

# Second Quarter Financial Results for the Fiscal Year Ending 31 October 2024

---

21 June 2024

## Today's Agenda

<b>I . Business Environment</b>	<b>..... 3</b>
<b>II . Financial Results for the Second Quarter of FY2024</b>	<b>..... 6</b>
<b>III . Revised Earnings Forecast for the FY2024</b>	<b>..... 15</b>
<b>IV . AXEEV Sales Outlook</b>	<b>..... 24</b>
<b>V . Development of New Active Ingredients and Technologies</b>	<b>..... 37</b>
<b>VI . Reduction of Climate Change and Environmental Impact</b>	<b>..... 40</b>
<b>VII . Q&amp;A</b>	

## Today's Agenda

- I . Business Environment**
- II . Financial Results for the Second Quarter of FY2024
- III . Revised Earnings Forecast for the FY2024
- IV . AXEEV Sales Outlook
- V . Development of New Active Ingredients and Technologies
- VI . Reduction of Climate Change and Environmental Impact
- VII . Q&A

## Business Environment Trends

### Lengthening of conflict between Russia and Ukraine, Increasing Tension in the Middle East

---

Since we have quiet limited businesses with the companies in Russia and Ukraine, there is no significant negative impact on our total sales. On the other hand, raw materials and manufacturing costs to produce our products and logistics costs have increased due mainly to high crude oil price.

We are closely monitoring the impact on global cereal prices and planting situations, as both countries are one of main producing regions for wheat and other grains.

### Crude oil and naphtha prices

---

Remained at a high price range due to geopolitical risks in the Middle East and Ukraine.

### ¥/US\$ exchange rate

---

2Q 2023 : ¥135/US\$ → 2Q 2024 : ¥149/US\$ (Average rate)

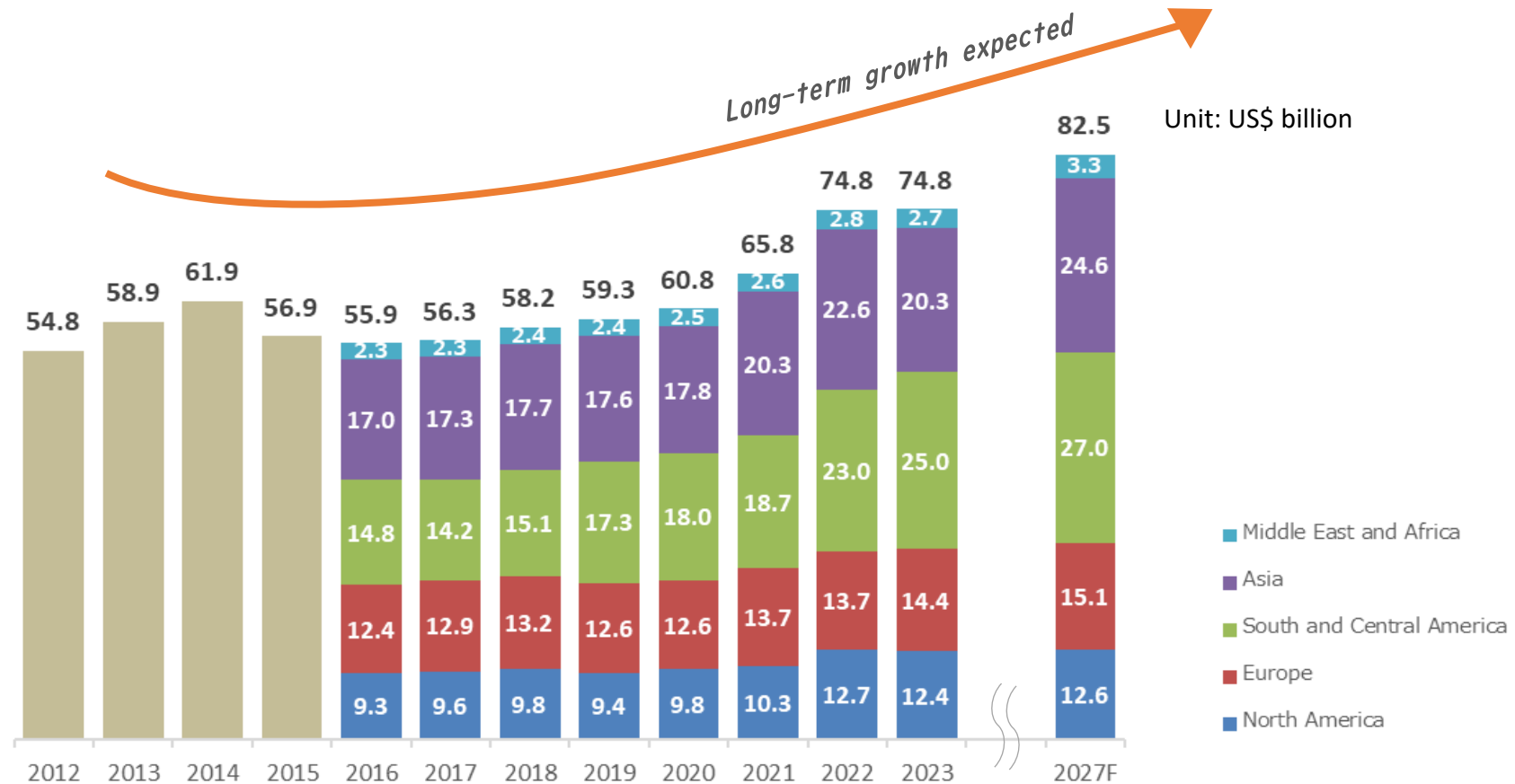
### Grain market situations

---

Cereal prices reached the highest level since beginning of FY2024 due to Russia's invasion of Ukraine, however, have now peaked out and are returning to pre-invasion levels.

# Market Trends for Agricultural Chemicals

- ✓ In 2023, flat Prior Year-To-Date due to lower agricultural chemicals prices and global inventory adjustments
- ✓ In 2024, while global inventory adjustment continue, it is expected the market will shift back to a growth trend as inventory levels normalize
- ✓ Domestic market remains flat at around ¥350.0 billion



Source: Agbioinvestor (global market), Crop Life Japan (domestic market)

## Today's Agenda

- I . Business Environment
- II . Financial Results for the Second Quarter of FY2024**
- III . Revised Earnings Forecast for the FY2024
- IV . AXEEV Sales Outlook
- V . Development of New Active Ingredients and Technologies
- VI . Reduction of Climate Change and Environmental Impact
- VII . Q&A

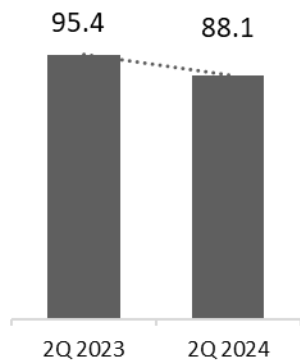
# Financial Results for the Second Quarter of FY2024

Unit: Billions of Yen

	2Q 2023 results	2Q 2024 results	Change (Amount)	Change (%)	2Q 2024 Initial Forecast (As of 14 Dec.)	Change (Amount)	Change (%)
Net Sales	95.4	<b>88.1</b>	-7.3	-8%	92.0	-3.9	-4%
Gross Profits	23.3	<b>20.1</b>	-3.2	-14%	-	-	-
Operating Income	12.7	<b>8.8</b>	-3.8	-30%	9.0	-0.2	-2%
Ordinary Income	13.5	<b>13.0</b>	-0.5	-4%	11.0	+2.0	+18%
Net income attributable to owners of parent	10.2	<b>9.3</b>	-0.9	-9%	8.0	+1.3	+17%
	Ref.) Average of exchange rates	¥/US\$=135	¥/US\$=149		¥/US\$=140		

## Sales

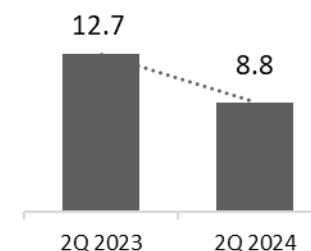
\* PYTD - **¥7.3 billion**



(-) Decrease due to continuous distributor destocking globally in agricultural chemicals.

## Operating Income

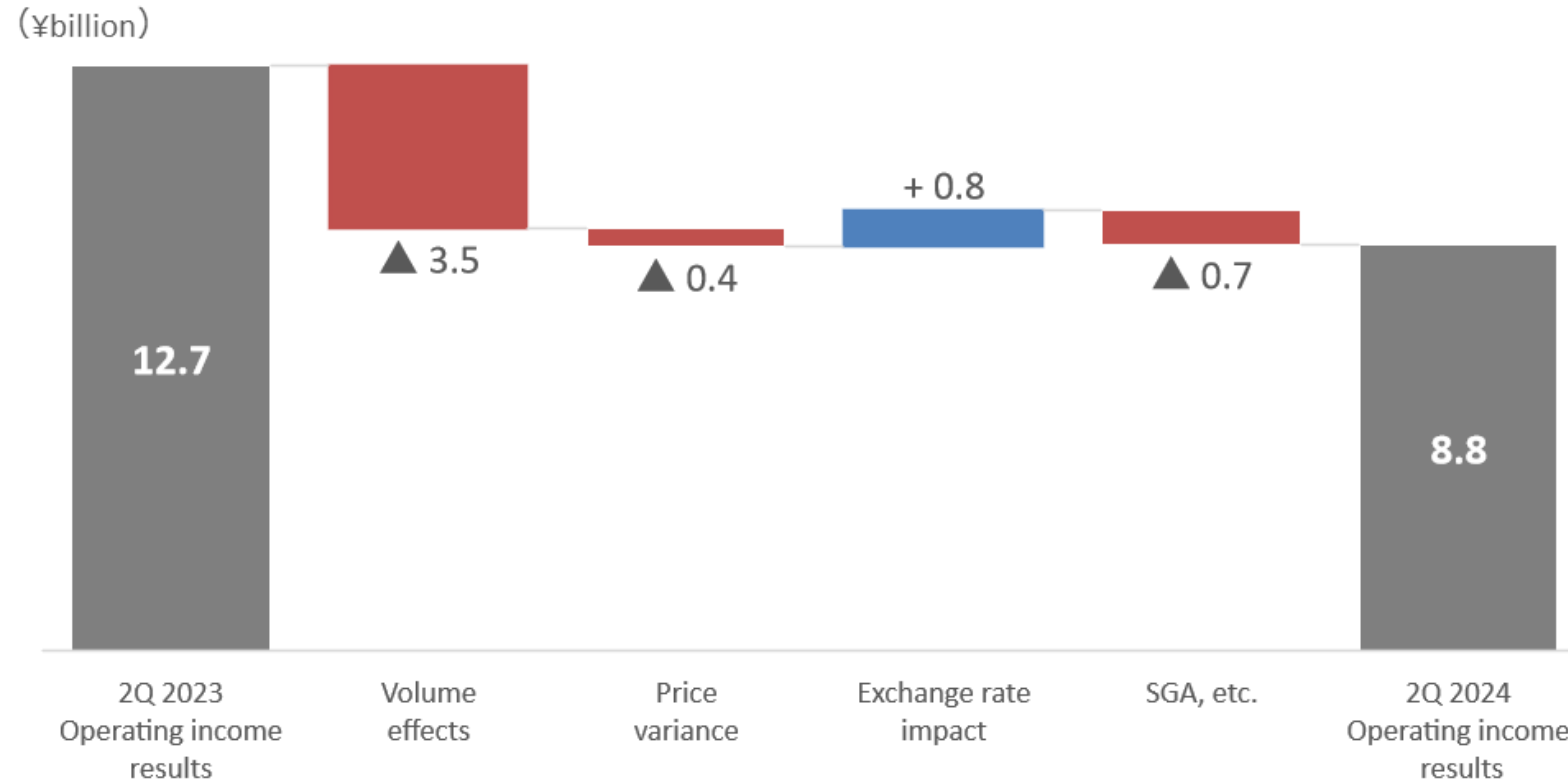
PYTD - **¥3.8 billion**



(-) Decrease in sales of agricultural chemicals.  
 (-) Raising COGS due to higher costs of raw materials, fuel and logistics.  
 (-) Increase in SGA expenses.

\* PYTD : Prior Year-To-Date

# Factors Contributing to Change in Operating Income

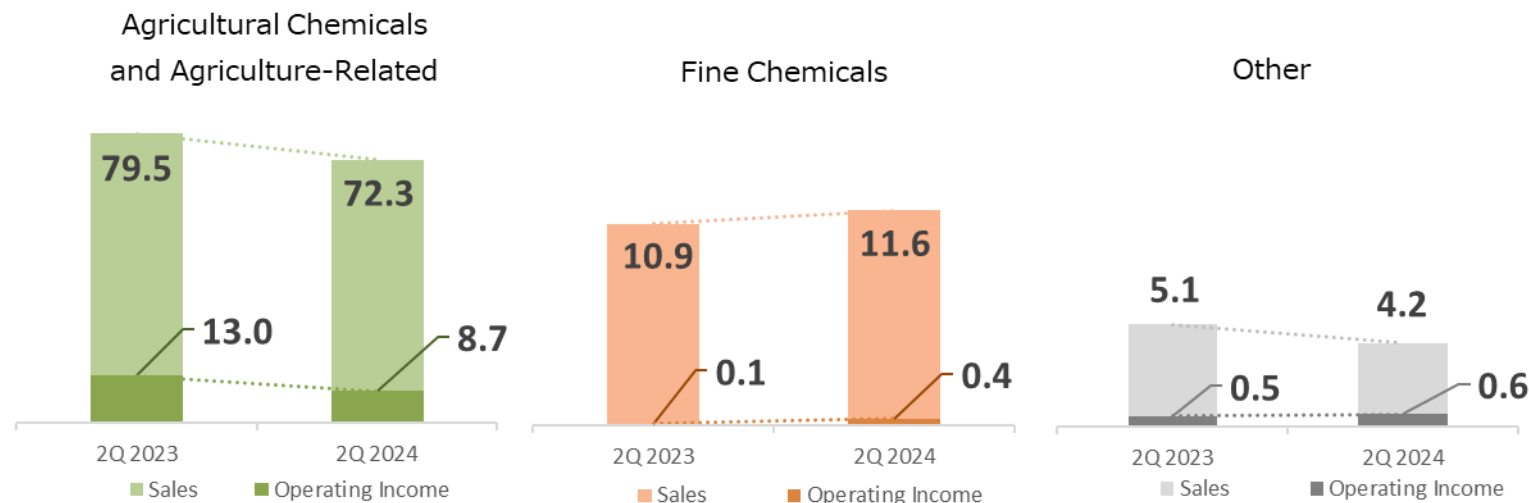




# Financial Results by Business Segment

Unit: Billions of Yen

	2Q 2023 Results	2Q 2024 Results	Change (Amount)	Change (%)
Net Sales	95.4	<b>88.1</b>	-7.3	-8%
Agricultural Chemicals and Agriculture-Related	79.5	<b>72.3</b>	-7.1	-9%
Fine Chemicals	10.9	<b>11.6</b>	+0.7	+7%
Other	5.1	<b>4.2</b>	-0.9	-18%
Operating Income	12.7	<b>8.8</b>	-3.8	-30%
Agricultural Chemicals and Agriculture-Related	13.0	<b>8.7</b>	-4.3	-33%
Fine Chemicals	0.1	<b>0.4</b>	+0.3	+280%
Other	0.5	<b>0.6</b>	+0.1	+23%
(Adjustment)	-0.9	<b>-0.9</b>	+0.1	-



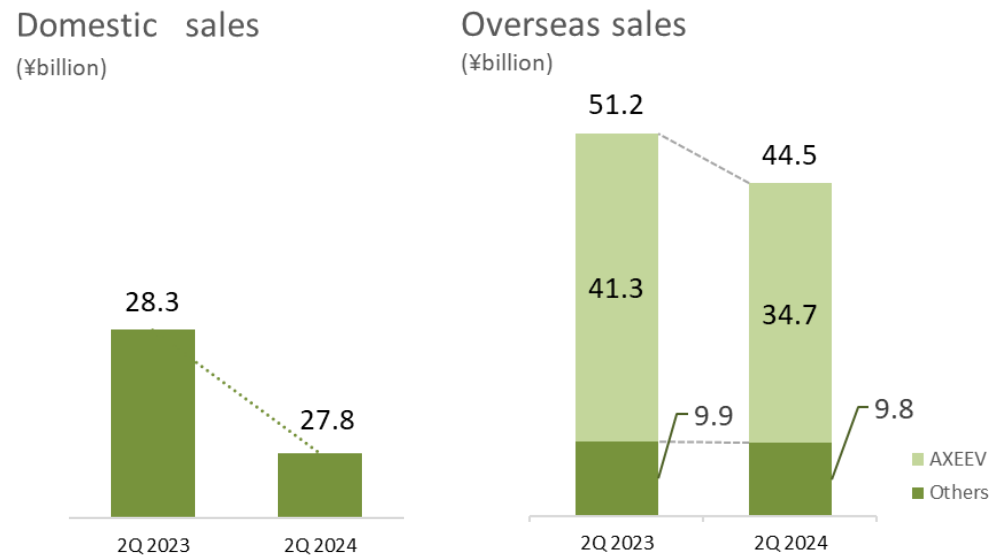
# Agricultural Chemicals and Agriculture-Related Businesses

## Domestic

- Sales of paddy rice herbicides containing Effeeda remained steady
- Sales of paddy rice nursery box application products containing paddy rice fungicide, DISARTA also remained steady
- Inventory reduction at the distributor in anticipation of the end of sales of some products

## Overseas

- Decrease due to continuous distributor destocking globally in agricultural chemicals



# Fine Chemicals Business

## Chlorination

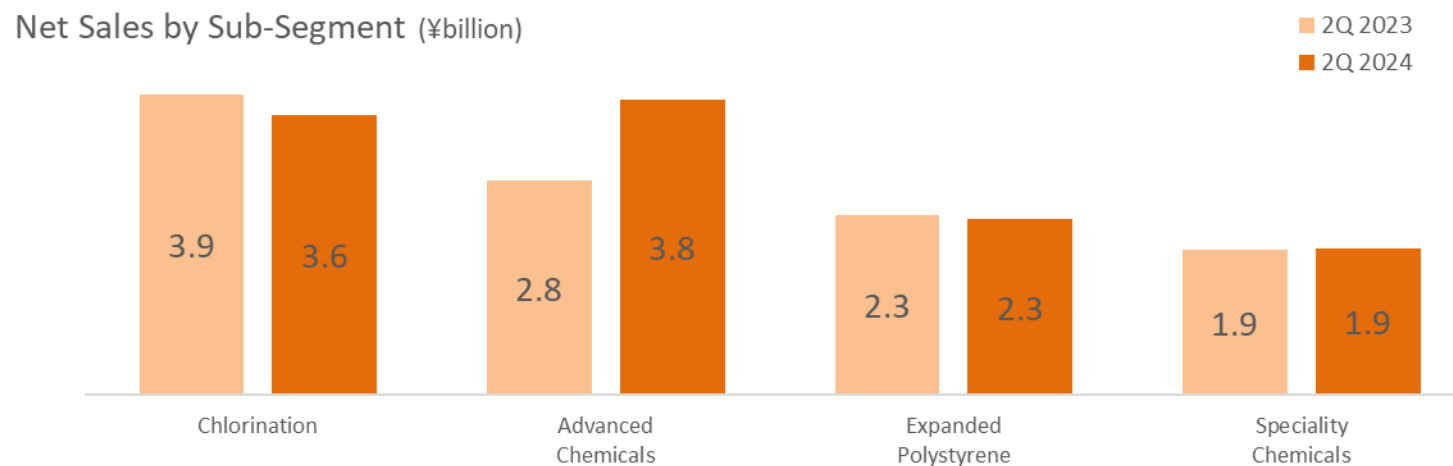
- Decrease in sales of some of chlortoluene based chemical products due to inventory adjustment and other factors at sales destinations

## Advanced Chemicals

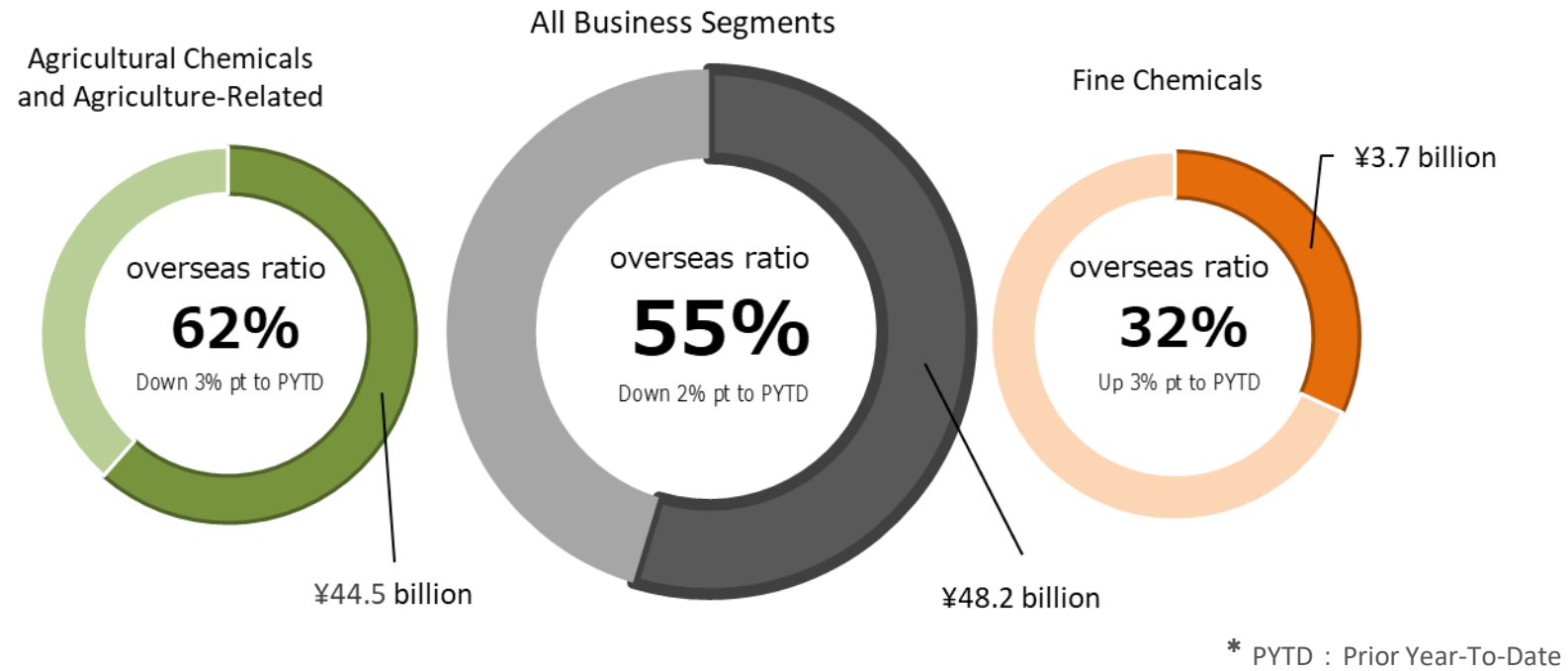
- Significant Increase in sales of bismaleimides due to recovery of demands for semiconductors

## Expanded Polystyrene & Speciality Chemicals

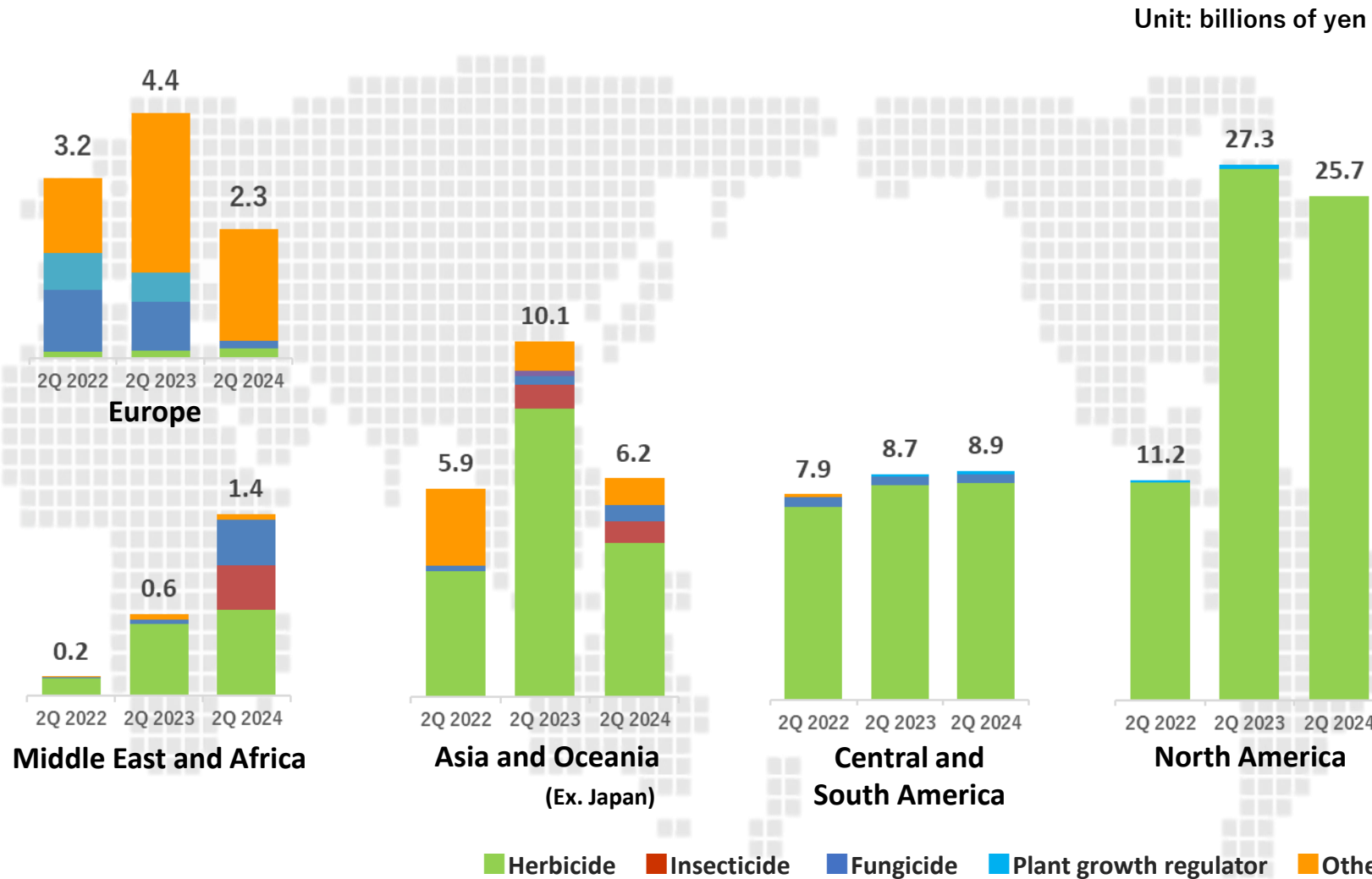
- Sales were flat Prior Year-To-Date



# Overseas Sales and Ratio for the Second Quarter of FY2024



# Net Sales by Overseas Region and by Application



# Summary of the Second Quarter of FY2024

## All Business Segments

\* PYTD : Prior Year-To-Date

Net Sales	¥88.1 billion (PYTD -¥7.3B)	• Decrease in AXEEV sales.
Operating Income	¥8.8 billion (PYTD -¥3.8B)	• Profit decline due to raising COGS & SGA.
Ordinary Income	¥13.0 billion (PYTD -¥0.5B)	• Equity-method investment gain decreased to PYTD, however the increase of Foreign exchange profits partially offset in Ordinary Income.

## Agricultural Chemicals and Agriculture-Related

Net Sales	¥72.3 billion (PYTD -¥7.1B)	• Decrease due to continuous distributor destocking globally in agricultural chemicals
Operating Income	¥8.7 billion (PYTD -¥4.3B)	

## Fine Chemicals

Net Sales	¥11.6 billion (PYTD +¥0.7B)	• Significant Increase in sales of bismaleimides due to recovery of demands for semiconductors.
Operating Income	¥0.4 billion (PYTD +¥0.3B)	• Decrease in sales of some of chlortoluene based chemical products due to inventory adjustment and other factors at distributors.

## Other

Net Sales	¥4.2 billion (PYTD -¥0.9B)	• Steady sales in printing business and logistics business.
Operating Income	¥0.6 billion (PYTD +¥0.1B)	• Reduction in construction work carried forward from the previous fiscal year in construction business.

## Today's Agenda

- I . Business Environment
- II . Financial Results for the Second Quarter of FY2024
- III . Revised Earnings Forecast for the FY2024**
- IV . AXEEV Sales Outlook
- V . Development of New Active Ingredients and Technologies
- VI . Reduction of Climate Change and Environmental Impact
- VII . Q&A

# Revised Earnings Forecast for the FY2024 (vs Initial Forecast)

Unit: Billions of Yen

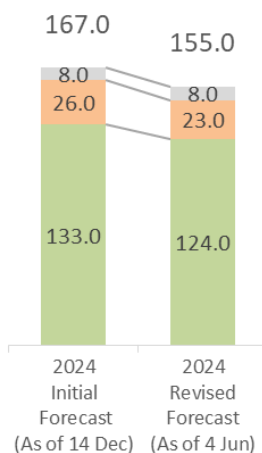
	2024 Initial Forecast (As of 14 Dec.)	2024 Revised Forecast (As of 4 Jun.)	Change (Amount)	Change (%)
Net Sales	167.0	<b>155.0</b>	- 12.0	- 7%
Agricultural Chemicals and Agriculture-Related	133.0	<b>124.0</b>	- 9.0	- 7%
Fine Chemicals	26.0	<b>23.0</b>	- 3.0	- 12%
Other	8.0	<b>8.0</b>	+ 0.0	+ 0%
Operating Income	12.0	<b>10.0</b>	- 2.0	- 17%
Ordinary Income	15.0	<b>15.5</b>	+ 0.5	+ 3%
Net income attributable to owners of parent	11.0	<b>12.0</b>	+ 1.0	+ 9%

Ref.) Average of exchange rates

¥/US\$=140

¥/US\$=145

## Sales

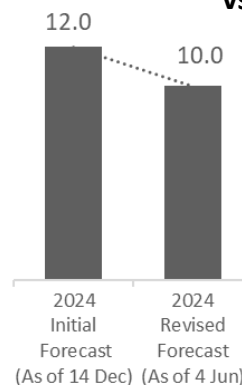


vs Initial Forecast **- ¥12.0 billion**

- (-) Decrease due to continuous distributor destocking globally in agricultural chemicals.
- (-) AXEEV : - 7.8 billion
- (-) Fine chemicals : - 3.0 billion

■ Other  
■ Fine Chemicals  
■ Agricultural Chemicals

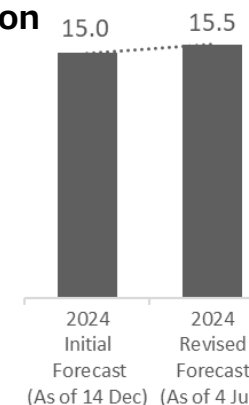
## Operating Income



vs Initial Forecast **- ¥2.0 billion**

- (-) Decrease due to sales decline.

## Ordinary Income



vs Initial Forecast **+ ¥0.5 billion**

- (-) Foreign exchange profits and losses : - 1.4 billion
- (+) Equity-method investment gain : + 3.5 billion



# Revised Earnings Forecast for the FY2024 (PYTD)

Unit: Billions of Yen

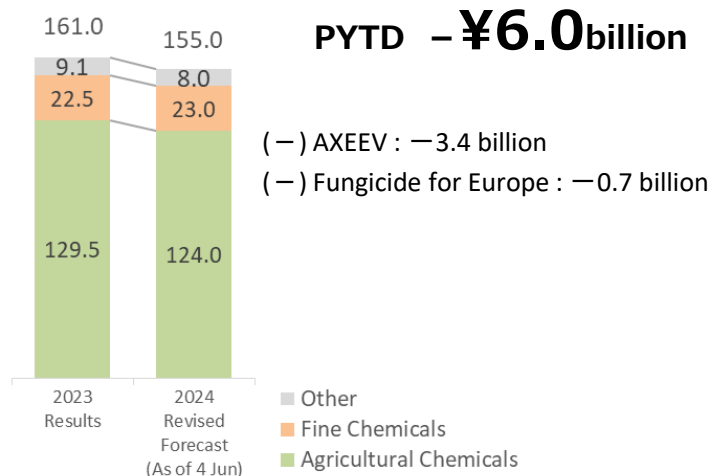
	2023 Results	2024 Revised Forecast (As of 4 Jun.)	Change (Amount)	Change (%)
Net Sales	161.0	<b>155.0</b>	- 6.0	- 4%
Agricultural Chemicals and Agriculture-Related	129.5	<b>124.0</b>	- 5.5	- 4%
Fine Chemicals	22.5	<b>23.0</b>	+ 0.5	+ 2%
Other	9.1	<b>8.0</b>	- 1.1	- 12%
Operating Income	14.1	<b>10.0</b>	- 4.1	- 29%
Ordinary Income	24.1	<b>15.5</b>	- 8.6	- 36%
Net income attributable to owners of parent	18.0	<b>12.0</b>	- 6.0	- 33%

Ref.) Average of exchange rates

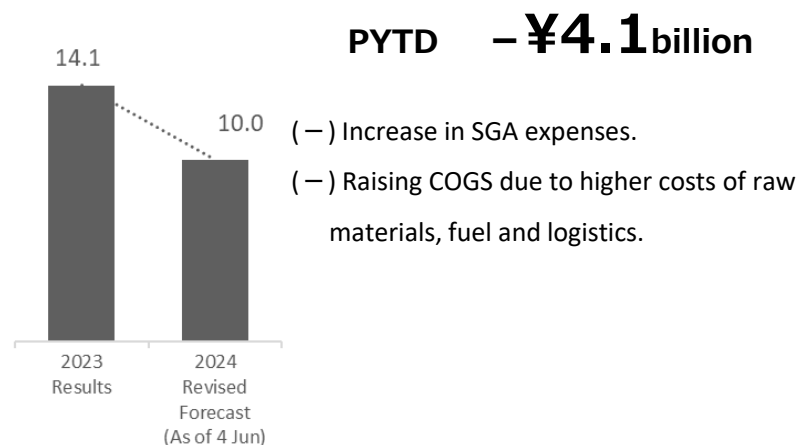
¥/US\$=140

¥/US\$=145

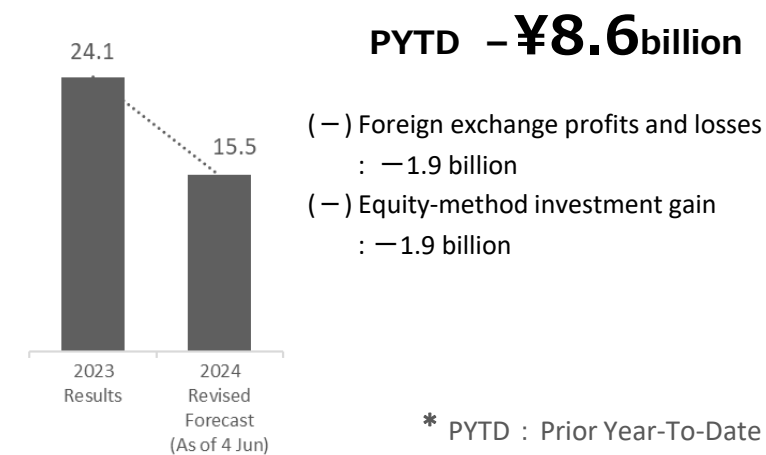
## Sales



## Operating Income



## Ordinary Income



\* PYTD : Prior Year-To-Date

# Revised Earnings Forecast for the FY2024 (Agricultural Chemicals and Agriculture-Related)

## AXEEV (Herbicide)

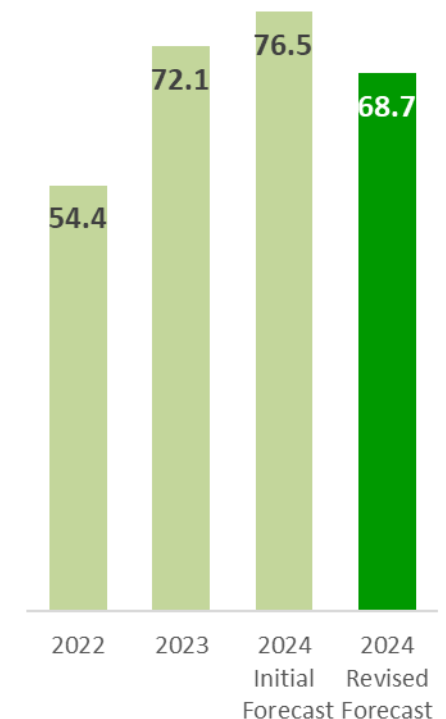
### Background of continuous sales growth up to FY2023

- High effectiveness against herbicide resistant weeds
- Increased purchasing power of farmers due to higher grain prices
- Effect of Yen's depreciation

### 68.7 billion yen in AXEEV sales in FY2024

- Drop the sales due to continuous distributor destocking globally in agricultural chemicals
  - ➔ Some shipments to U.S., Australia and Brazil are cancelled
  - However, treated area of the products containing AXEEV on the ground are expanding due to the Spread of herbicide resistant weeds
- Sales recovery to Argentina due to deregulation of imports

AXEEV Sales (¥billion)



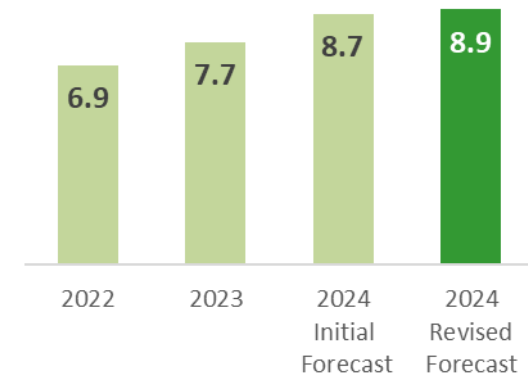
# Revised Earnings Forecast for the FY2024 (Agricultural Chemicals and Agriculture-Related)

## Effeeda (Herbicide)

### 8.9 billion yen in Effeeda sales in FY2024

- Strong sales with recognition of high effectiveness on weeds and safety on rice
- Launched one new mixed formulation in Japan
- For overseas market, in addition to South Korea where Effeeda products are currently selling, the registration application already submitted in Europe as a herbicide for wheat and rice

Effeeda Sales ( ¥billion)

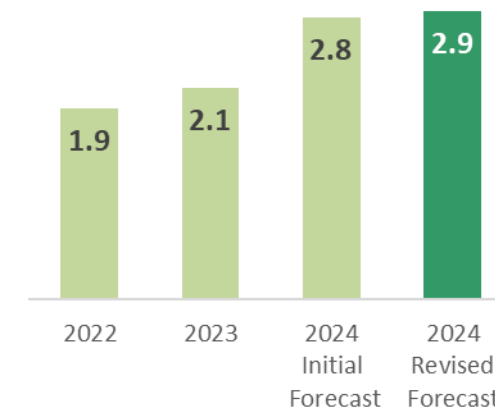


## DISARTA (Fungicide)

### 2.9 billion yen in DISARTA sales in FY2024

- Steady sales continuing after launch with recognition of stable effectiveness
- Launched one new mixed formulation in Japan
- For overseas market, several countries are under development in addition to South Korea where DISARTA products are currently selling

DISARTA Sales (¥billion)



# Revised Earnings Forecast for the FY2024 (Fine Chemicals)

## Chlorination

- Sales of products used as raw materials for aramid fibers is expected to be lower than expected
- Decreased demand due to inventory adjustments at major customers and recession in China

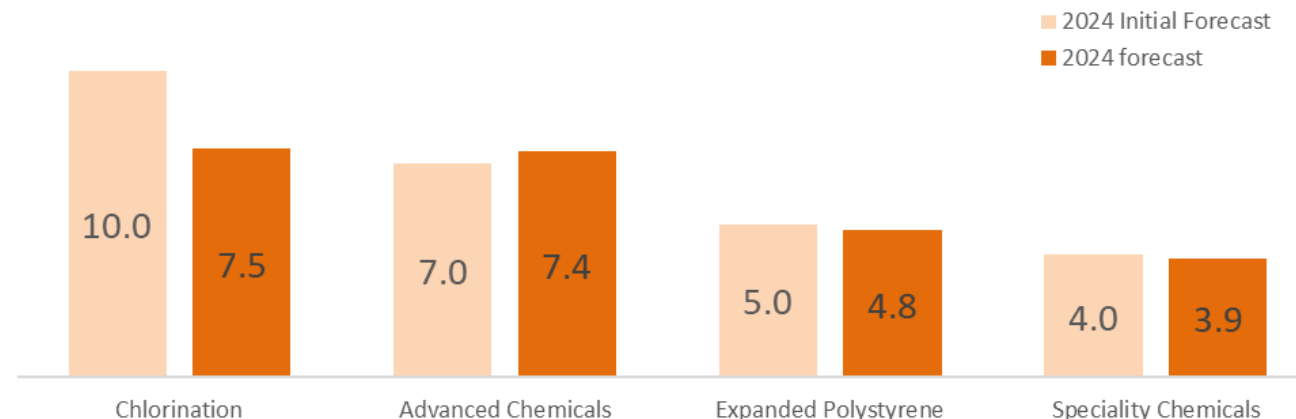
## Advanced Chemicals

- Significant Increase in sales of bismaleimides due to recovery of demands for semiconductors

## Expanded Polystyrene & Speciality Chemicals

- Sale flat Prior Year-To-Date

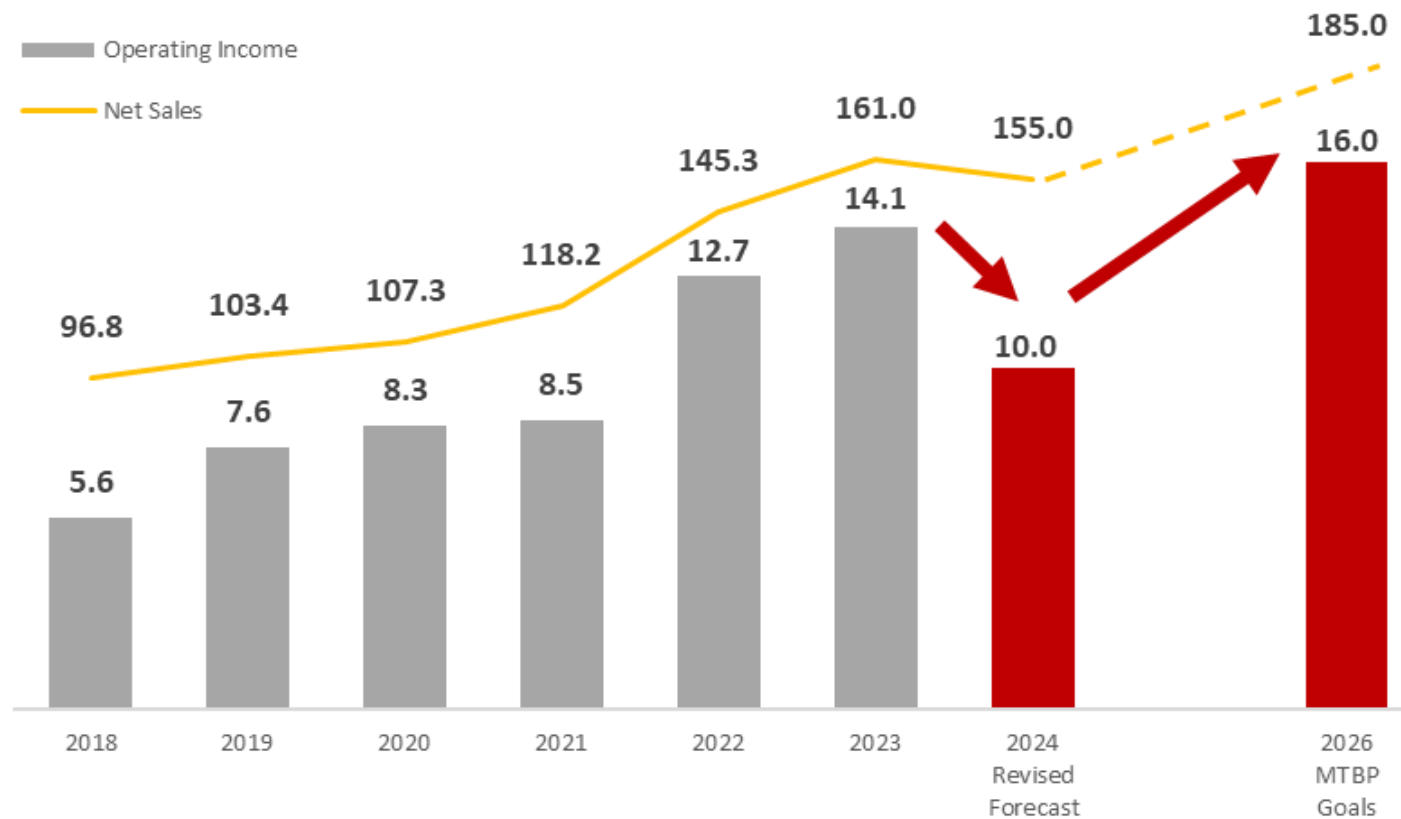
Net Sales by Sub-Segment (¥billion)



# FY2026 Budget in Medium-Term Business Plan Unchanged

During the current MTBP, an increase in costs is expected; however, aiming to achieve record-high profits in FY2026

Changes in Sales and Operating Income (¥billion)

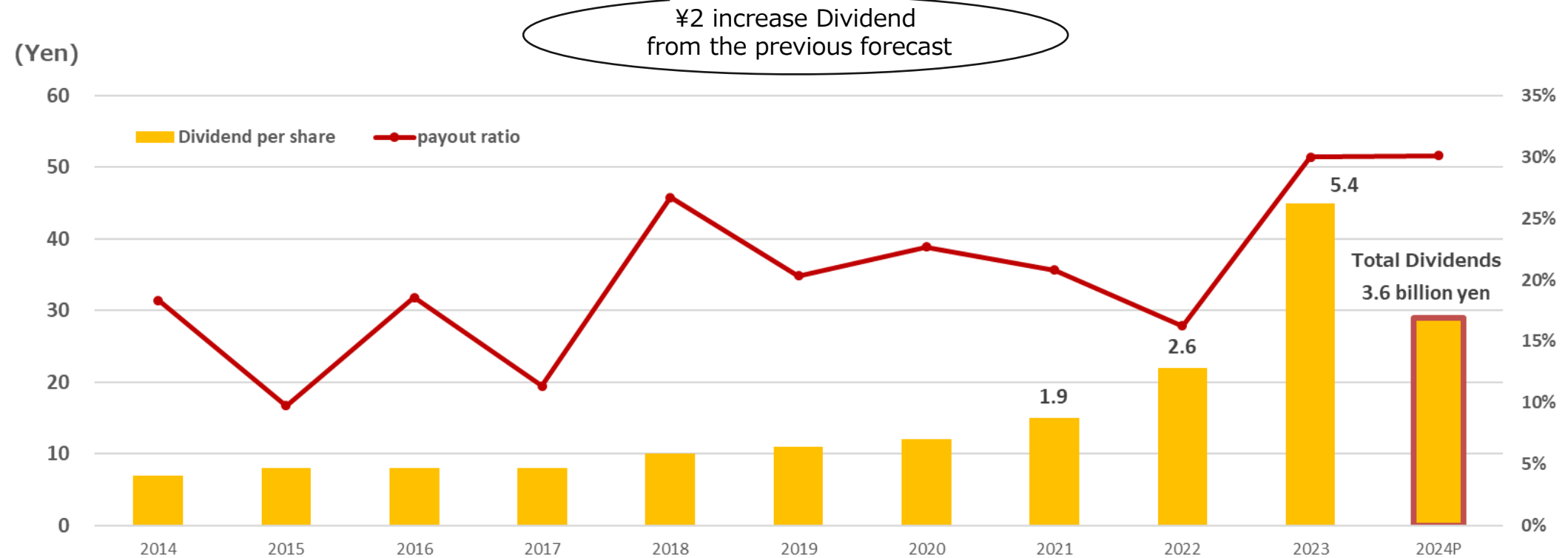


## Measures for Shareholder Returns

Target dividend payout ratio of 30% or more

FY2024 dividend forecast (Revised as of 7 Jun) :

Interim dividend ¥10 + Year-end dividend ¥20 = Annual dividend ¥30 per share (payout ratio: 30.1%)



# R&D expenses, Capital investment and Depreciation

## R&D expenses

---

FY2023 Results ¥ **6.2** billion → FY2024 Forecast ¥ **7.2** billion

- (Factors)
- More focus on developments of overseas markets
  - Promotion of R&D activities utilizing cutting edge technology

## Capital investment

---

FY2023 Results ¥ **8.7** billion → FY2024 Forecast ¥ **10.2** billion

- (Factors)
- Renewal of deteriorated production facilities
  - Establishment plants and facilities relating to Fine Chemicals Business

## Depreciation

---

FY2023 Results ¥ **4.4** billion → FY2024 Forecast ¥ **5.1** billion

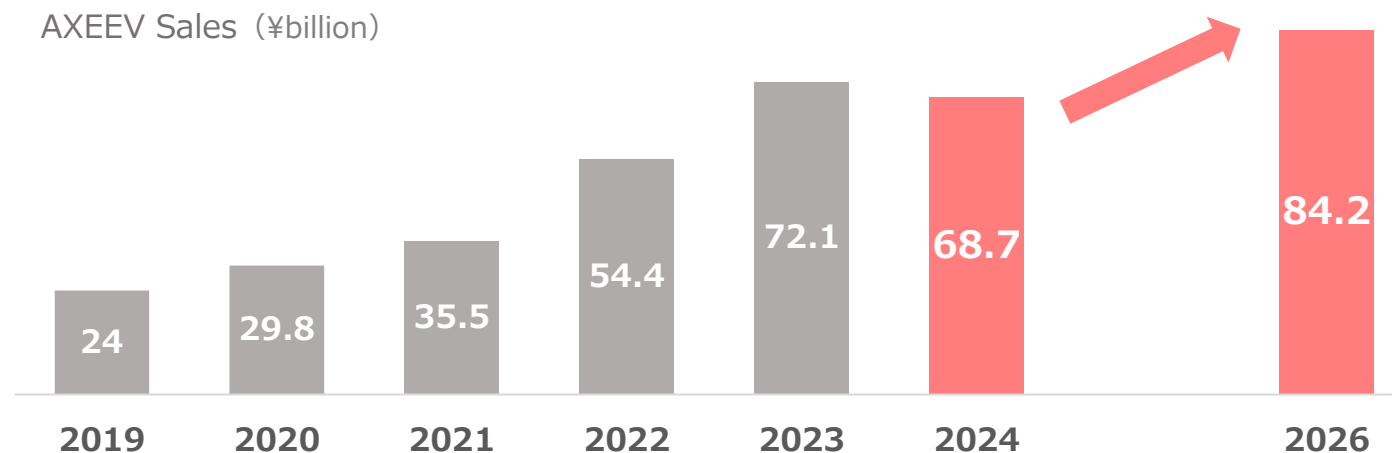
- (Factors)
- Increase in depreciation due to capital investment of new chemical institute(ShIP) and production facilities

## Today's Agenda

- I . Business Environment
- II . Financial Results for the Second Quarter of FY2024
- III . Revised Earnings Forecast for the FY2024
- IV . AXEEV Sales Outlook**
- V . Development of New Active Ingredients and Technologies
- VI . Reduction of Climate Change and Environmental Impact
- VII . Q&A



## Medium-Term Sales Target in AXEEV



① Increase of Sales in Key Countries and Expansion of Sales Territories

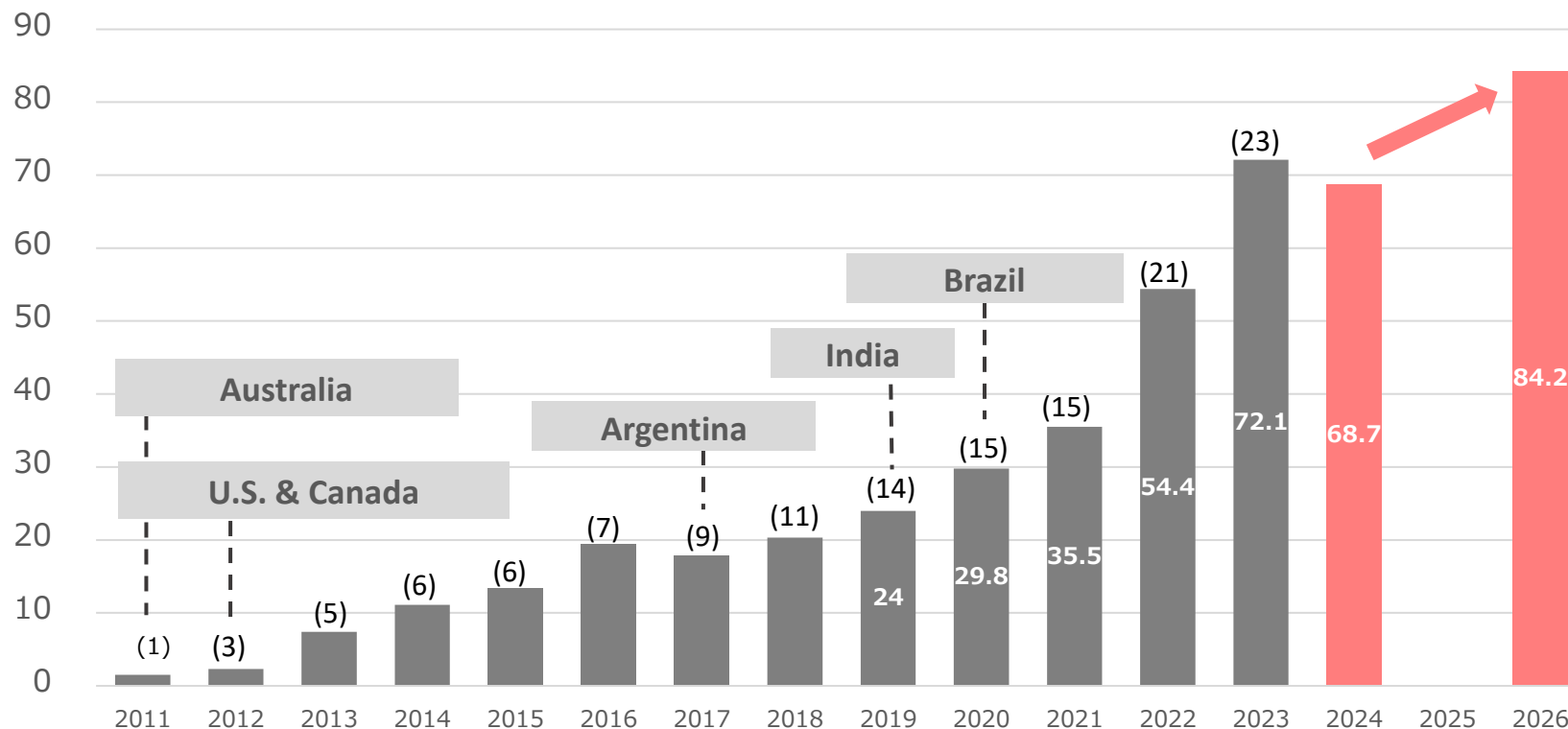
② Implementation of Countermeasure to Generic Products

③ Promotion of Development of Mixed Formulation containing AXEEV

# ① Increase of Sales in Key Countries and Expansion of Sales Territories

- Sales expansion in main grain\* producing countries (\*: soybean, corn, wheat)
- Sales increase due to high efficacy to herbicides resistant weeds as silver bullet
- Development of mixed formulations with active ingredients owned by our partner companies

Sales (¥billion)



( ) : Number of registered countries

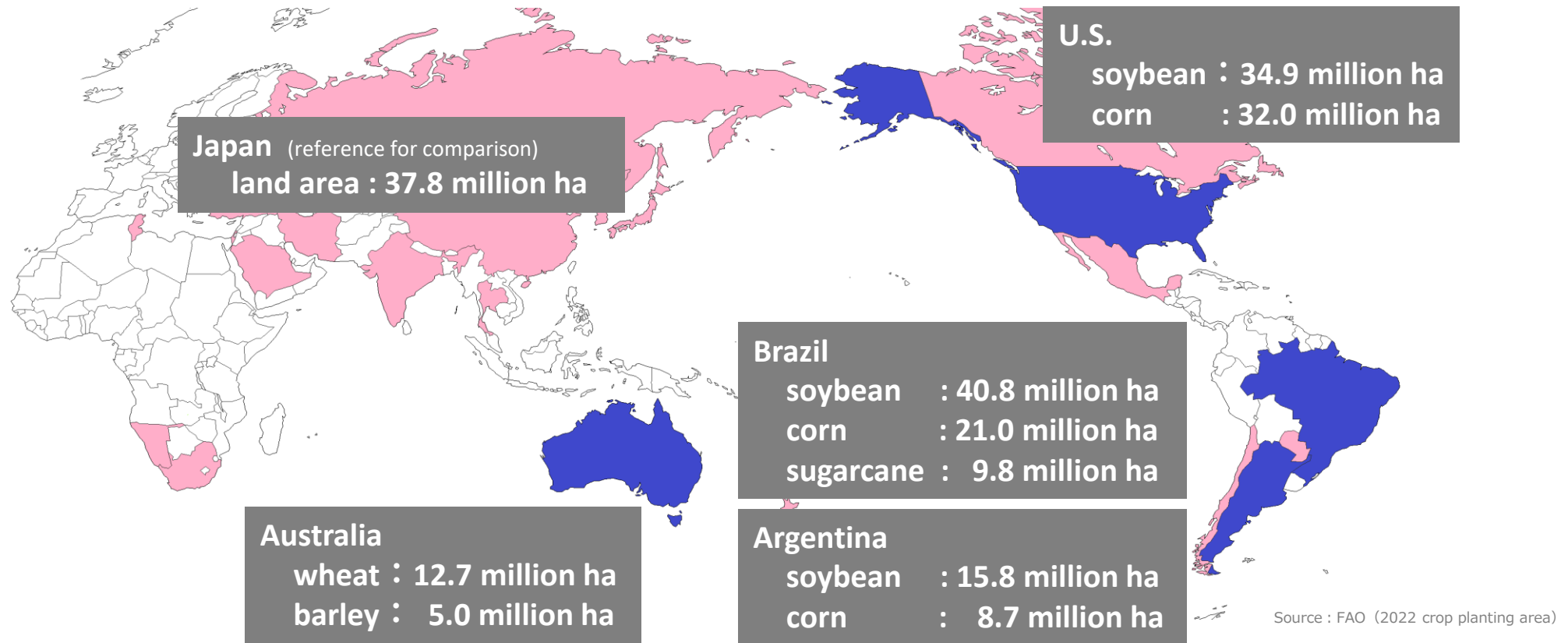
# ① Increase of Sales in Key Countries and Expansion of Sales Territories

- No. of registered country (development of new mixed formulation and label expansion on-going) : 23
- No. of country under development to obtain pesticide registration : 9



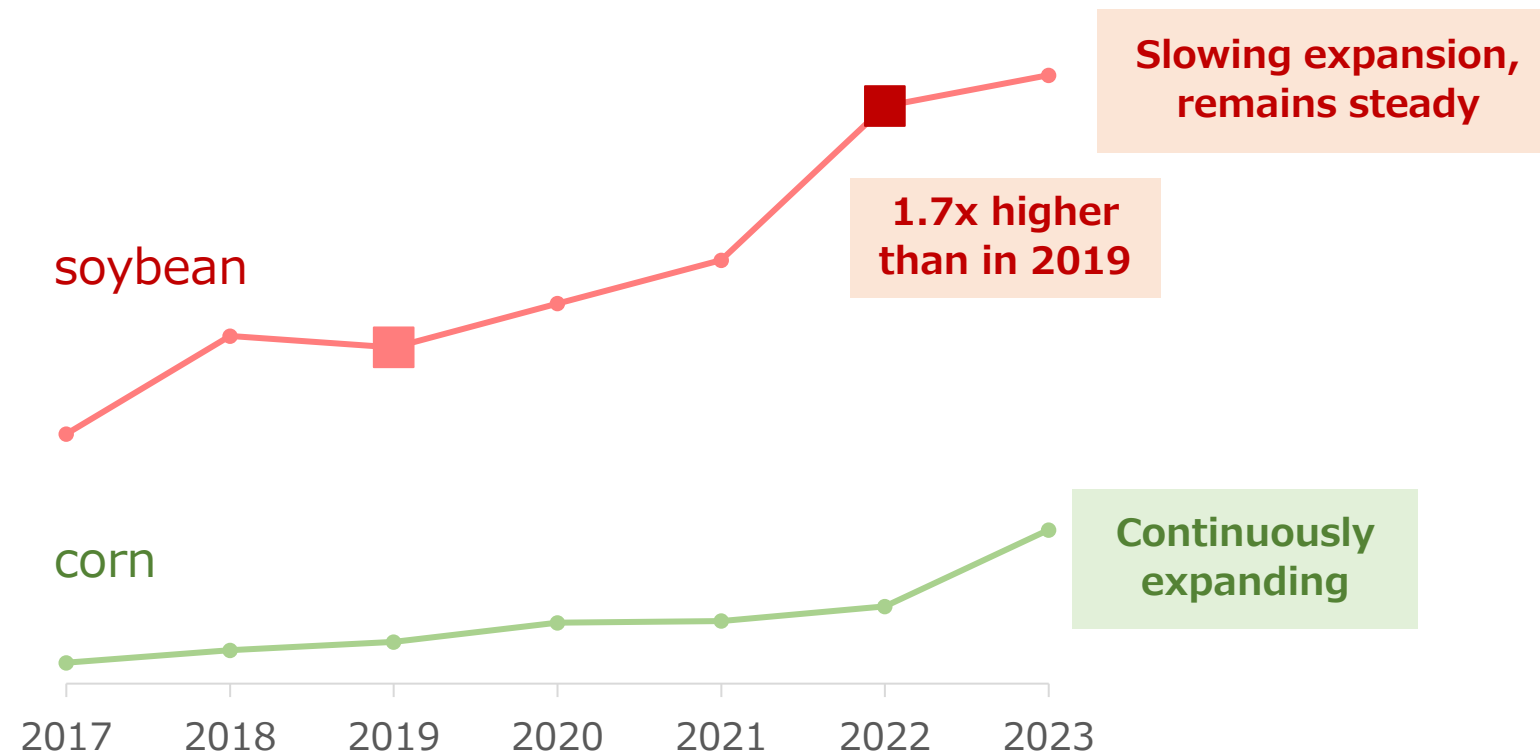
# ① Increase of Sales in Key Countries and Expansion of Sales Territories

■ AXEEV developments of new mixed formulation and label expansion are on going in major grain producing markets for further growth



# ① Increase of Sales in Key Countries and Expansion of Sales Territories

Changes in the area of AXEEV used in U.S. (Own Research by Kumiai)



## ② Implementation of Countermeasures to Generic Products

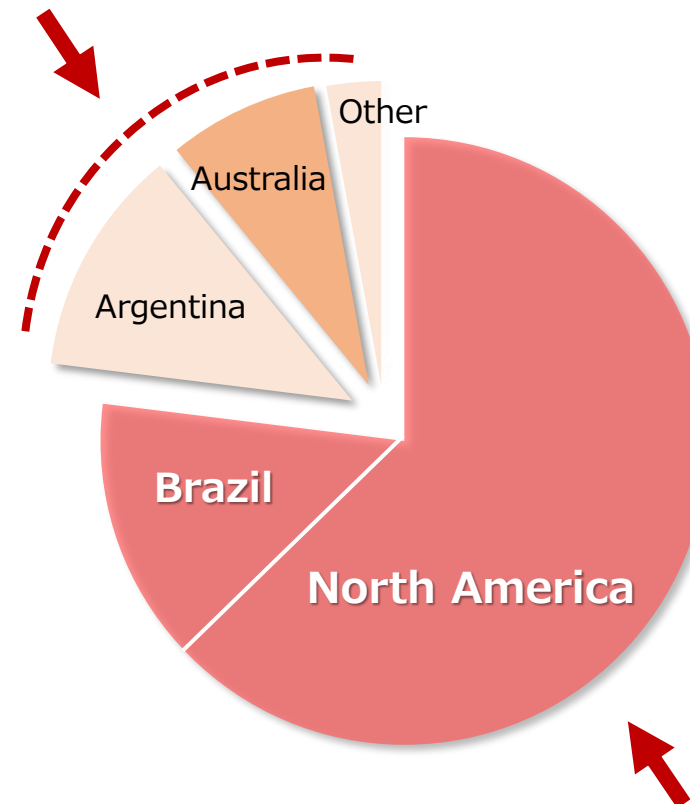
### Argentina Australia

- No data protection period is available
- ➔ Generics are easy to enter into the market
  - Australia : Already entered in 2022
  - Argentina : Estimated to enter in 2024

### North America Brazil

- Remain the data protection period (tox data etc.)
  - U.S. : Protection is available until 2025
  - Brazil : Protection is available until 2030

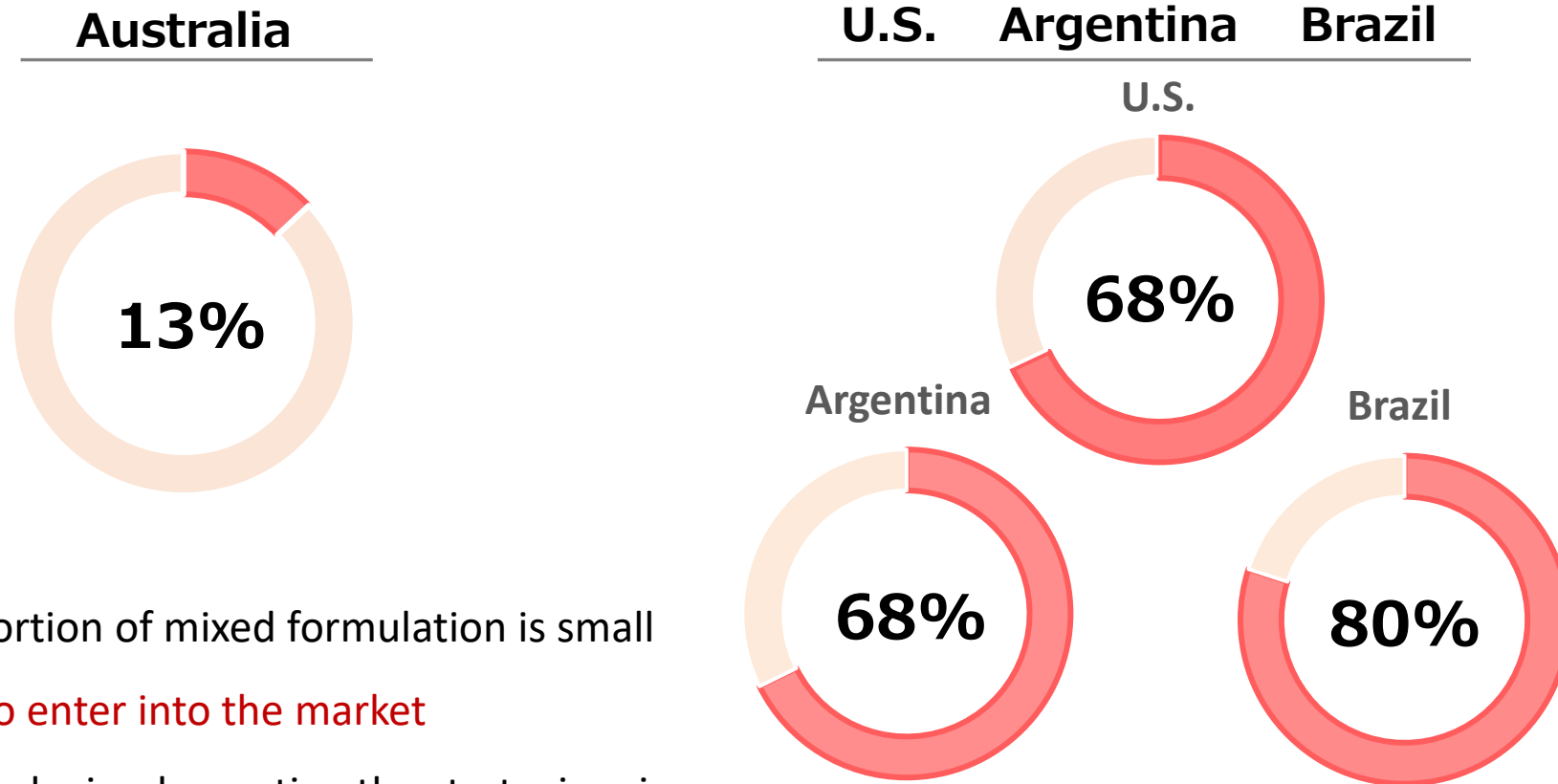
Limited entry of generics for a while  
(25% of total sales of AXEEV)



Generics are difficult to enter into these market  
(75% of total sales of AXEEV)

## ② Implementation of Countermeasures to Generic Products

Percentage of area treated with mixed formulation in major marketing countries (2023) (Own Research by Kumiai)



■ In Australia, the proportion of mixed formulation is small

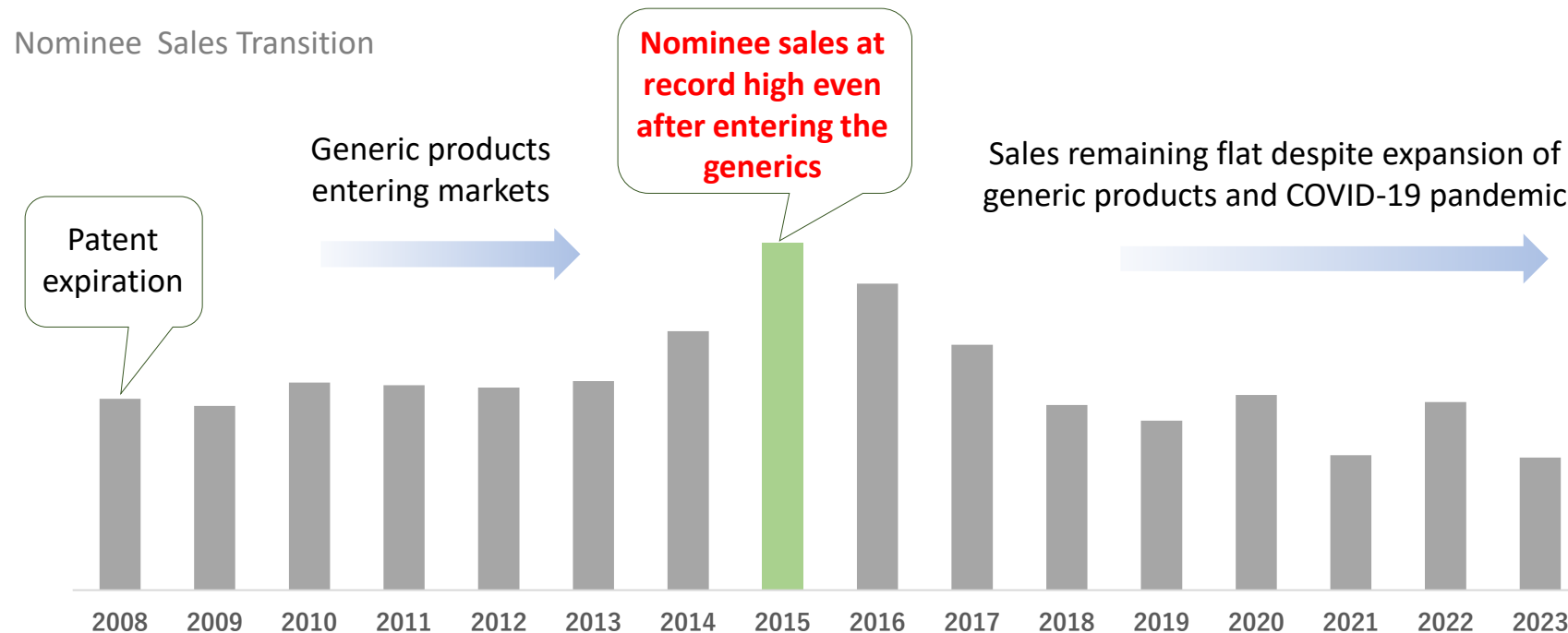
➔ Generics are easy to enter into the market

■ Maintain market share by implementing the strategic prices

■ Decisive measures will be surely taken against illegal products and any products infringing our IP right

## ② Implementation of Countermeasures to Generic Products

- ✓ Example of **Nominee** (herbicide for rice paddy fields developed by us), for which generic products have entered the market



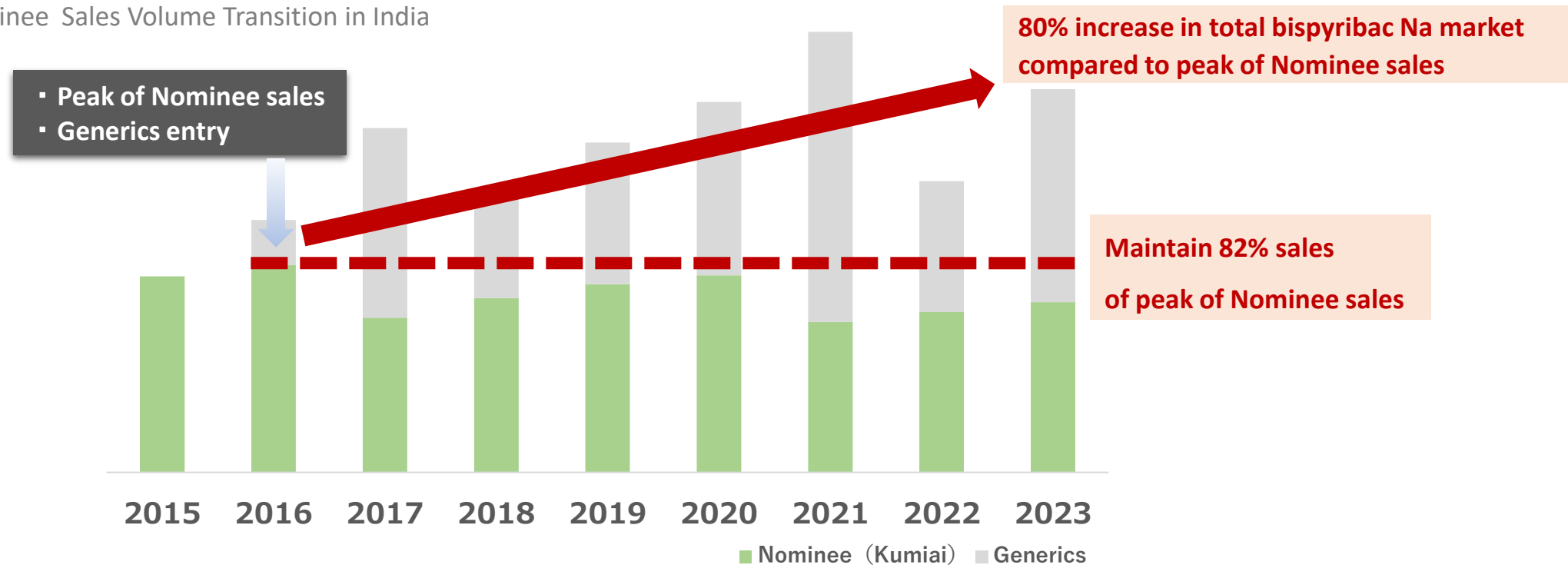
- ➔ As for AXEEV, since there are many target crops to sell compared to Nominee, the sales of AXEEV is expected to grow by developing new markets (areas and crops) even after generics enter.



## ② Implementation of Countermeasures to Generic Products

### ✓ Sales Transition of **Nominee** after entry of generics in India

Nominee Sales Volume Transition in India



Bispyribac Na market expanded after entry of generics

➔ It is important to implement various measures to maintain or increase sales volume of AXEEV while expanding the area treated with pyroxasulfone.

## ② Implementation of Countermeasures to Generic Products (Australia)

### Sued ADAMA Australia Pty Limited for patent infringement

 KUMIAI CHEMICAL INDUSTRY CO., LTD.

April 30, 2024

#### **Kumiai commences court proceedings in Australia in relation to a third party pyroxasulfone product**

Kumiai Chemical Industry Co., Ltd is one of the world's leading agrochemical companies with over 70 years' experience in manufacturing herbicide products.

Kumiai manufactures Sakura® 850 WG pyroxasulfone herbicide which has been trusted by Australian farmers for years. Kumiai has a global patent portfolio which includes Australian patents relating to pyroxasulfone herbicide.

On 26 April 2024, Kumiai commenced patent infringement proceedings against ADAMA Australia Pty Limited in relation to its distribution and sale of the Novali® 850 WG pyroxasulfone product in Australia.

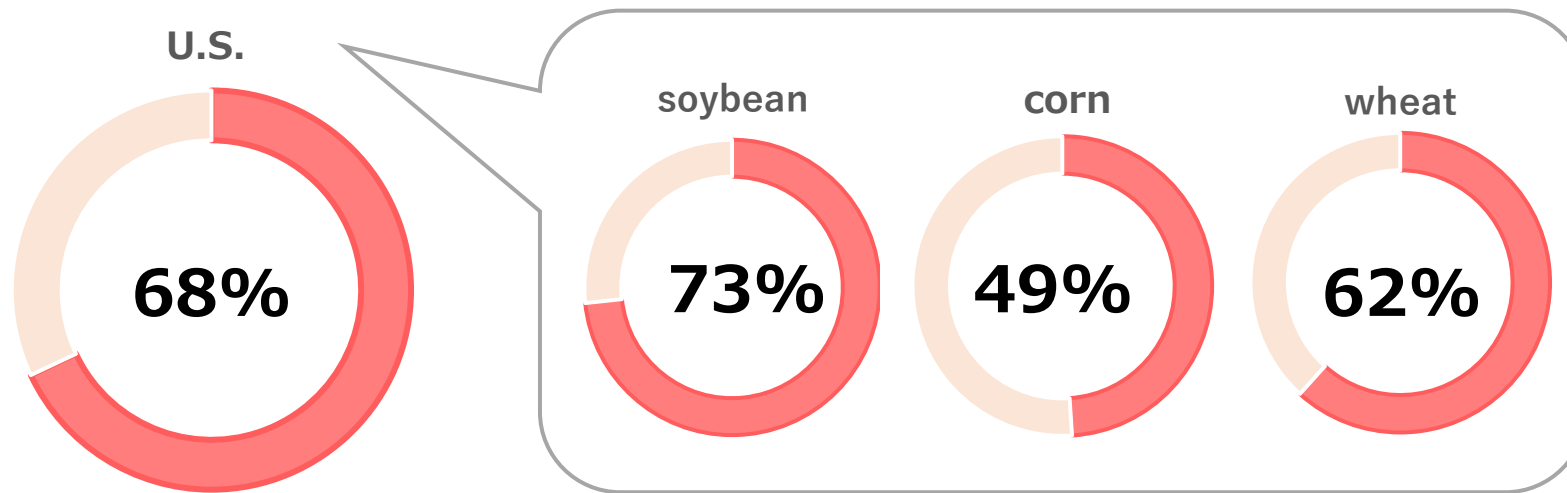
Kumiai regards intellectual property rights to be of critical importance to the agrochemical industry, and we are committed to enforcing our intellectual property rights, both in Australia and around the world.

**Pyroxasulfone**  
(Common Name)

**||**  
**AXEEV**  
(Brand Name)

### ③ Promotion of Development of Mixed Formulation containing AXEEV

Percentage of area treated with mixed formulation in U.S. (2023) (Own Research by Kumiai)



- Generic entry is expected to be different way in the U.S. than in Australia because treated area by mixed formulations have a large part than solo formulation in the U.S. market.

➔ **Mixed Formulation patents are valid**

### ③ Promotion of Development of Mixed Formulation containing AXEEV

Mixed formulation and Private Brand under development in the U.S.

Product Name	2022	2023	2024	2025	2026
FortiTRI(PB)	☆	★	→		
Annihilate(PB)		☆	★	→	
Spyromax(PB)		☆	★	→	
Maverick		☆	★	→	
Storen		☆	★	→	
Surtain				☆ ★	→
****					

**Multiple mixed formulations and PBs to be launched in 2026 and beyond**

☆ : Launched

★ : Start of full-scale sales

(PB) Private Brand : Distributor's (wholesaler's) own product brand

- ➡ Continued mixed formulation development as generics countermeasures
- ➡ **By giving PB to distributors, they are trying to expand their market share by enhancing their motivation for sales.**

## Today's Agenda

- I . Business Environment
- II . Financial Results for the Second Quarter of FY2024
- III . Revised Earnings Forecast for the FY2024
- IV . AXEEV Sales Outlook
- V . Development of New Active Ingredients and Technologies**
- VI . Reduction of Climate Change and Environmental Impact
- VII . Q&A

# Development of New Active Ingredients and Technologies

## Development of new active ingredients

### ■ Flupentiofenox (Insecticide)

Under development as an acaricide with a novel mode of action that is effective even against mites that have developed resistance to registered acaricides. Registration applied for in May 2023.

### ■ ECOARK (Microbial pesticide)

Under development as the only one agricultural product that is effective against the difficult-to-control grapevine crown gall in the world. Registration applied for in December 2022.

## Development of new technologies

### ■ Development of biostimulants utilizing microorganisms

### ■ Technology to control methane gas emissions from agricultural land

(international patent applied for)

Methanogenesis inhibitor discovered → Under evaluation for commercialization

# Development of New Active Ingredients and Technologies

Name	Type	Evaluation stage	Development stage	Launched/ Expansion of registered countries or applied crops
<b>Insecticide</b>				
Flupentiofenox (VANENTA®)	Acaricide		●	
Insecticide A	Insecticide for paddy rice		●	
Insecticide B	Insecticide for paddy rice and horticulture	●		
<b>Fungicide</b>				
Fungicide A	Fungicide for paddy rice		●	
Fungicide B	Fungicide for fruit trees and vegetables	●		
Fungicide C	Fungicide for field crops	●		
<b>Herbicide</b>				
Effeeda®	Herbicide for wheat			●
Herbicide A	Herbicide for field crops	●		
<b>Microbial pesticide and biostimulants</b>				
<i>Rhizobium vitis</i> ARK-1plant (ECO ARK®)	Root tip carcinoma control agent		●	
Microbial pesticide A	Control agent for fruit trees and vegetables	●		
Microorganisms B	Biostimulants	●		

## Today's Agenda

- I . Business Environment
- II . Financial Results for the Second Quarter of FY2024
- III . Revised Earnings Forecast for the FY2024
- IV . AXEEV Sales Outlook
- V . Development of New Active Ingredients and Technologies
- VI . Reduction of Climate Change and Environmental Impact**
- VII . Q&A



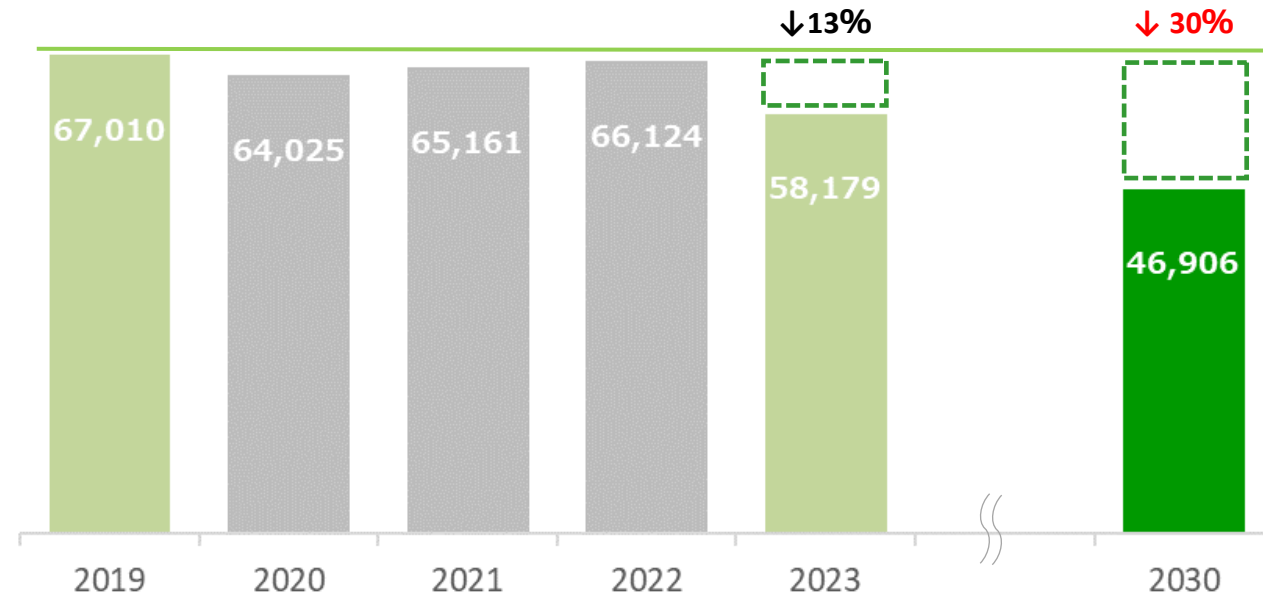
# Reduction of Climate Change and Environmental Impact

Continuous efforts to reduce GHG emissions (reduction **by 30%** compared to FY2019 by FY2030)

FY2023 results were steady, **reduction by 13%**

- Switching from heavy oil to LP gas and other fuels with **low GHG emissions**
- Switching to green electricity is almost completed

GHG Emissions and Targets for Reduction (t-CO2)



## Contribution to Maintaining Biodiversity

### Participation in the "30 by 30 Alliance"\*

- Participation in the "30 by 30 Alliance" to contribute to maintaining biodiversity (Dec.2023)
- Establishment of **nature reserves** to maintain the biodiversity and rich landscape of the region
- Environmental conservation activities in **Kumika Refugia in Fukushima**
  - Proper management of about 640 ha of forest owned by Kumiai in the town of Fukushima, Hokkaido
  - Effective use of wood from thinning
- Environmental conservation activities in **Kumika Refugia in Kikugawa**
  - Construction of a 3,030 m<sup>2</sup> biotope (to be completed in 2025) in Kikugawa City, Shizuoka Prefecture
    - Recreating a "satoyama" landscape in an urbanized area
    - Also utilizing a venue for local children to learn about biodiversity and environmental conservation

---

30 by 30 Alliance \* 2 The "30by30" goal is to effectively conserve at least 30% of land and sea as healthy ecosystems by 2030 toward the goal of halting and restoring biodiversity loss, and was agreed upon by the G7 in 2021. The Ministry of the Environment of Japan recommends the "30by30 Alliance," a framework whose participating members are volunteers who are committed to achieving the goal.



Thank you for your attention.

自然に学び 自然を守る



**クミカ**

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.

Please be aware that neither the Company nor the information provider will be liable for any damages incurred based on this information.

Information other than information on the Company and its affiliated companies is based on publicly available information and the accuracy of such information is not guaranteed.

<Inquiries>

KUMIAI CHEMICAL INDUSTRY CO., LTD.

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

Please also see the corporate website. <https://ir.kumiai-chem.co.jp/en/index.html>