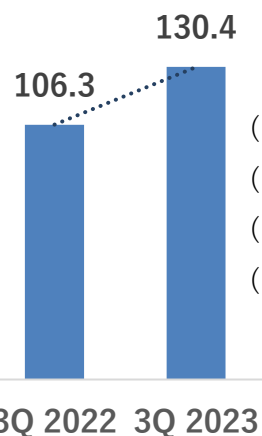
¥/US\$=125

¥/US\$=137

¥/EUR=133

¥/EUR=147

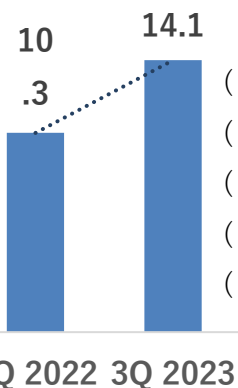
Consolidated Sales



YoY + **¥24.1B**

- (+) Large increase in AXEEV sales +¥26.2B
- (+) Implementation of price increase
- (+) Increase due to depreciation of Japanese yen
- (-) Decrease in sales of Fine Chemicals Business

Consolidated Operating Income

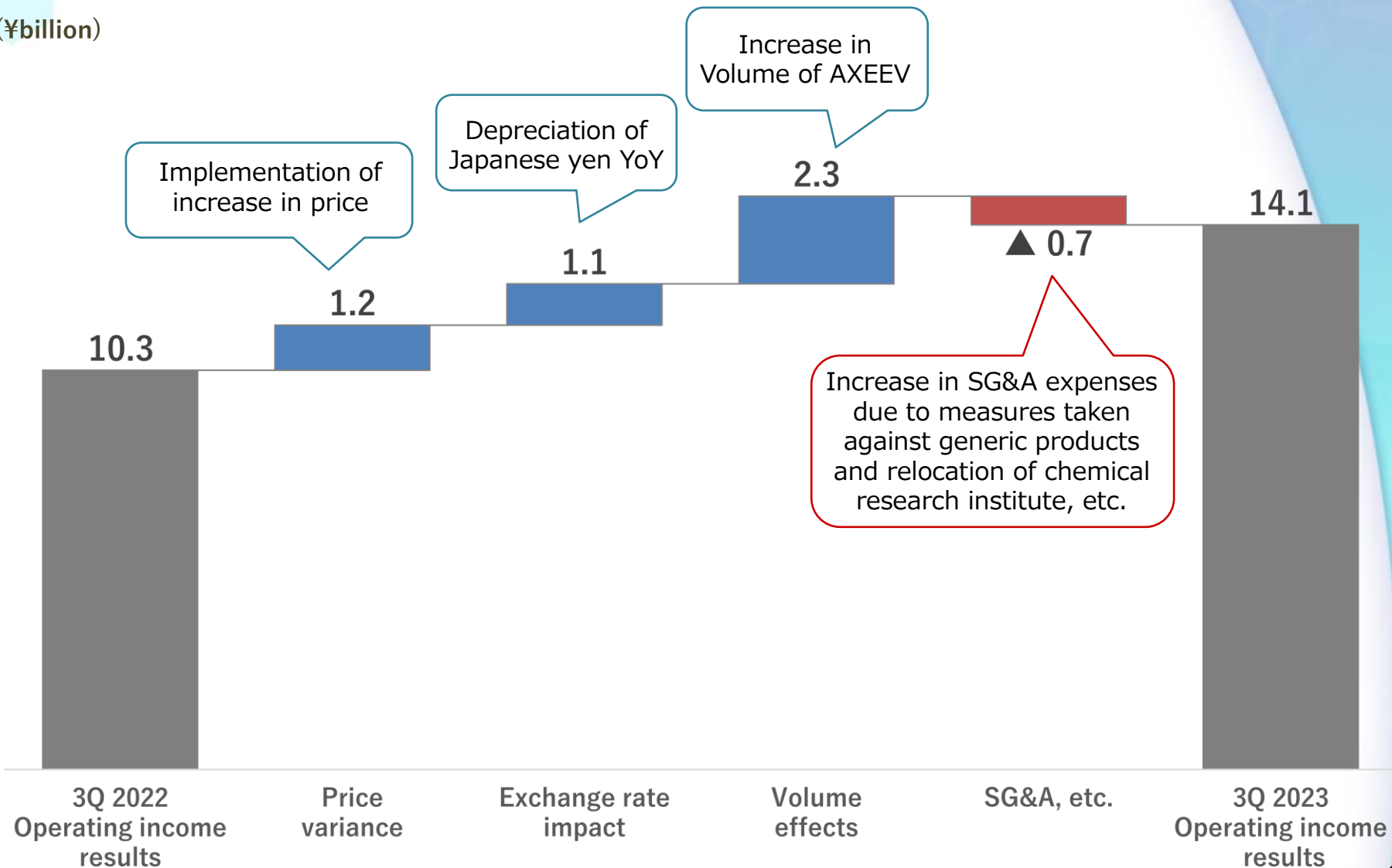


YoY + **¥3.8B**

- (+) Increase in AXEEV sales volume
- (+) Implementation of price increase
- (+) Increase due to depreciation of Japanese yen
- (-) Soaring raw materials costs
- (-) Increase in SG&A expenses

Factors Contributing to Change in Operating Income

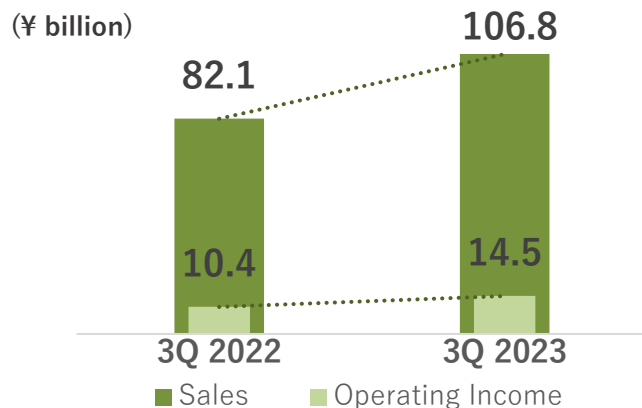
(¥billion)



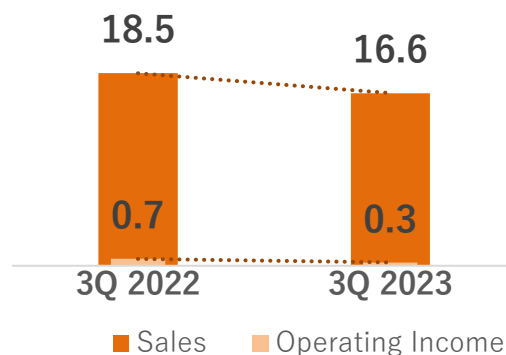
Financial Results by Business Segment

Unit: Billions of Yen	3Q 2022 Results	3Q 2023 Results	YoY (Amount)	Rate
Net Sales	106.3	130.4	+ 24.1	+ 23%
Agricultural Chemicals and Agriculture-Related	82.1	106.8	+ 24.6	+ 30%
Fine Chemicals	18.5	16.6	△1.9	△10%
Other	5.7	7.0	+ 1.4	+ 24%
Operating Income	10.3	14.1	+ 3.8	+ 36%
Agricultural Chemicals and Agriculture-Related	10.4	14.5	+ 4.2	+ 40%
Fine Chemicals	0.7	0.3	△0.4	△54%
Other	0.5	0.6	+ 0.1	+ 18%
(Adjustment)	△1.2	△1.3	△0.1	-

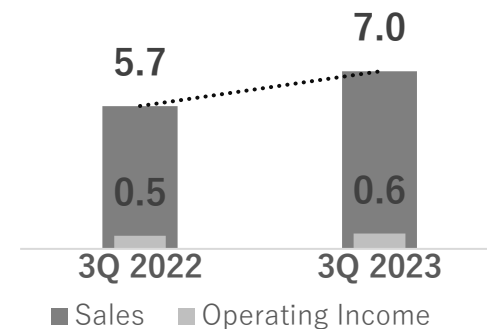
Agricultural Chemicals and Agriculture-Related



Fine Chemicals



Other



Agricultural Chemicals and Agriculture-Related Businesses

Domestic

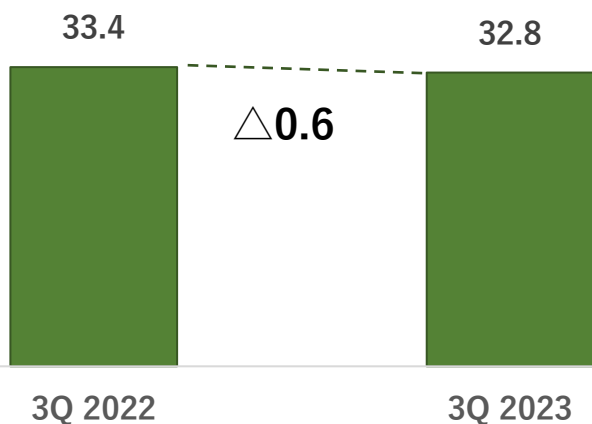
Sales of Effeeda and box-treatment products contain DISARTA were steady.
 Sales of some products decreased due to inventory adjustments in distribution channel.

Overseas

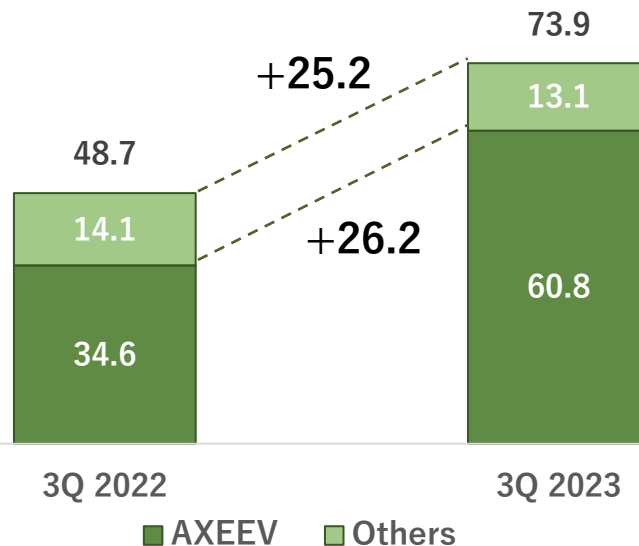
Large increase in shipments of AXEEV to North America.
 Price increase and depreciation in the Japanese yen pushed up sales year on year.

(¥ billion)

Sales in Domestic



Sales in Overseas



Fine Chemicals Business

Chlorination

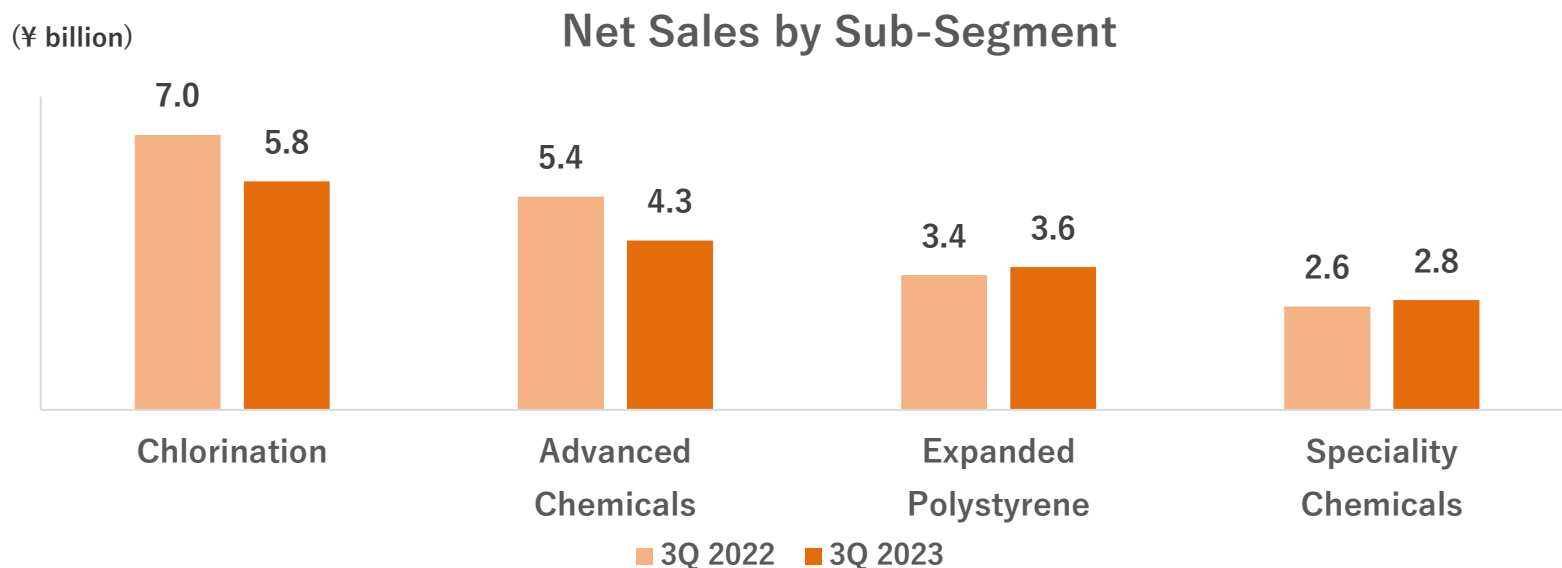
Demand for some chloroxylene-based chemical products decreased due to economic slowdown in China and the U.S.

Advanced Chemicals

Demand for bismaleimides decreased due to economic slowdown in China and the U.S. Inventory adjustments were made across the semiconductor market with the exception of semiconductors used in some sectors.

Expanded Polystyrene & Speciality Chemicals

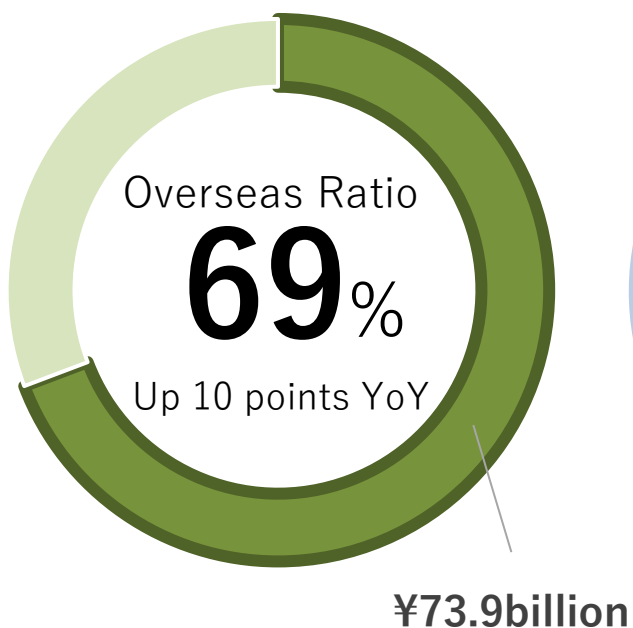
Sales were flat year on year.



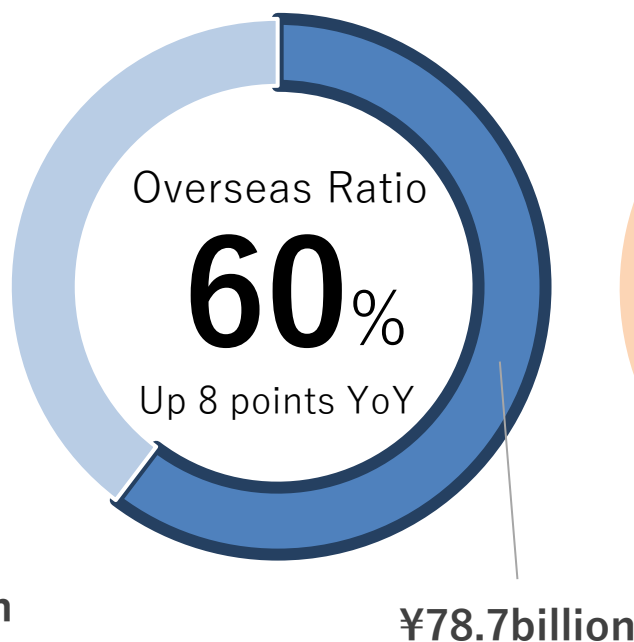
Overseas Sales and Ratio

Overseas Sales and Ratio for the Third Quarter of FY2023

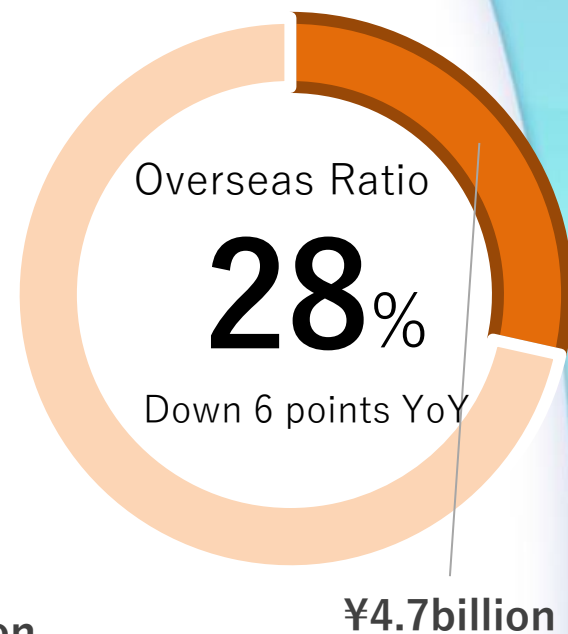
Agricultural Chemicals
and Agriculture-Related



Overall



Fine Chemicals



Summary of the Third Quarter of FY2023

Overall

Net Sales	¥ 130.4 billion (YoY+¥24.1B)	✓ As raw material costs are still high, price increase was implemented.
Operating Income	¥ 14.1 billion (YoY +¥3.8B)	✓ Significant depreciation of Japanese yen pushed up sales and profit YoY.
Ordinary Income	¥ 18.7 billion (YoY +¥2.6B)	✓ Foreign exchange losses were recorded, but equity-method investment profits increased.

Agricultural Chemicals and Agriculture-Related

Net Sales	¥ 106.8 billion (YoY+¥24.6B)	✓ AXEEV sales for North America increased by ¥26.2B YoY.
Operating Income	¥ 14.5 billion (YoY +¥4.2B)	✓ While Effeeda and DISARTA performed well, domestic sales of agricultural chemicals were almost the same level as in the previous year due to inventory adjustments by customers.

Fine Chemicals

Net Sales	¥ 16.6 billion (YoY△¥1.9B)	✓ Decrease in sales of bismaleimides and some of chloroxylene-based chemical products due to low demands by economic slowdown in China and the U.S.
Operating Income	¥ 0.3 billion (YoY△¥0.4B)	✓ Demand decreased due to inventory adjustments in semiconductor market.

Other

Net Sales	¥ 7.0 billion (YoY+¥1.4B)	✓ Steady sales in logistics business.
Operating Income	¥ 0.6 billion (YoY+¥0.1B)	✓ Increase in sales of construction business due to progress in construction work carried forward from the previous fiscal year.

Earnings Forecast for the FY2023 (YoY)

No change from the revised forecast as of 6th June

Unit: Billions of Yen	2022 Results	2023 Revised Forecast (As of 6 Jun)	YoY (Amount)	Rate
Net Sales	145.3	169.0	+ 23.7	+ 16%
Agricultural Chemicals and Agriculture-Related	112.4	135.9	+ 23.5	+ 21%
Fine Chemicals	25.0	24.0	△1.0	△4%
Other	7.9	9.0	+ 1.1	+ 14%
Operating Income	12.7	17.1	+ 4.4	+ 35%
Ordinary Income	23.6	21.5	△2.1	△9%
Net income attributable to owners of parent	16.3	16.7	+ 0.4	+ 2%

Ref.) Average of exchange rates

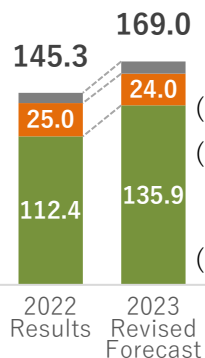
¥/US\$=129

¥/US\$=130

¥/EUR=135

¥/EUR=140

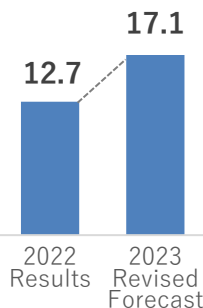
Sales



YoY + ¥23.7B

- (+) AXEEV sales increase +¥23.0B
- (+) Price increases of agricultural chemicals for domestic market and AXEEV
- (-) Decreased demands in Fine Chemicals Business △¥1.0B

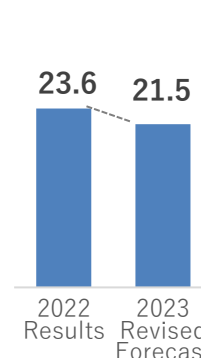
Operating Income



YoY + ¥4.4B

- (-) Soaring raw materials costs
- (+) Sales volume of AXEEV is increased significantly.
- (+) SG&A ratio is decreased
- Ocean freight is decreased

Ordinary Income



YoY △ ¥2.1B

- (-) Foreign exchange losses △¥4.8B
- * ¥8.5B of foreign exchange gains was recorded in FY2022
- (+) Equity-method investment profits +¥6.4B

Earnings Forecast for the FY2023 (1H · 2H)

No change from the revised forecast as of 6th June

Seasonality
of
business

As most of our agricultural chemicals for the Japanese market are shipped by April, **our sales are skewed toward the 1H**. However, our SG&A expenses, personnel and other costs are recorded at the same level in each quarter, and experimental and research expenses tend to be paid toward the 2H of our fiscal year. As a result, **our profit in 2H is lower than that in 1H**.

1H

Unit: Billions of Yen	Initial Forecast (as of 14 Dec)	2Q 2023 Results	YoY (Amount)	< Factors contributing to change >
Net Sales	92.4	95.4	+ 3.0	(+) Growth in revenue by +¥3.5 bn. due to increase in sales of AXEEV and price increases
Operating Income	10.1	12.7	+ 2.6	(+) Lower-than-expected costs
Ordinary Income	12.4	13.5	+ 1.1	Exchange rate of ¥135/US\$ both in initial forecast and actual 1H
Net income attributable to owners of parent	9.0	10.2	+ 1.2	

2H

Unit: Billions of Yen	Initial Forecast (as of 14 Dec)	Revised Forecast (As of 6 Jun)	YoY (Amount)	< Factors contributing to change >
Net Sales	75.5	73.6	△1.9	(+) Growth in revenue by +¥1.0 bn. due to increase in sales of AXEEV (+) Lower-than-expected costs (-) Decrease in revenue by △¥1.5 bn. in contract manufacturing business
Operating Income	4.4	4.4	+ 0.0	(-) Decrease in sales of agricultural chemicals in Japan by △¥1.2 bn. due to inventory adjustments by customers
Ordinary Income	6.9	8.0	+ 1.1	(-) Expected appreciation of the Japanese yen (initial forecast: ¥135/US\$, revised forecast: ¥130/US\$)
Net income attributable to owners of parent	5.1	6.5	+ 1.4	

R&D expenses, Capital investment, Depreciation and amortization

No changes from the initial forecast

R&D expenses

FY2022 Results ¥ **5.1** billion → FY2023 Forecast ¥ **5.9** billion

(Factors) Increase in personnel expenses in R&D division, Increase in travel expenses relating to R&D activities

Capital investment

FY2022 Results ¥ **9.6** billion → FY2023 Forecast ¥ **8.8** billion

(Factors) Main part of construction costs for building of new chemical research institute were recorded in FY2022

Depreciation and amortization

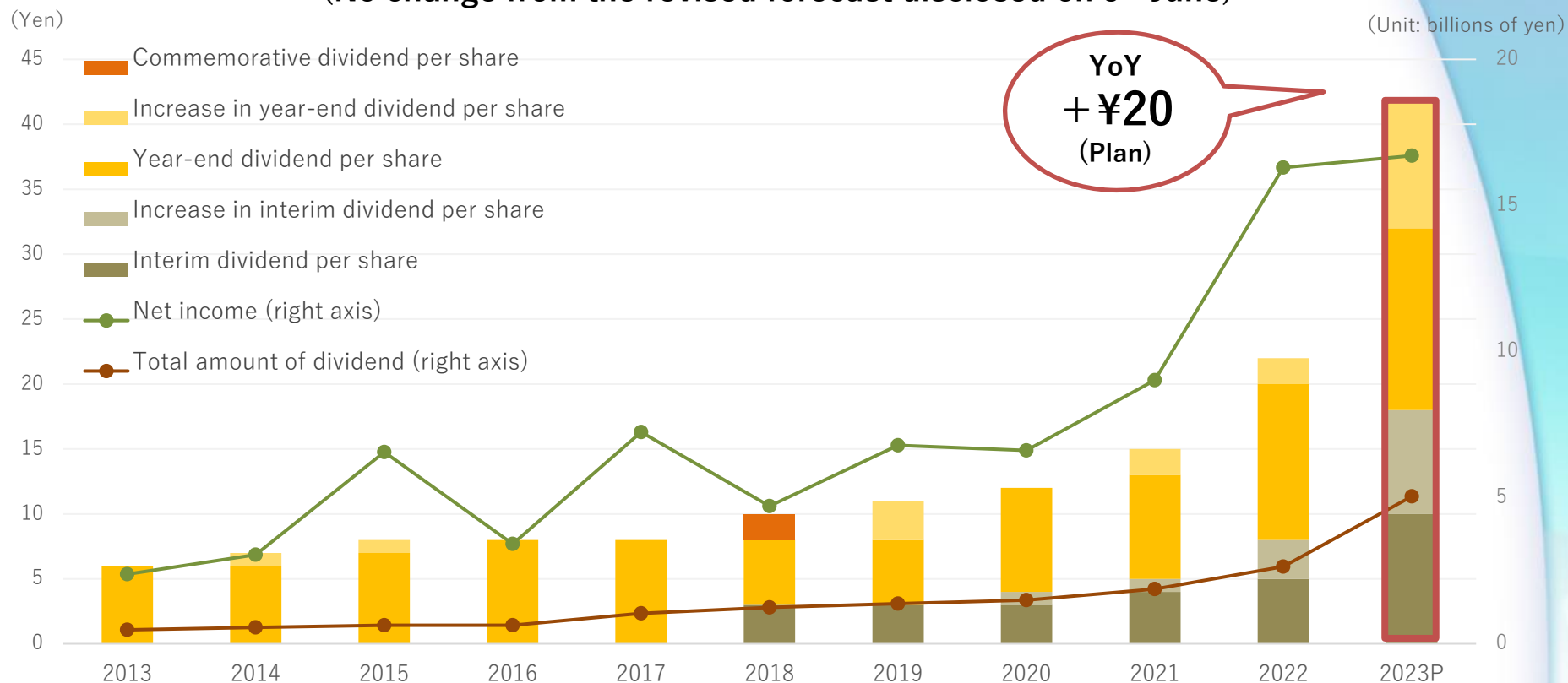
FY2022 Results ¥ **4.2** billion → FY2023 Forecast ¥ **4.7** billion

(Factors) Construction of new fine chemical plants, updating aging facilities, etc.

Measures for Shareholder Returns

Interim dividend ¥18 (Increase ¥10 YoY) + Year-end dividend ¥24 (Increase ¥10)
 = Planned Annual Dividend : ¥42 per share (Increase ¥20)

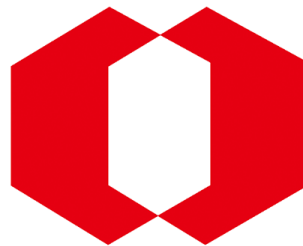
(No change from the revised forecast disclosed on 9th June)



We plan to disclose **our basic concept regarding distribution of profits from the perspective of our shareholders, internal reserves and maintaining financial soundness** in the next Mid-Term Business Plan.

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.

Corporate Planning Section, Corporate Planning & Coordination Department,
Corporate Planning & Coordination Division

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