

# **Financial Results for the Fiscal Year Ended October 31, 2023 and New Medium-Term Business Plan Presentation**

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December 22, 2023

## Agenda

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# 01

## Business Environment

## Business Environment

### ■ Grain Market Conditions and Plantings

- Grain prices remained at a high level over the long-term despite a short-term decrease.
- Planting acreage of major crops such as soybean, corn, and wheat was favorable.

### ■ Semiconductor Market

- Recovery in demand was delayed in many sectors, although demand in the automobile sector remained high in FY2023.
- A gradual recovery is expected in FY2024.

### ■ Crude Oil and Naphtha Prices

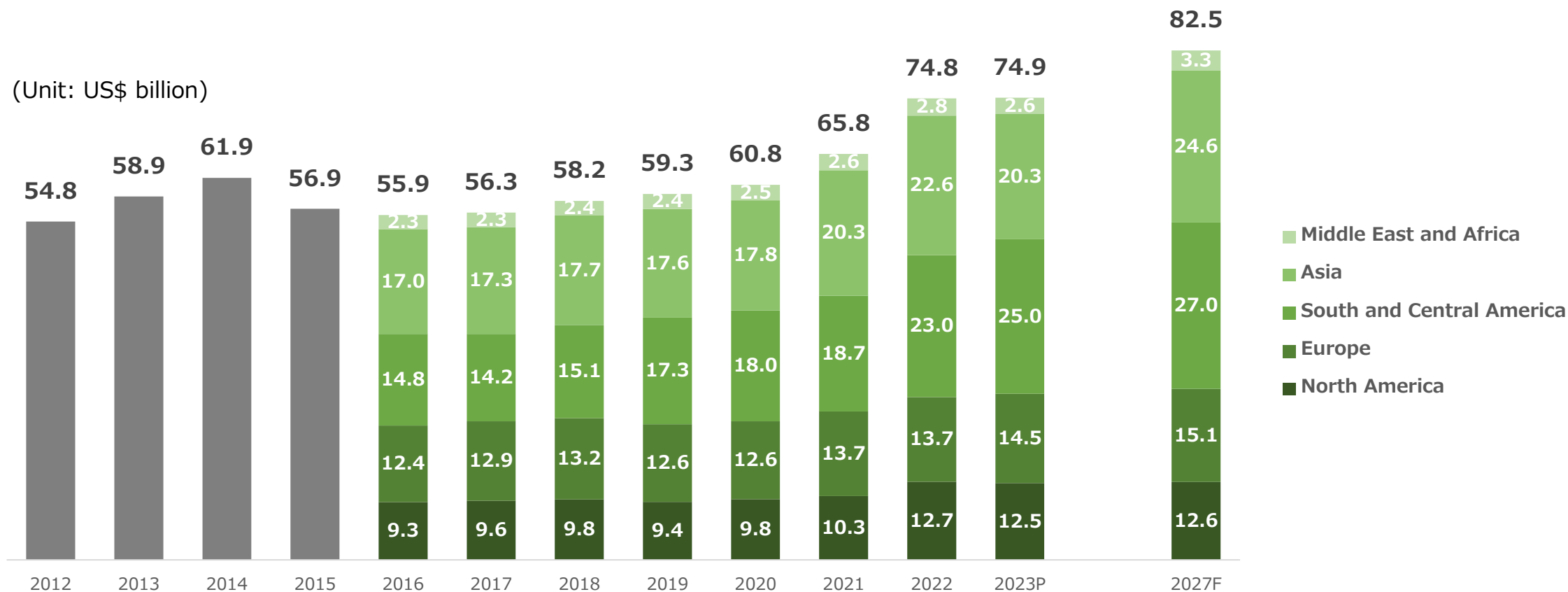
- Prices are currently on a downward trend, although there was a period of extensive price fluctuations.
- Prices were higher than previous levels, and there was an impact on raw material prices and manufacturing costs.

### ■ ¥/\$ Exchange Rate

- In FY2023, the ¥/\$ exchange rate remained in the ¥130 to high ¥140s range.
- In FY2024, the ¥/\$ exchange rate is expected to remain at the same level.

## Market Trends for Agricultural Chemicals

- Year 2022 showed the highest growth rate in about 20 years due to an increase in grain and agricultural chemical prices
- Domestic market remains flat at around ¥340.0 billion



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

# 02

## Financial Results for the FY2023

# Financial Results for the FY2023

Unit: Billions of Yen	2022 results	2023 results	YoY (Amount)	Rate	2023 Revised Forecast (As of 6 Jun)	vs. Revised Forecast (Amount)	Rate
Net Sales	145.3	<b>161.0</b>	+15.7	+11%	169.0	△8.0	△5%
Gross Profits	34.2	<b>36.7</b>	+2.5	+7%	-	-	-
Operating Income	12.7	<b>14.1</b>	+1.4	+11%	17.1	△3.0	△18%
Ordinary Income	23.6	<b>24.1</b>	+0.5	+2%	21.5	+2.6	+12%
Net income attributable to owners of parent	16.3	<b>18.0</b>	+1.7	+11%	16.7	+1.3	+8%

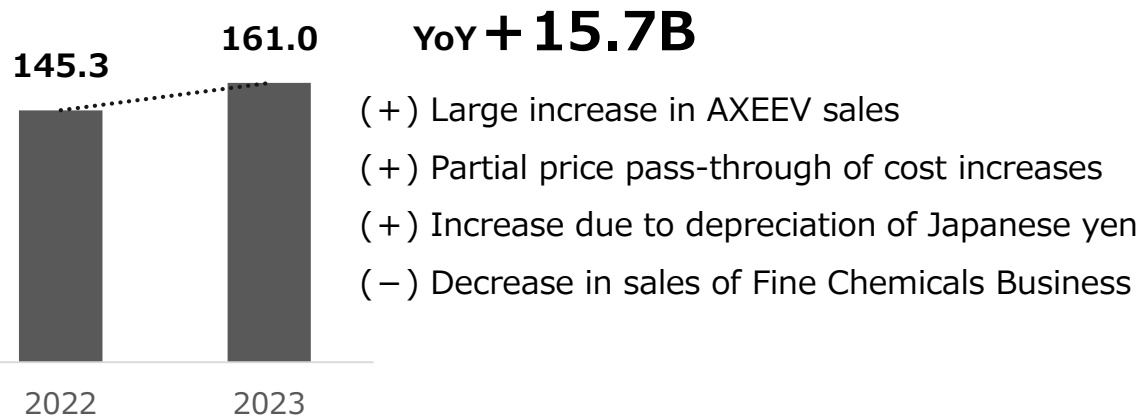
Ref.) Average of exchange rates

¥/US\$=129

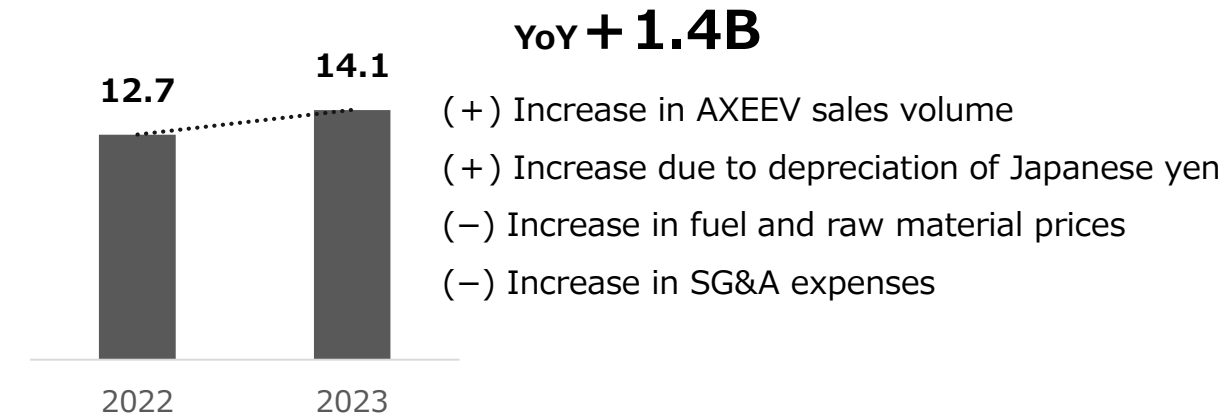
¥/US\$=140

¥/US\$=130

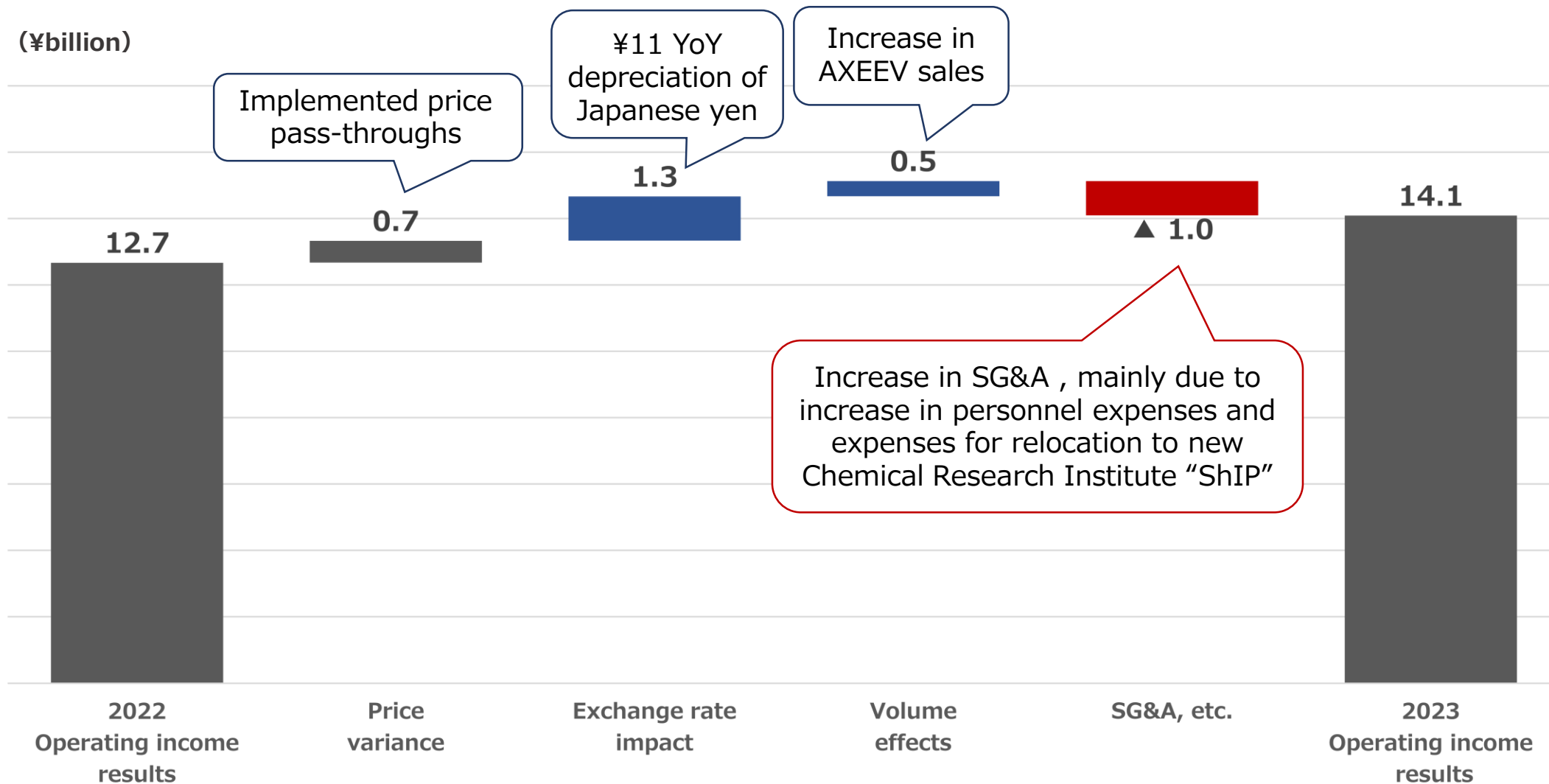
## Sales



## Operating Income



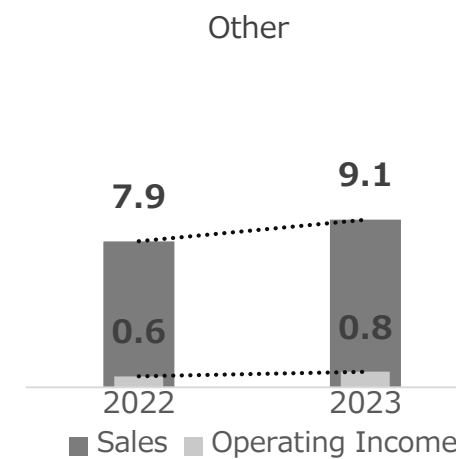
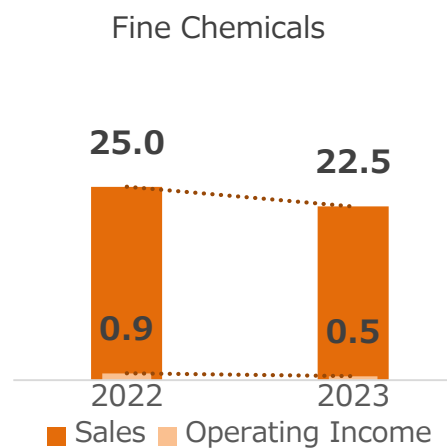
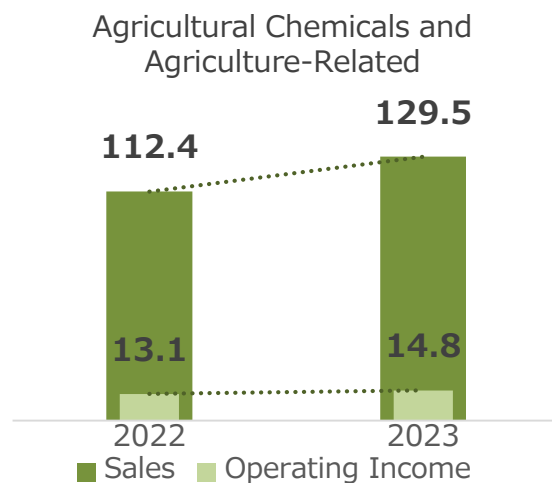
## Factors Contributing to Change in Operating Income





## Financial Results by Business Segment

Unit: Billions of Yen	2022 Results	2023 Results	YoY (Amount)	Rate
Net Sales	145.3	<b>161.0</b>	+ 15.7	+ 11%
Agricultural Chemicals and Agriculture-Related	112.4	<b>129.5</b>	+ 17.1	+ 15%
Fine Chemicals	25.0	<b>22.5</b>	△2.5	△10%
Other	7.9	<b>9.1</b>	+ 1.2	+ 15%
Operating Income	12.7	<b>14.1</b>	+ 1.4	+ 11%
Agricultural Chemicals and Agriculture-Related	13.1	<b>14.8</b>	+ 1.7	+ 13%
Fine Chemicals	0.9	<b>0.5</b>	△0.4	△41%
Other	0.6	<b>0.8</b>	+ 0.2	+ 41%
(Adjustment)	△1.9	△ <b>2.1</b>	△0.2	-



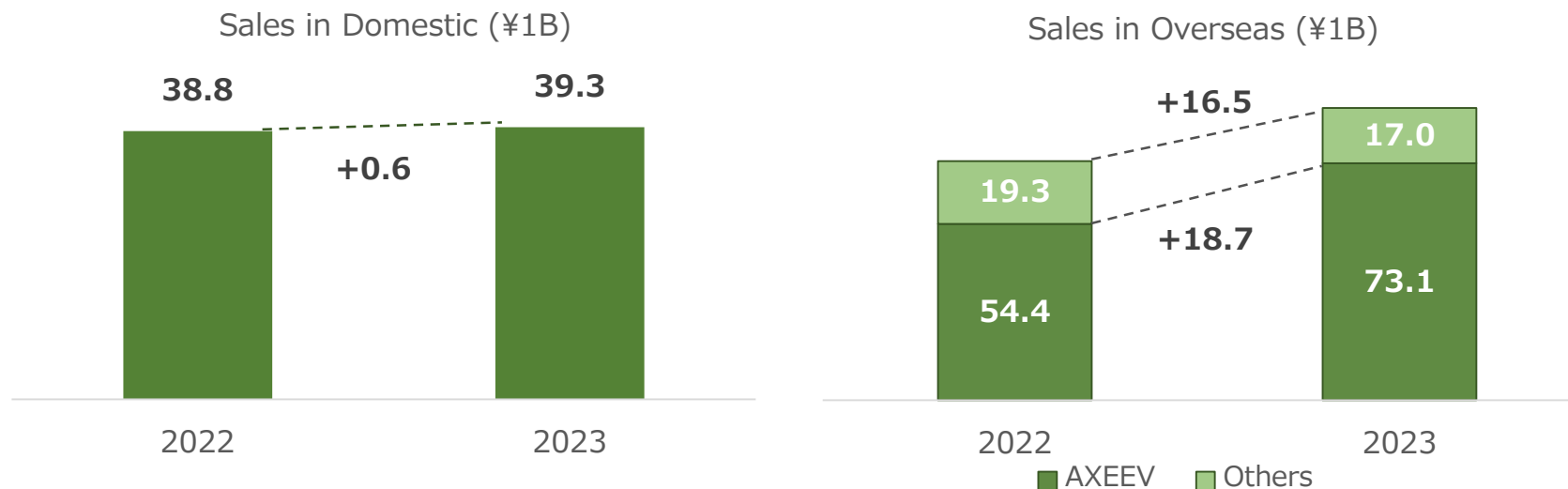
## Agricultural Chemicals and Agriculture-Related Businesses

### Domestic

Slight year-on-year increase in sales due to strong sales of Effeeda and DISARTA, despite decrease in sales volume of some products due to customer inventory adjustments

### Overseas

Large increase in sales volume of AXEEV for U.S. market due to high demand  
 Some negative effect to sales of AXEEV by import restrictions in Argentina due to foreign currency shortage, and by market entry of generic products in Australia  
 Impact on sales in overseas market overall by inventory adjustments of agricultural chemicals worldwide



## Fine Chemicals Business

### Chlorination

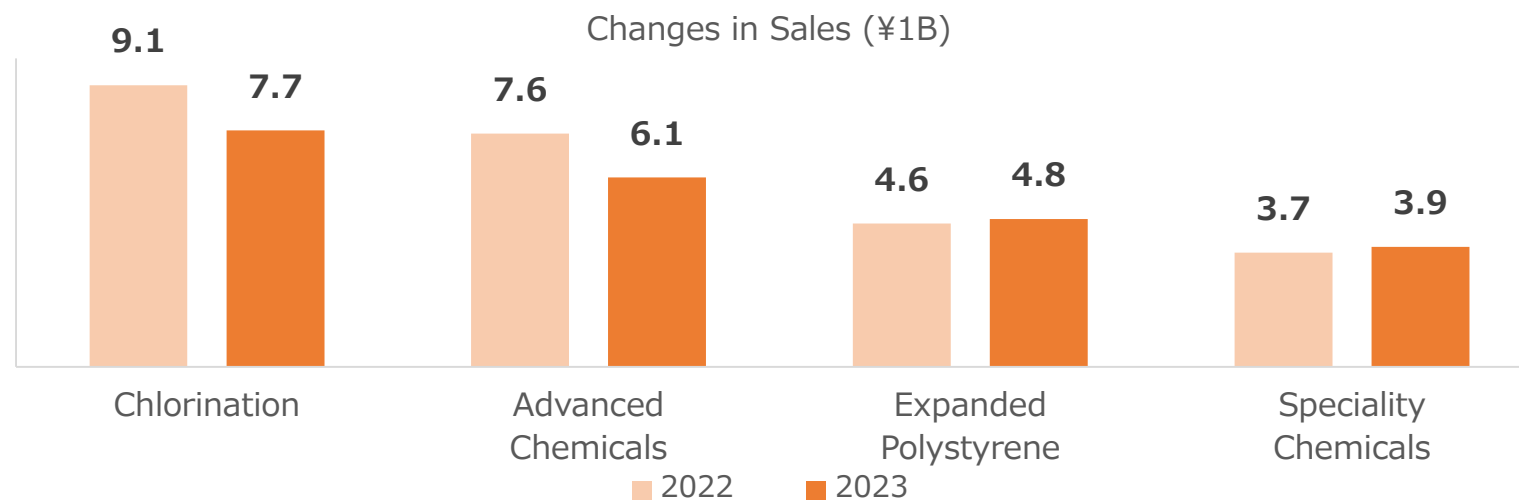
Decrease in demand for some chloroxylene chemical products due to delayed recovery of demand in semiconductor market

### Advanced Chemicals

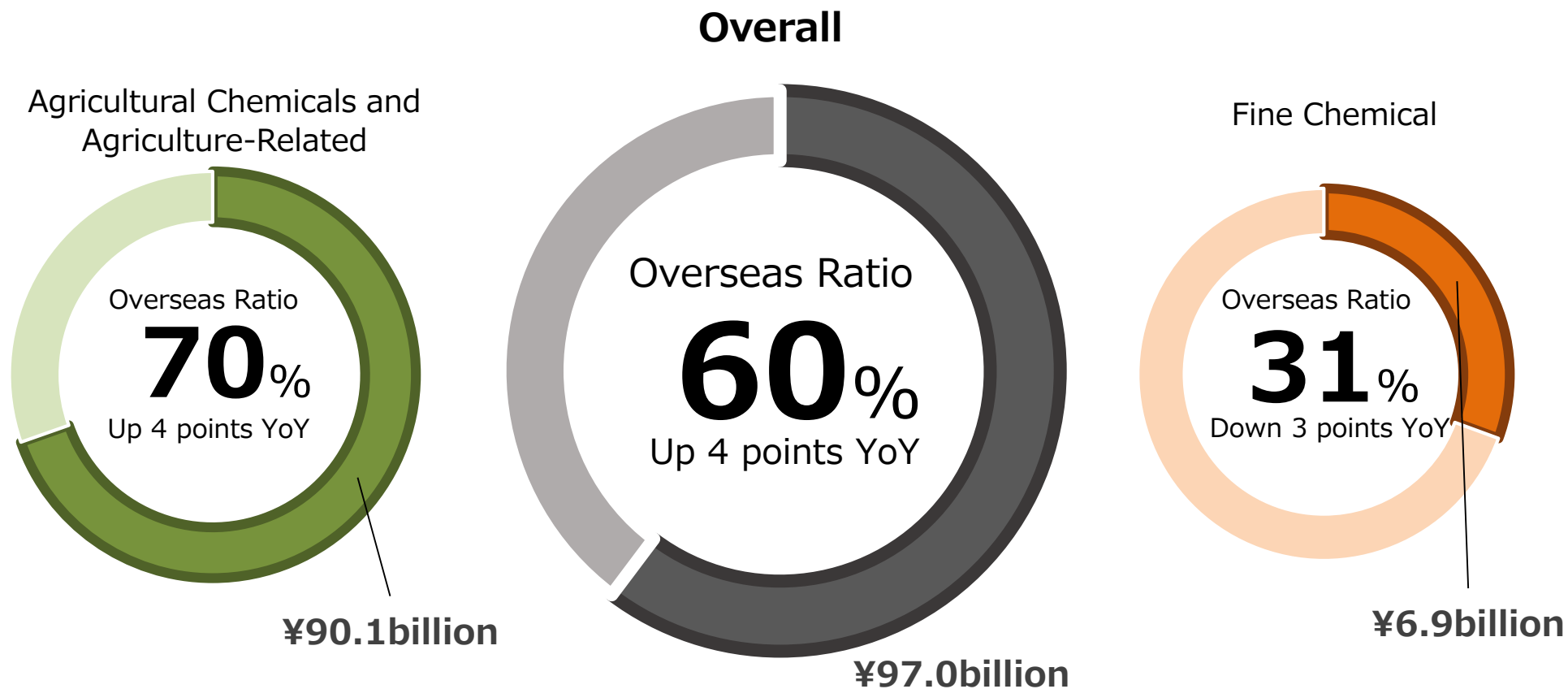
Decrease in demand for bismaleimides due to delayed recovery of demand in semiconductor market

### Expanded Polystyrene & Speciality Chemicals

Slight increase in sales year on year.

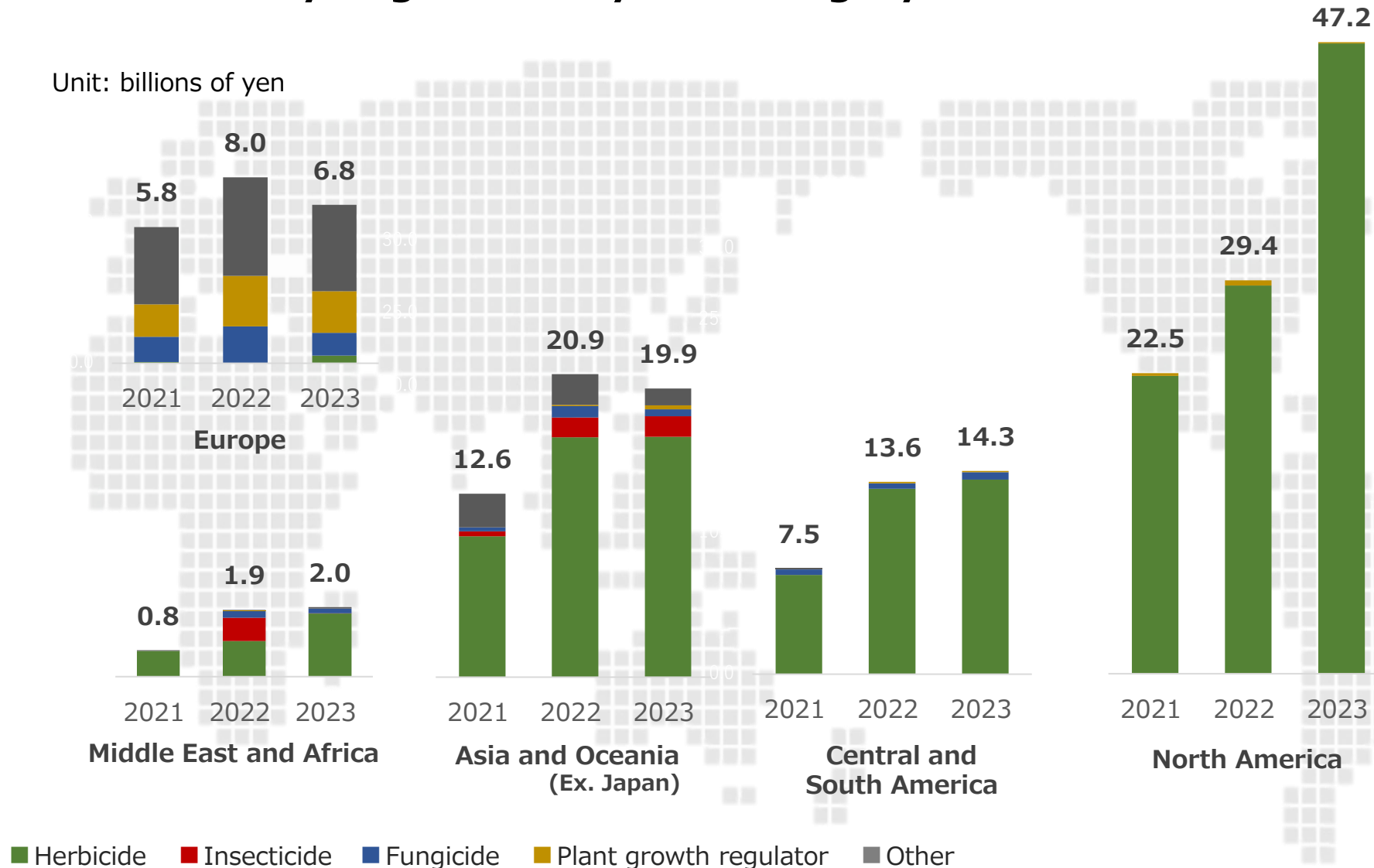


## FY2023 Results (Overseas Sales and Ratio)



# Overseas Net Sales by Region and by Use Category

Unit: billions of yen



## Summary of the FY2023

### Overall

Sales	¥ <b>161.0</b> billion (YoY +¥15.7B)	<ul style="list-style-type: none"> <li>• Increase in sales volume of AXEEV</li> </ul>
Operating Income	¥ <b>14.1</b> billion (YoY +¥1.4B)	<ul style="list-style-type: none"> <li>• Implementation of price pass-throughs due to increase in fuel and raw material prices</li> <li>• Depreciation of Japanese yen pushed up sales and profit even more than in previous fiscal year</li> </ul>
Ordinary Income	¥ <b>24.1</b> billion (YoY +¥0.5B)	<ul style="list-style-type: none"> <li>• Foreign exchange gains decreased YoY but large increase in equity-method investment profits</li> </ul>

### Agricultural Chemicals and Agriculture-Related

Sales	¥ <b>129.5</b> billion (YoY +¥17.1B)	<ul style="list-style-type: none"> <li>• Increase in sales volume of AXEEV</li> </ul>
Operating Income	¥ <b>14.8</b> billion (YoY +¥1.7B)	<ul style="list-style-type: none"> <li>• Slight increase in domestic sales of agricultural chemicals due to strong sales of Effeeda and DISARTA, although there was negative effect of inventory adjustments by customers on sales</li> </ul>

### Fine Chemicals

Sales	¥ <b>22.5</b> billion (YoY △2.5B)	<ul style="list-style-type: none"> <li>• Decrease in sales volume of bismaleimides and some chloroxylene chemical products due to delayed recovery of demand in semiconductor market</li> </ul>
Operating Income	¥ <b>0.5</b> billion (YoY △0.4B)	<ul style="list-style-type: none"> <li>• Soaring fuel and raw material prices and increase in depreciation and amortization</li> </ul>

### Other

Sales	¥ <b>9.1</b> billion (YoY +1.2B)	<ul style="list-style-type: none"> <li>• Increase in sales in construction business due to progress in construction work carried forward from the previous fiscal year</li> </ul>
Operating Income	¥ <b>0.8</b> billion (YoY +0.2B)	<ul style="list-style-type: none"> <li>• Steady sales in logistics business</li> </ul>

# 03

## Earnings Forecast for the FY2024

# Earnings Forecast for the FY2024 (YoY)

Unit: Billions of Yen	2023 Results	2024 Forecast	YoY (Amount)	Rate
Net Sales	161.0	<b>167.0</b>	+6.0	+4%
Agricultural Chemicals and Agriculture-Related	129.5	<b>133.0</b>	+3.5	+3%
Fine Chemicals	22.5	<b>26.0</b>	+3.5	+16%
Other	9.1	<b>8.0</b>	△1.1	△12%
Operating Income	14.1	<b>12.0</b>	△2.1	△15%
Ordinary Income	24.1	<b>15.0</b>	△9.1	△38%
Net income attributable to owners of parent	18.0	<b>11.0</b>	△7.0	△39%

Ref.) Average of exchange rates      ¥/US\$=140      ¥/US\$=140

## Sales

YoY + ¥6.0B

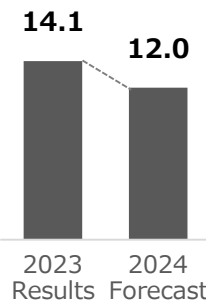


- (+) Increase in sales volume of AXEEV
- (+) Increase in sales in Fine Chemicals Business
- (-) Inventory adjustments of AXEEV in some regions
- (-) Price adjustments of AXEEV as a counter-measure against generic products

■ Agricultural Chemicals ■ Fine Chemicals ■ Other

## Operating Income

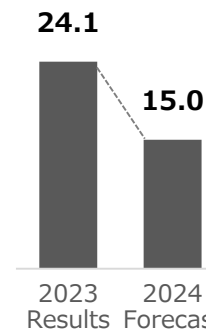
YoY △ ¥2.1B



- (-) Increase in SG&A expenses
- (-) Price adjustments of AXEEV as a counter-measure against generic products

## Ordinary Income

YoY △ 9.1B



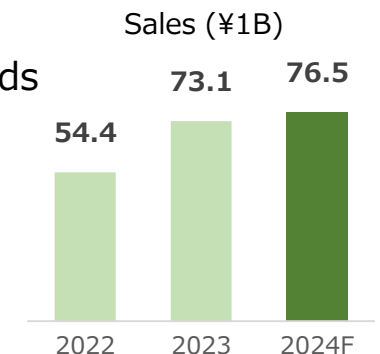
- (-) Large decrease in equity-method investment profits



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

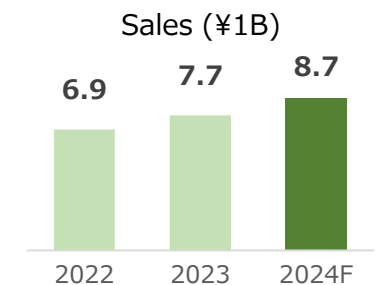
### AXEEV (Herbicide)

- Achieved large increase in sales leading up to FY2023, mainly due to spread of herbicide resistant weeds  
Herbicide-resistant weeds expected to keep spreading also in FY2024
- Implementation of price adjustment to compete with generic products in Australia
- Implementation of shipping adjustments to Australia and Brazil due to inventory optimization  
Inventory optimization trend expected to continue during FY2024



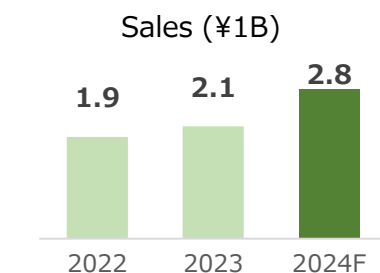
### Effeeda (Herbicide)

- Strong sales due to high level of efficacy and safety for rice
- In domestic market, launched one new mixed formulation in FY2023, with plans to launch one new mixed formulation in FY2024
- Under development in overseas (launched in South Korea, applied for pesticide registration for wheat and under evaluation by registration authorities in Europe)



### DISARTA (Fungicide)

- Steady sales continuously due to stable efficacy
- In domestic market, launched one new mixed formulation in FY2023, with plans to launch one new mixed formulation in FY2024
- Under development in overseas (launched in South Korea)



## Earnings Forecast for the FY2024 (Fine Chemicals)

### Chlorination

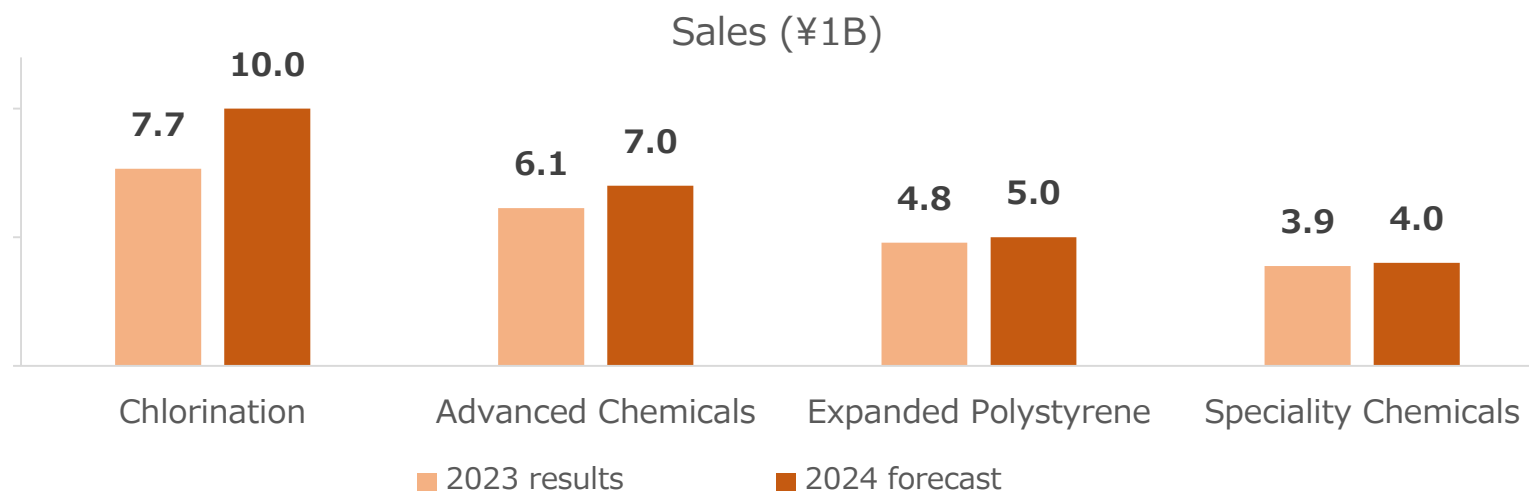
Increase in sales of chloroxylene chemical products due to recovery of demand in semiconductor market and increase in demand from customers

### Advanced Chemicals

Increase in sales bismaleimides due to increase of demand in semiconductor market

### Expanded Polystyrene and Specialty Chemicals

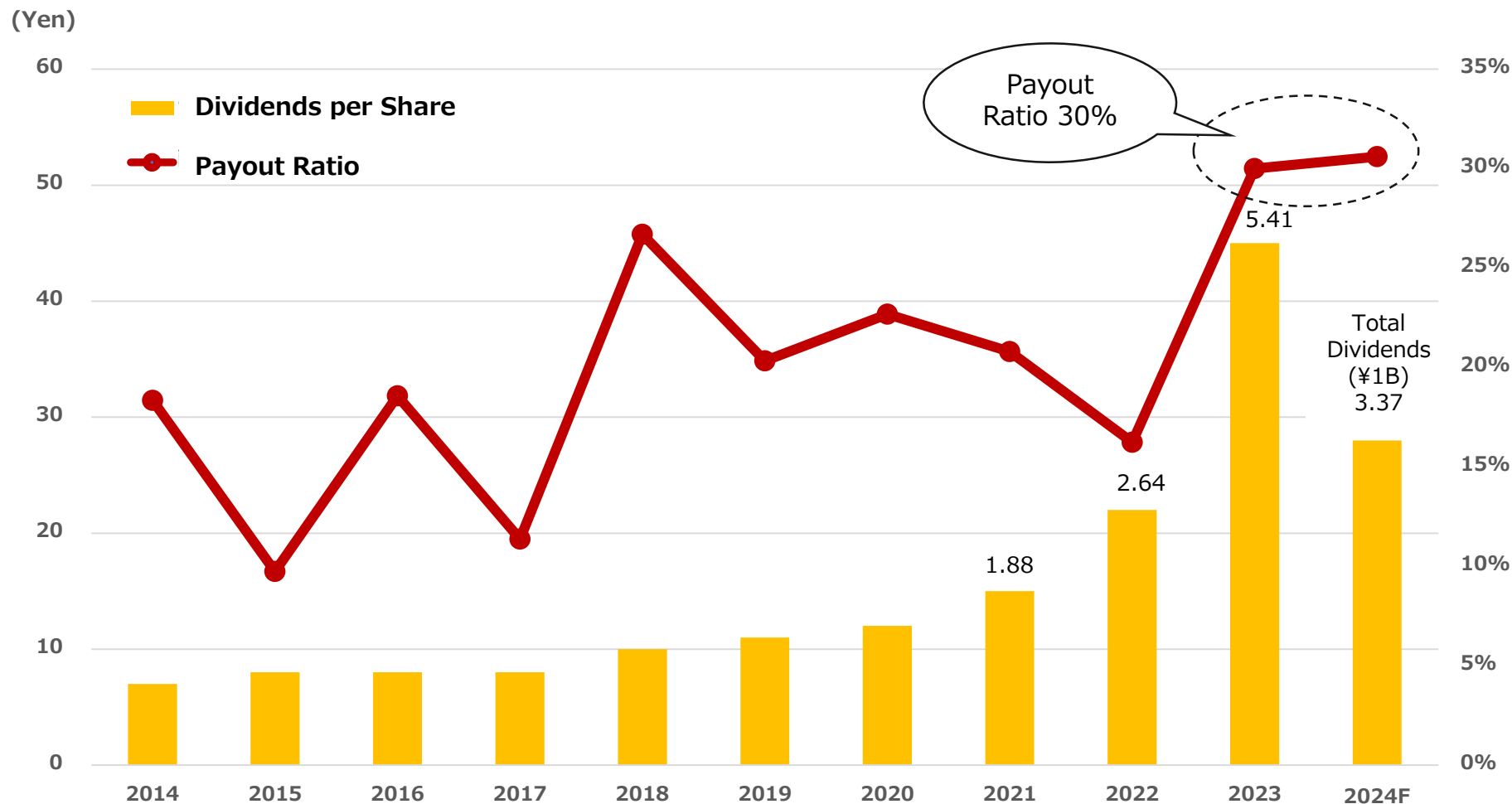
Slight increase in sales year-on-year



# Measures for Shareholder Returns

Target dividend payout ratio of 30% or more

**FY2024 dividend forecast: Interim dividend ¥10 + Year-end dividend ¥18 = Annual dividend ¥28 per share (payout ratio: 30.6%)**



## R&D Expenses, Capital Investment, and Depreciation & Amortization

### R&D Expenses

FY2023 Results: ¥ **6.2** billion :preliminary amount → FY2024 Plan: ¥ **7.2** billion

Main details: Strengthening initiatives aimed at overseas development, promoting research utilizing cutting-edge technology

### Capital Investment

FY2023 Results: ¥ **8.7** billion → FY2024 Plan: ¥ **10.2** billion

Main details: Updating aging production facilities, newly establishing chemical product-related plant and equipment

### Depreciation & Amortization

FY2023 Results: ¥ **4.4** billion → FY2024 Plan: ¥ **5.1** billion

Main details: Increase in amortization and depreciation in conjunction with capital investment in the new Chemical Research Institute "Shimizu Innovation Park" (ShIP) and production facilities

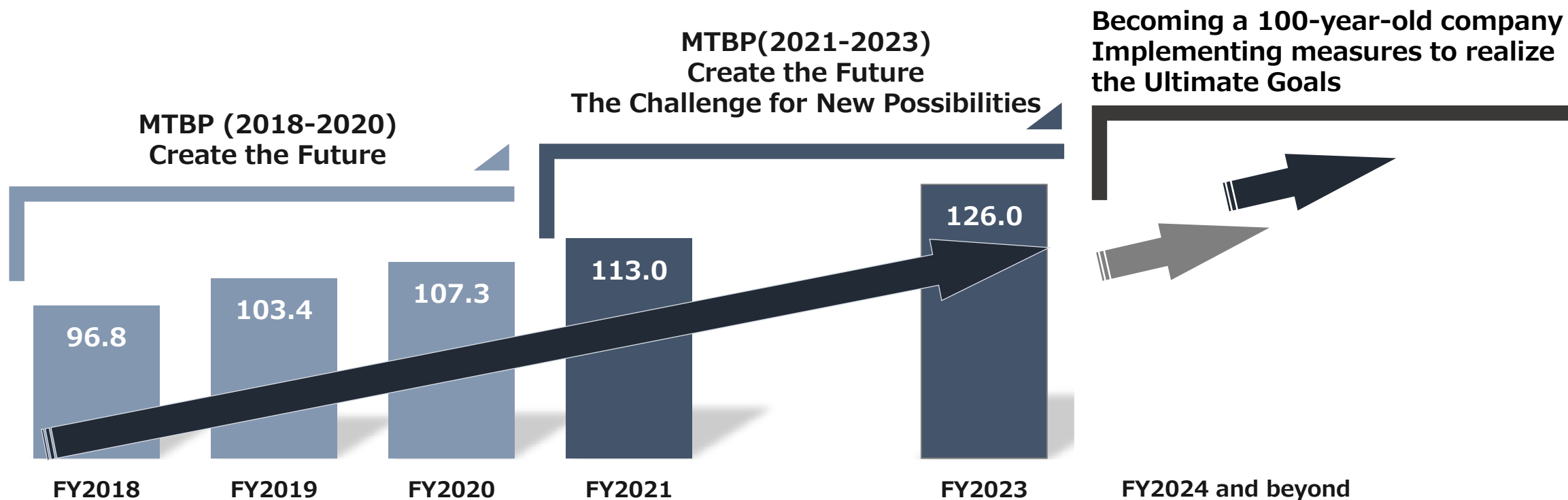
# 04

## **Rerview of New Medium-Term Business Plan (FY2021 - 2023)** **“Create the Future – The Challenge for New Possibilities”**

## Review of Previous Medium-Term Business Plan (FY2021-2023)

Established the Ultimate Goals of the Kumiai Chemical Industry Group to address the market environment forecast for the next 20 to 30 years

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



# Review of Previous Medium-Term Business Plan (FY2021-2023)

## Positioning

- The 3-year period was positioned as a time for sowing the seeds to expand business domains based on the Company's Ultimate Goals.

## Numerical targets

- Achieved the main numerical targets for the final year of the MTBP (¥126.0 billion in net sales and ¥9.8 billion in operating income) in the second year of the plan
- Achieved ROE of 7.3% by steady efforts to secure profits and implement capital policy
- Sales of AXEEV (a herbicide for field crops) exceeded expectations. Also profit pushed up by depreciation of Japanese yen

## Capital policy

- In terms of capital investment, implemented large-scale growth investment to strengthen R&D capabilities and reduce production costs
- Added companies in Japan and overseas as subsidiaries through M&A transactions in order to expand research and business domains
- Paid stable dividends in accordance with basic policy on shareholder returns, and increased dividend significantly in the final fiscal year of the MTBP to boost shareholder returns

	2021 Results	2022 Results	2023 Results		MTBP 2023 Targets	
Net Sales	¥118.2 billion	¥145.3 billion	<b>¥161.0 billion</b>	Record high	¥126.0 billion	Achieved
Operating Income	¥8.5 billion	¥12.7 billion	<b>¥14.1 billion</b>	Record high	¥9.8 billion	Achieved
Net Income	¥9.0 billion	¥16.3 billion	<b>¥18.0 billion</b>	Record high	-	
Capital investment	¥5.9 billion	¥9.6 billion	<b>¥8.7 billion</b>		¥31.3 billion*	*For the 3 years 2021-2023
R&D expenses	¥4.9 billion	¥5.1 billion	<b>¥6.2 billion (preliminary)</b>		¥17.5 billion*	
ROE	8.9%	14.9%	<b>14.5%</b>		7.3%	Achieved
ROS (Operating Margin)	7.2%	8.7%	<b>8.8%</b>		-	

## Review of Previous Medium-Term Business Plan (FY2021-2023)

Key Policies	Specific Measures	Results	Challenges under the New MTBP
Expand research and business domains	Establish research bases	Constructed and commenced operation of new Chemical Research Institute "Shimizu Innovation Park" (ShIP), and safety evaluation research building for Life Science Research Institute Refurbished facilities at K-I USA/MRS(Mississippi Research Station)	Construction of research building for Life Science Research Institute
	Gain new technologies through M&A	Added Agricore Corporation and GRA INC. as subsidiaries	Exploration of synergies
	Develop innovative technologies	Established New Materials Development Laboratory at Process Chemistry Research Center	Cultivation of new research fields using the Group's technologies
Ensure diversity in sales routes	Expand sales routes through M&A action	Added Asiatic Agricultural Industries Pte. Ltd. (AAI) in Singapore as a subsidiary	Sales expansion and R&D acceleration through collaboration with AAI
	Support smart agriculture	Established optimum spraying method for Mametsubu formulation using drones, and widely provided information on the method	Development and promotion of smart agriculture-related technologies
Ensuring cost competitiveness	Optimized production and procurement systems Efficient production using innovated production technology	Reduced production costs by establishing new manufacturing methods Curbed cost increases through negotiations with suppliers Constructed new water dispersible granule plant at the Tatsuno Factory	
Corporate activities focused on ESG	Strengthen foundations for sustainability management	Issued Basic Policy on Sustainability Set up Sustainability Promotion Committee	
	Identify materiality and establish key performance indicators (KPIs)	Comprehensively reviewed materiality and set KPIs with aim of realizing the Ultimate Goals for 20 to 30 years into the future	Steady efforts to fulfill KPIs
	Publish Integrated Report	Published the first Kumiai Chemical Group Integrated Report 2023	Further disclosure of information and solution on ESG issues having importance in management strategy



# Review of Previous MTBP / Further Strengthen R&D Capabilities

Implemented growth investment for strengthening R&D capabilities, the Company's biggest strength

## ■ Completed new Chemical Research Institute "Shimizu Innovation Park" (ShIP)

- Established research institute with the most advanced facilities by integrating three chemical research centers scattered in three separate locations in Shizuoka Pref.
- To further enhance research and development capabilities

↳ To streamline R&D operations through centralization of research centers

↳ To encourage innovation through integration of research centers in different fields

↳ To facilitate development of new technologies for the creation of new businesses

Began operations in October 2023

Shimizu Innovation Park / ShIP  
(Shimizu-ku, Shizuoka)



## ■ Life Science Research Institute Completed safety evaluation research building

- Relocated Safety Evaluation Research Laboratory and constructed a research building in order to meet safety standard trends, becoming more and more severe each year internationally
- Improved R&D environment by enhancing safety-related equipments and facilities

Completion: April 2021



## ■ K-I USA Refurbished facilities at the Mississippi Research Station

- Renovated research facilities at the Mississippi Research Station, an important site for research and development of new agricultural chemicals
- Improved R&D environment for safe and efficient research activities

Completion: May 2023



K-I CHEMICAL U.S.A. INC.

# Review of Previous MTBP / Reduce Production Costs and Boost Production Capacity

Implemented capital investment in each business to ensure production capacity that can secure profit and meet demand

## ■ Tatsuno Factory Established new water dispersible granules plant

- Established new plant at agricultural chemical formulation factory in Tatsuno, Hyogo Pref.
- Integrated multiple functions into one to improve cost competitiveness
- Using fuel with restricted CO2 emissions



Completion: October 2022

## ■ Kogota Factory Establishment of liquid formulation plant

- Currently refurbishing aging plant at the agricultural chemical formulation factory in Toda, Miyagi Prefecture Pref.
- Updating to facilities oriented to reduce waste, improve productivity, maintain a stable supply of products and eliminate safety hazards

Completion: September 2024



## ■ K.I Chemical Industry Co., Ltd. Establishment of new multi-product chemical plant

- Under construction of multi-product chemical plant in Iwata, Shizuoka Pref. to meet growing demand for electronic materials
- Switch outsourced production to in-house operation by increasing manufacturing capacity
- Working to expand business and improve profitability



Completion: January 2025

## ■ Ihara Construction Industry Co., Ltd. Reconstructed Semine Factory

- Reconstructed polystyrene factory in Kurihara, Miyagi Pref. because of increasing costs incurred due to aging facilities
- Reduced costs and GHG emissions together with improving productivity due to installation of energy-saving equipments



Completion: August 2021

## Review of Previous MTBP / M&A

Implemented M&A transactions to expand business domains and research areas, and diversify sales routes

### ■ Asiatic Agricultural Industries Pte. Ltd. (Singapore) Became consolidated subsidiary

- Acquired 60% stake in AAI in February 2021
- AAI has a formulation factory in Singapore and sells agricultural chemicals and public health pesticides in Asia and Africa. It is exploring new markets in those regions.
- The Company is promoting synergies in R&D, as well as cooperation in evaluation of biological performance of new agricultural chemicals developed by Kumiai using of AAI's Myanmar test field.
- Currently developing business in Asia and Africa to strengthen and support the sales network.



### ■ Acquired 80% stake in Agricore Corporation (Fukushima Pref.)

- Acquired 80% stake in Agricore Corporation in October 2022 (non-consolidated subsidiary)
- Provides products and technologies by fully using microorganisms and IT
- We will promote collaboration toward shared goals of further reducing environmental burden and contribution to sustainable agriculture.



### ■ Acquired 65% stake in GRA Inc. (Miyagi Pref.)

- Acquired 65% stake in GRA Inc. in September 2023 (non-consolidated subsidiary)
- GRA is an agricultural venture engaged in the cultivation of strawberries by means of smart agriculture
- We will realize synergies leveraging the agritech company's advantage and Kumiai Chemical Industry's knowledge and knowhow



# Review of Previous MTBP / Initiatives on Climate Change

## Addressed ESG issues to realize sustainability management

- Set numerical target for GHG emissions reductions, examined measures and encouraged the implementation

Total GHG emissions of 7 Group companies  
(Scopes 1 and 2)

**30% reduction  
from FY2019 by 2030**

Switch from heavy oil to LP gas



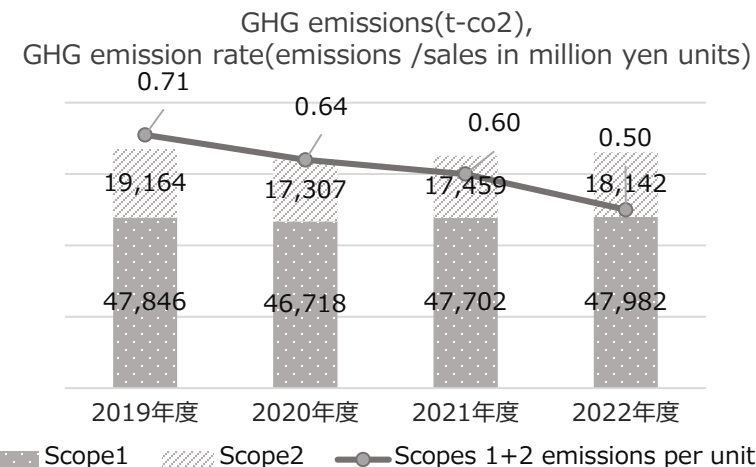
Switch to CO2-free electricity



Install solar panels



- ▶ Put steady measures into practice for target achievement



- Expressed endorsement of TCFD recommendations (November 2022)

Expressed endorsement of TCFD recommendations and started information disclosure in accordance with the TCFD recommendations



- Signed United Nations Global Compact (September 2023)

Endorsed the 10 principles in 4 fields (human rights, labour, environment, and anti-corruption), and made declaration on continuing efforts to achieve them



## Review of Previous MTBP / Initiatives on Social Issues

### ■ Human Resources Development

Developed vision for human resources strategy on human capital management and formulated an action plan to realize the vision

### ■ Established KPIs for the promotion of diversity and inclusion

#### Promoting active participation of women

- Percentage of female managers: FY2022 results 1.6% to 4.9% by FY2026
- Appointed a female Director in FY2023

#### Promoting support for next-generation development

- Percentage of men employees who take childcare leave: FY2022 results 24.1% to 100% by FY2026

### ■ Respect for human rights

- Human rights due diligence initiatives

Implemented human rights due diligence after establishing the Kumiai Chemical Group Basic Policy on Human Rights  
Assessed major suppliers' human rights due diligence and no serious risks were identified

- Raise awareness of human rights, eliminate all forms of harassment

Surveyed all employees' compliance awareness in FY2023 to confirm understanding of human rights issues as well as ascertaining the real situation of power, sexual and all other harassment at the Kumiai Chemical Group. Also implemented anti-harassment training and actively promoted initiatives for eliminating harassment



## Review of Previous MTBP / Enhancement of Governance

### ■ Results of dialogue with shareholders and investors

▶ Performance Briefing, etc.		Company representatives	Participants (Institutional investors, securities companies, etc.)		
			FY2021	FY2022	FY2023
Dec	Performance Briefing	President, officers in charge of investor relations	79	32*	61
Mar	Small Meeting	Officers and managers in charge of investor relations	21	13	15
Jun	Performance Briefing	President, officers in charge of investor relations	60	68	66
Sep	Small Meeting	Officers and managers in charge of investor relations	21	17	12

\*Face-to-face briefing. All the others were livestreamed

▶ Communication to individual investors Investor relations coverage		Company representatives	No. of times		
			FY2021	FY2022	FY2023
	Overseas institutional investors, etc.	Managers and staff in charge of investor relations	16	32	45
	Domestic institutional investors, etc.	Managers and staff in charge of investor relations	26	49	41
	Securities companies, etc.	Managers and staff in charge of investor relations	16	19	19

### ■ Main feedback in dialogue with shareholders and investors in FY2023 (excerpts)

#### (1) Approach to shareholder returns

- The policy on shareholder returns is to pay a stable dividend. However, the dividend payout ratio is as low as around 20%. A specific payout ratio target should be given.

#### (2) Insufficient information disclosure on growth and capital strategy in mainstay business

- Information is not sufficient on specific strategies for the future growth of the mainstay AXEEV business and Fine Chemicals Businesses or investment strategy for business growth.

## Review of Previous MTBP / Initiatives on Enhancing Corporate Value

Promoted activities for enhancing the social value of agricultural chemicals, one of the Group's key challenges

### ■ Activities to raise awareness about agriculture and agricultural chemicals

Agricultural chemicals contribute to securing yields, and ensure the quality of harvests and the value of agricultural products (income), and are essential for sustaining stable food production.

Widely provided information to stakeholders on the necessity and safety of agricultural chemicals, carried out awareness-raising activities to enhance the social value of agriculture and agricultural chemicals. Thus facilitated understanding of the Company business and enhanced its corporate value

Published pamphlets



Prepared pamphlets for elementary school children showing the important role that agricultural chemicals play throughout the food production process. Distributed the pamphlets to elementary schools across Japan Available as a digital book on the corporate website New pamphlets to be produced in the future

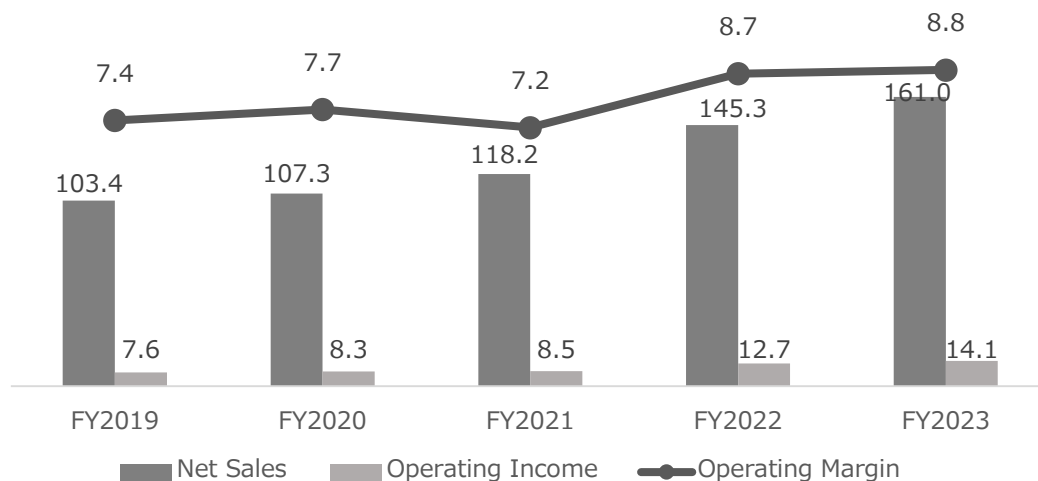
Visiting lessons



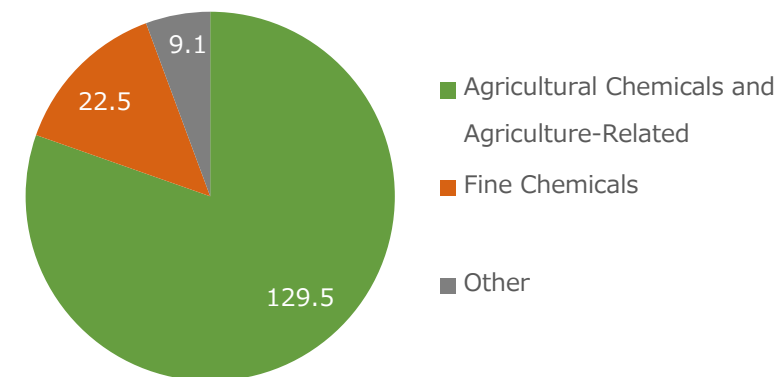
Visiting lessons were given in which Kumiai Chemical Industry staff talked at elementary schools in Shizuoka, Hokkaido, Miyagi, and Fukushima Prefectures. Endeavoring to provide children, teachers, and others of various generations with useful information by means of classroom lessons

# Review of Previous MTBP / Financial Highlights

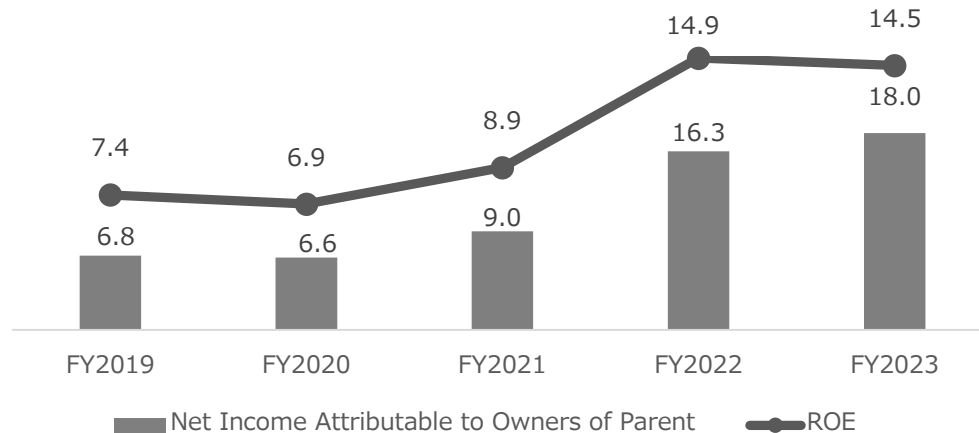
Net Sales(¥1B), Operating Income(¥1B), ROS (Operating Margin,%)



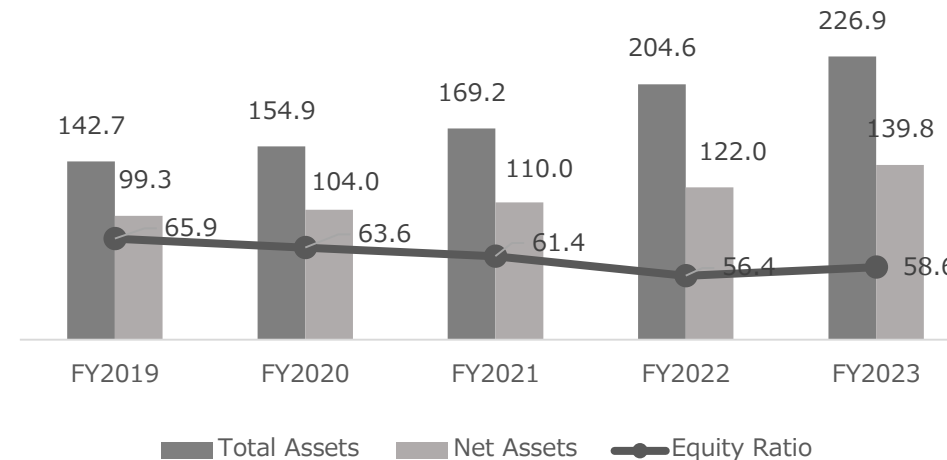
Net Sales by Business Segment (¥1B)



Net Income Attributable to Owners of Parent (¥1B), ROE (%)



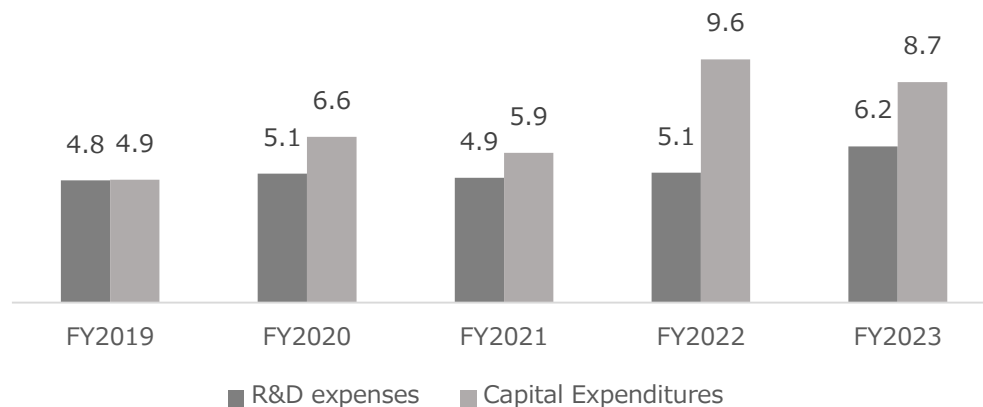
Total Assets (¥1B), Net Assets (¥1B), Equity Ratio(%)



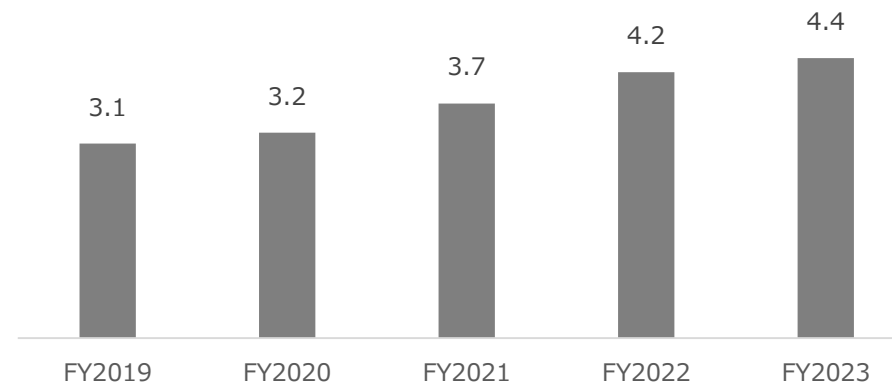


# Review of Previous MTBP / Financial Highlights

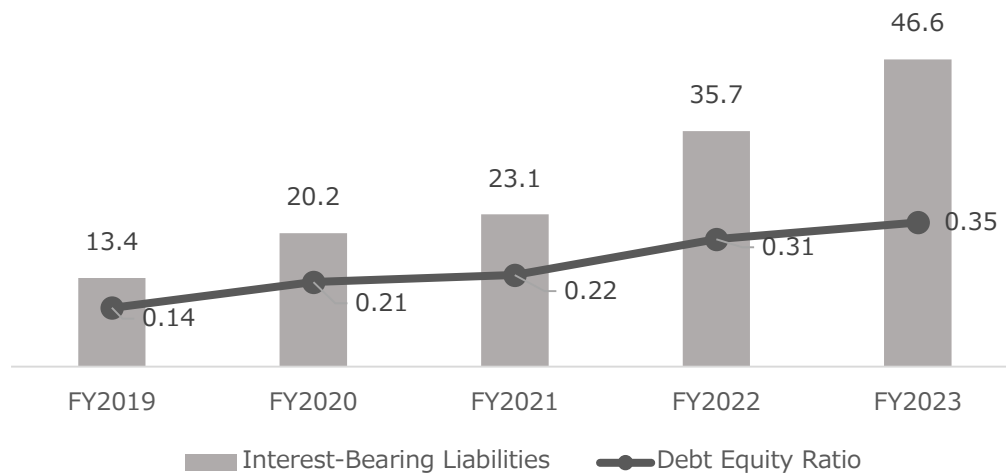
R&D expenses(¥1B), Capital Expenditures(¥1B)



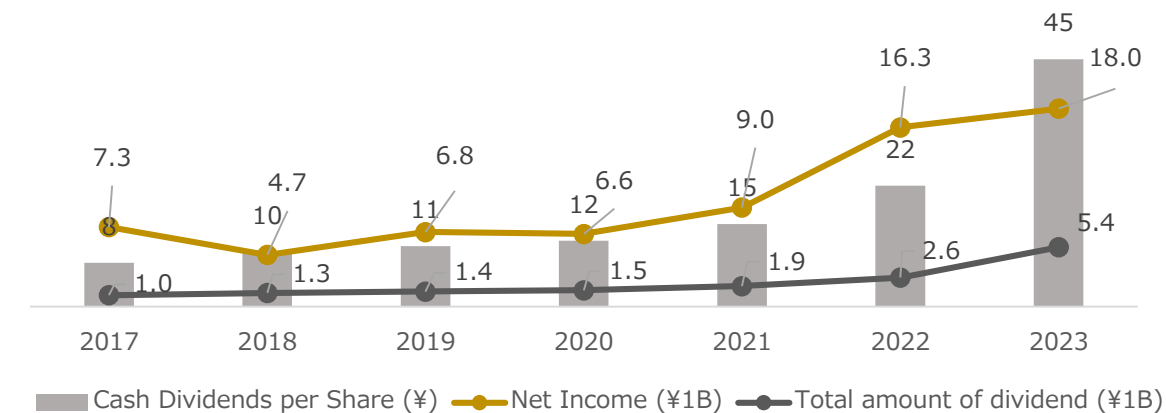
Depreciation & Amortization (¥1B)



Interest-Bearing Liabilities(¥1B), Debt Equity Ratio (times)



Cash Dividends



# 05

## **Overview of New Medium-Term Business Plan (FY2024 - 2026)** **“Create the Future – Expanding our Possibilities”**

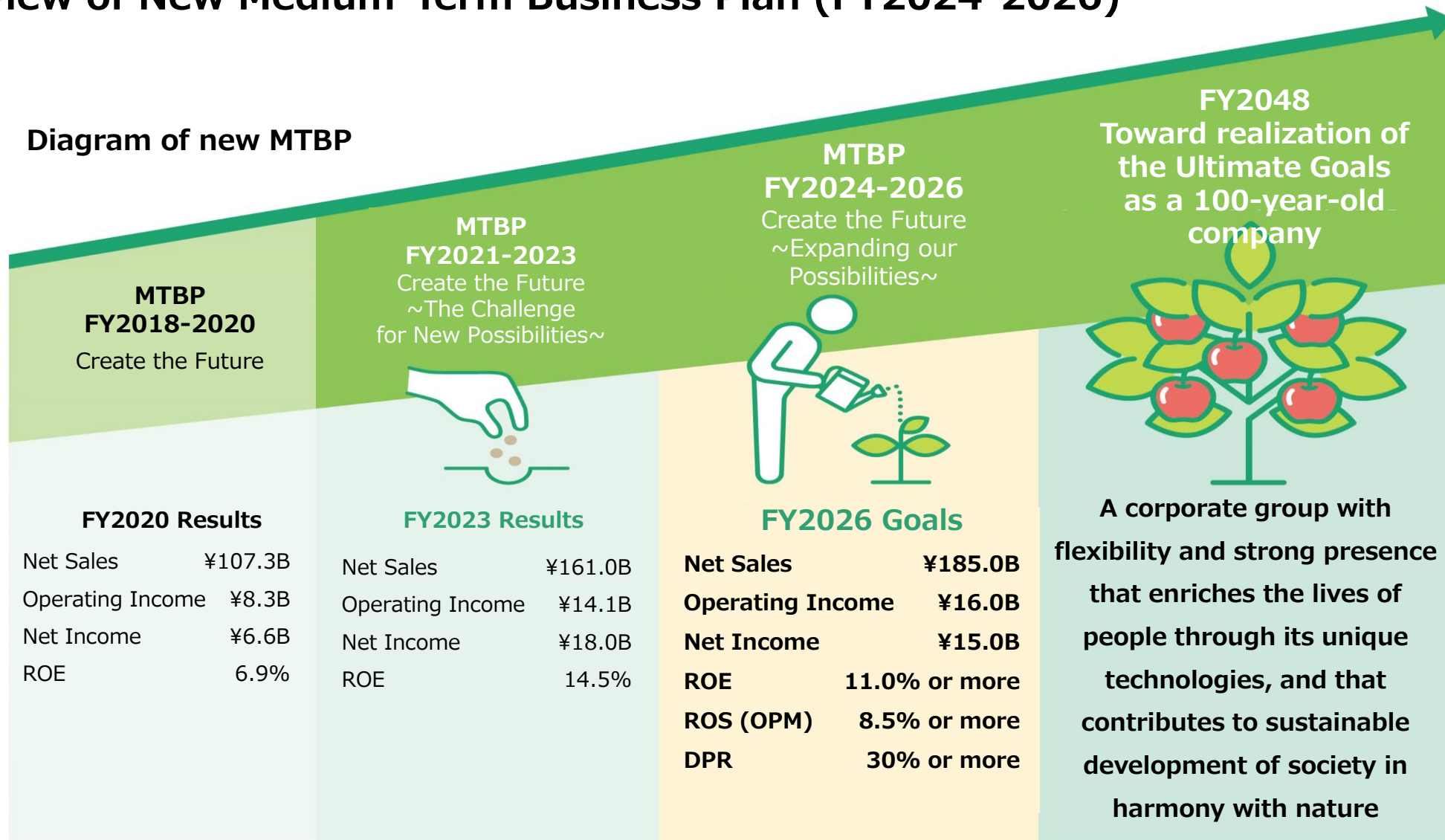
# New Medium-Term Business Plan (FY2024-2026)

## ***KUMI STORY 2026***

**Create the Future — Expanding our Possibilities**



# Overview of New Medium-Term Business Plan (FY2024-2026)



## Overview of New Medium-Term Business Plan (FY2024-2026)

A 3-year period to continue sowing the seeds to expand business domains, germinate the seeds sowed during the previous MTBP, nurture them into a more concrete form, and strengthen and expand the foundations for future growth of new businesses

### Numerical Targets

- Net sales: ¥185.0B, operating income: ¥16.0B, net income: ¥15.0B, ROE: 11.0% or more, ROS: 8.5% or more

### Capital Policy

- Capital investment of ¥27.6B, and R&D expenses of ¥22.0B (both figures are the total for 3 years) for future growth
- Make aggressive investment and drive programs to strengthen the financial structure
- Strengthen shareholder returns from previous MTBP and set payout ratio target of 30% or more

### Basic Management Policy

We aim to build a management foundation that can respond to changes in business environment by developing innovative technologies and exploring new business domains, and to be a corporate group that can contribute to realization of a sustainable society by providing with our products and services which can enrich the lives of people

	2023 Results	2026 Targets
Net Sales	¥161.0B	<b>¥185.0B</b>
Operating Income	¥14.1B	<b>¥16.0B</b>
Net Income	¥18.0B	<b>¥15.0B</b>
ROE	14.5%	<b>11.0% or more</b>
ROS (Operating Margin)	8.8%	<b>8.5% or more</b> *mid-to-long-term target: 10% or more

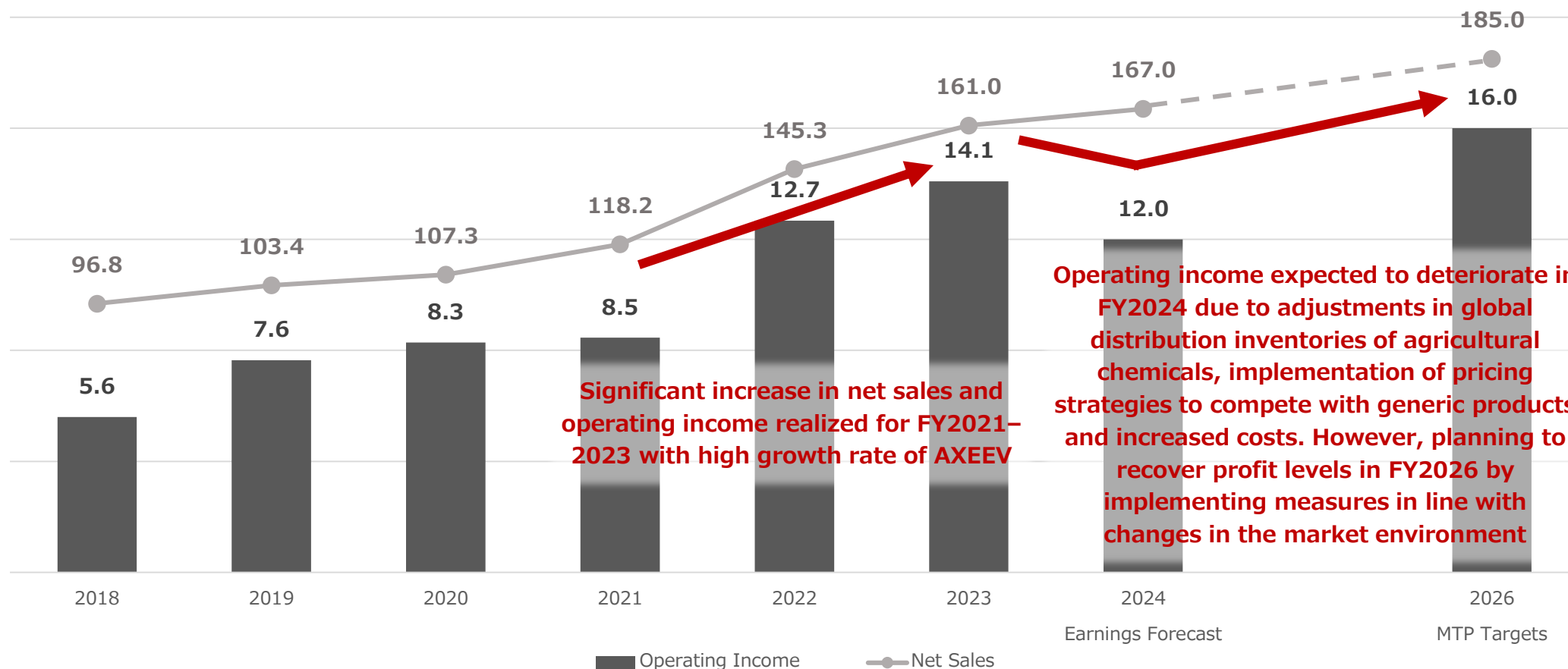
	2021-23 Results	2024-26 Plan
Capital Investment	¥24.3B	<b>¥27.6B</b>
R&D Expenses	¥16.3B : preliminary amount	<b>¥22.0B</b>

2026 Target	
Dividend Policy	<b>Dividend payout ratio: 30% or more</b> Basic policy is to continue to pay stable dividends based on a comprehensive assessment of shareholders returns, taking into account earnings trends and internal reserves to strength the corporate structure and prepare for future business development

## Overview of New Medium-Term Business Plan (FY2024-2026)

Net sales and operating income increased significantly up to FY2023 driven by the high growth rate of AXEEV. We aim to achieve record high sales and operating income in FY2026 even though rising costs are expected during the new MTBP period.

Net Sales and Operating Income (¥1B)

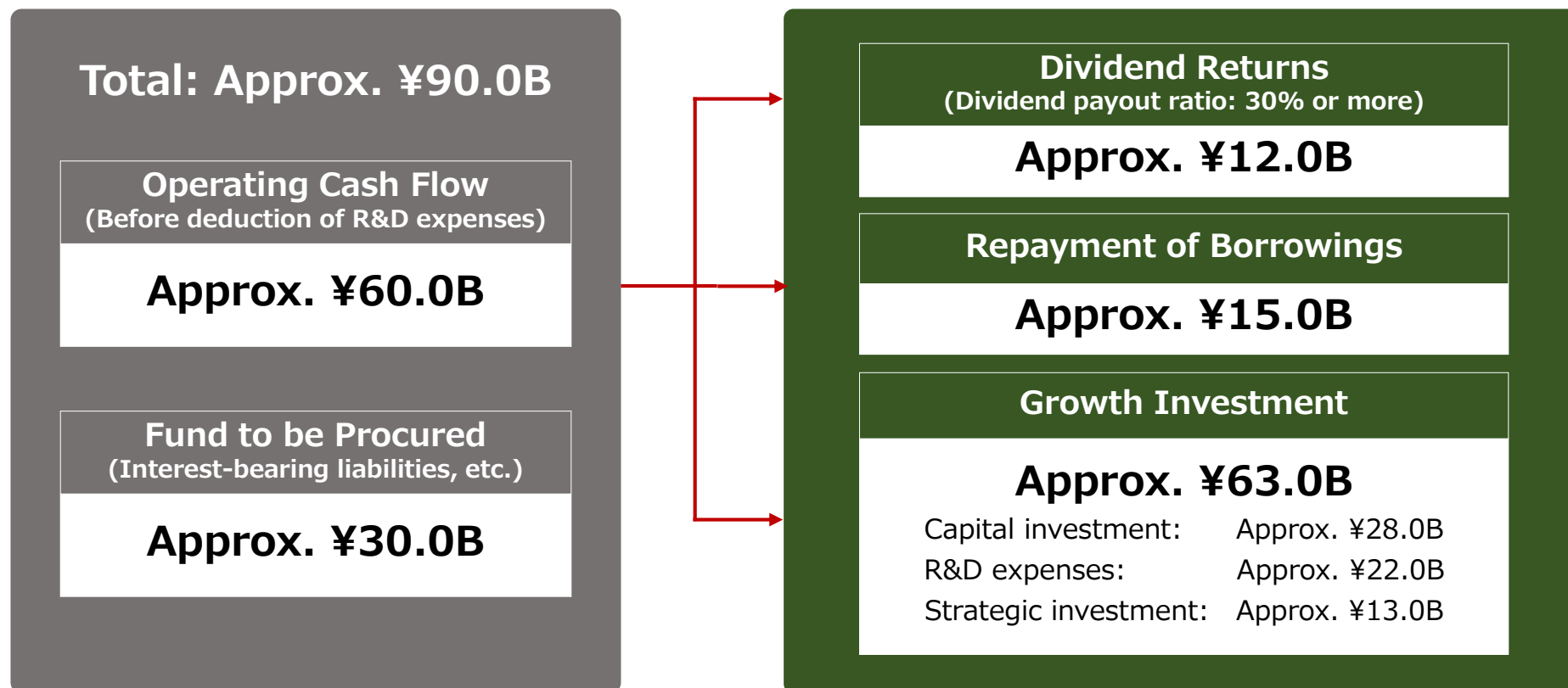




# Overview of New MTBP / Allocation of Capital

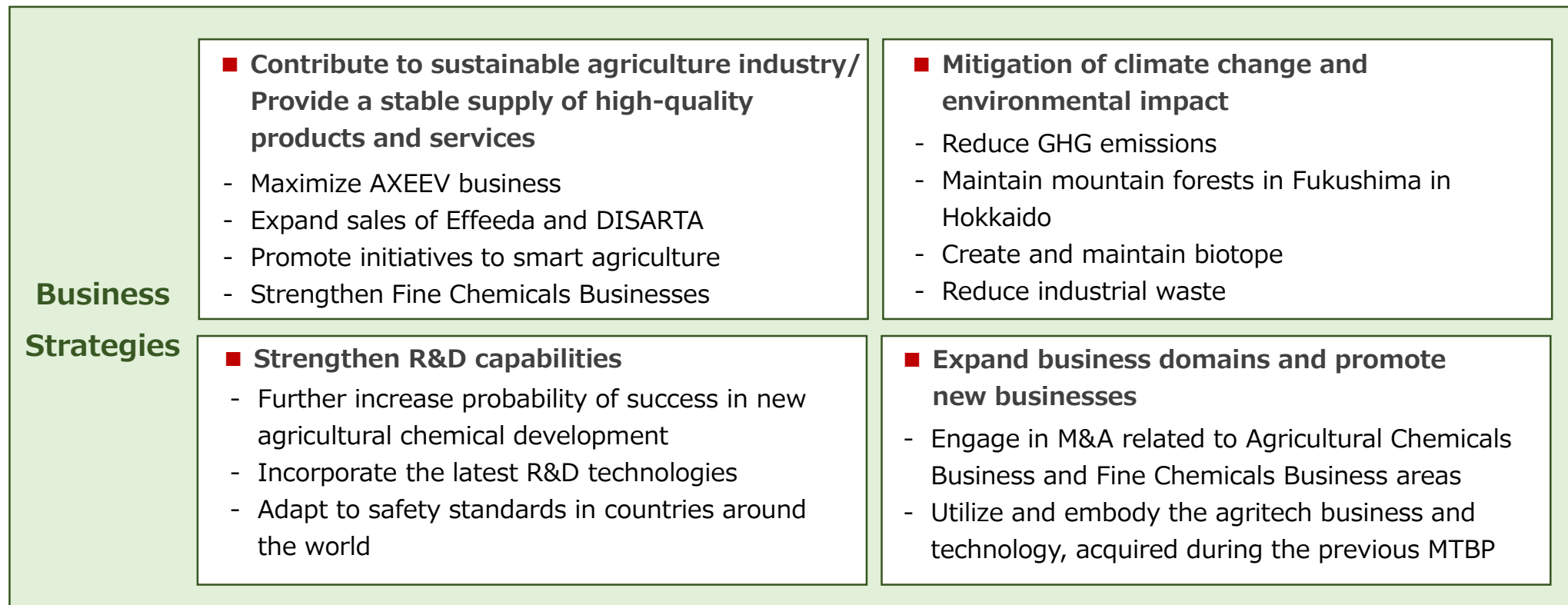
Capital allocation assumptions to promote efficient capital policy (FY2024–2026)

- Capital allocation assumptions in new MTBP (FY2024–2026)



## Overview of New MTBP / Key Policies

Seven issues that must be addressed during new MTBP period were selected from the materiality and set as key policies



**Foundation Supporting Business Strategies**

- **Human resource development/Human resources strategy based on the idea of human capital**
- **Improvement of corporate governance**
- **Promotion of digital transformation/Implementation of digitalization**



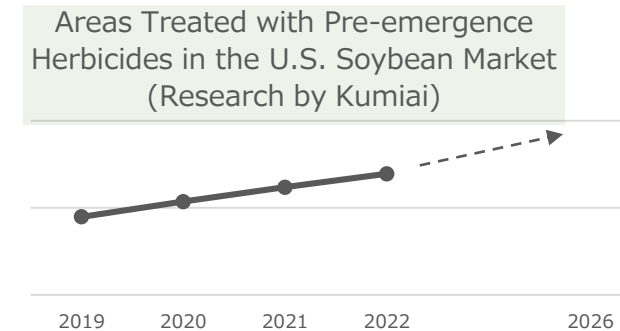
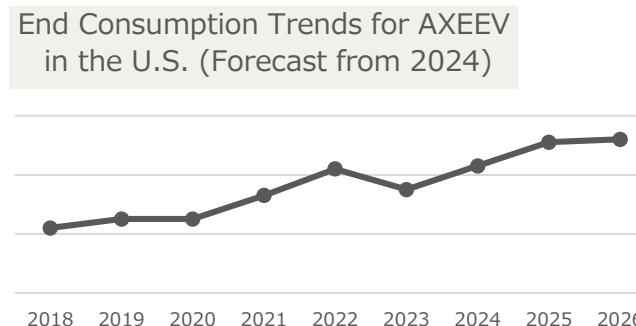
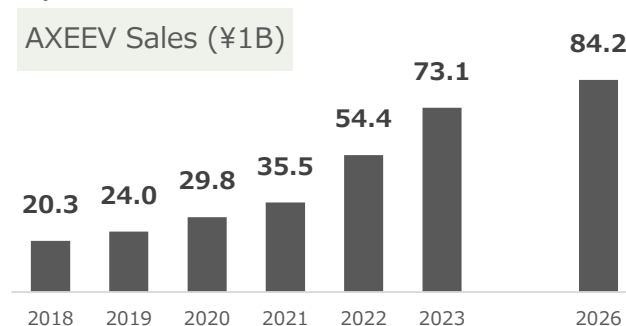
# Contribute to sustainable agricultural industry / Provide a stable supply of high-quality products and services (Agricultural Chemicals Business)

AXEEV expected to remain central driver of growth under new MTBP

Expand sales of Effeeda and DISARTA in Japan and overseas to consolidate foundation for sustainable business growth

## Maximize AXEEV business FY2026 sales plan: ¥84.2B

- We believe sales of AXEEV can expand further until FY2026 due to the spread of herbicide resistant weeds in the U.S. soybean market, the increase in the areas treated with pre-emergence herbicides due to expansion of overlapping treatment, and sales increase in the U.S. corn market.
- The adverse inventory adjustment of agricultural chemicals continuing globally until FY2024 is expected to gradually dissipate in FY2025 onward.
- Strengthen sales promotion support and implement appropriate pricing strategies as a counter-measure to compete with generic products (Australia and Argentina)



## Expand Sales of Effeeda FY2026 sales plan: ¥10.1B

- Plan continuous launch of new products for Japan from FY2024 onward. Promote formulation development in line with market needs
- Work to maximize the volume of EFFEEDA through collaboration with other manufacturers
- Strengthen overseas development with activities for further sales expansion

## Expand Sales of DISARTA FY2026 sales plan: ¥4.4B

- Work to enforce product lineup of mixed formulations to drive further growth. Aim to maximize sales in FY2026
- Develop South Korean business. Launch of four products containing DISARTA for rice nursery boxes by 4 different partner companies in 2023

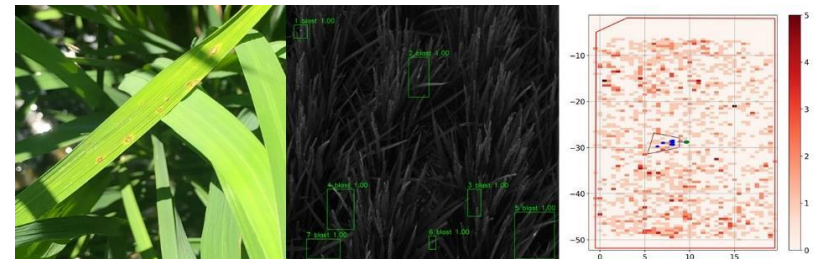
# Contribute to sustainable agricultural industry / Provide a stable supply of high-quality products and services (Agricultural Chemicals Business)

Strengthen initiatives aimed at realizing smart agriculture through collaboration with partner companies

## ■ Utilize AI

Cooperate on earth-friendly agriculture by combining sensing and drones  
Establish technology to detect rice blast using drones through joint research with Nileworks Inc., a specialist firm in development and sale of drones and technological pursuit of agricultural DX

- ▶ Become able to detect rice blast as small as 5 mm, undetectable by conventional drone-based disease diagnostics



Acquire imaging data > Examine detection models  
> Detect diseases and pests through models > Map agricultural fields

## ■ Investigate spraying of Mametsubu herbicides

Currently investigation under way with partner companies about spraying of Mametsubu herbicide using drones, radio-controlled boats, and automatic watering systems



## ■ Expand lineup of products compatible with diverse technologies

Contribute to labor savings by developing agricultural chemicals applicable to non-thermal fogging treatment

\*Non-thermal fogging treatment uses a compressor or similar equipment to produce a fine mist (aerosol) of chemical solution at ambient temperature to spray into every corner of greenhouse, without using a heat source



## Contribute to sustainable agricultural industry / Provide a stable supply of high-quality products and services (Fine Chemicals Business)

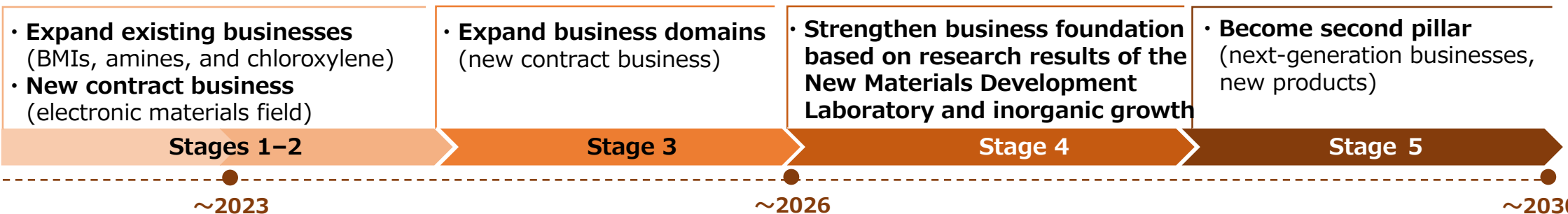
Position Fine Chemical Businesses as the second pillar, by developing business in growth areas such as semiconductors and other electronic materials

### ■ Expand Existing Businesses

- Leverage the actual extensive portfolio of bismaleimides (BMIs) to meet increasingly strict requirements, such as high heat resistance, high strength, and low dielectric properties to explore new customers and applications
- In the amines business, maximize earnings by expanding lineup of EHS-related products and/or electronic material-oriented products, where demand is expected to grow in the future
- Chloroxylene derivatives are expected to be in demand in a broad range of fields, so promote high value-added products targeting further downstream to attract new customers and expand business domains.

### ■ Create New Businesses

- Endeavor to launch new contract manufacturing business of fine chemicals (electronic materials field) as soon as possible. Also work to expand business domains by actively taking on the challenge of contract manufacturing in the semiconductor field, where the most stringent specifications are required
- Develop innovative products through research activities by the New Materials Development Laboratory, expand business domains or collaborate for downstream business



# Reduce Climate Change and Environmental Impact

Contribute to protecting the global environment leveraging the Group's technologies and knowledge

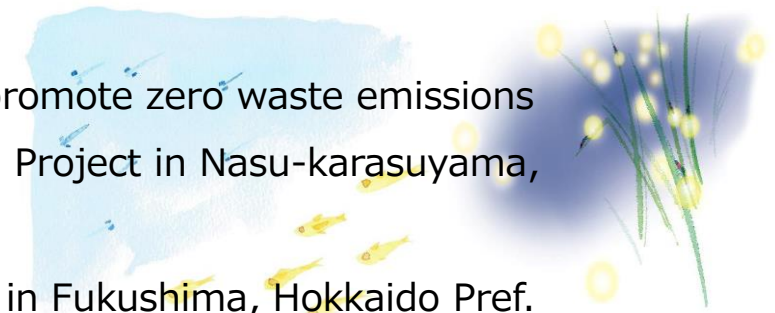
## ■ Address Climate Change

- Continue efforts to reduce GHG emissions (30% reduction from FY2019 by FY2030)
- Respond to measures taken in each country, such as the Strategy for Sustainable Food Systems, MIDORI in Japan and the Farm to Fork Strategy in Europe
- Make efforts to solve logistics issues



## ■ Contribute to Maintaining Biodiversity

- Properly manage water resource and waste, reduce consumption, and promote zero waste emissions
- Satochi-Satoyama (socio-ecological production landscapes) Preservation Project in Nasu-karasuyama, Tochigi Pref.
- Tree-planting and tree-raising activities, and weed management project in Fukushima, Hokkaido Pref.
- Create, maintain, and manage biotope in Kikugawa, Shizuoka Pref.



## ■ Contribute to Recycling-Based Society

- Properly manage water resource and waste, reduce consumption, and promote zero waste emissions

# Enhance Research and Development Capabilities

## Accelerate research into developing new agricultural chemicals to contribute to global food

### ■ Initiatives of Developing New Agricultural Chemicals

- To date, the Company's success rate of developing new active ingredient is 1 in 7,500 compounds, far higher than the generally accepted 1 in 160,000 compounds
- Successfully commercialized at least one new active ingredient every three years
- To further improve efficiency, use new techniques proactively such as target-based screening and AI
- Promote research into microbial pesticides and biostimulants in addition to conventional agricultural chemicals, with a view to cooperating with governmental initiatives such as the Strategy for Sustainable Food Systems, MIDORI and the Farm to Fork Strategy

### ■ New Active Ingredient Pipeline

#### Insecticide

- Acaricide flupentiofenox (VANENTA®) (to be registered in 2024)
- Global development of insecticide A

#### Fungicide

- Paddy rice fungicide A under development (to be registered in 2026)

#### Herbicide

- Effeeda® under development as herbicide for wheat in Europe (to be registered in 2029)

#### Microbial pesticide

- Root tip carcinoma control agent ECO ARK® (to be registered in 2025)

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	●		

## Expand Business domains and Promote New Businesses

Expand business domains mainly with M&A action, and promote new businesses to realize the Group's sustainable growth

- Implement M&A of businesses in the Agricultural Chemicals Business and Fine Chemicals Businesses areas
  - Work to further expand business domains of existing Agricultural Chemicals Business and Fine Chemicals Business
  - Without changing the Company's key business categories, (agriculture, agricultural chemicals, and fine chemicals) expand into new businesses in areas peripheral to existing businesses
- Expand business domains using AAI, a subsidiary consolidated during the previous MTBP
  - Expand Agricultural Chemicals Business using AAI's sales channels and manufacturing technology
  - Promote development of agricultural chemicals in Africa and Asia
- Make use of agritech business acquired during the previous MTMP
  - Contribute further to the realization of sustainable agriculture with agritech (smart agriculture) technology incorporated into Kumiai Chemical Group
  - In particular, speed up the synergies in research and development of our products in horticulture, and product development and sales of microorganism materials

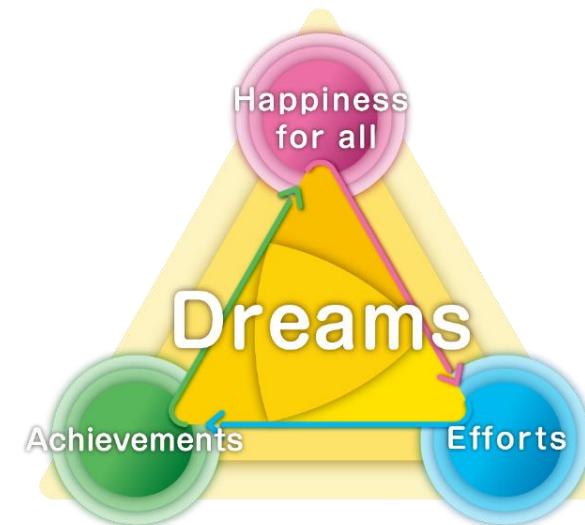


# Develop Human Resources/Human Resources Strategy Based on the Idea of Human Capital

Establish a vision for human resources strategy in line with the slogans “Dreams” and “the Happiness Triangle”



Figure: Concept of “Dreams” and “the Happiness Triangle”



# Develop Human Resources/Human Resources Strategy Based on the Idea of Human Capital

Establish a human resources strategy aimed at maximizing the value of human resources considered as capital and enhancing corporate value over the medium to long term

■ Put into practice the following action plan aimed at realizing the vision for human resources strategy

## Recruitment

- Specify requirements for priority personnel and develop recruitment and staffing plans for each department/division
- Upgrade recruitment activities for systematic and efficient selection of core personnel from both new graduates and experienced professionals

## Training

- Improve company-wide education and training system, and enhance development programs for each position (managers, manager candidates, etc.)
- Modify OJT planning formats to help advance the OJT system

## D&I

- Prepare diversity and inclusion (D&I) implementation plans by clarifying the policy and vision, and put them into practice
- Set up diversity promotion working group, create vision, and promote women's active participation

## WLB

- Identify issues around work-life balance (WLB), formulate measures to resolve essential issues and implement them
- Develop health and productivity management promotion system and obtain accreditation under the Certified Health & Productivity Management Outstanding Organizations recognition program

## Personnel System

- Design the personnel system on the basis of rewards matching the role and performance results, eliminating seniority idea, and encouraging active participation of diverse human resources
- Enhance specialist system, realize diverse work styles, and revise current personnel organization incorporating region-specific systems and life event-based handling

## Evaluations

- Introduce systems of encouraging proactive challenges, and developing professional ability to handle required duties
- Review evaluation system to improve fairness and persuasiveness, and implement feedback interviews with every employee

## Remuneration

- Revise system into one that is more clear-cut with remuneration based on job responsibilities and actual contribution
- Set wages in line with job characteristics and revise allowances to increase job satisfaction

## Career Planning- Based Deployment

- Visualize career paths and clarify career vision through development of career maps
- Drastically enhance career development support, including introduction of career training and internal recruitment system



# Upgrade Corporate Governance, Promote Digital Transformation (DX)/Digitalization

Strengthen governance and promote DX and digitization to reinforce business foundation supporting business strategies

## ■ Upgrade Corporate Governance

### Develop risk management system

- Develop and operate thorough internal control system
- Organize risk information and share countermeasures
- Create the foundations for fostering and evolving proper risk-handling practice

### Develop compliance system

- Promote compliance awareness activities
- Ensure safety, environmental, and legal compliance throughout the Group

### Collaborate with stakeholders

- Disseminate information to increase stakeholder confidence(Implement ESG initiatives and awareness promotion)

## ■ Promote DX/Implement Digitization

### Issues common to all departments

- Implement digitization and digitalization to promote DX
- Reinforce systems/security section
- Introduce digital technologies suitable to diverse work styles
- Examine the use of generative AI and prepare guidelines
- Establish processes for efficient data collection

### R&D

- Investigate creative techniques of discovering new molecules using AI and any other digital methods
- Develop and operate the chemical substance management system

### Production

- Automate factory facilities
- Conduct technical surveys of production and procurement-related DX

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<Inquiries>

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

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